US GAAP

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PERFORMANCE OF COMPANHIA VALE DO RIO DOCE IN THE FIRST QUARTER OF 2004

The financial and operational information contained in this press release, except where otherwise indicated, is based on consolidated figures, prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). This information, with the exception of that referring to investment and market behavior, is based on the quarterly financial statements, which have been reviewed by independent auditors. The main subsidiaries of CVRD which form part of these consolidated figures are: Caemi, Alunorte, RDM, RDME, RDMN, Urucum Mineração, Pará Pigmentos (PPSA), Docenave, Ferrovia Centro-Atlântica (FCA), Itaco, CVRD Overseas and Rio Doce International Finance.

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IMPROVED PERFORMANCE: EARNINGS GROWTH AND PROFIT MARGIN EXPANSION WITH RECORD CASH GENERATION

Rio de Janeiro, May 12, 2004 – Companhia Vale do Rio Doce (CVRD) has reported net earnings of US$ 405 million for the first quarter of 2004, corresponding to earnings per share of US$ 1.06. This represents an increase of 14.4% compared to 1Q03 earnings of US$ 354 million, as well as of 50.0% vis-à-vis 4Q03 earnings.

Annualized return on equity (ROE) amounted to 31.4%, substantially higher than the figure of 20.9% reported in 1Q03.

Operating profit – adjusted EBIT[(1)] – amounted to a record US$ 529 million, 45.7% higher than that recorded in 1Q03 (US$ 363 million) and 34.9% higher than in 4Q03 (US$ 392 million). Operating margin amounted to 32.9%, higher than the margin reported in 1Q03, of 32.7%, and showing a strong recovery from the previous quarter's figure of 23.9% (4Q03).

Cash generation, as measured by adjusted EBITDA[(2)], set a new quarterly record for CVRD of US$ 685 million, an increase of 55.0% relative to 1Q03 and of 20.6% on the previous quarter (4Q03).

Other highlights were:

- Gross revenues of US$ 1.685 billion, 46.1% higher than in 1Q03, and practically unchanged relative to 4Q03 revenues of US$ 1.690 billion.

- CVRD's consolidated export revenues, calculated according to the generally accepted accounting principles in Brazil (BR GAAP), amounted to US$ 1.012 billion, an increase of 26.7% compared to 1Q03.

- The Company's net exports (exports minus imports) amounted to US$ 864 million, corresponding to 14% of Brazil's trade surplus in 1Q04.

- Iron ore and pellet shipments totaled 52.950 million tons, an increase of 24.5% on 1Q03.

- Alumina sales amounted to 687 thousand tons, compared to 546 thousand tons in 1Q03.

- Sales of ferro-alloys totaled 199 thousand tons, an increase of 76.1% compared to 1Q03 and a new quarterly record.

- Kaolin sales of 285 thousand tons compared to 108 thousand tons in 1Q03.

- Rail transportation of general cargo for clients amounted to 6.236 billion net ton kilometers (ntk), compared to 5.622 billion in 1Q03.

- Total investment of US$ 358 million in 1Q04.

- Reduction in debt leverage, with increased interest coverage and longer debt maturity profile.

The Company's performance in the first quarter of this year clearly indicates the creation of shareholder value, resulting from the strong growth in global demand for ores and metals, and above all from the good execution of previously defined strategic objectives.

SELECTED FINANCIAL INDICATORS

US$ million

	1Q03 (A)	4Q03 (B)	1Q04 (C)	Δ% (C/A)	Δ% (C/B)
Gross Revenues	1,153	1,690	1,685	46.1	-0.3
Gross Margin (%)	42.3	38.6	42.4	-	-
Adjusted EBIT	363	392	529	45.7	34.9
Adjusted EBIT Margin (%)	32.7	23.9	32.9	-	-
Adjusted EBITDA	442	568	685	55.0	20.6
Net Earnings	354	270	405	14.4	50.0
Annualized ROE (%)	20.9	31.7	31.4	-	-
Total Debt/ LTM Adjusted EBITDA[(3)] (x)	1.82	1.89	1.79	-	-
Investments*	240.3	468.8	358.0	49.0	-23.6

* including acquisitions

EARNINGS GUIDANCE

CVRD does not provide guidance in the form of quantitative forecasts about future financial performance. The Company aims to release the maximum amount of information about its vision for the various markets in which it operates, explaining its strategic directives and execution; thereby, providing capital market participants with sufficient information to form their own expectations with regard to medium and long-term performance.

BUSINESS OUTLOOK

The global economy has continued to experience a synchronized recovery, which began in the third quarter of 2003. The fastest growth is observed in China, the other emerging markets in Asia and in the United States and slower growth rates are observed in the Euro Zone, where consumption remains subdued. In Japan, economic growth, stimulated by exports and investment, continues to exceed expectations, and in Latin America, particularly in Brazil, there are signs that recovery is underway.

According to data from the International Iron and Steel Institute (IISI), global steel production increased 8.7% in 1Q04, compared to 1Q03. Excluding China, production increased 3.9%, which is much higher than the average growth rate observed in the period 1993/2003 of 1.5%. Chinese steel production grew 26.5% in 1Q04, compared to 1Q03, representing a significant increase in that country's steel production rate vis-à-vis the growth rate observed at the end of last year, which amounted to 21.2%.

Chinese iron ore imports in 1Q04 reached a record 50.7 million tons, 48.2% higher than the volume recorded in 1Q03, bringing the total quantity imported in the 12 months to April, to 164.6 million tons. Japan imported 34.7 million tons in the quarter, an increase of 4.1% compared to 1Q03.

The global macroeconomic scenario remains favorable for continued expansion in the demand for ores and metals, which benefits the Company’s performance.

The measures taken by the Chinese economic authorities to reduce growth rates – restricting both the supply of and demand for credit – are extremely healthy, because the sooner China seeks to correct its excess demand situation, the lower is the probability of a crisis in the future, which would have an adverse effect on global demand for mineral products.

