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VALLEY OF THE RIO DOCE CO

Form 6-K

April 24, 2002

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FORM 6-K

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 or 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

For APRIL 24, 2002

Companhia Vale do Rio Doce  
(Exact name of Registrant as specified in its charter)

Valley of the Doce River Company  
(Translation of Registrant's name into English)

Federative Republic of Brazil  
(Jurisdiction of incorporation or organization)

Avenida Graca Aranha, No. 26  
20005-900 Rio de Janeiro, RJ, Brazil  
(Address of principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:]

FORM 20-F    
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FORM 40-F   
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[Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the +Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.]

YES   
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NO    
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[If "Yes " is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):] Not applicable   
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Companhia Vale do Rio Doce

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COMPANHIA VALE DO RIO DOCE  
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REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, based upon our audits and the reports of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in stockholders' equity, present fairly, in all material respects, the financial position of Companhia Vale do Rio Doce and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain affiliates, the investments in which total US\$441 million and US\$1,188 million at December 31, 2001 and 2000, respectively, and equity in earnings of US\$53 million, US\$213 million and US\$42 million for 2001, 2000 and 1999, respectively. Also, we did not audit the financial statements of the majority-owned shipping and ferrous alloys

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subsidiaries as at and for the years ended December 31, 2001, 2000 and 1999, which statements reflect total assets of US\$500 million and US\$584 million at December 31, 2001 and 2000, respectively, and total revenues of US\$407 million, US\$480 million and US\$177 million for 2001, 2000 and 1999, respectively. The financial statements of these affiliates and subsidiaries were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts for these affiliates and subsidiaries, is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers  
Auditores Independentes

Rio de Janeiro, Brazil  
March 28, 2002

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Consolidated Balance Sheets  
Expressed in millions of United States dollars

|  | As of December 31 |       |
|--|-------------------|-------|
|  | 2001              | 2000  |
| Assets   |                   |       |
| Current assets   |                   |       |
| Cash and cash equivalents.....   | 1,117             | 1,211 |
| Accounts receivable  |                   |       |
| Related parties.....   | 106               | 125   |
| Unrelated parties.....   | 443               | 365   |
| Loans and advances to related parties.....   | 160               | 121   |
| Inventories.....   | 323               | 306   |
| Deferred income tax.....   | 265               | 89    |
| Others.....  | 224               | 285   |
|  | 2,638             | 2,502 |
| Property, plant and equipment, net.....  | 3,813             | 3,955 |
| Investments in affiliated companies and<br>joint ventures and other investments..... | 1,227             | 1,816 |
| Provision for losses on equity investments.....                                      | (9)               | (21)  |
| Other assets   |                   |       |
| Goodwill on acquisition of consolidated subsidiaries.....                            | 540               | 175   |
| Loans and advances   |                   |       |
| Related parties.....   | 555               | 704   |
| Unrelated parties.....   | 100               | 52    |

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|  |       |       |
|--|-------|-------|
| Unrecognized pension obligation.....           | 14    | 125   |
| Prepaid pension cost.....                      | 99    | -     |
| Deferred income tax.....                       | 227   | 255   |
| Judicial deposits.....                         | 235   | 173   |
| Unrealized gain on derivative instruments..... | 7     | -     |
| Others.....                                    | 76    | 59    |
|  | ----- | ----- |
|  | 1,853 | 1,543 |
|  | ----- | ----- |
| TOTAL.....                                     | 9,522 | 9,795 |
|  | ===== | ===== |

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Consolidated Balance Sheets

Expressed in millions of United States dollars

(Continued)

|   | As of December 31 |         |
|---|-------------------|---------|
|   | 2001              | 2000    |
|   | -----             | -----   |
| Liabilities and stockholders' equity                      |                   |         |
| Current liabilities                                       |                   |         |
| Suppliers.....  | 296               | 321     |
| Payroll and related charges.....                          | 85                | 51      |
| Interest attributed to stockholders.....                  | 340               | 657     |
| Current portion of long-term debt                         |                   |         |
| Related parties.....                                      | 22                | 30      |
| Unrelated parties.....                                    | 274               | 250     |
| Short-term debt.....                                      | 589               | 465     |
| Loans from related parties.....                           | 168               | 152     |
| Others.....   | 147               | 210     |
|   | -----             | -----   |
|   | 1,921             | 2,136   |
|   | -----             | -----   |
| Long-term liabilities                                     |                   |         |
| Employees postretirement benefits.....                    | 187               | 591     |
| Long-term debt  |                   |         |
| Related parties.....                                      | 156               | 128     |
| Unrelated parties.....                                    | 2,014             | 1,892   |
| Loans from related parties.....                           | 21                | 21      |
| Provisions for contingencies (Note 15).....               | 452               | 338     |
| Unrealized loss on derivative instruments.....            | 40                | -       |
| Others.....   | 86                | 111     |
|   | -----             | -----   |
|   | 2,956             | 3,081   |
|   | -----             | -----   |
| Minority interests.....                                   | 5                 | 9       |
|   | -----             | -----   |
| Stockholders' equity                                      |                   |         |
| Preferred class A stock - 600,000,000                     |                   |         |
| no-par-value shares authorized and 138,575,913 issued.... | 820               | 709     |
| Common stock - 300,000,000 no-par-value                   |                   |         |
| shares authorized and 249,983,143 issued.....             | 1,479             | 1,279   |
| Treasury stock - 91 (2000 - 3,659,311) preferred          |                   |         |
| and 4,715,170 common shares.....                          | (88)              | (61)    |
| Additional paid-in capital.....                           | 498               | 498     |
| Other cumulative comprehensive income.....                | (3,465)           | (3,040) |

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|                                       |       |       |
|---------------------------------------|-------|-------|
| Appropriated retained earnings.....   | 3,212 | 3,537 |
| Unappropriated retained earnings..... | 2,184 | 1,647 |
|                                       | ----- | ----- |
|                                       | 4,640 | 4,569 |
|                                       | ----- | ----- |
| TOTAL.....                            | 9,522 | 9,795 |
|                                       | ===== | ===== |

See notes to consolidated financial information.

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

|   | Year ended December 31 |         |         |
|---|------------------------|---------|---------|
|   | 2001                   | 2000    | 1999    |
|   | -----                  | -----   | -----   |
| Operating revenues, net of discounts, returns<br>and allowances |                        |         |         |
| Sales of ores and metals  |                        |         |         |
| Iron ore and pellets.....                                       | 2,600                  | 2,177   | 1,694   |
| Gold.....   | 139                    | 156     | 155     |
| Others.....   | 426                    | 412     | 175     |
|   | -----                  | -----   | -----   |
|   | 3,165                  | 2,745   | 2,024   |
| Revenues from transportation services.....                      | 608                    | 760     | 642     |
| Aluminum products.....  | 284                    | 362     | 363     |
| Other products and services.....                                | 75                     | 202     | 128     |
|   | -----                  | -----   | -----   |
|   | 4,132                  | 4,069   | 3,157   |
| Value-added tax.....  | (142)                  | (134)   | (81)    |
|   | -----                  | -----   | -----   |
| Net operating revenues.....                                     | 3,990                  | 3,935   | 3,076   |
|   | -----                  | -----   | -----   |
| Operating costs and expenses                                    |                        |         |         |
| Cost of ores and metals sold.....                               | (1,605)                | (1,423) | (996)   |
| Cost of transportation services.....                            | (378)                  | (481)   | (368)   |
| Cost of aluminum products.....                                  | (269)                  | (334)   | (323)   |
| Others.....   | (75)                   | (191)   | (119)   |
|   | -----                  | -----   | -----   |
|   | (2,327)                | (2,429) | (1,806) |
| Selling, general and administrative expenses....                | (241)                  | (225)   | (138)   |
| Research and development.....                                   | (43)                   | (48)    | (27)    |
| Employee profit sharing plan.....                               | (38)                   | (29)    | (24)    |
| Others.....   | (412)                  | (278)   | (165)   |
|   | -----                  | -----   | -----   |
|   | (3,061)                | (3,009) | (2,160) |
|   | -----                  | -----   | -----   |
| Operating income.....   | 929                    | 926     | 916     |
|   | -----                  | -----   | -----   |
| Non-operating income (expenses)                                 |                        |         |         |
| Financial income.....   | 135                    | 208     | 200     |
| Financial expenses.....   | (335)                  | (315)   | (233)   |
| Foreign exchange and monetary losses, net.....                  | (393)                  | (142)   | (213)   |
| Gain on sale of investments.....                                | 784                    | 54      | -       |
|   | -----                  | -----   | -----   |

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|  |         |         |         |
|--|---------|---------|---------|
|  | 191     | (195)   | (246)   |
|  | -----   | -----   | -----   |
| Income before income taxes, equity results and minority interests..... | 1,120   | 731     | 670     |
|  | -----   | -----   | -----   |
| Income taxes   |         |         |         |
| Current.....   | 46      | (10)    | -       |
| Deferred.....  | 172     | 42      | (33)    |
|  | -----   | -----   | -----   |
|  | 218     | 32      | (33)    |
|  | -----   | -----   | -----   |
| Equity in results of affiliates and joint ventures.....                | (49)    | 260     | 41      |
| Change in provision for losses on equity investments.....              | (4)     | 62      | (268)   |
| Minority interests.....  | 2       | 1       | 2       |
|  | -----   | -----   | -----   |
| Net income.....  | 1,287   | 1,086   | 412     |
|  | =====   | =====   | =====   |
| Basic earnings per Common and Preferred Class A Share.....             | 3.34    | 2.82    | 1.07    |
|  | -----   | -----   | -----   |
| Weighted average number of shares outstanding (thousands of shares)    |         |         |         |
| Common shares.....   | 249,864 | 249,983 | 249,983 |
| Preferred Class A shares.....  | 135,042 | 134,917 | 134,917 |

See notes to consolidated financial information.

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

|  | Year ended December 31 |       |       |
|--|------------------------|-------|-------|
|  | 2001                   | 2000  | 1999  |
|  | -----                  | ----- | ----- |
| Cash flows from operating activities:  |                        |       |       |
| Net income.....  | 1,287                  | 1,086 | 412   |
| Adjustments to reconcile net income with cash provided by operating activities:    |                        |       |       |
| Depreciation, depletion and amortization.....                                      | 212                    | 195   | 163   |
| Equity in results of affiliates and joint ventures, net of dividends received..... | 181                    | (127) | 23    |
| Change in provision for losses on equity investments.....                          | 4                      | (62)  | 268   |
| Deferred income taxes.....   | (172)                  | (42)  | 33    |
| Provisions for contingencies.....  | 79                     | 101   | 57    |
| Loss on disposals of property, plant and equipment.....                            | 79                     | 47    | 23    |
| Gain on sale of investments.....   | (784)                  | (54)  | -     |
| Pension plan.....  | 32                     | 105   | 55    |
| Foreign exchange and monetary losses.....  | 460                    | 208   | 399   |
| Net unrealized derivative losses.....  | 38                     | -     | -     |
| Others.....  | 129                    | 54    | 61    |
| Decrease (increase) in assets:   |                        |       |       |

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|   |         |         |       |
|---|---------|---------|-------|
| Accounts receivable.....  | (49)    | (63)    | (135) |
| Inventories.....  | (40)    | (50)    | (6)   |
| Others.....   | 17      | (103)   | (25)  |
| Increase (decrease) in liabilities:   |         |         |       |
| Suppliers.....  | 21      | 84      | 49    |
| Payroll and related charges.....  | 42      | (1)     | 2     |
| Others.....   | (18)    | 46      | (43)  |
|   | -----   | -----   | ----- |
| Net cash provided by operating activities.....  | 1,518   | 1,424   | 1,336 |
|   | -----   | -----   | ----- |
| Cash flows from investing activities:   |         |         |       |
| Loans and advances receivable   |         |         |       |
| Related parties   |         |         |       |
| Additions.....  | (75)    | (168)   | (202) |
| Repayments.....   | 79      | 32      | 42    |
| Others.....   | 7       | 8       | 5     |
| Guarantees and deposits.....  | (85)    | (98)    | (4)   |
| Additions to investments.....   | (338)   | (538)   | (49)  |
| Additions to property, plant and equipment.....   | (595)   | (447)   | (265) |
| Proceeds from disposals of property, plant and equipment.....   | 3       | 1       | 1     |
| Proceeds from disposal of investments.....  | 989     | 44      | -     |
| Net cash used to acquire subsidiaries.....  | (516)   | (323)   | -     |
| Others.....   | -       | -       | 3     |
|   | -----   | -----   | ----- |
| Net cash used in investing activities.....  | (531)   | (1,489) | (469) |
|   | -----   | -----   | ----- |
| Cash flows from financing activities:   |         |         |       |
| Short-term debt, net issuances.....   | (28)    | (278)   | (110) |
| Loans   |         |         |       |
| Related parties   |         |         |       |
| Additions.....  | 145     | 8       | 223   |
| Repayments.....   | (44)    | (42)    | (42)  |
| Perpetual notes.....  | -       | 120     | -     |
| Long-term debt  |         |         |       |
| Related parties.....  | 66      | 62      | 60    |
| Others.....   | 317     | 750     | 175   |
| Repayments of long-term debt  |         |         |       |
| Related parties.....  | (40)    | (25)    | (48)  |
| Others.....   | (310)   | (419)   | (299) |
| Interest attributed to stockholders.....  | (1,066) | (246)   | (452) |
| Treasury stock.....   | (27)    | -       | -     |
|   | -----   | -----   | ----- |
| Net cash used in financing activities.....  | (987)   | (70)    | (493) |
|   | -----   | -----   | ----- |
| Increase (decrease) in cash and cash equivalents.   | -       | (135)   | 374   |
| Effect of exchange rate changes on cash and cash equivalents.....   | (94)    | (107)   | (110) |
| Cash and cash equivalents, beginning of period.....   | 1,211   | 1,453   | 1,189 |
|   | -----   | -----   | ----- |
| Cash and cash equivalents, end of period.....   | 1,117   | 1,211   | 1,453 |
|   | =====   | =====   | ===== |
| Cash paid during the period for:  |         |         |       |
| Interest on short-term debt.....  | (45)    | (48)    | (55)  |
| Interest on long-term debt, net of interest capitalized of \$11 in 2001, \$12 in 2000 and \$12 in 1999..... | (153)   | (128)   | (107) |
| Income tax.....   | (46)    | (6)     | -     |
| Non-cash transactions   |         |         |       |
| Special pension plan contribution in shares of CSN.....   | 249     | -       | -     |

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|   |    |   |     |
|---|----|---|-----|
| Exchange of loans receivable for investments.....           | 35 | 7 | 241 |
| Transfer of credits from related parties at fair value..... | -  | - | 126 |

See notes to consolidated financial information.

