

Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

Companhia Vale do Rio Doce  
Form 6-K  
August 04, 2006

**Table of Contents**

**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  
August 2006  
Companhia Vale do Rio Doce  
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 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- .)

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**Table of Contents**

**Table of Contents**

BRGAAP Press Release

BRGAAP Financial Pages

A-Quarterly information

1-Balance Sheet

2-Statement of Income

3-Statement of Changes in Stockholders' Equity

4-Statement of Cash Flows

5-Notes to the Quarterly information at June 30, 2006 and 2005

5.1- Operations

5.2- Presentation of Quarterly information

5.3- Principles and Practices of Consolidation

5.4- Significant Accounting Policies

5.5- Accounting Pronouncements Recently-issued by Comissão de Valores Mobiliários (CVM)

5.6- Stock Merger - CAEMI

5.7- Acquisition and Divestment

5.8- Cash and Cash Equivalents

5.9- Accounts Receivable

5.10- Related Parties

5.11- Inventories

5.12- Taxes to recover or offset

5.13- Deferred Income Tax and Social Contribution

5.14- Consolidated investments

5.15- Property, Plant and Equipment

5.16- Loans and Financing

5.17- Contingent Liabilities

5.18- Environmental and Site Reclamation and Restoration Costs

5.19- Treasury Stock

5.20- Paid-up Capital

5.21- Payment to Shareholders

5.22- Financial Results

5.23- Financial Instruments - Derivatives

5.24- Sales, Administrative and Other Operating Expenses

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

7- Report of the Independent Accountants on Limited Review

B - Additional Information (not reviewed)

8 - Management's Discussion and Analysis of the Operating Results for the Year Ended June 30, 2006 and Supplemental Information

8.1- Comments on Consolidated Operating Results

8.1.1- Gross revenue

---

**Table of Contents**

8.1.2 Cost of products and services

8.1.3 Selling expenses and administrative expenses

8.1.4 Research and development

8.1.5 Other operating expenses

8.1.6 Net financial results

8.1.7 Income tax and social contribution

8.1.8 - Cash generation

8.2- Comments on the Parent Company Results

8.2.1 - Gross revenue

8.2.2 - Cost of products and services

8.2.3 - Gross margin

8.2.4 - Results of shareholdings by business area

8.2.5 Selling expenses and administrative expenses

8.2.6 Research and development

8.2.7 Other operating expenses

8.2.8 - Net financial results

8.2.9 - Income tax and social contribution

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

Signature Page

---

**Table of Contents**

BR GAAP

**BOVESPA: VALE3, VALE5**

**NYSE: RIO, RIOPR**

**LATIBEX: XVALO, XVALP**

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**MAINTAINING GROWTH MOMENTUM**

**Performance of CVRD in the first half of 2006 (1H06)**

Rio de Janeiro, August 2, 2006 Companhia Vale do Rio Doce (CVRD) has shown a performance in the first half of 2006 (1H06) consistent with the trend of improving earnings, begun in the last quarter of 2002.

Here are the main highlights of the Company's financial performance:

Gross accumulated revenues in 1H06 of R\$18.4 billion, compared to R\$17.1 billion in 1H05. In 2Q06, gross revenue totaled R\$10.1 billion, a new quarterly record, beating the previous one, obtained in 2Q05, of R\$10.0 billion.

Exports of US\$4.8 billion in 1H06, up 46.8% on 1H05. Net exports amounted to US\$4.4 billion, up 50.3% on the same half a year earlier. As a result, CVRD's contribution to Brazil's trade balance amounted to 22.4% of the trade surplus in 1H06, of US\$19.6 billion.

Operating profit, as measured by EBIT (earnings before interest and tax) of R\$7.8 billion in 1H06, against R\$7.1 billion in 1H05. Operating profit of R\$4.5 billion in 2Q06, 5% below 2Q05, R\$4.8 billion.

EBIT margin of 43.7% in 1H06, and 46.2% in 2Q06.

Cash generation, as measured by EBITDA (earnings before interest, tax, depreciation and amortization), of R\$8.9 billion in 1H06, 8.8% higher than in 1H05. In 2Q06, EBITDA totaled R\$5.2 billion, compared to R\$5.3 billion in 2Q05.

Net earnings in 1H06, of R\$6.1 billion, R\$2.51 per share, 19.5% higher than that in 1H05, of R\$5.1 billion. In 2Q06, net earnings amounted to R\$3.9 billion, R\$1.61 per share, a new quarterly record, up 12.2% on the earnings in 2Q05, of R\$3.5 billion.

Return on net equity (ROE) of 32.2% in 2Q06 and 38.3% in 2Q05.

Investments realised in 1H06 of US\$1.9 billion<sup>1</sup>, compared to US\$1.4 billion in 1H05. In 2Q06, investments were US\$818 million, US\$518 million being spent on organic growth and US\$300 million in the sustaining of existing operations.

<sup>1</sup> Calculated according to the generally

accepted  
accounting  
principles in the  
United States  
(US GAAP)  
based on the  
amount  
disbursed.

The financial and  
operational  
information  
contained in this  
press release,  
except where  
otherwise  
indicated, was  
consolidated in  
accordance with  
generally  
accepted  
Brazilian  
accounting  
principles  
(Brazilian  
GAAP).  
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, CVRD International, 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 had shared control on June 30, 2006 were MRN, Valesul, Kobrasco, Nibrasco, Hispanobras, Itabrasco, Samarco and CSI.

2Q06

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**Table of Contents**

BR GAAP

**SELECTED FINANCIAL INDICATORS**

R\$ million

	<b>2Q05</b>	<b>1Q06</b>	<b>2Q06</b>	<b>1H05</b>	<b>1H06</b>
Gross operating revenues	10,051	8,281	10,131	17,104	18,412
Exports (US\$ million)	1,951	2,282	2,543	3,287	4,825
Net exports (US\$ million)	1,817	2,054	2,322	2,912	4,376
EBIT	4,756	3,240	4,519	7,132	7,759
EBIT margin (%)	49.8	40.7	46.2	43.8	43.7
EBITDA	5,334	3,753	5,153	8,183	8,907
Net earnings	3,479	2,184	3,906	5,094	6,090
Net earnings per share (R\$)	1.51	0.90	1.61	2.21	2.51
Annualized ROE (%)	38.3	34.7	32.2	38.3	32.2
Capex* (US\$ million)	821	1,126	818	1,392	1,944

\* acquisitions  
included

**BUSINESS OUTLOOK**

The economic cycle that began in 2002, and which supports the present cycle of expansion in metals – the longest in the last 40 years – has alternated phases of acceleration and deceleration of the global economy growth, with an average duration of four quarters. The most recent period of acceleration began in the second quarter of 2005 and continued at least until the second quarter of 2006, characterized by global GDP growth rates close to 5% per year.

The normalization of monetary policies, led by the US Federal Reserve Bank and followed by the world's main central banks, brings the world economy into a transition in which the rate of increase of GDP is moving from a pace above that of its long-run capacity to a more moderate and sustainable rate. Although the current level of interest rates does not constrain economic growth, they are not stimulating factors to the acceleration of the economic activity.

Leading indicators are showing signs that expansion of the world economy should continue to be robust in the next six months, though more moderate than in recent quarters.

The *OECD Composite Leading Indicator* (OECD CLI) rose, in May, for the 13<sup>th</sup> consecutive month, but with a lower growth rate. This indicates continuing vigorous economic growth in the coming quarters, but at a slower pace, especially in the USA. Simultaneously, the OECD CLI indicates improvement in the performance of the economies of Japan and the Euro Zone.

The *Global Manufacturing PMI*, a leading indicator for performance of the world's manufacturing industry, increased in July, reaching a level consistent with a 5% annual growth in industrial production. This index projects a similar outlook to the OECD CLI for the near future – moderation, with regional rotation in the growth dynamics, with acceleration in Europe and Japan, and deceleration in the USA.

In the US, consumer spending has grown more slowly, due to the effect of the increase in energy prices on consumers' real income and a negative wealth effect derived from housing prices. The interest rate rise produced a reduction in new home construction and sales, with a direct negative impact on economic growth while the end of the housing price boom generating a negative wealth effect on consumer spending.

2Q06



**Table of Contents**

**BR GAAP**

On the other hand, the US unemployment rate continues to fall, from 5.0% in the second half of 2005 to 4.7% in the second quarter of 2006; capital spending on equipment and software is rising, at approximately 10% per year; and investment in non-residential construction, after a weak year in 2005, has recovered considerably in first half 2006. Productivity is growing consistently, benefiting from technological innovation, organizational changes and improvements in processes. Companies continue to return excellent profitability and, in spite of the increase in long-term interest rates, credit quality continues to be good.

In spite of the concerns expressed by the capital markets in 2Q06 on the future performance of the US economy, which resulted in a strong increase in price volatility of financial assets and commodities, the outlook is good, with GDP growth in the US expected to be around 3.5% per year, a rate that is compatible with its potential.

The Bank of Japan's 25-basis-point increase in short-term interest rates on July 14 ended almost six years of a zero per cent interest rate policy, used to reverse the process of deflation that had taken over the Japanese economy – officially closing the longest period of economic stagnation in a developed economy since the Great Depression of 1929.

The emerging economies maintain growth of about 6% per year, which acts in favor of the development of global demand for minerals and metals. China and India, which together account for 21% of the world's GDP, have been characterized by considerable dynamism.

