

VALLEY OF THE RIO DOCE CO

Form 6-K

November 12, 2004

United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the
Securities Exchange Act of 1934

For the month of

November 2004

Valley of the Rio Doce Company

(Translation of Registrant's name into English)

Avenida Graça Aranha, No. 26
20005-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

(Check One) Form 20-F Form 40-F

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1))

(Check One) Yes No

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7))

(Check One) Yes No

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

(Check One) Yes No

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b). 82-)

COMPANHIA VALE DO RIO DOCE
Report on Form 6-K

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Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars

| | September 30, 2004 | December 31, 2003 |
|---|-------------------------------|------------------------------|
| | (unaudited) | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 1,939 | 585 |
| Accounts receivable | | |
| Related parties | 165 | 115 |
| Unrelated parties | 809 | 703 |
| Loans and advances to related parties | 48 | 56 |
| Inventories | 701 | 505 |
| Deferred income tax | 130 | 91 |
| Others | 454 | 419 |
| | <u>4,246</u> | <u>2,474</u> |
| Property, plant and equipment, net and mining rights | 7,727 | 6,484 |
| Investments in affiliated companies and joint ventures and other investments, net of provision for losses on equity investments | 1,053 | 1,034 |
| Other assets | | |
| Goodwill on acquisition of subsidiaries | 455 | 451 |
| Loans and advances | | |
| Related parties | 32 | 40 |
| Unrelated parties | 72 | 68 |
| Prepaid pension cost | 73 | 82 |
| Deferred income tax | 409 | 234 |
| Judicial deposits | 472 | 407 |
| Unrealized gain on derivative instruments | 1 | 5 |
| Others | 180 | 155 |
| | <u>1,694</u> | <u>1,442</u> |
| TOTAL | <u>14,720</u> | <u>11,434</u> |

Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars
(Except number of shares)

(Continued)

| | September 30, 2004 | December 31, 2003 |
|---|-------------------------------|------------------------------|
| | (unaudited) | |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Suppliers | 422 | 482 |
| Payroll and related charges | 118 | 78 |
| Interest attributed to stockholders | 287 | 118 |
| Provision for income taxes | 371 | 21 |
| Current portion of long-term debt - unrelated parties | 719 | 1,009 |
| Short-term debt | 201 | 129 |
| Loans from related parties | 62 | 119 |
| Others | 420 | 297 |
| | 2,600 | 2,253 |
| Long-term liabilities | | |
| Employees post-retirement benefits | 212 | 198 |
| Long-term debt - unrelated parties | 3,434 | 2,767 |
| Loans from related parties | 2 | 4 |
| Provisions for contingencies (Note 11) | 788 | 635 |
| Unrealized loss on derivative instruments | 165 | 96 |
| Others | 383 | 268 |
| | 4,984 | 3,968 |
| Minority interests | 656 | 329 |
| Stockholders' equity | | |
| Preferred class A stock - 1,800,000,000 no-par-value shares authorized and 415,727,739 issued | 1,176 | 1,055 |
| Common stock - 900,000,000 no-par-value shares authorized and 749,949,429 issued | 2,121 | 1,902 |
| Treasury stock - 11,967 (2003 - 12,549) preferred and 14,145,510 common shares | (88) | (88) |
| Additional paid-in capital | 498 | 498 |

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| | | |
|-------------------------------------|---------------|---------------|
| Other cumulative comprehensive loss | (4,214) | (4,375) |
| Appropriated retained earnings | 2,719 | 3,035 |
| Unappropriated retained earnings | 4,268 | 2,857 |
| | <u>6,480</u> | <u>4,884</u> |
| TOTAL | <u>14,720</u> | <u>11,434</u> |

See notes to condensed consolidated financial information.

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Condensed Consolidated Statements of Income
Expressed in millions of United States dollars (Unaudited)
(except number of shares and per-share amounts)

| | Three-month periods ended | | | Nine months ended September 30 | |
|---|---------------------------|------------------|-----------------------|-----------------------------------|----------------|
| | September 30, 2004 | June 30, 2004 | September 30, 2003 | 2004 | 2003 |
| Operating revenues, net of discounts, returns and allowances | | | | | |
| Sales of ores and metals | | | | | |
| Iron ore and pellets | 1,386 | 1,262 | 918 | 3,709 | 2,425 |
| Kaolin | 41 | 39 | 25 | 119 | 55 |
| Manganese and ferroalloys | 193 | 164 | 81 | 488 | 245 |
| Potash | 35 | 31 | 28 | 89 | 70 |
| Copper | 70 | 24 | | 94 | |
| Others | | | 5 | | 21 |
| | <u>1,725</u> | <u>1,520</u> | <u>1,057</u> | <u>4,499</u> | <u>2,816</u> |
| Revenues from logistic services | 232 | 220 | 159 | 643 | 412 |
| Aluminum products | 327 | 289 | 243 | 896 | 598 |
| Other products and services | 3 | 4 | 24 | 13 | 29 |
| | <u>2,287</u> | <u>2,033</u> | <u>1,483</u> | <u>6,051</u> | <u>3,855</u> |
| Value-added tax | (114) | (113) | (51) | (302) | (143) |
| | <u>2,173</u> | <u>1,920</u> | <u>1,432</u> | <u>5,749</u> | <u>3,712</u> |
| Net operating revenues | | | | | |
| Operating costs and expenses | | | | | |
| Cost of ores and metals sold | (751) | (647) | (530) | (2,041) | (1,396) |
| Cost of logistic services | (126) | (117) | (89) | (358) | (232) |
| Cost of aluminum products | (174) | (143) | (185) | (464) | (484) |
| Others | (2) | (5) | (8) | (10) | (11) |
| | <u>(1,053)</u> | <u>(912)</u> | <u>(812)</u> | <u>(2,873)</u> | <u>(2,123)</u> |
| Selling, general and administrative expenses | (112) | (106) | (74) | (319) | (168) |
| Research and development | (36) | (27) | (22) | (86) | (45) |
| Employee profit sharing plan | (17) | (17) | (2) | (47) | (23) |
| Others | (69) | (26) | (21) | (123) | (101) |

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| | | | | | |
|---|----------------|----------------|--------------|----------------|----------------|
| | <u>(1,287)</u> | <u>(1,088)</u> | <u>(931)</u> | <u>(3,448)</u> | <u>(2,460)</u> |
| Operating income | <u>886</u> | <u>832</u> | <u>501</u> | <u>2,301</u> | <u>1,252</u> |
| Non-operating income (expenses) | | | | | |
| Financial income | 10 | 19 | 27 | 41 | 84 |
| Financial expenses | (165) | (106) | (83) | (413) | (229) |
| Foreign exchange and monetary gains (losses), net | 77 | (245) | (57) | (210) | 250 |
| Gain on sale of investments | 314 | | | 314 | |
| | <u>236</u> | <u>(332)</u> | <u>(113)</u> | <u>(268)</u> | <u>105</u> |
| Income before income taxes, equity results and minority interests | <u>1,122</u> | <u>500</u> | <u>388</u> | <u>2,033</u> | <u>1,357</u> |
| Income taxes | | | | | |
| Current | (285) | (41) | 41 | (423) | (100) |
| Deferred | 61 | (23) | (41) | 70 | (131) |
| | <u>(224)</u> | <u>(64)</u> | | <u>(353)</u> | <u>(231)</u> |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | 127 | 150 | 89 | 363 | 218 |
| Minority interests | (82) | (82) | (9) | (191) | (56) |
| Income from continuing operations | <u>943</u> | <u>504</u> | <u>468</u> | <u>1,852</u> | <u>1,288</u> |
| Change in accounting practice for asset retirement obligations (Note 4) | | | | | (10) |
| Net income for the period | <u>943</u> | <u>504</u> | <u>468</u> | <u>1,852</u> | <u>1,278</u> |
| Basic earnings per Preferred Class A Share | <u>0.82</u> | <u>0.44</u> | <u>0.41</u> | <u>1.61</u> | <u>1.11</u> |

| | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| Basic earnings per Common Share | <u>0.82</u> | <u>0.44</u> | <u>0.41</u> | <u>1.61</u> | <u>1.11</u> |
| Weighted average number of shares outstanding (thousands of shares) | | | | | |
| Common shares | 735,804 | 735,804 | 735,804 | 735,804 | 735,804 |
| Preferred Class A shares | 415,714 | 415,713 | 415,713 | 415,713 | 415,713 |

See notes to condensed consolidated financial information.

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Condensed Consolidated Statements of Cash Flows
Expressed in millions of United States dollars (Unaudited)

| | Three-month periods ended | | | Nine months ended September 30 | |
|---|---------------------------|------------------|-----------------------|-----------------------------------|--------------|
| | September 30, 2004 | June 30, 2004 | September 30, 2003 | 2004 | 2003 |
| Cash flows from operating activities: | | | | | |
| Net income | 943 | 504 | 468 | 1,852 | 1,278 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | | | |
| Depreciation, depletion and amortization | 102 | 79 | 63 | 280 | 160 |
| Dividends received | 19 | 60 | 66 | 140 | 138 |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | (127) | (150) | (89) | (363) | (218) |
| Deferred income taxes | (61) | 23 | 41 | (70) | 131 |
| Gain on sale of investment | (314) | | | (314) | |
| Impairment of property, plant and equipment | | | | | 12 |
| Change in accounting practice for asset retirement obligations (Note 4) | | | | | 10 |
| Pension plan | 3 | 3 | 3 | 9 | 8 |
| Foreign exchange and monetary losses (gains) | (118) | 291 | 13 | 218 | (386) |
| Net unrealized derivative losses (gains) | 36 | (22) | 21 | 68 | 23 |
| Minority interests | 82 | 82 | 9 | 191 | 56 |
| Interest payable, net | 42 | 27 | (6) | 55 | 10 |
| Others | 64 | 24 | (14) | 67 | (15) |
| Decrease (increase) in assets: | | | | | |
| Accounts receivable | | (132) | (24) | (155) | 105 |
| Inventories | (39) | (67) | (27) | (121) | (30) |
| Others | (44) | 67 | (1) | (2) | 21 |
| Increase (decrease) in liabilities: | | | | | |
| Suppliers | 26 | (59) | (2) | (58) | (67) |
| Payroll and related charges | 27 | (18) | (15) | 6 | (8) |
| Income Taxes | 370 | | | 370 | |
| Others | 96 | (12) | (71) | 231 | 25 |
| | 1,107 | 700 | 435 | 2,404 | 1,253 |
| Net cash provided by operating activities | | | | | |
| Cash flows from investing activities: | | | | | |
| Loans and advances receivable | | | | | |
| Related parties | | | | | |
| Additions | (6) | (6) | (15) | (12) | (92) |
| Repayments | | 5 | 33 | 46 | 62 |