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

|   | Year ended December 31 |         |         |         |
|---|------------------------|---------|---------|---------|
|   | Shares                 | 2001    | 2000    | 1999    |
| Preferred class A stock (including one special share) |                        |         |         |         |
| Balance January 1, 2001, 2000 and 1999.....           | 138,575,913            | 709     | 709     | 642     |
| Transfer from appropriated retained earnings.....     | -                      | 111     | -       | 67      |
| Balance December 31, 2001, 2000 and 1999.....         | 138,575,913            | 820     | 709     | 709     |
| Common stock  |                        |         |         |         |
| Balance January 1, 2001, 2000 and 1999.....           | 249,983,143            | 1,279   | 1,279   | 1,159   |
| Transfer from appropriated retained earnings.....     | -                      | 200     | -       | 120     |
| Balance December 31, 2001, 2000 and 1999.....         | 249,983,143            | 1,479   | 1,279   | 1,279   |
| Treasury stock  |                        |         |         |         |
| Balance January 1.....                                | (3,666,611)            | (61)    | (61)    | (61)    |
| Acquisitions in 2001.....                             | (1,048,650)            | (27)    | -       | -       |
| Balance December 31.....                              | (4,715,261)            | (88)    | (61)    | (61)    |
| Additional paid-in capital                            |                        |         |         |         |
| Balance January 1 and December 31.....                |                        | 498     | 498     | 498     |
| Other cumulative comprehensive income                 |                        |         |         |         |
| Amounts not recognized as net periodic pension cost   |                        |         |         |         |
| Balance January 1.....                                |                        | (100)   | -       | (153)   |
| Excess of additional minimum liability.....           |                        | 151     | (151)   | 229     |
| Tax effect on above.....                              |                        | (51)    | 51      | (76)    |
| Balance December 31.....                              |                        | -       | (100)   | -       |
| Cumulative translation adjustments                    |                        |         |         |         |
| Balance January 1.....                                |                        | (2,972) | (2,535) | (735)   |
| Change in the year.....                               |                        | (503)   | (437)   | (1,800) |
| Balance December 31.....                              |                        | (3,475) | (2,972) | (2,535) |
| Unrealized gain on available-for-sale security        |                        |         |         |         |
| Balance January 1.....                                |                        | 24      | 54      | 30      |
| Change in the year.....                               |                        | (24)    | (30)    | 24      |



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|   |             |         |         |
|---|-------------|---------|---------|
| Balance December 31.....  | -           | 24      | 54      |
|   | -----       | -----   | -----   |
| Adjustments relating to investments in affiliates   |             |         |         |
| Balance January 1.....  | 8           | (6)     | (7)     |
| Change in the year.....   | 2           | 14      | 1       |
|   | -----       | -----   | -----   |
| Balance December 31.....  | 10          | 8       | (6)     |
|   | -----       | -----   | -----   |
| Total other cumulative comprehensive income.....  | (3,465)     | (3,040) | (2,487) |
|   | -----       | -----   | -----   |
| Appropriated retained earnings  |             |         |         |
| Balance January 1.....  | 3,537       | 3,567   | 5,212   |
| Transfer to retained earnings.....  | (14)        | (30)    | (1,458) |
| Transfer to capital stock.....  | (311)       | -       | (187)   |
|   | -----       | -----   | -----   |
| Balance December 31.....  | 3,212       | 3,537   | 3,567   |
|   | -----       | -----   | -----   |
| Retained earnings   |             |         |         |
| Balance January 1.....  | 1,647       | 1,186   | (193)   |
| Net income.....   | 1,287       | 1,086   | 412     |
| Interest attributed to stockholders   |             |         |         |
| Preferred class A stock (\$1.99, \$1.70 and \$1.28 per share in 2001, 2000 and 1999)..... | (276)       | (230)   | (172)   |
| Common stock (\$1.99, \$1.70 and \$1.28 per share in 2001, 2000 and 1999).....            | (488)       | (425)   | (319)   |
| Appropriation from reserves.....  | 14          | 30      | 1,458   |
|   | -----       | -----   | -----   |
| Balance December 31.....  | 2,184       | 1,647   | 1,186   |
|   | -----       | -----   | -----   |
| Total stockholders' equity.....   | 383,843,795 | 4,640   | 4,569   |
|   | =====       | =====   | =====   |
| Comprehensive income is comprised as follows:   |             |         |         |
| Net income.....   | 1,287       | 1,086   | 412     |
| Amounts not recognized as net periodic pension cost.....                                  | 100         | (100)   | 153     |
| Cumulative translation adjustments.....   | (503)       | (437)   | (1,800) |
| Unrealized gain on available-for-sale security....  | (24)        | (30)    | 24      |
| Adjustments relating to investments in affiliates.....                                    | 2           | 14      | 1       |
|   | -----       | -----   | -----   |
| Total comprehensive income (loss).....  | 862         | 533     | (1,210) |
|   | =====       | =====   | =====   |

See notes to consolidated financial information.

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Notes to the Consolidated Financial Statements  
Expressed in millions of United States dollars, unless otherwise stated  
-----

1 The Company and its operations

Companhia Vale do Rio Doce (CVRD) is a limited liability company, duly organized and existing under the laws of the Federative Republic of Brazil. Our operations are carried out through CVRD and its subsidiary

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companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production and logistics, as well as pulp and paper, aluminum and steel activities. Further details of our operations and those of our joint ventures and affiliates are described in Note 16.

The main operating subsidiaries we consolidate are as follows:

| Subsidiary                                  | % ownership | Head office location |      |
|---|-------------|----------------------|------|
| Ferteco Mineracao S.A. - FERTECO            | 100         | Brazil               | Iron |
| Para Pigmentos S.A.                         | 80          | Brazil               |      |
| SIBRA - Eletrosiderurgica Brasileira S.A.   | 98          | Brazil               | F    |
| Navegacao Vale do Rio Doce S.A. - DOCENAVE  | 100         | Brazil               |      |
| Vale do Rio Doce Aluminio S.A. - ALUVALE    | 100         | Brazil               |      |
| Itabira Rio Doce Company Ltd. - ITACO       | 100         | Cayman Island        |      |
| Rio Doce International Finance Ltd. - RDIF  | 100         | Bahamas              | Inte |
| CELMAR S.A. - Industria de Celulose e Papel | 85          | Brazil               |      |
| Florestas Rio Doce S.A.                     | 100         | Brazil               |      |
| Rio Doce Manganese Europe - RDME            | 100         | France               | F    |
| Urucum Mineracao S.A.                       | 100         | Brazil               |      |

### 2 Summary of significant accounting policies

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

#### (a) Basis of presentation

We have prepared the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which differ in certain respects from the Brazilian accounting principles that we use in preparing our statutory financial information.

The U.S. dollar amounts for the period presented have been remeasured (translated) from the Brazilian currency amounts in accordance with the criteria set forth in Statement of Financial Accounting Standards 52 - "Foreign Currency Translation" (SFAS 52).

Prior to July 1, 1997, Brazil was considered under SFAS 52 to have a highly inflationary economy, defined as an economy in which the cumulative inflation rate over the latest thirty-six month period has exceeded 100%. Accordingly, up to June 30, 1997, we adopted the U.S. dollar as both our functional currency and reporting currency.

As from July 1, 1997, we concluded that the Brazilian economy had ceased to be highly inflationary and changed our functional currency from the reporting currency (U.S. dollars) to the local currency (Brazilian reais). Accordingly, at July 1, 1997, we translated the U.S. dollar amounts of non-monetary assets and liabilities into reais at the current exchange rate, and those amounts became the new accounting bases for such assets

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and liabilities. The resulting deferred taxes associated with the differences between the new functional currency bases and the tax bases, including those relating to

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affiliates and joint ventures, net of related valuation allowances, were reflected in the cumulative translation adjustments component of stockholders' equity.

We have remeasured all assets and liabilities into U.S. dollars at the current exchange rate at each balance sheet date (R\$2.3204 and R\$1.9554 to US\$1.00 at December 31, 2001 and 2000, respectively), and all accounts in the statements of income (including amounts relative to local currency indexation and exchange variances on assets and liabilities denominated in foreign currency) at the average rates prevailing during the period. The translation gain or loss resulting from this remeasurement process is included in the cumulative translation adjustments account in stockholders' equity.

The net exchange transaction loss included in our statement of income was \$410, \$115 and \$265 in 2001, 2000 and 1999, respectively, with the line "Foreign exchange and monetary losses, net".

### (b) Basis of consolidation

All majority-owned subsidiaries where we have both share and management control are consolidated, with elimination of all significant intercompany accounts and transactions. Investments in unconsolidated affiliates and joint ventures are reported at cost less amortized goodwill plus our equity in undistributed earnings or losses. Included in this category are certain joint ventures in which we have majority ownership but, by force of shareholders' agreements, do not have effective management control. We provide for losses on equity investments with negative stockholders' equity where applicable (see Note 10).

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

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

### (c) Business combinations

We adopt the procedures determined by Accounting Principles Board Opinion 16 - "Business Combinations" (APB 16) to recognize acquisitions of interests in other companies. The method of accounting normally used in our business combination transactions is the "purchase method", which requires that acquirers reasonably determine the fair value of the identifiable assets and liabilities of acquired companies, individually, in order to determine the goodwill paid in the purchase to be recognized as an intangible asset. On the acquisition of assets which include the rights to mine reserves of natural resources, the establishment of values for these assets includes the placing of fair values on purchased

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reserves, which are classified in the balance sheet as property, plant and equipment.

Goodwill recorded in our business combination transactions realized prior to July 1, 2001 is amortized in a systematic manner over the periods estimated to be benefited through December 31, 2001.

For acquisitions after July 1, 2001 goodwill resulting from the acquisitions is not amortized.

### (d) Inventories

Inventories are stated at the average cost of purchase or production, lower than replacement or realizable values. We record allowances for slow-moving or obsolete inventories when considered appropriate, reflecting our periodic assessment of recoverability. A write-down of inventory utilizing the allowance establishes a new cost basis for the related inventory.

Finished goods inventories include all related materials, labor and direct production expenditures, and exclude general and administrative expenses.

### (e) Property, plant and equipment

Property, plant and equipment are recorded at cost, including interest cost incurred during the construction of major new facilities. We compute depreciation on the straight-line basis at rates which take into consideration the useful lives of the items, principally an average of 80 years for the railroads, 20 years for ships, 25 years for buildings and improvements and between 10 to 20 years for mining and other equipment. Expenditures for maintenance and repairs are charged to operating costs and expenses as incurred.

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We capitalize the costs of developing major new ore bodies or expanding the capacity of operating mines and amortize these to operations on the unit-of-production method based on the total probable and proven quantity of ore to be recovered. Exploration costs are expensed until viability of mining activities is established; subsequently such costs are capitalized together with further exploration costs. We capitalize mine development costs as from the time we actually begin such development.

### (f) Available-for-sale equity securities

Equity securities classified as "available-for-sale" are recorded in accordance with SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities". Accordingly, we exclude unrealized holding gains and losses, net of taxes, if applicable, from income and recognize them as a separate component of stockholders' equity until realized.

### (g) Revenues and expenses

Revenues are recognized when title has transferred to the customer or services are rendered. Expenses and costs are recognized on the accrual basis. Revenue from exported products is recognized when such products are loaded on board the ship. Revenue from products sold in the domestic market is recognized when delivery is made to the customer. Revenue from transportation services, other than shipping operations, is recognized

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when the service order has been fulfilled. Shipping operations are recorded on the completed voyage basis and net revenue, costs and expenses of voyages not completed at period-end are deferred. Anticipated losses on voyages are provided when probable and can be reasonably estimated.

(h) Environmental and site reclamation and restoration costs

Expenditures relating to ongoing compliance with environmental regulations are charged against earnings or capitalized as appropriate. These ongoing programs are designed to minimize the environmental impact of our activities. With respect to our two major iron ore mines at Itabira and Carajas, which have extensive remaining reserves, liabilities for final site reclamation and restoration costs will be recorded when the respective reclamation and restoration strategies can be reasonably determined and the related costs can be reasonably estimated.

(i) Compensated absences

We fully accrue the liability for future compensation to employees for vacations vested during the year.

(j) Income taxes

In accordance with SFAS 109 "Accounting for Income Taxes", the deferred tax effects of temporary differences have been recognized in the consolidated financial statements. A valuation allowance is made when we believe that it is more likely than not that tax assets will not be fully recoverable in the future.

(k) Statement of cash flows

Cash flows relating to overnight financing and investment are reported net. Short-term investments that have a ready market and maturity to us, when purchased, of 90 days or less are considered cash equivalents.

At December 31, 2001 and 2000 dividends of \$132 and \$133, respectively, received from equity method affiliates and joint ventures have been netted against the equity in results of these entities in the statement of cash flows. For comparative purposes dividends received in 1999 of \$64 have been reclassified from investing activities to reflect the same presentation.

(l) Earnings per share

Earnings per share are computed by dividing net income by the weighted average number of common and preferred shares outstanding during the period.

(m) Interest attributed to stockholders

As from January 1, 1996 Brazilian corporations are permitted to attribute interest on stockholders' equity. The calculation is based on the stockholders' equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long-term interest rate (TJLP) determined by the Brazilian Central Bank. Also, such interest may not exceed the greater of 50% of net income for the year or 50% of retained earnings plus revenue reserves.

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The amount of interest attributed to stockholders is deductible for income tax purposes. Accordingly, the benefit to us, as opposed to making a dividend payment, is a reduction in our income tax charge equivalent to the statutory tax rate applied to such amount. Income tax is withheld from the stockholders relative to interest at the rate of 15%, except for interest due to the Brazilian Government which is exempt from tax withholdings.

We have opted to pay such tax-deductible interest to our stockholders and have therefore accrued the amounts due as of December 31, 2001 and 2000, with a direct charge to stockholders' equity.

Under Brazilian law interest attributable to stockholders is considered as part of the annual minimum dividend (See Note 13). Accordingly such distributions are treated as dividends for accounting purposes.