These measures discourage investments with a low expected rate of return. Such unproductive investments would contribute to lower China’s capacity for future economic growth, jeopardizing the buoyancy of demand for ores and metals. According to IMF estimates, one third of the GDP growth in China since 1978, when reforms were first introduced, is explained by productivity gains. Therefore, in preventing the waste of resources, the Chinese government is focused on the preservation of the economy’s growth dynamics, and consequently the vigor of the demand for mineral products.

CVRD's commercial relationship with China with respect to the sale of iron ore is conducted via long-term contracts with the largest and most modern steel producers in that country. Long-term contracts help to minimize fluctuations in sales during down-cycles and allow customized solutions to be developed that generate value to the Company's clients.

According to the long-term contracts in force, CVRD's iron ore sales, excluding those of Caemi, to the Chinese market should increase from the level of 25.7 million tons in 2003, to approximately 55 million tons in 2008, implying an estimated average annual growth rate of 16.4% during the period 2003-2008.

The Sossego mine, in Carajás, is undergoing its copper concentrate production ramp-up phase, with the first shipment expected between the end of June and the beginning of July 2004. Sossego has a nominal production capacity of 140,000 tons a year, on average, of copper in concentrate equivalent.

The startup of the Sossego operation, CVRD’s first copper project and the only greenfield copper project to be completed in 2004 in the world, constitutes an important milestone in the development of CVRD's non-ferrous mineral businesses and creates a new platform for the creation of shareholder value.

RECENT DEVELOPMENTS

In April, CVRD entered into new long-term contracts with clients, distributed dividends to its shareholders and was successful in its initiative to purchase electricity via auction. Both Alunorte and GIIC obtained various international certifications, which is consistent with the Company´s focus on corporate social responsibility.

- **Long-term contracts for the supply of iron ore and pellets**

CVRD and China Steel Corporation (CSC), one of the largest steel producers in Asia, have signed a contract for the supply of 600 thousand tons of pellets a year from 2005 to 2011. CSC has been a client of CVRD since 1979 and in addition to buying pellets, currently purchases some 2.4 million tons a year of iron ore, also under a long-term contract.

CVRD also signed a contract with Usiminas, one of the largest steelmakers in Latin America, for the supply of five million tons a year of iron ore for five years. The volume covered by this contract represents approximately 90% of Usiminas’ current iron ore consumption.

In 2003 and in the beginning of 2004, CVRD entered into several long-term contracts with important steelmakers, such as Arcelor, Baosteel and Corus. These contracts minimize future iron ore sales volatility and allow for the development of customized solutions that create value for our clients.

- **Dividends and debenture remuneration**

On April 30, the first minimum dividend installment was paid to CVRD’s shareholders, in the amount of R$ 2.06 (US$ 0.70 as of April 30) per share, in accordance with the minimum dividend payment proposal for 2004, as announced to the market. The total disbursement by CVRD amounted to US$ 268.3 million.

On April 1, CVRD paid its first remuneration payment on debentures issued by the Company and distributed to shareholders before its privatization in 1997, of R$ 0,0120628 per debenture, amounting to a total disbursement by the Company of US$ 1.6 million.

- **Electricity auction**

Albras was successful in its initiative to purchase electricity via an auction for a period of 20 years. The electricity bought will supply its needs starting in June 2004. The base purchase price is R$ 53.00 per MWh, indexed to the IGPM, which is the general price index published by the Getulio Vargas Foundation. In addition to the base price, the electricity supplier will have a stake on the portion of the primary aluminum price, at the London Metal Exchange (LME), which exceeds US$ 1,450 per ton. Under the agreement, Albras will make a prepayment for the purchase of this electricity of R$ 1.2 billion.

The terms obtained will help preserve Albras’ highly competitive position in the global aluminum industry.

- **Corporate social responsibility**

GIIC, a joint venture between CVRD and The Gulf Investment Corporation, has received the ISO 9000 certification for the quality of its pellets and the ISO 14001 certification for excellence in environmental protection.

Alunorte, the alumina refinery controlled by CVRD, received three international certifications: the ISO 9001, for quality in alumina production, the ISO 14001, for excellence in environmental protection, and the OHSAS 18001, for health and safety in the workplace.

All of CVRD´s iron ore and manganese mines, its maritime terminals, Tubarão´s pelletizing plants, RDME, Albras and now Alunorte and GIIC have the ISO 14001 for excellence in environmental protection. Moreover, Albras has additional certifications for corporate social responsibility, quality, health and safety in the workplace.

Social responsibility, including environmental protection, social initiatives, the health and safety of its employees, is a priority for CVRD, which considers such responsibility a crucial factor to maintain its long-term competitiveness.

SIGNIFICANT IMPROVEMENT IN OPERATING PERFORMANCE

- **Gross revenues of US$ 1.7 billion**

CVRD's gross operating revenues in 1Q04 amounted to US$ 1.685 billion, an increase of 46.1% on 1Q03, practically unchanged vis-à-vis 4Q03. Due to the seasonal weather which influences both the demand for and the supply of various products and services, revenues in the first quarter tend naturally to be lower than the quarterly average for the year.

The increase of US$ 532 million in revenues for 1Q04, compared to 1Q03, resulted from sales volume expansion, which contributed with an increase of US$ 318 million, and from an increase in prices, which explained the remaining US$ 214 million.

The ferrous mineral businesses – iron ore, pellets, manganese ore and ferro-alloys – produced revenues of US$ 1.192 billion, representing 70.7% of total Company revenues. Sales of iron ore amounted to US$ 826 million, pellets, US$ 223 million, Tubarão pellet plant operation service fees, US$ 12 million, manganese ore, US$ 9 million and ferro-alloys, US$ 114 million.

