COMMUNITY CENTRAL BANK CORP
Form 10-Q
May 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2007

Commission File No. 000-33373

COMMUNITY CENTRAL BANK CORPORATION
(Exact name of small business issuer as specified in its charter)

Michigan	38-3291744
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

100 North Main Street, PO Box 7, Mount Clemens, MI 48046-0007
(Address of principal executive offices and zip code)

(586) 783-4500
(Issuer's telephone number)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No[]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act . (Check One):
Large accelerated filer [] Accelerated filer [] Non-accelerated filer [X]

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at May 11, 2007
Common Stock	3,705,494 Shares

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-Q (continued)

PART I

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

	March 31, 2007 (Unaudited)	December 31, 2006
	(In thousands)	
Assets		
Cash and due from banks	$ 9,741	$ 11,026
Federal funds sold	22,100	13,700
Cash and Cash Equivalents	31,841	24,726
Trading securities at fair value option	26,642	--
Securities available for sale, at fair value	63,241	80,916
Securities held to maturity, at amortized cost	1,022	1,017
FHLB stock	4,540	4,540
Residential mortgage loans held for sale	3,932	3,441
Loans		
Commercial real estate	239,048	236,399
Commercial and industrial	29,288	28,393
Residential real estate	68,391	72,517
Home equity lines of credit	17,760	17,614
Consumer loans	11,071	11,666
Credit card loans	629	693
Total Loans	366,187	367,282
Allowance for credit losses	(3,709)	(3,815)
Net Loans	362,478	363,467
Net property and equipment	9,008	9,225
Accrued interest receivable	2,689	2,599
Other real estate	108	108
Goodwill	1,381	1,381
Intangible assets, net of amortization	135	145
Cash surrender value of Bank Owned Life insurance	10,273	10,163
Other assets	3,632	3,300
Total Assets	$ 520,922	$ 505,028

(continued)

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-Q (continued)

CONSOLIDATED BALANCE SHEETS

	March 31, 2007 (Unaudited)	December 31, 2006
	(In thousands, except share data)	
Liabilities		
Deposits		
Noninterest bearing demand deposits	$ 34,361	$ 33,331
NOW and money market accounts	62,663	59,339
Savings deposits	13,999	10,569
Time deposits	230,391	252,617
Total deposits	341,414	355,856
Repurchase agreements and fed funds purchased	31,522	15,688
Federal Home Loan Bank advances ($15.8 million at fair value)	80,353	83,528
Accrued interest payable	1,191	1,257
Other liabilities	1,498	1,629
ESOP note payable	79	95
Subordinated debentures (all instruments at fair value)	28,814	10,310
Total Liabilities	484,871	468,363
Stockholders' Equity		
Common stock -- 9,000,000 shares authorized; 3, 741,594 shares issued and outstanding at 3-31-2007 and 3,829,758 at 12-31-2006	32,227	33,220
Retained earnings	4,314	4,303
Unearned employee benefit	(79)	(95)
Accumulated other comprehensive (loss) income	(411)	(763)
Total Stockholders' Equity	36,051	36,665
Total Liabilities and Stockholders' Equity	$ 520,922	$ 505,028

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-Q (continued)

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
	(In thousands, except per share data)	
Interest Income		
Loans (including fees)	$ 6,852	$ 6,028
Taxable securities	667	771
Tax exempt securities	334	278
Federal funds sold	255	37
Total Interest Income	8,108	7,114
Interest Expense		
Deposits	3,720	2,700
Repurchase agreements and fed funds purchased	160	93
Federal Home Loan Bank advances	921	959
ESOP loan interest expense	2	3
Subordinated debentures	394	215
Total Interest Expense	5,197	3,970
Net Interest Income	2,911	3,144
Provision for loan losses	50	50
Net Interest Income after Provision	2,861	3,094
Noninterest Income		
Fiduciary income	87	67
Deposit service charges	88	82
Net realized security gain	--	--
Fair Value Option - SFAS 159	228	--
Mortgage banking income	754	854
Other income	261	199
Total Noninterest Income	1,418	1,202
Noninterest Expense		
Salaries, benefits, and payroll taxes	2,143	2,105
Premises and fixed asset expense	452	466
Other operating expense	865	845
Total Noninterest Expense	3,460	3,416
Income Before Taxes	819	880
Provision for income taxes	161	177
Net Income	$ 658	$ 703

(continued)

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-Q (continued)

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Per share data*:		
Basic earnings	$ 0.17	$ 0.18
Diluted earnings	$ 0.16	$ 0.17
Cash Dividends	$ 0.06	$ 0.06

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* Per share data has been retroactively adjusted for stock dividends.

