VALLEY OF THE RIO DOCE CO
Form 6-K
November 12, 2004

United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 6-K

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

For the month of

November 2004

Valley of the Rio Doce Company

(Translation of Registrant s name into English)

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

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

(Check One) Form 20-F [X] 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 [X]

(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 [X]

(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 [X]

(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

US GAAP

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

THE PERFORMANCE OF COMPANHIA VALE

DO RIO DOCE IN THE THIRD QUARTER 2004

Except where otherwise indicated, the operating and financial information contained in this press release is presented based on the consolidated figures in accordance with accounting principles generally accepted in the United States of America (US GAAP). Except for the information on investments and market behavior, this information is based on quarterly financial statements reviewed by independent auditors. The principal subsidiaries of CVRD that are consolidated are: Caemi, PPSA, Alunorte, Albras, RDM, RDME, RDMN, Urucum Mineração, Docenave, Ferrovia Centro-Atlântica (FCA), Itaco, CVRD Overseas and Rio Doce International Finance.

www.cvrd.com.br
rio@cvrd.com.br

Investor Relations Departament

Roberto Castello Branco
Rafael Campos
Barbara Geluda
Daniela Tinoco
Eduardo Mello Franco
Rafael Azevedo
Tel: (5521) 3814-4540

PROFITABLE GROWTH AND NEW RECORDS

Rio de Janeiro, November 10, 2004 Companhia Vale do Rio Doce (CVRD) achieved a new record-high net earnings of US$943 million, US$0.82 per share, for the third quarter of 2004 (3Q04). This was 101.5% higher than the net earnings of US$468 million reported in third quarter 2003 (3Q03), and 87.1% more than the 2Q04 net earnings of US$504 million.

Net earnings in the first nine months of 2004 were US$1.852 billion compared with US$1.278 billion in the first nine months of 2003 (9M03).

ROE (return on equity), based on rolling last-12-months (LTM) earnings, was 32.7%, compared with 39.8% in 3Q03, and 31.8% in 2Q04.

Operating earnings adjusted EBIT[1] of US$886 million, were also a record, 76.9% more than in 3Q03 (US$501 million), and 6.5% higher than in 2Q04 (US$832 million). The adjusted EBIT margin of 40.8% was the second highest in the company s history, the highest-ever being the 43.3% of 2Q04, and was 580 basis points (bp) higher than the operating margin of 35.0% for 3Q04.

Cash flow, measured as adjusted EBITDA(2), reached a quarterly record of US$1.007 billion, 59.8% higher than a year before (3Q03), and 3.7% higher than in the previous quarter (2Q04).

Adjusted EBITDA in the first nine months of 2004 reached US$2.721 billion, compared to US$1.562 billion in the same period of 2003, which represents an increase of 74.2%.

CVRD distributed dividends of US$0.68 per share in 2004, 15.7% higher than in 2003 and 29.7% higher than in 2002.

US GAAP

Several other records were achieved in 3Q04:

Gross revenue of US$2.287 billion was 54.2% higher than in 3Q03, and 12.5% higher than in 2Q04.

Shipments of iron ore and pellets totaled 60.453 million tons, 29.7% higher than in 3Q03, and 8.3% higher than in 2Q04.

Kaolin sales reached 319 thousand tons, vis-à-vis 293 thousand tons in 2Q04.

Bauxite sales were 652 thousand tons, beating the previous record (1Q04) of 545 thousand tons.

General cargo (i.e. total cargo excluding iron ore and pellets) transported for clients on CVRD s railroads reached 7.968 billion net ton-kilometers (ntk), compared with 7.632 billion in 2Q04.

3Q04 was the first full quarter of shipments of copper concentrate produced by Sossego, the copper mine located in the Carajás Mineral Province, in the state of Pará, Brazil totaling 96 thousand tons of concentrate in the quarter, generating revenue of US$70 million.

CVRD s capital expenditures in 3Q04 totaled US$424 million, and in the first nine months of the year totaled US$1.270 billion. In the quarter, US$238.1 million was spent in growth capex on mineral exploration and projects. All these projects are on schedule and will become new platforms of value creation over the next two years.

The reduction of financial leverage and increase in interest coverage ratios, even with significant capital expenditure and dividend distribution, shows the company s financial strength.

The continued profitable growth has been made possible by the good execution of the Company s strategy, appropriate financial policy, and rigid cost control, while also being facilitated by the favorable world market for mineral products.

SELECTED FINANCIAL INDICATORS

US$ million

	3Q03	2Q04	3Q04	9M04
Gross Revenues	1,483	2,033	2,287	6,051
Gross Margin (%)	43.3	52.5	51.5	50.0
Adjusted EBIT	501	832	886	2,301
Adjusted EBIT Margin (%)	35.0	43.3	40.8	40.0
Adjusted EBITDA	630	971	1,007	2,721
Net Earnings	468	504	943	1,852
Annualized ROE (%)	39.8	31.8	32.7	32.7
Total Debt/ (LTM) Adjusted EBITDA [3] (x)	2.15	1.55	1.34	1.34
Investments	871.5	488.3	424.0	1,270.3

BUSINESS OUTLOOK

The global economy has been growing at 5% per year, the highest rate since 1976. This synchronized expansion has been accompanied by considerable pressure on the supply of mineral products and logistics infrastructure, especially due to intense consumption by China.

US GAAP

The US continues to lead the worldwide economic recovery, with GDP growth accelerating again in 3Q04, to an annual rate of 3.7%. After a brief period of slowdown, industrial production in Japan has shown signs of increased vitality in recent months. Japan s Ministry of Economy, Trade and Industry (METI) forecasts steel production of 28.9 million tons in 4Q04, and 112.8 million tons in 2004, the highest annual volume since 1974.

In contrast, recovery in the Euro zone is very moderate, and still depends on export performance.

China, in accordance with its government s objective of correcting imbalances in its economy, is showing macroeconomic performance indicators that suggest a process of soft landing.

The year-on-year rate of increase in bank credit in China is declining continuously it reached 14% at the end of August, after a peak of 23.9% at the end of August 2003. Growth in fixed assets investment is also declining after a five-year peak in January of this year; and 12-month consumer price inflation shows signs of stabilizing at around 5.2% per year. Finally, annualized GDP growth, although still high, was 9.1% to the end of 3Q04, its lowest growth rate since 1Q03.

