US GAAP

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

Companhia
Vale do Rio Doce

DELIVERING A SOLID PERFORMANCE

Performance of CVRD 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 revenue was US$ 3.490 billion, 49.9% more than in 1Q05.
- Operational profit as measured by adjusted EBIT[(a)] (earnings before interest and taxes) consisted of US$ 1.336 billion, 68.1% more than in 1Q05.
- Adjusted EBIT margin was 40.0%, against 35.9% in 1Q05.
- Cash flow as measured by adjusted EBITDA[(b)] (earnings before interest, taxes, depreciation and amortization) was US$ 1.629 billion, 64.0% YoY growth.
- Net earnings was US$ 1.171 billion, US$ 1.02 per share, 67.8% more than in 1Q05.
- Annualized return on equity (ROE) of 32.3%, compared to 35.4% in 1Q05.
- Capital expenditure was US$ 1.126 billion, of which US$ 843 million was spent on organic growth, US$ 236 million on maintaining existing operations, and US$ 47 million on acquisitions.

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Except where otherwise indicated the operational and financial information in this release is based on the consolidated figures in accordance with USGAAP and, with the exception of information on investments and behaviour of markets, quarterly financial statements reviewed by the Company's independent auditors. The main subsidiaries that are consolidated are the following: Caemi, Alunorte, Albras, RDM, RDME, RDMN, Urucum Mineração, Docenave, Ferrovia Centro-Atlântica (FCA), CVRD International, CVRD Overseas and Rio Doce International Finance.

1Q06

SELECTED FINANCIAL INDICATORS					
					US$ million
	1Q05 (A)	4Q05 (B)	1Q06 (C)	% (C/A)	% (C/B)
Gross revenues	2,328	3,746	3,490	49.9	-6.8
Adjusted EBIT	795	1,461	1,336	68.1	-8.6
Adjusted EBIT margin (%)	35.9	40.6	40.0	-	-
Adjusted EBITDA	993	1,780	1,629	64.0	-8.5
Net earnings	698	1,196	1,171	67.8	-2.1
Earnings per share (US$)	0.61	1.04	1.02	67.8	-2.1
Annualized ROE (%)	39.3	48.8	32.3	-	-
Total debt/ adjusted LTM EBITDA (x)	1.05	0.77	0.84	-	-
Capex *	570.4	1,851.8	1,126.0	97.4	-39.2

* including acquisitions

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 US$ 0.547178717 per common or preferred share, totaling US$ 665.2 million, 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

CVRD's gross revenue in 1Q06 was US$ 3.490 billion, 49.9% more than in 1Q05, of US$ 2.328 billion. The increase of US$ 1.162 billion was once again the result of evolution of the mining and metals cycle, with prices variations responsible for 94.2% of this increase.

Ferrous minerals provided 73.9% of gross revenue, products of the aluminum chain - bauxite, alumina and primary aluminum 12.3%, logistics services 8.3%, and non-ferrous minerals 5.2%.

Asia was the main destination of CVRD sales, with 35.1%, overtaking the Americas, with 33.1% of total sales revenue. Europe accounted for 27.5% of total revenue.

By country, Brazil continues to be the principal destination, with 24.4% of sales revenue. However, of the revenue of US$ 850 million arising from sales to the Brazilian market, US$ 172 million were from shipments of pellet feed to the Tubarão joint ventures - Nibrasco, Hispanobras, Kobrasco and Itabrasco - which, after the pelletization process, are sold to other countries.

The participation of the Chinese market has increased, and its contribution to CVRD's revenues has evolved from 11.7% in 2004, to 15.0% in 2005, and 18.7% in 1Q06.

GROSS REVENUE BY DESTI NATION

US$ milion

	1Q05	%	4Q05	%	1Q06	%
Americas	**938**	**40.3**	**1,252**	**33.5**	**1,156**	**33.2**
Brazil	652	28.0	894	23.9	850	24.4
USA	98	4.2	115	3.1	69	2.0
Others	188	8.1	243	6.5	237	6.8
Asia	**620**	**26.7**	**1,282**	**34.2**	**1,224**	**35.1**
China	279	12.0	738	19.7	653	18.7
Japan	216	9.3	349	9.3	373	10.7
Others	125	5.4	195	5.2	198	5.7
Europe	**653**	**28.0**	**996**	**26.6**	**959**	**27.5**
Rest of the World	**117**	**5.0**	**216**	**5.7**	**151**	**4.2**
Total	**2,328**	**100.0**	**3,746**	**100.0**	**3,490**	**100.0**

OPERATIONAL COSTS AND EXPENSES

CVRD's cost of goods sold (COGS) was US$ 1.695 billion in 1Q06, 35.9% more than in 1Q05.