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-Q (continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31, 2007	2006
	(In thousands)	
Net Income as Reported	$ 658	$ 703
Other Comprehensive Income, Net of Tax		
Change in unrealized (loss) gain on securities available for sale	57	(128)
Comprehensive Income	$ 715	$ 575

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-Q (continued)

CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

	Three Months Ended Marc	
	2007	2006
	(In thousands)	
Operating Activities		
Net income	$ 658	$
Adjustments to reconcile net income to net cash flow from operating activities:		
Net amortization of security premium	48	
Net gain on financial instrument at fair value	(228)	
Provision for loan losses	50	
Depreciation expense	178	
Deferred income tax (benefit) expense	(103)	
ESOP compensation expense	16	
SFAS 123R stock option expense	7	
(Increase) decrease in accrued interest receivable	(90)	
(Increase) decrease in other assets	(557)	
(Increase) decrease in accrued interest payable	(66)	
Increase in other liabilities	(131)	
Increase (decrease) in loans held for sale	(491)	
Net Cash (Used in) Provided by Operating Activities	(709)	1
Investing Activities		
Maturities, calls, sales and prepayments of securities available for sale	3,007	2
Purchase of securities available for sale	(11,875)	(10
Maturities, calls, and prepayments of held to maturity securities	--	
Purchases of held to maturity securities	10	
Increase in loans	939	(17
Purchases of property and equipment	39	
Net Cash Used in Investing Activities	(7,880)	(26
Financing Activities		
Net increase (decrease) in demand and savings deposits	7,784	
Net increase (decrease) in time deposits	(22,226)	18
Net increase (decrease) in borrowings	15,834	
Issuance of subordinated debentures	18,557	4
Repayment of FHLB advances	(3,000)	
Payment of ESOP debt	(16)	
Stock options exercise	12	
Cash dividends paid	(229)	
Repurchase of common stock	(1,012)	
Net Cash Provided by Financing Activities	15,704	21
Increase (decrease) in Cash and Cash Equivalents	7,115	(2
Cash and Cash Equivalents at the Beginning of the Year	24,726	11
Cash and Cash Equivalents at the End of the Period	$ 31,841	$ 8
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	$ 5,263	$ 3
Federal Taxes Paid	$ --	$

COMMUNITY CENTRAL BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. The financial statements of Community Central Bank Corporation (the "Corporation") include the consolidation of its direct and indirect subsidiaries: Community Central Bank (the "Bank") and Community Central Mortgage Company, LLC (the "Mortgage Company").

The Corporation's Consolidated Balance Sheets are presented as of March 31, 2007 and December 31, 2006, and Consolidated Statements of Income and Comprehensive Income for the three month periods ended March 31, 2007 and 2006, and Consolidated Statements of Cash Flow for the three months ended March 31, 2007 and 2006. These unaudited financial statements are for interim periods, and do not include all disclosures normally provided with annual financial statements. The interim statements should be read in conjunction with the financial statements and footnotes contained in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

In the opinion of management, the interim statements referred to above contain all adjustments (consisting of normal, recurring items) necessary for a fair presentation of the financial statements. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

2. The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America and general practices within the banking industry. The following describes the critical accounting policies, which are employed in the preparation of financial statements.

Allowance for Loan Losses: The allowance for loan losses is maintained at a level considered by management to be adequate to absorb losses inherent in existing loans and loan commitments. The adequacy of the allowance is based on evaluations that take into consideration such factors as prior loss experience, changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific impaired or problem loans and commitments, current economic conditions that may affect the borrower's ability to pay, and other subjective factors. The determination of the allowance is also based on regulatory guidance. This guidance includes, but is not limited to, generally accepted accounting principles, and guidance issued from other regulatory bodies such as the joint policy statement issued by the Federal Financial Institutions Examination Council.

3. Community Central Capital Trust I, a business trust subsidiary of the Corporation sold 10,000 shares of cumulative preferred securities ("trust preferred securities") at $1,000.00 per trust preferred security in June 2002. The proceeds from the sale of the trust preferred securities were used by the trust to purchase an equivalent amount of subordinated debentures from the Corporation. The trust preferred securities carry a variable rate of interest at the three month libor plus 365 basis points, have a stated maturity of 30 years, and, in effect, are guaranteed by the Corporation. The securities are redeemable at par after 5 years. Distributions on the trust preferred securities are payable quarterly on March 30, June 30, September 30 and December 30. The first distribution was paid on September 30, 2002 and distributions have been made quarterly ever since. Under certain circumstances, distributions may be deferred for up to 20 calendar quarters. However, during any such deferrals, interest accrues

on any unpaid distributions at the rate of the three month libor plus 365 basis points. The trust preferred securities are carried on the Corporation's consolidated balance sheet as a liability and the interest expense is recorded on the Corporation's consolidated statement of income.

