BR GAAP

Companhia Vale do Rio Doce

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

DELIVERING A SOLID PERFORMANCE

CVRD's performance in the first quarter of 2006 (1Q06)

Rio de Janeiro, May 10, 2006 - Companhia Vale do Rio Doce (CVRD) returned a very solid performance in the first quarter of 2006, continuing the good results of recent years. Appropriate execution of the long-term strategy has enabled the Company to take advantage of the opportunities offered by the economic cycle, making possible sustained growth with both operational and financial performance able to generate value for its shareholders.

The main highlights of 1Q06 financial results are:

- Gross revenues of R$ 8.281 billion, up 17.4% on 1Q05.
- Consolidated exports amounting to US$ 2.282 billion, up 70.8% compared to 1Q05.
- Net exports (exports less imports) of US$ 2.054 billion, 87.6% higher than those reported in 1Q05. CVRD's contribution to Brazil's trade balance has increased, rising from 14% in the last two years, to 22% of the trade surplus in 1Q06, when it amounted to US$ 9.341 billion. CVRD's sales performance in this quarter highlights its position as Brazil's largest net exporting Company.
- Operating profit, as measured by EBIT (earnings before interest and tax) of R$ 3.240 billion, 36.4% higher than in 1Q05.
- EBIT margin of 40.7%, compared to 35.3% in 1Q05.
- Cash generation, as measured by EBITDA (earnings before interest, tax, depreciation and amortization) of R$ 3.753 billion, an increase of R$ 904 million compared to 1Q05.
- Net earnings of R$ 2.185 billion, corresponding to earnings per share of R$ 1.80, up 35.3% on 1Q05.
- Return on equity (ROE) of 27.5%.
- Investments realized of US$ 1.126 billion[1], US$ 843 million being spent on organic growth, US$ 236 million on the maintenance of existing operations and US$ 47 million on acquisitions.

[1] Calculated according to generally accepted accounting principles in the United States (US GAAP) and based on financial disbursements.

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

Departamento de Relações com Investidores

Roberto Castello Branco
Alessandra Gadelha
Daniela Tinoco
Fábio Lima
Marcelo Silva Braga
Tel: (5521) 3814-4540

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 has shared control are MRN, Valesul, Kobrasco, Nibrasco, Hispanobras, Itabrasco, GIIC, Samarco and CSI.

1Q06

SELECTED FINANCIAL INDICATORS					
					R$ million
	1Q05 (A)	4Q05 (B)	1Q06 (C)	% (C/A)	% (C/B)
Gross operating revenues	7,052	9,204	8,281	17.4	-10.0
Exports (US$ million)	1,336	2,011	2,282	70.8	13.5
Net exports (US$ million)	1,095	1,838	2,054	87.6	11.8
EBIT	2,375	3,659	3,240	36.4	-11.5
EBIT margin (%)	35.3	41.0	40.7	-	-
EBITDA	2,849	4,200	3,753	31.7	-10.6
Net earnings	1,614	2,637	2,185	35.3	-17.2
Net earnings per share (R$)	1.40	2.29	1.80	28.4	-21.4
Annualized ROE (%)	32.6	43.9	27.5	-	-
Capex* (US$ million)	570.4	1,851.8	1,126.0	97.4	-39.2

* acquisitions included

BUSINESS OUTLOOK

The performance of the global economy, exceeding expectations, produced renewed surprises. In spite of the oil price shock, for the fourth year running global GDP growth is expected to be more than 4% in 2006. The last time this happened was more than 30 years ago, over the years 1970-1973.

Oil prices continue to be high and we expect them to remain so for a long time. Expansion of demand and concerns on the future behavior of supply - given the level of investment considered to be insufficient by the International Energy Agency and many analysts - have made oil prices very sensitive to the effects of geopolitical uncertainty, significantly increasing their volatility.

The greater efficacy of monetary policy, helping to reduce macroeconomic stability worldwide, and the credibility of the Central Banks as inflation fighters, are factors which have enabled the global economy to expand rapidly even in the face of rising oil prices since 2003. In an environment of low inflation, with expectations of stability in price levels and the perception that companies do not have the price power, the pass-through of the oil price shock to final products tends to be much more limited than in the past – thus limiting its effects on economic activity.

The Central Banks, led by the US Federal Reserve Bank, have put in place a normalization of their monetary policies after a cycle of extremely low interest rates. Short-term interest rates have risen, and more recently long-term rates have followed them, although they are still below historic levels. At the same time, the differentials between long-term and short-term interest rates are very narrow, reflecting the excess of savings in the world. Interest rate spreads, both in industrialized counties and emerging economies, are at their lowest levels for the last 20 years.

It is expected that the negative impact of oil prices will be compensated by a gradual recovery in investments, both because companies' idle capacity has been almost completely absorbed, and conditions in the financial markets are very favorable, and also because there is continuity in macroeconomic policies that support the expansion of global economic activity.

In this context industrial production, completing the global cycle of consumption of inventories which continued until mid-2005, has begun to expand again in all regions. Purchasing Managers Indices for manufacturing industry – which tends to correlate well with the demand for metals – indicate continuity of growth in the United States, Japan and the Eurozone, with increase of production, orders and jobs. In the European Union, where growth has been slower, signals of dynamism in its largest economies – Germany, the UK, France and Italy – are beginning to appear.

The greater macroeconomic stability, expressed in lower volatility of inflation and real GDP, has translated into longer periods of economic expansion and less frequent and less acute global recessions. This benign environment tends to be reflected in the metals cycle, where its influence is strengthened by the process of economic development in China.

