Companhia
Vale do Rio Doce

2Q00 PERFORMANCE OF COMPANHIA VALE DO RIO DOCE

Rio de Janeiro, August 4, 2000

CVRD, the largest diversified mining company of the Americas and the largest world producer and exporter of iron ore, is announcing a solid R$ 462 million net income in 2Q00, with earnings per share of R$ 1.20. The combination of operational excellence, strategic focus and the commodity upcycle is determining the performance of the Company.

Macroeconomic Scenario

This year the global economy is experiencing a strong cyclical vigor, with a current growth rate above the 3.6% trend line of the past 30 years.

Higher interest rates, labor costs and energy prices are increasing the costs of doing business in the United States. However, its GDP is still growing at very high rates, 5.2% in 2Q00. On the other hand, the buoyancy of the U.S. economy may generate additional inflationary pressures and a further monetary tightening by the Federal Reserve, which increases the risks of a hard landing in 2001.

At the same time, the health of most other economies, like Brazil, is continuing to improve, making global expansion less dependent on U.S. demand.

Among the emerging market economies who suffered balance of payments crisis in the nineties, Brazil seems to be the most successful one in the post-devaluation phase. Fiscal policy is delivering solid primary surpluses, the Central Bank is meeting inflation targets, there is a continued and substantial foreign direct investment inflow, the BRL/US$ exchange rate volatility narrowed and industrial production grew by 6.8% yoy in 1H00. We believe that the stabilization program is creating a robust platform for long term economic growth.

Prospects for the pace of Euroland recovery are better as the picture for consumption is starting to brighten. Non-Japan Asia is continuing to grow at relatively high rates, with Chinese economic growth – 8.3% in the first half of the year against 7.1% in 1999 – surprising on the upside. In Japan, business confidence improved significantly and the outlook for profits and spending for the year ahead is upbeat.

Therefore, the outlook for industrial commodities in the next twelve months is good, benefiting specially low cost producers like CVRD. The main source of downside risk is a severe slowdown of the U.S. economy and its negative impact on global economic growth.

To meet requirements of the economic recovery, global steel output, according to the International Institute for Steel and Iron, grew 11.1% in the first half of the year, contributing to a strong iron ore demand. Among the major iron ore importers, Japan (17.6%), Germany (13.5%), Italy (11.5%) and South Korea (9.5%) were the ones with the highest steel production growth rates. Brazilian output rose 9.7%.

Japanese iron ore imports in 1H00 posted a 11.2% yoy growth, with 65.2 million tonnes in 2000 against 58.6 million tonnes in 1999.

China, the fastest growing iron ore market in the world, showed a modest 3% yoy increase in steel output. However, iron ore imports during January/May 2000 jumped by 45% (representing an additional volume of 8.8 million tonnes) against January/May 1999 as a result of the restructuring of the Chinese steel industry and the rising demand for high quality ores not supplied by its domestic mines.

Demand for primary aluminum continues to be very strong as well while inventories at LME warehouses are at low levels. These factors are expected to support higher prices over the next months. Simultaneously, demand strength and the lack of new investments in capacity additions are behind an upward trend of pulp prices.

Relevant Events

2Q00 was an eventful period.

- CVRD stock was listed on the New York Stock Exchange (NYSE) and its ADR level II (PNA shares are the underlying shares) began trading on June 20 under the ticker symbol RIO. Investors can trade CVRD shares in BRL (Bovespa – VALE5, VALE3), EUR (Latibex, the electronic trading system of the Bolsa de Madrid - XVALP) and US$ (NYSE - RIO).

- CVRD and thirteen of world's leading mining and metals announced the creation of an independent, global internet-based procurement market place. It is anticipated that this e-procurement platform will bring significant benefits to CVRD through lower costs and improved inventory management.

- CVRD acquired SOCOIMEX, a small iron ore mining company in the state of Minas Gerais, for approximately US$ 54 million. This acquisition will contribute to improve the quality of iron ore products of the Southern System.

- CVRD acquired a 63% controlling stake at SAMITRI for US$ 525 million and is extending a tender offer to minority shareholders in order to buy the remaining 37% (R$ 70.03 per 1,000 shares). This price commands a 22% premium over the highest price of the last 36 months before the announcement of the transaction. It allows minority shareholders to capture in cash a portion of the expected synergies without assuming any risk that such synergies will not materialize.

- Simultaneously, CVRD sold 1% of SAMITRI's participation in SAMARCO (controlled by SAMITRI) to BHP for approximately US$ 8 million. Now, SAMARCO is owned 50:50 by SAMITRI (CVRD) and BHP. The SAMITRI/SAMARCO acquisition will be accretive to CVRD's shareholder value due to the exploration of important cost saving opportunities and operating synergies. The acquisitions emphasize CVRD strategic focus on iron ore, one of its core businesses.

- On May 31, 2000, some of the VALEPAR shareholders (CVRD controlling shareholder) signed a memorandum of understanding establishing the guidelines to unwind the CVRD-CSN cross shareholding over the next 90 days (CSN filing with the US Securities and Exchange Commission–SEC and the Brazilian Securities Commission-CVM).

- Mr. Roger Agnelli was elected Chairman of the Board of CVRD.

- CVRD formed a consortium to build its sixth hydroelectric power plant, UHE Funil, in a high expected rate of return project. This is in line with the Company´s strategy to meet its energy consumption needs at lower costs.

