



## **CVRD – 2Q06 Production Report**

### **Strong performance**

Rio de Janeiro, August 2, 2006 – Companhia Vale do Rio Doce (CVRD) continued to report excellent operational performance in the second quarter of this year (2Q06) setting new production records: iron ore (65.9 million tons), alumina (1.0 million tons), aluminium (114,000 tons) and potash (189,000 tons). This performance was implied by operation at full capacity in most of our production facilities, productivity growth and the successful conclusion of a number of projects in 2005 and 2006 (iron ore, alumina and potash).

#### ➤ ***Iron ore – record annualized production rate of 264 million tons***

Iron ore production in 2Q06 was the highest in CVRD's history. The Company saw an increase in production at all its sites, setting a new record at MBR. In the Southern System, the Mariana complex also set a new production record in the second quarter.

Under US GAAP concept (generally accepted accounting principles in the US), CVRD's iron ore production totaled 65.9 million tons in 2Q06, up 8.6% compared to 2Q05, an annualized production rate of 264 million tons - in line with the level programmed for 2006. In the first six months of the year, the Company produced 126.5 million tons, which constitutes a new half yearly record, being 12.8% higher than the production in 1H05.

The Southern System continued to show an outstanding performance, having produced 29.2 million tons in 2Q06, an increase of 2.8% over 2Q05. This was the second-highest quarterly production figure in the history of the Southern System, second only to 3Q05, when it produced 29.5 million tons. In the Mariana mining complex, where production increased by 14.6% compared to 2Q05, the output of 7.5 million tons constituted a new record. The Fábrica Nova mine produced 3.3 million tons in 2Q06, compared to 2.0 million tons in the same quarter last year when it first began operations. The Alegria mine, also in the Mariana complex, produced 3.3 million tons, up 4.1% on 2Q05.

In 1H06, the Southern System set a new production record, of 56.5 million tons, up 6.8% compared to 1H05.

In 2Q06, Carajás produced 19.5 million tons, an increase of 4.1% compared to 2Q05. As in the Southern System, this figure was the second-highest quarterly production figure ever. The production record for Carajás remains at 20.3 million tons, reached in 4Q05.

Production in 1H06 at Carajás totaled 38.5 million tons, exceeding the amount produced in the same period a year earlier by 11.1%. In the second half of 2006, the rate of production should increase, in order to reach the programmed level of 85 million tons.

MBR also achieved a new quarterly production record in 2Q06, of 16.8 million tons, up 26.6% on 2Q05. Production increased at all the MBR mines, particularly in the Paraopeba complex, which consists of the Jangada and Capão Xavier mines, where the amount produced increased by 43.5% compared to 2Q05, totaling 5.9 million tons.

Vargem Grande, MBR's largest operational site, consisting of the Tamanduá, Capitão do Mato, Abóboras and Mar Azul mines, produced 6.5 million tons, an increase of 15.6% over 2Q05. The Mar Azul mine, acquired in 1Q06, produced 998,000 tons this quarter. The Pico mine produced 4.4 million tons, up 24.4% on 2Q05.

#### ➤ ***Pellets – São Luís resumes operations***

The recovery in global demand for pellets led the company to resume operations at its São Luís pellet plant in the second fortnight of July, meaning that production will begin from the beginning of August.

According to the concept of US GAAP, which excludes the joint ventures (Samarco, Nibrasco, Kobrasco, Hispanobras and Itabrasco), pellet production in 2Q06 amounted to 2.4 million tons, down 32.6% on 2Q05, reflecting the shutdown of the São Luís pellet plant in this quarter.



In 2Q06 the Company produced 1.0 million tons of blast furnace pellets and 1.4 million tons of direct reduction pellets.

Total pellet production in the first half amounted to 5.9 million tons, down 24.3% on 1H05.

According to the consolidated figures under BR GAAP (generally accepted accounting principles in Brazil), by which the volumes produced by the joint ventures are calculated in proportion to CVRD stake, production totaled 7.3 million tons in 2Q06, down 15.9% on 2Q05. In addition to the shutdown at the São Luís plant in the quarter, the GIIC joint venture was sold. There was a contribution by GIIC in the month of April, of 145,000 tons.

