Cactus Ventures, Inc.
Form 8-K/A
January 28, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 2)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 28, 2012

CACTUS VENTURES, INC.
(Exact name of registrant as specified in its charter)

Nevada	000-52446	000-52446
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

501 Fifth Avenue, 3rd Floor New York, NY	10017
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 300-2131

123 W. Nye Lane, Suite 129 Carson City, NV 89706
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a -12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d -2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e -4(c))

Explanatory Note: This Form 8-K/A revises the disclosure contained in the Item 1.01 – "The Offering", along with other conforming changes in the document The Form 8-K/A also includes a revised Exhibit 99.1 "Audited Consolidated Financial Statements for the years ended December 31, 2011 and 2010 for Actinium" and Exhibit 99.2 "Unaudited Interim Consolidated Financial Statements for the periods ended September 30, 2012 and 2011 for Actinium."

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Current Report on Form 8-K (this "Report") contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Description of Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "seeks," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "would" and sim intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. These risks and uncertainties include, but are not limited to, the factors described in the section captioned "Risk Factors" below. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Such statements may include, but are not limited to, information related to: anticipated operating results; relationships with our merchants and subscribers; consumer demand; financial resources and condition; changes in revenues; changes in profitability; changes in accounting treatment; cost of sales; selling, general and administrative expenses; interest expense; the ability to produce the liquidity or enter into agreements to acquire the capital necessary to continue our operations and take advantage of opportunities; legal proceedings and claims.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this Report. You should read this Report and the documents that we reference and file or furnish as exhibits to this Report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

USE OF CERTAIN DEFINED TERMS

Except as otherwise indicated by the context, references in this report to "we," "us," "our," "our Company," or "the Company" are to the combined business of Cactus Ventures, Inc. and its consolidated subsidiaries.

In addition, unless the context otherwise requires and for the purposes of this Report only:

"Closing Date" means December 28, 2012;
"Exchange Act" refers to the Securities Exchange Act of 1934, as amended;
"Actinium" or "API" refers to Actinium Pharmaceuticals, Inc., a Delaware corporation;
"Cactus" or "CTVN" refers to Cactus Ventures, Inc., a Nevada corporation;
"SEC" or refers to the Securities and Exchange Commission; and
"Securities Act" refers to the Securities Act of 1933, as amended.

INTRODUCTION

On December 28, 2012, Cactus entered into a transaction (the "Share Exchange"), pursuant to which Cactus acquired 21% of the issued and outstanding equity securities of Actinium, in exchange for the issuance of 4,309,015 shares of common stock, par value $0.01 per share, of Cactus (the "Common Stock"), which were issued to the shareholders of Actinium. As a result of the Share Exchange, the former shareholders of Actinium became the controlling shareholders of Cactus. In connection with the Share Exchange, Diane S. Button, the former sole director and officer of Cactus submitted a resignation letter resigning from these positions, effective upon the closing of the Share Exchange, and the directors of Actinium were appointed to the Board of Directors of Cactus, and the officers of Actinium were appointed as the officers of Cactus. The Company intends to continue to exchange its shares of common stock for shares of Actinium held by the remaining Actinium shareholders.

The Share Exchange was accounted for as a reverse takeover/recapitalization effected by a share exchange, wherein Actinium is considered the acquirer for accounting and financial reporting purposes. For more information about the acquisition of Actinium, see "Item 1.01—Share Exchange" and "Item 2.01—Description of Business—Our Corporate History and Background" of this Report.

As a result of the Share Exchange, Cactus is now a holding company operating through Actinium, a clinical-stage biopharmaceutical company developing certain cancer treatments.

To the extent that we are deemed to be a shell company, and in accordance with the requirements of Item 2.01(a)(f) of Form 8-K, this Report sets forth information that would be required if the Cactus was required to file a general form for registration of securities on Form 10 under the Exchange Act with respect to the Common Stock (which is the only class of Cactus's securities subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act upon consummation of the Share Exchange).

This Current Report contains summaries of the material terms of various agreements executed in connection with the transactions described herein. The summaries of these agreements are subject to, and are qualified in their entirety by, reference to these agreements, all of which are incorporated herein by reference.

This Current Report is being filed in connection with a series of transactions consummated by the Company and certain related events and actions taken by the Company.

This Current Report responds to the following items on Form 8-K:

Item 1.01 Entry into a Material Definitive Agreement

Item 2.01 Completion of Acquisition or Disposition of Assets

Item 3.02 Unregistered Sales of Equity Securities

Item 4.01 Changes in Registrant's Certifying Accountant

Item 5.01 Changes in Control of Registrant

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers

Amendments to the Registrant's Code of Ethics, Waiver of the Code of Ethics

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Item 5.06 Change in Shell Company Status

Item 9.01 Financial Statements and Exhibits

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Item 1.01 Entry into a Material Definitive Agreement.

ACQUISITION OF ACTINIUM AND RELATED TRANSACTIONS

Acquisition of Actinium

On the Closing Date, Cactus entered into a Share Exchange Agreement (the "Exchange Agreement") with (i) Actinium and (ii) the former shareholders of Actinium (the "Actinium Shareholders") pursuant to which we acquired 12,939,986 shares of capital stock of Actinium from the Actinium Shareholders in exchange for the issuance of 4,309,015shares of Common Stock to the Actinium Shareholders (the "Share Exchange"). As part of the Share Exchange, Actinium paid $250,000 to the shareholders of Cactus before the consummation of the Share Exchange. As a result of the Share Exchange, the Actinium Shareholders became the principal shareholders of Cactus.

The foregoing description of the Exchange Agreement is qualified in its entirety by reference to the provisions of the Exchange Agreement filed as Exhibit 2.1 to this Report, which is incorporated by reference herein.

The Offering

On December 19, 2012, in contemplation of the closing of the Share Exchange and the closing of an offering (the "Offering") of units (the "Units") of a minimum of $5,000,000 (the "Minimum Offering Amount") and a maximum of $15,000,000 (the "Maximum Offering Amount"), subject to the placement agent's (the "Placement Agent") option (the "Greenshoe Option") to increase the Maximum Offering Amount to $20,000,000, Actinium issued an aggregate of 9,366,273 Units to investors (the "Investors"), pursuant to subscription agreements (the "Subscription Agreements") and Unit Purchase Agreements (the "Unit Purchase Agreements") for gross proceeds in the amount of $5,151,450, and net proceeds in the amount of $4,469,776 after legal and other fees and expenses remitted to the Placement Agent. Each Unit consisted of an aggregate of (i) 181,818 shares of common stock of Actinium (the "Actinium Stock"); (ii) an "A" warrant to purchase 181,818 shares of Actinium Stock, exercisable at a price of $0.55 per share for a period of one hundred and twenty (120) days from the date of the final closing of the Offering (the "A Warrant"); and (iii) a "B" warrant to purchase 90,909 shares of Actinium Stock, exercisable at a price of $0.825 per share for a period of five (5) years from the date of the final closing (the "B Warrant") (collectively, with the A Warrant, the "Investor Warrants"). The Units were offered to Accredited Investors (as such term is defined in Rule 501 under the Securities Act) for $100,000 each.

Registration Rights

In connection with the Offering, Actinium entered into a 2012 investor rights agreement (the "Investor Rights Agreement") with each of the Investors, under which it would be required, within 45 days after the final closing of the Offering (the "Filing Deadline"), to file a registration statement (the "Registration Statement") registering for resale (i) all Common Stock issued to the Investors pursuant to the Share Exchange Agreement, in exchange for the Actinium Stock issued as part of the Units, and (ii) all shares of Common Stock issuable upon exercise of the warrants issued pursuant to the Share Exchange Agreement in exchange for the Investor Warrants (collectively, the "Registrable Shares"). The holders of any Registrable Shares removed from the Registration Statement as a result of a Rule 415 or other comment from the SEC shall have "piggyback" registration rights for such Registrable Shares with respect to any registration statement filed by Cactus following the effectiveness of the Registration Statement which would permit the inclusion of such Registrable Shares. Actinium has agreed to use its reasonable best efforts to have the Registration Statement declared effective within 30 days of being notified by the SEC that the Registration Statement will not be reviewed by the SEC (and in such case of no SEC review, not later than 60 days after the Filing Deadline) or within 180 days after the Filing Deadline in the event the SEC provides comments to the Registration Statement

(the "Effectiveness Deadline"). In addition, certain other holders of the Company's common stock have demand registration rights at any time after the earlier of (i) October 2014, or (ii) three (3) months after API's common stock becomes publicly traded.

Lock-Up Agreement

On the Closing Date and in connection with the Offering, we entered into lock-up agreements (collectively, the "Lock-Up Agreements") with each of the officers, and directors, as well as the Placement Agent and any other controlling persons, under which they agreed to not sell or otherwise transfer any securities of Actinium or Cactus owned by them until the date that is the earlier of (i) twelve (12) months from the Closing Date; or (ii) six (6) months following the effective date of the Registration Statement. On December 31, 2012, Actinium Holdings Ltd. (AHL) agreed not to transfer its shares of Common Stock, subject to exceptions for certain related-party transfers, transfers to trusts and other private transfers, until, in general, the earlier of (i) twelve (12) months from the Closing Date; or (ii) six (6) months following the effective date of the Registration Statement; however, a written "lock-up" agreement has not been finalized as of the date of this filing.

In addition, on the Closing Date and in connection with the Share Exchange, we also entered into a lock-up agreement with our former principal shareholder, Diane Button, under which she agreed to not sell or otherwise transfer any securities of Cactus owned by her until the date that is the earlier of (i) the final closing of the Offering, or (ii) February 28, 2013.

The foregoing description of the Subscription Agreements, Unit Purchase Agreement, A Warrant, B Warrant, Investor Rights Agreement, and Lock-Up Agreements are qualified in its entirety by reference to the provisions of the Forms of Subscription Agreement, Unit Purchase Agreement, A Warrant, B Warrant, Investor Rights Agreement and Lock-Up Agreement filed as Exhibits 10.6, 10.7, 4.1, 4.2, 10.20 and 4.3, respectively, to this Report, which are incorporated by reference herein.

Item 2.01 Completion of Acquisition or Disposition of Assets.

The disclosure in Item 1.01 of this Report regarding the Share Exchange is incorporated herein by reference in its entirety.

FORM 10 DISCLOSURE

As disclosed elsewhere in this Report, we acquired Actinium on the Closing Date pursuant to the Share Exchange, which was accounted for as a recapitalization effected by a share exchange. Item 2.01(f) of Form 8-K provides that if the Company was a shell company, other than a business combination related shell company (as those terms are defined in Rule 12b-2 under the Exchange Act) immediately before the Share Exchange, then the Company must disclose the information that would be required if the Company were filing a general form for registration of securities on Form 10 under the Exchange Act reflecting all classes of the Company's securities subject to the reporting requirements of Section 13 of the Exchange Act upon consummation of the Share Exchange.

To the extent that the Company might have been considered to be a shell company immediately before the Share Exchange, we are providing below the information that we would be required to disclose on Form 10 under the Exchange Act if we were to file such form. Please note that the information provided below relates to the combined Company after the acquisition of Actinium, except that information relating to periods prior to the date of the Share Exchange relate only to Actinium unless otherwise specifically indicated.

DESCRIPTION OF BUSINESS

Business Overview

We are a biopharmaceutical company focused on the $50 billion market for cancer drugs. Our most advanced products are Actimab™-A, an antibody-drug construct containing actinium 225 (Ac-225), currently in human clinical trials for acute myeloid leukemia (AML) and Iomab™-B, an antibody-drug construct containing iodine 131 (I-131), used in myeloconditioning for hematopoietic stem cells transplantation (HSCT) in various indications. API is currently designing a trial which the Company intends to submit for registration approval in HSCT in the settings of refractory and relapsed acute myeloid leukemia in older patients. The Company is developing its cancer drugs using its expertise in radioimmunotherapy. In addition, the Ac-225 based drugs development relies on the patented Alpha Particle Immunotherapy Technology (APIT) platform technology co-developed with Memorial Sloan- Kettering Cancer Center, and a related institution. The APIT technology couples monoclonal antibodies (mAb) with extremely potent but comparatively safe alpha particle emitting radioactive isotopes, in particular actinium 225 and bismuth 213. The final drug construct is designed to specifically target and kill cancer cells while minimizing side effects. The Company intends to develop a number of products for different types of cancer and derive revenue from partnering relationships with large pharmaceutical companies and/or direct sales of its products in specialty markets in the U.S.

Our Corporate History and Background

We were formed as a Nevada corporation on October 6, 1997, originally under the name Zurich U.S.A., Inc. On July 10, 2006, we changed our name to Cactus Ventures, Inc. and began pursuing our business of marketing sunglasses. The Company encountered numerous problems with various vendors and ceased its operations. The Company shifted its efforts to seeking a business combination opportunity with a business entity, and negotiated a merger of a target company into the Company. Upon ceasing its operations, the Company was considered a “blank check” company as such term is defined under the Securities Act.

Upon completing the Share Exchange, the Company ceased being considered a "blank check" company and is now a clinical-stage biopharmaceutical company developing certain cancer treatments.

Acquisition of Actinium

On the Closing Date, Actinium completed a Share Exchange with Cactus, whereby Cactus acquired 21% of the issued and outstanding capital stock of Actinium from the Actinium Shareholders in exchange for the issuance of 4,309,015 shares of Common Stock to the Actinium Shareholders (the "Share Exchange"). Cactus has a class of securities registered under the Exchange Act of 1934 but its Common Stock is not registered under the Securities Act of 1933. As part of the Share Exchange, Actinium paid $250,000 to the shareholders of Cactus before the consummation of the Share Exchange. As a result of the Share Exchange, Actinium became the wholly owned subsidiary of Cactus and the Actinium Shareholders became the principal shareholders of Cactus.