Shipments of iron ore and pellets amounted to 52.950 million tons, an increase of 24.5% compared to the volume shipped in 1Q03, but 4.9% lower than in the previous quarter, 4Q03. The decrease in sales volume in 1Q04 compared to the last quarter of 2003 is due to seasonal factors. With the onset of the rainy season in Brazil, mineral production tends to be lower in the first quarter of each year, causing a reduction in shipments. The heavy rainfall also increases the risk of accidents on the Company's railroads, despite the fact that the Vitória a Minas and the Carajás Railroads have one the lowest accident rates in the world. The long-term trend is for production and sales to continue to increase.

CVRD's iron ore production decreased by 2.5 million tons in 1Q04, compared to 4Q03, given that accidents occurred on the Carajás and MRS Logística railroads.

Additionally, there was a delay by suppliers in the delivery of new railcars for the transportation of iron ore, which also contributed to the shipment difficulties.

Shipments of iron ore amounted to 46.825 million tons, and of pellets to 6.125 million tons. CVRD purchased 3.071 million tons of iron ore from small mining operations in the so-called “Iron Quadrangle”, in the State of Minas Gerais, Brazil, to meet the growing demand of its clients.

The average iron ore sales price amounted to US$ 17.64 per ton, an increase of 17.3% in relation to 1Q03, and of 4.9% on the previous quarter (4Q03). At the same time the average pellet price increased 17.0% on 1Q03. The aforementioned average price increases do not fully reflect yet the full impact of the 2004 price adjustments of 18% and 19% for iron ore and pellets, respectively.

The chinese market was the main destination of CVRD´s iron ore and pellet exports in 1Q04, accounting for 16.3% of total sales. Other important markets were Japan, with 10.8% of the total, Germany with 9.6%, France with 4.9%, South Korea with 4.7%, and Italy with 4.1%. Domestic sales accounted for 24.8% of the total.

Sales of manganese ore amounted to 163 thousand tons, while ferro-alloy sales amounted to 199 thousand tons, exceeding the previous quarterly record of 176 thousand tons established in 3Q02.

Products within the aluminum production chain, bauxite, alumina and primary aluminum, generated revenues of US$ 234 million in 1Q04, accounting for 13.9% of CVRD’s total revenues.

Alumina sales amounted to 687 thousand tons, an increase of 25.8% on 1Q03, but a decrease of 9.1% compared to the previous record achieved in 4Q03, of 756 thousand tons. The reduction in alumina shipments occurred due to the product swap system with other players, undertaken in order to take advantage of the differences in freight rates. The average alumina price in 1Q04 amounted to US$ 213.97 per ton, an increase of 25.6% in relation to 1Q03 and of 8.6% on 4Q03.

Shipments of primary aluminum in 1Q04 amounted to 42 thousand tons, and bauxite shipments, to 545 thousand tons.

Sales of potash, which produced revenues of US$ 23 million in 1Q04, suffered from the seasonality in Brazil's agricultural crops. Shipments in 1Q04 amounted to 138 thousand tons, a reduction of 12.7% in relation to 1Q03. Due to the execution of the project to expand production capacity at the Taquari-Vassouras mine, CVRD's potash production will experience a slight drop this year. It is estimated that production will fall from 658 thousand tons in 2003, to 620 thousand tons for this year, which will be reflected in sales behavior, due to the low inventory levels.

Kaolin sales amounted to 285 thousand tons, an increase of 163.9% on 1Q03 and of 1.8% compared to 4Q03. The expansion in shipments, compared to 4Q03, is a good result considering that demand for kaolin is seasonally weaker at the beginning of the year. Revenues generated in 1Q04 amounted to US$ 39 million.

Logistics services generated revenue of US$ 191 million in 1Q04, compared to US$ 115 million in 1Q03 and US$ 192 million in 4Q03. The railroads contributed US$ 133 million to this figure, the ports contributed US$ 38 million and coastal shipping and port support services contributed US$ 20 million.

CVRD’s railroads – Carajás, Vitória a Minas and Centro-Atlântica – transported 6.236 billion ntk in general cargo for clients in 1Q04, 10.9% more than that transported in the same quarter in 2003. The decrease in relation to 4Q03, which saw a total of 6.402 billion ntk, is explained by the seasonal effect of agricultural crops.

For example, in 2003, 2.4 billion ntk and 2.6 billion ntk in agricultural products were transported in the second and third quarters, 1.8 billion ntk in the fourth quarter and only 1.3 billion ntk in the first quarter. In 1Q04, the railroads transported 1.7 billion ntk in agricultural products.

The Carajás railroad, having achieved a 51% reduction in accident rates in 2003, maintained the same level of operational safety in 1Q04. Vitória a Minas railroad experienced an improvement in this indicator of 25.6% in 1Q04 vis-à-vis 1Q03 and at FCA railroad this indicator remained constant. The attainment of high degrees of operational safety is a priority for the Company and the improvement obtained is the result of investments in training and equipment as well as of process reviews.

The Company's ports and marine terminals handled 6.396 million tons for clients in the quarter, an increase of 14.7% on 1Q03.

Sales to European markets amounted to US$ 522 million, corresponding to 31.0% of CVRD's total revenues. The domestic market accounted for US$ 519 million in sales, 30.8% of the total, China with US$ 171 million, 10.1% of the total, Japan with US$ 94 million and emerging Asia, with US$ 97 million.