In 2Q06 production summed up 4.7 million tons of blast furnace pellets and 2.5 million tons of direct reduction pellets.

In the first half of this year, pellet production, under the BR GAAP concept, totaled 15.5 million tons.

### ➤ **Manganese ore and ferro-alloys – in line with levels programmed**

CVRD produced a total of 509,000 tons of manganese ore in 2Q06, down 38.7% on 2Q05. The Azul mine, in Carajás, our main manganese mine, produced 375,000 tons, 74% of the total in the quarter.

In the first half of the year, manganese ore production amounted to 1.055 million tons, down 30.2% compared to 1H05. Since the final quarter of last year, production has been curtailed in order to eliminate the surplus in the global market.

In 2Q06, ferroalloy production totaled 127,000 tons, a 20.9% yoy reduction. Despite the fact that the global ferroalloy market was rebalanced, there is still excess supply in Brazil, where steel output declined by 8.4% yoy. This led to a reduction in activity by Simões Filho, which produced just 64,000 tons, 31% lower than 2Q05. In Europe, Dunkerque and Mo I Rana produced 31,000 tons and 26,000 tons respectively, in 2Q06.

In this quarter, alloy production consisted of 52,800 tons of ferro silicon manganese alloys (FeSiMn), 52,500 tons of high-carbon ferro manganese alloys (FeMnAC), 14,200 tons of medium-carbon ferro manganese alloys (FeMnMC) and 6,300 of other types of alloys. Cored wire production (special alloys), in Dunkerque, amount to 1,600 tons.

### ➤ **Bauxite – running above nominal capacity**

In 2Q06, Trombetas output summed up 4.345 million tons, practically the same as that obtained in 2Q05, of 4.347 million tons. Therefore, operations continue to run at above nominal capacity, of 16.3 million tons a year.

In the first six months of the year, production totaled 8.508 million tons, up 1.4% in relation to 1H05.

### ➤ **Alumina – 1 million ton mark for the first time**

The Barcarena refinery set a new quarterly record, with alumina production in 2Q06 reaching 1.0 million tons for the first time, up 59.8% on 2Q05. Production for the first half of the year was up 37.7% on the same period a year earlier, amounting to 1.749 million tons.

The ramp-up of the 4.4 million tons capacity expansion was successfully concluded in record time. The ramp-up of stage 4, which entered into service at the end of January, took 20 days to be completed, while for stage 5, which began operations at the end of March, it took only 12 days.

The experience acquired on stage 3 in 2003 proved an important factor behind the extraordinary performance at Alunorte, to the extent that it provided the ability to exploit the benefits of economies of scale. Much of the gains were due to the fact that it was able to use a team of seasoned technical staff that had already been trained on ramp-up of stage 3, extensive knowledge of the system for controlling the commissioning of these stages, and good equipment performance - provided by the same suppliers for Module 3.



➤ **Primary aluminium – operational improvements enable record**

The production of primary aluminium reached a new quarterly record of 114,000 tons in 2Q06, up 3.7% on 2Q05. In the first half of this year, production amounted to 226,000 tons, 2.9% higher than 1H05. As a result of the several operational improvements, it is estimated that production at Albras will once again exceed the plant's nominal capacity, reaching a level of close to 450,000 tons in 2006.

With the acquisition in July 2006, for US\$ 27.5 million, of the remaining 45.5% of Valesul, an aluminium smelter located in the district of Santa Cruz in the state of Rio de Janeiro, CVRD now holds 100% of the company. As a result, Valesul's entire aluminium production onward 3Q06 will be part of CVRD's overall production figure.

➤ **Copper - recovering**

In 2Q06, the production of copper concentrate at the Sossego mine totaled 30,000 tons, 4.0 higher than the same period a year earlier, and well above the 22,000 tons reported in 1Q06. As a result, production at Sossego was very close to the record obtained in 4Q04, of 30,600 tons.

CVRD's production of copper concentrate reached 52,000 tons in 1H06, compared to 54,000 tons in 1H05.

➤ **Potash – third record running**

Production at the Taquari-Vassouras mine in 2Q06, of 189,000 tons of potash, constituted a new record, an increase of 12.4% over 2Q05. In the first half of the year, the volume produced was 373,000 tons, up 18.5% on 1H05.