The recent increase in interest rates, in our view, aims to influence expectations, demonstrating to economic agents that the People s Bank of China continues to have a firm determination to stabilize the economy potentially facilitating this task. We see no significant reason to change our expectations for the future performance of the Chinese economy, and demand for ores and metals as a consequence of this movement.

Brazil has been posting annualized growth rates of more than 6% since 4Q03, and, in contrast to the successive shocks that slowed its performance in 1995 2002, its economy is now benefiting from the benign global scenario. The more stable domestic environment, created by appropriate macroeconomic policies, is creating the foundations to make the recovery sustainable.

The global economy is undergoing a new oil shock, apparently accompanied by a change in long-term equilibrium oil prices. Any correction of this situation will require efforts for conservation, and the development of alternative energy sources significant results not being expected from either in the short term. We do, however, expect the impact on global growth and inflation to be very limited in comparison with the effects of similar shocks in the past. The credibility that the world s principal central banks have won for combating inflation removes the stimulus to pass-through cost increases to prices, and makes the use of tight monetary policies which could otherwise produce recessionary effects in the short term unnecessary.

As with all economic cycles, the current expansion of the world economy, after a strong acceleration, is now entering a consolidation phase. Leading indicators of economic activity suggest growth rates should be lower in the future, but high enough to maintain the pressure on demand for ores and metals.

Significant growth in world steel production continues: 8.3% year-on-year in the first nine months of 2003, and 9.2% year-on-year in 3Q04.

China s steel production in the first nine months of 2004, according to the International Iron and Steel Institute (IISI), was 191.6 million tons, 20% higher than in 9M03.

US GAAP

In the same nine-month period, China s iron ore imports reached 151 million tons, a year-on-year increase of 40.4 million tons or 36.5% and 2.8 million tons more than in the whole of 2003.

There are no signs of a reduction in global demand; on the contrary, pressure on existing production capacity is stronger than last year. The market for fines, lumps and pellets continues to be firm, with strong demand in Asia, Europe and South America.

Simultaneously, with the continuing imbalance between global supply and demand for alumina, spot prices have again reached US$400 per ton FOB. The strong demand from China which imported 4.43 million tons in the first nine months of this year and problems on the supply side have increased relative scarcity. We expect this deficit to continue in 2005, helping to maintain a firm price level for producers.

IMPORTANT RECENT EVENTS

Among several important recent developments are (i) a forward split of our stock, and (ii) regularization of the situation of our Shareholder Debentures held by ADR holders.

Also important were (iii) signing of long-term contracts for the supply of iron ore and manganese ferro-alloys, and (iv) in terms of asset management, the startup of the Candonga hydroelectric power plant, and the sale of our stake in PPSA. Finally, (v) a cooperation agreement was signed with JBIC.

Stock split and shareholder debentures

The Extraordinary General Shareholders Meeting held on August 18 approved a three-for-one forward split of the company s shares, to reposition the stock price after a substantial rise and facilitate transactions by retail investors. The company now has 1,165,677,168 shares, of which 749,949,429 are common shares and 415,727,739 are preferred shares.

The Central Bank of Brazil issued an authorization for investors who held shares in the company through ADRs on April 18, 1997 to regularize the registry of their Shareholder Debentures, issued by CVRD in 1997. This enables these investors who held CVRD s ADRs prior to privatization to benefit freely from these assets i.e., allowing these investors proper use of their rights.

Long-term contracts

In this quarter, CVRD signed three new long-term contracts for supply of iron ore:

(1) Shougang Group of China 11.3 million tons of iron ore over 2004 2012.

(2) JFE Steel Corporation of Japan 70 million tons of iron ore over 2005 2014.

(3) Sumitomo Metals of Japan 20 million tons of iron ore over 2005 2014.

In the last 12 months CVRD has signed contracts with clients for supply of a total of 555 million tons of iron ore and pellets over periods of up to 10 years. This helps establish a good degree of predictability for the future performance of the company s sales, facilitating planning of expansion of production capacity.

The company also signed a contract for sale of manganese ferro-alloys to Corus, totaling annual supply of 30,000 tons over three years.

4

US GAAP

This contract represents a change in the paradigm of the commercial relationship in the global ferro-alloys market. Previously this raw material was supplied through spot market transactions. The change is very positive for suppliers and consumers, enabling the optimization of production planning.

Startup of the Candonga hydroelectric power plant

The Candonga power plant, with installed capacity of 140 MW and average output of 64.5 MW, equivalent to 565,020 MWh/year, started up commercial generation. CVRD s share of this output is the same as its 50% share in the consortium that built the plant, and is being channeled to supply its operational units in the States of Minas Gerais and Espírito Santo.

This is the fourth CVRD project to start up in 2004. The others are Pier III of the Ponta da Madeira maritime terminal, iron ore capacity expansion at Carajás to 70 million tons/year, and the Sossego copper mine.

Sale of PPSA

CVRD sold all of its interest in PPSA to its subsidiary Caemi for US$117.8 million. The shares sold were 85.6% of PPSA s voting stock and 82.0% of its total capital. The aim of the transaction was to consolidate the kaolin business in Caemi, which already operates in kaolin through Cadam. Completion of the sale is still subject to some conditions precedent.

Cooperation agreement with JBIC

The company signed a cooperation agreement with Japan Bank for International Cooperation (JBIC), to stimulate the flow of information on CVRD s projects for expansion in infrastructure and mining. In the past, JBIC has taken part in the financing of projects that have been important for the growth of the company, and is consolidating its role as a source of long-term funding for the company for this purpose.

SALES VOLUME AND REVENUE

Record gross revenue: US$2.287 billion

CVRD s gross operating revenue in 3Q04 was US$2.287 billion, a quarterly record for the company and 12.5% higher than in 2Q04.

The main factor in the US$254 million increase in revenue from 2Q04 was the expansion in unit volume, representing US$ 180 million (70.9% of the increase). The increase in prices was responsible for the remaining US$74 million.

Total revenue in the first nine months of this year reached US$6.051 billion, 57.0% higher than in 9M03 of US$3.855 billion.

