VALLEY OF THE RIO DOCE CO
Form F-4
March 21, 2002

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 21, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM F-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

COMPANHIA VALE DO RIO DOCE — VALE OVERSEAS LIMITED
(Exact name of Registrant as specified in its charter)
Valley of the Rio Doce Company
(Translation of Registrant's name into English)

FEDERATIVE REPUBLIC OF BRAZIL — CAYMAN ISLANDS
(State or other jurisdiction of incorporation or organization)

1011
(Primary Standard Industrial Classification Code Number)

NONE — NONE
(I.R.S. Employer Identification No.)

AVENIDA GRACA ARANHA, NO. 26
20005-900 RIO DE JANEIRO, RJ, BRAZIL
(55-21) 3814-4540

P.O. BOX 908 GT, WALKER HOUSE
GEORGETOWN, GRAND CAYMAN CAYMAN IS
(345) 945-3727

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

CT CORPORATION SYSTEM
111 EIGHTH AVENUE
NEW YORK, NEW YORK 10011
(212) 664-1666
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

JOSEPH A. HALL
DAVIS POLK & WARDWELL
450 LEXINGTON AVENUE
NEW YORK, NEW YORK 10017
(212) 450-4000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as

practicable after this Registration Statement becomes effective.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	RE
Series B 8.625% Enhanced Guaranteed Notes due 2007.....	$300,000,000	100%	$300,000,000	

(1) Estimated solely for the purpose of calculating the amount of the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS (SUBJECT TO COMPLETION)

DATED MARCH 21, 2002

[COMPANHIA LOGO]

VALE OVERSEAS LIMITED

COMPANHIA VALE DO RIO DOCE
(Valley of the Rio Doce Company)

OFFER TO EXCHANGE
SERIES B 8.625% ENHANCED GUARANTEED NOTES DUE 2007

FOR
SERIES A 8.625% ENHANCED GUARANTEED NOTES DUE 2007

Vale Overseas is offering to exchange up to US$300,000,000 of its Series B 8.625% Enhanced Guaranteed Notes due 2007, the new securities, for up to US$300,000,000 of its existing Series A 8.625% Enhanced Guaranteed Notes due 2007, the old securities. The terms of the new securities are identical in all material respects to the terms of the old securities, except that the new securities have been registered under the Securities Act, and the transfer restrictions and registration rights relating to the old securities do not apply to the new securities.

The exchange offer will expire at 5:00 p.m. New York City time on , 2002 unless extended.

To exchange your old securities for new securities:

- you are required to make the representations described on page 120 to Vale Overseas and CVRD

- you must complete and send the letter of transmittal that accompanies this prospectus to the exchange agent, JPMorgan Chase Bank, by 5:00 p.m., New York time, on , 2002

- you should read the section called "The Exchange Offer" for further information on how to exchange your old securities for new securities

The old securities are listed, and application has been made to list the new securities, on the Luxembourg Stock Exchange.

SEE "RISK FACTORS" BEGINNING ON PAGE 7 FOR A DISCUSSION OF RISK FACTORS THAT SHOULD BE CONSIDERED BY YOU PRIOR TO TENDERING YOUR OLD SECURITIES IN THE EXCHANGE OFFER.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN THE EXCHANGE OFFER OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

March , 2002

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When we use "CVRD Group," or personal pronouns such as "we" "us" or "our," we mean Companhia Vale do Rio Doce, its consolidated subsidiaries and its joint ventures and other affiliated companies. References to "affiliated companies" are to companies in which Companhia Vale do Rio Doce has a minority investment, and exclude controlled affiliates that are consolidated for financial reporting purposes.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The Securities and Exchange Commission allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and some later information that we file with the Commission will automatically be deemed to update and supersede this information. We incorporate by reference the following document that has been filed with the Commission:

- our Annual Report on Form 20-F, as amended, for the fiscal year ended December 31, 2000 (File No. 000-26030).

We also incorporate by reference into this prospectus any future filings made with the Commission under Sections 13(a), 13(c), or 15(d) of the Exchange Act and, to the extent designated therein, reports on Form 6-K that we furnish to the Commission.

Any statement contained in a document, all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this prospectus.

We will provide without charge to each person to whom a copy of this

prospectus is delivered, upon the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference in such documents). To obtain timely delivery, investors must request this information no later than five business days before the date they must make their investment decision. Requests should be directed to the Investor Relations Department, Avenida Graca Aranha, No. 26, 17th floor, 20005-900 Rio de Janeiro, RJ, Brazil (telephone no: 5521-3814-4557).

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form F-4 under the Securities Act with respect to the notes. This prospectus, which is part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information pertaining to us we refer you to the registration statement and the exhibits and schedules filed as part of the registration statement. If a document has been filed as an exhibit to the registration statement, we refer you to the copy of the document that has been filed. Each statement in this prospectus relating to a document filed as an exhibit is qualified in all respects by the filed exhibit. The registration statement, including exhibits and schedules thereto, may be inspected without charge at the Commission's public reference rooms at:

- Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549;

- 233 Broadway, New York, New York 10279; or

- Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661.

Copies of all or any part of the registration statement may be obtained from such office after payment of fees prescribed by the Commission. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms. In addition, the Commission maintains an Internet web site at www.sec.gov, from which you can electronically access the registration statement and its exhibits. Copies of reports and other information may also be inspected in the offices of the New York Exchange, 20 Broad Street, New York, New York 10005.

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, including annual reports on Form 20-F, and other information with the Commission. However, as a foreign private issuer, we are exempt from the rules under the Exchange Act relating to the furnishing and content of proxy statements and relating to short swing profits reporting and liability. In addition, we are not required to file annual, quarterly or current reports and financial statements as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we will file, as long as we are required to do so, within 180 days after the end of each fiscal year, an annual report on Form 20-F containing consolidated financial statements audited by an independent public accounting firm. We also file quarterly reports on Form 6-K with the Commission. Vale Overseas will not file separate financial statements with the Commission in reliance on the Commission's rules for wholly owned finance subsidiaries, and because we do not believe that those financial statements would be material to noteholders. However, we have included a balance sheet for Vale Overseas as at September 30, 2001, and the accompanying report by PricewaterhouseCoopers. Summarized financial information for Vale Overseas will be provided in a footnote to CVRD's annual audited financial statements filed with the Commission.

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

CERTAIN TERMS AND CONVENTIONS

As used in this prospectus,

- "real," "reais" or "R$" refer to Brazilian reais (plural) and to the Brazilian real (singular), the official currency of Brazil.
- "U.S. dollars," "dollars" or "US$" refer to United States dollars.
- units refer to units in the metric system, e.g., tons refer to metric tons.

PRESENTATION OF FINANCIAL INFORMATION

We have prepared our financial statements appearing in this prospectus in accordance with generally accepted accounting principles in the United States (U.S. GAAP), which differ in certain respects from accounting principles in Brazil (Brazilian GAAP). Brazilian GAAP is determined by the requirements of Law No. 6,404, dated December 15, 1976, as amended (the Brazilian Corporation Law), and the rules and regulations of the Comissao de Valores Mobiliarios, or CVM, the Brazilian Securities Commission. We publish financial statements in Brazil, known as the Brazilian Corporation Law financial statements, and prepare them in accordance with Brazilian GAAP. We use our Brazilian Corporation Law financial statements for:

- reports to Brazilian shareholders,
- filings with the CVM,
- determination of dividend payments, and
- determination of tax liability.

Our financial statements and the other financial information appearing in this prospectus have been remeasured (translated) from Brazilian reais to U.S. dollars on the basis explained in note 2(a) to our financial statements unless we indicate otherwise.

Some of the figures included in this prospectus have been rounded.

PRESENTATION OF INFORMATION CONCERNING RESERVES

The estimates of proven and probable reserves at mines within the CVRD Group and the estimates of mine life, at December 31, 2000, included in this prospectus have been calculated according to the technical definitions required by the U.S. Securities and Exchange Commission, as described in "Mining Terms." We have derived estimates of mine life described in this prospectus from those reserve estimates.

The National Mineral Research Department, Departamento Nacional de Pesquisa Mineral, or DNPM, compiles domestic and foreign mining reserve estimates using criteria which may differ from technical definitions required by the Commission. We have adjusted ore reserve estimates for extraction losses and metallurgical recoveries during extraction.

PROSPECTUS SUMMARY

VALE OVERSEAS LIMITED

Vale Overseas is a finance company for the CVRD Group. It is wholly owned by CVRD. Vale Overseas' business is to borrow money outside Brazil by issuing securities to finance CVRD's activities outside Brazil or to on-lend it to other CVRD Group companies. Vale Overseas is a Cayman Islands exempted company incorporated with limited liability. The issuance of the notes was the first borrowing by Vale Overseas. Vale Overseas' registered office is at Walker House, PO Box 908 GT, Mary Street, Georgetown, Grand Cayman, Cayman Islands. Vale Overseas' telephone number is (345) 945-3727.

COMPANHIA VALE DO RIO DOCE

We are one of the world's largest producers and exporters of iron ore. We are the largest diversified mining company in the Americas by market capitalization and one of the largest companies in Brazil. We hold exploration claims that cover 7.0 million hectares (17.3 million acres). We operate two large railway systems that are integrated with our mining operations and that, taken together, transported approximately 58.5% of the rail tonnage shipped in Brazil in the first nine months of 2001. Through joint ventures, we have major investments in the production of aluminum.

Our main lines of business are mining, logistics and energy and are generally grouped according to the business segments below:

- ferrous minerals: comprised of iron ore, pellets as well as manganese and ferro alloys businesses,
- non-ferrous minerals: comprised of gold, kaolin, potash and copper businesses,
- logistics: comprised of railroads, ports and terminals and shipping businesses,
- energy: comprised of power generation businesses, and
- holdings: comprised of aluminum, steel, fertilizers and e-commerce businesses.

The following table sets forth our ratio of earnings to fixed charges for the periods indicated.

AT DECEMBER 31,					AT SEPTEMBER 30,	
1996	1997	1998	1999	2000	2000	2001
(IN MILLIONS OF US$)						

Ratio of earnings to fixed charges(1)...	2.95x	3.40x	4.28x	3.66x	3.43x	4.06x	3.52x

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(1) To calculate the ratio of earnings to fixed charges, we calculate earnings by adding interest before income taxes, equity results and minority interests, fixed charges, amortization of capitalized interest and distributed income of equity investments less capitalized interest. Fixed charges represent the total of capitalized interest, financial expenses and the preferred stock guaranteed dividend.

CVRD's principal executive offices are located at Avenida Graca Aranha, No. 26, 20005-900, Rio de Janeiro, RJ, Brazil, and our telephone number is (011) 55-21-3814-4540. We maintain a website at www.cvrd.com.br. Information contained in our website does not constitute a part of this prospectus.

THE EXCHANGE OFFER

SECURITIES OFFERED.....	Vale Overseas is offering up to $300,000,000 aggregate principal amount of its Series B 8.625% Enhanced Guaranteed Notes due 2007 (the new securities), which have been registered under the Securities Act.
THE EXCHANGE OFFER.....	Vale Overseas is offering to issue the new securities in exchange for a like principal amount of your Series A 8.625% Enhanced Guaranteed Notes due 2007 (your old securities). Vale Overseas is offering to issue the new securities to satisfy its obligations contained in the registration rights agreement entered into when the old securities were sold in transactions permitted by Rule 144A and Regulation S under the Securities Act and therefore not registered with the SEC. For procedures for tendering, see "The Exchange Offer."
TENDERS, EXPIRATION DATE, WITHDRAWAL.....	The exchange offer will expire at 5:00 p.m. New York City time on , 2002 unless it is extended. If you decide to exchange your old securities for new securities, you must acknowledge that you are not engaging in, and do not intend to engage in, a distribution of the new securities. If you decide to tender your old securities in the exchange offer, you may withdraw them at any time prior to , 2002. If Vale Overseas decides for any reason not to accept any old securities for exchange, your old securities will be returned to you without expense to you promptly after the exchange offer expires.
FEDERAL INCOME TAX CONSEQUENCES.....	Your exchange of old securities for new securities in the exchange offer will not result in any income, gain or loss to you for Federal

	income tax purposes. See "Material United States Federal Income Tax Consequences of the Exchange Offer" on page 120 of this prospectus.
USE OF PROCEEDS.....	Vale Overseas will not receive any proceeds from the issuance of the new securities in the exchange offer.
EXCHANGE AGENT.....	JPMorgan Chase Bank is the exchange agent for the exchange offer.
FAILURE TO TENDER YOUR OLD SECURITIES.....	If you fail to tender your old securities in the exchange offer, you will not have any further rights under the registration rights agreement, including any right to require Vale Overseas to register your old securities or to pay you additional interest.

YOU WILL BE ABLE TO RESELL THE NEW SECURITIES WITHOUT REGISTERING THEM WITH THE SEC IF YOU MEET THE REQUIREMENTS DESCRIBED BELOW

Based on interpretations by the SEC's staff in no-action letters issued to third parties, Vale Overseas believes that new securities issued in exchange for old securities in the exchange offer may be offered for resale, resold or otherwise transferred by you without registering the new securities under the Securities Act or delivering a prospectus, unless you are a broker-dealer receiving securities for your own account, so long as:

- you are not one of Vale Overseas' or CVRD's "affiliates", which is defined in Rule 405 of the Securities Act;
- you acquire the new securities in the ordinary course of your business;
- you do not have any arrangement or understanding with any person to participate in the distribution of the new securities; and
- you are not engaged in, and do not intend to engage in, a distribution of the new securities.

If you are an affiliate of Vale Overseas or CVRD, or you are engaged in, intend to engage in or have any arrangement or understanding with respect to, the distribution of new securities acquired in the exchange offer, you (1) should not rely on Vale Overseas' interpretations of the position of the SEC's staff and (2) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

If you are a broker-dealer and receive new securities for your own account in the exchange offer:

- you must represent that you do not have any arrangement with Vale Overseas, CVRD or any of their affiliates to distribute the new securities;
- you must acknowledge that you will deliver a prospectus in connection with any resale of the new securities you receive from Vale Overseas in the exchange offer; the letter of transmittal states that by so acknowledging and by delivering a prospectus, you will not be deemed to admit that you are an "underwriter" within the meaning of the Securities

Act; and

- you may use this prospectus, as it may be amended or supplemented from time to time, in connection with the resale of new securities received in exchange for old securities acquired by you as a result of market-making or other trading activities.

For a period of 180 days after the expiration of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any resale described above.

THE NOTES

The terms of the new notes and the old notes are identical in all material respects, except that the new notes have been registered under the Securities Act. The following summary contains basic information about the new notes and the old notes. It is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section of this document entitled "Description of notes."

ISSUER.....	Vale Overseas Limited.
GUARANTOR.....	Companhia Vale do Rio Doce.
SECURITIES.....	U.S.$300,000,000 in principal amount of Series B 8.625% Enhanced Guaranteed Notes due 2007.
GUARANTY.....	CVRD has irrevocably and unconditionally guaranteed the full and punctual payment of principal, interest, additional amounts and all other amounts that may become due and payable in respect of the notes. If Vale Overseas fails to punctually pay any such amount, CVRD will immediately pay the same, subject to the limitation on CVRD due to restrictions on the transfer, conversion, use or control of currency imposed by the government of Brazil.
POLITICAL RISK COVERAGE.....	Vale Overseas has deposited in a reserve account held by the trustee for the benefit of the holders of notes cash or U.S. Treasury obligations in an aggregate amount of U.S.$41,421,565 or arranged for the issue of one or more letters of credit in favor of the trustee in lieu of all or a portion of such deposit. The aggregate of the reserve account deposit and any letters of credit will be an amount equal to the sum of (i) 18 months interest on the principal of the notes, (ii) an amount equal to 0.50% per annum interest on the principal of the notes for 18 months, (iii) 30 days of interest on the amounts in (i) and (ii) above at the rate of 10.125% per annum and (iv) the trustee's fees and reasonable expenses in connection with the notes for 18 months. This political risk coverage is currently being provided in the form of a letter of credit issued by Banco Bilbao Vizcaya Argentaria.

	The amount described in (ii) above will be returned to Vale Overseas upon the completion of its obligations under the registration rights agreement (which will occur upon completion of this exchange offer). The entire amount in the reserve account will be returned to Vale Overseas, and any letter of credit in favor of the trustee returned to its issuer for cancellation, if CVRD obtains a foreign currency rating of Baa2 from Moody's without benefit of collateral or other credit support. Vale Overseas will grant a security interest over the reserve account in favor of the trustee for the benefit of the holders of notes. The funds in the reserve account and the amounts available under the letters of credit will be used to pay interest on the notes in the event Vale Overseas or CVRD is unable to pay such interest due to restrictions on the transfer, conversion, use or control of currency imposed by the government of Brazil.

MATURITY.....	March 8, 2007. The maturity of the notes may be extended to no later than September 8, 2008 if the government of Brazil has in effect restrictions on the transfer, conversion, use or control of currency which have prevented Vale Overseas or CVRD from paying interest or principal on the notes and this restriction is continuing on March 8, 2007.
INTEREST RATE.....	The notes will bear interest at the rate of 8.625% per annum from March 8, 2002, based upon a 360-day year consisting of twelve 30-day months.
INTEREST PAYMENT DATES.....	Interest on the notes will be payable semi-annually on March 8 and September 8 of each year, commencing on September 8, 2002.
RANKING.....	Except for the security interest in the reserve account described above, the notes will rank equally in right of payment with all other unsecured and unsubordinated debt obligations of Vale Overseas. The guaranty will rank equally in right of payment with all of CVRD's other unsecured and unsubordinated debt obligations.
ISSUER RESTRICTIONS.....	Vale Overseas will not issue any further securities without the trustee first receiving written confirmation from Moody's that such issue will not reduce the rating then currently assigned to the notes by Moody's.
PAYMENT OF ADDITIONAL AMOUNTS.....	Vale Overseas and CVRD will pay additional amounts in respect of any payments of interest

	or principal so that the amount you receive after Brazilian or Cayman Islands withholding tax will equal the amount that you would have received if no withholding tax had been applicable, subject to some exceptions as described under "Description of Notes--Payments of Additional Amounts."
TAX REDEMPTION.....	If, due to changes in Brazilian or Cayman Islands laws relating to withholding taxes applicable to payments of interest, Vale Overseas is obligated to pay additional amounts on the notes in respect of Brazilian or Cayman Islands withholding taxes, Vale Overseas may redeem the outstanding notes in whole, but not in part, at any time, at a price equal to 100% of their principal amount plus accrued interest to the redemption date.
TRUSTEE, PRINCIPAL PAYING AGENT AND REGISTRAR.....	JPMorgan Chase Bank.
GOVERNING LAW.....	New York.
RISK FACTORS.....	Prospective purchasers of the notes should consider carefully all of the information set forth in this offering memorandum and, in particular, the information set forth under "Risk factors" before making an investment in the notes.
LUXEMBOURG LISTING.....	The notes will be listed on the Luxembourg Stock Exchange in accordance with the rules and regulations of the Luxembourg Stock Exchange.