On February 13, 2007, Community Central Bank Corporation issued $18.0 million aggregate liquidation amount of cumulative trust preferred securities through Community Central Capital Trust II, a statutory trust formed by the Corporation for the purpose of issuing the securities (the "Trust II Securities"). The Trust II securities have a fixed interest rate of 6.71% per annum through March 6, 2017, and thereafter will have a floating interest rate equal to 90-day LIBOR plus 1.65%. The Trust II Securities are redeemable, at the Corporation's option, in whole or in part, at par, beginning March 6, 2017, and if not sooner redeemed, mature on March 6, 2037. The Trust II Securities were sold in a private transaction exempt from registration under the Securities Act of 1933, as amended.

The Corporation anticipates the redemption of the $10.0 million aggregate liquidation amount of cumulative subordinated debentures issued by Community Central Capital Trust I, which may be redeemed at par on or after June 30, 2007. The Corporation intends to use the remaining proceeds of the sale of the Trust II securities for general corporate purposes.

4. In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), Sharebased Payment, (SFAS 123R), which requires entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). The cost is recognized as an expense over the period during which the employee is required to provide service in exchange for the award, which is usually the vesting period. As required by SFAS 123R, as with SFAS 123, the Corporation is required to estimate the fair value of all stock options on each grant date, using an appropriate valuation approach such as the Black-Scholes option pricing model. The provisions of this statement were effective for the Corporation beginning January 1, 2006.

The Corporation did not issue options during the first quarter of 2007 and 2006. The total amount of options outstanding at March 31, 2007 was 328,936 shares, adjusted for the announced stock dividend, at a weighted average exercise price of $8.93 per share. During the first quarter of 2007, 1,273 options were exercised at an exercise price of $8.89 per share. During the first quarter of 2007, using the Black Scholes option-pricing model, the Corporation recognized compensation cost of $7,000 for the options vesting in the first quarter of 2007 based on the fair market value of the grant date. The net income and earnings per share for the first quarter of 2006, on a pro forma basis, are disclosed for comparison below.

	Three Months Ended March 31, 2007	2006
	(In thousands, except per share da	

Net income, as reported	$	658	$	7
Add: Stock-based employee compensation expense, net of related tax effects, included in reported net income		7		
Deduct: Total stock-based employee and director compensation expense under fair value based methods of awards, net of related tax effects		(7)		
Pro forma net income	$	658	$	7
Earnings per share				
Basic - as reported	$	0.17	$	0.
Basic - pro forma	$	0.17	$	0.
Diluted - as reported	$	0.16	$	0.
Diluted - pro forma	$	0.16	$	0.

The fair value of each option grant is estimated on the date of grant using the Black Scholes option pricing model.

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-Q (continued)

5. In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159).

The statement provides for an entity to adopt early and elect the fair value option for existing eligible items as of the beginning of a fiscal year that begins on or before November 15, 2007. The entity must also adopt all the requirements under SFAS 157, the Fair Value Measurement. As a result of the Corporation's adoptions, certain financial instruments were valued at a fair value classification. The adoption of the fair value standards had a net positive after tax impact of approximately $150,000 on first quarter earnings. The cumulative reduction to opening retained earnings from adopting these standards was approximately $420,000. Partially offsetting the total net charge to retained earnings was the increase in capital from the reversal of other comprehensive income from the transfer of the unrealized losses on available for sale securities which had an affect of an increase in capital of $295,000. Therefore, the total net after tax decrease in stockholder's equity was $125,000 from the early adoption of SFAS 159 and concurrent adoption of SFAS 157.

The following table shows the balance sheet effect of the early adoption of SFAS 159.

Description	Balance Sheet 1/1/07 prior to adoption	Net adjustment upon adoption	Balan 1/1/0 after ado
		(in thousands of dollars)	
Securities	27,024	(447)	
Federal Home Loan Bank Advances	(16,000)	247	
Subordinated Debentures (a)	(10,055)	(437)	

Pretax cumulative effect of SFAS 159		(637)	
Increase in deferred tax asset		217	
Cumulative effect of adoption of SFAS 159 (charged to retained earnings)		420	

(a) The carrying amount includes $255,000 in unamortized deferred issuance costs on the subordinated debenture from the issuance of the Community Central Capital Trust I. As a result of the early adoption of SFAS 159 the difference between the carrying amount and the fair value was removed and included in the cumulative effect adjustment above.

Management has elected the fair value option based on the following reasons for each of the eligible items or group of similar eligible items.

Investment Securities and FHLB Advances:

The election of SFAS 159 and SFAS 157 treatment for existing eligible investment securities was based on multiple factors which included the desire to utilize the Federal Home Loan Bank advance portfolio to offset volatility with the investment portfolio. Approximately $27.0 million of investment securities were selected for early adoption of SFAS 159 based primarily on the relatively short overall duration in the selected instruments. The overall effective duration of the instruments was 1.8 years based on current market interest rates. Many of the instruments have early call provisions, which based on current interest rate expectations have a high degree of probability to be called. Some instruments have been pre-refunded with certainty of maturity expected. The investments selected are primarily comprised of agency debentures and short callable bank qualified tax exempt municipal bonds. The selected securities will be categorized under trading portfolio status. Management believes that it has more options

of balance sheet management under the fair value option, including the management of volatility caused by the embedded options within these instruments. The short overall duration of the selected instruments, coupled with the utilization of FHLB advances as an attempt to hedge the risk, should mitigate large swings in fair values that will be recorded in the income statement as part of adoption of SFAS 159 and SFAS 157. Management cannot predict future interest rates and is reliant on forecasts and models to make decisions regarding interest rate and fair value risk.