### n) Derivatives and hedging activities

As of January 1, 2001 we adopted SFAS 133 "Accounting for Derivative Financial Instruments and Hedging Activities", as amended by SFAS 137 and SFAS 138. Those standards require that we recognize all derivative financial instruments as either assets or liabilities on our balance sheet and measure such instruments at fair value. Changes in the fair value of derivatives are recorded in each period in current earnings or in other comprehensive income, in the later case depending on whether a transaction is designated as an effective hedge.

The transition adjustment relating to the fair value of derivatives existing as of December 31, 2000 is recorded as a charge of \$8 in our statement of income for the year ended December 31, 2001. In view of the immateriality of this effect of a change in accounting principle the corresponding amount was included with other non-operating expenses. Certain of our affiliated companies and joint ventures also recorded similar charges, of which our portion of \$4 is included in the caption "Equity in results of affiliates and joint ventures" in the statement of income.

Further information about our derivatives and hedging activities is included in Note 19.

### (o) Comprehensive income

We have disclosed comprehensive income as part of the Statement of Changes in Stockholders' Equity, in compliance with SFAS 130 - "Reporting Comprehensive Income".

### (p) Recently-issued accounting pronouncements

In June 2001 the Financial Accounting Standards Board (FASB) issued SFAS 141 "Business Combinations" and SFAS 142 "Goodwill and Other Intangible Assets". We do not expect that the provisions of SFAS 141 will affect our current accounting practices relative to business combinations. However, the adoption of SFAS 142 on January 1, 2002 (or immediately for goodwill relating to acquisitions after June 30, 2001) is expected to have the following effects:

(i) goodwill relative to consolidated subsidiaries will no longer be amortized, but will be aggregated to reporting units and subject at least annually to testing for impairment, considering the reporting unit as a whole.

(ii) goodwill relative to affiliates and joint ventures will no longer be

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amortized but will remain allocated to the respective investment and included in the measurement of the gain or loss on sale, or the loss arising from an other than temporary decline in the value of the investment.

Goodwill charged against earnings for the year December 31, 2001 totaled \$45 relating to subsidiaries and \$47 relating to equity investees which were classified as other operating expenses and equity in results of affiliates and joint ventures, respectively.

In June 2001 and August 2001, respectively, the FASB also issued SFAS 143 "Accounting for Asset Retirement Obligations" and SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 143 is effective for us as from January 1, 2003 and we are still studying the potential effects that adoption may have on our financial statements. SFAS 144 will be effective for us as from January 1, 2002 and the provisions thereof generally are to be applied prospectively.

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### 3 Our privatization

In May 1997, we were privatized by the Brazilian Government, which transferred voting control to Valepar S.A. ("Valepar"). The Brazilian Government has retained certain rights with respect to our future decisions and those of Valepar and has also caused us to enter into agreements which may affect our activities and results of operations in the future. These rights and agreements are:

- . Preferred Special Share. The Brazilian Government holds a preferred special share of CVRD which confers upon it permanent veto rights over changes in our (i) name, (ii) headquarters location, (iii) corporate purpose with respect to mineral exploration, (iv) continued operation of our integrated iron ore mining systems and (v) certain other matters.
- . Preferred Class A Share of Valepar. The Brazilian Government holds a preferred class A share of Valepar which confers upon it approval rights for a period of five years in respect of (i) concentration of ownership of Valepar by particular types of investors in excess of prescribed limitations and (ii) changes in the Valepar holding company structure relating to ownership of our common shares.
- . Shareholder revenue interests. On July 7, 1997, we issued to shareholders of record on April 18, 1997 (including the Brazilian Government) revenue interests providing holders thereof with the right to receive semi-annual payments based on a percentage of our net revenues above threshold production volumes from identified mining resources. These instruments are not secured by the corresponding mineral reserves and deposits.

In addition to the preferred special share mentioned above, the National Treasury and the Banco Nacional de Desenvolvimento Economico e Social - BNDES, the Government - owned development bank, together hold 32% of our common shares and 4% of our preferred shares, which in aggregate represents 22% of our total capital at December 31, 2001. These common shares were sold through a public offering in Brazil and abroad which was completed on March 27, 2002.

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4 Major acquisitions and disposals during the years presented

We made the following acquisitions during the periods presented. Pro forma information with respect to results of operations is not presented since the effects are not considered material to an understanding of our consolidated financial statements.

- (a) On May 11, 2000, we acquired the entire capital of Mineracao SOCOIMEX S.A., a non-public company whose main activity is production and commercialization of iron ore, for the total price of \$55, being an initial cash payment of \$47 and two further cash payments of \$3 and \$5, in 2001 and 2002, respectively, plus interest based on 89% of the Brazilian Interbank Rate through the payment date. The increment of the fair value over the book value of SOCOIMEX at the date of purchase was entirely attributable to its mineral reserves, which are included in the property, plant and equipment. In August 2000 SOCOIMEX was merged into CVRD.
- (b) On May 30, 2000, we acquired 4,026,694,190 common shares and 4,231,324,374 preferred shares of S.A. Mineracao Trindade - SAMITRI, representing 79.27% of the voting capital and 63.06% of the total capital for \$520 in cash, becoming the controlling stockholder. At the date of the purchase, SAMITRI was a publicly listed Brazilian iron ore mining company, which also owned a 51% interest in the voting capital of SAMARCO Mineracao S.A., a large iron ore pellets producer (see Note 10). On June 29, 2000, we sold 1% of the share capital of SAMARCO to BHP Brasil Ltda. (BHP), a subsidiary of The Broken Hill Proprietary Company Limited of Australia, for \$8, to equalize our shareholdings in the joint venture.

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- (c) The assets and liabilities acquired as a result of the above transactions and corresponding goodwill were as follows:

|   | Unconsolidated<br>joint venture<br>SAMARCO | ----- |
|---|--|-------|
| Fair value of assets .....              | 1,006                                      | ----- |
| Fair value of liabilities .....         | (450)                                      | ----- |
| Net assets at fair value .....          | 556  | ----- |
| Interest acquired .....                 | 50.00%                                     | ----- |
| Fair value of net assets acquired ..... | 278  | ----- |
| Attributable to minority stockholders   |  |       |
| of SAMITRI (36.94%) .....               | (103)                                      | ----- |
| Tax benefits .....                      | 31   | ----- |
| Effective interest acquired .....       | 206  | ----- |



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|                      |     |       |
|----------------------|-----|-------|
| Purchase price ..... | 252 | ----- |
| Goodwill .....       | 46  | ===== |

The main assets for which fair values differ from book values are inventories and property, plant and equipment. We determined the fair values of inventories based on the current replacement costs for raw materials and the estimated selling prices for finished goods, net of disposal costs and a selling margin. The fair values of property, plant and equipment were determined based on current replacement costs for similar capacity and the estimated market value of purchased reserves. Deferred taxes were recorded for the differences between fair values and tax bases.

For SAMARCO, SAMITRI and SOCOIMEX inventories were valued at \$36, \$38 and \$9, respectively, property, plant and equipment were valued at \$830, \$161 and \$58, respectively, and the deferred tax liability was \$60, \$49 and \$15, respectively.

We had adopted a policy to amortize the goodwill on the SAMITRI and SAMARCO purchases on the straight-line basis over a period of 6 years, starting on the date of acquisition. However, as explained in note 2(p), upon adoption of SFAS 142 on January 1, 2002 such straight-line amortization will cease.

- (d) On September 22, 2000 we acquired via public tender a further 1,014,529,197 common shares and 3,716,344,366 preferred shares of SAMITRI bringing our ownership to 99.25% of the voting capital and 99.19% of the total capital. The cash cost of this purchase was \$180 and resulted in additional goodwill of \$27, all attributed to SAMARCO.
- (e) In October 2000, we acquired 50% of Gulf Industrial Investment Company (GIIC), a pelletizing company located in Bahrain, for \$91, including goodwill of \$20 totally amortized.
- (f) On April 27, 2001 we acquired 100% of Ferteco Mineracao S.A. - FERTECO, a non-public company whose main activity is production and commercialization of iron ore and pellets, for \$523 in cash.

The assets and liabilities acquired and corresponding goodwill were as follows:

|                                 |                   |
|---------------------------------|-------------------|
|                                 | December 31, 2001 |
|                                 | -----             |
| Fair value of assets .....      | 401               |
| Fair value of liabilities ..... | (251)             |
|                                 | -----             |
| Net assets at fair value .....  | 150               |
| Purchase price .....            | 523               |
|                                 | -----             |
| Goodwill .....                  | 373               |
|                                 | =====             |

For FERTECO inventories were valued at \$57, property, plant and equipment

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were valued at \$178, and the deferred tax liability was \$24.

- (a) On January 14, 2000 we sold 20.81% of the capital of Alumina do Norte do Brasil S.A.- ALUNORTE and a beneficial interest in 8% of the capital of Mineracao Rio do Norte S.A. - MRN owned by us for an aggregate of \$164, resulting in a gain of \$54. The total consideration of \$164 was received in cash; however, \$120 was received through the issue and sale of Perpetual Notes with a fair value of \$55 and this fair value continues to be reported as a liability and periodically adjusted based on an early termination formula reflecting the underlying profitability of MRN.
- (b) On March 9, 2001 we transferred our 10.33% interest in Companhia Siderurgica Nacional - CSN to VALIA, as a special pension plan contribution, for \$249 (fair market value determined based on the weighted average price of the last thirty trading sessions at the Sao Paulo stock exchange in the period ended on March 9, 2001). This transfer resulted in a gain of \$107.
- (c) On April 27, 2001 we concluded the sale of our 32.00% interest in Bahia Sul Celulose S.A. - BSC for \$318, received in cash on May 7, 2001. This operation resulted in a gain of \$170.
- (d) On June 6, 2001 we concluded the sale of our 51.48% interest in Celulose Nipo-Brasileira S.A. - CENIBRA for \$671, received in cash on September 14, 2001. This operation resulted in a gain of \$507.
- (e) In December 2001, we acting through our wholly-owned foreign subsidiary Itabira Rio Doce Company Ltd. - ITACO, acquired 659,375,000 common shares of Caemi Mineracao e Metalurgia S.A. (Caemi), corresponding to 50% of its voting capital from Cayman Iron Ore Investment Co., Ltd., a wholly-owned subsidiary of Japan's Mitsui & Co., Ltd. (MITSUI) for US\$ 279. Caemi is a Brazilian company headquartered in Rio de Janeiro, which operates in the iron ore, kaolin, refractory bauxite and railroad sectors and is accounted for as an equity investee.

This acquisition was approved by the European Commission subject to the commitment for Caemi to sell its equity investment in Quebec Cartier Mining Company (QCM), a Canadian producer of iron ore and pellets.

CVRD and Mitsui each of which holds 50% of Caemi's common shares, entered into a shareholder agreement requiring both shareholders to approve all major decisions affecting Caemi.

The estimated assets and corresponding goodwill were as follows:

|  | December 31, 2001 |
|--|-------------------|
| Estimated fair value of assets .....             | 1,127             |
| Estimated fair value of liabilities.....         | (734)             |
|  | 393               |
| Net assets at book value.....                    | 393               |
| Interest in total capital acquired.....          | 16.82%            |
| Estimated fair value of net assets acquired..... | 66                |
| Purchase price.....                              | 279               |
|  | 213               |
| Goodwill.....                                    | 213               |

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Income taxes in Brazil comprise federal income tax and social contribution, which is an additional federal tax. The statutory enacted tax rates applicable in the periods presented are as follows:

|                              | Year ended December 31 - % |          |          |
|------------------------------|----------------------------|----------|----------|
|                              | 2001                       | 2000     | 1999     |
| Federal income tax.....      | 25                         | 25       | 25       |
| Social contribution (*)..... | 9                          | 9 to 12  | 8 to 12  |
| Composite tax rate.....      | 34                         | 34 to 37 | 33 to 37 |

(\*) As from May 1, 1999 through January 31, 2000, the social contribution rate was increased from 8% to 12%. February 1, 2000 to December 31, 2002 the rate was reduced to 9%.

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The amount reported as income tax benefit in this consolidated financial information is reconciled to the statutory rates as follows:

|   | Year ended December 31 |       |       |
|---|------------------------|-------|-------|
|   | 2001                   | 2000  | 1999  |
| Income before income taxes, equity results and minority interests .....                       | 1,120                  | 731   | 670   |
| Federal income tax and social contribution expense at statutory enacted rates .....           | (381)                  | (249) | (248) |
| Adjustments to derive effective tax rate:   |                        |       |       |
| Tax benefit on interest attributed to stockholders .....                                      | 260                    | 222   | 181   |
| Exempt foreign income .....   | 226                    | 69    | (4)   |
| Tax-deductible in goodwill business combination .....   | 58                     | -     | -     |
| Tax effect related to provision for losses and write-downs .....                              | 59                     | -     | -     |
| Tax incentives .....  | 26                     | 31    | -     |
| Valuation allowance reversal (provision).....   | (44)                   | (51)  | 37    |
| Other non-taxable gains .....   | 14                     | 10    | 1     |
| Federal income tax and social contribution expense in consolidated statements of income ..... | 218                    | 32    | (33)  |

We have certain tax incentives relative to our iron ore and manganese operations in Carajas and other from gold and potash operations. The incentives comprise full income tax exemption on defined production levels up to 2005 and partial exemption up to 2013. An amount equal to the tax saving must be appropriated to a reserve account within stockholders' equity (Note 13) and may not be distributed in the form of cash dividends.