TIMETABLE FOR THE OFFERING

Commencement of the exchange offer.....	March , 2002
Expiration of the exchange offer.....	April , 2002

Vale Overseas may, at its sole discretion, extend the period of time for which the exchange offer is open.

RISK FACTORS

You should carefully consider the risks described below, as well as the other information contained in this prospectus, in evaluating an investment in the notes. The risks described below are not the only ones facing our company. Additional risks may impair our business operations. Our business, results of operations or financial condition could be harmed if any of these risks materializes and, as a result, the trading price of the notes could decline and you could lose a substantial portion of your investment.

We have included information in these risk factors concerning Brazil to the extent that information is publicly available to us. We believe this information is reliable, but we cannot guarantee that it is accurate.

RISKS RELATING TO BRAZIL

THE BRAZILIAN GOVERNMENT HAS EXERCISED, AND CONTINUES TO EXERCISE, SIGNIFICANT INFLUENCE OVER THE BRAZILIAN ECONOMY. BRAZILIAN POLITICAL AND ECONOMIC CONDITIONS HAVE A DIRECT IMPACT ON OUR BUSINESS AND THE MARKET PRICE OF OUR SECURITIES.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes drastic changes in policy. The Brazilian government's actions to control inflation and effect other policies have often involved wage and price controls, currency devaluations, capital controls and limits on imports, among other things. Our business, financial condition and results of operations may be adversely affected by changes in policy involving tariffs, exchange controls and other matters, as well as other factors outside of our control such as:

- currency fluctuations,

- inflation,

- monetary policy and interest rates,

- fiscal policy,

- energy shortages, and

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

INFLATION AND CERTAIN GOVERNMENT MEASURES TO CURB INFLATION MAY CONTRIBUTE SIGNIFICANTLY TO ECONOMIC UNCERTAINTY IN BRAZIL AND TO HEIGHTENED VOLATILITY IN THE BRAZILIAN SECURITIES MARKETS AND, CONSEQUENTLY, MAY ADVERSELY AFFECT THE MARKET VALUE OF OUR SECURITIES.

Brazil has historically experienced extremely high rates of inflation. Since the introduction of the real in July 1994 under the Real Plan, Brazil's inflation rate has been substantially lower than in previous periods. Inflation, as measured by the Indice Geral de Precos -- Mercado, the general market price index in Brazil, or IGP-M, fell to 1.8% in 1998 before increasing to 20.1% in 1999 as a result of the devaluation of the real beginning in January 1999, and decreasing again to 10.4% in 2001. There can be no assurance that recent lower levels of inflation will continue. Future governmental actions, including actions to adjust the value of the real, may trigger increases in inflation. If Brazil experiences substantial inflation again in the future, our operating expenses and borrowing costs may increase, our operating and net margins may decrease and, if investor confidence decreases, the price of our securities may fall. For a more detailed discussion about inflation, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview -- Inflation."

Inflation itself and governmental measures to combat inflation have had significant negative effects on the Brazilian economy. Since 1999, governmental actions to curb inflation have included interest rate increases and intervention in the foreign exchange market through the sale of U.S. dollars and government bonds linked to the U.S. dollar. These actions may adversely affect the market value of our securities.

FLUCTUATIONS IN THE VALUE OF THE REAL AGAINST THE VALUE OF THE U.S. DOLLAR MAY RESULT IN UNCERTAINTY IN THE BRAZILIAN ECONOMY AND THE BRAZILIAN SECURITIES MARKET AND COULD LOWER THE MARKET VALUE OF OUR SECURITIES.

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

In 1999, the real devaluated 48% against the U.S. dollar, and in 2000 it devaluated 9%. During 2001, the real experienced a period of significant devaluation, in part due to the economic uncertainties in Argentina, the global economic slowdown and the energy crisis in Brazil. The real depreciated 18.7% against the U.S. dollar during 2001. There are no guarantees that the exchange rate between the real and the U.S. dollar will stabilize at current levels or that the real will appreciate against the U.S. dollar.

Devaluations of the real relative to the U.S. dollar may reduce the market value of our securities. Devaluations also create additional inflationary pressures in Brazil by generally increasing the price of imported products and requiring recessionary government policies to curb aggregate demand. On the other hand, appreciation of the real against the U.S. dollar may lead to a deterioration of the current account and the balance of payments, as well as dampen export-driven growth. For a more detailed discussion about the floating exchange rate and Brazilian government measures aimed at stabilizing the real, see "Exchange Rates."

DEVELOPMENTS IN OTHER EMERGING MARKET COUNTRIES MAY AFFECT THE BRAZILIAN SECURITIES MARKETS.

International investors generally consider Brazil to be an emerging market. As a result, economic and market conditions in other emerging market countries, especially those in Latin America, influence the market for securities issued by Brazilian companies. Since the fourth quarter of 1997, the international financial markets have experienced significant volatility, and a large number of market indices, including those in Brazil, have declined significantly. For example, the Brazilian financial markets were adversely affected by the Asian financial crisis at the end of 1997 and the Russian financial crisis in 1998. After prolonged periods of recession, followed by political instability, Argentina in 2001 announced that it would not service its public sector debt. In order to address the worsening economic and social crisis, the Argentine government abandoned its decade-old fixed dollar-peso exchange rate and created a floating exchange rate regime in January 2002. Since Argentina is an important trade partner of Brazil, the continuation of the Argentine crisis could affect the revenues and profitability of Brazilian companies with important ties to Argentina.

The Argentine crisis may also affect the perception of risk in Brazil by foreign investors. The expectation of many that similar problems would follow in Brazil, which did increase volatility in the market prices for Brazilian securities in early 2001, has not materialized. Nonetheless, if events in Argentina continue to deteriorate, they may adversely affect our ability to borrow funds at an acceptable interest rate and raise equity capital when needed. Since approximately 66.4% of our long-term debt at September 30, 2001 is scheduled to mature in 2003 and 2004, these events could cause us to delay our

capital expenditure plans and adversely affect the price of our securities.

THE BRAZILIAN GOVERNMENT'S ENERGY RATIONING PROGRAM COULD ADVERSELY AFFECT US.

We are a significant consumer of Brazil's electricity production, and accounted for 4.5% of total consumption in Brazil in 2000. Brazil faced a shortage of energy during the second half of 2001 as a result of increased demand due to economic growth, inadequate expansion of generation in past years and unfavorable hydrological conditions. In response, the Brazilian government imposed an energy rationing program to alleviate the energy shortage, which aimed to decrease energy consumption by at least 20%. This program had a negative impact upon the country's economic performance and inflation levels. The

required percentage of energy reduction, however, could be higher than 20% depending on the type of activity. Aluminum and ferro-alloy activities were categorized as electric-intensive activities and were required to decrease their energy consumption by 25%. As a result of this program, we had a temporary reduction of our aluminum and ferro-alloy production. By the end of 2001, climate conditions improved, reducing the immediate risk of energy shortages. Therefore, the Brazilian government eliminated the restrictions on the use of energy on March 1, 2002. However, there currently remain forecasted shortfalls in generation capacity.

We are unable to assess the impact that the government rationing program or future energy shortages may have on our operations.

YOU MAY NOT BE ABLE TO EFFECT SERVICE OF PROCESS UPON, OR TO ENFORCE JUDGMENTS AGAINST, US, OUR DIRECTORS AND EXECUTIVE OFFICERS.

We are organized under the laws of Brazil and substantially all of our assets are located outside of the United States. The majority of our directors and executive officers reside outside of the United States. As a result, it may be difficult for you to effect service of process upon us or those persons in the United States or to enforce against us or those persons judgments obtained in U.S. courts, including those based on the civil liability provisions of the federal securities laws of the United States.

RISKS RELATING TO OUR BUSINESSES

DUE TO OUR DEPENDENCE ON THE GLOBAL STEEL INDUSTRY, ANY FLUCTUATIONS IN THE DEMAND FOR STEEL COULD ADVERSELY AFFECT OUR BUSINESS.

Sales prices and volumes in the worldwide iron ore mining industry depend on the prevailing and expected level of demand for iron ore in the world steel industry. The world steel industry is cyclical. A number of factors, the most significant of these being the prevailing level of worldwide demand for steel products, influence the world steel industry. During periods of sluggish or declining regional or world economic growth, demand for steel products generally decreases and leads to corresponding reductions in demand for iron ore. Global steel output in 2001 decreased by 0.68% to 823,937 tons from 829,609 tons produced during 2000. This may lead to decreases in the level of demand in the iron ore market and have an adverse effect on world contract prices and sales volumes for iron ore. Prolonged reductions or declines in world contract prices or sales volumes for iron ore would have a material adverse effect on our revenues. In addition, poor conditions in the global steel industry could result in the bankruptcy of some of our customers, which would increase our bad debt expenses.

THE MINING INDUSTRY IS AN INTENSELY COMPETITIVE INDUSTRY, AND WE CANNOT ASSURE

OUR ABILITY TO CONTINUE TO COMPETE EFFECTIVELY WITH OTHER MINING COMPANIES IN THE FUTURE.

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

COMPETITION IN THE ENERGY GENERATION BUSINESS TENDS TO INTENSIFY.

As a result of the Brazilian government's privatization and restructuring of the regulatory framework for the power industry, we expect an increase in competition in the generation of electricity, which could result in declining energy prices. Beginning on January 1, 2003, the provision of electricity services will be subject to further deregulation and competition may increase even further with the entry of new competitors. A sustained decrease in energy prices would lower the returns that we are expecting from our investments in the energy business.

WE ARE SUBJECT TO CYCLICALITY AND PRICE VOLATILITY FOR IRON ORE, ALUMINUM AND OTHER MINERALS.

Cyclical and other uncontrollable changes in world market prices affect our iron ore, aluminum, gold and other mining activities. In particular, aluminum and gold are sold in an active world market and traded on exchanges, such as the London Metals Exchange and the Commodity Exchange, Inc. Therefore, the prices for these metals are more volatile than iron and pellet prices, as they respond to daily changes in supply and demand. Prolonged declines in world market prices, in nominal and real terms, for our products would have a material adverse effect on our revenues.

OUR MINING ACTIVITIES DEPEND ON AUTHORIZATIONS OF REGULATORY AGENCIES. CHANGES IN REGULATIONS COULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS.

Our mining activities in Brazil depend on authorizations and concessions by regulatory agencies of the Brazilian government. Our exploration, mining and mineral processing activities are also subject to Brazilian laws and regulations which change from time to time. If these laws and regulations change in the future, modifications to our technologies and operations could be required, and we may be required to make unbudgeted capital expenditures which could lead to an increase in our borrowing costs. For a more detailed discussion about the authorizations and concessions by regulatory agencies of the Brazilian government upon which our mining activities depend, see "Business -- Regulatory Matters -- Mining."

OUR ENERGY BUSINESS IS SUBJECT TO EXTENSIVE GOVERNMENTAL REGULATION.

The Brazilian power generation business depends on concessions granted by the government and is regulated and supervised by the Brazilian electricity regulatory governmental agency, ANEEL. Given that Brazil may face future energy shortages like the one experienced in the second half of 2001, the Brazilian government has announced its intention to issue further regulations applicable to the power system. Changes in the laws, regulations or governmental policies regarding the power generation industry, the marketing of energy in the wholesale market or concession requirements could lower the returns we are

expecting from our investments in this business. For more information on the regulations governing our energy business, see "Business -- Regulatory Matters -- Energy."

OUR OPERATIONS ARE ALSO REGULATED BY BRAZILIAN ENVIRONMENTAL LAWS. CHANGES TO THESE LAWS IN THE FUTURE MAY ADVERSELY AFFECT OUR MINING AND ENERGY BUSINESSES.

Our operations often involve using, handling, disposing and discharging hazardous materials into the environment, or the use of natural resources, and are therefore subject to the environmental laws and regulations of Brazil. Environmental regulation in Brazil has become stricter in recent years, and it is possible that more regulation or more aggressive enforcement of existing regulations will adversely affect us through imposing restrictions on our activities, creating new requirements for the issuance or renewal of environmental licenses, raising our costs, or requiring us to engage in expensive reclamation efforts. We are currently a defendant in an action brought by the municipality of Itabira, which is in the state of Minas Gerais, on the basis of environmental laws. If we do not prevail in this lawsuit, we could incur a substantial expense. For more information on environmental laws and the legal challenges we face, see "Business -- Environmental Matters" and "Business -- Legal Proceedings."

OUR RESERVE ESTIMATES MAY BE MATERIALLY DIFFERENT FROM MINERAL QUANTITIES THAT WE MAY ACTUALLY RECOVER AND MARKET PRICE FLUCTUATIONS AND CHANGES IN OPERATING AND CAPITAL COSTS MAY RENDER CERTAIN ORE RESERVES OR MINERAL DEPOSITS UNECONOMICAL TO MINE.

Our reported ore reserves and mineral deposits are estimated quantities of ore and minerals that under present and anticipated conditions have the potential to be economically mined and processed by the extraction of their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. In addition, reserve engineering is a subjective process of estimating underground deposits of minerals that cannot be measured in an exact manner and the accuracy of any reserve estimate is a

function of the quality of available data and engineering and geological interpretation and judgment. Estimates of different engineers may vary and results of our mining and production subsequent to the date of an estimate may justify revision of estimates. Reserve estimates may require revision based on actual production experience and other factors. For example, fluctuations in the market price of metals, reduced recovery rates or increased production costs due to inflation or other factors may render proven and probable reserves containing relatively lower grades of mineralization uneconomic to exploit and may ultimately result in a restatement of reserves.

WE FACE A NUMBER OF RISKS WHICH COULD LEAD TO ECONOMICALLY HARMFUL CONSEQUENCES TO US.

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

- industrial accidents,
- labor disputes,
- unexpected geological conditions,

- slope failures,

- environmental hazards,

- electricity stoppages,

- equipment or vessel failures, and

- weather and other natural phenomena.

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

OUR MINERAL EXPLORATION EFFORTS MAY NOT LEAD TO A REPLENISHMENT OF OUR GOLD RESERVES, WHICH COULD ADVERSELY AFFECT OUR MINING PROSPECTS.

We engage in mineral exploration, principally related to copper and gold. Mineral exploration is highly speculative in nature, involves many risks and frequently is nonproductive. With respect to our gold operations, it is possible that our exploration programs will not result in the expansion or replacement of reserves depleted by current production. If we do not develop new reserves, we may not be able to sustain our current level of production beyond the remaining life of existing mines.

EVEN IF WE DISCOVER MINERALS, WE REMAIN SUBJECT TO DRILLING AND PRODUCTION RISKS, WHICH COULD ADVERSELY AFFECT THE MINING PROCESS.

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

- establish ore reserves through drilling,

- determine appropriate metallurgical processes for optimizing the recovery of metal contained in ore,

- obtain the ore or extract the metals from the ore, and

- construct mining and processing facilities for greenfield properties.

It is possible that a project will prove uneconomical by the time we are able to exploit it, in which case we may incur substantial write-offs.

WE FACE RISING EXTRACTION COSTS AS OUR DEPOSITS DECREASE.

Ore reserves gradually decrease in the ordinary course of a given mining operation. As reserves decrease, it becomes necessary for mining companies to use more expensive processes to extract remaining ore. As a result, mining companies, over time, usually experience rising unit extraction costs with

respect to a particular mine. Several of our mines have operated for long periods, and we will likely experience rising extraction costs per unit in the future at these operations.

RISKS RELATING TO THE CVRD GROUP

SOME OF OUR OPERATIONS DEPEND ON JOINT VENTURES AND COULD BE ADVERSELY AFFECTED IF OUR JOINT VENTURE PARTNERS DO NOT OBSERVE THEIR COMMITMENTS.

We currently operate important parts of our pelletizing, copper exploration, logistics, energy, and aluminum businesses through joint ventures with other companies. Our forecasts and plans for these joint ventures assume that our joint venture partners will fulfill their obligations to contribute capital, purchase products and, in some cases, provide managerial talent. If any of our joint venture partners does not observe its commitments, it is possible that the affected joint venture would not be able to operate in accordance with its business plans or that we would have to increase the level of our investment to give effect to these plans. For more information on our joint ventures, see "Business -- Our Lines of Business -- Ferrous Minerals -- Pellets," "Business -- Our Lines of Business -- Non-Ferrous Minerals -- Current Copper Prospects," "Business -- Our Lines of Business -- Logistics" and "Business -- Our Lines of Business -- Holdings -- Aluminum Business."

OUR ALBRAS JOINT VENTURE IS SUBJECT TO SUBSTANTIAL ELECTRICITY COST INCREASES.

Electricity costs are a significant component of the cost of producing aluminum. Our aluminum plant, Albras -- Aluminio Brasileiro S.A., or Albras, obtains electric power at competitive rates from Eletronorte, a state-owned electric power utility. The contract through which Albras purchases electricity from this utility expires in 2004. It is not likely that Albras will continue to benefit from below-market electricity costs following expiration of the contract. Albras is currently trying to negotiate a new contract and is examining other alternatives. We cannot predict the impact that this will have on Albras's cost structure.

AN ELECTRICITY STOPPAGE THAT AFFECTS OUR ALUMINUM OPERATIONS COULD CAUSE SUBSTANTIAL DAMAGE.

A single 300-kilometer power line supplies electricity to Albras. Any interruption in the supply of electrical power to Albras lasting longer than six hours can cause substantial damage to cells at the Albras facility. Cells are equipment used in the process of transforming alumina into aluminum. Cells will cool off if they are deprived of energy for six consecutive hours and may experience serious damage as a result of the cooling off process. Albras experienced an outage of four hours and several outages of less than one hour in 1996 because of a faulty Tucurui substation, which has since been repaired. Interruptions in the supply of electricity to Albras lasting more than six hours may occur in the future.

WE ARE VULNERABLE TO ADVERSE DEVELOPMENTS AFFECTING OTHER ECONOMIES.

In the first nine months of 2001, 9.7% of our consolidated gross operating revenues were attributable to sales to Japanese customers, 14.2% were attributable to sales to other Asian customers and 25.9% were attributable to sales to European customers. A number of important Asian economies, including Japan and South Korea, have experienced difficulties in recent periods. Continuing economic difficulties in the Asian market could reduce local demand for iron ore and pellets, which, in turn, could have a material adverse effect on us. Asian economies could be harmed by a weak U.S. economy, and a slow U.S. economy could have an adverse effect on the European economy. A weakened economy in Asia or Europe could reduce demand for our products in our primary markets.