The election of SFAS 159 treatment for the selected FHLB advances was based on managements' choice to provide a natural hedge against the securities selected under SFAS 159. The FHLB advances were selected for the fair value option based on the maturity ranges within the FHLB portfolio of advances. All maturities within 18 months from the early adoption date of January 1, 2007 were selected regardless of the instruments interest rates. The selected FHLB advances had a net unrealized gain position as of January 1, 2007 and March 31, 2007 and were selected solely as a natural balance sheet hedge for the investment portfolio elected under SFAS 159. The decrease in the unrealized loss position of the selected investments and the income recognized under SFAS 159 for the first three months of 2007 was completely offset by a corresponding decrease in unrealized gains within the selected FHLB advances. Management will review the selected instruments and should changes with overall market interest rates, the treasury yield curve, or the structure of the investments including the embedded call options change, it may require management to acquire additional hedges which may necessitate an off balance sheet interest rate swap or similar hedge or require the election of a new balance sheet instrument and would be accounted for under SFAS 159. Additionally, should management and the ALCO committee, believe other balance sheet strategies will better position the Bank and Corporation, other transactions could be considered including the sale of investments classified under trading status. Management has no intent to extinguish any FHLB advances as they represent interest rates which are lower than current equivalent market rates. It is the intent of management for the foreseeable future to utilize fair value option on selected investment securities, or like kind dollars on disposal.

Subordinated Debentures:

Management elected the fair value option for both its subordinated debentures. Management considers the subordinated debentures a critical component for future growth and wishes to utilize interest rate swaps to hedge the risk of this longer term liability and critical form of regulatory capital. Under SFAS 159, hedge accounting has become less complex and therefore available to a community bank with limited resources. The subordinated debenture for $10.3 million that was issued in June 2002 and maturing June 2032, callable June 30, 2007, was an eligible instrument for the early adoption of the fair value option as of January 1, 2007. The pretax accumulated adjustment from the recognition of fair value on this instrument was $447,000. The carrying amount of the instrument included $255,000 in unamortized deferred issuance costs on the subordinated debenture which is included in the aforementioned pretax adjustment. Management has elected the fair value option on the subordinated debenture which was issued on February 13, 2007 for $18.6 million. Additionally, an interest rate swap for a like kind notional value has been secured to reduce any volatility associated with the recognition of the fair value option under SFAS 159. The pretax income recognized during the first quarter of 2007 from the election of the subordinated debentures under SFAS 159 was $235,000 with the majority of this income resulting from the recognition of an increase in fair value on the new $18.6 million debenture. The debenture carries an interest rate fixed for 10 years at 6.71%, and was originally based on a ten year treasury interest rate swap of 5.06%, plus 165 basis points and was prior to the settlement of the interest rate swap hedging market fluctuations.

Any reductions in overall carrying costs, aside from changes in fair value, occurring on any financial asset or liability measured under SFAS 157 and SFAS 159 during the first quarter of 2007 was the result of normal pay downs, maturities and calls of the various financial instruments. No instruments recorded under SFAS 159 were sold during the first quarter of 2007 and through the time of reporting the Corporation's 10-Q. Management has the intent to utilize the fair value option on selected financial assets and liability on a go forward basis.

The adoption of SFAS 159 resulted in recognition of $228,000 in other net gains recorded in the noninterest income portion of the Consolidated Statement of Income. The gains were the result of net increases in fair value of selected financial asset and liability instruments connected with the adoption of the fair value standards. The valuations of the instruments measured under Fair Value Measurement SFAS 157 for the first quarter of 2007 were measured under a market approach using matrix pricing investment for investment securities and the income approach using observable data for the liabilities reported under the Fair Value Option SFAS 159. The inputs were observable for the assets and liabilities interest rate on commonly quoted intervals based on similar assets and liabilities.

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-Q (continued)

The table below contains the fair value measurement at March 31, 2007 using the identified valuations. Additionally, the changes in fair value for the three month period ended March 31, 2007 for items measured at fair value pursuant to election of the fair value option.

Description	Fair Value Measurements 03/31/2007	Fair Value Measurement at March 31, 2007 Significant Other Observable Inputs (Level 2)
		(in thousands of dollars)
Trading Securities	26,577	26,577
Federal Home Loan Bank Advances	(15,825)	(15,825)
Subordinated Debentures	(28,814)	(28,814)

Interest income and interest expense of the respective financial instruments have been recorded in the consolidated statement of income based on the category of financial instrument.