The major components of the deferred tax accounts in the balance sheet are as follows:

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|  | As of December 31 |       |
|--|-------------------|-------|
|  | 2001              | 2000  |
|  | -----             | ----- |
| Net current deferred tax assets  |                   |       |
| Accrued expenses deductible only when<br>disbursed.....  | 265               | 89    |
|  | -----             | ----- |
|  | 265               | 89    |
|  | =====             | ===== |
| Long-term deferred tax assets and liabilities  |                   |       |
| Assets   |                   |       |
| Deferred tax relative to temporary differences:  |                   |       |
| Established on the July 1, 1997 change in<br>functional currency, less reversals.....                | 9                 | 16    |
| Relative to investments acquired .....   | 9                 | 15    |
| Tax-deductible goodwill in business<br>combinations .....  | 134               | 103   |
| Related to provision for losses and<br>write-downs of investments .....                              | 120               | 61    |
| Additional retirement benefits provision<br>(in 2000 net of unrecognized pension<br>obligation)..... | 58                | 158   |
| Tax loss carryforwards.....  | 220               | 190   |
| Other temporary differences .....  | 21                | 6     |
|  | -----             | ----- |
|  | 571               | 549   |
|  | -----             | ----- |
| Liabilities  |                   |       |
| Inflationary income .....  | (25)              | (32)  |
| Prepaid retirement benefit .....   | (34)              | -     |
| Fair value adjustments in business<br>combinations .....   | (72)              | (61)  |
|  | -----             | ----- |
|  | (131)             | (93)  |
|  | -----             | ----- |
| Valuation allowance  |                   |       |
| Beginning balance .....  | (201)             | 178)  |
| Translation adjustments .....  | 32                | 15    |
| Additions .....  | (44)              | (51)  |
| Reversals .....  | -                 | 13    |
|  | -----             | ----- |
| Ending balance.....  | (213)             | (201) |
|  | -----             | ----- |
| Net long-term deferred tax<br>assets.....  | 227               | 255   |
|  | =====             | ===== |

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6 Cash and cash equivalents

|   | As of December 31 |       |
|---|-------------------|-------|
|   | 2001              | 2000  |
|   | -----             | ----- |
| Cash .....                              | 22                | 28    |
| Deposits in local currency .....        | 76                | 694   |
| Deposits in United States dollars ..... | 1,019             | 489   |

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|       |       |
|-------|-------|
| ----- | ----- |
| 1,117 | 1,211 |
| ===== | ===== |

7 Accounts receivable

|   | As of December 31 |       |
|---|-------------------|-------|
|   | 2001              | 2000  |
|   | -----             | ----- |
| Customers   |                   |       |
| Domestic .....  | 170               | 198   |
| Export, all denominated in<br>United States dollars ..... | 408               | 312   |
|   | -----             | ----- |
|   | 578               | 510   |
| Allowance for doubtful accounts .....                     | (21)              | (14)  |
| Allowance for ore weight credits .....                    | (8)               | (6)   |
|   | -----             | ----- |
| Total .....   | 549               | 490   |
|   | =====             | ===== |

Accounts receivable from customers in the steel industry amount to 28.3% and 16.3% of domestic receivables (export receivables - 91.5% and 78.8%) at December 31, 2001 and 2000, respectively. No single customer accounted for more than 10% of total revenues in any of the years presented.

8 Inventories

|  | As of December 31 |       |
|--|-------------------|-------|
|  | 2001              | 2000  |
|  | -----             | ----- |
| Finished products                          |                   |       |
| Iron ore .....                             | 110               | 100   |
| Gold .....                                 | 5                 | 4     |
| Manganese .....                            | 27                | 7     |
| Ferrous alloys .....                       | 28                | 32    |
| Others .....                               | 16                | 34    |
| Spare parts and maintenance supplies ..... | 137               | 129   |
|  | -----             | ----- |
|  | 323               | 306   |
|  | =====             | ===== |

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9 Property, plant and equipment

a) Per business area:

| As of December 31, 2001 |                             |       |       |
|-------------------------|-----------------------------|-------|-------|
| -----                   | -----                       | ----- | ----- |
| Cost                    | Accumulated<br>depreciation | Net   | C     |
| -----                   | -----                       | ----- | ----- |

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|                                |       |       |       |       |
|--------------------------------|-------|-------|-------|-------|
| Ferrous                        |       |       |       |       |
| Ferrous - Southern System      |       |       |       |       |
| Mining .....                   | 1,000 | 460   | 540   | 1     |
| Railroads .....                | 935   | 463   | 472   | 1     |
| Marine terminals .....         | 194   | 92    | 102   |       |
|                                | ----- | ----- | ----- | ----- |
|                                | 2,129 | 1,015 | 1,114 | 2     |
| Ferrous - Northern System      |       |       |       |       |
| Mining .....                   | 733   | 308   | 425   |       |
| Railroads .....                | 1,075 | 408   | 667   | 1     |
| Marine terminals .....         | 202   | 97    | 105   |       |
|                                | ----- | ----- | ----- | ----- |
|                                | 2,010 | 813   | 1,197 | 2     |
| Pelletizing .....              | 198   | 108   | 90    |       |
| Ferrous-alloys .....           | 206   | 106   | 100   |       |
| Energy .....                   | 82    | 6     | 76    |       |
| Construction in progress ..... | 569   | -     | 569   |       |
|                                | ----- | ----- | ----- | ----- |
|                                | 5,194 | 2,048 | 3,146 | 5     |
| Non-Ferrous                    |       |       |       |       |
| Potash .....                   | 50    | 17    | 33    |       |
| Gold .....                     | 256   | 167   | 89    |       |
| Kaolin .....                   | 96    | 21    | 75    |       |
| Research and projects .....    | 17    | 9     | 8     |       |
| Construction in progress ..... | 35    | -     | 35    |       |
|                                | ----- | ----- | ----- | ----- |
|                                | 454   | 214   | 240   |       |
| Logistics                      |       |       |       |       |
| General cargo .....            | 353   | 179   | 174   |       |
| Maritime transportation .....  | 238   | 130   | 108   |       |
| Construction in progress ..... | 23    | -     | 23    |       |
|                                | ----- | ----- | ----- | ----- |
|                                | 614   | 309   | 305   |       |
| Holdings                       |       |       |       |       |
| Pulp and paper .....           | 58    | 13    | 45    |       |
| Others .....                   | 14    | 7     | 7     |       |
| Construction in progress ..... | 45    | -     | 45    |       |
|                                | ----- | ----- | ----- | ----- |
|                                | 117   | 20    | 97    |       |
| Corporate Center               |       |       |       |       |
| Corporate .....                | 40    | 17    | 23    |       |
| Construction in progress ..... | 2     | -     | 2     |       |
|                                | ----- | ----- | ----- | ----- |
|                                | 42    | 17    | 25    |       |
| Total .....                    |       |       |       |       |
|                                | ===== | ===== | ===== | ===== |
|                                | 6,421 | 2,608 | 3,813 | 6     |

b) Per type of assets:

|  | As of December 31, 2001 |                          |       | As of D |                          |
|--|-------------------------|--------------------------|-------|---------|--------------------------|
|  | Cost                    | Accumulated depreciation | Net   | Cost    | Accumulated depreciation |
|  | -----                   | -----                    | ----- | -----   | -----                    |

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|                               |       |       |       |       |
|-------------------------------|-------|-------|-------|-------|
| Land and buildings.....       | 678   | 255   | 423   | 824   |
| Installations.....            | 1,470 | 775   | 695   | 1,634 |
| Equipment.....                | 673   | 306   | 367   | 597   |
| Ships.....                    | 235   | 127   | 108   | 348   |
| Railroads.....                | 1,675 | 729   | 946   | 1,741 |
| Mine development costs.....   | 302   | 77    | 225   | 326   |
| Others.....                   | 714   | 339   | 375   | 841   |
|                               | ----- | ----- | ----- | ----- |
|                               | 5,747 | 2,608 | 3,139 | 6,311 |
| Construction in progress..... | 674   | -     | 674   | 467   |
|                               | ----- | ----- | ----- | ----- |
| Total.....                    | 6,421 | 2,608 | 3,813 | 6,778 |
|                               | ===== | ===== | ===== | ===== |

Losses on disposals of property, plant and equipment totaled \$48, \$47 and \$23 in 2001, 2000 and 1999, respectively. In 2001, 2000 and 1999, disposals mainly relate to sales of ships, trucks, locomotives and other equipment which were replaced in the normal course of business.

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10 Investments

|   | Participation<br>in capital<br>(%) |       | (1)<br>equ |
|---|------------------------------------|-------|------------|
|   | voting                             | total |            |
|   | -----                              | ----- | -----      |
| Investments in affiliated companies and joint ventures    |                                    |       |            |
| Steel   |                                    |       |            |
| Usinas Siderurgicas de Minas Gerais S.A. - USIMINAS (3) . | 22.99                              | 11.46 | 2          |
| Companhia Siderurgica Nacional - CSN (2) .....            | -                                  | -     |            |
| Companhia Siderurgica de Tubarao - CST (3) .....          | 20.51                              | 22.85 |            |
| California Steel Industries Inc. - CSI .....              | 50.00                              | 50.00 | 1          |
| Paper and pulp  |                                    |       |            |
| Celulose Nipo-Brasileira S.A. - CENIBRA (2) .....         |                                    |       |            |
| Bahia-Sul Celulose S.A. - BSC (2) .....                   |                                    |       |            |
| Aluminum and bauxite                                      |                                    |       |            |
| Mineracao Rio do Norte S.A. - MRN .....                   | 40.00                              | 40.00 | 3          |
| Valesul Alumínio S.A. - VALESUL .....                     | 54.51                              | 54.51 |            |
| Alumina do Norte do Brasil S.A. - ALUNORTE .....          | 50.31                              | 45.58 | 1          |
| Pellets   |                                    |       |            |
| Companhia Nipo-Brasileira de Pelotizacao - NIBRASCO.....  | 51.11                              | 51.00 |            |
| Companhia Hispano-Brasileira de Pelotizacao - HISPANOBRAS | 51.00                              | 50.89 |            |
| Companhia Coreano Brasileira de Pelotizacao - KOBRASCO .. | 50.00                              | 50.00 |            |





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|  |       |       |
|--|-------|-------|
| Others   |       |       |
| Fertilizantes Fosfatados S.A. - FOSFERTIL (3) .....      | 29    | 31    |
| Caemi Mineracao e Metalurgia S.A. ....                   | 289   | -     |
| Salobo Metais S.A. (4) .....                             | 22    | 25    |
| Ferrovia Centro-Atlantica S.A. - FCA(5) .....            | -     | 82    |
| Others .....   | 62    | 131   |
|  | ----- | ----- |
|  | 1,189 | 1,767 |
| Investments at cost                                      |       |       |
| SIDERAR (market value \$11 in 2001 - \$42 in 2000) ..... | 15    | 15    |
| Unrealized holding gains on equity security .....        | (4)   | 27    |
| MRS Logistica S.A. ....                                  | 22    | -     |
| Others .....   | 5     | 7     |
|  | ----- | ----- |
|  | 1,227 | 1,816 |
|  | ===== | ===== |
| Change in provision for losses on equity investments:    |       |       |
| Para Pigmentos S.A. ....                                 |       |       |
| Vale Usiminas Participacoes S.A. - VUPSA .....           |       |       |
| Alumina do Norte do Brasil S.A. - ALUNORTE .....         |       |       |
| Aluminio Brasileiro S.A. - ALBRAS .....                  |       |       |
| Companhia Ferroviaria do Nordeste .....                  |       |       |

- (1) Based on US GAAP financial statements.
- (2) Investments sold in 2001.
- (3) Value based on quoted market price at December 31, 2001 is \$41 and \$172 for Usiminas and CST, respectively. Investments in Usiminas and CST are presented net of write-down provisions of \$185 and \$215, respectively, for all periods presented.
- (4) Development stage enterprise.
- (5) Equity adjustments includes amortization of goodwill in the amounts of Samarco \$7, GIIC \$23 and FCA \$74.

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Goodwill included in the above investments is as follows:

| Investee   | As of December 31 |       |
|--|-------------------|-------|
|  | 2001              | 2000  |
| -----  | -----             | ----- |
| Alumina do Norte do Brasil S.A. - ALUNORTE ..... | 24                | 30    |
| SAMARCO Mineracao S.A .....                      | 41                | 59    |
| Ferrovia Centro-Atlantica S.A. - FCA .....       | -                 | 22    |
| Gulf Industrial Investment Company - GIIC .....  | -                 | 20    |
| Caemi Mineracao e Metalurgia S.A. ....           | 223               | -     |
|  | -----             | ----- |
|  | 288               | 131   |
|  | =====             | ===== |

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Based on our revised expectation for profitability and other economic facts, we fully amortized the remaining goodwill relative to FCA and GIIC in 2001.

The combined financial position and results of operations of our affiliates in the steel sector is as follows:

| Steel sector affiliates (Combined)  |         |         |
|-------------------------------------|---------|---------|
| -----                               |         |         |
| As of December 31                   |         |         |
| -----                               |         |         |
|                                     | 2001    | 2000    |
| -----                               |         |         |
| Balance sheet                       |         |         |
| Current assets .....                | 1,139   | 3,094   |
| Noncurrent assets .....             | 6,070   | 10,231  |
| Current liabilities .....           | (1,071) | (2,695) |
| Noncurrent liabilities .....        | (2,584) | (5,094) |
| Purchase accounting adjustments ... | (3,001) | (3,175) |
| -----                               |         |         |
| Stockholders' equity .....          | 553     | 2,361   |
| =====                               |         |         |
| Investments .....                   | 148     | 361     |
| =====                               |         |         |

| Steel sector affiliates (Combined) |         |         |         |
|------------------------------------|---------|---------|---------|
| -----                              |         |         |         |
| Year ended December 31             |         |         |         |
| -----                              |         |         |         |
|                                    | 2001    | 2000    | 1999    |
| -----                              |         |         |         |
| Statement of operations            |         |         |         |
| Net sales .....                    | 3,293   | 4,581   | 4,174   |
| Costs and expenses .....           | (3,276) | (4,082) | (4,790) |
| Purchase accounting adjustments .. | 3       | 24      | 83      |
| -----                              |         |         |         |
| Income before income taxes .....   | 20      | 523     | (533)   |
| Income taxes .....                 | 59      | (199)   | 556     |
| -----                              |         |         |         |
| Net income .....                   | 79      | 324     | 23      |
| =====                              |         |         |         |
| Equity adjustments .....           | 5       | 59      | 7       |
| =====                              |         |         |         |

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Information with respect to other major affiliates' financial position and results of operations is as follows:

| -----         |       |          |      |
|---------------|-------|----------|------|
|               | CAEMI | ALUNORTE |      |
| -----         |       |          |      |
|               | 2001  | 2001     | 2000 |
| -----         |       |          |      |
| Balance Sheet |       |          |      |

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|                              |        |        |        |
|------------------------------|--------|--------|--------|
| Current assets .....         | 398    | 159    | 130    |
| Noncurrent assets .....      | 729    | 509    | 505    |
| Current liabilities .....    | (307)  | (95)   | (79)   |
| Noncurrent liabilities ..... | (427)  | (431)  | (454)  |
|                              | -----  | -----  | -----  |
| Stockholders' equity .....   | 393    | 142    | 102    |
|                              | =====  | =====  | =====  |
| Our participation .....      | 16.82% | 45.58% | 49.29% |
|                              | -----  | -----  | -----  |
| Investments .....            | 66     | 65     | 50     |
|                              | =====  | =====  | =====  |

|   | ALUNORTE |        |           |        |        |
|---|----------|--------|-----------|--------|--------|
|   | 2001     | 2000   | 1999      | 2001   | 2000   |
|   | -----    | -----  | -----     | -----  | -----  |
| Statement of Operations                 |          |        |           |        |        |
| Net sales .....                         | 294      | 322    | 253       | 472    | 551    |
| Costs and expenses .....                | (302)    | (327)  | (446) (*) | (429)  | (452)  |
| Income (loss) before income taxes ..... | (8)      | (5)    | (193)     | 43     | 99     |
| Income taxes .....                      | (5)      | 28     | 56        | (35)   | 30     |
| Equity in results of affiliates .....   | -        | -      | -         | -      | -      |
|   | -----    | -----  | -----     | -----  | -----  |
| Net income (loss) .....                 | (13)     | 23     | (137)     | 8      | 129    |
|   | =====    | =====  | =====     | =====  | =====  |
| Our participation .....                 | 45.58%   | 49.29% | 65.82%    | 51.00% | 51.00% |
| Participation in results .....          | (6)      | 11     | (89)      | 4      | 66     |
| Change in provision for losses .....    | -        | -      | 89        | (4)    | (66)   |
|   | -----    | -----  | -----     | -----  | -----  |
| Equity adjustments .....                | (6)      | 11     | -         | -      | -      |
|   | =====    | =====  | =====     | =====  | =====  |

(\*) Includes exchange losses of \$213 (ALUNORTE), and \$378 (ALBRAS) for the year ended December 31, 1999 - see Note 20.