The Share Exchange was treated as a recapitalization effected through a share exchange, with Actinium as the accounting acquirer and the Cactus the accounting acquiree. Unless the context suggests otherwise, when we refer in this Report to business and financial information for periods prior to the consummation of the Share Exchange, we are referring to the business and financial information of Actinium.

Effective following the expiration of the ten day period following the mailing of the information statement required by Rule 14f-1 under the Exchange Act, Diane S. Button has resigned from her position as member of the Board of Directors of the Company. Effective upon the closing of the Share Exchange, Diane S. Button resigned as an officer of the Company. Also effective upon the closing of the Share Exchange, Jack V. Talley was appointed to our Board of Directors. Effective as of the expiration of the ten day period following the mailing of the information statement required by Rule 14f-1 under the Exchange Act Dr. Rosemary Mazanet, David Nicholson, Sandesh Seth and Sergio Traversa were appointed to our Board of Directors. In addition, our Board of Directors appointed Jack V. Talley to serve as our President and Chief Executive Officer, Dragan Cicic to serve as our Chief Operating Officer and Chief Medical Officer, and Enza Guagenti to serve as our Chief Financial Officer, effective immediately upon the closing of the Share Exchange.

As a result of the Share Exchange, Actinium became a subsidiary of Cactus and Cactus assumed the business and operations of Actinium. Cactus plans to change its name to more accurately reflect its new business operations. As Cactus is a "reporting company" under the Exchange Act of 1934, and it is required to file periodic filings with the SEC, which include Actinium's quarterly and annual financial statements.

Corporate History of Actinium

Actinium was incorporated in 2000 in the state of Delaware. Until the Share Exchange, Actinium was a clinical-stage, privately held biopharmaceutical company with:

- Two clinical-stage products, Iomab.-B and Actimab.-A, in development for blood borne cancers;
- Preclinical data in additional cancer indications;
- A proprietary technology platform for novel radioimmunotherapy cancer treatments; and
- A proprietary process for manufacturing of the alpha particle emitting radioactive isotope actinium 225 (Ac-225).

Iomab.-B has completed Phase I and Phase II trials as a preparatory regimen in conjunction with fludarabine and reduced intensity radiation conditioning in patients who are otherwise ineligible for hematopoietic stem cell transplantation (HSCT) and the Company expects it to enter a regulatory approval trial in 2013, subject to input from the FDA concerning the design and conduct of a pivotal trial. Actimab.-A is currently in a Phase I/II trial in newly diagnosed elderly acute myeloid leukemia (AML). In addition, using its patented Alpha Particle Immunotherapy

Technology (APIT) platform and via its collaboration with the Memorial Sloan Kettering Cancer Center (MSKCC), the Company has preclinical data on potential drug candidates in several other cancer indications and expects to further develop these into clinical stage drug candidates.

Actinium has one wholly owned subsidiary, MedActinium, Inc., a Delaware corporation, which is party to certain isotope related licenses and contracts on which the Company relies.

Upon Actinium's formation in 2000, it acquired Pharmactinium, Inc. and MedActinium, Inc., and through Pharmactinium, Inc. acquired certain rights to the APIT platform. Core technology patents were in-licensed from N.V. Organon which also provided seed funding. Pharmactinium, Inc. was party to a research and development agreement with MSKCC beginning in 1996. In 2002, this agreement and relationship was significantly expanded and now includes research and development, preclinical development, clinical trials and commercial technology licenses. In 2007, Pharmactinium, Inc. was merged with and into the Company. In 2007, the Company also acquired its sister company, Actinium Pharmaceuticals, Limited (Bermuda) (the "Bermuda Company"), by a merger of the Bermuda Company into API and thereby also acquired certain patent licenses relating to APIT previously licensed by the Bermuda Company to API.

In 2000, API also began what has become a long term relationship with General Atlantic Investments Limited (GAIL), an entity which has provided most of the Company's investment capital since 2000, totaling $50.7 million. In 2010, the parent of GAIL contributed and transferred its ownership of GAIL (now renamed Actinium Holdings, Limited), whose only asset at that time was the shares of API, to an indirect subsidiary of Memorial Sloan-Kettering Cancer Center. In January 2012, the Company closed on $7,844,268 in gross funding through the sale of Series E Preferred Stock and a Senior Convertible Note financing. Our executive office is located at 501 Fifth Avenue, 3rd Floor, New York, NY 10017 and our telephone number is (212) 300-2131. Our website address is http://www.actiniumpharmaceuticals.com. Except as set forth below, the information on our website is not part of the Form 10 information for Actinium.

Summary of Scientific and Business Achievements:

The Company's scientific and business achievements to date include:

- In-licensing a Phase II clinical stage monoclonal antibody, BC8, with safety and efficacy data in more than 250 patients in need of Hematotoietic (HSCT, currently in 7 active Phase I and Phase II clinical trials;
- Commencing a Company sponsored multi-center Phase I/II clinical trial for Actimab-A in elderly Acute Myeloid Leukemia;
- Developing and organizing manufacturing of Actinium's lead drug candidate which was accepted by the FDA for multi-center human use;
- Supporting three physician sponsored clinical trials, including a Phase I and a Phase I/II trial with the alpha emitting radioactive isotope bismuth 213 (Bi-213) based AML drug and a Phase I clinical trial with the alpha emitting radioactive isotope actinium 225 (Ac-225) based AML drug;
- In-licensing the AML targeting monoclonal antibody known as HuM195 or Lintuzumab;
- Establishing clinical and preclinical development relationships with world-class institutions such as MSKCC, Fred Hutchinson Cancer Research Center (FHCRC) and University of Texas MD Anderson Cancer Center (the MD Anderson Cancer Center relationship includes clinical trials only), as well as leading clinical experts in the fields of AML and HSCT;
- Securing rights to an intellectual property estate that covers key aspects of the Company's proprietary technology platform;
- Supporting a number of pipeline projects, including preclinical experiments in metastatic prostate cancer, metastatic colon cancer, antiangiogenesis and breast cancer models;
- Maintaining contractual relationship with Oak Ridge National Laboratory (ORNL) of the Department of Energy (DOE) which gives API access to most of the current world supply of Ac-225; and
- Successfully developing commercial production methods for actinium 225.

Business Strategy

API intends to potentially develop its most advanced clinical stage drug candidates through approval in the case of Iomab™-B and up to and including a Phase II proof of concept human clinical trial (a trial designed to provide data on the drug's efficacy) in the case of Actimab™-A. If these efforts are successful, API may elect to commercialize Iomab™-B on its own or with a partner in the U.S. and/or outside of the U.S. to out-license the rights to develop and commercialize the product to a strategic partner. In the case of Actimab™-A, API will most likely seek to enter into strategic partnerships whereby the strategic partner(s) co-fund(s) further human clinical trials of the drug that are needed to obtain regulatory approvals for commercial sale within and outside of the U.S. In parallel, the Company intends to identify and begin initial human trials with additional actinium-225 drug candidates in other cancer indications. API intends to retain marketing rights for its products in the U.S. whenever possible and outlicense marketing rights to its partners for the rest of the world.

Market Opportunity

API is competing in the marketplace for cancer treatments estimated at over $54 billion in 2011 sales per IMS Health and projected to exceed $76 billion per year by 2015, according to the Global Academy for Medical Education. While surgery, radiation and chemotherapy remain staple treatments for cancer, their use is limited by the fact that they often cause substantial damage to normal cells. On the other hand, targeted therapies exert most or all of their effect directly on cancer cells, but often lack sufficient killing power to eradicate all cancer cells with just the antibody. A new approach for treating cancer is to combine the precision of antibody-based targeting agents with the killing power of radiation or chemotherapy by attaching powerful killing agents to precise molecular carriers called monoclonal antibodies (mAb). API uses monoclonal antibodies labeled with radioisotopes to deliver potent doses of radiation directly to cancer cells while sparing healthy tissues. The radioisotopes we use are the alpha emitter Ac-225 and the beta emitter I-131. I-131 is among the best known and well characterized radioisotopes. It is used very successfully in treatment of papillary and follicular thyroid cancer as well as other thyroid conditions. It is also attached to a monoclonal antibody in treatment of Non-Hodgkin’s Lymphoma (NHL). It is also used experimentally with different carriers in other cancers. Ac-225 has many unique properties and the Company is a leader in developing this alpha emitter for clinical applications using its proprietary APIT technology.

API’s most advanced products are Actimab™-A, Ac-225 labeled mAb for treatment of newly diagnosed AML, a cancer of the blood, in patients ineligible for currently approved therapies, and Iomab™-B, I-131 labeled mAb for preparation of relapsed and refractory AML patients for hematopoietic stem cell transplantation (HSCT). Iomab™-B offers the only potentially curative treatment for these patients most of whom do not survive beyond a year after being diagnosed with this condition. Iomab™-B has also demonstrated efficacy in HSCT preparation for other blood cancer indications, including Myelodysplastic Syndrome (MDS), acute lymphoblastic leukemia (ALL), Hodgkin’s Lymphoma, and Non-Hodgkin’s Lymphoma (NHL). These are all follow-on indications for which Iomab™-B can be developed and it is the Companies intention to explore these opportunities. In 2013, the Company intends to begin preclinical development of the mAb used in Iomab™-B by replacing I-131 with Ac-225. Such a follow-on product could have several advantages as a second generation product, including ease of transportation, minimal safety requirements for the centers using it, doses lower by orders of magnitude and significantly lower costs of manufacturing.

There are currently no approved treatments for either Actimab™-A or Iomab™-B targeted patients.

Other potential product opportunities in which a significant amount of preclinical work is being undertaken include metastatic colorectal cancer, metastatic prostate cancer and antiangiogenesis which reduces the blood supply to solid tumors.

The Company believes that its biggest market opportunity lies in the applicability of the Company’s APIT platform technology to a wide variety of cancers. A broad range of solid and blood borne cancers can be potentially targeted by monoclonal (mAbs) to enable treatment with its APIT technology. The APIT technology could potentially be applied to mAbs that are already FDA approved to create more efficacious and/or safer drugs (“biobetters”).

Clinical Trials

API has completed a Phase I and Phase I/II physician trial in AML at MSKCC using Bismab®-A, API’s first generation AML drug that consists of bismuth-213 attached to the antibody Lintuzumab™. The Phase II arm of the Bismab®-A drug study has shown signs of the drug’s efficacy and safety, including reduction in peripheral blast counts and complete responses in some patients. Bi-213 is a daughter, i.e., product of the degradation of Ac-225, with cancer cell killing properties similar to Ac-225 but is less potent.

API has commenced its first company sponsored Phase I/II multi-center trial with fractionated (two) doses of Actimab™-A, Actinium's lead product for treatment of elderly AML that consists of an AML specific monoclonal antibody (HuM195, also known as Lintuzumab™) and the actinium 225 radioactive isotope attached to it. The Company intends to conduct these trials at world-class cancer institutions such as MSKCC, Johns Hopkins Medicine, University of Pennsylvania Health System, Fred Hutchinson Cancer Center and MD Anderson Cancer Center.

The Company also continues to sponsor a Phase I AML trial at MSKCC with a single-dose administration of Actimab™-A. Initial data shows elimination of leukemia cells from blood in 67% of all evaluable patients who received a full dose and in 83% of those treated at dose levels above 0.5 microcuries (uCi/kg), and eradication of leukemia cells in both blood and bone marrow in 20% of all evaluable patients and 25% of those treated at dose levels above 0.5 uCi/kg. Dose levels in that trial have been reduced as we continue our work on establishing a maximum tolerated dose.

This Phase I trial builds on the experience with Company's first generation drug Bismab®-A that contains the same antibody used in Actimab™-A but labeled with bismuth 213, a less potent alpha emitting daughter of actinium 225 used in Actimab™-A. Bismab®-A trials and the Phase I Actimab™-A trial were focused on relapsed, refractory and other difficult to treat acute myeloid leukemia patients. The new multicenter Phase I/II trial is focused on newly diagnosed AML patients who have historically had better outcomes. In addition, the new trial includes low doses of chemotherapy with the goal of further improving patient outcomes.

Operations

The Company's current operations are primarily focused on furthering the development of its lead clinical drug candidates Actimab™-A and Iomab™-B. In the case of Actimab™-A, key ongoing activities include progressing a multi-center Phase I/II trial, support for an ongoing Phase I clinical trial at Memorial Sloan Kettering Cancer Center in New York, managing isotope and other materials supply chain, and managing the manufacturing of the finished drug candidate product. API has secured access to much of the currently available world reserves of Ac-225 and Bi-213 through a renewable contractual arrangement with the U.S. Department of Energy (DOE). The Company projects that these quantities are sufficient to support early stages of commercialization of alpha isotopes based products. API has also developed its own proprietary process for industrial scale Ac-225 production in a cyclotron in quantities adequate to support full product commercialization.

Operations related to Iomab™-B include planning for a registration trial which will include development of commercial scale manufacturing to be suitable for an approval trial and preparation of appropriate regulatory submissions.

Intellectual Property Portfolio

API's technology and products are protected by an extensive intellectual property estate in excess of 60 patents and patent applications, both in the U.S. and other countries. The cornerstones of the portfolio are patents and patent applications covering use of Ac-225 and Bi-213 for medical purposes and production of the Ac-225 isotope. Additional patents and applications relate to the API's proprietary manufacturing and treatment processes. Additionally, the Company believes that several of its programs are likely eligible for "Orphan Drug Protection" including its products intended for AML as well as bone marrow transplants. Orphan Drug Protection in the United States refers to the protection provided by the 1983 Orphan Drug Act which provides seven years of market exclusivity to drugs developed to address diseases that affect fewer than 200,000 patients in the United States. Similar protection exists in Europe and provides for ten years of marketing exclusivity.