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| | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Others | (3) | 4 | 18 | 16 | 35 |
| Guarantees and deposits | (48) | (18) | 78 | (90) | (86) |
| Additions to investments | (4) | (6) | (8) | (19) | (69) |
| Additions to property, plant and equipment | (348) | (416) | (443) | (1,145) | (949) |
| Proceeds from disposal of investments | 415 | | 21 | 415 | 58 |
| Cash used to acquire subsidiaries, net of cash acquired | | | (426) | | (426) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net cash used in investing activities | 6 | (437) | (742) | (789) | (1,467) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Cash flows from financing activities: | | | | | |
| Short-term debt, net issuances (repayments) | 40 | (44) | (4) | 40 | (37) |
| Loans | | | | | |
| Related parties | | | | | |
| Additions | 15 | 3 | 48 | 21 | 48 |
| Repayments | (2) | (1) | (2) | (9) | (24) |
| Issuances of long-term debt | | | | | |
| Related parties | | | | | 2 |
| Others | 43 | 227 | 779 | 935 | 996 |
| Repayments of long-term debt | | | | | |
| Related parties | (3) | | | (3) | (4) |
| Others | (222) | (201) | (139) | (893) | (415) |
| Interest attributed to stockholders | | (269) | (33) | (269) | (248) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net cash provided by (used in) financing activities | (129) | (285) | 649 | (178) | 318 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Increase (decrease) in cash and cash equivalents | 984 | (22) | 342 | 1,437 | 104 |
| Effect of exchange rate changes on cash and cash equivalents | (104) | (2) | (14) | (109) | 99 |
| Initial cash in new consolidated subsidiary | | | 46 | 26 | 46 |
| Cash and cash equivalents, beginning of period | 1,059 | 1,083 | 966 | 585 | 1,091 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Cash and cash equivalents, end of period | 1,939 | 1,059 | 1,340 | 1,939 | 1,340 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Cash paid during the period for: | | | | | |
| Interest on short-term debt | | | | (2) | (7) |
| Interest on long-term debt | (82) | (51) | (54) | (213) | (140) |
| Income tax | | | (6) | | (39) |
| Non-cash transactions | | | | | |
| Conversion of loans receivable to investments | | | 9 | | 96 |

Condensed Consolidated Statements of Changes in Stockholders Equity
Expressed in millions of United States dollars (Unaudited)
(except number of shares and per-share amounts)

| | Three-month periods ended | | | Nine months ended September 30 | |
|--|---------------------------|---------------|--------------------|--------------------------------|--------------|
| | September 30, 2004 | June 30, 2004 | September 30, 2003 | 2004 | 2003 |
| Preferred class A stock (including one special share) | | | | | |
| Beginning of the period | 1,176 | 1,055 | 1,055 | 1,055 | 904 |
| Transfer from appropriated retained earnings | | 121 | | 121 | 151 |
| End of the period | 1,176 | 1,176 | 1,055 | 1,176 | 1,055 |
| Common stock | | | | | |
| Beginning of the period | 2,121 | 1,902 | 1,902 | 1,902 | 1,630 |
| Transfer from appropriated retained earnings | | 219 | | 219 | 272 |
| End of the period | 2,121 | 2,121 | 1,902 | 2,121 | 1,902 |
| Treasury stock | | | | | |
| Beginning and end of the period | (88) | (88) | (88) | (88) | (88) |
| Additional paid-in capital | | | | | |
| Beginning and end of the period | 498 | 498 | 498 | 498 | 498 |
| Other cumulative comprehensive loss | | | | | |
| Cumulative translation adjustments | | | | | |

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| | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning of the period | (4,757) | (4,480) | (4,406) | (4,449) | (5,185) |
| Change in the period | 461 | (277) | (67) | 153 | 712 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| End of the period | (4,296) | (4,757) | (4,473) | (4,296) | (4,473) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Unrealized gain on available-for-sale securities | | | | | |
| Beginning of the period | 61 | 77 | 18 | 74 | |
| Change in the period | 21 | (16) | (4) | 8 | 14 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| End of the period | 82 | 61 | 14 | 82 | 14 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Adjustments relating to investments in affiliates | | | | | |
| Beginning and end of the period | | | 10 | | 10 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total other cumulative comprehensive loss | (4,214) | (4,696) | (4,449) | (4,214) | (4,449) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Appropriated retained earnings | | | | | |
| Beginning of the period | 2,501 | 3,016 | 2,292 | 3,035 | 2,230 |
| Transfer (to) from retained earnings | 218 | (175) | (41) | 24 | 444 |
| Transfer to capital stock | | (340) | | (340) | (423) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| End of the period | 2,719 | 2,501 | 2,251 | 2,719 | 2,251 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Retained earnings | | | | | |
| Beginning of the period | 3,667 | 3,119 | 3,281 | 2,857 | 3,288 |
| Net income | 943 | 504 | 468 | 1,852 | 1,278 |
| Interest attributed to stockholders | | | | | |
| Preferred class A stock | (45) | (48) | (115) | (151) | (235) |
| Common stock | (79) | (83) | (203) | (266) | (415) |
| Appropriation (to) from reserves | (218) | 175 | 41 | (24) | (444) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| End of the period | 4,268 | 3,667 | 3,472 | 4,268 | 3,472 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

| | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total stockholders equity | 6,480 | 5,179 | 4,641 | 6,480 | 4,641 |
| Comprehensive income is comprised as follows: | | | | | |
| Net income for the period | 943 | 504 | 468 | 1,852 | 1,278 |
| Cumulative translation adjustments | 461 | (277) | (67) | 153 | 712 |
| Unrealized gain (loss) on available-for-sale securities | 21 | (16) | (4) | 8 | 14 |
| Total comprehensive income | 1,425 | 211 | 397 | 2,013 | 2,004 |
| Shares | | | | | |
| Preferred class A stock (including one special share) | 415,727,739 | 415,727,739 | 415,727,739 | 415,727,739 | 415,727,739 |
| Common stock | 749,949,429 | 749,949,429 | 749,949,429 | 749,949,429 | 749,949,429 |
| Treasury stock (1) | | | | | |
| Beginning of the period | (14,158,059) | (14,158,059) | (14,158,707) | (14,158,059) | (14,158,953) |
| Change in the period | 582 | | 648 | 582 | 894 |
| End of the period | (14,157,477) | (14,158,059) | (14,158,059) | (14,157,477) | (14,158,059) |
| | 1,151,519,691 | 1,151,519,109 | 1,151,519,109 | 1,151,519,691 | 1,151,519,109 |
| Interest attributed to stockholders (per share) | | | | | |
| Preferred class A stock (including one special share) | 0.11 | 0.11 | 0.28 | 0.36 | 0.56 |
| Common stock | 0.11 | 0.11 | 0.28 | 0.36 | 0.56 |

(1) As of September 30, 2004, 14,145,510 common shares and 11,967 preferred shares were held in treasury in the amount of \$88. The 14,145,510 common shares guarantee a loan of our subsidiary Alunorte.

See notes to condensed consolidated financial information.

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Notes to the Condensed Consolidated Financial Information
Expressed in millions of United States dollars, unless otherwise stated (Unaudited)

1 The Company and its operations

Companhia Vale do Rio Doce (CVRD) is a limited liability company, duly organized and existing under the laws of the Federative Republic of Brazil. Our operations are carried out through CVRD and its subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production and logistics, as well as energy, aluminum and steel activities. Further details of our operations and those of our joint ventures and affiliates are described in Note 8.

The main operating subsidiaries we consolidate are as follows:

| Subsidiary | % ownership | Head office location | Principal activity |
|--|-------------|----------------------|-------------------------------------|
| Alumina do Norte do Brasil S.A. - Alunorte | 57 | Brazil | Aluminum |
| Alumínio Brasileiro S.A. - Albras (8) | 51 | Brazil | Aluminum |
| CADAM S.A (CADAM) (2) (4) | 37 | Brazil | Kaolin |
| CELMAR S.A. - Indústria de Celulose e Papel (3) | 100 | Brazil | Forestry |
| CVRD Overseas Ltd. | 100 | Cayman Island | Trading |
| Ferrovias Centro-Atlântica S.A. (4) | 100 | Brazil | Logistics |
| Ferteco Mineração S.A. - FERTECO (3) | 100 | Brazil | Iron ore and Pellets |
| Itabira Rio Doce Company Ltd. - ITACO | 100 | Cayman Island | Trading |
| Mineração Serra do Sossego S.A. (5) | 100 | Brazil | Copper |
| Minerações Brasileiras Reunidas S.A. - MBR (4) (7) | 56 | Brazil | Iron ore |
| Navegação Vale do Rio Doce S.A. - DOCENAVE | 100 | Brazil | Shipping |
| Pará Pigmentos S.A. | 76 | Brazil | Kaolin |
| Rio Doce International Finance Ltd. - RDIF | 100 | Bahamas | International finance |
| Rio Doce Manganês S.A. (6) | 100 | Brazil | Manganese and Ferroalloys |
| Rio Doce Manganês Europe - RDME | 100 | France | Ferroalloys |
| Rio Doce Manganese Norway - RDMN | 100 | Norway | Ferroalloys |
| Salobo Metais S.A. (1) | 100 | Brazil | Copper |
| Urucum Mineração S.A. | 100 | Brazil | Iron ore, Ferroalloys and Manganese |

(1) Development stage companies

(2) Through Caemi Mineração e Metalurgia S.A. (CAEMI)

(3) Merged with CVRD on August 29, 2003

- (4) Consolidated as from September 2003
- (5) Merged with CVRD on December 30, 2003
- (6) Formerly Sibra-Eletrosiderúrgica Brasileira S.A.
- (7) Through Caemi Mineração e Metalurgia S.A. and Belém Administrações e Participações Ltda.
- (8) Consolidated as from January 1, 2004 (See Note 4)

2 Basis of consolidation

All majority-owned subsidiaries where we have both share and management control are consolidated, with elimination of all significant intercompany accounts and transactions. Additionally Alumínio Brasileiro S.A. ALBRAS is consolidated as from January 1, 2004 under FIN 46R (note 4). Investments in unconsolidated affiliates and joint ventures are reported at cost plus our equity in undistributed earnings or losses. Included in this category are certain joint ventures in which we have majority ownership but, by force of shareholders' agreements, do not have effective management control. We provide for losses on equity investments with negative stockholders' equity where applicable (see Note 8).