The provision for losses on equity investments of \$9 and \$21 at December 31, 2001 and 2000, respectively, relates to our investments in affiliates which have reported negative stockholders' equity in their financial statements prepared in accordance with US GAAP and in circumstances where we have assumed commitments to fund our share of the accumulated losses, if necessary, through additional capital contributions or other means. Accordingly we (a) first reduce the value of the investment to zero and (b) subsequently provide for our portion of negative equity. The provision is comprised as follows:

|                                     | Cia<br>Ferroviaria<br>do Nordeste | ALBRAS | TOTAL |
|-------------------------------------|-----------------------------------|--------|-------|
|                                     | -----                             | -----  | ----- |
| Provision at January 1, 2000 .....  | (4)                               | (83)   | (87)  |
| Change in provision - results ..... | (4)                               | 66     | 62    |
| Payment of capital .....            | 1                                 | -      | 1     |

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|                                      |       |       |       |
|--------------------------------------|-------|-------|-------|
| Translation adjustment .....         | 1     | 2     | 3     |
|                                      | ----- | ----- | ----- |
| Provision at December 31, 2000 ..... | (6)   | (15)  | (21)  |
| Change in provision - results .....  | (8)   | (4)   | (4)   |
| Payment of capital .....             | 10    | -     | 10    |
| Translation adjustment .....         | 2     | 4     | 6     |
|                                      | ----- | ----- | ----- |
| Provision at December 31, 2001 ..... | (2)   | (7)   | (9)   |
|                                      | ===== | ===== | ===== |

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Our participation in ALUNORTE (45.58% at December 31, 2001) changed several times during the periods presented, but we did not consolidate the financial statements of this investee due to the temporary nature of our increased holding. Movements on the investment account and related provision during the three years ended December 31, 2001 are as follows:

|   | Total<br>shares of<br>ALUNALUNORTE<br>(in thousands) | ALUNALUNORTE<br>shares owned<br>by CVRD<br>(in thousands) | Investme |
|---|--|---|----------|
|   | -----  | -----   | -----    |
| Balance January 1, 1999 .....   | 325,107  | 174,279   |          |
| Purchase of additional participation:                                 |  |   |          |
| January 1999 .....  | 453,921  | 124,491   |          |
| December 1999 .....   | 598,184  | 144,263   |          |
| Participation in 1999 losses .....                                    | -  | -   | (        |
| Translation adjustment .....  | -  | -   |          |
|   |  | -----   | -----    |
| Balance December 31, 1999 .....                                       | 598,184  | 443,033   |          |
| Sale of participation in January 2000 .....                           | 598,184  | (124,491)   |          |
| Changes in participation-subscriptions by<br>other shareholders ..... | -  | -   |          |
| Capital call .....  | 673,494  | 13,437  |          |
| Participation in 2000 net income .....                                | -  | -   |          |
| Translation adjustment .....  | -  | -   |          |
|   |  | -----   | -----    |
| Balance December 31, 2000 .....                                       | 673,494  | 331,979   |          |
| Purchase of additional participation .....                            | 211,916  | 71,542  |          |
| Changes in participation-subscriptions by<br>other shareholders ..... | -  | -   |          |
| Participation in 2001 net income .....                                | -  | -   |          |
| Goodwill amortized .....  | -  | -   |          |
| Translation adjustment .....  | -  | -   |          |
|   |  | -----   | -----    |
| Balance December 31, 2001 .....                                       | 885,410  | 403,521   |          |
|   |  | =====   | =====    |
|   |  | Net   |          |
|   | -----  |   |          |

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|   |       |
|---|-------|
| Balance January 1, 1999 .....               | (9)   |
| Purchase of additional participation:       |       |
| January 1999 .....                          | 125   |
| December 1999 .....                         | 85    |
| Participation in 1999 losses .....          | (89)  |
| Translation adjustment .....                | (7)   |
|   | ----- |
| Balance December 31, 1999 .....             | 105   |
| Sale of participation in January 2000 ..... | (55)  |
| Changes in participation-subscriptions by   |       |
| other shareholders .....                    | 19    |
| Capital call .....                          | 5     |
| Participation in 2000 net income .....      | 11    |
| Translation adjustment .....                | (5)   |
|   | ----- |
| Balance December 31, 2000 .....             | 80    |
| Purchase of additional participation .....  | 20    |
| Changes in participation-subscriptions by   |       |
| other shareholders .....                    | 6     |
| Participation in 2001 net income .....      | (6)   |
| Goodwill amortized .....                    | (1)   |
| Translation adjustment .....                | (10)  |
|   | ----- |
| Balance December 31, 2001 .....             | 89    |
|   | ===== |

On January 14, 2000 we entered into a structured transaction with an unrelated party to sell both a 20.81% of the capital of ALUNORTE and a beneficial interest in 8% of the capital of MRN owned by us for a total of \$164, resulting in a net gain to us of \$54, recorded in other operating income, as follows:

|  |       |
|--|-------|
| Book value of 124,491 thousand shares of ALUNORTE sold ..... | (7)   |
| Goodwill amortized .....                                     | (48)  |
| Book value of beneficial interest in 8% of MRN .....         | -     |
|  | ----- |
|  | (55)  |
| Cash received by us  |       |
| On transfer of ALUNORTE shares .....                         | 44    |
| On issue and sale of Perpetual Notes .....                   | 120   |
| Fair value of Perpetual Notes .....                          | (55)  |
|  | ----- |
| Gain recognized on the transaction .....                     | 54    |
|  | ===== |

The Perpetual Notes are exchangeable for 48 billion preferred shares of the affiliate MRN (initially equivalent to 8% of the total number of shares of MRN owned by us). Interest is payable on the Notes in an amount equal to dividends paid on the underlying preferred shares, relative to periods starting as from the 2000 fiscal year. The Notes may be redeemed at our option or the Noteholders at any time by transfer of the underlying preferred shares to the Noteholders, providing the rights of pre-emption of the existing shareholders of MRN have been waived or have expired. Redemption by transfer of the underlying net assets of MRN is compulsory if certain events occur, including the liquidation or merger of MRN or the transfer of MRN's asset and liabilities to a consortium formed by its shareholders to take over the operations of MRN. In the event of early termination the Notes may be redeemed, at the option the Noteholders, in

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lieu of transfer of the shares, for a cash sum equal to \$48 plus the net present value of average annual earnings declared and paid by MRN for the three years immediately preceding such termination multiplied by 20 and discounted by 10% per year. This latter amount represents a fair value of \$55.

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On October 6, 2000, with the objective of financing part of the expansion in its alumina production capacity from 1.5 million tons to 2.3 million tons per year, ALUNORTE called a capital increase of \$126, to be paid up in 6 installments. Up to December 31, 2000, three of these installments have been made and ALUVALE contributed with \$25, changing its stockholding interest to 48.58%.

During 1999 our 50%-owned affiliate VUPSA incurred significant losses, of which we recognized our portion of \$56 through the provision for losses on equity investments. In December 1999 we acquired the remaining 50% of VUPSA in exchange for the transfer of amounts owed to the seller from subsidiaries of VUPSA amounting to \$126, resulting in negative goodwill of \$86. At December 31, 1999 the balance sheet of VUPSA has been consolidated and the negative goodwill used to reduce the carrying value of VUPSA's property, plant and equipment.

In 2000, we acquired a further 34.41% of Ferrovia Centro-Atlantica S.A., for \$25, bringing our participation to 45.65%.

Dividends received from investees aggregated \$132, \$133 and \$64 in 2001, 2000 and 1999, respectively.

11 Short-term debt

Our short-term borrowings are principally from commercial banks and include import and export financing denominated in United States dollars, as follows:

|                       | As of December 31 |       |
|-----------------------|-------------------|-------|
|                       | 2001              | 2000  |
| Export .....          | 498               | 386   |
| Import .....          | 1                 | 11    |
| Working Capital ..... | 90                | 68    |
|                       | -----             | ----- |
|                       | 589               | 465   |
|                       | =====             | ===== |

Average annual interest rates on short-term borrowings were 4.96% and 8.18% in 2001 and 2000, respectively.

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12 Long-term debt

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|  | -----         |
|--|---------------|
|  | Current liabi |
|  | -----         |
|  | 2001          |
|  | -----         |
| Foreign debt   |               |
| Loans and financing contracted in the following currencies,<br>maturing up to 2011 : |               |
| United States dollars .....  | 192           |
| Japanese Yen .....   | 8             |
| Others .....   | 2             |
| Fixed Rate Notes - US\$ denominated .....  | -             |
| Export Securitization - US\$ denominated .....                                       | -             |
| Perpetual notes .....  | -             |
| Accrued charges .....  | 25            |
|  | -----         |
|  | 227           |
|  | -----         |
| Local debt   |               |
| Indexed by Long-Term Interest Rate - TJLP<br>maturing up to 2002 .....               | 28            |
| Indexed by General Price Index-Market (IGPM)<br>maturing up to 2005 .....            | 21            |
| Basket of currencies .....   | 15            |
| Capital Lease .....  | -             |
| Shareholders revenue interests (Note 3) .....  | 4             |
| Indexed by U S dollars .....   | 1             |
| Accrued charges .....  | 1             |
|  | -----         |
|  | 69            |
|  | -----         |
| Total .....  | 296           |
|  | =====         |

The long-term portion at December 31, 2001 becomes due in the following years:

|                                     |       |
|-------------------------------------|-------|
| 2003 .....                          | 662   |
| 2004 .....                          | 725   |
| 2005 .....                          | 255   |
| 2006 .....                          | 151   |
| 2007 .....                          | 225   |
| 2008 and thereafter .....           | 97    |
| No due date (Perpetual notes) ..... | 55    |
|                                     | ----- |
|                                     | 2,170 |
|                                     | ===== |

At December 31, 2001 annual interest rates on long-term debt were as follows:

|                                  |       |
|----------------------------------|-------|
| Up to 7% .....                   | 1,309 |
| 7.1% to 9% .....                 | 495   |
| 9.1% to 11% .....                | 509   |
| Over 11% .....                   | 89    |
| Variable (Perpetual notes) ..... | 64    |
|                                  | ----- |
|                                  | 2,466 |
|                                  | ===== |

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The indexes applied to debt and respective percentage variations in each year were as follows:

|  | 2001<br>----- | 2000<br>----- | 1999<br>----- |
|--|---------------|---------------|---------------|
| TJLP - Long-Term                           |               |               |               |
| Interest Rate (effective rate) .....       | 3.34          | 4.56          | 6.92          |
| IGP-M - General Price Index - Market ..... | 10.40         | 9.95          | 20.10         |
| United States Dollar .....                 | 18.70         | 9.30          | 48.01         |

Long-term debt at December 31, 2001 is guaranteed or secured as follows:

|  | Amount of debt<br>guaranteed<br>----- |
|--|---------------------------------------|
| Federal Government guarantee (for which we have provided counter-guarantees) ..... | 308                                   |
| Third party guarantees .....   | 150                                   |
| Export receivables (securitization) .....  | 125                                   |
| Ships .....  | 50                                    |

In October 2000 we issued \$300 under a US dollar - denominated export securitization program, divided into three tranches as follows:

|           | Amount<br>-----       | Tenor (years)<br>----- | Grace Period<br>(years)<br>----- | Effectives<br>rate p.a.<br>----- |
|-----------|-----------------------|------------------------|----------------------------------|----------------------------------|
| Tranche 1 | 25                    | 7                      | 2                                | 8.682%                           |
| Tranche 2 | 125                   | 7                      | 2                                | Libor+0.65%                      |
| Tranche 3 | 150                   | 10                     | 3                                | 8.926%                           |
|           | -----<br>300<br>===== |                        |                                  |                                  |

Tranche 2 is guaranteed by an insurance contract with a major U.S. insurance company.

On March 8, 2002 our wholly-owned subsidiary, Vale Overseas Limited, issued \$300 of 8.625% Enhanced Guaranteed Notes due March 8, 2007, unconditionally guaranteed by us.

13 Stockholders' equity

Each holder of common and preferred class A stock is entitled to one vote for each share on all matters that come before a stockholders' meeting, except for the election of the Board of Directors, which is restricted to the holders of common stock. As described in Note 3, the Brazilian Government holds a preferred special share which confers on it permanent veto rights over certain matters.

The Board of Directors authorized the acquisition of up to 9,832,691 of our own preferred class A shares, to remain in treasury for subsequent disposal or cancellation. As of December 31, 2001, 3,519,288 shares had been acquired, at an average weighted unit cost of R\$20.03 (minimum cost of R\$14.02 and maximum of R\$24.19).