The Corporation is not aware of any discernable change in instrument specific credit risk with no change reflected in earnings related to such risk.

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-Q (continued)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion compares the financial condition of the Corporation and its wholly owned subsidiaries at March 31, 2007 and December 31, 2006 and the results of operations for the three months ended March 31, 2007 and 2006. This discussion should be read in conjunction with the financial statements and statistical data presented elsewhere in this report. This report contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the financial services industry, the economy, and about the Corporation and the Bank. Words such as anticipates, believes, estimates, expects, forecasts, intends, is likely, plans, projects, variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are intended to be covered by the safe-harbor provisions of the Private Securities

Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Future Factors") that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Actual results and outcomes may materially differ from what may be expressed or forecasted in the forward-looking statements. The Corporation undertakes no obligation to update, amend, or clarify forward looking statements, whether as a result of new information, future events (whether anticipated or unanticipated), or otherwise.

Future factors that could cause actual results to differ materially from the results anticipated or projected include, but are not limited to, the following: expected cost savings and synergies from our acquisition activities might not be realized within the expected time frames, and costs or difficulties related to integration matters might be greater than expected; expenses associated with the implementation of our trust and wealth management services might be greater than expected, whether due to a possible need to hire more employees than anticipated or other costs incurred in excess of budgeted amounts; the credit risks of lending activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses; competitive pressures among depository institutions; interest rate movements and their impact on customer behavior and net interest margin; the impact of repricing and competitor's pricing initiatives on loan and deposit products; the ability to adapt successfully to technological changes to meet customers' needs and development in the market place; our ability to access cost-effective funding; changes in financial markets; changes in economic conditions in general and particularly as related to the automotive and related industries in the Detroit metropolitan area; new legislation or regulatory changes, including but not limited to changes in federal and/or state tax laws or interpretations thereof by taxing authorities; changes in accounting principles, policies or guidelines; and our future acquisitions of other depository institutions or lines of business.

EXECUTIVE SUMMARY

Community Central Bank Corporation is the holding company for Community Central Bank (the "Bank") in Mount Clemens, Michigan. The Bank opened for business in October 1996 and serves businesses and consumers across Macomb, Oakland, St. Clair and Wayne counties with a full range of lending, deposit, trust, wealth management and Internet banking services. The Bank operates three full service facilities, in Mount Clemens, Rochester Hills and Grosse Pointe, Michigan. Community Central Mortgage Company, LLC, a subsidiary of the Corporation and Bank, operates locations servicing the Detroit metropolitan area, northwest Indiana, northern Illinois and Raleigh, North Carolina. River Place Trust and Community Central Wealth Management are divisions of Community Central Bank. Community Central Insurance Agency, LLC is a wholly owned subsidiary of Community Central Bank. The Corporation's common shares trade on The NASDAQ Global Market under the symbol "CCBD."

Our results of operations depend largely on net interest income. Net interest income is the difference in interest income the Corporation earns on interest-earning assets, which comprise primarily commercial and residential real estate loans, and to a lesser extent commercial business and consumer loans, and the interest the Corporation pays on our interest-bearing liabilities, which are primarily deposits and borrowings. Management strives to match the repricing characteristics of the interest earning assets and interest bearing liabilities to protect net interest income from changes in market interest rates and changes in the shape of the yield curve.

Our results of operations may also be affected by local and general economic conditions. The largest geographic segment of our customer base is in Macomb County, Michigan. The economic base of the County continues to diversify from the automotive service sector. This trend should lessen the impact on the County of future economic downturns in the automotive sector of the economy. Macomb County's proximity to major highways and affordable

housing has continued to spur economic growth in the area. Changes in the local economy may affect the demand for commercial loans and related small to medium business related products. This could have a significant impact on how the Corporation deploys earning assets. The competitive environment among other financial institutions and financial service providers and the Bank in the Macomb, Oakland, and Wayne and St. Clair counties of Michigan may affect the pricing levels of various deposit products. The impact of competitive rates on deposit products may increase the relative cost of funds for the Corporation and thus negatively impact net interest income.

The Corporation continues to see competitive deposit rates offered from local financial institutions within the geographic proximity of the Bank which could have the effect of increasing the costs of funds to a level higher than management projects. The Corporation continues to utilize wholesale forms of funding earning assets through the FHLB and brokered certificates of deposit to balance both interest rate risk and the overall cost of funds. Brokered and internet certificates of deposit are based on a nationwide interest rate structure, typically at what is considered to be a premium interest rate. The local competition for certificates of deposit products has intensified and the Bank has found this type of wholesale funding to often effectively compete with the rates offered for similar term retail certificates of deposit products of local community and regional banks.