We evaluate the carrying value of our listed investments relative to publicly available quoted market prices. If the quoted market price is below book value, and such decline is considered

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other than temporary, we write-down our equity investments to quoted market value.

We define joint ventures as businesses in which we and a small group of other partners each participate actively in the overall entity management, based on a shareholders agreement. We define affiliates as businesses in which we participate as a minority stockholder but with significant influence over the operating and financial policies of the investee.

Investments in unincorporated joint ventures, formed for the purpose of investing in electrical energy projects, are proportionately consolidated.

3 Summary of significant accounting policies

Our condensed consolidated interim financial information for the three-month periods ended September 30, 2004 and 2003 and June 30, 2004 and for the nine month periods ended September 30, 2004 and 2003 is unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods. The results of operations for the nine month period ended September 30, 2004 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2004.

In preparing the consolidated financial statements, we are required to use estimates to account for certain assets, liabilities, revenues and expenses. Our consolidated financial statements therefore include various estimates concerning the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired in business combinations, income tax valuation allowances, employee post-retirement benefits and other similar evaluations, actual results may vary from our estimates.

Exchange rates at September 30, 2004 and December 31, 2003 were R\$2.8586: US\$1.00 and R\$2.8892: US\$1.00, respectively.

4 Change in accounting practices

In June 2001, the FASB issued SFAS 143 - Accounting for Asset Retirement Obligations . We adopted SFAS 143 as from January 1, 2003, and as a consequence an additional \$26 for asset retirement obligations was recorded as Others - long-term liabilities , a net increase of \$11 in mine development costs was registered within Property, plant and equipment and a resulting charge of \$10 was registered as Change in Accounting Practice for Asset Retirement Obligations on the Statement of Income, net of income tax (\$15 gross of deferred income tax). Over time the liabilities will be accreted for the change in their present value and initial capitalized costs will be amortized over the useful lives of the related assets.

In December 2003, the FASB issued FIN 46R Consolidation of Variable Interest Entities, (revised December 2003) . The primary objectives of FIN 46R are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights (variable interest entities or VIEs) and how to determine when and which business enterprise should consolidate the VIE (the primary beneficiary). This new model for consolidation applies to an entity in which either (1) the equity investors (if any) do not have a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46R requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures regarding the nature, purpose, size and activities of the VIE and the enterprise's maximum exposure to loss as a result of its involvement with the VIE. Alumínio Brasileiro S.A ALBRAS was identified as a VIE and was consolidated as from January 1, 2004.

5 Recently-issued accounting pronouncements

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Emerging Issue Task Force No. 04-03 (EITF 04-03), *Mining assets: Impairment and Business Combinations* and No. 03-01 (EITF 03-01), *The Meaning of Other Than Temporary Impairment and its Application to Certain Investments* were issued in March, 2004.

The Company does not expect any significant impacts on its financial statements arising from these new pronouncements.

6 Income taxes

Income taxes in Brazil comprise federal income tax and social contribution, which is an additional federal tax. The statutory composite enacted tax rate applicable in the periods presented is 34% represented by a 25% federal income tax rate plus a 9% social contribution rate.

The amount reported as income tax expense in our consolidated financial statements is reconciled to the statutory rates as follows:

| | Three-month periods ended | | | Nine months ended September 30 | |
|---|---------------------------|------------------|-----------------------|-----------------------------------|--------------|
| | September 30, 2004 | June 30, 2004 | September 30, 2003 | 2004 | 2003 |
| Income before income taxes, equity results and minority interests | <u>1,122</u> | <u>500</u> | <u>388</u> | <u>2,033</u> | <u>1,357</u> |
| Federal income tax and social contribution expense at statutory enacted rates | (381) | (171) | (132) | (691) | (461) |
| Adjustments to derive effective tax rate: | | | | | |
| Tax benefit on interest attributed to stockholders | 50 | 44 | 107 | 149 | 229 |
| Exempt foreign income (expenses) | 143 | 21 | 9 | 178 | (33) |
| Difference on tax basis of equity investees | (75) | (16) | | (105) | |
| Tax incentives | 32 | 3 | 8 | 44 | 48 |
| Valuation allowance reversal | 19 | 52 | 4 | 71 | 13 |
| Other non-taxable gains (losses) | <u>(12)</u> | <u>3</u> | <u>4</u> | <u>1</u> | <u>(27)</u> |
| Federal income tax and social contribution expense in consolidated statements of income | <u>(224)</u> | <u>(64)</u> | <u></u> | <u>(353)</u> | <u>(231)</u> |

We have certain tax incentives relative to our iron ore and manganese operations in Carajás and relative to alumina in Barcarena. The incentives relative to iron ore and manganese comprise full income tax exemption on defined production levels up to 2005 and partial exemption up to 2013. Both incentives relative to alumina expire in 2010. An amount equal to the tax saving must be appropriated to a reserve account within stockholders' equity and may not be distributed in the form of cash dividends.

7 Inventories

| | September 30, 2004 | December 31, 2003 |
|--------------------------------------|-------------------------------|------------------------------|
| Finished products | | |
| Iron ore and pellets | 170 | 146 |
| Manganese and ferroalloys | 126 | 78 |
| Alumina | 18 | 20 |
| Aluminum | 53 | |
| Copper | 7 | |
| Kaolin | 16 | 16 |
| Others | 5 | 8 |
| Spare parts and maintenance supplies | 306 | 237 |
| | <u>701</u> | <u>505</u> |

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8 Investments in affiliated companies and joint ventures

| September 30, 2004 | | | | |
|---|-------------------------------------|--------------|-------------------|---|
| | Participation in capital (%) | | Net equity | Net income (loss) for the period |
| | voting | total | | |
| Steel | | | | |
| Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS | 22.99 | 11.46 | 634 | 453 |
| Companhia Siderúrgica de Tubarão - CST (1) | 20.51 | 7.91 | 742 | 393 |
| California Steel Industries Inc. - CSI | 50.00 | 50.00 | 264 | 74 |
| SIDERAR (costs \$15) - available for sale investments | 4.85 | 4.85 | | |
| Aluminum and bauxite | | | | |
| Mineração Rio do Norte S.A. - MRN | 40.00 | 40.00 | 419 | 102 |
| Valesul Alumínio S.A. - VALESUL | 54.51 | 54.51 | 94 | 19 |
| Alumínio Brasileiro S.A. - ALBRAS (5) | | | | |
| Alumínio Brasileiro S.A. - ALBRAS - change in provision for losses (5) | | | | |
| Ferrous | | | | |
| Caemi Mineração e Metalurgia S.A. (3) | | | | |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO | 51.11 | 51.00 | 50 | 19 |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | 51.00 | 50.89 | 43 | 12 |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO | 50.00 | 50.00 | 15 | 13 |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO - change in provision for losses | | | | |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO | 51.00 | 50.90 | 30 | 9 |
| Gulf Industrial Investment Company - GIIC | 50.00 | 50.00 | 86 | 20 |
| SAMARCO Mineração S.A. - SAMARCO (4) | 50.00 | 50.00 | 394 | 159 |
| Minas da Serra Geral S.A. - MSG | 50.00 | 50.00 | 35 | (4) |
| Others | | | | |
| Logistics | | | | |
| Ferrovia Centro-Atlântica S.A. - FCA - change in provision for losses (3) | | | | |
| MRS Logística S.A. | | | | |
| MRS Logística S.A. - change in provision for losses | | | | |
| Others, mainly investments sold in 2003 | | | | |
| Other affiliates and joint ventures | | | | |
| Fertilizantes Fosfatados S.A. - FOSFERTIL (2) | | | | |
| Others | | | | |
| Total | | | | |

[Additional columns below]

[Continued from above table, first column(s) repeated]

| | Investments | | Equity Adjustments | | | | |
|--|-----------------------|----------------------|---------------------------|------------------|--------------------------|--------------------------------------|------------|
| | September 30, 2004 | December 31, 2003 | Three-month periods ended | | | Nine months ended September 30 | |
| | | | September 30, 2004 | June 30, 2004 | September 30, 2003 | 2004 | 2003 |
| Steel | | | | | | | |
| Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS | 73 | 31 | 18 | 16 | 14 | 52 | 34 |
| Companhia Siderúrgica de Tubarão - CST (1) | 59 | 86 | 9 | 61 | 14 | 87 | 26 |
| California Steel Industries Inc. - CSI SIDERAR (costs \$15) - available for sale investments | 132 | 103 | 23 | 15 | (2) | 37 | 1 |
| | 102 | 89 | | | | | |
| | 366 | 309 | 50 | 92 | 26 | 176 | 61 |
| Aluminum and bauxite | | | | | | | |
| Mineração Rio do Norte S.A. - MRN | 168 | 168 | 16 | 14 | 11 | 41 | 21 |
| Valesul Alumínio S.A. - VALESUL Alumínio Brasileiro S.A. - ALBRAS (5) | 51 | 49 | 4 | 4 | 2 | 11 | 7 |
| Alumínio Brasileiro S.A. - ALBRAS - change in provision for losses (5) | | 112 | | | 14 | | 93 |
| | | | | | | | 1 |
| | 219 | 329 | 20 | 18 | 27 | 52 | 122 |
| Ferrous | | | | | | | |
| Caemi Mineração e Metalurgia S.A. (3) | | | | | 3 | | 15 |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO | 26 | 18 | 3 | 5 | 3 | 10 | 3 |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | 22 | 17 | 2 | 3 | 1 | 6 | 4 |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO | 7 | 1 | 4 | 1 | | 6 | |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO - change in provision for losses | | | | | 1 | | 10 |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO | 15 | 11 | 1 | 3 | 1 | 5 | 2 |
| Gulf Industrial Investment Company - GIIC | 43 | 40 | 4 | 2 | 3 | 10 | 9 |

