Companhia Vale do Rio Doce
Form 424B5
January 06, 2006
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**The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

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**Subject to Completion**

**Preliminary Prospectus Supplement dated January 5, 2006**

**PROSPECTUS SUPPLEMENT**

**(To prospectus dated December 12, 2003)**

***US$***

# Vale Overseas Limited

## *% Guaranteed Notes due 2016*

## *Unconditionally Guaranteed by*

## Companhia Vale do Rio Doce

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Vale Overseas will pay interest on the notes on January and July of each year beginning July , 2006. The notes will mature on January , 2016. In the event Vale Overseas or CVRD becomes obligated to pay additional amounts in excess of specified levels as a result of changes in Brazilian or Cayman Islands law, Vale Overseas may redeem the notes at any time in whole but not in part, before their stated maturity at a price equal to 100% of their principal amount plus accrued interest to the redemption date.

The notes will be unsecured obligations of Vale Overseas and will rank equally with Vale Overseas unsecured senior indebtedness. The guaranty will rank equally in right of payment with all of CVRD s other unsecured and unsubordinated debt obligations. The notes will be issued only in registered form in minimum denominations of US$100,000 and any integral multiple of US$1,000 in excess thereof.

Vale Overseas has applied to list the notes on the New York Stock Exchange.

**Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-11 of this prospectus supplement.**

| | **Per Note** | **Total** |
|---|---|---|
| Public offering price(1) | % | US$ |
| Underwriting discount | % | US$ |
| Proceeds, before expenses, to Vale Overseas | % | US$ |

(1) Plus accrued interest from January , 2006, if settlement occurs after that date.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about January , 2006.

**JPMorgan**

The date of this prospectus supplement is January , 2006.

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## Prospectus supplement



## Prospectus



You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriter has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriter is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of each of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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# Exchange rates

The Central Bank of Brazil allows the *real*/U.S. dollar exchange rate to float freely, and it has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank of Brazil or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially in the future. For more information on these risks, see the information appearing under the heading Risk Factors in this prospectus supplement.

The following table provides information on the selling exchange rate, expressed in *reais* per U.S. dollar (R$/US$), for the periods indicated. Prior to March 14, 2005, under Brazilian regulations, foreign exchange transactions were carried out on either the commercial rate exchange market or the floating rate exchange market. Rates in the two markets were generally the same. The table uses the commercial selling rate for data prior to March 14, 2005.

The following table sets forth the selling exchange rate, expressed in *reais* per U.S. dollar (R$/US$), for the periods indicated.

| | Period-end | Average for Period (1) | Low | High |
|---|---|---|---|---|
| **Year ended December 31,** | | | | |
| 2000 | R$ 1.955 | R$ 1.835 | R$ 1.723 | R$ 1.985 |
| 2001 | 2.320 | 2.353 | 1.936 | 2.801 |
| 2002 | 3.533 | 2.998 | 2.271 | 3.955 |
| 2003 | 2.889 | 3.060 | 2.822 | 3.662 |
| 2004 | 2.654 | 2.917 | 2.654 | 3.205 |
| 2005 | 2.341 | 2.412 | 2.164 | 2.762 |
| **Month** | | | | |
| July 2005 | R$ 2.391 | | R$ 2.330 | R$ 2.466 |
| August 2005 | 2.364 | | 2.277 | 2.432 |
| September 2005 | 2.222 | | 2.222 | 2.362 |
| October 2005 | 2.254 | | 2,234 | 2,289 |
| November 2005 | 2.207 | | 2,163 | 2,252 |
| December 2005 | 2.341 | | 2.180 | 2.374 |
| January 2006 (through January 3, 2006) | 2.346 | | 2.346 | 2.346 |

(1) Average of the rates of each period, using the average of the exchange rates on the last day of each month during each period. Source: Central Bank of Brazil.

On January 3, 2006, the selling rate was R$2.346 per US$1.00.

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# Prospectus supplement summary

*This summary highlights key information described in greater detail elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. You should read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference before making an investment decision. In this prospectus supplement, unless the context otherwise requires, references to CVRD, we, us and our refer to Companhia Vale do Rio Doce, its consolidated subsidiaries and its joint ventures and other affiliated companies, taken as a whole, and references to Vale Overseas mean Vale Overseas Limited, a wholly-owned finance subsidiary of CVRD.*

## Vale Overseas Limited

Vale Overseas is a finance company wholly owned by CVRD. Vale Overseas business is to issue debt securities to finance CVRD s activities. Vale Overseas was registered and incorporated as a Cayman Islands exempted company with limited liability on April 3, 2001. The issue of the notes will be the fifth borrowing by Vale Overseas.