Record shipments of iron ore and pellets

Sales of ferrous minerals iron ore, pellets, manganese and ferro-alloys produced revenue of US$1.579 billion in 3Q04, 69.0% of the company s total revenue. Shipments of iron ore generated US$1.093 billion, pellets US$281 million, pelletizing plant operation services at Tubarão US$12 million, manganese ore US$20 million and ferro-alloys US$169 million.

US GAAP

The total revenue from sales to Europe, CVRD s main market, was US$699 million, or 30.6% of the company s total revenue. The domestic market contributed US$621 million (27.2% of the total), China US$277 million (12.1%), Japan US$200 million (8.7%), and the rest of Asia US$87 million (3.8%).

Shipments of iron ore and pellets totaled 60.453 million tons, 29.7% more than in 3Q03 and 8.3% higher than in 2Q04. In the first nine months of the year unit volume of iron ore and pellets reached 169.2 million tons compared with 130.6 million in 9M03, representing an increase of 29.6%.

Sales of iron ore in 3Q04 were 53.606 million tons and sales of pellets were 6.847 million tons.

The company acquired 4.023 million tons of iron ore from mining companies operating in the Iron Quadrangle , in the state of Minas Gerais, to complement its own production and meet the growing demand from clients. These purchases were 11.5 million tons in the first nine months of the year, 59.2% higher than in 9M03.

The average sale price of iron ore was US$20.39 per ton and that of pellets was US$41.04 per ton.

The Chinese market, with 11.340 million tons, continues to be the main export destination for iron ore and pellets, accounting for 18.8% of CVRD s volume sold in 3Q04. In the first nine months of 2004 sales to China reached 28.4 million tons against 19.3 million in 9M03. Germany accounted for 10.3%, Japan for 9.5%, and France for 4.7%. The domestic market accounted for 23.5% of CVRD s sales.

Manganese ore sales, at 313 thousand tons in the quarter, were 31.5% higher year-on-year, and 54.2% higher than in 2Q04. The considerable expansion in manganese shipments, and the increase in average price of 38.3% year-on-year, and 17.9% from 2Q04 reflect the resumption of full production at the Azul mine in Carajás, and the strong global demand. Between January and August 2004, total Chinese manganese ore imports reached 2.9 million tons, an increase of 53.7% compared to the same period in 2003, which illustrates the strong global demand.

Sales of ferro-alloys, of 156 thousand tons, were 16.4% higher than in 3Q03 and 13.9% higher than in 2Q04. In the first nine months of the year shipments totaled 492 thousand tons, 40.6% higher year-on-year.

Revenue of US$327 million from aluminum products

The aluminum production chain bauxite, alumina and primary aluminum provided revenue of US$327 million, 13.1% higher than in 2Q04 and 14.3% of CVRD s total revenue.

Alumina sales were 508 thousand tons, 51.2% more than in 2Q04 (336 thousand tons). On the other hand, sales in the first nine months of 2004 amounted to 1.326 million tons, compared to 1.897 million tons in the same period of 2003. This reduction can be explained by the swaps, which impacted sales positively last year. In counterbalance for the higher volumes computed last year, the total volume shipped this year might be lower than what would be possible according to the production level of Alunorte, that reached 1.905 million tons in September, 2004.

Average price for alumina shipments in 3Q04 was US$255.91, up 28.3% vis-à-vis 3Q03, and 3.6% from 2Q04.

Sales of primary aluminum, at 101 thousand tons, were 15.1% lower than in 2Q04 (119 thousand tons), due to temporal differences in shipment dates. Average sale price was US$1,752.48/ton, 6.4% higher than in 2Q04.

US GAAP

First full quarter of copper shipments

This was the first full quarter of shipments from the Sossego copper mine: 96 thousand tons of copper concentrate were sold, generating revenue of US$70 million.

Good performance in industrial minerals; record kaolin sales

Potash provided sales revenue of US$35 million, 1.5% of CVRD s 3Q04 revenue, up 25.0% year-on-year, and 12.9% from the previous quarter.

The Taquari-Vassouras mine still has some operating restrictions since the capacity expansion project is in progress. As a result, there was a slight reduction in volumes sold in the quarter, from 161 thousand tons in 2Q04 to 166 thousand tons. The increase in revenue came from the increase in average price, to US$217.39 per ton in the quarter, reflecting the strong demand for the product. This is an increase of 53.7% vis-à-vis 3Q03, and 16.4% from 2Q04.

Kaolin sales produced revenue of US$41 million, 1.8% of CVRD s total and 5.1% higher than in 2Q04, with record unit sales volume of 319 thousand tons, 8.9% higher than the 293 thousand tons sold in 2Q04. Increase in kaolin sales will be possible in the future by the use of the idle capacity of PPSA.

Logistics: record in railroad transportation, productivity gains and safety improvement

CVRD s logistics services provided revenue of US$232 million in 3Q04, an increase of 45.9% from the US$159 million of 3Q03, and an increase of 5.5% from US$220 million in 2Q04. Logistic services provided 10.1% of the company s revenue in the quarter.

Rail transportation of general cargo for clients on the Carajás Railroad (EFC), the Vitória-Minas Railroad (EFVM) and the Centro-Atlântica Railroad (FCA) contributed US$164 million, port services provided US$43 million and coastal shipping and port support services US$25 million.

CVRD s railroads carried 7.968 billion ntk of general cargo for clients, 8.1% more than in 3Q03 and 4.4% higher than in 2Q04. The main cargos were steel industry raw materials and products (43.5%), farm products (35.5%) and fuels (9.8%).

In the 9M04, CVRD railroads transported 21.8 billion ntk compared to 19.9 ntk in 9M03.

Revenue per 1,000 ntk increased on the three railroads: on EFVM, from US$16.08 in 2Q04 to US$16.48 in 3Q04; on EFC, from US$13.94 to US$15.63, and on FCA from US$20.62 to US$20.80.

Both EFVM and EFC made productivity gains in locomotive operation: in ntk per HP, EFVM increased from 8.53 in 2Q04 to 9.11 in the third quarter; and EFC increased from 15.18 to 16.57. There was a small reduction in locomotive operational productivity in the FCA, from 1.33 in 2Q04 to 1.28 this quarter.