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| | | | | | | | |
|--|---------------------|---------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| SAMARCO Mineração S.A. - SAMARCO (4) | 235 | 221 | 35 | 20 | 17 | 80 | 59 |
| Minas da Serra Geral S.A. - MSG | 17 | 15 | | (2) | 1 | (2) | 3 |
| Others | 22 | 21 | 1 | | 5 | | 7 |
| | <u>387</u> | <u>344</u> | <u>50</u> | <u>32</u> | <u>35</u> | <u>115</u> | <u>112</u> |
| Logistics | | | | | | | |
| Ferrovia Centro-Atlântica S.A. - FCA - change in provision for losses (3) | | | | | (9) | | (93) |
| MRS Logística S.A | 63 | 39 | 8 | 8 | | 22 | |
| MRS Logística S.A. - change in provision for losses | | | | | 4 | | 8 |
| Others, mainly investments sold in 2003 | 7 | 5 | | | 1 | | (2) |
| | <u>70</u> | <u>44</u> | <u>8</u> | <u>8</u> | <u>(4)</u> | <u>22</u> | <u>(87)</u> |
| Other affiliates and joint ventures | | | | | | | |
| Fertilizantes Fosfatados S.A. - FOSFERTIL (2) | | | | | 5 | | 10 |
| Others | 11 | 8 | (1) | | | (2) | |
| | <u>11</u> | <u>8</u> | <u>(1)</u> | | <u>5</u> | <u>(2)</u> | <u>10</u> |
| Total | <u>1,053</u> | <u>1,034</u> | <u>127</u> | <u>150</u> | <u>89</u> | <u>363</u> | <u>218</u> |

[Additional columns below]

[Continued from above table, first column(s) repeated]

Dividends received

| | Three-month periods ended | | Nine months ended | | Quoted | |
|--|---------------------------|---------------|--------------------|--------------------|--------|-----|
| | September 30, 2004 | June 30, 2004 | September 30, 2003 | September 30, 2004 | market | |
| Steel | | | | | | |
| Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS | | | 3 | 13 | 3 | 334 |
| Companhia Siderúrgica de Tubarão - CST (1) | | | 30 | | 35 | 176 |

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| | | | | | | |
|--|----|----|----|----|----|-----|
| California Steel Industries Inc. - CSI SIDERAR (costs \$15) - available for sale investments | | 2 | 2 | 2 | 5 | |
| | — | — | — | — | — | 102 |
| | | 2 | 35 | 15 | 43 | 612 |
| Aluminum and bauxite | | | | | | |
| Mineração Rio do Norte S.A. - MRN | | 20 | 11 | 41 | 16 | |
| Valesul Alumínio S.A. - VALESUL | | 7 | | 9 | 3 | |
| Alumínio Brasileiro S.A. - ALBRAS (5) | | | | | | |
| Alumínio Brasileiro S.A. - ALBRAS - change in provision for losses (5) | — | — | — | — | — | — |
| | | 27 | 11 | 50 | 19 | - |
| Ferrous | | | | | | |
| Caemi Mineração e Metalurgia S.A. (3) | | | | | | |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO | | | | | | |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | | | | | 2 | |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO | | | | | | |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO - change in provision for losses | | | | | | |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO | | | | | 1 | |
| Gulf Industrial Investment Company - GIIC | | 1 | 4 | 7 | 9 | |
| SAMARCO Mineração S.A. - SAMARCO (4) | 19 | 30 | 14 | 68 | 53 | |
| Minas da Serra Geral S.A. - MSG | | | | | 1 | |
| Others | — | — | — | — | — | — |
| | 19 | 31 | 18 | 75 | 66 | - |
| Logistics | | | | | | |
| Ferrovia Centro-Atlântica S.A. - FCA - change in provision for losses (3) | | | | | | |
| MRS Logística S.A | | | | | | |
| MRS Logística S.A. - change in provision for losses | | | | | | |
| Others, mainly investments sold in 2003 | — | — | — | — | — | — |
| | | | | | | |
| Other affiliates and joint ventures | | | | | | |
| Fertilizantes Fosfatados S.A. - FOSFERTIL (2) | | | 2 | | 9 | |
| Others | — | — | — | — | 1 | — |
| | | | 2 | | 10 | - |

| | | | | | | |
|--------------|-----------|-----------|-----------|------------|------------|------------|
| | — | — | — | — | — | — |
| Total | 19 | 60 | 66 | 140 | 138 | 612 |
| | — | — | — | — | — | — |

- (1) During the quarter ended September 30, 2003 CVRD acquired an additional 4.42% of the voting shares and 5.64% of the preferred shares, representing 5.17% of CST's total capital for \$60. On July 30, 2004 we sold 4.42% of the voting shares and 20.11% of the preferred shares;
- (2) Investment sold in 2003;
- (3) Consolidated as from September, 2003, after acquisition of control;
- (4) Investment includes goodwill of \$38 in 2004 and \$ 37 in 2003;
- (5) Albras was consolidated as from January 1, 2004.

9 Stockholders equity

On August 18, 2004 the Extraordinary General Shareholders' Meeting approved the forward stock split. Each existing share, common and preferred, was split into three shares.

After the split the Company's capital comprises 1,165,677,168 shares, of which 749,949,429 common shares 415,727,739 class A preferred shares, including three special class shares without par value (Golden Share). The share/ADR proportion will be maintained at 1/1; therefore, each common and preferred share, will continue to be represented by one ADR supported by one common share (NYSE: RIO) or by one ADR supported by one class A preferred share (NYSE: RIOPR) respectively.

For comparative purposes we considered the effects of the split as it had occurred consistently in all periods presented.

10 Pension plans

| | Three-Month period ended | | | Nine months ended September 30 | |
|--|--------------------------|-------------------|-----------------------|-----------------------------------|-------------------|
| | September 30, 2004 | June 30, 2004 | September 30, 2003 | 2004 | 2003 |
| Service cost - benefits earned during the period | 1 | | | 2 | 1 |
| Interest cost on projected benefit obligation | 42 | 36 | 37 | 116 | 104 |
| Actual return on assets | (42) | (32) | (38) | (118) | (106) |
| Amortization of initial transitory obligation | 3 | 2 | 3 | 7 | 7 |
| Net deferral | (1) | (3) | 1 | 2 | 2 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net periodic pension cost | 3 | 3 | 3 | 9 | 8 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Employer contributions

We previously disclosed in our consolidated financial statements for the year ended December 31, 2003, that we expected to contribute \$14 to our pension plan in 2004. As of September 30, 2004, \$11 of contributions have been made. We do not expect any change in our previous estimate.

11 Commitments and contingencies

- (a) At September 30, 2004, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of \$7, of which \$6 is denominated in United States dollars and the remaining \$1 in local currency, as follows:

| Affiliate or Joint Venture | Amount of guarantee | Denominated currency | Purpose | Final maturity | Counter guarantees |
|----------------------------|---------------------------|-------------------------|---------|-------------------|-----------------------|
| | | | | | |

| | | | | | |
|---------|----------|------|-------------------|------|------|
| SAMARCO | 6 | US\$ | Debt guarantee | 2008 | None |
| VALESUL | 1 | R\$ | Debt guarantee | 2007 | None |
| | <u>7</u> | | | | |

We expect no losses to arise as a result of the above guarantees. We charge commission for extending these guarantees in the case of Samarco.

We have not provided any significant guarantees since January 1, 2003 which would require fair value adjustments under FIN 45 – Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others .

- (b) CVRD and its subsidiaries are defendants in numerous legal actions in the normal course of business. Based on the advice of our legal counsel, management believes that the provision made against contingent losses is sufficient to cover probable losses in connection with such actions.

The provision for contingencies and the related judicial deposits are composed as follows:

| | September 30, 2004 | | December 31, 2003 | |
|---------------------|-----------------------------------|----------------------|-----------------------------------|----------------------|
| | Provision for contingencies | Judicial deposits | Provision for contingencies | Judicial deposits |
| Labor claims | 192 | 89 | 177 | 66 |
| Civil claims | 162 | 64 | 167 | 54 |
| Tax related actions | 427 | 315 | 285 | 279 |
| Others | 7 | 4 | 6 | 8 |
| | 788 | 472 | 635 | 407 |

Labor related actions principally comprise employee claims for (i) payment of time spent traveling from their residences to the work-place, (ii) additional payments for alleged dangerous or unhealthy working conditions and (iii) various other matters, often in connection with disputes about the amount of indemnities paid upon dismissal.

Civil actions principally relate to claims made against us by contractors in connection with losses alleged to have been incurred by them as a result of various past government economic plans during which full indexation of contracts for inflation was not permitted.

Tax related actions principally comprise our challenges of certain revenue taxes, VAT and of the tax on financial movements CPMF.

We continue to vigorously pursue our interests in all the above actions but recognize that probably we will incur some losses in the final instance, for which we have made provisions.

Our judicial deposits are made as required by the courts for us to be able to enter or continue a legal action. When judgment is favorable to us, we receive the deposits back; when unfavorable, the deposits are delivered to the prevailing party.

Contingencies settled in the nine-month period ended September 30, 2004 and 2003, three-month period ended September 30, 2004, and 2003 and June 30, 2004 aggregated \$39, \$191, \$2, \$138 and \$14, respectively, and additional provisions aggregated \$63, \$114, \$11, \$66 and \$13, respectively.

In addition to the contingencies for which we have made provisions we have possible losses in connection with tax contingencies totaling \$320 at September 30, 2004, for which no provision is maintained.

- (c) We are defendants in two actions seeking substantial compensatory damages brought by the Municipality of

Itabira, State of Minas Gerais, which we believe are without merit. Due to the remote likelihood that any loss will arise there from no provision has been made in the financial statements with respect to these two actions.