Key Strengths

API believes that the key elements for its market success include:

Clinical results to date imply lower development risk for its lead drug candidates: API's lead drug candidates have been tested in over 300 patients and demonstrated favorable safety and efficacy profiles. Iomab™-B has been administered to more than 250 patients in a number of Phase I and Phase II trials and has shown a clear survival benefit in the indication for which it is being developed. Bismab®-A and Actimab™-A, drugs based on the APIT platform have so far been tested in over 60 patients in 3 clinical trials. In each trial they exhibited few side effects and have shown indications of efficacy. The current proof-of-concept Actimab™-A Phase I/II clinical trial is directed at a patient population that is generally easier to treat (newly diagnosed vs. relapsed/refractory in previous trials), and employs a more potent treatment regimen (low dose chemotherapy plus two doses of ActimabTM-A plus low dose chemotherapy vs. a single dose of ActimabTM-A in the physician sponsored trial).

Additional product opportunities from the APIT platform: API's Alpha Particle Immunotherapy technology has the potential for broad applicability for the treatment of many cancer types, which allows the Company to add new product candidates to its pipeline based on well-defined patent protected methods. The next product from the platform is expected to be a second generation BC8 product linked to Ac-225, Actimab™-B which could potentially significantly expand the market that is targeted by Iomab™-B.

Collaboration with Memorial Sloan-Kettering Cancer Center (MSKCC): API's collaboration with MSKCC includes licensing, research and clinical trial arrangements involving MSKCC labs and clinicians and included financial

support with respect to certain pre-2012 R&D-related expenses.

Scientific backing of leading experts: API's clinical advisory board and collaborators include some of the best recognized clinicians and scientists working at some of the highest regarded medical institutions in the U.S. and the world, including MSKCC, Johns Hopkins University, University of Pennsylvania, Fred Hutchinson Cancer Center and MD Anderson Cancer Center. This is expected to be beneficial to API both in clinical development and market acceptance assuming its drug candidates are approved.

Isotope supply secured for clinical trials: API has a contractual relationship with ORNL (Oak Ridge National Laboratory of the Department of Energy (DOE)) that provides the Company access to the largest known supply reserves of actinium 225. Iodine 131 is readily available from a number of qualified pharmaceutical supply vendors.

2Q05	**1.247**	**100.0**	**1.508**	**100.0**

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THE EXCELLENCE OF CVRD S OPERATIONAL PERFORMANCE

Operating profit measured by adjusted EBIT was a record US$ 1.771 billion, 112.9% higher than in 2Q04 and 122.8% higher than in 1Q05. For the half-year it was US$ 2.566 billion, 81.3% more than in 1H04.

EBIT margin, in spite of the 18.6% yoy appreciation in the Real against the dollar, as measured by the average exchange rate, was 50.1%, higher than its previous record value, of 43.3%, in 2Q04.

Adjusted EBIT in 2Q05 was US$ 939 million more than in 2Q04, reflecting the increase of US$ 1.616 billion in net revenues, which was partially offset by the increase of US$ 596 million in COGS.

The adjusted EBIT margin of the ferrous minerals division was 56.2%, 1,040 basis points higher than its value of 45.8% in 2Q04, reflecting the 2005 increase in prices for iron ore and pellets.

The aluminum business posted an adjusted EBIT margin of 32.7%, which compares with 47.5% in 2Q04. In spite of the increase in average price between the two quarters, there was a fall in margin mainly due to the appreciation of the Real against the US dollar and the increase in costs of electricity.

The adjusted EBIT margin of the logistics services was 30.0%, 190 bp higher yoy, helped by the appreciation of the Real since logistics transactions are Real denominated.

The EBIT margin of the non-ferrous minerals division, at 36.9% in 2Q05, was lower than in 2Q04 (48.3%), due to increased depreciation expenses and increased cost of production of copper concentrate. The previously mentioned operational problems at Sossego are resulting in production below expected levels and in temporary increase in operational costs.

ADJUSTED EBIT MARGIN BY BUSINESS AREA

	2Q04	1Q05	2Q05
Ferrous minerals	45.8%	38.8%	56.2%
Non ferrous minerals	48.3%	30.9%	39.4%
Aluminum	47.9%	38.6%	32.7%
Logistics	28.1%	22.2%	30.0%
Total	**43.3%**	**35.9%**	**50.1%**

ANOTHER MILESTONE: QUARTERLY EBITDA ABOVE US$ 2 BILLION

CVRD s 2Q05 adjusted EBITDA moved to a new level above US$ 2 billion at US$ 2.033 billion. It was more than the double of values for 2Q04 and 1Q05, US$ 971 million and US$ 993 million, respectively.

In the twelve-month period to June 2005, adjusted EBITDA amounted to US$ 5.034 billion. 2Q05 was the thirteenth consecutive quarterly result in which the LTM adjusted EBITDA increased and was 72.9% higher yoy.

The difference of US$ 1.062 billion between cash generation of 2Q05 and 2Q04 is made up of an increase of US$ 939 million in adjusted EBIT, a raise of US$ 57 million in depreciation, and an increment of US$ 66 million in dividends received.

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The dividends received from affiliated companies and joint ventures totaled US$ 126 million in 2Q05 against US$ 60 million in 2Q04. CVRD received US$ 35 million from Samarco, US$ 34 million from Usiminas, US$ 30 million from MRN, US$ 11 million from GIIC, US$ 8 million from Valesul, and US$ 3 million from Hispanobras.

The 2Q05 cash generation by business unit was: ferrous minerals 83.0%, aluminum products 7.3%, logistics 6.4%, and non-ferrous minerals 2.2%.

QUARTERLY ADJUSTED EBITDA

			US$ million
	2Q04	**1Q05**	**2Q05**
Net operating revenues	1.920	2.213	3.536
COGS	(912)	(1,247)	(1,508)
SG&A	(106)	(113)	(135)
Research and development	(27)	(34)	(54)
Other operational expenses	(43)	(24)	(68)
Adjusted EBIT	**832**	**795**	**1.771**
Depreciation, amortization & exhaustion	79	129	136
Dividends received	60	69	126
Adjusted EBITDA	**971**	**993**	**2,033**

ADJUSTED EBITDA BY BUSINESS AREA

						US$ million
	2Q04	**%**	**1Q05**	**%**	**2Q05**	**%**
Ferrous minerals	678	69.8	674	67.9	1.687	83.0
Non ferrous minerals	28	2.9	40	4.0	45	2.2
Logistics	99	10.2	90	9.1	130	6.4
Aluminum	164	16.9	169	17.0	149	7.3
Others	2	0.2	20	2.0	22	1.1
Total	**971**	**100.0**	**993**	**100.0**	**2.033**	**100.0**

FINANCIAL REVENUES/EXPENSES

CVRD posted net financial expenses of US$ 24 million in 2Q05. In relation to 2Q04 this was an improvement of US$ 63 million. Financial revenues, at US$ 27 million, were US$ 8 million higher than in 2Q04; and financial expenses, at US$ 51 million, were US$ 55 million lower.

The lower financial expenses reflected an increase of US$ 33 million in the result of derivatives transactions made for protection against market risks interest rate, currency and commodity price which had generated a gain of US$ 56 million in 2Q05, compared to a gain of US$ 23 million in 2Q04. The main driver was the gains from hedging of alumina and aluminum prices of the order of US$ 73 million.

The effect on the Company s net foreign currency liability of the 11.8% appreciation of the Real against the US dollar from 31 March to 30 June, 2005 generated a positive accounting gain of US$ 304 million in the 2Q05 result.

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INCOME FROM SHAREHOLDINGS

Equity income from affiliates and joint ventures totaled US$ 220 million, 46.7% or US$ 70 million higher yoy. The pelletizing companies, benefiting from the increase in prices of their products, were the main responsible for the raise, being its equity income US$ 131 million in 2Q05, against US$ 34 million in 2Q04.

The contribution of the shareholdings in steel, on the other hand, at US$ 62 million, was lower than in 2Q04 (US$ 92 million), reflecting the divestment of CVRD s interest in CST in the second half of 2004.

RECORD NET EARNINGS: US$ 1.630 BILLION

CVRD s net earnings in 2Q05 was a record, US$ 1.630 billion, 223.4% higher than in 2Q04 and 133.5% higher than in 1Q05. Net earnings in the half-year were US$ 2.328 billion, compared to US$ 909 million in 1H04.

The principal element in this excellent performance was operational profit, US$ 939 million higher than in 2Q04.

The appreciation of the Real, while having an adverse impact on operational costs and expenses, resulting in compressing margins, operational profit and cash generating, on the other hand caused a positive accounting gain of US$ 304 million on currency variations.

Of the difference of US$ 1.126 billion between net profit in 2Q04 and 2Q05, the lower net financial expenses contributed to US$ 63 million, and the increase in equity income to US$ 70 million.

The Company s good operational and financial results more than offset the US$ 373 million increase in income tax and social contribution, arising from higher taxable earnings base.

PARADIGM SHIFT: THE INVESTMENT GRADE CONQUEST

On July 8, 2005 Moody s Investors Service upgraded CVRD s foreign currency credit rating from Ba1 to Baa3 which on Moody s scale means credit of moderate risk, without speculative elements, identified as investment grade.

This upgrade is the result of continuous effort to implement a long-term strategy focused on the value creation, which has been responsible for CVRD s strong cash flow, supported by excellence in financial management, oriented toward minimization of risks and the strengthening of the Company s capacity to assume financial commitments.

The improvement of CVRD s credit risk classification is a historic benchmark in the Company s growth trajectory, characterized as it has been by firm commitment to value creation for its shareholders.

CVRD is now one of the rare cases in which a company that has the vast majority of its assets in a non-investment grade country is itself promoted to investment grade thus breaking a previous paradigm, and becoming the only company in Brazil with this position.

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CVRD s total debt on June 30, 2005 was US$ 4.168 billion, compared to US$ 4.182 billion on March 2005 and to US$ 4.088 billion in the end of 2004. Net debt(4) at the end of June 2005 was US$ 3.212 billion, slightly higher than the US$ 3.060 billion verified at the end of March 2005.

The average maturity of CVRD s debt on June 30, 2005 was 6.57 years, with 50% of the total debt at fixed rates and 50% at floating rates.

The rapid growth in adjusted EBITDA has been reflected in the improving trend of the Company s leverage and interest coverage indicators. Cash generation growth enables the financing of investments and distribution of dividends with only marginal increases in debt levels, leading to a decline in leverage and an increase in interest coverage. This trend is expected to be even higher in 2H05 given the expectation of decrease in total debt due to its amortization.

Total debt/LTM adjusted EBITDA fell from 2.05x on December 31, 2001 to 0.83x on June 30, 2005. Interest coverage, expressed as LTM adjusted EBITDA / interest paid(5) increased significantly to 17.73x on June 30, 2005 from 7.58x.

In June, CVRD used part of its free cash flow and the prepayment of some bank loans contracted at floating rates, in a transaction with total value of US$ 240.6 million. This aimed to reduce risks refinancing risk and interest rate risk and also the Company s average cost of debt.

In isolation, these transactions reduced the proportion of floating-rate debt from 53% to 50% of CVRD s total, and also produced a marginal positive impact on the debt s cost and average maturity.

The effect of the debt amortization was not fully reflected in the Company s total debt because CVRD contracted in April export finance credit lines to deal with short-term cash management. Such credit lines will be liquidated during 2H05, US$ 129 million in 3Q05 and US$ 186 million in 4Q05, reducing debt levels.

FINANCIAL EXPENSES

			US$ million
Financial expenses on:	**2Q04**	**1Q05**	**2Q05**
Debt with third parties	(79)	(48)	(57)
Debt with related parties	(5)	(2)	(4)
Total debt related financial expenses	**(84)**	**(50)**	**(61)**
Gross interest on:	**2Q04**	**1Q05**	**2Q05**
Tax and labour contingencies	(9)	(11)	(13)
Tax on financial transactions (CPMF)	(14)	(9)	(16)
Derivatives	23	5	56
Others	(22)	(27)	(17)
Total gross interest	**(22)**	**(42)**	**10**
Total	**(106)**	**(92)**	**(51)**

DEBT INDICATORS

			US$ million
	2Q04	**1Q05**	**2Q05**
Gross debt	4.514	4.182	4.168
Net debt	3.455	3.060	3.212
Gross debt / adjusted LTM EBITDA (x)	1.55	1.05	0.83
Adjusted LTM EBITDA / LTM interest expenses (x)	12.94	13.24	17.73
Gross debt / EV (6) (x)	0.22	0.11	0.11

Enterprise Value = market capitalization + net debt

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GREEN LIGHT FOR VERMELHO

CVRD s priority for the use of its strong cash flow is to finance investments that constitute platforms for shareholder value creation. At this point of the economic cycle, which is characterized, among other factors, by a significant increase in the price of equipments, raw materials and services, the choice of the right investment opportunities, that are truly capable of adding value, became an even greater challenge for the managers of a mining company.

Based on rigorous criteria, CVRD continues to invest a considerable volume of funds in the quest for profitable growth.

Total capital expenditure in 2Q05 was US$ 821.3 million, 44.0% more than in 1Q05. US$ 658.4 million of this total was spent on organic growth projects and R&D, and US$ 162.9 million on stay-in-business capex maintaining existing operations[1].

CVRD s total capex in the first half of 2005 was US$ 1.392 billion, 41.8% of the total of US$ 3.332 billion budgeted for the year.

The amount spent on research and development in 2Q05 was US$ 42.7 million, more than 50% higher than the US$ 28.2 million spent in the previous quarter. Mineral exploration efforts were focused on identifying new deposits of copper, coal, nickel, gold and manganese.

CVRD has various studies in progress. Highlights are: the Cristalino copper project in Carajás, in the Brazilian state of Pará; the São João do Piauí nickel project in the Brazilian state of Piauí; the coal project at Moatize in Mozambique; the manganese project at Franceville in Gabon; the phosphates project in Bayóvar, Peru; and the potash project at Rio Colorado in Argentina. The Company will start studies for the Belvedere coal project in Queensland, Australia.