In energy efficiency, there was also progressive improvement. EFVM consumed 2.24 liters per gross ton-kilometer (gtk), and EFC consumed 1.40 liters/gtk compared with 2.28 and 1.41 liters/gtk, respectively, in 2Q04. FCA showed a slight increase, from 7.55 in 2Q04 to 7.64 in 3Q04, but this is lower than its 1Q04 result of 7.79 liters/gtk.

US GAAP

One of the most important goals of CVRD in the railroad operation has been the increase in safety. Therefore, the comparison between the number of accidents which occurred in 2000 with the annualized numbers corresponding to the recorded accidents which occured in the first ten months of 2004 shows significant improvement: there was a reduction of 22.7% at FCA, 69.1% at EFVM and of 42.1% at EFC. The number of accidents is higher at FCA, where efforts are being undertaken to obtain significant improvement in its indices.

The company s ports and port terminals handled 7.634 million tons of cargo for clients, in line with that of 2Q04.

VOLUME SOLD IRON ORE AND PELLETS

000 tons

	3Q03	2Q04	3Q04	9M04	%
Iron ore	41,143	48,357	53,606	148,788	87.9
Pellets	5,475	7,459	6,847	20,431	12.1
Total	**46,618**	**55,816**	**60,453**	**169,219**	**100.0**

VOLUME SOLD MINERALS AND METALS

000 tons

	3Q03	2Q04	3Q04	9M04
Manganese	238	203	313	679
Ferro-alloys	134	137	156	492
Alumina	747	336	508	1,326
Primary Aluminum	54	119	101	317
Bauxite	520	365	652	1,562
Potash	198	166	161	465
Kaolin	182	293	319	897
Copper (concentrated)		34	96	130

IRON ORE AND PELLET SALES BY DESTINATION

000 tons

	2Q04	3Q04	9M04	%
EU	**17,577**	**18,337**	**51,202**	**30.3**
Germany	6,199	6,204	17,490	10.3
France	3,088	2,854	8,558	5.1
Belgium	2,047	2,285	6,001	3.5
Italy	1,883	2,012	6,060	3.6

Others	4,360	4,982	13,093	7.7
China	**8,400**	**11,340**	**28,372**	**16.8**
Japan	**6,818**	**5,742**	**18,258**	**10.8**
South Korea	**1,823**	**2,813**	**7,137**	**4.2**
Middle East	**1,136**	**1,916**	**4,918**	**2.9**
USA	**1,755**	**1,333**	**4,083**	**2.4**
RoW	**4,322**	**4,791**	**13,943**	**8.2**
Brazil	**13,985**	**14,181**	**41,306**	**24.4**
Total	**55,816**	**60,453**	**169,219**	**100.0**

LOGISTICS SERVICES

	3Q03	2Q04	3Q04	9M04
Railroads (million ntk)	7,371	7,632	7,968	21,836
Ports (thousand tons)	8,703	7,614	7,634	21,644

US GAAP

AVERAGE PRICES REALIZED

US$ per ton

	3Q03	2Q04	3Q04	9M04
Iron Ore	17.04	19.50	20.39	19.24
Pellets	37.44	40.89	41.04	39.60
Manganese	46.22	54.19	63.90	58.91
Ferro Alloys	500.00	1,007.30	1,083.33	855.69
Alumina	199.46	247.02	255.91	239.82
Aluminum	1,388.89	1,647.06	1,752.48	1,668.77
Bauxite	25.00	21.92	26.07	25.61
Potash	141.41	186.75	217.39	191.40
Kaolin	137.36	133.11	128.53	132.66
Copper Concentrated		705.88	729.17	723.08
Railroads Transportation (000 NTK)	13.70	20.05	20.58	20.61

GROSS REVENUES BY PRODUCT

US$ million

	3Q03	2Q04	3Q04	9M04	%
Ferrous Minerals	**999**	**1,426**	**1,579**	**4,197**	**69.4**
Iron Ore	701	943	1,093	2,862	47.3
Pellet plant operation services	12	14	12	38	0.6
Pellets	205	305	281	809	13.4
Manganese	11	11	20	40	0.7
Ferro-alloys	67	138	169	421	7.0
Others	3	15	4	27	0.4
Logistics Services	**159**	**220**	**232**	**643**	**10.6**
Railroads	101	153	164	450	7.4
Ports	40	45	43	126	2.1
Shipping	18	22	25	67	1.1
Aluminum Chain	**243**	**289**	**327**	**896**	**14.8**
Primary Aluminum	75	196	177	529	8.7
Alumina	149	83	130	318	5.3
Bauxite	13	8	17	40	0.7
Others	6	2	3	9	0.1
Non Ferrous Minerals	**58**	**94**	**146**	**302**	**5.0**
Gold	5				
Potash	28	31	35	89	1.5
Kaolin	25	39	41	119	2.0
Copper	0	24	70	94	1.6

Others	**24**	**4**	**3**	**13**	**0.2**
Total	**1,483**	**2,033**	**2,287**	**6,051**	**100.0**

GROSS REVENUES BY DESTINATION

US$ million

	3Q03	2Q04	3Q04	9M04	%
Domestic market	**463**	**580**	**621**	**1,689**	**27.9**
External market	**1,020**	**1,453**	**1,666**	**4,362**	**72.1**
USA	53	58	118	255	4.2
Europe	415	706	699	1,927	31.8
Japan	115	197	200	568	9.4
Emerging Asian	73	87	87	271	4.5
China	190	203	277	651	10.8
Rest of the World	174	202	285	690	11.4
Total	**1,483**	**2,033**	**2,287**	**6,051**	**100.0**

US GAAP

Record operating earnings: US$886 million

3Q04 operating earnings, measured as adjusted EBIT, reached US$886 million, a new record: 6.5% higher than the previous record of US$832 million of 2Q04 and 76.8% higher than the US$501 million of 3Q03.

In the first nine months of 2004, the operating earnings reached US$2.301 billion, a growth of 83.8% vis-a-vis the US$1.252 billion reached in the first nine months of 2003.

Adjusted EBIT margin was 40.8%, 250 bp less than the record 43.3% margin of 2Q04, and 580 bp above the 35.0% of a year earlier (3Q03).

EBIT was US$54 million higher than in the prior quarter, reflecting the increase of US$253 million in net revenue, partially offset by the US$141 million increase in cost of goods sold (COGS).