## Companhia Vale do Rio Doce

We are the world s largest producer and exporter of iron ore and pellets, the largest metals and mining company in the Americas and one of the largest private sector companies in Latin America by market capitalization. We hold exploration claims that cover 12.0 million hectares (29.6 million acres) in Brazil, and 3.8 million hectares (9.4 million acres) abroad in Gabon, Chile, Mozambique, Mongolia, Argentina and Peru. We operate large logistics systems, including railroads and ports that are integrated with our mining operations. Directly and through affiliates and joint ventures, we have major investments in the aluminum-related, energy and steel businesses. We are investing heavily in copper, nickel and coal exploration, and our first copper mine began operations in June 2004.

We recorded consolidated gross operating revenues of US$8,479 million in 2004 and US$9,659 million in the first nine months of 2005. Of total gross operating revenues for the first nine months of 2005, 70.0% were attributable to sales of iron ore and pellets, 10.7% were attributable to sales of aluminum-related products, 9.4% were attributable to third-party logistics services, 5.1% were attributable to sales of potash, kaolin and copper and 4.7% were attributable to sales of manganese and ferroalloys. In 2004 and the first nine months of 2005, we recorded consolidated operating income of US$3,123 million and US$3,971 million, respectively, and consolidated net income of US$2,573 million and US$3,645 million, respectively.

Our main lines of business are:

*Ferrous minerals.* We operate two fully integrated world-class systems in Brazil for producing and distributing iron ore (the Northern System and the Southern System), consisting of mines, railroads and port and terminal facilities, and a third system consisting of CAEMI s mines and port facilities. At December 31, 2004, we had a total of 6,869 million tons of proven and probable iron ore reserves in our three systems in Brazil, with an average grade of 51.7% iron in our Southern System, 66.7% in our Northern System and 65.8% in CAEMI s iron ore mines. We also operate ten pellet-producing facilities, six of which are joint ventures with partners,

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and have a 50% stake in a joint venture that owns and operates two pelletizing plants. We are one of the world s largest producers of manganese ore and ferroalloys.

*Non-ferrous minerals.* We are the world s third largest producer of kaolin and Brazil s largest producer of potash. Our Sossego copper mine in Carajás, in the state of Pará, Brazil, began production of copper concentrate in June 2004 and is Brazil s largest producer of copper. Our non-ferrous minerals business also includes our exploration efforts related to copper, gold and nickel.

*Aluminum-related operations.* Through subsidiaries and joint ventures, we conduct major operations in the production of aluminum-related products. They include:

*Bauxite mining*, which we conduct through our 40.0% interest in Mineração Rio do Norte S.A., or MRN, which holds substantial bauxite reserves with a low strip ratio and high recovery rate. MRN, one of the largest bauxite producers in the world, has a nominal production capacity of 16.3 million tons per year and produced 16.7 million tons of bauxite in 2004. We are developing a wholly owned bauxite mine in the Paragominas region, in the state of Pará.

*Alumina refining*, which we conduct via our alumina refining subsidiary, Alunorte-Alumina do Norte do Brasil S.A., or Alunorte, which currently has a nominal production capacity of 2.4 million tons of alumina per year. In July 2003, Alunorte began work on a capacity expansion designed to increase its annual capacity to 4.2 million tons per year. We are also negotiating the terms of a potential joint venture with the Aluminum Corporation of China Limited (Chalco) to construct a new alumina refinery in the state of Pará.

*Aluminum metal smelting*, which we conduct through our subsidiary, Albras Alumínio Brasileiro S.A., or Albras, which produces aluminum ingots and in which we have a 51.0% interest, and our joint venture, Valesul Alumínio S.A., or Valesul, which produces aluminum ingots, billets and alloys and in which we have a 54.5% interest. These companies currently have a combined production capacity of approximately 541,000 tons of aluminum per year.