In India, where industrial production is expanding at an annualized rate of 10%, steel production is growing at 16% for the second consecutive year.

In 2Q06 the economy of China posted its highest quarterly GDP growth rate – 11.3% – since fourth quarter 1994, when it grew 12.8%. The extraordinary performance of the Chinese economy has been primarily due to growth of exports, totaling US\$429 billion in 1H06, 25.2% more than in 1H05, and investment in fixed assets, of 31.3%. As in 2004, the economic authorities are beginning to adopt restrictive measures, directing the economy to a growth rate closer to 9% p.a., which represents the long-term trend.

The Brazilian economy grows for the third consecutive year, along with consistent reduction of inflation rate and of its vulnerability to external shocks. The Brazilian real shows signals of stabilization after strong appreciation since the last quarter of 2002.

The increase in global demand for steel caused a clear reversal of the trend to falling prices shown in 2005, with the CRU Steel Price Index returning to the record levels of second half 2004 reported in North America, Europe and Asia. In reaction to the price incentives, world crude steel production is growing at 9% p.a. – and, respectively, at 21.3%, 6.7% and 5.5%, in China, the US and Europe of the 25.

The rising global steel output has caused an increase in prices of metallic products – pig iron, HBI and scrap – in all regions of the world since March 2006, and had a direct effect on demand for iron ore.

Chinese iron ore imports in 1H06 totaled 161.4 million tons, which was 30 million tons – or 22.9% – more than in the first half of 2005. Spot iron ore market prices continued to be above the reference prices for long-term contracts even after the 19% increase for 2006, showing that the disequilibrium between global demand and supply persists.

2Q06

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**Table of Contents**

**BR GAAP**

The world steel production ex-China, which has decreased in 2H05 and part of 1Q06, is recovering with growth of 3.7% in 1H06. This fact has strengthened demand for iron ore, and also contributed to resumption of growth in seaborne demand for pellets, which caused the return of operation at the São Luís plant on July.

The good outlook for maintenance of the solid performance of the global economy sustains expectations that the current minerals and metals cycle will be prolonged, which clearly has positive implications for the performance of CVRD, whose production in the various sectors of the mining industry is in a process of strong expansion.

**MATERIAL EVENTS**

**Reference prices of iron ore and pellets for 2006**

Negotiation of iron ore and pellet prices for 2006 was concluded with an increase of 19% in prices of fines and lumps, and a reduction of 3% in prices of blast furnace and direct reduction pellets.

The raise in the price of iron ore reflects the imbalance between global demand and supply resulting from significant expansion in demand, which grew at an average annual rate of 11% in the first half of this decade.

**Asset portfolio**

In July CVRD acquired 45.5% of total capital of Valesul Alumínio S.A., an aluminum smelter located in the state of Rio de Janeiro, Brazil, for US\$27.5 million, increasing its stake to 100%.

The acquisition is aligned with CVRD's strategy for the aluminum business of focusing on organic growth in the upstream of the value chain and strategic partnership in smelters. Valesul will begin to be fully consolidated in our financial statements in 3Q06.

At the same time, the Company disposed of its 50% stake in Gulf Industrial Investment Company (GIIC), a pelletizing plant in Bahrain, for US\$418 million. CVRD and Gulf Investment Corporation – the holder of the other 50% of GIIC, developed different views on management of the joint venture, and entered into a mandatory buy-sell agreement to solve the divergences in accordance with the shareholders' agreement.

**Financial management and risk perception**

CVRD contracted a revolving credit line in the amount of US\$500 million, with tenor of five years, with a pool of global commercial banks. The commitment fee is 0.09% p.a., and the cost of its utilization is Libor plus 0.235% p.a. The transaction was structured in such a way as not to have any restrictions on disbursement of funds related to sovereign risk.

With this new credit line CVRD now has, in addition to its own cash holdings, a liquidity cushion of approximately US\$1.2 billion, which makes an important contribution to its risk perception by the financial markets.

Recognition of CVRD's financial solidity is evidenced by its investment grade rating from the world's four largest rating agencies: Standard & Poor's (BBB+),  
2Q06

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**Table of Contents**

**BR GAAP**

Moody's (Baa3), Dominion Bond Rating Services (BBB *high*) and Fitch Ratings (BBB-), with a positive contribution to its cost of capital reduction.

In 2Q06, the rating of CVRD by S&P was improved from BBB, given in October 2005, to BBB+, two notches above the lowest investment grade level. Dominion Bond Rating Services also upgraded its risk rating for the Company, from BBB (low), given in August 2005, to BBB (high).

**Shares**

In April CVRD's Extraordinary General Meeting of Shareholders approved a one-for-two stock split, for both the common and preferred shares.

This was made effective on the São Paulo Stock Exchange (Bovespa) on May 25, 2006 for shareholders record on May 19, 2006.

For the American Depository Receipts (ADRs) traded on the New York Stock Exchange (NYSE) the distribution of new ADRs (one new ADR for each existing ADR) took place on June 7, for record date May 24, 2006. Each ADR, whether RIO or RIOPR, continues to represent one common or preferred share.

The split increased CVRD's total number of shares to 2,459,657,056, of which 1,499,898,858 are common shares and 959,758,198 are PNA preferred shares.

On June 21 CVRD announced a 180-day buy-back program for up to 47,986,763 of its preferred Class A shares, or 5% of the total number of preferred shares outstanding on May 31, 2006.

By the end of July 15, 149,600 preferred shares had been acquired, involving the spending of R\$659.6 million.

**REVENUES**

In the first half of 2006, our gross revenue amounted to R\$18.412 billion, up 7.7% on that achieved in 1H05, of R\$17.103 billion.

In 2Q06, gross revenue totaled R\$10.131 billion, beating the previous record obtained in 2Q05, of R\$10.051 billion, by R\$79 million.

Despite the fact that increased sales volume was responsible for R\$905 million, and price rises were responsible for R\$267 million of this increase in gross revenue observed, the 13.3% appreciation in the Brazilian Real against the US dollar neutralized these effects, having a negative impact of R\$1.093 billion.

In 2Q06, revenues of R\$310 million were added due to the booking of the retrospective iron ore price increases on sales in 1Q06, while in the case of pellet sales, R\$9 million was deducted as a result of the price reduction. Bearing in mind that the price negotiations with our clients in China were completed at the end of 2Q06, net sales of R\$466 million will be added to revenues in 3Q06, for shipments carried out in 2Q06.

In 2Q06, shipments of ferrous minerals (iron ore, pellets, manganese and ferro-alloys) were responsible for 65.7% of total revenues. Sales of products in the aluminium chain (bauxite, alumina, primary aluminium) accounted for 15.2% of the total revenues, while logistics services accounted for 8.8%, non-ferrous minerals (copper, potash and kaolin) 5.9% and steel products, 3.8%.

2Q06

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**Table of Contents****BR GAAP**

Revenues from sales to the Americas accounted for 33.8% of CVRD's total revenues in 2Q06. Shipments to Asia were responsible for 33.7%, while sales to Europe accounted for 26.6%.

Brazil was the Company's main sales destination, from where 20.7% of gross revenues originated. China, CVRD's most important shipping destination after Brazil, accounted for 18.3% of revenues, having almost doubled its share of total revenues from two years ago, when in 2Q04 the figure was 9.5%.

**GROSS REVENUES BY PRODUCT**

	R\$ million					
	2Q05	%	1Q06	%	2Q06	%
<b>Iron ore and pellets</b>	<b>7,015</b>	<b>69.8</b>	<b>5,480</b>	<b>66.2</b>	<b>6,338</b>	<b>62.6</b>
Iron ore	5,072	50.5	4,147	50.1	5,130	50.6
Pellets	1,943	19.3	1,333	16.1	1,208	11.9
<b>Pelletizing plants operation services</b>	<b>13</b>	<b>0.1</b>	<b>18</b>	<b>0.2</b>	<b>17</b>	<b>0.2</b>
<b>Manganese and ferro-alloys</b>	<b>443</b>	<b>4.4</b>	<b>256</b>	<b>3.1</b>	<b>301</b>	<b>3.0</b>
<b>Copper concentrate</b>	<b>229</b>	<b>2.3</b>	<b>242</b>	<b>2.9</b>	<b>447</b>	<b>4.4</b>
<b>Potash</b>	<b>76</b>	<b>0.8</b>	<b>49</b>	<b>0.6</b>	<b>49</b>	<b>0.5</b>
<b>Kaolin</b>	<b>111</b>	<b>1.1</b>	<b>106</b>	<b>1.3</b>	<b>100</b>	<b>1.0</b>
<b>Aluminum</b>	<b>928</b>	<b>9.2</b>	<b>1,051</b>	<b>12.7</b>	<b>1,543</b>	<b>15.2</b>
<b>Logistics</b>	<b>848</b>	<b>8.4</b>	<b>704</b>	<b>8.5</b>	<b>896</b>	<b>8.8</b>
Railroads	631	6.3	535	6.5	689	6.8
Ports	123	1.2	106	1.3	127	1.3
Shipping	94	0.9	63	0.8	80	0.8
<b>Steel products</b>	<b>379</b>	<b>3.8</b>	<b>349</b>	<b>4.2</b>	<b>382</b>	<b>3.8</b>
<b>Coal</b>		<b>0.0</b>	<b>9</b>	<b>0.1</b>		<b>0.0</b>
<b>Others</b>	<b>11</b>	<b>0.1</b>	<b>15</b>	<b>0.2</b>	<b>58</b>	<b>0.6</b>
<b>Total</b>	<b>10,051</b>	<b>100.0</b>	<b>8,281</b>	<b>100.0</b>	<b>10,131</b>	<b>100.0</b>

