

VALLEY OF THE RIO DOCE CO

Form 6-K

March 24, 2005

**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

March 2005

**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**  
**Table of Contents**

PERFORMANCE OF COMPANHIA VALE DO RIO DOCE IN  
2004 (BRAZILIAN GAAP)  
MANAGEMENT REPORT  
INDEX TO CONSOLIDATED FINANCIAL INFORMATION  
(BRAZILIAN GAAP)  
SIGNATURES

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**BR GAAP**

**BOVESPA: VALE3, VALE5  
NYSE: RIO, RIOPR  
LATIBEX: XVALO, XVALP**

**PERFORMANCE OF COMPANHIA VALE DO RIO DOCE IN 2004**

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*The financial and operational information contained in this press release, except where otherwise indicated, was calculated in accordance with generally accepted Brazilian accounting principles (Brazilian GAAP). As will be explicitly indicated in the text, such information may refer to the financial statements of the Parent Company or the consolidated financial statements. In the case of the consolidated financial statements, according to the criteria of Brazilian GAAP, those companies in which CVRD has effective control or shared control as defined by shareholders agreement, are included in the consolidated figures. In the instances where CVRD has effective control, the consolidation is carried out on a 100% basis and the difference between this amount and the percentage of CVRD's equity stake in the subsidiary is discounted at the minority shareholding line. CVRD's main subsidiaries are Caemi, Alunorte, Albras, RDM, RDME, RDMN, Urucum Mineração, Docenave, Ferrovia Centro-Atlântica (FCA), Rio Doce Europa, Itaco, CVRD Overseas and Rio Doce International Finance. For companies in which control is shared, the consolidated figures are proportional to the equity stake held by CVRD in each company. The main companies in which CVRD has shared control are MRN, Valesul, Kibrasco, Nibrasco, Hispanobras, Itabrasco, GIIC, Samarco and CSI.<sup>1</sup> Starting 1Q05, CVRD will release BRGAAP Consolidated financial and operational figures on a quarterly basis.*

**BEATING RECORDS AND CREATING VALUE**

Rio de Janeiro, March 21<sup>st</sup> 2005 Companhia Vale do Rio Doce (CVRD) hereby reports net earnings of R\$ 6.460 billion for the year 2004, 43.3% higher than the previous year's net earnings of R\$ 4.509 billion, so setting a new record. Net earnings per share amounted to R\$ 5.61. Return on equity (ROE) of 35.6%, exceeded the figure of 30.2% achieved in 2003.

The combination of considerable expansion in the global demand for ore and metals and the expansion in the capacity of all operational activities, achieved by the carrying out of highly competitive expansion projects and well succeeded acquisitions, together with the achievement of significant gains in efficiency, enabled the Company to maintain its excellent track record. This resulted in new records, as well as the substantial creation of value for the shareholders.

**SELECTED FINANCIAL INDICATORS CONSOLIDATED**

|                              | R\$ million |             |
|------------------------------|-------------|-------------|
|                              | <b>2003</b> | <b>2004</b> |
| Gross operating revenues     | 20,895      | 29,020      |
| Gross margin                 | 43.7%       | 48.7%       |
| Net earnings                 | 4,509       | 6,460       |
| Net earnings per share (R\$) | 3.92        | 5.61        |
| EBITDA                       | 8,100       | 12,249      |
| EBIT                         | 6,665       | 10,306      |
| EBIT margin                  | 33.1%       | 37.4%       |
| ROE                          | 30.2%       | 35.6%       |
| Exports (US\$ million)       | 4,229       | 5,534       |

<sup>1</sup> Albras became wholly consolidated in CVRD's balance sheet from January 2004. In this report, all the information related to 2003 has been revised to include the integral consolidation of Albras making comparisons easier with 2004 results.

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Over the period 2001-2004 the average total shareholder return (TSR) was 38.9% per year, for 2004 alone TSR was 45.9%.

Operational performance, as measured by EBIT (earnings before interest and taxes) amounted to R\$ 10.306 billion, compared to R\$ 6.665 billion in 2003, setting a new record. EBIT margin amounted to 37.4%, compared to 33.1% in the previous year.

Consolidated cash generation, as measured by EBITDA (earnings before interest, tax, depreciation and amortization) was the largest in CVRD's history, totalling R\$ 12.249 billion, an increase of 51.2% compared to 2003.

Consolidated exports amounted to US\$ 5.534 billion, an increase of 30.8% on the figure for the previous year. Net exports (exports less imports) amounted to US\$ 4.618 billion, an increase of 25.7% compared to 2003. Once again, CVRD was the company that most contributed to Brazil's trade balance, accounting for 13.7% of the US\$ 33.7 billion surplus obtained in 2004, the largest in the history of the Brazilian economy.

Various other records were set in 2004:

consolidated gross revenues of R\$ 29.020 billion compared to R\$ 20.895 billion in 2003, an increase of 38.9%;

sales of iron ore and pellets of 231.504 million tons, 23.9% higher than that achieved in 2003;

sales of manganese ore of 999 thousand tons, an increase of 12.9% in relation to 2003;

sales of ferro-alloys of 542 thousand tons, 5.9% higher than sales in 2003;

sales of bauxite, of 5.429 million tons, an increase of 25.5% compared to 2003;

sales of kaolin, of 1.207 million tons, an increase of 65.1% compared to 2003;

volume transported by railroad for clients (general cargo and iron ore) amounted to 40.055 billion net ton kilometres (NTKs), 32.8% higher than in 2003, when 30.171 billion NTKs were transported.

In 2004, four important projects were completed: the Sossego copper mine, the expansion of iron ore production capacity at Carajás to 70 million tons a year, Pier III at the Ponta da Madeira maritime terminal, and the Candonga hydroelectric power plant.

CVRD invested US\$ 1.956 billion during the year, an amount calculated according to generally accepted accounting principles in the United States (US GAAP), the second largest in real terms in the Company's history. Of this, US\$ 1.245 billion went into organic growth, US\$ 568 million into sustaining capex, and US\$ 143 million in acquisitions.

In 2004, shareholders received dividends of R\$ 2.271 billion, corresponding to R\$ 1.96 per share. This amount was 17.7% higher than that distributed in 2003, and 25.7% higher than the distribution in 2002.

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### **BUSINESS OUTLOOK**

In spite of the slowdown in the second half, the world economy is estimated to have grown by 4.8% in 2004, the highest rate in the last 20 years, while international trade grew by 18.6% in the year the highest expansion since 1995.

The recovery was led by the United States, with GDP growth of 4.4%. A 9.5% expansion of the Chinese economy was also extremely important for the excellent performance of the world economy. In broad terms it was a synchronized recovery, though with reasonable variance between regions: 1.7% growth in the Euro zone, 2.6% in Japan, and 6% in Latin America, with the Brazilian economy showing its best performance since 1994 with GDP growth of 5.2%.

As well as the natural cyclical effect of the global economy recovery, the strong growth of China, faster than its already high average annual growth rate over the last 20 years (9.2%), and the fact that its economy is an intensive user of industrial raw materials at this stage of economic development, contributed to considerable demand pressure for ores and metals.

In response to the acceleration of demand, world steel production exceeded one billion tons for the first time, reaching 1.055 billion in the year, 8.8% higher than 2003, and almost double the average annual growth rate of 4.5% in the post-Asian-crisis period (1998-2003). In spite of this significant supply reaction, for the second year running there was a substantial increase in the prices of steel products.

Also as a result of this movement, seaborne iron ore trade grew to 602 million tons in 2004, 12.1% more than in 2003. Part of the disequilibrium between supply and demand was satisfied by the emergence of a spot market of considerable scale, in which prices reached multiples of the benchmark prices.

We expect the world economy to continue to grow at a rate above average long-term trend, although more slowly than in the first half of 2004. Together with the good outlook for the performance of the Chinese economy this tends to support up cycle of ores and metals prices.

Although investments by the global metals and mining industry are firmly expanding, indicating that in 2005 they could reach twice their amount of 2002, we believe that, at least for the next two years, reasonably large-scale imbalances between supply and demand in several markets continue to exist, especially iron ore, alumina and aluminum.

Capacity utilization levels are extremely high, resulting in higher operational costs and problems in the supply chain. Inventories, both in absolute terms and also in relation to consumption, are at historically low levels, while a considerable portion of the increase in the value of investments programmed is due to the increase in the cost of equipment. Further, the average time between the decision to invest and the conclusion of a project is relatively long, and has increased, worldwide, due to the increase in requirements for approval.

In the specific case of iron ore, we estimate an increase of global seaborne demand of 50 million tons. This increase, of 8.3%, would be lower than in 2004, but still shows significant vigor, as this expansion is stonger than the growth trend of the last 10 years of 5% since the beginning of the 90s. In view of the relative rigidity of supply expansion in the short term, with operation at full capacity and virtual non-existence of inventories, persistence of very tight market conditions can be foreseen.

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Although CVRD's programmed iron ore production for this year is more than 10% greater than in 2004, the Company still faces excess demand.

In 2004 the Company signed contracts for supply of iron ore and pellets totaling approximately 750 million tons with about 40 clients in the Americas, Asia and Europe, with weighted average maturity of seven years. The shipments under these new contracts will provide support for investments in expansion of production capacity.

According to estimates by the *International Copper Study Group* there was a 705,000-ton deficit in copper in 2004, after an imbalance between demand and production of 368,000 tons in 2003. Furthermore, the known inventories of copper are at their lowest level for the last 18 years. For this year, there is a forecast of balance between supply and demand starting in the third quarter, but without short-term availability for the necessary rebuilding of inventories.

We expect the Brazilian economy to continue to recover from the period of low growth in 2002 and 2003, while exports will continue to increase, resulting in favorable conditions for the logistics services offered by CVRD in Brazil.

## **RECENT MATERIAL EVENTS**

### **Iron ore and pellets: prices for 2005**

On February 22, 2005 CVRD and Nippon Steel agreed a 71.5% increase in prices of iron ore fines from Carajás and Southern System.

On March 3, CVRD completed agreement with Arcelor on prices for blast furnace pellets for 2005: an increase of 86.67% for the Tubarão product and 86.43% for the São Luís product.

The agreement with Nippon Steel marked the first time that CVRD agreed the reference price with an Asian client. This can be explained by the fact that Asia is responsible for more than two thirds of the global seaborne iron ore imports and for approximately 80% of the demand growth in recent years.

### **Fostering growth**

CVRD has announced a capital expenditure budget of US\$ 3.332 billion for 2005. Of the total budgeted, 22.1% will be allocated to sustain the existing business, and 77.9% to investment in organic growth.

The amount for organic growth is made up of US\$ 2.221 billion to be invested in brownfield and greenfield projects, and US\$ 375 million in research and development. This is the largest annual Capex in CVRD's history, in both nominal and real terms. Over the period 2003-2005, 74% of the Company's total investment was directed to organic growth, projects, and research and development. CVRD has been accelerating its investments in order to anticipate the start-up of important projects, such as the expansion of iron ore production capacity at Carajás.

The Company has won several international tenders for exploration of mineral deposits that strengthen its growth potential in the long term.

One was an international tender by the government of Mozambique for exploration of coal deposits in the Moatize region, the world's largest unexplored coal reserve.

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The Company paid US\$ 122.8 million for the concession. Feasibility studies for exploration of these reserves are currently in progress.

Operations at the African continent will be an important step for CVRD's growth. Besides Mozambique, CVRD is developing mineral exploration activities in Gabon, searching for manganese ore deposits, Angola and South Africa. In Angola, CVRD holds mineral rights over an area of approximately 225.000 square kilometers, with good potential for discovering iron ore, potash, copper, nickel, gold and diamond.

In Argentina, CVRD obtained a license for research, evaluation and exploration of a potash deposit in a region on the Colorado River, in the province of Neuquén.

In Brazil, CVRD won an international tender, for US\$ 20.0 million, for research, evaluation and exploration of a bauxite deposit in the region of Pitinga, in the Brazilian state of Amazonas.

In Peru, CVRD obtained the rights to exploration of the Bayóvar phosphates deposit, in the department of Piura.

### **Copper processing plant**

CVRD will build a semi-industrial plant to process copper by the hydrometallurgical route, to test this new technological option for production of the metal from sulphide copper concentrate. The investment is estimated at US\$ 58 million and the plant will have production capacity of 10 million tons of copper cathode per year. If the technology is approved, a larger-scale plant will be built for processing of copper from other deposits, such as Salobo.

### **Repurchase of debt securities**

In December 2004 CVRD completed the repurchase of US\$ 186.996 million of its US\$ 300 million debt issue with political risk insurance (PRI) and maturity in 2007.

### **Minimum dividend to shareholders of US\$ 1 billion**

CVRD's senior management will submit a proposal to the Board of Directors for payment of minimum dividend of US\$ 1 billion to shareholders for 2005, corresponding to US\$ 0.87 per share outstanding.

## **RECORD SALES AND REVENUES**

Consolidated gross revenues amounted to R\$ 29.020 billion, the largest in the Company's history, being 38.9% higher than that obtained in 2003. The average appreciation of the Brazilian real against the US dollar, of 4.8% during 2004, had an unfavourable effect on CVRD's revenues in reais, to the extent that around 84% of the Company's revenues are denominated and/or indexed to the US dollar. Between the fourth quarter of 2002 and the fourth quarter of 2004, the real appreciated by an average of 32.2% compared to the US dollar, which was not enough to prevent a strong increase in the Company's revenues and cash generation.

In terms of geographical distribution, the revenue from sales to Europe, of R\$ 8.012 billion, accounted for 27.6% of the total, to Brazil 23.9%, the USA 11.3%, China 10.6% and Japan 8.7%. Compared to 2003, the highest rates of growth were

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seen in the sales revenue from the United States, up 63.3%, from China, up 52.1% and Asian emerging markets (ex China) up 44.0%.

The gross margin achieved in 2004 was 48.7%, compared to 43.7% in 2003.

**SALES VOLUME CONSOLIDATED**

|                                       |             | thousand<br>tons |
|---------------------------------------|-------------|------------------|
|                                       | <b>2003</b> | <b>2004</b>      |
| Iron ore                              | 154,172     | 190,651          |
| Pellets                               | 32,640      | 40,853           |
| Manganese                             | 885         | 999              |
| Ferro alloys                          | 512         | 542              |
| Copper concentrate                    |             | 269              |
| Potash                                | 674         | 630              |
| Kaolin                                | 731         | 1,207            |
| Bauxite                               | 4,326       | 5,429            |
| Alumina                               | 1,805       | 1,678            |
| Aluminum                              | 488         | 477              |
| Railroad transportation (NTK million) | 30,171      | 40,055           |
| Port services                         | 28,743      | 28,697           |

Sales of iron ore, of 190.651 million tons, increased by 23.7% compared to 2003, constituting a new record. In 2004, the Company concluded its production capacity expansion at Carajás, to 70 million tons of iron ore a year. Already in this same year, Carajás produced 69.376 million tons, 10.5 million more than in 2003.

To meet the considerable customer demand, 15.9 million tons of iron ore were purchased from small mining companies in the Iron Quadrangle, in the state of Minas Gerais. In 2003, 9.2 million tons were purchased.

Pellets sales volume also set a new record, totalling 40.853 million tons, 25.2% higher than that sold in 2003.

Revenues generated from shipments of iron ore and pellets amounted to R\$ 15.549 billion, accounting for 53.6% of the Company's total revenue. This figure was 40.2% higher than that obtained in 2003, as a result of growth in sales volume and rising product prices.

Sales of manganese ore and ferro-alloys also set new records in 2004, with 999 thousand tons of manganese and 542 thousand tons of ferro-alloys, respective increases of 12.9% and 5.9%, compared to the previous year. Revenues from the sale of these products totalled R\$ 2.084 billion - 7.2% of consolidated gross revenues.

With the Sossego copper mine entering into operation in the first half of last year, 269 thousand tons of copper concentrate were shipped, corresponding to revenues of R\$ 592 million.

Sales of potash amounted to 630 thousand tons, down compared to that recorded in 2003 of 674 thousand tons, generating revenues of R\$ 362 million. The weaker performance compared to 2003 is explained by the drop in production at the Taquari-Vassouras mine, from 658 thousand tons in that year to 638 thousand tons in 2004, as a

result of a speeding up in the capacity expansion works, and by the low level of inventories, used in that year to support the increased sales.

In 2004, 1.207 million tons of kaolin were sold, resulting in revenues of R\$ 468 million. The increase of 65.1% in the shipments of kaolin in relation to the

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previous year was influenced by the consolidation of Caemi into the Company's figures from September 2003. However, even disregarding the effect of this change, there was an increase in sales, to the extent that PPSA increased its shipments by 9.6%.

Revenues derived from the sale of non-ferrous minerals – copper, potash and kaolin – amounted to R\$ 1.423 billion, corresponding to 4.9% of the Company's total consolidated gross revenue.

In 2004, CVRD sold 5.429 million tons of bauxite, a record volume, up 25.5% compared to 2003.

CVRD accelerated its alumina shipments in 2003, reaching 1.805 billion. Part of this volume was obtained due to swaps of alumina with competitors. In 2004, as CVRD had to supply its competitors with the amount received the year before, its sales were reduced in 7.0%, amounting to 1.678 million tons.

Revenues from the sale of products in the aluminum chain amounted to R\$ 4.055 billion, an increase of 14.7% compared to 2003.

In 2004, CVRD's railroads transported 40.055 billion NTKs (general cargo and iron ore) for clients, compared to 30.171 billion NTKs transported in 2003. The increase of 48.5% in revenues derived from railroad transport was due to three main factors: an increase in volume, a rise in the price of services and the total consolidation of FCA into CVRD's figures from September 2003.

Revenues derived from logistics services, from railroad transportation, port operations and coastal shipping, amounted to R\$ 3.025 billion, which represented an increase of 41.8% relative to 2003, and corresponded to 10.4% of the Company's total net revenues. Railroad transport contributed with revenues of R\$ 2.125 billion, port operations and support services with R\$ 450 million and coastal shipping with R\$ 450 million.

Revenues generated by CVRD's equity stakes in the steel industry amounted to R\$ 2.731 billion, 9.4% of the Company's total revenues, which reflected an improvement in performance as a result of the favourable period currently being enjoyed by the steel industry.

**GROSS REVENUES – CONSOLIDATED**

|  | <b>2003</b>   | <b>%</b>     | <b>2004</b>   | R\$<br>million<br><b>%</b> |
|--|---------------|--------------|---------------|----------------------------|
| <b>Iron ore and pellets</b>                  | <b>11,089</b> | <b>53.1%</b> | <b>15,549</b> | <b>53.6%</b>               |
| iron ore                                     | 7,743         | 37.1%        | 11,030        | 38.0%                      |
| pellets                                      | 3,346         | 16.0%        | 4,519         | 15.6%                      |
| <b>Pelletizing plants operation services</b> | <b>68</b>     | <b>0.3%</b>  | <b>77</b>     | <b>0.3%</b>                |
| <b>Manganese and ferro-alloys</b>            | <b>1,098</b>  | <b>5.3%</b>  | <b>2,084</b>  | <b>7.2%</b>                |
| <b>Copper concentrate</b>                    |               |              | <b>592</b>    | <b>2.0%</b>                |
| <b>Potash</b>                                | <b>289</b>    | <b>1.4%</b>  | <b>362</b>    | <b>1.2%</b>                |
| <b>Kaolin</b>                                | <b>320</b>    | <b>1.5%</b>  | <b>468</b>    | <b>1.6%</b>                |
| <b>Aluminum</b>                              | <b>3,534</b>  | <b>16.9%</b> | <b>4,055</b>  | <b>14.0%</b>               |
| <b>Logistics</b>                             | <b>2,134</b>  | <b>10.2%</b> | <b>3,025</b>  | <b>10.4%</b>               |
| railroads                                    | 1,431         | 6.8%         | 2,125         | 7.3%                       |

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|                       |               |               |               |               |
|-----------------------|---------------|---------------|---------------|---------------|
| ports                 | 371           | 1.8%          | 450           | 1.6%          |
| shipping              | 332           | 1.6%          | 450           | 1.6%          |
| <b>Steel products</b> | <b>2,217</b>  | <b>10.6%</b>  | <b>2,731</b>  | <b>9.4%</b>   |
| <b>Others</b>         | <b>146</b>    | <b>0.7%</b>   | <b>77</b>     | <b>0.3%</b>   |
| <b>Total</b>          | <b>20,895</b> | <b>100.0%</b> | <b>29,020</b> | <b>100.0%</b> |

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**BR GAAP****EXCELLENT OPERATIONS IN AN ENVIRONMENT OF COST INFLATION**

The mining and metals industry throughout the world have been suffering from cyclical pressure in labour costs, energy and equipment.

In addition, the currencies of the main producing countries, such as the Brazilian real, the Chilean peso, the Canadian dollar, the South African rand and the Australian dollar have all appreciated significantly in relation to the US dollar. On one hand, this phenomenon has stimulated an increase, in US dollar terms, of mineral products prices, but on the other hand, has contributed to an increase in the costs of mining companies. In the case of the Brazilian real, the nominal appreciation against the US dollar amounted to 26.6% between December 2002 and February 2005.

Finally, operating at full capacity implies higher costs, resulting in, for example, demurrage expenses increasing CVRD expenses from R\$ 126 million in 2003 to R\$ 245 million in 2004 and a greater number of maintenance shutdowns.

Aiming to optimize its performance, in 2005 CVRD launched a program of operational excellence. This program is composed of dozens of small projects, whose purpose is to achieve a reduction in costs and gains in productivity.

The excellent operational performance by the Company in 2004 was demonstrated by the obtaining of a record consolidated EBIT, of R\$ 10.306 billion. As a result, the previous consolidated EBIT record set in 2003, of R\$ 6.665 billion was generously exceeded.

EBIT margin also widened, to 37.4% compared to 33.1% in 2003.

The net effect of the consolidation of Caemi and FCA on gross profit, was of the order of R\$ 1.248 billion increasing revenues by R\$ 2.254 billion and the cost of goods sold (COGS) by R\$ 1.006 billion thus contributing to expansion in EBIT.

COGS increased by 24.7% compared to 2003, corresponding to R\$ 2.793 billion in absolute numbers. As well as the impact already mentioned from the consolidation on an integral basis of Caemi and FCA, the principal sources of cost pressure were the rises in energy prices (electricity and fuel), salaries, materials and products acquired, especially iron ore purchased from small mining companies, and demurrage, which increased R\$ 119 million. These costs, due to the delay in loading ships, reflected the effect of significant demand pressure for iron ore, on the logistics infrastructure.

**COGS BREAKDOWN CONSOLIDATED**

|                             | <b>2003</b> | <b>%</b> | <b>2004</b> | <b>R\$<br/>million</b> |
|-----------------------------|-------------|----------|-------------|------------------------|
|                             |             |          |             | <b>%</b>               |
| Personnel                   | 1,213       | 10.7%    | 1,412       | 10.0%                  |
| Material                    | 1,797       | 15.9%    | 2,325       | 16.5%                  |
| Fuel oil and gases          | 1,362       | 12.0%    | 1,597       | 11.3%                  |
| Outsourced services         | 1,802       | 15.9%    | 2,474       | 17.5%                  |
| Energy                      | 998         | 8.8%     | 1,253       | 8.9%                   |
| Acquisition of products     | 2,262       | 20.0%    | 2,520       | 17.8%                  |
| Depreciation and exhaustion | 1,035       | 9.1%     | 1,191       | 8.4%                   |

|                       |               |               |               |               |
|-----------------------|---------------|---------------|---------------|---------------|
| Goodwill amortization | 166           | 1.5%          | 384           | 2.7%          |
| Others                | 695           | 6.1%          | 967           | 6.8%          |
| <b>Total</b>          | <b>11,330</b> | <b>100.0%</b> | <b>14,123</b> | <b>100.0%</b> |

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Administrative expenses increased by R\$ 303 million due to salary increases, 17% in July 2003 and 4.5% in July 2004, and higher expenditure on technical consulting and the incorporation of around 7,500 employees as the result of total consolidation of companies. Expenditure on research and development increased by R\$ 191 million as a result of CVRD's decision to gear up its efforts to identify new mineral deposits in Brazil and other countries, in South America, Africa and Asia. The acceleration in the amortization of goodwill paid for the acquisition of Samitri also had a negative effect of R\$ 183 million on operating profit.

There was an increase of R\$ 200 million in other operational expenses, principally due to provisions for contingency, which increased from R\$ 239 million in 2003 to R\$ 277 million in 2004 and provisions for payment of a bonus to employees of the Company, which increased in R\$ 62 million.

**RECORD CASH GENERATION R\$ 12 BILLION**

Consolidated cash generation, as measured by EBITDA, amounted to R\$ 12.249 billion, constituting another record. The EBITDA obtained in 2004 was 51.2% higher than that reported in 2003, of R\$ 8.100 billion.

Ferrous minerals – iron ore, pellets, manganese and ferro-alloys – contributed with 64.9% of the EBITDA generated in 2004, while the products in the aluminum chain were responsible for 16.0%, logistics services 10.1%, steel 6.5% and non-ferrous minerals 2.5%.

**EBITDA CALCULATION – CONSOLIDATED**

|                                    | R\$ million  |               |
|------------------------------------|--------------|---------------|
|                                    | <b>2003</b>  | <b>2004</b>   |
| Net operating revenues             | 20,116       | 27,544        |
| Cost of goods sold                 | (11,330)     | (14,123)      |
| SG & A expenses                    | (1,117)      | (1,537)       |
| Research & development expenses    | (249)        | (440)         |
| Other operational expenses         | (755)        | (1,138)       |
| Adjustment for non recurring items | 95           | 183           |
| Depreciation & amortization        | 1,302        | 1,694         |
| Dividends received                 | 38           | 66            |
| <b>EBITDA</b>                      | <b>8,100</b> | <b>12,249</b> |

**RECORD NET EARNINGS: R\$ 6.5 BILLION**

The Company's net earnings in 2004 amounted to R\$ 6.460 billion, R\$ 5.61 per share. This was an increase of 43.3% compared to the earnings in 2003, of R\$ 4.509 billion.

The increase of R\$ 7.428 billion in net operating revenues, was partially offset by an increase in COGS, of R\$ 2.793 billion and by a negative contribution, of R\$ 1.797 billion, from the net financial result.

In 2004, CVRD's net financial result was a negative R\$ 2 billion compared to R\$ 203 million in 2003. The effect of monetary variation contributed to the deterioration in this result with R\$ 1.274 billion.

Result from shareholdings increased by R\$ 696 million compared to 2003. The main contributions came from logistics (an increase of R\$ 258 million) and steel (an increase of R\$ 196 million).

**4T 04**

**BR GAAP**

The sale of CVRD's stake in CST generated earnings of R\$ 541 million.

In 2004, R\$ 1.810 billion was provisioned for income tax and social contribution.

**PERFORMANCE OF THE PARENT COMPANY IN THE FOURTH QUARTER 2004 (4Q04)**

In 4Q04, CVRD's gross revenues amounted to R\$ 3.735 billion, an increase of 29.8% on 4Q03.

The sales of iron ore and pellets amounted to 49.404 million tons and accounted for 75.9% of the gross sales generated by the Parent Company in 4Q04, R\$ 2.834 billion. Of this amount, R\$ 2.110 billion derived from sales of iron ore, an increase of 16.7% on 4Q03, and R\$ 724 million from pellets shipments, compared to R\$ 623 million in 4Q03.

In 4Q04, sales of copper concentrate totalled 139 thousand tons, producing gross revenues of R\$ 324 million, compared to R\$ 196 million in 3Q04 and R\$ 72 million in 2Q04, when the first shipment of this product was made.

Sales of potash, 165 thousand tons, were in line with the quantities sold in 4Q03, of 169 thousand tons. Revenue generated in 4Q04, of R\$ 98 million, however was up by 34.2%, due to the high price of this product.

In 4Q04, 6.063 billion NTKs were transported via the EFVM and EFC railroads, an increase of 8.2% on 4Q03. Of this total, 4.350 billion NTKs referred to general cargo for CVRD's clients and 1.713 billion NTKs, referred to iron ore and pellets transported for Brazilian clients.

Logistics services were responsible for R\$ 392 million in revenues, or 10.5%, of the total revenue generated by CVRD in 4Q04, an increase of 20.2% on 4Q03. Revenue generated by railroad transportation amounted to R\$ 305 million and by port services, R\$ 87 million.

**SALES VOLUME PARENT COMPANY**

|                      | <b>4Q03</b> | <b>3Q04</b> | <b>4Q04</b> | <b>2003</b> | <b>2004</b>   |
|----------------------|-------------|-------------|-------------|-------------|---------------|
|                      |             |             |             |             | thousand tons |
| Iron ore and pellets | 44,797      | 48,893      | 49,404      | 157,913     | 187,447       |
| iron ore             | 38,134      | 41,791      | 42,382      | 136,973     | 159,737       |
| finer                | 33,263      | 36,530      | 37,225      | 122,018     | 140,686       |
| lumps                | 4,871       | 5,261       | 5,157       | 14,955      | 19,051        |
| pellets              | 6,663       | 7,102       | 7,022       | 20,940      | 27,710        |
| Potash               | 169         | 161         | 165         | 674         | 630           |
| Copper concentrate   |             | 96          | 139         |             | 269           |
| Port services        | 5,761       | 6,654       | 6,221       | 25,311      | 25,406        |

**RAILROAD TRANSPORTATION OF GENERAL CARGO PARENT COMPANY**

|  | <b>4Q03</b> | <b>3Q04</b> | <b>4Q04</b> | <b>2003</b> | <b>2004</b> |
|--|-------------|-------------|-------------|-------------|-------------|
|  |             |             |             |             | ntk million |

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|                          |              |              |              |               |               |
|--------------------------|--------------|--------------|--------------|---------------|---------------|
| Vitória a Minas Railroad | 3,233        | 3,724        | 3,187        | 12,768        | 13,536        |
| Carajás Railroad         | 808          | 1,310        | 1,163        | 3,534         | 4,686         |
| <b>Total</b>             | <b>4,041</b> | <b>5,034</b> | <b>4,350</b> | <b>16,302</b> | <b>18,222</b> |

**4T 04**

10

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## BR GAAP

## GROSS REVENUES BY PRODUCT PARENT COMPANY

|  | 4Q03         |              | 3Q04         |              | 4Q04         |              | 2003          |              | 2004          |              | R\$ million |
|--|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|--------------|-------------|
|  |              | %            |              | %            |              | %            |               | %            |               | %            |             |
| <b>Iron ore</b>                              | <b>1,808</b> | <b>62.9</b>  | <b>2,214</b> | <b>59.2</b>  | <b>2,110</b> | <b>56.5</b>  | <b>6,492</b>  | <b>62.6</b>  | <b>8,092</b>  | <b>58.7</b>  |             |
| domestic market                              | 374          | 13.0         | 543          | 14.5         | 514          | 13.8         | 1,559         | 15.0         | 2,009         | 14.6         |             |
| export market                                | 1,434        | 49.9         | 1,671        | 44.7         | 1,596        | 42.7         | 4,934         | 47.6         | 6,084         | 44.1         |             |
| <b>Pellets</b>                               | <b>623</b>   | <b>21.7</b>  | <b>768</b>   | <b>20.5</b>  | <b>724</b>   | <b>19.4</b>  | <b>1,982</b>  | <b>19.1</b>  | <b>2,949</b>  | <b>21.4</b>  |             |
| domestic market                              | 120          | 4.2          | 157          | 4.2          | 160          | 4.3          | 361           | 3.5          | 590           | 4.3          |             |
| export market                                | 503          | 17.5         | 611          | 16.3         | 564          | 15.1         | 1,621         | 15.6         | 2,359         | 17.1         |             |
| <b>Pelletizing plants operation services</b> | <b>41</b>    | <b>1.4</b>   | <b>34</b>    | <b>0.9</b>   | <b>40</b>    | <b>1.1</b>   | <b>137</b>    | <b>1.3</b>   | <b>156</b>    | <b>1.1</b>   |             |
| <b>Copper concentrate</b>                    |              |              | <b>196</b>   | <b>5</b>     | <b>324</b>   | <b>8.7</b>   |               |              | <b>592</b>    | <b>4.3</b>   |             |
| <b>Potash</b>                                | <b>72</b>    | <b>2.5</b>   | <b>103</b>   | <b>2.8</b>   | <b>98</b>    | <b>2.6</b>   | <b>289</b>    | <b>2.8</b>   | <b>362</b>    | <b>2.6</b>   |             |
| <b>Railroad transportation</b>               | <b>249</b>   | <b>8.7</b>   | <b>333</b>   | <b>8.9</b>   | <b>305</b>   | <b>8.2</b>   | <b>1,059</b>  | <b>10.2</b>  | <b>1,218</b>  | <b>8.8</b>   |             |
| <b>Port services</b>                         | <b>77</b>    | <b>2.7</b>   | <b>89</b>    | <b>2.4</b>   | <b>87</b>    | <b>2.3</b>   | <b>307</b>    | <b>3.0</b>   | <b>338</b>    | <b>2.5</b>   |             |
| <b>Others</b>                                | <b>6</b>     | <b>0.2</b>   | <b>6</b>     | <b>0.2</b>   | <b>47</b>    | <b>1.3</b>   | <b>99</b>     | <b>1.0</b>   | <b>77</b>     | <b>0.6</b>   |             |
| <b>Total</b>                                 | <b>2,876</b> | <b>100.0</b> | <b>3,742</b> | <b>100.0</b> | <b>3,735</b> | <b>100.0</b> | <b>10,365</b> | <b>100.0</b> | <b>13,785</b> | <b>100.0</b> |             |

In 4Q04, EBIT amounted to R\$ 1.097 billion, 22.8% higher than that obtained in 4Q03. EBIT margin amounted to 30.8%, compared to 31.9% in 4Q03.

EBITDA amounted to R\$ 1.602 billion, 29.3% higher than the amount reported in 4Q03, of R\$ 1.239 billion. In 4Q04, dividends received totalled R\$ 245 million, R\$ 85 million from Samarco, R\$ 84 million from Docenave, R\$ 30 million from Usiminas and R\$ 36 million from Mineração Rio do Norte (MRN).

## EBITDA CALCULATION PARENT COMPANY

|                                     | 4Q03         | 3Q04         | 4Q04         | 2003         | 2004         | R\$ million |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Net operating revenues              | 2,798        | 3,534        | 3,563        | 10,013       | 13,088       |             |
| COGS                                | (1,548)      | (1,855)      | (2,041)      | (5,357)      | (7,147)      |             |
| Sales expenses                      | (64)         | (8)          | (7)          | (216)        | (26)         |             |
| Administrative expenses             | (124)        | (123)        | (169)        | (406)        | (531)        |             |
| Research & development              | (95)         | (99)         | (111)        | (233)        | (349)        |             |
| Other operational expenses          | (74)         | (237)        | (138)        | (320)        | (731)        |             |
| <b>EBIT</b>                         | <b>893</b>   | <b>1,212</b> | <b>1,097</b> | <b>3,481</b> | <b>4,305</b> |             |
| Depreciation and amortization       | 244          | 258          | 260          | 759          | 1,007        |             |
| Dividends received                  | 102          | 68           | 245          | 602          | 716          |             |
| Adjustments for non-recurring items |              |              |              | 36           | 183          |             |
| <b>EBITDA</b>                       | <b>1,239</b> | <b>1,538</b> | <b>1,602</b> | <b>4,878</b> | <b>6,211</b> |             |

Net earnings by the Parent Company in 4Q04 amounted to R\$ 1.528 billion, an increase of 92.7% compared to 4Q03. Among the main reasons contributing to this increase of R\$ 735 million in earnings, we would like to highlight the increase in gross revenues of R\$ 858 million and the result from shareholdings, up R\$ 553 million, while at the same time monetary variation had a positive impact of R\$ 427 million. On the negative side, there was an increase of R\$ 571 million in provisions for the payment of income tax and social contribution, and a rise of R\$ 493 million in COGS.