*Logistics.* We are a leading provider of logistics services in Brazil, with operations in the railroad, coastal shipping and port handling industries. Each of the iron ore complexes of our Northern and Southern Systems incorporates an integrated railroad network linked to automated port and terminal facilities, and is designed to provide our mining products, general cargo and passenger rail transportation, bulk terminal storage and ship loading services to us and third parties. In 2004, our railroads transported approximately 65.6% of the total freight tonnage transported by Brazilian railroads, or approximately 139.0 billion ntk of cargo, of which 110.1 billion ntk were our iron ore and pellets.

*Other investments.* In addition to our core mining activities, we currently have investments in three steel companies, and we are in the process of conducting feasibility studies to determine whether to implement joint ventures with Baosteel Shanghai Group Corporation (Baosteel), Arcelor Group (Arcelor), Posco, Dongkuk, Danieli, BNDES and ThyssenKrupp Stahl A.G. to construct and operate steel slab plants in São Luís, in the state of Maranhão, Rio de Janeiro, in the state of Rio de Janeiro and Fortaleza, in the state of Ceará, Brazil. We also hold stakes in nine hydroelectric power generation projects with a total projected capacity of 3,364 MW (of

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which our share is 1,333.5 MW), five of which have already begun operations, and the remainder of which are scheduled to start operations within the next five years. Negotiations are currently underway to return the concession for the Santa Isabel hydroelectric project to the Brazilian government.

Through our mineral prospecting and development activities in Brazil, we have acquired extensive experience in exploration techniques and processes, and maintain an active mineral exploration program in Brazil and overseas. Our mineral exploration efforts are focused on copper, gold, nickel, manganese ore, kaolin, bauxite, diamond and platinum group metals.

## Business strategy

Our goal is to strengthen our competitiveness among the world s leading mining companies by focusing on diversified growth in mining operations, principally by organic growth and developing our logistics business. We are pursuing disciplined capital management in order to maximize return on invested capital and total return to shareholders. Although we are emphasizing organic growth in our core businesses, we may pursue strategic acquisitions in order to create value for our shareholders.

Over the past several years, we have developed a robust long-term strategic planning process. We are building on these changes with ambitious long-range plans in each of our principal business areas, including substantial capital expenditures for organic growth through 2012.

The following paragraphs provide some highlights of our major strategies.

### Maintaining our leadership position in the seaborne iron ore market

In 2004, we consolidated our leadership in the seaborne iron ore trade market, with an estimated 32.1% of the total 602 million tons traded in the year. We are committed to maintaining our position in the world iron ore market by strengthening relationships with clients, focusing our product line to capture industry trends, increasing our production capacity in line with demand growth and controlling costs. We believe that our strong relationships with major customers (reinforced through long-term contracts), tailored product line and high quality products will likely enable us to achieve this goal.

We are taking steps to encourage several steel makers to develop export-oriented slab plants in Brazil in order to create additional demand for our iron ore.

### Growing our logistics business

We believe that the quality of our railway assets and our many years of experience as a railroad and port operator, together with the lack of efficient transportation for general cargo in Brazil, position us as a leader in the logistics business in Brazil. We are also expanding the capacity of our railroads through the purchase of additional locomotives and wagons.

### Increasing our aluminum-related activities

We plan to develop and increase production capacity in our aluminum-related operations, focusing on the first steps of the production chain, developing low-cost bauxite and alumina

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projects. We have large undeveloped high quality bauxite reserves and opportunities for low-cost expansions in our alumina refinery. We are working on the development of these opportunities. We are also investing in mineral exploration to increase our bauxite reserves. We may pursue acquisitions and/or partnerships in the production of primary aluminum to guarantee demand for our alumina.

## Developing our copper resources

We believe that our copper projects, which are all situated in the Carajás region, in the state of Pará, can be among the most competitive in the world in terms of investment cost per ton of ore. Our copper mines will benefit from our transportation facilities serving the Northern System.

## Investing in coal

We are pursuing several efforts to become a large global participant in the coal business. As an important supplier of raw materials to the steel industry, metallurgical coal will complement our portfolio of products.

## Globalization of multi-commodity exploration efforts

We are engaged in an active mineral exploration program, with efforts in several countries and regions around the globe, including Australia, Asia, South Africa, Brazil, Peru, Chile, Argentina, Mongolia, Gabon, Angola and Mozambique. We are mainly seeking new deposits of copper, gold, manganese ore, nickel, kaolin, bauxite, coal, diamond and platinum group metals. Mineral exploration is an important part of our organic growth strategy.