OUR PRINCIPAL SHAREHOLDER AND THE BRAZILIAN GOVERNMENT COULD HAVE A GREAT DEAL OF INFLUENCE ON OUR COMPANY.

Valepar, our principal shareholder, currently owns 43.0% of our outstanding common stock and 27.5% of our total outstanding capital. Litel Participacoes S.A. holds 42% of Valepar's stock and directly owns 10% of our outstanding common shares. For a description of our share ownership, see "Major Shareholders." As a result of their stock ownership, Valepar and Litel have significant influence in determining the outcome of any action requiring shareholder approval, such as the election of our directors. BNDESPAR, a wholly-owned subsidiary of BNDES, has a golden share in Valepar, giving the Brazilian government special voting rights over certain actions of Valepar. Further, the Brazilian government, in addition to its ownership stake in us, owns a golden share in us, which gives it veto powers over certain actions that we could propose to take.

OUR RISK MANAGEMENT STRATEGY MAY NOT BE EFFECTIVE.

We are exposed to fluctuations in interest rates, foreign currency exchange rates, and commodity prices relating to our iron ore, aluminum and gold production. In order to partially protect ourselves against unusual market volatility, we periodically enter into hedging transactions to manage these risks. We do not hedge risks relating to iron ore price fluctuations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Market Risk." However, our hedging strategy may not be successful in minimizing our exposure to these fluctuations. In addition, to the extent we hedge our commodity price exposure, we forego the benefits we would otherwise experience if commodity prices were to increase.

RISKS RELATING TO THE NOTES

CVRD'S SUBSIDIARIES, AFFILIATED COMPANIES AND JOINT VENTURES ARE NOT OBLIGATED UNDER THE NOTES OR THE GUARANTY, AND THESE COMPANIES' OBLIGATIONS TO THEIR OWN CREDITORS WILL EFFECTIVELY RANK AHEAD OF CVRD'S OBLIGATIONS UNDER THE GUARANTY.

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

Vale Overseas has no operations or assets. In the future it may hold unsecured obligations from other CVRD subsidiaries to repay loans. These other subsidiaries will not be liable under the notes or the guaranty, and they may not have the ability to repay their loans from Vale Overseas.

CVRD conducts a significant amount of business through subsidiaries, affiliated companies and joint ventures, none of which are obligated under the notes or the guaranty. In 2000 these companies were responsible for approximately 30% of CVRD's consolidated U.S. GAAP revenues from operations and approximately 26% of CVRD's consolidated U.S. GAAP net cash flows provided by operating activities. The claims of any creditor of a subsidiary, affiliated company or joint venture of CVRD would rank ahead of CVRD's ability to receive dividends and other cash flows from these companies. As a result, claims of these creditors would rank ahead of CVRD's ability to access cash from these companies in order to satisfy its obligations under the guaranty. In addition, these subsidiaries, affiliated companies and joint ventures may be restricted by their own loan agreements, governing instruments and other contracts from distributing cash to CVRD to enable CVRD to perform under its guaranty. At December 31, 2000, 25% of CVRD's consolidated U.S. GAAP liabilities were owed by subsidiaries of CVRD, which is the only obligor under the guaranty, meaning that the creditors under these liabilities would rank ahead of investors in the notes

in the event of CVRD's insolvency.

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

other creditors. At December 31, 2000, approximately 2% of CVRD's consolidated U.S. GAAP assets were owned by entities other than the parent company, which is the only obligor under the guaranty.

THERE MAY NOT BE A LIQUID TRADING MARKET FOR THE NOTES.

The notes are new securities with no established trading markets. There can be no assurance that a liquid trading market for the notes will develop or, if one develops, that it will be maintained. The initial purchasers are not obligated to make a market in the notes, and if they begin to do so they may stop at any time without notice. If an active market for the notes does not develop, the price of the notes and the ability of a holder of notes to find a ready buyer will be adversely affected.

WE MAY NOT BE ABLE TO MAKE PAYMENTS IN U.S. DOLLARS.

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

WE WOULD BE REQUIRED TO PAY BANKRUPTCY JUDGMENTS ONLY IN REAIS.

If proceedings are brought in Brazil seeking to enforce in Brazil our obligations in respect of the notes, we would be required to discharge our obligations only in Brazilian reais. Under the Brazilian exchange control limitations, an obligation to pay amounts denominated in a currency other than reais, which is payable in Brazil, may be satisfied in reais at the rate of exchange, as determined by the Central Bank, in effect on the date of payment.

DEVELOPMENTS IN OTHER COUNTRIES MAY AFFECT PRICES FOR THE NOTES.

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

VALE OVERSEAS' ABILITY TO MEET ITS OBLIGATIONS UNDER THE NOTES DEPENDS ON ITS

RECEIPT OF MONEYS FROM ON-LENDING ACTIVITIES WITHIN THE CVRD GROUP.

Vale Overseas will on-lend the note proceeds to entities within the CVRD Group. Vale Overseas' ability to meet its obligations to pay principal of, and interest on, the notes without recourse to the guaranty of CVRD will be dependent on its receipt of moneys due under those loans. To the extent any such entity fails to make payments in respect of Vale Overseas' loan to it, Vale Overseas will have insufficient funds available to pay interest on the notes. In these circumstances, you would have recourse to CVRD under the guaranty, unless a Political Risk Event had occurred, in which case you would have recourse to the reserve account.

A Political Risk Event exists if one of the following events occurs and is continuing:

- Vale Overseas or CVRD cannot convert Brazillian currency into U.S. dollars and/or remit U.S. dollars outside Brazil as a result of any measures taken by the government of Brazil; or

- the government of Brazil (or entities authorized under the laws of Brazil to operate in the foreign exchange markets) fails to effect the conversion of Brazilian currency into U.S. dollars and/or the remittance of U.S. dollars outside Brazil by Vale Overseas or CVRD; or

- the government of Brazil expropriates, confiscates or takes other measures which have the effect of depriving Vale Overseas or CVRD of the use or control of Brazillian currency or U.S. dollars.

In determining whether a Political Risk Event exists on any interest payment date, the fact that Vale Overseas or CVRD may be able to make an interest payment under the notes in U.S. dollars from offshore sources outside of Brazil will be ignored. Vale Overseas and CVRD have agreed to notify the trustee whenever a Political Risk Event occurs.

THE MATURITY DATE OF THE NOTES MAY BE EXTENDED IF A POLITICAL RISK EVENT EXISTS ON THE ORIGINALLY SCHEDULED MATURITY DATE.

The original maturity date of the notes is March 8, 2007. That maturity date may be extended if a Political Risk Event is in existence on that date and Vale Overseas and CVRD are unable to repay principal of the notes. This extension may last up to 18 months, to September 8, 2008. If a Political Risk Event is still in existence on September 8, 2008, Vale Overseas and CVRD have been unable to fund themselves alternatively and CVRD has been unable to pay under its guaranty, Vale Overseas will be unable to repay the notes. In these circumstances, you may be repaid on a date later than the original maturity date, and you may not be repaid what you are owed.

THE PROTECTION PROVIDED IN THE NOTES AGAINST THE CONSEQUENCES OF A POLITICAL RISK EVENT LASTS FOR 18 MONTHS.

The notes have the benefit of a reserve account or letters of credit which can be used by the trustee to pay up to three installments of interest on the notes if, at the time of payment of that interest, Vale Overseas does not otherwise have the funds to make that payment and CVRD cannot pay under its guaranty as a result of the existence of a Political Risk Event. Once the reserve account or letters of credit are depleted, they will not be replenished, so if Vale Overseas has been unable to fund itself alternatively and CVRD has been unable to pay under its guaranty, Vale Overseas may be unable to pay interest on the notes. In these circumstances, you will be able to call an event

of default and accelerate repayment of principal on the notes, but if you do so you may not be repaid what you are owed.

THE TRUSTEE WILL DEPEND ON RECEIPT OF NOTICE FROM VALE OVERSEAS OR CVRD THAT A POLITICAL RISK EVENT HAS OCCURRED.

Under the indenture, the trustee is authorized to use the reserve account or letters of credit to pay interest on the notes if a Political Risk Event is in existence on the date for payment of interest on the notes and Vale Overseas has not been able to fund the interest payment from other sources. The trustee is entitled to assume that no Political Risk Event has occurred until it has received written notice of it from Vale Overseas or CVRD. The trustee will not be liable to you for any loss suffered by you as a result of any failure on the part of Vale Overseas or CVRD to provide the trustee with notice, although that failure will be a breach of covenant by Vale Overseas and CVRD which may give rise to an event of default.

FORWARD-LOOKING STATEMENTS

We have made statements under the captions "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and in other sections of this prospectus that are forward-looking statements. Many of the forward looking statements contained in this prospectus are identified by the use of forward-looking words such as "anticipate," "believe," "could," "expect," "should," "plan," "estimate," and "potential," among others. These statements appear in a number of places in this prospectus and include statements regarding our intent, belief or current expectations with respect to:

- our direction and future operations,
- the implementation of our principal operating strategies, including our potential participation in privatization, acquisition or joint venture transactions or other investment opportunities,
- our divestiture plans,
- the implementation of our financing strategy and capital expenditure plans,
- the exploration of mineral reserves and development of mining facilities,
- depletion and exhaustion of mines and mineral reserves,
- the declaration or payment of dividends,
- other factors or trends affecting our financial condition or results of operations, and
- the factors discussed under "Risk Factors" beginning on page 10.

We caution that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward looking statements as a result of various factors, including competition in the iron ore industry, the cyclicality and price volatility of our business, the instability of the real and global economic conditions. The information in this prospectus identifies important factors that could cause these differences.

USE OF PROCEEDS

Vale Overseas will not receive any cash proceeds from the issuance of the new securities. The new securities will be exchanged for old securities as described in this prospectus upon our receipt of old securities. Vale Overseas will cancel all of the old securities surrendered in exchange for the new securities.

Our net proceeds from the sale of the old securities were approximately $298,500,000, after deduction of the initial purchasers' discounts and commissions and other expenses of the offering. We used those net proceeds for the CVRD Group's general corporate purposes.

VALE OVERSEAS LIMITED

GENERAL

Vale Overseas was registered and incorporated as a Cayman Islands exempted company with limited liability on April 3, 2001, registration number 113637. Vale Overseas has been incorporated for an indefinite period. Its registered office is at Walker House, PO Box 908 GT, Mary Street, Georgetown, Grand Cayman, Cayman Islands.

Vale Overseas' authorized share capital is U.S.$50,000 divided into 50,000 ordinary shares of U.S.$1.00 each, 1,000 of which have been issued. All of the issued shares are fully-paid and are held by CVRD.

BUSINESS

Vale Overseas is a finance company for the CVRD Group. Its business is to borrow money outside Brazil by issuing securities under the indenture referred to under "Description of Notes" to finance CVRD's activities outside Brazil or to on-lend it to other CVRD Group companies. The issuance of the notes was its first borrowing. The is not permitted to issue further securities under the indenture unless Moody's has confirmed that the issue of further securities will not result in the reduction of the then current rating of the notes.

DIRECTORS

Vale Overseas' Directors are as follows:

NAME	PRINCIPAL OCCUPATION	AGE
Francisco Rohan de Lima.....	Deputy General Counsel, CVRD	47
Gabriel Stoliar.....	Executive Officer, CVRD	47
Tito Botelho Martins.....	Finance Director, CVRD	40

Mr. Stoliar also serves as Vale Overseas' principal executive officer and Mr. Martins also serves as Vale Overseas' principal financial and accounting officer.

The business address of the Directors is Avenida Graca Aranha, 26, 17th floor, 20005-900 Rio de Janeiro, RJ, Brazil.

EXCHANGE RATES

There are two principal foreign exchange markets in Brazil:

- the commercial rate exchange market, and

- the floating rate exchange market.

Most trade and financial foreign-exchange transactions are carried out on the commercial rate exchange market. These transactions include the purchase or sale of shares or the payment of dividends or interest with respect to shares. Foreign currencies may only be purchased through a Brazilian bank authorized to operate in these markets. In both markets, rates are freely negotiated but may be strongly influenced by Central Bank intervention. In 1999, the Central Bank unified the exchange positions of the Brazilian banks in the floating rate exchange market and commercial exchange market, which led to a convergence in the pricing and liquidity of both markets. Since February 1, 1999, the floating market rate has been the same as the commercial market rate. However, there is no guarantee that the rates will continue to be the same in the future. Despite the convergence in the pricing and liquidity of both markets, each market continues to be regulated differently.

From its introduction on July 1, 1994 through March 1995, the real appreciated against the U.S. dollar. In 1995, the Central Bank announced that it would intervene in the market and buy or sell U.S. dollars, establishing a band in which the exchange rate between the real and the U.S. dollar could fluctuate. This policy resulted in a gradual devaluation of the real relative to the U.S. dollar. On January 13, 1999, the band was set between R$1.20 and R$1.32 per US$1.00. Two days later, on January 15, 1999, due to market pressures, the Central Bank abolished the band system and allowed the real/U.S. dollar exchange rate to float freely. As a result, the exchange rate dropped to R$2.1647 per US$1.00 on March 3, 1999. Since then, the real/U.S. dollar exchange rate has been established by the interbank market, and has fluctuated considerably. In the past, the Central Bank has intervened occasionally to control unstable movements in the foreign exchange rate. It is not possible to predict whether the Central Bank will continue to let the real float freely or whether the real will remain at its present level. Accordingly, it is not possible to predict what impact the Brazilian government's exchange rate policies may have on us. The Brazilian government could impose a band system in the future or the real could devalue or appreciate substantially. For more information on these risks, see "Risk Factors -- Risks Relating to Brazil."

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

	PERIOD-END	AVERAGE FOR PERIOD	LOW	HIGH
YEAR ENDED				
December 31, 1997	1.116	1.088(1)	1.040	1.11
December 31, 1998	1.209	1.168(1)	1.117	1.20
December 31, 1999	1.789	1.851(1)	1.208	2.16
December 31, 2000	1.955	1.835(1)	1.723	1.98
December 31, 2001	2.320	2.353(1)	1.936	2.80
MONTH ENDED				
September 30, 2001	2.671	2.678(2)	2.559	2.80
October 31, 2001	2.707	2.735(2)	2.687	2.78

November 30, 2001	2.529	2.571(2)	2.460	2.68
December 31, 2001	2.320	2.380(2)	2.293	2.46
January 31, 2002	2.418	2.366(2)	2.293	2.43
February 28, 2002	2.348	2.409(2)	2.348	2.46

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(1) Average of the rates on the last day of each month in the period.

(2) Average of the high and low exchange rates for each month.

Source: Central Bank.

On March 20, 2002, the commercial selling rate was R$2.338 per US $1.00.

CAPITALIZATION

CVRD

The table below sets forth CVRD's current liabilities and capitalization at September 30, 2001. You should read the table together with our consolidated financial statements and the notes thereto appearing elsewhere in this prospectus.

	AT SEPTEMBER 30, 2001 (IN MILLIONS OF US$)
Current liabilities:	
Current portion of long-term debt	US$ 260
Short-term debt	649
Other	1,266
Total current liabilities	2,175
Long-term liabilities:	
Long-term debt:	
Secured	495
Unsecured(1)	1,616
Total long-term debt	2,111
Loans from related parties	4
Other	753
Total long-term liabilities	2,868
Minority interest	8
Shareholders' equity:	
Preferred shares -- 600,000,000 shares authorized and 138,575,913 issued	820
Common shares -- 300,000,000 shares authorized and 249,983,143 issued	1,479
Treasury shares -- 4,249,970 common and 91 preferred shares	(79)

Additional paid-in capital	498
Retained earnings:	
Appropriated	2,321
Unappropriated	2,473
Other cumulative comprehensive income	(3,889)
Total shareholders' equity	3,613
Total capitalization	US$8,664

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(1) We issued US$300 million in debt, represented by the old notes, during the first quarter of 2002. The old notes mature in 2007.

VALE OVERSEAS

The table below sets forth Vale Overseas' capitalization at March 20, 2002.

	AT MARCH 20, 2002 (IN THOUSANDS OF U.S.$)
Long-term debt	U.S.$300,000
Shareholders equity	1
Total	U.S.$300,001

SELECTED CONSOLIDATED FINANCIAL DATA

The tables below present selected consolidated financial data for CVRD at and for the periods indicated. The data at and for the five years ended December 31, 2000 has been derived from our consolidated financial statements, which were audited by PricewaterhouseCoopers Auditores Independentes. The data at and for the nine months ended September 30, 2000 and 2001 has been derived from our unaudited interim financial statements, included elsewhere in this prospectus, which, in the opinion of management, reflect all adjustments which are of a normal recurring nature necessary for a fair presentation of the results for such periods. The results of operations for the nine months ended September 30, 2001 are not necessarily indicative of the operating results to be expected for the entire year ended December 31, 2001. The data at and for the five years ended December 31, 2000 and at and for the nine months ended September 30, 2001 and 2000 have been restated to reflect the accounting changes described in notes 21 and 19 to our consolidated financial statements and our unaudited interim financial statements, respectively. You should read the information below in conjunction with our audited and unaudited consolidated financial statements and notes thereto included elsewhere in this prospectus, as well as "Presentation of Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	FOR THE YEAR ENDED DECEMBER 31,				
	1996	1997	1998	1999	
				(IN MILLIONS OF US$	
STATEMENT OF INCOME DATA					
Net operating revenues	US$ 3,585	US$ 3,748	US$ 3,553	US$ 3,076	U
Cost of products and services	(2,724)	(2,653)	(2,272)	(1,806)	
Selling, general and administrative expenses	(245)	(207)	(171)	(138)	
Research and development	(59)	(51)	(48)	(27)	
Employee profit sharing plan	(51)	(46)	(29)	(24)	
Banco Nacional de Desenvolvimento Economico e Social (BNDES) -- cost reimbursement under Mineral Risk Contract	--	37	--	--	
Restructuring costs	--	(87)	(9)	--	
Other income (expenses)	40	(104)	(170)	(161)	
Operating income	546	637	854	920	
Non-operating income (expenses):					
Financial income	167	235	394	200	
Financial expenses	(230)	(238)	(243)	(233)	
Foreign exchange and monetary gain (loss)	15	15	(108)	(213)	
Gain on sale of investments	--	--	--	--	
Translation gain (loss)	(1)	(8)	--	--	
Other	(56)	(12)	(5)	(4)	
	(105)	(8)	38	(250)	
Income before income taxes, equity results, minority interests and extraordinary items	441	629	892	670	
Income taxes benefit (charge)	43	(32)	--	(33)	
Equity in results of affiliates and joint ventures	115	155	80	41	
Change in provision for losses and write-downs on equity investments	(21)	(59)	(273)	(268)	
Minority interests	(4)	(2)	(1)	2	
Income before extraordinary items	574	691	698	412	
Extraordinary items (net of taxes)(1)	--	(372)	--	--	
Net income	US$ 574	US$ 319	US$ 698	US$ 412	U
Total cash distributions	US$ 146	US$ 302	US$ 607	US$ 452	U

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(1) Extraordinary items in 1997 relate to transactions in connection with the first step of our privatization.