Highlights

- Net income of R$ 462 million in 2Q00, corresponding to earnings per share of R$ 1.20.

- Net income compounded annual growth rate for the period 1996-2000 is 47.3%.

- Better gross margins: 52.5% in 2Q00 against 47.3% in 1Q00.

- CVRD's subsidiaries and affiliates are showing their best performance since the privatization.

- Strong sales: last April, CVRD iron ore and pellets monthly exports reached a historical record of 8.026 million tonnes.

- Better operating profits: 2Q00 EBITDA was R$ 603 million, with a 20.8% growth qoq and 26.7% yoy.

- Better operating margins: EBITDA margin was 48.4%, higher than the 44.5% obtained in 1Q00.

- Higher cash flows: 2Q00 net operating cash flow was twice 1Q00 figure.

Sales Volume

Due to cyclical and seasonal factors (the second quarter is seasonally strong) iron ore and pellets sales volumes reached 29.6 million tonnes in 2Q00, with a 11.0% increase qoq and 17.9% yoy. Sales to foreign markets (20.8 million tonnes) grew 17.7% qoq. On the other hand, sales to domestic steel mills and pig iron producers showed a 6.6% reduction qoq but a solid 18.2% yoy increase.

The Asian market was responsible for 36% of the shipments, Europe for 23% and Brazilian steel mills and pig iron producers for 11%. CVRD joint ventures (Nibrasco, Itabrasco, Kobrasco and Hispanobras) absorbed 18% of the sales. Japan continued to be the most important buyer, with 16% of the sales, against Brazil (11%), South Korea (8%), China (7%) and Germany (5%).

Total pellet sales of the parent company and joint ventures were 6.2 million tonnes, 4.3% lower than the 6.5 million tonnes record figure for 1Q00. 92.6% of the sales was allocated to the external market. Total pellet sales in 1H00 reached, in annualized terms, an all time high of 25.3 million tonnes, slightly above the 25 million tonnes nominal production capacity of the seven pelletizing plants.

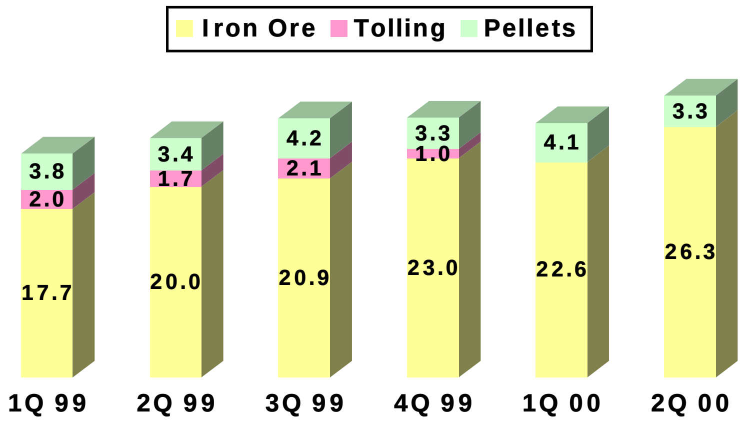
Cargo transported for clients by the CVRD railroads (Vitoria a Minas and Carajás) increased 3.1% qoq and 9.2% yoy. Cargo handled by CVRD ports increased 7.3% qoq and 9.7% yoy.

Gold sales increased 5.0% qoq and 9.0% yoy.

Iron ore and pellets sales rose their share on the parent company gross revenues from 69% in 1Q00 to 71% in 2Q00. This increase was offset by a decrease in the share of gold, manganese and potash sales, from 12% to 10%.