## Developing power generation projects

Energy management and efficient supply have become a priority for us. Driven both by structural changes in the industry and regulatory uncertainties, which could increase the risk of rising electricity prices and energy shortages, such as Brazil experienced in the second half of 2001, we have invested in nine projects to develop hydroelectric power generation plants and we plan to use the electricity from these projects for our internal needs. As a large consumer of electricity, we expect that investing in power projects will help protect us against volatility in the price of energy.

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Vale Overseas registered office is at Walker House, PO Box 908 GT, Mary Street, Georgetown, Grand Cayman, Cayman Islands. CVRD s principal executive offices are located at Avenida Graça Aranha, No. 26, 20030-900, Rio de Janeiro, RJ, Brazil, and its telephone number is 55-21-3814-4477.

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# The offering

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section entitled Description of Notes in this prospectus supplement and the sections entitled Description of Debt Securities and Description of the Guarantees in the accompanying prospectus. In this description of the offering, references to CVRD mean Companhia Vale do Rio Doce only and do not include Vale Overseas or any of CVRD s other subsidiaries or affiliated companies.

| | |
|---|---|
| **Issuer** | Vale Overseas Limited |
| **Guarantor** | Companhia Vale do Rio Doce |
| **Notes offered** | US$ ,000,000 in principal amount of % Guaranteed Notes due 2016 |
| **Guaranty** | CVRD will irrevocably and unconditionally guarantee the full and punctual payment of principal, interest, additional amounts and all other amounts that may become due and payable in respect of the notes. If Vale Overseas fails to punctually pay any such amount, CVRD will immediately pay the same, subject to limitations due to restrictions on the transfer, conversion, use or control of currency imposed on CVRD by the government of Brazil. |
| **Issue price** | % of the principal amount |
| **Maturity** | January , 2016 |
| **Interest rate** | The notes will bear interest at the rate of % per annum from January , 2006 based upon a 360-day year consisting of twelve 30-day months. |
| **Interest payment dates** | Interest on the notes will be payable semi-annually on January and July of each year, commencing on July , 2006. |
| **Ranking** | The notes are general obligations of Vale Overseas and are not secured by any collateral. Your right to payment under these notes will be:<br>• junior to the rights of secured creditors of Vale Overseas to the extent of their interest in Vale Overseas assets. Holders of Vale Overseas Enhanced Guaranteed Notes due 2007 have a security interest in a reserve account which secures the payment of 18 months of interest on the Enhanced Guaranteed Notes due 2007 in the event of certain political risk events; and<br>• equal with the rights of creditors under all of Vale Overseas other unsecured and unsubordinated debt. |

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The guaranty will be a general obligation of CVRD and is not secured by any collateral. Your right to payment under the guaranty will be:

- junior to the rights of secured creditors of CVRD to the extent of their interest in CVRD s assets;
- equal with the rights of creditors under all of CVRD s other unsecured and unsubordinated debt; and
- effectively subordinated to the rights of any creditor of a subsidiary of CVRD over the assets of that subsidiary.

As of September 30, 2005, Vale Overseas had US$911 million of debt outstanding. On a consolidated basis, CVRD had US$3,862 million of debt outstanding and US$80 million of accrued charges as of September 30, 2005, US$951 million of which was secured debt. CVRD s subsidiaries, with the exception of Vale Overseas debt noted above, had US$1,736 million of indebtedness outstanding and US$60 million of accrued charges as of September 30, 2005. Of this amount, US$783 million was secured. In addition, at September 30, 2005, CVRD had extended guarantees of borrowings of joint ventures and affiliated companies amounting to US$6 million.

**Covenants**

The indenture governing the notes contains restrictive covenants that, among other things and subject to certain exceptions, limit CVRD s ability to:

- merge or transfer assets, and
- incur liens,

And, among other things and subject to certain exceptions, limit Vale Overseas ability to:

- merge or transfer assets,
- incur liens,
- incur additional indebtedness, and
- pay dividends.

For a more complete description of CVRD s and Vale Overseas covenants, see Description of Notes Certain Covenants in this prospectus supplement and Description of Debt Securities Certain Covenants in the accompanying prospectus.