AT DECEMBER 31,

	1996	1997	1998	1999	2
			(IN MILLIONS OF US$)		
BALANCE SHEET DATA					
Current assets	US$2,469	US$2,603	US$2,845	US$2,490	US$
Property, plant and equipment, net	5,451	5,557	5,261	3,943	
Investments in affiliated companies and joint ventures and other investments	1,714	1,666	1,557	1,203	
Other assets	1,580	1,791	1,385	1,052	
Total assets	11,214	11,617	11,048	8,688	
Current liabilities	1,846	2,057	2,030	2,072	
Long-term liabilities	1,099	1,157	1,169	601	
Long-term debt(2)	1,256	1,428	1,389	1,321	
Minority interest	71	69	68	3	
Total liabilities	4,272	4,711	4,656	3,997	
Stockholders' equity:					
Capital stock	1,313	1,288	1,740	1,927	
Additional paid-in capital	180	498	498	498	
Reserves and retained earnings	5,449	5,120	4,154	2,266	
Total stockholders' equity	US$6,942	US$6,906	US$6,392	US$4,691	US$
Total liabilities and stockholders' equity	US$11,214	US$11,617	US$11,048	US$8,688	US$

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(2) Excludes current portion. At December 31, 2000, we had extended guarantees for borrowings of joint ventures and affiliated companies in an aggregate amount of US$788 million. These contingent liabilities do not appear on the face of our consolidated balance sheets, but appear in note 15(a) to our consolidated financial statements.

ADDITIONAL DATA

	AT DECEMBER 31,					AT SEPTEMB
	1996	1997	1998	1999	2000	2000
			(IN MILLIONS OF US$)			
Ratio of earnings to fixed charges(1)	2.95x	3.40x	4.28x	3.66x	3.43x	4.06x

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(1) To calculate the ratio of earnings to fixed charges, we calculate earnings by adding interest before income taxes, equity results and minority interests, fixed charges, amortization of capitalized interest and distributed income of equity investments less capitalized interest. Fixed charges represent the total of capitalized interest, financial expenses and the preferred stock guaranteed dividend.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on and should be read in conjunction with CVRD's consolidated financial statements and notes thereto and other financial information included elsewhere in this prospectus.

OVERVIEW

Several factors will affect CVRD's results of operations, liquidity and capital resources, including, but not limited to:

- contract prices for iron ore and pellets and world market prices for aluminum and gold,
- the level of demand for our iron ore and pellets,
- the level of demand for our third-party transportation services,
- the relationship between the real and the U.S. dollar, in which most of our sales are denominated,
- the results of operations of joint ventures and affiliated companies (in particular our aluminum operations and pellet joint ventures) recorded under the equity method in our financial statements,
- Brazil's electricity shortage, and
- Brazilian tax legislation.

Prices

The prices for our core mineral products fluctuate, although iron ore and pellet prices are less volatile than those of aluminum and gold. We expect these fluctuations to continue.

The table below sets forth our quarterly sinter feed reference prices in U.S. dollars for iron ore and pellet export sales and world quarterly market prices for gold and aluminum for the periods indicated.

	IRON ORE			
	ASIAN MARKET(1)	EUROPEAN MARKET(1)(2)	PELLETS(3)	GOLD
	(PER TON)			(PER TROY OUNCE)(4)
1Q98	US$15.82	US$19.21	US$34.66	US$301
2Q98	15.78	19.21	34.66	296
3Q98	15.78	19.21	34.66	294
4Q98	15.78	19.21	34.66	288
1Q99	15.78	17.10	30.07	279
2Q99	14.48	17.10	30.07	261
3Q99	14.48	17.10	30.07	299
4Q99	14.48	17.10	30.07	290

1Q00	14.48	17.82	31.87	277
2Q00	15.35	17.82	31.87	288
3Q00	15.35	17.82	31.87	274
4Q00	15.35	17.82	31.87	274
1Q01	15.35	18.68	32.46	258
2Q01	16.01	18.68	32.46	269
3Q01	16.01	18.68	32.46	293
4Q01	16.01	18.68	32.46	278

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(1) Represents our quarterly standard sinter feed reference prices for export sales for periods indicated (FOB Tubarao -- Asian market and FOB Sao Luis -- European market) and not actual prices realized on sales.

(2) Brazilian iron ore prices are generally based on the European market reference price.

(3) Represents our quarterly standard pellet reference prices for export sales for period indicated (FOB Tubarao) and not actual prices realized on sales.

(4) Represents London Gold Market prices.

(5) Represents London Metals Exchange prices (cash/three-month average quotations).

Iron Ore. Our iron ore export sales are generally made pursuant to long-term supply contracts which provide for annual price adjustments. Cyclical changes in the world demand for steel products affect sales prices and volumes in the world iron ore market. Different factors, such as the iron content of specific ore deposits, the various beneficiation and purifying processes required to produce the desired final product, particle size, moisture content, and the type and concentration of contaminants (such as phosphorus, alumina and manganese) in the ore, influence contract prices for iron ore. Contract prices also depend on transportation costs. Fines, lump ore and pellets typically command different prices. We generally conduct annual price negotiations from November to February of each year, with separate prices established for the Asian and European iron ore markets. In the Asian market, the renegotiated prices are effective from April of the current year until March of the following year. In the European market, the renegotiated prices are effective for the calendar year. Because of the wide variety of iron ore and pellet quality and physical characteristics, iron ore and pellets are less commodity-like than other minerals. This factor combined with the structure of the market has prevented the development of an iron ore futures market. We do not hedge our exposure to iron ore price volatility.

Gold. We sell gold in an active world market in which prices respond to daily changes in supply and demand. We generally seek to manage the risks associated with changes in gold prices through hedging. For more information about our gold hedging activities, see "-- Market Risk."

Aluminum. We sell our aluminum in an active world market where prices are determined by reference to prices prevailing on terminal markets, such as the London Metals Exchange and the Commodity Exchange, Inc., or COMEX, at the time of delivery. We sell aluminum purchased from the Albras aluminum joint venture pursuant to a take-or-pay commitment for 51% (representing our proportional ownership interest) of the joint venture's annual aluminum production. Although our annual purchase commitment can be substantial, approximately US$241 million

in the first nine months of 2001 and US$280 million in 2000, prevailing world market prices for aluminum (subject to discount in accordance with the terms of our joint venture agreements) determine our aluminum purchase prices. Albras seeks to manage the risks associated with changes in aluminum prices by hedging. For more information about aluminum hedging, see "-- Market Risk."

Demand

Demand for our iron ore products is a function of worldwide demand for steel, which is, in turn, heavily influenced by worldwide economic activity. Worldwide demand for steel had a downward trend in 2001 from 2000. A slowdown in economic activity in Europe or Asia will directly affect demand for our iron ore products, although there will typically be a lag effect. Demand for our other mineral products is also influenced to varying degrees by worldwide economic activity.

Demand for our third party transportation services is influenced by Brazilian economic growth as well as by Brazilian exports and imports of goods.

Inflation

The following table sets forth the Brazilian inflation rate as measured by the IGP-M Index, published by the Fundacao Getulio Vargas.

	FOR THE YEAR ENDED DECEMBER 31,					FOR M SEPT
	1997	1998	1999	2000	2001	2000
				(PERCENT)		
Brazilian inflation rate.....	7.7	1.8	20.1	9.9	10.4	8.2

Before July 1, 1997, Brazil was considered to have a highly inflationary economy. For periods before July 1, 1997, we remeasured (translated) our financial statements into U.S. dollars from financial statements presented in reais, in accordance with the provisions of Statement of Financial Accounting Standards 52 -- Foreign Currency Translation, or SFAS 52. Under the financial statement remeasurement procedures we adopted, we translated non-monetary items (inventories, property, plant and equipment and accumulated depreciation and depletion, as well as shareholders' equity accounts) at historical exchange rates. We translated monetary assets and liabilities denominated in Brazilian currency at period-end exchange rates. We included the translation gain or loss resulting from this restatement process in the then-current statements of operations.

At July 1, 1997, we concluded that the Brazilian economy had ceased to be highly inflationary for purposes of SFAS 52 and changed our functional currency from the reporting currency, U.S. dollars, to the local currency, Brazilian reais. Therefore, on July 1, 1997, we translated the U.S. dollar amounts of non-monetary assets and liabilities into reais at the then-current exchange rate. These translated amounts became the new accounting bases for such assets and liabilities. At each period ended after July 1, 1997, we have remeasured all assets and liabilities into U.S. dollars at the then-current exchange rate and

all accounts in the statements of operations and cash flows at the average rates prevailing during the applicable period. We included the translation gain or loss resulting from this translation process in the cumulative translation adjustments component of shareholders' equity.

Currency Fluctuations

Most of our sales will continue to be U.S. dollar-denominated while most of our costs, other than debt expenses, will continue to be denominated in Brazilian currency. As a result, when the real is relatively strong against the U.S. dollar, this tends to have a negative effect on our reported financial results from operations, and vice versa. On the other hand, because most of our debt, and debt at the joint venture and affiliate level, is U.S. dollar-denominated, a relatively weak real causes us to record monetary and foreign-exchange losses.

Effects of Certain Equity Method Affiliates and Investments Carried at Cost

The financial condition and results of operations of our joint ventures, affiliated companies and investments have had a significant effect on our results of operations and financial condition in the past. Our steel and pulp and paper divestitures should limit this effect in future periods, although the activities of our aluminum and pellet joint ventures will remain important. See note 10 to our consolidated financial statements for information on these effects.

Rising Unit Extraction Costs

Several of our mines, such as Caue, Conceicao and Capanema, have operated for long periods and may experience rising extraction costs per unit as more expensive processes become necessary to extract remaining ore in these mines. Increases in extraction costs at each of theses mines did not materially affect our results of operations during the historical periods discussed under "-- Results of Operations" as such increases were offset by productivity gains and by the favorable foreign exchange effects on these costs.

Electricity Costs

Electricity costs are a significant component of the cost of producing aluminum. Our aluminum plant, Albras, entered into a 20-year contract with Eletronorte, a state-owned power utility, pursuant to which Albras purchases electricity at rates which are lower than the prevailing market rates in the region. For the first nine months of 2001 and for the years ended December 31, 2000, 1999 and 1998, the prevailing market rate was US$22.99, US$24.48, US$23.36 and US$36.06 per MWh, respectively. The average price paid by Albras for the same periods was US$11.51, US$11.93, US$10.56 and US$11.39 per MWh, respectively. The Eletronorte contract is scheduled to expire in May 2004.

Effects of the Energy Shortage in Brazil

On June 1, 2001, the Brazilian government, as part of its energy rationing program, required energy consumption to decrease by at least 20% relative to average consumption for May, June and July 2000. Aluminum and ferro-alloy activities were categorized as electricity-intensive activities and energy consumption relating to these activities was required to decrease by 25% relative to average consumption for May, June and July 2000. Our total expected energy consumption for 2001 was 14.5 TWh. However, due to this rationing program, our actual energy consumption for 2001 was 12.5 TWh. In 2000, our total energy consumption was 13.8 TWh. As a result, we reduced our ferro-alloy

production in the six-month period ending November 30, 2001 by 46,000 tons, from the previously planned 220,000 tons to 174,000 tons. We also reduced 2001 aluminum production at Albras by 46,000 tons to 333,000 tons from the previously planned 379,000 tons, and at Valesul by 13,000 tons to 80,000 tons from the previously planned 93,000 tons. By the end of 2001, climate conditions in Brazil improved, reducing the immediate risk of energy shortages. Therefore, in January 2002, the Brazilian government eliminated the restrictions on the use of energy in the north region of Brazil, where most of our aluminum production is located. On March 1, 2002, the Brazilian government eliminated the restrictions on the use of energy in the rest of the country. For a discussion about the possible consequences and risks associated with energy shortages, see "Risk Factors -- Risks Relating to Brazil -- The Brazilian government's energy rationing program could adversely affect us" and "Business -- Our Lines of Business -- Holdings -- Aluminum Business -- Aluminum."

Divestitures

In line with our focus on mining, logistics and energy, we have moved to pare down our holdings of non-strategic assets. We are pursuing the disposition of our pulp and paper assets and are also disposing of assets in the steel and transportation sectors that are not strategically connected to our core businesses.

In the pulp and paper industry, in March 2001, we concluded the sale of our interest in Bahia Sul Celulose S.A., known as Bahia Sul, for approximately US$320 million. In September 2001, we concluded the sale of our stake in Celulose Nipo Brasileira, S.A., known as Cenibra, to our former partner for US$670.5 million.

In the steel industry, we disposed of our 2.3% stake in Acominas in December 2000 for US$10 million worth of preferred shares of Gerdau S.A., a publicly listed steel company, which we intend to sell in the future. In addition, in March 2001, we disposed of our 10.3% stake in Companhia Siderurgica Nacional or CSN. We transferred our interest in CSN, valued at US$249 million to Fundacao Vale do Rio Doce de Seguridade Social, known as VALIA, our employee pension fund, in order to satisfy a funding obligation that we owed VALIA. For more information on this contribution to VALIA see "Business -- Employees." We continue to explore the divestiture of Celmar S.A. and of our forestry subsidiary, Florestas Rio Doce S.A. See "Business -- Our Lines of Business -- Pulp and Paper Division." Finally, we have begun the process of divesting our dry-bulk cargo shipping assets. In September 2001, we reached an agreement to sell six of Docenave's carrier vessels, with a total capacity of 592,240 DWT, to Empresa Naviera Elcano, S.A., a Spanish company, for US$53 million. This transaction closed in February 2002. We intend to sell Docenave's remaining dry-bulk assets in the future, but have reached no agreement regarding this sale to date.

Past divestitures include Bahia Sul (pulp and paper), Cenibra (pulp and paper), Acominas (steel), and CSN (steel). Divestitures currently in progress include our dry-bulk cargo business and our forestry activities.

The following table shows the effects of both past divestitures and those currently in progress on our gross revenues, net income and total assets:

	FOR THE YEAR ENDED DECEMBER 31,	FOR THE NINE MONT ENDED SEPTEMBER 3

	2000	1999	1998	2001
Decrease in gross revenues	6.3%	4.9%	5.6%	5.1%
Decrease (increase) in net income	7.4	(6.8)	1.3	(10.9)
Decrease in total assets	7.4	7.8	--	1.6

Unwinding of Our Cross-Holding Relationships with CSN

We acquired a stake in CSN, during its privatization process in 1993. CSN, in turn, acquired a 6.8% stake in us during the first step of our privatization process in 1997, through its indirect participation in Valepar, our principal shareholder. In line with our strategy to consolidate and focus on mining, logistics and energy, in the first quarter of 2001, we implemented a program to unwind our cross-holding relationships with CSN.

In March 2001, CSN concluded the sale of its shares in Valepar to Litel Participacoes S.A., Bradesplan Participacoes S.A. and Bradespar S.A. Bradesplan and Bradespar subsequently transferred their shares in Valepar to Babie Participacoes, S.A. Babie is a holding company owned by Bradesplan and Bradespar.

In March 2001, we transferred our 10.3% stake in CSN, valued at US$249 million, to VALIA, our employee pension fund. For more information on this contribution to VALIA, see "Business -- Employees."

As part of the unwinding transaction, CSN granted us the following rights of first refusal relating to CSN's Casa de Pedra mine, each of which lasts for a period of 30 years:

- the right to purchase any iron ore produced by the mine beyond CSN's internal requirements,

- the right to purchase or to rent the mine should CSN decide to sell or lease it, and

- the right to become a joint venture partner should CSN decide to form a pelletizing joint venture with a third party with iron ore produced by the mine.

In return, we have granted CSN a right of first refusal to participate with us in the construction of any new steel producing facilities that we undertake in the next five years.

This transaction, as a whole, is subject to review by the Brazilian antitrust authorities.

We do not expect the unwinding of our cross-holding relationships with CSN to have any significant impact on our operations and financial results.

Brazilian Taxes

We are subject to a number of Brazilian taxes in addition to corporate income tax. Brazilian tax legislation changes, which are frequent, can have an impact on our results of operations. Some Brazilian taxes are described below.

Value-Added Tax. Our revenues consist of total revenues from sales, net of discounts, returns and allowances, together with amounts we collect in respect

of value-added tax. Net operating revenues represent revenues less value-added tax, which we collect on behalf of, and must remit to, state taxing authorities. Export sales are currently exempt from value-added tax.

Social Contribution on Profits. Social contribution on profits is a federal income tax. The rate has fluctuated in the past three years from 8% to 12% and is currently at 9%. Before 1997, this tax was deductible for income tax purposes; beginning in 1997, the tax is no longer deductible. After December 2002, the applicable rate is scheduled to be 8%.

Social Integration Program and Social Contribution on Gross Sales. The Social Integration Program, or PIS, aims to finance special social programs through the collection of a 0.65% revenues tax. Social contribution on gross sales, or COFINS, finances special social programs through the collection of a 3% revenues tax. Export sales are currently exempt from both of these taxes.

Provisional Tax on Bank Accounts. The provisional tax, known as CPMF, is imposed on every transaction involving the debit of money from a bank account. The CPMF rate has fluctuated from 0.2% to 0.38% since its creation in 1997. For the period between March 18, 2001 and June 17, 2002, the rate is 0.38%.

Financial Compensation for the Exploration of Mineral Resources. We owe a government royalty on net revenues derived from the production and sale of mineral resources. The annual rates on our products are:

- iron ore, 2%,

- bauxite, manganese and potash, 3%, and

- gold, 1%.

Federal Tax on Industrialized Products. Manufacturers pay this federal tax on behalf of their customers at the time of sale, either to another manufacturer to further the manufacturing process or to the retailer of the ultimate customer. Export operations are currently excluded. The tax on our aluminum production is at the rate of 4%.

RESULTS OF OPERATIONS

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2000

Revenues

Net operating revenues remained stable at US$2,997 million in the nine months ended September 30, 2001 compared to US$2,996 million in the same period of 2000, with an increase in our iron ore and pellets revenues offset by decreases in revenues in other lines of business.