Sales of Iron Ore and Pellets

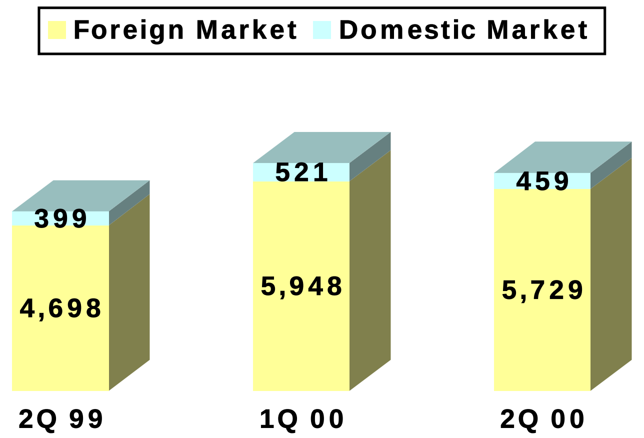
million tones



Total	23.5	25.1	27.2	27.3	26.7	29.6

Sales of Pellets CVRD & Joint Ventures

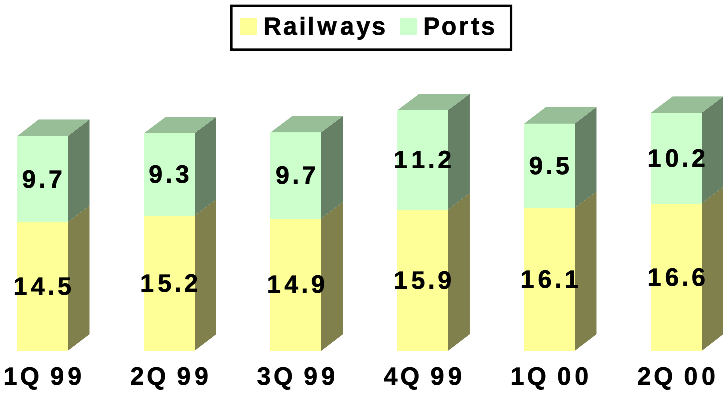
thousand tonnes



Total	5,097	6,469	6,188

Cargo Transportation

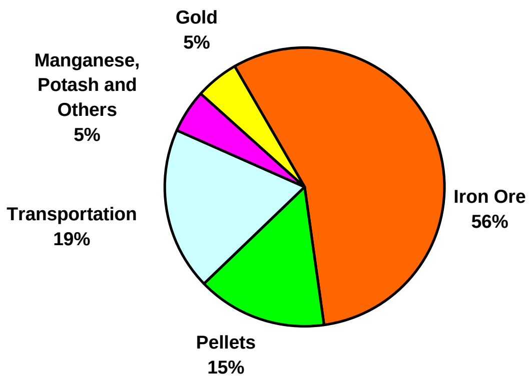
million tonnes



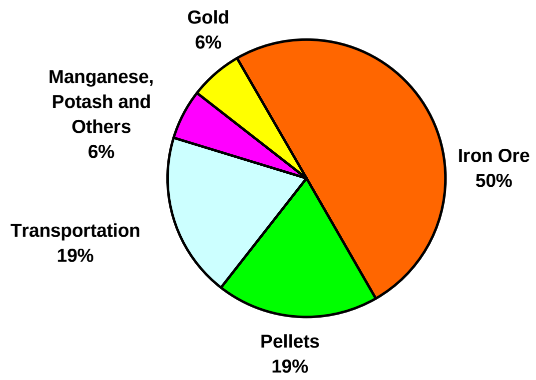
Total	24.2	24.5	24.6	27.1	25.6	26.8

Gross Operating Revenues by Product - Parent Company

2Q 00 - R$ 1,289 million



1Q 00 - R$ 1,161 milllion



Extraordinary Effects on Shareholders' Equity

On April 30, 2000, the CVRD employee pension fund (VALIA) was switched from a defined benefit plan to a defined contribution plan. The actuarial deficit existing on December 31, 1999, R$ 473 million, was expensed against CVRD shareholders' equity. The net impact on shareholders' equity was a R$ 312 million reduction.

Pursuant to actuarial rules, the R$ 473 million deficit will be corrected by an annual interest rate of 6% plus the variation of the General Price Index (IGP-DI), published by Fundação Getulio Vargas. It will be amortized over the next 20 years and the installments will cause a negative impact on future cash flows. The correction of this deficit will be accrued quarterly against the net financial result, producing a negative impact on quarterly net income. In 2Q00 it generated a R$ 25 million expense.

Reserve revaluations of CVRD investments in subsidiaries and affiliates were reverted, reducing its shareholders' equity by R$ 471 million. This will produce lower future amortization expenses, influencing accounting earnings.

R$ 1.1 Billion Net Income in 1H00

Net income accumulated in 1H00 was R$ 1.1 billion, 81% above 1H99. It represents 88% of the R$ 1.2 billion record earnings of 1999.

2Q00 net earnings increased 61.5% yoy but, at the same time, were 27.7% less than the all time high R$ 639 million obtained in 1Q00.

Gross margin went up from 47.3% in 1Q00 to 52.5% in 2Q00, as cost of goods sold (R$ 592 million) remained flat while net operating revenues (R$ 1.2 billion), driven by higher sales volumes and prices and the devaluation of the real, increased by 11%.

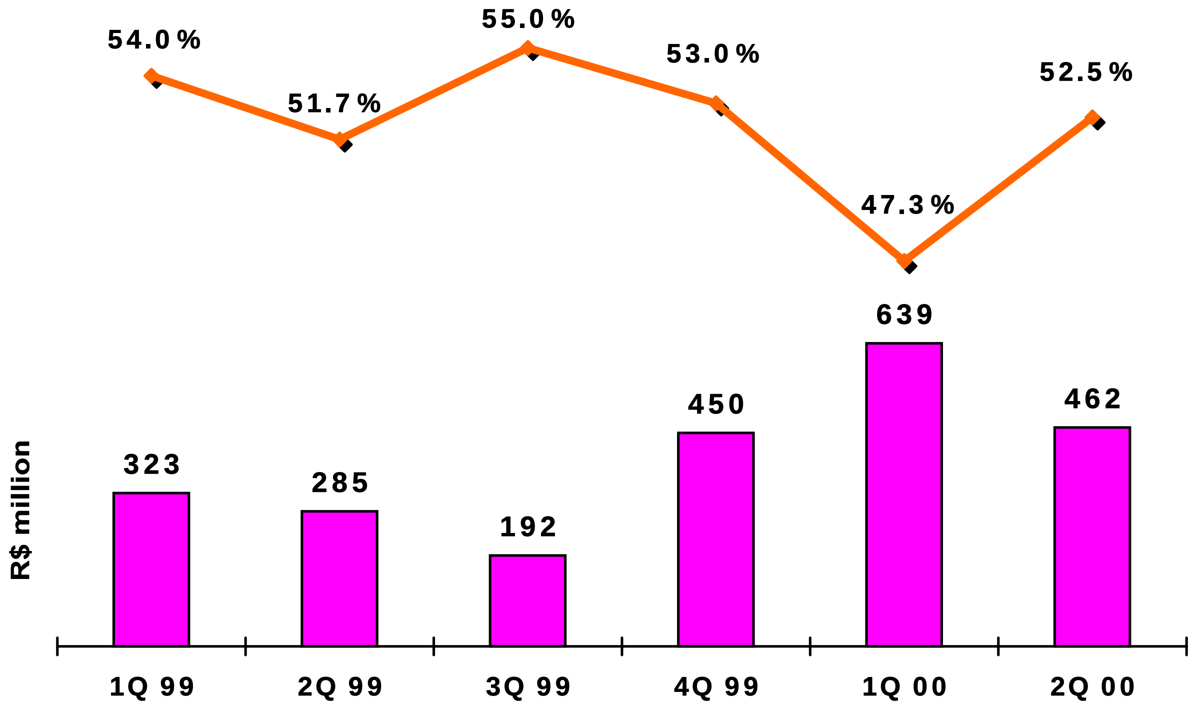
The net income reduction in 2Q00 vis-à-vis 1Q00 is associated to the behavior of the net financial result and income taxes. There was a R$ 141 million swing in the net financial result influenced by the impact of the devaluation of the real against the US dollar on the foreign currency denominated debt (monetary variations) and the correction of the actuarial deficit. The R$ 154 million increase in income taxes was due to lower tax credits produced by the drop of interest on capital.