**GROSS REVENUES BY DESTINATION**

	R\$ million					
	2Q05	%	1Q06	%	2Q06	%
<b>Americas</b>	<b>3,786</b>	<b>37.7</b>	<b>2,854</b>	<b>34.5</b>	<b>3,422</b>	<b>33.8</b>
Brazil	2,323	23.1	1,761	21.3	2,094	20.7
USA	715	7.1	526	6.4	671	6.6
Others	748	7.4	567	6.8	656	6.5
<b>Asia</b>	<b>2,518</b>	<b>25.0</b>	<b>2,840</b>	<b>34.3</b>	<b>3,409</b>	<b>33.7</b>
China	1,129	11.2	1,495	18.1	1,850	18.3
Japan	841	8.4	837	10.1	864	8.5
Others	548	5.5	508	6.1	695	6.9
<b>Europe</b>	<b>3,027</b>	<b>30.1</b>	<b>2,175</b>	<b>26.3</b>	<b>2,693</b>	<b>26.6</b>
<b>Rest of the World</b>	<b>721</b>	<b>7.2</b>	<b>412</b>	<b>5.0</b>	<b>607</b>	<b>6.0</b>
<b>Total</b>	<b>10,051</b>	<b>100.0</b>	<b>8,281</b>	<b>100.0</b>	<b>10,131</b>	<b>100.0</b>

**OPERATIONAL COSTS AND EXPENSES**

In 1H06, our cost of goods sold (COGS) was R\$8.295 billion, 6.4% higher than that reported in 1H05.

In 2Q06, COGS totaled R\$4.351 billion, up R\$340 million compared to the 2Q05 figure, of R\$4.011 billion.

2Q06

**Table of Contents**

**BR GAAP**

We are making strenuous efforts to contain the rise in costs, expecting more significant results to materialize over the next 12 months.

The main COGS item, accounting for 21.4% of the total, is expenditure on outsourced services, which amounted to R\$931 million in 2Q06, up 17.1% on the same quarter a year earlier. The main drivers behind this cost item are railfreight contracted for the transport of its iron ore production at MBR mines and Oeste mines, in CVRD's Southern System, equipment and installation maintenance services, and the removal of tailings and ores.

Energy costs 20% of total COGS, were R\$869 million, 6.2% more than in 2Q05. This reflected an increase in consumption as a consequence of the expansion to our operational activities, as well as the rise in energy prices.

Expenses on material 18.7% of total COGS amounted to R\$813 million, in line with the expenditure on this item in 2Q05, R\$792 million. The main components consisted of equipment parts and components, inputs, conveyor belts and tyres.

The cost of product purchases totaled R\$554 million, 12.7% of total COGS, down R\$16 million, or 2.8%, yoy. The lower quantity of iron ore bought from small mining operations in the state of Minas Gerais (3.689 million in 2Q06 compared to 4.140 million in 2Q05), the difference in retrospective price adjustments 2005 and 2006 relative to the first quarter, and the effect of the appreciation in the Brazilian Real against the US dollar, all reduced expenditure under this heading.

Personnel expenses amounted to R\$403 million, up R\$63 million on 2Q05. In addition to the effect of the annual salary increase from July 2005, costs rose with the need to hire the additional employees required for the expansion in our activities.

As a function of the Company's increased asset base, the cost of depreciation and exhaustion, of R\$394 million, was 8.8% higher yoy.

Demurrage expenses fines paid for delays in loading ships at the Company's maritime terminals were R\$35 million, 12.5% down on 2Q05. CVRD has been working intensively on perfecting its logistic processes, seeking to optimize integrated systems (mines-railroad-port). As a result, there was a reduction of 15.2% in demurrage per ton shipped, amounting to US\$0.28 in 2Q06 against US\$0.33 in 2Q05.

Operational expenses amounted to R\$910 million in 2Q06, 16.1% higher than the 2Q05 figure.

Administrative expenses totaled R\$381 million, compared to R\$308 million in 2Q05. This increase is basically explained by the higher expenditure on personnel (R\$39 million) and the higher expenditure on sales (R\$36 million).

Expenditure on research and development (R&D) amounted to R\$222 million, against R\$161 million in 2Q05. CVRD has been increasing its expenditure on R&D, within the context of its strategic focus on organic growth, which implies increased expenditure on investment in mineral exploration and feasibility studies for the development of the mineral deposits located in Brazil and in various other countries.

2Q06

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**Table of Contents****COGS BREAKDOWN**

R\$ million

	<b>2Q05</b>	<b>%</b>	<b>1Q06</b>	<b>%</b>	<b>2Q06</b>	<b>%</b>
<b>Outsourced services</b>	<b>795</b>	<b>19.8</b>	<b>865</b>	<b>21.9</b>	<b>931</b>	<b>21.4</b>
<b>Energy</b>	<b>818</b>	<b>20.4</b>	<b>760</b>	<b>19.3</b>	<b>869</b>	<b>20.0</b>
Fuel oil and gases	446	11.1	456	11.6	531	12.2
Electric energy	371	9.3	304	7.7	338	7.8
<b>Material</b>	<b>792</b>	<b>19.7</b>	<b>712</b>	<b>18.0</b>	<b>813</b>	<b>18.7</b>
<b>Acquisition of products</b>	<b>570</b>	<b>14.2</b>	<b>524</b>	<b>13.3</b>	<b>554</b>	<b>12.7</b>
<b>Personnel</b>	<b>340</b>	<b>8.5</b>	<b>372</b>	<b>9.4</b>	<b>403</b>	<b>9.3</b>
<b>Depreciation and exhaustion</b>	<b>362</b>	<b>9.0</b>	<b>368</b>	<b>9.3</b>	<b>394</b>	<b>9.0</b>
<b>Goodwill amortization</b>	<b>96</b>	<b>2.4</b>	<b>92</b>	<b>2.3</b>	<b>94</b>	<b>2.2</b>
<b>Others</b>	<b>238</b>	<b>5.9</b>	<b>252</b>	<b>6.4</b>	<b>294</b>	<b>6.8</b>
<b>Total</b>	<b>4,011</b>	<b>100.0</b>	<b>3,945</b>	<b>100.0</b>	<b>4,351</b>	<b>100.0</b>

**OPERATIONAL PERFORMANCE**

In 1H06, EBIT amounted to R\$7.759 billion, 8.8% over the 1H05, R\$7.132 billion. EBIT margin was 43.7%, practically the same as that seen in the same period a year earlier, of 43.8%.

In 2Q06, our EBIT was R\$4.519 billion, 4.9% lower than the record achieved in 2Q05, R\$4.756 billion.

Although there was a raise of R\$228 million in our net revenues when comparing 2Q06 with 2Q05, this result was partially offset by the appreciation in the Brazilian Real against the US dollar, which promoted a negative impact of R\$1.093 billion. Besides that, EBIT was also negatively affected by the increase in COGS of R\$340 million, as well as higher SG&A costs, R\$64 million, and R&D expenses, R\$61 million.

In 2Q06, CVRD's EBIT margin amounted to 46.2%, against 49.8% yoy and 40.7% qoq. Since 2Q05, we have been reporting EBIT margin of higher than 40.0%.

**CASH GENERATION**

CVRD's EBITDA in 1H06 amounted to R\$8.906 billion, 8.8% higher than in the same period the previous year, of R\$8.183 billion.

EBITDA in 2Q06 was R\$5.153 billion, only 3.4% below the quarterly record achieved in 2Q05, of R\$5.334 billion. The reduction of R\$180 million is mainly due to a drop in EBIT, of R\$237 million, partially compensated for by an increase of R\$52 million in depreciation.

In 2Q06, CVRD received R\$94 million in dividends from non-consolidated companies, while in 2Q05, this contribution totaled R\$89 million. Usiminas contributed with R\$59 million in this quarter. Henan Longyu Resources, which begun its operations in the 4Q05, distributed dividends of R\$33 million.

The cash generation breakdown by business area in 2Q06 was as follows: ferrous minerals 71%, products of the aluminum chain 15%, non-ferrous minerals 6.6%, logistics 6.5%, steel, 2.6% and others, representing expenditure on R&D, (1.6%).

2Q06

Table of Contents**QUARTERLY EBITDA**

R\$ million

	<b>2Q05</b>	<b>1Q06</b>	<b>2Q06</b>
Net operating revenues	9,551	7,965	9,780
COGS	(4,011)	(3,944)	(4,351)
SG&A	(403)	(436)	(512)
Research and development	(161)	(156)	(222)
Other operational expenses	(220)	(189)	(176)
<b>EBIT</b>	<b>4,756</b>	<b>3,240</b>	<b>4,519</b>
Depreciation, amortization & exhaustion	488	512	540
Dividends received	89	1	94
<b>EBITDA</b>	<b>5,334</b>	<b>3,753</b>	<b>5,153</b>

**FINANCIAL RESULT**

CVRD's net financial result in 1H06 was a negative R\$725 million: financial expenses totaled R\$1.084 billion and financial revenues, R\$213 million. Monetary variation amounted to a positive R\$146 million.