The appreciation of the Real against the US dollar was responsible for 44.8% of the difference in COGS between 1Q05 and 1Q06, while the rise in prices of products and services contributed to 40.8% and the higher level of production generated an effect of 14.4%.

Outsourced services totaled US$ 419 million in 1Q06, contributing US$ 129 million to the increase of US$ 448 million in COGS. The main components of these expenses were contracting of rail freight, mainly for the transport of the iron ore produced by MBR and the Oeste mines, in the Southern System, in the amount of US$ 102 million; equipment and facilities maintenance services, US$ 102 million; and waste and ore removal, US$ 105 million.

Materials costs amounted to US$ 292 million, a rise of US$ 61 million, representing 13.6% of the growth in COGS. The main components of materials costs in 1Q06 were: parts and equipments US$ 86 million, inputs US$ 51 million, conveyor belts US$ 13 million, and tires US$ 12 million.

In 1Q06 expenses on energy were US$ 290 million, an increase of US$ 63 million, mainly due to higher prices of fuels and electricity, contributing 14.1% to the growth in COGS.

The cost of acquisition of iron ore and pellets in the quarter was US$ 201 million. Since the increase in iron ore and pellets prices for 2005 was incorporated only in 2Q05, expenses on their acquisition were US$ 86 million, or 74.8% higher in 1Q06 than 1Q05. This amount represented 19.2% of the increment of COGS between the two periods.

The volume of iron ore the CVRD bought from other mining companies was 3.663 million tons, which compares with 4.356 million in 1Q05 and 3.321 million tons in 4T05. CVRD also bought for resale to its clients 2.102 million tons of pellets from the Tubarão joint ventures (Nibrasco, Itabrasco, Kobrasco and Hispanobras), compared with 2.343 million tons in 1Q05 and 2.473 million in 4Q05.

Due to the increase in the value of CVRD’s asset base, and the appreciation of the Real against the US dollar, the cost of depreciation and amortization was US$ 36 million higher, at US$ 158 million, representing 8.0% of the difference in COGS between 1Q05 and 1Q06.

Personnel expenses, at US$ 146 million, were US$ 48 million higher than 1Q05, providing 10.7% of the increase in COGS. The annual salary increase, valid from July 2005, the rise in the Company’s workforce required by the growth in its activities and the appreciation of the Real were the main factors for this increment.

Demurrage expenses – penalty payments for delay in loading ships at the Company’s port terminals – were US$ 10 million in 1Q06, representing a fall of 52.4% from 1Q05, in spite of the growth in volume of shipments. There was considerable progress in reducing demurrage costs, which were US$ 0.20 per ton shipped, less than the target of US$ 0.22 per ton for 2006, and less than half of their value in 2004, of US$ 0.45 per ton.

Sales, general and administrative expenses, at US$ 168 million in 1Q06, were US$ 55 million larger than in 1Q05. This was the result of increases in technical consultancy (US$ 23 million), personnel administrative expenses (US$ 20 million), and depreciation (US$ 14 million).

Research and development (R&D) expenses totaled US$ 71 million in 1Q06, compared to US$ 34 million in 1Q05 and US$ 85 million in 4Q05.

COST OF GOODS SOLD

US$ million

	1Q05	%	4Q05	%	1Q06	%
Personnel	98	7.9	160	8.7	146	8.6
Material	231	18.5	305	16.7	292	17.2
Fuels	130	10.4	188	10.3	171	10.1
Electric energy	97	7.8	133	7.3	119	7.0
Outsourced services	290	23.3	474	25.9	419	24.7
Acquisition of iron ore and pellets	115	9.2	215	11.8	201	11.9
Acquisition of other products	87	7.0	82	4.5	84	5.0
Depreciation and exhaustion	122	9.8	164	9.0	158	9.3
Others	77	6.2	108	5.9	105	6.2
Total	**1,247**	**100.0**	**1,829**	**100.0**	**1,695**	**100.0**

OPERATIONAL PERFORMANCE

Operational profit, measured by adjusted EBIT, was US$ 1.336 billion in 1Q06, 68.1% more than in 1Q05. The increase of US$ 1.127 billion in net sales revenue, partially offset by the increase of US$ 448 million in COGS, contributed to this result.

Adjusted EBIT margin was 40.0%, which compares with 35.9% in 1Q05. This is higher than the average margin for the last 16 quarters, which was 36.6%. Since 2Q05, CVRD has been returning an operational margin of 40.0% or more.

CASH FLOW: US$ 1.6 BILLION

CVRD's cash flow generation, measured by adjusted EBITDA, was US$ 1.629 billion, 64.0% higher than the 1Q05 adjusted EBITDA of US$ 993 million.