The current metals expansion cycle has now lasted more than 50 months – the longest since 1970 – and the global macroeconomic scenario is highly favorable to its continuation. Simultaneously with the historic growth of demand in China, metals consumption in India is also expanding strongly, although less fast and on a smaller base. India is rich in mineral resources, and the initial effect is that it reallocates its exports to the local market to meet domestic demand. This is beginning to happen in iron ore, aiming to satisfy the demand caused by the growth of steel production, which averaged 9.4% per year over 2001-2005, and is a strategic priority for the country's industrial policy.

On the demand side, there is a new phenomenon in the form of allocation of part of institutional investors' portfolio to investment in commodities, whose prices have low or even negative correlation with the prices of shares on various time horizons. Investment in this new class of assets is a way of seeking diversification from the systematic (or non-diversifiable) risk of equity portfolios.

Our estimate is that commodities funds' investments in basic metals – copper, aluminum, nickel – are still small in relation to the size of these metals' respective markets, somewhere between 3% and 4%. However, the marginal impact on demand and prices could be significant.

The supply of minerals and metals also suffers the effect of the strong slowdown in investments in expansion of capacity and mineral exploration, in response to the Southeast Asian crisis of 1997. According to data from the Metals Economics Group, the level of investment in mineral exploration recovered its 1997 level, of US$ 5.1 billion, only in 2005, with 40% of expenditure going into feasibility studies. Thus, new discoveries of mineral deposits have waned and there is no reasonable inventory of world-class projects expected to start operation over the next five years. The secondary position of expenditure in looking for new ("grassroots") discoveries suggests that this problem could propagate into the future.

The absence of shock absorbers, such as idle capacity and inventories, to absorb shocks, lead to an upward bias in prices. For example, operation at full capacity increases the probability of production problems, which, due to the greater scarcity of replacement parts, tends to result in supply disruptions – which, in the presence of very low inventories, help to increase price volatility.

In the specific case of iron ore, there are various indicators typical of persistence of the situation of excess of global demand which have appeared since 2003, and call for higher prices to stimulate their future correction.

China's imports of iron ore reached a monthly record of 29.5 million tons in March, totaling 80.9 million tons in 1Q06, 28% more than in 1Q05. Chinese iron ore inventories remain at a low level in relation to China's output of pig iron, and these levels are falling. The differential of prices for spot transactions and those in contracts for iron ore delivered to China reached an average of 30% in April.

In March 2006 world production of crude steel was 6.1% higher than in March 2005. Monthly production in China – where apparent consumption of finished steel products is growing at 20% per year – reached the record volume of 32.9 million tons, 19.4% more than in March 2005. In Europe 25, where the production of raw steel had fallen significantly last year, a recovery appears to be in progress: output was 4% higher than in March 2005, led by France (+8.7%) and the UK (+11.8%).

The price of metallics (scrap and pig iron) and steel products is in full recovery in all the regions of the world, which could be indicating a new cycle of generalized growth in steel output and would strengthen the pressures on demand for iron ore.

At the same time, due to the substantial increase in the capacity of the world's bulk shipping fleet – the growth in terms of tons in 2005 was by far the greatest in the last 35 years – prices of seaborne freight for iron ore have declined significantly. Between the end of 2004 and April 2006 there was an average reduction of US$ 20 per ton for the Brazil-Asia route, and US$ 12 per ton for the Brazil-Rotterdam route, which resulted in a considerable reduction of cost for the purchasers of iron ore in the seaborne market.

The announcement of start-up of additional alumina production capacity in China caused some reduction in spot market prices. In spite of this adjustment, they remained in the range US$ 550 to US$ 600 per ton FOB Australia, a clear indication of the imbalance between global demand and supply. In this context, the start-up of operation of stages 4 and 5 of CVRD's alumina refinery happens at a moment that is extremely favorable for achieving a good performance.

The strong appreciation of the Brazilian currency, the Real, against the US dollar has negatively affected the profitability of the farm products that Brazil exports, reversing initial estimates of expansion of output in 2006. This change is likely to have an adverse effect on the demand for railway transportion of general cargo, and on the price of potash, due to the importance of the Brazilian market as a purchaser in the global market.

RELEVANT EVENTS

- **New levers of growth**

Two new projects were concluded – stages 4 and 5 of Alunorte, and the Capim Branco I hydroelectric power plant – which will make a significant contribution to the Company's cash flow and value creation in the near future.

With the addition of stages 4 and 5, the nominal production capacity of CVRD subsidiary Alunorte increases to 4.4 million tons per year of alumina, making it the world's largest alumina refinery. The project was delivered on schedule, for investment of US$ 768 million.

The Capim Branco I power plant, on the Araguari river in the state of Minas Gerais, Brazil, with installed capacity of 240MW, is CVRD's sixth hydroelectric plant. CVRD's take in its energy output is equal to its share in the consortium that holds the concession, of 48.42%, and will be allocated to consumption by the units of CVRD located in the Southern System, helping to reduce costs. CVRD's investment was US$ 187 million.

- **Acquisition of assets**

In January 2006 the assets of Rio Verde Mineração – mineral resources, land and equipments – were acquired, for US$ 47 million. These assets are close to the operations of CVRD's subsidiary MBR in Nova Lima, in the "Iron Quadrilateral" in the state of Minas Gerais, Brazil.