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Both common and preferred stockholders are entitled to receive a dividend of at least 25% of annual net income, upon approval at the annual stockholders' meeting. In the case of preferred stockholders, this dividend cannot be less than 6% of the preferred capital as stated in the statutory accounting records. With respect to each of 2001, 2000 and 1999 we distributed dividends to preferred stockholders in excess of this limit. Interest attributed to stockholders as from January 1, 1996 is considered part of the minimum dividend.

Brazilian law permits the payment of cash dividends only from retained earnings as stated in the

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statutory accounting records and such payments are made in Reais. At December 31, 2001, we had no undistributed retained earnings. In addition, appropriated retained earnings at December 31, 2001 includes \$2,215, related to the unrealized income and expansion reserves, which could be freely transferred to retained earnings and paid as dividends, if approved by the stockholders.

No withholding tax is payable on distribution of profits earned as from January 1, 1996, except for distributions in the form of interest attributed to stockholders as explained in Note 2 (m).

Brazilian laws and our By-laws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis, all determined in accordance with amounts stated in the statutory accounting records, as detailed below:

|                                     |       |
|-------------------------------------|-------|
|                                     | ----- |
|                                     | 2001  |
|                                     | ----- |
| Appropriated retained earnings      |       |
| Unrealized income reserve           |       |
| Balance January 1 .....             | 874   |
| Transfer to retained earnings ..... | (326) |
|                                     | ----- |
| Balance December 31 .....           | 548   |
| Expansion reserve                   |       |
| Balance January 1 .....             | 1,546 |
| Transfer to capital stock .....     | (278) |
| Transfer to retained earnings ..... | 399   |
|                                     | ----- |
| Balance December 31 .....           | 1,667 |
| Legal reserve                       |       |
| Balance January 1 .....             | 307   |
| Transfer to retained earnings ..... | 18    |
|                                     | ----- |
| Balance December 31 .....           | 325   |
| Fiscal incentive depletion reserve  |       |
| Balance January 1 .....             | 771   |

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|  |       |
|--|-------|
| Transfer to retained earnings .....        | (122) |
| Balance December 31 .....                  | 649   |
| Fiscal incentive investment reserve        |       |
| Balance January 1 .....                    | 39    |
| Transfer to capital stock .....            | (33)  |
| Transfer (to) from retained earnings ..... | 17    |
| Balance December 31 .....                  | 23    |
| Total appropriated retained earnings ..... | 3,212 |

The purpose and basis of appropriation to such reserves is described below:

- . Unrealized income reserve - this represents principally our share of the earnings of affiliates and joint ventures, not yet received in the form of cash dividends.
- . Expansion reserve - this is a general reserve for expansion of our activities.
- . Legal reserve - this reserve is a requirement for all Brazilian corporations and represents the appropriation of 5% of annual net income under Brazilian GAAP up to a limit of 20% of capital stock under Brazilian GAAP.
- . Fiscal incentive depletion reserve - this represents an additional amount relative to mineral reserve depletion equivalent to 20% of the sales price of mining production, which is deductible for tax purposes providing an equivalent amount is transferred from retained earnings to the reserve account. This fiscal incentive expired in 1996.
- . Fiscal incentive investment reserve - this reserve results from an option to designate a portion of

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income tax otherwise payable for investment in government approved projects and is recorded in the year following that in which the taxable income was earned. As from 2000, this reserve also contemplates the tax incentives described in Note 5.

14 Pension plans

Since 1973 we have sponsored a defined benefit pension plan (the "Old Plan") covering substantially all employees, with benefits based on years of service, salary and social security benefits. This plan is administered by Fundacao Vale do Rio Doce de Seguridade Social - VALIA and was funded by monthly contributions made by us and our employees, calculated based on periodic actuarial appraisals.

In May 2000, we implemented a new pension plan, which is primarily a defined contribution plan with a defined benefit feature relative to service prior to May 2000 (the "New Plan"), and offered our active employees the opportunity of transferring to the New Plan. Over 98% of our

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active employees opted to transfer to the New Plan. The Old Plan will continue in existence, covering almost exclusively retired participants and their beneficiaries.

The following information details the status of the defined benefit elements of our plans in accordance with SFAS 132 "Employers' Disclosure about Pensions and Other Post-retirement Benefits":

(a) Change in benefit obligation

|   | As of December 31 |       |
|---|-------------------|-------|
|   | 2001              | 2000  |
| Benefit obligation at beginning of year ..... | 1,596             | 1,440 |
| Service cost .....                            | 2                 | 10    |
| Interest cost .....                           | 78                | 91    |
| Benefits paid .....                           | (88)              | (109) |
| Plan amendments .....                         | -                 | (13)  |
| Effect of exchange rate changes .....         | (252)             | (65)  |
| Actuarial loss .....                          | 52                | 242   |
| Benefit obligation at end of year .....       | 1,388             | 1,596 |

The actuarial loss of \$ 242 in the year ended December 31, 2000 is mainly due to the adoption of a new mortality table which is considered to better reflect the current life expectancy of the plan participants.

(b) Change in plan assets

|   | As of December 31 |       |
|---|-------------------|-------|
|   | 2001              | 2000  |
| Fair value of plan assets at beginning of year .... | 1,189             | 1,231 |
| Actual return on plan assets .....                  | 220               | 128   |
| Special employer contributions (Note 4 (i)) .....   | 249               | -     |
| Employer contributions .....                        | 17                | 34    |
| Employee contributions .....                        | -                 | 5     |
| Benefits paid .....                                 | (88)              | (109) |
| Effect of exchange rate changes .....               | (213)             | (100) |
| Fair value of plan assets at end of year .....      | 1,374             | 1,189 |

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Plan assets at December 31, 2001 include \$83 of portfolio investments in our own shares (\$95 at December 31, 2000) and \$12 of shares of related parties (\$9 at December 31, 2000), as well as \$551 of Federal Government Securities (\$480 at December 31, 2000).

(c) Accrued pension cost liability

As of December

-----  
2001

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|  |      |
|--|------|
| Funded status, excess of benefit obligation over plan assets ..... | 14   |
| Unrecognized net transitory obligation .....                       | (94) |
| Unrecognized net actuarial loss .....                              | (19) |
| Accrued pension cost liability (prepaid pension cost) .....        | (99) |

(d) Recognition of additional minimum liability

|   | As of December |  |
|---|----------------|--|
|   | 2001           |  |
| Accrued pension cost liability .....  | -              |  |
| Unrecognized pension obligation, limited to<br>unrecognized net transitory obligation ..... | 14             |  |
| Additional amount recognized in stockholders' equity .....                                  | -              |  |
| Minimum liability .....   | 14             |  |

(e) Assumptions used in each period (expressed in nominal terms)

|                                | 2001       | 2000       |
|--------------------------------|------------|------------|
| Discount rate                  | 11% p.a.   | 11% p.a.   |
| Expected return on plan assets | 11% p.a.   | 11% p.a.   |
| Rate of compensation increase  | 6.82% p.a. | 6.82% p.a. |

Net pension cost includes the following components:

|  | Year ended December |       |
|--|---------------------|-------|
|  | 2001                | 2000  |
| Service cost - benefits earned during the period ..... | 2                   | 10    |
| Interest cost on projected benefit obligation .....    | 78                  | 91    |
| Actual return on assets .....                          | (220)               | (128) |
| Amortization of initial transitory obligation .....    | 12                  | 15    |
| Net deferral .....                                     | 160                 | 58    |
| Employee contributions .....                           | -                   | (5)   |
| Net periodic pension cost .....                        | 32                  | 41    |

In addition to benefits provided under our pension plan accruals have been made relative to supplementary benefits extended in previous periods as part of early-retirement programs. Such accruals included in long-term liabilities totaled \$173 and \$185, at December 31, 2001 and 2000, respectively, plus \$28 and \$30 in current liabilities.

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The cost recognized in the years 2001 and 2000 relative to the defined contribution element of the New Plan was \$5 and \$3, respectively.

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### 15 Commitments and contingencies

- (a) At December 31, 2001, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of \$702, of which \$492 is denominated in United States dollars and the remaining \$210 in local currency. These guarantees include \$317 relative to ALBRAS and \$51 relative to ALUNORTE (see Note 10).
- (b) CVRD and its subsidiaries are defendants in numerous legal actions in the normal course of business. Based on the advice of our legal counsel, management believes that the provision made against contingent losses is sufficient to cover probable losses in connection with such actions.

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

|                             | 2001                        |                   |                             | As |
|-----------------------------|-----------------------------|-------------------|-----------------------------|----|
|                             | Provision for contingencies | Judicial deposits | Provision for contingencies |    |
| Labor claims .....          | 147                         | 50                | 114                         |    |
| Civil claims .....          | 123                         | 53                | 137                         |    |
| Tax - related actions ..... | 177                         | 131               | 80                          |    |
| Others .....                | 5                           | 1                 | 7                           |    |
|                             | 452                         | 235               | 338                         |    |
| Long-term .....             | 452                         | 235               | 338                         |    |

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

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

Tax-related actions principally comprise our challenges of changes in basis of calculation and rates of certain revenue taxes and of the tax on financial movements - CPMF.

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

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

Contingencies settled in the years December 31, 2001 and 2000 aggregated \$6 and \$36, respectively, and additional provisions aggregated \$79 and \$101 in these years, respectively.

- (c) We are defendants in two actions seeking substantial compensatory damages brought by the Municipality of Itabira, State of Minas Gerais, which we believe are without merit. Due to the remote likelihood that any loss will arise therefrom no provision has been made in the financial statements with respect to these two actions.
- (d) We are committed under a take-or-pay agreement to take delivery of approximately 175,950 metric tons per year of aluminum from ALBRAS at market prices. This estimate is based on 51% of ALBRAS expected production and, at a market price of \$1,453.66 per metric ton at December 31,

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2001, represents an annual commitment of \$256. We are also committed to take-or-pay 437,214 metric tons per year of alumina produced by ALUNORTE which at a market price of \$176.08 per metric ton at December 31, 2001, represents an annual commitment of \$77. Actual take from ALBRAS was \$220, \$242 and \$222 in 2001, 2000 and 1999, respectively, and direct from ALUNORTE (net of take ceded to ALBRAS) was \$36, \$52 and \$30 in 2001, 2000 and 1999, respectively.

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

Pursuant to the Mineral Risk Contract, we and BNDES each agreed to provide \$205, which represents half of the \$410 in expenditures estimated as necessary to complete geological exploration and mineral resource development projects in the region over a period of five years. Under certain circumstances, this period may be extended for an additional two years. We oversee these projects and BNDES advances us half of our costs on a quarterly basis. Under the Mineral Risk Contract, as of December 31, 2001, each of us and BNDES had remaining commitments to contribute an additional \$89 toward exploration and development activities. We both expect to fund a portion of these contributions through the end of 2001. In the event that either of us wishes to conduct further exploration and development after having spent such \$205, the contract provides that each party may either choose to match the other party's contributions, or may choose to have its financial interest proportionally diluted. If a party's participation in the project is diluted to an amount lower than 40% of the amount invested in connection with exploration and development projects, then the Mineral Risk Contract provides that the diluted party will lose

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(1) all the rights and benefits provided for in the Mineral Risk Contract and (2) any amount previously contributed to the project.

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

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

In preparation for the issuance of the debentures, we issued series B preferred shares on a one-for-one basis to all holders of our common shares and series A preferred shares. We then exchanged all of the series B shares for the debentures at par value. The debentures are not redeemable or convertible, and do not trade on a stapled basis or otherwise with our common or preferred shares. At present the debentures cannot be traded. Holders will be able to trade the debentures only after a three-month period that will commence upon completion of the sale by the Brazilian Government of its 32% stake in our common shares, which occurred on March 27, 2002 (see Note 3). We will be required to register the debentures with the CVM in order to permit trading at this time.

Under Brazilian Central Bank regulations, pre-privatization shareholders that held their shares through our preferred share American Depositary Receipt, or ADR, program were not permitted to receive the debentures or any financial benefits relating to the debentures. We sought approval from the Central Bank to distribute the debentures to the ADR holders, but the Central Bank rejected our request. We intend to renew our request to the Central Bank, but we cannot be sure that we will succeed. If the Central Bank does not approve our request, the ADR depository will not be able to distribute the debentures to the ADR holders and will not be able to sell the debentures. Therefore, unless the Central Bank approves our request, the debentures will not have any value for ADR holders.

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Under the terms of the debentures, holders will have the right to receive semi-annual payments equal to an agreed percentage of our net revenues (revenues less value added tax) from certain identified mineral resources that we owned as of May 1997, to the extent that we exceed defined threshold production volumes of these resources, and from the sale of mineral rights that we owned as of May 1997. Our obligation to make payments to the holders will cease when the relevant mineral resources are exhausted. Based on current production levels, and estimates for new projects the for cast is to start payments referring to cooper resource in 2004 we would related to iron ore resources in approximately 2012, and payments related to other mineral resources in later years.

The table below summarizes the amounts we will be required to pay under

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the debentures based on the net revenues we earn from the identified mineral resources and the sale of mineral rights.

| Area   | Mineral   | Required Payments by CVRD   |
|--|---|---|
| Southern System                                | Iron ore  | 1.8% of net revenue, after total p<br>1997 exceeds 1.7 billion tons.              |
| Northern System                                | Iron ore  | 1.8% of net revenue, after total p<br>1997 exceeds 1.2 billion tons.              |
| Pojuca, Andorinhas,<br>Liberdade and Sossego   | Gold and copper                                   | 2.5% of net revenue from the begin<br>production.                                 |
| Igarape Bahia and<br>Alemao                    | Gold and copper                                   | 2.5% of net revenue, after total p<br>beginning of commercial production<br>gold. |
| Fazenda Brasileiro                             | Gold  | 2.5% of net revenue after total pr<br>beginning of commercial production          |
| Other areas, excluding<br>Carajas/ Serra Leste | Gold  | 2.5% of net revenue.  |
| Other areas owned as<br>of May 1997            | Other minerals                                    | 1% of net revenue, 4 years after t<br>commercial production.                      |
| All areas                                      | Sale of mineral<br>rights owned as<br>of May 1997 | 1% of the sales price.  |

- (g) At December 31, 2001 we have provided \$29 for environmental liabilities. Such provisions relate to site restoration at mines already closed or which are expected to be closed in the next two years.

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

### 16 Segment and geographical information

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



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

Non-ferrous products - comprises the production of gold and other non-ferrous minerals.