**4T 04**



**BR GAAP****COGS BREAKDOWN PARENT COMPANY**

|                               | R\$ million  |              |              |              |              |              |              |              |              |              |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                               | <b>4Q03</b>  | <b>%</b>     | <b>3Q04</b>  | <b>%</b>     | <b>4Q04</b>  | <b>%</b>     | <b>2003</b>  | <b>%</b>     | <b>2004</b>  | <b>%</b>     |
| Personnel                     | 185          | 12.0         | 191          | 10.3         | 185          | 9.1          | 572          | 10.7         | 691          | 9.7          |
| Material                      | 243          | 15.7         | 350          | 18.9         | 432          | 21.2         | 874          | 16.3         | 1,349        | 18.9         |
| Fuel oil and gases            | 180          | 11.6         | 204          | 11.0         | 217          | 10.6         | 636          | 11.9         | 776          | 10.9         |
| Outsourced services           | 250          | 16.1         | 269          | 14.5         | 228          | 11.2         | 753          | 14.1         | 971          | 13.6         |
| Outsourced transportation     | 50           | 3.2          | 73           | 3.9          | 130          | 6.4          | 86           | 1.6          | 358          | 5.0          |
| Energy                        | 51           | 3.3          | 69           | 3.7          | 50           | 2.4          | 151          | 2.8          | 217          | 3.0          |
| Acquisition of products       | 249          | 16.1         | 346          | 18.7         | 367          | 18.0         | 1,192        | 22.3         | 1,337        | 18.7         |
| Depreciation and amortization | 230          | 14.9         | 247          | 13.3         | 254          | 12.4         | 720          | 13.4         | 968          | 13.5         |
| Others                        | 110          | 7.1          | 106          | 5.7          | 178          | 8.7          | 373          | 7.0          | 481          | 6.7          |
| <b>Total</b>                  | <b>1,548</b> | <b>100.0</b> | <b>1,855</b> | <b>100.0</b> | <b>2,041</b> | <b>100.0</b> | <b>5,357</b> | <b>100.0</b> | <b>7,147</b> | <b>100.0</b> |

**RESULT FROM SHAREHOLDINGS BY BUSINESS AREA PARENT COMPANY**

|                             | R\$ million  |             |             |              |              |
|-----------------------------|--------------|-------------|-------------|--------------|--------------|
| <b>Business Área</b>        | <b>4Q03</b>  | <b>3Q04</b> | <b>4Q04</b> | <b>2003</b>  | <b>2004</b>  |
| <b>Ferrous minerals</b>     | <b>208</b>   | <b>496</b>  | <b>336</b>  | <b>469</b>   | <b>1,713</b> |
| iron ore and pellets        | 9            | 324         | 215         | 198          | 1,217        |
| manganese and ferro-alloys  | 199          | 172         | 121         | 270          | 495          |
| <b>Non-ferrous minerals</b> | <b>(49)</b>  | <b>16</b>   | <b>(25)</b> | <b>(24)</b>  | <b>(5)</b>   |
| <b>Logistics</b>            | <b>(150)</b> | <b>36</b>   |             | <b>(359)</b> | <b>63</b>    |
| <b>Steel</b>                | <b>86</b>    | <b>125</b>  | <b>207</b>  | <b>301</b>   | <b>752</b>   |
| <b>Aluminum</b>             | <b>93</b>    | <b>235</b>  | <b>176</b>  | <b>711</b>   | <b>729</b>   |
| <b>Others</b>               | <b>(39)</b>  | <b>(5)</b>  | <b>8</b>    | <b>24</b>    |              |
| <b>Total</b>                | <b>149</b>   | <b>903</b>  | <b>702</b>  | <b>1,122</b> | <b>3,251</b> |

**HIGHLIGHTS OF THE PARENT COMPANY S PERFORMANCE IN 2004**

Gross revenues of the Parent Company in 2004 amounted to R\$ 13.785 billion, a new record, compared to R\$ 10.367 billion in 2003. Of this amount, R\$ 2.515 billion referred to higher volumes sold and R\$ 1.338 billion, increase in prices, partially offset by a loss of R\$ 435 million as a result of the average appreciation of 4.8% in the Brazilian real, against the US dollar in 2004.

Sales of iron ore and pellets totalled 187.447 million tons, accounting for 80.1% of the revenues generated by the Parent Company in 2004. Shipments of potash accounted for 2.6% of revenues. The revenues obtained from the sales of copper concentrate starting from June, amounted to R\$ 592 million, representing 4.3% of the total revenues of the Parent Company.

In 2004, 24.941 billion NTKs were transported by the EFVM and EFC railroads, an increase of 11.2% on the previous year, which saw 22.434 billion NTKs transported. Of this total, 18.222 billion NTKs referred to general cargo for clients of CVRD and 6.719 billion NTKs referred to iron ore and pellets for Brazilian clients.

The logistics services provided by the Parent Company, railroad transportation and port services, produced revenues of R\$ 1.556 billion in 2004, which accounted for 11.3% of the total revenue.

EBIT amounted to R\$ 4.305 billion, compared to R\$ 3.480 billion in 2003. EBITDA totalled R\$ 6.211 billion, in comparison to R\$ 4.876 billion in the

**4T 04**

**BR GAAP**

previous year. Dividends received by the Parent Company in 2004 amounted to R\$ 716 million, the main contributions being made by Samarco, MRN and Usiminas.

The sale of CVRD's equity stake in CST generated earnings of R\$ 541 million.

In 2004, a provision of R\$ 885 million was made for the payment of income tax and social contribution.

**DEBT: LOWER LEVERAGE, HIGHER INTEREST COVERAGE, LOWER RISK PROFILE**

The below analysis is based on US GAAP figures.

CVRD's total debt on December 31, 2004 was US\$ 4.088 billion, US\$ 330 million lower than on September 30, 2004, US\$ 4.418 billion. Part of the reduction on debt was due to repurchase of 62.33% of the US\$ 300 million PRI bonds outstanding issued in 2002 and due in 2007. The purpose of this transaction was the improvement of cash management with the buyback of securities that did not fully reflect the Company's level of risk.

Net debt at the end of December 2004 was US\$ 2.839 billion, compared to US\$ 2.479 billion at the end of September, and US\$ 3.443 billion at the end of December 2003.

The Company's leverage indicators improved substantially: gross debt/adjusted EBITDA fell from 1.89x as of December 31, 2003 to 1.10x as of December 31, 2004. Total debt/enterprise value fell from 16.0% to 11.8%. Interest coverage measured as adjusted EBITDA/interest paid increased, from 11.51x at the end of 2003 to 12.41x at the end of 2004. These changes are in line with the Company's strategy of preserving a sound balance sheet.

CVRD has also been successful in reducing the implicit risk of its debt portfolio. Average debt maturity was increased, from 3.60 years at December 2003 to 6.83 years at December 2004, helping reduce refinancing risks. One of the main factors in this change was the issue of a 30-year bond, CVRD 2034. At the same time the percentage of debt with floating interest rates decreased from 71% in December 2002 to 56% in December 2004, reducing interest rate risk. The change in the risk profile took place with an increase in the average cost of debt of less than 100 basis points.

The Company contracted committed credit lines totaling US\$ 500 million, contributing to efficiency in cash management and reducing risks of liquidity.

CVRD is rated *Bal* by Moody's, only one notch below investment grade, with a positive outlook. In view of the importance of cost of capital for its growth projects and creation of value for the shareholders, obtaining the investment grade rating is one of the Company's main targets.

**DEBT INDICATORS US GAAP**

|                                      | 4Q03  | 3Q04  | 4Q04  | 2003  | US\$<br>million<br>2004 |
|--------------------------------------|-------|-------|-------|-------|-------------------------|
| Gross debt                           | 4,028 | 4,418 | 4,088 | 4,028 | 4,088                   |
| Net debt                             | 3,443 | 2,479 | 2,839 | 3,443 | 2,839                   |
| Gross debt / LTM adjusted EBITDA (x) | 1.89  | 1.34  | 1.10  | 1.89  | 1.10                    |

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|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| LTM adjusted EBITDA / LTM interest expenses (x) | 11.51 | 13.00 | 12.41 | 11.51 | 11.51 |
| Gross debt / EV (x)                             | 0.16  | 0.16  | 0.12  | 0.16  | 0.12  |

EV = Enterprise Value = Market Capitalization + Net Debt

**4T 04**

13

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**BR GAAP****CONFERENCE CALL/WEBCAST**

On Wednesday, March 23, CVRD will be holding a conference call and webcast at 12:00pm (Rio de Janeiro time), 10:00am US Eastern Standard Time and 3:00pm British Standard Time. Instructions for participating in the conference call/webcast are available on CVRD's website, [www.cvr.com.br](http://www.cvr.com.br), investor relations. A recording of the conference call/webcast will be available on the Company's website for 90 days following March 23, 2005.

**FINANCIAL STATEMENTS CONSOLIDATED**

|                                    | R\$ million    |                |
|------------------------------------|----------------|----------------|
|                                    | <b>2003</b>    | <b>2004</b>    |
| <b>Gross operating revenues</b>    | <b>20,895</b>  | <b>29,020</b>  |
| Taxes                              | (779)          | (1,476)        |
| <b>Net operating revenues</b>      | <b>20,116</b>  | <b>27,544</b>  |
| Cost of goods sold                 | (11,330)       | (14,123)       |
| <b>Gross profit</b>                | <b>8,786</b>   | <b>13,421</b>  |
| Gross margin (%)                   | 43.7%          | 48.7%          |
| <b>Operational expenses</b>        | <b>(2,121)</b> | <b>(3,115)</b> |
| Sales                              | (295)          | (412)          |
| Administrative                     | (822)          | (1,125)        |
| Research and development           | (249)          | (440)          |
| Other operational expenses         | (755)          | (955)          |
| Change accounting practices        |                | (183)          |
| <b>Result from shareholdings</b>   | <b>(540)</b>   | <b>156</b>     |
| Equity income                      | 209            | 408            |
| Goodwill amortization              | (612)          | (252)          |
| Provision for losses               | (137)          |                |
| <b>Financial result</b>            | <b>(203)</b>   | <b>(2,000)</b> |
| Financial expenses                 | (1,368)        | (1,866)        |
| Financial revenues                 | 322            | 297            |
| Monetary variation                 | 843            | (431)          |
| <b>Operating profit</b>            | <b>5,922</b>   | <b>8,462</b>   |
| Result of discontinued operations  | 174            | 551            |
| Change in accounting method        | (91)           |                |
| Income tax and social contribution | (963)          | (1,810)        |
| Minority interest                  | (533)          | (743)          |
| <b>Net earnings</b>                | <b>4,509</b>   | <b>6,460</b>   |

**BALANCE SHEET CONSOLIDATED**

|              | R\$ million     |                 |
|--------------|-----------------|-----------------|
|              | <b>12/31/03</b> | <b>12/31/04</b> |
| <b>Asset</b> |                 |                 |
| Current      | 8,709           | 11,930          |
| Long term    | 3,764           | 3,711           |

|                      |               |               |
|----------------------|---------------|---------------|
| Fixed                | 25,266        | 27,831        |
| <b>Total</b>         | <b>37,739</b> | <b>43,472</b> |
| <b>Liabilities</b>   |               |               |
| Current              | 7,697         | 9,326         |
| Long term            | 13,481        | 13,935        |
| Others               | 1,621         | 2,041         |
| Shareholders' equity | 14,940        | 18,170        |
| Paid-up capital      | 6,300         | 7,300         |
| Reserves             | 8,640         | 10,870        |
| <b>Total</b>         | <b>37,739</b> | <b>43,472</b> |

4T 04

## BR GAAP

## FINANCIAL STATEMENTS PARENT COMPANY

|                                    | R\$ million  |              |              |                |                |
|------------------------------------|--------------|--------------|--------------|----------------|----------------|
|                                    | 4Q03         | 3Q04         | 4Q04         | 2003           | 2004           |
| <b>Gross operating revenues</b>    | <b>2,877</b> | <b>3,742</b> | <b>3,735</b> | <b>10,367</b>  | <b>13,785</b>  |
| Taxes                              | (79)         | (208)        | (172)        | (354)          | (697)          |
| <b>Net operating revenues</b>      | <b>2,798</b> | <b>3,534</b> | <b>3,563</b> | <b>10,013</b>  | <b>13,088</b>  |
| Cost of goods sold                 | (1,548)      | (1,855)      | (2,041)      | (5,357)        | (7,147)        |
| <b>Gross profit</b>                | <b>1,250</b> | <b>1,679</b> | <b>1,522</b> | <b>4,656</b>   | <b>5,941</b>   |
| Gross margin (%)                   | 44.7         | 47.5         | 42.7         | 46.5           | 45.4           |
| <b>Operational expenses</b>        | <b>(357)</b> | <b>(467)</b> | <b>(425)</b> | <b>(1,176)</b> | <b>(1,636)</b> |
| Sales                              | (64)         | (8)          | (7)          | (217)          | (26)           |
| Administrative                     | (124)        | (123)        | (169)        | (406)          | (531)          |
| Research and development           | (95)         | (99)         | (111)        | (233)          | (349)          |
| Other operational expenses         | (74)         | (237)        | (138)        | (320)          | (548)          |
| Change accounting practices        |              |              |              |                | (183)          |
| <b>Operating profit</b>            | <b>893</b>   | <b>1,212</b> | <b>1,097</b> | <b>3,479</b>   | <b>4,305</b>   |
| <b>Result from shareholdings</b>   | <b>149</b>   | <b>903</b>   | <b>702</b>   | <b>1,122</b>   | <b>3,251</b>   |
| Equity income                      | 417          | 970          | 769          | 1,452          | 3,581          |
| Goodwill amortization              | (114)        | (57)         | (55)         | (505)          | (249)          |
| Provision for losses               | (154)        | (10)         | (12)         | 175            | (81)           |
| <b>Financial result</b>            | <b>(261)</b> | <b>(54)</b>  | <b>211</b>   | <b>395</b>     | <b>(751)</b>   |
| Financial expenses                 | (240)        | (276)        | (172)        | (732)          | (766)          |
| Financial revenues                 | 51           | 24           | 28           | 222            | 101            |
| Monetary variation                 | (72)         | 198          | 355          | 905            | (86)           |
| <b>Gain on sale of affiliates</b>  |              | 463          | 78           |                | 541            |
| Income tax and social contribution | 11           | (228)        | (560)        | (487)          | (885)          |
| <b>Net earnings</b>                | <b>793</b>   | <b>2,296</b> | <b>1,528</b> | 4,509          | 6,460          |
| <b>Earnings per share (R\$)</b>    | <b>0.69</b>  | <b>1.99</b>  | <b>1.33</b>  | <b>3.92</b>    | <b>5.61</b>    |

## BALANCE SHEET PARENT COMPANY

|                      | R\$ million   |               |               |
|----------------------|---------------|---------------|---------------|
|                      | 12/31/03      | 09/30/04      | 12/31/04      |
| <b>Asset</b>         |               |               |               |
| Current              | 4,009         | 5,818         | 4,726         |
| Long term            | 2,603         | 2,734         | 2,391         |
| Fixed                | 23,604        | 27,163        | 28,221        |
| <b>Total</b>         | <b>30,216</b> | <b>35,715</b> | <b>35,339</b> |
| <b>Liabilities</b>   |               |               |               |
| Current              | 5,248         | 6,012         | 6,793         |
| Long term            | 10,027        | 11,082        | 10,376        |
| Shareholders' equity | 14,940        | 18,621        | 18,170        |
| Paid-up capital      | 6,300         | 7,300         | 7,300         |
| Reserves             | 8,640         | 11,321        | 10,870        |

|              |               |               |               |
|--------------|---------------|---------------|---------------|
| <b>Total</b> | <b>30,216</b> | <b>35,715</b> | <b>35,339</b> |
|--------------|---------------|---------------|---------------|

This communication may include declarations which represent the expectations of the Company's Management about future results or events. All such declarations, when based on future expectations and not on historical facts, involve various risks and uncertainties. The Company cannot guarantee that such declarations turn out to be correct. Such risks and uncertainties include factors relative to the Brazilian economy and capital markets, which are volatile and may be affected by developments in other countries; factors relative to the iron ore business and its dependence on the steel industry, which is cyclical in nature; and factors relative to the high degree of competitiveness in industries in which CVRD operates. To obtain additional information on factors which could cause results to be different from those estimated by the Company, please consult the reports filed with the Comissão de Valores Mobiliários (CVM Brazilian stock exchange regulatory authority) and the U.S. Securities and Exchange Commission (SEC), including the most recent Annual Report (CVRD Form 20F).

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**MANAGEMENT REPORT**  
**2004**

**2004: SETTING NEW RECORDS AND CREATING VALUE**

The combination of strong expansion in the global demand for ore and metals and the expansion of production capacity in all the operational activities of Companhia Vale do Rio Doce - CVRD, as a result of implementing highly competitive projects and carrying out very successful acquisitions, added to the significant efficiency gains achieved, enabled the Company to add another year to its excellent track record. New records were set as a result, and substantial value created for shareholders.

The substantial investments which are currently being implemented by CVRD benefit its shareholders at the same time as contributing directly and indirectly to the generation of tens of thousands of jobs in various states in Brazil, as well as the significant growth in Brazil's exports. The investment in its railroads has caused a rebirth of the railroad materials industry in Brazil, and is making new businesses possible by opening up efficient transport channels.

The strong cash generation has made it possible to finance growth initiatives as well as distributing a good level of dividends to shareholders, while continuing to preserve a healthy balance sheet, with a low level of financial leverage, a high level of interest coverage, and a comfortable average debt maturity.

**Fostering growth**

Last year CVRD invested US\$ 1.956 billion, an amount calculated according to generally accepted accounting principles in the United States (US GAAP), the second highest level, in real terms in the Company's history.

In 2004, four important projects were completed: the Sossego copper mine, the expansion of Carajás iron ore production capacity to 70 million tons a year (both in the state of Pará), Pier III at the Ponta da Madeira maritime terminal, in the state of Maranhão, and the Candonga hydroelectric power plant, in the state of Minas Gerais.

For 2005, the Company has announced an investment budget of US\$ 3.3 billion. Of the total budget, 22.1% will be allocated to sustain the existing businesses and 77.9% for investment in organic growth.

The amount allocated for organic growth is made up of US\$ 2.221 billion to be invested in *brownfield* and *greenfield* projects and US\$ 375 million in research and development. This is the largest capital expenditure, both in nominal and real terms, in CVRD's history. Over the period 2003-2005, 74% of the Company's total investment was directed to organic growth, projects, and research and development.

Five years ago, the amount invested by CVRD in research and development only amounted to US\$ 36 million per year, 80% of this being allocated to the prospecting for copper deposits in Carajás. In 2005, as well as investing more than 10 times this amount, the Company has extended its mineral prospecting activities across 10 states in Brazil and nine other countries: Venezuela, Peru, Chile, Argentina, Gabon, Angola, South Africa, Mozambique and Mongolia. Shortly, the Company will begin activities in Australia.

The Company has won a number of international tenders bids, which has strengthened its long-term growth potential.

CVRD successfully competed against international rivals in a tender bid carried out by the government of Mozambique for the exploitation of coal deposits in the Moatize region. These are the largest non-exploited coal reserves in the world. US\$ 122.8 million was spent on the concession and



**MANAGEMENT REPORT**  
**2004**

feasibility studies are being developed for the extraction of this deposit. The Company expects to begin the production of metallurgical coal and thermo coal from 2009.

In Argentina, the Company has obtained a licence for the prospecting, evaluation and exploration of a potash deposit located in the region on the banks of the Colorado River, in Neuquén Province.

In Brazil, a concession was obtained, through the payment of US\$ 20 million, for the prospecting, evaluation and exploration of a bauxite deposit in the region of Pitinga, in the state of Amazonas.

In Peru, CVRD won a bid for the exploration of the Bayóvar phosphate deposits, located in the Department of Piura.

Currently, the Company is investing in six iron ore projects, five in the Southern System, in the state of Minas Gerais, being one new mine, Fábrica Nova, which will begin operations in the first half of this year, and one in Carajás, in the state of Pará. Iron ore production in 2004 reached a record level of 218 million tons, and the Company estimates that this figure will top 275 million tons by 2007.

At the same time, a new bauxite mine is being opened in Paragominas, located in the state of Pará, whose production capacity will initially be 4.5 million tons a year, requiring a total investment of US\$ 352 million. Stages 4 and 5 are being built at the alumina refinery at Alunorte, in Barcarena, in the state of Pará, for an investment of US\$ 583 million. In 2005 CVRD will conclude the expansion project of the Taquari-Vassouras potash mine, in the state of Sergipe, and it is also set to begin the development of two new mines: 118, its second copper mine, and Vermelho, its first nickel mine, both located in Carajás.

US\$ 760 million is being invested in logistics, with the purchase of 5,606 railcars and 123 locomotives, and on increasing capacity at the maritime terminals of Ponta da Madeira, in the state of Maranhão, Tubarão, in the state of Espírito Santo, and Sepetiba, in the state of Rio de Janeiro.

Over the last four years CVRD's railroads transported 101.286 billion net ton kilometers (NTK) of general cargo for clients. The main cargos transported were steel industry inputs and products, agricultural products, building materials, paper pulp, fuels and many different other types of goods. The average annual growth rate of general cargo volume transported was 10.7%.

In a consortium with other companies, CVRD is building three new hydroelectric power plants: Aimorés, Capim Branco I and Capim Branco II, in the state of Minas Gerais.

**CVRD'S INVESTMENTS 1970-2005**  
at December 2004 prices<sup>1</sup>

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1) nominal values adjusted by the producer price index (PPI) - USA

Source: CVRD

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**INVESTMENTS - 2000-2005**

**International partnerships**

CVRD is in the process of developing a number of partnerships with large international, European and Asian companies. These ventures strengthen the Company's market share in the global scenario, attracting new and significant investment to Brazil and allowing the Company to be shortly able to enter the metallurgical coal market.

The Company is set to build an alumina refinery, a joint-venture greenfield project (Alumina Brasil China) with Chalco Aluminium Corporation of China Limited in Barcarena, in Pará, supplied with bauxite provided from the Paragominas mine.

CVRD has purchased for US\$ 86 million a 25% stake in a project for the production of anthracite in China in association with Shanghai Baosteel Group Corporation and Yongcheng Coal & Electricity Group. It has invested US\$ 27 million in the creation of Shandong Yankuang International Coking Co. Ltd. in partnership with the Yankuang Group, of China, and the Itochu Corporation, of Japan, for the production of metallurgical coke in China.

The Company has signed memorandums of understanding (MOUs) with various foreign steel companies with the aim of promoting projects for the production of semi-finished steel in Brazil. Feasibility studies are being developed on the following projects: (a) São Luís, in the state of Maranhão, with Baosteel, of China; (b) São Luís, in the state of Maranhão, with Posco, of Korea; (c) Fortaleza, in the state of Ceará, with Dongkuk, of Korea, and Danielli, of Italy; (d) in the state of Rio de Janeiro, with ThyssenKrupp, of Germany.

**Iron ore and pellets new contracts and prices valid for 2005**

In 2004 the Company signed contracts for supply of iron ore and pellets totaling approximately 750 million tons with about 40 clients in the Americas, Asia and Europe, with weighted average maturity of seven years. The shipments under these new contracts will provide support for investments in expansion of production capacity.

On February 22, 2005, an agreement was reached between CVRD and Nippon Steel for a 71.5% increase in the price of iron ore fines from Carajás and the Southern System.

On March 3, CVRD concluded an agreement with Arcelor on price increases for blast furnace pellets for 2005: an increase of 86.67% for the Tubarão product and 86.43% for the product from São Luís.

This is the first time that CVRD has agreed a reference price with an Asian client, which is explained by the fact that Asia is responsible for more than two thirds of seaborne imports and a large part of the growth in demand.

**MANAGEMENT REPORT**  
**2004**

**Divestitures**

Last year, CVRD sold its stake in Companhia Siderúrgica de Tubarão (CST) for US\$ 578.5 million. This transaction is consistent with the Company's strategy of focusing its efforts on taking maximum advantage of profitable growth opportunities in the global market of ores and metals.

CVRD sold its stake in PPSA for US\$ 117.8 million to its subsidiary Caemi. The object of the transaction was to consolidate all the kaolin businesses into Caemi, which was already operating in the sector through Cadam.

**Stock split**

At an Extraordinary General Meeting of Shareholders held on August 18, it was agreed that the Company's shares would be split. As a result, each share of CVRD was split into three shares, post-split. The aim of this was to reposition the Company's share price after having appreciated substantially, at the same time facilitating retail investor transactions.

**Issue of a 30-year bond**

In January 2004, CVRD established an important milestone in Brazil's financial history. The Company carried out an unsecured bond issue, with a face value of US\$ 500 million and maturity of 30 years. The 30-year tenor of the notes is the longest ever for a Brazilian company in the international capital markets.

The bond has a coupon of 8.25% per year and is currently rated Ba1 by Moody's Investor Service, only one level below investment-grade. The success of this issue was yet another demonstration of the confidence shown by the global capital markets in the financial strength of CVRD.

**Committed credit lines**

The capital market's confidence in CVRD was also expressed by the granting of US\$ 500 million in committed credit lines by a consortium of banks in the United States, Europe and Asia. This was the first time that a Brazilian Company has had access to an instrument of this nature, which helps to reduce liquidity risks and also optimizes cash management.

**Buyback of debt securities**

In December 2004 CVRD completed the repurchase of US\$ 186.996 million of its US\$ 300 million debt issue with political risk insurance (PRI) and maturity in 2007. The purpose of this transaction was improvement of cash management with the buyback of securities that did not fully reflect the Company's level of risk.

**OPERATIONAL FINANCIAL PERFORMANCE**

CVRD reported net earnings of R\$ 6.460 billion for the year 2004, 43.3% higher than the previous year's net earnings of R\$ 4.509 billion, so setting a new record. Net earnings per share amounted to R\$ 5.61. The consolidated return on equity (ROE) of 35.6%, exceeded the figure of 30.2% achieved in 2003.

Operational performance, as measured by consolidated EBIT (earnings before interest and taxes) amounted to R\$ 10.306 billion, compared to R\$ 6.665 billion in 2003, setting a new record. EBIT margin amounted to 37.4%, compared to 33.1% the previous year.

Consolidated cash generation, as measured by consolidated EBITDA (earnings before interest, tax, depreciation and amortization) was the largest in CVRD's history, totalling R\$ 12.249 billion, an increase of 51.2% compared to 2003.

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**MANAGEMENT REPORT**  
**2004**

Consolidated exports amounted to US\$ 5.534 billion, an increase of 30.8% on the figure for the previous year. Net exports (exports less imports) amounted to US\$ 4.618 billion, an increase of 25.7% compared to 2003. Once again, CVRD was the company that most contributed to Brazil's trade balance, accounting for 13.7% of the US\$ 33.7 billion surplus obtained in 2004, the largest in the history of the Brazilian economy.

Various other records were set in 2004:

consolidated gross revenues of R\$ 29.020 billion compared to R\$ 20.895 billion in 2003, an increase of 38.9%;

sales of iron ore and pellets of 231.504 million tons, 23.9% higher than that achieved in 2003;

sales of manganese ore of 999,000 tons, an increase of 12.9% in relation to 2003;

sales of ferro-alloys of 542,000 tons, 5.9% higher than sales in 2003;

sales of bauxite, of 5.429 million tons, an increase of 25.5% compared to 2003;

sales of kaolin, of 1.207 million tons, an increase of 65.1% compared to 2003;

freight volume in general cargo and iron ore transported by railroad for clients amounted to 40.055 billion net ton kilometres (NTKs), 32.8% higher than in 2003, when 30.171 billion NTKs were transported.

**CONSOLIDATED FINANCIAL INDICATORS BR GAAP**

|   | <b>2002</b> | <b>2003</b> | R\$ billion<br><b>2004</b> |
|---|-------------|-------------|----------------------------|
| Gross operating revenues                | 15.267      | 20.895      | 29.020                     |
| Gross margin (%)                        | 47.9%       | 43.7%       | 48.7%                      |
| Net earnings                            | 2.043       | 4.509       | 6.460                      |
| Net earnings per share (R\$)            | 1.77        | 3.92        | 5.61                       |
| EBITDA                                  | 6.609       | 8.100       | 12.249                     |
| EBIT                                    | 5.242       | 6.665       | 10.306                     |
| EBIT margin (%)                         | 35.7%       | 33.1%       | 37.4%                      |
| ROE (%)                                 | 16.0%       | 30.2%       | 35.6%                      |
| Exports (US\$ billion)                  | 3.173       | 4.229       | 5.534                      |
| Net exports <sup>a</sup> (US\$ billion) | 2.824       | 3.672       | 4.618                      |

<sup>a</sup> exports less imports

**CVRD EXPORTS 2000-2004**



**MANAGEMENT REPORT  
2004**

**NET EARNINGS 2000-2004**

Consolidated cash generation, as measured by EBITDA, amounted to R\$ 12.249 billion, another new record. EBITDA obtained in 2004 was 51.2% higher than the figure in 2003, of R\$ 8.100 billion.

Ferrous mineral operations – iron ore, pellets, manganese and ferro-alloys – accounted for 64.9% of EBITDA generated in 2004, while products from the aluminium chain were responsible for 16.0%, logistics services 10.1%, steel 6.5% and non-ferrous minerals 2.5%.

**CONSOLIDATED EBITDA - 2000-2004**

**CONSOLIDATED EBITDA BY BUSINESS AREA - 2004**

**DEBT: LOWER LEVERAGE, HIGHER INTEREST COVERAGE, LOWER RISK PROFILE<sup>1</sup>**

CVRD's total debt on December 31, 2004 was US\$ 4.088 billion, US\$ 330 million lower than on September 30, 2004, US\$ 4.418 billion

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<sup>1</sup> Debt values calculated according to generally accepted accounting principles in the United States (US GAAP)

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**MANAGEMENT REPORT**  
**2004**

The Company's leverage indicators improved substantially: gross debt/EBITDA fell from 1.89x as of December 31, 2003 to 1.10x as of December 31, 2004. Interest coverage measured as EBITDA/interest paid increased, from 11.51x at the end of 2003 to 12.41x at the end of 2004. These changes are in line with the Company's strategy of preserving a sound balance sheet.

The Company has also been successful in reducing the implicit risk of its debt portfolio. Average debt maturity was increased, from 3.60 years at the end of December 2003 to 6.83 years at the end of 2004, helping reduce refinancing risks. One of the main factors in this change was the issue of a 30-year bond, CVRD 2034. At the same time the percentage of debt with floating interest rates decreased from 71% at the end of December 2002 to 56% at the end of 2004, reducing interest rate risk. The change in the risk profile took place with an increase in the average cost of debt of less than 100 basis points.

CVRD is rated *Ba1* by Moody's, only one notch below investment grade, with a positive outlook. In view of the importance of cost of capital for its growth projects and creation of value for the shareholders, obtaining the investment grade rating is one of the Company's main targets.

**TOTAL SHAREHOLDER RETURN**

In 2004, dividends of R\$ 2.271 billion was paid to CVRD's shareholders, corresponding to R\$ 1.96 per share. This amount was 17.7% higher than that distributed in 2003 and 25.7% higher than the figure in 2002.

For 2005, CVRD's Executive Board will make a proposal to the Board of Directors for the payment of minimum dividend to shareholders of US\$ 1 billion, corresponding to US\$ 0.87 per outstanding share.

In 2004, the shares traded on Bovespa, Vale ON and Vale PNA, appreciated by 29.8% and 27.0%, respectively, compared to the appreciation of 17.8% in the Ibovespa Index. The price of the ADRs traded on the New York Stock Exchange (NYSE), RIO and RIO PR, rose by 43.1% and 38.0%, exceeding the performance of the MSCI Metals & Mining index, which is representative of the share prices of the global metals and mining industry, which increased by 14.2%, and that of the MSCI World index, indicative of the behaviour of equity markets throughout the world, which appreciated by 12.7%.

CVRD ended 2004 with a market capitalization of US\$ 31.9 billion, more than three times the value at the end of 2001, of US\$ 9.0 billion. On February 24, 2005, CVRD's market value reached a record US\$ 39.9 billion. CVRD is currently one of the largest metals and mining companies in the world and the largest private company in Latin America.

The total shareholder return in 2004, measured in US dollars, amounted to 45.9%. In the period between 2001 and 2004, average total shareholder return was 38.9% per year.

**VALE PNA vs. IBOVESPA INDEX Base January-2000**

**RIOPR vs. MSCI Metals & Mining Index Base January-2000**

**Expansion of CVRD's Market Value Since 1998**

**CORPORATE SOCIAL RESPONSIBILITY**

Social corporate responsibility activities are strategic investments. Through several initiatives, CVRD aim at improving the business environment in the regions where it operates and assure the preservation of its long term competitiveness.

CVRD has two main permanent and priority goals. One is environmental protection and the other is the creation of conditions of effective economic and social opportunities for the communities located close to its operations.

**MANAGEMENT REPORT**  
**2004**

The Company invests an average of US\$ 12 million per year in social projects driven to lower income communities, focused in education, health and citizenship promotion. The main specific segments are: education and community development, environmental education, teach children and adults to read and write, musical education, teaching and school structure improvements, social inclusion.

In Canaã dos Carajás, municipality located close to the copper belt at the south of the Carajás mineral province, CVRD established a benchmark in social development in the modern mining industry. The Company built a hospital equipped with 40 beds, a new school to attend 700 children and two kinder gardens. The new town has a 20 km water treatment station and a sewage system for all the population, 100 km of paved roads and 20 km paved streets. CVRD also built a culture center, and a police department. Total investment realized by the Company in these projects achieved US\$ 13 million.

CVRD invests on average US\$ 40 million per year in environmental protection and management. All of the iron ore produced by the Company is originated in mines certified by ISO 14001. It was the first company in the world to obtain these certifications. The Company adopts pollution controls, using advanced technology to comply with all legal requirements. Its dumps and reservoirs are constructed in accordance with the best international patterns and are regularly submitted to rigorous auditing process.

**BUSINESS OUTLOOK**

In spite of the slowdown in the second half, the world economy is estimated to have grown by 4.8% in 2004, the highest rate in the last 20 years, while international trade grew by 18.6% in the year the highest expansion since 1995.

The recovery was led by the United States, with GDP growth of 4.4%. A 9.5% expansion of the Chinese economy was also extremely important for the excellent performance of the world economy. In broad terms it was a synchronized recovery, though with reasonable variance between regions: 1.7% growth in the Euro zone, 2.6% in Japan, and 6% in Latin America, with the Brazilian economy showing its best performance since 1994 with GDP growth of 5.2%.

As well as the natural cyclical effect of the global economy recovery, the strong growth of China, faster than its already high average annual growth rate over the last 20 years (9.2%), and the fact that its economy is an intensive user of industrial raw materials at this stage of economic development, contributed to considerable demand pressure for ores and metals.

In response to the acceleration of demand, world steel production exceeded one billion tons for the first time, reaching 1.055 billion in the year, 8.8% higher than 2003, and almost double the average annual growth rate of 4.5% in the post-Asian-crisis period (1998-2003). In spite of this significant supply reaction, for the second year running there was a substantial increase in the prices of steel products.

Also as a result of this movement, seaborne iron ore trade grew to 602 million tons in 2004, 12.1% more than in 2003. Part of the disequilibrium between supply and demand was satisfied by the emergence of a spot market of considerable scale, in which prices reached multiples of the benchmark prices.

We expect the world economy to continue to grow at a rate above average long-term trend, although more slowly than in the first half of 2004. Together with the good outlook for the performance of the Chinese economy this tends to support up cycle of ores and metals prices.

Although investments by the global metals and mining industry are firmly expanding, indicating that in 2005 they could reach twice their amount of 2002, we believe that, at least for the next two years,

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**MANAGEMENT REPORT**  
**2004**

reasonably large-scale imbalances between supply and demand in several markets continue to exist, especially iron ore, alumina and aluminum.

Capacity utilization levels are extremely high, resulting in higher operational costs and problems in the supply chain. Inventories, both in absolute terms and also in relation to consumption, are at historically low levels, while a considerable portion of the increase in the value of investments programmed is due to the increase in the cost of equipment. Further, the average time between the decision to invest and the conclusion of a project is relatively long, and has increased, worldwide, due to the increase in requirements for approval.

In the specific case of iron ore, we estimate an increase of global seaborne demand of 50 million tons. This increase, of 8.3%, would be lower than in 2004, but still shows significant vigor, as this expansion is stonger than the growth trend of the last 10 years of 5% since the beginning of the 90s. In view of the relative rigidity of supply expansion in the short term, with operation at full capacity and virtual non-existence of inventories, persistence of very tight market conditions can be foreseen.

Although CVRD's programmed iron ore production for this year is more than 10% greater than in 2004, the Company still faces excess demand.

We expect the Brazilian economy to continue to recover from the period of low growth in 2002 and 2003, while exports will continue to increase, resulting in favorable conditions for the logistics services offered by CVRD in Brazil.