1Q06 was the sixteenth consecutive quarter of growth in last-12-month (LTM) adjusted EBITDA. CVRD LTM adjusted EBITDA reached US$ 7.176 billion, with growth of 9.7% compared to the figure achieved in the end of the previous quarter (4Q05).

The main reasons in the US$ 636 million increase in adjusted EBITDA from 1Q05 to 1Q06 are US$ 541 million growth in adjusted EBIT, US$ 52 million increase in depreciation and US$ 43 million increment in dividends paid by non-consolidated companies.

Dividends received in 1Q06 totaled US$ 112 million, compared to US$ 69 million in 1Q05. The largest of these payments, US$ 37 million, came from MRN, comparing with US$ 28 million in 1Q05. CVRD also received dividends from Samarco, US$ 25 million; Nibrasco, US$ 22 million; Hispanobras, US$ 13 million; Itabrasco, US$ 12 million; and CSI, US$ 3 million.

In 1Q06 the business areas made the following contributions to cash flow: ferrous minerals 81.9%, aluminum 12.6%, logistics 4.9% and non-ferrous minerals 4.5%. R&D expenses, not allocated to the business areas, diminished adjusted EBITDA by US$ 71 million.

QUARTERLY ADJUSTED EBITDA

US$ million

	1Q05	4Q05	1Q06
Net operating revenues	2,213	3,598	3,340
COGS	(1,247)	(1,829)	(1,695)
SG&A	(113)	(175)	(168)
Research and development	(34)	(85)	(71)
Other operational expenses	(24)	(48)	(70)
Adjusted EBIT	**795**	**1,461**	**1,336**
Depreciation, amortization & exhaustion	129	183	181
Dividends received	69	136	112
Adjusted EBITDA	**993**	**1,780**	**1,629**

FINANCIAL RESULT

CVRD posted net financial revenues of US$ 88 million. Therefore, there was an improvement of US$ 153 million from 1Q05.

This process resulted from favorable changes in both financial revenues and monetary variation, which were partially offset by higher financial expenses.

Financial revenues increased from US$ 29 million in 1Q05 to US$ 42 million in 1Q06, reflecting higher interest rates and higher average cash balance.

Financial expenses were US$ 121 million higher, at US$ 213 million in 1Q06, versus US$ 92 million in 1Q05, mainly reflecting the rise in gross debt, from US$ 4.182 billion to US$ 6.063 billion, causing an increase in interest payments of US$ 18 million, and higher losses on derivatives, principally the cost of hedging against volatility in aluminum prices, of approximately US$ 64 million.

In the past, strategies to guarantee stability in cash flows of the subsidiaries Alunorte and Albras were put in place, due to the high degree of financial leverage in both. The use of financial derivatives enabled both companies to establish minimum return for their future production of alumina and aluminum, providing a certain degree of stability in their cash flow. Since the beginning of 2005 no further deals of this type were entered into, but there are balances from derivatives transactions created previously, protecting a minority portion of the production up to 2008, and these are suffering the impact of increases in aluminum prices.

Due to the 22.7% appreciation of the Brazilian Real against the US dollar in the comparison between 1Q05 and 1Q06, monetary variations contributed with a positive impact of US$ 261 million to the improvement of the financial result.

EQUITY INCOME

Equity income from subsidiaries was US$ 156 million, 17.3% or US$ 23 million higher than in 1Q05. Companies in the ferrous minerals business contributed with 51.3%, steel companies 26.3%, companies in the aluminum production chain 10.3%, logistics operations 9.0%, and coal operations 4.5%.

The pelletizating joint ventures – Nibrasco, Hispanobras, Kobrasco, Itabrasco, Samarco and GIIC – added US$ 80 million, 48.1% more than in 1Q05. Among them, Samarco made the largest contribution to CVRD's profit, of US$ 39 million.

Equity income from the companies in the aluminum production chain, at US$ 16 million, was level with 1Q05, of US$ 18 million. MRN's contribution declined from US$ 15 million in 1Q05 to US$ 12 million in 1Q06, meanwhile Valesul's increased from US$ 3 million to US$ 4 million.

CVRD's investment in Henan Longyu Energy Resources Ltd., a Chinese producer of anthracite coal, resulted in equity income of US$ 7 million.

The investments in logistics operations returned US$ 14 million in 1Q06, compared to US$ 10 million in 1Q05.

Equity income from the holdings in the steel industry in 1Q06 reached US$ 41 million, which compares with US$ 53 million in 1Q05.