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| **Further Issuances** | Vale Overseas reserves the right, from time to time, without the consent of the holders of the notes, to issue additional notes on terms and conditions identical to those of the notes, which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes. Vale Overseas |

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| | may also issue other securities under the indenture which have different terms from the notes. Likewise, CVRD has the right, without the consent of the holders, to guarantee any such additional securities, to guarantee debt of its other subsidiaries and to issue its own debt. |
| **Payment of additional amounts** | Vale Overseas and CVRD will pay additional amounts in respect of any payments of interest or principal so that the amount you receive after Brazilian or Cayman Islands withholding tax will equal the amount that you would have received if no withholding tax had been applicable, subject to some exceptions as described under Description of Notes Payment of Additional Amounts in this prospectus supplement and Description of Debt Securities Payment of Additional Amounts in the accompanying prospectus. |
| **Tax redemption** | If, due to changes in Brazilian or Cayman Islands laws relating to withholding taxes applicable to payments of interest, Vale Overseas or CVRD are obligated to pay additional amounts on the notes in respect of Brazilian or Cayman Islands withholding taxes at a rate in excess of 15%, Vale Overseas may redeem the notes in whole, but not in part, at any time, at a price equal to 100% of their principal amount plus accrued interest to the redemption date. |
| **Use of proceeds** | The net proceeds of this offering will be used for CVRD s general corporate purposes, which may include funding working capital, capital expenditures and paying for the notes tendered in the tender offer (as defined below). |
| **New York Stock Exchange listing** | Application has been made to list the notes on the New York Stock Exchange in accordance with the rules and regulations of the New York Stock Exchange. |
| **Rating** | The notes are expected to be assigned a foreign currency rating of Baa3 by Moody s Investor Services, Inc. ( Moody s ) and BBB by Standard & Poor s Ratings Services ( S&P ). Ratings are not a recommendation to purchase, hold or sell notes, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The ratings are based upon current information furnished to the rating agencies by the issuers and information obtained by the rating agencies from other sources. The ratings are only accurate as of the date thereof and may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information, and therefore a prospective purchaser should check the current ratings before purchasing the notes. Each rating should be evaluated independently of any other rating. |

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| **Risk Factors** | See Risk Factors and the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus for a discussion of the factors you should carefully consider before investing in the notes. |
| **Concurrent Transaction** | On January 3, 2006, Vale Overseas initiated a tender offer for its US$300 million in outstanding 9.000% Guaranteed Notes due 2013, pursuant to an offer to purchase (the tender offer ). The tender offer has an expiration time of 5:00 p.m., New York City time, on January 10, 2006. |

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# Risk factors

You should carefully consider the following risks described below, as well the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making a decision to invest in the notes.

## Risks relating to our business

***Due to our dependence on the global steel industry, fluctuations in the demand for steel could adversely affect our business.***

Sales prices and volumes in the seaborne iron ore mining industry depend on the prevailing and expected level of demand for iron ore in the world steel industry. The world steel industry is cyclical. A number of factors, the most significant of these being the prevailing level of worldwide demand for steel products, influence the world steel industry. During periods of sluggish or declining regional or world economic growth, demand for steel products generally decreases, which usually leads to corresponding reductions in demand for iron ore.

Driven primarily by strong demand from Chinese steel makers, together with a modest expansion in other markets, the global seaborne iron ore market experienced high demand and rising iron ore and pellet prices in 2004 and the first nine months of 2005. We cannot guarantee the length of time that demand will remain at current high levels or the direction of future prices. Sustained declines in world contract prices or sales volumes for iron ore could have a material adverse effect on our revenues.

***The mining industry is an intensely competitive industry, and we may have difficulty effectively competing with other mining companies in the future.***

Intense competition characterizes the worldwide iron ore industry. We compete with a number of large international mining companies. Some of these competitors possess substantial iron ore mineral deposits at locations closer to our principal Asian and European customers. Competition from foreign or Brazilian iron ore producers may result in our losing market share and revenues. Our aluminum, manganese ore, copper concentrate and other activities are also subject to intense competition and are subject to similar risks.

***Demand for iron ore and pellets in peak periods may outstrip our production capacity, rendering us unable to satisfy customer demand.***

Our ability to rapidly increase production capacity to satisfy increases in demand for iron ore is limited. In periods when customer demand exceeds our production capacity, we generally satisfy excess customer demand by reselling iron ore and pellets purchased from joint ventures or third parties, which is less profitable to us than selling iron ore we produce. If we are unable to satisfy excess customer demand by purchasing from joint ventures or third parties, we may lose customers. Similarly, because it takes time to increase production capacity, we may fail to complete our iron ore expansion projects in time to take advantage of the current high levels of worldwide demand for iron ore. In addition, operating at or above full capacity may expose us to higher costs, including demurrage fees due to capacity restraints in our mines, railroads and ports.