Logistics - comprises our transportation systems as they pertain to external commercial operations, and the operations of our ships.

Holdings - divided into the following sub-groups:

- o Pulp and paper - comprises our forestation activities and investments in joint ventures and affiliates engaged in the manufacture of pulp and paper products.
- o Aluminum - comprises aluminum trading activities and investments in joint ventures and affiliates engaged in bauxite mining, alumina refining and aluminum metal smelting.
- o Steel - comprises our investments in joint ventures and affiliates operating in the steel industry.
- o Others - comprises our investments in joint ventures and affiliates engaged in other businesses.

Corporate Center - the Corporate Center is responsible for accounting and control, finance, legal matters, human resources and administration, investor and external relations and internal auditing.

Information presented to top management with respect to the performance of each segment is generally derived directly from the accounting records maintained in accordance with Brazilian corporate law together with certain minor inter-segment allocations, and is focused primarily on return on capital employed (ROCE), net operating profit less taxes (NOPLT) as well as net income.

In 2000 we transferred various accounting, control, legal and information technology functions from the operating divisions to our Corporate Center. We estimate that this transfer increased the costs in our Corporate Center by approximately \$8, and reduced the costs of our ferrous, non ferrous and logistics segments by \$6, \$1 and \$1, respectively.

Consolidated net income and principal assets are reconciled as follows (certain minor reclassifications have been made to the 2000 and 1999 information to be comparable with that for 2001):

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Consolidated net income and principal assets are reconciled as follows:

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|   | Ferrous<br>----- | Non<br>ferrous<br>----- | Logistics<br>----- |
|---|------------------|-------------------------|--------------------|
| RESULTS   |                  |                         |                    |
| Revenues - Export .....   | 3,559            | 173                     | 147                |
| Revenues - Domestic .....   | 1,082            | 79                      | 344                |
| Cost and expenses .....   | (3,218)          | (197)                   | (422)              |
| Interest revenue .....  | 169              | 1                       | 11                 |
| Interest expense .....  | (368)            | (10)                    | (11)               |
| Depreciation .....  | (167)            | (17)                    | (26)               |
| Pension plan .....  | (27)             | (3)                     | (2)                |
| Equity and provision for losses .....   | (1)              | 1                       | (114)              |
| Income taxes .....  | 1                | -                       | (3)                |
|   | -----            | -----                   | -----              |
| Net income .....  | 1,030            | 27                      | (76)               |
|   | =====            | =====                   | =====              |
| Sales classified by geographic destination:   |                  |                         |                    |
| Export market   |                  |                         |                    |
| Latin America .....   | 238              | -                       | 65                 |
| United States .....   | 247              | 139                     | 21                 |
| Europe .....  | 1,469            | 33                      | 44                 |
| Middle East .....   | 216              | -                       | 4                  |
| Japan .....   | 525              | -                       | 10                 |
| Asia, other than Japan .....  | 864              | 1                       | 3                  |
|   | -----            | -----                   | -----              |
|   | 3,559            | 173                     | 147                |
| Domestic market .....   |                  |                         |                    |
|   | 1,082            | 79                      | 344                |
|   | -----            | -----                   | -----              |
|   | 4,641            | 252                     | 491                |
|   | =====            | =====                   | =====              |
| Assets:   |                  |                         |                    |
| Property, plant and equipment, net .....  | 3,146            | 240                     | 305                |
| Capital expenditures .....  | 506              | 40                      | 25                 |
| Investments in affiliated companies and joint ventures<br>and other investments, net provision for losses ..... | 673              | 29                      | 34                 |
|   | =====            | =====                   | =====              |
| Capital employed .....  | 2,980            | 249                     | 313                |
| NOPLT .....   | 1,356            | 56                      | 149                |
| ROCE .....  | 46%              | 22%                     | 48%                |

|                                       | Holdings<br>----- |                 |                              |
|---------------------------------------|-------------------|-----------------|------------------------------|
|                                       | Steel<br>-----    | Others<br>----- | Corporate<br>Center<br>----- |
| RESULTS                               |                   |                 |                              |
| Revenues - Export .....               | -                 | -               | -                            |
| Revenues - Domestic .....             | -                 | -               | -                            |
| Cost and expenses .....               | 120 (3)           | -               | (759)                        |
| Interest revenue .....                | 3                 | -               | -                            |
| Interest expense .....                | (4)               | -               | -                            |
| Depreciation .....                    | -                 | -               | -                            |
| Pension plan .....                    | -                 | -               | -                            |
| Equity and provision for losses ..... | 5                 | 4               | -                            |
| Income taxes .....                    | -                 | -               | 219                          |
|                                       | -----             | -----           | -----                        |

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|   |       |       |       |
|---|-------|-------|-------|
| Net income .....  | 124   | 4     | (540) |
|   | ===== | ===== | ===== |
| Sales classified by geographic destination:   |       |       |       |
| Export market   |       |       |       |
| Latin America .....   | -     | -     | -     |
| United States .....   | -     | -     | -     |
| Europe .....  | -     | -     | -     |
| Middle East .....   | -     | -     | -     |
| Japan .....   | -     | -     | -     |
| Asia, other than Japan .....  | -     | -     | -     |
|   | ----- | ----- | ----- |
| Domestic market .....   | -     | -     | -     |
|   | ----- | ----- | ----- |
|   | -     | -     | -     |
|   | ===== | ===== | ===== |
| Assets:   |       |       |       |
| Property, plant and equipment, net .....  | -     | 7     | 25    |
| Capital expenditures .....  | -     | -     | 2     |
| Investments in affiliated companies and joint ventures<br>and other investments, net provision for losses ..... | 159   | 36    | -     |
|   | ===== | ===== | ===== |
| Capital employed .....  | 13    | 7     | (4)   |
| NOPLT .....   | 14    | -     | (82)  |
| ROCE .....  | 108%  | -     | -     |

- (1) - Includes provisions \$101 to reflect realizable value of assets
- (2) - Includes \$170 profit on sale of Bahia Sul Celulose S.A. - BSC and \$507 profit on sale of Celulose Nipo-Brasileira S.A. - CENIBRA
- (3) - Includes \$107 profit on sale of Companhia Siderurgica Nacional - CSN

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|                                       | Ferrous | Non<br>ferrous | Logistics |
|---------------------------------------|---------|----------------|-----------|
|                                       | -----   | -----          | -----     |
| RESULTS                               |         |                |           |
| Revenues - Export .....               | 2,849   | 198            | 195       |
| Revenues - Domestic .....             | 1,000   | 90             | 403       |
| Cost and expenses .....               | (2,585) | (214)          | (418)     |
| Interest revenue .....                | 52      | 1              | 1         |
| Interest expense .....                | (74)    | (12)           | (6)       |
| Depreciation .....                    | (115)   | (30)           | (22)      |
| Pension plan .....                    | (7)     | (2)            | -         |
| Equity and provision for losses ..... | 46      | -              | (22)      |
| Income taxes .....                    | 8       | -              | 5         |
|                                       | -----   | -----          | -----     |
| Net income .....                      | 1,174   | 31             | 136       |
|                                       | =====   | =====          | =====     |

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Sales classified by geographic destination:

|                              |       |       |       |
|------------------------------|-------|-------|-------|
| Export market                |       |       |       |
| Latin America .....          | 224   | -     | 30    |
| United States .....          | 252   | 156   | 64    |
| Europe .....                 | 969   | 35    | 75    |
| Middle East .....            | 209   | -     | 6     |
| Japan .....                  | 544   | 4     | 15    |
| Asia, other than Japan ..... | 651   | 3     | 5     |
|                              | ----- | ----- | ----- |
|                              | 2,849 | 198   | 195   |
| Domestic market .....        | 1,000 | 90    | 403   |
|                              | ----- | ----- | ----- |
|                              | 3,849 | 288   | 598   |
|                              | ===== | ===== | ===== |

Assets:

|   |       |       |       |
|---|-------|-------|-------|
| Property, plant and equipment, net .....  | 3,077 | 325   | 374   |
| Capital expenditures .....  | 373   | 50    | 14    |
| Investments in affiliated companies and joint ventures<br>and other investments, net provision for losses ..... | 519   | 31    | 151   |
|   | ===== | ===== | ===== |
| Capital employed .....  | 3,064 | 316   | 390   |
| NOPLT .....   | 1,155 | 52    | 165   |
| ROCE .....  | 38%   | 16%   | 42%   |

Holdings

| Steel | Others | Corporate<br>Center | E |
|-------|--------|---------------------|---|
|-------|--------|---------------------|---|

RESULTS

|                                       |       |       |       |
|---------------------------------------|-------|-------|-------|
| Revenues - Export .....               | -     | -     | -     |
| Revenues - Domestic .....             | 1     | -     | -     |
| Cost and expenses .....               | (10)  | -     | (578) |
| Interest revenue .....                | 5     | -     | 173   |
| Interest expense .....                | (6)   | -     | (247) |
| Depreciation .....                    | -     | -     | (6)   |
| Pension plan .....                    | -     | -     | -     |
| Equity and provision for losses ..... | 59    | 5     | -     |
| Income taxes .....                    | (48)  | -     | 79    |
|                                       | ----- | ----- | ----- |
| Net income .....                      | 1     | 5     | (579) |
|                                       | ===== | ===== | ===== |

Sales classified by geographic destination:

|                              |       |       |       |
|------------------------------|-------|-------|-------|
| Export market                |       |       |       |
| Latin America .....          | -     | -     | -     |
| United States .....          | -     | -     | -     |
| Europe .....                 | -     | -     | -     |
| Middle East .....            | -     | -     | -     |
| Japan .....                  | -     | -     | -     |
| Asia, other than Japan ..... | -     | -     | -     |
|                              | ----- | ----- | ----- |
|                              | -     | -     | -     |
| Domestic market .....        | 1     | -     | -     |
|                              | ----- | ----- | ----- |
|                              | 1     | -     | -     |
|                              | ===== | ===== | ===== |

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Assets:

|   |       |       |       |
|---|-------|-------|-------|
| Property, plant and equipment, net .....  | -     | -     | 30    |
| Capital expenditures .....  | -     | -     | 10    |
| Investments in affiliated companies and joint ventures<br>and other investments, net provision for losses ..... | 423   | 37    | -     |
|   | ===== | ===== | ===== |
| Capital employed .....  | 1     | 14    | (6)   |
| NOPLT .....   | (54)  | -     | (63)  |
| ROCE .....  | -     | -     | -     |

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|   | Ferrous | Non<br>ferrous | Logistics |
|---|---------|----------------|-----------|
|   | -----   | -----          | -----     |
| RESULTS   |         |                |           |
| Revenues - Export .....   | 1,989   | 143            | 100       |
| Revenues - Domestic .....   | 639     | 96             | 318       |
| Cost and expenses .....   | (1,435) | (151)          | (396)     |
| Interest revenue .....  | 46      | -              | 8         |
| Interest expense .....  | (50)    | -              | (13)      |
| Depreciation .....  | (120)   | (16)           | (21)      |
| Pension plan .....  | (21)    | (4)            | (3)       |
| Equity and provision for losses .....   | (44)    | (15)           | (9)       |
| Income taxes .....  | -       | -              | 14        |
|   | -----   | -----          | -----     |
| Net income .....  | 1,004   | 53             | (2)       |
|   | =====   | =====          | =====     |
| Sales classified by geographic destination:   |         |                |           |
| Export market   |         |                |           |
| Latin America .....   | 149     | -              | 13        |
| United States .....   | 147     | 139            | 34        |
| Europe .....  | 621     | -              | 31        |
| Middle East .....   | 146     | -              | 3         |
| Japan .....   | 351     | -              | 9         |
| Asia, other than Japan .....  | 575     | 4              | 9         |
| Others .....  | -       | -              | 1         |
|   | -----   | -----          | -----     |
|   | 1,989   | 143            | 100       |
| Domestic market .....   |         |                |           |
|   | 639     | 96             | 318       |
|   | -----   | -----          | -----     |
|   | 2,628   | 239            | 418       |
|   | =====   | =====          | =====     |
| Assets :  |         |                |           |
| Property, plant and equipment, net .....  | 2,950   | 400            | 404       |
| Capital expenditures .....  | 201     | 56             | 4         |
| Investments in affiliated companies and joint ventures<br>and other investments, net provision for losses ..... | 116     | 33             | 68        |
|   | =====   | =====          | =====     |
| Capital employed .....  | 3,081   | 399            | 419       |
| NOPLT .....   | 1,055   | 68             | 28        |

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ROCE ..... 34% 17% 7%

|  | Holdings |        |                  | E |
|--|----------|--------|------------------|---|
|  | Steel    | Others | Corporate Center |   |
| RESULTS  |          |        |                  |   |
| Revenues - Export .....  | -        | -      | -                |   |
| Revenues - Domestic .....  | -        | -      | -                |   |
| Cost and expenses .....  | -        | -      | (428)            |   |
| Interest revenue .....   | -        | -      | 170              |   |
| Interest expense .....   | -        | -      | (201)            |   |
| Depreciation .....   | -        | -      | -                |   |
| Pension plan .....   | -        | -      | -                |   |
| Equity and provision for losses .....  | 7        | -      | 7                |   |
| Income taxes .....   | -        | -      | (42)             |   |
| Net income .....   | 7        | -      | (494)            |   |
| Sales classified by geographic destination:  |          |        |                  |   |
| Export market  |          |        |                  |   |
| Latin America .....  | -        | -      | -                |   |
| United States .....  | -        | -      | -                |   |
| Europe .....   | -        | -      | -                |   |
| Middle East .....  | -        | -      | -                |   |
| Japan .....  | -        | -      | -                |   |
| Asia, other than Japan .....   | -        | -      | -                |   |
| Others .....   | -        | -      | -                |   |
| Domestic market .....  | -        | -      | -                |   |
| Assets:  |          |        |                  |   |
| Property, plant and equipment, net .....   | -        | -      | 31               |   |
| Capital expenditures .....   | -        | -      | 4                |   |
| Investments in affiliated companies and joint ventures and other investments, net provision for losses ..... | 426      | 34     | -                |   |
| Capital employed .....   | -        | -      | (9)              |   |
| NOPLT .....  | -        | -      | (309)            |   |
| ROCE .....   | -        | -      | -                |   |

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17 Related party transactions

Transactions with major related parties (including agencies of the Brazilian Federal Government) resulted in the following balances:

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|   | Assets | Liabili |
|---|--------|---------|
| AFFILIATED COMPANIES AND JOINT VENTURES |        |         |
| ALUNORTE (1) .....                      | 321    |         |
| CENIBRA (2) .....                       | -      |         |
| Salobo Metais S.A. (3) .....            | 70     |         |
| FCA .....                               | 154    |         |
| HISpanoBRAS .....                       | 21     |         |
| ITABRASCO .....                         | 18     |         |
| NIBRASCO .....                          | 20     |         |
| KOBRASCO .....                          | 35     |         |
| Wilsea Shipping Inc. ....               | -      |         |
| USIMINAS .....                          | 23     |         |
| ALBRAS .....                            | 1      |         |
| URUCUM .....                            | -      |         |
| Others .....                            | 154    |         |
| EMPLOYEE FUNDS                          |        |         |
| Fundacao Vale do Rio Doce .....         | -      |         |
| VALIA .....                             | -      |         |
| BRAZILIAN FEDERAL GOVERNMENT            |        |         |
| Banco do Brasil S.A. (4) .....          | 83     |         |
| Rede Ferroviaria Federal S.A. ....      | 11     |         |
| BNDES .....                             | 6      |         |
|   | -----  | -----   |
|   | 917    |         |
|   | =====  | =====   |
| Current .....                           | 350    |         |
|   | =====  | =====   |
| Long-term .....                         | 567    |         |
|   | =====  | =====   |

- (1) Includes onlending outstanding balance of \$192 (2000 - \$204), with identical conditions and terms, of a \$200 U.S. dollar denominated loan obtained by us from the Nippon Amazon Aluminium Company (NAAC) in January 1997 (bearing interest of 6.41% p.a. and maturing up to 2011).
- (2) Includes onlending outstanding balance of \$94 (2000 - \$117), with identical conditions and terms, of a \$200 U.S. dollar denominated loan obtained by us from the Japanese Eximbank in 1996, bearing interest of 6.21% p.a. and maturing up to 2004.
- (3) Convertible debentures bearing interest of IGPM plus 6.50% p.a., maturing up to 2002.
- (4) Represents interest bearing deposits and investment funds.

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These balances are included in the following balance sheet

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classifications:

|   | Assets | Liabili |
|---|--------|---------|
| Current assets                              |        |         |
| Cash and cash equivalents .....             | 83     |         |
| Accounts receivable .....                   | 106    |         |
| Loans and advances to related parties ..... | 160    |         |
| Others .....                                | 1      |         |
| Other assets                                |        |         |
| Loans and advances to related parties ..... | 555    |         |
| Others .....                                | 12     |         |
| Current liabilities                         |        |         |
| Suppliers .....                             | -      |         |
| Current portion of long-term debt .....     | -      |         |
| Loans from related parties .....            | -      |         |
| Others .....                                | -      |         |
| Long-term liabilities                       |        |         |
| Long-term debt .....                        | -      |         |
| Loans from related parties .....            | -      |         |
| Others .....                                | -      |         |
|   | 917    |         |

The principal amounts of business and financial operations carried out with major related parties are as follows:

|  | Year ended December |         |        |         |        |         |
|--|---------------------|---------|--------|---------|--------|---------|
|  | 2001                |         | 2000   |         | 1999   |         |
|  | Income              | Expense | Income | Expense | Income | Expense |
| <b>AFFILIATED COMPANIES AND JOINT VENTURES</b> |                     |         |        |         |        |         |
| CST .....                                      | 146                 | -       | 166    | -       | 135    |         |
| NIBRASCO .....                                 | 135                 | 132     | 172    | 205     | 44     |         |
| ALUNORTE .....                                 | 84                  | 38      | 42     | 93      | 167    |         |
| SIDERAR .....                                  | 30                  | -       | 18     | -       | 30     |         |
| ITABRASCO .....                                | 67                  | 33      | 66     | 24      | 57     |         |
| HISPANOBRAS .....                              | 74                  | 74      | 75     | 77      | 26     |         |
| KOBRASCO .....                                 | 75                  | 63      | 76     | 18      | 62     |         |
| CENIBRA .....                                  | 30                  | 46      | 33     | 123     | 78     |         |
| USIMINAS .....                                 | 59                  | -       | 47     | -       | 18     |         |
| ACOMINAS .....                                 | 4                   | -       | 7      | -       | 8      |         |
| ALBRAS .....                                   | 5                   | 208     | 6      | 216     | 14     | 2       |
| VALESUL .....                                  | -                   | -       | 4      | -       | -      |         |
| MRN .....                                      | -                   | 17      | 1      | 17      | -      |         |



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|   |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|
| Others .....                            | 95    | 142   | 82    | 75    | 80    |       |
| BRAZILIAN FEDERAL GOVERNMENT            |       |       |       |       |       |       |
| Banco do Brasil S.A .....               | 27    | -     | 46    | 24    | 46    |       |
| Petroleo Brasileiro S.A. - PETROBRAS... | 2     | 18    | 6     | 11    | 1     |       |
| Centrais Eletricas Brasileiras S.A .... | 1     | -     | -     | -     | -     |       |
| BNDES .....                             | 1     | 19    | 1     | 18    | 1     |       |
|   | ----- | ----- | ----- | ----- | ----- | ----- |
| Others .....                            | 835   | 790   | 848   | 901   | 767   | 6     |
|   | ===== | ===== | ===== | ===== | ===== | ===== |

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These amounts are included in the following statement of income classifications:

|   | 2001   |         |        |
|---|--------|---------|--------|
|   | Income | Expense | Income |
|   | -----  | -----   | -----  |
| Sales of iron ore and pellets .....         | 518    | 349     | 494    |
| Revenues from transportation services ..... | 85     | -       | 133    |
| Cost of aluminum products .....             | -      | 254     | -      |
| Financial income/expenses .....             | 180    | 59      | 117    |
| Others .....                                | 52     | 128     | 104    |
|   | -----  | -----   | -----  |
|   | 835    | 790     | 848    |
|   | =====  | =====   | =====  |

18 Fair value of financial instruments

The carrying amount of our current financial instruments generally approximates fair market value because of the short-term maturity or frequent repricing of these instruments.

The market value of long-term investments, where available, is disclosed in Note 10 to these financial statements.

Based on borrowing rates currently available to us for bank loans with similar terms and average maturities, the fair market value of long-term debt at December 31, 2001 is estimated as follows:

|                         | As of December 31 |       |
|-------------------------|-------------------|-------|
|                         | 2001              | 2000  |
|                         | -----             | ----- |
| Fair market value ..... | 2,102             | 2,022 |
| Carrying value .....    | 2,170             | 2,020 |

Fair market value estimates are made at a specific point in time, based on relevant market information and information about the financial

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instruments. Changes in assumptions could significantly affect the estimates.

### 19 Derivative financial instruments

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

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

As from January 1, 2001 we adopted SFAS 133 "Accounting for Derivative Financial Instruments and Hedging Activities", as amended by SFAS 137 and SFAS 138, and began to recognize all derivatives on our balance sheet at fair value. Accordingly we recognized an initial transition adjustment of \$12 as a charge in our statement of income relative to net unrealized losses on contracts open as of December 31, 2000. Subsequently to January 1, 2001 all derivatives have been adjusted to fair market value at each balance sheet date and the change included in current earnings.

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For the year ended December 31, 2001 the movement of unrealized and realized gains or losses on derivative financial instruments is as follows:

|  | Gold  | Interest<br>rate<br>(Libor) |
|--|-------|-----------------------------|
| Initial unrealized gains and losses at January 1, 2001 ..... | 9     |                             |
| Change in the period .....                                   | 2     | (                           |
| (Gains) and losses realized in the period .....              | (4)   |                             |
| Unrealized gains and (losses) at December 31, 2001 .....     | 7     | (                           |
|  | ===== | =====                       |

Realized and unrealized gains and losses are included in our income statement under the following captions:

Gold - other operating costs and expenses; Interest rates - financial expenses; Currencies - foreign exchange and monetary losses, net.

Final maturity dates for the above instruments are as follows:

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|                              |               |
|------------------------------|---------------|
| Gold .....                   | December 2005 |
| Interest rates (libor) ..... | October 2007  |
| Currencies .....             | April 2005    |

### (a) Interest Rate and Exchange Rate Risk

Interest rate risks mainly relate to that part of the debt borrowed at floating rates. The foreign currency debt is largely subject to fluctuations in the London Interbank Offered Rate - LIBOR. That portion of local currency denominated debt that is subject to floating rates is linked to the Long Term Interest Rate - TJLP, fixed quarterly by the Brazilian Central Bank. Since May 1998, we have used derivative instruments to protect ourselves against fluctuations in the LIBOR rate.

There is an exchange rate risk associated with our foreign currency denominated debt. On the other hand, a substantial proportion of our revenues are denominated in, or automatically indexed to, the U.S. dollar, while the majority of costs are expressed in reais. This provides a natural hedge against any devaluation of the Brazilian real against the U.S. dollar. When events of this nature occur, the immediate negative impact on foreign currency denominated debt is offset over time by the positive effect of devaluation on future cash flows.

With the advent of a floating exchange rate regime in Brazil in January 1999, we adopted a strategy of monitoring market fluctuations, using derivatives to protect against specific risks from exchange rate variation.

From time to time we enter into foreign exchange derivative swap transactions seeking to change the characteristics of our real-denominated cash investments to US dollar-indexed instruments. The extent of such transactions depends on our perception of market and currency risk, but is never speculative in nature. All such operations are marked-to-market at each balance sheet date and the effect included in financial income or expense. During the years December 31, 2001 our use of such instruments was not significant.

### (b) Commodity Price Risk

We also use derivative instruments to manage exposure to changing gold prices. Derivatives allow the fixing of an average minimum profit level for future gold production. However, they may also have the effect of eliminating potential gains on certain price increases in the spot market for gold. We manage

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our contract positions actively, and the results are reviewed at least monthly, allowing adjustments to targets and strategy to be made in response to changing market conditions. In the case of gold derivatives, our policy has been to settle all contracts through cash payments or receipts, without physical delivery of product.

Our affiliates Albras and Alunorte manage the risk of fluctuating aluminum prices using derivatives, allowing an average minimum profit level for future production and ensuring stable cash generation. However, they may also have the effect of eliminating potential gains on certain price increases in the spot market for aluminum. We account for both affiliates using the equity method.

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In December 2000, we introduced a new risk management system to evaluate, measure and manage the market risk associated with our financial activities, using the value-at-risk - VAR method. VAR incorporates a variety of risk factors which affect our results, including commodity prices, interest and exchange rate volatilities, as well as the correlation between all these variables. This tool will permit more efficient monitoring of market risk exposure.

### 20 Information about independent accountants

Our consolidated financial statements are audited by PricewaterhouseCoopers Auditores Independentes. The financial statements of certain of our subsidiaries and affiliates have been audited by independent accountants other than PricewaterhouseCoopers Auditores Independentes and, as mentioned in their report, PricewaterhouseCoopers Auditores Independentes has relied on such audits when expressing their opinion on our consolidated financial statements.

The following entities prepare financial statements in US GAAP which are audited in accordance with auditing standards generally accept in the United States of America:

|  | Auditors | Years Audi  |
|--|----------|-------------|
| Aluminio Brasileiro S.A. - ALBRAS .....                          | DTT      | 2001, 2000, |
| Alumina do Norte do Brasil S.A. - ALUNORTE .....                 | DTT      | 2001, 2000, |
| Vale do Rio Doce Aluminio S.A. - ALUVALE .....                   | DTT      | 2001, 2000, |
| Bahia Sul Celulose S.A. (4) .....                                | KPMG     | 2001, 2000, |
| California Steel Industries, Inc. ....                           | KPMG LLP | 2001, 2000, |
| <br>   |          |             |
| Celulose Nipo-Brasileira S.A. - CENIBRA (1) (4) .....            | DTT      | 2001, 2000, |
| Navegacao Vale do Rio Doce S.A. - DOCENAVE .....                 | DTT      | 2001, 2000, |
| DOCEPAR S.A. (1) .....   | DTT      | 2001, 2000, |
| Companhia Hispano-Brasileira de Pelotizacao - HISPANOBRAS .....  | AA       | 2001, 2000, |
| Companhia Italo-Brasileira de Pelotizacao - ITABRASCO .....      | AA       | 2001, 2000, |
| Companhia Coreano Brasileira de Pelotizacao - KOBRASCO (2) ..... | DTT      | 2001, 200   |
| Mineracao Rio do Norte S.A. ....                                 | AA       | 2001, 2000, |
| Companhia Nipo-Brasileira de Pelotizacao - NIBRASCO .....        | DTT      | 2001, 2000, |
| Valesul Aluminio S.A. ....                                       | KPMG     | 2001, 2000, |
| Companhia Siderurgica Nacional (1) (4) .....                     | AA       | 2000, 199   |

In addition to the above the following entities prepare financial statements in Brazilian GAAP which are audited in accordance with auditing standards generally accepted in Brazil. PricewaterhouseCoopers Auditores Independentes relies on such audits but is responsible for reviewing the US GAAP translation and, if applicable, US GAAP adjustments.

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|                               | Auditors | Years Audi  |
|-------------------------------|----------|-------------|
| Terminal Vila Velha S.A. .... | DTT      | 2001, 2000, |

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|   |          |           |
|---|----------|-----------|
| Nova Era Silicon S.A. ....                            | DTT      | 2001, 200 |
| Nova Era Silicon S.A. ....                            | Trevisan | 1999      |
| Celmar S.A. - Industria de Celulose e Papel (2) ..... | DTT      | 2001, 200 |
| SIBRA Eletrosiderurgica Brasileira S.A. (3) .....     | DTT      | 2001, 200 |

AA - Arthur Andersen S/C  
DTT - Deloitte Touche Tohmatsu  
RJ - Rio de Janeiro  
MG - Minas Gerais  
BH - Belo Horizonte  
SP - Sao Paulo  
ES - Espirito Santo  
BA - Bahia

- (1) Audited by PricewaterhouseCoopers in 1998
- (2) Audited by PricewaterhouseCoopers in 1999 and 1998
- (3) Consolidated as from 2000
- (4) Investment sold in 2001

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SIGNATURES

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

COMPANHIA VALE DO RIO DOCE

By: /s/ Roberto Castello Branco

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Name: Roberto Castello Branco  
Title: Head of Investor Relations

Dated: April 24, 2002