RESULT FROM SHAREHOLDINGS			
			US$ million
	1Q05	4Q05	1Q06
Iron ore and pellets	52	128	80
Aluminum, alumina and bauxite	18	14	16
Logistics	10	15	14
Steel	53	47	41
Coal	-	9	7
Others	-	-	(2)
Total	**133**	**213**	**156**

NET EARNINGS EXCEEDS US$ 1 BILLION FOR THE FOURTH QUARTER RUNNING

1Q06 was CVRD's fourth consecutive quarter of net earnings exceeding US$ 1 billion – at US$ 1.171 billion in the quarter – 67.8% more than in 1Q05, of US$ 698 million.

The main components ofthe net earnings figure were the US$ 541 million increase in operational profit and the US$ 153 million improvement in financial result.

Gains on sales of assets totaling US$ 9 million were accounted in the quarter, from the sale of CVRD's stake in Nova Era Silicon (NES), in February, for US$ 14 million.

In 1Q06 minority shareholding participation contributed to reduce the net earning in US$ 123 million. With the stock merger with Caemi, in the next quarter these item will not reflect anymore the profit share attributed to minority shareholders of this company, which had a negative impact of US$ 54 million in CVRD's 1Q06 net earnings.

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[c] 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 LTM EBITDA[d] was 0.84x on March 31, 2006, compared to 0.77x on December 31, 2005; and total debt/enterprise value[e] remained effectively unchaged, increasing from 10.0% to 10.3%. Interest coverage, measured by adjusted LTM EBITDA/LTM interest paid[f], 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.

FINANCIAL EXPENSES			
			US$ million
Financial expenses on:	**1Q05**	**4Q05**	**1Q06**
Debt with third parties	(48)	(32)	(66)
Debt with related parties	(2)	(2)	(2)
Total debt-related financial expenses	**(50)**	**(34)**	**(68)**
Gross interest on:	**1Q05**	**4Q05**	**1Q06**
Tax and labour contingencies	(11)	(12)	(26)
Tax on financial transactions (CPMF)	(9)	(19)	(21)
Derivatives	5	(113)	(66)
Others	(27)	(23)	(32)
Total gross interest	**(42)**	**(167)**	**(145)**
Total	**(92)**	**(201)**	**(213)**

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

PERFORMANCE OF THE BUSINESS SEGMENTS

- **Ferrous minerals**

Shipments of iron ore and pellets in 1Q06, at 63.886 million tons, were 6.8% more than in 1Q05, in spite of the stoppages on the Carajás Railroad which prejudiced product flows from the mines to the Ponta da Madeira port terminal.

Iron ore sales totaled 57.992 million tons, 10.5% more than in 1Q05, CVRD's second best-ever volume after 4Q05, of 59.150 million tons. Sales of pellets, at 5.894 million tons in 1Q06, were 1.419 million tons less than in 1Q05, due to lower demand resulting from steel production cuts in Europe and North America.

This is an asymmetrical phenomenon in the performance of global demand, since strong expansion of demand for fines and lumps continues, due to the predominant participation of Asia – almost 80% – in the seaborne market, against 39% in the pellets seaborne market. The Asian Continent is currently producing more than 50% of the world's crude steel production, and has the fastest steel output growth rate.

In 1Q06 CVRD sold 17.170 million tons of iron ore and pellets to China, corresponding to 26.9% of its total sales volume, against 18.2% in 1Q05. Sales to the Japanese market, where CVRD has increased its market share, were 6.561 million tons, or 10.3%, sales to Germany were 5.444 million tons, or 8.5%, and sales to South Korea were 3.010 million tons, or 4.7%.

Sales to Brazilian steel makers and pig iron producers summed 8.671 million tons, 13.6% of total shipments; and sales to the Tubarão joint ventures were 5.295 million tons, or 8.3% of total shipments.

CVRD's average sale price for iron ore in 1Q06, at US$ 34.49 per ton, was 66.4% higher than in 1Q05. For pellets, average price was US$ 75.33 per ton, 71.6% higher than in 1Q05.

Note that the 2005 price increase for iron ore and pellets began to be reflected in CVRD's figures only in the second quarter of 2005. The retroactive effect to 1Q05 was included in 2Q05 – helping to explain the difference between average prices in 1Q06 and 1Q05.

Shipments of manganese ore in 1Q06 reached 149,000 tons, 24.7% less than in 1Q05. Sales volume of ferro alloys were 126,000 tons, 4.5% yoy lower.

CVRD's average price of manganese ore in 1Q06, at US$ 80.54 per ton, was 9.2% higher than in the last quarter of 2005, but 20.3% lower than in 1Q05 (US$ 101.01 per ton). The average price of ferro alloys in 1Q06, of US$ 753.97, was 3.1% higher than in 4Q05, but 29.9% less than in 1Q05.