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***Adverse economic developments in our principal markets, especially China, could reduce demand for our products, leading to lower revenues and profitability.***

The world economy is the primary driver of demand in the global seaborne market for iron ore and pellets. In recent years, China has been the main driver of our sales increases. In 2004 and the first nine months of 2005, 16.0% and 12.4%, respectively, of our iron ore and pellet gross revenues were attributable to customers in China, and customers in China accounted for 11.7% and 13.2% of our total consolidated gross operating revenues in 2004 and the first nine months of 2005, respectively. In 2004 and the first nine months of 2005, 14.1% of our consolidated gross revenues were attributable to customers from Asian countries other than China and 30.1% and 29.2%, respectively, were attributable to sales to European customers. A weakened global economy or a weakened economy in specific markets where we sell our products, such as China, could reduce demand, leading to lower revenues and profitability.

***Aluminum and copper are actively traded on world commodity exchanges and their prices are subject to significant fluctuations.***

Aluminum and copper are sold in an active world market and traded on commodity exchanges, such as the London Metals Exchange and the Commodity Exchange, Inc. Prices for these metals are subject to wide fluctuations and are affected by many factors, including actual and expected international economic and political conditions, levels of supply and demand, the availability and cost of substitutes, inventory levels maintained by producers and others, and actions of participants in the commodity markets. Prices for these metals are more volatile than iron ore and pellet prices because they respond more quickly to actual and expected changes in market conditions.

***Commencement of our copper operations will expose us to new risks.***

In 2004, we began producing and marketing copper concentrate from our Sossego mine in Carajás. Copper is a new business for CVRD. Risks involved with our entrance into the copper business include, but are not limited to:

- copper concentrate is sold at prices determined by reference to copper prices on the London Metals Exchange, which are more volatile than prices in our iron ore and pellet businesses;
- we may experience higher than expected treating and refining costs that decrease our margins;
- due to our lack of experience in the copper industry, we may face operational difficulties leading to high operating costs;
- capacity increases by other copper producers may place downward pressure on copper prices; and
- we may encounter unexpected setbacks in expanding our copper operations due to construction delays, adverse mining conditions or difficulties obtaining required environmental licenses.

***Brazilian export products (e.g., grain and steel) could lose their international competitiveness, reducing the internal demand for logistics services.***

The Brazilian agriculture and steel industries are currently the primary drivers of demand for our logistics services. In 2004 and in the first nine months of 2005, approximately 78.8% and 75.0%,

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respectively, of our logistics revenues were attributable to these markets. A reduction in world demand for Brazilian steel or agriculture exports could reduce demand for our logistics services and harm the profitability of our logistics business.

***Our reserve estimates may be materially different from mineral quantities that we may actually recover, our estimates of mine life may prove inaccurate and market price fluctuations and changes in operating and capital costs may render certain ore reserves or mineral deposits uneconomical to mine.***

Our reported ore reserves and mineral deposits are estimated quantities of ore and minerals that have the potential to be economically mined and processed under present and anticipated conditions to extract their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. Reserve engineering is a subjective process of estimating underground deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Estimates of different engineers may vary, and results of our mining and production subsequent to the date of an estimate may lead to revision of estimates. Reserve estimates and estimates of mine life may require revision based on actual production experience and other factors. For example, fluctuations in the market price of metals, reduced recovery rates or increased production costs due to inflation or other factors may render proven and probable reserves containing relatively lower grades of mineralization uneconomic to exploit and may ultimately result in a restatement of reserves.

***We may not be able to replenish our reserves, which could adversely affect our mining prospects.***

We engage in mineral exploration, which is highly speculative in nature, involves many risks and frequently is nonproductive. Our exploration programs, which involve significant capital expenditures, may fail to result in the expansion or replacement of reserves depleted by current production. If we do not develop new reserves, we will not be able to sustain our current level of production beyond the remaining life of our existing mines.

***Even if we discover mineral deposits, we remain subject to drilling and production risks, which could adversely affect the mining process.***

Once we discover mineral deposits, it can take us a number of years from the initial phases of drilling until production is possible, during which the economic feasibility of production may change. It takes substantial time and expenditures to:

- establish ore reserves through drilling;
- determine appropriate mining and metallurgical processes for optimizing the recovery of metal contained in ore;
- obtain environmental and other licenses;

construct mining and processing facilities for greenfield properties; and

obtain the ore or extract the metals from the ore.