Fundamentally, the increase in COGS resulted from the production expansion and the marginal impact of the *real* appreciation during the period as most of CVRD s costs are *real*-denominated. The main causes of the increase in COGS from 2Q04 to 3Q04 were: (a) increase of US$46 million on cost of outsourced services; (b) increase of US$24 million on material; (c) US$19 million increase in acquisition of other products; (d) increase of US$10 million in depreciation and exhaustion.

COGS BREAKDOWN

US$ million

	3Q03	%	2Q04	%	3Q04	%
Personnel	74	9.1	92	10.1	98	9.3
Material	104	12.7	149	16.3	173	16.4
Fuel	90	11.2	102	11.2	119	11.3
Outsourced Services	150	18.5	178	19.5	224	21.3
Acquisition of Iron Ore and Pellets	87	10.7	116	12.7	123	11.7
Acquisition of Other Products	175	21.6	83	9.1	102	9.7
Depreciation and Exhaustion	63	7.8	85	9.3	95	9.0
Electrical Energy	38	4.7	68	7.5	67	6.4
Others	31	3.8	39	4.3	52	4.9
Total	**812**	**100.0**	**912**	**100.0**	**1,053**	**100.0**

Demurrage expenses, an indicator of the disequilibrium between global iron ore supply and demand, reached US$14 million in the 3Q04, amounting to US$40 million in the first nine months of 2004, compared to US$29 million in the first nine months of last year.

Three other factors had a negative effect on operating earnings from 2Q04 to 3Q04. First, other operational expenses increased US$43 million, on provisions for tax-related contingencies. Second, research and development expenses increased US$9 million, reflecting the acceleration of the company s mineral exploration program. Third, sales, general and administrative expenses increased US$6 million accompanying the increase in production and sales.

Adjusted EBIT margin in the ferrous minerals division was 45.0%, 80 bp less than the 45.8% adjusted EBIT margin of 2Q04, and 610 bp higher than in 3Q03.

The adjusted EBIT margin of the aluminum business was 44.4%, close to the record margin of 47.5% obtained in 2Q04, which was due not only to price increases but also to operational excellence.

US GAAP

Adjusted EBIT margin in logistics services was 27.2%, 90 bp lower than the 28.1% achieved in 2Q04 and 310 bp lower than the 3Q03 adjusted EBIT margin of 30.3%.

OPERATING MARGINS BY BUSINESS AREA Adjusted EBIT MARGIN

	3Q03	2Q04	3Q04	9M04
Ferrous Minerals	38.9%	45.8%	45.0%	43.0%
Aluminum	22.1%	47.5%	44.4%	44.3%
Logistics	30.3%	28.1%	27.2%	26.7%
Total	**35.0%**	**43.3%**	**40.8%**	**40.0%**

QUARTERLY CASH FLOW SURPASSES THE ONE BILLION DOLLAR MARK

Cash flow, measured as adjusted EBITDA was US$1.007 billion, the first time in CVRD s history that its quarterly cash flow has exceeded US$1 billion. This new record is a symbol of the change in the scale of CVRD s operations and efficiency standards.

Also, this record took place in a quarter when the Brazilian currency, the Real, appreciated against the US dollar, a negative factor in the dollar-denominated value for adjusted EBITDA.

Adjusted EBITDA in the 12 months to September 30, 2004 was US$3.289 billion. 3Q04 is the tenth successive quarter in which CVRD posted growth in LTM adjusted EBITDA which was 64.5% higher than that of 3Q03.

The increase of US$36 million in adjusted EBITDA from 2Q04 to 3Q04 basically reflects: the US$54 million increase in adjusted EBIT, the US$23 million increase in depreciation, amortization and depletion, partially offset by the US$41 million reduction in dividends received.

In 3Q04 CVRD received dividends of US$19 million, from Samarco, vis-à-vis US$60 million in 2Q04.

The business areas contributed to the company s adjusted EBITDA in the quarter in the following proportions: ferrous minerals 71.7%, aluminum 15.1%, logistics 9.9% and non-ferrous minerals 3.3%.

ADJUSTED EBITDA

US$ million

	3Q03	2Q04	3Q04
Net Operating Revenues	1,432	1,920	2,173
COGS	(812)	(912)	(1,053)
S,G &A	(74)	(106)	(112)
Research and Development	(22)	(27)	(36)
Other Operating Expenses	(23)	(43)	(86)
Adjusted EBIT	**501**	**832**	**886**

Depreciation, Amortization & Exhaustion	63	79	102
Dividends Received	66	60	19
Adjustment for Non-recurring Items (asset impairment)			
Adjusted EBITDA	**630**	**971**	**1,007**

US GAAP

ADJUSTED EBITDA BY BUSINESS AREA

US$ million

	3Q03	%	2Q04	%	3Q04	%
Ferrous Minerals	453	71.9	678	69.8	722	71.7
Non- Ferrous Minerals	21	3.3	28	2.9	33	3.3
Logistics	53	8.4	99	10.2	100	9.9
Aluminum	65	10.3	164	16.9	152	15.1
Others	38	6.0	2	0.2		
Total	**630**	**100.0**	**971**	**100.0**	**1,007**	**100.0**

NET EARNINGS REACHED AN ALL-TIME HIGH: US$943 MILLION

CVRD s 3Q04 net earnings of US$943 million were 101.5% higher than in 3Q03 (US$468 million), and up 87.1% from 2Q04 (US$504 million).

3Q04 earnings were positively influenced by a US$314 million profit on the sale of the 20.11% interest in CST (4.42% of CST s voting stock and 29.96% of its non-voting stock). The sale of CVRD s remaining 7.91% stake in CST will take place until May 2005, as announced in the press release published on June 28, 2004.

Other than this capital gain, the increase in net earnings from 2Q04 to 3Q04 reflect: (a) a US$54 million increase in operating earnings; and (b) an increase of US$322 million in the result of monetary and exchange rate variation, derived from the appreciation of the Real.

On the other hand, factors reducing the 3Q04 net earnings were:

(a) US$160 million increase in income tax and social contribution;

(b) Reduction of approximately US$23 million in equity income, from US$150 million in 2Q04 to US$127 million in 3Q04.

(c) US$68 million increase in net financial expenses.