**Financial Statements 2004**

**BRGAAP**

Filed at CVM and SEC on 03/21/05

**Gerência Geral de Controladoria GECOL**

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**Contents**

|   |    |
|---|----|
| <b><u>Part I</u></b>  | 3  |
| <u>1- Management's Discussion and Analysis of the Operating Results for the Year Ended December 31, 2004 Compared With the Year Ended December 31, 2003</u> | 3  |
| <u>1.1- General Aspects</u>   | 3  |
| <u>1.2- Comments on the Parent Company Results</u>  | 6  |
| <u>1.2.1- Gross Revenue</u>   | 6  |
| <u>1.2.2- Cost of Products and Services</u>   | 7  |
| <u>1.2.3- Results of Shareholdings by Business Area</u>   | 8  |
| <u>1.2.4- Operating Expenses</u>  | 9  |
| <u>1.2.5- Non Recurring Item Samitri's Amortization of Goodwill</u>   | 9  |
| <u>1.2.6- Net Financial Results</u>   | 9  |
| <u>1.2.7- Income Tax and Social Contribution</u>  | 9  |
| <u>1.2.8- Cash Generation</u>   | 10 |
| <u>1.3- Comments on the Consolidated Results</u>  | 11 |
| <u>1.3.1- Consolidated Gross Revenue</u>  | 11 |
| <u>1.3.2- Consolidated Cost of Products and Services</u>  | 12 |
| <u>1.3.3- Cash Generation Consolidated</u>  | 13 |
| <b><u>Part II</u></b>   | 14 |
| <u>Financial Statements and Notes to the Financial Statements</u>   | 14 |
| <u>2- Balance Sheet</u>   | 14 |
| <u>3- Statement of Income</u>   | 15 |
| <u>4- Statement of Changes in Stockholders' Equity</u>  | 16 |
| <u>5- Statement of Changes in Financial Position</u>  | 17 |
| <u>6- Statement of Cash Flows (Additional Information)</u>  | 18 |
| <u>7- Statement of Value Added (Additional Information)</u>   | 19 |
| <u>8- Labor and Social Indicators (Additional Information)</u>  | 20 |
| <u>9- Statement of Income by Segment (Additional Information)</u>   | 21 |
| <u>10- Notes to the Financial Statements at December 31, 2004 and 2003</u>  | 23 |
| <u>10.1- Operations</u>   | 23 |



|  |    |
|--|----|
| <u>10.2- Presentation of Financial Statements</u>                      | 23 |
| <u>10.3- ALBRAS Consolidation</u>                                      | 23 |
| <u>10.4- Principles of Consolidation</u>                               | 25 |
| <u>10.5- Significant Accounting Policies</u>                           | 26 |
| <u>10.6- Cash and Cash Equivalents</u>                                 | 26 |
| <u>10.7- Accounts Receivable from Customers</u>                        | 27 |
| <u>10.8- Related Parties</u>   | 27 |
| <u>10.9- Inventories</u>   | 28 |
| <u>10.10- Taxes to recover or offset</u>                               | 28 |
| <u>10.11- Deferred Income Tax and Social Contribution</u>              | 29 |
| <u>10.12- Investments</u>  | 31 |
| <u>10.13- Property, Plant and Equipment</u>                            | 32 |
| <u>10.14- Loans and Financing</u>                                      | 33 |
| <u>10.15- Export Receivable Securitization Program</u>                 | 35 |
| <u>10.16- Contingent Liabilities</u>                                   | 35 |
| <u>10.17- Environmental and Site Reclamation and Restoration Costs</u> | 36 |
| <u>10.18- Pension Plan - Valia</u>                                     | 37 |
| <u>10.19- Paid-up Capital</u>  | 41 |

1

CVRD

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|   |    |
|---|----|
| <u>10.20- American Depositary Receipts (ADR) Program</u>  | 41 |
| <u>10.21- Treasury Stock</u>  | 42 |
| <u>10.22- Remuneration of Stockholders</u>  | 42 |
| <u>10.23- Financial Results – Parent company and consolidated</u>   | 43 |
| <u>10.24- Financial Instruments – Derivatives</u>   | 45 |
| <u>10.25- Exchange Rate Exposure</u>  | 49 |
| <u>10.26- Administrative and Other Operating Expenses</u>   | 49 |
| <u>10.27- Concessions and Leases</u>  | 50 |
| <u>10.28- Effects on the Statements if Price-Level Restatement were Applied (unaudited)</u>                     | 51 |
| <u>10.29- Insurance</u>   | 52 |
| <u>10.30- Profit Sharing Plan</u>   | 52 |
| <b>Part III</b>   | 53 |
| <u>11- Attachment I – Statement of Investments in Subsidiaries and Jointly-Controlled Companies</u>             | 53 |
| <u>12- Report of the Independent Accountants</u>  | 54 |
| <u>13- Opinion of the Fiscal Council on the Annual Report and Financial Statements at December 31, 2004</u>     | 55 |
| <u>14- Opinion of the Board of Directors on the Annual Report and Financial Statements at December 31, 2004</u> | 56 |
| <u>15- Board of Directors, Fiscal Council, Advisory Committees and Executive Officers</u>                       | 57 |

## Part I

Expressed in millions of reais

### 1- Management's Discussion and Analysis of the Operating Results for the Year Ended December 31, 2004 Compared With the Year Ended December 31, 2003

#### 1.1- General Aspects

##### (a) Companhia Vale do Rio Doce's segments of business are mining and logistics, as follows:

Ferrous minerals: iron ore and pellets as well as manganese and ferroalloys;

Non-ferrous minerals: potash, kaolin and copper;

Logistics: railroads, ports and maritime terminals and shipping; and

Holdings: equity holdings in producers of aluminum, steel and electric power generation.

#### **Ferrous Minerals**

##### *Iron Ore and Pellets*

Operating through two world-class integrated systems for ore production and distribution, each consisting of mines, railroads and maritime terminals. The Southern System, based in the states of Minas Gerais and Espírito Santo and the Northern System, based in the states of Pará and Maranhão. Currently CVRD operates nine pelletizing plants in Brazil, five of them in joint ventures with international partners. The Company also has a 50% interest in Samarco, which owns and operates two pelletizing plants in Espírito Santo, and a pelletizing plant in Bahrein (GIIC), which CVRD has a 50% interest.

Iron ore and pellets export sales are generally made pursuant to long-term supply contracts which provide for annual price negotiations. Cyclical changes in the world demand for steel products affect sales prices and volumes in the world iron ore market. Different factors, such as the iron content of specific ore deposits, the various beneficiation processes required to produce the desired final product, granulometric, moisture content, and the type and concentration of contaminants (such as phosphorus, alumina and manganese) in the ore, influence contract prices for iron ore. Contract prices also depend on transportation costs. Annual price negotiations generally occur from November to February, with separate prices established for the Asian and European iron ore markets. In the Asian market, the renegotiated prices are effective as of April of each year up to March of the next year. In the European market, the renegotiated prices are effective as of January of each year. Because of the wide variety of iron ore and pellet quality and physical characteristics, iron ore and pellets are less commodity-like than other minerals which are fungible and have standard international prices. This factor combined with the structure of the market has prevented the development of an iron ore and pellets futures market which we could, if we wished, use to mitigate our exposure to price fluctuations of these products. Currently, the Company does not hedge its exposure to iron ore and pellet price volatility.

##### *Manganese and Ferroalloys*

This activity is carried out through the subsidiaries RDM located in the state of Bahia and Minas Gerais, Urucum located in the state of Mato Grosso do Sul, Rio Doce Manganèse Europe in France and Rio Doce Manganese Norway in Norway.

### **Non-Ferrous Minerals**

#### *Potash*

The potash is an important raw material for making fertilizers. The Company has leased a potash mine in the state of Sergipe from Petróleo Brasileiro S.A. - PETROBRAS since 1995, which is the unique of this kind in Brazil.

In November, 2004, CVRD won an international competition for the research evaluation and exploration of a potash deposit in the Neuquen Province, Argentina.

#### *Copper*

CVRD's copper activities have been operating since June, 2004 the Sossego mine in Pará. Sossego is the first copper mine of CVRD and the only project Greenfield in the world to begin to operate in 2004.

3

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*Kaolin*

Kaolin is a fine white aluminum silicate clay, used in the paper, ceramic and pharmaceutical industries as a coating and filler. Kaolin commercial activities are conducted through Pará Pigmentos S.A. and Cadam.

*Gold*

Gold operations were substantially reduced with the sale of Fazenda Brasileiro in 2003. At present, gold operations are linked to copper as a by-product and the small productions in Itabira mine in connection with our iron ore operations.

**Logistics**

The logistics system includes the Vitória to Minas Railroad and the Tubarão port complex in the Southern System, and the Carajás Railroad and Ponta da Madeira Marine Terminal in the Northern System. In addition, CVRD controls the railroad Ferrovia Centro-Atlântica S.A. FCA, and has interest in MRS Logística. The principal cargo of CVRD's railroad is the Company's own iron ore, along with steel, coal, pig iron, agricultural products and fuel. The Company charges market rates for third-party cargo, which vary based upon the distance traveled and the density of the freight in question.

**Energy**

The Company participates in nine hydroelectric plants, four of which are in operation. CVRD's investments in the sector seek to optimize the Group's supply of electric power.

**Holdings**

*Aluminum Operations*

The Company sells aluminum, alumina and bauxite to an active world market in which prices are determined based on prices for the primary aluminum quoted on the London Metals Exchange and the Commodity Exchange, Inc (Comex) at the time of delivery.

The bauxite extraction activities are done through a 40% participation in the joint venture Mineração Rio do Norte S.A. MRN. We have had a 57.03% interest in the voting capital of Alunorte, which refines the bauxite into alumina and also a participation in aluminum smelting through Albras, in which it held a 51% interest, and through Valesul, of which it owned 54.51%.

*Steel*

Commercial activities in the steel industry are conducted through the jointly-controlled company California Steel Industries Inc. (50% of total capital), located in California, which manufactures various processed steel products, and through the affiliated company Usiminas (11.46% of the total capital).

**(b) The variations of the main currencies and indices in relation to the real, which impacted the results of the Company and its subsidiaries, jointly-controlled companies and affiliates, were as follows:**

| Currencies / Indices | U.S. | D% | Parity |
|----------------------|------|----|--------|
|----------------------|------|----|--------|

| <b>Period</b>   | <b>DOLLAR</b> | <b>YEN</b> | <b>IGP-M</b> | <b>TJLP</b> | <b>US\$ x<br/>R\$</b> | <b>US\$ x Yen</b> |
|-----------------|---------------|------------|--------------|-------------|-----------------------|-------------------|
| Year ended 2004 | (8.1)         | (4.0)      | 12.4         | 9.8         | 2.6544                | 102.55            |
| 4Q/04           | (7.1)         | (0.2)      | 2.0          | 2.4         | 2.6544                | 102.55            |
| 3Q/04           | (8.0)         | (9.1)      | 3.3          | 2.4         | 2.8586                | 110.17            |
| Year ended 2003 | (18.2)        | (9.3)      | 8.7          | 11.5        | 2.8892                | 107.17            |
| 4Q/03           | (1.2)         | 3.0        | 1.5          | 2.6         | 2.8892                | 107.17            |

About 83% of the Company's gross revenue (84% consolidated) for 2004 is linked to the U.S. dollar. About 31% (36% consolidated) of total costs are linked to the U.S. dollar. Consequently, fluctuations in the exchange rate between the two currencies have a significant impact on the operating cash flows.

Approximately 96% (91% consolidated) of the short-term and long-term loans of the Company for 2004 are denominated in U.S. dollars. As a result, exchange rate fluctuations have a significant impact on the financial expenses (Notes 10.14 and 10.23).

**(c) Divestitures**

**CST**

CVRD through its indirect subsidiary Rio Doce International Finance Ltd., sold to Arcelor its holdings in Companhia Siderurgica de Tubarão (CST) for US\$ 578.5 million, accounting for results of R\$ 541 million (R\$ 463 in 3Q/04 and R\$ 78 in 4Q/04), disclosed as Results on sale of assets in the income statement.

**PPSA**

CVRD sold to Caemi Mineração e Metalurgia S.A., in October, 2004 for US\$ 117.8 million, the voting capital of Para Pigmentos S.A.. The result of the operation was registered in the Financial Statements as a non-realized result by the parent company.

**(d) Consolidation**

CVRD received approval from Comissão de Valores Mobiliários CVM, and its independent auditors the permission to fully consolidate Albras Alumínio Brasileiro S.A. (Albras), an aluminum producer company.

For the purpose of comparability, CVRD discloses 2003 proforma amounts with the necessary adjustments to reflect the effects of the full consolidation in 2003 (Note 10.3).

**(e) In 2004, the consolidated trade balance of US\$ 4,618 million was generated as follows:**

|         | <b>Consolidated (in US\$ million)</b> |              |
|---------|---------------------------------------|--------------|
|         | <b>2003</b>                           | <b>2004</b>  |
| Exports | 4,229                                 | 5,534        |
| Imports | (557)                                 | (916)        |
|         | <b>3,672</b>                          | <b>4,618</b> |

**(f) Corporate governance Sarbanes-Oxley**

Sarbanes-Oxley was approved in the United States, and its application is obligatory to all American and foreign companies registered with the Securities and Exchange Commission that negotiate American Depositary Receipts in United States stock exchanges. CVRD also has ADR in the New York Stock Exchange and has been accomplished to the Regulatory Entities demand.

**(g) Independent auditors policy**

The policy concerning independent accountants in relation to non-audit services is based on the maintenance of their independence. During 2004, the amount of non-audit services paid was less than 5% compared to the total fees paid to independent auditors.

Beginning in 2004, the Company has been audited by Deloitte Touch Tohmatsu Auditores Independentes in accordance with Instruction CVM 308, related to auditors rotation.

**(h) Stock Split**

On August 18, 2004 the Extraordinary General Stockholders Meeting approved the forward stock split. 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.

Beginning August 19, each share of the Company traded in the São Paulo Stock Exchange (Bovespa) underwent a forward stock split into three shares. Hence, each current share, both common (VALE3) and preferred (VALE5) is represented by three shares post-split.

Beginning September 7, each American Depositary Receipt (ADR) representing common shares (RIO) or preferred shares (RIOPR) of the Company listed on the New York Stock Exchange (NYSE) was also undergo a forward split. As a result, the proportion of one ADR to one underlying common or preferred share is maintained.

CVRD

5

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## 1.2- Comments on the Parent Company Results

The net income of the Company in 2004 was R\$ 6,460 compared with net income of R\$ 4,509 in 2003 (the earnings per share corresponds to R\$ 5.61 in 2004 versus R\$ 3.92 in 2003).

The gross margin declined from 46.5% in 2003 to 45.4% in 2004. The gross revenue rose R\$ 3,418 (to R\$ 13,785 in 2004 from R\$ 10,367 in 2003), while the cost of products and services increased R\$ 1,790 (to R\$ 7,147 in 2004 from R\$ 5,357 in 2003).

### 1.2.1- Gross Revenue

The 33% increase in gross revenue (R\$ 13,785 in 2004 against R\$ 10,367 in 2003) is the result of the 19% higher volume sold of iron ore and pellets, considering the merger of Ferteco in September 2003 and for the operation at full capacity of the pelletizing plant of São Luis since June, 2003. The revenues of the year includes the first transportation of copper (269 thousands of tons R\$592) began in June, 2004. This effect was compensated in part for the average valuation of the real against the United States Dollar by 4.8%, incident on 83% of the revenue of the Company.

The increase in iron ore and pellets sales was due to growth in Europe, Asia and steel companies in Brazil of 23%, 17% and 25% respectively.

|                                   | In thousands of metric tons (except gold and<br>railroad transportations) |               |               |                |                |           |              | In millions of reais |              |              |              |           |    |
|-----------------------------------|---|---------------|---------------|----------------|----------------|-----------|--------------|----------------------|--------------|--------------|--------------|-----------|----|
|                                   | Quarter   |               |               | Accumulated    |                |           | D%           | Quarter              |              |              | Accumulated  |           |    |
|                                   | 4Q/04   | 3Q/04         | 4Q/03         | 2004           | 2003           | 2003      |              | 4Q/04                | 3Q/04        | 4Q/03        | 2004         | 2003      | D% |
| External market                   |   |               |               |                |                |           |              |                      |              |              |              |           |    |
| Iron ore - fines                  | 29,183  | 28,538        | 25,769        | 108,772        | 91,812         | 18        | 1,450        | 1,507                | 1,295        | 5,548        | 4,513        | 23        |    |
| Iron ore - lump<br>ore            | 2,516   | 2,646         | 2,611         | 9,105          | 7,866          | 16        | 146          | 164                  | 140          | 535          | 422          | 27        |    |
| Pellets                           | 5,729   | 5,742         | 5,416         | 22,595         | 17,231         | 31        | 564          | 611                  | 503          | 2,359        | 1,621        | 46        |    |
|                                   | <b>37,428</b>   | <b>36,926</b> | <b>33,796</b> | <b>140,472</b> | <b>116,909</b> | <b>20</b> | <b>2,160</b> | <b>2,282</b>         | <b>1,938</b> | <b>8,442</b> | <b>6,556</b> | <b>29</b> |    |
| Internal market                   |   |               |               |                |                |           |              |                      |              |              |              |           |    |
| Iron ore - fines                  | 8,042   | 7,992         | 7,494         | 31,914         | 30,206         | 6         | 386          | 410                  | 302          | 1,533        | 1,314        | 17        |    |
| Iron ore - lump<br>ore            | 2,641   | 2,615         | 2,260         | 9,946          | 7,089          | 40        | 128          | 132                  | 71           | 476          | 244          | 95        |    |
| Pellets (*)                       | 1,293   | 1,360         | 1,247         | 5,115          | 3,709          | 38        | 200          | 191                  | 161          | 747          | 498          | 50        |    |
|                                   | <b>11,976</b>   | <b>11,967</b> | <b>11,001</b> | <b>46,975</b>  | <b>41,004</b>  | <b>15</b> | <b>714</b>   | <b>733</b>           | <b>534</b>   | <b>2,756</b> | <b>2,056</b> | <b>34</b> |    |
| <b>Total Iron ore<br/>- fines</b> | <b>37,225</b>   | <b>36,530</b> | <b>33,263</b> | <b>140,686</b> | <b>122,018</b> | <b>15</b> | <b>1,836</b> | <b>1,917</b>         | <b>1,597</b> | <b>7,081</b> | <b>5,827</b> | <b>22</b> |    |
| <b>Iron ore -<br/>lump ore</b>    | <b>5,157</b>  | <b>5,261</b>  | <b>4,871</b>  | <b>19,051</b>  | <b>14,955</b>  | <b>27</b> | <b>274</b>   | <b>296</b>           | <b>211</b>   | <b>1,011</b> | <b>666</b>   | <b>52</b> |    |
| <b>Pellets</b>                    | <b>7,022</b>  | <b>7,102</b>  | <b>6,663</b>  | <b>27,710</b>  | <b>20,940</b>  | <b>32</b> | <b>764</b>   | <b>802</b>           | <b>664</b>   | <b>3,106</b> | <b>2,119</b> | <b>47</b> |    |

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|   |               |               |               |                |                |      |              |              |              |               |               |      |
|---|---------------|---------------|---------------|----------------|----------------|------|--------------|--------------|--------------|---------------|---------------|------|
|   | <b>49,404</b> | <b>48,893</b> | <b>44,797</b> | <b>187,447</b> | <b>157,913</b> | 19   | <b>2,874</b> | <b>3,015</b> | <b>2,472</b> | <b>11,198</b> | <b>8,612</b>  | 30   |
| <b>Copper</b>   | <b>139</b>    | <b>96</b>     |               | <b>269</b>     |                |      | <b>324</b>   | <b>196</b>   |              | <b>592</b>    |               |      |
| <b>Potash</b>   | <b>165</b>    | <b>161</b>    | <b>169</b>    | <b>630</b>     | <b>674</b>     | (7)  | <b>98</b>    | <b>103</b>   | <b>73</b>    | <b>362</b>    | <b>289</b>    | 25   |
| <b>Gold (kg)</b>                                      | <b>33</b>     |               | <b>63</b>     | <b>33</b>      | <b>1,921</b>   | (98) | <b>1</b>     |              | <b>3</b>     | <b>1</b>      | <b>71</b>     | (99) |
| <b>Railroad transportation (millions of TKU) (**)</b> | <b>6,063</b>  | <b>6,783</b>  | <b>5,605</b>  | <b>24,941</b>  | <b>22,434</b>  | 11   | <b>305</b>   | <b>333</b>   | <b>249</b>   | <b>1,218</b>  | <b>1,059</b>  | 15   |
| <b>Port services</b>                                  | <b>6,221</b>  | <b>6,654</b>  | <b>5,761</b>  | <b>25,406</b>  | <b>25,311</b>  |      | <b>87</b>    | <b>89</b>    | <b>77</b>    | <b>338</b>    | <b>307</b>    | 10   |
| <b>Alumina</b>  | <b>28</b>     |               |               | <b>28</b>      |                |      | <b>26</b>    |              |              | <b>26</b>     |               |      |
| <b>Other products and services</b>                    |               |               |               |                |                |      | <b>20</b>    | <b>6</b>     | <b>3</b>     | <b>50</b>     | <b>29</b>     | 72   |
|   |               |               |               |                |                |      | <b>3,735</b> | <b>3,742</b> | <b>2,877</b> | <b>13,785</b> | <b>10,367</b> | 33   |

(\*) Includes revenues derived from services provided to pelletizing joint ventures in the amounts of R\$ 40, R\$ 34, R\$ 41, R\$ 156 and R\$ 137 in 4Q/04, 3Q/04, 4Q/03, 2004 and 2003, respectively.

(\*\*) The company carried through its railroad system 4,350, 5,034, 4,041, 18,222 and 16,302 million of TKUs of general cargo and 1,713, 1,749, 1,564, 6,719 and 6,132 million of TKUs of iron ore and pellets in 4Q/04, 3Q/04, 4Q/03, 2004 and 2003, respectively.

**Gross revenue by segment**

|                                    | <b>Ferrous<br/>Minerals</b> | <b>Non-Ferrous<br/>Minerals</b> | <b>Logistics</b> | <b>2004</b>   | <b>%</b>   | <b>2003</b>   | <b>Total<br/>%</b> |
|------------------------------------|-----------------------------|---------------------------------|------------------|---------------|------------|---------------|--------------------|
| <b>External market</b>             |                             |                                 |                  |               |            |               |                    |
| Americas, except the United States | 661                         |                                 |                  | 661           | 5          | 484           | 5                  |
| United States                      | 325                         | 1                               |                  | 326           | 2          | 301           | 3                  |
| Europe                             | 3,522                       | 142                             |                  | 3,664         | 26         | 2,727         | 26                 |
| Middle East/Africa/Oceania         | 771                         |                                 |                  | 771           | 6          | 549           | 5                  |
| Japan                              | 804                         |                                 |                  | 804           | 6          | 787           | 8                  |
| China                              | 1,577                       | 96                              |                  | 1,673         | 12         | 1,226         | 12                 |
| Asia, other than Japan and China   | 783                         | 303                             |                  | 1,086         | 8          | 552           | 5                  |
|                                    | <b>8,443</b>                | <b>542</b>                      |                  | <b>8,985</b>  | <b>65</b>  | <b>6,626</b>  | <b>64</b>          |
| <b>Internal market</b>             | <b>2,805</b>                | <b>439</b>                      | <b>1,556</b>     | <b>4,800</b>  | <b>35</b>  | <b>3,741</b>  | <b>36</b>          |
| <b>Total gross revenues</b>        | <b>11,248</b>               | <b>981</b>                      | <b>1,556</b>     | <b>13,785</b> | <b>100</b> | <b>10,367</b> | <b>100</b>         |

**1.2.2- Cost of Products and Services**

The 33% (R\$ 1,790) increase in the cost of products and services (R\$ 7,147 in 2004 against R\$ 5,357 in 2003) results mainly from the principal factors:

Ferteco's merger in September 2003, adding costs of R\$ 607 from increase of sales totalling 12,233 thousand tons of iron ore and pellets, besides the impact of R\$ 137 goodwill amortization;

Acceleration of goodwill amortization period of Samitri as a result of the revision of its projection of rentability, increasing costs by R\$ 81 in twelve months of 2004;

Increase in volumes of iron ore and pellets purchased, as well as increase in prices totalling in R\$ 93;

Operations at full capacity of the São Luís Pellets Plant (UPSL), adding costs of R\$ 147 to sales of 2,386 thousand tons in 2004;

Inclusion of the first transportation of copper at Sossego Mine increasing R\$ 262 of costs due to sales of 269 thousands of tons in 2004; and

R\$ 693 due to the increase in sales, the increase in maintenance of goods and equipment and price adjustments to contracts of services and oil-derived products.

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**By Nature**

|   | 2004               |              | Quarter      |            |              |            |              |            | Accumulated  |            |              |            |           |
|---|--------------------|--------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|-----------|
|   | Denominated<br>R\$ | US\$         | 4Q/04        | %          | 3Q/04        | %          | 4Q/03        | %          | 2004         | %          | 2003         | %          | D%        |
| Personnel                                 | 691                |              | 185          | 9          | 191          | 10         | 185          | 12         | 691          | 10         | 572          | 11         | 21        |
| Material                                  | 917                | 431          | 432          | 21         | 350          | 19         | 243          | 16         | 1,348        | 19         | 874          | 16         | 54        |
| Oil and gas                               | 777                |              | 217          | 11         | 204          | 11         | 180          | 12         | 777          | 11         | 636          | 12         | 22        |
| Outsourced<br>services                    | 971                |              | 228          | 11         | 269          | 15         | 250          | 16         | 971          | 14         | 753          | 14         | 29        |
| Outsourced<br>transportation              | 358                |              | 130          | 6          | 73           | 4          | 50           | 3          | 358          | 5          | 86           | 2          | 316       |
| Energy                                    | 217                |              | 50           | 2          | 69           | 4          | 51           | 3          | 217          | 3          | 151          | 3          | 44        |
| Acquisition of<br>iron ore and<br>pellets |                    | 1,247        | 329          | 16         | 329          | 18         | 232          | 15         | 1,247        | 17         | 1,154        | 21         | 8         |
| Tolling<br>industrialization              |                    | 89           | 38           | 2          | 17           | 1          | 17           | 1          | 89           | 1          | 38           | 1          | 134       |
| Depreciation<br>and depletion             | 584                |              | 158          | 8          | 151          | 8          | 154          | 10         | 584          | 8          | 554          | 10         | 5         |
| Amortization of<br>goodwill               | 384                |              | 96           | 5          | 96           | 5          | 76           | 5          | 384          | 5          | 166          | 3          | 131       |
| Others                                    | 59                 | 422          | 178          | 9          | 106          | 5          | 110          | 7          | 481          | 7          | 373          | 7          | 29        |
| <b>Total</b>                              | <b>4,958</b>       | <b>2,189</b> | <b>2,041</b> | <b>100</b> | <b>1,855</b> | <b>100</b> | <b>1,548</b> | <b>100</b> | <b>7,147</b> | <b>100</b> | <b>5,357</b> | <b>100</b> | <b>33</b> |
|   | <b>69%</b>         | <b>31%</b>   |              |            |              |            |              |            |              |            |              |            |           |

**1.2.3- Results of Shareholdings by Business Area**

The numbers below do not necessarily reflect the individual results of each company, but rather the amounts effectively applicable to the business area.

| Business Area               | Quarter |       |       | Accumulated |       |     |
|-----------------------------|---------|-------|-------|-------------|-------|-----|
|                             | 4Q/04   | 3Q/04 | 4Q/03 | 2004        | 2003  | %   |
| <b>Ferrous Minerals</b>     |         |       |       |             |       |     |
| . Iron ore and pellets      | 512     | 505   | 20    | 1,666       | 783   | 113 |
| . Manganese and ferroalloys | 138     | 207   | 221   | 572         | 385   | 49  |
| <b>Non-Ferrous Minerals</b> | (24)    | 16    | (39)  | (4)         | (56)  | 93  |
| <b>Logistics</b>            | 17      | 68    | 17    | 166         | (143) | 216 |
| <b>Holdings</b>             |         |       |       |             |       |     |
| . Steel                     | 251     | 178   | 93    | 802         | 436   | 84  |
| . Aluminum                  | 176     | 235   | 138   | 728         | 761   | (4) |

|   |              |              |            |              |              |       |
|---|--------------|--------------|------------|--------------|--------------|-------|
| <b>Others</b>   | 17           | (3)          | (24)       | 17           | (91)         | 119   |
| <b>Gain on investments accounted for by the equity method</b> | <b>1,087</b> | <b>1,206</b> | <b>426</b> | <b>3,947</b> | <b>2,075</b> | 90    |
| Provision for losses  | (12)         | (10)         | (154)      | (81)         | 175          | (146) |
| Amortization of goodwill                                      | (55)         | (57)         | (114)      | (250)        | (503)        | 50    |
| Exchange variation in Stockholders Equity of companies abroad | (318)        | (236)        | (9)        | (365)        | (625)        | 42    |
| <b>Results of equity investments</b>                          | <b>702</b>   | <b>903</b>   | <b>149</b> | <b>3,251</b> | <b>1,122</b> | 190   |

The effects of exchange rate variation on debt generated a negative variation impacting the results of equity investments due to the real valuation against US dollar of only 8.1% in 2004 compared to 18.2% in 2003.

### **Ferrous Minerals**

#### (a) Iron Ore and Pellets

There were increases in sales volume of iron ore and pellets as well as of average prices, partially offset by the Real appreciation of 4.8% (the average exchange rate floated from R\$ 3.0723 in 2003 to R\$ 2.9257 in 2004).

In September 2003, CVRD increased its ownership in Caemi Mineração e Metalurgia S.A. (60.23% in 2004 against 16.86% in the first eight months of 2003). As opposed, due to the incorporation of Ferteco Mineração S.A. in September 2003, equity in the results of Ferteco is no longer applicable as from the first eight months in 2003.

#### (b) Manganese and Ferroalloys

Equity in the results of investees had an increase, mainly due to the increases in sales volume and selling average prices of manganese and ferroalloys, partially offset by the effects of the Real appreciation of 4.8%.

### **Non-Ferrous Minerals**

There were increases in sales volume and stability in average prices in US dollar. The gains were partially offset by the effects of the Real appreciation of 4.8% and the increase of mineral researches expenses related to several countries.

### **Logistic**

Equity in the results of investees increased substantially, due to the increase in volume transported through the railroads and shipments, partially offset by the reduction in the volume of bulk transportation as a result of the divestitures program in the shipping business. Selling average prices increased mainly due to the strong demand for transportation services, especially from the exporters.

Additionally, the result of equity investment at 2003 was negatively impacted by the change in the accounting practice to recognize the costs of leasing of R\$ 238 in FCA.

### **Holdings**

#### **(a) Steel**

Equity in the results of investees had an increase mainly due to the increases in sales volume and selling average prices, partially offset by the effects of the 4.8% Real appreciation against the US dollar.

Additionally, CST had a favorable decision in Court and, accordingly, recognized R\$ 74, in June, 2004, of income tax credits related to the Plano Verão and reversal of provision for contingencies. From June, 2004 the interest in CST was reduced from 28.02% to 7.91% as a result of the sale of CST interest, which were sold in December, 2004.

#### **(b) Aluminum**

There were increases in sales volume, mainly of alumina and bauxite, due to the increase in the capacity production of the plants and increase in the selling average prices partially offset by the effects of the Real appreciation against the US dollar. The aluminum production costs of Valesul significantly increased as a result of the increase in energy costs.

Additionally, as a result of the increase in metal prices, the marking of the market price derivative instruments for metal prices generated losses in 2004.

### **1.2.4- Operating Expenses**

The operating expenses, except for non recurring item referring to Samitri's amortization goodwill, increased R\$ 277 (R\$ 1,453 in 2004 compared to R\$ 1,176 in 2003), due to higher administrative expenses and expenses for research and studies involving copper and nickel projects.

### **1.2.5- Non Recurring Item Samitri's Amortization of Goodwill**

In 2004, according to instruction CVM 247, we reviewed the terms of goodwill originated from Samitri acquisition. After reviewing the projections of future results we adopted five years of amortization, mainly due to the increase of cashflow dividends received from Samarco. Consequently, we recorded an expense of R\$ 183.

**1.2.6- Net Financial Results**

The net financial result in 2004 had a negative impact of R\$ 1,146 (expense of R\$ 752 in 2004 compared to revenue of R\$ 394 in 2003), mainly due to exchange rate effects arising from the valuation of the real against the dollar of 18% in 2003 and of 8% in 2004. (Note 10.23)

**1.2.7- Income Tax and Social Contribution**

9

CVRD

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Income tax and social contribution reflect an expense of R\$ 885 in 2004 compared with an expense of R\$ 487 in 2003, mainly caused by reduction on the benefit of interest on stockholders' equity, temporary difference due to capital loss non-deductible and taxation over amortized investment discount. (Note 10.11)

### 1.2.8- Cash Generation

The operating cash generation measured by EBITDA (earnings before financial results, results of equity investments, interest, income tax and depreciation, amortization and depletion) was R\$ 6,211 in 2004, against R\$ 4,877 in 2003, an increase of 27.4%.

#### EBITDA

|   | <b>Quarter</b> |               |               | <b>Accumulated</b> |               |
|---|----------------|---------------|---------------|--------------------|---------------|
|   | <b>4Q/04</b>   | <b>3Q/04</b>  | <b>4Q/03</b>  | <b>2004</b>        | <b>2003</b>   |
| Net operating revenue                               | 3,563          | 3,534         | 2,798         | 13,088             | 10,013        |
| Cost of products and services                       | (2,041)        | (1,855)       | (1,548)       | (7,147)            | (5,357)       |
| Operating expenses                                  | (425)          | (467)         | (357)         | (1,636)            | (1,176)       |
| <b>Operating profit</b>                             | <b>1,097</b>   | <b>1,212</b>  | <b>893</b>    | <b>4,305</b>       | <b>3,480</b>  |
| Depreciation, amortization and depletion            | 260            | 258           | 244           | 1,007              | 759           |
|   | <b>1,357</b>   | <b>1,470</b>  | <b>1,137</b>  | <b>5,312</b>       | <b>4,239</b>  |
| Dividends received                                  | 245            | 68            | 102           | 716                | 602           |
| Write-off of assets                                 |                |               |               |                    | 36            |
| Goodwill Samitri                                    |                |               |               | 183                |               |
| <b>EBITDA R\$</b>                                   | <b>1,602</b>   | <b>1,538</b>  | <b>1,239</b>  | <b>6,211</b>       | <b>4,877</b>  |
| <b>Current liabilities</b>                          |                |               |               |                    |               |
| Current portion of long-term debt unrelated parties | 670            | 785           | 1,897         | 670                | 1,897         |
| Short-term debt                                     |                | 142           | 106           |                    | 106           |
| Loans from related parties                          | 2,043          | 1,564         | 1,365         | 2,043              | 1,365         |
|   | <b>2,713</b>   | <b>2,491</b>  | <b>3,368</b>  | <b>2,713</b>       | <b>3,368</b>  |
| <b>Long-term liabilities</b>                        |                |               |               |                    |               |
| Long-term debt unrelated parties                    | 2,911          | 3,214         | 2,771         | 2,911              | 2,771         |
| Loans from related parties                          | 3,784          | 4,388         | 4,395         | 3,784              | 4,395         |
|   | <b>6,695</b>   | <b>7,602</b>  | <b>7,166</b>  | <b>6,695</b>       | <b>7,166</b>  |
| <b>Gross debt</b>                                   | <b>9,408</b>   | <b>10,093</b> | <b>10,534</b> | <b>9,408</b>       | <b>10,534</b> |
| <b>Interest paid</b>                                | <b>69</b>      | <b>71</b>     | <b>92</b>     | <b>345</b>         | <b>369</b>    |
| <b>Stockholders' equity</b>                         | <b>18,170</b>  | <b>18,621</b> | <b>14,940</b> | <b>18,170</b>      | <b>14,940</b> |
| <b>EBITDA / Interest paid</b>                       | <b>23.22</b>   | <b>21.66</b>  | <b>13.47</b>  | <b>18.00</b>       | <b>13.22</b>  |

|   |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Gross debt / LTM EBITDA</b>            | <b>1.51</b> | <b>1.73</b> | <b>2.16</b> | <b>1.51</b> | <b>2.16</b> |
| <b>Gross debt / Equity Capitalization</b> | <b>34</b>   | <b>35</b>   | <b>41</b>   | <b>34</b>   | <b>41</b>   |

10

CVRD

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**1.3- Comments on the Consolidated Results****1.3.1- Consolidated Gross Revenue**

Sales volume and revenues by products and services:

|  | In thousands of metric tons<br>(except gold and railroad<br>transportation) |                |           | In millions of <i>reais</i><br>2003 |               |           |
|--|---|----------------|-----------|-------------------------------------|---------------|-----------|
|  | 2004  | 2003           | D%        | 2004                                | Proforma      | D%        |
| Iron ore                                     | 190,651   | 154,172        | 24        | 11,030                              | 7,743         | 42        |
| Pellets (*)                                  | 40,853  | 32,640         | 25        | 4,596                               | 3,414         | 35        |
|  | <b>231,504</b>  | <b>186,812</b> | <b>24</b> | <b>15,626</b>                       | <b>11,157</b> | <b>40</b> |
| Manganese                                    | 999   | 885            | 13        | 178                                 | 150           | 19        |
| Ferroalloys                                  | 542   | 512            | 6         | 1,906                               | 948           | 101       |
| Copper                                       | 269   |                |           | 592                                 |               |           |
| Potash                                       | 630   | 674            | (7)       | 362                                 | 289           | 25        |
| Kaolin                                       | 1,207   | 731            | 65        | 468                                 | 320           | 46        |
| Gold (kg)                                    | 33  | 1,921          | (98)      | 1                                   | 71            | (99)      |
| Railroad transportation (millions<br>of TKU) | 40,055  | 30,171         | 33        | 2,125                               | 1,431         | 48        |
| Port services                                | 28,697  | 28,743         |           | 450                                 | 371           | 21        |
| Maritime transportation                      |   |                |           | 450                                 | 332           | 36        |
| Aluminum                                     | 477   | 488            | (2)       | 2,439                               | 2,151         | 13        |
| Alumina                                      | 1,678   | 1,805          | (7)       | 1,315                               | 1,134         | 16        |
| Bauxite                                      | 5,429   | 4,326          | 25        | 301                                 | 249           | 21        |
| Steel  |   |                |           | 2,731                               | 2,217         | 23        |
| Other products and services                  |   |                |           | 76                                  | 75            | 1         |
|  |   |                |           | <b>29,020</b>                       | <b>20,895</b> | <b>39</b> |

(\*) Includes revenues derived from services provided to palletizing joint ventures in the amount of R\$ 77 and R\$ 68, referring to 2004 and 2003, respectively.