Due to a number of problems associated with the content of the ore being mined, particularly in the first quarter of the year, it is expected that the quantity produced in 2006 will be slightly lower than the 840,000 tons initially estimated.

➤ **Kaolin – good operational performance**

In 2Q06, the Company's kaolin production summed up 339,000 tons, 24.1% higher than 2Q05. The production increased at both CVRD's operations: PPSA and CADAM. PPSA produced 144,000 tons, 30.1% higher than the 2Q05, while CADAM produced 195,000 tons, up 20.0% on 2Q05.

In the first six months of the year, CVRD's total kaolin production totaled 680,000 tons, up 19.3% on 1H05. PPSA contributed 67% of this growth, producing 294,000 tons in the first half of the year, while production at Cadam amounted to 386,000 tons.



## CVRD Production Report - US GAAP\*

thousand tons

	2Q05	1Q06	2Q06	1H05	1H06	% Change 2Q06/1Q06	% Change 2Q06/2Q05	% Change 1H06/1H05
<b>IRON ORE</b>	<b>60,692</b>	<b>60,560</b>	<b>65,902</b>	<b>112,157</b>	<b>126,462</b>	<b>8.8%</b>	<b>8.6%</b>	<b>12.8%</b>
Southern System	28,423	27,241	29,219	52,868	56,460	7.3%	2.8%	6.8%
Itabira	11,331	11,249	11,662	22,585	22,910	3.7%	2.9%	1.4%
Mariana	6,525	6,968	7,477	11,119	14,445	7.3%	14.6%	29.9%
Minas Centrais	5,748	4,350	5,210	9,694	9,560	19.8%	-9.4%	-1.4%
Minas do Oeste	4,820	4,675	4,869	9,469	9,544	4.2%	1.0%	0.8%
Carajás	18,760	18,994	19,526	34,682	38,520	2.8%	4.1%	11.1%
Urucum	245	351	361	480	713	2.8%	47.3%	48.5%
MBR	13,263	13,974	16,796	24,127	30,770	20.2%	26.6%	27.5%
<b>PELLETS</b>	<b>3,628</b>	<b>3,443</b>	<b>2,445</b>	<b>7,776</b>	<b>5,888</b>	<b>-29.0%</b>	<b>-32.6%</b>	<b>-24.3%</b>
CVRD I and CVRD II	1,443	1,494	1,353	2,938	2,847	-9.5%	-6.2%	-3.1%
Fabrica	1,097	995	1,092	2,190	2,087	9.8%	-0.5%	-4.7%
São Luís	1,088	954	0	2,648	954	-100.0%	-100.0%	-64.0%
<b>MANGANESE ORE</b>	<b>831</b>	<b>546</b>	<b>509</b>	<b>1,512</b>	<b>1,055</b>	<b>-6.7%</b>	<b>-38.7%</b>	<b>-30.2%</b>
Azul	597	402	375	1,075	777	-6.9%	-37.2%	-27.7%
Urucum	109	98	90	212	187	-8.4%	-18.1%	-11.6%
other mines	125	46	45	225	91	-1.3%	-63.8%	-59.5%
<b>FERRO-ALLOYS</b>	<b>161</b>	<b>129</b>	<b>127</b>	<b>325</b>	<b>256</b>	<b>-1.0%</b>	<b>-20.9%</b>	<b>-21.3%</b>
RDM	93	63	64	190	127	1.2%	-31.0%	-33.1%
RDME	36	35	31	70	66	-9.3%	-12.4%	-5.6%
RDMN	27	26	26	55	52	2.9%	-3.3%	-5.2%
Urucum	5	5	6	10	11	9.0%	7.3%	3.7%
<b>ALUMINA</b>	<b>639</b>	<b>728</b>	<b>1,021</b>	<b>1,270</b>	<b>1,749</b>	<b>40.2%</b>	<b>59.8%</b>	<b>37.7%</b>
Alunorte	639	728	1,021	1,270	1,749	40.2%	59.8%	37.7%
<b>ALUMINUM</b>	<b>110</b>	<b>112</b>	<b>114</b>	<b>220</b>	<b>226</b>	<b>2.2%</b>	<b>3.7%</b>	<b>2.9%</b>
Albras	110	112	114	220	226	2.2%	3.7%	2.9%
<b>COPPER</b>	<b>29</b>	<b>22</b>	<b>30</b>	<b>54</b>	<b>52</b>	<b>36.4%</b>	<b>4.0%</b>	<b>-3.0%</b>
Sossego	29	22	30	54	52	36.4%	4.0%	-3.0%
<b>POTASH</b>	<b>168</b>	<b>185</b>	<b>189</b>	<b>315</b>	<b>373</b>	<b>2.3%</b>	<b>12.4%</b>	<b>18.5%</b>
Taquari-Vassouras	168	185	189	315	373	2.3%	12.4%	18.5%
<b>KAOLIN</b>	<b>273</b>	<b>341</b>	<b>339</b>	<b>570</b>	<b>680</b>	<b>-0.5%</b>	<b>24.1%</b>	<b>19.3%</b>
PPSA	111	150	144	221	294	-4.2%	30.1%	32.8%
Cadam	163	190	195	348	386	2.5%	20.0%	10.7%