VOLUME SOLD – IRON ORE AND PELLETS

thousand tons

	1Q03	%	4Q03	%	1Q04	%
Iron ore	36.380	85,6	48.839	87,7	46.825	88,4
Pellets	6.139	14,4	6.837	12,3	6.125	11,6
Total	**42.519**	**100,0**	**55.676**	**100,0**	**52.950**	**100,0**

IRON ORE AND PELLETS SALES BY DESTINATION

thousand tons

.	1Q04	%
EU	15,288	28.9%
Germany	5,087	9.6%
France	2,616	4.9%
Belgium	1,669	3.2%
Italy	2,165	4.1%
Others	3,751	7.1%
China	8.632	16.3%
Japan	5,698	10.8%
South Korea	2,501	4.7%
Middle East	1,866	3.5%
USA	995	1.9%
Rest of the World	4,830	9.1%
Brazil	13,140	24.8%
Total	**52,950**	**100,0%**

US GAAP

VOLUME SOLD - ORE AND METALS

thousand tons

	1Q03	4Q03	1Q04
Manganese	206	207	163
Ferro-alloys	113	152	199
Alumina	546	756	687
Primary Aluminum	49	56	42
Bauxite	189	501	545
Potash	158	169	138
Kaolin	108	280	285

LOGISTICS SERVICES

	1Q03	4Q03	1Q04
Railroads (million ntk)	5.622	6.402	6.236
Ports (thousand tons)	5.575	5.288	6.396

GROSS REVENUE BY PRODUCT

US$ million

	1Q03	%	4Q03	%	1Q04	%
Ferrous Minerals	**821**	**71.2**	**1,179**	**69.8**	**1,192**	**70.7**
Iron Ore	547	47.4	821	48.6	826	49.0
Pellet plant operation services	8	0.7	14	0.8	12	0.7
Pellets	191	16.6	240	14.2	223	13.2
Manganese	11	1.0	11	0.7	9	0.5
Ferro-alloys	59	5.1	87	5.1	114	6.8
Others	5	0.4	6	0.4	8	0.4
Logistics Services	**115**	**10.0**	**192**	**11.4**	**191**	**11.3**
Railroads	66	5.7	127	7.5	133	7.9
Ports	28	2.4	38	2.2	38	2.3
Shipping	21	1.8	27	1.6	20	1.2
Aluminum Chain	**167**	**14.5**	**254**	**15.0**	**234**	**13.9**
Primary aluminum	69	6.0	82	4.9	68	4.0
Alumina	93	8.1	149	8.8	146	8.7
Bauxite	4	0.3	14	0.8	15	0.9
Others	1	0.1	9	0.5	5	0.2
Non Ferrous Minerals	**37**	**3.2**	**65**	**3.8**	**62**	**3.7**
Potash	21	1.8	24	1.4	23	1.4
Kaolin	16	1.4	41	2.4	39	2.3
Others	**13**	**1.1**	**0**	**-**	**6**	**0.4**
Total	**1,153**	**100.0**	**1,690**	**100.0**	**1,685**	**100.0**

GROSS REVENUE BY DESTINATION						
						US$ million
	1Q03	%	4Q03	%	1Q04	%
Domestic market	**356**	30.9	**481**	28.5	**519**	30.8
External market	**797**	69.1	**1,209**	71.5	**1,166**	69.2
USA	57	4.9	37	2.2	79	4.7
Europe	378	32.8	614	36.3	522	31.0
Japan	86	7.5	98	5.8	94	5.6
Emerging Asia	42	3.6	86	5.1	97	5.8
China	107	9.3	190	11.2	171	10.1
Rest of the World	127	11.0	184	10.9	203	12.0
Total	**1,153**	**100.0**	**1,690**	**100.0**	**1,685**	**100.0**

- **Record operating profit**

There was a substantial improvement in operating performance in 1Q04, with adjusted EBIT amounting to US$ 529 million, the highest quarterly figure recorded by the Company to date. In relation to previous quarters, this figure was 45.7% higher than that achieved in 1Q03 and 34.9% higher than that achieved in 4Q03.

Adjusted EBIT margin reached 32.9% compared to 32.7% in 1Q03 and 23.9% in 4Q03. The increase of 893 basis points (bp) in operating margin, compared to the previous quarter, was based on the following combined factors: (a) CVRD, excluding Caemi and FCA, contributed all other things constant with a 1155 bp increase in EBIT margin; (b) the provision for retrospective payment of real estate tax, a non-recurring event, contributed to a reduction of 37 bp; (c) the consolidation of Caemi, contributed with a reduction of 99 bp; (d) and the consolidation of FCA, with a reduction of 126 bp.

Caemi is a profitable company and its acquisition by CVRD is of strategic importance. The price paid for its shares, equivalent to a multiple of approximately five times EBITDA, took into account the lower operating margins of the company, which are due to lower production scale and higher transportation costs. This acquisition has added significant value to CVRD’s shareholders.

In the case of FCA, also consolidated starting in September 2003, its acquisition allowed CVRD to integrate an important asset into its logistics network for the transportation of agricultural products, an area in which Brazil is one of the largest producers and exporters in the world and where there is still a high degree of inefficiency. In addition, FCA is an asset with excellent strategic fit with CVRD´s inter-modal transportation efforts, acting as a feeder to the Vitória a Minas Railroad – Tubarão Port system, which already enjoys high standards of operating excellence. Currently, CVRD is developing various projects for FCA aimed at: (a) increasing productivity by 45% in terms of 1000 tkus per *horse power* (HP), from 1.38 to 2.00 until 2006; (b) improving operating safety; (c) improving energy efficiency, where the goal for 2004 is the reduction of 6% in fuel consumption per gross ton kilometer (gtk); and (d) introducing the best global operational and management practices.

In 1Q04, fuel consumption decreased 14%, from 7.90 liter/1,000 gtk in 1Q03 to 7.79 liter/1,000 gtk. Operational safety at FCA improved in 2003, when the number of accidents decreased 5.6% compared to 2002.

The increase of US$ 500 million in CVRD’s net operating revenues was the predominating factor in improving EBIT performance in 1Q04, compared to 1Q03. Of this amount, US$ 228 million derived from the consolidation of Caemi and

FCA. The cost of goods sold (COGS) increased US$ 287 million, of which US$ 164 million was due to the consolidation of the two companies just mentioned.