If a project proves not to be economically feasible by the time we are able to exploit it, we may incur substantial write-offs. In addition, potential changes or complications involving

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metallurgical and other technological processes arising during the life of a project may result in cost overruns that may render the project not economically feasible.

***We face rising extraction costs over time as reserves deplete.***

Reserves are gradually depleted in the ordinary course of a given mining operation. As mining progresses, distances to the primary crusher and to waste deposits become longer and pits become steeper. As a result, over time, we usually experience rising unit extraction costs with respect to each mine. Several of our mines have operated for long periods, and we will likely experience rising extraction costs per unit in the future at these operations.

***An increase in fuel costs may adversely affect our business.***

Our operations rely heavily on fuel sources. Fuel and gas represented 11% of our cost of goods sold in 2004 and 10% in the first nine months of 2005. Fuel costs are a major component of our total costs in our logistics and pellets businesses, and indirectly affect numerous other areas of our business, including our mining and aluminum-related businesses. An increase in oil and gas prices may lead to lower margins in our logistics, mining and aluminum-related businesses.

***We are involved in ongoing antitrust proceedings that could result in divestitures, fines or other restrictions that could harm our business.***

We are currently involved in six proceedings before the Conselho Administrativo de Defesa Econômica, or CADE, which is the primary Brazilian antitrust regulator. Four of these proceedings involve post-transaction review of acquisition or joint venture transactions. The remaining two proceedings are administrative proceedings alleging that we have engaged in illegal anticompetitive conduct in connection with our iron ore and logistics businesses. We intend to defend these claims vigorously, but cannot predict their outcome. If CADE were to find that we have engaged in anticompetitive conduct, it could order us to cease the conduct and/or to pay fines, which could be substantial.

CADE recently rendered its decision in connection with its post-transaction review of our acquisitions of Socoimex, Samitri, Belém, Ferteco and CAEMI, and the agreement to unwind the cross-shareholdings between us and Companhia Siderúrgica Nacional, or CSN. On August 10, 2005, CADE issued a decision approving these acquisitions, subject to certain conditions. Under the conditions set forth in CADE s decision, we must either (i) fully waive our preemptive rights relating to the Casa de Pedra iron ore mine and restructure our equity stake in MRS Logística or (ii) sell all of our stake in Ferteco. We filed a request for an injunction with the federal courts to suspend the effects of CADE s decision. The injunction was granted on November 10, 2005 and confirmed, on a preliminary basis, by the Federal Tribunal on December 19, 2005.

For more information, see Financial Information Legal Proceedings in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

***Our principal shareholder could have significant influence over our company.***

Valepar, our principal shareholder, currently owns 53.3% of our outstanding common stock and 34.1% of our total outstanding capital. For a description of the ownership of our shares, see Major Shareholders and Related Party Transactions Principal Shareholder in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus. As a result of its share ownership, Valepar can control the outcome of any action requiring shareholder approval, except for the appointment of certain directors and certain

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members of our *conselho fiscal*, or fiscal council. Further, the Brazilian government owns three golden shares of CVRD that give it limited veto powers over certain actions that we could otherwise take. For a detailed description of the veto powers granted to the Brazilian government by virtue of its ownership of these golden shares, see Additional Information Common Shares and Preferred Shares General in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

***Many of our operations depend on joint ventures; our business could be adversely affected if our joint venture partners do not observe their commitments.***

We currently operate important parts of our pelletizing, electric energy, aluminum, bauxite and steel businesses through joint ventures with other companies. Our forecasts and plans for these joint ventures assume that our joint venture partners will observe their obligations to make capital contributions, purchase products and, in some cases, provide managerial talent. If any of our joint venture partners fails to observe its commitments, the affected joint venture may not be able to operate in accordance with its business plans or we may have to increase the level of our investment to give effect to these plans. For more information on our joint ventures, see Information on the Company Lines of Business in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

***Our market risk management strategy may not be effective.***

We are exposed to traditional market risks such as fluctuations in interest rates, exchange rates and commodity prices. In order to partially protect ourselves against market volatility, we enter into hedging transactions to manage some of these risks. See Quantitative and Qualitative Disclosures About Market Risk in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus. Our hedging strategy may not be successful in minimizing our cash flow exposure to these fluctuations and we may fail to identify correlations between the various market risks to which we are subject. In addition, to the extent we partially hedge our commodity price exposure, we may limit the upside benefits that we would otherwise experience if commodities prices were to increase. We do not currently hedge risks relating to fluctuations in iron ore, manganese, ferroalloys, copper and oil prices.