Revenues from iron ore and pellets increased by 40% (R\$ 15,626 in 2004 against R\$ 11,157 in 2003) due to modification of the product mix and higher prices in 2004.

Revenues from manganese and ferroalloys increased by 90% (R\$ 2,084 in 2004 against R\$ 1,098 in 2003) and reflect the performance of the companies of the segment discussed in Item 1.2.3 Ferrous Minerals (b) Manganese and ferroalloys.

Revenues from kaolin increased by 46% (R\$ 468 in 2004 against R\$ 320 in 2003). This increase was basically due to the acquisition of indirect control of Cadam, through an increase in the holding in the subsidiary Caemi, since September, 2003.

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Revenues from transportation rose 48% (R\$ 2,125 in 2004 against R\$ 1,431 in 2003), due mainly to acquisition of indirect control of MRS (through Caemi) and FCA since September, 2003, along with higher railway freight rates.

Revenues in the aluminum area rose 15% (R\$ 4,055 in 2004 versus R\$ 3,534 in 2003), due to increase of production capacity of bauxite and alumina plants as well as the average selling prices, discussed in Item 1.2.3 Holdings (b) Aluminum.

Revenues from steel products increased by 23% (R\$ 2,731 in 2004 compared with R\$ 2,217 in 2003). This reflects the performance of CSI and CST, discussed in Item 1.2.3 Holdings (a) Steel.

11

CVRD

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**Gross Consolidated Revenue by Segment**

|                                  | Holdings         |                      |              |              |              |                 | 2004          | 2003       |               | Total %    |
|----------------------------------|------------------|----------------------|--------------|--------------|--------------|-----------------|---------------|------------|---------------|------------|
|                                  | Ferrous Minerals | Non-Ferrous Minerals | Logistics    | Aluminum     | Steel        | Eliminations    |               | %          | Proforma      |            |
| <b>External market</b>           |                  |                      |              |              |              |                 |               |            |               |            |
| America, except                  |                  |                      |              |              |              |                 |               |            |               |            |
| United States                    | 2,170            | 6                    | 196          | 672          | 138          | (1,086)         | 2,096         | 7          | 1,410         | 7          |
| United States                    | 1,564            | 1                    | 44           | 727          | 2,063        | (1,127)         | 3,272         | 11         | 2,004         | 10         |
| Europe                           | 10,024           | 541                  | 31           | 2,189        | 43           | (4,816)         | 8,012         | 28         | 5,828         | 28         |
| Middle East/Africa/Oceania       | 1,721            | 12                   |              | 7            |              | (407)           | 1,333         | 4          | 1,082         | 5          |
| Japan                            | 2,240            | 77                   |              | 1,059        |              | (847)           | 2,529         | 9          | 2,249         | 10         |
| China                            | 4,271            | 238                  |              | 380          | 45           | (1,855)         | 3,079         | 11         | 2,025         | 10         |
| Asia, other than Japan and China | 2,104            | 604                  | 1            |              | 148          | (1,087)         | 1,770         | 6          | 1,229         | 6          |
|                                  | <b>24,094</b>    | <b>1,479</b>         | <b>272</b>   | <b>5,034</b> | <b>2,437</b> | <b>(11,225)</b> | <b>22,091</b> | <b>76</b>  | <b>15,827</b> | <b>76</b>  |
| <b>Internal Market</b>           | <b>4,711</b>     | <b>486</b>           | <b>3,029</b> | <b>1,127</b> | <b>367</b>   | <b>(2,791)</b>  | <b>6,929</b>  | <b>24</b>  | <b>5,068</b>  | <b>24</b>  |
| <b>Total operating revenues</b>  | <b>28,805</b>    | <b>1,965</b>         | <b>3,301</b> | <b>6,161</b> | <b>2,804</b> | <b>(14,016)</b> | <b>29,020</b> | <b>100</b> | <b>20,895</b> | <b>100</b> |

**1.3.2- Consolidated Cost of Products and Services****By Nature**

|                            | 2004<br>Denominated in |              | 2004          | 2003<br>Proforma | D%        |
|----------------------------|------------------------|--------------|---------------|------------------|-----------|
|                            | R\$                    | US\$         |               |                  |           |
| Personnel                  | 1,262                  | 150          | 1,412         | 1,213            | 16        |
| Material                   | 1,547                  | 778          | 2,325         | 1,797            | 29        |
| Oil and gas                | 1,212                  | 385          | 1,597         | 1,362            | 17        |
| Outsourced services        | 2,169                  | 305          | 2,474         | 1,802            | 37        |
| Energy                     | 686                    | 567          | 1,253         | 998              | 26        |
| Raw Material               | 258                    | 2,262        | 2,520         | 2,262            | 11        |
| Depreciation and depletion | 1,125                  | 66           | 1,191         | 1,035            | 15        |
| Amortization of goodwill   | 384                    |              | 384           | 166              | 131       |
| Others                     | 466                    | 501          | 967           | 695              | 39        |
| <b>Total</b>               | <b>9,109</b>           | <b>5,014</b> | <b>14,123</b> | <b>11,330</b>    | <b>25</b> |
|                            | <b>64%</b>             | <b>36%</b>   |               |                  |           |

The 25.0% (R\$ 2,793) increase in the cost of products and services is due to changes in consolidated entities, increases in sales volumes and changes in the prices of the various elements which comprise production cost, as follows:

**Change in consolidated entities:**

Increase in the percentage of consolidation of FCA (100% as from September 2003);

Reduction in the percentage of consolidation of CST (28.73% up to June 2004 to 7.91% among July and December, 2004);

Increase in the percentage of consolidation of Caemi (100% as from September 2003);

Incorporation of Ferteco as from September, 2003; and

Incorporation of Mineração Serra do Sossego as from December, 2003.

**Increases in sales volumes:**

Increase of 24% and 25% in sales volume of iron ore and pellets, respectively;

Increase of 13% and 6% in sales volume of manganese and ferroalloys, respectively; and

Increase of 25%, decrease of 7% and 2% in sales volume of bauxite, alumina and aluminum, respectively.

**Changes in the elements of costs:**

Wage increases awarded to various categories of employees;

Increases in the cost of materials and contracts referenced to the US dollar or inflation indices (INPC, IGP-M, etc);

Increases in the price and volume of ore, alumina and bauxite purchased from third parties;

Increase in electricity rates; and

Increase in goodwill amortization resulting from the merger of Ferteco and revision of its projection of rentability of Samitri's goodwill.

12

CVRD

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**1.3.3- Cash Generation Consolidated**

The operating cash generation consolidated measured by EBITDA (earnings before financial results, results of equity investments, interest, income tax and depreciation, amortization and depletion added of dividends received) was R\$ 12,249 in 2004, against R\$ 8,100 in 2003, an increase of 51.22%.

**EBITDA**

|   | <b>2004</b>   | <b>Accumulated<br/>2003<br/>Proforma</b> |
|---|---------------|--|
| Net operating revenue                                 | 27,544        | 20,116                                   |
| Cost of products and services                         | (14,123)      | (11,330)                                 |
| Operating expenses                                    | (3,115)       | (2,121)                                  |
| <b>Operating profit</b>                               | <b>10,306</b> | <b>6,665</b>                             |
| Depreciation / amortization of goodwill               | 1,694         | 1,302                                    |
|   | <b>12,000</b> | <b>7,967</b>                             |
| Dividends received                                    | 66            | 38                                       |
| Write-off of assets                                   | 183           | 95                                       |
| <b>EBITDA R\$</b>                                     | <b>12,249</b> | <b>8,100</b>                             |
| <b>Current liabilities</b>                            |               |  |
| Current portion of long-term debt - unrelated parties | 2,526         | 3,575                                    |
| Short-term debt                                       | 515           | 888                                      |
| Loans from related parties                            | 73            | 63                                       |
|   | <b>3,114</b>  | <b>4,526</b>                             |
| <b>Long-term liabilities</b>                          |               |  |
| Long-term debt - unrelated parties                    | 9,045         | 9,724                                    |
| Loans from related parties                            | 41            | 9  |
|   | <b>9,086</b>  | <b>9,733</b>                             |
| <b>Gross debt</b>                                     | <b>12,200</b> | <b>14,259</b>                            |
| <b>Interest paid</b>                                  | <b>965</b>    | <b>838</b>                               |
| <b>Stockholders equity</b>                            | <b>18,170</b> | <b>14,940</b>                            |
| <b>EBITDA / Interest paid</b>                         | <b>12.69</b>  | <b>9.67</b>                              |
| <b>Gross debt / LTM EBITDA</b>                        | <b>1.00</b>   | <b>1.76</b>                              |
| <b>Gross debt / Equity Capitalization</b>             | <b>40</b>     | <b>49</b>                                |

**Consolidated EBITDA by Segment**

|                        | 2004          |             |            | 2003<br>Proforma |             |            |
|------------------------|---------------|-------------|------------|------------------|-------------|------------|
|                        | EBITDA        | EBITDA      | EBITDA     | EBITDA           | EBITDA      | EBITDA     |
|                        | % of          | margin      | %          | % of             | margin      | %          |
|                        | total         | %           | EBITDA     | total            | %           | EBITDA     |
| Ferrous minerals       | 7,947         | 65%         | 47%        | 5,360            | 66%         | 45%        |
| Non - ferrous minerals | 309           | 3%          | 23%        | 127              | 2%          | 20%        |
| Logistics              | 1,234         | 10%         | 48%        | 689              | 8%          | 35%        |
| Investments            |               |             |            |                  |             |            |
| Aluminum               | 1,965         | 16%         | 50%        | 1,432            | 18%         | 46%        |
| Steel                  | 794           | 6%          | 30%        | 452              | 6%          | 21%        |
| Other                  |               |             |            | 40               |             |            |
|                        | <b>12,249</b> | <b>100%</b> | <b>44%</b> | <b>8,100</b>     | <b>100%</b> | <b>41%</b> |

13

CVRD

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**Part II****Financial Statements and Notes to the Financial Statements**

(A free translation of the original in Portuguese relating to the Financial Statements prepared in accordance with the requirements of Accounting Practices Generally Accepted in Brazil)

**2- Balance Sheet**

| <b>December 31</b>                          | <b>Notes</b> | <b>Parent Company</b> |              | <b>In millions of reais</b>  |   |
|---|--------------|-----------------------|--------------|------------------------------|---|
|   |              | <b>2004</b>           | <b>2003</b>  | <b>Consolidated<br/>2004</b> | <b>Consolidated<br/>2003<br/>Proforma</b> |
| <b>Assets</b>                               |              |                       |              |                              |   |
| <b>Current assets</b>                       |              |                       |              |                              |   |
| Cash and cash equivalents                   | 10.6         | 306                   | 342          | 3,917                        | 2,129                                     |
| Accounts receivable from customers          | 10.7         | 1,850                 | 1,187        | 3,076                        | 2,577                                     |
| Related parties                             | 10.8         | 589                   | 668          | 73                           | 48  |
| Inventories                                 | 10.9         | 870                   | 553          | 2,894                        | 2,195                                     |
| Taxes to recover or offset                  | 10.10        | 512                   | 537          | 898                          | 800                                       |
| Deferred income tax and social contribution | 10.11        | 347                   | 398          | 428                          | 299                                       |
| Others                                      |              | 253                   | 324          | 644                          | 661                                       |
|   |              | <b>4,727</b>          | <b>4,009</b> | <b>11,930</b>                | <b>8,709</b>                              |
| <b>Long-term receivables</b>                |              |                       |              |                              |   |
| Related parties                             | 10.8         | 587                   | 708          | 109                          | 59  |
| Loans and financing                         |              | 106                   | 143          | 150                          | 197                                       |
| Deferred income tax and social contribution | 10.11        | 523                   | 740          | 1,058                        | 1,325                                     |
| Judicial deposits                           | 10.16        | 1,147                 | 985          | 1,680                        | 1,430                                     |
| Prepaid expenses                            |              |                       |              | 95                           | 118                                       |
| Accounts receivable - sale of assets        |              |                       |              | 38                           | 119                                       |
| Property held for sale                      |              |                       |              | 111                          | 86  |
| Securities                                  |              |                       |              |                              | 69  |
| Advances to energy suppliers                |              |                       |              | 99                           |   |
| Others                                      |              | 28                    | 27           | 371                          | 361                                       |
|   |              | <b>2,391</b>          | <b>2,603</b> | <b>3,711</b>                 | <b>3,764</b>                              |
| <b>Permanent assets</b>                     |              |                       |              |                              |   |
| Investments                                 | 10.12        | 12,975                | 11,241       | 2,830                        | 3,313                                     |
| Property, plant and equipment               | 10.13        | 15,246                | 12,362       | 24,798                       | 21,717                                    |

|  |       |               |               |               |               |
|--|-------|---------------|---------------|---------------|---------------|
| Deferred charges                                       |       |               |               | 203           | 236           |
|  |       | <b>28,221</b> | <b>23,603</b> | <b>27,831</b> | <b>25,266</b> |
|  |       | <b>35,339</b> | <b>30,215</b> | <b>43,472</b> | <b>37,739</b> |
| <b>Liabilities and stockholders equity</b>             |       |               |               |               |               |
| <b>Current liabilities</b>                             |       |               |               |               |               |
| Short-term debt  | 10.14 |               | 106           | 515           | 888           |
| Current portion of long-term debt                      | 10.14 | 670           | 1,897         | 2,526         | 3,575         |
| Payable to suppliers and contractors                   |       | 1,516         | 959           | 1,972         | 1,518         |
| Related parties  | 10.8  | 2,043         | 1,365         | 73            | 63            |
| Payroll and related charges                            |       | 288           | 169           | 399           | 268           |
| Pension Plan - Valia                                   | 10.18 | 91            | 92            | 91            | 92            |
| Proposed dividends and interest on stockholders equity |       | 1,279         | 319           | 1,557         | 337           |
| Taxes and contributions                                |       | 527           | 99            | 1,286         | 225           |
| Others   |       | 379           | 242           | 907           | 731           |
|  |       | <b>6,793</b>  | <b>5,248</b>  | <b>9,326</b>  | <b>7,697</b>  |
| <b>Long-term liabilities</b>                           |       |               |               |               |               |
| Long-term debt   | 10.14 | 2,911         | 2,771         | 9,045         | 9,724         |
| Related parties  | 10.8  | 3,784         | 4,395         | 41            | 9             |
| Provisions for contingencies                           | 10.16 | 1,953         | 1,483         | 2,604         | 2,086         |
| Pension Plan - Valia                                   | 10.18 | 570           | 570           | 570           | 570           |
| Provision for environmental liabilities                | 10.17 | 255           | 232           | 255           | 232           |
| Provisions for derivatives                             |       | 55            | 212           | 430           | 323           |
| Others   |       | 848           | 364           | 990           | 537           |
|  |       | <b>10,376</b> | <b>10,027</b> | <b>13,935</b> | <b>13,481</b> |
| <b>Deferred income</b>                                 | 10.30 |               |               | <b>10</b>     | <b>157</b>    |
| <b>Minority interests</b>                              |       |               |               | <b>2,031</b>  | <b>1,464</b>  |
| <b>Stockholders equity</b>                             |       |               |               |               |               |
| Paid-up capital  | 10.19 | 7,300         | 6,300         | 7,300         | 6,300         |
| Revenue reserves                                       |       | 10,870        | 8,640         | 10,870        | 8,640         |
|  |       | <b>18,170</b> | <b>14,940</b> | <b>18,170</b> | <b>14,940</b> |
|  |       | <b>35,339</b> | <b>30,215</b> | <b>43,472</b> | <b>37,739</b> |

The additional information, notes and attachment I are an integral part of these statements.

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(A free translation of the original in Portuguese relating to the Financial Statements prepared in accordance with the requirements of Accounting Practices Generally Accepted in Brazil)

### 3- Statement of Income

| Years ended December 31              |              |                |                |                  |                               |                | In millions of reais                |                 |
|--------------------------------------|--------------|----------------|----------------|------------------|-------------------------------|----------------|-------------------------------------|-----------------|
|                                      | Notes        | 4Q/04          | 3Q/04          | Quarter<br>4Q/03 | Parent Company<br>Accumulated |                | Consolidated<br>Accumulated<br>2003 |                 |
|                                      |              |                |                |                  | 2004                          | 2003           | 2004                                | Proforma        |
| <b>Operating revenues</b>            | <b>1.2.1</b> |                |                |                  |                               |                |                                     |                 |
| <b>Sales of ore and metals</b>       | <b>1.3.1</b> |                |                |                  |                               |                |                                     |                 |
| Iron ore and pellets                 |              | 2,874          | 3,015          | 2,472            | 11,198                        | 8,612          | 15,626                              | 11,157          |
| Manganese and ferroalloys            |              |                |                |                  |                               |                | 2,084                               | 1,098           |
| Copper                               |              | 324            | 196            |                  | 592                           |                | 592                                 |                 |
| Potash                               |              | 98             | 103            | 73               | 362                           | 289            | 362                                 | 289             |
| Kaolin                               |              |                |                |                  |                               |                | 468                                 | 320             |
| Gold                                 |              | 1              |                | 3                | 1                             | 71             | 1                                   | 71              |
|                                      |              | <b>3,297</b>   | <b>3,314</b>   | <b>2,548</b>     | <b>12,153</b>                 | <b>8,972</b>   | <b>19,133</b>                       | <b>12,935</b>   |
| Transport services                   |              | 392            | 422            | 326              | 1,556                         | 1,366          | 3,025                               | 2,134           |
| Sales of aluminum-related products   |              | 26             |                |                  | 26                            |                | 4,055                               | 3,534           |
| Sales of steel products              |              |                |                |                  |                               |                | 2,731                               | 2,217           |
| Other products and services          |              | 20             | 6              | 3                | 50                            | 29             | 76                                  | 75              |
|                                      |              | <b>3,735</b>   | <b>3,742</b>   | <b>2,877</b>     | <b>13,785</b>                 | <b>10,367</b>  | <b>29,020</b>                       | <b>20,895</b>   |
| Value Added taxes                    |              | (172)          | (208)          | (79)             | (697)                         | (354)          | (1,476)                             | (779)           |
| <b>Net operating revenues</b>        |              | <b>3,563</b>   | <b>3,534</b>   | <b>2,798</b>     | <b>13,088</b>                 | <b>10,013</b>  | <b>27,544</b>                       | <b>20,116</b>   |
| <b>Cost of products and services</b> | <b>1.2.2</b> |                |                |                  |                               |                |                                     |                 |
| <b>Ores and metals</b>               | <b>1.3.2</b> |                |                |                  |                               |                |                                     |                 |
| Ores and metals                      |              | (1,878)        | (1,730)        | (1,420)          | (6,640)                       | (4,888)        | (8,528)                             | (6,255)         |
| Transport services                   |              | (147)          | (119)          | (121)            | (479)                         | (449)          | (1,805)                             | (1,397)         |
| Aluminum-related products            |              | (16)           |                |                  | (16)                          |                | (2,013)                             | (2,072)         |
| Steel products                       |              |                |                |                  |                               |                | (1,738)                             | (1,551)         |
| Other products and services          |              |                | (6)            | (7)              | (12)                          | (20)           | (39)                                | (55)            |
|                                      |              | <b>(2,041)</b> | <b>(1,855)</b> | <b>(1,548)</b>   | <b>(7,147)</b>                | <b>(5,357)</b> | <b>(14,123)</b>                     | <b>(11,330)</b> |
| <b>Gross profit</b>                  |              | <b>1,522</b>   | <b>1,679</b>   | <b>1,250</b>     | <b>5,941</b>                  | <b>4,656</b>   | <b>13,421</b>                       | <b>8,786</b>    |

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|  |              |                  |                  |                  |                  |                  |                |                |
|--|--------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|
| <b>Gross margin</b>  |              | <b>42.7%</b>     | <b>47.5%</b>     | <b>44.7%</b>     | <b>45.4%</b>     | <b>46.5%</b>     | <b>48.7%</b>   | <b>43.7%</b>   |
| <b>Operating expenses</b>  |              |                  |                  |                  |                  |                  |                |                |
| Selling  |              | (7)              | (8)              | (64)             | (25)             | (217)            | (412)          | (295)          |
| Administrative   | 10.26        | (169)            | (123)            | (124)            | (531)            | (406)            | (1,125)        | (822)          |
| Research and development   |              | (111)            | (99)             | (95)             | (349)            | (233)            | (440)          | (249)          |
| Other operating expenses   | 10.26        | (138)            | (237)            | (74)             | (548)            | (320)            | (955)          | (755)          |
| Non recurring item -<br>Samitri s Goodwill<br>amortization                                     |              |                  |                  |                  | (183)            |                  | (183)          |                |
|  |              | <b>(425)</b>     | <b>(467)</b>     | <b>(357)</b>     | <b>(1,636)</b>   | <b>(1,176)</b>   | <b>(3,115)</b> | <b>(2,121)</b> |
| <b>Operating profit before<br/>financial results and<br/>results of equity<br/>investments</b> |              | <b>1,097</b>     | <b>1,212</b>     | <b>893</b>       | <b>4,305</b>     | <b>3,480</b>     | <b>10,306</b>  | <b>6,665</b>   |
| <b>Results of equity<br/>investments</b>   | <b>10.12</b> |                  |                  |                  |                  |                  |                |                |
| Gain on investments<br>accounted for by the equity<br>method                                   |              | 1,087            | 1,206            | 426              | 3,947            | 2,075            | 408            | 209            |
| Amortization of goodwill   |              | (55)             | (57)             | (114)            | (250)            | (503)            | (252)          | (612)          |
| Provision for losses   |              | (12)             | (10)             | (154)            | (81)             | 175              |                | (137)          |
| Exchange variation in<br>stockholders' equity of<br>companies abroad                           |              | (318)            | (236)            | (9)              | (365)            | (625)            |                |                |
|  |              | <b>702</b>       | <b>903</b>       | <b>149</b>       | <b>3,251</b>     | <b>1,122</b>     | <b>156</b>     | <b>(540)</b>   |
| <b>Financial results</b>   |              | <b>211</b>       | <b>(54)</b>      | <b>(261)</b>     | <b>(752)</b>     | <b>394</b>       | <b>(2,000)</b> | <b>(203)</b>   |
| <b>Operating profit</b>  |              | <b>2,010</b>     | <b>2,061</b>     | <b>781</b>       | <b>6,804</b>     | <b>4,996</b>     | <b>8,462</b>   | <b>5,922</b>   |
| <b>Change of accounting<br/>practices</b>  |              |                  |                  |                  |                  |                  |                | <b>(91)</b>    |
| <b>Results on sale of assets</b>   |              | <b>78</b>        | <b>463</b>       |                  | <b>541</b>       |                  | <b>551</b>     | <b>174</b>     |
| <b>Income before income tax<br/>and social contribution</b>                                    |              | <b>2,088</b>     | <b>2,524</b>     | <b>781</b>       | <b>7,345</b>     | <b>4,996</b>     | <b>9,013</b>   | <b>6,005</b>   |
| <b>Income tax and social<br/>contribution</b>  | <b>10.11</b> | <b>(560)</b>     | <b>(228)</b>     | <b>11</b>        | <b>(885)</b>     | <b>(487)</b>     | <b>(1,810)</b> | <b>(963)</b>   |
| <b>Income before minority<br/>interests</b>  |              | <b>1,528</b>     | <b>2,296</b>     | <b>792</b>       | <b>6,460</b>     | <b>4,509</b>     | <b>7,203</b>   | <b>5,042</b>   |
| <b>Minority interests</b>  |              |                  |                  |                  |                  |                  | <b>(743)</b>   | <b>(533)</b>   |
| <b>Net income for the year</b>   |              | <b>1,528</b>     | <b>2,296</b>     | <b>792</b>       | <b>6,460</b>     | <b>4,509</b>     | <b>6,460</b>   | <b>4,509</b>   |
| <b>Number of shares<br/>outstanding at the end of</b>  |              | <b>1,151,520</b> | <b>1,151,520</b> | <b>1,151,520</b> | <b>1,151,520</b> | <b>1,151,520</b> |                |                |

the year (in thousands)

Net earnings per share  
outstanding at the end of  
the year (R\$)

1.33

1.99

0.69

5.61

3.92

The additional information, notes and attachment I are an integral part of these statements.

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(A free translation of the original in Portuguese relating to the Financial Statements prepared in accordance with the requirements of Accounting Practices Generally Accepted in Brazil)

#### 4- Statement of Changes in Stockholders Equity

| Years ended December 31                         | In millions of reais |                 |                      |              |                   |                                     |                | Total        |                   |
|---|----------------------|-----------------|----------------------|--------------|-------------------|-------------------------------------|----------------|--------------|-------------------|
|   | Notes                | Paid-up capital | Expansion/Investment | Depletion    | Unrealized income | Revenue reserves<br>Fiscal<br>Legal | Treasury stock |              | Retained earnings |
|   |                      | 5,000           | 5,277                | 1,004        | 746               | 855                                 | (131)          | 12,751       |                   |
| <b>December 31, 2002</b>                        |                      |                 |                      |              |                   |                                     |                |              |                   |
| Changing of practices - environmental provision |                      |                 |                      |              |                   |                                     | (66)           | (66)         |                   |
| Capitalization of reserves                      |                      | 1,300           | (1,300)              |              |                   |                                     |                |              |                   |
| Realization of reserve                          |                      |                 |                      |              | (189)             |                                     | 189            |              |                   |
| Net income for the year                         |                      |                 |                      |              |                   |                                     | 4,509          | 4,509        |                   |
| Appropriations:                                 |                      |                 |                      |              |                   |                                     |                |              |                   |
| Interest on stockholders equity                 |                      |                 |                      |              |                   |                                     | (2,254)        | (2,254)      |                   |
| Appropriation to revenue reserves               |                      |                 | 2,062                |              |                   | 226                                 | 90             | (2,378)      |                   |
| <b>December 31, 2003</b>                        |                      | <b>6,300</b>    | <b>6,039</b>         | <b>1,004</b> | <b>557</b>        | <b>1,081</b>                        | <b>90</b>      | <b>(131)</b> | <b>14,940</b>     |
| Capitalization of reserves                      |                      | 1,000           | (910)                |              |                   |                                     | (90)           |              |                   |
| Realization of reserve                          | 10.22                |                 |                      |              | (211)             |                                     | 211            |              |                   |
| Net income for the year                         |                      |                 |                      |              |                   |                                     | 6,460          | 6,460        |                   |
| Appropriations:                                 | 10.22                |                 |                      |              |                   |                                     |                |              |                   |
| Interim interest on stockholders equity         |                      |                 |                      |              |                   |                                     | (1,671)        | (1,671)      |                   |
| Interim dividends                               |                      |                 |                      |              |                   |                                     | (280)          | (280)        |                   |
| Additional remuneration proposed                |                      |                 |                      |              |                   |                                     | (1,279)        | (1,279)      |                   |
| Appropriation to revenue reserves               |                      |                 | 3,077                |              |                   | 323                                 | 41             | (3,441)      |                   |
| <b>December 31, 2004</b>                        |                      | <b>7,300</b>    | <b>8,206</b>         | <b>1,004</b> | <b>346</b>        | <b>1,404</b>                        | <b>41</b>      | <b>(131)</b> | <b>18,170</b>     |

The additional information, notes and attachment I are an integral part of these statements.





(A free translation of the original in Portuguese relating to the financial statements prepared in accordance with the requirements of Brazilian Corporate Law)

## 5- Statement of Changes in Financial Position

| Years ended December 31   | Parent Company |               | In millions of reais |                  |
|---|----------------|---------------|----------------------|------------------|
|   |                |               | Consolidated         |                  |
|   | 2004           | 2003          | 2004                 | 2003<br>Proforma |
| <b>Funds were provided by:</b>  |                |               |                      |                  |
| Net income for the year   | 6,460          | 4,509         | 6,460                | 4,509            |
| Expenses (income) not affecting working capital:                              |                |               |                      |                  |
| Result of equity investments  | (3,251)        | (1,122)       | (156)                | 540              |
| Dividends/interest on stockholders' equity                                    | 974            | 549           | 66                   | 38               |
| Depreciation, amortization and depletion                                      | 704            | 601           | 1,406                | 1,144            |
| Deferred income tax and social contribution                                   | 218            | 21            | 324                  | 69               |
| Disposal of investments   | 1,267          |               | 1,701                |                  |
| Result on sale of assets  | (541)          |               | (551)                | (174)            |
| Net monetary and exchange rate variations on long-term assets and liabilities | 266            | (612)         | (344)                | (1,136)          |
| Disposal of property, plant and equipment                                     | 5              | 36            | 17                   | 88               |
| Amortization of goodwill in the cost of products sold                         | 384            | 166           | 384                  | 166              |
| Non recurring item - goodwill of Samitri                                      | 183            |               | 183                  |                  |
| Net unrealized derivative losses  | 22             | 57            | 368                  | 216              |
| Minority interests  |                |               | 743                  | 533              |
| Others  | 230            | 69            | 416                  | 260              |
| <b>Total funds from operations</b>  | <b>6,921</b>   | <b>4,274</b>  | <b>11,017</b>        | <b>6,253</b>     |
| Loans to related parties, transferred to current assets                       | 162            | 2,624         | 43                   | 351              |
| Loans and financing obtained  | 1,106          | 1,172         | 3,664                | 3,323            |
| Loans from related parties  | 798            | 1,621         | 36                   | 12               |
| Others  | 234            | 439           | 632                  | 506              |
| <b>Total funds provided</b>   | <b>9,221</b>   | <b>10,130</b> | <b>15,392</b>        | <b>10,445</b>    |
| <b>Funds were used for:</b>   |                |               |                      |                  |
| Long-term debt transferred to current liabilities                             | 1,902          | 2,218         | 3,785                | 3,663            |
| Related parties   | 79             | 1,265         | 62                   | 225              |
| Additions to permanent assets   | 3,810          | 2,857         | 6,014                | 5,110            |
| Capital subscription in subsidiary and affiliated companies                   | 798            | 2,642         | 289                  | 889              |
| Dividends/interest on stockholders' equity                                    | 3,230          | 2,255         | 3,230                | 2,255            |
| Guarantees and deposits   | 163            | 260           | 256                  | 499              |
| Others  | 66             |               | 164                  | 877              |

|   |               |                |               |                |
|---|---------------|----------------|---------------|----------------|
| <b>Total funds used</b>                           | <b>10,048</b> | <b>11,497</b>  | <b>13,800</b> | <b>13,518</b>  |
| <b>Increase (decrease) in working capital</b>     | <b>(827)</b>  | <b>(1,367)</b> | <b>1,592</b>  | <b>(3,073)</b> |
| <b>Changes in working capital are as follows:</b> |               |                |               |                |
| Current assets:                                   |               |                |               |                |
| At the end of the year                            | 4,727         | 4,009          | 11,930        | 8,709          |
| At the beginning of the year                      | 4,009         | 4,346          | 8,709         | 10,878         |
|   | <b>718</b>    | <b>(337)</b>   | <b>3,221</b>  | <b>(2,169)</b> |
| Current liabilities:                              |               |                |               |                |
| At the end of the year                            | 6,793         | 5,248          | 9,326         | 7,697          |
| At the beginning of the year                      | 5,248         | 4,218          | 7,697         | 6,793          |
|   | <b>1,545</b>  | <b>1,030</b>   | <b>1,629</b>  | <b>904</b>     |
| <b>Increase (decrease) in working capital</b>     | <b>(827)</b>  | <b>(1,367)</b> | <b>1,592</b>  | <b>(3,073)</b> |

The additional information, notes and attachment I are an integral part of these statements.