According to Brazilian tax laws, payments of interest on capital to shareholders depend on two key variables: the size of shareholders' equity and the long term interest rate (TJLP) fixed each quarter by the Government. TJLP declined from 14.05% p.a. in 3Q99 to 11.00 % p.a. in 2Q00. At the same time, extraordinary charges against shareholders' equity slowed its growth. Therefore, room for interest on capital payments became smaller.

The performance of CVRD's subsidiaries and affiliates continued to be very good, with an equity income contribution of R$ 229 million in 2Q00. At this time, the star performer was the iron ore and pellets area with R$ 94 million. Equity income from iron ore and pellets almost tripled relatively to 1Q00 (R$ 33 million). Aluminum companies equity income dropped from R$ 132 million in 1Q00 to R$ 48 million in 2Q00 due to lower sales prices – primary aluminum prices declined 9.7% qoq - and negative monetary variations.

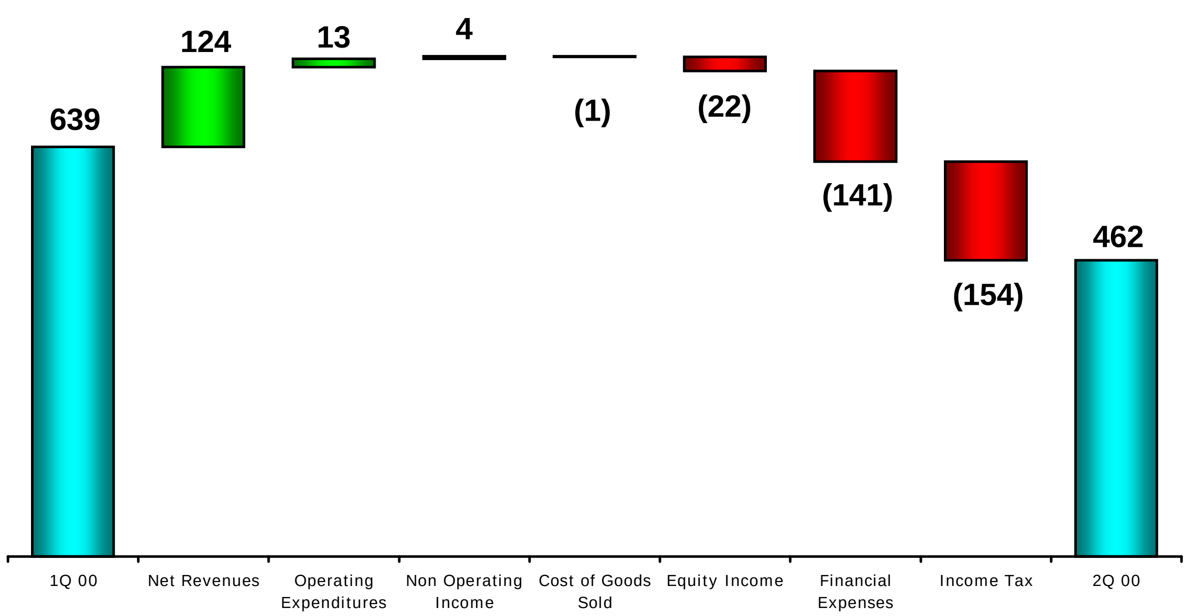
CVRD exports in 2Q00 went up 8.7%, from US$ 369 million in 1Q00 to US$ 401 million. In 1H00, they amounted to US$ 770 million against US$ 739 million in 1H99.