- (d) We are committed under a take-or-pay agreement to purchase approximately 42,391 thousand metric tons of bauxite from Mineração Rio do Norte S.A. - MRN at a formula price, calculated based on the current London Metal Exchange (LME) quotation for aluminum. Based on a market price of US\$20.45 per metric ton as of September 30, 2004, it represents the following total commitment:

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| | |
|---------------------|---------|
| 2004 as from July | 14,210 |
| 2005 | 56,840 |
| 2006 | 56,840 |
| 2007 | 56,840 |
| 2008 | 56,840 |
| 2009 and thereafter | 625,326 |
| | 866,896 |

- (e) We and BNDES entered into a contract, known as the Mineral Risk Contract, in March 1997, relating to prospecting authorizations for mining regions where drilling and exploration are still in their early stages. The Mineral Risk Contract provides for the joint development of certain unexplored mineral deposits in approximately two million identified hectares of land in the Carajás region, as well as proportional participation in any financial benefits earned from the development of such resources. Iron ore and manganese deposits already identified and subject to development are specifically excluded from the Mineral Risk Contract.

Pursuant to the Mineral Risk Contract, we and BNDES each agreed to provide \$205, which represents half of the \$410 in expenditures estimated as necessary to complete geological exploration and mineral resource development projects in the region through to April 28, 2009. We will oversee these projects and BNDES will advance us half of our costs on a quarterly basis. Under the Mineral Risk Contract, as of September 30, 2004, the remaining contributions towards exploration and development activities totaled \$68. In the event that either of us wishes to conduct further exploration and development after having spent such \$205, the contract provides that each party may either choose to match the other party's contributions, or may choose to have its financial interest proportionally diluted. If a party's participation in the project is diluted to an amount lower than 40% of the amount invested in connection with exploration and development projects, then the Mineral Risk Contract provides that the diluted party will lose all the rights and benefits provided for in the Mineral Risk Contract and any amounts previously contributed to the project.

Under the Mineral Risk Contract, BNDES has agreed to compensate us through a finder's fee production royalty on their share of mineral resources that are discovered and placed into production. This finder's fee is equal to 3.5% of the revenues derived from the sale of gold, silver and platinum group metals and 1.5% of the revenues derived from the sale of other minerals, including copper, except for gold and other minerals discovered at Serra Leste, for which the finder's fee is equal to 6.5% of revenues.

- (f) At the time of our privatization in 1997, we issued shareholder revenue interests known in Brazil as debentures to our then-existing shareholders, including the Brazilian Government. The terms of the debentures, were set to ensure that our pre-privatization shareholders, including the Brazilian Government, would participate alongside us in potential future financial benefits that we are able to derive from exploiting our mineral resources. On March 26, 2004 as a result of exploiting our mineral resources we declared a distribution on these debentures in the amount of \$2, payable as from April 1, 2004. There is no significant difference between the book value and quoted market price of these debentures.
- (g) We use various judgments and assumptions when measuring our environmental liabilities and asset retirement obligations. Changes in circumstances, law or technology may affect our estimates and we periodically review the amounts accrued and adjust them as necessary. Our accruals do not reflect unasserted claims because we are currently not aware of any such issues. Also the amounts provided are not reduced by any potential recoveries

under cost sharing, insurance or indemnification arrangements because such recoveries are considered uncertain. The changes are demonstrated as follows:

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| | |
|---|-----------|
| Balance as of April 01, 2004 | 82 |
| Accretion expense | 4 |
| Cumulative translation adjustment | (4) |
| | — |
| Balance as of June 30, 2004 | 82 |
| | — |
| Accretion expense | 3 |
| Cumulative translation adjustment | 6 |
| | — |
| Balance as of September 30, 2004 | 91 |
| | — |
| Balance as of January 01, 2004 | 81 |
| Accretion expense | 9 |
| Cumulative translation adjustment | 1 |
| | — |
| Balance as of September 30, 2004 | 91 |
| | — |

12 Segment and geographical information

In 1999 we adopted SFAS 131 Disclosures about Segments of an Enterprise and Related Information with respect to the information we present about our operating segments. SFAS 131 introduced a management approach concept for reporting segment information, whereby such information is required to be reported on the basis that the chief decision-maker uses internally for evaluating segment performance and deciding how to allocate resources to segments. Our business segments are currently organized as follows:

Ferrous products comprises iron ore mining and pellet production, as well as the Northern and Southern transportation systems, including railroads, ports and terminals, as they pertain to mining operations. Manganese mining and ferroalloys are also included in this segment.

Non-ferrous products comprises the production of kaolin, potash and copper.

Logistics comprises our transportation systems as they pertain to the operation of our ships, ports and railroads for third-party cargos.

Holdings divided into the following sub-groups:

Aluminum comprises aluminum trading activities, alumina refining, aluminum metal smelting and investments in joint ventures and affiliates engaged in bauxite mining.

Others comprises our investments in joint ventures and affiliates engaged in other businesses.

Information presented to top management with respect to the performance of each segment is generally derived directly from the accounting records maintained in accordance with accounting practices generally accepted in Brazil together with certain minor inter-segment allocations.

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Consolidated net income and principal assets are reconciled as follows:

Results by segment - before eliminations (Unaudited)

As of and for the three-month periods ended

| | September 30, 2004 | | | | | | |
|---|---------------------------|------------------------|------------------|-------------------------|---------------|--------------------|---------------------|
| | Holdings | | | | | | |
| | Ferrous | Non ferrous | Logistics | (1) Aluminum | Others | Elimination | Consolidated |
| Gross revenues - Export | 2,041 | 150 | 24 | 419 | | (968) | 1,666 |
| Gross revenues - Domestic | 376 | 55 | 234 | 53 | | (97) | 621 |
| Cost and expenses | (1,711) | (172) | (158) | (320) | | 1,065 | (1,296) |
| Depreciation, depletion and amortization | (72) | (12) | (9) | (9) | | | (102) |
| Pension plan | (3) | | | | | | (3) |
| Operating income (loss) | 631 | 21 | 91 | 143 | | | 886 |
| Financial income | 39 | | 5 | 6 | | (40) | 10 |
| Financial expenses | (150) | | (4) | (52) | 1 | 40 | (165) |
| Foreign exchange and monetary gains (losses), net | 22 | 3 | 6 | 46 | | | 77 |
| Gain on sale of investments | | | | | 314 | | 314 |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | 50 | | 8 | 20 | 49 | | 127 |
| Income taxes | (197) | | (3) | (23) | (1) | | (224) |
| Minority interests | (39) | (2) | | (41) | | | (82) |
| Net income | 356 | 22 | 103 | 99 | 363 | | 943 |
| Sales classified by geographic destination: | | | | | | | |
| Export market | | | | | | | |
| America, except United States | 198 | | 13 | 29 | | (102) | 138 |
| United States | 132 | | 9 | 64 | | (87) | 118 |
| Europe | 871 | 80 | 2 | 205 | | (459) | 699 |
| Middle East/Africa/Oceania | 132 | 63 | | | | (48) | 147 |
| Japan | 164 | 2 | | 81 | | (47) | 200 |
| China | 401 | | | 40 | | (164) | 277 |
| Asia, other than Japan and China | 143 | 5 | | | | (61) | 87 |

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| | | | | | | | |
|---|--------------|------------|------------|------------|-----------|----------------|--------------|
| | 2,041 | 150 | 24 | 419 | | (968) | 1,666 |
| Domestic market | 376 | 55 | 234 | 53 | | (97) | 621 |
| | 2,417 | 205 | 258 | 472 | | (1,065) | 2,287 |
| Assets: | | | | | | | |
| Property, plant and equipment, net | 5,050 | 1,147 | 577 | 952 | 1 | | 7,727 |
| Additions to Property, plant and equipment | 131 | 40 | 114 | 63 | | | 348 |
| Investments in affiliated companies and joint ventures and other investments, net of provision for losses | 387 | | 70 | 219 | 377 | | 1,053 |
| Capital employed | 4,557 | 913 | 565 | 819 | 31 | | 6,885 |

[Additional columns below]

[Continued from above table, first column(s) repeated]

As of and for the three-month periods ended

| | June 30, 2004 | | | | | | |
|---|----------------------|--------------------|------------------|---------------------|---------------|--------------------|---------------------|
| | Holdings | | | | | | |
| | Ferrous | Non ferrous | Logistics | (1) Aluminum | Others | Elimination | Consolidated |
| Gross revenues - Export | 1,875 | 81 | 22 | 398 | | (923) | 1,453 |
| Gross revenues - Domestic | 364 | 35 | 219 | 47 | | (85) | 580 |
| Cost and expenses | (1,588) | (89) | (142) | (308) | | 1,008 | (1,119) |
| Depreciation, depletion and amortization | (57) | (6) | (8) | (8) | | | (79) |
| Pension plan | (3) | | | | | | (3) |
| Operating income (loss) | 591 | 21 | 91 | 129 | | | 832 |
| Financial income | 63 | | 2 | 20 | 1 | (67) | 19 |
| Financial expenses | (139) | (2) | (5) | (26) | (1) | 67 | (106) |
| Foreign exchange and monetary gains (losses), net | (202) | (2) | (1) | (42) | 2 | | (245) |
| Gain on sale of investments | | | | | | | |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | 32 | | 8 | 18 | 92 | | 150 |
| Income taxes | (87) | (4) | (1) | 31 | (3) | | (64) |

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| | | | | | | | |
|---|--------------|------------|------------|------------|-----------|----------------|--------------|
| Minority interests | (31) | 1 | | (52) | | | (82) |
| Net income | 227 | 14 | 94 | 78 | 91 | | 504 |
| Sales classified by geographic destination: | | | | | | | |
| Export market | | | | | | | |
| America, except United States | 172 | | 18 | 41 | | (98) | 133 |
| United States | 121 | | | 7 | | (70) | 58 |
| Europe | 857 | 68 | 4 | 212 | | (435) | 706 |
| Middle East/Africa/Oceania | 87 | 1 | | | | (19) | 69 |
| Japan | 187 | 4 | | 105 | | (99) | 197 |
| China | 300 | 5 | | 33 | | (135) | 203 |
| Asia, other than Japan and China | 151 | 3 | | | | (67) | 87 |
| | 1,875 | 81 | 22 | 398 | | (923) | 1,453 |
| Domestic market | 364 | 35 | 219 | 47 | | (85) | 580 |
| | 2,239 | 116 | 241 | 445 | | (1,008) | 2,033 |
| Assets: | | | | | | | |
| Property, plant and equipment, net | 4,542 | 1,020 | 483 | 826 | 1 | | 6,872 |
| Additions to Property, plant and equipment | 165 | 62 | 153 | 35 | 1 | | 416 |
| Investments in affiliated companies and joint ventures and other investments, net of provision for losses | 330 | | 56 | 195 | 385 | | 966 |
| Capital employed | 4,307 | 679 | 449 | 816 | 26 | | 6,277 |