(A free translation of the original in Portuguese)

**6- Statement of Cash Flows (Additional Information)****Years ended December 31**

|  | Quarter      |                |              | Parent Company<br>Accumulated |              | In millions of reais<br>Consolidated<br>Accumulated<br>2003 |              |
|--|--------------|----------------|--------------|-------------------------------|--------------|---|--------------|
|  | 4Q/04        | 3Q/04          | 4Q/03        | 2004                          | 2003         | 2004  | Proforma     |
| <b>Cash flows from operating activities:</b>   |              |                |              |                               |              |   |              |
| Net income for the year  | 1,528        | 2,296          | 792          | 6,460                         | 4,509        | 6,460   | 4,509        |
| Adjustments to reconcile net income for the year with cash provided by operating activities: |              |                |              |                               |              |   |              |
| Results of equity investments  | (702)        | (903)          | (149)        | (3,251)                       | (1,122)      | (156)   | 540          |
| Depreciation, amortization and depletion   | 185          | 182            | 176          | 704                           | 601          | 1,406   | 1,144        |
| Deferred income tax and social contribution  | 682          | (347)          | 51           | 269                           | 427          | 873   | 1,066        |
| Result on sale of assets   | (78)         | (463)          |              | (541)                         |              | (551)   | (174)        |
| Financial expenses and monetary and exchange rate variations on assets and liabilities, net  | (69)         | (429)          | 167          | 106                           | (1,035)      | (144)   | (1,989)      |
| Minority interests   |              |                |              |                               |              | 743   | 533          |
| Disposal of property, plant and equipment  | (14)         | (12)           | 30           | 5                             | 36           | 17  | 88           |
| Amortization of goodwill in the cost of products sold  | 96           | 96             | 76           | 384                           | 166          | 384   | 166          |
| Non recurring item - goodwill of Samitri   |              |                |              | 183                           |              | 183   |              |
| Net losses on derivatives  | 10           | 31             | 16           | 22                            | 57           | 368   | 216          |
| Dividends/interest on stockholders equity  | 245          | 68             | 102          | 716                           | 602          | 66  | 38           |
| Others   | (21)         | (2)            | (40)         | (22)                          | (53)         | 247   | 76           |
|  | <b>1,862</b> | <b>517</b>     | <b>1,221</b> | <b>5,035</b>                  | <b>4,188</b> | <b>9,896</b>  | <b>6,213</b> |
| <b>Decrease (increase) in assets:</b>  |              |                |              |                               |              |   |              |
| Accounts receivable  | 1,043        | (1,531)        | 265          | (663)                         | 547          | (503)   | 26           |
| Inventories  | (123)        | (49)           | 2            | (317)                         | (61)         | (699)   | (243)        |
| Others   | (86)         | 120            | (268)        | 8                             | (194)        | (721)   | (429)        |
|  | <b>834</b>   | <b>(1,460)</b> | <b>(1)</b>   | <b>(972)</b>                  | <b>292</b>   | <b>(1,923)</b>  | <b>(646)</b> |
| <b>Increase (decrease) in liabilities:</b>   |              |                |              |                               |              |   |              |
| Suppliers and contractors  | 686          | 108            | 130          | 705                           | 148          | 787   | 97           |
|  | 36           | 63             | (45)         | 66                            | (14)         | 137   | (42)         |

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|   |                |              |                |                |                |                |                |
|---|----------------|--------------|----------------|----------------|----------------|----------------|----------------|
| Payroll and related charges and others                              |                |              |                |                |                |                |                |
| Taxes and contributions   | (81)           | 574          | 116            | 673            | 70             | 678            | 245            |
| Others  | (543)          | 692          | 83             | 213            | 44             | 453            | (214)          |
|   | <b>98</b>      | <b>1,437</b> | <b>284</b>     | <b>1,657</b>   | <b>248</b>     | <b>2,055</b>   | <b>86</b>      |
| <b>Net cash provided by operating activities</b>                    | <b>2,794</b>   | <b>494</b>   | <b>1,504</b>   | <b>5,720</b>   | <b>4,728</b>   | <b>10,028</b>  | <b>5,653</b>   |
| Cash flows from investing activities:                               |                |              |                |                |                |                |                |
| Loans and advances receivable                                       | 158            | (126)        | 265            | 318            | (798)          | 81             | (51)           |
| Guarantees and deposits   | (42)           | (26)         | (29)           | (163)          | (260)          | (256)          | (499)          |
| Additions to investments  | (253)          | (130)        | (45)           | (798)          | (292)          | (289)          | (889)          |
| Additions to property, plant and equipment                          | (1,457)        | (569)        | (1,079)        | (3,810)        | (2,811)        | (6,014)        | (5,110)        |
| Proceeds from disposal of property, plant and equipment/investments | 431            | 834          | 18             | 1,268          | 188            | 1,736          | 427            |
| <b>Net cash used in investing activities</b>                        | <b>(1,163)</b> | <b>(17)</b>  | <b>(870)</b>   | <b>(3,185)</b> | <b>(3,973)</b> | <b>(4,742)</b> | <b>(6,122)</b> |
| <b>Cash flows from financing activities:</b>                        |                |              |                |                |                |                |                |
| Short-term debt   | 71             | 356          | 404            | (308)          | (206)          | (203)          | (194)          |
| Long-term debt  | 12             |              | 287            | 2,380          | 2,793          | 3,669          | 3,335          |
| Repayments:   |                |              |                |                |                |                |                |
| Related parties   | (108)          | (368)        |                | (475)          |                |                |                |
| Financial institutions  | (113)          | (399)        | (857)          | (1,897)        | (1,542)        | (4,693)        | (2,993)        |
| Dividends/interest on stockholders equity paid                      | (1,481)        |              | (1,212)        | (2,271)        | (1,930)        | (2,271)        | (1,930)        |
| <b>Net cash provided by (used in) financing activities</b>          | <b>(1,619)</b> | <b>(411)</b> | <b>(1,378)</b> | <b>(2,571)</b> | <b>(885)</b>   | <b>(3,498)</b> | <b>(1,782)</b> |
| <b>Increase (decrease) in cash and cash equivalents</b>             | <b>12</b>      | <b>66</b>    | <b>(744)</b>   | <b>(36)</b>    | <b>(130)</b>   | <b>1,788</b>   | <b>(2,251)</b> |
| Cash and cash equivalents, beginning of the year                    | 294            | 228          | 965            | 342            | 259            | 2,129          | 4,380          |
| Cash of merged companies  |                |              | 121            |                | 213            |                |                |
| <b>Cash and cash equivalents, end of the year</b>                   | <b>306</b>     | <b>294</b>   | <b>342</b>     | <b>306</b>     | <b>342</b>     | <b>3,917</b>   | <b>2,129</b>   |
| <b>Cash paid during the year for:</b>                               |                |              |                |                |                |                |                |
| Short-term interest   | (1)            |              |                | (5)            | (16)           | (52)           | (87)           |
| Long-term interest  | (68)           | (71)         | (92)           | (340)          | (353)          | (913)          | (751)          |
| Income tax and social contribution paid                             |                |              |                |                | (47)           | (318)          | (184)          |

**Non-cash transactions:**

|  |       |       |         |       |         |     |     |
|--|-------|-------|---------|-------|---------|-----|-----|
| Transfer of advance for future capital increase to investments       | (185) | (130) | (321)   | (566) | (2,117) |     |     |
| Additions to property, plant and equipment - interest capitalization | 78    | 95    | (5)     | 35    | 90      | 123 | 420 |
| Additions to property, plant and equipment - mergers                 |       |       | (1,342) |       | (1,831) |     |     |

**The additional information, notes and attachment I are an integral part of these statements.**

18

CVRD

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(A free translation of the original in Portuguese)

**7- Statement of Value Added (Additional Information)****Years ended December 31**

|   | <b>Parent Company</b> |            |               |            | <b>In millions of reais<br/>Consolidated<br/>2003</b> |            |                 |            |
|---|-----------------------|------------|---------------|------------|---|------------|-----------------|------------|
|   | <b>2004</b>           | <b>%</b>   | <b>2003</b>   | <b>%</b>   | <b>2004</b>   | <b>%</b>   | <b>Proforma</b> | <b>%</b>   |
| <b>Generation of Value Added</b>  |                       |            |               |            |   |            |                 |            |
| <b>Sales revenue</b>  | <b>13,785</b>         | <b>100</b> | <b>10,367</b> | <b>100</b> | <b>29,020</b>   | <b>100</b> | <b>20,895</b>   | <b>100</b> |
| Less: Acquisition of products   | (1,368)               | (11)       | (1,154)       | (11)       | (2,755)   | (9)        | (2,300)         | (11)       |
| Outsourced services   | (2,005)               | (15)       | (1,317)       | (13)       | (4,156)   | (14)       | (2,862)         | (14)       |
| Materials   | (1,453)               | (12)       | (880)         | (8)        | (2,497)   | (9)        | (1,797)         | (9)        |
| Fuel oil and gas  | (848)                 | (6)        | (636)         | (6)        | (1,698)   | (6)        | (1,402)         | (7)        |
| Research and development, selling and administrative                        | (432)                 | (3)        | (397)         | (4)        | (764)   | (3)        | (939)           | (4)        |
| Other operating expenses  | (782)                 | (6)        | (232)         | (2)        | (2,207)   | (8)        | (1,135)         | (5)        |
| <b>Gross Value Added</b>  | <b>6,897</b>          | <b>50</b>  | <b>5,751</b>  | <b>56</b>  | <b>14,943</b>   | <b>51</b>  | <b>10,460</b>   | <b>50</b>  |
| Depreciation, amortization and depletion                                    | (1,007)               | (7)        | (759)         | (7)        | (1,694)   | (6)        | (1,302)         | (6)        |
| <b>Net Value Added</b>  | <b>5,890</b>          | <b>43</b>  | <b>4,992</b>  | <b>49</b>  | <b>13,249</b>   | <b>45</b>  | <b>9,158</b>    | <b>44</b>  |
| <b>Received from third parties</b>  |                       |            |               |            |   |            |                 |            |
| Financial revenue   | 102                   | 1          | 53            | 1          | 347   | 1          | 335             | 2          |
| Results of equity investments   | 3,251                 | 24         | 1,122         | 11         | 156   | 1          | (540)           | (3)        |
| Results on sale of assets   | 541                   | 4          |               |            | 551   | 2          | 174             | 1          |
| <b>Total Value Added</b>  | <b>9,784</b>          | <b>72</b>  | <b>6,167</b>  | <b>61</b>  | <b>14,303</b>   | <b>49</b>  | <b>9,127</b>    | <b>44</b>  |
| <b>Distribution of Value Added</b>  |                       |            |               |            |   |            |                 |            |
| Employees   | 901                   | 9          | 770           | 12         | 1,885   | 13         | 1,335           | 14         |
| Government  | 1,653                 | 17         | 1,301         | 21         | 2,862   | 20         | 2,307           | 25         |
| Third parties – capital (interest and monetary and exchange variances, net) | 770                   | 8          | (413)         | (7)        | 2,353   | 16         | 443             | 5          |
| Stockholders – remuneration   | 3,230                 | 33         | 2,254         | 37         | 3,230   | 23         | 2,254           | 25         |
| Minority interests  |                       |            |               |            | 743   | 5          | 533             | 6          |
| Retained earnings   | 3,230                 | 33         | 2,255         | 37         | 3,230   | 23         | 2,255           | 25         |

|                                      |              |            |              |            |               |            |              |            |
|--------------------------------------|--------------|------------|--------------|------------|---------------|------------|--------------|------------|
| <b>Total Value added distributed</b> | <b>9,784</b> | <b>100</b> | <b>6,167</b> | <b>100</b> | <b>14,303</b> | <b>100</b> | <b>9,127</b> | <b>100</b> |
|--------------------------------------|--------------|------------|--------------|------------|---------------|------------|--------------|------------|

19

CVRD

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On outside programs  
and/or projects

**Total Social indicators 1,527 35 12 1,347 39 13 2,371 23 7 2,327 35 11**

|                                    | <b>2004</b> | <b>2003</b> | <b>2004</b> | <b>2003 Proforma</b> |
|------------------------------------|-------------|-------------|-------------|----------------------|
| <b>Headcount</b>                   |             |             |             |                      |
| No. of employees at<br>end of year | 18,457      | 16,338      | 36,176(*)   | 33,282               |
| No. of new hires<br>during year    | 3,060       | 3,245       | 5,275       | 6,588                |

The Consolidated amounts relate to the percentage of participation of Parent Company in the companies.

(\*) Reduce of 1,138 employees due to the divestment in CST.

(A free translation of the original in Portuguese)

**9- Statement of Income by Segment (Additional Information)****Years ended December 31****In millions of reais**

|                                      | <b>Holdings</b>         |                             |                  |                 |              |               | <b>2004</b>             |               |
|--------------------------------------|-------------------------|-----------------------------|------------------|-----------------|--------------|---------------|-------------------------|---------------|
|                                      | <b>Ferrous Minerals</b> | <b>Non-Ferrous Minerals</b> | <b>Logistics</b> | <b>Aluminum</b> | <b>Steel</b> | <b>Others</b> | <b>Corporate Center</b> | <b>Total</b>  |
| <b>Operating revenues</b>            |                         |                             |                  |                 |              |               |                         |               |
| <b>Sales of ore and metals</b>       |                         |                             |                  |                 |              |               |                         |               |
| Iron ore and pellets                 | 15,626                  |                             |                  |                 |              |               |                         | 15,626        |
| Manganese and ferroalloys            | 2,084                   |                             |                  |                 |              |               |                         | 2,084         |
| Copper                               |                         | 592                         |                  |                 |              |               |                         | 592           |
| Potash                               |                         | 362                         |                  |                 |              |               |                         | 362           |
| Kaolin                               |                         | 468                         |                  |                 |              |               |                         | 468           |
| Gold                                 |                         | 1                           |                  |                 |              |               |                         | 1             |
|                                      | <b>17,710</b>           | <b>1,423</b>                |                  |                 |              |               |                         | <b>19,133</b> |
| Transport services                   |                         |                             | 3,025            |                 |              |               |                         | 3,025         |
| Sales of aluminum-related products   |                         |                             |                  | 4,055           |              |               |                         | 4,055         |
| Sales of steel products              |                         |                             |                  |                 | 2,731        |               |                         | 2,731         |
| Other products and services          | 68                      |                             |                  | 8               |              |               |                         | 76            |
|                                      | <b>17,778</b>           | <b>1,423</b>                | <b>3,025</b>     | <b>4,063</b>    | <b>2,731</b> |               |                         | <b>29,020</b> |
| Value Added taxes                    | (738)                   | (77)                        | (462)            | (112)           | (87)         |               |                         | (1,476)       |
| <b>Net operating revenues</b>        | <b>17,040</b>           | <b>1,346</b>                | <b>2,563</b>     | <b>3,951</b>    | <b>2,644</b> |               |                         | <b>27,544</b> |
| <b>Cost of products and services</b> |                         |                             |                  |                 |              |               |                         |               |
| Ores and metals                      | (7,873)                 | (655)                       |                  |                 |              |               |                         | (8,528)       |
| Transport services                   |                         |                             | (1,805)          |                 |              |               |                         | (1,805)       |
| Aluminum-related products            |                         |                             |                  | (2,013)         |              |               |                         | (2,013)       |
| Steel products                       |                         |                             |                  |                 | (1,738)      |               |                         | (1,738)       |

|  |                |              |                |                |                |             |                |                 |
|--|----------------|--------------|----------------|----------------|----------------|-------------|----------------|-----------------|
| Other products and services  | (33)           | (6)          |                |                |                |             |                | (39)            |
|  | <b>(7,906)</b> | <b>(661)</b> | <b>(1,805)</b> | <b>(2,013)</b> | <b>(1,738)</b> |             |                | <b>(14,123)</b> |
| <b>Gross profit</b>  | <b>9,134</b>   | <b>685</b>   | <b>758</b>     | <b>1,938</b>   | <b>906</b>     |             |                | <b>13,421</b>   |
| <b>Gross margin</b>  | <b>53.6%</b>   | <b>50.9%</b> | <b>29.6%</b>   | <b>49.1%</b>   | <b>34.3%</b>   |             |                | <b>48.7%</b>    |
| <b>Operating expenses</b>  |                |              |                |                |                |             |                |                 |
| Selling  | (192)          | (97)         | (40)           | (45)           | (38)           |             |                | (412)           |
| Administrative   | (865)          | (11)         | (59)           | (132)          | (56)           | (2)         |                | (1,125)         |
| Research and development   | (133)          | (303)        | (4)            |                |                |             |                | (440)           |
| Non recurring item   |                |              |                |                |                |             |                |                 |
| Samitri's goodwill amortization  | (183)          |              |                |                |                |             |                | (183)           |
| Other operating expenses   | (847)          | (49)         | (25)           | (8)            | (27)           | 1           |                | (955)           |
|  | <b>(2,220)</b> | <b>(460)</b> | <b>(128)</b>   | <b>(185)</b>   | <b>(121)</b>   | <b>(1)</b>  |                | <b>(3,115)</b>  |
| <b>Operating profit before financial results and results of equity investments</b> | <b>6,914</b>   | <b>225</b>   | <b>630</b>     | <b>1,753</b>   | <b>785</b>     | <b>(1)</b>  |                | <b>10,306</b>   |
| <b>Results of equity investments</b>   |                |              |                |                |                |             |                |                 |
| Gain on investments accounted for by the equity method                             | 76             |              |                |                | 332            |             |                | 408             |
| Amortization of goodwill   | (229)          |              | (23)           |                |                |             |                | (252)           |
|  | <b>(153)</b>   |              | <b>(23)</b>    |                | <b>332</b>     |             |                | <b>156</b>      |
| <b>Financial results</b>   |                |              |                |                |                |             |                |                 |
| Financial expenses, net  |                |              |                |                |                |             | (1,556)        | (1,556)         |
| Monetary and exchange rate variation, net  |                |              |                |                |                |             | (444)          | (444)           |
|  |                |              |                |                |                |             | <b>(2,000)</b> | <b>(2,000)</b>  |
| <b>Operating profit (loss)</b>   | <b>6,761</b>   | <b>225</b>   | <b>607</b>     | <b>1,753</b>   | <b>1,117</b>   | <b>(1)</b>  | <b>(2,000)</b> | <b>8,462</b>    |
| <b>Results on sale of assets</b>   | <b>(6)</b>     |              | <b>21</b>      | <b>(5)</b>     | <b>541</b>     |             |                | <b>551</b>      |
| <b>Income before income tax and social contribution</b>                            | <b>6,755</b>   | <b>225</b>   | <b>628</b>     | <b>1,748</b>   | <b>1,658</b>   | <b>(1)</b>  | <b>(2,000)</b> | <b>9,013</b>    |
|  | <b>(1,532)</b> | <b>(22)</b>  | <b>(68)</b>    | <b>(127)</b>   | <b>(51)</b>    | <b>(10)</b> |                | <b>(1,810)</b>  |

Income tax and social  
contribution

|   |              |            |            |              |              |             |                |              |
|---|--------------|------------|------------|--------------|--------------|-------------|----------------|--------------|
| <b>Income before minority<br/>interests</b> | <b>5,223</b> | <b>203</b> | <b>560</b> | <b>1,621</b> | <b>1,607</b> | <b>(11)</b> | <b>(2,000)</b> | <b>7,203</b> |
| Minority interests                          | (297)        | (26)       | (22)       | (398)        |              |             |                | (743)        |
| <b>Net income for the year</b>              | <b>4,926</b> | <b>177</b> | <b>538</b> | <b>1,223</b> | <b>1,607</b> | <b>(11)</b> | <b>(2,000)</b> | <b>6,460</b> |

|                                      | <b>Holdings</b>             |                                      |                  |                 |                |               | <b>2003<br/>Proforma</b>    |                 |
|--------------------------------------|-----------------------------|--------------------------------------|------------------|-----------------|----------------|---------------|-----------------------------|-----------------|
|                                      | <b>Ferrous<br/>Minerals</b> | <b>Non-<br/>Ferrous<br/>Minerals</b> | <b>Logistics</b> | <b>Aluminum</b> | <b>Steel</b>   | <b>Others</b> | <b>Corporate<br/>Center</b> | <b>Total</b>    |
| <b>Operating revenues</b>            |                             |                                      |                  |                 |                |               |                             |                 |
| <b>Sales of ore and metals</b>       |                             |                                      |                  |                 |                |               |                             |                 |
| Iron ore and pellets                 | 11,157                      |                                      |                  |                 |                |               |                             | 11,157          |
| Manganese and ferroalloys            | 1,098                       |                                      |                  |                 |                |               |                             | 1,098           |
| Potash                               |                             | 289                                  |                  |                 |                |               |                             | 289             |
| Kaolin                               |                             | 320                                  |                  |                 |                |               |                             | 320             |
| Gold                                 |                             | 71                                   |                  |                 |                |               |                             | 71              |
|                                      | <b>12,255</b>               | <b>680</b>                           |                  |                 |                |               |                             | <b>12,935</b>   |
| Transport services                   |                             |                                      | 2,134            |                 |                |               |                             | 2,134           |
| Sales of aluminum-related products   |                             |                                      |                  | 3,534           |                |               |                             | 3,534           |
| Sales of steel products              |                             |                                      |                  |                 | 2,217          |               |                             | 2,217           |
| Other products and services          | 62                          |                                      |                  | 13              |                |               |                             | 75              |
|                                      | <b>12,317</b>               | <b>680</b>                           | <b>2,134</b>     | <b>3,547</b>    | <b>2,217</b>   |               |                             | <b>20,895</b>   |
| Value Added taxes                    | (378)                       | (58)                                 | (214)            | (70)            | (59)           |               |                             | (779)           |
| <b>Net operating revenues</b>        | <b>11,939</b>               | <b>622</b>                           | <b>1,920</b>     | <b>3,477</b>    | <b>2,158</b>   |               |                             | <b>20,116</b>   |
| <b>Cost of products and services</b> |                             |                                      |                  |                 |                |               |                             |                 |
| Ores and metals                      | (5,824)                     | (431)                                |                  |                 |                |               |                             | (6,255)         |
| Transport services                   |                             |                                      | (1,397)          |                 |                |               |                             | (1,397)         |
| Aluminum-related products            |                             |                                      |                  | (2,072)         |                |               |                             | (2,072)         |
| Steel products                       |                             |                                      |                  |                 | (1,551)        |               |                             | (1,551)         |
| Other products and services          | (36)                        | (16)                                 |                  | (3)             |                |               |                             | (55)            |
|                                      | <b>(5,860)</b>              | <b>(447)</b>                         | <b>(1,397)</b>   | <b>(2,075)</b>  | <b>(1,551)</b> |               |                             | <b>(11,330)</b> |
| <b>Gross profit</b>                  | <b>6,079</b>                | <b>175</b>                           | <b>523</b>       | <b>1,402</b>    | <b>607</b>     |               |                             | <b>8,786</b>    |
| <b>Gross margin</b>                  | <b>50.9%</b>                | <b>28.1%</b>                         | <b>27.2%</b>     | <b>40.3%</b>    | <b>28.1%</b>   |               |                             | <b>43.7%</b>    |

|  |                |              |              |              |              |            |              |                |
|--|----------------|--------------|--------------|--------------|--------------|------------|--------------|----------------|
| <b>Operating expenses</b>  |                |              |              |              |              |            |              |                |
| Selling  | (211)          | (21)         | (5)          | (27)         | (31)         |            |              | (295)          |
| Administrative   | (556)          | (22)         | (50)         | (125)        | (68)         | (1)        |              | (822)          |
| Research and development   | (59)           | (190)        |              |              |              |            |              | (249)          |
| Other operating expenses   | (700)          | 22           | (54)         | 20           | (37)         | (6)        |              | (755)          |
|  | <b>(1,526)</b> | <b>(211)</b> | <b>(109)</b> | <b>(132)</b> | <b>(136)</b> | <b>(7)</b> |              | <b>(2,121)</b> |
| <b>Operating profit before financial results and results of equity investments</b> | <b>4,553</b>   | <b>(36)</b>  | <b>414</b>   | <b>1,270</b> | <b>471</b>   | <b>(7)</b> |              | <b>6,665</b>   |
| <b>Results of equity investments</b>   |                |              |              |              |              |            |              |                |
| Gain (loss) on investments accounted for by the equity method                      | 53             |              | (4)          |              | 136          | 24         |              | 209            |
| Amortization of goodwill   | (335)          | (78)         | (149)        | (50)         |              |            |              | (612)          |
| Provision for losses   |                |              | (128)        |              |              | (9)        |              | (137)          |
|  | <b>(282)</b>   | <b>(78)</b>  | <b>(281)</b> | <b>(50)</b>  | <b>136</b>   | <b>15</b>  |              | <b>(540)</b>   |
| <b>Financial results</b>   |                |              |              |              |              |            |              |                |
| Financial expenses, net  |                |              |              |              |              |            | (1,046)      | (1,046)        |
| Monetary and exchange rate variation, net  |                |              |              |              |              |            | 843          | 843            |
|  |                |              |              |              |              |            | <b>(203)</b> | <b>(203)</b>   |
| <b>Operating profit (loss)</b>   | <b>4,271</b>   | <b>(114)</b> | <b>133</b>   | <b>1,220</b> | <b>607</b>   | <b>8</b>   | <b>(203)</b> | <b>5,922</b>   |
| <b>Results on sale of assets</b>   |                |              |              |              |              | <b>174</b> |              | <b>174</b>     |
| <b>Change in accounting practices</b>  |                |              | <b>(91)</b>  |              |              |            |              | <b>(91)</b>    |
| <b>Income before income tax and social contribution</b>                            | <b>4,271</b>   | <b>(114)</b> | <b>42</b>    | <b>1,220</b> | <b>607</b>   | <b>182</b> | <b>(203)</b> | <b>6,005</b>   |
| Income tax and social contribution   | (705)          | (13)         | 12           | (223)        | (38)         | 4          |              | (963)          |
| <b>Income before minority interests</b>  | <b>3,566</b>   | <b>(127)</b> | <b>54</b>    | <b>997</b>   | <b>569</b>   | <b>186</b> | <b>(203)</b> | <b>5,042</b>   |
| Minority interests   | (156)          | (12)         | 48           | (413)        |              |            |              | (533)          |
| <b>Net income for the year</b>   | <b>3,410</b>   | <b>(139)</b> | <b>102</b>   | <b>584</b>   | <b>569</b>   | <b>186</b> | <b>(203)</b> | <b>4,509</b>   |



(A free translation of the original in Portuguese relating to the Financial Statements prepared in accordance with the requirements of Accounting, Practices Generally Accepted in Brazil)

## **10- Notes to the Financial Statements at December 31, 2004 and 2003**

Expressed In millions of *reais*

### **10.1- Operations**

Companhia Vale do Rio Doce is a publicly traded corporation whose predominant activities are mining, processing and sale of iron ore, pellets, copper and potash, as well as logistic services, power generation and mineral research and development. In addition, through its direct and indirect subsidiaries and jointly-controlled companies, CVRD operates in iron ore and pellets, manganese and ferroalloys, kaolin, steel, aluminum-related products and logistics.

### **10.2- Presentation of Financial Statements**

The financial statements have been prepared in conformity with accounting practices adopted in Brazil, based on corporate legislation, as well as the rules and guidelines issued by the Comissão de Valores Mobiliários - CVM (Brazilian Securities Commission) and Instituto dos Auditores Independentes do Brasil - IBRACON (Brazilian Independent Auditors Institute).

In order to provide better information to the market, the Company is presenting the following additional information regarding the Parent Company and Consolidated:

- a) Statement of Cash Flows based on the criteria of NPC 20 of IBRACON;
- b) Statement of Value Added based on CVM/SNC/SEP Circular Instruction no. 01/00;
- c) Social Report following the model of the Instituto Brasileiro de Análises Sociais e Econômicas - IBASE; and
- d) Statement of Results by Business Segment - prepared in accordance with the business areas of the Company: ferrous minerals, non-ferrous minerals, aluminum, steel, logistics, others and corporate center.

### **10.3- ALBRAS Consolidation**

Beginning 2004, after Comissão dos Valores Mobiliários (CVM) approval, CVRD is fully consolidating Albras Alumínio Brasileiro S. A. Although CVRD had 51% of the capital, Albras had been considered a jointly controlled company for consolidation purposes until 2003. This was due to the absence of preponderance in the corporate deliberation related to situation foreseen in the stockholders' agreement.

Instruction CVM 408, dated 08/18/04, that rules the inclusion of Special Purposes Entities SPE in the consolidated financial statements of publicly traded companies, although dealing specifically with a SPE, included in item II of its article I consolidation aspects involving concepts of variable participation in view of the benefits and risks assumed by a partner in relation to the other partners.

During 2004, CVRD became the only guarantor to the new fundings and contracts of suppliers of energy of long-term, needed to ALBRAS operations. It characterizes a direct dependency of one of the partners, in this case CVRD, that



now has to deal with risks and benefits beyond limits set on the stockholders' agreement, aligned with variation concepts due to benefits and risks assumed.

In order to preserve the comparability of the financial statements we are disclosing proforma values relative to the fiscal year ended 12/31/03 as if ALBRAS had been consolidated as controlled company since that year ended.

The main effects of the changes to the financial statements disclosed in 2003 are as follows:

### 1- Balance Sheet

|   | <b>Consolidated</b> |               |             |
|---|---------------------|---------------|-------------|
|   | <b>2003</b>         |               |             |
|   | <b>Proforma</b>     | <b>2003</b>   | <b>Δ</b>    |
| <b>Assets</b>                               |                     |               |             |
| <b>Current assets</b>                       |                     |               |             |
| Cash and cash equivalents                   | 2,129               | 2,092         | 37          |
| Inventories                                 | 2,195               | 2,113         | 82          |
| Others                                      | 4,385               | 4,354         | 31          |
|   | <b>8,709</b>        | <b>8,559</b>  | <b>150</b>  |
| <b>Long-term receivables</b>                |                     |               |             |
| Deferred income tax and social contribution | 1,325               | 1,405         | (80)        |
| Others                                      | 2,439               | 2,421         | 18          |
|   | <b>3,764</b>        | <b>3,826</b>  | <b>(62)</b> |
| <b>Permanent assets</b>                     |                     |               |             |
| Property, plant and equipment               | 21,717              | 21,166        | 551         |
| Others                                      | 3,549               | 3,541         | 8           |
|   | <b>25,266</b>       | <b>24,707</b> | <b>559</b>  |
|   | <b>37,739</b>       | <b>37,092</b> | <b>647</b>  |
| <b>Liabilities and stockholders equity</b>  |                     |               |             |
| <b>Current liabilities</b>                  |                     |               |             |
| Current portion of long-term debt           | 3,575               | 3,365         | 210         |
| Payable to suppliers and contractors        | 1,518               | 1,302         | 216         |
| Others                                      | 2,604               | 2,912         | (308)       |
|   | <b>7,697</b>        | <b>7,579</b>  | <b>118</b>  |
| <b>Long-term liabilities</b>                |                     |               |             |
| Long-term debt                              | 9,724               | 9,456         | 268         |
| Others                                      | 3,757               | 3,963         | (206)       |
|   | <b>13,481</b>       | <b>13,419</b> | <b>62</b>   |

|                            |               |               |            |
|----------------------------|---------------|---------------|------------|
| <b>Deferred income</b>     | <b>157</b>    | <b>157</b>    |            |
| <b>Minority interest</b>   | <b>1,464</b>  | <b>997</b>    | <b>467</b> |
| <b>Stockholders equity</b> |               |               |            |
| Paid-up capital            | 6,300         | 6,300         |            |
| Revenue reserves           | 8,640         | 8,640         |            |
|                            | <b>14,940</b> | <b>14,940</b> |            |
|                            | <b>37,739</b> | <b>37,092</b> | <b>647</b> |

**2- Statement of Income**

|  | <b>Consolidated</b> |                 |              |
|--|---------------------|-----------------|--------------|
|  | <b>2003</b>         |                 |              |
|  | <b>Proforma</b>     | <b>2003</b>     | <b>Δ</b>     |
| <b>Gross revenues</b>  |                     |                 |              |
| Sales of aluminum-related products   | 3,534               | 2,858           | 676          |
| Other products and services  | 17,361              | 17,361          |              |
|  | <b>20,895</b>       | <b>20,219</b>   | <b>676</b>   |
| Value Added taxes  | (779)               | (776)           | (3)          |
| <b>Net operating revenues</b>  | <b>20,116</b>       | <b>19,443</b>   | <b>673</b>   |
| <b>Cost of products and services</b>   |                     |                 |              |
| Aluminum-related products  | (2,072)             | (1,729)         | (343)        |
| Other products and services  | (9,258)             | (9,256)         | (2)          |
|  | <b>(11,330)</b>     | <b>(10,985)</b> | <b>(345)</b> |
| <b>Gross profit</b>  | <b>8,786</b>        | <b>8,458</b>    | <b>328</b>   |
| <b>Gross margin</b>  | <b>43.7%</b>        | <b>43.5%</b>    | <b>0.2%</b>  |
| <b>Operating expenses</b>  | <b>(2,121)</b>      | <b>(2,087)</b>  | <b>(34)</b>  |
| <b>Operating profit before financial results and results of equity investments</b> | <b>6,665</b>        | <b>6,371</b>    | <b>294</b>   |
| <b>Results of equity investments</b>   | <b>(540)</b>        | <b>(540)</b>    |              |
| <b>Financial results</b>   |                     |                 |              |
| Financial expenses, net  | (1,046)             | (975)           | (71)         |
| Monetary and exchange rate variation, net  | 843                 | 721             | 122          |
|  | <b>(203)</b>        | <b>(254)</b>    | <b>51</b>    |
| <b>Operating profit</b>  | <b>5,922</b>        | <b>5,577</b>    | <b>345</b>   |
| <b>Discontinued operations</b>   | <b>174</b>          | <b>174</b>      |              |
| <b>Change of accounting practices</b>  | <b>(91)</b>         | <b>(91)</b>     |              |
| <b>Income before income tax and social contribution</b>                            | <b>6,005</b>        | <b>5,660</b>    | <b>345</b>   |
| <b>Income tax and social contribution</b>  | <b>(963)</b>        | <b>(898)</b>    | <b>(65)</b>  |
| <b>Income before minority interests</b>  | <b>5,042</b>        | <b>4,762</b>    | <b>280</b>   |
| <b>Minority interests</b>  | <b>(533)</b>        | <b>(253)</b>    | <b>(280)</b> |

|                                |              |              |
|--------------------------------|--------------|--------------|
| <b>Net income for the year</b> | <b>4,509</b> | <b>4,509</b> |
|--------------------------------|--------------|--------------|

#### **10.4- Principles of Consolidation**

- (a) The consolidated financial statements show the balances of assets and liabilities on December 31, 2004 and 2003 and the operations of the Parent Company, its direct and indirect subsidiaries and its jointly-controlled companies for the years then ended;
- (b) Intercompany balances and the Parent Company's investments in its direct and indirect subsidiaries and jointly-controlled companies were eliminated in the consolidation. Minority interests are shown separately on the balance sheet and statement of income;
- (c) In the case of investments in companies in which the control is shared with other stockholders, the components of assets and liabilities and revenues and expenses are included in the consolidated financial statements in proportion to the participation of the Parent Company in the capital of each investee; and
- (d) The principal figures of the subsidiaries and jointly-controlled companies included in the consolidation are presented in Attachment I.

25

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### 10.5- Significant Accounting Policies

- (a) The Company adopts the accrual basis of accounting;
- (b) Assets and liabilities that are realizable or due more than twelve months after the financial statements date are classified as long-term;
- (c) Marketable securities, classified as cash and cash equivalents, are stated at cost plus accrued income earned to the Financial Statements date;
- (d) Inventories are stated at average purchase or production cost, and imports in transit at the cost of each item, not exceeding market or realizable value;
- (e) Assets and liabilities in foreign currencies are translated at exchange rates in effect at the financial statements date, and those in local currency, when applicable, are restated based on contractual indices;
- (f) Investments in subsidiaries, jointly-controlled companies and affiliated companies are accounted for by the equity method, based on the stockholders' equity of the investees, and when applicable increased/decreased by goodwill and negative goodwill to be amortized and provision for losses. Other investments are recorded at cost, less provision for losses when applicable;
- (g) Property, plant and equipment, including interest incurred during the construction period of large-scale projects, are recorded at historical cost (increased by monetary restatement up to 1995) and depreciated on the straight-line method, based on the useful lives of the assets. Depletion of mineral reserves is based on the ratio between production and estimated capacity;
- (h) Research and development costs are registered as operational expenses until the proof of its economical feasibility to exploit commercially a mine. After this proof, the costs are capitalized as part of the costs of building and constructing of mine;
- (i) During the development of a mine, stripping costs registered are capitalized as part of the depreciable cost of building and constructing the mine. Post-production stripping costs are recorded as cost of sales when incurred;
- (j) Pre-operating costs except for financial charges capitalized as mentioned in (g) above, are deferred and amortized over a period of 10 years. The deferred charges (consolidated) refer basically to copper projects and expansion of Alunorte and Albras;
- (k) Seeking to improve its accounting practices, FCA changed the way it recognizes the costs of leases and concessions, now recognizing them as operational costs. As a result of this change, the write-off of the balance and prepaid lease and concession expenses already incurred was recorded directly in retained earnings. FCA management believes that adoption of this procedure is in line with the best accounting practices for government concessions, set forth in the draft deliberation of the CVM of 12/14/01. In accordance with CVM Instruction 247 of March 27, 1996 CVRD recognized the effects of the adjustments made by FCA directly in the results of equity investments. For the purposes of the consolidated financial statements, the uneliminated portion of the adjustments is presented in a separate line of the statement of income as "Change in accounting practice"; and
- (l) The financial statements of the Parent Company reflect the Board of Directors' proposal for appropriation of the net income for the year, for the approval of the Annual General Meeting.

### 10.6- Cash and Cash Equivalents

|  | <b>Parent Company</b> |             | <b>Consolidated<br/>2003</b> |                 |
|--|-----------------------|-------------|------------------------------|-----------------|
|  | <b>2004</b>           | <b>2003</b> | <b>2004</b>                  | <b>Proforma</b> |
| Cash and bank accounts   | 90                    | 8           | 416                          | 381             |
| Marketable securities linked to the interbank deposit certificate rate<br>(* ) | 216                   | 300         | 821                          | 635             |
| Time deposits / overnight investments  |                       |             | 1,946                        | 543             |
| Fixed-yield bond investments (funds)   |                       | 30          | 25                           | 242             |
| Others   | 90                    | 4           | 709                          | 328             |
|  | <b>396</b>            | <b>342</b>  | <b>3,917</b>                 | <b>2,129</b>    |

(\* ) For part of these investments the Company contracted interest rate and/or currency swap operations with financial institutions.

**10.7- Accounts Receivable from Customers**

|                                  | <b>Parent Company</b> |              | <b>Consolidated</b> |              |
|----------------------------------|-----------------------|--------------|---------------------|--------------|
|                                  | <b>2004</b>           | <b>2003</b>  | <b>2004</b>         | <b>2003</b>  |
| Domestic                         | 568                   | 433          | 587                 | 467          |
| Export                           | 1,378                 | 841          | 2,753               | 2,341        |
|                                  | <b>1,946</b>          | <b>1,274</b> | <b>3,340</b>        | <b>2,808</b> |
| Allowance for doubtful accounts  | (55)                  | (53)         | (221)               | (197)        |
| Allowance for ore weight credits | (41)                  | (34)         | (43)                | (34)         |
|                                  | <b>1,850</b>          | <b>1,187</b> | <b>3,076</b>        | <b>2,577</b> |

**10.8- Related Parties**

Derived from sales and purchases of products and services or from loans under normal market conditions, with maturities up to the year 2013, as follows:

|   | <b>Assets</b> |              | <b>Parent Company</b> |              |
|---|---------------|--------------|-----------------------|--------------|
|   | <b>2004</b>   | <b>2003</b>  | <b>2004</b>           | <b>2003</b>  |
| <b>Subsidiaries</b>                                     |               |              |                       |              |
| ALUNORTE Alumina do Norte do Brasil S.A.                | 347           | 804          | 18                    | 54           |
| CVRD Overseas Ltd.                                      | 143           | 104          | 1,547                 | 1,747        |
| Alumínio Brasileiro S.A. ALBRAS                         | 132           | 3            | 4                     | 193          |
| Itabira Rio Doce Company Limited ITACO                  | 1,029         | 550          | 2,339                 | 1,437        |
| Rio Doce International Finance Ltd.                     |               | 7            | 1,498                 | 1,975        |
| Rio Doce Manganês S.A. RDM                              | 86            | 8            | 296                   | 10           |
| Salobo Metais S.A.                                      | 232           | 226          |                       |              |
| Ferrovia Centro-Atlântica S.A.                          | 25            | 5            | 18                    | 8            |
| Urucum Mineração S. A .                                 | 5             | 8            |                       |              |
| Others  | 224           | 114          | 319                   | 421          |
|   | <b>2,223</b>  | <b>1,829</b> | <b>6,039</b>          | <b>5,845</b> |
| <b>Jointly controlled companies</b>                     |               |              |                       |              |
| Baovale Mineração S.A.                                  | 1             | 2            | 35                    | 28           |
| Companhia Coreano-Brasileira de Pelotização KOBRASCO    | 107           | 145          | 47                    | 39           |
| Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS | 73            | 51           | 103                   | 84           |
| Companhia Ítalo-Brasileira de Pelotização ITABRASCO     | 61            | 45           | 75                    | 48           |
| Companhia Nipo-Brasileira de Pelotização NIBRASCO       | 78            | 103          | 78                    | 73           |
| Companhia Siderúrgica de Tubarão CST                    |               | 79           |                       |              |
| Samarco Mineração S.A.                                  | 71            | 5            |                       |              |
| Mineração Rio do Norte                                  | 23            | 20           |                       |              |



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|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Valesul Alumínio S. A .   | 10           | 8            |              |              |
| Nova Era Silicom S.A.   | 2            | 2            |              |              |
| Others  | 47           | 9            | 12           | 72           |
|   | <b>473</b>   | <b>469</b>   | <b>350</b>   | <b>344</b>   |
| <b>Affiliates</b>   | 47           | 49           |              | 2            |
|   | <b>2,743</b> | <b>2,347</b> | <b>6,389</b> | <b>6,191</b> |
| Represented by:   |              |              |              |              |
| Trade balances (sales and purchases of products and services) (*) | 1,567        | 971          | 562          | 431          |
| Short-term financial balances                                     | 589          | 668          | 2,043        | 1,365        |
| Long-term financial balances                                      | 587          | 708          | 3,784        | 4,395        |
|   | <b>2,743</b> | <b>2,347</b> | <b>6,389</b> | <b>6,191</b> |

(\*) Included in Accounts receivable from customers and Payable to suppliers and contractors .