The market for manganese and ferro alloys recovered slightly after the strong price decline that begun in the second half of 2004, in response of excess supply. With the cuts in production and gradual withdrawal of the swing producers, inventories are being consumed and prices are stabilizing at levels higher than those at the beginning of 2003, previous to the beginning of this most recent cycle.

Revenues from ferrous minerals – iron ore, pellets, manganese and ferro alloys – in 1Q06 were US$ 2.579 billion, 60.8% more than in 1Q05 (US$ 1.604 billion). 92.3% of the change in the revenue figures is due to higher prices.

Revenues from sales of iron ore was US$ 2 billion; from pellets US$ 444 million, from services of operation of the Tubarão pelletization plants US$ 18 million; manganese ore US$ 12 million and ferro alloys US$ 95 million.

Adjusted EBIT margin was 44.8%, 520 basis points (bp) more than the 38.8% of 1Q05.

Adjusted EBITDA totaled US$ 1.334 billion in 1Q06, 93.1% over 1Q05.

FERROUS MINERALS			
	1Q05	4Q05	1Q06
Adjusted EBIT margin (%)	38.8	48.0	44.8
Adjusted EBITDA (US$ million)	691	1,595	1,334

- **Aluminum products**

Bauxite sales were 319,000 tons in 1Q06, 11.6% less than in 1Q05. The average sale price was US$ 28.21 per ton, only 1.8% higher than in 1Q05.

The volume of alumina sold in 1Q06 was 504,000 tons, 5.4% more than in 1Q05. Part of this increase is due to the start-up of stage 4 of the Barcarena refinery, in January 2006.

Average price of alumina, at US$ 317.46 per ton, was 11.6% higher than the average price of US$ 284.52 per ton in 1Q05 – influenced by larger spot prices, in which CVRD has an exposure involving between 10% and 15% of its sales, and by higher contract prices determined by higher aluminum prices and the gradual adjustment of indexation percentages.

Sales of primary aluminum, 112,000 tons in 1Q06, were 3,000 tons higher than in 1Q05, reflecting productivity gains at the Barcarena plant.

The average sale price of aluminum in 1Q06, US$ 2,321.43 per ton, was 26.5% higher than in 1Q05.

Revenues from sales of bauxite, alumina and aluminum in 1Q06 totaled US$ 429 million, compared to US$ 346 million in 1Q05.

Adjusted EBIT margin was 35.8%, against 38.6% in 1Q05, but 510bp higher than the 4Q05 EBIT margin of 30.7%.

Adjusted EBITDA, at US$ 206 million in 1Q06, was US$ 36 million more than in 1Q05.

ALUMINUM PRODUCTS			
	1Q05	4Q05	1Q06
Adjusted EBIT margin (%)	38.6	30.7	35.8
Adjusted EBITDA (US$ million)	170	122	206

- **Non-ferrous minerals**

CVRD's potash sales in 1Q06 were 103,000 tons, 25.4% less than in 1Q05. Developments in Brazilian agriculture, whose profitability was adversely affected by the strong appreciation of the Real, is contributing to reduction in demand for fertilizers, and this affects the price of potash, due to Brazil's important position as a purchaser in the global market.

Average sale price of potash, US$ 213.59 per ton, was in line with the average price of 1Q05, US$ 217.39, though lower than the levels in the rest of 2005, which were over US$ 230 per ton.

Sales revenue from potash in 1Q06 was US$ 22 million, against US$ 30 million in 1Q05.

Sales of kaolin amounted to 321,000 tons, 14.6% more than in 1Q05, when it was 280,000 tons. Average kaolin sale price was US$ 149.53 per ton, 7.4% up y-o-y. As a result revenue from kaolin was US$ 48 million in 1Q06, 23.1% higher than 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 in concentrate per year.

CVRD's average sale price of copper concentrate in 1Q06 was US$ 1,585.71, 79.7% higher than in 1Q05. Thus the rise in price more than offset the effect of lower sales volume, producing revenues of US$ 111 million, 48.0% more than in 1Q05.

Adjusted EBIT margin in the non-ferrous minerals businesses was 27.9%, 150bp more than in the last quarter of 2005, but 300bp less than in 1Q05.

Adjusted EBITDA of the non-ferrous minerals division was US$ 74 million, against US$ 56 million in 1Q05.

NON FERROUS MINERALS			
	1Q05	4Q05	1Q06
Adjusted EBIT margin (%)	30.9	26.4	27.9
Adjusted EBITDA (US$ million)	56	79	74

- **Logistics services**

CVRD's railroads – Carajás, Vitória a Minas and Centro-Atlântica – carried 5.779 billion ntk of general cargo for clients in the first quarter of 2006. This level was practically equal to 1Q05 (5.679 billion ntk). The principal products carried were: steel industry inputs and products, 48.3%, agricultural products, 32.3%, and building materials and forest products, 8.5%.