[Additional columns below]

[Continued from above table, first column(s) repeated]

As of and for the three-month periods ended

September 30, 2003

| | | Holdings | | | | | Consolidated | |
|----------------|--------|----------|---------|-----------|----------|-------------|--------------|-------|
| | | Non | | | | Elimination | | |
| | | Ferrous | ferrous | Logistics | Aluminum | Others | | |
| Gross revenues | Export | 1,411 | 28 | 14 | 218 | | (651) | 1,020 |

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| | | | | | | | |
|---|----------|--------------|------------|------------|------------|--------------|--------------|
| Gross revenues | Domestic | 309 | 31 | 130 | 46 | (53) | 463 |
| Cost and expenses | | (1,282) | (38) | (91) | (210) | 1 | 704 |
| Depreciation, depletion and amortization | | (50) | (6) | (3) | (4) | | (63) |
| Pension plan | | (3) | | | | | (3) |
| Operating income (loss) | | 385 | 15 | 50 | 50 | 1 | 501 |
| Financial income | | 49 | 1 | 3 | 2 | 1 | (29) |
| Financial expenses | | (89) | (2) | (2) | (18) | (1) | 29 |
| Foreign exchange and monetary gains (losses), net | | (48) | (4) | 3 | (8) | | (57) |
| Gain on sale of investments | | | | | | | |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | | 35 | | (4) | 27 | 31 | 89 |
| Income taxes | | (1) | | (1) | (1) | 3 | |
| Minority interests | | (3) | | | (6) | | (9) |
| Net income | | 328 | 10 | 49 | 46 | 35 | 468 |
| Sales classified by geographic destination: | | | | | | | |
| Export market | | | | | | | |
| America, except United States | | 142 | | 10 | 44 | (87) | 109 |
| United States | | 91 | 2 | | 6 | (46) | 53 |
| Europe | | 532 | 19 | 4 | 96 | (236) | 415 |
| Middle East/Africa/Oceania | | 85 | | | | (20) | 65 |
| Japan | | 162 | 6 | | 26 | (79) | 115 |
| China | | 275 | 1 | | 46 | (132) | 190 |
| Asia, other than Japan and China | | 124 | | | | (51) | 73 |
| Domestic market | | 1,411 | 28 | 14 | 218 | (651) | 1,020 |
| | | 309 | 31 | 130 | 46 | (53) | 463 |
| | | 1,720 | 59 | 144 | 264 | (704) | 1,483 |
| Assets: | | | | | | | |
| Property, plant and equipment, net | | 4,024 | 858 | 439 | 529 | 38 | 5,888 |
| Additions to Property, plant and equipment | | 235 | 170 | 16 | 22 | | 443 |
| Investments in affiliated companies and joint ventures and other investments, net of provision for losses | | 338 | | 7 | 320 | 325 | 990 |
| Capital employed | | 3,818 | 246 | 473 | 477 | 26 | 5,040 |

- (1) Albras was consolidated as from January 1, 2004 and generated contribution to net revenues and operating income of \$39 and \$70 in the three-month periods ended September 30, 2004 (June 30, 2004, \$61 and \$74, respectively).

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Operating income by product after eliminations (Unaudited)

For the three-month periods ended

September 30, 2004

| | Revenues | | | Value added tax | Net revenues | Cost and expenses | Impairment/ Gain on sale of property, plant and equipment | Depreciation, depletion and amortization | Operating income |
|--------------------|--------------|------------|--------------|-----------------------|-----------------|----------------------|---|---|---------------------|
| | Export | Domestic | Total | | | | | | |
| Ferrous | | | | | | | | | |
| Iron ore | 880 | 213 | 1,093 | (34) | 1,059 | (463) | 596 | (67) | 529 |
| Pellets | 229 | 64 | 293 | (12) | 281 | (239) | 42 | (2) | 40 |
| Manganese | 16 | 4 | 20 | (2) | 18 | (17) | 1 | | 1 |
| Ferroalloys | 113 | 60 | 173 | (15) | 158 | (43) | 115 | (3) | 112 |
| | 1,238 | 341 | 1,579 | (63) | 1,516 | (762) | 754 | (72) | 682 |
| Non ferrous | | | | | | | | | |
| Gold | | | | | | | | | |
| Potash | | 35 | 35 | (5) | 30 | (16) | 14 | (1) | 13 |
| Kaolin | 36 | 5 | 41 | (1) | 40 | (23) | 17 | (4) | 13 |
| Copper | 56 | 14 | 70 | (3) | 67 | (40) | 27 | (7) | 20 |
| | 92 | 54 | 146 | (9) | 137 | (79) | 58 | (12) | 46 |
| Aluminum | | | | | | | | | |
| Alumina | 127 | 3 | 130 | (4) | 126 | (102) | 24 | (5) | 19 |
| Aluminum | 172 | 8 | 180 | (1) | 179 | (54) | 125 | (4) | 121 |
| Bauxite | 17 | | 17 | | 17 | (14) | 3 | | 3 |
| | 316 | 11 | 327 | (5) | 322 | (170) | 152 | (9) | 143 |
| Logistics | | | | | | | | | |
| Railroads | | 164 | 164 | (27) | 137 | (88) | 49 | (9) | 40 |
| Ports | | 43 | 43 | (8) | 35 | (20) | 15 | (1) | 14 |
| Ships | 16 | 9 | 25 | (2) | 23 | (25) | (2) | 1 | (1) |
| | 16 | 216 | 232 | (37) | 195 | (133) | 62 | (9) | 53 |
| Others | 4 | (1) | 3 | | 3 | (41) | (38) | | (38) |

| | | | | | | | | | |
|--------------|------------|--------------|--------------|--------------|----------------|------------|--|--------------|------------|
| 1,666 | 621 | 2,287 | (114) | 2,173 | (1,185) | 988 | | (102) | 886 |
|--------------|------------|--------------|--------------|--------------|----------------|------------|--|--------------|------------|

[Additional columns below]

[Continued from above table, first column(s) repeated]

For the three-month periods ended

June 30, 2004

| | Revenues | | | Value added tax | Net revenues | Cost and expenses | Impairment/ Gain on sale of proper plant and equipment Net | Depreciation, depletion and amortization | Operating income |
|--------------------|--------------|------------|--------------|-----------------------|-----------------|----------------------|---|---|---------------------|
| | Export | Domestic | Total | | | | | | |
| Ferrous | | | | | | | | | |
| Iron ore | 732 | 211 | 943 | (38) | 905 | (394) | 511 | (55) | 456 |
| Pellets | 251 | 68 | 319 | (11) | 308 | (207) | 101 | | 101 |
| Manganese | 8 | 3 | 11 | (2) | 9 | (7) | 2 | | 2 |
| Ferroalloys | 103 | 50 | 153 | (13) | 140 | (72) | 68 | (3) | 65 |
| | 1,094 | 332 | 1,426 | (64) | 1,362 | (680) | 682 | (58) | 624 |
| Non ferrous | | | | | | | | | |
| Gold | | | | | | | | | |
| Potash | | 31 | 31 | (6) | 25 | (13) | 12 | (1) | 11 |
| Kaolin | 34 | 5 | 39 | (1) | 38 | (21) | 17 | (4) | 13 |
| Copper | 24 | | 24 | | 24 | (4) | 20 | (2) | 18 |
| | 58 | 36 | 94 | (7) | 87 | (38) | 49 | (7) | 42 |
| Aluminum | | | | | | | | | |
| Alumina | 83 | | 83 | (4) | 79 | (66) | 13 | (5) | 8 |
| Aluminum | 197 | 1 | 198 | (1) | 197 | (67) | 130 | (3) | 127 |
| Bauxite | 8 | | 8 | | 8 | (8) | | | |
| | 288 | 1 | 289 | (5) | 284 | (141) | 143 | (8) | 135 |

Logistics

| | | | | | | | | | |
|-----------|--------------|------------|--------------|--------------|--------------|----------------|------------|-------------|------------|
| Railroads | | 153 | 153 | (25) | 128 | (81) | 47 | (4) | 43 |
| Ports | | 45 | 45 | (3) | 42 | (21) | 21 | (1) | 20 |
| Ships | 10 | 12 | 22 | (7) | 15 | (25) | (10) | (1) | (11) |
| | <u>10</u> | <u>210</u> | <u>220</u> | <u>(35)</u> | <u>185</u> | <u>(127)</u> | <u>58</u> | <u>(6)</u> | <u>52</u> |
| Others | 3 | 1 | 4 | (2) | 2 | (23) | (21) | | (21) |
| | <u>1,453</u> | <u>580</u> | <u>2,033</u> | <u>(113)</u> | <u>1,920</u> | <u>(1,009)</u> | <u>911</u> | <u>(79)</u> | <u>832</u> |

[Additional columns below]

[Continued from above table, first column(s) repeated]

For the three-month periods ended**September 30, 2003**

| | Revenues | | | Value added tax | Net revenues | Cost and expenses | Impairment/ Gain on sale of property Net | Depreciation, depletion and amortization | Operating income |
|--------------------|------------|------------|------------|-----------------------|-----------------|-------------------------|--|---|---------------------|
| | Export | Domestic | Total | | | | | | |
| Ferrous | | | | | | | | | |
| Iron ore | 554 | 147 | 701 | (16) | 685 | (344) | 341 | (31) | 310 |
| Pellets | 159 | 58 | 217 | (7) | 210 | (151) | 59 | (2) | 57 |
| Manganese | 7 | 4 | 11 | (1) | 10 | (14) | (4) | | (4) |
| Ferroalloys | 46 | 24 | 70 | (6) | 64 | (46) | 18 | (3) | 15 |
| | <u>766</u> | <u>233</u> | <u>999</u> | <u>(30)</u> | <u>969</u> | <u>(555)</u> | <u>414</u> | <u>(36)</u> | <u>378</u> |
| Non ferrous | | | | | | | | | |
| Gold | 5 | | 5 | | 5 | 13 | 18 | | 18 |
| Potash | | 28 | 28 | (4) | 24 | (12) | 12 | (1) | 11 |
| Kaolin | 21 | 4 | 25 | | 25 | (24) | 1 | (3) | (2) |
| Copper | | | | | | | | | |