27

The principal results arising from commercial and financial transactions carried out by the Parent Company with related parties, classified in the statement of income as revenue and costs of sales and services and financial income and expenses, are as follows:

|  | Income        |              | Parent Company<br>Expense / cost |            |
|--|---------------|--------------|----------------------------------|------------|
|  | 2004          | 2003         | 2004                             | 2003       |
| ALUNORTE Alumina do Norte do Brasil S.A.                   | (6)(*)        | (184)(*)     | 21                               | 3          |
| Baovale Mineração S.A.                                     |               |              | 28                               | 24         |
| Brasilux S.A.  |               |              | 1                                | 183        |
| Companhia Coreano-Brasileira de Pelotização KOBRASCO       | 268           | 211          | 199                              | 177        |
| Companhia Hispano-Brasileira de Pelotização<br>HISPANOBRÁS | 289           | 228          | 305                              | 212        |
| Companhia Ítalo-Brasileira de Pelotização ITABRASCO        | 246           | 210          | 79                               | 60         |
| Companhia Nipo-Brasileira de Pelotização NIBRASCO          | 426           | 404          | 435                              | 408        |
| Companhia Portuária Baía de Sepetiba                       |               |              | 143                              | 33         |
| Companhia Siderúrgica de Tubarão CST                       | 606           | 478          |                                  |            |
| CVRD Overseas Ltd.   | 1,800(**)     | 1,346        | (22)(*)                          | (165)(*)   |
| Ferteco Mineração S.A.                                     |               | 78           |                                  | 61         |
| Itabira Rio Doce Company Limited ITACO                     | 6,444(**)     | 4,494        | (148)(*)                         | (99)       |
| Minas da Serra Geral S.A.                                  |               | 1            |                                  | 79         |
| MSE Serviços de Operação, Manutenção e Montagens Ltda.     |               | 1            |                                  | 32         |
| MRS Logística S.A.   |               |              | 207                              |            |
| Rio Doce International Finance Ltd.                        | (32)(*)       | (49)(*)      | (154)(*)                         | (293)(*)   |
| Rio Doce Manganês S.A.                                     | 74            | 69           | 22                               | 36         |
| Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS          | 346           | 245          |                                  |            |
| Others   | 166           | 77           | 193                              | 90         |
|  | <b>10,627</b> | <b>7,609</b> | <b>1,309</b>                     | <b>841</b> |

(\*) Refers basically to exchange rate variation.

(\*\*) Refers basically to sale of products and services

### 10.9- Inventories

|                             | Parent Company |            | Consolidated<br>2003<br>Proforma |              |
|-----------------------------|----------------|------------|----------------------------------|--------------|
|                             | 2004           | 2003       | 2004                             | 2003         |
| <b>Finished products</b>    |                |            |                                  |              |
| . Iron ore and pellets      | 363            | 220        | 592                              | 604          |
| . Manganese and ferroalloys |                |            | 389                              | 211          |
| . Aluminum                  |                |            | 232                              | 141          |
| . Steel products            |                |            | 93                               | 94           |
| . Copper                    | 7              |            | 7                                |              |
| . Others                    | 5              | 2          | 71                               | 216          |
|                             | <b>375</b>     | <b>222</b> | <b>1,384</b>                     | <b>1,266</b> |

|   |            |            |              |              |
|---|------------|------------|--------------|--------------|
| <b>Spare parts and maintenance supplies</b> | <b>495</b> | <b>331</b> | <b>1,510</b> | <b>929</b>   |
|   | <b>870</b> | <b>553</b> | <b>2,894</b> | <b>2,195</b> |

**10.10- Taxes to recover or offset**

|  | <b>Parent Company</b> |             | <b>Consolidated<br/>2003</b> |                 |
|--|-----------------------|-------------|------------------------------|-----------------|
|  | <b>2004</b>           | <b>2003</b> | <b>2004</b>                  | <b>Proforma</b> |
| With holding income tax on markatable securities and stockholders equity | 36                    | 169         | 68                           | 214             |
| Value-added tax  | 359                   | 346         | 448                          | 433             |
| PIS and COFINS   | 91                    |             | 180                          |                 |
| Others   | 26                    | 22          | 202                          | 153             |
|  | <b>512</b>            | <b>537</b>  | <b>898</b>                   | <b>800</b>      |

**10.11- Deferred Income Tax and Social Contribution**

Income of the Company is subject to the normal tax system. The balances of deferred assets and liabilities are presented as follows:

|  | <b>Net Deferred<br/>Parent Company</b> |              | <b>Net Deferred<br/>Consolidated<br/>2003</b> |                 |
|--|--|--------------|---|-----------------|
|  | <b>2004</b>                            | <b>2003</b>  | <b>2004</b>                                   | <b>Proforma</b> |
| Tax loss carryforward                                      |  | 126          | 558   | 726             |
| Temporary differences:                                     |  |              |   |                 |
| . Pension Plan   | 247                                    | 236          | 247   | 236             |
| . Contingent liabilities                                   | 536                                    | 366          | 593   | 396             |
| . Provision for losses on assets                           | 156                                    | 415          | 166   | 432             |
| . Provision for losses on derivative financial instruments |  | 77           |   | 77              |
| . Others   | (69)                                   | (82)         | (78)  | (243)           |
|  | 870                                    | 1,012        | 928   | 898             |
| <b>Total</b>   | <b>870</b>                             | <b>1,138</b> | <b>1,486</b>                                  | <b>1,624</b>    |
| Short-term   | 347                                    | 398          | 428   | 299             |
| Long-term  | 523                                    | 740          | 1,058   | 1,325           |
|  | <b>870</b>                             | <b>1,138</b> | <b>1,486</b>                                  | <b>1,624</b>    |

The deferred assets and liabilities for income tax and social contribution arising from tax losses, negative social contribution bases and temporary differences are recognized from an accounting standpoint considering an analysis of likely future results, based on economic and financial projections prepared based on internal assumptions and macroeconomic, commercial and fiscal scenarios which could change in the future. These temporary differences will be realized upon the occurrence of the corresponding taxable events, expected to be as follows:

| <b>Years</b> | <b>Net amount of credits</b> |                     |
|--------------|------------------------------|---------------------|
|              | <b>Parent<br/>company</b>    | <b>Consolidated</b> |
| 2005         | 347                          | 428                 |
| 2006         | 175                          | 312                 |
| 2007         | 132                          | 253                 |
| 2008         | 25                           | 121                 |
| 2009         | 41                           | 117                 |
| 2010         | 23                           | 75                  |
| 2011         | 23                           | 73                  |
| 2012         | 23                           | 27                  |

|      |            |              |
|------|------------|--------------|
| 2013 | 23         | 23           |
| 2014 | 58         | 57           |
|      | <b>870</b> | <b>1,486</b> |

In addition to the credits recorded, the Company has a lawsuit claiming an additional 51.8% monetary restatement for tax purposes applied to the months of January and February 1989 ( Plano Verão monetary plan). A favorable ruling has already been obtained for compensation of credits corresponding to 42.7% instead of the 51.8% requested (however, not yet utilized due to the Company's tax situation). The amount of these credits covered by the ruling totals approximately R\$ 309 and the accounting effects have not yet been recognized in the financial statements.

There is no direct relation between the net income of the Company and the income tax and social contribution. Therefore, the projection for the use of tax credits should not be taken as an indication of CVRD's future net income.

The amounts reported as income tax and social contribution, which affected the results for the year, are as follows:

|  | Quarter      |              |              | Parent Company<br>Accumulated |                | Consolidated<br>Accumulated<br>2003<br>Proforma |                |
|--|--------------|--------------|--------------|-------------------------------|----------------|---|----------------|
|  | 4Q/04        | 3Q/04        | 4Q/03        | 2004                          | 2003           | 2004  | 2003           |
| Income before income tax and social contribution                               | 2,087        | 2,524        | 781          | 7,345                         | 4,996          | 9,013   | 6,047          |
| Equity in results of subsidiaries and affiliated companies                     | (1,087)      | (1,206)      | (417)        | (3,947)                       | (2,075)        | (408)   | (209)          |
| Exchange rate variation on equity  | 318          | 236          |              | 365                           | 625            |   |                |
| Non-deductible goodwill and provision for losses                               | 55           | 55           | 42           | 220                           | 225            | 220   | 225            |
| Results on sale of assets  | (78)         | (463)        |              | (541)                         |                | (551)   |                |
|  | <b>1,295</b> | <b>1,146</b> | <b>406</b>   | <b>3,442</b>                  | <b>3,771</b>   | <b>8,274</b>                                    | <b>6,063</b>   |
| Income tax and social contribution at combined tax rates                       | 34%          | 34%          | 34%          | 34%                           | 34%            | 34%   | 34%            |
| <b>Federal income tax and social contribution at statutory rates</b>           | <b>(440)</b> | <b>(390)</b> | <b>(138)</b> | <b>(1,170)</b>                | <b>(1,282)</b> | <b>(2,813)</b>                                  | <b>(2,061)</b> |
| Adjustments to net income which modify the effect on the results for the year: |              |              |              |                               |                |   |                |
| . Income tax benefit from interest on stockholders equity                      | 143          | 119          | 108          | 568                           | 766            | 577   | 777            |
| . Fiscal incentives  | (11)         | 52           | 19           | 41                            | 90             | 152   | 157            |
| . Interest on stockholders equity received                                     | (7)          | (11)         |              | (48)                          | (55)           |   |                |
| . Temporary difference due to capital loss non-deductible                      | (176)        |              |              | (176)                         |                | (176)   |                |
| . Amortized investment discount taxed  | (99)         |              |              | (99)                          |                | (99)  |                |
| . Results of overseas companies  |              |              |              |                               |                | 464   | 67             |
| . Reversal of provision for losses   |              |              |              |                               |                | 105   | 123            |
| . Others   | 30           | 2            | 22           | (1)                           | (6)            | (20)  | (26)           |
| <b>Income tax and social contribution</b>                                      | <b>(560)</b> | <b>(228)</b> | <b>11</b>    | <b>(885)</b>                  | <b>(487)</b>   | <b>(1,810)</b>                                  | <b>(963)</b>   |



## 10.12- Investments

|      | Investment participations |              |                                     |      |                                |              | Results of investment participations |            |                      |            |                          |             |             |             |            |            |           |
|------|---------------------------|--------------|-------------------------------------|------|--------------------------------|--------------|--------------------------------------|------------|----------------------|------------|--------------------------|-------------|-------------|-------------|------------|------------|-----------|
|      | Investments               |              | Advance for future capital increase |      | Goodwill and negative goodwill |              | Equity                               |            | Provision for losses |            | Amortization of goodwill |             |             |             |            |            |           |
|      | 2004                      | 2003         | 2004                                | 2003 | 2004                           | 2003         | 4Q/04                                | 3Q/04      | 4Q/03                | 4Q/04      | 3Q/04                    | 4Q/03       | 4Q/04       | 3Q/04       | 4Q/03      |            |           |
| 607  | 654                       | 536          |                                     |      | 1,147                          | 1,290        | 71                                   | 94         | 19                   |            |                          | (36)        | (36)        | (36)        | 35         | 58         | (17)      |
| 61   | 34                        | 3            |                                     |      |                                |              | 12                                   | 14         | 3                    | 25         |                          |             |             |             | 12         | 14         | 28        |
| 44   | 58                        | 47           |                                     |      |                                |              | 6                                    | 4          | 1                    |            |                          |             |             |             | 6          | 4          | 1         |
| 27   | 46                        | 33           |                                     |      |                                |              | 3                                    | 2          | 1                    |            |                          |             |             |             | 3          | 2          | 1         |
| 76   | 82                        | 52           |                                     |      |                                |              | 10                                   | 7          | 2                    |            |                          |             |             |             | 10         | 7          | 2         |
| 234  | 621                       | 419          |                                     |      |                                |              | 60                                   | 81         | 5                    |            |                          |             |             |             | 60         | 81         | 5         |
| 83   | 120                       | 116          |                                     |      |                                |              | 14                                   | 11         | 9                    |            |                          |             |             |             | 14         | 11         | 9         |
| 210  | 2,282                     | 1,072        |                                     |      |                                |              | (22)                                 | 13         | (58)                 |            |                          |             |             |             | (22)       | 13         | (58)      |
| (16) | 47                        | 45           |                                     |      |                                |              | (2)                                  | (1)        | (1)                  |            |                          |             |             |             | (2)        | (1)        | (1)       |
| 700  | 285                       | 292          |                                     |      |                                |              | 104                                  | 106        | 36                   |            |                          |             |             |             | 104        | 106        | 36        |
|      |                           |              |                                     |      | 757                            | 1,325        |                                      |            |                      |            |                          |             |             |             |            |            |           |
| 63   | 223                       | 161          |                                     |      |                                |              | 19                                   | 17         | 5                    |            |                          |             |             |             | 19         | 17         | 5         |
|      | 248                       | 232          |                                     |      | 19                             | 28           | (22)                                 | 14         | 2                    | (2)        | (1)                      | (2)         | (3)         | (24)        | 10         | 10         | (1)       |
|      | <b>4,700</b>              | <b>3,008</b> |                                     |      | <b>1,923</b>                   | <b>2,643</b> | <b>253</b>                           | <b>362</b> | <b>24</b>            | <b>(2)</b> | <b>24</b>                | <b>(36)</b> | <b>(38)</b> | <b>(39)</b> | <b>215</b> | <b>322</b> | <b>10</b> |
| 92   | 280                       | 187          |                                     |      |                                |              | 32                                   | 34         | 6                    |            |                          |             |             |             | 32         | 34         | 6         |
| 323  | 867                       | 619          |                                     |      | 71                             | 148          | 72                                   | 118        | 175                  |            |                          | (19)        | (19)        | (20)        | 53         | 99         | 155       |



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|      |              |              |            |           |              |            |             |             |             |             |             |             |             |            |            |
|------|--------------|--------------|------------|-----------|--------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|
| 15   | 46           | 58           |            |           | (5)          | 11         | 5           |             |             | (5)         | 11          | 5           |             |            |            |
|      | 112          | 52           |            |           | 41           | 28         | 33          |             |             | 41          | 28          | 33          |             |            |            |
|      | <b>1,305</b> | <b>916</b>   |            |           | <b>71</b>    | <b>148</b> | <b>140</b>  | <b>191</b>  | <b>219</b>  | <b>(19)</b> | <b>(19)</b> | <b>(20)</b> | <b>121</b>  | <b>172</b> | <b>199</b> |
| 31   | 60           | 74           |            |           | 5            | 16         | 7           |             |             | 5           | 16          | 7           |             |            |            |
|      | 107          | 107          |            |           |              |            |             |             |             |             |             |             |             |            |            |
|      | 233          | 210          | 26         | 15        |              |            |             |             |             |             |             |             |             |            |            |
|      | (3)          | 91           |            |           | (30)         |            | (46)        |             |             | (10)        | (30)        | (56)        |             |            |            |
|      | <b>397</b>   | <b>482</b>   | <b>26</b>  | <b>15</b> |              |            |             |             |             | <b>(10)</b> | <b>(25)</b> | <b>16</b>   | <b>(49)</b> |            |            |
|      |              |              |            |           | <b>(25)</b>  | <b>16</b>  | <b>(39)</b> |             |             |             |             |             |             |            |            |
| 13   |              |              |            |           |              |            |             |             |             |             |             |             |             |            |            |
| (95) | 39           | 121          | 531        |           | (34)         |            |             | (10)        | (80)        | (34)        | (9)         | (80)        |             |            |            |
| 247  | 121          | 75           |            |           | 24           | 21         | 24          |             | 38          | 24          | 21          | 62          |             |            |            |
| 92   | 242          | 243          |            |           | 5            | 21         | (13)        |             |             | 5           | 21          | (13)        |             |            |            |
| 16   | 71           | 59           |            |           | 5            | 3          | 1           |             |             | 5           | 3           | 1           |             |            |            |
| (1)  | (16)         |              |            |           |              |            |             |             |             |             |             |             |             |            |            |
|      | (11)         | 3            |            |           |              |            |             |             |             |             |             |             |             |            |            |
|      | <b>446</b>   | <b>501</b>   | <b>531</b> |           |              |            |             | <b>(10)</b> | <b>(42)</b> |             |             | <b>36</b>   | <b>(30)</b> |            |            |
| 290  | 411          | 314          |            |           | (4)          | 9          | (2)         |             |             | (4)         | 10          | (2)         |             |            |            |
|      |              | 983          |            |           | (129)        | 40         | 39          | 71          |             | 40          | 39          | 71          |             |            |            |
| 898  | 313          | 305          |            |           |              |            |             |             |             |             |             |             |             |            |            |
|      | 759          | 494          |            |           | 171          | 77         | 17          |             |             | 171         | 77          | 17          |             |            |            |
|      | <b>1,483</b> | <b>2,096</b> |            |           | <b>(129)</b> | <b>207</b> | <b>125</b>  | <b>86</b>   |             | <b>207</b>  | <b>126</b>  | <b>86</b>   |             |            |            |

|               |              |              |           |              |              |            |            |             |             |             |             |             |             |              |            |            |             |          |
|---------------|--------------|--------------|-----------|--------------|--------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|------------|------------|-------------|----------|
| 443           | 549          | 426          |           |              |              | 71         | 59         | 21          |             |             |             |             |             |              | 71         | 59         | 21          |          |
| 427           | 934          | 474          |           |              |              | 42         | 107        | 25          |             |             | (45)        |             |             |              | 42         | 107        | (20)        |          |
|               |              |              |           |              |              |            | (2)        | 40          |             |             |             |             |             |              |            | (2)        | 40          |          |
| 476           | 348          | 319          |           |              |              | 54         | 60         | 39          |             |             |             |             |             |              | 54         | 60         | 39          |          |
|               |              |              |           |              |              |            |            | 7           |             |             |             |             |             |              |            |            | 7           |          |
| 76            | 149          | 145          |           |              |              | 9          | 11         | 6           |             |             |             |             |             |              | 9          | 11         | 6           |          |
|               | <b>1,980</b> | <b>1,364</b> |           |              |              | <b>176</b> | <b>235</b> | <b>138</b>  |             |             | <b>(45)</b> |             |             |              | <b>176</b> | <b>235</b> | <b>93</b>   |          |
| 13            | 39           | 26           |           |              |              | 17         | (5)        | 1           |             |             |             |             |             |              | 17         | (5)        | 1           |          |
| 2             | 78           | 158          |           |              |              |            | 1          | (23)        |             |             |             |             |             |              |            | 1          | (23)        |          |
|               | (19)         | (2)          | 15        | 15           |              | 1          |            | (1)         | (10)        |             | (16)        |             |             |              | (9)        |            | (18)        |          |
|               | <b>98</b>    | <b>182</b>   | <b>15</b> | <b>15</b>    |              | <b>18</b>  | <b>(4)</b> | <b>(23)</b> | <b>(10)</b> |             | <b>(16)</b> |             |             |              | <b>8</b>   | <b>(4)</b> | <b>(40)</b> |          |
| <b>10,409</b> | <b>8,549</b> | <b>572</b>   | <b>30</b> | <b>1,994</b> | <b>2,662</b> | <b>769</b> | <b>970</b> | <b>417</b>  | <b>(12)</b> | <b>(10)</b> | <b>(34)</b> | <b>(55)</b> | <b>(57)</b> | <b>(114)</b> | <b>702</b> | <b>903</b> | <b>269</b>  | <b>3</b> |

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- (a) The net equity of companies located abroad is converted into local currency at rates in effect on the financial statements date. The equity method comprises the difference due to exchange rate variations as well as participation in results;
- (b) CVRD's interest in MRS Logística S.A. is held directly and indirectly through Caemi Mineração e Metalurgia S.A.;
- (c) Merged companies (Ferteco, Socoimex and Samitri) - amortization of goodwill recorded in the cost of products sold of the Parent Company;
- (d) Companies sold;
- (e) Investments in companies that were listed on stock exchanges in 2004. The market value of these investments does not necessarily reflect the value that could be realized from selling a representative group of shares;
- (f) Companies in pre-operating phase;
- (g) Companies merged;
- (h) Acquisition on 09/02/03 from Mitsui & Co., Ltd. of 659,375,000 common shares and 1,040,671,032 preferred shares (43.37% of the total capital of Caemi), totalling 100% of the common shares and 40.06% of the preferred shares of Caemi (60.23% of the total capital); and
- (i) Audited by other independent auditors.

**10.13- Property, Plant and Equipment****a) By business area:**

|                                  | Parent Company                  |                |              |              | Consolidated<br>2003             |                |              |                         |
|----------------------------------|---------------------------------|----------------|--------------|--------------|----------------------------------|----------------|--------------|-------------------------|
|                                  | Accumulated<br>Costdepreciation |                | 2004<br>Net  | 2003<br>Net  | Accumulated<br>Cost depreciation |                | 2004<br>Net  | 2003<br>Proforma<br>Net |
| <b>Ferrous - Northern System</b> |                                 |                |              |              |                                  |                |              |                         |
| Mining                           | 2,104                           | (884)          | 1,220        | 1,050        | 2,104                            | (884)          | 1,220        | 1,083                   |
| Railroads                        | 3,014                           | (1,243)        | 1,771        | 1,705        | 3,014                            | (1,243)        | 1,771        | 1,704                   |
| Ports                            | 769                             | (270)          | 499          | 360          | 769                              | (270)          | 499          | 360                     |
| Construction in progress         | 1,576                           |                | 1,576        | 858          | 1,576                            |                | 1,576        | 939                     |
|                                  | <b>7,463</b>                    | <b>(2,397)</b> | <b>5,066</b> | <b>3,973</b> | <b>7,463</b>                     | <b>(2,397)</b> | <b>5,066</b> | <b>4,086</b>            |
| <b>Ferrous - Southern System</b> |                                 |                |              |              |                                  |                |              |                         |
| Mining                           | 3,310                           | (1,799)        | 1,511        | 1,465        | 5,050                            | (2,744)        | 2,306        | 2,235                   |
| Railroads                        | 3,602                           | (1,913)        | 1,689        | 1,478        | 3,602                            | (1,913)        | 1,689        | 1,503                   |
| Ports                            | 597                             | (446)          | 151          | 144          | 597                              | (446)          | 151          | 326                     |
| Construction in progress         | 1,488                           |                | 1,488        | 985          | 1,753                            |                | 1,753        | 1,073                   |
|                                  | <b>8,997</b>                    | <b>(4,158)</b> | <b>4,839</b> | <b>4,072</b> | <b>11,002</b>                    | <b>(5,103)</b> | <b>5,899</b> | <b>5,137</b>            |
| <b>Pelletizing</b>               |                                 |                |              |              |                                  |                |              |                         |
| South                            | 778                             | (564)          | 214          | 198          | 2,072                            | (1,310)        | 762          | 751                     |
| North                            | 523                             | (38)           | 485          | 500          | 523                              | (38)           | 485          | 501                     |
| Construction in progress         | 248                             |                | 248          | 195          | 376                              |                | 376          | 264                     |
|                                  | <b>1,549</b>                    | <b>(602)</b>   | <b>947</b>   | <b>893</b>   | <b>2,971</b>                     | <b>(1,348)</b> | <b>1,623</b> | <b>1,516</b>            |
| <b>Non-Ferrous</b>               |                                 |                |              |              |                                  |                |              |                         |
| Potash                           | 161                             | (72)           | 89           | 90           | 161                              | (72)           | 89           | 92                      |
| Gold                             | 10                              | (5)            | 5            | 3            | 10                               | (5)            | 5            | 3                       |
| Copper                           | 1,537                           | (187)          | 1,350        |              | 1,537                            | (187)          | 1,350        |                         |
| Research and projects            | 101                             | (70)           | 31           | 73           | 104                              | (71)           | 33           | 74                      |
| Kaolin                           |                                 |                |              |              | 643                              | (258)          | 385          | 387                     |
| Construction in progress         | 657                             |                | 657          | 1,523        | 1,910                            |                | 1,910        | 2,298                   |
|                                  | <b>2,466</b>                    | <b>(334)</b>   | <b>2,132</b> | <b>1,689</b> | <b>4,365</b>                     | <b>(593)</b>   | <b>3,772</b> | <b>2,854</b>            |
| <b>Logistics</b>                 |                                 |                |              |              |                                  |                |              |                         |
| In operation                     | 1,316                           | (601)          | 715          | 640          | 3,062                            | (1,041)        | 2,021        | 1,342                   |
| Construction in progress         | 108                             |                | 108          | 55           | 301                              |                | 301          | 126                     |
|                                  | <b>1,424</b>                    | <b>(601)</b>   | <b>823</b>   | <b>695</b>   | <b>3,363</b>                     | <b>(1,041)</b> | <b>2,322</b> | <b>1,468</b>            |

**Holdings**

|                              |  |  |  |  |              |                |              |              |
|------------------------------|--|--|--|--|--------------|----------------|--------------|--------------|
| Steel                        |  |  |  |  | 726          | (421)          | 305          | 1,460        |
| Aluminum                     |  |  |  |  | 5,346        | (2,165)        | 3,181        | 3,096        |
| Manganese and<br>Ferroalloys |  |  |  |  | 1,070        | (584)          | 486          | 438          |
| Others                       |  |  |  |  | 39           | (35)           | 4            | 6            |
| Construction in progress     |  |  |  |  | 645          |                | 645          | 545          |
|                              |  |  |  |  | <b>7,826</b> | <b>(3,205)</b> | <b>4,621</b> | <b>5,545</b> |

**Energy**

|                          |              |             |            |            |              |             |            |            |
|--------------------------|--------------|-------------|------------|------------|--------------|-------------|------------|------------|
| In operation             | 526          | (46)        | 480        | 338        | 539          | (48)        | 491        | 349        |
| Construction in progress | 486          |             | 486        | 452        | 486          |             | 486        | 452        |
|                          | <b>1,012</b> | <b>(46)</b> | <b>966</b> | <b>790</b> | <b>1,025</b> | <b>(48)</b> | <b>977</b> | <b>801</b> |

**Corporate**

|                          |            |              |            |            |            |              |            |            |
|--------------------------|------------|--------------|------------|------------|------------|--------------|------------|------------|
| In operation             | 188        | (111)        | 77         | 104        | 239        | (117)        | 122        | 163        |
| Construction in progress | 396        |              | 396        | 146        | 396        |              | 396        | 147        |
|                          | <b>584</b> | <b>(111)</b> | <b>473</b> | <b>250</b> | <b>635</b> | <b>(117)</b> | <b>518</b> | <b>310</b> |

|              |               |                |               |               |               |                 |               |               |
|--------------|---------------|----------------|---------------|---------------|---------------|-----------------|---------------|---------------|
| <b>Total</b> | <b>23,495</b> | <b>(8,249)</b> | <b>15,246</b> | <b>12,362</b> | <b>38,650</b> | <b>(13,852)</b> | <b>24,798</b> | <b>21,717</b> |
|--------------|---------------|----------------|---------------|---------------|---------------|-----------------|---------------|---------------|

**(b) By type of asset:**

|                             | Average<br>deprecia-<br>tion<br>rates | Parent Company |                |               |               | Consolidated<br>2003<br>2004 Proforma |                 |               |               |
|-----------------------------|---------------------------------------|----------------|----------------|---------------|---------------|---------------------------------------|-----------------|---------------|---------------|
|                             |                                       | Accumulated    |                | 2004          | 2003          | Accumulated                           |                 | 2004          | 2003          |
|                             |                                       | Cost           | depreciation   | Net           | Net           | Cost                                  | depreciation    | Net           | Net           |
| Buildings                   | 3.00%                                 | 1,782          | (714)          | 1,068         | 942           | 3,453                                 | (1,473)         | 1,980         | 2,120         |
| Installations               | 3.42%                                 | 6,299          | (2,807)        | 3,492         | 2,426         | 11,716                                | (5,024)         | 6,692         | 6,172         |
| Equipment                   | 9.32%                                 | 1,551          | (792)          | 759           | 623           | 5,225                                 | (2,601)         | 2,624         | 2,212         |
| Railroads                   | 3.85%                                 | 6,186          | (2,971)        | 3,215         | 2,864         | 6,387                                 | (3,028)         | 3,359         | 3,023         |
| Mineral rights (*)          | 1.87%                                 | 1,019          | (111)          | 908           | 293           | 1,263                                 | (277)           | 986           | 383           |
| Others                      | 8.85%                                 | 1,696          | (854)          | 842           | 1,000         | 3,162                                 | (1,449)         | 1,713         | 1,963         |
|                             |                                       | <b>18,533</b>  | <b>(8,249)</b> | <b>10,284</b> | <b>8,148</b>  | <b>31,206</b>                         | <b>(13,852)</b> | <b>17,354</b> | <b>15,873</b> |
| Construction in<br>progress |                                       | 4,962          |                | 4,962         | 4,214         | 7,444                                 |                 | 7,444         | 5,844         |
| <b>Total</b>                |                                       | <b>23,495</b>  | <b>(8,249)</b> | <b>15,246</b> | <b>12,362</b> | <b>38,650</b>                         | <b>(13,852)</b> | <b>24,798</b> | <b>21,717</b> |

(\*) Calculated as a function of the volume of ore extracted in relation to the proven and probable reserves.

**10.14- Loans and Financing****Short-term**

|                 | <b>Parent Company</b> |             | <b>Consolidated<br/>2003</b> |                 |
|-----------------|-----------------------|-------------|------------------------------|-----------------|
|                 | <b>2004</b>           | <b>2003</b> | <b>2004</b>                  | <b>Proforma</b> |
| Trade finance   |                       | 106         | 254                          | 553             |
| Working capital |                       |             | 261                          | 335             |
|                 |                       | <b>106</b>  | <b>515</b>                   | <b>888</b>      |

**Long-term**

|                           | <b>Current liabilities</b> |              | <b>Parent Company<br/>Long-term liabilities<br/>2003</b> |                 | <b>Current liabilities<br/>2003</b> |                 | <b>Consolidated<br/>Long-term liabilities<br/>2003</b> |                 |
|---------------------------|----------------------------|--------------|--|-----------------|-------------------------------------|-----------------|--|-----------------|
|                           | <b>2004</b>                | <b>2003</b>  | <b>2004</b>  | <b>Proforma</b> | <b>2004</b>                         | <b>Proforma</b> | <b>2004</b>  | <b>Proforma</b> |
| <b>Foreign operations</b> |                            |              |  |                 |                                     |                 |  |                 |
| Loans and financing in:   |                            |              |  |                 |                                     |                 |  |                 |
| U.S. dollars              | 545                        | 781          | 2,669  | 2,437           | 1,345                               | 1,392           | 3,233  | 3,549           |
| Yen                       | 2                          | 88           | 5  | 7               | 2                                   | 279             | 5  | 7               |
| Other currencies          | 9                          | 10           | 52   | 61              | 9                                   | 9               | 60   | 72              |
| Notes in U.S. dollars     |                            | 867          |  |                 | 93                                  | 871             | 2,628  | 2,033           |
| Export securitization     |                            |              |  |                 | 146                                 | 159             | 1,130  | 1,497           |
| Perpetual notes           |                            |              |  |                 |                                     |                 | 174  | 200             |
| Accrued charges           | 34                         | 47           |  |                 | 213                                 | 139             |  | 10              |
|                           | <b>590</b>                 | <b>1,793</b> | <b>2,726</b>   | <b>2,505</b>    | <b>1,808</b>                        | <b>2,849</b>    | <b>7,230</b>   | <b>7,368</b>    |

**Local operations**

|                               |            |              |              |              |              |              |              |              |
|-------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Indexed by TJLP, TR and IGP-M | 20         | 18           | 39           | 43           | 168          | 171          | 392          | 558          |
| Basket of currencies          | 11         | 35           | 1            | 12           | 21           | 94           | 111          | 71           |
| Loans in U.S. dollars         | 48         | 48           | 144          | 210          | 471          | 442          | 996          | 1,467        |
| Non-convertible debentures    |            |              | 1            | 1            |              |              | 311          | 260          |
| Accrued charges               | 1          | 3            |              |              | 58           | 19           | 5            |              |
|                               | <b>80</b>  | <b>104</b>   | <b>185</b>   | <b>266</b>   | <b>718</b>   | <b>726</b>   | <b>1,815</b> | <b>2,356</b> |
|                               | <b>670</b> | <b>1,897</b> | <b>2,911</b> | <b>2,771</b> | <b>2,526</b> | <b>3,575</b> | <b>9,045</b> | <b>9,724</b> |

(a) Foreign currency loans and financing were converted into *reais* at exchange rates effective on the financial statements date, being US\$ 1.00 = R\$ 2.6544 in 2004(R\$ 2.8892 in 2003) and ¥ 1.00 = R\$ 0.025935 in 2004(R\$ 0.027011 in 2003);

(b) At December 31, 2004, our consolidated debt was secured as follows:

Loans guaranteed by the Federal Government, to which we gave counter-guarantees of R\$ 450;

Securitization program of R\$ 1,276;

Property, plant and equipment of R\$ 668;

Others assets R\$ 784.

- (c) Amortization of principal and financing charges incurred on long-term loans and financing obtained abroad and domestically mature as follows, as of 2004:

|  | Parent Company |             | Consolidated |             |
|--|----------------|-------------|--------------|-------------|
| 2006   | 1,086          | 37%         | 2,016        | 22%         |
| 2007   | 460            | 16%         | 1,488        | 17%         |
| 2008   | 409            | 14%         | 853          | 10%         |
| 2009 onward                                  | 956            | 33%         | 4,204        | 46%         |
| No due date (perpetual notes and debentures) |                |             | 484          | 5%          |
|  | <b>2,911</b>   | <b>100%</b> | <b>9,045</b> | <b>100%</b> |

- (d) Long-term foreign and domestic loans and financing are subject to annual interest rates (plus exchange rate and monetary variation) in 2004 as follows:

|                            | Parent Company |             | Consolidated  |             |
|----------------------------|----------------|-------------|---------------|-------------|
| Long-term                  |                |             |               |             |
| Up to 3%                   | 1,343          | 38%         | 1,418         | 12%         |
| 3.1 to 5%                  | 1,426          | 39%         | 3,580         | 31%         |
| 5.1 to 7%                  | 561            | 16%         | 2,354         | 20%         |
| 7.1 to 9%                  | 211            | 6%          | 3,190         | 28%         |
| 9.1 to 11%                 | 12             |             | 390           | 3%          |
| Over 11%                   | 28             | 1%          | 418           | 4%          |
| Variable (perpetual notes) |                |             | 221           | 2%          |
|                            | <b>3,581</b>   | <b>100%</b> | <b>11,571</b> | <b>100%</b> |

- (e) The estimated market values of long-term loans and financing calculated at present value based on available interest rates as of 2004 approximate their book values.
- (f) On March 8, 2002, the Company, through its subsidiary Vale Overseas Limited issued US\$ 300 million of Notes bearing interest at 8.625% p.a and maturing on March 8, 2007 (which may be extended to September 2008). In December, 2004, by public offering, CVRD bought back US\$ 186,996 thousands of the principal outstanding notes for US\$ 1,117.34 per each US\$ 1,000.00. This transaction is guaranteed by the Company with political risk protection and is registered with the U.S. Securities and Exchange Commission (SEC). The Notes are listed on the Luxembourg Stock Exchange.
- (g) On August 1, 2003 Vale Overseas Limited launched a US\$ 300 million bonds issue maturing in 10 years. The bonds carry a coupon of 9.00% p.a with semiannual payment of interest. The bonds are unsecured and non-subordinated obligations of Vale Overseas Limited and have the full and unconditional guarantee of CVRD.
- (h) On 01/09/04 Vale Overseas Limited launched a US\$ 500 millions of bonus maturing in 2034. The securities have coupons of 8.25% per year with half-yearly installment. The obligations are non-guaranteed and non-subordinated of Vale Overseas Limited and have full and unconditional guarantee by CVRD.

**10.15- Export Receivable Securitization Program**

On September 29, 2000, CVRD concluded the financial conditions for a US\$ 300 million securitization program based on existing and future receivables generated by its subsidiary CVRD Overseas Ltd. This transaction is related to exports of iron ore and pellets to six of CVRD's major customers in Europe, the United States and Asia, and is divided into three tranches. On July 28, 2003, CVRD successfully concluded a further operation to securitize receivables in the amount of US\$ 250 million, for a total term of 10 (ten) years, with a coupon paying 4.43% and investor yield of 4.48%, with interest paid quarterly. Both operations are as follows:

| <b>Tranche</b> | <b>Amount<br/>(US\$<br/>million)</b> | <b>Maturity</b> | <b>Grace<br/>Period<br/>(years)</b> | <b>Coupon</b> | <b>Yield to<br/>Investor<br/>(per<br/>annum)</b> |
|----------------|--------------------------------------|-----------------|-------------------------------------|---------------|--|
| 1              | 25                                   | 10/15/2007      | 2                                   |               | 8.682%   |
| 2 (insured)    | 125                                  | 10/15/2007      | 2                                   |               | Libor+0.65%                                      |
| 3              | 150                                  | 10/15/2010      | 3                                   |               | 8.926%   |
| 4 (insured)    | 250                                  | 07/15/2013      | 2                                   | 4.43%         | 4.48%  |

The balance of the principal in 2004 totals R\$ 1,276 (R\$ 146 in current liabilities and R\$ 1,130 in long-term liabilities) and is included in related party liabilities with the subsidiary CVRD Overseas Ltd. (Note 10.8).