Revenues from iron ore and pellets increased 18.5% to US$1,937 million in the nine months ended September 30, 2001 from US$1,635 million in the same period of 2000, reflecting a 13.6% increase in volume sold to 110.8 million tons in 2001 from 97.5 million tons in 2000, a 4.4% increase in average selling prices and a 0.5% increase due to changes in product mix. In 2001, there was an increase in demand from the growing market in China, and therefore our exports to this country increased to 11.5 million tons in the nine months ended September 30, 2001 compared to 6.6 million tons in the same period of 2000. Our acquisition of Ferteco in April 2001 added US$157 million to our revenues in the nine months ended September 30, 2001, representing 8.5 million tons.

Revenues from gold sales decreased 11.5% to US$100 million in the nine months ended September 30, 2001 from US$113 million in the same period of 2000, representing a 8.8% decrease in volume sold and a 2.7% decrease in average selling prices. The reduction in volume sold was due to the closure of our Almas and Caete mines at the end of 2000 and operational problems at two other mines during the first quarter of 2001, which have now been resolved.

Revenues from other mining products decreased 11.0% to US$291 million in the nine months ended September 30, 2001 from US$327 million in the same period of 2000. This decrease is mainly due to a reduction in sales of our ferro-alloys subsidiary, Sibra, to US$100 million in the nine months ended September 30, 2001 from US$112 million in the same period of 2000, reflecting a decrease in average prices. Potash and kaolin sales also decreased as a result of lower demand.

Revenues from transportation services decreased 19.6% to US$464 million in the nine months ended September 30, 2001 from US$577 million in the same period of 2000. The reduction partly reflects services billed to Ferteco and Samitri in 2000, which as a result of our acquisition of these companies, are now eliminated in our consolidated financial statements. Such services included in revenues for the nine months ended September 30, 2000 (prior to our acquisition of Samitri in May 2000) totaled US$86 million and in the nine months ended September 30, 2001 (prior to our acquisition of Ferteco in April 2001) totaled US$22 million. Volumes in our other transportation activities were stable during the two periods compared, while prices of domestic transport declined some 12.4% as a result of the devaluation of the real in 2001. We intend to sell 15 ships in the period between 2001 and 2002. These ships generated revenues of US$160 million in the nine months ended September 30, 2001.

Revenues from aluminum products (bauxite, alumina and aluminum) decreased 20.0% to US$224 million in the nine months ended September 30, 2001 from US$280 million in the same period of 2000. The total decrease of US$56 million comprises US$35 million related to a reduction of 15.0% in aluminum sales and US$21 million related to lower resales of alumina as a result of higher direct sales to other shareholders in our alumina affiliate, Alunorte.

Revenues from other products and services decreased 48.1% to US$83 million in the nine months ended September 30, 2001 from US$160 million in the same period of 2000, primarily representing decreases in sales volumes of pulp and paper products following the divestment of our investment in Cenibra and the consequent termination of our purchases from this former affiliate.

Operating Costs and Expenses

Overall costs and expenses decreased 0.5% to US$2,290 million in the nine months ended September 30, 2001 from US$2,301 million in the same period of 2000. This variation includes US$109 million, or 4.8%, in 2001 relating to Ferteco.

In the nine months ended September 30, 2001 our costs and expenses, as expressed in U.S. dollars, were favorably affected by the significant devaluation of the real against the U.S. dollar during the period (from R$1.9554 to US$1.00 at December 31, 2000 to R$2.6713 to US$1.00 at September 30, 2001, or 36.6%), because the majority of these costs and expenses are denominated in reais. In terms of comparison between the first nine months of 2001 and 2000, the average rate of exchange was R$2.2854 to US$1.00 in the 2001 period and R$1.7975 to US$1.00 in the 2000 period, or an increase of 27.1%.

Cost of ores and metal sold increased 4.3% to US$1,155 million in the nine

months ended September 30, 2001 from US$1,107 million in the same period of 2000, including US$85 million relating to costs of Ferteco. The favorable impact of exchange rate movements between the two periods compared is estimated at US$90 million.

Cost of transportation services decreased 24.4% to US$270 million in the nine months ended September 30, 2001 from US$357 million in the same period of 2000, principally as a result of the 19.6% reduction of revenues from transportation services, as the majority of transportation costs are variable costs. Cost of transportation services related to Samitri are now recovered as part of the sales price for Samitri's products.

Cost of aluminum products decreased 17.4% to US$214 million in the nine months ended September 30, 2001 from US$259 million in the same period of 2000 as a result of lower levels of activity. The favorable effect of exchange rate movements on the cost of aluminum products is small, since they are primarily determined by the international market.

Cost of other products and services decreased 46.5% to US$76 million in the nine months ended September 30, 2001 from US$142 million in the same period of 2000, reflecting principally the decreases in volumes of pulp and paper purchases.

Selling, general and administrative expenses increased 34.3% to US$188 million in the nine months ended September 30, 2001 from US$140 million in the same period of 2000. Ferteco added US$24 million or 17.1% to these expenses in 2001. Excluding this effect, expenses increased by 17.2% due to increased business activity and services from third-parties, partially offset by the effects of exchange rate movements.

Research and development, employee profit sharing and other costs and expenses increased 30.7% to US$387 million in the nine months ended September 30, 2001 from US$296 million in the same period of 2000. This increase is mainly attributable to asset impairment provisions made in 2001, including losses on the sale of ships expected to take place in 2002 (US$25 million) and the amortization of remaining goodwill relative to our affiliates Centro-Atlantica and GIIC (US$42 million), the calculation of which was based on our revised profit expectations and other economic factors.

Non-Operating Income (Expenses)

Net non-operating expenses were US$119 million in the nine months ended September 30, 2001 compared to US$35 million in the same period of 2000. The aggregate unfavorable change of US$84 million includes US$92 million of additional net financial expenses in 2001 resulting from increased average net debt balances during the period because of our acquisitions, capital expenditures and payment of interest (dividends) to our shareholders. In addition the change includes the negative effect of exchange rate movements (US$690 million) on our U.S. dollar denominated liabilities, mainly short and long-term debt, and gains on sales of investments (US$730 million) upon divestment of our interests in Bahia Sul, CSN and Cenibra in 2001. In September 2000, the gain on sale of investments was reclassified to non-operating income for comparative purposes.

Income Taxes

In the nine months ended September 30, 2001 we have estimated that we will record a tax benefit for the calendar year and this has been proportionally reflected in the interim financial statements. The final determination of the

tax benefit depends on the amount of tax-deductible dividends that we pay in the form of interest on shareholders' equity, and the tax savings obtained under our Carajas tax exemption (a tax incentive relative to our iron ore and manganese operations in Carajas), among other factors.

Affiliates and Joint Ventures

Our equity in the results of affiliates and joint ventures and provision for losses and write-downs on equity investments in aggregate totaled a loss of US$53 million in the nine months ended September 30, 2001 compared to a gain of US$240 million in the same period of 2000.

In 2001, our affiliates in the aluminum sector recorded losses due to the effects of the devaluation of the real on their foreign currency denominated debt. Albras reported a loss for the nine months ended September 30, 2001 of US$72 million, of which we recognized our portion of US$37 million through the provision for losses on equity investments and Alunorte reported a loss of US$79 million, of which we recognized our portion of US$37 million through equity accounting. In the same period of 2000, our portion of gains reported by Albras and Alunorte were US$55 million and US$8 million, respectively.

In addition to exchange rate effects, the operating results of our major aluminum sector affiliates and joint ventures in the nine months ended September 30, 2001 compared to the same period of 2000, were influenced by the following factors:

Albras -- Aluminum sales volume decreased 5.1% to 262,000 tons in 2001 from 276,000 tons in 2000 and average sales prices decreased 3.2% to US$1,468.08 per ton in 2001 from US$1,516.41 per ton in 2000.

Alunorte -- Alumina sales volume increased 0.3% to 1,180,000 tons in 2001 from 1,177,000 tons in 2000 and the average sales prices decreased by 1.9% US$192.04 per ton in 2001 as compared to US$195.84 per ton in 2000.

MRN -- Bauxite sales volume decreased 7.6% to 7,777,000 tons in 2001 from 8,416,000 tons in 2000 and average sales prices decreased 1.3% to US$20.95 per ton in 2001 from US$21.23 per ton in 2000.

Also in 2001, we sold our interest in Bahia Sul and Cenibra, which had contributed US$34 million and US$50 million, respectively, to our consolidated net income in the nine months ended September 30,

2000. In 2001, the equity in results of these affiliates until the date of their respective sale totaled the aggregate amount of only US$11 million. However, the sale of Bahia Sul and Cenibra resulted in one-time gains of US$170 million and US$507 million, respectively, which are included in non-operating income (expenses).

Our steel sector affiliates were affected by a weaker market for steel products which resulted in decreased average sales prices and volumes in 2001. Our U.S. affiliate, CSI, was also affected by higher costs resulting from the energy crisis in California and earnings of our Brazilian affiliate CST were reduced by the impact of the devaluation of the real. In the nine months ended September 30, 2001 we recorded a gain of US$19 million in respect of these affiliates against a gain of US$44 million in the same period of 2000.

Our 45.65%-owned railroad affiliate, Centro-Atlantica, performed very poorly in the nine months ended September 30, 2001 and we recorded an equity loss of US$28 million against a loss of US$14 million in the same period of

2000. We and the other shareholders of Centro-Atlantica are currently examining various plans to restructure this business.

In the first nine months of 2001, the results of our other equity investments were generally lower than those in the same period of 2000 due to the effects of the devaluation of the real and difficult trading conditions.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2000 COMPARED TO THE YEAR ENDED DECEMBER 31, 1999

Revenues

Net operating revenues increased 27.9% to US$3,935 million in 2000 from US$3,076 million in 1999, reflecting improvements in most areas of our business, as discussed below.

Revenues from iron ore and pellets increased 28.5% to US$2,177 million in 2000 from US$1,694 million in 1999, representing an increase in volume sold of 29.3% to 124.5 million tons in 2000 from 96.3 million tons in 1999, partially offset by changes in product mix. Our acquisitions of Samitri and Mineracao Socoimex S.A., known as Socoimex, in May 2000 added US$101 million to our revenues in the period, representing increased volume of 7.4 million tons. Demand was strong in all of our major markets, notably Europe, Asia and Brazil. A portion of increased revenues is due to the termination of tolling arrangements with our pelletizing joint ventures. Currently, we sell ore to these joint ventures and buy pellets back from them. As a result, both revenues and costs of ores and metals sold have increased.

Revenues from gold sales increased 0.6% to US$156 million in 2000 from US$155 million in 1999, reflecting a 1.2% increase in volume sold, offset by a 0.6% decrease in average gold prices.

Revenues from other mining products, such as kaolin, manganese and potash, increased 135.4% to US$412 million in 2000 from US$175 million in 1999. This increase includes US$207 million due to the consolidation in 2000 of our ferro-alloy and kaolin subsidiaries upon acquiring control from our former partners in these enterprises, but volumes and average prices also improved in our manganese business.

Revenues from transportation services increased 18.4% to US$760 million in 2000 from US$642 million in 1999, mainly due to a 67.3% increase in the revenues of our shipping subsidiary to US$271 million in 2000 from US$162 million in 1999, reflecting a 37.2% increase in average prices and a 23.2% increase in tonnage carried.

Revenues from aluminum products (bauxite, alumina and aluminum) remained virtually unchanged at US$362 million in 2000 and US$363 million in 1999. Aluminum sales volumes decreased 21% in 2000 as compared to 1999, primarily due to the termination of our tolling arrangement with Valesul, which is an unconsolidated subsidiary, whereby that company now sells its production directly into the market rather than through our wholly-owned subsidiary Aluvale, offset by increases in average prices and increased alumina sales.

Revenues from other products and services increased 57.8% to US$202 million in 2000 from US$128 million in 1999, primarily resulting from increases in the international prices for pulp and paper products. We are currently in the process of divesting our pulp and paper business.

Operating Costs and Expenses

Overall costs and expenses increased 36.9% to US$2,951 million in 2000 from US$2,156 million in 1999. This increase includes US$234 million or 10.9% in 2000, relating to newly acquired subsidiaries which in total generated US$308 million of additional consolidated revenues (US$101 million relating to the acquisition of Samitri and Socoimex and US$207 million relating to the consolidation of ferro-alloy and kaolin subsidiaries).

Cost of ores and metal sold increased 42.9% to US$1,423 million in 2000 from US$996 million in 1999, or 7.3% more than the increase in revenues. This mainly reflects increased costs of acquiring pellets due to the termination of tolling arrangements with affiliates and increased fuel costs.

Cost of transportation services sales increased 30.7% to US$481 million in 2000 from US$368 million in 1999 or 12.3% more than the increase in revenues. The most important factors in this increase were the continuing upward trend in fuel costs (primarily determined by the international market) and the increase in volumes, partially offset in terms of revenues by lower prices in transportation services other than shipping.

Cost of aluminum products sold increased 3.4% to US$334 million in 2000 from US$323 million in 1999, reflecting increases in the purchase price of these products, substantially offset by decreases in volumes purchased.

Cost of other products sold increased 60.5% to US$191 million in 2000 from US$119 million in 1999, primarily due to increases in the prices for pulp and paper products.

Selling, general and administrative expenses increased 63.0% to US$225 million in 2000 from US$138 million in 1999. Newly acquired subsidiaries added US$36 million to these costs, or 26.1%, in 2000. General and administrative costs further increased by US$28 million in 2000 compared to 1999 as a result of transferring various accounting, control, legal and information technology functions from the operating divisions to the corporate center and outsourcing data processing activities. The remaining increase of US$23 million is attributable to the effect of increased business activity on selling and general expenses.

Research and development, employee profit sharing and other costs and expenses increased 40.1% to US$297 million in 2000 from US$212 million in 1999 mainly due to increased geological research activity targeting copper deposits, and to provisions for labor-related and tax contingencies, which were US$24 million higher in 2000 than in 1999.

Non-Operating Income (Expenses)

Net non-operating expenses increased to US$253 million in 2000 from US$250 million in 1999. Although the rate of devaluation of the real against the U.S. dollar in 2000 was lower than in 1999, thereby reducing our net foreign exchange and monetary loss (mainly on our foreign currency debt) by US$71 million, this positive impact was offset by an increase in financial expenses of US$82 million, most of which was related to increased borrowing (US$53 million) and to taxes on financial transactions (US$25 million).

Income Taxes

In 2000, we obtained approval for certain tax incentives relative to our iron ore and manganese operations in Carajas, which resulted in a tax saving of US$31 million. As a result, our income tax benefit was US$32 million in 2000 compared to an expense of US$33 million in 1999. We also continue to pay tax-deductible dividends in the form of interest on shareholders' equity, which reduced our taxes payable by US$222 million in 2000 compared to US$181 million

in 1999.

Affiliates and Joint Ventures

Our equity in the results of affiliates and joint ventures and provisions for losses and write-downs on equity investments in aggregate totaled a gain of US$322 million in 2000 as compared to a loss of US$227 million in 1999.

In 1999, most of our affiliates and joint ventures in Brazil recorded losses due to the effects of the devaluation of the real on their foreign currency debt. Our affiliates in the aluminum sector were especially affected. Albras reported a loss of US$203 million, of which we recognized US$104 million through equity accounting. Alunorte reported a loss of US$137 million, of which we recognized US$89 million through equity accounting. In 2000, with a more stable exchange rate and price improvements, all our affiliates and joint ventures recorded positive results except for Centro-Atlantica and CFN, our railroad investments.

The operating results of our major affiliates and joint ventures in 2000 as compared with 1999 were influenced by the following major factors:

Albras -- Albras contributed US$66 million to our net income in 2000. Aluminum sales volume increased 2.8% to 366,000 tons in 2000 from 356,000 tons in 1999 and average prices increased 16.0% to US$1,508.42 per ton in 2000 from US$1,300.35 per ton in 1999.

Alunorte -- Alunorte contributed US$11 million to our net income in 2000. Alumina sales volume rose 14.8% to 1,628,000 tons in 2000 from 1,418,000 tons in 1999 and average prices increased 16.9% to US$196.63 per ton in 2000 from US$168.17 per ton in 1999.

MRN -- MRN contributed US$36 million to our net income in 2000. Bauxite sales volume increased 3.3% to 11,242,000 tons in 2000 from 10,884,000 tons in 1999 and average prices increased 3.2% to US$21.18 per ton in 2000 from US$20.53 per ton in 1999.

Bahia Sul -- Bahia Sul contributed US$42 million to our net income in 2000, compared to US$13 million in 1999. Pulp sales volume decreased 8.7% to 367,000 tons in 2000 from 402,000 tons in 1999 and average pulp prices increased 31.5% to US$618 per ton in 2000 from US$470 per ton in 1999. Paper sales volume decreased 2.3% to 211,000 tons in 2000 from 216,000 tons in 1999 and average paper prices increased 28.8% to US$824 per ton in 2000 from US$640 per ton in 1999. In the first half of 2001, we sold our interest in Bahia Sul for approximately US$320 million, US$2.4 million of which corresponded to unpaid dividends relating to 2000.

Cenibra -- Cenibra contributed US$66 million to our net income in 2000. Pulp sales volume decreased 2.5% to 789,000 tons in 2000 from 809,000 tons in 1999 and average prices increased 38.0% to US$587.54 per ton in 2000 from US$425.79 per ton in 1999. On July 6, 2001, our former partner in Cenibra agreed to buy our stake in Cenibra for US$670.5 million. The closing of this transaction took place in September 2001.

Steel sector affiliates -- Increases in volumes and prices, plus productivity gains, produced a contribution of US$59 million to our net income in 2000. Of this total, US$13 million relates to investments that we disposed of in 2000 or 2001. We are pursuing the sale of most of our remaining steel interests. In 1999, the devaluation of the real substantially affected the results of these affiliates, producing a contribution of only US$7 million to

our consolidated earnings in that year.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1999 COMPARED TO THE YEAR ENDED DECEMBER 31, 1998

Revenues

Net operating revenues decreased 13.4% to US$3,076 million in 1999 from US$3,553 million in 1998, reflecting decreases in substantially all of our major products and services.

Revenues from iron ore and pellets decreased 12.2% to US$1,694 million in 1999 from US$1,930 million in 1998, representing a decrease in volume sold of 3.3% to 96.3 million tons in 1999 from 99.6 million tons in 1998 and a decrease in the average selling prices of 11.7%, partially offset by a

change in the mix of the products sold. Our iron ore and pellet prices are 96% linked to the U.S. dollar. The decrease in average selling prices was due to a less favorable scenario for steel production at the time of the 1999 price negotiations and consequent unfavorable results for iron ore producers. In terms of our two major markets, sales volume increased in Asia (including Japan) by 7.1%, whereas in Europe sales volume decreased by 17.2% due to the decrease in steel production. Average selling prices in both markets fell 11% in 1999 compared to 1998.

Revenues from gold sales decreased 7.7% to US$155 million in 1999 from US$168 million in 1998, due to a decrease in quantity sold of 2.8% and a 5.1% decline in average selling prices in 1999 compared to 1998. International market prices quoted in U.S. dollars declined on average 5.4% in the period.