- **Stock merger with Caemi**

On May 3, 2006 CVRD concluded the stock merger with Caemi and now holds 100% of the capital of Caemi. The preferred shares issued by Caemi were exchanged for CVRD PNA shares on the basis of 0.04115 of a CVRD PNA preferred share for one Caemi PN preferred share. For this transaction, 64,151,361 preferred Class A shares were issued by CVRD, increasing its total number of shares by 5.6%.

Caemi's PN shares ceased trading on the São Paulo Stock Exchange (Bovespa) on May 4, 2006. On May 16, 2006 the CVRD PNA shares arising from fractioning in the exchange of Caemi PN for CVRD PNA will be auctioned on the Bovespa.

- **Payment of dividends**

In accordance with CVRD's dividend policy and the announcement made on January 26 this year, the first portion of the minimum remuneration to shareholders for 2006, in the amount of R$ 1.145292894 per common or preferred share, totaling R$ 1.39 billion, was paid to shareholders on April 28.

- **Stock split**

CVRD's Extraordinary General Meeting of Shareholders approved a two-for-one stock split of both common and preferred shares, as a result of which CVRD's capital will be 2,459,657,056 shares, of which 1,499,898,858 are common shares and 959,758,198 are PNA preferred shares.

For the shares traded on the São Paulo Stock Exchange (Bovespa), the new shares arising from the split will be distributed on May 25, 2006, to shareholders on record as of May 19, 2006.

For the American Depositary Receipts (ADRs) traded on the New York Stock Exchange, the distribution of new ADRs – one for each existing ADR – will be finalized on June 7, with record date as of May 24, 2006.

Each ADR – both RIO and RIOPR – will continue to represent one CVRD's common or preferred share.

The split aims to reposition the Company's share price after an appreciation of 180% in US dollar between August 19, 2004, when the last CVRD´s forward stock split took place, and end of April 2006.

REVENUES

In 1Q06, CVRD's gross revenues amounted to R$ 8.281 billion, 17.4% up on 1Q05.

The increase in the price of products sold by the Company, determined basically by the upward movement in the ore and metals cycle, contributed R$ 2.304 billion to the increase seen in CVRD's gross revenue. The rise in sales volume was responsible for R$ 56 million of this increase, while the appreciation in the Brazilian Real against the US dollar in this period, of 21.5%, had an adverse impact on CVRD's gross revenue of R$ 1.131 billion.

In the first quarter of 2006, sales of iron ore accounted for 69.3% of CVRD's total revenue, while sales of products in the aluminum chain accounted for 12.7%, logistic services, 8.5%, non-ferrous minerals, 4.8% and steel products, 4.2%.

Revenues from sales to the Americas accounted for 34.5% of CVRD's total sales in the quarter. Brazil was the main destination for the Company's sales, responsible for 21.3% of total revenue. Asia accounted for 34.3%, 18.1% of the total being sales to China, while Europe accounted for 26.3% of CVRD's total sales in 1Q06.

The importance of the Chinese market has been growing, the percentage of the Company's revenues from that country rising from 10.6% in 2004 to 14.6% in 2005 and 18.1% in 1Q06.

GROSS REVENUES – BY PRODUCT

R$ million

	1Q05	%	4Q05	%	1Q06	%
Iron ore and pellets	**3,920**	**55.6**	**6,343**	**68.9**	**5,480**	**66.2**
Iron ore	2,753	39.0	4,404	47.8	4,147	50.1
Pellets	1,167	16.5	1,939	21.1	1,333	16.1
Pelletizing plants operation services	**21**	**0.3**	**19**	**0.2**	**18**	**0.2**
Manganese and ferro-alloys	**498**	**7.1**	**272**	**3.0**	**256**	**3.1**
Copper concentrate	**200**	**2.8**	**294**	**3.2**	**242**	**2.9**
Potash	**80**	**1.1**	**92**	**1.0**	**49**	**0.6**
Kaolin	**105**	**1.5**	**114**	**1.2**	**106**	**1.3**
Aluminum	**1,040**	**14.7**	**933**	**10.1**	**1,053**	**12.7**
Logistics	**725**	**10.3**	**781**	**8.5**	**704**	**8.5**
Railroads	506	7.2	575	6.2	535	6.5
Ports	114	1.6	111	1.2	106	1.3
Shipping	105	1.5	95	1.0	63	0.8
Steel products	**452**	**6.4**	**338**	**3.7**	**349**	**4.2**
Coal	**-**	**0.0**	**-**	**0.0**	**9**	**0.1**
Others	**11**	**0.2**	**18**	**0.2**	**15**	**0.2**
Total	**7,052**	**100.0**	**9,204**	**100.0**	**8,281**	**100.0**

GROSS REVENUES – BY DESTINATION

R$ million

	1Q05	%	4Q05	%	1Q06	%
Americas	**3,026**	**42.9**	**3,082**	**33.5**	**2,854**	**34.5**
Brazil	1,765	25.0	1,855	20.2	1,761	21.3
USA	743	10.5	627	6.8	526	6.4
Others	518	7.3	600	6.5	567	6.8
Asia	**1,861**	**26.4**	**3,143**	**34.1**	**2,840**	**34.3**
China	836	11.9	1,759	19.1	1,495	18.1
Japan	597	8.5	810	8.8	837	10.1
Others	428	6.1	574	6.2	508	6.1
Europe	**1,828**	**25.9**	**2,347**	**25.5**	**2,175**	**26.3**
Rest of the World	**336**	**4.8**	**632**	**6.9**	**412**	**5.0**
Total	**7,051**	**100.0**	**9,204**	**100.0**	**8,281**	**100.0**

OPERATIONAL COSTS AND EXPENSES

CVRD's cost of goods sold (COGS) amounted to R$ 3.945 billion in 1Q06, up R$ 160 million, or 4.2%, compared to the same quarter in 2005. Of this amount, 71%

was denominated in Brazilian Reais and 29% denominated in, or indexed to, the US Dollar.

Expenditure on outsourced services contributed R$ 865 million to the cost of goods sold, up R$ 107 million compared to 1Q05. The main elements of these expenses consisted of railfreight contracted, principally for the transport of iron ore produced by MBR and the Oeste mines, in CVRD's Southern System, equipment and facilities maintenance services and waste and ore removal - being the main COGS item, responsible for 21.9% of the total.

Expenses on material, of R$ 712 million, were practically equal to the figure reported in 1Q05, of R$ 715 million.

Expenditure on personnel amounted to R$ 372 million, 18.5% higher than in 1Q05, as a result of an annual salary rise of 6.5% awarded to employees in July 2005, as well as an increase in the size of the workforce needed to support the growth in the Company's activities.

Expenditure on fuel oil, gas and electricity, of R$ 760 million, was R$ 36 million higher than that reported in 1Q05, basically due to the increase in fuel and electricity prices.

Expenditure on the acquisitions of products was reduced by R$ 69 million, dropping from R$ 593 million in 1Q05 to R$ 524 million in 1Q06. In 1Q06, CVRD purchased 3.663 million tons of iron ore from small mining companies in the Iron Quadrangle in the state of Minas Gerais, compared to 4.356 million tons in 1Q05. In addition to the reduction of 15.9% in the volume purchased of iron ore, the effect of the appreciation in the Brazilian Real against the US Dollar had a favorable effect, reducing the price of these purchases in Reais.

Demurrage payments by the Company for shipping delays at its maritime terminals amounted to R$ 21 million in 1Q06, down 62.5% on 1Q05. Considerable progress was made in cutting demurrage expenses, which amounted to US$ 0.20 per ton shipped, below the target for 2006 of US$ 0.22 per ton, and less than half that in 2004, of US$ 0.45 per ton.

Operational expenses totaled R$ 781 million in 1Q06, 39.5% higher than the expenditure in the same quarter in 2005.

Sales expenses amounted to R$ 105 million, R$ 5 million more than the figure in 1Q05. Administrative expenses, of R$ 331 million, increased by 28.3% compared to 1Q05, basically due to higher expenditure on publicity and advertising, consultancy services, depreciation and the salary increase mentioned above.

Expenditure on research and development (R&D) amounted to R$ 156 million, 92.6% more than in 1Q05. The increase in R&D expenditure at CVRD in the last few quarters is due to the implementation of its strategy of focusing on organic growth, which implies heavier investment in mineral exploration and feasibility studies for the development of mineral deposits in various countries.

Other operational expenses, of R$ 189 million, were R$ 68 million higher than the number reported in 1Q05. This increase was basically due to higher contingency provisions, employee profit sharing, and write-downs in the Company's asset inventory.

COGS BREAKDOWN						
						R$ million
	1Q05	%	4Q05	%	1Q06	%
Personnel	314	8.3	419	9.5	372	9.4
Material	715	18.9	777	17.6	712	18.0
Fuel oil and gases	407	10.7	519	11.8	456	11.6
Outsourced services	758	20.0	992	22.5	865	21.9
Electric energy	318	8.4	362	8.2	304	7.7
Acquisition of products	593	15.7	594	13.5	524	13.3
Depreciation and exhaustion	347	9.2	393	8.9	368	9.3
Goodwill amortization	96	2.5	91	2.1	92	2.3
Others	238	6.3	260	5.9	252	6.4
Total	**3,785**	**100.0**	**4,407**	**100.0**	**3,945**	**100.0**

OPERATIONAL PERFORMANCE

Operational performance, as measured by EBIT, in the first quarter of 2006 totaled to R$ 3.240 billion, R$ 865 million higher than that reported in 1Q05, of R$ 2.375 billion.

EBIT in 1Q06 was principally influenced by the increase of R$ 1.245 billion in net revenues, partially offset by a rise of R$ 159 million in COGS and R$ 221 million on administrative, sales, general and R&D expenses.

EBIT margin in 1Q06 amounted to 40.7%, 540 basis points (bp) higher than the margin reported in 1Q05, of 35.3%.

CASH GENERATION

Cash generation, as measured by EBITDA, in 1Q06 amounted to R$ 3.753 billion, 31.7% higher than that reported in 1Q05, of R$ 2.849 billion.

The increase of R$ 904 million observed in EBITDA was basically due to the growth of R$ 865 million in EBIT and R$ 39 million in depreciation. In 1Q06, CVRD received dividends from non-consolidated affiliates of R$ 1 million.

In 1Q06 the business areas made the following contributions to cash flow: ferrous minerals 78.3%, aluminum chain 11.6%, logistics services 6.3%, non-ferrous minerals 3.1%, steel, 1.7% and others, represented by expenditure on research and development, (1.0%).

QUARTERLY EBITDA			
			R$ million
	1Q05	4Q05	1Q06
Net operating revenues	6,720	8,916	7,965
COGS	(3,785)	(4,407)	(3,944)
SG&A	(358)	(436)	(436)
Research and development	(81)	(209)	(156)
Other operational expenses	(121)	(205)	(189)
EBIT	**2,375**	**3,659**	**3,240**
Depreciation, amortization & exhaustion	473	538	512
Dividends received	-	3	1
EBITDA	**2,849**	**4,200**	**3,753**

FINANCIAL RESULT

CVRD's net financial result in the first quarter of 2006 was a negative R$ 259 million, compared to a negative R$ 274 million in 1Q05. Financial expenses totaled R$ 527 million and financial revenues, R$ 108 million. Monetary variation resulted in a gain of R$ 160 million, due to the appreciation in the Brazilian Real against the US Dollar between 1Q05 and 1Q06.

EQUITY INCOME RESULT

CVRD's equity income result amounted to R$ 16 million, compared to R$ 73 million in 1Q05. This drop was principally due to the lower contributions from the steel segment.

NET EARNINGS

In the first quarter of 2006, CVRD's net earnings totaled R$ 2.185 billion, corresponding to R$ 1.80 per share. Compared to the net earnings reported in 1Q05, of R$ 1.614 billion, the Company's net earnings showed an increase of 35.3% in twelve months.

In this quarter, CVRD booked R$ 19 million in gains from the sale of its stake in Nova Era Silicon - NES, sold for a total of US$ 14 million in February 2006.

Provisions made for the payment of income tax and social contribution amounted to R$ 585 million, R$ 194 million more than in 1Q05.

Minority shareholding participations in 1Q06 reduced net earnings by R$ 247 million. With the incorporation of Caemi's shares into CVRD, in the next quarter this item will cease to include the accounting effect of the portion of earnings attributed to the minority shareholders in Caemi. In 1Q06, this contributed to a reduction in CVRD's net earnings of R$ 117 million.

A HEALTHY BALANCE SHEET

CVRD’s total debt has increased from US$ 5.010 billion on December 31, 2005 to US$ 6.063 billion on March 31, 2006, with net debt US$ 4.419 billion at the end of 1Q06, against US$ 3.969 billion at the end of 4Q05. The Company’s cash position at the end of 1Q06 was US$ 1.644 billion.

The increase in debt is fully compatible with CVRD’s cash generation, and this is evidenced by the strong leverage and interest coverage indicators, which continue to portray the solidity of the balance sheet.

Gross debt/adjusted EBITDA was 0.84x on March 31, 2006, compared to 0.77x on December 31, 2005; and total debt/enterprise value remained effectively unchaged, increasing from 10.0% to 10.3%. Interest coverage, measured by adjusted EBITDA/interest paid, changed from 25.95x at the end of 2005 to 27.08x at the end of March 2006.

At the same time the average debt maturity was increased, from 7.89 years at end-December 2005 to 8.15 years at end-March 2006, reflecting the issue of US$ 1 billion debt due in 2016 and coupon of 6.25% per year, and repurchase of short-term debt performed in 1Q06.

DEBT INDICATORS			
			US$ million
	1Q05	4Q05	1Q06
Gross debt	4,182	5,010	6,063
Net debt	3,060	3,969	4,419
Gross debt / adjusted LTM EBITDA (x)	1.05	0.77	0.84
Adjusted LTM EBITDA / LTM interest expenses (x)	13.24	25.95	27.08
Gross debt / EV (%)	11.06%	10.04%	10.31%

Enterprise Value = market capitalization + net debt

BUSINESS PERFORMANCE

Ferrous minerals

Shipments of iron ore and pellets in 1Q06, of 62.627 million tons, were 6.4% higher than the figure in the same quarter a year earlier, despite the stoppages on the Carajás Railway which interrupted the flow of products from the mines to the Ponta da Madeira maritime terminal.

Sales of iron ore amounted to 54.860 million tons, up 11.6% compared to 1Q05. Pellet sales, of 7.767 million tons in 1Q06, experienced a retraction in demand, due to the cutback of steel production in Europe and North America, down 20.1% compared to 1Q05.

Of the total volume of iron ore and pellets sold by CVRD in 1Q06, of 17.564 million tons, 28.1% of the volume sold was to China, compared to 19.6% in 1Q05. Japan accounted for 6.706 million tons, representing 10.7% of sales, Germany, 5.452 million tons, 8.7%, followed by South Korea, with 3.095 million tons, 4.9%. Sales to Brazil amounted to 11.054 million tons, 17.7% of total shipments.

CVRD's shipments of manganese ore amounted to 149,000 tons in 1Q06, down 24.7% on 1Q05. In this quarter, ferroalloys sales were 126,000 tons, down 7.4% on the amount shipped in the same period a year earlier.

The manganese and ferroalloy markets saw a slight recovery after the strong price decline which began at the beginning of the second half of 2004, a trend caused by excess supply in the market. After cuts in production and the gradual withdrawal of “swing producers” from the market, stocks are being consumed and prices are stabilizing at levels above those seen at the beginning of 2003, before the start of the last upcycle.

Revenues from ferrous minerals – iron ore, pellets, manganese and ferroalloys – in 1Q06 amounted to R$ 5.754 billion, up 29.6% compared to 1Q05, when they reached R$ 4.440 billion.

Revenues from the sale of iron ore were R$ 4.147 billion; pellets, R$ 1.333 billion; pelletization services from the operation of the pellet plants at Tubarão, R$ 18 million; manganese ore, R$ 25 million and ferro-alloys, R$ 231 million.

It is important to bear in mind that the increase in iron ore and pellet prices for 2005 only began to be reflected in the Company's numbers from the second quarter of that year. The retroactive effect on 1Q05 was incorporated from 2Q05 onwards.

In 1Q06, EBIT margin in the ferrous segment amounted to 47.6%. EBITDA from the sale of ferrous minerals amounted to R$ 2.939 billion in 1Q06, against R$ 1.936 billion in 1Q05.

SALES VOLUME – IRON ORE AND PELLETS						
						thousand tons
	1Q05	%	4Q05	%	1Q06	%
Iron ore	49,159	83.5	56,007	82.8	54,860	87.6
Pellets	9,725	16.5	11,604	17.2	7,767	12.4
Total	**58,884**	**100.0**	**67,611**	**100.0**	**62,627**	**100.0**

VOLUME SOLD BY DESTINATION – IRON ORE AND PELLETS						
						million tons
	1Q05	%	4Q05	%	1Q06	%
Americas	**12.5**	**21.2**	**13.2**	**19.5**	**11.7**	**18.7**
Brazil	11.2	19.1	11.4	16.9	11.1	17.7
USA	1.3	2.2	1.7	2.6	0.6	1.0
Asia	**22.7**	**38.5**	**30.7**	**45.4**	**29.3**	**46.8**
China	11.5	19.6	17.9	26.4	17.6	28.1
Japan	5.8	9.9	6.6	9.8	6.7	10.7
Others	5.3	9.0	6.2	9.1	5.0	8.0
Europe	**18.0**	**30.5**	**17.5**	**25.9**	**16.4**	**26.2**
Germany	5.9	10.0	5.8	8.6	5.5	8.7
France	2.6	4.4	3.3	4.9	2.6	4.2
Others	9.5	16.1	8.4	12.4	8.3	13.3
Rest of the World	**5.7**	**9.7**	**6.3**	**9.3**	**5.2**	**8.3**
Total	**58.9**	**100.0**	**67.6**	**100.0**	**62.6**	**100.0**

Products in the aluminum chain

In 1Q06, CVRD's bauxite sales amounted to 1.108 million tons, down 10.1% on 1Q05.

The volume sold of alumina in 1Q06 amounted to 490,000 tons, up 5.6% in relation to 1Q05, which already partially reflects the effect of stage 4 coming into service at the Barcarena refinery in January of this year.

Sales of primary aluminum, of 124,000 tons, were two thousand tons higher than in 1Q05, reflecting productivity gains at the smelter in Barcarena, where production totaled 112,000 tons.

Revenues from the sale of products in the aluminum chain in 1Q06 amounted to R$ 1.053 billion, compared to R$ 1.040 billion in 1Q05.

In 1Q06, EBIT margin corresponding to products in the aluminum chain was 38.7% while EBITDA totaled R$ 436 million, down R$ 18 million on the figure reported in the first quarter of 2005.

Non-ferrous minerals

Sales of potash in 1Q06 amounted to 103,000 tons, down 25.4% compared to 1Q05. The behavior seen in Brazil's agricultural segment, whose profitability has been adversely affected by the strong appreciation in the Brazilian Real, has contributed to a reduction in fertilizer demand. This also has had an influence on the potash price, given Brazil's leading position as a buyer of potash in the global market.

In 1Q06, revenues from the sale of potash were R$ 49 million, against R$ 80 million obtained in the same period a year earlier.

Kaolin sales volume in 1Q06, of 321,000 tons, were 14.6% higher than the volume sold in 1Q05, of 280,000 tons. Revenues in this quarter, of R$ 106 million, were in line with those reported in 1Q05.

Sales of copper concentrate totaled 70,000 tons, compared to 85,000 tons in 1Q05, as production at the Sossego mine was adversely affected by operational problems in the ball mill at the beneficiation plant, which were solved at the end of February. Production is expected to recover gradually to an annualized level of around 120,000 tons of copper concentrate per year.

The increased seen in the price of copper concentrate between 1Q05 and 1Q06, more than compensated for the drop in sales volume, resulting in revenues from the sale of copper concentrate, of R$ 242 million, up 21.0% compared to the first quarter a year earlier.

In 1Q06, EBIT margin generated by the non-ferrous mineral division amounted to 19.1% and EBITDA totaled R$ 117 million.

SALES VOLUME – ORES AND METALS			
			thousand tons
	1Q05	4Q05	1Q06
Manganese	198	244	149
Ferro alloys	136	124	126
Copper concentrate	85	112	70
Potash	138	176	103
Kaolin	280	355	321
Coal	-	-	46
Bauxite	1,233	1,544	1,108
Alumina	464	403	490
Aluminum	122	131	124

Coal

In January 2006, CVRD received its first delivery of Yongcheng anthracite coal, of 46,000 tons, from the operation of Henan Longyu Energy Resources Co. Ltd. (Longyu), a joint venture between CVRD and Chinese companies. This sale generated revenues of R$ 9 million. The equity income result generated by CVRD stake in Longyu in the 1Q06 was R$ 14 million.

Logistics Services

In the first quarter of 2006, CVRD's railroads - Carajás, Vitória a Minas, Centro-Atlântica and MRS Logística - transported 6.170 billion net ton kilometers (ntk) of general cargo for clients, 2.7% higher than the volume transported in 1Q05, of 6.009 billion ntk. The main cargoes transported were inputs and products for the steel industry, 48.3%, agricultural products, 32.3%, and building materials and forestry products, 8.5%.

The Company's maritime terminals and ports handled 6.189 million tons of general cargo, compared to 6.313 million in 1Q05.

Logistics services for clients generated revenues of R$ 704 million in 1Q06, down 2.9% in relation to 1Q05. Rail transportation for clients generated revenues of R$ 535 million, while port services generated R$ 106 million and coastal shipping and ports support services, R$ 63 million.

EBIT margin for the logistics business amounted to 16.1%. In 1Q06, EBITDA from this segment totaled R$ 235 million, compared to R$ 292 million in 1Q05.

LOGISTICS SERVICES			
	1Q05	4Q05	1Q06
Railroads (million ntk)	6,009	6,373	6,170
Ports (thousand tons)	6,313	7,622	6,189

Steel

In 1Q06, revenues generated by CVRD's stakes in the steel industry were R$ 349 million, R$ 103 million less than that obtained in the same quarter a year earlier. In this quarter, EBIT margin was 17.7%, while EBITDA amounted to R$ 66 million.

EBITDA BY BUSINESS AREA						
						R$ million
	1Q05	%	4Q05	%	1Q06	%
Ferrous minerals	1,936	67.9	3,528	84.0	2,939	78.3
Non- ferrous minerals	104	3.6	157	3.7	117	3.1
Logistics	292	10.2	221	5.3	235	6.3
Aluminum	454	15.9	339	8.1	436	11.6
Steel	64	2.2	46	1.1	66	1.8
Others	-	0.0	(91)	-2.2	(40)	-1.1
Total	**2,849**	**100.0**	**4,200**	**100.0**	**3,753**	**100.0**

TWO NEW PROJECTS DELIVERED

CVRD's capital expenditure in 1Q06 was US$ 1.126 billion, 39.2% lower than in 4Q05 of US$ 1.852 billion, which includes the acquisition of 99.2% of Canico Resources Corp., and representing an increase of 97.5% from the US$ 570 million invested in capital expenditure in 1Q05.

Capex in the first quarter of 2006, excluding the US$ 47 million in acquisition, was 23.3% of the year's total capex budget of US$ 4.626 billion.

Expenditure on organic growth - R&D and projects - was US$ 843 million, stay-in-business capex was US$ 236 million, and US$ 47 million was spent on one acquisition.

Two important projects were completed in this quarter.

Stage 4 of the alumina refinery started operating in January 2006, and stage 5 at the end of March, increasing nominal production capacity from 2.5 million to 4.4 million tons per year. The project was completed on schedule, for total cost of US$ 768 million, equivalent to a cost of US$ 412 per ton of additional capacity – almost half the average cost for brownfield projects currently under development in the global aluminum industry.

The ramp-up of stages 4 and 5 will increase alumina production to 3.8 million tons in 2006 – from 2.6 million tons in 2005. Operation at full capacity is expected in 2007.

This investment makes Alunorte the world's largest aluminum refinery. A new project, for the construction of stages 6 and 7, is already being developed and will add approximately 1.9 million tons per year to this refinery's nominal capacity.

The Capim Branco I hydroelectric power plant started commercial operation in February 2006. It has installed capacity for 240MW, and is located on the Araguari river in the state of Minas Gerais, Brazil. CVRD has a 48.42% share in the consortium holding the concession for construction and operation of the plant, and its take in the electricity generated will be consumed by CVRD's operational units located in the Southern System.

Capim Branco I is the sixth hydroelectric plant in the construction of which CVRD has been involved – its investment was US$ 177 million. Generation by the power plants in which CVRD has stakes – Igarapava, Porto Estrela, Funil, Candonga and Aimorés – provided 53% of the consumption by the Southern System's operations last year.

The Company's investment in R&D in 1Q06 was US$ 81 million, which compares with US$ 109 million in the previous quarter and US$ 28 million in 1Q05. Spending was concentrated in prospecting for new deposits of copper, coal, nickel and manganese, and project studies (conceptual, pre-feasibility and feasibility).

CVRD's Board of Directors approved investment of US$ 200 million in the CSA steel slab project, located in Rio de Janeiro state, with nominal capacity of 4.4 million tons per year of steel slabs and start-up scheduled for 2008. CVRD has an option to divest its position in this project in the future.

CSA will generate annual demand for 7 million tons of iron ore and pellets, which will be supplied by CVRD.

The assets of Rio Verde Mineração – land, natural resources and mining equipments – were acquired in January, for US$ 47 million. Its iron ore deposits are located in the "Iron Quadrilateral", close to those assets of the CVRD's subsidiary MBR in Nova Lima, in the state of Minas Gerais, Brazil. The Mar Azul mine, one of the assets acquired, produced 244,000 tons in 1Q06.

- **Main projects in progress**

Area	Project	2006 budget, US$ MM	Status
Ferrous minerals	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 capacity 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. Expansion of the project to 30 Mtpy is under study. Budget has been revised.
	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 1H06, for completion and operational start-up in second half 2007.
	Expansion of the Fábrica iron ore mine – Southern System	88	Expansion by 5 million tons, from 12 to 17 million tons per year, with start-up planned for 4Q07.

	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 7 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.
Coal	Metallurgical coke	9	Acquisition of 25% stake in Shandong Yankuang International Coking Ltd, a Chinese company that will produce metallurgical coke. The project has estimated production capacity of 2 million tons per year of coke and 200,000 tons per year of methanol. Start of operation is scheduled for first half 2006.
Non-ferrous minerals	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 2008. 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	14	The second phase of Paragominas will add 4.5Mtpy to the capacity of 5.4Mtpy resulting from the first phase. Conclusion timetabled for 2Q08.
Logistics	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.
Electricity	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.
Steel holdings	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 4.4 million tons per year, and start-up in 2008. CVRD's Board of Directors approved the investment in 1Q06.

TOTAL CAPEX BY BUSINESS AREA				
				US$ million
By business area	Actual, 1Q06		Budgeted, 2006	
Ferrous minerals	519	46.1%	2,118	45.8%
Non-ferrous minerals	82	7.3%	412	8.9%
Logistics	228	20.3%	785	17.0%
Aluminum	219	19.4%	778	16.8%
Coal	8	0.8%	124	2.7%
Energy	25	2.2%	135	2.9%
Steel holdings	8	0.7%	112	2.4%
Other	37	3.2%	162	3.5%
Total	**1,126**	**100.0%**	**4,626**	**100.0%**

CONFERENCE CALL AND WEBCAST

CVRD will hold a conference call and webcast on May 12, 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, under *Investor Relations*. A recording will be available on CVRD's site for 90 days from May 12.

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, under Investor Relations.

BR GAAP

FINANCIAL STATEMENTS			
			R$ million
	1Q05	4Q05	1Q06
Gross operating revenues	**7,052**	**9,204**	**8,281**
Taxes	(332)	(288)	(316)
Net operating revenues	**6,720**	**8,916**	**7,965**
Cost of goods sold	(3,785)	(4,407)	(3,944)
Gross profit	**2,935**	**4,509**	**4,021**
Gross margin (%)	43.7%	50.6%	50.5%
Operational expenses	**(560)**	**(850)**	**(781)**
Sales	(100)	(54)	(105)
Administrative	(258)	(382)	(331)
Research and development	(81)	(209)	(156)
Other operational expenses	(121)	(205)	(189)
Operating profit before result from shareholdings	**2,375**	**3,659**	**3,240**
Result from shareholdings	**73**	**105**	**16**
Equity income	130	136	76
Goodwill amortization	(57)	(51)	(38)
Others	-	20	(22)
Financial result	**(274)**	**(764)**	**(259)**
Financial expenses	(295)	(527)	(527)
Financial revenues	113	103	108
Monetary variation	(92)	(340)	160
Operating profit	**2,174**	**3,000**	**2,997**
Result of discontinued operations	-	-	19
Income tax and social contribution	2,174	3,000	3,017
Earnings before income tax and social contribution	(391)	(153)	(585)
Minority interest	(169)	(210)	(247)
Net earnings	**1,614**	**2,637**	**2,185**

BALANCE SHEET			
			R$ million
	03/31/2005	12/31/2005	03/31/2006
Asset			
Current	11,937	12,571	13,715
Long term	3,787	4,235	4,551
Fixed	29,159	36,788	41,917
Total	**44,884**	**53,594**	**60,183**
Liabilities			
Current	8,712	11,667	10,078
Long term	14,225	14,915	16,292
Others	2,162	2,960	2,085
Shareholders’ equity	19,785	24,052	31,728
Paid-up capital	7,300	14,000	19,492
Reserves	12,485	10,052	12,236
Total	**44,884**	**53,594**	**60,183**

BR GAAP

CASH FLOW			
			R$ million
	1Q05	4Q05	1Q06
Cash flows from operating activities:			
Net income	1,614	2,637	2,185
Adjustments to reconcile net income with cash provided by operating activities:			
Result from shareholdings	(74)	(105)	(16)
Result from sale of investment	-	-	(19)
Depreciation, depletion and amortization	385	446	420
Deferred income tax and social contribution	(113)	(201)	(77)
Financial expenses and foreign exchange and monetary net variation	46	437	(654)
Minority interest	169	211	246
Impairment of property, plant and equipment	15	46	18
Goodwill amortization in the COGS	96	92	92
Net unrealized derivative losses	5	252	158
Dividends/interest attributed to stockholders received	-	4	1
Others	(81)	(21)	22
Decrease (increase) in assets:			
Accounts receivable	(338)	(376)	492
Inventories	(70)	(21)	(188)
Advanced pay to energy suppliers	(43)	(142)	(68)
Others	(79)	328	(404)
Increase (decrease) in liabilities:			
Suppliers and contractors	49	365	(842)
Payroll and related charges	(94)	93	(242)
Taxes and Contributions	(579)	(980)	(329)
Others	(257)	216	(285)
Net cash provided by operating activities	**651**	**3,280**	**511**
Cash Flow from investing activities:			
Loans and advances receivable	12	66	26
Guarantees and deposits	(52)	(43)	(52)
Additions to investments	(10)	(23)	(112)
Additions to property, plant and equipment	(1,755)	(3,099)	(1,699)
Net cash for acquisition and investment on subsidiaries	-	(1,621)	-
Proceeds from disposals of investments/property, plant and equipment	6	37	48
Net cash used I investing activities	**(1,798)**	**(4,683)**	**(1,789)**
Cash flows from financing activities:			
Short-term debt, net issuances (repayments)	221	(145)	155
Long-term debt	726	3,406	3,091
Financial institutions	(477)	(334)	(739)
Interest attributed to stockholders	-	(1,810)	(55)
Net cash used in financing activities	**470**	**1,117**	**2,452**
Increase (decrease) in cash and cash equivalents	(677)	(286)	1,174
Cash and equivalents, beginning of period	3,917	2,989	2,703
Cash and equivalents, end of period	**3,240**	**2,703**	**3,877**
Cash paid during the period for:			
Interest on short-term debt	(2)	(18)	(8)
Interest on long-term debt	(226)	(135)	(219)
Paid income tax and social contribution	(211)	(173)	(432)
Non-cash transactions:			
Additions to property, plant and equipment - interest capitalization	(27)	(123)	(220)
Income tax and social contribution paid with credits	(49)	(315)	(82)