In 2Q06, the net financial result was a negative R\$466 million, down from the figure of R\$548 million in 2Q05, when we reported a positive net financial result of R\$82 million.

Financial revenues amounted to R\$105 million, 78% over 2Q05, due to the higher interest rates and an increase in the average amount held in cash or equivalents.

Financial expenses in 2Q06 totaled R\$557 million, more than two times the same period in 2005, R\$247 million.

Other factors which further contributed to the raise in financial expenses were losses from derivatives and the negative effect of shareholders debentures held being marked to market.

The losses from derivatives were due to remaining hedge operations on the aluminium prices done until 2004.

In May 1997, when CVRD was privatized, we issued shareholders debentures. Their return was established as a percentage of the revenues to be generated in the future through the exploitation of certain mineral assets. These shareholders debentures were registered with the CVM, Brazil's Securities Exchange Commission, in 2002 and are traded on ANDIMA's National Debentures System (SND), [www.debentures.com.br](http://www.debentures.com.br).

These debentures constitute a liability for the Company and as such have their prices marked to market. Owing to their increased trading volume on the SND and the strong increase in their average prices, from R\$0.060999 in 1Q06 to R\$0.325928 in 2Q06, the book value of these obligations on June 30, 2006 was updated to R\$126.6 million, implying the realization of a loss of R\$108.7 million.

Interest expenses amounted to R\$166 million, up R\$27 million yoy, as the reduction in the average cost of debt partially compensated for the increase in gross debt, from US\$4.168 billion in June 30, 2005 to US\$5.883 billion in June 30, 2006.

The effect of the 8.6% appreciation in the Brazilian Real against the US dollar as at June 30, 2006, compared to the end of 2Q05, generated a negative accounting effect of R\$14 million on the 2Q06 result R\$285 million less than in 2Q05, when monetary variation amounted to a positive R\$271 million.

2Q06

**Table of Contents**

BR GAAP

**EQUITY RESULT**

In 1H06, the equity income result was a negative R\$41 million, compared to a positive result of R\$150 million in 1H05.

In 2Q06, the equity income result was a negative R\$57 million against a positive R\$76 million in 2Q05. This was heavily impacted by the premium on companies consolidated as a result of the incorporation of Caemi shares, which took place at the end of March 2006, of R\$132 million, and of the lower contributions from CVRD's stakes in steel companies, R\$60 million compared to R\$128 million in 2Q05.

**NET EARNINGS**

In 1H06, our net earnings amounted to R\$6.090 billion, up 19.5% on 1H05's figure of R\$5.094 billion.

Net earnings in 2Q06 totaled R\$3.906 billion, setting a new record for the Company, being 12.3% above the previous quarterly record, achieved in 2Q05, of R\$3.479 billion.

The increase in net earnings in the 2Q06 vis-a-vis the 2Q05 is explained by the sale of our stake in GIIC (R\$737 million) and by the elimination of the negative effect of R\$141 million from minority stakes due to the incorporation of the shares of Caemi, which more than compensated the negative effect of the financial result (R\$548 million).

**A HEALTHY BALANCE SHEET: UPGRADE IN THE CREDIT RATING SCALE**

CVRD's total debt, calculated according to the generally accepted accounting principles in the United States, on June 30, 2006 was US\$5.883 billion, vs. US\$6.063 billion on March 31, 2006 and US\$4.168 billion on June 30, 2005. Net debt at the end of June 2006 was US\$3.989 billion, compared to US\$4.419 billion at the end of March 2006, and US\$3.212 billion at the end of June 2005.

The average tenor of the debt on June 30, 2006 was 8.27 years, longer than the average tenor of 6.57 years at June 30, 2005, and 8.15 years at the end of March 2006. Of the total debt on June 30, 2006, 53% was indexed to floating interest rates, and 47% was at fixed rates of interest.

Total debt/LTM adjusted EBITDA diminished from 0.84x on March 31, 2006 to 0.80x on June 30, 2006. Meanwhile, total debt/EV was maintained in the level of 10%.

Interest coverage as measured as LTM adjusted EBITDA/Interest paid was slightly reduced, from 27.08x at the end of the first quarter to 23.76x on June 30, 2006.

Thus, in spite of the increase of total debt in first half of 2006, which was largely due to the anticipation of fund raising to take advantage from lower interest rates, our debt leverage and interest coverage indices are at extremely comfortable levels.

In 2Q06 Fitch Ratings gave CVRD investment grade rating (BBB-), becoming the fourth rating globally-operating agency to do so. Simultaneously, Standard & Poor's (S&P) and Dominion Bond Rating Services (DBRS) also upgraded CVRD's risk rating - S&P from BBB to BBB+, and DBRS from BBBlow to BBBhigh. These two changes place CVRD only one notch below the A band, the highest on the credit rating agencies' classification scale.

2Q06

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**Table of Contents**

BR GAAP

**DEBT INDICATORS**

US\$ million

	<b>2Q05</b>	<b>1Q06</b>	<b>2Q06</b>
Gross debt	4,168	6,063	5,883
Net debt	3,212	4,419	3,989
Gross debt / adjusted LTM EBITDA (x)	0.83	0.84	0.80
Adjusted LTM EBITDA / LTM interest expenses (x)	17.73	27.08	23.76
Gross debt / EV (%)	10.98	10.31	9.85

*Enterprise Value = market capitalization + net debt***PERFORMANCE OF THE BUSINESS SEGMENTS*****Ferrous minerals***

In 1H06, sales of iron ore and pellets, of 129.768 million tons, were 7.6% higher than those in 1H05. This was composed by 114.563 million tons of iron ore sales and 15.205 million tons of pellet sales.

Iron ore and pellet shipments in 2Q06, of 67.141 million tons, were up 8.8% compared to the figure in 2Q05. This reflected the Company's record production and the continuing buoyancy in the market for iron ore fines and lumps. In the 2Q06, iron ore sales amounted to 59.703 million tons, up 12.7% on 2Q05 and setting a new quarterly record, beating in 3.696 million tons the sales of 4Q05.

As expected, pellet sales, of 7.438 million tons, were below sales recorded in 2Q05 (8.748 million tons) and in 1Q06 (7.767 million tons). The São Luís pellet plant remained shut down in 2Q06, but with the strength in demand picking up in the seaborne pellet market, the plant resumed operations in the second fortnight of July.

In 2Q06, the Company purchased 3.689 million tons of iron ore from mining operators located in the so-called Iron Quadrangle, in the state of Minas Gerais, to complement its production.

In this quarter, 20.427 million tons of iron ore and pellets sold, 30.4% of shipments, were sent to China, compared to 19.9% in 2Q05. Japan absorbed 9.2% of the volumes sold, Germany 8.0%, and France, 3.9%. Sales in Brazil accounted for 17.2% of total shipments.

In 1H06, sales of manganese ore amounted to 347,000 tons, while sales of ferro-alloys, 270,000 tons.

In 2Q06, manganese ore shipments were 198,000 tons and ferro-alloy sales were 144,000 tons, similar amounts to those shipped in 2Q05, which were respectively, 194,000 tons and 151,000 tons.

In 1H06, sales of ferrous minerals resulted in gross revenues of R\$12.410 billion, 4.2% higher than the figure in 1H05. EBITDA amounted to R\$6.596 billion, compared to R\$6.381 billion in 1H05.

Revenues from the shipment of ferrous minerals in 2Q06 totaled R\$6.638 billion, down 11% against the figure in 2Q05. This is explained by the BRL/USD negative exchange rate effect when reporting in Brazilian reais R\$873 million and by the difference in the price levels R\$301 million as in the 2Q05 was reflected 2Q06

**Table of Contents****BR GAAP**

the retroactive price impact, more than compensating the positive effect of the increase in the sales volume R\$356 million.

In 2Q06, revenues from the sales of iron ore reached R\$5.130 billion, R\$1.208 billion from pellet sales, R\$17 million from pelletization services provided by the pellet plants in Tubarão, R\$26 million from the sales of manganese ore, and R\$275 million from the sales of ferro-alloys.

In 2Q06, EBIT margin in the ferrous minerals segment amounted to 50.8%. EBITDA generated by this segment was R\$3.656 billion, against R\$4.446 billion in 2Q05.