Revenues from other mining products (manganese, potash and ferro-alloys), decreased 12.5% to US$175 million in 1999 from US$200 million in 1998. Reductions in sales volumes and average selling prices on both manganese and potash, caused by reduction in demand and market inventory levels, as well as competition with imports in the case of potash strongly influenced these revenue decreases. Improved ferro-alloy volumes and prices partially offset these declines.

Revenues from transportation services decreased 24.3% to US$642 million in 1999 from US$848 million in 1998. The volume of general cargo handled on our transportation system (railroads, ports and ships) decreased on average 7.6% in 1999 compared to 1998, due mainly to a drop in industrial production in Brazil. Average selling prices decreased 18.1% in 1999 compared to 1998. The devaluation of the real significantly affected these average selling price decreases since 32% of prices in the transportation services area are not linked to the U.S. dollar. We estimate that the weakening of the real resulted in an overall reduction in average selling prices, when expressed in U.S. dollars, of 12%, and the remaining 6.1% substantially relates to reductions in international freight prices.

Revenues from aluminum products decreased 10.8% to US$363 million in 1999 from US$407 million in 1998. Average selling prices remained stable in 1999 as compared to 1998 and the decrease in revenues of US$44 million resulted from the cession of a portion of our take from Alunorte and Albras which would otherwise have been sold to third parties.

Revenues from other products and services increased 21.9% to US$128 million in 1999 from US$105 million in 1998 primarily because of increased sales of pulp.

Operating Costs and Expenses

Overall costs and expenses decreased 20.1% to US$2,156 million in 1999 from US$2,699 million in 1998. The most significant factor contributing to this decrease was the devaluation of the real beginning in mid-January 1999, because, other than for imported materials and services, we primarily incur our costs and expenses in reais. Local currency operating costs and expenses (when expressed in U.S. dollars) decrease when the rate of devaluation of the real against the U.S. dollar exceeds the rate of inflation, as occurred in 1999. The weighted average of devaluation in 1999 as compared with 1998 was 36.0% and the weighted average of inflation was 10.9% compared with the same period.

Cost of ores and metal sold decreased 26.1% to US$996 million in 1999 from US$1,348 million in 1998, since we incur 71.1% of our costs in reais. The level of costs in reais remained stable in 1999 as compared to 1998 following the major cost reduction and productivity programs implemented subsequent to our privatization.

Cost of transportation services sales decreased 16.4% to US$368 million in 1999 from US$440 million in 1998. This decrease was less than the decrease in overall cost and expenses due mainly to increased fuel costs reflecting international trends in 1999.

Cost of aluminum products sold decreased 16.5% to US$323 million in 1999 from US$387 million in 1998, primarily due to a decrease of 15.7% in quantities sold. Translation effects arising from costs denominated in reais caused the higher decrease in cost.

Selling, general and administrative expenses decreased 19.3% to US$138 million in 1999 from US$171 million in 1998 in line with the decrease in overall costs and expenses.

Other operating costs and expenses decreased 10.1% to US$161 million in 1999 from US$179 million in 1998, which was lower than the decrease in overall costs and expenses due primarily to additional charges in 1999 arising from ongoing reviews of estimates relative to provisions for contingencies.

Non-Operating Income (Expenses)

Net non-operating expenses in 1999 totaled US$250 million as compared to net non-operating income in 1998 of US$38 million. Non-operating expenses in 1999 included exchange losses of US$774 million on debt denominated in U.S. dollars, compared with US$188 million in 1998. The major portion of the exchange losses in 1999 does not represent a short-term cash outflow since it relates to medium and long-term debt. Exchange gains on cash equivalents denominated in U.S. dollars totaled US$285 million in 1999, compared with US$21 million in 1998.

From September 1998 through December 1999, we concentrated our short-term financial holdings in U.S. dollar-denominated instruments which resulted in a reduction of interest income as compared with the previous policy of investing in high interest bearing Brazilian instruments. This policy, however, resulted in increased exchange gains upon the devaluation of the real in 1999.

Income Taxes

An income tax expense of US$33 million was recorded in 1999 compared to no expense in 1998, mainly due to the recognition of an income tax benefit of US$96

million in 1998 related to the write-downs of investments. In 1999, we continued the practice of paying tax-deductible dividends to our shareholders in the form of interest on shareholders' equity, thereby reducing our effective tax rate. For more information on our income taxes, see note 3 to our consolidated financial statements.

Affiliates and Joint Ventures

Our equity in results of affiliates and joint ventures and provisions for losses and write-downs on equity investments in aggregate totaled a loss of US$227 million in 1999 as compared to a loss and write-downs of US$193 million in 1998.

The losses recorded in 1999 relate mainly to the effects of exchange losses in Albras, Alunorte and Bahia Sul, all of whose affiliates and joint ventures have significant U.S. dollar denominated debt, as well as operating losses in the joint venture Vale Usiminas Participacoes S.A., or VUPSA. In 1999, Bahia Sul recorded a US$93 million tax valuation allowance reversal.

The following table provides a comparison of the pre-tax results of the major affiliates as adjusted for the effects of exchange losses.

	FOR THE YEAR ENDED DECEMBER 31,				
	1999			1998	
	(IN MILLIONS OF US$)				
	PRE-TAX INCOME BEFORE EXCHANGE LOSSES	PRE-TAX LOSS	EXCHANGE LOSSES	PRE-TAX INCOME (LOSS) BEFORE EXCHANGE LOSSES	PRE-TAX LOSS
Albras	US$82	US$296	US$378	US$19	US$83
Alunorte	20	193	213	18	18
Bahia Sul	56	71	127	(58)	92

The improved results of Albras reflect the increase of 6% in quantity of aluminum sold reaching 356,013 tons, of which 346,630 tons went to the foreign market.

Alunorte achieved a result in 1999 similar to that reported in 1998. Although alumina production increased by 5.8% to 1.5 million tons in 1999, a decrease in average selling prices largely offset this improvement.

The improved results of Bahia Sul reflect a 20.0% increase in sales volume to 402,000 tons of pulp and 216,000 tons of paper together with a strong increase in international prices for its products.

Due to a sharp and prolonged decline in the quoted market prices of our investments in CST and Usiminas, which fell below their adjusted book value, we recorded a write-down of US$294 million against these investments as at December 31, 1998.

Production and sales of our steel affiliates in 1999 were higher than 1998 levels. However, the devaluation of the real substantially affected our affiliates in Brazil. Therefore, this sector contributed only US$7 million to

our consolidated earnings in 1999 as compared to US$82 million in 1998.

In December 1999, we purchased the remaining 50% of VUPSA. We have consolidated VUPSA at December 31, 1999.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our principal sources of liquidity have consisted of cash generated from operations and short-term and long-term secured and unsecured borrowings. We believe these sources will continue to be adequate to meet our currently anticipated uses of funds, which include working capital, investment capital, capital expenditures, debt repayment and dividend payments.

From time to time, we review acquisition and investment opportunities and will, if a suitable opportunity arises, make an investment. We can make any future investments either directly or through subsidiaries, joint ventures or affiliated companies, and we may fund these investments through internally generated funds, the issuance of debt or equity or a combination of these methods.

As a result of our acquisitions in 2000, we generated a net decrease in cash and cash equivalents of US$242 million compared to net increases of US$264 million in 1999 and US$81 million in 1998. At September 30, 2001, we had cash and cash equivalents of US$1,708 million.

Sources of Funds

Operating activities provided net cash flows of US$1,090 million in the nine months ended September 30, 2001 compared to US$967 million in the nine months ended September 30, 2000, and net cash flows of US$1,424 million in 2000, compared to US$1,336 million in 1999 and US$1,372 million in 1998.

Financing activities (before distributions to shareholders), which include short-term and long-term secured and unsecured borrowings and debt repayments, provided net cash flows of US$161 million in the nine months ended September 30, 2001 compared to net cash flows of US$66 million in the nine months ended September 30, 2000, and provided net cash flows of US$176 million in 2000 compared to using net cash flows of US$41 million in 1999 and providing net cash flows of US$32 million in 1998. In 2000, our principal source of borrowed funds was a US$300 million asset securitization.

At September 30, 2001, our aggregate outstanding debt was US$3,092 million, consisting of short-term debt of US$1,024 million, including US$121 million in loans from joint ventures and affiliated companies in connection with our cash management system, and long-term debt (excluding current portion) of US$2,068 million, including US$4 million in loans from related parties. Our short-term debt consists primarily of U.S. dollar-denominated trade financing, documented mainly in the form of export prepayments and export sales advances with Brazilian and foreign financial institutions.

Uses of Funds

Investing activities before proceeds from total of investments, primarily including acquisitions, other capital expenditures and investments in and loans to joint ventures and affiliated companies, consumed net cash flows of US$955 million in the nine months ended September 30, 2001 compared to US$1,179 million in the nine months ended September 30, 2000, and net cash flows of US$1,533

million in 2000, compared to US$469 million in 1999.

Other significant uses of cash included:

- repayment of debt, which consumed US$353 million, US$353 million, US$444 million, US$347 million and US$326 million for the nine months ended September 30, 2001 and 2000 and for the years ended December 31, 2000, 1999 and 1998, respectively.

- payment of dividends and interest on shareholders' equity, which consumed US$639 million, US$246 million, US$246 million, US$452 million and US$607 million for the nine months ended September 30, 2001 and 2000 and for the years ended December 31, 2000, 1999 and 1998, respectively.

DEBT

Our long-term debt consists principally of U.S. dollar-denominated notes and borrowings. At September 30, 2001, approximately US$495 million of our debt was secured by liens on some of our assets.

Except for the perpetual notes, which have no scheduled maturity date, all of our currently outstanding long-term debt is likely to mature by 2011 in accordance with the schedule below:

THROUGH SEPTEMBER 30,	(IN MILLIONS OF US$)(1)
2002	US$ 55
2003	689
2004	713
2005	192
2006	129
2007 and thereafter	277(2)
No due date (perpetual notes)	56
Total	US$2,111

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(1) Excludes US$4 million in loans from related parties.

(2) We issued US$300 million in debt during the first quarter of 2002, which matures in 2007. We intend to use the net proceeds of this issuance for our general corporate purposes.

We often use joint venture and affiliated company ownership structures with domestic and foreign partners to finance our large-scale projects. On occasion, we provide guarantees to support the debt of these joint ventures and affiliated companies. At September 30, 2001, we had extended guarantees for borrowings of joint ventures and affiliated companies in an aggregate amount of US$801 million, of which US$614 million was denominated in U.S. dollars and the remaining US$187 million was denominated in Brazilian currency. These guarantees do not appear in the table above.

At September 30, 2001, US$308 million of our total long-term debt was guaranteed by non-CVRD Group entities pursuant to a transaction which arose out of our privatization.

We use derivative instruments to manage our exposure to interest rate

fluctuations. For a detailed description on these derivative instruments, see "-- Market Risk." Giving effect to these instruments, at September 30, 2001, our weighted average effective interest rate on long-term debt was 7.43%.

Some of our long-term debt instruments contain restrictive financial covenants. We believe that we will be able to operate within the terms of these financial covenants for the foreseeable future. None of these covenants restrains our ability to pay dividends on equity securities at the parent company level.

CAPITAL EXPENDITURES

The table below sets forth our capital expenditures by business area for the periods indicated. Our capital expenditures have historically been more intensive in the second half of the year.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE NINE MO ENDED SEPTEMBER	
BUSINESS AREA	1998	1999	2000	2000	20
	(IN MILLIONS OF US$)				
Ferrous	US$346	US$183	US$354	US$157	US$
Non-ferrous	32	56	50	29	
Logistics	1	4	14	12	
Energy	20	18	19	11	
Corporate center	13	4	10	5	
Total	US$412	US$265	US$447	US$214	US$

Structural changes in the production of iron ore and steel have been generating a growing global demand for pellets and reducing the volatility of the pellet market. See "Business -- Our Strengths -- Well-Positioned to Meet Demand in a Changing Steel Industry." In the belief that this trend will continue over the next few years, we have been investing heavily in our pellet operations. For the nine months ended September 30, 2001, we invested US$66 million in the Sao Luis pelletizing plant construction project. This plant is designed to have an annual production capacity of 6 million tons. We estimate its total investment cost to be approximately US$181 million, the equivalent of US$39 per annual ton of pellet production capacity. We expect to complete this project in the first quarter of 2002. In addition, we and our partners in the Tubarao pelletizing complex have approved a capacity expansion from the current 25 million tons to 28.2 million tons of pellets per year. For the nine months ended September 30, 2001, we invested US$1 million in the Tubarao pelletizing complex expansion project. We estimate the total cost of this expansion to be approximately US$81 million, or US$25.3 per ton. The completion of this project is scheduled for 2003.

For the nine months ended September 30, 2001, capital expenditures for the maintenance of ferrous products were US$129 million. At September 30, 2001, capital expenditures relating to ferrous product projects were US$139 million. This was due to the investment in the construction of the Sao Luis pelletizing plant (US$66 million), the infrastructure for the Sao Luis pelletizing plant (US$40 million), the acquisition of locomotives and wagons (US$21 million), and

the construction of a new stockyard and pier at the Ponta da Madeira marine terminal (US$5 million).

We expect to allocate most of our 2002 capital expenditures budget to the Southern System, mainly to modernize and increase the capacity of our mines and the Vitoria-Minas railroad. We intend to modernize the control and maintenance systems of the Vitoria-Minas railroad. We also intend to replace a number of processing systems in our Southern System mines. We will finance these expenditures principally with cash flow from operations.

For the nine months ended September 30, 2001, capital expenditures for the maintenance of non-ferrous products were US$21 million, and capital expenditures for non-ferrous projects were US$3 million due to an increase in the production capacity of potash.

For the nine months ended September 30, 2001, capital expenditures for the maintenance of logistics were US$5 million, and capital expenditures for logistics projects were US$14 million. Our main projects were the enlargement of the Praia Mole marine terminal (US$2 million) and the acquisition of locomotives and wagons (US$8 million).

Energy generation has become a priority for us, driven both by the Brazilian government's privatization program of the industry and by the risks of rising electricity prices and electricity rationing due to energy shortages, such as the one Brazil experienced in the second half of 2001. We currently perceive favorable investment opportunities in the Brazilian electricity sector and are taking advantage of them to invest in hydroelectric power generation projects. As we are a large consumer of electricity, we expect that investing in the energy business will help protect us against electricity price volatility. New investments will be absorbed by our ongoing projects at Aimores, Candonga, Funil, Capim Branco I and II, Foz do Chapeco and Santa Isabel. For a more detailed description of our hydroelectric generation projects, see "Business -- Our Lines of Business -- Energy."

For the nine months ended September 2001, capital expenditures for energy were US$72 million due to investments in the construction of hydroelectric power plants.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Our mineral exploration activities are currently focused on identifying copper and gold deposits for future exploitation. We incurred geological exploration expenses of US$31 million in the nine months ended September 30, 2001 compared to US$34 million in the nine months ended September 30, 2000, and US$48 million, US$27 million and US$48 million in 2000, 1999 and 1998, respectively.

MARKET RISK

The principal market risks we face are interest rate risk, exchange rate risk and commodity price risk. We manage some of these risks through the use of derivative instruments. Our policy has been to settle all contracts in cash, without physical delivery of product.

Our risk management activities follow policies and guidelines that our board of directors reviewed and approved. These policies and guidelines generally prohibit speculative trading and short selling and require diversification of transactions and counter-parties. We monitor and evaluate our overall position daily in order to evaluate financial results and impact on our

cash flow. We also periodically review the credit limits and creditworthiness of our hedging counter-parties. We report the results of our hedging activities to senior management on a monthly basis.

Interest Rate and Exchange Rate Risk

The table below sets forth our floating and fixed rate long-term debt, categorized by local and foreign currency, and as a percentage of our total long-term debt portfolio at the dates indicated, including loans from both related and unrelated parties, as reflected in our consolidated financial statements.

	AT DECEMBER 31,				AT SEPTEMBER 30,	
	1999		2000		2001	
	(IN MILLIONS OF US$, EXCEPT PERCENTAGES)					
Floating rate debt						
Real-denominated	US$ 196	14.8%	US$ 167	8.3%	US$ 34	1.6%
Foreign currency denominated	537	40.7	1,070	52.9	1,136	53.8
Fixed rate debt						
Real-denominated	--	--	--	--	116	5.5
Foreign currency denominated	588	44.5	783	38.8	825	39.1
Total	US$1,321	100%	US$2,020	100%	US$2,111	100%

The table below provides information about our debt obligations at September 30, 2001, which are sensitive to changes in interest rates and exchange rates. The table presents the principal cash flows and related weighted-average interest rates of these obligations by expected maturity date. Weighted-average variable interest rates are based on the applicable reference rate (LIBOR or TJLP) at September 30, 2001. The debt obligations' actual cash flows are denominated in U.S. dollars or Brazilian reais, as indicated.

		FOR THE NINE MONTHS ENDED SEPTEMBER 30,						
		2002	2003	2004	2005	2006	2007 TO 2012	TOTA
		(IN THOUSANDS OF US$)						
U.S. dollar-denominated								
Fixed rate								
Bonds	9.375%	US$ 0	US$201	US$ 0	US$ 0	US$ 0	US$ 0	US$
Bonds	10.000%	0	0	301	0	0	0	
Loans	up to 7.000%	0	0	1	2	1	1	
Loans	over 7.000%	15	26	44	64	40	132	
		US$ 15	US$227	US$346	US$ 66	US$ 41	US$133	US$
Floating rate								

Loans.....	up to 7.000%	70	378	280	111	60	191	1,
Loans.....	over 7.000%	0	16	10	11	10	17	
		70	394	290	122	70	208	1,
		US$ 85	US$621	US$636	US$188	US$111	US$341	US$1,
Real-denominated								
Fixed rate								
Loans.....	up to 7.000%	US$ 15	US$ 13	US$ 12	US$ 16	US$ 15	US$ 3	US$
Loans.....	over 7.000%	5	18	15	7	2	0	
		US$ 20	US$ 31	US$ 27	US$ 23	US$ 17	US$ 3	US$
Floating rate								
Loans.....	over 7.000%	22	1	11	0	0	0	
		22	1	11	--	--	--	
		US$ 42	US$ 32	US$ 38	US$ 23	US$ 17	US$ 3	US$
Total.....		US$127	US$653	US$674	US$211	US$128	US$344	US$2,

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(1) Includes future payments of interest.

(2) Based on the values recorded in our consolidated financial statements, which include prorated interest up to September 30, 2001.

Interest Rate Risk

We are exposed to interest rate risk in our floating-rate debt. Our long-term floating-rate debt consists principally of U.S. dollar denominated notes and borrowings which we have incurred primarily in connection with capital expenditures, and investments in and loans to joint ventures and affiliated companies. Our short-term floating-rate debt consists principally of U.S. dollar denominated trade financing. In general, our foreign currency floating rate debt is principally subject to changes in the London Interbank Offered Rate, or LIBOR. Our floating rate debt denominated in reais is principally subject to changes in the TJLP (Long Term Interest Rate), as fixed by the Central Bank.

Our interest rate derivatives portfolio generally consists of option trades which aim to cap our exposure to interest rate fluctuations. A cap is the maximum rate we will be required to pay on the notional amount of the debt. Conversely, a floor is the minimum rate we will be required to pay on the

notional amount of the debt. Certain caps are subject to knock-out provisions which, if triggered, eliminate the protection provided by the cap.

The table below sets forth certain information with respect to our interest rate derivatives portfolio at September 30, 2001 and 2000:

	AT SEPTEMBER 30, 2001
	UNREALIZED GAIN

TYPE	NOTIONAL VALUE	RATE RANGE	(LOSS)
	(IN MILLIONS OF US$, EXCEPT RATE RANGES)		
Cap	US$1,375	5-8%	US$ 1.8
Floor	1,000	5-6.5	(31.3)
Swap	125	5.5-7.5	(11.8)
			US$ (41.3)

	AT SEPTEMBER 30, 2000			
TYPE	NOTIONAL VALUE	RATE RANGE	UNREALIZED GAIN (LOSS)	FINAL MATURITY
	(IN MILLIONS OF US$, EXCEPT RATE RANGES)			
Cap	US$1,200	5-8%	US$ 7.3	11/2006
Floor	850	5-6.5	(3.4)	11/2006
Swap	--	--	--	10/2007
			US$ 3.9	

The table below sets forth certain information with respect to our interest rate derivatives portfolio at December 31, 2000 and 1999.

	AT DECEMBER 31, 2000		
TYPE	NOTIONAL VALUE	RATE RANGE	UNREALIZED GAIN (LOSS)
	(IN MILLIONS OF US$, EXCEPT RATE RANGES)		
Cap	US$1,200	5-8%	US$ 3
Floor	850	5-6.5	(7)
Swap	125	5.5-7.5	(4)
			US$(8)

	AT DECEMBER 31, 1999			
TYPE	NOTIONAL VALUE	RATE RANGE	UNREALIZED GAIN (LOSS)	FINAL MATURITY
	(IN MILLIONS OF US$, EXCEPT RATE RANGES)			
Cap	US$1,200	5-8%	US$10	12/2004
Floor	850	5-6.5	(4)	12/2004
Swap	--	--	--	10/2007
			US$ 6	

The unrealized losses and gains represent the amounts payable or receivable

if the transactions had been settled on the dates indicated.

Exchange Rate Risk

Our long-term debt is primarily denominated in foreign currencies, principally the U.S. dollar. Because our revenues are primarily dollar-denominated, we do not believe that the high incidence of dollar-denominated debt in our long-term debt portfolio exposes us to an undue amount of exchange rate risk.

However, a portion of our indebtedness is also denominated in euros and in Japanese yen, and we use derivative instruments to protect ourselves against specific risks associated with exchange rate movements in these foreign currencies.

The table below sets forth certain information with respect to our exchange rate derivatives portfolio at September 30, 2001 and 2000:

	AT SEPTEMBER 30, 2001		
TYPE	NOTIONAL VALUE	PRICE RANGE	UNREALIZED GAIN (LOSS)
	(IN MILLIONS OF US$, EXCEPT RATE RANGES)		
Yen Purchased.....	US$31.44	Y70-110 per US$	US$ (0.7)
Euros Purchased.....	12.35	E1.10-1.30 per	(3.3)
Euros Sold.....	4.07	E0.90-1.2 per US $	0.8
BRL Sold.....			0
			US$ (3.2)

	AT SEPTEMBER 30, 2000			
TYPE	NOTIONAL VALUE	PRICE RANGE	UNREALIZED GAIN (LOSS)	FINAL MATURITY
	(IN MILLIONS OF US$, EXCEPT RATE RANGES)			
Yen Purchased.....	US$ 17.4	Y70-110 per US$	US$ 0.2	4/2005
Euros Purchased.....	13.3	E1.10-1.30	(2.7)	4/2005
Euros Sold.....	--	--	--	10/2001
BRL Sold.....	120.00		1.0	11/2000
			US$ (1.5)	

The table below sets forth certain information with respect to our exchange rate derivatives portfolio at December 31, 2000 and 1999. These derivatives are structured forwards that we have purchased, which will require us to purchase foreign currencies as specified below:

	AT DECEMBER 31, 2000			AT DECEMBER 3	
TYPE	NOTIONAL VALUE	PRICE RANGE	UNREALIZED GAIN (LOSS)	NOTIONAL VALUE	PRICE RANGE
			(IN MILLIONS OF US$, EXCEPT PRICE RANGES)		
Yen	US$15.0	Y90-100 per US$	US$(2.0)	US$8	Y90-100 per U
Euro	12.0	US$0.9-1.2 per E	(2.0)	13.3	US$0.9-1.2 per
			US$(4.0)		

The unrealized losses and gains represent the amounts payable or receivable if the transactions had been settled on the dates indicated.

Commodity Price Risk

We are also exposed to various market risks relating to the volatility of world market prices for:

- iron ore, which represented 53.5% of our 2000 consolidated revenues,

- aluminum, which represented 8.9% of our 2000 consolidated revenues, and

- gold, which represented 3.8% of our 2000 consolidated revenues.

We do not enter into derivatives transactions to hedge our iron ore exposure. For information on how our iron ore export sales are priced, see "Management's Discussion and Analysis of Financial Condition and Results of Operation -- Overview -- Prices."

To manage the risk associated with fluctuations in aluminum prices, our affiliates Albras and Alunorte engage in hedging transactions involving put and call options, as well as forward contracts. These derivative instruments allow Albras and Alunorte to establish minimum average profits for their future aluminum production in excess of their expected production costs and therefore ensure stable cash generation. However, they also have the effect of reducing potential gains from price increases in the spot market for aluminum.

We have a 51% voting capital interest and a 51% total capital interest in Albras. The table below sets forth certain information with respect to Albras's derivatives portfolio at September 30, 2001 and 2000:

	AT SEPTEMBER 30, 2001			AT SEP	
TYPE	NOTIONAL VALUE	PRICE RANGE	UNREALIZED GAIN (LOSS)	NOTIONAL VALUE	P
	(IN TONS OF ALUMINUM)	(US$ PER TON)	(IN MILLIONS OF US$)	(IN TONS OF ALUMINUM)	(U
Puts purchased	67,500	1,400-1,600	US$10.1	45,000	1
Forwards sold	54,750	1,400-1,600	9.6	39,750	1
Calls sold	54,750	1,600-1,800	(0.3)	101,250	1
Hybrid instruments(1)	108,187		(1.4)	97,455	
			US$18.0		

TYPE	FINAL MATURITY
Puts purchased.....	12/2003
Forwards sold.....	12/2006
Calls sold.....	6/2004
Hybrid instruments(1)....	6/2004

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(1) The payoff of these instruments depends, at least partly, on the manner in which the price of the underlying asset behaves during the life of the transaction.

The table below sets forth certain information with respect to Albras's derivatives portfolio at December 31, 2000 and 1999:

	AT DECEMBER 31, 2000			AT DECEMB	
TYPE	NOTIONAL VALUE	PRICE RANGE	UNREALIZED GAIN (LOSS)	NOTIONAL VALUE	PRICE
	(IN TONS OF ALUMINUM)	(US$ PER TON)	(IN MILLIONS OF US$)	(IN TONS OF ALUMINUM)	(US$ P
Puts purchased.....	42,000	1,450-1,650	US$ 2.0	39,000	1,450
Forwards sold.....	85,189	1,500-1,700	(1.4)	168,000	1,500
Calls sold.....	105,000	1,500-1,700	(5.5)	90,000	1,500
			US$(4.9)		

TYPE	FINAL MATURITY
Puts purchased.....	12/2001
Forwards sold.....	12/2006
Calls sold.....	12/2003

We have a 50.3% voting capital interest and a 49.3% total capital interest in Alunorte. The table below sets forth certain information with respect to Alunorte's derivatives portfolio at September 30, 2001 and 2000:

	AT SEPTEMBER 30, 2001			AT SEP	
TYPE	NOTIONAL VALUE	PRICE RANGE	UNREALIZED GAIN (LOSS)	NOTIONAL VALUE	P
	(IN TONS OF	(US$ PER TON)	(IN MILLIONS	(IN TONS OF	(U

	ALUMINUM)		OF US$)	ALUMINUM)	
Puts purchased.....	26,250	1,400-1,600	US$ 4.6	42,000	1
Forwards sold.....	30,500	1,400-1,600	3.2	5,250	1
Calls sold.....	38,000	1,600-1,800	(0.1)	43,500	1
Hybrid instruments(1)....	272,000		0.5	162,000	
			US$ 8.2		

TYPE	FINAL MATURITY
Puts purchased.....	12/2002
Forwards sold.....	3/2003
Calls sold.....	12/2003
Hybrid instruments(1)....	12/2003

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(1) The payoff of these instruments depends, at least partly, on the manner in which the price of the underlying asset behaves during the life of the transaction.

The table below sets forth certain information with respect to Alunorte's derivatives portfolio at December 31, 2000 and 1999:

	AT DECEMBER 31, 2000			AT DEC	
TYPE	NOTIONAL VALUE	PRICE RANGE	UNREALIZED GAIN (LOSS)	NOTIONAL VALUE	PR
	(IN TONS OF ALUMINUM)	(US$ PER TON)	(IN MILLIONS OF US$)	(IN TONS OF ALUMINUM)	(US
Puts purchased.....	60,000	1,450-1,650	US$ 3.8		
Forwards sold.....	24,000	1,500-1,700	(0.3)	15,000	1,
Calls sold.....	163,500	1,500-1,700	(5.1)	60,000	1,
		1,450-1,550 (puts purchased)			
Collars conditional..	36,000	1,550-1,750 (calls sold)	0.2		
			US$(1.4)		

TYPE	FINAL MATURITY
Puts purchased.....	12/2002
Forwards sold.....	12/2002
Calls sold.....	12/2002
Collars conditional..	12/2003

To manage the risk associated with fluctuations in gold prices, we enter into derivative instruments which allow us to establish a 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.

The table below sets forth certain information with respect to our gold derivatives portfolio at September 30, 2001 and 2000:

	AT SEPTEMBER 30, 2001			AT SEPTE	
TYPE	QUANTITY	PRICE RANGE	UNREALIZED GAIN (LOSS)	QUANTITY	PRI
	(OZ.)	(US$ PER OZ.)	(IN MILLIONS OF US$)	(OZ.)	(US$
Puts purchased.....	479,500	270-340	US$10.79	552,000	
Calls sold.....	845,500	308-366	(4.79)	1,224,800	
Hybrid instruments(1).....	25,000		0.10		
			US$ 6.10		

TYPE	FINAL MATURITY
Puts purchased.....	12/2005
Calls sold.....	12/2005
Hybrid instruments(1).....	12/2005

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(1) The payoff of these instruments depends, at least partly, on the manner in which the price of the underlying asset behaves during the life of the transaction.

The table below sets forth certain information with respect to our gold derivatives portfolio at December 31, 2000.

	DECEMBER 31, 2000		
TYPE	QUANTITY	PRICE RANGE	UNREALIZED GAIN (LOSS)
	(OZ.)	(US$ PER OZ.)	(IN MILLIONS OF US$)

Puts purchased	479,500	300-345	US$13
Calls sold	999,800	330-390	(5)
		300-315 (puts purchased)	
Collars conditional	30,000	330-350 (calls sold)	1
			US$ 9

The unrealized gain in the amount of US$9 million represents the amount receivable if all transactions had been settled on December 31, 2000.

The table below sets forth certain information with respect to our gold derivatives portfolio at December 31, 1999.

	DECEMBER 31, 1999		
TYPE	QUANTITY	UNREALIZED GAIN	FINAL MAT
	(OZ.)	(IN MILLIONS OF US$)	
Forwards sold	20,000	US$ --	12/200
Puts purchased	374,500	7	12/200
Calls sold	1,446,000	(17)	12/200
		US$(10)	

BUSINESS

OVERVIEW

We are one of the world's largest producers and exporters of iron ore. We are the largest diversified mining company in the Americas by market capitalization and one of the largest companies in Brazil. We hold exploration claims that cover 7.0 million hectares (17.3 million acres). We operate two large railway systems that are integrated with our mining operations and that, taken together, transported approximately 58.5% of the rail tonnage shipped in Brazil in the first nine months of 2001. Through joint ventures, we have major investments in the production of aluminum.

Our main lines of business are mining, logistics and energy and are generally grouped according to the business segments below:

- ferrous minerals: comprised of iron ore, pellets as well as manganese and ferro alloys businesses,
- non-ferrous minerals: comprised of gold, kaolin, potash and copper businesses,
- logistics: comprised of railroads, ports and terminals and shipping businesses,

- energy: comprised of power generation businesses, and

- holdings: comprised of aluminum, steel, fertilizers and e-commerce businesses.

Mining. Our primary mining activities involve iron ore. We operate two world-class integrated systems in Brazil for producing and distributing iron ore, each consisting of mines, railroads and port and terminal facilities. The Southern System, based in the states of Minas Gerais and Espirito Santo, contains aggregate estimated proven and probable iron ore reserves of approximately 2.3 billion tons. The Northern System, based in the states of Para and Maranhao, contains aggregate estimated proven and probable iron ore reserves of approximately 1.2 billion tons. We also operate nine pellet producing facilities, six of which are joint ventures with international partners. We have a 50% stake in Samarco Mineracao S.A., in Ponta do Ubu, which owns and operates two pelletizing plants.

Exploration Assets. As part of our mineral prospecting and development activities in Brazil, we have acquired extensive experience in exploration techniques and processes specifically designed for use in tropical areas of the world. Our current mineral exploration efforts are mainly in Brazil and focus on copper, gold, nickel, manganese, and kaolin. Expenditures for our mineral exploration program were US$31 million in the first nine months of 2001 and US$34 million in the first nine months of 2000. We currently hold claims to explore approximately 7.0 million hectares (17.3 million acres).

Logistics. In our logistics business, we provide our clients with various forms of transportation and related support services, such as warehouse, port and terminal services. We are a leading competitor in the Brazilian transportation industry. Each of our iron ore complexes incorporates an integrated railroad network linked to automated port and terminal facilities, and is designed to provide iron ore freight and passenger rail transportation, bulk terminal storage and ship loading services to us and third parties. For the nine months ended September 30, 2001, our railroads transported approximately 58.5% of the total freight tonnage transported by Brazilian railroads, or approximately 125.9 million tons of cargo, of which 100.4 million tons were our iron ore and pellets. Of the total amount transported, 48% was for third parties and 52% was for ourselves. Our two wholly-owned railroads, the Vitoria-Minas railroad and the Carajas railroad, serve primarily to transport our iron ore products from interior mines to coastal port and terminal facilities. In addition, the Vitoria-Minas railroad carries significant amounts of third party cargo as well as passengers.

Energy. In 2001, we began to consider energy as a core business, although at present energy production does not represent a significant portion of our activities. We currently hold stakes in nine hydroelectric power generation projects (Igarapava, Porto Estrela, Funil, Candonga, Aimores, Capim Branco I, Capim Branco II, Foz do Chapeco and Santa Isabel) which have a total projected capacity of 3,364 MW. The Igarapava and the Porto Estrela power plants started operations in September 1999 and

September 2001, respectively. Our remaining power generation projects are scheduled to start operations within the next six years, except for Santa Isabel, which does not have a scheduled date to start operations yet. Depending on market conditions, the power generated by these plants will be sold in the market and/or used for our own operations.

Aluminum Operations. Through joint ventures, our wholly owned subsidiary, Aluvale, conducts major operations in the production of aluminum. They include

bauxite mining, alumina refining and aluminum metal smelting and marketing. Aluvale conducts its bauxite mining activities through its 40.0% interest in MRN, which holds substantial bauxite reserves with a low strip ratio and high recovery rate. MRN, one of the largest bauxite producers in the world, produced 11.2 million tons of bauxite in 2000 and 7.9 million tons in the first nine months of 2001. Aluvale currently holds a 50.3% voting interest in our alumina refining joint venture, Alunorte, which has a nominal production capacity of 1.5 million tons of alumina per year and produced 1.2 million tons in the first nine months of 2001. Aluvale participates in two aluminum smelting joint ventures, Albras, in which it has a 51.0% interest, and Valesul, in which it has a 54.5% interest. These two joint ventures have a combined production capacity of 500,000 tons of aluminum per year, and produced a total of 322,000 tons of aluminum in the first nine months of 2001. Our integrated aluminum operations rank among the largest in Latin America in terms of production volume.

OUR STRENGTHS

World-Class Iron Ore Operations

We are a leading producer and supplier of iron ore to the world market. Our iron ore operations are the foundation for our skill in prospecting and exploring mineral deposits, developing and operating large-scale mines and industrial facilities, managing complex logistics systems and marketing minerals and metals. We benefit from the following strengths in our iron ore operations:

- Large resource base. We hold large iron ore resources in our principal mining sites, the Northern System (Carajas) and the Southern System. Based on 2000 production levels, we have approximately 20 years of proven and probable iron ore reserves, and more than 300 years of additional mineral resources.

- High quality iron ore deposits. Our iron ore deposits have high metal content compared to those of many of our competitors. Our Northern System reserves average 65.4% iron content and our Southern System reserves average 55.0% iron content. Our ores also have low impurity levels and good metallurgical characteristics, which yield high levels of productivity in our customers' furnaces.

- Ability to produce a broad range of iron ore products. Our mines offer varying types of ore characteristics, which allow us to produce a broad range of iron ore products. Our ability to reconcile large-scale production with the capacity to produce specialized, high quality ore products, which have high iron content, low impurity levels and complement the needs of our customers' furnaces, has allowed us to become a major supplier to significant Asian customers, despite their greater proximity to some of our competitors.

- Production cost advantages. We have competitive production and delivery cost advantages in our iron ore business. We have the ability to transport iron ore to our customers efficiently and reliably at low costs through our own mine-to-port systems. We operate an integrated railroad and marine terminal network in both the Southern System and the Northern System. These networks transport our iron ore from interior mining locations to the port terminals and to our domestic clients. In addition, the high iron content in the Northern System eliminates the need to operate a concentration plant at Carajas.