Net interest income was $2.9 million during the first quarter of 2007, a decrease of $233,000 from the first quarter of 2006. Net interest margin for the first quarter of 2007 was 2.44%, or 2.59% on a tax equivalent basis, compared with 2.87%, or 3.00% on a tax equivalent basis for the first quarter of 2006. The increase in interest income produced by an increase in earning assets primarily federal funds and investment securities was more than offset by an increase in interest expense as a result of higher deposit funding costs in a highly competitive deposit-pricing environment. Additionally, the flat treasury yield curve produced an interest rate environment that results in lower incremental interest rate spreads on new loan and investment growth.

Net income for the first quarter of 2007 was also affected by expansion and operational costs related to the new wealth and trust management divisions. The trust division of the Bank was formed on June 30, 2005, when the Corporation completed its acquisition and merger with River Place Financial Corp. William A. Penner, CEO of River Place, became the President of the Bank's newly created trust division at the time of the acquisition. In early 2006, two executives were recruited to head the trust and newly created wealth management divisions. Mr. Penner retired from the Bank effective December 31, 2006. The Corporation continues to focus on expanding this area of its banking operations and expects the trust and wealth management divisions to provide increased fee income from future operations.

In early June of 2006, the Bank opened on full service branch located in Grosse Pointe Farms, Michigan. Grosse Pointe Farms, Michigan is an upscale, suburban community on the shores of Lake St. Clair in southeastern Michigan. The Bank has appointed a regional President for the Grosse Pointe region who is a veteran banker who has ties to the local community. The branch facility is staffed with a branch manager and customer service representatives, as well as a commercial loan officer. The upscale demographics of the surrounding area appear to be well suited for establishing new relationships for trust and wealth management.

The Corporation continued to experience a compression in net interest margin during 2007 compared with 2006. This was the result of competitive pricing pressure in both loans and deposit generation. Additionally, the continuation of a flat treasury yield curve has resulted in overall lower interest rate spreads than in other reporting periods.

ASSETS

At March 31, 2007, the Corporation's total assets were $521.2 million, an increase of $15.9 million, or 3.1%, from December 31, 2006. The largest segment of asset growth for the three months ended March 31, 2007, occurred in federal funds and investment securities available for sale, as loans decreased $1.1 million for the first quarter of 2007.

Commercial loan growth of $3.5 million during the first quarter of 2007 was adversely effected by large loan payoffs. Residential mortgage loans decreased $4.1 million during the quarter, as a result of, the Corporation's strategic plan to change the relative loan mix by reducing the portion of lower yielding residential mortgages and increasing the relative mix of higher yielding commercial loans. The residential mortgage portfolio was $68.4 million at March 31, 2007, a decrease of $4.1 million from December 31, 2006. Most of the residential mortgage portfolio is comprised of adjustable rate mortgages, which represented $45.4 million, or 66.4%, of the total residential portfolio. Those residential mortgage loans the Corporation considered to be held for investment in the residential portfolio comprise both banking relationships and other attributes deemed to match with the Corporation's interest rate risk profile. The home equity lines of credit ("HELOC") comprised $17.8 million at March 31, 2007, which was an increase of $146,000 from December 31, 2006. This portfolio product is tied to Wall Street Journal prime interest rate. These loans are fully secured by real estate and are generally originated with loan to values (including prior liens) up to 95% of the appraised value of the real estate. The consumer portfolio ended March 31, 2007 at $11.1 million, which was a decrease of $595,000, primarily from pay downs in the portfolio. The largest portion of the installment loan portfolio comprises loans for marine craft. The Corporation's geographic proximity to Lake St. Clair and the lending experience in this area have been contributors to this segment of the portfolio. At March 31, 2007, loans for marine craft comprised approximately $9.4 million, or 84.8% of the installment portfolio and 2.6% of total loans. Credit card loans totaled $629,000 at March 31, 2007, which was a decrease of $64,000 from December 31, 2006. The Corporation continues to book credit card loans as a customer accommodation and does not actively market this product.

Additionally, the Corporation had approximately $14.1 million in outstanding loans at March 31, 2007, to borrowers in the real estate rental and properties management industries, representing approximately 59.0% of the total commercial real estate portfolio.

The major components of the loan portfolio are as follows:

	March 31, 2007	Percentage of total loans	December 31, 2006	Percentage of total loans

(in thousands, except percentages)

Loans held for sale:					
Residential real estate	$ 3,932			$ 3,441	$
Loans held in the portfolio:					
Commercial real estate	$ 239,048	65.3%	$ 236,399	64.4%	$
Commercial and industrial	29,288	8.0	28,393	7.7	
Residential real estate	68,391	18.7	72,517	19.7	
Home equity lines	17,760	4.8	17,614	4.8	
Consumer loans	11,071	3.0	11,666	3.2	
Credit cards	629	0.2	693	0.2	
	$ 366,187	100.0%	$ 367,282	100.0%	($