\* Under US GAAP, CVRD consolidates the total production volumes of companies in which it has more than 50% of the voting capital and effective control.



## CVRD Production Report - Consolidated BR GAAP\*

thousand tons

	2Q05	1Q06	2Q06	1H05	1H06	% Change 2Q06/1Q06	% Change 2Q06/2Q05	% Change 1H06/1H05
<b>IRON ORE</b>	<b>62,329</b>	<b>62,190</b>	<b>67,614</b>	<b>115,333</b>	<b>129,805</b>	<b>8.7%</b>	<b>8.5%</b>	<b>12.5%</b>
Southern System	28,423	27,241	29,219	52,868	56,460	7.3%	2.8%	6.8%
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MBR	13,263	13,974	16,796	24,127	30,770	20.2%	26.6%	27.5%
Samarco	1,637	1,630	1,713	3,176	3,343	5.1%	4.6%	5.2%
<b>PELLETS</b>	<b>8,634</b>	<b>8,248</b>	<b>7,259</b>	<b>17,590</b>	<b>15,507</b>	<b>-12.0%</b>	<b>-15.9%</b>	<b>-11.8%</b>
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São Luís	1,088	954	0	2,648	954	-100.0%	-100.0%	-64.0%
Nibrasco	1,136	1,142	1,148	2,291	2,290	0.5%	1.1%	0.0%
Kobrasco	622	596	610	1,195	1,207	2.3%	-1.9%	1.0%
Hispanobras	532	558	586	1,072	1,144	5.0%	10.1%	6.7%
Itabrasco	491	490	513	999	1,003	4.6%	4.5%	0.4%
Samarco	1,704	1,504	1,811	3,362	3,315	20.5%	6.3%	-1.4%
GIIC	522	515	145	894	660	-71.7%	-72.1%	-26.2%
<b>MANGANESE ORE</b>	<b>831</b>	<b>546</b>	<b>509</b>	<b>1,512</b>	<b>1,055</b>	<b>-6.7%</b>	<b>-38.7%</b>	<b>-30.2%</b>
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Urucum	5	5	6	10	11	9.0%	7.3%	3.7%
<b>BAUXITE</b>	<b>1,739</b>	<b>1,665</b>	<b>1,738</b>	<b>3,355</b>	<b>3,403</b>	<b>4.4%</b>	<b>0.0%</b>	<b>1.4%</b>
MRN	1,739	1,665	1,738	3,355	3,403	4.4%	0.0%	1.4%
<b>ALUMINA</b>	<b>639</b>	<b>728</b>	<b>1,021</b>	<b>1,270</b>	<b>1,749</b>	<b>40.2%</b>	<b>59.8%</b>	<b>37.7%</b>
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\* 1) Under Consolidated BR GAAP, CVRD consolidates the total production of all the companies in which it has more than 50% of the voting capital and effective control.

2) For the companies in which CVRD has shared control (Samarco, Nibrasco, Kobrasco, Hispanobras, Itabrasco, MRN and Valesul), consolidation is proportional to CVRD's stake in the company.

3) The production volumes of companies in which CVRD has minority interests are not consolidated.



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