**SALES VOLUME IRON ORE AND PELLETS**

	thousand tons					
	<b>2Q05</b>	<b>%</b>	<b>1Q06</b>	<b>%</b>	<b>2Q06</b>	<b>%</b>
Iron ore	52,969	85.8	54,860	87.6	59,703	88.9
Pellets	8,748	14.2	7,767	12.4	7,438	11.1
<b>Total</b>	<b>61,717</b>	<b>100.0</b>	<b>62,627</b>	<b>100.0</b>	<b>67,141</b>	<b>100.0</b>

**VOLUME SOLD BY DESTINATION IRON ORE AND PELLETS**

	million tons					
	<b>2Q05</b>	<b>%</b>	<b>1Q06</b>	<b>%</b>	<b>2Q06</b>	<b>%</b>
<b>Americas</b>	<b>12.5</b>	<b>20.3</b>	<b>11.7</b>	<b>18.7</b>	<b>13.1</b>	<b>19.5</b>
Brazil	11.4	18.5	11.1	17.7	11.5	17.2
USA	1.1	1.8	0.6	1.0	1.6	2.4
<b>Asia</b>	<b>22.5</b>	<b>36.5</b>	<b>29.3</b>	<b>46.8</b>	<b>31.4</b>	<b>46.7</b>
China	12.3	19.9	17.6	28.0	20.4	30.4
Japan	6.5	10.6	6.7	10.7	6.2	9.2
Others	3.7	6.0	5.0	8.0	4.7	7.0
<b>Europe</b>	<b>20.6</b>	<b>33.4</b>	<b>16.4</b>	<b>26.2</b>	<b>17.6</b>	<b>26.2</b>
Germany	6.5	10.6	5.5	8.7	5.4	8.0
France	3.0	4.9	2.6	4.2	2.6	3.9
Others	11.1	17.9	8.3	13.3	9.7	14.4
<b>Rest of the World</b>	<b>6.1</b>	<b>9.8</b>	<b>5.2</b>	<b>8.3</b>	<b>5.1</b>	<b>7.5</b>
<b>Total</b>	<b>61.7</b>	<b>100.0</b>	<b>62.6</b>	<b>100.0</b>	<b>67.1</b>	<b>100.0</b>

**Aluminum products**

In 1H06, bauxite sales reached 2.164 million tons, sales of alumina amounted to 1.357 million tons, and shipments of primary aluminium totaled 249,000 tons. Gross revenue from the sale of products in the aluminium chain amounted to R\$2.597 billion, 31.9% over the figure in the 1H05. EBITDA was R\$1.208 billion, compared to R\$802 million in 1H05.

Alumina sales in 2Q06 amounted to 867,000 tons, a new quarterly record, up 136.2% on 2Q05, showing the conclusion of the ramp-up phase of the capacity expansion at the Barcarena refinery to 4.4 million tons a year, for which production was also a record, of one million tons.

Sales of primary aluminum, of 125,000 tons, were two thousand tons higher than in 2Q05, continuing to reflect the productivity gains at the smelter in Barcarena, where production reached 112,000 tons this quarter.

**2Q06**

**Table of Contents****BR GAAP**

Revenues from the sale of products in the aluminium chain in 2Q06 amounted to R\$1.544 billion. Larger alumina sales contributed with R\$429 million for the raise of R\$616 million in 2Q06 vis-à-vis 2Q05. Higher prices were responsible for R\$305 million while the BRL/USD exchange rate effect was negative in R\$109 million.

In 2Q06, EBIT margin amounted to 47.4%, while EBITDA totaled R\$772 million, up 121.6% to the 2Q05 figure, R\$348 million.

**Non-ferrous minerals**

In 1H06, sales of potash totaled 224,000 tons, sales of kaolin, 626,000 tons, and shipments of copper, 175,000 tons. Gross revenue generated by the sale of these products amounted to R\$994 million, up 24.2% on 1H05. EBITDA was R\$456 million, against R\$186 million in 1H05.

The better performance of copper concentrate sales was fundamental in bringing up the EBIT margin on the sales of non-ferrous minerals to 46.7%, while EBITDA amounted to R\$340 million, four times that obtained in the 2Q05, R\$83 million.

Shipments of copper concentrate in 2Q06 amounted to 105,000 tons, the same amount as in 2Q05, but up 35,000 tons in relation to 1Q06, due to the recovery in production at Sossego. Copper sales generated revenues of R\$447 million, almost double that reported in 2Q05, due to the higher price of copper concentrate.

In 2Q06, the volume of kaolin sold, of 305,000 tons, was in line with the sales in the same quarter a year earlier, of 303,000 tons. Revenues from this product amounted to R\$100 million, down 9.7% on 2Q05, because the higher price in US dollar terms was negatively impacted by the appreciation in the Brazilian Real.

The reduction in the planted land area in Brazil due to the drop in agricultural profitability, resulting from the appreciation of the Brazilian Real, lower soya prices seen since 2Q04 and higher input prices all resulted in a significant drop in potash consumption. At the same time the potash price, having reached a peak in 2Q05, began to decline as a result of the reduction in global demand.

Our potash sales in 2Q06 amounted to 120,000 tons, down 6.2% yoy. Revenue were R\$49 million, compared to the R\$76 million obtained in the 2Q05.

**SALES VOLUME ORES AND METALS**

	thousand tons		
	2Q05	1Q06	2Q06
Manganese	194	149	198
Ferro alloys	151	126	144
Copper concentrate	105	70	105
Potash	129	103	121
Kaolin	303	321	305
Bauxite	1,401	1,108	1,056
Alumina	367	490	867
Aluminum	123	124	125

**Logistics services**

The quest for productivity gains in railroad operations has resulted in greater energy efficiency as fuel consumption per gross ton kilometre went down 3.2% on the Estrada de Ferro Vitória a Minas and 6.3% on the Ferrovia Centro-Atlântica (FCA), remaining unchanged on the Estrada de Ferro Carajás, which already has the lowest fuel consumption of our three railroad systems.

**2Q06**

**Table of Contents****BR GAAP**

In 1H06, revenues from logistics services provided to clients were R\$1.599 billion, while EBITDA amounted to R\$568 million, compared to R\$1.572 billion and R\$656 million, respectively in 1H05.

The problems seen in Brazil's agricultural segment and the 8.4% drop in Brazil's steel production in the first half of the year had an adverse affect on the performance of CVRD's railroads, seeing that our main clients are in these sectors. In 2Q06, our railroads transported 7.962 billion net ton kilometres (ntk) of general freight for clients, 2.7% higher than the volume transported in 2Q05, of 7.755 billion ntk. The main cargoes transported were agricultural products, 47.3% of the total, inputs and products for the steel industry, 38.1%, and fuels, 6.5%.

CVRD's ports and maritime terminals handled 7.781 million tons of general freight in this quarter, against 8.280 million tons in 2Q05.

Logistics services for clients generated revenues of R\$896 million in 2Q06, up 5.7% yoy. Railroad transportation produced revenues of R\$689 million, while port services R\$127 million, and coastal shipping and ports support services, R\$80 million.

In 2Q06, EBIT margin in the logistics segment was 34.3%, while EBITDA amounted to R\$333 million compared to R\$364 million yoy.

**LOGISTICS SERVICES**

	<b>2Q05</b>	<b>1Q06</b>	<b>2Q06</b>
Railroads (million ntk)	7,755	6,170	7,962
Ports (thousand tons)	8,280	6,189	7,781

**Steel**

In 1H06, revenues generated by our equity stakes in the steel industry amounted to R\$731 million, compared to R\$831 million in 1H05. EBITDA was R\$201 million, 9.2% higher the same period a year earlier.

In 2Q06, revenues from CVRD's equity stakes in the steel industry amounted to R\$382 million, in line with the revenues obtained in 2Q05. In this quarter, EBIT margin was 17.1%, while EBITDA totaled R\$135 million.

**EBITDA BY BUSINESS AREA**

	R\$ million					
	<b>2Q05</b>	<b>%</b>	<b>1Q06</b>	<b>%</b>	<b>2Q06</b>	<b>%</b>
Ferrous minerals	4,445	83.3	2,939	78.3	3,657	70.9
Non-ferrous minerals	83	1.5	117	3.1	340	6.6
Logistics	364	6.8	235	6.3	333	6.5
Aluminum	348	6.5	436	11.6	772	15.0
Steel	120	2.2	66	1.8	135	2.6
Others	(27)	-0.5	(40)	-1.1	(83)	-1.6
<b>Total</b>	<b>5,334</b>	<b>100.0</b>	<b>3,753</b>	<b>100.0</b>	<b>5,153</b>	<b>100.0</b>

**CAPITAL EXPENDITURE**

CVRD's capex in 2Q06, calculated according to the generally accepted accounting principles in the United States based on the amount disbursed, reached US\$818 million, 27.4% less than the US\$1.126 billion expended in 1Q06 which included

**2Q06**

**Table of Contents****BR GAAP**

the acquisition of the assets of Rio Verde Mineração for US\$47 million and was at the same level as the 2Q05 capex of US\$821 million.

Total capital expenditure in the first half of the year was US\$1.944 billion, 39.8% higher than the capex of US\$1.391 billion in the first half of 2005.

Investment in organic growth projects and R&D totaled US\$518 million in the quarter, while stay-in-business capex reached US\$300 million. CVRD's investment in R&D in 2Q06 was US\$101 million, which compares with US\$81 million in the prior quarter and US\$43 million in 2Q05. This spending was concentrated on identifying new deposits of copper, coal, nickel and manganese, and in studies for projects (conceptual, pre-feasibility and feasibility). The new mine at Brucutu, in the Southern System, one of CVRD's most important iron ore projects, is starting pre-operational tests, and we expect it to start producing in August.

Start-up of operations at the 118 project, CVRD's second copper mine, is being delayed by a year due to extra time taken to acquire the license for implementation so that it is now scheduled to start operating only in 2009.

Shandong Yankuang International Coking Ltd, a Chinese producer of metallurgical coke, where the Company owns a 25% stake, started its operation in the end of June 2006. The estimated production capacity is 2 million tons per year of coke and 200,000 tons per year of methanol.