Total securities available for sale decreased $17.7 million from December 31, 2006 to $63.2 million at March 31, 2007. The decrease was attributable to the adoption of Financial Accounting Standards Fair Value Option SFAS 159. The Corporation reclassified a total of $27.0 million of available for sale securities as trading securities under SFAS 159. The average effective duration of the new trading portfolio approximated 1.8 years with a weighted average coupon rate of 4.54%. Management decided to classify the securities under SFAS 159 because of the characteristics of the instruments, which included the optionality and the ability of the Corporation to hedge the instruments utilizing above market value Federal Home Loan Bank advances. Furthermore, in adopting SFAS 159,

the Corporation will be able to, in the future, utilize the fair value option on off balance sheet hedges and account for the hedges in a manner which is less complex than was previously available under GAAP. Other reasons influencing management's decision to classify the selected instruments under SFAS 159 include overall ALCO strategies and the shape of the treasury yield curve and management expectations on short term interest rates. The trading portfolio is primarily comprised of $16.4 million of U.S. Agency debentures with an effective duration of 1.57 years. Other segments of the portfolio comprise $5.5 million in callable municipal bonds with an effective duration of 2.45 years, $4.0 million in collateralized mortgage obligations (CMOs) with an effective duration of 1.72 years. All of the CMOs held in the trading portfolio pass the FFIEC stress test with relatively short average lives under differing rate scenarios.

The available for sale portfolio, aside from the transfer of instruments transferred under SFAS 159 to trading portfolio status, increased $8.9 million from purchases of bank qualified municipal bonds, U.S. agency debentures and mortgage backed securities.

At March 31, 2007, the available for sale portfolio had net unrealized losses of $622,000 or approximately 0.98% of the aggregate portfolio. At December 31, 2006, the net unrealized losses in the available for sale portfolio ended at $1.2 million. The largest reason for the decline in unrealized losses for the three months ended March 31, 2007, was related to the adoption of SFAS 159 and the movement of $447,000 from the portion of unrealized gains as of January 1, 2007 which were recognized on an after tax basis under SFAS 115 as other comprehensive income to retained earnings under the early adoption rules of SFAS 159. The available for sale portfolio increased $65,000 in market value during the first quarter and was recognized as a gain under SFAS 159 fair value option recorded in other noninterest income. Offsetting the gain was a $72,000 decline in market value of the FHLB advances, which are being used to reduce the volatility of the instruments carried under SFAS 159. The Corporation has the intent and ability to hold the securities classified under available for sale for the foreseeable future and declines in the fair value is primarily due to increased market interest rates.

A summary of nonperforming assets is as follows:

	March 31, 2007	December 31, 2006
	(Dollars in thousands)	
Nonaccrual loans:		
Commercial real estate	$ 2,789	$ 2,711
Commercial and industrial	848	646
Residential real estate	816	--
Home equity lines	347	--
Consumer loans	108	--
Credit cards	--	--
Total nonaccrual loans	4,908	3,357
Accruing loans delinquent more than 90 days:		
Commercial real estate	$ --	$ --
Commercial and industrial	--	--
Residential real estate	--	876
Home equity lines	85	336
Consumer loans	9	160
Credit cards	5	1
Total accruing loans delinquent more than 90 days	99	1,373
Total nonperforming loans	5,007	4,730
Other real estate owned		
Commercial real estate	--	--
Residential real estate	108	108
Total other real estate owned	108	108
Total nonperforming assets	$ 5,115	$ 4,838
Total nonperforming loans as a percentage of total loans	1.37%	1.29%
Total nonperforming assets as a percentage of total assets	0.98%	0.96%

At March 31, 2007, nonperforming loans, which represents nonaccruing loans and those loans past due 90 days or more and still accruing interest, totaled $ 5.0

million compared to $ 4.7 million at December 31, 2006, an increase of $ 277,000. Nonaccruing loans of $ 4.9 million increased $ 1.6 million from December 31, 2006. The increase in nonaccrual loans was primarily attributable to the movement of loans previously classified as accruing loans delinquent more than 90 days to nonaccrual loans in the loan categories of residential mortgages comprising $ 816,000, home equity lines of credit totaling $ 347,000 and other consumer loans of $ 108,000. These consumer based loans were placed into nonaccrual status based on regular evaluations of delinquent loans. A determination was made of the collectability of the accrued interest based on the borrower's ability to repay and real estate values, which have been declining in the Bank's geographic lending area as well as other collateral determinations.