**10.16- Contingent Liabilities**

At the financial statements dates the contingent liabilities of the Company were:

- (a) Provisions for contingencies and judicial deposits (booked under long-term liabilities and long-term assets, respectively), considered by management and its legal counsel as sufficient to cover losses from any type of lawsuit, were as follows:

|                                  | <b>Parent Company<br/>Provisions for</b> |             |                      |              | <b>Consolidated<br/>Provisions for</b> |              |                      |              |
|----------------------------------|--|-------------|----------------------|--------------|--|--------------|----------------------|--------------|
|                                  | <b>Judicial<br/>deposits</b>             |             | <b>contingencies</b> |              | <b>Judicial deposits</b>               |              | <b>contingencies</b> |              |
|                                  | <b>2004</b>                              | <b>2003</b> | <b>2004</b>          | <b>2003</b>  | <b>2004</b>                            | <b>2003</b>  | <b>2004</b>          | <b>2003</b>  |
| Tax contingencies                | 750                                      | 680         | 1,001                | 604          | 1,175                                  | 1,052        | 1,435                | 993          |
| Labor and social security claims | 227                                      | 155         | 501                  | 444          | 293                                    | 207          | 606                  | 534          |
| Civil claims                     | 156                                      | 135         | 434                  | 419          | 197                                    | 157          | 547                  | 543          |
| Other                            | 14                                       | 15          | 17                   | 16           | 15                                     | 14           | 16                   | 16           |
| <b>Total</b>                     | <b>1,147</b>                             | <b>985</b>  | <b>1,953</b>         | <b>1,483</b> | <b>1,680</b>                           | <b>1,430</b> | <b>2,604</b>         | <b>2,086</b> |

The Company is party to labor, civil, tax and other suits and has been contesting these matters both administratively and in court. When applicable, these are backed by judicial deposits. Provisions for losses are estimated and restated monetarily by management based on the opinions of the legal department and outside counsel.

Tax contingencies relate principally to a legal action claiming unconstitutionality of CPMF (tax on bank transactions) and other actions relating to value-added tax (ICMS).



Labor-related actions principally comprise employee claims in connection with disputes about the amount of indemnities paid upon dismissal and the one-third extra holiday pay.

Civil actions principally relate to claims made against the Company by contractors in connection with losses alleged to have been incurred as a result of various past government economic plans.

In addition to the contingencies for which we have made provisions we have possible losses totalling R\$ 1,117(R\$ 1,932 consolidated) at December 31, 2004, based on the advice of our legal counsel, no provision is maintained.

(b) Guarantees given to jointly-controlled companies are as follows:

| Affiliate or Joint Venture | Amount of<br>guarantee R\$ |                  | Denominated<br>currency | Purpose                 | Final<br>maturity | Counter<br>guarantees |
|----------------------------|----------------------------|------------------|-------------------------|-------------------------|-------------------|-----------------------|
|                            | 2004                       | 2003<br>Proforma |                         |                         |                   |                       |
| SAMARCO                    | 17                         | 28               | US\$                    | Debt guarantee<br>IFC   | 2008              | None                  |
| VALESUL                    | 1                          |                  | R\$                     | Debt guarantee<br>BNDES | 2007              | None                  |

The Company does not expect such guarantees to be executed and therefore no provisions for losses have been made. CVRD does not charge Valesul for granting these guarantees.

(c) Upon privatization of the Company in 1997, the Brazilian government stipulated the issuance of non-convertible debentures (Debentures) to the stockholders of record, including the federal government. The maturity dates of these Debentures were established to guarantee that pre-privatization stockholders, including the federal government, would share any future benefits from mineral resources held by the Company and its subsidiary and affiliated companies that were not evaluated at the time of setting the minimum price of CVRD shares at the privatization auction.

A total of 388,559,056 Debentures were issued at a par value of R\$ 0.01 (one centavo), whose value is to be restated in accordance with the variation in the General Market Price Index (IGP-M), as set forth in the Issue Deed.

On October 4, 2002, the Comissão de Valores Mobiliários – CVM (Brazilian Securities Commission) approved the Company's registration request, filed on June 28, 2002, for public trading of the Debentures. As from October 28, 2002, the Debentures can be traded on the secondary market.

The debenture holders are entitled to receive semi-annual payments equivalent to a percentage of the net revenue deriving from determined mineral resources owned in May 1997 and included in the Issue Deed.

According to the Debenture Issue Deed, the amount of the premium must include interest up to the month prior to that of effective payment, plus 1% in the month in which the funds are made available to the debenture holder. Pursuant to this Deed, the payment date shall take place each semester in March and September.

Based on estimates of the operational start-up of copper projects, CVRD began calculating the premium referring to these minerals rights. Considering the iron ore sale, the Company estimates that the threshold for payment will be reached in approximately 2030 and 2020 for the Southern and Northern systems, respectively. Regarding other minerals, such as bauxite and nickel, the forecast for exploitation is for the second half of the decade, and according to the criteria established in the Deed, payment will be due on the net sales revenue in the fourth year after the date of first commercialization. The obligation to make payments to the debenture holders will cease when the pertinent mineral resources are exhausted.

(d) CVRD is compromised by a contract of take-or-pay to buy approximately 42,391 metric tons of bauxite from Mineração Rio do Norte S. A. – MRN by a price calculated on the quoted aluminum London Metal Exchange LME.

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Based on the market price of US\$ 20.45 per metric ton, in December 31, 2004, this represents an amount of R\$ 2,263 million, as follows:

|                     |       |
|---------------------|-------|
| 2005                | 151   |
| 2006                | 151   |
| 2007                | 151   |
| 2008                | 151   |
| 2009 and thereafter | 1,659 |
|                     | 2,263 |
|                     | 36    |

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### **10.17- Environmental and Site Reclamation and Restoration Costs**

Expenditures relating to ongoing compliance with environmental regulations are charged to production costs or capitalized as incurred. The Company manages its environmental policies according to the specifications of ISO 14,001 and maintains ongoing programs to minimize the environmental impact of its mining operations as well as to reduce the costs that will be incurred upon termination of activities at each mine. In 2004, the provision for environmental liabilities amounted to R\$ 255 (R\$ 232 in 2003), which was accounted for in Provision for environmental liabilities in long-term liabilities. The Company as adopts the concepts of the Accounting for Asset Retirement Obligations, as follows:

- . Costs for mine closure are recorded as part of the cost of these assets and a corresponding provision is made for such future expenditure.
- . The estimated costs are accounted for at the present value of the obligations, discounted using a risk free rate; and
- . The estimated costs are reviewed annually and changes in the present value are adjusted in the recorded values of the assets and liabilities.

### **10.18- Pension Plan Valia**

The Fundação Vale do Rio Doce de Seguridade Social Valia is a private non-profit supplementary social security entity, legally separate from CVRD, founded in 1973 to provide supplementary social security benefits to the employees of the Company, its subsidiaries, affiliated companies and others that participate or may in the future participate in plans administered by the Foundation.

The Company and various of its subsidiaries and affiliated companies are sponsors of Valia, in the following benefit plans:

#### **(a) Benefit Plan**

##### **Defined Benefit Plan BD**

This is a pure defined benefit plan, now being phased out, instituted in 1973 upon establishment of Valia. This plan has been closed to new members and is maintained only for existing retired participants and their beneficiaries and a few residual active participants.

##### **Mixed-Benefit Plan Vale Mais**

This is a mixed plan, which provides programmable retirement income benefits of the defined contribution type, independent of government social security. It also includes a deferred severance benefit (vesting), as well as risk benefits: retirement for disability, death benefits and sick-leave assistance. This new plan has more modern, transparent and flexible rules that make it more attractive for employees and more economical for the sponsors. Vale Mais was established in May 2000 and nearly 98.7% of the active employees migrated to this new plan.

The contributions of the sponsors are as follows:

Ordinary contribution Destined to accumulate the resources necessary to grant income benefits, sponsor contributions match participant contributions, up to 9% of their participation salaries, which may not exceed ten plan reference units (R\$ 1,810.41 in December 2004).

Extraordinary contribution This can be made at any time, at the discretion of the sponsors.

Normal contribution To fund the risk plan and administrative expenses, fixed by the actuary based on actuarial appraisals.

Special contribution Destined to cover any special commitment that may arise.

The results of the actuarial evaluation are as follows:

**Fair value of assets development**

|  | <b>2004</b>  | <b>2003</b>  |
|--|--------------|--------------|
| Fair value of assets at the beginning of the year  | 4,728        | 3,763        |
| Actual return on assets                            | 1,078        | 1,265        |
| Contribution from sponsor                          | 45           | 41           |
| Benefits paid in the year                          | (335)        | (341)        |
| <b>Fair value of assets at the end of the year</b> | <b>5,516</b> | <b>4,728</b> |

**Evolution of present value of obligation**

|  | <b>2004</b>  | <b>2003</b>  |
|--|--------------|--------------|
| Present value of obligations at the beginning of the year  | 4,131        | 3,831        |
| Cost of current service                                    | 4            | 5            |
| Cost of interest   | 484          | 416          |
| Benefits paid in the year                                  | (335)        | (341)        |
| Hypotheses change  | (357)        |              |
| Loss on liabilities  | 56           | 220          |
| <b>Present value of obligations at the end of the year</b> | <b>3,983</b> | <b>4,131</b> |

**Conciliation of assets and liabilities recognized in the balance sheet**

|   | <b>2004</b>    | <b>2003</b>   |
|---|----------------|---------------|
| Present value of totally or partially covered actuarial obligations     | (3,983)        | (4,131)       |
| Fair value of assets  | 5,516          | 4,728         |
| Net gains not recognized on the balance sheet                           | (1,297)        | (569)         |
| <b>Actuarial assets/liabilities to be recorded in the balance sheet</b> | <b>(*) 236</b> | <b>(*) 28</b> |

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(\*) The Company has not recorded the actuarial asset on its balance sheet, since there is no clear evidence as to its realization, as established by item 4.9 of NPC 26.

**(b) Actuarial liability**

**Complementary Value and Health Insurance Plan to Retirees**

Refers to the responsibility CVRD has to complement the retirements, pensions and health assistance related to the incentive to the disconnecting of some employees occurred between 1987 e 1989.

The results of the actuarial evaluation of this liability are as follows:

**Change in the fair value of plan assets**

|  | <b>2004</b> | <b>2003</b> |
|--|-------------|-------------|
| Fair value of assets at the beginning of the year  | 58          |             |
| Actual return on assets                            | 7           |             |
| Contribution from sponsor                          | 64          | 112         |
| Benefits paid in the year                          | (53)        | (54)        |
| <b>Fair value of assets at the end of the year</b> | <b>76</b>   | <b>58</b>   |

38

**Change in the present value of obligations:**

|  | <b>2004</b> | <b>2003</b> |
|--|-------------|-------------|
| Present value of obligations at the beginning of the year  | 507         | 493         |
| Cost of current service                                    |             |             |
| Cost of interest   | 65          | 47          |
| Benefits paid in the year                                  | (53)        | (54)        |
| Hipoteses change   | 6           |             |
| Loss on liabilities  | 57          | 21          |
| <b>Present value of obligations at the end of the year</b> | <b>582</b>  | <b>507</b>  |

**Reconciliation of assets and liabilities recognized on the balance sheet of the pension plan**

|  | <b>2004</b>  | <b>2003</b>  |
|--|--------------|--------------|
| Present value of totally or partially covered actuarial obligations  | (582)        | (507)        |
| Fair value of assets   | 76           | 58           |
| Net (gains) loss not recognized on the balance sheet                 | 6            | (58)         |
| <b>Actuarial assets and liabilities accrued in the balance sheet</b> | <b>(500)</b> | <b>(507)</b> |

**Costs incurred in the income statement in relation to the complementary value**

|                            | <b>2004</b> | <b>2003</b> |
|----------------------------|-------------|-------------|
| Cost of interest           | 65          | 47          |
| Fair value of assets       | (7)         |             |
| <b>Total of costs, net</b> | <b>58</b>   | <b>47</b>   |

**Reconciliation of assets and liabilities recognized on the balance sheet of the health insurance plan**

|   | <b>2004</b>  | <b>2003</b>  |
|---|--------------|--------------|
| Present value of actuarial obligations (plan with no financial asset) | (174)        | (152)        |
| Net (gains) loss not recognized on the balance sheet                  | 13           |              |
| <b>Actuarial assets and liabilities accrued in the balance sheet</b>  | <b>(161)</b> | <b>(152)</b> |

**Costs recognized in the income statement in relation to the health insurance plan**

| <b>2004</b> | <b>2003</b> |
|-------------|-------------|
|-------------|-------------|



|                            |           |           |
|----------------------------|-----------|-----------|
| Cost of interest           | 19        | 17        |
| <b>Total of costs, net</b> | <b>19</b> | <b>17</b> |

**(c) Sponsors contributions**

|  | <b>2004</b>  | <b>2003</b>  |
|--|--------------|--------------|
| Mixed benefit plan Vale Mais income                        | (19)         | (16)         |
| Mixed benefit plan Vale Mais risk and proportional benefit | (45)         | (41)         |
| Complementary value (*)                                    | (64)         | (112)        |
| Health insurance plan (*)                                  | (10)         | (9)          |
| <b>Total contributions</b>                                 | <b>(138)</b> | <b>(178)</b> |

(\*) Refers to actuarial liability

**(d) Actuarial, economic and biometric hypotheses**

All calculation includes future projections in relation to certain parameters, for example: salaries, interest, inflation, benefits from social security, mortality, invalidity and others. No actuarial results can be analyzed without knowledge of the scenarios utilized in the evaluation.

The actuarial economic hypotheses were considering the long term to their maturity, and must be analyzed from this point of view. They not necessarily be realizable in the short-term.

The evaluation was based on the following economic hypotheses:

|   | <b>2004</b>   | <b>2003</b>   |
|---|---|---|
| <b>Economic assumptions</b>                     |   |   |
| - Discount rate                                 | 13.4% p.a.(nominal)                                 | 11.3% p.a.(nominal)                                 |
| - Expected return on plan assets                | 13.4% p.a.(nominal)                                 | 13.4% p.a.(nominal)                                 |
| - Nominal growth index of medical costs         | 9.2% p.a.   | 9.2% p.a.   |
| - Future salary increases                       | 6.91% p.a. until 47 years<br>5% p.a. since 48 years | 6.91% p.a. until 47 years<br>5% p.a. since 48 years |
| - Growth in social security benefits and limits | 5.0% p.a.   | 5.0% p.a.   |
| - Inflation                                     | 5.0% p.a.   | 5.0% p.a.   |
| <b>Capacity Factor</b>                          |   |   |
| - Salaries                                      | 99%   | 99%   |
| - Benefits                                      | 99%   | 99%   |
| <b>Demographic assumptions</b>                  |   |   |
| - Mortality table                               | AT 83 Male  | AT 49   |
| - Mortality table of invalids                   | AT 83 Male  | AT 49   |
| - Table of initial invalid status               | Álvaro Vindas                                       | Álvaro Vindas                                       |
| - Turnover table                                | 3%  | Valia experience                                    |
| - Retirement age                                | Valia information                                   | Valia information                                   |
| - INSS initial age                              | Valia information                                   | Valia information                                   |

All assumptions were revised during 2004.

**10.19- Paid-up Capital**

At the Ordinary General Meeting of 04/28/04, the Company's capital was increased to R\$ 7.3 billion through capitalization of part of the expansion reserve in the amount of R\$ 1 billion.

On August 18, 2004 the Extraordinary General Stockholders' Meeting approved the forward stock split. Each share, common and preferred, is represented by three shares. After the split the Company's capital comprises 1,165,677,168, of which 749,949,429 common shares 415,727,739 class A preferred shares.

Preferred shares have the same rights as common shares, except for the right to elect the members of the Board of Directors. They have priority to a minimum annual dividend of 6% on the portion of capital represented by this class of share or 3% of the book net equity value of the share, whichever is greater.

On December 31, 2004 the Company's capital is held as follows:

| Stockholders   | Common             |            | Preferred          |            | Number of shares     |            |
|--|--------------------|------------|--------------------|------------|----------------------|------------|
|  |                    | %          |                    | %          | Total                | %          |
| Valepar S.A.   | 392,147,133        | 52         |                    |            | 392,147,133          | 34         |
| Brazilian Government (National Treasury / BNDES/ INSS / FPS) | 14,178             |            | 15,226,026         | 4          | 15,240,204           | 1          |
| American Depositary Receipts                                 |                    |            |                    |            |                      |            |
| ADRs   | 202,245,385        | 27         | 188,190,061        | 45         | 390,435,446          | 34         |
| FMP FGTS   | 38,799,345         | 5          |                    |            | 38,799,345           | 3          |
| BNDESPar   | 52,189,680         | 7          | 3,054,645          | 1          | 55,244,325           | 5          |
| Foreign institutional investors                              | 17,283,576         | 2          | 82,587,138         | 20         | 99,870,714           | 9          |
| Brazil institutional investors                               | 17,888,126         | 3          | 67,240,608         | 16         | 85,128,734           | 7          |
| Brazil retail investors                                      | 15,236,496         | 2          | 59,417,310         | 14         | 74,653,806           | 6          |
| Treasury stock   | 14,145,510         | 2          | 11,951             |            | 14,157,461           | 1          |
| <b>Total</b>   | <b>749,949,429</b> | <b>100</b> | <b>415,727,739</b> | <b>100</b> | <b>1,165,677,168</b> | <b>100</b> |

The members of the Board of Directors and Executive Board together own 30,577 common shares and 45,624 preferred shares.

On December 31, 2004, the Company had an excess of revenue reserves over capital. In compliance with corporate legislation (Art. 199 of Law No. 6404/76), management will propose at the annual general meeting a capital increase from revenue reserves (expansion and fiscal incentives) in the amount of R\$ 2,700 million, without issuing new shares.

**10.20- American Depositary Receipts (ADR) Program**

On June 20, 2000, the Company obtained a registration from the United States Securities and Exchange Commission (SEC), for its preferred shares to be traded on the New York Stock Exchange (NYSE). On March 21, 2002, in connection with the sale of shares held by the BNDES and Brazilian Government, the common shares began to be traded on the NYSE. Each ADR represents 1 (one) preferred Class A or common share, traded under the codes RIOPR and RIO, respectively.



**10.21- Treasury Stock**

The Board of Directors, under the terms of subparagraph XV of Article 13 of the Bylaws and based on Article 30 of Law 6404/76 and CVM Instructions 10 of 02/14/80 and 268 of 11/13/97, approved the acquisition by the Company of its own shares to be held in treasury for later sale or cancellation.

Through the end of 2004, the Company had acquired 14,145,510 common shares and 11,951 preferred shares, which are held in treasury in the amount of R\$ 131. In 2004, 598 preferred shares were in treasury and were changed for Samitri's shares, a merged company. The 14,145,510 common shares guarantee a loan of the subsidiary Alunorte.

| Class     | Shares            |                   |         |      |       | Average quoted market price |          |
|-----------|-------------------|-------------------|---------|------|-------|-----------------------------|----------|
|           | 2004              | 2003 (a)          | Average | Low  | High  | 2004                        | 2003 (a) |
| Preferred | 11,951            | 12,549            | 17.12   | 4.67 | 17.47 | 47.93                       | 32.64    |
| Common    | 14,145,510        | 14,145,510        | 9.27    | 6.69 | 17.36 | 56.13                       | 35.45    |
|           | <b>14,157,461</b> | <b>14,158,059</b> |         |      |       |                             |          |

**10.22- Remuneration of Stockholders**

During 2004, CVRD paid to its stockholders a total amount of R\$ 2,271, which includes R\$ 320 referring to fiscal year 2003.

The total remuneration paid stockholders in 2004 was as follows:

| Deliberation  | Payment  | Fiscal year                                | R\$          | US\$         |
|---|----------|--|--------------|--------------|
| 04/14/04  | 04/30/04 | Interest on stockholders equity - 2003 (c) | 320          | 108          |
| 04/14/04  | 04/30/04 | Interest on stockholders equity - 2004     | 471          | 161          |
| 10/13/04  | 10/29/04 | Interest on stockholders equity - 2004     | 781          | 273          |
| 10/13/04  | 10/29/04 | Interest on stockholders equity - 2004     | 419          | 147          |
| 10/13/04  | 10/29/04 | Dividends - 2004                           | 280          | 98           |
| <b>Total paid in 2004</b>                           |          | (b)  | <b>2,271</b> | <b>787</b>   |
| <b>Complementary remuneration for 2004 proposed</b> |          | (a)  | <b>1,279</b> | <b>481</b>   |
| <b>Remunerations fiscal year 2004 (a + b - c)</b>   |          |  | <b>3,230</b> | <b>1,160</b> |

The remuneration to stockholders proposed for 2004 was calculated as follows:

|   |              |
|---|--------------|
| Net income for the year   | 6,460        |
| Fiscal incentive reserve  | (41)         |
| Legal reserve   | (323)        |
| Realization of unrealized income reserve  | 211          |
| <b>Adjusted net income</b>  | <b>6,307</b> |
| <b>Mandatory dividend amount - 25% (R\$ 1.37 per outstanding share)</b>                               | <b>1,577</b> |
| <b>Statutory dividend on preferred shares (3% of net equity, R\$ 0.47 per outstanding share)</b>      | <b>197</b>   |
| <b>Statutory dividend on preferred shares (6% of paid-up capital, R\$ 0.38 per outstanding share)</b> | <b>156</b>   |
| <b>Interest on stockholders' equity (R\$ 2.82 per outstanding share)</b>                              | <b>3,230</b> |

Pursuant to Ruling No. 207/96 of the Brazilian Securities Commission (CVM), the Company decided, as required by tax regulations, to account for interest on stockholders' equity under the heading of Financial expenses and to reverse the same amount in a specific account. This, however, does not appear in the financial statements because it had no effect on the final net income, except for the tax impact recorded as Income tax and social contribution.

**Proposed Appropriations of the Net Income for the Year****Funds provided:**

|  |              |
|--|--------------|
| Net income for the year                      | 6,460        |
| Realization of unrealized income reserve (a) | 211          |
|  | <b>6,671</b> |

**Funds used:**

|                                  |              |
|----------------------------------|--------------|
| Legal reserve (5%)               | 323          |
| Expansion/investment reserve (b) | 3,077        |
| Fiscal incentives reserve        | 41           |
| Interest on stockholders' equity | 2,950        |
| Interim dividends                | 280          |
|                                  | <b>6,671</b> |

(a) The realization is based on the dividends received, write-off or disposal of investments and depreciation, write-off and disposal of property, plant and equipment.

(b) Based on the budgeted capital approved.

**10.23- Financial Results Parent company and consolidated**

|   |  |                    |  |                    | <b>Parent Company</b>  |                    |  |                    |             |
|---|--|--------------------|--|--------------------|--|--------------------|--|--------------------|-------------|
|   | <b>4Q/04</b>   |                    |  |                    | <b>3Q/04</b>   |                    | <b>Quarter<br/>4Q/03</b>   |                    |             |
|   | <b>Monetary<br/>and<br/>exchange<br/>rate<br/>variation<br/>on</b> | <b>Financial</b>   | <b>Monetary<br/>and<br/>exchange<br/>rate<br/>variation<br/>on</b> | <b>Financial</b>   | <b>Monetary<br/>and<br/>exchange<br/>rate<br/>variation<br/>on</b> | <b>Financial</b>   | <b>Monetary<br/>and<br/>exchange<br/>rate<br/>variation<br/>on</b> | <b>Financial</b>   |             |
|   | <b>expenses</b>  | <b>liabilities</b> | <b>expenses</b>  | <b>liabilities</b> | <b>expenses</b>  | <b>liabilities</b> | <b>expenses</b>  | <b>liabilities</b> |             |
|   | <b>Total</b>   | <b>Total</b>       | <b>Total</b>   | <b>Total</b>       | <b>Total</b>   | <b>Total</b>       | <b>Total</b>   | <b>Total</b>       |             |
| Foreign debt  | (23)   | 151                | 128  | (3)                | 211  | 208                | (46)   | 29                 | (17)        |
| Local debt  | (5)  | 19                 | 14   | (5)                | 30   | 25                 | (7)  | 3                  | (4)         |
| Related parties   | (57)   | 281                | 224  | (57)               | 360  | 303                | (49)   | 36                 | (13)        |
|   | <b>(85)</b>  | <b>451</b>         | <b>366</b>   | <b>(65)</b>        | <b>601</b>   | <b>536</b>         | <b>(102)</b>   | <b>68</b>          | <b>(34)</b> |
| Labor, tax and civil contingencies                        | (31)   | (27)               | (58)   | (38)               | (34)   | (72)               | (72)   | (13)               | (85)        |
| Derivatives, net of gain/losses (interest and currencies) | 10   | 4                  | 14   | (11)               | 7  | (4)                | 18   |                    | 18          |
|   | (20)   | 8                  | (12)   | (20)               | 7  | (13)               | (34)   |                    | (34)        |
|   |  |                    |  |                    |  |                    |  |                    | <b>135</b>  |

|  |              |            |            |              |            |            |              |             |              |
|--|--------------|------------|------------|--------------|------------|------------|--------------|-------------|--------------|
| Derivatives, net of gain/losses (gold) |              |            |            |              |            |            |              |             |              |
| CPMF                                   | (15)         |            | (15)       | (18)         |            | (18)       | (25)         |             | (25)         |
| Others                                 | (31)         | (5)        | (36)       | (124)        | (104)      | (228)      | (25)         | (109)       | (134)        |
|  | <b>(172)</b> | <b>431</b> | <b>259</b> | <b>(276)</b> | <b>477</b> | <b>201</b> | <b>(240)</b> | <b>(54)</b> | <b>(294)</b> |

|   | Monetary and exchange rate variation on |             |             | Monetary and exchange rate variation on |              |              | Monetary and exchange rate variation on |             |              |
|---|---|-------------|-------------|---|--------------|--------------|---|-------------|--------------|
|   | Financial income                        | on assets   | Total       | Financial income                        | on assets    | Total        | Financial income                        | on assets   | Total        |
| Related parties                         | 15                                      | (85)        | (70)        | 14                                      | (270)        | (256)        | 19                                      | (25)        | (6)          |
| Marketable securities                   | 7                                       | 8           | 15          | 5                                       | 19           | 24           | 27                                      | 12          | 39           |
| Others                                  | 6                                       | 1           | 7           | 5                                       | (28)         | (23)         | 5                                       | (5)         |              |
|   | <b>28</b>                               | <b>(76)</b> | <b>(48)</b> | <b>24</b>                               | <b>(279)</b> | <b>(255)</b> | <b>51</b>                               | <b>(18)</b> | <b>33</b>    |
| <b>Financial income (expenses), net</b> | <b>(144)</b>                            | <b>355</b>  | <b>211</b>  | <b>(252)</b>                            | <b>198</b>   | <b>(54)</b>  | <b>(189)</b>                            | <b>(72)</b> | <b>(261)</b> |





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|   | <b>Financial<br/>expenses</b> | <b>variation on<br/>liabilities</b>                         | <b>Total</b>   | <b>Financial<br/>expenses</b> | <b>variation on<br/>liabilities</b>                         | <b>Total</b>   |
|---|-------------------------------|---|----------------|-------------------------------|---|----------------|
| Foreign debt  | (675)                         | 299   | (376)          | (591)                         | 1,891   | 1,300          |
| Local debt  | (228)                         | 113   | (115)          | (163)                         | 322   | 159            |
| Related parties   | (55)                          | 464   | 409            | (77)                          | 1,151   | 1,074          |
|   | <b>(958)</b>                  | <b>876</b>  | <b>(82)</b>    | <b>(831)</b>                  | <b>3,364</b>  | <b>2,533</b>   |
| Labor, tax and civil contingencies                              | (114)                         | (119)   | (233)          | (146)                         | (65)  | (211)          |
| Derivatives, net of gain/losses<br>(interest and currencies)    | 2                             | 3   | 5              | 7                             |   | 7              |
| Derivatives, net of gain/losses (gold,<br>aluminum and alumina) | (213)                         | 10  | (203)          | (223)                         |   | (223)          |
| CPMF  | (120)                         |   | (120)          | (98)                          |   | (98)           |
| Others  | (463)                         | 800   | 337            | (77)                          | 1,341   | 1,264          |
|   | <b>(1,866)</b>                | <b>1,570</b>  | <b>(296)</b>   | <b>(1,368)</b>                | <b>4,640</b>  | <b>3,272</b>   |
|   |                               | <b>Monetary<br/>and<br/>exchange<br/>rate<br/>variation</b> |                |                               | <b>Monetary<br/>and<br/>exchange<br/>rate<br/>variation</b> |                |
|   | <b>Financial<br/>income</b>   | <b>on<br/>assets</b>  | <b>Total</b>   | <b>Financial<br/>income</b>   | <b>on<br/>assets</b>  | <b>Total</b>   |
| Related parties   | 64                            | (757)   | (693)          | 27                            | (1,459)   | (1,432)        |
| Marketable securities   | 159                           | (262)   | (103)          | 198                           | (554)   | (356)          |
| Others  | 74                            | (982)   | (908)          | 97                            | (1,784)   | (1,687)        |
|   | <b>297</b>                    | <b>(2,001)</b>  | <b>(1,704)</b> | <b>322</b>                    | <b>(3,797)</b>  | <b>(3,475)</b> |
| <b>Financial income (expenses), net</b>                         | <b>(1,569)</b>                | <b>(431)</b>  | <b>(2,000)</b> | <b>(1,046)</b>                | <b>843</b>  | <b>(203)</b>   |

## 10.24- Financial Instruments Derivatives

The main market risks the Company faces are related to interest rates, exchange rates and commodities prices. CVRD has a policy of managing risks through the use of derivative instruments.

The Company's risk management follows policies and guidelines reviewed and approved by the Board of Directors and Executive Board. These policies and guidelines prohibit speculative trading and short selling and require diversification of transactions and counterparties. The policy of the Company is to settle all contracts financially without physical delivery of the products. The credit limits and creditworthiness of counterparties are also reviewed periodically and are defined according to the rules approved by the Company's management. The results of hedging are recognized monthly in the results.

### Interest Rate Risk

Interest rate risk derives from floating-rate debt, mainly from trade finance operations. The portion of floating-rate debt denominated in foreign currency is mainly subject to fluctuations in the LIBOR – London Interbank Offered Rate. The portion of floating-rate debt expressed in *reais* refers basically to the Brazilian long-term interest rate TJLP, established by the Brazilian Central Bank. Since May 1998, CVRD has been using derivatives to limit its exposure to fluctuations in the LIBOR.

The interest rate derivatives portfolio consists mainly of instruments contracted to limit exposure to interest rate fluctuations, establishing upper and lower limits. Some operations are subject to knock-out provisions which, if triggered, eliminate the protection contracted.

The table below provides information regarding the interest rate derivatives portfolio for 2004 and 2003.

| Type         | Notional<br>value<br>(in<br>US\$<br>millions) | Rate<br>range | 2004                                       |                   | Notional<br>value<br>(in<br>US\$<br>millions) | Rate<br>range | 2003   |
|--------------|---|---------------|--|-------------------|---|---------------|--|
|              |   |               | Unrealized<br>loss<br>(in R\$<br>millions) | Final<br>maturity |   |               | Unrealized<br>gain<br>(loss) (in<br>R\$<br>millions) |
| Cap          | 150   | 5.7 - 6.8%    |  | Nov-06            | 500   | 5.7 - 11.0%   | 1  |
| Floor        | 150   | 5.7 - 6.0%    | (9)  | Nov-06            | 500   | 5.7 - 6.0%    | (49)   |
| Swap         |   |               |  |                   | 454   | 5.8 - 6.7%    | (88)   |
| <b>Total</b> |   |               | <b>(9)</b>                                 |                   |   |               | <b>(136)</b>   |

The unrealized loss represents the present value to payable if all operations had been settled on 12/31/04.

### Exchange Rate Risk

Exchange rate risk arises from foreign currency debts. On the other hand, a substantial part of the Company's revenues are denominated or indexed in U.S. dollars, while the majority of costs are in *reais*. This provides a natural hedge against possible devaluation of the Brazilian currency. Events of this nature have an immediate negative impact on

foreign currency debt, offset by the positive effect on future cash flows.

The Company adopts a strategy of monitoring market fluctuations and, if necessary, carrying out derivatives operations to cover risks related to these variations.

The portion of debt denominated in euros and yen (main components of basket of currencies) is protected by derivatives to cover risks of exchange rate movements of these currencies.

The table below shows the exchange rate derivatives portfolio for 2004 and 2003. These operations are forwards and range forwards which were structured to ensure the purchase price of the following currencies:

| Type            | Notional<br>value<br>(in<br>millions) | Rate range              | 2004   |                   | 2003                                  |  |
|-----------------|---------------------------------------|-------------------------|--|-------------------|---------------------------------------|--|
|                 |                                       |                         | Unrealized<br>gain (loss)<br>(in<br>R\$<br>millions) | Final<br>maturity | Notional<br>value<br>(in<br>millions) | Unrealized<br>loss (in<br>R\$<br>millions) |
| Yen purchased   | ¥ 65                                  | ¥79 - 83 per<br>US\$    | (1)  | Apr-05            | ¥ 3.385                               | 9  |
| Euros purchased | 18                                    | 1.04 - 1.23 per<br>US\$ | 10   | Dec-11            | 23                                    | 8  |
| Euros sold      |                                       |                         |  |                   | 5                                     | (1)  |
| <b>Total</b>    |                                       |                         | <b>9</b>   |                   |                                       | <b>16</b>                                  |

The unrealized gain represents the present value to receive if all operations had been settled on 12/31/04.

## Commodities Price Risk

The prices of iron ore, the Company's main product, are set in annual negotiations between producers and consumers and are notably stable over time. The Company does not enter into derivatives operations to hedge iron ore price exposure.

The Company uses hedge instruments to manage its exposure to changes in the price of gold, aluminum and alumina. These derivatives operations allow establishment of a minimum profit level for future output. The Company actively manages its open positions, with the results reported monthly to senior management to allow adjustment of targets and strategies in response to market conditions.

The following table shows the gold derivatives portfolio of the Company in 2004 and 2003:

| Type               | Quantity<br>(oz) | Price<br>range<br>(US\$/oz) | 2004   |                   | Quantity<br>(oz) | Price<br>range<br>(US\$/oz) | 2003   |             |
|--------------------|------------------|-----------------------------|--|-------------------|------------------|-----------------------------|--|-------------|
|                    |                  |                             | Unrealized<br>gain<br>(loss) (in<br>R\$<br>millions) | Final<br>maturity |                  |                             | Unrealized<br>gain<br>(loss) (in<br>R\$<br>millions) |             |
| Puts purchased     | 198,000          | 294 - 385                   | 2  | Dec-08            | 393,000          | 270 - 385                   |  | 3           |
| Calls sold         | 237,000          | 330 - 440                   | (57)   | Dec-08            | 423,000          | 317 - 440                   |  | (91)        |
| Hybrid instruments |                  |                             |  |                   | 20,000           |                             |  | (4)         |
| <b>Total</b>       |                  |                             | <b>(55)</b>  |                   |                  |                             |  | <b>(92)</b> |

The unrealized loss represents the present value of payable if all operations had been settled on 12/31/04.

## Consolidated

The table below shows the aluminum derivatives portfolio of the joint venture Albras in 2004 and 2003:

| Type               | Quantity<br>(tons) | Price range<br>US\$/tons | 2004                                       |                   | Quantity<br>(tons) | Price range<br>US\$/tons | 2003   |             |
|--------------------|--------------------|--------------------------|--|-------------------|--------------------|--------------------------|--|-------------|
|                    |                    |                          | Unrealized<br>loss<br>(in R\$<br>millions) | Final<br>maturity |                    |                          | Proforma<br>Unrealized<br>gain<br>(loss)<br>(in R\$<br>millions) |             |
| Puts purchased     |                    |                          |  |                   | 148,500            | 1,390 - 1,450            |  | 5           |
| Forwards sold      | 9,000              | 1,545 - 1,650            | (63)                                       | Dez-06            | 27,000             | 1,400 - 1,600            |  | (16)        |
| Calls sold         | 116,000            | 1,540 - 1,590            | (72)                                       | Jun-05            | 160,500            | 1,570 - 1,630            |  | (28)        |
| Others instruments | 155,000            | 1,395 - 1,700            | (17)                                       | Dez-08            | 246,000            | 1,390 - 1,680            |  | (20)        |
| <b>Total</b>       |                    |                          | <b>(152)</b>                               |                   |                    |                          |  | <b>(59)</b> |

The unrealized loss represents the present value of payable if all operations had been settled on 12/31/04.