**Current projects at implementation phase**

<b>Area</b>	<b>Project</b>	<b>2006 budget, US\$ MM</b>	<b>Status</b>
<b>Ferrous minerals</b>	Expansion of Carajás iron ore capacity to 85 Mtpy Northern System	41	This project will increase capacity by 15 million tons per year completion in 3Q06.
	Expansion of Carajás iron ore mines to 100 Mtpy Northern System	289	This project will increase CVRD's annual output capacity by 15 million tons, with conclusion planned for the second half of 2007. The Ponta da Madeira Port Terminal will be expanded, and Pier III will be extended, with a third ship loading unit and fourth shipment line.
	Brucutu iron ore mine Southern System	310	Completion of Phase I is expected in 2Q06, increasing nominal production capacity to 12 million tons per year. Phase II is scheduled for completion in 1Q07, bringing the mine's capacity to 24 million tons per year.
	Fazendão iron ore mine Southern System	39	Project to produce 14 million tons of run-of-mine (ROM unprocessed) iron ore per year. The project makes Samarco's third pelletization plant viable. Work will start in 2H06, for completion and operational start-up in second half 2007.

Expansion of the  
Fábrica iron ore  
mine Southern  
System

Expansion by 5 million tons, from 12 to  
17 million tons per year, with start-up  
planned for 4Q07.

2Q06

15

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**Table of Contents****BR GAAP**

Expansion of the Tubarão port Southern System	20	Project to expand the conveyor belt systems, patio machinery and new storage platforms, adding 10 million tons per year to the port's handling capacity conclusion planned for 1Q07.
Itabiritos	338	Construction of a pelletization plant in Minas Gerais state, with nominal annual production capacity of seven million tons, and an iron ore concentration plant. Start-up planned for second half 2008.
Tubarão VIII	31	Construction of pelletization plant, with nominal production capacity of 7 Mtpy in the Tubarão complex. Start-up planned for 2008. Subject to CVRD Board of Directors approval.
<b>Non-ferrous minerals</b>		
118 copper mine	21	This project will have capacity to produce 36,000 tons per year of copper cathode. Key equipment has been ordered and start-up is scheduled for first half 2009. Proceedings to obtain the license for the project are in progress.
Vermelho nickel mine	97	Estimated production capacity is 46,000 tons of metallic nickel and 2,800 tons of cobalt, per year. The main equipment has been ordered. EPCM (Engineering, Procurement, Construction Management) contracts were signed in December 2005. Proceedings to obtain environmental license are in progress. Start-up of the mine timetabled for fourth quarter 2008.
Paragominas I bauxite mine	210	The first phase of this mine will produce 5.4 million tons of bauxite per year starting in 1Q07. A 244-km ore pipeline will transport the bauxite to the Barcarena alumina refinery, in the Brazilian state of Pará its construction is planned for completion in December 2006.
Stages 6 and 7 of Alunorte alumina	239	This will increase Alunorte's capacity to 6.26Mtpy of alumina conclusion is planned for 2Q08.

	Paragominas II bauxite mine		The second phase of Paragominas will add 4.5Mtpy to the capacity of 5.4Mtpy resulting from the first phase. Conclusion timetabled for 2Q08.
<b>Logistics</b>	Railroads (EFVM, EFC, FCA): acquisition of locomotives and wagons	379	In 2006, CVRD will acquire 22 locomotives, and 1,426 rail wagons 150 for general cargo and 1,276 to carry iron ore. All the locomotives will be used to haul iron ore.
<b>Power generation</b>	Capim Branco I and II hydroelectric power plants	61	Both are on the Araguari river in the state of Minas Gerais, and will have generation capacity, respectively, of 240MW and 210MW. Capim Branco I started operating in 1Q06. Capim Branco II is timetabled for start-up in 1Q07.
	Estreito hydroelectric power plant	68	On the Tocantins river, on the border between the Brazilian states of Maranhão and Tocantins. Planned installed capacity of 1,087MW. Start of construction is planned for 2006, subject to obtaining installation license. First rotor is expected to start producing in second half 2009.
<b>Steel holdings</b>	Ceará Steel	11	Project for a steel slab plant in the state of Ceará in Brazil's Northeast region, with nominal capacity for 1.5 million tons per year. Start-up planned for 2009.
	CSA	72	Project for a steel slab plant in the state of Rio de Janeiro, with nominal capacity for 5 million tons per year, and start-up in the first half of 2009. CVRD's Board of Directors approved the investment in 1Q06.

2Q06

16



**Table of Contents****BR GAAP****TOTAL CAPEX BY BUSINESS AREA**

<b>By business area</b>	<b>Actual, 2Q06</b>		<b>US\$ million</b>	
			<b>Actual, 2006</b>	
Ferrous minerals	407	49.8%	926	47.6%
Non-ferrous minerals	94	11.6%	177	9.1%
Logistics	107	13.0%	335	17.2%
Aluminum	131	16.0%	349	18.0%
Coal	21	2.6%	29	1.5%
Energy	20	2.5%	45	2.3%
Steel holdings	6	0.7%	14	0.7%
Other	32	3.9%	69	3.6%
<b>Total</b>	<b>818</b>	<b>100.0%</b>	<b>1,944</b>	<b>100.0%</b>

**CONFERENCE CALL AND WEBCAST**

CVRD will hold a conference call and webcast on August 4, at 12:00 midday Rio de Janeiro time, 11:00 am US Eastern Standard Time, 4:00 pm UK time. Instructions for participation are on the website [www.cvrd.com.br](http://www.cvrd.com.br), under Investor Relations. A recording will be available on CVRD's site for 90 days from August 4.

**FINANCIAL INDICATORS OF NON-CONSOLIDATED COMPANIES**

For selected financial indicators of the main companies not consolidated, see CVRD quarterly financial statements on [www.cvrd.com.br](http://www.cvrd.com.br), under Investor Relations.

**2Q06**

**Table of Contents****BR GAAP****FINANCIAL STATEMENTS**

	R\$ million		
	<b>2Q05</b>	<b>1Q06</b>	<b>2Q06</b>
<b>Gross operating revenues</b>	<b>10,051</b>	<b>8,281</b>	<b>10,131</b>
Taxes	(500)	(316)	(351)
<b>Net operating revenues</b>	<b>9,551</b>	<b>7,965</b>	<b>9,780</b>
Cost of goods sold	(4,011)	(3,944)	(4,351)
<b>Gross profit</b>	<b>5,541</b>	<b>4,021</b>	<b>5,429</b>
Gross margin (%)	58.0	50.5	55.5
<b>Operational expenses</b>	<b>(784)</b>	<b>(781)</b>	<b>(910)</b>
Sales	(96)	(105)	(130)
Administrative	(308)	(331)	(381)
Research and development	(161)	(156)	(222)
Other operational expenses	(220)	(189)	(176)
<b>Operating profit before result from shareholdings</b>	<b>4,756</b>	<b>3,240</b>	<b>4,520</b>
<b>Result from shareholdings</b>	<b>77</b>	<b>16</b>	<b>(56)</b>
Equity income	147	76	75
Goodwill amortization	(57)	(38)	(132)
Others	(13)	(22)	
<b>Financial result</b>	<b>82</b>	<b>(259)</b>	<b>(466)</b>
Financial expenses	(247)	(527)	(557)
Financial revenues	58	108	105
Monetary variation	271	160	(14)
<b>Operating profit</b>	<b>4,915</b>	<b>2,997</b>	<b>3,996</b>
Result of discontinued operations		19	737
Income tax and social contribution	4,915	3,016	4,734
Earnings before income tax and social contribution	(1,061)	(585)	(593)
Minority interest	(375)	(247)	(234)
<b>Net earnings</b>	<b>3,479</b>	<b>2,184</b>	<b>3,906</b>

**BALANCE SHEET**

	R\$ million		
	<b>06/30/05</b>	<b>03/31/06</b>	<b>06/30/06</b>
<b>Asset</b>			
Current	12,387	13,715	14,660
Long term	4,106	4,551	4,998
Fixed	30,462	41,917	43,540
<b>Total</b>	<b>46,954</b>	<b>60,183</b>	<b>63,198</b>
<b>Liabilities</b>			
Current	8,195	10,078	8,855
Long term	12,918	16,292	16,393
Others	2,579	2,085	2,370
Shareholders equity	23,262	31,727	35,579
Paid-up capital	14,000	19,492	19,492
Reserves	9,262	12,235	16,087
<b>Total</b>	<b>46,954</b>	<b>60,182</b>	<b>63,198</b>
<b>2Q06</b>			