The fall in equity income is due to the reduction in the participation in CST. The contribution from the participations in steel industry decreased from US$92 million in the 2Q04 to US$50 million in 3Q04, while those of the aluminum and iron ore/pellet participations increased, respectively, from US$18 million and US$32 million in 2Q04 to US$20 million and US$50 million in 3Q04.

Losses of US$36 million were realized in 3Q04 on hedge transactions to protect against market risks (volatility of FX rates, interest rates and commodity prices). In 2Q04, hedge transactions produced a gain of US$23 million.

RESULTS FROM SHAREHOLDINGS

US$ million

	3Q03	2Q04	3Q04
Steel	26	92	50
Aluminum, Alumina and Bauxite	27	18	20
Logistics	(4)	8	8
Iron Ore and Pellets	35	32	50
Others	5		(1)
Total	**89**	**150**	**127**

US GAAP

DEBT: LEVERAGE AND COVERAGE INDICES CONTINUE TO IMPROVE

CVRD s total debt on September 30, 2004 was US$4.418 billion, US$96 million less than the US$4.514 billion outstanding as of June 30, 2004.

Short-term debt was reduced by US$43 million from the end of 2Q04, and long-term debt by US$53 million. In percentage terms short-term debt was significantly reduced from 32.0% of total debt at the end of 3Q03, to 22.2% at the end of 3Q04.

Net debt (4) fell substantially, from US$3.455 billion at the end of June to US$2.479 billion on September 30, 2004. This was due to the increase in the cash balance which was generated by the strong cash flow from operations during the quarter, of US$1.1 billion, and the proceeds from the sale of shares of CST of US$415 million. Such cash position should change as a result of the payment of dividends at the end of October 2004.

Due to the considerable increase in 12-month rolling adjusted EBITDA, which was US$3.289 billion at the end of September, the leverage ratio total debt / LTM adjusted EBITDA fell to 1.34x at end of 3Q04, and total debt / enterprise value(5) was 16.2%, vis-à-vis 21.7% at the end of 2Q04.

There was a strong improvement in interest coverage as well, measured as LTM adjusted Ebitda / LTM interest payments (6), from 11.51x at the end of 2003 to 13.00x at the end of 3Q04.

FINANCIAL EXPENSES

US$ million

Financial Expenses on:	**2Q04**	**3Q04**
Local Debt	(12)	(12)
External Debt	(67)	(49)
Debt with Related Parties	(5)	(3)
Total Debt-related Financial Expenses	**(84)**	**(64)**

Gross Interest on:	**2Q04**	**3Q04**
Tax and Labour Contingencies	(9)	(11)
Tax on Financial Transactions (CPMF)	(14)	(9)
Derivatives	23	(36)
Others	(22)	(45)
Total Gross Interest	**(22)**	**(101)**
Total	**(106)**	**(165)**

DEBT INDICATORS

US$ million

	3Q03	**2Q04**	**3Q04**
Gross Debt	4,304	4,514	4,418
Net Debt	2,964	3,455	2,479
Total Debt / LTM Adjusted EBITDA (x)	2.15	1.55	1.34
LTM Adjusted EBITDA / LTM Interest Expenses (x)	10.15	12.94	13.00
Total Debt / EV (x)	0.24	0.22	0.16

Enterprise Value = market capitalization + net debt

US GAAP

SOWING SEEDS FOR FUTURE GROWTH: CAPEX OF US$424 MILLION

CVRD s capital expenditure totaled US$424 million in 3Q04, and US$1,270.3 billion in the first nine months of the year.

The figures on capital expenditure are preliminary and subject to revision due to the implementation of the Enterprise Resource Planning system, as informed in the 2003 20-F report.

US$238.1 million was allocated to growth capex, of which US$21.5 million was spent in mineral exploration, and US$185.9 million was allocated to maintenance of existing operations (stay-in-business capex). For the first nine months of 2004, growth capex was US$798.4 million and stay in business capex, US$471.9 million.

Of the amount invested in mineral exploration on 3Q04, 39.7% was spent in the Brazilian state of Pará (including Carajás), 22.3% in Minas Gerais, 6.3% in Piauí, 4.8% in other Brazilian states, and 26.9% in other countries. Exploration efforts in the quarter were primarily directed to prospecting for copper, nickel, gold, bauxite and manganese.

All the projects that are being developed by the company are progressing according to their established timetables. Furthermore, all the projects to expand production capacity in iron ore and alumina that are currently in progress are supported by medium and long-term sales contracts.

In 2004 CVRD concluded the Sossego Copper Mine, the expansion of iron ore production at Carajás to 70 million tons, the Pier III Maritime Terminal at the Ponta da Madeira Port, and the Candonga hydroelectric power plant.

Projects under development

		Realized, US million				
Area	**Project**	**1Q04**	**2Q04**	**3Q04**	**9M04**	**Status**
Ferrous Minerals	**Carajás** iron ore mine: expansion to 85 Mtpa *Northern System*	2	24	10	36	Scheduled for completion in 2006, this project will add 15 million tons/year to CVRD s output capacity. Completion of Phase II of Pier III of the Ponta da Madeira port terminal which consists of the implementation of a shiploader is scheduled for July 2005. Work on the processing plant is already in progress.
	Brucutu iron ore mine: Phase I	2	10	7	19	Brucutu, which is not a modular project, is

Southern System					expected to produce 4 million tons this year. Phase I will be completed in 2006, bringing nominal production capacity to 12 million tons/year.
Fábrica Nova iron ore mine *Southern System*	3	7	9	19	Completion of first phase, scheduled for 2Q05, will increase nominal production capacity to 10 million tons/year. Startup of second phase is scheduled for 2007, increasing output to 15 million tons/year.
Itabira iron ore mines expansion *Southern System*	4	4	4	12	Production capacity expansion, and modernization, will increase nominal output of the Itabira operation by 3 million tons/year, to 46 million tons/year. Completion scheduled for 2006.