The following table shows the alumina derivatives portfolio of the subsidiary Alunorte in 2004 and 2003:

| Type               | 2004               |                          |  |                   | 2003               |                          |  |
|--------------------|--------------------|--------------------------|--|-------------------|--------------------|--------------------------|--|
|                    | Quantity<br>(tons) | Price range<br>US\$/tons | Unrealized<br>loss<br>(in R\$<br>millions) | Final<br>maturity | Quantity<br>(tons) | Price range<br>US\$/tons | Proforma<br>Unrealized<br>gain<br>(loss)<br>(in R\$<br>millions) |
| Puts purchased     |                    |                          |  |                   | 101,000            | 1.390 - 1.400            | 2  |
| Calls sold         | 125,000            | 1.535 - 1.590            | (79)                                       | Sep-06            | 113,000            | 1.540 - 1.580            | (18)   |
| Others instruments | 108,000            | 1.390 - 1.625            | (68)                                       | Dez-06            | 240,000            | 1.380 - 1.690            | (36)   |
| <b>Total</b>       |                    |                          | <b>(147)</b>                               |                   |                    |                          | <b>(52)</b>  |

The unrealized loss represents the present value of payable if all operations had been settled on 12/31/04.

The following table shows the interest rate derivatives portfolio of the subsidiary Itaco in 2004:

| Type         | Notional<br>value<br>(in<br>millions) | Unrealized<br>loss<br>(in R\$<br>millions) | 2004              |
|--------------|---------------------------------------|--|-------------------|
|              |                                       |  | Final<br>maturity |
| Swap         | 150                                   | (23)                                       | May-07            |
| Swap         | 81                                    | (13)                                       | Oct-07            |
| <b>Total</b> |                                       | <b>(36)</b>                                |                   |

The following table shows the gold derivatives portfolio of the subsidiary Itaco in 2004:

| Type       | Quantity<br>(oz) | Price range<br>(US\$/oz) | Unrealized<br>loss<br>(in R\$<br>millions) | 2004              |
|------------|------------------|--------------------------|--|-------------------|
|            |                  |                          |  | Final<br>maturity |
| Calls sold | 156,000          |                          | (42)                                       | Dec-07            |

The following table shows the movement of gains/loss on derivatives:

|  | Interest<br>rates<br>(libor) | Currencies | Parent Company<br>4Q/04 |              |
|--|------------------------------|------------|-------------------------|--------------|
|  |                              |            | Gold                    | Total        |
| Gains/ (losses) unrealized on 09/30/04         | (89)                         | 4          | (91)                    | (176)        |
| Financial settlement                           | 70                           | 1          | 48                      | 119          |
| Financial expenses, net                        | 5                            | 5          | (20)                    | (10)         |
| Monetary variations, net                       | 5                            | (1)        | 8                       | 12           |
| <b>Gains / (losses) unrealized on 12/31/04</b> | <b>(9)</b>                   | <b>9</b>   | <b>(55)</b>             | <b>(55)</b>  |
|  |                              |            |                         | <b>3Q/04</b> |
|  | Interest<br>rates<br>(libor) | Currencies | Gold                    | Total        |
| Gains / (losses) unrealized on 06/30/04        | (92)                         | 3          | (79)                    | (168)        |

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|  |             |          |             |              |
|--|-------------|----------|-------------|--------------|
| Financial settlement                           | 8           |          | 1           | 9            |
| Financial expenses, net                        | (12)        | 1        | (20)        | (31)         |
| Monetary variations, net                       | 7           |          | 7           | 14           |
| <b>Gains / (losses) unrealized on 09/30/04</b> | <b>(89)</b> | <b>4</b> | <b>(91)</b> | <b>(176)</b> |

**4Q/03**

|  | <b>Interest<br/>rates<br/>(libor)</b> | <b>Currencies</b> | <b>Gold</b> | <b>Total</b> |
|--|---------------------------------------|-------------------|-------------|--------------|
| Gains / (losses) unrealized on 09/30/03        | (178)                                 | 6                 | (66)        | (238)        |
| Financial settlement                           | 32                                    | 2                 | 8           | 42           |
| Financial expenses, net                        | 6                                     | 8                 | (36)        | (22)         |
| Monetary variations, net                       | 4                                     |                   | 2           | 6            |
| <b>Gains / (losses) unrealized on 12/31/03</b> | <b>(136)</b>                          | <b>16</b>         | <b>(92)</b> | <b>(212)</b> |



## Parent Company

Consolidated  
2003  
Proforma

|  | Interest<br>rates<br>(libor) | Currencies | Gold        | TotalAluminum | Alumina     | Total       |              |
|--|------------------------------|------------|-------------|---------------|-------------|-------------|--------------|
| Gains / (losses) unrealized on 12/31/02                | (213)                        | (4)        | (53)        | (270)         | 19          | 11          | (240)        |
| Gains / (losses) recognized along Albrás consolidation |                              |            |             |               | 18          |             | 18           |
| Financial settlement                                   | 87                           | 3          | 25          | 115           |             |             | 115          |
| Financial expenses, net                                | (55)                         | 17         | (74)        | (112)         | (96)        | (63)        | (271)        |
| Monetary variations, net                               | 45                           |            | 10          | 55            |             |             | 55           |
| <b>(Gains) / losses unrealized on 12/31/03</b>         | <b>(136)</b>                 | <b>16</b>  | <b>(92)</b> | <b>(212)</b>  | <b>(59)</b> | <b>(52)</b> | <b>(323)</b> |

Parent Company  
2004

|  | Interest<br>rates<br>(libor) | Currencies | Gold        | Total       |      |      |
|--|------------------------------|------------|-------------|-------------|------|------|
| Gain / (losses) unrealized on 12/31/03         | (136)                        | 16         | (92)        | (212)       |      |      |
| Financial settlement                           |                              |            | 122         | (7)         | 53   | 168  |
| Financial expenses, net                        |                              |            | 2           | 1           | (25) | (22) |
| Monetary variations, net                       |                              |            | 3           | (1)         | 9    | 11   |
| <b>Gains / (losses) unrealized on 12/31/04</b> | <b>(9)</b>                   | <b>9</b>   | <b>(55)</b> | <b>(55)</b> |      |      |

Consolidated  
2004

|   | Interest<br>rates<br>(libor) | Currencies | Gold        | Aluminum     | Alumina      | Total        |
|---|------------------------------|------------|-------------|--------------|--------------|--------------|
| Gain / (losses) unrealized on 12/31/03 - Proforma | (136)                        | 16         | (92)        | (59)         | (52)         | (323)        |
| Financial settlement                              | 86                           | (7)        | 10          |              |              | 89           |
| Financial expenses, net                           | 1                            | 1          | (25)        | (93)         | (95)         | (211)        |
| Monetary variations, net                          | 4                            | (1)        | 10          |              |              | 13           |
| <b>Gains / (losses) unrealized on 12/31/04</b>    | <b>(45)</b>                  | <b>9</b>   | <b>(97)</b> | <b>(152)</b> | <b>(147)</b> | <b>(432)</b> |



**10.25- Exchange Rate Exposure**

The exchange rate exposure is predominantly in U.S. dollars, as follows:

|                                    | <b>In millions of reais</b> |                |   |                |
|------------------------------------|-----------------------------|----------------|---|----------------|
|                                    | <b>Parent Company</b>       |                | <b>Subsidiaries and<br/>Affiliated Companies<br/>(* )</b> |                |
|                                    | <b>2004</b>                 | <b>2003</b>    | <b>2004</b>   | <b>2003</b>    |
| <b>Assets</b>                      |                             |                |   |                |
| <b>Current</b>                     |                             |                |   |                |
| Cash and cash equivalents          |                             | 264            | 458   | 298            |
| Others                             | 2,240                       | 1,731          | 1,130   | 1,143          |
|                                    | <b>2,240</b>                | <b>1,995</b>   | <b>1,588</b>  | <b>1,441</b>   |
| <b>Long-term receivables</b>       | <b>398</b>                  | <b>531</b>     | <b>73</b>   | <b>49</b>      |
| <b>Investments</b>                 | <b>4,997</b>                | <b>2,854</b>   |   | <b>16</b>      |
| <b>Total</b>                       | <b>7,635</b>                | <b>5,380</b>   | <b>1,661</b>  | <b>1,506</b>   |
| <b>Liabilities</b>                 |                             |                |   |                |
| <b>Current</b>                     |                             |                |   |                |
| Short-term loans and financing     | 650                         | 1,985          | 869   | 1,358          |
| Others                             | 2,220                       | 1,288          | 329   | 494            |
|                                    | <b>2,870</b>                | <b>3,273</b>   | <b>1,198</b>  | <b>1,852</b>   |
| <b>Long-term liabilities</b>       |                             |                |   |                |
| Loans and financing                | 2,871                       | 2,728          | 1,169   | 1,683          |
| Others                             | 3,689                       | 4,118          | 324   | 428            |
|                                    | <b>6,560</b>                | <b>6,846</b>   | <b>1,493</b>  | <b>2,111</b>   |
| <b>Total</b>                       | <b>9,430</b>                | <b>10,119</b>  | <b>2,691</b>  | <b>3,963</b>   |
| <b>Assets - Liabilities - R\$</b>  | <b>(1,795)</b>              | <b>(4,739)</b> | <b>(1,030)</b>  | <b>(2,457)</b> |
| <b>Assets - Liabilities - US\$</b> | <b>(676)</b>                | <b>(1,640)</b> | <b>(388)</b>  | <b>(850)</b>   |

(\*) Proportional to the percentage of participation

**10.26- Administrative and Other Operating Expenses**

|                       | <b>Quarter</b> |              |              | <b>Parent Company<br/>Accumulated</b> |             | <b>Consolidated<br/>Accumulated<br/>2003<br/>Proforma</b> |             |
|-----------------------|----------------|--------------|--------------|---------------------------------------|-------------|---|-------------|
|                       | <b>4Q/04</b>   | <b>3Q/04</b> | <b>4Q/03</b> | <b>2004</b>                           | <b>2003</b> | <b>2004</b>   | <b>2003</b> |
| <b>Administrative</b> |                |              |              |                                       |             |   |             |

|                           |            |            |            |            |            |              |            |
|---------------------------|------------|------------|------------|------------|------------|--------------|------------|
| Personnel                 | 59         | 52         | 61         | 202        | 164        | 434          | 349        |
| Technical consulting      | 37         | 18         | 33         | 104        | 109        | 229          | 166        |
| Advertising and publicity | 28         | 13         | 7          | 61         | 33         | 68           | 38         |
| Depreciation              | 8          | 9          | 9          | 39         | 35         | 116          | 101        |
| Travel expenses           | 9          | 5          | 4          | 25         | 19         | 39           | 29         |
| Rents and taxes           | 17         | 7          | 10         | 31         | 28         | 86           | 63         |
| Others (*)                | 11         | 19         |            | 69         | 18         | 153          | 76         |
|                           | <b>169</b> | <b>123</b> | <b>124</b> | <b>531</b> | <b>406</b> | <b>1,125</b> | <b>822</b> |

(\*) Refers basically to maintenance expenses.

|                                       | Quarter    |            |           | Parent Company<br>Accumulated |            | Consolidated<br>Accumulated<br>2003<br>Proforma |            |
|---------------------------------------|------------|------------|-----------|-------------------------------|------------|---|------------|
|                                       | 4Q/04      | 3Q/04      | 4Q/03     | 2004                          | 2003       | 2004  |            |
| <b>Other operating expenses</b>       |            |            |           |                               |            |   |            |
| Provisions for contingencies          | 27         | 84         | 27        | 166                           | 129        | 277   | 239        |
| Provision for loss on ICMS<br>credits | 26         | 64         |           | 90                            | 84         | 130   | 179        |
| Provision for profit sharing          | 36         | 50         | 24        | 176                           | 96         | 196   | 134        |
| Operating expenses -<br>UPSL/copper   |            | 24         |           | 24                            | 36         | 24  | 36         |
| Donation                              | 6          | 6          | 9         | 27                            | 19         | 34  | 19         |
| Provision for loss on assets          | 51         |            |           | 51                            |            | 51  | 29         |
| Others                                | (8)        | 9          | 14        | 14                            | (44)       | 243   | 119        |
|                                       | <b>138</b> | <b>237</b> | <b>74</b> | <b>548</b>                    | <b>320</b> | <b>955</b>                                      | <b>755</b> |

**10.27- Concessions and Leases****(a) Railroads**

The Company and some of its group companies entered into agreements with the Brazilian government, through the Ministry of Transport, for concession, exploitation and development of public rail cargo transport services and for lease of the assets destined for rendering these services.

The concessions periods are, by railroad:

| <b>Railroad</b>                       | <b>End of concession period</b> |
|---------------------------------------|---------------------------------|
| Vitória-Minas (direct) (*)            | June 2027                       |
| Carajás (direct) (*)                  | June 2027                       |
| Malha Centro-Leste (indirect via FCA) | August 2026                     |
| Malha Sudoeste (indirect via MRS)     | December 2026                   |

(\*) Concessions with no disbursement

The concessions will expire upon one of the following events: termination of the contractual term, cancellation, forfeiture, rescission, annulment and bankruptcy or extinction of the concessionaire.

Concessions and leaseings from controlled companies are accounting treated as operating leasing and present the following characteristics:

|                              | <b>FCA</b>          | <b>MRS</b>          |
|------------------------------|---------------------|---------------------|
| 1) Total installments        | 112                 | 87                  |
| 2) Frequency of payment      | Quarterly<br>IGP-DI | Quarterly<br>IGP-DI |
| 3) Update index              | FGV                 | FGV                 |
| 4) Total installment payed   | 26                  | 30                  |
| 5) Installment current value |                     |                     |
| Concessions                  | R\$1                | R\$2                |
| Leasing                      | R\$22               | R\$40               |

**(b) Ports**

The Company owns specialized port terminals as listed below:

| <b>Terminal (*)</b>       | <b>Localization</b> | <b>End of concession period</b> |
|---------------------------|---------------------|---------------------------------|
| Tubarão Terminal          | Vitória - ES        | 2020                            |
| Praia Mole Terminal       | Vitória - ES        | 2020                            |
| Various Products Terminal | Vitória - ES        | 2020                            |
| Vila Velha Terminal       | Vila Velha - ES     | 2023                            |
| Paul Quay                 | Vila Velha - ES     | 2005                            |

|                                    |          |              |      |
|------------------------------------|----------|--------------|------|
| Liquid Bulk Terminal               |          | Vitória - ES | 2020 |
|                                    |          | São Luís -   |      |
| Ponta da Madeira Maritime Terminal | Pier I   | MA           | 2018 |
|                                    |          | São Luís -   |      |
| Ponta da Madeira Maritime Terminal | Pier II  | MA           | 2010 |
|                                    |          | São Luís -   |      |
| Ponta da Madeira Maritime Terminal | Pier III | MA           | 2018 |
| Inácio Barbosa Maritime Terminal   |          | Aracaju - SE | 2012 |

(\*) Concessions with no disbursement

### (b) Hydroelectric Projects

Currently, the Company acts as an agent in the Brazilian energy market and at the same time it is developing projects for electricity generation and improving its ability to operate competitively in this market. The projects in which the Company has investments are:

| <b>Project</b>  | <b>Start-up of operations</b> | <b>% Participation</b> |
|-----------------|-------------------------------|------------------------|
| Igarapava       | In operation                  | 38.15                  |
| Porto Estrela   | In operation                  | 33.33                  |
| Funil           | In operation                  | 51.00                  |
| Candongá        | In operation                  | 50.00                  |
| Aimorés         | July 2005                     | 51.00                  |
| Capim Branco I  | 2006                          | 48.42                  |
| Capim Branco II | 2006                          | 48.42                  |
| Foz do Chapecó  |                               | 40.00                  |
| Estreito        |                               | 30.00                  |
|                 |                               | 50                     |

**10.28- Effects on the Statements if Price-Level Restatement were Applied (unaudited)**

The main difference between the financial statements prepared according to statutory accounting practices and those according to the price-level restatement method is due to the recognition, in the latter, of the net monetary restatement of permanent assets and stockholders' equity.

The Balance Sheet and the Statement of Income by monetary restatement, at December 31, 2004 price levels (indexed by the IGP-M of Fundação Getúlio Vargas) is as follows:

**BALANCE SHEET****Years ended December 31**

|   | <b>Parent Company</b> |               | <b>Consolidated<br/>2003</b> |                 |
|---|-----------------------|---------------|------------------------------|-----------------|
|   | <b>2004</b>           | <b>2003</b>   | <b>2004</b>                  | <b>Proforma</b> |
| <b>Assets</b>                               |                       |               |                              |                 |
| Current assets                              | 4,727                 | 4,506         | 11,703                       | 9,625           |
| Long-term receivables                       | 1,864                 | 2,926         | 3,184                        | 4,301           |
| Permanent assets                            |                       |               |                              |                 |
| Investments                                 | 29,160                | 24,044        | 7,068                        | 7,536           |
| Property, plant and equipment               | 22,579                | 22,579        | 43,404                       | 39,495          |
| Deferred charges                            |                       |               | 1,447                        | 831             |
|   | <b>51,739</b>         | <b>46,623</b> | <b>51,919</b>                | <b>47,862</b>   |
|   | <b>58,330</b>         | <b>54,055</b> | <b>66,806</b>                | <b>61,788</b>   |
| <b>Liabilities and stockholders' equity</b> |                       |               |                              |                 |
| Current liabilities                         | 6,793                 | 5,898         | 9,099                        | 8,521           |
| Long-term liabilities                       | 11,957                | 13,049        | 16,086                       | 16,862          |
| Deferred income                             |                       |               | 10                           | 176             |
| Minority interests                          |                       |               | 2,031                        | 1,121           |
| Stockholders' equity                        |                       |               |                              |                 |
| Paid-up capital                             | 7,413                 | 7,413         | 7,413                        | 7,413           |
| Revenue reserves                            | 32,167                | 27,695        | 32,167                       | 27,695          |
|   | <b>39,580</b>         | <b>35,108</b> | <b>39,580</b>                | <b>35,108</b>   |
|   | <b>58,330</b>         | <b>54,055</b> | <b>66,806</b>                | <b>61,788</b>   |

**STATEMENT OF INCOME****Years ended December 31**

|  | <b>Parent Company</b> | <b>Consolidated<br/>2003</b> |
|--|-----------------------|------------------------------|
|--|-----------------------|------------------------------|

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|  | <b>2004</b>  | <b>2003</b>  | <b>2004</b>   | <b>Proforma</b> |
|--|--------------|--------------|---------------|-----------------|
| Operating revenues   | 14,714       | 12,394       | 30,988        | 24,978          |
| Value Added taxes  | (743)        | (423)        | (1,576)       | (931)           |
| Net operating revenues   | 13,971       | 11,971       | 29,412        | 24,047          |
| Cost of products and services  | (7,630)      | (6,403)      | (15,081)      | (13,543)        |
| <b>Gross profit</b>  | <b>6,341</b> | <b>5,568</b> | <b>14,331</b> | <b>10,504</b>   |
| Gross margin   | 45.4%        | 46.5%        | 48.7%         | 43.7%           |
| Operating expenses, net  | (1,642)      | (55)         | (4,349)       | (1,526)         |
| <b>Operating profit before financial results and results of equity investments</b> | <b>4,699</b> | <b>5,513</b> | <b>9,982</b>  | <b>8,978</b>    |
| Results of equity investments  | 3,880        | 1,602        | 167           | (645)           |
| <b>Operating profit</b>  | <b>8,579</b> | <b>7,115</b> | <b>10,149</b> | <b>8,333</b>    |
| <b>Results on sale of assets</b>   | <b>363</b>   |              | <b>588</b>    | <b>99</b>       |
| <b>Income before income tax and social contribution</b>                            | <b>8,942</b> | <b>7,115</b> | <b>10,737</b> | <b>8,432</b>    |
| Income tax and social contribution   | (1,458)      | (969)        | (2,460)       | (1,673)         |
| <b>Income before minority interest</b>   | <b>7,484</b> | <b>6,146</b> | <b>8,277</b>  | <b>6,759</b>    |
| Minority interest  |              |              | (793)         | (613)           |
| <b>Net income for the year - R\$</b>   | <b>7,484</b> | <b>6,146</b> | <b>7,484</b>  | <b>6,146</b>    |
| <b>Net income for the year - US\$</b>  | <b>2,819</b> | <b>2,315</b> |               |                 |



## **10.29- Insurance**

### **Operational Risks**

CVRD has an extensive risk management program that provides coverage and protection for all its assets as well as against possible losses from production interruptions, through an all risks policy. This program includes on-site inspection and training carried out by the various risk committees constituted by the Company, its subsidiaries and associated companies. The Company tries to harmonize risks in all areas and provide single and uniform treatment, and also seeking coverage in the domestic and international markets at levels compatible with an enterprise the size of CVRD. Besides damage to assets and lost production, there is coverage against personal injury, third-party liability, environmental damages and damages to freight carried by the Company.

### **Insurance**

In order to provide the best instruments for more efficient risk management and to seek alternatives due to the crisis in the international insurance market, CVRD in 2004 established a captive reinsurer. This entity was created for the purpose of improving risk management and to provide a more efficient instrument for negotiation and market penetration, serving exclusively to underwrite the risks of the companies of the Group, in Brazil and abroad. Besides this, intensified action by the risk committees is being undertaken to improve the operation and maintenance of the Company's equipment and installations.

## **10.30- Profit Sharing Plan**

The employee profit sharing plan is linked to the results as measured by indicators such as operational cash flow and by the meeting of performance targets for each unit.

In 2004, the Company set aside R\$ 176 (R\$ 96 in 2003) for profit sharing (Note 10.26).

## Part III

## 11- Attachment I - Statement of Investments in Subsidiaries and Jointly-Controlled Companies

Year ended December 31, 2004

In million of reais  
Accounting information

|  | Participation (%) |        | Assets  |            |           |         | Liabilities |        |          |          | Statement of income           |                  |                            |                                    |                            |
|--|-------------------|--------|---------|------------|-----------|---------|-------------|--------|----------|----------|-------------------------------|------------------|----------------------------|------------------------------------|----------------------------|
|  | Total             | Voting | Current | Intangible | Permanent | Current | Long term   | Equity | Revenues | Services | Cost of products and services | Operating income | Non-operating contribution | Income tax and social contribution | Adjusted net income (loss) |
| <b>Subsidiaries (a)</b>                    |                   |        |         |            |           |         |             |        |          |          |                               |                  |                            |                                    |                            |
| Amazon Iron Ore Overseas Co. Ltd.          | 100.00            | 100.00 | 173     | 8          | 1,933     |         | 1,157       | 957    |          |          | 368                           |                  |                            |                                    | 368                        |
| ALBRAS - Alumínio Brasileiro S.A.          | 51.00             | 51.00  | 569     | 581        | 1,078     | 638     | 514         | 1,076  | 2,066    | (1,277)  | (304)                         | (5)              | (37)                       | 443                                |                            |
| ALUNORTE - Alumina do Norte do Brasil S.A. | 57.03             | 61.74  | 460     | 209        | 2,333     | 325     | 1,040       | 1,637  | 1,595    | (957)    | (177)                         |                  | (34)                       | 422                                |                            |
| Brasilux S.A.                              | 100.00            | 100.00 | 11      | 45         | 1         | 31      |             | 26     | 29       | (28)     |                               |                  |                            | 1                                  |                            |
| Caemi Mineração e Metalurgia S.A.(b)       | 60.23             | 100.00 | 1,413   | 170        | 1,754     | 1,287   | 750         | 1,300  | 2,902    | (1,362)  | (469)                         | (112)            | (352)                      | 607                                |                            |
| Companhia Portuária Baía de Iguape S.A.    | 100.00            | 100.00 | 113     | 6          | 148       | 44      |             | 223    | 144      | (50)     | 2                             |                  | (33)                       | 63                                 |                            |
| VRD Overseas Ltd.                          | 100.00            | 100.00 | 1,193   | 1,130      |           | 519     | 1,183       | 621    | 2,117    | (1,804)  | (79)                          |                  |                            | 234                                |                            |
| Coepar S.A.                                | 100.00            | 100.00 | 13      | 157        |           | 14      | 117         | 39     |          |          | (3)                           | 21               | (5)                        | 13                                 |                            |
| Ferrovias Centro - Atlântica S.A.          | 99.99             | 100.00 | 180     | 184        | 908       | 249     | 984         | 39     | 553      | (572)    | (76)                          |                  |                            | (92)                               |                            |
| Interco S.A.                               | 100.00            | 100.00 | 3       | 55         |           | 4       |             | 54     | 1        |          | (6)                           |                  |                            | (5)                                |                            |
| Florestas Rio Doce S.A.                    | 100.00            | 100.00 | 63      | 57         | 4         | 27      | 19          | 78     |          |          | 12                            |                  | (10)                       | 2                                  |                            |
| Tabira Rio Doce Company Limited - SACO     | 100.00            | 100.00 | 2,441   | 2,855      | 3,275     | 2,968   | 2,775       | 2,828  | 9,474    | (8,373)  | 400                           |                  |                            | 1,501                              |                            |
| Mineração Tacumã S.A.                      | 100.00            | 100.00 | 1       | 533        | 39        | 17      |             | 556    |          |          | (92)                          |                  |                            | (92)                               |                            |
| Navegação Vale do Rio Doce S.A. - OCENAVE  | 100.00            | 100.00 | 407     | 114        | 10        | 177     | 112         | 242    | 475      | (344)    | (24)                          |                  | (15)                       | 92                                 |                            |
| Pará Pigmentos S.A.                        | 49.41             | 51.54  | 72      | 1          | 234       | 160     | 26          | 121    | 187      | (114)    | (40)                          |                  | (2)                        | 33                                 |                            |
|  | 100.00            | 100.00 | 76      | 21         | 762       | 86      | 12          | 763    | 5        | (5)      | 156                           |                  | (10)                       | 140                                |                            |

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Rio Doce América  
Inc.

Rio Doce Limited

Rio Doce  
International

Finance Ltd.

Rio Doce  
Manganèse Europe

RDME

Rio Doce  
Manganese

Norway AS

Rio Doce  
Manganês S.A.

Alcoba Metais S.A.

VV - Terminal de  
Cila Velha S.A.

Mineracão  
S.A.

Overseas Ltd.

Others

**Jointly-controlled  
Companies (a)**

California Steel  
Industries, Inc.

Companhia  
Soreano-Brasileira

de Pelotização -  
SOBRASCO

Companhia  
Hispano-Brasileira

de Pelotização -  
HISPANOBRÁS

Companhia  
Sul-Brasileira de

Pelotização -  
SABRASCO

Companhia  
Sul-Brasileira de

Pelotização -  
SIBRASCO

Gulf Industrial  
Investment

Co.-GIIC

Minas da Serra  
Metal S.A. - MSG

Mineração Rio do  
Grande S.A.

RS Logística  
S.A.

|        |        |       |       |       |     |       |       |       |         |       |      |       |      |
|--------|--------|-------|-------|-------|-----|-------|-------|-------|---------|-------|------|-------|------|
| 100.00 | 100.00 | 208   | 407   | 411   | 271 | 30    | 725   | 507   | (496)   | 157   |      | (21)  | 147  |
| 100.00 | 100.00 | 2,810 | 1,800 | 8     | 493 | 590   | 3,535 | 57    | (47)    | (28)  | 548  |       | 530  |
| 100.00 | 100.00 | 350   |       | 102   | 162 | 10    | 280   | 763   | (602)   | (54)  |      | (15)  | 92   |
| 100.00 | 100.00 | 179   | 17    | 74    | 78  | 71    | 121   | 335   | (152)   | (78)  |      | (33)  | 72   |
| 100.00 | 100.00 | 893   | 353   | 285   | 523 | 141   | 867   | 1,150 | (526)   | (170) | (7)  | (124) | 323  |
| 100.00 | 100.00 |       |       | 827   | 1   | 593   | 233   |       |         |       |      |       |      |
| 99.89  | 99.89  | 34    | 5     | 54    | 18  | 4     | 71    | 90    | (67)    | (1)   |      | (6)   | 16   |
| 100.00 | 100.00 | 50    | 12    | 50    | 26  | 40    | 46    | 125   | (56)    | (40)  | (3)  | (11)  | 15   |
| 100.00 | 100.00 | 37    | 2,460 |       | 37  | 2,460 |       |       |         |       |      |       |      |
| 50.00  | 50.00  | 993   | 7     | 628   | 252 | 554   | 822   | 3,661 | (2,963) | (150) | (34) | (224) | 290  |
| 50.00  | 50.00  | 82    | 80    | 213   | 297 | 11    | 67    | 481   | (401)   | 15    |      | (34)  | 63   |
| 50.89  | 51.00  | 164   | 40    | 58    | 118 | 29    | 115   | 443   | (365)   | (23)  | 16   | (27)  | 44   |
| 50.90  | 51.00  | 118   | 71    | 57    | 92  | 65    | 89    | 409   | (354)   | (23)  | 13   | (18)  | 27   |
| 51.00  | 51.11  | 201   | 54    | 108   | 172 | 30    | 161   | 792   | (690)   | 16    |      | (42)  | 70   |
| 50.00  | 50.00  | 277   |       | 99    | 91  | 45    | 240   | 614   | (500)   | (31)  |      |       | 83   |
| 50.00  | 50.00  | 14    | 8     | 103   | 2   | 29    | 94    | 1     |         | (15)  |      | (2)   | (16) |
| 40.00  | 40.00  | 166   | 409   | 1,031 | 519 | 217   | 870   | 975   | (417)   | (18)  | (10) | (54)  | 470  |
| 29.35  | 28.75  | 581   | 312   | 847   | 774 | 552   | 414   | 1,396 | (755)   | (281) | (7)  | (106) | 247  |

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|                   |       |        |     |    |     |     |     |     |       |       |       |       |    |
|-------------------|-------|--------|-----|----|-----|-----|-----|-----|-------|-------|-------|-------|----|
| amarco            |       |        |     |    |     |     |     |     |       |       |       |       |    |
| Mineração S.A.    | 50.00 | 50.00  | 479 | 94 | 948 | 715 | 237 | 569 | 1,681 | (709) | (164) | (108) | 70 |
| Alusul Alumínio   |       |        |     |    |     |     |     |     |       |       |       |       |    |
| S.A.              | 54.51 | 54.51  | 233 | 72 | 134 | 73  | 93  | 273 | 541   | (430) | (10)  | (25)  | 7  |
| Caovale Mineração | 50.00 | 100.00 | 36  |    | 58  | 2   |     | 92  | 27    | (6)   |       | (3)   | 18 |
| Novo Era Silicon  |       |        |     |    |     |     |     |     |       |       |       |       |    |
| S.A.              | 49.00 | 49.00  | 26  | 8  | 44  | 16  | 30  | 32  | 114   | (82)  | (19)  | (4)   | 9  |

- (a) The amounts above correspond to totals presented in the financial statements of these companies on December 31, 2004 and not only to the portion included in the consolidated statements of CVRD;
- (b) The financial statements of Caemi are consolidated and include R\$ 288 of minority interests.

Additional information of the main investees companies available on the CVRD website, [www.cvr.com.br](http://www.cvr.com.br), investors relations.

## 12- Report of the Independent Accountants

(A free translation of the original opinion in Portuguese expressed on Financial Statements prepared in accordance with the accounting principles prescribed by Brazilian Corporate Law)

To the Board of Directors and Stockholders of  
Companhia Vale do Rio Doce  
Rio de Janeiro RJ

1. We have audited the accompanying balance sheet of Companhia Vale do Rio Doce, holding company and consolidated, as of December 31, 2004, and the related statements of income, changes in stockholders' equity, and changes in financial position for the year then ended, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The audits of the financial statements for the year ended December 31, 2004 of certain subsidiaries, jointly-owned and associated companies, mentioned in note 10.12, accounted for by the equity method, were carried out by other independent auditors and our opinion, in regard to these investments and the earnings therefrom, in the amounts of R\$6,749 million and R\$2,231 million, respectively, is based solely on the reports of these other auditors.
2. Our audit was conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit, considering the materiality of the amounts presented, the volume of transactions and the Company's accounting and internal control systems; (b) examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements; and (c) the evaluation of the accounting practices followed and significant estimates made by management, as well as the presentation of the financial statements taken as whole.
3. In our opinion, based on our audit and on the reports of the other auditors, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of Companhia Vale do Rio Doce, holding company and consolidated, as of December 31, 2004, the results of its operations, the changes in its stockholders' equity, and the changes in its financial position for the year then ended, in conformity with accounting practices adopted in Brazil.
4. Our audit was conducted for the purpose of forming an opinion on the basic financial statements referred to in the paragraph 1, taken as a whole. The statements of cash flows (holding company and consolidated), of value added (holding company and consolidated), of labor and social indicators (holding company) and segmentation of business (consolidated), are presented for purposes of additional information and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures described in paragraph 2 and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.
5. The financial statements and the supplemental information for the year ended December 31, 2003, presented for comparison purposes, were audited by other independent auditors, whose report, dated February 20, 2004, included an unqualified opinion and a division of responsibility regarding the audits, by other independent auditors, of the financial statements of certain subsidiaries, jointly-owned and associated companies.

Rio de Janeiro, March 21, 2005

DELOITTE TOUCHE TOHMATSU  
Independent Auditors

Marcelo Cavalcanti Almeida  
Accountant



**13- Opinion of the Fiscal Council on the Annual Report and Financial Statements at December 31, 2004**

The Fiscal Council of Companhia Vale do Rio Doce, in carrying out its legal and statutory duties, after examining the Company's Annual Report, Balance Sheet, Statement of Income, Statement of Changes in Stockholders' Equity, Statement of Changes in Financial Position and the respective Notes to the Financial Statements relative to the fiscal year ended December 31, 2004, and based on the opinion of the independent accountants, is of the opinion that the mentioned information, examined in light of applicable corporate legislation, which does not require information to be stated in currency of constant purchasing power, should be approved by the Annual Stockholders' General Meeting.

March 21<sup>st</sup>, 2005

Joaquim Vieira Ferreira Levy

Marcelo Amaral Moraes

Oswaldo Mário Pêgo de Amorim Azevedo

Pedro Carlos de Mello

**14- Opinion of the Board of Directors on the Annual Report and Financial Statements at December 31, 2004**

The Board of Directors of Companhia Vale do Rio Doce, having examined the Annual Report, Balance Sheet and other Financial Statements of the Company relative to the fiscal year ended December 31, 2004, unanimously approved said proposal.

In view of this, the Board is of the opinion that the mentioned documents should be approved by the Annual Stockholders General Meeting.

March 21<sup>st</sup>, 2005

Sérgio Ricardo Silva Rosa  
Chairman

Mário da Silveira Teixeira Júnior  
Vice-Chairman

Arlindo Magno de Oliveira  
Member

Cláudio Bernardo Guimarães de Moraes  
Member

Erik Person  
Member

Francisco Valadares Póvoa  
Member

Katsuto Momii  
Member

Oscar Augusto de Camargo Filho  
Member

Renato da Cruz Gomes  
Member

Ricardo Carvalho Giambroni  
Member

Jacques Wagner  
Member



**15- Board of Directors, Fiscal Council, Advisory Committees and Executive Officers**

**Board of Directors**

Sérgio Ricardo Silva Rosa  
Chairman

Arlindo Magno de Oliveira

Cláudio Bernardo Guimarães de Moraes

Erik Persson

Francisco Valadares Póvoa

Jaques Wagner

Katsuto Momii

Mário da Silveira Teixeira Júnior

Oscar Augusto de Camargo Filho

Renato da Cruz Gomes

Ricardo Carvalho Giambroni

**Advisory Committees of the Board of Directors**

**Audit Committee**

Antonio José de Figueiredo Ferreira  
Heitor Ribeiro Filho  
Inácio Clemente da Silva  
Paulo Roberto Ferreira de Medeiros

**Executive Development Committee**

Arlindo Magno de Oliveira  
Francisco Valadares Póvoa  
João Moisés de Oliveira  
Olga Loffredi  
Oscar Augusto de Camargo Filho

**Strategic Committee**

Roger Agnelli  
Gabriel Stoliar  
César Manoel de Medeiros  
José Roberto Mendonça de Barros  
Samir Zraick

**Finance Committee**

Roger Agnelli  
Fábio de Oliveira Barbosa  
Rômulo de Mello Dias  
Wanderlei Viçoso Fagundes  
Wanderley Rezende de Souza

**Governance and Ethics Committee**

Renato da Cruz Gomes  
Ricardo Simonsen  
Ricardo Carvalho Giambroni

**Fiscal Council**

Pedro Carlos de Mello  
  
Marcelo Amaral Moraes  
  
Joaquim Vieira Ferreira Levy  
  
Oswaldo Mário Pêgo de Amorim azevedo

**Executive Officers**

Roger Agnelli  
**Chief Executive Officer**

José Carlos Martins  
**Executive Officer for Equity Holdings and Business Development**

Armando de Oliveira Santos Neto  
**Executive Officer for Ferrous Minerals**

Carla Grasso  
**Executive Officer for Human Resources and Corporate Services**

José Lancaster  
**Executive Officer for Non-Ferrous Minerals**

Fábio de Oliveira Barbosa  
**Chief Financial Officer**

Gabriel Stoliar  
**Executive Officer for Planning**

Guilherme Rodolfo Laager  
**Executive Officer for Logistics**

Marcus Vinícius Dias Severini  
Chief Accountant

Otto de Souza Marques Junior  
Chief Officer of Control Department



**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.

COMPANHIA VALE DO RIO DOCE  
(Registrant)

Date: March 24, 2005

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