**Table of Contents****BR GAAP****CASH FLOW**

R\$ million

	<b>2Q05</b>	<b>1Q06</b>	<b>2Q06</b>
<b>Cash flows from operating activities:</b>			
Net income	3,479	2,185	3,906
Adjustments to reconcile net income with cash provided by operating activities:			
Result from shareholdings	(77)	(16)	57
Result from sale of investment		(19)	(737)
Depreciation, depletion and amortization	384	420	446
Deferred income tax and social contribution	53	(77)	96
Financial expenses and foreign exchange and monetary net variation	(982)	(654)	65
Minority interest	375	246	234
Impairment of property, plant and equipment	60	18	60
Goodwill amortization in the COGS	96	92	94
Net unrealized derivative losses	(10)	158	107
Dividends/interest attributed to stockholders received	89	1	94
Others	58	22	(25)
Decrease (increase) in assets:			
Accounts receivable	(1,026)	492	(896)
Inventories	(67)	(188)	90
Advanced pay to energy suppliers	(143)	(68)	(67)
Others	(450)	(404)	210
Increase (decrease) in liabilities:			
Suppliers and contractors	278	(842)	242
Payroll and related charges	30	(242)	110
Taxes and Contributions	885	(329)	268
Others	288	(285)	(148)
<b>Net cash provided by operating activities</b>	<b>3,323</b>	<b>511</b>	<b>4,205</b>
Cash Flow from investing activities:			
Loans and advances receivable	(43)	26	(181)
Guarantees and deposits	(37)	(52)	(28)
Additions to investments	(208)	(112)	
Additions to property, plant and equipment	(1,926)	(1,699)	(2,434)
Proceeds from disposals of investments/property, plant and equipment	4	48	970
<b>Net cash used in investing activities</b>	<b>(2,212)</b>	<b>(1,789)</b>	<b>(1,673)</b>
Cash flows from financing activities:			
Short-term debt, net issuances (repayments)	470	155	(55)
Long-term debt	342	3,091	28
Financial institutions	(1,138)	(739)	(450)
Interest attributed to stockholders	(1,280)	(55)	(1,378)
Stock treasury			(54)
<b>Net cash used in financing activities</b>	<b>(1,606)</b>	<b>2,452</b>	<b>(1,908)</b>
Increase (decrease) in cash and cash equivalents	(496)	1,174	661
Cash and equivalents, beginning of period	3,240	2,703	3,877
<b>Cash and equivalents, end of period</b>	<b>2,744</b>	<b>3,877</b>	<b>4,502</b>
Cash paid during the period for:			

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Interest on short-term debt	(20)	(8)	(8)
Interest on long-term debt	(128)	(219)	(164)
Paid income tax and social contribution	(378)	(432)	(101)
Non-cash transactions:			
Additions to property, plant and equipment interest capitalization	402	(220)	89
Income tax and social contribution paid with credits	(56)	(82)	(78)

**2Q06**

19

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**Table of Contents**

**BR GAAP**

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.

**2Q06**

20

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**Table of Contents****Contents**

<u>A-Quarterly information</u>	2
<u>1-Balance Sheet</u>	2
<u>2-Statement of Income</u>	3
<u>3-Statement of Changes in Stockholders' Equity</u>	4
<u>4-Statement of Cash Flows</u>	5
<u>5-Notes to the Quarterly information at June 30, 2006 and 2005</u>	6
<u>5.1- Operations</u>	6
<u>5.2- Presentation of Quarterly information</u>	6
<u>5.3- Principles and Practices of Consolidation</u>	6
<u>5.4- Significant Accounting Policies</u>	6
<u>5.5- Accounting Pronouncements Recently-issued by Comissão de Valores Mobiliários (CVM)</u>	7
<u>5.6- Stock Merger - CAEMI</u>	7
<u>5.7- Acquisition and Divestment</u>	7
<u>5.8- Cash and Cash Equivalents</u>	8
<u>5.9- Accounts Receivable</u>	8
<u>5.10- Related Parties</u>	8
<u>5.11- Inventories</u>	9
<u>5.12- Taxes to recover or offset</u>	9
<u>5.13- Deferred Income Tax and Social Contribution</u>	9
<u>5.14- Consolidated investments</u>	11
<u>5.15- Property, Plant and Equipment</u>	12
<u>5.16- Loans and Financing</u>	13
<u>5.17- Contingent Liabilities</u>	14
<u>5.18- Environmental and Site Reclamation and Restoration Costs</u>	15
<u>5.19- Treasury Stock</u>	16
<u>5.20- Paid-up Capital</u>	16
<u>5.21- Payment to Shareholders</u>	16
<u>5.22- Financial Results</u>	17
<u>5.23- Financial Instruments - Derivatives</u>	18
<u>5.24- Sales, Administrative and Other Operating Expenses</u>	20
<u>6- Attachment I - Statement of Investments in Subsidiaries and Jointly-Controlled Companies</u>	21
<u>7- Report of the Independent Accountants on Limited Review</u>	22
<u>B - Additional Information (not reviewed)</u>	23
<u>8 - Management's Discussion and Analysis of the Operating Results for the Year Ended June 30, 2006 and Supplemental Information</u>	23
<u>8.1- Comments on Consolidated Operating Results</u>	24
<u>8.1.1- Gross revenue</u>	24
<u>8.1.2 - Cost of products and services</u>	26
<u>8.1.3 - Selling expenses and administrative expenses</u>	26
<u>8.1.4 - Research and development</u>	26
<u>8.1.5 - Other operating expenses</u>	26
<u>8.1.6 - Net financial results</u>	26
<u>8.1.7 - Income tax and social contribution</u>	27
<u>8.1.8 - Cash generation</u>	27
<u>8.2- Comments on the Parent Company Results</u>	28
<u>8.2.1 - Gross revenue</u>	28
<u>8.2.2 - Cost of products and services</u>	28

<u>8.2.3 - Gross margin</u>	28
<u>8.2.4 - Results of shareholdings by business area</u>	28
<u>8.2.5 - Selling expenses and administrative expenses</u>	29
<u>8.2.6 - Research and development</u>	29
<u>8.2.7 - Other operating expenses</u>	29
<u>8.2.8 - Net financial results</u>	29
<u>8.2.9 - Income tax and social contribution</u>	29
<u>9- Board of Directors, Fiscal Council, Advisory Committees and Executive Officers</u>	30



**Table of Contents****A- Quarterly information**

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

**1- Balance Sheet****Periods ended June 30**

	Notes	In thousands of reais			
		06/30/06	Consolidated 03/31/06	Parent Company 06/30/06	03/31/06
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	5.8	4,501,953	3,877,362	116,099	144,164
Accounts receivable from customers	5.9	4,527,871	3,670,235	2,243,382	2,071,977
Related parties	5.10	22,626	220,847	1,023,253	1,363,243
Inventories	5.11	3,342,975	3,488,755	1,331,895	1,377,421
Taxes to recover or offset	5.12	787,265	966,031	257,182	498,424
Deferred income tax and social contribution	5.13	509,073	586,394	425,575	506,555
Other		967,764	905,046	288,664	333,830
		<b>14,659,527</b>	<b>13,714,670</b>	<b>5,686,050</b>	<b>6,295,614</b>
<b>Non-current assets</b>					
<b>Long-term receivables</b>					
Related parties	5.10	14,226	18,566	404,800	407,013
Loans and financing		144,144	141,414	107,170	105,448
Deferred income tax and social contribution	5.13	945,081	994,339	399,246	427,929
Judicial deposits	5.17	1,953,963	1,722,990	1,284,908	1,068,188
Taxes to recover or offset	5.12	314,494	214,280	214,572	176,722
Asset for sale		110,972	114,997		
Advances to energy suppliers	5.4(f)	861,575	794,789		
Prepaid expenses		264,010	109,399		
Other		389,339	439,921	24,321	10,637
		<b>4,997,804</b>	<b>4,550,695</b>	<b>2,435,017</b>	<b>2,195,937</b>
<b>Investments</b>	5.14	<b>6,816,643</b>	<b>7,008,981</b>	<b>29,292,636</b>	<b>26,485,896</b>
<b>Property, plant and equipment</b>	5.15	<b>36,539,637</b>	<b>34,696,174</b>	<b>22,953,483</b>	<b>21,548,895</b>
<b>Deferred charges</b>		<b>183,685</b>	<b>211,531</b>		
		<b>43,539,965</b>	<b>41,916,686</b>	<b>52,246,119</b>	<b>48,034,791</b>
		<b>63,197,296</b>	<b>60,182,051</b>	<b>60,367,186</b>	<b>56,526,342</b>
<b>Liabilities and stockholders equity</b>					
<b>Current liabilities</b>					
Short-term debt	5.16	652,389	615,994		
Current portion of long-term debt	5.16	2,514,229	2,746,618	621,121	771,617
Payable to suppliers and contractors		2,018,364	1,788,399	1,398,583	1,213,474

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Related parties	5.10	73,040	62,457	4,279,199	4,126,936
Payroll and related charges		413,094	303,466	286,225	196,976
Pension Plan Valia		74,808	75,357	74,808	75,408
Dividends and interest on stockholders equity	5.21	1,440,843	2,961,312	1,357,850	2,750,150
Taxes and contributions		781,517	529,006	93,506	54,201
Other		886,956	995,143	393,047	422,645
		<b>8,855,240</b>	<b>10,077,752</b>	<b>8,504,339</b>	<b>9,611,407</b>
<b>Non-current liabilities</b>					
<b>Long-term liabilities</b>					
Long-term debt	5.16	10,576,743	10,768,483	2,049,055	2,113,611
Related parties	5.10	2,847	3,106	10,255,884	9,381,736
Provisions for contingencies	5.17	3,040,826	2,825,735	2,322,604	2,138,215
Pension Plan Valia		545,665	546,695	545,665	545,060
Provision for asset retirement obligations	5.18	541,631	554,679	326,953	343,532
Provisions for derivatives	5.23	679,838	644,966	77,567	75,471
Other		1,005,629	947,947	706,215	589,706
		<b>16,393,179</b>	<b>16,291,611</b>	<b>16,283,943</b>	<b>15,187,331</b>
<b>Deferred income</b>		<b>6,787</b>	<b>7,603</b>		
<b>Minority interest</b>		<b>2,363,186</b>	<b>2,077,481</b>		
<b>Stockholders equity</b>					
Paid-up capital	5.20	19,492,401	19,492,401	19,492,401	19,492,401
Revenue reserves		16,086,503	12,235,203	16,086,503	12,235,203
		<b>35,578,904</b>	<b>31,727,604</b>	<b>35,578,904</b>	<b>31,727,604</b>
		<b>63,197,296</b>	<b>60,182,051</b>	<b>60,367,186</b>	<b>56,526,342</b>

The additional information, notes and attachment I are an integral part of the quarterly information.