The following table shows an analysis of the allowance for loans losses:

	Three Months Ended March 31, 2007	Year Ended December 31, 2006
	(Dollars in thousands)	
Balance as beginning of the period	$ 3,815	$ 3,580
Charge-offs:		
Commercial real estate	4	--
Commercial and industrial	20	248
Residential real estate	--	21
Home equity lines	68	21
Consumer loans	64	40
Credit cards	3	13
Total charge-offs	$ 159	$ 343
Recoveries:		
Commercial real estate	1	--
Commercial and industrial	--	14
Residential real estate	--	8
Home equity lines	1	--
Consumer loans	1	5
Credit cards	--	1
Total recoveries	$ 3	$ 28
Net charge-offs (recoveries)	156	315
Provision charged to earnings	50	550
Balance at end of the period	$ 3,709	$ 3,815
Net charge-offs (net recoveries) during the period to average loans outstanding during the period on an annualized basis	0.17%	0.09%
Allowance as a percentage of total portfolio loans	1.01%	1.04%

The allowance for loan losses as a percentage of total loans remained relatively unchanged at March 31, 2007, compared to December 31, 2006. The Corporation performs a detailed quarterly review of the allowance for loan losses. The Corporation evaluates those loans classified as substandard, under its internal risk rating system, on an individual basis for impairment under SFAS 114. The level and allocation of the allowance is determined primarily on management's evaluation of collateral value, less the cost of disposal, for loans reviewed in this category. The remainder of the total loan portfolio is segmented into homogeneous loan pools with similar risk characteristics for evaluation under SFAS 5. The primary risk element considered by management regarding each consumer and residential real estate loan is lack of timely payment. Management has a reporting system that monitors past due loans and has adopted policies to pursue its creditor's rights in order to preserve the Bank's position. The primary risk elements concerning commercial and industrial loans and commercial real estate loans are the financial condition of the borrower, the sufficiency of collateral, and lack of timely payment. Management has a policy of requesting and reviewing annual financial statements from its commercial loan customers and periodically reviews existence of collateral and its value.

LIABILITIES

Total deposits of $ 341.4 million decreased $ 14.4 million during the first quarter. The decrease was entirely due to a $ 22.2 million decrease in time deposits. The decrease in time deposits was due to maturities of higher cost brokered time deposits. Partially offsetting the decrease in time deposits was an increase of $ 7.8 million from December 31, 2006, in core deposits, representing checking, NOW, money market and savings accounts. Noninterest bearing demand deposits increased $ 1.0 million for the first three months of 2007. NOW accounts increased $ 534,000 during the same time period. Money market savings deposits totaled $ 48.0 million and increased $ 12.8 million from December 31, 2006. The growth in money market accounts was attributable to a new indexed money market product with a competitive interest rate tied to the six month treasury bill. Total savings accounts increased $ 3.4 million from seasonal fluctuations. Total time deposits under $ 100,000 decreased $ 1.0 million. The competitive rate environment amongst local financial institutions has made the Corporation decide in some cases not to raise the interest rate on the deposit product at the same frequency or level to match or exceed interest rates given by local financial institutions. The Corporation continues to see competitive deposit rates offered by local financial institutions within the geographic proximity of the Bank, which could have the affect of increasing the cost of funds to a level higher than management projects. The Corporation continues to utilize wholesale forms of funding earning assets through the Federal Home Loan Bank and brokered CDs to balance both interest rate risk and the overall cost of funds. Brokered and internet CDs are based on nationwide interest rate structure, typically at what is considered to be a premium interest rate. The local competition for CD products has intensified and the Bank has found this type of whole funding to often effectively compete with the rates offered for similar term retail CD products of local community and regional banks.

The major components of deposits are as follows:

	March 31, 2007	Percentage of total deposits	December 31, 2006	Percentage of total deposits
		(Dollars in Thousands)		
Noninterest bearing demand	$ 34,361	10.1%	$ 33,331	9.
NOW accounts	14,618	4.3	14,084	4.
Money market accounts	48,045	14.1	45,255	12.
Savings deposits	13,999	4.1	10,569	3.
Time deposits under $ 100,000	44,569	13.1	45,608	12.
Time deposits $ 100,000 and over	185,822	54.3	207,009	58.

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.

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 iderúrgicas de Iinas Gerais S.A. SIMINAS	22.99	11.46	2,013	864	231	140	57	42	16	99	34	34			34	13	42.
ompanhia iderúrgica de ubarão CST (1)									61		78						n/
alifornia Steel idustries 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 ile investments	4.85	4.85			130	110											13
					523	**399**	**62**	**53**	**92**	**115**	**126**	**34**	**20**	**2**	**54**	**15**	**55**
luminum and auxite																	
Iineração 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 iternational 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 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 rrous	**Logistics**	**Aluminum**	**Others**	**Eliminations**	**Consolidated**	**Ferrous**	**Non ferrous**	**Logistics**	**Aluminum**	**Others**	**Eliminations**	**Consolidated**	**Ferrous**	**Non ferrous**	**Logistics Alum**
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				
							Revenues									Revenues
venues	Cost and expenses	Net	Depreciation, depletion and amortization	Operating income	Export	Domestic	Total	Value added tax	Net revenues	Cost and expenses	Net	Depreciation, depletion and amortization	Operating 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 3													
	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 ss) 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 sses), 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														
merica, 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 deplet**
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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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.

COMPANHIA VALE DO RIO DOCE
(Registrant)

Date: August 16, 2005

By: /s/ Fabio de Oliveira Barbosa

Fabio de Oliveira Barbosa
Chief Financial Officer