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| | | | | | | | | | | |
|------------------|--------------|------------|--------------|-------------|--------------|--------------|------------|--|-------------|------------|
| | 26 | 32 | 58 | (4) | 54 | (23) | 31 | | (4) | 27 |
| Aluminum | | | | | | | | | | |
| Alumina | 107 | 42 | 149 | (3) | 146 | (99) | 47 | | (4) | 43 |
| Aluminum | 77 | 4 | 81 | | 81 | (73) | 8 | | | 8 |
| Bauxite | 12 | 1 | 13 | | 13 | (11) | 2 | | | 2 |
| | <u>196</u> | <u>47</u> | <u>243</u> | <u>(3)</u> | <u>240</u> | <u>(183)</u> | <u>57</u> | | <u>(4)</u> | <u>53</u> |
| Logistics | | | | | | | | | | |
| Railroads | | 101 | 101 | (10) | 91 | (35) | 56 | | (17) | 39 |
| Ports | 1 | 39 | 40 | (3) | 37 | (19) | 18 | | (2) | 16 |
| Ships | 10 | 8 | 18 | (1) | 17 | (28) | (11) | | | (11) |
| | <u>11</u> | <u>148</u> | <u>159</u> | <u>(14)</u> | <u>145</u> | <u>(82)</u> | <u>63</u> | | <u>(19)</u> | <u>44</u> |
| Others | 21 | 3 | 24 | | 24 | (25) | (1) | | | (1) |
| | <u>1,020</u> | <u>463</u> | <u>1,483</u> | <u>(51)</u> | <u>1,432</u> | <u>(868)</u> | <u>564</u> | | <u>(63)</u> | <u>501</u> |

F-17

Results by segment before eliminations (Unaudited)

| | | Nine-month periods ended September 30 | | | | | | |
|---|----------|--|------------------------|------------------|-----------------|---------------|--------------------|---------------------|
| | | 2004 | | | | | | |
| | | Holdings | | | | | | |
| | | Ferrous | Non ferrous | Logistics | Aluminum | Others | Elimination | Consolidated |
| Gross revenues | Export | 5,478 | 265 | 65 | 1,180 | | (2,626) | 4,362 |
| Gross revenues | Domestic | 1,027 | 118 | 637 | 159 | | (252) | 1,689 |
| Cost and expenses | | (4,665) | (314) | (428) | (932) | | 2,878 | (3,461) |
| Depreciation, depletion and amortization | | (207) | (24) | (24) | (25) | | | (280) |
| Pension plan | | (9) | | | | | | (9) |
| Operating (loss) income | | 1,624 | 45 | 250 | 382 | | | 2,301 |
| Financial income | | 146 | | 11 | 9 | 2 | (127) | 41 |
| Financial expenses | | (405) | (3) | (13) | (119) | | 127 | (413) |
| Foreign exchange and monetary gains (losses), net | | (212) | 1 | | (2) | 3 | | (210) |
| Gain on sale of investments | | | | | | 314 | | 314 |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | | 115 | | 22 | 52 | 174 | | 363 |
| Income taxes | | (338) | (4) | (6) | (1) | (4) | | (353) |
| Minority interests | | (84) | (2) | | (105) | | | (191) |
| Income from continuing operations | | 846 | 37 | 264 | 216 | 489 | | 1,852 |
| Change in accounting practice for asset retirement obligations (note 4) | | | | | | | | |
| Net income | | 846 | 37 | 264 | 216 | 489 | | 1,852 |
| Sales classified by geographic destination: | | | | | | | | |
| Export market | | | | | | | | |
| America, except United States | | 528 | | 46 | 140 | | (303) | 411 |
| United States | | 360 | | 9 | 109 | | (223) | 255 |
| Europe | | 2,387 | 170 | 10 | 566 | | (1,206) | 1,927 |
| Middle East/Africa/Oceania | | 308 | 64 | | | | (93) | 279 |
| Japan | | 501 | 14 | | 266 | | (213) | 568 |
| China | | 939 | 9 | | 99 | | (396) | 651 |

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| | | | | | | | |
|---|--------------|------------|------------|--------------|-----------|----------------|--------------|
| Asia, other than Japan and China | 455 | 8 | | | | (192) | 271 |
| | <u>5,478</u> | <u>265</u> | <u>65</u> | <u>1,180</u> | | <u>(2,626)</u> | <u>4,362</u> |
| Domestic market | 1,027 | 118 | 637 | 159 | | (252) | 1,689 |
| | <u>6,505</u> | <u>383</u> | <u>702</u> | <u>1,339</u> | | <u>(2,878)</u> | <u>6,051</u> |
| Assets: | | | | | | | |
| Property, plant and equipment, net | 5,050 | 1,147 | 577 | 952 | 1 | | 7,727 |
| Additions to Property, plant and equipment | 453 | 173 | 399 | 120 | | | 1,145 |
| Investments in affiliated companies and joint ventures and other investments, net of provision for losses | 387 | | 70 | 219 | 377 | | 1,053 |
| | <u>4,557</u> | <u>913</u> | <u>565</u> | <u>819</u> | <u>31</u> | | <u>6,885</u> |

[Additional columns below]

[Continued from above table, first column(s) repeated]

Nine-month periods ended September 30

| | | | | | | | 2003 | |
|---|----------|------------|-------------|------------|-----------|----------|--------------|--------------|
| | | | | | | | Holdings | |
| | | Ferrous | Non ferrous | Logistics | Aluminum | Others | Eliminations | Consolidated |
| Gross revenues | Export | 3,606 | 69 | 53 | 525 | | (1,622) | 2,631 |
| Gross revenues | Domestic | 846 | 77 | 316 | 124 | | (139) | 1,224 |
| Cost and expenses | | (3,322) | (116) | (220) | (544) | 6 | 1,761 | (2,435) |
| Depreciation, depletion and amortization | | (131) | (11) | (8) | (10) | | | (160) |
| Pension plan | | (8) | | | | | | (8) |
| Operating (loss) income | | 991 | 19 | 141 | 95 | 6 | | 1,252 |
| Financial income | | 145 | 1 | 11 | 8 | 4 | (85) | 84 |
| Financial expenses | | (270) | (4) | (5) | (30) | (5) | 85 | (229) |
| Foreign exchange and monetary gains (losses), net | | 162 | 15 | (12) | 87 | (2) | | 250 |
| Gain on sale of investments | | 110 | | (85) | 122 | 71 | | 218 |

Equity in results of affiliates and joint ventures and change in provision for losses on equity investments

| | | | | | | | |
|--------------------|-------|-----|-----|------|---|--|-------|
| Income taxes | (206) | | (1) | (27) | 3 | | (231) |
| Minority interests | (5) | (4) | | (47) | | | (56) |

| | | | | | | | |
|---|------------|-----------|-----------|------------|-----------|--|--------------|
| Income from continuing operations | 927 | 27 | 49 | 208 | 77 | | 1,288 |
| Change in accounting practice for asset retirement obligations (note 4) | (10) | | | | | | (10) |

| | | | | | | | |
|------------|------------|-----------|-----------|------------|-----------|--|--------------|
| Net income | 917 | 27 | 49 | 208 | 77 | | 1,278 |
|------------|------------|-----------|-----------|------------|-----------|--|--------------|

Sales classified by geographic destination:

| | | | | | | | |
|----------------------------------|-------|----|----|-----|--|-------|-------|
| Export market | | | | | | | |
| America, except United States | 379 | | 28 | 111 | | (243) | 275 |
| United States | 262 | 8 | | 25 | | (143) | 152 |
| Europe | 1,463 | 50 | 20 | 228 | | (591) | 1,170 |
| Middle East/Africa/Oceania | 204 | | 4 | | | (50) | 158 |
| Japan | 404 | 9 | | 96 | | (188) | 321 |
| China | 607 | 2 | | 65 | | (284) | 390 |
| Asia, other than Japan and China | 287 | | 1 | | | (123) | 165 |

| | | | | | | | |
|-----------------|--------------|-----------|-----------|------------|--|----------------|--------------|
| | 3,606 | 69 | 53 | 525 | | (1,622) | 2,631 |
| Domestic market | 846 | 77 | 316 | 124 | | (139) | 1,224 |

| | | | | | | | |
|--|--------------|------------|------------|------------|--|----------------|--------------|
| | 4,452 | 146 | 369 | 649 | | (1,761) | 3,855 |
|--|--------------|------------|------------|------------|--|----------------|--------------|

Assets:

| | | | | | | | |
|---|-------|-----|-----|-----|-----|--|-------|
| Property, plant and equipment, net | 4,024 | 858 | 439 | 529 | 38 | | 5,888 |
| Additions to Property, plant and equipment | 503 | 315 | 65 | 65 | 1 | | 949 |
| Investments in affiliated companies and joint ventures and other investments, net of provision for losses | 338 | | (6) | 320 | 338 | | 990 |

| | | | | | | | |
|------------------|--------------|------------|------------|------------|-----------|--|--------------|
| Capital employed | 3,818 | 246 | 473 | 477 | 26 | | 5,040 |
|------------------|--------------|------------|------------|------------|-----------|--|--------------|

Operating income by product after eliminations (Unaudited)