***Failure to maintain effective internal control over financial reporting could harm investor confidence in the integrity of our financial information, which could have an adverse impact on the trading price of our securities.***

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our Annual Report on Form 20-F for the fiscal year ending December 31, 2006, we will be required to furnish a report by our management on our internal control over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. Such report will also contain a statement that our auditors have issued an attestation report on management s assessment of such internal controls.

If we identify material weaknesses in our internal control over financial reporting and we are unable to correct them in a timely manner, our management may be unable to conclude in its internal control report that our internal control over financial reporting is effective, which could cause investor confidence in the integrity of our financial reporting to suffer, lead to a decline in

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the trading price of our securities or limit our ability to access the capital markets. Similar adverse effects could result if our auditors express an adverse opinion or disclaim or qualify an opinion on management s assessment or on the effectiveness of our internal control over financial reporting.

***We may not have adequate, if any, insurance coverage for some business risks that could lead to economically harmful consequences to us.***

Our businesses are generally subject to a number of risks and hazards, including:

- industrial accidents;
- railroad accidents;
- labor disputes;
- slope failures;
- environmental hazards;
- electricity stoppages;
- equipment or vessel failures; and
- severe weather and other natural phenomena.

These occurrences could result in damage to, or destruction of, mineral properties, production facilities, transportation facilities, equipment or vessels. They could also result in personal injury or death, environmental damage, waste of resources or intermediate products, delays or interruption in mining, production or transportation activities, monetary losses and possible legal liability. The insurance we maintain against risks that are typical in our business may not provide adequate coverage. Insurance against some risks (including liabilities for environmental pollution or certain hazards or interruption of certain business activities) may not be available at a reasonable cost or at all. As a result, accidents or other negative developments involving our mining, production or transportation facilities could have a material adverse effect on our operations.

***If we are unable to successfully manage the health and safety risks to which our business exposes our employees, our business may be adversely affected.***

We operate in regions where tropical diseases are prevalent, and we are developing a potential coal mining operation in Mozambique, where AIDS is a major public health issue. If we are unable to adequately protect our employees from these diseases or are unable to ensure the health and safety of our employees, our business may be adversely affected.

***Difficulties in implementing enterprise resource planning software may interfere with the normal functioning of our business.***

We are in the process of implementing enterprise resource planning software. If we are unable to replace, upgrade or modify our information technology systems to adapt to this new software in a timely and cost effective manner, our ability to capture and process financial transactions may be impacted. Implementing the software may prove more costly or take longer than expected, result in the loss of data or lead to system malfunctions that interfere with the normal functioning of our business. If we are unable to successfully manage the process of implementing the new software our results of operations may be adversely affected.

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***We may face a shortage in our supply of off-the-road tires and mining equipment due to increased consumption by mining companies that exceeds suppliers capacity.***

Although manufacturers of mining and drilling equipment have been increasing their capacity, capacity increases have not been sufficient to compensate for the significant increase in demand. In addition, global demand for off-the-road, or OTR, tires has increased significantly recently. There are only five major tire factories worldwide and each is working at maximum capacity. We expect that there will be very limited increases in large radial tire production over the next two years and that delivery lead times will increase significantly. Further capacity increases have been limited by bottlenecks in the distribution of parts and equipment from suppliers to equipment manufacturers. If we are unable to secure sufficient OTR tires to maintain our equipment, we may suffer temporary reductions in our production capacity.

***An increase in the prices of mining equipment may adversely affect our business.***

Due to the significant expansion of mining investments worldwide and the surge in steel prices, mining equipment prices have increased significantly. Increases in the cost of mining equipment may have a negative effect on the profitability margins of our mining business.

## Risks relating to Brazil

***The Brazilian government has historically exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions have a direct impact on our business and the market price of our securities.***

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes substantial changes in policy, as often occurs in other emerging economies. The Brazilian government s actions to control inflation and carry out other policies have in the past involved wage and price controls, currency devaluations, capital controls and limits on imports, among other things. Our business, financial condition and results of operations may be adversely affected by factors in Brazil including: