

Companhia Vale do Rio Doce
Form 424B5
January 09, 2006
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333-110867
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PROSPECTUS SUPPLEMENT

(To prospectus dated December 12, 2003)

US\$1,000,000,000

Vale Overseas Limited

6.25% Guaranteed Notes due 2016

Unconditionally Guaranteed by

Companhia Vale do Rio Doce

Vale Overseas will pay interest on the notes on January 11 and July 11 of each year beginning July 11, 2006. The notes will mature on January 11, 2016. In the event Vale Overseas or CVRD becomes obligated to pay additional amounts in excess of specified levels as a result of changes in Brazilian or Cayman Islands law, Vale Overseas may redeem the notes at any time in whole but not in part, before their stated maturity at a price equal to 100% of their principal amount plus accrued interest to the redemption date.

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

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

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

	Per Note	Total
Public offering price ⁽¹⁾	99.97%	US\$ 999,700,000
Underwriting discount	0.36%	US\$ 3,600,000
Proceeds, before expenses, to Vale Overseas	99.61%	US\$996,100,000

(1) Plus accrued interest from January 10, 2006, if settlement occurs after that date.

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

The notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about January 10, 2006.

JPMorgan

The date of this prospectus supplement is January 5, 2006.

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

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

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

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

	Period-end	Average for Period (1)	Low	High
Year ended December 31,				
2000	R\$ 1.955	R\$ 1.835	R\$ 1.723	R\$ 1.985
2001	2.320	2.353	1.936	2.801
2002	3.533	2.998	2.271	3.955
2003	2.889	3.060	2.822	3.662
2004	2.654	2.917	2.654	3.205
2005	2.341	2.412	2.164	2.762
Month				
July 2005	R\$ 2.391		R\$ 2.330	R\$ 2.466
August 2005	2.364		2.277	2.432
September 2005	2.222		2.222	2.362
October 2005	2.254		2,234	2,289
November 2005	2.207		2,163	2,252
December 2005	2.341		2.180	2.374
January 2006 (through January 5, 2006)	2.318		2.282	2.346

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

On January 5, 2006, the selling rate was R\$2.282 per US\$1.00.

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Prospectus supplement summary

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

Vale Overseas Limited

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

Companhia Vale do Rio Doce

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

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

Our main lines of business are:

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

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our Northern System and 65.8% in CAEMI's iron ore mines. We also operate ten pellet-producing facilities, six of which are joint ventures with partners,

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

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

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

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

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

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

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

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

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

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

Business strategy

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

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

The following paragraphs provide some highlights of our major strategies.

Maintaining our leadership position in the seaborne iron ore market

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

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

Growing our logistics business

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

expanding the capacity of our railroads through the purchase of additional locomotives and wagons.

Increasing our aluminum-related activities

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

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

Developing our copper resources

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

Investing in coal

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

Globalization of multi-commodity exploration efforts

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

Developing power generation projects

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

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

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The offering

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

Issuer	Vale Overseas Limited
Guarantor	Companhia Vale do Rio Doce
Notes offered	US\$1,000,000,000 in principal amount of 6.25% Guaranteed Notes due 2016
Guaranty	CVRD will irrevocably and unconditionally guarantee the full and punctual payment of principal, interest, additional amounts and all other amounts that may become due and payable in respect of the notes. If Vale Overseas fails to punctually pay any such amount, CVRD will immediately pay the same, subject to limitations due to restrictions on the transfer, conversion, use or control of currency imposed on CVRD by the government of Brazil.
Issue price	99.97% of the principal amount
Maturity	January 11, 2016
Interest rate	The notes will bear interest at the rate of 6.25% per annum from January 10, 2006 based upon a 360-day year consisting of twelve 30-day months.
Interest payment dates	Interest on the notes will be payable semi-annually on January 11 and July 11 of each year, commencing on July 11, 2006.
Ranking	<p>The notes are general obligations of Vale Overseas and are not secured by any collateral. Your right to payment under these notes will be:</p> <p style="padding-left: 40px;">junior to the rights of secured creditors of Vale Overseas to the extent of their interest in Vale Overseas' assets. Holders of Vale Overseas' Enhanced Guaranteed Notes due 2007 have a security interest in a reserve account which secures the payment of 18 months of interest on the Enhanced Guaranteed Notes due 2007 in the event of certain political risk events; and</p> <p style="padding-left: 40px;">equal with the rights of creditors under all of Vale Overseas' other unsecured and unsubordinated debt.</p>

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

junior to the rights of secured creditors of CVRD to the extent of their interest in CVRD's assets;

equal with the rights of creditors under all of CVRD's other unsecured and unsubordinated debt; and

effectively subordinated to the rights of any creditor of a subsidiary of CVRD over the assets of that subsidiary.

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

Covenants

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

merge or transfer assets, and

incur liens,

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

merge or transfer assets,

incur liens,

incur additional indebtedness, and

pay dividends.

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

Further Issuances

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

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may also issue other securities under the indenture which have different terms from the notes. Likewise, CVRD has the right, without the consent of the holders, to guarantee any such additional securities, to guarantee debt of its other subsidiaries and to issue its own debt.

Payment of additional amounts

Vale Overseas and CVRD will pay additional amounts in respect of any payments of interest or principal so that the amount you receive after Brazilian or Cayman Islands withholding tax will equal the amount that you would have received if no withholding tax had been applicable, subject to some exceptions as described under Description of Notes Payment of Additional Amounts in this prospectus supplement and Description of Debt Securities Payment of Additional Amounts in the accompanying prospectus.

Tax redemption

If, due to changes in Brazilian or Cayman Islands laws relating to withholding taxes applicable to payments of interest, Vale Overseas or CVRD are obligated to pay additional amounts on the notes in respect of Brazilian or Cayman Islands withholding taxes at a rate in excess of 15%, Vale Overseas may redeem the notes in whole, but not in part, at any time, at a price equal to 100% of their principal amount plus accrued interest to the redemption date.

Use of proceeds

The net proceeds of this offering will be used for CVRD's general corporate purposes, which may include funding working capital, capital expenditures and paying for the notes tendered in the tender offer (as defined below).

New York Stock Exchange listing

Application has been made to list the notes on the New York Stock Exchange in accordance with the rules and regulations of the New York Stock Exchange.

Rating

The notes have been assigned a foreign currency rating of Baa3 by Moody's Investor Services, Inc. (Moody's) and BBB by Standard & Poor's Ratings Services (S&P). Ratings are not a recommendation to purchase, hold or sell notes, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The ratings are based upon current information furnished to the rating agencies by the issuers and information obtained by the rating agencies from other sources. The ratings are only accurate as of the date thereof and may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information, and therefore a prospective purchaser should check the current ratings before purchasing the notes. Each rating should be evaluated independently of any other rating.

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Risk Factors

See **Risk Factors** and the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus for a discussion of the factors you should carefully consider before investing in the notes.

Concurrent Transaction

On January 3, 2006, Vale Overseas initiated a tender offer for its US\$300 million in outstanding 9.000% Guaranteed Notes due 2013, pursuant to an offer to purchase (the **tender offer**). The tender offer has an expiration time of 5:00 p.m., New York City time, on January 10, 2006.

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Risk factors

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

Risks relating to our business

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

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

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

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

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

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

Our ability to rapidly increase production capacity to satisfy increases in demand for iron ore is limited. In periods when customer demand exceeds our production capacity, we generally satisfy excess customer demand by reselling iron ore and pellets purchased from joint ventures or third parties, which is less profitable to us than selling iron ore we produce. If we are unable to

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satisfy excess customer demand by purchasing from joint ventures or third parties, we may lose customers. Similarly, because it takes time to increase production capacity, we may fail to complete our iron ore expansion projects in time to take advantage of the current high levels of worldwide demand for iron ore. In addition, operating at or above full capacity may expose us to higher costs, including demurrage fees due to capacity restraints in our mines, railroads and ports.

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

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

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

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

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

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

copper concentrate is sold at prices determined by reference to copper prices on the London Metals Exchange, which are more volatile than prices in our iron ore and pellet businesses;

we may experience higher than expected treating and refining costs that decrease our margins;

due to our lack of experience in the copper industry, we may face operational difficulties leading to high operating costs;

capacity increases by other copper producers may place downward pressure on copper prices; and

we may encounter unexpected setbacks in expanding our copper operations due to construction delays, adverse mining conditions or difficulties obtaining required environmental licenses.

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

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

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

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

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

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

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

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

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

establish ore reserves through drilling;

determine appropriate mining and metallurgical processes for optimizing the recovery of metal contained in ore;

obtain environmental and other licenses;

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construct mining and processing facilities for greenfield properties; and

obtain the ore or extract the metals from the ore.

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

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

We face rising extraction costs over time as reserves deplete.

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

An increase in fuel costs may adversely affect our business.

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

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

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

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

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

Our principal shareholder could have significant influence over our company.

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

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

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

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

Our market risk management strategy may not be effective.

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

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

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

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

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

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

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

industrial accidents;

railroad accidents;

labor disputes;

slope failures;

environmental hazards;

electricity stoppages;

equipment or vessel failures; and

severe weather and other natural phenomena.

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

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

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

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

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

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

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

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

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

Risks relating to Brazil

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

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

currency volatility;

inflation acceleration;

monetary policy and interest rate increases;

fiscal policy and tax changes;

international trade policy including tariff and non-tariff trade barriers;

foreign exchange controls;

energy shortages; and

other political, social and economic developments in or affecting Brazil.

In recent months, government figures, legislators and political party officials, especially those of the President's party, have been the subject of a variety of allegations of unethical or illegal conduct. These accusations, which are currently being investigated by the Brazilian Congress, involve campaign financing and election law violations, and influencing of government officials and Congressmen in exchange for political support. Several members of the President's party and

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of the federal government, including the President's chief of staff, have resigned. We cannot predict what effect these accusations and investigations may have on the Brazilian economy and the market for securities of Brazilian issuers.

Inflation and government measures to curb inflation may contribute significantly to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and, consequently, may adversely affect the market value of our securities.

Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation reaching as high as 2.567% in 1993 (as measured by the *Índice Geral de Preços do Mercado* published by *Fundação Getúlio Vargas*, or IGP-M Index). More recently, Brazil's rates of inflation were 10.4% in 2001, 25.3% in 2002, 8.7% in 2003, 12.4% in 2004 and 0.2% in the nine months ended September 30, 2005 (as measured by the IGP-M Index). Inflation, governmental measures to combat inflation and public speculation about possible future actions have in the past had significant negative effects on the Brazilian economy, and have contributed to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. If Brazil experiences substantial inflation in the future, our costs may increase, our operating and net margins may decrease and, if investor confidence declines, the price of our securities may fall. Inflationary pressures may also curtail our ability to access foreign financial markets and may lead to further government intervention in the economy, which could involve the introduction of government policies that may adversely affect the overall performance of the Brazilian economy.

Fluctuations in the value of the real against the U.S. dollar may result in uncertainty in the Brazilian economy and the Brazilian securities market and could have a material adverse effect on our net income and cash flow.

The Brazilian currency has historically suffered frequent devaluation. In the past, the Brazilian government has implemented various economic plans and exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. Although over long periods depreciation of the Brazilian currency generally is correlated with the differential in the inflation rate in Brazil versus the inflation rate in the U.S., depreciation over shorter periods has resulted in significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies.

The *real* appreciated by 22.3% against the U.S. dollar in the first nine months of 2005. The exchange rate between the *real* and the U.S. dollar may continue to fluctuate and may rise or decline substantially from current levels.

Exchange rate variations often have a significant effect on our net income. Depreciation of the *real* relative to the U.S. dollar may require us to record substantial foreign exchange and monetary losses on our U.S. dollar-denominated debt, whereas appreciation of the *real* against the U.S. dollar generally leads to the opposite effect. These foreign exchange and monetary gains or losses can be substantial, which can make our earnings from one period to the next more volatile. Exchange rate variations also have a substantial impact on our revenues and costs, because most of our revenues are in U.S. dollars and most of our costs are in *reals*. As a result, appreciation of the *real* against the U.S. dollar generally results in lower revenues and higher costs, which can hurt our operating profitability. Exchange rate variations also influence the Brazilian economy and inflation rates, which may lead the Brazilian government to adopt policies that may have an adverse impact on our business. For additional information about historical exchange rates, see "Exchange Rates" in this prospectus supplement.

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Access to and the cost of borrowing in international capital markets for Brazilian companies are influenced by investor perceptions of risk in Brazil and other emerging economies, which may hurt our ability to finance our operations at an acceptable cost or reduce the trading price of our securities.

International investors generally consider Brazil to be an emerging market. As a result, economic and market conditions in other emerging market countries, especially those in Latin America, influence the market for securities issued by Brazilian companies. Economic crises in one or more emerging market countries may reduce overall investor appetite for securities of emerging market issuers. Past economic crises in emerging markets, such as in Southeast Asia, Russia and Argentina, have resulted in significant outflows of U.S. dollars from Brazil and caused Brazilian companies to face higher costs for raising funds, both domestically and abroad, and have effectively impeded the access to international capital markets for extended periods. We cannot assure you that international capital markets will remain open to Brazilian companies or that prevailing interest rates in these markets will be advantageous to us. In addition, future financial crises in emerging market countries may have a negative impact on the Brazilian markets, which could adversely affect the trading price of our securities.

Brazilian government policies in the energy sector may have an adverse impact on the cost or supply of electricity for our aluminum-related and ferroalloy operations.

We are a significant consumer of Brazil's electricity production, and accounted for approximately 4.5% of total consumption in Brazil in 2004. Electricity costs are a significant component of the cost of producing aluminum and ferroalloys and represented 7.7% of our cost of goods sold in 2004 and 7.3% in the first nine months of 2005.

Brazil faced a shortage of energy during the second half of 2001, which led to an energy-rationing program that required a decrease in energy consumption by at least 20%. As a result of this program, we experienced a temporary reduction in our aluminum and ferroalloy production, both of which use significant amounts of electricity. Although the energy shortages ended in late 2001, and energy-use restrictions were lifted in March 2002, we cannot assure you that Brazil will not experience future energy shortages. Future shortages and government policies to respond to or prevent shortages may have an adverse impact on the cost or supply of electricity for our aluminum and ferroalloy operations.

The Brazilian power generation business depends on concessions granted by the government and is regulated and supervised by ANEEL. A new law for the electricity sector was approved by the Brazilian Congress in March 2004 and established two public auctions in order to trade excess energy available in the market. The first auction occurred in December 2004 and the second in April 2005. The prices established in these auctions were low and may contribute to a decline in investments in future generation projects that could lead to energy shortages in the future. Changes in the laws, regulations or governmental policies regarding the power sector or concession requirements could lower the returns we are expecting from our investments in power generation. For more information on the regulations governing our energy production, see "Information on the Company Regulatory Matters" in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

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Our mining and logistics activities depend on authorizations of regulatory agencies, and changes in regulations could have an adverse effect on our business.

Our mining and logistics activities in Brazil depend on authorizations and concessions by regulatory agencies of the Brazilian government. Our exploration, mining, mineral processing and logistics activities are also subject to Brazilian laws and regulations, which can change at any time. If these laws and regulations change in the future, modifications to our technologies and operations could be required, and we could be required to make unbudgeted capital expenditures. For a more detailed discussion about the authorizations and concessions by regulatory agencies of the Brazilian government upon which our mining and logistics activities depend, see *Information on the Company Regulatory Matters* in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

Brazilian environmental laws may adversely affect our mining and energy businesses.

Our operations often involve using, handling, disposing and discharging hazardous materials into the environment or the use of natural resources, and are therefore subject to the environmental laws and regulations of Brazil. Environmental regulation in Brazil has become stricter in recent years, and it is possible that more regulation or more aggressive enforcement of existing regulations will adversely affect us by imposing restrictions on our activities, creating new requirements for the issuance or renewal of environmental licenses, raising our costs or requiring us to engage in expensive reclamation efforts.

Our projects often require us to obtain or renew environmental licenses. Difficulties in obtaining those licenses may lead to construction delays or cost increases and in some cases may lead us to abandon a project.

We are also subject to Brazilian environmental legislation that requires companies undertaking projects with significant environmental impact to pay an environmental compensation fee in the amount of at least 0.5% of the total investment in the venture. There are numerous uncertainties about how this law will be applied in practice. If the level of the fees actually charged were increased above 0.5%, it would significantly increase our costs and, depending on the magnitude of the fees involved, could have a material adverse effect on our liquidity. Uncertainties regarding calculation and payment of these fees may strain our relations with the Brazilian environmental authorities or lead to delays in obtaining necessary environmental permits.

Brazilian laws restricting development in the Amazon region for legal reserve purposes may place limits on our ability to expand certain of our copper or other operations and to fully exploit our mineral rights in those regions. See *Information on the Company Regulatory Matters Environmental Matters* in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

Several Brazilian states in which we operate are currently considering implementing water usage fees under the National Hydrological Resources Policy. This may require us to pay usage fees in the future for water rights that we currently use for free, which could considerably increase our costs in areas where water resources are scarce.

In addition, we are currently a defendant in an action brought by the municipality of Itabira, in the state of Minas Gerais, Brazil, which alleges that our Itabira iron ore mining operations have caused environmental and social damages. If we do not prevail in this

lawsuit, we could incur a

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substantial expense. For more information on environmental laws and the legal challenges we face, see Information on the Company Regulatory Matters Environmental Matters and Financial Information Legal Proceedings in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

Risks relating to the notes

CVRD's subsidiaries, affiliated companies and joint ventures are not obligated under the notes or the guaranty, and these companies' obligations to their own creditors will effectively rank ahead of CVRD's obligations under the guaranty.

Vale Overseas is the obligor under the notes, and only the parent company, CVRD, is obligated under the guaranty of the notes.

Vale Overseas has no operations or assets, other than holding unsecured obligations from other CVRD subsidiaries to repay loans. These other subsidiaries are not liable under the notes or the guaranty, and they may not have the ability to repay their loans from Vale Overseas.

CVRD conducts a significant amount of business through subsidiaries, affiliated companies and joint ventures, none of which are obligated under the notes or the guaranty. In the first nine months of 2005, the subsidiaries were responsible for approximately 33.7% of CVRD's consolidated U.S. GAAP revenues from operations and approximately 35.3% of CVRD's consolidated U.S. GAAP net cash flows provided by operating activities. The claims of any creditor of a subsidiary, affiliated company or joint venture of CVRD would rank ahead of CVRD's ability to receive dividends and other cash flows from these companies. As a result, claims of these creditors would rank ahead of CVRD's ability to access cash from these companies in order to satisfy its obligations under the guaranty. In addition, these subsidiaries, affiliated companies and joint ventures may be restricted by their own loan agreements, governing instruments and other contracts from distributing cash to CVRD to enable CVRD to perform under its guaranty. At September 30, 2005, 31.0% of CVRD's consolidated U.S. GAAP liabilities were owed by subsidiaries of CVRD, which is the only obligor under the guaranty, meaning that the creditors under these liabilities would rank ahead of investors in the notes in the event of CVRD's insolvency.

The indenture governing the notes contains restrictions on the conduct of business by Vale Overseas and CVRD, including limits on their ability to grant liens over their assets for the benefit of other creditors. These restrictions do not apply to CVRD's other subsidiaries, affiliated companies and joint ventures, and these companies are not limited by the indenture in their ability to pledge their assets to other creditors.

In addition, holders of the Vale Overseas Enhanced Guaranteed Notes due 2007 have a security interest in a reserve account which secures the payment of eighteen months of interest on the Enhanced Guaranteed Notes due 2007 in the event of certain political risk events.

There may not be a liquid trading market for the notes.

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The notes are new securities with no established trading markets. There can be no assurance that a liquid trading market for the notes will develop or, if one develops, that it will be maintained. If an active market for the notes does not develop, the price of the notes and the ability of a holder of notes to find a ready buyer will be adversely affected.

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We may not be able to make payments in U.S. dollars.

In the past, the Brazilian economy has experienced balance of payment deficits and shortages in foreign exchange reserves, and the government has responded by restricting the ability of Brazilian or foreign persons or entities to convert *reais* into foreign currencies generally, and U.S. dollars in particular. The government may institute a restrictive exchange control policy in the future. Any restrictive exchange control policy could prevent or restrict our access to U.S. dollars to meet our U.S. dollar obligations and could also have a material adverse effect on our business, financial condition and results of operations. We cannot predict the impact of any such measures on the Brazilian economy.

We would be required to pay bankruptcy judgments only in reais.

Any judgment obtained against CVRD in the courts of Brazil in respect of any of CVRD's payment obligations under the notes will be expressed in *reais* equivalent to the U.S. dollar amount of such sum at the commercial exchange rate on the date at which such judgment is rendered. Accordingly, in case of bankruptcy, all credits held against CVRD denominated in foreign currency shall be converted into *reais* at the prevailing rate on the date of declaration of bankruptcy by the judge. In any case, further authorization by the Central Bank of Brazil shall be required for the conversion of such *reais*-denominated amount into foreign currency and for its remittance abroad.

Developments in other countries may affect prices for the notes.

The market value of securities of Brazilian companies is, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Brazilian issuers. For example, in October 1997, prices of both Brazilian debt securities and Brazilian equity securities dropped substantially, precipitated by a sharp drop in the value of securities in Asian markets. The market value of the notes could be adversely affected by events elsewhere, especially in emerging market countries.

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Use of proceeds

The net proceeds of this offering will be used for CVRD's general corporate purposes, which may include funding working capital, capital expenditures and paying for the notes tendered in the tender offer. See "Recent Developments Liquidity and Capital Resources Overview" in our report on Form 6-K filed on December 30, 2005 with the Securities and Exchange Commission, which is incorporated by reference into this prospectus supplement and the accompanying prospectus for a description of CVRD's anticipated cash needs for 2006. The amount of the net proceeds of this offering, after deducting commissions and expenses, is expected to be approximately US\$995,100,000.

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The table below sets forth CVRD's consolidated capitalization at September 30, 2005 on an actual basis and as adjusted to give effect to the issuance of the notes offered hereby. The table does not reflect:

the cancellation of any debt pursuant to the tender offer;

the issuance of an additional US\$300 million in aggregate principal amount of 8.25% Guaranteed Notes due 2034 on November 1, 2005; and

in connection with the acquisition of Canico, the incurrence of new debt under a variety of financing arrangements, amounting to approximately US\$700 million net of amortizations in the fourth quarter of 2005.

Notwithstanding our new financing, due to continued strong cash flow generation in the fourth quarter of 2005 we believe that the ratio of total debt at December 31, 2005 to operating cash flow for 2005 will not exceed 1.1 and the ratio of operating cash flow to cash interest payments for 2005 will exceed 15.

You should read the table together with CVRD's consolidated financial statements and the notes thereto incorporated by reference into this prospectus supplement and accompanying prospectus.

	At September 30, 2005	
	Actual	As adjusted
	(unaudited)	
	(millions of US\$)	
Debt included in current liabilities:		
Current portion of long-term debt	US\$ 688	US\$ 688
Short-term debt	171	171
Loans from related parties	51	51
Debt included in long-term liabilities:		
Long-term debt (excluding current portion):		
Secured	951	951
Unsecured	2,080	3,080
Total long-term debt (excluding current portion)	3,031	4,031
Loans from related parties	1	1
Total debt	3,942	4,942
Stockholders' equity:		
Preferred shares 1,800,000,000 shares authorized and 415,727,739 issued	2,150	2,150
Common shares 900,000,000 shares authorized and 749,949,429 issued	3,806	3,806
Treasury shares 14,145,510 common and 11,803 preferred shares	(88)	(88)
Additional paid-in capital	498	498

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Retained earnings:		
Appropriated	1,936	1,936
Unappropriated	6,008	6,008
Other cumulative comprehensive income	(2,105)	(2,105)
Total stockholders' equity	12,205	12,205
Total capitalization (total stockholders' equity plus total debt)	US\$ 16,147	US\$ 17,147

Except as disclosed in this prospectus supplement, there has been no material change to the consolidated capitalization of CVRD since September 30, 2005.

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Recent developments

Antitrust proceedings

On August 10, 2005, Brazil's primary antitrust regulator, CADE, issued a decision approving, subject to specified conditions, our acquisitions of Socoimex, Samitri, Belém, Ferteco and CAEMI, and the agreement to unwind the cross-shareholdings between us and CSN. Under the conditions set forth in CADE's decision, we must either (i) fully waive our preemptive rights relating to the Casa de Pedra iron ore mine and restructure our equity stake in MRS Logística or (ii) sell all of our stake in Ferteco. We filed a request for an injunction with the federal courts to suspend the effects of CADE's decision. The injunction was granted on November 10, 2005 and confirmed, on a preliminary basis, by the Federal Tribunal on December 19, 2005. For more information, see "Financial Information - Legal Proceedings" in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

CVRD rated investment grade

On July 8, 2005, Moody's upgraded our foreign currency rating from Ba1 to Baa3. We are the first Brazilian company controlled by Brazilian shareholders to obtain an investment grade rating. On August 11, 2005, Dominion Bond Rating Service initiated coverage of us by assigning a rating of BBB (low), corresponding to investment grade, to our senior unsecured debt. On October 10, 2005, S&P assigned its BBB local and foreign currency corporate credit ratings to us. This is the first time that S&P has awarded a Brazilian company controlled by Brazilian shareholders a local and foreign currency corporate credit rating superior to Brazil's sovereign rating. Taken together with the earlier investment grade ratings by Moody's and Dominion Bond Ratings Services, the investment grade rating by S&P marks an important milestone in the recognition by ratings agencies of our credit quality. Ratings are not a recommendation to purchase, hold or sell notes, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The ratings are based upon current information furnished to the rating agencies by the issuers and information obtained by the rating agencies from other sources. The ratings are only accurate as of the date thereof and may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information, and therefore a prospective purchaser should check the current ratings before purchasing the notes. Each rating should be evaluated independently of any other rating.

Development of 118 copper project

In October 2005, our Board of Directors approved our investment in the 118 copper mining project, located in the state of Pará, Brazil. We currently estimate that capital expenditures for the project will amount to approximately US\$232 million and have targeted startup for the first half of 2008. The estimated production capacity of the project is 36,000 tons per year.

Approval of projects to increase pellet production capacity

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On October 24, 2005, we announced the approval of our Board of Directors of projects to increase pellet production capacity at both our Samarco joint venture and at our wholly owned subsidiary Caemi. The expansion at Samarco, our 50% joint venture with BHP Billiton, is expected to add 7.6 million tons per year of capacity to Samarco and to involve an investment of approximately US\$1,183 million. Samarco has targeted startup for the first half of 2008. At

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Caemi, we approved a project to construct a pelletizing plant with a capacity to produce 7 million tons per year at an estimated cost of US\$59 million, and have targeted startup for 2008.

Expansion of bauxite and alumina capacity

On November 4, 2005, we announced the approval of our Board of Directors of projects to increase bauxite production capacity at our Paragominas bauxite mine and to increase alumina production capacity at our Alunorte refinery. The Paragominas investment is expected to allow us to increase capacity from 5.4 to 9.9 million tons per year of bauxite at an estimated investment of US\$196 million. The Alunorte investment will allow us to increase alumina production capacity from 4.41 to 6.26 million tons per year at the refinery at an estimated investment of US\$846 million. Expected startup for both projects is in 2008.

Acquisition of Canico

On December 8, 2005, our offer to acquire all of the issued and outstanding common shares of Canico Resource Corp. (Canico) expired. Under this offer, we acquired 99.2% of the Canico common shares outstanding on a fully diluted basis for approximately US\$800 million. We intend, as soon as permitted, to acquire the remaining Canico common shares by means of a statutory compulsory acquisition under Section 300 of the British Columbia Business Corporation Act at the same price as the offer price, and to subsequently de-list the shares.

Canico owns the Onça Puma nickel laterite project, an iron-nickel deposit located in the Brazilian state of Pará. According to feasibility studies, the plant will have a nominal capacity to produce 57,000 tons of nickel per year and its development will demand investments of US\$1.1 billion. Production is scheduled to begin in 2008.

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Description of notes

The following description of the particular terms of the notes supplements the description of the general terms set forth in the accompanying prospectus under the headings *Description of Debt Securities* and *Description of the Guarantees*. It is important for you to consider the information contained in the accompanying prospectus and this prospectus supplement before making your decision to invest in the notes. If any specific information regarding the notes in this prospectus supplement is inconsistent with the more general terms of the notes described in the prospectus, you should rely on the information contained in this prospectus supplement. In this description and in the related sections entitled *Description of Debt Securities* and *Description of the Guarantees* in the accompanying prospectus, references to *CVRD* mean Companhia Vale do Rio Doce only and do not include Vale Overseas or any of CVRD's other subsidiaries or affiliated companies. References to the notes include both the notes and the guaranty of the notes, except where the context indicates otherwise.

General

Vale Overseas will offer the notes under an indenture among Vale Overseas, CVRD, as guarantor, and JPMorgan Chase Bank, as trustee, dated as of March 8, 2002, as supplemented by a third supplemental indenture dated as of January 15, 2004 and by a fifth supplemental indenture, to be dated as of January 10, 2006. The notes will be issued only in fully registered form without coupons in minimum denominations of US\$100,000 and any integral multiple of US\$1,000 in excess thereof. The notes will be unsecured and will rank equally with all of Vale Overseas' other existing and future unsecured and unsubordinated debt.

Principal and interest

The notes will be issued in an initial aggregate principal amount of US\$1,000,000,000. The notes will mature on January 11, 2016.

The notes will bear interest at 6.25% per annum from January 10, 2006. Interest on the notes will be payable semi-annually on January 11 and July 11 of each year, commencing July 11, 2006, to the holders in whose name the notes are registered at the close of business on December 27 or June 26, immediately preceding the related interest payment date.

Vale Overseas will pay interest on the notes on the interest payment dates stated above and at maturity. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant payment date. Vale Overseas will compute interest on the notes on the basis of a 360-day year of twelve 30-day months.

If any payment is due on the notes on a day that is not a business day, Vale Overseas will make the payment on the day that is the next business day. Payments postponed to the next business day in this situation will be treated under the indenture as if they were made on the original due date. Postponement of this kind will not result in a default under the notes or the indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day.

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Business day means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City, São Paulo or Rio de Janeiro generally are authorized or obligated by law or executive order to close. With respect to notes in certificated form, the reference to business day will also mean a day on which banking institutions generally are open for business in the location of each office of a transfer agent, but only with respect to a payment or other action to occur at that office.

Guaranty

CVRD has irrevocably and unconditionally guaranteed the full and punctual payment of principal, interest, additional amounts, if any, and all other amounts that may become due and payable in respect of the notes. If Vale Overseas fails to punctually pay any such amount, CVRD will immediately pay the amount that is required to be paid and has not been paid. The guaranty will be unsecured and will rank equally with all of CVRD's other existing and future unsecured and unsubordinated debt.

Rating

The notes have been assigned a foreign currency rating of Baa3 by Moody's and BBB by S&P. Ratings are not a recommendation to purchase, hold or sell notes, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The ratings are based upon current information furnished to the rating agencies by the issuers and information obtained by the rating agencies from other sources. The ratings are only accurate as of the date thereof and may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information, and therefore a prospective purchaser should check the current ratings before purchasing the notes. Each rating should be evaluated independently of any other rating.

Payment of additional amounts

Subject to the limitations and exceptions described in "Description of Debt Securities - Payment of Additional Amounts" in the accompanying prospectus, Vale Overseas will pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders after withholding or deduction for taxes will equal the amounts that would have been payable in the absence of such withholding or deduction. See "Description of Debt Securities - Payment of Additional Amounts" in the accompanying prospectus.

Optional tax redemption

The notes are not redeemable prior to maturity, except upon the occurrence of certain changes in the tax laws of Brazil or the Cayman Islands as a result of which Vale Overseas or CVRD becomes obligated to pay additional amounts on the notes in respect of withholding taxes at a rate in excess of 15%, in which case Vale Overseas may redeem the notes in whole but not in part at a redemption price equal to 100% of the principal amount of the notes plus accrued interest to the redemption date. See "Description of Debt Securities - Optional Tax Redemption" in the accompanying prospectus.

Covenants

Holders of the notes will benefit from certain covenants contained in the indenture and affecting the ability of Vale Overseas to incur debt and take other specified actions and the ability of Vale

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Overseas and CVRD to incur liens and merge with other entities. You should read the information under the heading "Description of Debt Securities - Certain Covenants" and "Description of Debt Securities - Additional Terms of the Vale Overseas Debt Securities" in the accompanying prospectus.

Events of default and illegality events

Holders of the notes will have special rights if an event of default or an illegality event occurs. You should read the information under the heading "Description of Debt Securities - Events of Default and Illegality Events" in the accompanying prospectus.

Further issuances

Vale Overseas reserves the right, from time to time, without the consent of the holders of the notes, to issue additional notes on terms and conditions identical to those of the notes, which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes. Vale Overseas may also issue other securities under the indenture which have different terms from the notes. Likewise, CVRD has the right, without the consent of the holders, to guarantee any such additional securities, to guarantee debt of its other subsidiaries and to issue its own debt.

Transfer agent

Vale Overseas may appoint one or more financial institutions to act as its transfer agents, at whose designated offices the notes in certificated form must be surrendered before payment is made at their maturity. Each of those offices is referred to as a transfer agent. The initial transfer agent is the trustee, at its corporate trust office. Vale Overseas may add, replace or terminate transfer agents from time to time, provided that if any notes are issued in certificated form, so long as such notes are outstanding, Vale Overseas will maintain a transfer agent in New York City. Vale Overseas must notify you of changes in the transfer agents pursuant to the provisions described under "Notices" in this prospectus supplement and the accompanying prospectus. If Vale Overseas issues notes in certificated form, holders of notes in certificated form will be able to transfer their notes, in whole or in part, by surrendering the notes, with a duly completed form of transfer, for registration of transfer at the office of the transfer agent. Vale Overseas will not charge any fee for the registration or transfer or exchange, except that Vale Overseas may require the payment of a sum sufficient to cover any applicable tax or other governmental charge payable in connection with the transfer.

Book-entry ownership, denomination and transfer procedures for the notes

The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg supplements the description contained under the heading "Legal Ownership of Debt Securities" in the accompanying prospectus and is provided to you solely as a matter of convenience. You should read this section in conjunction with the information provided in the accompanying prospectus. These operations and procedures are solely within the control of the respective settlement systems and are subject to change from time to time. Vale Overseas and CVRD take no responsibility for these operations and procedures and urge you to contact the systems or their participants directly to discuss these matters.

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Vale Overseas and the trustee will make an application to DTC for acceptance in its book-entry settlement system of the notes, which will be in global form. The notes will be deposited with JPMorgan Chase Bank, N.A., as custodian. The custodian and DTC will electronically record the principal amount of the notes held within the DTC system. Investors may hold such interests directly through DTC if they are participants in such system, or indirectly through organizations which are participants in DTC, such as Clearstream, Luxembourg and Euroclear.

Ownership of beneficial interests in the notes will be limited to persons who have accounts with DTC, whom we refer to as DTC participants, or persons who hold interests through DTC participants. We expect that under procedures established by DTC:

upon deposit of the notes with DTC's custodian, DTC will credit portions of the principal amount of the notes to the accounts of the DTC participants designated by the underwriter, and

ownership of beneficial interests in the notes will be shown on, and transfer of ownership of those interests will be effected only through records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the notes).

As long as DTC or its nominee is the registered holder of the notes, DTC or its nominee will be considered the sole owner and holder of the notes for all purposes under the indenture and the notes. Except as described above, if you hold a book-entry interest in the notes in global form, you:

will not have notes registered in your name,

will not receive physical delivery of notes in certificated form, and

will not be considered the registered owner or holder of an interest in the notes under the indenture or the notes.

As a result, each investor who owns a beneficial interest in the notes must rely on the procedures of DTC to exercise any rights of a holder under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of the principal of, and interest on, the notes registered in the name of DTC's nominee will be to the order of its nominee as the registered owner of such notes. It is expected that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the notes as shown on the records of DTC or the nominee. Vale Overseas also expects that payments by DTC participants to owners of beneficial interests in the notes held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither Vale Overseas, the trustee or any agent of the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the notes or for maintaining, supervising or reviewing any records relating to such ownership interests.

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Because DTC or its nominee will be the only registered owner of the notes, Clearstream, Luxembourg and Euroclear will hold positions through their respective U.S. depositaries, which in turn will hold positions on the books of DTC.

Cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected through DTC in accordance with DTC rules on behalf of Clearstream, Luxembourg or Euroclear, as the case may be, by their respective U.S. depositaries. However, such cross-market transactions will require delivery of instructions to Clearstream, Luxembourg or Euroclear, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or Euroclear, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective U.S. depository to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg accountholders and Euroclear accountholders may not deliver instructions directly to the U.S. depositaries for Clearstream, Luxembourg or Euroclear.

On or after the Closing Date, transfers between accountholders in Clearstream, Luxembourg and Euroclear and transfers between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. However, as a result of time-zone differences, securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be credited to the relevant account at Clearstream, Luxembourg or Euroclear during the securities settlement processing day dated the fourth business day (T+4) following the DTC settlement date. Similarly, cash received in Clearstream, Luxembourg or Euroclear as a result of a sale of securities by or through a Clearstream, Luxembourg or Euroclear accountholder to a DTC participant will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only on the fourth business day (T+4) following the DTC settlement date. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC has advised us that it will take any action permitted to be taken by a holder of notes (including, without limitation, the presentation of notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, in the circumstances described below, DTC will surrender the notes for exchange for individual definitive notes.