US GAAP

Area	Project	Realized, US million				Status
		1Q04	2Q04	3Q04	9M04	
Non-ferrous minerals	**Taquari-Vassouras** potash mine: expansion	16	5	5	26	Expansion works are about 81% complete. Start up of the expansion is scheduled for the second half of 2005.
	Alunorte: Stages 4 and 5	23	36	44	103	The project for construction of these modules will increase refining production capacity to 4.2 million tons/year. Completion scheduled for 2006. Total cost is US$582.7 million.
Aluminum	**Paragominas I**	2	2	6	10	The startup of the operation is scheduled for the end of 2006, with anual production capacity of 9.0 million tons of bauxite. The basic plant and duct project has already been concluded and the pilot plant already had its startup. The environmental licenses for the development of the mine and the duct have already been obtained. 40,000 tons of pipes for the construction of the duct have already been purchased. The earthwork on the location of the beneficiation plant and support areas to the operation have taken place. The total cost of the project is US$353 million.
Logistics	EFVM, EFC, FCA: **rolling stock**	85	100	55	240	2,724 wagons were received in the first nine

						months of 2004 1,546 to carry iron ore, 1,178 for general cargo and 71 locomotives.
Power Generation	**Aimorés** hydroelectric power plant	11	5	4	20	This plant located on the Doce River in Minas Gerais state will have 330MW generation capacity. Startup is scheduled for July 2005.
	Capim Branco I e II hydroelectric power plants	6	9	13	28	Both are on the Araguari River in Minas Gerais state. They will have generation capacity of 240MW and 210MW respectively. Both are scheduled for start up in 2006.

SELECTED FINANCIAL INDICATORS FOR THE MAIN NON-CONSOLIDATED AFFILIATES AND JOINT VENTURES

Selected financial indicators for the Company s main non-consolidated affiliates and joint ventures are available on CVRD s Quarterly Financial Statements, on the Company s website, www.cvrd.com.br, investor relations.

CONFERENCE CALL/WEBCAST

On Friday, November 12, CVRD will be holding a conference call/webcast at 12:00 pm, local time (Rio de Janeiro, Brazil), 9:00 am United States Eastern Standard Time and 2:00 pm British Standard Time. Instructions to participate in these events are available on CVRD s website, www.cvrd.com.br, investor relations. A recording of CVRD s conference call/webcast will be available for a period of 90 days after November 12, 2004.

US GAAP

FINANCIAL STATEMENTS

US$ million

	3Q03	2Q04	3Q04
Gross operating revenues	1,483	2,033	2,287
Taxes	(51)	(113)	(114)
Net Operating Revenue	**1,432**	**1,920**	**2,173**
Cost of Goods Sold	(812)	(912)	(1,053)
Gross Profit	**620**	**1,008**	**1,120**
Gross Margin (%)	43.3	52.5	51.5
Selling, General and Administrative Expenses	(74)	(106)	(112)
Research and Development Expenses	(22)	(27)	(36)
Employee Profit-Sharing	(2)	(17)	(17)
Others	(21)	(26)	(69)
Operating Profit	**501**	**832**	**886**
Financial Revenues	27	19	10
Financial Expenses	(83)	(106)	(165)
Monetary Variation	(57)	(245)	77
Gains on Sale of Affiliates			314
Tax and Social Contribution (Current)	41	(41)	(285)
Tax and Social Contribution (Deferred)	(41)	(23)	61
Equity Income and Provision for Losses	89	150	127
Accounting Changes for Asset Write-offs			
Minority Shareholding Participation	(9)	(82)	(82)
Net Earnings	**468**	**504**	**943**
Earnings per Share (US$)	**0.41**	**0.44**	**0.82**

BALANCE SHEET

US$ million

	09/30/03	06/30/04	09/30/04
Assets			
Current	3,139	3,069	4,246
Long-term	1,483	1,527	1,694
Fixed	6,878	7,838	8,780
Total	**11,500**	**12,434**	**14,720**
Liabilities			
Current	2,602	1,980	2,600
Long Term	4,257	5,275	5,640
Shareholders Equity	4,641	5,179	6,480
Paid-up Capital	3,367	3,707	3,707

Reserves	1,274	1,472	2,773
Total	**11,500**	**12,434**	**14,720**

US GAAP

CASH FLOW STATEMENT

US$ million

	3Q03	2Q04	3Q04
Cash flows from operating activities:			
Net income	468	504	943
Adjustments to reconcile net income with cash provided by operating activities:			
Depreciation, depletion and amortization	63	79	102
Dividends received	66	60	19
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	(89)	(150)	(127)
Deferred income taxes	41	23	(61)
Gain on sale of investment			(314)
Pension plan	3	3	3
Foreign exchange and monetary losses	13	291	(118)
Net unrealized derivative losses	21	(22)	36
Minority interest	9	82	82
Financial Expenses	(6)	27	42
Others	(14)	24	64
Decrease (increase) in assets:			
Accounts receivable	(24)	(132)	
Inventories	(27)	(67)	(39)
Others	(1)	67	(44)
Increase (decrease) in liabilities:			
Suppliers	(2)	(59)	26
Payroll and related charges	(15)	(18)	27
Income Tax			370
Others	(71)	(12)	96
Net cash provided by operating activities	**435**	**700**	**1,107**
Cash flows from investing activities:			
Loans and advances receivable	36	3	(9)
Guarantees and deposits	78	(18)	(48)
Additions to investments	(8)	(6)	(4)
Additions to property, plant and equipment	(443)	(416)	(348)
Proceeds from disposals of investment	21		
Net cash used to acquire subsidiaries	(426)		415
Net cash used in investing activities	**(742)**	**(437)**	**6**
Cash flows from financing activities:			
Short-term debt, net issuances (repayments)	(4)	(44)	40
Loans	46	2	13
Long-term debt	779	227	43
Repayments of long-term debt	(139)	(201)	(225)
Interest attributed to stockholders	(33)	(269)	
Net cash used in financing activities	**649**	**(285)**	**(129)**

Increase (decrease) in cash and cash equivalents	342	(22)	984
Effect of exchange rate changes on cash and cash equivalents	(14)	(2)	(104)
Cash and cash equivalents, beginning of period	1,012	1,083	1,059
Cash and cash equivalents, end of period	**1,340**	**1,059**	**1,939**
Cash paid during the period for:			
Interest on long-term debt	(54)	(51)	(82)
Non-cash transactions			
Conversion of loans receivable to investments	9		