The acquisition of 25% of the Chinese anthracite producer Henan Long Energy Resources Ltd. was concluded in this quarter, on payment of US$ 86.3 million. Henan is expected to produce 1.7 million tons in 2005.

At the beginning of July, CVRD s Board of Directors approved investment in development of the Vermelho nickel project with estimated production capacity of 46,000 tpy of metallic nickel and 2,800 tpy of cobalt. The estimated total investment is up to US$ 1.2 billion, for startup scheduled for the last quarter of 2008.

Main CVRD projects currently in progress

Area	**Project**	**Budgeted 2005** US$ million	**Status**
Ferrous minerals	Expansion of the Carajás iron ore mines by 85 Mtpa Northern System	140	For completion in 2006, this will add 15 million tons to CVRD s annual production capacity. The second ship loading system of Pier III is in test phase.
	Brucutu iron ore mine Southern System	205	Phase I should be completed in 2006, increasing nominal production capacity to 15 million tpy. Phase II is scheduled for completion in 2007, to bring production capacity to 24 million tpy. A further expansion, to 30 million tpy is currently under study.
	Itabira iron ore mines Southern System	16	Modernization of operations and expansion of production capacity to 46 million tpy, for conclusion and startup in 2006.

[1] Capex figures are based on actual disbursements.

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Area	**Project**	**Budgeted 2005** US$ million	**Status**
	Fazendão iron ore mine Southern System	52	Project to produce 14 million tons run-of-mine (ROM) iron ore/year. Works to begin in second half 2005, for completion and operational startup in 2007.
	Fábrica iron ore mine Southern System	38	Project for expansion of production capacity by 5 million tons, from 12 to 17 million tpy. Startup scheduled for 2007.
	Timbopeba iron ore mine Southern System	25	Extension of the mine s working life to 2008, with estimated annual production capacity of 2.7 million tons. US$7.8 million will be invested in development, purchase of small scale equipment and new access for the crushing facilities; a further US$17.6 million will be spent on rolling stock for the EFVM railroad.
	Tubarão Port expansion Southern System	22	Expansion of the conveyor belt and dockside machinery, and construction of new dockside storage patios.
	Expansion of the São Luis pelletizingplant	18	Expansion of capacity from 6 to 7 million tpy. The expansion will be completed by January 2006. Production this year is estimated at 6.25 million tons.
Coal	Anthracite	86	Acquisition of 25% of the Chinese anthracite producer Henan Longyu Energy Resources Ltd., in partnership with Yoncheng and Baosteel, has been completed. The mine will produce 1.7 million tons of high quality anthracite in 2005.
	Metallurgical coke	16	Acquisition of 25% stake in the Chinese coal producer Shandong Yankuang International Coking Ltd. for production of metallurgical coke in association with Yankuang. The project has estimated production capacity of 2 million tpy of coke, and 200,000 tpy of methanol. Startup is planned for 2006.
Non-ferrous minerals	Expansion of the Taquari-Vassouras potash mine	9	Project to expand nominal potash production capacity from 600,000 to 850,000 tpy. The ramp-up period has begun and production of 710,000 tons is expected this year.

	118 copper mine	32	Project for production of 36,000 tons of copper cathode/year.
	Vermelho nickel mine	34	Project for production of 46,000 tons of metallic nickel and 2,800 tons of cobalt, per year. Approved in July 2005; conclusion planned for 4Q08.
Aluminum	Alumina: Alunorte Modules 4 and 5	306	Modules 4 and 5 will increase the refinery s production capacity to 4.2 million tons of alumina/year. Completion is planned for 1Q06.
	Paragominas I bauxite mine	154	Will produce 4.5 million tpy of bauxite starting early in 2007. Tubes are currently being delivered for construction of the 244-km ore delivery pipeline to transport bauxite from Paragominas to the alumina refinery in Barcarena, in the Brazilian state of Pará. Earthmoving work has been completed for start of construction.
Logistics	Acquisition of locomotives and railcars for EFVM, EFC and FCA railroads	559	2,288 railcars and 63 locomotives were bought in the first half of 2005.
Electric energy	Aimorés hydroelectric power plant	12	This power plant on the Doce river in the Brazilian state of Minas Gerais will have generation capacity of 330MW. The first turbine started up in July 2005; the other two are programmed to startup by October. CVRD owns 51.0% stake in the project.
	Capim Branco I and II hydroelectric power plants	73	Both plants are on the Araguari river in the Brazilian state of Minas Gerais. Scheduled to start operating in 2006, they have generating capacity of 240MW and 210MW, respectively. Works are 68% completed on Capim Branco I, and 41% on Capim Branco II. CVRD has a 48.4% stake in both projects.

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CAPEX BY BUSINESS AREA

US$ million

Business area	2Q05		Realized 2005	
Ferrous minerals	340.2	41.4%	540.1	38.8%
Non ferrous minerals	53.1	6.5%	88.8	6.4%
Logistcs	128.6	15.6%	282.5	20.3%
Aluminum	151.0	18.4%	277.7	19.9%
Coal	91.5	11.1%	94.0	6.8%
Electric energy	35.7	4.4%	59.5	4.3%
Others	21.1	2.6%	49.1	3.5%
Total	**821.3**	**100.0%**	**1,391.6**	**100.0%**

THE SARBANES-OXLEY LAW: ADAPTING THE BYLAWS

CVRD s Extraordinary General Shareholders Meeting held on June 19, 2005 made changes to the Bylaws to introduce and provide for compliance with the principles and concepts of the Sarbanes-Oxley Act of 2002, Rule 10A-3 of the Securities and Exchange Act of 1934, and Rule 303A.06 of the New York Stock Exchange Listed Company Manual, with necessary adaptations to Brazilian legislation. Also in accordance with the rules of the Sarbanes-Oxley Act, CVRD created an internal complaints channel.

TELECONFERENCE AND WEBCAST

CVRD will hold a conference call and webcast on Friday, August 12, 2005, at 12:00 p.m. Rio de Janeiro time, 11:00 a.m. US Eastern Standard time, and 4:00 p.m. UK time. To participate, see the instructions on CVRD s website www.cvrd.com.br, in the *Investor Relations* subsection. A playback of the call and webcast will be available on the site for 90 days following August 12.

SELECTED FINANCIAL INDICATORS OF THE MAIN NON-CONSOLIDATED COMPANIES

Selected financial indicators of the principal non-consolidated companies can be found in CVRD s quarterly accounts, which are available on its website, www.cvrd.com.br, in the *Investor Relations* subsection.

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BALANCE SHEET

	06/30/04	03/31/05	US$ million 06/30/05
Assets			
Current	3,069	3,923	4,634
Long-term	1,527	1,688	1,911
Fixed	7,838	10,763	13,022
Total	**12,434**	**16,374**	**19,567**
Liabilities			
Current	1,980	2,391	3,002
Long term	5,275	5,895	6,316
Shareholders equity	5,179	8,088	10,249
Paid-up capital	3,707	3,707	6,366
Reserves	1,472	4,381	3,883
Total	**12,434**	**16,374**	**19,567**

FINANCIAL STATEMENTS

	2Q04	1Q05	US$ million 2Q05
Gross operating revenues	2,033	2,328	3,721
Taxes	(113)	(115)	(185)
Net operating revenue	**1,920**	**2,213**	**3,536**
Cost of goods sold	(912)	(1,247)	(1,508)
Gross profit	**1,008**	**966**	**2,028**
Gross margin (%)	52.5	43.7	57.4
Selling, general and administrative expenses	(106)	(113)	(135)
Research and development expenses	(27)	(34)	(54)
Employee profit-sharing	(17)	(17)	(24)
Others	(26)	(7)	(44)
Operating profit	**832**	**795**	**1,771**
Financial revenues	19	29	27
Financial expenses	(106)	(92)	(51)
Monetary variation	(245)	(2)	304
Tax and social contribution (Current)	(41)	(160)	(330)
Tax and social contribution (Deferred)	(23)	47	(107)
Equity income and provision for losses	150	133	220
Minority interest	(82)	(52)	(204)
Net earnings	504	698	1,630

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CASH FLOW STATEMENT

	2Q04	**1Q05**	US$ million **2Q05**
Cash flows from operating activities:			
Net income	504	698	1,630
Adjustments to reconcile net income with cash provided by operating activities:			
Depreciation, depletion and amortization	79	129	136
Dividends received	60	69	126
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	(150)	(133)	(220)
Deferred income taxes	23	(47)	107
Provisions for contingencies		(3)	(8)
Impairment of property, plant and equipment		4	12
Foreign exchange and monetary losses	291	27	(298)
Net unrealized derivative losses	(22)	(5)	(85)
Minority interest	82	52	204
Net interest payable	27	(2)	38
Others	27	(17)	(63)
Decrease (increase) in assets:			
Accounts receivable	(132)	(92)	(472)
Inventories	(67)	(20)	(50)
Others	67	(74)	(187)
Increase (decrease) in liabilities:			
Suppliers	(59)	45	142
Payroll and related charges	(18)	(35)	13
Income Tax		(79)	325
Others	(12)	(86)	76
Net cash provided by operating activities	**700**	**431**	**1,426**
Cash flows from investing activities:			
Loans and advances receivable	3	4	(5)
Guarantees and deposits	(18)	(17)	(3)
Additions to investments	(6)	(1)	(90)
Additions to property, plant and equipment	(416)	(661)	(777)
Proceeds from disposals of property, plant and equipment		2	1
Net cash used in investing activities	**(437)**	**(673)**	**(874)**
Cash flows from financing activities:			
Short-term debt, net issuances (repayments)	(44)	21	216
Loans	2	(13)	(6)
Long-term debt	227	239	125
Repayments of long-term debt	(201)	(156)	(432)
Interest attributed to stockholders	(269)		(500)
Net cash used in financing activities	**(285)**	**91**	**(597)**
Increase (decrease) in cash and cash equivalents	(22)	(151)	(45)
Effect of exchange rate changes on cash and cash equivalents	(2)	24	(121)
Cash and cash equivalents, beginning of period	1,083	1,249	1,122

Cash and cash equivalents, end of period	**1,059**	**1,122**	**956**
Cash paid during the period for:			
Interest on long-term debt	(51)	(82)	(35)
Income tax		(79)	(171)
Non-cash transactions			
Interest capitalized	(6)	(15)	(9)
Income tax paid with credits	(64)	(27)	(53)

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APPENDIX
Reconciliation of non-GAAP information with corresponding US GAAP figures
(1) Adjusted EBIT

			US$ million
	2Q04	**1Q05**	**2Q05**
Net operating revenues	1,920	2,213	3,536
COGS	(912)	(1,247)	(1,508)
SG&A	(106)	(113)	(135)
Research & development	(27)	(34)	(54)
Other operating expenses	(43)	(24)	(68)
Adjusted EBIT	**832**	**795**	**1,771**

(2) Adjusted EBITDA

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

RECONCILIATION BETWEEN ADJUSTED EBITDA VS. OPERATING CASH FLOW

			US$ million
	2Q04	**1Q05**	**2Q05**
Operating cash flow	**700**	**431**	**1,426**
Income tax	41	160	330
Monetary and foreign exchange losses	(46)	(25)	(6)
Financial expenses	60	65	(14)
Net working capital	221	341	153
Unrealized losses with derivatives	22	5	85
Others	(27)	16	59
Adjusted EBITDA	**971**	**993**	**2,033**

(3) Gross debt / last 12 months adjusted EBITDA

	2Q04	**1Q05**	**2Q05**
Total debt / adjusted LTM EBITDA (x)	1.55	1.05	0.83
Total debt / LTM operating cash flow (x)	2.01	1.27	1.03

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(4) Net debt

RECONCILIATION BETWEEN GROSS DEBT VS, NET DEBT

			US$ million
	2Q04	**1Q05**	**2Q05**
Gross debt	4,514	4,182	4,168
Cash and cash equivalents	1,059	1,122	956
Net debt	3,455	3,060	3,212

(5) Adjusted LTM EBITDA / LTM interest expenses

	2T04	**1T05**	**2T05**
Adjusted LTM EBITDA / LTM interest expenses (x)	12.94	13.24	17.73
LTM operating income / LTM interest expenses (x)	10.26	11.12	15.05

(6) Total debt / *enterprise value*

	2Q04	**1Q05**	**2Q05**
Total debt / EV (x)	21.74	11.06	10.98
Total debt / total assets (x)	36.30	25.54	21.30

Entreprise value = net debt + market capitalization

This communication may include declarations which represent the expectations of the Company s Management about future results or events. All such declarations, when based on future expectations and not on historical facts, involve various risks and uncertainties. The Company cannot guarantee that such declarations turn out to be correct. Such risks and uncertainties include factors relative to the Brazilian economy and capital markets, which are volatile and may be affected by developments in other countries; factors relative to the iron ore business and its dependence on the steel industry, which is cyclical in nature; and factors relative to the high degree of competitiveness in industries in which CVRD operates. To obtain additional information on factors which could cause results to be different from those estimated by the Company, please consult the reports filed with the Comissão de Valores Mobiliários (CVM Brazilian stock exchange regulatory authority) and the U.S. Securities and Exchange Commission SEC, including the most recent Annual Report CVRD Form 20F.