CVRD's port terminals handled 6.252 million tons of general cargo, compared to 6.355 million in 1Q05.

Logistics services generated revenues of US$ 289 million in 1Q06, 24.6% more than in 1Q05.

Rail transport for clients produced revenues of US$ 213 million, 73.7% of total logistics revenues, port services US$ 49 million, and coastal shipping and port support services US$ 27 million.

Adjusted EBIT margin was 20.8% in 1Q06, slightly less than in 1Q05, of 22.2%.

Adjusted EBITDA in 1Q06 was US$ 80 million, against US$ 90 million in 1Q05.

LOGISTICS			
	1Q05	4Q05	1Q06
Adjusted EBIT margin (%)	22.2	8.6	20.8
Adjusted EBITDA (US$ million)	90	80	80

VOLUME SOLD, PRICES AND REVENUES

VOLUME SOLD: IRON ORE AND PELLETS						
						thousands of tons
	1Q05	%	4Q05	%	1Q06	%
Iron ore	52,483	87.8	59,150	87.3	57,992	90.8
Pellets	7,313	12.2	8,579	12.7	5,894	9.2
Total	**59,796**	100.0	**67,729**	100.0	**63,886**	100.0

VOLUME SOLD: MINERALS AND METALS			
			thousands of tons
	1Q05	4Q05	1Q06
Manganese ore	198	244	149
Ferro-alloys	132	119	126
Alumina	478	441	504
Primary aluminum	109	116	112
Bauxite	361	700	319
Potash	138	176	103
Kaolin	280	355	321
Copper concentrates	85	112	70

IRON ORE AND PELLET SALES BY DESTINATION						
						thousands of tons
	1Q05	%	4Q05	%	1Q06	%
Americas	**15,486**	**25.9**	**15,953**	**23.6**	**14,611**	**22.9**
Brazil	14,210	23.8	14,243	21.0	13,966	21.9
Steel mills and pig iron producers	8,820	14.8	9,190	13.6	8,671	13.6
Pelletizing JVs	5,390	9.0	5,053	7.5	5,295	8.3
USA	1,276	**2.1**	1,710	**2.5**	645	**1.0**
Asia	**19,005**	**31.8**	**27,520**	**40.6**	**26,741**	**41.9**
China	10,857	18.2	17,252	25.5	17,170	26.9
Japan	5,693	9.5	6,542	9.7	6,561	10.3
South Korea	2,455	4.1	3,726	5.5	3,010	4.7
Europe	**17,403**	**29.1**	**16,856**	**24.9**	**15,968**	**25.0**
Germany	5,816	9.7	5,758	8.5	5,444	8.5
France	2,424	4.1	3,034	4.5	2,546	4.0
Others	9,163	15.3	8,064	11.9	7,978	12.5
Rest of the World	**7,902**	**13.2**	**7,400**	**10.9**	**6,566**	**10.3**
Total	**59,796**	**100.0**	**67,729**	**100.0**	**63,886**	**100.0**

LOGISTICS SERVICES – GENERAL CARGO			
	1Q05	4Q05	1Q06
Railroads (million ntk)	5,679	5,999	5,779
Ports (thousand tons)	6,355	7,641	6,252

AVERAGE PRICES REALIZED			
			US$/ton
	1Q05	4Q05	1Q06
Iron ore	20.73	35.08	34.49
Pellets	43.89	72.62	75.33
Manganese	101.01	73.77	80.54
Ferro alloys	1,075.76	731.09	753.97
Alumina	284.52	315.19	317.46
Aluminum	1,834.86	1,870.69	2,321.43
Bauxite	27.70	30.00	28.21
Potash	217.39	232.95	213.59
Kaolin	139.29	143.66	149.53
Copper concentrate	882.35	1,169.64	1,585.71

GROSS REVENUE BY PRODUCT						
						US$ million
	1Q05	%	4Q05	%	1Q06	%
Ferrous minerals	**1,604**	**68.9%**	**2,832**	**75.6%**	**2,579**	**73.8%**
Iron ore	1,088	46.7%	2,075	55.4%	2,000	57.3%
Pellet plant operation services	20	0.9%	21	0.6%	18	0.5%
Pellets	321	13.8%	623	16.6%	444	12.7%
Manganese ore	20	0.9%	18	0.5%	12	0.3%
Ferro-alloys	142	6.1%	87	2.3%	95	2.7%
Others	13	0.6%	8	0.2%	10	0.3%
Non ferrous minerals	**144**	**6.2%**	**223**	**6.0%**	**181**	**5.2%**
Potash	30	1.3%	41	1.1%	22	0.6%
Kaolin	39	1.7%	51	1.4%	48	1.4%
Copper concentrate	75	3.2%	131	3.5%	111	3.2%
Aluminum products	**346**	**14.8%**	**377**	**10.1%**	**429**	**12.3%**
Primary aluminum	200	8.6%	217	5.8%	260	7.4%
Alumina	136	5.8%	139	3.7%	160	4.6%
Bauxite	10	0.4%	21	0.6%	9	0.3%
Logistics services	**232**	**9.9%**	**309**	**8.3%**	**289**	**8.3%**
Railroads	159	6.8%	223	6.0%	213	6.1%
Ports	40	1.7%	50	1.3%	49	1.4%
Shipping	33	1.4%	36	1.0%	27	0.8%
Others	**2**	0.1%	**5**	0.1%	**12**	0.4%
Total	**2,328**	**100.0%**	**3,746**	**100.0%**	**3,490**	**100.0%**

PROFITABILITY AND CASH FLOW

ADJUSTED EBIT MARGIN BY BUSINESS AREA			
	1Q05	4Q05	1Q06
Ferrous minerals	38.8%	48.0%	44.8%
Non-ferrous minerals	30.9%	26.4%	27.9%
Aluminum	38.6%	30.7%	35.8%
Logistics	22.2%	8.6%	20.8%
Total	**35.9%**	**40.6%**	**40.0%**

ADJUSTED EBITDA BY BUSINESS AREA						
						US$ million
	1Q05	%	4Q05	%	1Q06	%
Ferrous minerals	691	69.6	1,595	89.6	1,334	81.9
Non- ferrous minerals	56	5.6	79	4.4	74	4.5
Logistics	90	9.1	80	4.5	80	4.9
Aluminum	170	17.1	122	6.9	206	12.6
Others	(14)	(1.4)	(96)	(5.4)	(65)	(4.0)
Total	**993**	**100.0**	**1,780**	**100.0**	**1,629**	**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 97.4% 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.

US GAAP

INCOME STATEMENTS			
			US$ million
	1Q05	4Q05	1Q06
Gross operating revenues	2,328	3,746	3,490
Taxes	(115)	(148)	(150)
Net operating revenue	**2,213**	**3,598**	**3,340**
Cost of goods sold	(1,247)	(1,829)	(1,695)
Gross profit	**966**	**1,769**	**1,645**
Gross margin (%)	43.7	49.2	49.3
Selling, general and administrative expenses	(113)	(175)	(168)
Research and development expenses	(34)	(85)	(71)
Employee profit-sharing	(17)	(32)	(28)
Others	(7)	(16)	(42)
Operating profit	**795**	**1,461**	**1,336**
Financial revenues	29	31	42
Financial expenses	(92)	(201)	(213)
Monetary variation	(2)	(166)	259
Gains on sale of affiliates	-	-	9
Tax and social contribution (Current)	(160)	(92)	(242)
Tax and social contribution (Deferred)	47	36	(53)
Equity income and provision for losses	133	213	156
Accounting changes for asset write-offs	-	-	-
Minority shareholding participation	(52)	(86)	(123)
Net earnings	**698**	**1,196**	**1,171**
Earnings per share (US$)	**0.61**	**1.04**	**1.02**

BALANCE SHEET			
			US$ million
	03/31/05	12/31/05	03/31/06
Assets			
Current	3,923	4,775	5,647
Long-term	1,688	2,031	2,345
Fixed	10,763	15,838	19,769
Total	**16,374**	**22,644**	**27,761**
Liabilities			
Current	2,391	3,325	2,831
Long term	5,895	7,342	8,375
Shareholders' equity	8,088	11,977	16,555
Paid-up capital	3,707	6,366	8,918
Reserves	4,381	5,611	7,637
Total	**16,374**	**22,644**	**27,761**