The principal reasons behind the increase in COGS were; (a) a rise of US$ 109 million in outsourced services, with Caemi in 1Q04 spending US$ 36 million on the transportation services of the MRS railroad; (b) increased depreciation of US$ 52 million mainly due to the increase in the asset base; (c) an increase of US$ 43 million in the cost of products purchased, other than iron ore and pellets, basically due to the higher purchases of bauxite, required to expand alumina production by 37.9%.

OPERATING MARGINS BY SEGMENT - EBIT MARGIN			
	1Q03	4Q03	1Q04
Ferrous minerals	38.3%	32.6%	36.9%
Logistics	27.6%	3.5%	24.7%
Aluminum	13.3%	15.9%	24.5%

Considerable operating improvement was achieved in 1Q04 vis-à-vis 4Q03, with EBIT increasing US$ 137 million. This occured mainly due to the reduction of US$ 77 million in COGS, US$ 5 million selling and administrative expenses, US$ 14 million in research and development expenses and US$ 73 million in other operating expenses.

The decrease in other operating expenses reflects the non-recurring nature of the increase which took place in 4Q03, as a result of asset write-offs and provisions, which had an significant negative impact on the operating performance in that quarter.

Payroll costs within COGS decreased US$ 16 million due to the reduction in the number of employees at FCA as well as the reduction in overtime, in addition to the non-recurring provisions which took place in the last quarter of 2003.

Demurrage costs decreased US$ 5 million, from US$ 17 million in 4Q03 to US$ 12 million in 1Q04. Fuel costs decreased US$ 10 million due to lower production level and cargo transportation in 1Q04 caused by seasonality. Sesonality was also the determining factor to explain the decrease of US$ 29 million in material costs.

The investments that are taking place in the Ponta da Madeira and Tubarão ports aim to increase port-handling capacity and to reduce *demurrage* costs. At the same time, efforts are being made to improve fuel eficiency in the railroads, pelletizing plants, and in the Alunorte alumina refinery. Such efforts will result in lower levels of fuel consumption for each production unit.

The reduction in outsourced service costs is explained by the lower costs, of US$ 18 million, incurred by Caemi with iron ore transportation, as a result of a discount given by MRS Logística, of PIS and Cofins fiscal credits and of the seasonal reduction in activitity in the first quarter of the year.

Adjusted EBIT margin in the ferrous minerals division reached 36.9% in 1Q04, a decline of 140 bp in relation to 1Q03, however showing an increase of 430 bp in comparison to 4Q03. The narrower margin compared to 1Q03 reflects the consolidation of Caemi, while the margin improvement on 4Q03 was influenced by the iron ore and pellet price increases announced in January, which had a positive impact of US$49 million in 1Q04.

Adjusted EBIT margin in the Company's logistics services has fluctuated significantly, showing a sharp drop in 4Q03 followed by a strong recovery in

1Q04. This can be partially attributed to the effect of consolidating FCA and its operating improvement in 1Q04, determined in part by an increase in average revenue per 1000 ntk. This figure increased from US$ 19.47 in 1Q03, to US$ 19.83 in 4Q03, and to US$ 21.33 in 1Q04.

The Company's aluminum businesses have shown significant improvement in their operating margins. Margin in 1Q04, of 24.5%, was 1120 bp higher than in 1Q03 and 860 bp higher than in 4Q03. These margin expansions were due to an increase of 25.6% in alumina prices and a reduction in operating costs at Alunorte, as a result of larger production scale with the addition of Module 3. It is worth pointing out that the operating margins in this business are artificially low because Albras is not consolidated in US GAAP financial statements. Only the gain obtained from the resale of primary aluminum bought from Albras is shown in the operating margin calculation.

COGS BREAKDOWN

US$ million

	1Q03	%	4Q03	%	1Q04	%
Personnel	54	8.4	100	10.0	84	9.1
Material	85	13.2	125	12.4	96	10.4
Fuel	69	10.8	107	10.7	97	10.4
Outsourced Services	83	12.9	239	23.8	192	20.7
Acquisition of Iron Ore and Pellets	120	18.7	66	6.6	102	11.0
Acquisition of Other Products	135	21.1	169	16.8	178	19.2
Depreciation and Exhaustion	41	6.4	77	7.7	93	10.0
Energy	21	3.3	56	5.6	41	4.4
Others	33	5.1	66	6.6	45	4.8
Total	**641**	**100.0**	**1,005**	**100.0**	**928**	**100.0**

RECORD CASH GENERATION IN 1Q04: US$ 685 MILLION

Cash generation, as measured by adjusted EBITDA, reached US$ 685 million, a new all-time quarterly record for CVRD. This represented an increase of 55.0% relative to 1Q03, and of 20.6% vis-à-vis 4Q03.

In the 12 months to April 2004, adjusted EBITDA amounted to US$ 2.373 billion. 1Q04 is the eighth consecutive quarter to see an increase in adjusted *Last Twelve Months* (LTM) adjusted EBITDA, reflecting CVRD's trajectory of profitable growth and shareholder value creation.

The US$ 243 million increase in cash generation in 1Q04, compared to 1Q03, is basically explained by the US$ 166 million increase in adjusted EBIT and the US$ 25 million in dividends received from non-consolidated affiliates and joint ventures.

In 1Q04, CVRD received US$ 61 million in dividends, US$ 21 million from MRN, US$ 19 million from Samarco, US$ 13 million from Usiminas and US$ 8 million from various other companies.

Cash generation composition by business area in 1Q04 was as follows: ferrous minerals 73.9%, aluminum 12.1%, logistics 10.9%, non-ferrous minerals 1.2% and others 1.9%, which correspond to dividends received from steel companies.