US GAAP

APPENDIX

Reconciliation of "non-GAAP" information with corresponding US GAAP figures

(1) Adjusted EBIT

US$ million

	3Q03	2Q04	3Q04
Net operating revenues	1,432	1,920	2,173
COGS	(812)	(912)	(1,053)
SG&A	(74)	(106)	(112)
Research & Development	(22)	(27)	(36)
Other operating expenses	(23)	(43)	(86)
Adjusted EBIT	**501**	**832**	**886**

(2) Adjusted EBITDA

The term "EBITDA" refers to a financial measure that is defined as earnings (losses) before interest, taxes, depreciation and amortisation; we use the term "Adjusted EBITDA" to reflect that our financial measure also excludes monetary gains/losses, equity in results of affiliates and joint ventures less dividends received from those companies, changes in provision for losses on equity investments, adjustments for changes in accounting practices, minority interests and non-recurring expenses. However, Adjusted EBITDA is not a measure determined under GAAP in the United States of America and may not be comparable to similarly titled measures reported by other companies. Adjusted EBITDA should not be construed as a substitute for operating income or as a better measure of liquidity than cash flow from operating activities, which are determined in accordance with GAAP. We have presented Adjusted EBITDA to provide additional information with respect to our ability to meet future debt service, capital expenditure and working capital requirements. The following schedule reconciles Adjusted EBITDA to net cash provided by (used in) operating activities reported on our Consolidated Statements of Cash Flows, which we believe is the most directly comparable GAAP measure:

RECONCILIATION BETWEEN ADJUSTED EBITDA VS. OPERATING CASH FLOW

US$ million

	3Q03	2Q04	3Q04
Operating cash flow	**435**	**700**	**1,107**
Income tax	(41)	41	285
Monetary and Foreign Exchange Losses	44	(46)	41
Financial Expenses	62	60	113
Net Working Capital	140	221	(436)
Others	(10)	(5)	(103)
Adjusted EBITDA	**630**	**971**	**1,007**

(3) Gross debt Debt / last 12 months Adjusted EBITDA

	3Q03	2Q04	3Q04
Total Debt / LTM Adjusted EBITDA (x)	2.15	1.55	1.34
Total Debt / LTM Operating cash flow (x)	2.46	2.01	1.51

US GAAP

(4) Net Debt

RECONCILIATION BETWEEN GROSS DEBT VS. NET DEBT

US$ million

	3Q03	2Q04	3Q04
Gross Debt	4,304	4,514	4,418
Cash and cash equivalents	1,340	1,059	1,939
Net Debt	2,964	3,455	2,479

(5) Total Debt / *Enterprise Value*

	3Q03	2Q04	3Q04
Total Debt / EV (x)	0.24	0.22	0.16
Total Debt / Total Assets (x)	0.37	0.36	0.30

Entreprise Value = net debt + market capitalization

(6) LTM Adjusted EBITDA / LTM interest expenses

	3Q03	2Q04	3Q04
LTM Adjusted EBITDA / LTM interest expenses (x)	10.15	12.94	13.00
LTM Operating income / LTM interest expenses (x)	8.09	10.26	10.64

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.

COMPANHIA VALE DO RIO DOCE
INDEX TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying unaudited condensed consolidated balance sheet of Companhia Vale do Rio Doce and subsidiaries as of September 30, 2004, and the unaudited condensed consolidated statements of income, of cash flows and of changes in stockholders equity for the three-month periods ended September 30 and June 30, 2004 and September 30, 2003 and for the nine-month periods ended September 30, 2004 and 2003, respectively. This interim financial information is the responsibility of the Company s management. The unaudited financial information of certain affiliates, the equity in earnings which total US$15 million and US$37 million for the three and nine-month periods ended September 30, 2003, respectively, were reviewed by other independent accountants whose reports thereon have been furnished to us.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews and the reports of the other accountants, we are not aware of any material modifications that should be made to the condensed consolidated interim financial information referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Companhia Vale do Rio Doce and subsidiaries as of December 31, 2003, and the related consolidated statements of income, of cash flows and of changes in stockholders equity for the year then ended (not presented herein) and in our report dated February 20, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2003 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note 4 to the financial statements, the Company changed its method of accounting for asset retirement obligations, as from January 1, 2003 and, as discussed in Note 5 to the financial statements, the Company also changed its accounting policy for consolidation of variable interest entities as from January 1, 2004.

PricewaterhouseCoopers
Auditores Independentes

Rio de Janeiro, Brazil
November 10, 2004

Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars

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

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

(Continued)

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

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

See notes to condensed consolidated financial information.

F - 4

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

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

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

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

See notes to condensed consolidated financial information.

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

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

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

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

	Three-month periods ended			Nine months ended September 30	
	September 30, 2004	**June 30, 2004**	**September 30, 2003**	**2004**	**2003**
Preferred class A stock (including one special share)					
Beginning of the period	1,176	1,055	1,055	1,055	904
Transfer from appropriated retained earnings		121		121	151
End of the period	**1,176**	**1,176**	**1,055**	**1,176**	**1,055**
Common stock					
Beginning of the period	2,121	1,902	1,902	1,902	1,630
Transfer from appropriated retained earnings		219		219	272
End of the period	**2,121**	**2,121**	**1,902**	**2,121**	**1,902**
Treasury stock					
Beginning and end of the period	**(88)**	**(88)**	**(88)**	**(88)**	**(88)**
Additional paid-in capital					
Beginning and end of the period	**498**	**498**	**498**	**498**	**498**
Other cumulative comprehensive loss					
Cumulative translation adjustments					
Beginning of the period	(4,757)	(4,480)	(4,406)	(4,449)	(5,185)
Change in the period	461	(277)	(67)	153	712
End of the period	**(4,296)**	**(4,757)**	**(4,473)**	**(4,296)**	**(4,473)**

Unrealized gain on available-for-sale securities					
Beginning of the period	61	77	18	74	
Change in the period	21	(16)	(4)	8	14
End of the period	**82**	**61**	**14**	**82**	**14**
Adjustments relating to investments in affiliates					
Beginning and end of the period			**10**		**10**
Total other cumulative comprehensive loss	**(4,214)**	**(4,696)**	**(4,449)**	**(4,214)**	**(4,449)**
Appropriated retained earnings					
Beginning of the period	2,501	3,016	2,292	3,035	2,230
Transfer (to) from retained earnings	218	(175)	(41)	24	444
Transfer to capital stock		(340)		(340)	(423)