COMPANHIA VALE DO RIO DOCE
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Report of Independent Registered
Public Accounting Firm

To the Board of Directors and Stockholders
Companhia Vale do Rio Doce

We have reviewed the accompanying unaudited condensed consolidated balance sheet of Companhia Vale do Rio Doce and subsidiaries as of June 30, 2005, and the unaudited condensed consolidated statements of income, of cash flows and of changes in stockholders equity for the three-month periods ended June 30 and March 31, 2005 and June 30, 2004 and and for the six-month periods ended June 30, 2005 and 2004, respectively. This interim financial information is the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated interim financial information referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Companhia Vale do Rio Doce and subsidiaries as of December 31, 2004, and the related consolidated statements of income, of cash flows and of changes in stockholders equity for the year then ended (not presented herein) and in our report dated March 21, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2004 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers
Auditores Independentes
Rio de Janeiro, Brazil
August 10, 2005

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Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars

	June 30, 2005 (unaudited)	December 31, 2004
Assets		
Current assets		
Cash and cash equivalents	956	1,249
Accounts receivable, net		
Related parties	252	124
Unrelated parties	1,486	905
Loans and advances to related parties	82	56
Inventories	1,033	849
Deferred income tax	215	203
Recoverable taxes	250	285
Others	360	219
	4,634	**3,890**
Property, plant and equipment, net	**11,514**	**9,063**
Investments in affiliated companies and joint ventures and other investments, net of provision for losses on equity investments	**1,508**	**1,159**
Other assets		
Goodwill on acquisition of subsidiaries	546	486
Loans and advances		
Related parties	44	55
Unrelated parties	58	56
Prepaid pension cost	248	170
Deferred income tax	33	70
Judicial deposits	622	531
Unrealized gain on derivative instruments	2	4
Others	358	231
	1,911	**1,603**
TOTAL	**19,567**	**15,715**

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Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars
(Except number of shares)

(Continued)

	June 30, 2005 (unaudited)	December 31, 2004
Liabilities and stockholders equity		
Current liabilities		
Suppliers	971	689
Payroll and related charges	132	141
Interest attributed to stockholders	16	11
Current portion of long-term debt unrelated parties	685	730
Short-term debt	346	74
Loans from related parties	50	52
Provision for taxes	382	459
Provision for operational expenses	157	64
Others	263	235
	3,002	**2,455**
Long-term liabilities		
Employees post-retirement benefits	229	215
Long-term debt unrelated parties	3,072	3,214
Loans from related parties	15	18
Provisions for contingencies (Note 9)	1,318	914
Unrealized loss on derivative instruments	115	236
Provisions for environmental liabilities	159	134
Others	339	350
	5,247	**5,081**
Minority interests	**1,069**	**788**
Stockholders equity		
Preferred class A stock - 1,800,000,000 no-par-value shares authorized and 415,727,739	2,150	1,176
Common stock - 900,000,000 no-par-value shares authorized and 749,949,429 issued	3,806	2,121
Treasury stock - 11,803 (2004 - 11,951) preferred and 14,145,510 common shares	(88)	(88)
Additional paid-in capital	498	498
Other cumulative comprehensive loss	(2,744)	(3,774)

Appropriated retained earnings	1,829	4,143
Unappropriated retained earnings	4,798	3,315
	10,249	**7,391**
TOTAL	**19,567**	**15,715**

See notes to condensed consolidated financial information.

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Condensed Consolidated Statements of Income
Expressed in millions of United States dollars (Unaudited)
(except number of shares and per-share amounts)

			Three-month periods ended	**Six-month periods ended June 30**	
	June 30, 2005	**March 31, 2005**	**June 30, 2004**	**2005**	**2004**
Operating revenues, net of discounts, returns and allowances					
Sales of ores and metals	3,077	1,748	1,520	4,825	2,774
Revenues from logistic services	316	232	220	548	411
Aluminum products	327	346	289	673	569
Other products and services	1	2	4	3	10
	3,721	**2,328**	**2,033**	**6,049**	**3,764**
Value-added tax	(185)	(115)	(113)	(300)	(188)
Net operating revenues	**3,536**	**2,213**	**1,920**	**5,749**	**3,576**
Operating costs and expenses					
Cost of ores and metals sold	(1,134)	(912)	(647)	(2,046)	(1,290)
Cost of logistic services	(169)	(143)	(117)	(312)	(232)
Cost of aluminum products	(203)	(191)	(143)	(394)	(290)
Others	(2)	(1)	(5)	(3)	(8)
	(1,508)	**(1,247)**	**(912)**	**(2,755)**	**(1,820)**
Selling, general and administrative expenses	(135)	(113)	(106)	(248)	(207)
Research and development	(54)	(34)	(27)	(88)	(50)
Employee profit sharing plan	(24)	(17)	(17)	(41)	(30)
Others	(44)	(7)	(26)	(51)	(54)
	(1,765)	**(1,418)**	**(1,088)**	**(3,183)**	**(2,161)**
Operating income	**1,771**	**795**	**832**	**2,566**	**1,415**
Non-operating income (expenses)					
Financial income	27	29	19	56	31
Financial expenses	(51)	(92)	(106)	(143)	(248)
Foreign exchange and monetary gains (losses), net	304	(2)	(245)	302	(287)
	280	**(65)**	**(332)**	**215**	**(504)**
	2,051	**730**	**500**	**2,781**	**911**

Income before income taxes, equity results and minority interests					
Income taxes					
Current	(330)	(160)	(41)	(490)	(138)
Deferred	(107)	47	(23)	(60)	9
	(437)	**(113)**	**(64)**	**(550)**	**(129)**
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	220	133	150	353	236
Minority interests	(204)	(52)	(82)	(256)	(109)
Net income	**1,630**	**698**	**504**	**2,328**	**909**
Income available to preferred stockholders	588	252	182	840	328
Income available to common stockholders	1,042	446	322	1,488	581
Basic and diluted earnings per Preferred Class A Share	**1.41**	**0.61**	**0.44**	**2.02**	**0.79**
Basic and diluted earnings per Common Share	**1.41**	**0.61**	**0.44**	**2.02**	**0.79**
Weighted average number of shares outstanding (thousands of shares)					
Preferred Class A shares	415,716	415,716	415,713	415,716	415,713
Common shares	735,804	735,804	735,804	735,804	735,804

See notes to condensed consolidated financial information.

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Condensed Consolidated Statements of Cash Flows
Expressed in millions of United States dollars (Unaudited)

	Three-month periods ended			Six-month periods ended June 30	
	June 30,2005	March 31,2005	June 30,2004	2005	2004
Cash flows from operating activities:					
Net income	1,630	698	504	2,328	909
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation, depletion and amortization	136	129	79	265	178
Dividends received	126	69	60	195	121
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	(220)	(133)	(150)	(353)	(236)
Deferred income taxes	107	(47)	23	60	(9)
Provisions for other contingencies	(8)	(3)		(11)	
Impairment of property, plant and equipment	12	4		16	
Foreign exchange and monetary losses (gains)	(298)	27	291	(271)	336
Net unrealized derivative losses (gains)	(85)	(5)	(22)	(90)	32
Minority interests	204	52	82	256	109
Interest payable, net	38	(2)	27	36	13
Others	(63)	(17)	27	(80)	9
Decrease (increase) in assets:					
Accounts receivable	(472)	(92)	(132)	(564)	(155)
Inventories	(50)	(20)	(67)	(70)	(82)
Others	(187)	(74)	67	(261)	42
Increase (decrease) in liabilities:					
Suppliers	142	45	(59)	187	(84)
Payroll and related charges	13	(35)	(18)	(22)	(21)
Taxes payable	325	(79)		246	
Others	76	(86)	(12)	(10)	135
Cash provided by operating activities	**1,426**	**431**	**700**	**1,857**	**1,297**
Cash flows from investing activities:					
Loans and advances receivable					
Related parties					
Additions	(27)		(6)	(27)	(6)
Repayments	22	3	5	25	46
Others		1	4	1	19
Guarantees and deposits	(3)	(17)	(18)	(20)	(42)
Additions to investments	(90)	(1)	(6)	(91)	(15)
Additions to property, plant and equipment	(777)	(661)	(416)	(1,438)	(797)
Proceeds Others from disposals of property, plant and equipment	1	2		3	

Cash used in investing activities	**(874)**	**(673)**	**(437)**	**(1,547)**	**(795)**
Cash flows from financing activities:					
Short-term debt, net issuances (repayments)	216	21	(44)	237	
Loans					
Related parties					
Additions	3	4	3	7	6
Repayments	(9)	(17)	(1)	(26)	(7)
Issuances of long-term debt					
Related parties	11	4		15	
Others	114	235	227	349	892
Repayments of long-term debt					
Others	(432)	(156)	(201)	(588)	(671)
Interest attributed to stockholders	(500)		(269)	(500)	(269)
Cash provided by (used in) financing activities	**(597)**	**91**	**(285)**	**(506)**	**(49)**
Increase (decrease) in cash and cash equivalents	(45)	(151)	(22)	(196)	453
Effect of exchange rate changes on cash and cash equivalents	(121)	24	(2)	(97)	(5)
Initial cash in new consolidated subsidiary					26
Cash and cash equivalents, beginning of period	1,122	1,249	1,083	1,249	585
Cash and cash equivalents, end of period	**956**	**1,122**	**1,059**	**956**	**1,059**
Cash paid during the period for:					
Interest on short-term debt					(2)
Interest on long-term debt	(35)	(82)	(51)	(117)	(131)
Income tax	(171)	(79)		(250)	
Non-cash transactions					
Interest capitalized	(9)	(15)	(6)	(24)	(11)
Income tax paid with credits	(53)	(27)	(64)	(80)	(61)

See notes to condensed consolidated financial information.

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Condensed Consolidated Statements of Changes in Stockholders Equity
Expressed in millions of United States dollars (Unaudited)
(except number of shares and per-share amounts)

	Three-month periods ended			Six-month periods ended June 30	
	June 30, 2005	**March 31, 2005**	**June 30, 2004**	**2005**	**2004**
Preferred class A stock (including three special shares)					
Beginning of the period	**1,176**	**1,176**	**1,055**	**1,176**	**1,055**
Transfer from appropriated retained earnings	**974**		**121**	**974**	**121**
End of the period	**2,150**	**1,176**	**1,176**	**2,150**	**1,176**
Common stock					
Beginning of the period	**2,121**	**2,121**	**1,902**	**2,121**	**1,902**
Transfer from appropriated retained earnings	**1,685**		**219**	**1,685**	**219**
End of the period	**3,806**	**2,121**	**2,121**	**3,806**	**2,121**
Treasury stock					
End of the period	**(88)**	**(88)**	**(88)**	**(88)**	**(88)**
Additional paid-in capital					
End of the period	**498**	**498**	**498**	**498**	**498**
Other cumulative comprehensive loss					
Cumulative translation adjustments					
Beginning of the period	(3,891)	(3,869)	(4,480)	(3,869)	(4,449)
Change in the period	1,032	(22)	(277)	1,010	(308)
End of the period	**(2,859)**	**(3,891)**	**(4,757)**	**(2,859)**	**(4,757)**
Unrealized gain on available-for-sale securities					
Beginning of the period	116	95	77	95	74
Change in the period	(1)	21	(16)	20	(13)
End of the period	**115**	**116**	**61**	**115**	**61**
	(2,744)	**(3,775)**	**(4,696)**	**(2,744)**	**(4,696)**

Total other cumulative comprehensive loss					
Appropriated retained earnings					
Beginning of the period	4,126	4,143	3,016	4,143	3,035
Transfer (to) from retained earnings	362	(17)	(175)	345	(194)
Transfer to capital stock	(2,659)		(340)	(2,659)	(340)
End of the period	**1,829**	**4,126**	**2,501**	**1,829**	**2,501**
Retained earnings					
Beginning of the period	4,030	3,315	3,119	3,315	2,857
Net income	1,630	698	504	2,328	909
Interest attributed to stockholders					
Preferred class A stock	(180)		(48)	(180)	(106)
Common stock	(320)		(83)	(320)	(187)
Appropriation (to) from reserves	(362)	17	175	(345)	194
End of the period	**4,798**	**4,030**	**3,667**	**4,798**	**3,667**
Total stockholders equity	**10,249**	**8,088**	**5,179**	**10,249**	**5,179**
Comprehensive income is comprised as follows:					
Net income	1,630	698	504	2,328	909
Cumulative translation adjustments	1,032	(22)	(277)	1,010	(308)
Unrealized gain on available-for-sale securities	(1)	21	(16)	20	(13)
Total comprehensive income	**2,661**	**697**	**211**	**3,358**	**588**
Shares					
Preferred class A stock (including three special shares)	**415,727,739**	**415,727,739**	**415,727,739**	**415,727,739**	**415,727,739**
Common stock	**749,949,429**	**749,949,429**	**749,949,429**	**749,949,429**	**749,949,429**
Treasury stock (1)					
Beginning of the period	(14,157,325)	(14,157,461)	(14,158,059)	(14,157,461)	(14,158,059)
Sales	12	136		148	
End of the period	**(14,157,313)**	**(14,157,325)**	**(14,158,059)**	**(14,157,313)**	**(14,158,059)**
	1,151,519,855	**1,151,519,843**	**1,151,519,109**	**1,151,519,855**	**1,151,519,109**

Interest attributed to stockholders (per share)				
Preferred class A stock (including three special shares)	0.43	0.11	0.43	0.25
Common stock	0.43	0.11	0.43	0.25

(1) As of June 30, 2005, 14,145,510 common shares and 11,803 preferred shares were held in treasury in the amount of US$ 88. The 14,145,510 common shares guarantee a loan of our subsidiary Alunorte.

See notes to condensed consolidated financial information.

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Notes to the Condensed Consolidated Financial Information
Expressed in millions of United States dollars, unless otherwise stated (Unaudited)

1 The Company and its operations

Companhia Vale do Rio Doce (CVRD) is a limited liability company, duly organized and existing under the laws of the Federative Republic of Brazil. Our operations are carried out through CVRD and its subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production and logistics, as well as energy, aluminum and steel activities. Further details of our joint ventures and affiliates are described in Note 7.