Nine-month periods ended September 30

2004

| | Revenues | | | Value added tax | Net revenues | Cost and expenses | Impairment/ Gain on sale of property, depreciation, plant depletion and amortization | | | Operating income |
|--------------------|--------------|------------|--------------|-----------------------|-----------------|----------------------|--|---------------------|------------------|---------------------|
| | Export | Domestic | Total | | | | Net equipment | and amortization | and Operating | |
| Ferrous | | | | | | | | | | |
| Iron ore | 2,264 | 598 | 2,862 | (95) | 2,767 | (1,242) | 1,525 | (192) | 1,333 | |
| Pellets | 663 | 184 | 847 | (31) | 816 | (618) | 198 | (5) | 193 | |
| Manganese | 30 | 10 | 40 | (5) | 35 | (31) | 4 | | 4 | |
| Ferroalloys | 307 | 141 | 448 | (36) | 412 | (201) | 211 | (10) | 201 | |
| | 3,264 | 933 | 4,197 | (167) | 4,030 | (2,092) | 1,938 | (207) | 1,731 | |
| Non ferrous | | | | | | | | | | |
| Gold | | | | | | | | | | |
| Potash | | 89 | 89 | (14) | 75 | (38) | 37 | (4) | 33 | |
| Kaolin | 104 | 15 | 119 | (4) | 115 | (66) | 49 | (11) | 38 | |
| Copper | 80 | 14 | 94 | (3) | 91 | (44) | 47 | (9) | 38 | |
| | 184 | 118 | 302 | (21) | 281 | (148) | 133 | (24) | 109 | |
| Aluminum | | | | | | | | | | |
| Alumina | 308 | 9 | 317 | (13) | 304 | (258) | 46 | (14) | 32 | |
| Aluminum | 519 | 20 | 539 | (2) | 537 | (175) | 362 | (11) | 351 | |
| Bauxite | 40 | | 40 | | 40 | (35) | 5 | | 5 | |
| | 867 | 29 | 896 | (15) | 881 | (468) | 413 | (25) | 388 | |
| Logistics | | | | | | | | | | |
| Railroads | | 450 | 450 | (71) | 379 | (235) | 144 | (21) | 123 | |
| Ports | | 126 | 126 | (21) | 105 | (64) | 41 | (3) | 38 | |
| Ships | 37 | 30 | 67 | (5) | 62 | (77) | (15) | | (15) | |
| | 37 | 606 | 643 | (97) | 546 | (376) | 170 | (24) | 146 | |
| Others | 10 | 3 | 13 | (2) | 11 | (84) | (73) | | (73) | |

| | | | | | | | | | |
|--------------|--------------|--------------|--------------|--------------|----------------|--------------|--|--------------|--------------|
| 4,362 | 1,689 | 6,051 | (302) | 5,749 | (3,168) | 2,581 | | (280) | 2,301 |
|--------------|--------------|--------------|--------------|--------------|----------------|--------------|--|--------------|--------------|

[Additional columns below]

[Continued from above table, first column(s) repeated]

Nine-month periods ended September 30

2003

| | Revenues | | | Value | | Cost and expenses | Impairment/ Gain on sale of property, plant and equipment | Depreciation, depletion and amortization | Operating income | |
|--------------------|--------------|------------|--------------|--------------|-----------------|-------------------|---|---|---------------------|------------|
| | Export | Domestic | Total | added tax | Net revenues | | | | | |
| Ferrous | | | | | | | | | | |
| Iron ore | 1,433 | 408 | 1,841 | (52) | 1,789 | (876) | 913 | (69) | 844 | |
| Pellets | 429 | 155 | 584 | (19) | 565 | (448) | 117 | (12) | 96 | |
| Manganese | 30 | 8 | 38 | (3) | 35 | (20) | 15 | (1) | 14 | |
| Ferroalloys | 139 | 68 | 207 | (15) | 192 | (142) | 50 | (7) | 43 | |
| | 2,031 | 639 | 2,670 | (89) | 2,581 | (1,486) | 1,095 | (12) | (86) | 997 |
| Non ferrous | | | | | | | | | | |
| Gold | 21 | | 21 | | 21 | (2) | 19 | (2) | 17 | |
| Potash | | 70 | 70 | (9) | 61 | (31) | 30 | (3) | 27 | |
| Kaolin | 47 | 8 | 55 | (1) | 54 | (43) | 11 | (4) | 7 | |
| Copper | | | | | | | | | | |
| | 68 | 78 | 146 | (10) | 136 | (76) | 60 | (9) | 51 | |
| Aluminum | | | | | | | | | | |
| Alumina | 231 | 115 | 346 | (7) | 339 | (256) | 83 | (10) | 73 | |
| Aluminum | 221 | 8 | 229 | | 229 | (207) | 22 | | 22 | |
| Bauxite | 22 | 1 | 23 | | 23 | (21) | 2 | | 2 | |
| | 474 | 124 | 598 | (7) | 591 | (484) | 107 | (10) | 97 | |
| Logistics | | | | | | | | | | |

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| | | | | | | | | | | |
|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Railroads | | 246 | 246 | (25) | 221 | (69) | 152 | | (47) | 105 |
| Ports | 1 | 105 | 106 | (9) | 97 | (54) | 43 | | (6) | 37 |
| Ships | 36 | 24 | 60 | (3) | 57 | (86) | (29) | | | (29) |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | 37 | 375 | 412 | (37) | 375 | (209) | 166 | | (53) | 113 |
| Others | 21 | 8 | 29 | | 29 | (33) | (4) | | (2) | (6) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | 2,631 | 1,224 | 3,855 | (143) | 3,712 | (2,288) | 1,424 | (12) | (160) | 1,252 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

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13 Derivative financial instruments

Volatility of interest rates, exchange rates and commodity prices are the main market risks to which we are exposed - all three are managed through derivative operations. These have the exclusive aim of reducing exposure to risk. We do not use derivatives for speculation purposes.

We monitor and evaluate our derivative positions on a regular basis and adjust our strategy in response to market conditions. We also periodically review the credit limits and credit worthiness of our counter-parties in these transactions. In view of the policies and practices established for operations with derivatives, management considers the occurrence of non-measurable risk situations as unlikely.

The asset (liability) balances and the movement in fair value of derivative financial instruments is as follows (the quarterly information is unaudited):

| | Gold | Interest rates (LIBOR) | Currencies | Alumina | Aluminum | Total |
|--|-------------------|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Unrealized gains (losses) at April 1, 2004 | (37) | (48) | 1 | (36) | (43) | (163) |
| Financial settlement | 1 | 11 | | | | 12 |
| Unrealized gains (losses) in the period | 9 | 5 | | 4 | 4 | 22 |
| Effect of exchange rate changes | 2 | 2 | | 2 | 2 | 8 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Unrealized gains (losses) at June 30, 2004 | (25) | (30) | 1 | (30) | (37) | (121) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Unrealized gains (losses) at July 1, 2004 | (25) | (30) | 1 | (30) | (37) | (121) |
| Financial settlement | | 3 | | | | 3 |
| Unrealized gains (losses) in the period | (5) | (1) | | (5) | (25) | (36) |
| Effect of exchange rate changes | (2) | (3) | | (2) | (3) | (10) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Unrealized gains (losses) at September 30, 2004 | (32) | (31) | 1 | (37) | (65) | (164) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Unrealized gains (losses) at July 1, 2003 | (11) | (65) | (1) | 1 | | (76) |
| Financial settlement | 5 | 4 | | | | 9 |
| Unrealized gains (losses) in the period | (17) | (1) | 3 | (6) | | (21) |
| Effect of exchange rate changes | 1 | 2 | | | | 3 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Unrealized gains (losses) at September 30, 2003 | (22) | (60) | 2 | (5) | | (85) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Unrealized gains (losses) at January 1, 2004 | (32) | (46) | 5 | (18) | | (91) |

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| | | | | | | |
|--|-------------|-------------|----------|-------------|-------------|--------------|
| Initial consolidation of Albras | | | | | (20) | (20) |
| Financial settlement | 1 | 17 | (2) | | | 16 |
| Unrealized gains (losses) in the period | (1) | (2) | (2) | (19) | (44) | (68) |
| Effect of exchange rate changes | — | — | — | — | (1) | (1) |
| | — | — | — | — | — | — |
| Unrealized gains (losses) at September 30, 2004 | (32) | (31) | 1 | (37) | (65) | (164) |
| | — | — | — | — | — | — |
| Unrealized gains (losses) at January 1, 2003 | (15) | (60) | (1) | 3 | | (73) |
| Financial settlement | 5 | 18 | | | | 23 |
| Unrealized gains (losses) in the period | (12) | (5) | 3 | (9) | | (23) |
| Effect of exchange rate changes | — | (13) | — | 1 | — | (12) |
| | — | — | — | — | — | — |
| Unrealized gains (losses) at September 30, 2003 | (22) | (60) | 2 | (5) | — | (85) |
| | — | — | — | — | — | — |

Unrealized gains (losses) in the period are included in our income statement under the caption of financial expenses.

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Final maturity dates for the above instruments are as follows:

| | |
|------------------------|----------|
| Gold | Dec 2008 |
| Interest rates (LIBOR) | Oct 2007 |
| Currencies | Dec 2011 |
| Alumina | Dec 2008 |
| Aluminum | Dec 2006 |

Albras entered into a 20 years contract to purchase power from Eletronorte to provide power for its industrial activities which became effective as from June 1, 2004. The contract includes a price adjustment related to LME aluminum prices.

The price adjustment related to LME is an embedded derivative as defined by SFAS 133, which is valued at fair value with variations recorded in the income statement. The fair value variation for the period up to September 30, 2004 was \$22.

14 Subsequent Event

Additional dividend payment on October 29

On October 13, 2004 the Board of Directors of CVRD, approved the payment of an additional dividend in the amount of \$250 to be paid on October 29, 2004, \$150 of which in the form of interest shareholders equity and \$100 in the form of dividends.

Therefore, on October 29, 2004, a total amount of \$525 was distributed to shareholders, which includes the second installment of the minimum dividend announced on January 28, of \$275 and the additional dividend of \$250.

CVRD sells its stake in PPSA

On October 20, 2004 CVRD announces that it has transferred its stake in Pará Pigmentos S.A. (PPSA) to its subsidiary Caemi. CVRD owned 82.0% of the total capital of PPSA and 60.2% of the total capital of Caemi. The objective of this sale is the consolidation of CVRD's kaolin business in Caemi which is already a player in the global kaolin market through its subsidiary CADAM.

* * *

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 12, 2004

COMPANHIA VALE DO RIO DOCE
(Registrant)

By: /s/ Fabio de Oliveira Barbosa
Fabio de Oliveira Barbosa
Chief Financial Officer