CASH FLOW			
			US$ million
	1Q05	4Q05	1Q06
Cash flows from operating activities:			
Net income	698	1,196	1,171
Adjustments to reconcile net income with cash provided by operating activities:			
Depreciation, depletion and amortization	129	183	181
Dividends received	69	136	112
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	(133)	(213)	(156)
Deferred income taxes	(47)	(36)	53
Provisions for contingencies	2	18	13
Gain on sale of investment	-	-	(9)
Foreign exchange and monetary losses	27	235	(291)
Net unrealized derivative losses	(5)	126	44
Minority interest	52	86	123
Net interest payable	(2)	14	(28)
Others	(18)	(62)	46
Decrease (increase) in assets:			
Accounts receivable	(92)	(133)	162
Inventories	(20)	(24)	(17)
Others	(74)	63	(108)
Increase (decrease) in liabilities:			
Suppliers	45	113	(367)
Payroll and related charges	(35)	40	(108)
Income tax	(79)	(229)	(178)
Others	(86)	3	(172)
Net cash provided by operating activities	**431**	**1,516**	**471**
Cash flows from investing activities:			
Loans and advances receivable	4	63	44
Guarantees and deposits	(17)	(7)	(23)
Additions to investments	(1)	(12)	(2)
Additions to property, plant and equipment	(661)	(1,237)	(855)
Proceeds from disposals of investment	-	-	14
Proceeds from disposals of property, plant and equipment	2	12	9
Net cash used to acquire subsidiaries	-	(737)	-
Net cash used in investing activities	**(673)**	**(1,918)**	**(813)**
Cash flows from financing activities:			
Short-term debt, net issuances (repayments)	21	(129)	50
Loans	(13)	3	(30)
Long-term debt	239	1,386	1,347
Repayments of long-term debt	(156)	(140)	(321)
Interest attributed to stockholders	-	(800)	-
Net cash used in financing activities	**91**	**320**	**1,046**
Increase (decrease) in cash and cash equivalents	(151)	(82)	704
Effect of exchange rate changes on cash and cash equivalents	24	(112)	(101)
Cash and cash equivalents, beginning of period	1,249	1,235	1,041
Cash and cash equivalents, end of period	**1,122**	**1,041**	**1,644**
Cash paid during the period for:			
Interest on short-term debt	-	(8)	(1)
Interest on long-term debt	(82)	(55)	(95)
Interest capitalized	(24)	-	-
Income tax	(79)	(29)	(187)
Non-cash transactions			
Income tax paid with credits	(27)	(65)	(30)
Interest capitalized	(15)	(52)	(31)

APPENDIX

Reconciliation between US GAAP and "non-GAAP" information

(a) Adjusted EBIT

			US$ million
	1Q05	4Q05	1Q06
Net operational revenue	2,213	3,598	3,340
Cost of goods sold	(1,247)	(1,829)	(1,695)
Sales, general and administrative expenses	(113)	(175)	(168)
Research and development	(34)	(85)	(71)
Other operational expenses	(24)	(48)	(70)
Adjusted EBIT	**795**	**1,461**	**1,336**

(b) Adjusted EBITDA

EBITDA defines profit or loss before interest, tax, depreciation and amortization. CVRD uses the term ***adjusted EBITDA*** to reflect exclusion, also, of: monetary variations; equity income from the profit or loss of affiliated companies and joint ventures, less the dividends received from them; provisions for losses on investments; adjustments for changes in accounting practices; minority interests; and non-recurrent expenses. However our adjusted EBITDA is not the measure defined as EBITDA under US GAAP, and may possibly not be comparable with indicators with the same name reported by other companies. Adjusted EBITDA should not be considered as a substitute for operational profit or as a better measure of liquidity than operational cash flow, which are calculated in accordance with GAAP. CVRD provides its adjusted EBITDA to give additional information about its capacity to pay debt, carry out investments and cover working capital needs. The following table shows the reconciliation between adjusted EBITDA and operational cash flow, in accordance with its statement of changes in financial position:

RECONCILIATION BETWEEN ADJUSTED EBITDA AND OPERATIONAL CASH FLOW			
			US$ million
	1Q05	4Q05	1Q06
Operational cash flow	431	1,516	471
Income tax	160	92	242
FX and monetary losses	(25)	(69)	32
Financial expenses	65	30	199
Net working capital	341	167	787
Other	21	44	(102)
Adjusted EBITDA	**993**	**1,780**	**1,629**

(c) Net debt

RECONCILIATION BETWEEN GROSS DEBT AND NET DEBT			
			US$ million
	1Q05	4Q05	1Q06
Gross debt	4,182	5,010	6,063
Cash and cash equivalents	(1,122)	(1,041)	(1,644)
Net debt	3,060	3,969	4,419

(d) Total debt / Adjusted LTM EBITDA

	1Q05	4Q05	1Q06
Total debt / Adjusted LTM EBITDA	1.05	0.77	0.84
Total debt / LTM operational cash flow	1.27	0.97	1.17

(e) Total debt/Enterprise value

	1Q05	4Q05	1Q06
Total debt / EV	11.06	10.04	10.31
Total debt / total assets	25.54	22.13	21.84

Enterprise value = Market capitalization + Net debt

(f) Adjusted LTM EBITDA / LTM interest payments

	1Q05	4T05	1Q06
Adjusted LTM EBITDA / LTM interest payments	13.24	25.95	27.08
LTM operational profit / LTM interest payments	11.12	21.56	22.45