The main operating subsidiaries we consolidate are as follows:

Subsidiary	% ownership	% voting capital	Head office location	Principal activity
Alumina do Norte do Brasil S.A. Alunorte (Alunorte)	57	61	Brazil	Alumina
Alumínio Brasileiro S.A. Albras (Albras)	51	51	Brazil	Aluminum
CADAM S.A (CADAM) (1)	37	100	Brazil	Kaolin
CVRD Overseas Ltd.	100	100	Cayman Islands	Trading
Ferrovia Centro-Atlântica S. A.	100	100	Brazil	Logistics
Itabira Rio Doce Company Ltd. ITACO	100	100	Cayman Islands	Trading
Minerações Brasileiras Reunidas S.A. MBR (2)	56	90	Brazil	Iron ore
Navegação Vale do Rio Doce S.A. DOCENAVE	100	100	Brazil	Shipping
Pará Pigmentos S.A. (1)	76	86	Brazil	Kaolin
Rio Doce International Finance Ltd. RDIF	100	100	Bahamas	International finance
Rio Doce Manganês S.A.	100	100	Brazil	Manganese and Ferroalloys
Rio Doce Manganèse Europe RDME	100	100	France	Ferroalloys
Rio Doce Manganese Norway RDMN	100	100	Norway	Ferroalloys
Salobo Metais S.A.	100	100	Brazil	Copper
Urucum Mineração S.A.	100	100	Brazil	Iron ore, Ferroalloys and Manganese

(1) Through Caemi Mineração e Metalurgia S.A. CVRD holds 60.2% of the total capital and 100% of the voting capital.

(2) Through Caemi Mineração e Metalurgia S.A. and Belém Administrações e Participações Ltda.

2 Basis of consolidation

All majority-owned subsidiaries where we have both share and management control are consolidated, with elimination of all significant intercompany accounts and transactions. Additionally, variable interest entities in which we are the primary beneficiary (FASB Interpretation FIN No. 46 Consolidation of Variable Interest Entities (revised December 2003)) are consolidated as from January 1, 2004. Investments in unconsolidated affiliates and joint ventures are reported at cost plus our equity in undistributed earnings or losses. Included in this category are certain joint ventures in which we have majority ownership but, by force of shareholders agreements, do not have effective management control. We provide for losses on equity investments with negative stockholders equity where applicable.

We evaluate the carrying value of our listed investments relative to publicly available quoted market prices. If the quoted market price is below book value, and such decline is considered other than temporary, we write-down our equity investments to quoted market value.

We define joint ventures as businesses in which we and a small group of other partners each participate actively in the overall entity management, based on a shareholders agreement. We define affiliates as businesses in which we participate as a minority stockholder but with significant influence over the operating and financial policies of the investee.

Investments in unincorporated joint ventures, formed for the purpose of investing in hydroelectric power projects, are proportionately consolidated.

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3 Summary of significant accounting policies

Our condensed consolidated interim financial information for the three-month periods ended June 30, 2005, March 31, 2005 and June 30, 2004 and for the six-month periods ended June 30, 2005 and 2004 is unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods. The results of operations for the three and six month period ended June 30, 2005 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2005.

In preparing the consolidated financial statements, we are required to use estimates to account for certain assets, liabilities, revenues and expenses. Our consolidated financial statements therefore include various estimates concerning the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired in business combinations, income tax valuation allowances, employee post-retirement benefits and other similar evaluations, actual results may vary from our estimates.

Exchange rates at June 30, 2005, March 31, 2005 and December 31, 2004 were R$2,3504: US$1.00, R$2,6662: US$1.00 and R$2,6544: US$1.00, respectively.

4 Recently-issued accounting pronouncements

In June 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections which sets reporting of a change in accounting principles or errors. We do not expect FASB No. 154 to have a significant impact on our financial position, results of operations or cash flows.

In March 2005, the FASB issued FSP FIN 46(R)-5, Consolidation of Variable Interests Entities to address whether a reporting enterprise should consider whether it holds an implicit variable interest in a variable interest entity (VIE) or potential VIE when specific conditions exist. We adopted FIN 46R and we do not expect FSP FIN 46(R)-5 to have any impact on our financial position, results of operations or cash flows.

In March 2005, the FASB issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations which refers to legal obligation to perform an asset retirement activity. We do not expect FASB Interpretation No. 47 to have a significant impact on our financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment which sets accounting requirements for share-based compensation to employees, including employee-stock-purchase-plans (ESPPs) and provides guidance on accounting for awards to non-employees. Which did not have a significant impact on our financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets an amendment of APB No. 29. We will apply this Statement in the event exchanges of nonmonetary assets occur in fiscal periods beginning after June 15, 2005.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs an amendment of ARB No. 43, Chapter 4 that deals with inventory pricing. We have already adopted this new Statement, which did not have a significant impact on our financial position, results of operations or cash flows.

In September 2004, the FASB issued FSP EITF Issue 03-1-1, which delayed the effective date of paragraphs 10-20 of EITF Issue No. 03-1, The Meaning of Other-Than-Temporary

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Impairment and Its Application to Certain Investments. We do not expect EITF Issue No. 03-01 to have any impact on our financial position, results of operations or cash flows.

5 Income taxes

Income taxes in Brazil comprise federal income tax and social contribution, which is an additional federal tax. The statutory composite enacted tax rate applicable in the periods presented is 34% represented by a 25% federal income tax rate plus a 9% social contribution rate.

The amount reported as income tax expense in our condensed consolidated financial information is reconciled to the statutory rates as follows:

	Three-month periods ended			Six-month periods ended June 30	
	June 30, 2005	**March 31, 2005**	**June 30, 2004**	**2005**	**2004**
Income before income taxes, equity results and minority interests	**2,051**	**730**	**500**	**2,781**	**911**
Federal income tax and social contribution expense at statutory enacted rates	(697)	(248)	(171)	(945)	(310)
Adjustments to derive effective tax rate:					
Tax benefit on interest attributed to stockholders	131	54	44	185	99
Exempt foreign income (expenses)	82	46	21	128	35
Difference on tax basis of equity investees	(17)	(4)	(16)	(21)	(30)
Tax incentives	59	22	3	81	12
Valuation allowance reversal (provision)			52		52
Other non-taxable gains (losses)	5	17	3	22	13
Federal income tax and social contribution expense in consolidated statements of income	**(437)**	**(113)**	**(64)**	**(550)**	**(129)**

We have certain tax incentives relative to our iron ore and manganese operations in Carajás, potash in Sergipe and relative to alumina and aluminum in Barcarena. The incentives relative to iron ore and manganese comprise full income tax exemption on defined production levels up to 2005 and partial exemption up to 2013. The incentive relating to alumina and potash comprise full income tax exemption on defined production levels which expires in 2010 and 2013, respectively, while the partial exemption incentives relative to aluminum expire in 2013. An amount equal to the tax saving must be appropriated to a reserve account within stockholders equity and may not be distributed in the form of cash dividends.

6 Inventories

	June 30, 2005	**December 31, 2004**
Finished products		
Iron ore and pellets	224	205
Manganese and ferroalloys	164	156

Aluminum	53	54
Alumina	22	20
Kaolin	19	17
Others	31	11
Spare parts and maintenance supplies	520	386
	1,033	**849**

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7 Investments in affiliated companies and joint ventures

	June 30, 2005				Investments		Equity Adjustments					Dividends received					Quote
							Three-month periods ended			Six-month periods ended June 30		Three-month periods ended			Six-month periods ended June 30		mark valu
	Participation in capital (%)		Net equity	Net income for the period	June 30, 2005	December 31, 2004	June 30, 2005	March 31, 2005	June 30, 2004	2005	2004	June 30, 2005	March 31, 2005	June 30, 2004	2005	2004	Jun 3 200
	voting	total															
errous																	
ompanhia ipo-Brasileira de elotização IBRASCO (2)	51.11	51.00	67	28	34	30	11	2	5	13	7						n/
ompanhia ispano-Brasileira e Pelotização ISPANOBRÁS)	51.00	50.89	82	32	42	26	14	2	3	16	4	3	1		4		n/
ompanhia oreano-Brasileira e Pelotização OBRASCO	50.00	50.00	62	33	31	13	14	3	1	17	2						n/
ompanhia alo-Brasileira de elotização TABRASCO (2)	51.00	50.90	69	29	35	18	13	1	3	14	4						n/
ulf Industrial vestment ompany GIIC	50.00	50.00	139	70	70	45	23	12	2	35	6	11		1	11	7	n/
AMARCO lineração S.A. AMARCO (3)	50.00	50.00	588	182	340	261	56	34	20	90	45	35	20	30	55	49	n/
linas da Serra eral S.A. MSG	50.00	50.00	39	(2)	19	18	(4)		(2)	(4)	(2)						n/
thers					26	24	1	(2)		(1)	(1)						n/
					597	**435**	**128**	**52**	**32**	**180**	**65**	**49**	**21**	**31**	**70**	**56**	n/
ogistics																	
IRS Logística S.A	37.23	29.35	261		75	78	12	10	8	22	14	5			5		n/
thers						1											n/
					75	**79**	**12**	**10**	**8**	**22**	**14**	**5**			**5**		n/

oldings																	
teel																	
sinas derúrgicas de inas Gerais S.A. SIMINAS	22.99	11.46	2,013	864	231	140	57	42	16	99	34	34			34	13	42.
ompanhia derúrgica de ubarão CST (1)									61		78						n/
alifornia Steel dustries Inc. CSI	50.00	50.00	324	32	162	149	5	11	15	16	14		20	2	20	2	n/
IDERAR (cost 15) available for le investments	4.85	4.85			130	110											13
					523	**399**	**62**	**53**	**92**	**115**	**126**	**34**	**20**	**2**	**54**	**15**	**55**
luminum and auxite																	
ineração Rio do orte S.A. MRN	40.00	40.00	362	80	145	171	17	15	14	32	25	30	28	20	58	41	n/
alesul Alumínio A. VALESUL	54.51	54.51	114	7	62	55	1	3	4	4	7	8		7	8	9	n/
					207	**226**	**18**	**18**	**18**	**36**	**32**	**38**	**28**	**27**	**66**	**50**	n/
oal																	
enan Longyu esources Co. td(4)					86												n/
handong ankuang ternational ompany Ltd(4)					10	10											n/
					96	**10**											n/
ther affiliates nd joint ventures					**10**	**10**					(1)						n/
					836	**645**	**80**	**71**	**110**	**151**	**157**	**72**	**48**	**29**	**120**	**65**	**55**
otal					**1,508**	**1,159**	**220**	**133**	**150**	**353**	**236**	**126**	**69**	**60**	**195**	**121**	**55**

(1) During 2004 we sold its interest in CST;

(2) We held a majority of the voting power of several entities that were accounted for under the equity method in accordance with EITF 96-16 due to veto rights held by minority under shareholders agreements;

(3) Investment includes goodwill of US$45 in periods presented;

(4) Preoperating investiments.

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8 Pension costs

	Three month periods ended			Six-month periods ended June 30	
	June 30, 2005	March 31, 2005	June 30, 2004 (*)	2005	2004 (*)
Service cost benefits earned during the period	1			1	1
Interest cost on projected benefit obligation	60	56	47	116	94
Expected return on assets	(75)	(69)	(53)	(144)	(106)
Amortization of initial transitory obligation	2	3	2	5	4
Net deferral	(4)	(4)	(6)	(8)	(12)
Net periodic pension cost	**(16)**	**(14)**	**(10)**	**(30)**	**(19)**

(*) Based on 2004 annual periodic pension cost.

In addition to benefits provided under the Pension Plan, accruals have been made relative to supplementary health care benefits extended in previous periods as part of early-retirement programs. Such accruals included in long-term liabilities totaled US$229 and US$215, at June 30, 2005 and December 31, 2004, respectively, plus US$44 and US$34, respectively, in current liabilities.

The cost recognized for the three-month ended June 30, 2005, March 31, 2005, and June 30, 2004 relative to the defined contribution element of the New Plan was US$2, in each period.

We previously disclosed in our consolidated financial statements for the year ended December 31, 2004, that we expected to contribute US$16 to our defined benefit pension plan in 2005. As of June 30, 2005, US$9 of our contributions have been made. We do not expect any change in our previous estimate.

9 Commitments and contingencies

(a) At June 30, 2005, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of US$6, as follows:

Affiliate or Joint Venture	Amount of guarantee	Denominated currency	Purpose	Final maturity	Counter guarantees
SAMARCO	5	US$	Debt guarantee	2008	None
VALESUL	1	R$	Debt guarantee	2007	None
	6				

We expect no losses to arise as a result of the above guarantees. We charge a commission for extending these guarantees in the case of Samarco.

We have not provided any significant guarantees since January 1, 2003 which would require fair value adjustments under FIN 45 Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others .

(b) We and our subsidiaries are defendants in numerous legal actions in the normal course of business. Based on the advice of our legal counsel, management believes that the provision made against contingent losses is sufficient to cover probable losses in connection with such actions.

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The provision for contingencies and the related judicial deposits are composed as follows:

	June 30, 2005		December 31, 2004	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Labor claims	256	127	221	109
Civil claims	204	95	185	72
Tax related actions	814	390	473	341
Others	44	10	35	9
	1,318	**622**	**914**	**531**

Labor related actions principally comprise employee claims for (i) payment of time spent travelling from their residences to the work-place, (ii) additional payments for alleged dangerous or unhealthy working conditions and (iii) various other matters, often in connection with disputes about the amount of indemnities paid upon dismissal.

Civil actions principally relate to claims made against us by contractors in connection with losses alleged to have been incurred by them as a result of various past government economic plans during which full indexation of contracts for inflation was not permitted.

Tax related actions principally comprise our challenges of certain income tax, revenue taxes, Value Added Tax and of the tax on checking account transaction CPMF.

We continue to vigorously pursue our interests in all the above actions but recognize that probably will incur some losses in the final instance, for which we have made provisions.

Our judicial deposits are made as required by the courts for us to be able to enter or continue a legal action. When judgment is favorable to us, we receive the deposits back; when unfavorable, the deposits are released to the prevailing party.