Quarterly Net Earnings and Gross Margin



Factors that Affected Net Earnings

R$ million



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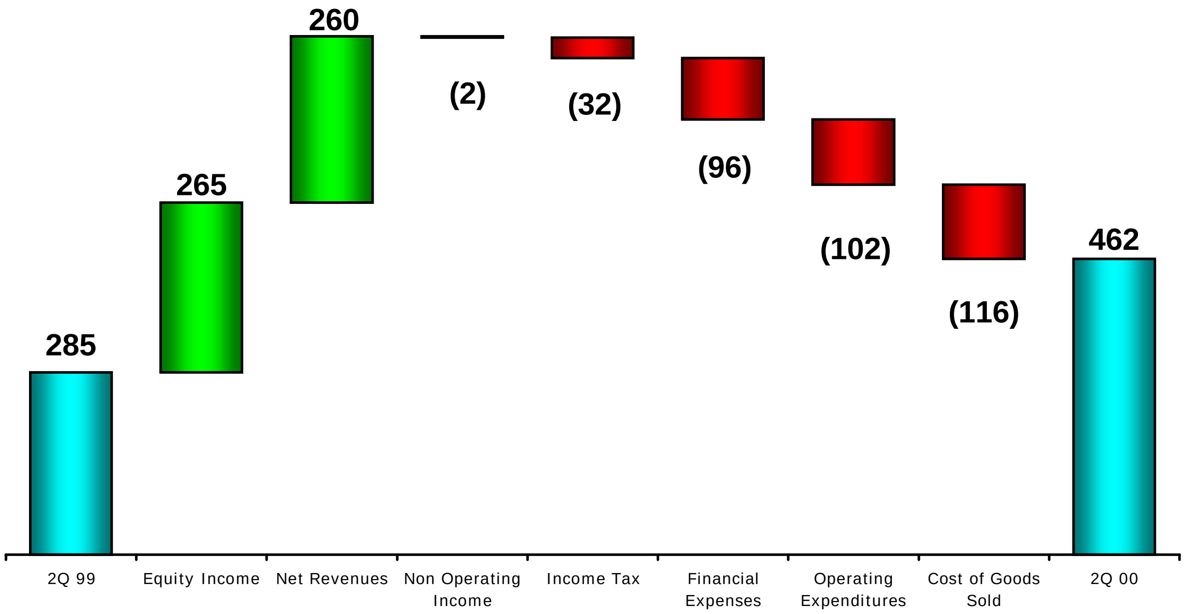
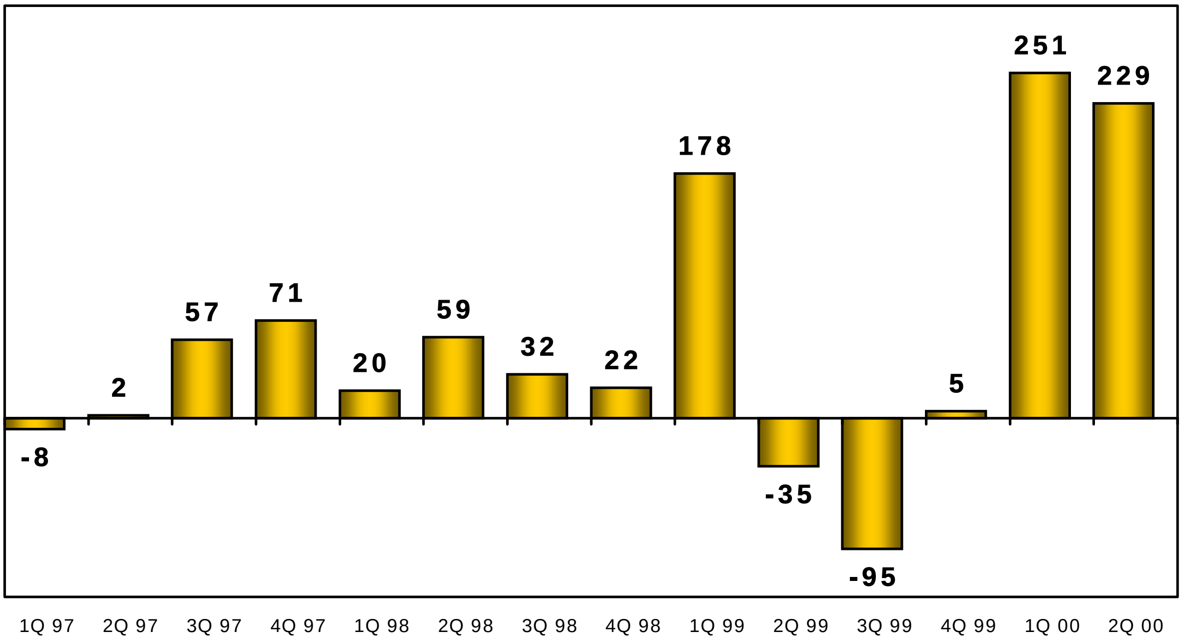
Factors that Affected Net Earnings

R$ million



Equity Income - CVRD

R$ million



Higher Operating Profits and Cash Flows

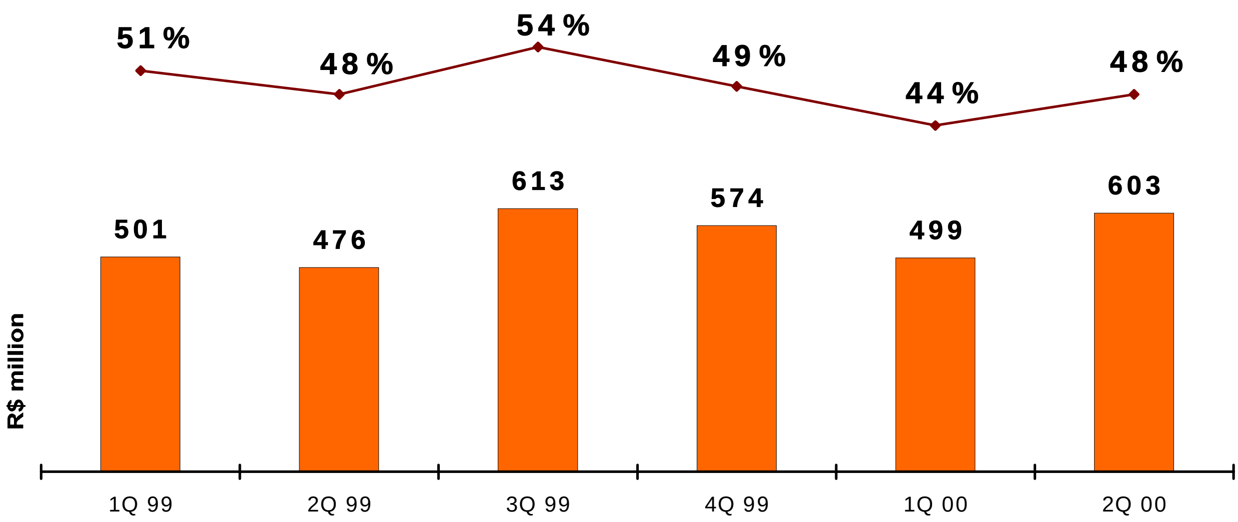
2Q00 EBITDA, adjusted for non-cash items, reached R$ 603 million, corresponding to a 20.8% qoq increase and a 26.7% yoy. The main source of growth over 1Q00 was a R$ 124 million rise in net operating revenues, driven by higher sales prices and volumes and a weaker real. Compared with 2Q99, performance improvement was explained by a R$ 260 million increase in net operating revenues, more than offsetting a R$ 116 million rise in cost of goods sold. This was due to higher fuel prices and expenses with acquisitions of iron ore and pellets.

EBITDA margin improved, rising to 48.4%, above the 44.5% obtained in 1Q00 and almost equal to 2Q99, 48.3%.

Annualized return on capital employed (ROCE) in 1H00 was 27.1% higher than the 25.8% reported for 1999, which was the highest among diversified mining companies.

Net operating cash flow was R$ 571 million, more than doubling relatively to the R$ 278 million generated in 1Q00.