ADJUSTED EBITDA			
			US$ million
	1Q03	4Q03	1Q04
Net Operating Revenues	1,110	1,638	1,610
COGS	(641)	(1.005)	(928)
S,G &A	(49)	(97)	(92)
Research and Development	(11)	(37)	(23)
Other Operational Expenses	(46)	(107)	(38)
Adjusted EBIT	**363**	**392**	**529**
Depreciation, Amortization & Exhaustion	43	78	95
Dividends Received	36	59	61
Adjustment for Non-recurring Items (asset impairment)	-	39	-
Adjusted EBITDA	**442**	**568**	**685**

ADJUSTED EBITDA BY BUSINESS AREA						
						US$ million
	1Q03	%	4Q03	%	1Q04	%
Ferrous Minerals	355	80.3	446	78.5	506	73.9
Non- Ferrous Minerals	9	2.0	2	0.3	8	1.2
Logistics	38	8.6	31	5.5	75	10.9
Aluminum	32	7.3	75	13.2	83	12.1
Others	8	1.8	14	2.5	13	1.9
Total	**442**	**100.0**	**568**	**100.0**	**685**	**100.0**

EARNINGS OF US$ 405 MILLION

Net earnings obtained in 1Q04, of US$ 405 million, showed an increase of 14.4% on 1Q03, when earnings amounted to US$ 354 million, and an increase of 50.0% on the earnings of US$ 270 million reported in the previous quarter.

Basically the earnings growth in 1Q04, compared to 1Q03, was due to three factors: (a) an improvement of US$ 166 million in EBIT; (b) a reduction of US$ 18 million in income tax provisions; and (c) asset write-offs of US$ 10 million which occurred in 1Q03, and which were not repeated in 1Q04.

On the other hand, a number of factors partially offset the positive effects just mentioned: an increase of US$ 89 million in foreign exchange losses, a US$ 44 million rise in net financial expenses and US$ 4 million reduction in equity income.

The Brazilian Real appreciated 5.1% vis-à-vis the US dollar between the end of 1T03 and the end of December 2002. However, between the end of December 2003 and March 2004, the Real depreciated slightly (by 0.7%). Therefore, whereas there was a foreign exchange gain of US$ 50 million in 1T03, there was a foreign exchange loss of US$ 399 million in 1T04.

CVRD´s equity income from its non-consolidated subsidiaries improved significantly between 1Q03 and 1Q04 in all areas, with the exception of the results from the aluminum businesses, which incurred foreign exchange losses.

RESULTS FROM SHAREHOLDINGS			
			US$ million
	1Q03	4Q03	1Q04
Steel	19	21	34
Aluminum, Alumina and bauxite	48	24	18
Logistics	(10)	36	6
Iron Ore and Pellets	34	23	33
Others	3	(16)	(1)
Total	**94**	**88**	**90**

DEBT – COMMITTED CREDIT LINES

CVRD is to use committed credit line instruments with the aim of improving the efficiency of its cash management and alleviating debt refinancing risks during moments of instability in financial markets. To this end, US$500 million in global committed credit line facilities have been established with the main commercial banks, US$ 400 million of which can be used over a period of up to one year after the date of disbursement, with a repayment period of up to one year, and US$ 100 million, which can be used for a period of up to 24 months, with a repayment period of 36 months after the contract is signed. These credit lines will be made available to CVRD although the Company does not intend to use them unless liquidity becomes excessively tight.

The establishment of committed credit line facilities is consistent with the best financial management practices and contributes to achieve a decoupling from the sovereign risk.

The Company redeemed the CVRD 2004 bond at the beginning of April, which had a face value of US$ 300 million and a coupon of 10% *per annum*. At the same time, it obtained a syndicated loan of US$ 300 million, with a tenor of seven years and an average term of 4.25 years, at the cost of the six-month Libor rate plus 0.7% a year.

CVRD's total debt at March 31, 2004 amounted to US$ 4.244 billion, an increase on the position reported at the end of 2003, of US$ 4.028 billion. This increase was the result of raising funds ahead of schedule, for 2004, to take advantage of the favorable conditions in financial markets at the beginning of this year. For example, in January, the Company issued a 30-year bond, with a coupon of 8.25% a year, and a yield to maturity of 8.35% a year, with a face value of US$ 500 million.

Short-term debt registered a decrease of US$ 304 million in relation to the position at the end of December 2003, while long-term debt increased US$ 520 million. The average term of the Company's debt at the end of 1Q04 was 6.32 years, more than double of that registered at the end of 2002, without any significant increase in average debt cost, which remains below 7% a year.

Net debt [(4)] decreased US$ 200 million, from US$ 3.443 billion at the end of December 2003 to US$ 3.243 billion at the end of March 2004.

Guarantees provided to affiliates and non-consolidated joint ventures amounted to US$ 260 million, a reduction on the figure registered at the end of December last year, of US$ 283 million.

Due to the strong expansion in adjusted accumulated EBITDA in the last 12 months, which reached US$ 2.373 billion, the debt leverage indicator, Total Debt/LTM adjusted EBITDA, fell for the second quarter running to 1.79x. The ratio of Total Debt /Enterprise Value at the end of 1Q04 was 18.1%.

There was an improvement in interest coverage, as measured by the ratio LTM adjusted EBITDA /LTM interest paid (5). This metric increased from 11.51x at the end of 2003, to 11.69x in 1Q04.

All the Company's debt indicators - leverage, interest coverage and average maturity profile - reveals the financial strength of the balance sheet, with the availability of committed credit lines, if needed, providing additional comfort to its creditors.