Contingencies settled in the three-month period ended June 30, 2005, March 31, 2005 and june 30, 2004 aggregated US$56, US$4 and US$14, respectively, and additional provisions aggregated US$44, US$14 and US$39, respectively.

In addition to the contingencies for which we have made provisions, we have possible losses in connection with tax contingencies totaling US$843 at June 30, 2005, for which, no provision is maintained.

(c) We and BNDES entered into a contract, known as the Mineral Risk Contract, in March 1997, relating to prospecting authorizations for mining regions where drilling and exploration are still in their early stages. The Mineral Risk Contract provides for the joint development of certain unexplored mineral deposits in approximately two million identified hectares of land in the Carajás region, as well as proportional participation in any financial benefits earned from the development of such resources. Iron ore and manganese deposits already identified and subject to development are specifically excluded from the Mineral Risk Contract.

Pursuant to the Mineral Risk Contract, we and BNDES each agreed to provide US$205, which represents half of the US$410 in expenditures estimated as necessary to complete geological exploration and mineral resource development projects in the region. We will oversee these projects and BNDES will advance us half of our costs on a quarterly basis. Under the Mineral Risk Contract, as of June 30, 2005, the remaining contributions towards

exploration and development activities totaled US$44. In the event that either of us wishes to conduct further exploration and development after having spent such US$205, the contract provides that each party may either choose to match the other party s contributions, or may choose to have its financial interest proportionally diluted. If a party s participation in the project is diluted to an amount lower than 40% of the amount invested in connection with exploration and development projects, then the Mineral Risk Contract provides that the diluted party will lose all the rights and benefits provided for in the Mineral Risk Contract and

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any amounts previously contributed to the project.

Under the Mineral Risk Contract, BNDES has agreed to compensate us through a finder s fee production royalty on their share of mineral resources that are discovered and placed into production. This finder s fee is equal to 3.5% of the revenues derived from the sale of gold, silver and platinum group metals and 1.5% of the revenues derived from the sale of other minerals, including copper, except for gold and other minerals discovered at Serra Leste, for which the finder s fee is equal to 6.5% of revenues.

(d) At the time of our privatization in 1997, we issued shareholder revenue interests known in Brazil as debentures to our then-existing shareholders, including the Brazilian Government. The terms of the debentures , were set to ensure that our pre-privatization shareholders, including the Brazilian Government, would participate alongside us in potential future financial benefits that we are able to derive from exploiting our mineral resources.

On March 22, 2005 we declared a distribution on these debentures in the amount of US$3, paid as from April 1, 2005.

(e) We use various judgments and assumptions when measuring our environmental liabilities and asset retirement obligations. Changes in circumstances, law or technology may affect our estimates and we periodically review the amounts accrued and adjust them as necessary. Our accruals do not reflect unasserted claims because we are currently not aware of any such issues. Also the amounts provided are not reduced by any potential recoveries under cost sharing, insurance or indemnification arrangements because such recoveries are considered uncertain. The changes are demonstrated as follows:

	Three-month periods ended (unaudited)			**Six-month periods ended June 30**	
	June 30, 2005	**March 31, 2005**	**June 30, 2004**	**2005**	**2004**
Environmental liabilities beginning of period	**137**	**134**	**82**	**134**	**81**
Accretion expense	10	4	4	14	6
Liabilities settled in the current period	(4)			(4)	
Cumulative translation adjustment	16	(1)	(4)	15	(5)
Environmental liabilities end of period	**159**	**137**	**82**	**159**	**82**

10 Segment and geographical information

In 1999 we adopted SFAS 131 Disclosures about Segments of an Enterprise and Related Information with respect to the information we present about our operating segments. SFAS 131 introduced a management approach concept for reporting segment information, whereby such information is required to be reported on the basis that the chief decision-maker uses internally for evaluating segment performance and deciding how to allocate resources to segments. Our business segments are currently organized as follows:

Ferrous products comprises iron ore mining and pellet production, as well as the Northern and Southern transportation systems, including railroads, ports and terminals, as they pertain to mining operations. Manganese mining and ferroalloys are also included in this segment.

Non-ferrous products comprises the production of non-ferrous minerals, including potash, kaolin, copper and research of others minerals, mainly nickel.

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Logistics comprises our transportation systems as they pertain to the operation of our ships, ports and railroads for third-party cargos.

Holdings divided into the following sub-groups:

Aluminum comprises aluminum trading activities, alumina refining and aluminum metal smelting and investments in joint ventures and affiliates engaged in bauxite mining.

Steel comprises our investments in joint ventures and affiliates operating in the steel industry.

Others comprises our investments in joint ventures and affiliates engaged in other business.

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Consolidated net income and principal assets are reconciled as follows:

Results by segment before eliminations (Unaudited)

															As of and for th
					June 30, 2005							**March 31, 2005**			
		Holdings							**Holdings**						
Non ferrous	**Logistics**	**Aluminum**	**Others**	**Eliminations**	**Consolidated**	**Ferrous**	**Non ferrous**	**Logistics**	**Aluminum**	**Others**	**Eliminations**	**Consolidated**	**Ferrous**	**Non ferrous**	**Logistics**
206	17	422		(1,476)	2,708	2,059	153	20	445		(1,001)	1,676	1,875	81	22
42	318	81		(107)	1,013	386	49	228	93		(104)	652	364	35	219
(203)	(210)	(392)	(12)	1,583	(1,814)	(1,792)	(162)	(158)	(397)		1,105	(1,404)	(1,591)	(89)	(142)
(17)	(10)	(12)			(136)	(97)	(13)	(9)	(10)			(129)	(57)	(6)	(8)
28	**115**	**99**	**(12)**		**1,771**	**556**	**27**	**81**	**131**			**795**	**591**	**21**	**91**
	11	3	1	(66)	27	69	1	8	2		(51)	29	63		2
(4)	(4)	50		66	(51)	(129)	(1)	(3)	(10)		51	(92)	(139)	(2)	(5)
3	(7)	107			304	(5)	3					(2)	(202)	(2)	(1)
	12	18	62		220	52		10	18	53		133	32		8
(1)	(5)	(40)	(1)		(437)	(67)	(2)	(5)	(39)			(113)	(87)	(4)	(1)
		(99)			(204)	(24)			(28)			(52)	(31)	1	
26	**122**	**138**	**50**		**1,630**	**452**	**28**	**91**	**74**	**53**		**698**	**227**	**14**	**94**
	11	81		(144)	282	216		11	106		(145)	188	172		18
		42		(89)	119	126		3	78		(109)	98	121		
125	6	185		(685)	1,149	824	50	6	132		(359)	653	857	68	4
34				(75)	236	124	38		6		(51)	117	87	1	
6		98		(133)	324	192	6		97		(79)	216	187	4	
10				(220)	431	399	28		26		(174)	279	300	5	
31		16		(130)	167	178	31				(84)	125	151	3	

206	**17**	**422**		**(1,476)**	**2,708**	**2,059**	**153**	**20**	**445**		**(1,001)**	**1,676**	**1,875**	**81**	**22**
42	318	81		(107)	1,013	386	49	228	93		(104)	652	364	35	219
248	**335**	**503**		**(1,583)**	**3,721**	**2,445**	**202**	**248**	**538**		**(1,105)**	**2,328**	**2,239**	**116**	**241**
1,478	827	1,572	126		11,514	6,192	1,403	690	1,255	1		9,541	4,542	1,020	483
46	52	153	1		777	368	29	42	109			548	165	62	153
	75	207	629		1,508	466		66	217	473		1,222	330		56
1,001	**827**	**1,079**	**22**		**9,397**	**5,275**	**918**	**682**	**975**	**(27)**		**7,823**	**4,307**	**679**	**449**

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Operating income by product after eliminations (unaudited)

																As
				June 30, 2005									March 31, 2005			
			Depreciation,					Value				Depreciation,				
	Cost		depletion							Cost		depletion				
Net	and		and	Operating			Revenues	added	Net	and		and	Operating			Revenues
revenues	expenses	Net	amortization	income	Export	Domestic	Total	tax	revenues	expenses	Net	amortization	income	Export	Domestic	Total
2,085	(682)	1,403	(87)	1,316	865	225	1,090	(30)	1,060	(529)	531	(84)	447	732	211	943
542	(333)	209	(4)	205	267	74	341	(11)	330	(237)	93	(3)	90	251	68	319
18	(14)	4		4	16	4	20	(2)	18	(9)	9		9	8	3	11
140	(96)	44	(5)	39	102	51	153	(14)	139	(82)	57	(3)	54	103	50	153
2,785	**(1,125)**	**1,660**	**(96)**	**1,564**	**1,250**	**354**	**1,604**	**(57)**	**1,547**	**(857)**	**690**	**(90)**	**600**	**1,094**	**332**	**1,426**
29	(15)	14	(2)	12		30	30	(3)	27	(14)	13	(2)	11		31	31
44	(24)	20	(6)	14	34	5	39	(2)	37	(20)	17	(10)	7	34	5	39
92	(44)	48	(9)	39	61	14	75	(3)	72	(40)	32	(8)	24	24		24
165	**(83)**	**82**	**(17)**	**65**	**95**	**49**	**144**	**(8)**	**136**	**(74)**	**62**	**(20)**	**42**	**58**	**36**	**94**
99	(95)	4	(6)	(2)	114	22	136	(8)	128	(98)	30	(6)	24	83		83
203	(93)	110	(6)	104	191	9	200	(1)	199	(90)	109	(4)	105	197	1	198
13	(12)	1		1	10		10		10	(9)	1		1	8		8
315	**(200)**	**115**	**(12)**	**103**	**315**	**31**	**346**	**(9)**	**337**	**(197)**	**140**	**(10)**	**130**	**288**	**1**	**289**
195	(124)	71	(9)	62		159	159	(27)	132	(91)	41	(8)	33		153	153
50	(33)	17		17		46	46	(9)	37	(26)	11	(1)	10		45	45
22	(19)	3	(2)	1	15	12	27	(2)	25	(25)				10	12	22
267	**(176)**	**91**	**(11)**	**80**	**15**	**217**	**232**	**(38)**	**194**	**(142)**	**52**	**(9)**	**43**	**10**	**210**	**220**
4	(45)	(41)		(41)	1	1	2	(3)	(1)	(19)	(20)		(20)	3	1	4
3,536	**(1,629)**	**1,907**	**(136)**	**1,771**	**1,676**	**652**	**2,328**	**(115)**	**2,213**	**(1,289)**	**924**	**(129)**	**795**	**1,453**	**580**	**2,033**

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Results by segment before eliminations (Unaudited)

	Six-month periods ended June 30													
	2005							200						
				Holdings							Holdings			
	Ferrous	Non ferrous	Logistics	Aluminum	Others	Eliminations	Consolidated	Ferrous	Non ferrous	Logistics	Aluminum	Others	Eliminations	Consolidate
ross revenues port	5.598	359	37	867		(2.477)	4.384	3,437	115	41	761		(1,658)	2,69
ross revenues omestic	1.065	91	546	174		(211)	1.665	651	63	403	106		(155)	1,06
ost and expenses	(4.372)	(365)	(368)	(789)	(12)	2.688	(3.218)	(2,960)	(142)	(270)	(612)		1,813	(2,17
epreciation, pletion and nortization	(194)	(30)	(19)	(22)			(265)	(135)	(12)	(15)	(16)			(17
perating oss) income	**2.097**	**55**	**196**	**230**	**(12)**		**2.566**	**993**	**24**	**159**	**239**			**1,41**
nancial income	147	1	19	5	1	(117)	56	107		6	3	2	(87)	3
nancial expenses	(288)	(5)	(7)	40		117	(143)	(255)	(3)	(9)	(67)	(1)	87	(24
reign exchange d monetary gains osses), net	196	6	(7)	107			302	(234)	(2)	(6)	(48)	3		(28
quity in results of filiates and joint ntures and change provision for sses on equity vestments	180		22	36	115		353	65		14	32	125		23
come taxes	(457)	(3)	(10)	(79)	(1)		(550)	(141)	(4)	(3)	22	(3)		(12
inority interests	(129)			(127)			(256)	(45)			(64)			(10
et income	**1.746**	**54**	**213**	**212**	**103**		**2.328**	**490**	**15**	**161**	**117**	**126**		**90**
les classified by ographic stination: port market														
nerica, except nited States	550		22	187		(289)	470	330		33	111		(201)	27
nited States	292		3	120		(198)	217	228			45		(136)	13
rope	2.342	175	12	317		(1.044)	1.802	1,516	90	8	361		(747)	1,22
iddle st/Africa/Oceania	401	72		6		(126)	353	176	1				(45)	13
pan	545	12		195		(212)	540	337	12		185		(166)	36
ina	1.040	38		26		(394)	710	538	9		59		(232)	37
	428	62		16		(214)	292	312	3				(131)	18

sia, other than pan and China													
	5.598	**359**	**37**	**867**		**(2.477)**	**4.384**	**3,437**	**115**	**41**	**761**		**(1,658)**	**2,69**
omestic market	1.065	91	546	174		(211)	1.665	651	63	403	106		(155)	1,06
	6.663	**450**	**583**	**1.041**		**(2.688)**	**6.049**	**4,088**	**178**	**444**	**867**		**(1,813)**	**3,76**
ssets:														
operty, plant and uipment, net	7.511	1.478	827	1.572	126		11.514	4,542	1,020	483	826	1		6,87
dditions to operty, plant and uipment	1.007	75	94	262			1.438	322	133	285	57			79
vestments in filiated companies d joint ventures d other vestments, net of ovision for losses	597		75	207	629		1.508	330		56	195	385		96
apital employed	**6.468**	**1.001**	**827**	**1.079**	**22**		**9.397**	**4,307**	**679**	**449**	**816**	**26**		**6,27**

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Operating income by product after eliminations (unaudited)