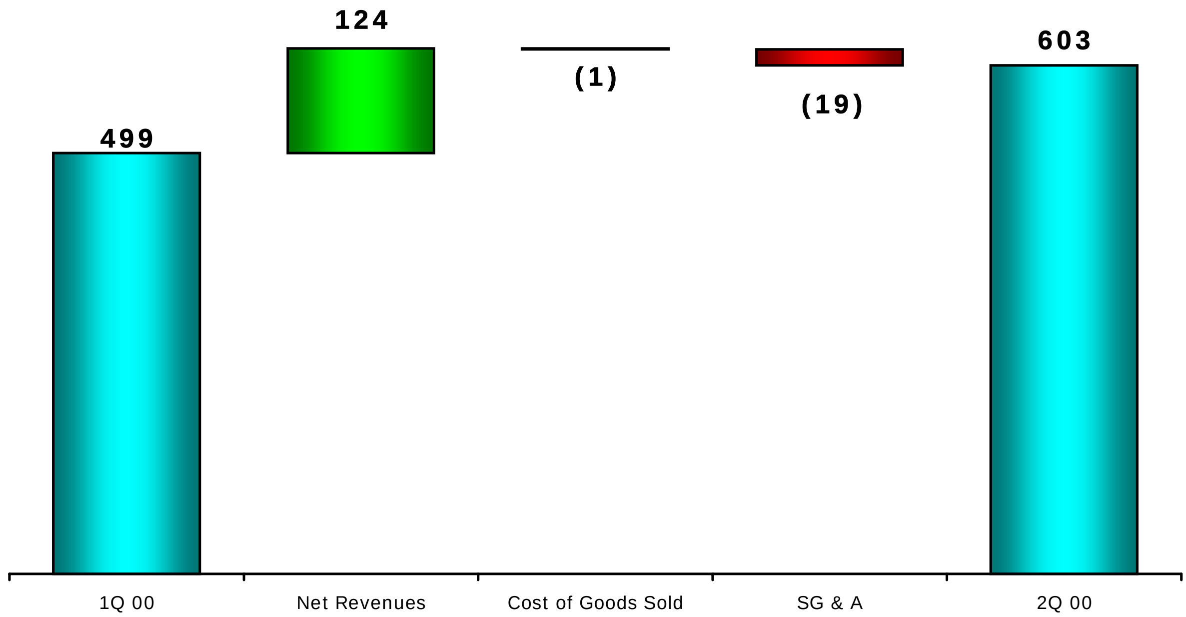
EBITDA X EBITDA Margin *



*** Adjusted for non-cash items.**

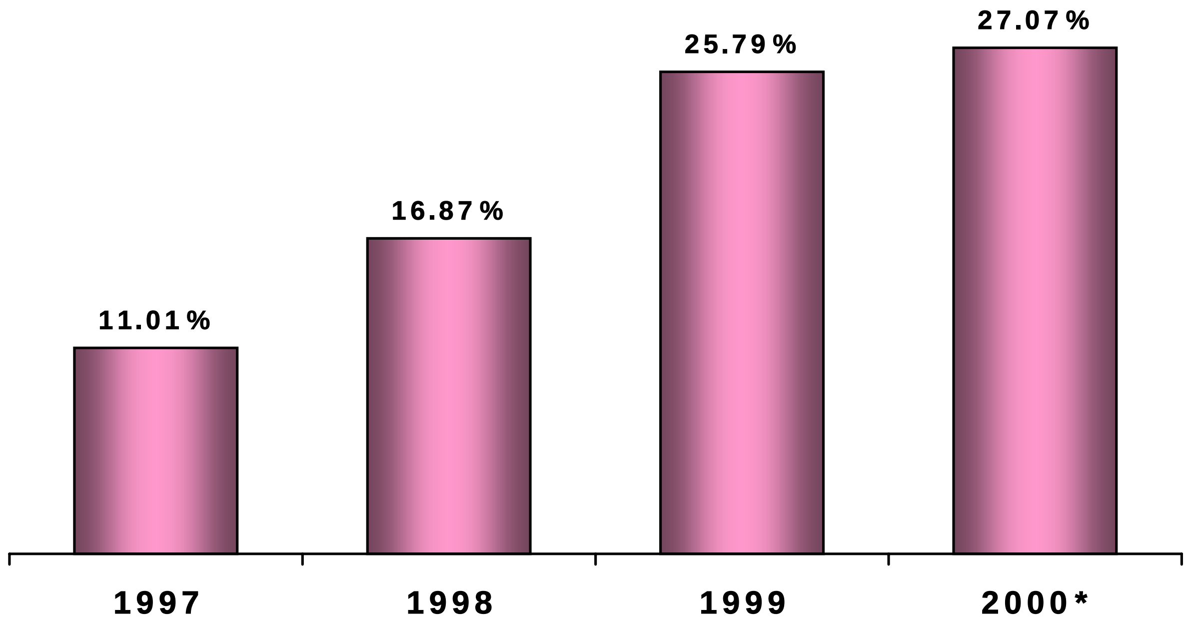
Factors that Affected EBITDA *

R$ million



*** Adjusted for non-cash items.**

Return on Capital Employed (ROCE)



*** Annualized**

CAPEX

Investment expenditures, excluding acquisitions, were US$ 233 million in 2Q00, amounting to US$ 274 million in 1H00. 58.9% of the 1H00 capex was allocated to equity investments, mainly for the purpose of financial and operational restructuring of the railroad companies (US$ 154.9 million). CVRD spent US$ 50.6 million in maintenance, US$ 13.8 million in geological exploration and US$ 10.2 million in environmental protection. Expenditures in projects, that involve, for instance, the construction of the São Luiz pelletizing plant, reached US$ 33.8 million.

The logistics share in capex was 56.5%, while mining (US$ 108.4 million) represented 39.6%. This reflects the strategic focus on the Company's core businesses.

Adding the expenditures with acquisitions, investments in 1H00 amounted to US$ 845 million.

Capital expenditures are expected to rise significantly in 2H00.

Indebtedness

CVRD net debt increased from US$ 1.67 billion, as of March 31, 2000, to US$ 2.25 billion, as of June 30, 2000. This is explained by a US$ 302 million rise in gross debt, mainly due to larger trade finance lines to support growing sales, and a US$ 279 million reduction in cash holdings, determined by expenditures with acquisitions.

Leverage changed from 21.4% in 1Q00 to 28.2% in 2Q00. The Gross Debt/EBITDA ratio remained stable, at 2.4x. It is still a comfortable situation, giving CVRD many degrees of freedom to manage its assets and liabilities.

Dividend Distribution

CVRD made a provision of R$ 528 million (R$ 1.37 per share) for payment to shareholders of interest on capital, referring to the first half of 2000. The decision about the amount of profits to be distributed to shareholders will be taken later.

SELECTED FINANCIAL INDICATORS - PARENT COMPANY

R$ million

	2Q 00	1Q 00	2Q 99
Net Revenue	1,246	1,122	985
Gross Margin (%)	52.5	47.3	51.7
Net Earnings	462	639	286
EBITDA Adjusted	603	499	476
EBITDA Margin Adjusted (%)	48.4	44.5	48.3
Net Operating Cash Flow	571	278	479
Gross Debt (US$ million)	3,026	2,724	2,645
Net Debt (US$ million)	2,251	1,670	1,628
Net Debt/(Net Debt+Equity) (%)	28.2	21.4	21.8
Gross Debt / EBITDA Adjusted	2.38x	2.20x	2.40x
Exports (US$ million)	401	369	367
Investments* (US$ million)	233	41	44

* acquisitions not included

FINANCIAL STATEMENT - PARENT COMPANY

R$ million

	2Q 00	1Q 00	2Q 99
Gross Operating Revenues	1,289	1,161	1,013
Value Added Tax	(43)	(39)	(28)
Net Operating Revenues	**1,246**	**1,122**	**985**
Cost of Goods Sold	(592)	(591)	(476)
Gross Income	**654**	**531**	**509**
Gross Margin (%)	52.5	47.3	51.7
Equity Income	229	251	(35)
Operating Expenses	**(333)**	**(205)**	**(135)**
Selling	(19)	(7)	(13)
General & Administrative	(53)	(41)	(35)
Financial Expenses	(110)	(98)	(92)
Financial Revenues	79	73	112
Monetary Variation	(80)	55	(35)
Research & Development	(19)	(15)	(11)
Others	(131)	(172)	(61)
Operating Income	**550**	**577**	**339**
Non Operating Income	3	(1)	5
Income Taxes	(91)	63	(59)
Net Earnings	**462**	**639**	**285**
Earnings per Share (R$)	**1.20**	**1.66**	**0.74**

EQUITY INCOME - BY BUSINESS AREA

R$ million

	2Q 00	1Q 00	2Q 99
Ferrous			
Iron Ore and Pellets	94	33	11
Manganese and Ferro-alloys	3	3	(1)
Non-ferrous	-	-	(6)
Logistics	(10)	(26)	(24)
Shareholding interests			
Steel	39	60	22
Pulp and Paper	54	48	(8)
Aluminum	48	132	(32)
Fertilizers	1	1	3
Total	**229**	**251**	**(35)**

BALANCE SHEET - PARENT COMPANY

R$ million

	2Q 00	1Q 00	2Q 99
Assets			
Current Assets	3,685	3,918	4,049
Long Term Assets	1,860	1,994	1,577
Permanent Assets	12,190	11,296	10,984
Total	**17,735**	**17,208**	**16,610**
Liabilities and Stockholders' Equity			
Current Liabilities	3,541	3,197	3,112
Long Term Liabilities	3,869	3,303	3,186
Stockholders' Equity	10,325	10,708	10,312
Capital	3,000	3,000	2,452
Reserves	7,325	7,708	7,860
Total	**17,735**	**17,208**	**16,610**

CAPEX 1H 00 *

BY CATEGORY	US$ million	%
Equity Investments	161.4	58.9
Maintenance	50.6	18.5
Projects	33.8	12.3
Geological Exploration	13.8	5.0
Environmental Protection	10.2	3.7
Information Technology	2.6	1.0
Technological Research	1.6	0.6
Total	**274.0**	**100.0**

BY BUSINESS AREA	US$ million	%
Logistics	154.9	56.5
Mining	108.4	39.6
Energy	6.5	2.4
Others	4.2	1.5
Total	274.0	100.0

*** acquisitions are not included**

PELLETIZING - SELECTED FINANCIAL INDICATORS - NON-AUDITED

R$ million

HISPANOBRAS	2Q 00	1Q 00	2Q 99
Net Operating Revenues	39	50	21
Cost of Goods Sold	(34)	(44)	(14)
Financial Expenses	2	-	1
Net Earnings	4	3	8
EBITDA	6	8	11
Debt (in US$ million)			
- Short Term	11	9	11

KOBRASCO	2Q 00	1Q 00	2Q 99
Net Operating Revenues	58	55	50
Cost of Goods Sold	(44)	(44)	(39)
Financial Expenses	(11)	2	(9)
Net Earnings	1	8	(2)
EBITDA	14	12	13
Debt (in US$ million)			
- Short Term	0	76	73
- Long Term	125	45	60
Total	**125**	**121**	**133**

NIBRASCO	2Q 00	1Q 00	2Q 99
Net Operating Revenues	111	107	33
Cost of Goods Sold	(96)	(92)	(29)
Financial Expenses	3	5	2
Net Earnings	9	6	(4)
EBITDA	6	1	(13)

ITABRASCO	2Q 00	1Q 00	2Q 99
Net Operating Revenues	56	44	45
Cost of Goods Sold	(48)	(40)	(45)
Financial Expenses	2	(1)	3
Net Earnings	4	1	(3)
EBITDA	7	3	(1)

ALUMINUM - SELECTED FINANCIAL INDICATORS - NON-AUDITED

R$ million

MRN	2Q 00	1Q 00	2Q 99
Net Operating Revenues	93	91	90
Cost of Goods Sold	(52)	(44)	(43)
Financial Expenses	2	3	5
Net Earnings	44	45	(5)
EBITDA	50	56	58

ALUNORTE	2Q 00	1Q 00	2Q 99
Net Operating Revenues	147	139	94
Cost of Goods Sold	(103)	(96)	(75)
Financial Expenses	(40)	(2)	(53)
Net Earnings	(5)	32	(39)
EBITDA	45	51	27
Debt (in US$ million)			
- Short Term	30	33	212
- Long Term	434	443	429
Total	**464**	**476**	**641**

ALBRAS	2Q 00	1Q 00	2Q 99
Net Operating Revenues	243	255	205
Cost of Goods Sold	(151)	(142)	(139)
Financial Expenses	(46)	-	(105)
Net Earnings	31	92	(45)
EBITDA	88	114	70
Debt (in US$ million)			
- Short Term	166	171	252
- Long Term	586	613	615
Total	**752**	**783**	**867**

VALESUL	2Q 00	1Q 00	2Q 99
Net Operating Revenues	74	43	23
Cost of Goods Sold	(58)	(26)	(17)
Financial Expenses	3	(5)	(3)
Net Earnings	13	7	3
EBITDA	15	19	9
Debt (in US$ million)			
- Short Term	10	15	-
- Long Term	4	4	-
Total	**14**	**19**	-

PULP & PAPER - SELECTED FINANCIAL INDICATORS - NON-AUDITED

R$ million

CENIBRA	2Q 00	1Q 00	2Q 99
Net Operating Revenues	218	170	150
Cost of Goods Sold	(73)	(68)	(71)
Financial Expenses	(32)	-	(62)
Net Earnings	60	50	(4)
EBITDA	138	101	76
Debt (in US$ million)			
- Short Term	143	201	176
- Long Term	249	256	319
Total	392	457	495

BAHIA SUL	2Q 00	1Q 00	2Q 99
Net Operating Revenues	191	167	138
Cost of Goods Sold	(82)	(74)	(82)
Financial Expenses	(44)	(15)	(62)
Net Earnings	47	64	(21)
EBITDA	116	99	69
Debt (in US$ million)			
- Short Term	149	178	239
- Long Term	308	323	349
Total	457	501	588