DTC has advised us as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a banking organization under the laws of the State of New York, a member of the U.S. Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC was created to hold

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securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerized book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Clearstream, Luxembourg

Clearstream, Luxembourg was incorporated as a limited liability company under Luxembourg law.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thus eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg interfaces with domestic markets in a number of countries. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V., the operator of the Euroclear System, to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

As a registered bank in Luxembourg, Clearstream, Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream, Luxembourg customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream, Luxembourg customers are limited to securities brokers and dealers and banks. Clearstream, Luxembourg customers may include the underwriter. Other institutions that maintain a custodial relationship with a Clearstream, Luxembourg customer may obtain indirect access to Clearstream, Luxembourg. Clearstream, Luxembourg is an indirect participant in DTC.

Distribution with respect to the notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

The Euroclear System

The Euroclear System was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in many currencies, including United States dollars and Euros. The Euroclear System provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries in a manner generally similar to the arrangements for cross-market transfers with DTC described above.

The Euroclear System is operated by Euroclear Bank S.A./N.V. (the Euroclear Operator), under contract with Euroclear Clearance System, S.C., a Belgian cooperative corporation (the

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Cooperative). The Euroclear Operator conducts all operations, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear system on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriter. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern:

- transfers of securities and cash within the Euroclear System;
- withdrawal of securities and cash from the Euroclear System and
- receipts of payments with respect to securities in the Euroclear System.

All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding securities through Euroclear participants.

Distributions with respect to notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Operator.

The foregoing information about DTC, Clearstream, Luxembourg and Euroclear has been provided by each of them for information purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither Vale Overseas, the trustee or any of the trustee's agents will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a note in global form is lodged with DTC or the custodian, notes represented by individual definitive notes will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Individual definitive notes

Registration of title to notes in a name other than DTC or its nominee will not be permitted unless (i) DTC has notified us that it is unwilling or unable to continue as depository for the notes in global form or the depository ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when DTC is required to be so registered in order to

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act as depositary, and, in each case, we do not or cannot appoint a successor depositary within 90 days or (ii) Vale Overseas decides in its sole discretion to allow some or all book-entry notes to be exchangeable for definitive notes in registered form. In such circumstances, Vale Overseas will cause sufficient individual definitive notes to be executed and delivered to the registrar for completion, authentication and dispatch to the relevant holders of notes. Payments with respect to definitive notes may be made through the transfer agent. A person having an interest in the notes in global form must provide the registrar with a written order containing instructions and such other information as we and the registrar may require to complete, execute and deliver such individual definitive notes.

If Vale Overseas issues notes in certificated form, holders of notes in certificated form will be able to transfer their notes, in whole or in part, by surrendering the notes, with a duly completed form of transfer, for registration of transfer at the office of the transfer agent, JPMorgan Chase Bank, N.A. Vale Overseas will not charge any fee for the registration or transfer or exchange, except that it may require the payment of a sum sufficient to cover any applicable tax or other governmental charge payable in connection with the transfer.

All money paid by Vale Overseas to the paying agents for the payment of principal and interest on the notes which remains unclaimed at the end of two years after the amount is due to a holder will be repaid to Vale Overseas, and thereafter holders of notes in certificated form may look only to Vale Overseas and CVRD for payment.

Notices

As long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If Vale Overseas issues notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed.

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Prescription period

Claims for payment of principal in respect of the notes shall be prescribed upon the expiration of ten years, and claims for payment of interest in respect of the notes shall be prescribed upon the expiration of five years, in each case from the relevant date (as defined below) thereof.

The relevant date in respect of any payment means the date on which such payment first becomes due or (if the full amount of the monies payable has not been received by the trustee on or prior to such due date) the date on which notice is given to the holders that such monies have been so received.

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Certain tax considerations

The following summary of certain Cayman Islands, Brazilian and United States federal income tax considerations is based on the advice of Walkers with respect to Cayman Islands tax law, on the advice of Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados with respect to Brazilian tax law and on the advice of Cleary Gottlieb Steen & Hamilton LLP with respect to United States federal income taxes. This summary contains a description of the principal Cayman Islands, Brazilian and United States federal income tax consequences of the purchase, ownership and disposition of the notes, but does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the Cayman Islands, Brazil and the United States.

The following is a general discussion of certain tax considerations for prospective investors in the notes. The discussion is based upon present law and interpretations of present law as in effect on the date of this prospectus supplement, both of which are subject to prospective and retroactive changes. The discussion does not consider any investor's particular circumstances, and it is not intended as tax advice. Each prospective investor is urged to consult its tax advisor about the tax consequences of an investment in the notes under the laws of the Cayman Islands, Brazil and the United States, jurisdictions from which Vale Overseas may derive its income or conduct its activities, and jurisdictions where the investor is subject to taxation.

Cayman Islands tax considerations

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to Vale Overseas or any holder of notes. Accordingly, payment of principal of and interest on the notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of a note and gains derived from the sale of notes will not be subject to Cayman Islands capital gains tax. The Cayman Islands are not party to any double taxation treaties.

Vale Overseas has received an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with section 6 of the Tax Concession Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to Vale Overseas or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on the shares, debentures or other obligations of Vale Overseas or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by Vale Overseas to its members or a payment of principal or interest or other sums due under a debenture or other obligation of Vale Overseas.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of .25% of the face amount thereof may be payable on each note (up to a maximum of 250 Cayman Islands dollars (CI\$) (US\$312.50)) unless stamp duty of CI\$500 (US\$625) has been paid in respect of the entire issue of notes.

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The above conversions of Cayman Islands dollars to U.S. dollars have been made on the basis of US\$1.25 = CI\$1.00.

Brazilian tax considerations

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the notes by an individual, entity, trust or organization considered as resident or domiciled outside Brazil for tax purposes, or a Nonresident Holder. The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in Brazilian law that may come into effect after such date.

The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the notes. Prospective investors should consult their own tax advisers as to the consequences of purchasing the notes, including, without limitation, the consequences of the receipt of interest and the sale, redemption or repayment of the notes.

Payments on the notes made from Vale Overseas and gains on the notes

Generally, a Nonresident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil. Therefore, based on the fact that Vale Overseas is considered for tax purposes as domiciled abroad, any income (including interest and original issue discount) paid by Vale Overseas in respect of the notes issued by it in favor of Nonresident Holders are not subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by such entity outside of Brazil.