Six-month periods end																
2005																
Revenues			Value added tax	Net revenues	Cost and expenses	Net	Depreciation, depletion and amortization	Operating income	Revenues			Value added tax	Net revenues	Cost and expenses	Net	Depreciat deple amortiza
Export	Domestic	Total							Export	Domestic	Total					
2,559	697	3,256	(111)	3,145	(1,204)	1,941	(178)	1,763	1,384	385	1,769	(61)	1,708	(779)	929	(
729	181	910	(38)	872	(570)	302	(7)	295	434	120	554	(19)	535	(379)	156	
30	9	39	(3)	36	(23)	13		13	14	6	20	(3)	17	(14)	3	
200	107	307	(28)	279	(178)	101	(8)	93	194	81	275	(21)	254	(158)	96	
3,518	**994**	**4,512**	**(180)**	**4,332**	**(1,975)**	**2,357**	**(193)**	**2,164**	**2,026**	**592**	**2,618**	**(104)**	**2,514**	**(1,330)**	**1,184**	**(**
	61	61	(5)	56	(29)	27	(4)	23		54	54	(9)	45	(22)	23	
72	12	84	(3)	81	(51)	30	(9)	21	68	10	78	(3)	75	(43)	32	
150	18	168	(4)	164	(84)	80	(17)	63	24		24		24	(4)	20	
222	**91**	**313**	**(12)**	**301**	**(164)**	**137**	**(30)**	**107**	**92**	**64**	**156**	**(12)**	**144**	**(69)**	**75**	
208	38	246	(19)	227	(193)	34	(12)	22	181	6	187	(9)	178	(156)	22	
385	19	404	(2)	402	(183)	219	(10)	209	347	12	359	(1)	358	(121)	237	
23		23		23	(21)	2		2	23		23		23	(21)	2	
616	**57**	**673**	**(21)**	**652**	**(397)**	**255**	**(22)**	**233**	**551**	**18**	**569**	**(10)**	**559**	**(298)**	**261**	
	391	391	(64)	327	(215)	112	(17)	95		286	286	(44)	242	(147)	95	
	106	106	(19)	87	(59)	28	(1)	27		83	83	(6)	77	(44)	33	
27	24	51	(4)	47	(44)	3	(2)	1	21	21	42	(10)	32	(52)	(20)	
27	**521**	**548**	**(87)**	**461**	**(318)**	**143**	**(20)**	**123**	**21**	**390**	**411**	**(60)**	**351**	**(243)**	**108**	
1	2	3		3	(64)	(61)		(61)	6	4	10	(2)	8	(43)	(35)	
4,384	**1,665**	**6,049**	**(300)**	**5,749**	**(2,918)**	**2,831**	**(265)**	**2,566**	**2,696**	**1,068**	**3,764**	**(188)**	**3,576**	**(1,983)**	**1,593**	**(**

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11 Derivative financial instruments

Volatility of interest rates, exchange rates and commodity prices are the main market risks to which we are exposed all three are managed through derivative instruments. These have the exclusive aim of reducing exposure to risk. We do not use derivatives for speculation purposes.

We monitor and evaluate our derivative positions on a regular basis and adjust our strategy in response to market conditions. We also periodically review the credit limits and credit worthiness of our counter-parties in these transactions. In view of the policies and practices established for operations with derivatives, management considers the occurrence of non-measurable risk situations as unlikely.

The asset (liability) balances and the change in fair value of derivative financial instruments are as follows (the quarterly information is unaudited):

	Interest rates (LIBOR)	**Currencies**	**Gold**	**Alumina**	**Aluminum**	**Total**
Unrealized gains (losses) at April 1, 2005	(12)	3	(31)	(50)	(113)	(203)
Financial settlement	4		2	9	9	24
Unrealized gains (losses) in the period		(1)	3	24	59	85
Effect of exchange rate changes	(1)		(4)	(5)	(9)	(19)
Unrealized gains (losses) at June 30, 2005	**(9)**	**2**	**(30)**	**(22)**	**(54)**	**(113)**
Unrealized gains (losses) at January 1, 2005	(17)	4	(37)	(55)	(127)	(232)
Financial settlement	3		2	8	10	23
Unrealized gains (losses) in the period	2	(1)	3	(3)	4	5
Effect of exchange rate changes			1			1
Unrealized gains (losses) at March 31, 2005	**(12)**	**3**	**(31)**	**(50)**	**(113)**	**(203)**
Unrealized gains (losses) at April 1, 2004	(48)	1	(37)	(36)	(43)	(163)
Financial settlement	11		1			12
Unrealized gains (losses) in the period	5		9	4	4	22
	2		2	2	2	8

Effect of exchange rate changes						
Unrealized gains (losses) at June 30, 2004	**(30)**	**1**	**(25)**	**(30)**	**(37)**	**(121)**
Unrealized gains (losses) at January 1, 2005	(17)	4	(37)	(55)	(127)	(232)
Financial settlement	7		4	17	19	47
Unrealized gains (losses) in the period	2	(2)	6	21	63	90
Effect of exchange rate changes	(1)		(3)	(5)	(9)	(18)
Unrealized gains (losses) at June 30, 2005	**(9)**	**2**	**(30)**	**(22)**	**(54)**	**(113)**
Unrealized gains (losses) at January 1, 2004	(46)	5	(32)	(18)		(91)
Initial consolidation of Albras					(20)	(20)
Financial settlement	14	(2)	1			13
Unrealized gains (losses) in the period	(1)	(2)	4	(14)	(19)	(32)
Effect of exchange rate changes	3		2	2	2	9
Unrealized gains (losses) at June 30, 2004	**(30)**	**1**	**(25)**	**(30)**	**(37)**	**(121)**

Unrealized gains (losses) in the period are included in our income statement under the caption of financial expenses and foreign exchange on liabilities.

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Final maturity dates for the above instruments are as follows:

Interest rates (LIBOR)	October 2007
Currencies	December 2011
Gold	December 2008
Alumina	December 2008
Aluminum	December 2008

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Supplemental Financial Statements

The following unaudited information provides additional details in relation to certain financial ratios.

EBITDA Earnings Before Interest, Income Tax, Depreciation and Amortization

(a) EBITDA represents operating income plus depreciation, amortization and depletion plus impairment/gain on sale of property, plant and equipment plus dividends received from equity investees.

(b) EBITDA is not a US GAAP measure and does not represent cash flow for the periods presented and should not be considered as an alternative to net income (loss), as an indicator of our operating performance or as an alternative to cash flow as a source of liquidity.

(c) Our definition of EBITDA may not be comparable with EBITDA as defined by other companies.

(d) Although EBITDA, as defined above, does not provide a US GAAP measure of operating cash flows, we use it to measure our operating performance and it is commonly used by financial analysts in evaluating our business.

Selected financial indicators for the main affiliates and joint ventures are available on the Company s website, www.cvrd.com.br, under investor relations

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CVRD s Consolidated Debt Indices (Additional information Unaudited)

		As of and for the three-months periods ended		As of and for the six-month periods ended	
	June 30, 2005	March 31, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Current debt					
Current portion of long-term debt unrelated parties	685	711	853	685	853
Short-term debt	346	118	127	346	127
Loans from related parties	50	51	45	50	45
	1,081	**880**	**1,025**	**1,081**	**1,025**
Long-term debt					
Long-term debt unrelated parties	3,072	3,290	3,488	3,072	3,488
Loans from related parties	15	12	1	15	1
	3,087	**3,302**	**3,489**	**3,087**	**3,489**
Gross debt (current plus long-term debt)	**4,168**	**4,182**	**4,514**	**4,168**	**4,514**
Interest paid over:					
Short-term debt					(2)
Long-term debt	(35)	(82)	(51)	(117)	(131)
Interest paid	**(35)**	**(82)**	**(51)**	**(117)**	**(133)**
EBITDA	**2,033**	**993**	**971**	**3,026**	**1,714**
Stockholders equity	**10,249**	**8,088**	**5,179**	**10,249**	**5,179**
EBITDA / LTM Interest paid	**17.73**	**13.24**	**12.94**	**17.73**	**12.94**
Gross Debt / LTM EBITDA	**0.83**	**1.05**	**1.55**	**0.83**	**1.55**
Gross debt / Equity Capitalization (%)	**29**	**36**	**47**	**29**	**47**
Financial expenses					
Third party local debt	(15)	(10)	(12)	(25)	(25)
Third party foreign debt	(42)	(38)	(67)	(80)	(110)
Related party debt	(4)	(2)	(5)	(6)	(7)
Gross interest	(61)	(50)	(84)	(111)	(142)
Labor and civil claims and tax-related actions	(13)	(11)	(9)	(24)	(15)
Tax on financial transactions CPMF	(16)	(9)	(14)	(25)	(18)

Derivatives (Interest rate / Currencies)	(3)	2	37	(1)	3
Derivatives (gold / alumina / aluminum)	59	3	(14)	62	(39)
Others	(17)	(27)	(22)	(44)	(37)
	(51)	**(92)**	**(106)**	**(143)**	**(248)**
Financial income					
Cash and cash equivalents	19	14	10	33	19
Others	8	15	9	23	12
	27	**29**	**19**	**56**	**31**
Financial expenses, net	**(24)**	**(63)**	**(87)**	**(87)**	**(217)**
Foreign exchange and monetary gain (losses) on liabilities(1)	537	(30)	(363)	507	(428)
Foreign exchange and monetary gain (losses) on assets	(233)	28	118	(205)	141
Foreign exchange and monetary gain (losses), net	**304**	**(2)**	**(245)**	**302**	**(287)**
Financial result, net	**280**	**(65)**	**(332)**	**215**	**(504)**

(1) Includes foreign exchange gain(loss) on derivatives in the amount of US$29, US$0, US$1, US$29 and US$(4) for the three-month periods ended June 30, 2005, March 31,2005 and June 30 2004 and for the six-month periods ended June 30, 2005 and June 30, 2004, respectively.

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Calculation of EBITDA (Additional information Unaudited)

	As of and for the three-month periods ended			As of and for the six-month periods ended	
	June 30, 2005	March 31, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Operating income	1,771	795	832	2,566	1,415
Depreciation	136	129	79	265	178
	1,907	**924**	**911**	**2,831**	**1,593**
Dividends received	126	69	60	195	121
EBITDA	**2,033**	**993**	**971**	**3,026**	**1,714**
Net operating revenues	3,536	2,213	1,920	5,749	3,576
Margin EBITDA	**57.5%**	**44.9%**	**50.6%**	**52.6%**	**47.9%**

Adjusted EBITDA x Operating Cash Flows (Additional information Unaudited)

	As of and for the three-month periods ended						As of and for the six-month periods ended			
	June 30, 2005		March 31, 2005		June 30, 2004		June 30, 2005		June 30, 2004	
	EBITDA	Operating cash flows	EBITDA	Operating cash flows	EBITDA	Operating cash flows	EBITDA	Operating cash flows	EBITDA	Operating cash flows
Net income	1.630	1.630	698	698	504	504	2,328	2,328	909	909
Income tax	107	107	(47)	(47)	23	23	60	60	(9)	(9)
Income tax cash	330		160		41		490		138	
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	(220)	(220)	(133)	(133)	(150)	(150)	(353)	(353)	(236)	(236)
Foreign exchange and monetary gains(losses)	(304)	(298)	2	27	245	291	(302)	(271)	287	336
Financial (income)/expenses, net	24	38	63	(2)	87	27	87	36	217	13
Minority interests	204	204	52	52	82	82	256	256	109	109
Net working capital		(153)		(341)		(221)		(494)		(165)

Net unrealized derivative losses(gains)		(85)		(5)		(22)		(90)		32
Others		(59)		(16)		27		(75)		9
Operating income	**1,771**	**1,164**	**795**	**233**	**832**	**561**	**2,566**	**1,397**	**1,415**	**998**
Depreciation, depletion and amortization	136	136	129	129	79	79	265	265	178	178
Dividends received	126	126	69	69	60	60	195	195	121	121
	2,033	**1,426**	**993**	**431**	**971**	**700**	**3,026**	**1,857**	**1,714**	**1,297**
Operating cash flows		**1,426**		**431**		**700**		**1,857**		**1,297**
Income tax		330		160		41		490		138
Foreign exchange and monetary gains(losses)		(6)		(25)		(46)		(31)		(49)
Financial (income)/expenses, net		(14)		65		60		51		204
Net working capital		153		341		221		494		165
Others		144		21		(5)		165		(41)
EBITDA		**2,033**		**993**		**971**		**3,026**		**1,714**

Board of Directors, Fiscal Council and Executive Officers
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Arlindo Magno de Oliveira
Eduardo Fernando Jardim Pinto
Erik Persson Francisco Augusto da Costa e Silva
Jaques Wagner
Hiroshi Tada
Mário da Silveira Teixeira Júnior
Oscar Augusto de Camargo Filho
Renato da Cruz Gomes
Jorge Luiz Pacheco
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Inácio Clemente da Silva Paulo
Roberto Ferreira de Medeiros
Executive Development Committee
Arlindo Magno de Oliveira
João Moisés de Oliveira
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Chief Executive Officer
Murilo Pinto de Oliveira Ferreira
Executive Officer for Equity Holdings and
Business Development
José Carlos Martins
Executive Officer for Ferrous Minerals

Carla Grasso
Executive Officer for Human Resources and Corporate Services
José Lancaster
Executive Officer for Non-Ferrous Minerals
Fábio de Oliveira Barbosa
Chief Financial Officer
Gabriel Stoliar
Executive Officer for Planning
Guilherme Rodolfo Laager
Executive Officer for Logistics
Otto de Souza Marques Junior
Chief Officer of Control Department
Marcus Vinícius Dias Severini
Chief Accountant
CRC-RJ 093892/O-3

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 12, 2005

COMPANHIA VALE DO RIO DOCE
(Registrant)

By: /s/ Fabio de Oliveira Barbosa

Fabio de Oliveira Barbosa
Chief Financial Officer