FINANCIAL EXPENSES

US$ million

Financial Expenses on:	4Q03	1Q04
Local Debt	(9)	(9)
External Debt	(41)	(43)
Debt with Related Parties	(2)	(3)
Total Debt-related Financial Expenses	**(52)**	**(55)**
Gross Interest on:	**4Q03**	**1Q04**
Tax and Labor Contingencies	(24)	(6)
Tax on Financial Transactions (CPMF)	(8)	(3)
Derivatives	5	(7)
Others	(43)	(38)
Total Gross Interest	**(70)**	**(54)**
Total	**(122)**	**(109)**

DEBT INDICATORS

US$ million

	1Q03	4Q03	1Q04
Gross Debt	3,314	4,028	4,244
Net Debt	2,030	3,443	3,243
Gross Debt / LTM Adjusted EBITDA (x)	1.82	1.89	1.79
LTM Adjusted EBITDA / LTM Interest Expenses (x)	8.45	11.51	11.69
Gross Debt / EV(6) (x)	0.27	0.16	0.18

Enterprise Value = market capitalization + net debt

INVESTMENT OF US$ 358 MILLION IN THE QUARTER

During the first quarter of 2004, CVRD carried out investments of approximately US$ 358 million, representing 20% of the total 2004 *capex* budget, of US$ 1.815 billion.

Growth capex amounted to US$ 249 million, while *stay-in-business capex* totaled US$ 109 million.

Of the amount allocated to *growth capex*, US$ 14 million was spent on mineral exploration, 91% in Brazil and 9% in other countries, principally in Chile, Peru, Gabon, Angola and Mongolia. The mineral exploration efforts included prospecting for copper, nickel, gold, kaolin, bauxite, manganese and platinum group metals.

- **Status of main ongoing projects:**

Area	Project	Budget US$ million		Status
		1Q04	2004	
Ferrous Minerals	Expansion of Carajás iron ore mines to 70 Mtpy – Northern System	24	76.4	Carajás already set to produce 70 million tons in 2004.
	Expansion of Carajás iron ore mines to 85 Mtpy – Northern System	2	28.8	This project will add 15 million tons a year to CVRD's production capacity and is scheduled for completion in 2006. Completion of the Phase II of the Pier III at the Ponta da Madeira Maritime Terminal of is scheduled for completion in July 2005.
	Brucutu iron ore mine Phase I – Southern System	2	37.3	Brucutu is not a modular project and should produce 4 million tons this year. Phase I of the project will be completed in 2006, when nominal production capacity will reach 12 million tons a year.
	Fábrica Nova iron ore mine – Southern System	3	31.1	First phase scheduled for completion in 2005, when the mine will have a nominal production capacity of 10 million tons a year. Start-up for the second phase is scheduled for 2007, when the mine is expected to reach production of 15 million tons a year.
	Expansion of iron ore mines at Itabira – Southern System	4	13.2	Expansion of production capacity and modernization of operations at the Itabira mines in order to increase production capacity by 3 million tons a year, increasing nominal production capacity to 46 million tons a year. Completion is expected for 2006.
Non-ferrous Minerals	Expansion of potash mine at Taquari-Vassouras	16	21.2	Approximately 65% of the work related to capacity expansion has already been carried out. During March, mining activities were shut down in order to increase the capacity of the shaft through which production is moved out of the underground mine (allowing the extra potash production to be moved, with the capacity expansion scheduled for completion in 3Q05).
Aluminum	Paragominas I	2	83.2	Environmental licenses were obtained for the mine's development and for the construction of a 230 kilometer mineral pipeline which will transport the bauxite to Alunorte's refinery. Start-up of operations is scheduled for late 2006, with production capacity of 4.5 million tons of bauxite a year.
	Alunorte modules 4 and 5	23	183.3	The project for the construction of these modules will increase the production capacity of the refinery to 4.2 million tons of alumina a year, with work scheduled for completion in 2006.
Logistics	Purchases of locomotives and railcars–EFVM/EFC/FCA	85	312.6	In 1Q04, the Company received delivery of 1,378 railcars - 735 for the transportation of iron ore and 643 for general cargo, as well as 19 locomotives. Of these locomotives, eight are new and the others are re-conditioned, which will be utilized by FCA. Total deliveries programmed for 2004 amount to 3,178 railcars and 88 locomotives.
Power Generation	Aimorés hydroelectric power plant	11	19.0	The plant is located on the Doce river, in the state of Minas Gerais, Brazil, and will have a generation capacity of 330MW, with start-up scheduled for July 2005.
	Candonga hydroelectric power plant	2	3.5	The work on the plant has already been completed. The reservoir is being filled and commercial operations will begin in June. By August, all the turbines will be generating electricity. The plant has a generating capacity of 140MW.
	Capim Branco I & II hydroelectric power plants	6	33.6	Both plants are located on the Araguari river, in the state of Minas Gerais, Brazil, and will have a capacity of 240MW and 210MW, respectively. The start-up of both plants is scheduled for 2006.

SELECTED FINANCIAL INDICATORS – MAIN NON CONSOLIDATED AFFILIATES AND JOINT VENTURES

Selected financial indicators for the main non consolidated affiliates and joint ventures are available on CVRD Quarterly Financial Statements, on the Company's website, www.cvrd.com.br, under "Investor Relations".

CONFERENCE CALL/WEBCAST

On 14 May, Friday, a conference call/ webcast will be held at 12:00 pm, local time (Rio de Janeiro), 11:00 am Eastern Standard Time, USA and 4:00 pm British Standard Time. Instructions to participate in this event are available on CVRD's website, www.cvrd.com.br, under "Investor Relations". A recording of the conference call/webcast will be available on the site for the 90 days following the conference call on 14 May 2004.

US GAAP

FINANCIAL STATEMENTS			
			US$ million
	1Q03	4Q03	1Q04
Gross operating revenues	1,153	1,690	1,685
Taxes	(43)	(52)	(75)
Net Operating Revenue	**1,110**	**1,638**	**1,610**
Cost of Goods Sold	(641)	(1,005)	(928)
Gross Profit	**469**	**633**	**682**
Gross Margin (%)	42.3	38.6	42.4
Selling, General and Administrative Expenses	(49)	(97)	(92)
Research and Development Expenses	(11)	(37)	(23)
Employee Profit-Sharing	(12)	(9)	(13)
Others	(34)	(98)	(25)
Operating Profit	**363**	**392**	**529**
Financial Revenues	28	18	11
Financial Expenses	(82)	(122)	(109)
Monetary Variation	50	(8)	(39)
Gains on Sale of Affiliates	-	17	-
Tax and Social Contribution (Current)	(6)	10	(80)
Tax and Social Contribution (Deferred)	(65)	(76)	27
Equity Income and Provision for Losses	94	88	90
Accounting Changes for Asset Write-offs	(10)	-	-
Minority Shareholding Participation	(18)	(49)	(24)
Net Earnings	**354**	**270**	**405**
Earnings per Share (US$)	**0.92**	**0.70**	**1.06**

BALANCE SHEET			
			US$ million
	03/31/03	12/31/03	03/31/04
Assets			
Current	2.696	2.474	2.938
Long-term	1.407	1.442	1.427
Fixed	4.485	7.518	7.796
Total	**8.588**	**11.434**	**12.161**
Liabilities			
Current	1.638	2.253	2.147
Long Term	3.310	4.297	4.915
Shareholders’ Equity	3.640	4.884	5.099
Paid-up Capital	2.944	3.367	3.367
Reserves	696	1.517	1.732
Total	**8.588**	**11.434**	**12.161**

CASH FLOW STATEMENT			
			US$ million
	1Q03	4Q03	1Q04
Cash flows from operating activities:			
Net income	354	270	405
Adjustments to reconcile net income with cash provided by operating activities:			
Depreciation, depletion and amortization	43	78	95
Dividends received	36	59	61
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	(94)	(88)	(90)
Deferred income taxes	65	76	(27)
Provisions for contingencies	9	-	-
Impairment of property, plant and equipment	-	39	-
Gain on sale of investment	-	(17)	-
Change in accounting practice for asset retirement obligations	10	-	-
Pension plan	3	4	3
Foreign exchange and monetary losses	(142)	5	43
Net unrealized derivative losses	3	20	31
Minority interest	18	49	24
Others	6	6	(32)
Decrease (increase) in assets:			
Accounts receivable	64	(68)	(25)
Inventories	24	6	-
Others	(1)	(36)	(25)
Increase (decrease) in liabilities:			
Suppliers	(93)	59	(38)
Payroll and related charges	(6)	(17)	(8)
Others	57	69	131
Net cash provided by operating activities	**356**	**514**	**548**
Cash flows from investing activities:			
Loans and advances receivable	22	(56)	56
Guarantees and deposits	(12)	(13)	(20)
Additions to investments	-	1	(10)
Additions to property, plant and equipment	(198)	(594)	(379)
Proceeds from disposals of investment	-	83	-
Proceeds from disposals of property, plant and equipment	-	-	-
Net cash used to acquire subsidiaries	-	-	-
Net cash used in investing activities	**(188)**	**(579)**	**(353)**
Cash flows from financing activities:			
Short-term debt, net issuances (repayments)	(93)	(1)	44
Loans	(16)	22	(34)
Long-term debt	179	41	665
Repayments of long-term debt	(101)	(351)	(451)
Interest attributed to stockholders	-	(427)	-
Net cash used in financing activities	**(31)**	**(716)**	**224**
Increase (decrease) in cash and cash equivalents	137	(781)	419
Effect of exchange rate changes on cash and cash equivalents	56	26	(3)
Cash and cash equivalents, beginning of period	1,091	1,340	585
Cash and cash equivalents, end of period	**1,284**	**585**	**1,001**
Cash paid during the period for:			
Interest on short-term debt	(6)	-	-
Interest on long-term debt	(53)	(38)	(77)
Income tax	(6)	(16)	-
Non-cash transactions			
Conversion of loans receivable to investments	(11)	(91)	-
Income tax paid with credits	-	-	-

APPENDIX

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

(1) Adjusted EBIT

US$ million

	1Q03	4Q03	1Q04
Net operating revenues	1,110	1,638	1,610
COGS	(641)	(1,005)	(928)
SG&A	(49)	(97)	(92)
Research & Development	(11)	(37)	(23)
Other operating expenses	(46)	(107)	(38)
Adjusted EBIT	**363**	**392**	**529**

(2) Adjusted EBITDA

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

RECONCILIATION BETWEEN ADJUSTED EBITDA VS. OPERATING CASH FLOW

US$ million

	1Q03	4Q03	1Q04
Operating cash flow	356	514	548
Income tax	-	(26)	101
Income tax paid	6	16	-
Monetary and Foreign Exchange Losses	92	3	(4)
Financial Expenses	41	61	112
Net Working Capital	(45)	(13)	(56)
Others	(8)	13	(16)
Adjusted EBITDA	**442**	**568**	**685**

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

	1Q03	4Q03	1Q04
Gross Debt / LTM Adjusted EBITDA (x)	1.82	1.89	1.79
Gross Debt / LTM Operating cash flow (x)	1.55	2.29	2.18

(4) Net Debt

RECONCILIATION BETWEEN GROSS DEBT VS. NET DEBT			
			US$ million
	1Q03	4Q03	1Q04
Gross Debt	3,314	4,028	4,244
Cash and cash equivalents	1,284	585	1,001
Net Debt	2,030	3,443	3,243

(5) LTM Adjusted EBITDA / LTM interest expenses

	1Q03	4Q03	1Q04
LTM Adjusted EBITDA / LTM interest expenses (x)	8.45	11.51	11.69
LTM Operating income / LTM interest expenses (x)	6.93	8.89	8.92

(6) Gross Debt / *Enterprise Value*

	1T03	4T03	1T04
Gross Debt / EV (x)	0.27	0.16	0.18
Gross Debt / Total Assets (x)	0.39	0.35	0.35

Entreprise Value = net debt + market capitalization