**Table of Contents**

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

**2- Statement of Income**

Periods ended June 30

		In thousands of reais						
				Quarter	Consolidated		Parent Company	
	Notes	2Q/06	1Q/06	2Q/05	06/30/06	06/30/05	06/30/06	06/30/05
<b>Operating revenues</b>	8.1.1 and 8.2.1							
<b>Revenues of ore and metals</b>								
Iron ore and pellets		6,354,472	5,498,489	7,027,883	11,852,961	10,969,421	7,232,217	7,040,421
Manganese and ferroalloys		300,246	256,362	442,982	556,608	941,221		
Copper		447,328	241,738	228,570	689,066	428,550	460,841	392,841
Waste		49,377	48,888	75,506	98,265	155,879	98,265	155,879
Other		100,151	106,327	110,955	206,478	215,531		
		<b>7,251,574</b>	<b>6,151,804</b>	<b>7,885,896</b>	<b>13,403,378</b>	<b>12,710,602</b>	<b>7,791,323</b>	<b>7,589,141</b>
Transport services		895,968	703,644	847,967	1,599,612	1,572,430	902,429	842,921
Revenues of aluminum-related products		1,544,296	1,052,552	928,170	2,596,848	1,968,138	20,889	98,790
Revenues of steel products		381,832	348,909	378,697	730,741	830,850		
Other products and services		56,995	24,215	10,718	81,210	21,791	38,215	21,564
		<b>10,130,665</b>	<b>8,281,124</b>	<b>10,051,448</b>	<b>18,411,789</b>	<b>17,103,811</b>	<b>8,752,856</b>	<b>8,552,420</b>
Value Added taxes		(350,794)	(315,852)	(499,993)	(666,646)	(831,783)	(479,643)	(486,788)
<b>Net operating revenues</b>		<b>9,779,871</b>	<b>7,965,272</b>	<b>9,551,455</b>	<b>17,745,143</b>	<b>16,272,028</b>	<b>8,273,213</b>	<b>8,065,632</b>
<b>Cost of products and services</b>	8.1.1 and 8.2.1							
Iron ore and metals		(2,815,494)	(2,598,146)	(2,619,094)	(5,413,640)	(5,024,506)	(4,435,139)	(4,147,292)
Transport services		(426,850)	(452,964)	(489,874)	(879,814)	(930,669)	(342,789)	(290,784)
Aluminum-related products		(761,378)	(600,677)	(543,775)	(1,362,055)	(1,093,067)	(89,553)	(50,940)
Steel products		(308,211)	(278,906)	(352,156)	(587,117)	(735,816)		
Other products and services		(38,789)	(14,017)	(5,761)	(52,806)	(11,581)	(15,403)	(14,283)
		<b>(4,350,722)</b>	<b>(3,944,710)</b>	<b>(4,010,660)</b>	<b>(8,295,432)</b>	<b>(7,795,639)</b>	<b>(4,882,884)</b>	<b>(4,503,305)</b>
<b>Gross profit</b>		<b>5,429,149</b>	<b>4,020,562</b>	<b>5,540,795</b>	<b>9,449,711</b>	<b>8,476,389</b>	<b>3,390,329</b>	<b>3,562,327</b>
<b>Gross margin</b>		<b>55.5%</b>	<b>50.5%</b>	<b>58.0%</b>	<b>53.3%</b>	<b>52.1%</b>	<b>41.0%</b>	<b>44.2%</b>
<b>Operating expenses</b>								

ing and								
Administrative	5.24	(511,794)	(435,793)	(403,106)	(947,587)	(760,804)	(414,099)	(285,390)
Research and		(222,030)	(156,058)	(161,446)	(378,088)	(242,575)	(235,122)	(174,887)
Development								
Other operating	5.24	(175,902)	(188,825)	(219,770)	(364,727)	(340,638)	(244,775)	(177,401)
Expenses		<b>(909,726)</b>	<b>(780,676)</b>	<b>(784,322)</b>	<b>(1,690,402)</b>	<b>(1,344,017)</b>	<b>(893,996)</b>	<b>(637,684)</b>
<b>Operating profit</b>								
<b>Core financial results</b>								
<b>Financial results of equity</b>								
<b>Investments</b>		<b>4,519,423</b>	<b>3,239,886</b>	<b>4,756,473</b>	<b>7,759,309</b>	<b>7,132,372</b>	<b>2,496,333</b>	<b>2,924,651</b>
<b>Results of equity</b>								
<b>Investments</b>	5.14	<b>(57,280)</b>	<b>16,410</b>	<b>76,889</b>	<b>(40,870)</b>	<b>150,408</b>	<b>4,111,198</b>	<b>2,413,130</b>
Gain on investments								
Accounted for by the								
Equity method		75,422	76,774	146,831	152,196	277,190	4,950,619	3,261,237
Amortization of								
Goodwill		(132,256)	(37,941)	(57,270)	(170,197)	(114,540)	(170,197)	(114,540)
Provision for losses							(58,095)	(36,311)
Change variation in								
Shareholders' equity of								
Companies abroad		(446)	(22,423)	(12,672)	(22,869)	(12,242)	(611,129)	(697,250)
<b>Financial results, net</b>	5.22	<b>(466,405)</b>	<b>(259,054)</b>	<b>81,871</b>	<b>(725,459)</b>	<b>(192,576)</b>	<b>(33,925)</b>	<b>455,448</b>
<b>Change of assets</b>	5.7	<b>736,866</b>	<b>19,326</b>		<b>756,192</b>		<b>19,326</b>	
<b>Income before income</b>								
<b>and social</b>								
<b>Contribution</b>		<b>4,732,604</b>	<b>3,016,568</b>	<b>4,915,233</b>	<b>7,749,172</b>	<b>7,090,204</b>	<b>6,592,932</b>	<b>5,793,235</b>
<b>Income tax and social</b>								
<b>Contribution</b>	5.13	<b>(593,102)</b>	<b>(585,334)</b>	<b>(1,060,879)</b>	<b>(1,178,436)</b>	<b>(1,451,423)</b>	<b>(503,273)</b>	<b>(698,760)</b>
<b>Income before</b>								
<b>Minority interests</b>		<b>4,139,502</b>	<b>2,431,234</b>	<b>3,854,354</b>	<b>6,570,736</b>	<b>5,638,781</b>	<b>6,089,659</b>	<b>5,094,475</b>
<b>Minority interests</b>		<b>(234,405)</b>	<b>(246,672)</b>	<b>(375,069)</b>	<b>(481,077)</b>	<b>(544,306)</b>		
<b>Income for the</b>								
<b>Period</b>		<b>3,905,097</b>	<b>2,184,562</b>	<b>3,479,285</b>	<b>6,089,659</b>	<b>5,094,475</b>	<b>6,089,659</b>	<b>5,094,475</b>
<b>Number of shares</b>								
<b>Outstanding at the end</b>	5.19							
<b>of the period (in</b>	and							
<b>thousands)</b>	5.20	<b>2,430,062</b>	<b>2,431,343</b>	<b>2,303,040</b>	<b>2,430,062</b>	<b>2,303,040</b>	<b>2,430,062</b>	<b>2,303,040</b>
<b>Basic earnings per share</b>								
<b>Outstanding at the end</b>								
<b>of the period (R\$)</b>		<b>1.61</b>	<b>0.90</b>	<b>1.51</b>	<b>2.51</b>	<b>2.21</b>	<b>2.51</b>	<b>2.21</b>

The notes and attachment I are an integral part of the quarterly information.



**Table of Contents**

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

**3- Statement of Changes in Stockholders Equity**

ended June 30

									In thousands of
	Notes	Paid-up capital	Expansion/ Investments	Depletion	Unrealized income	Legalincentives	Revenue reserves Fiscal Treasury stock	Retained earnings	
ber 31, 2004		7,300,000	8,206,978	1,004,166	345,728	1,403,117	40,663 (131,318)		18,16
ome for the year								10,442,986	10,44
ization of		6,700,000	(5,129,319)	(1,004,166)		(525,853)	(40,662)		
s					(109,561)			109,561	
tion of reserves									
ge Samitri									
ry stock								21	
riations:								(3)	
interest on									
olders equity								(783,387)	(78
dividends								(1,028,160)	(1,02
onal remuneration									
ed								(2,750,150)	(2,75
riation to									
e reserves			5,385,337			522,149	83,364	(5,990,850)	
ber 31, 2005		14,000,000	8,462,996		236,167	1,399,413	83,365 (131,300)		24,05
Increase	5.20	5,492,401							5,49
ome for the								2,184,562	2,18
31, 2006		19,492,401	8,462,996		236,167	1,399,413	83,365 (131,300)	2,184,562	31,72
ome for the								3,905,097	3,90
ry stock								(53,797)	(5
0, 2006		19,492,401	8,462,996		236,167	1,399,413	83,365 (185,097)	6,089,659	35,57

The notes and attachment I are an integral part of the quarterly information.

**Table of Contents**

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

**4- Statement of Cash Flows**

**Periods ended June 30**

**2Q/06**

**Quarter**

**Consolidated  
Accumulated**

**In thousands of reais  
Parent Company  
Accumulated**