According to article 26 of Law No. 10,833, enacted on December 29, 2003, capital gains realized on the disposition of assets located in Brazil by a nonresident to another nonresident made outside Brazil, are subject to taxation in Brazil. Based on the fact that the notes are issued abroad and, thus, the notes will not fall within the definition of assets located in Brazil for the purposes of Law No. 10,833, gains on the sale or other disposition of the notes made outside Brazil by a Nonresident Holder, other than a branch or a subsidiary of Brazilian resident, to another Nonresident Holder are not subject to Brazilian taxes. Although, considering the general scope of Law No. 10,833 and the absence of judicial guidance in respect thereof, it is impossible to predict whether such interpretation will ultimately prevail in the Brazilian courts.

On the other hand, gains made by a Nonresident Holder from the sale or other disposition of the notes to a Brazilian resident will be subject to Brazilian income tax.

Generally, there are no inheritance, gift, succession, stamp, or other similar taxes in Brazil with respect to the ownership, transfer, assignment or any other disposition of the notes by a Nonresident Holder, except for gift inheritance taxes imposed by some Brazilian states on gifts or bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

Payments on the notes made from CVRD

If, by any chance, a payment is made to the Nonresident Holder by a Brazilian source in respect of the notes, such as by CVRD, such payment will be generally subject to income tax withheld at

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source at a rate that varies depending on the nature of the payment and the location of the Nonresident Holder, at a maximum rate of 25%, or such other rate as may be provided for in any applicable tax treaty between Brazil and the country of the beneficiary. In this case other taxes may be also applicable.

In the event of withholding or deduction for or on account of Brazilian taxes, Vale Overseas and CVRD will, subject to certain exceptions, pay additional amounts in respect of such withholding or deduction so that the net amount received by the holder after such withholding or deduction equals the amount of principal or interest that would have been received in the absence of such withholding or deduction. See *Description of Notes Payment of Additional Amounts* in this prospectus supplement and *Description of Debt Securities Payment of Additional Amounts* in the accompanying prospectus.

United States tax considerations

The following is a summary of certain United States federal income tax considerations that may be relevant to a holder of a note that is, for U.S. federal income tax purposes a citizen or resident of the United States or a domestic corporation or that otherwise is subject to United States federal income taxation on a net income basis in respect of the note (a U.S. Holder). This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with U.S. Holders that will hold notes as capital assets, and only if the U.S. Holder obtained the notes during the initial offering. This summary does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing mark to market tax accounting, persons that will hold notes as a position in a straddle or conversion transaction, or as part of a synthetic security or other integrated financial transaction or persons that have a functional currency other than the U.S. Dollar.

Investors should consult their own tax advisors in determining the tax consequences to them of holding notes, including the application to their particular situation of the United States federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Payments of interest

Payments of interest on a note (which may include additional amounts) will generally be taxable to a U.S. Holder as ordinary interest income when such interest is accrued or received, in accordance with the U.S. Holder's regular method of tax accounting. Interest income in respect of the notes will constitute foreign source income for United States federal income tax purposes and, with certain exceptions, will be treated separately, together with other items of passive income or, in the case of certain holders, financial services income, for purposes of computing the foreign tax credit allowable under the United States federal income tax laws. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits, including credits for any tax imposed by the Cayman Islands or by Brazil, and the treatment of additional amounts. See discussion above of *Description of Notes Payment of Additional Amounts* in this prospectus supplement, and the information

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appearing under the heading Description of Debt Securities Payment of Additional Amounts in the accompanying prospectus.

Sale or disposition of notes

A U.S. Holder will generally recognize capital gain or loss upon the sale, exchange, retirement or other disposition of a note in an amount equal to the difference between the amount realized upon such sale, exchange, retirement or other disposition (other than amounts attributable to accrued interest, which will be taxed as such) and such U.S. Holder's adjusted tax basis in the note. A U.S. Holder's tax basis in the note will generally equal the U.S. Holder's cost for the note. Gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other disposition of a note will generally be United States source gain or loss for United States federal income tax purposes unless it is attributable to an office or other fixed place of business outside the United States and certain other conditions are met.

Backup withholding and information reporting

A U.S. Holder may be subject to information reporting requirements and backup withholding with respect to certain payments to that U.S. Holder, unless the holder (i) is a corporation or comes within certain other exempt categories and demonstrates this fact when so required, or (ii) in the case of backup withholding, provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules generally will be creditable against the U.S. Holder's U.S. federal income tax liability.

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Underwriting

Vale Overseas intends to offer the notes through J.P. Morgan Securities Inc. as underwriter. Subject to the terms and conditions contained in a terms agreement between the underwriter, Vale Overseas and us, Vale Overseas has agreed to sell to the underwriter and the underwriter has agreed to purchase from Vale Overseas, the principal amount of the notes listed below.

Underwriter	Principal Amount
J.P. Morgan Securities Inc.	US\$ 1,000,000,000
Total	US\$ 1,000,000,000

The underwriter has agreed to purchase all of the notes sold pursuant to the terms agreement if any of these notes are purchased. If the underwriter defaults, the terms agreement provides that the purchase agreement may be terminated.

Vale Overseas and CVRD have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriter may be required to make in respect of those liabilities.

Vale Overseas and CVRD have agreed that Vale Overseas will not, during a period of 30 days from the date of this Prospectus Supplement, without the written consent of J.P. Morgan Securities Inc., directly or indirectly, issue, sell, offer or contract to sell, grant any option for the sale of, or otherwise transfer or dispose of, any debt securities of Vale Overseas.

The underwriter is offering the notes, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the notes, and other conditions contained in the terms agreement, such as the receipt by the underwriter of officers' certificates and legal opinions. The underwriter reserves the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and discounts

The underwriter has advised Vale Overseas that it proposes initially to offer the notes to the public at the public offering price on the cover page of this prospectus. After the initial public offering, the public offering price may be changed. The expenses of the offering, not including the underwriting discount, are estimated to be US\$1,000,000 and are payable by Vale Overseas.

Trading market

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Application has been made to list the notes on the New York Stock Exchange in accordance with the rules and regulations of the New York Stock Exchange. Vale Overseas does not intend to apply for listing of the notes on any other securities exchange or for quotation of the notes on any automated dealer quotation system. We have been advised by the underwriter that it presently intends to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

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Price stabilization and short positions

In connection with the offering, the underwriter is permitted to engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the notes. If the underwriter creates a short position in the notes in connection with the offering, i.e., if it sells more notes than are on the cover page of this prospectus, the underwriter may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor the underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the underwriter make any representation that the underwriter will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

EEA selling restriction