- Reliable delivery and customer service. We believe our dependable mine-to-port system and emphasis on customer service have earned us a reputation for reliability. Through our sales support offices in Rio de Janeiro, New York, Brussels, Tokyo and Shanghai, we stay in close contact with our customers, monitor their requirements and our contract

performance, and ensure that our customers receive deliveries on schedule.

Well-Positioned to Meet Demand in a Changing Steel Industry

Ongoing structural changes in the production of iron and steel have stimulated increased demand for pellets as a proportion of the global iron ore and pellet market. These changes are driven by tightening environmental restrictions that have led to the closing of sintering machines, the construction of new blast furnaces without sintering machines and the more extensive use of pulverized coal injection, each of which increases the need for high quality ore in the form of pellets. We believe these industry changes will also reduce the volatility of the demand for pellets, which has decreased by as much as 2% and increased by as much as 17% on a year-over-year basis since 1996.

We have developed substantial pellet production capacity because we believe that the increase in pellet demand is a trend which will continue. Our six pelletizing joint ventures have a combined annual production capacity of 35.8 million tons (of which 17.9 million tons constitute the production capacity attributable to our equity ownership in the pelletizing joint ventures). Our wholly-owned pelletizing operations, including our Ferteco plant, have an additional combined annual production capacity of 9.2 million tons. For information on our ownership percentages in these pelletizing joint ventures, see "-- Our Lines of Business -- Ferrous Minerals -- Pellets."

Pipeline of Copper Development Projects

We own 100% of the Sossego mine project, which is located in Carajas and has an estimated production capacity of 140,000 tons of copper per year. In addition, we have joint venture interests in four Brazilian copper development projects. These five projects contain approximately 1.7 billion tons of mineral deposits with a weighted average grade of 1.02%. An independent study indicates that these are among the most competitive development-stage copper projects in the world in terms of investment cost per ton of ore, in part because of the existence of a gold byproduct and open pit mines. Each project is located in Carajas and will therefore benefit from efficiencies provided by our existing mine-to-port system. We believe these projects provide a strong foundation for our strategy of seeking a significant position in the growing world copper market.

Low-Cost Integrated Aluminum Activities

We operate integrated aluminum operations primarily through joint ventures, involving bauxite mining, alumina refining and the production of primary aluminum. Our bauxite joint venture owns 166.8 million tons of proven and probable bauxite reserves and 626.4 million tons of other mineral deposits. Our alumina refinery is modern and is directly adjacent to one of our aluminum smelting facilities. An independent study indicates that Albras is among the top 5% lowest cash cost producers of primary aluminum in the industry. As a result, we have lower cash costs in the production of primary aluminum than many of our competitors.

Strong Position in Manganese Ore and Ferro-Alloys

We are the world's second leading producer of manganese ore and third leading producer of manganese ferro-alloys. We believe that our main manganese mine, Igarape do Azul, is the world's lowest cash cost producer, and that we have lower cash costs in our manganese mining operations than many of our

competitors. We continue to consolidate our position as an integrated manganese ore and ferro-alloy producer. Having recently acquired our former partner's interests in CPFL and SIBRA, both leading producers of ferro-alloys, we now have 450,000 tons of attributable annual production capacity. We are self-sufficient in manganese ore to supply this production capacity. At December 31, 2000, we had 39.4 million tons of proven and probable manganese reserves, or more than 20 years of supply at 2000 production rates.

Integrated Logistics Business

We have extensive experience managing complex logistics operations. Built originally to serve our iron ore business, our logistics system includes our 905 km Vitoria-Minas railroad and Tubarao and Praia Mole

ports in the Southern System, and our 892 km Carajas railroad and Ponta da Madeira marine terminal in the Northern System. In addition, in the last five years we have acquired stakes in four privatized railroads, including Centro-Atlantica, which interconnects with the Vitoria-Minas railroad using the same track gauge, and therefore increases its available transportation volume. We made these investments to further expand our cargo business. We believe our extensive transportation expertise should improve their profitability and efficiency.

Financial Resources

Our balance sheet and strong cash flows provide us with the financial wherewithal to pursue growth and development opportunities. We generated operating cash flows of US$1,090 million in the first nine months of 2001 on operating revenues of US$3,030 million. The ratio of our long-term debt to shareholders' equity at September 30, 2001 was 0.58:1, and we therefore believe that we have additional debt capacity. Substantially all of our iron ore sales are made under long-term contracts, a factor that minimizes our exposure to year-to-year volume fluctuations. We hedge a major part of aluminum and gold production against price volatility in order to avoid volatility in our cash flow.

Energy

We believe that we can successfully compete in the Brazilian energy market, mainly because of our successful track record in implementing and managing large projects and dealing with environmental protection issues. In addition, the balance between supply and demand and the Brazilian government's privatization program of the industry lead us to believe that there is significant growth potential in this market.

OUR STRATEGY

Before 1997, we were a traditional state-owned conglomerate with the aim of promoting national economic development, sometimes through investments in economic sectors that had no clear synergies with our main business. Since our privatization in 1997, we have become a more efficient, diversified mining, logistics and energy company and are in the process of divesting non-core assets that no longer have strategic importance for us. Through organic, disciplined growth and selective acquisitions, we will continually seek to develop our mining, logistics and energy capabilities and increase scale while working to reduce costs. We aim to achieve earnings growth and increase cash generation, while maximizing our return on capital employed and the total return to our shareholders. We are focusing on our core businesses of mining, logistics and energy to achieve these goals, by:

- maintaining our leadership position in the world iron ore market,
- expanding our pelletizing facilities to accommodate current market demands,
- growing our logistics business,
- developing our copper resources,
- increasing our aluminum activities,
- developing power generation projects, and
- restructuring our portfolio of joint ventures and minority investments.

Maintaining Our Leadership Position in the World Iron Ore Market

In 2000, we produced 15% of the world's iron ore, more than any other producer. In 2001, we acquired Ferteco, which accounted for 3% of world iron ore production in 2000, and we acquired one half of the control of Caemi, which accounted for 4% of world iron ore production in 2000. We are committed to maintaining our position in the world iron ore market by keeping close contact with our customers, focusing our product line to capture industry trends and controlling costs. We believe that our strong relationships with major customers, tailored product line and logistical advantages will enable us to achieve this goal.

Expanding Our Pelletizing Facilities to Accommodate Current Market Demands

We believe that, in the long term, the growth rate of global demand for pellets will continue to be higher than the growth rate of the overall iron ore market, and therefore we plan to continue investing in the development of this dynamic segment of the iron ore market. We are investing US$181 million to construct a new pelletizing plant at Sao Luis and are expanding production capacity at our Tubarao and Samarco pellet operations. When these investments are completed, we and our joint ventures will have an additional 11.2 million tons of annual production capacity, and a total of 56.2 million tons of annual production capacity.

Growing Our Logistics Business

The privatization and deregulation of transportation facilities has revitalized the Brazilian logistics market. We believe there is potential for growth in the near term from the conversion of existing truck haulage to rail, and in the longer term from increased bulk cargo resulting from economic growth in Brazil. We believe that the quality of our railway assets and our many years of experience as a railroad and port operator position us to take advantage of this market and establish ourselves as a leading Brazilian logistics company serving both domestic and export markets. We plan to focus on the physical and commercial integration of our transportation assets, and also to take advantage of new e-business technology. Our subsidiary Valepontocom has launched two Internet sites, Solostrata and Multistrata, to help the sale of logistics services.

Developing Our Copper Resources

Global demand for copper grew rapidly in the 1990s. From 1993 to 2001, global consumption of copper increased from 10,967,000 tons to 15,281,000 tons

per year. Although growth was adversely affected by the global economic slowdown in 2001, we expect strengthening of the growth trend over the next decade, driven by the spending in the automotive, computer, telecommunications and electrical appliance sectors of the world economy. We believe that our copper projects, which are all situated in the Carajas region, can be among the most competitive in the world in terms of investment cost per ton of ore. When our copper mines enter production, they will benefit from our transportation facilities serving the Northern System. Additionally, in March 1997, we and BNDES, a selling shareholder, entered into a Mineral Risk Contract providing for the joint development of certain unexplored mineral resources 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 those resources. For more detailed information on the Mineral Risk Contract, see "-- Our Lines of Business -- Non-Ferrous Minerals -- Exploration -- Mineral Risk Contract."

Increasing Our Aluminum Activities

We believe that global demand for aluminum will continue to grow during the next decade, driven mainly by the transportation and packaging industries. We therefore plan to develop and increase production capacity in our integrated aluminum operations. Our bauxite joint venture, MRN, is increasing annual production capacity from 11.0 to 16.3 million tons by 2003. Our alumina joint venture, Alunorte, is increasing annual production capacity from 1.5 to 2.3 million tons per year by 2002. Our aluminum joint venture, Albras, increased its production capacity by 40,000 tons in 2001. In addition, we own large unexplored deposits of high quality bauxite in the states of Para and Maranhao that will allow us to pursue further growth opportunities in the aluminum sector.

Developing Power Generation Projects

In 2001 and 2000, we consumed 12.5 TWh and 13.8 TWh of electricity, respectively. Energy management and supply has become a priority for us, driven both by the Brazilian government's privatization program of the industry, and by the risk of rising electricity prices and electricity rationing due to energy shortages, such as the one Brazil experienced in the second half of 2001. We currently

perceive favorable investment opportunities in the Brazilian electricity sector and are taking advantage of them to invest in hydroelectric power generation projects. These projects will sell their production to third parties in the power market, and, as a result, our energy department will be engaged in wholesale marketing activities. Our energy business is comprised of the sale but not the delivery of electricity. We may use some of the electricity from these projects for our internal needs. As we are a large consumer of electricity, we expect that investing in the energy business will help protect us against electricity price volatility.

In the first nine months of 2001, we spent US$72 million on investments in power projects. We currently hold stakes in two hydroelectric power plants (Igarapava and Porto Estrela), which have already started operations. Both are located in the state of Minas Gerais. We are also investing in the construction of five hydroelectric power plants and developing the economical and environmental feasibility studies for two other hydroelectric projects for which we and our joint venture partners have obtained a concession. When completed, these projects will provide us with the equivalent of approximately half of our 2000 electricity consumption (approximately 14 TWh, which represented 4.5% of Brazil's electricity consumption). We are also analyzing other hydroelectric power plant projects that will require additional investments.

Restructuring Our Portfolio of Joint Ventures and Minority Investments

In line with our focus on mining, logistics and energy, we have moved to reduce our holdings of non-strategic assets. We are pursuing the disposition of our pulp and paper assets and are also disposing of assets in the steel and transportation sectors that are not strategically connected to our core business. In March 2001, we concluded the sale of our interest in the pulp and paper producer Bahia Sul for approximately US$320 million. In September 2001, we concluded the sale of our stake in Cenibra to our former partner for US$670.5 million. In the steel industry, we disposed of our 2.3% stake in Acominas in December 2000 and, in March 2001, we disposed of our 10.3% stake in CSN. Finally, we have begun the process of divesting our dry-bulk cargo shipping assets.

OUR LINES OF BUSINESS

Our principal lines of business consist of mining, logistics and energy. For internal management purposes, we group our aluminum operations together with our other significant equity participations in steel and pulp and paper. We are in the process of divesting our pulp and paper activities and have divested some of our steel assets. For information about this divestiture process, see "-- Holdings."

FERROUS MINERALS

Our ferrous minerals business segment is comprised of iron ore mining and pellet production, as well as transportation facilities in the Northern and Southern Systems (including railroads, ports and terminals) as they relate to mining operations. Manganese mining and ferro-alloys are also part of our ferrous minerals business.

The table below sets forth our ferrous minerals revenues by geographic market and by category for the periods indicated as reflected in our consolidated financial statements.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	2000	2000	2001
	(IN MILLIONS OF US$)				
REVENUES CLASSIFIED BY GEOGRAPHIC DESTINATION					
Export sales:					
Latin America	US$177	US$149	US$224	US$161	US$194
United States	185	147	252	169	154
Europe	751	621	969	660	1,015
Middle East	135	146	209	135	149
Japan	299	351	544	409	191
Asia, other than Japan	456	575	651	446	867
Other	1	--	--	--	--
	2,004	1,989	2,849	1,980	2,570
Domestic sales	776	639	1,000	748	805

Total	US$2,780	US$2,628	US$3,849	US$2,728	US$3,375
REVENUES CLASSIFIED BY CATEGORY					
Iron ore	US$1,970	US$1,859	US$2,710	US$1,904	US$2,468
Pellets	683	632	769	557	637
Manganese and ferro-alloys	127	137	370	267	270
Total	US$2,780	US$2,628	US$3,849	US$2,728	US$3,375

Iron Ore

We conduct our iron ore business primarily at the parent company level.

System Structure

The table below sets forth information regarding our proven and probable iron ore reserves as of December 31, 2000. The estimates of mineral reserves have been audited and verified by Mineral Resources Development, Inc., or MRDI, experts in geology, mining and ore reserve determination.

MINE	PROVEN AND PROBABLE RESERVES — ORE TONNAGE (IN MILLIONS OF TONS)	PROVEN AND PROBABLE RESERVES — GRADE(1) (% FE)
SOUTHERN SYSTEM		
Itabira District		
Caue	25.0	51.3%
Conceicao	338.8	56.7
Dois Corregos(2)	423.9	59.4
Total Itabira District	787.7	58.0
Timbopeba(3)	78.2	53.2
Gongo Soco Complex(4)	494.4	54.9
Capanema/Ouro Fino	29.7	59.5
Fazendao	238.2	50.7
Samitri		
Alegria Complex(5)	631.6	54.0
Agua Limpa Complex(6)	68.8	45.5
Corrego do Meio Complex(7)	8.4	60.3
Total Samitri	708.8	53.2
Subtotal	2,337.0	55.0
NORTHERN SYSTEM		
Carajas(8)	1,167.4	65.4
Total CVRD Group	3,504.4	58.5%

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(1) The subtotal and total figures include weighted-average ore grades.

(2) Dois Corregos consists of several mines.

(3) Reserves are based on 1997 model. A new model is in progress to support a feasibility study for expansion of the project.

(4) The Gongo Soco Complex consists of the Gongo Soco, Brucutu, Bau and Gralhos deposits.

(5) The Alegria Complex consists of the Alegria, Fabrica Nova and Morro da Mina deposits.

(6) The Agua Limpa Complex consists of the Agua Limpa and Cururu deposits.

(7) The Corrego do Meio Complex consists of the Corrego do Meio and Segredo deposits.

(8) Includes four active mines.

In May 2000, we acquired 100% of Mineracao Socoimex S.A., known as Socoimex, a mining company located in Minas Gerais, for approximately US$55 million. Socoimex's main activity is the production and sale of iron ore extracted from Gongo Soco mine, with proven and probable reserves of

approximately 106 million tons and a capacity to produce 7 million tons per year. We began operating the Gongo Soco mine in August 2000. In August 2000, Socoimex was merged into our parent company.

In May 2000, we acquired a controlling interest in Samitri for approximately US$520 million. In September 2000, through a public tender, we acquired additional shares to bring our ownership to 99.3% of the voting capital and 99.2% of the total capital of Samitri. In February 2001, we increased our ownership interest in Samitri to 100% by exchanging 140,023 of our preferred class A shares for the shares in Samitri that we did not already own. In October 2001, we merged Samitri into the CVRD Group. The total cost of the Samitri acquisition was US$710.5 million, which we principally financed with operating cash flow. Samitri operates the Alegria, Agua Limpa and Corrego do Meio iron ore mining complexes in the state of Minas Gerais, and is one of Brazil's largest producers of iron ore. Its production capacity is 17.5 million tons per year, and it has proven and probable reserves of 709 million tons of high grade hematite and other mineral deposits of 11.6 billion tons of itabirites. The Samitri acquisition allowed us to acquire a 50% interest in the pelletizing operations of Samarco Mineracao S.A.

In April 2001, we acquired 100% of Ferteco Mineracao S.A. from Thyssen Krupp Stahl AG, for approximately US$523 million. Ferteco is one of the largest producers of iron ore in Brazil, with a production capacity of 15 million tons per year. It has other mineral deposits of 263 million tons of hematite and itabirite ores, with a quality similar to our Southern System reserves. It operates two open pit iron ore mines, Fabrica and Feijao, and a pellet plant in the Iron Quadrangle region in the state of Minas Gerais which has a production capacity of 4 million tons per year.

In August 2001, we agreed to supply Shanghai Baosteel Group Corporation, a

steel company located in the People's Republic of China, with approximately 6 million tons of iron ore annually for a 20-year term. In addition, we and Baosteel agreed to form a joint venture, Baovale Mineracao S.A. In October 2001, we ceded our mining rights in the Agua Limpa mining complex located in the Southern System to Baovale, which resulted in a decrease of 68.8 million tons in our proven and probable reserves. In return, Baosteel paid us US$18.9 million for its 50% interest in Baovale's total capital. In exchange for a monthly fee, Baovale leases us its rights in the mining deposit which we continue to operate. We expect that this transaction will increase our presence in the Asian market.

In September 2001 we acquired a 99.99% stake in Belem Administracoes e Participacoes Ltda., from Bethlehem Steel Corporation and Bethlehem Steel International Corporation, for approximately US$25 million. Belem is a holding company which owns 9.9% of Empreendimentos Brasileiros de Mineracao S.A., a privately held company controlled by Caemi Mineracao e Metalurgia S.A., a Brazilian producer of iron ore and pellets, as well as kaolin and refractory bauxite.

In December 2001, we acquired 50% of Caemi's voting shares for approximately US$278 million. We completed the acquisition after receiving the approval of the European Commission, which required as a condition that Caemi sell its 50% interest in Quebec Cartier Mining Company, known as QCM, a Canadian iron ore and pellets producer. Caemi has been following all the procedures required by the European Commission and is in the process of disposing of its stake in QCM but has not entered into a definitive agreement to do so. We currently own 50% of the voting capital and 17% of the total capital of Caemi. Mitsui & Co., Ltd. holds the remaining 50% of Caemi's voting capital. We are obligated to indemnify the seller from whom we purchased our interest in Caemi against certain liabilities in connection with the transaction. In a pending arbitration, other former shareholders of Caemi who also sold their shares in the transaction have alleged that the seller should have closed the transaction earlier, and that certain actions by the seller resulted in a lower sale price for their shares. This arbitration proceeding is in its early stages and we are unable to predict its outcome, although we do not expect that any liability under the indemnity would be material.

The table below sets forth information regarding our mines. The projected exhaustion dates are based on 2000 production levels.

	COMMENCEMENT OF OPERATIONS	PROJECTED EXHAUSTION DATE	OUR OWNERSHIP INTEREST	PRODU
				FOR THE YEAR ENDE DECEMBER 31,
MINE				1998 1999 200
			(PERCENT)	(IN MILLIO
SOUTHERN SYSTEM				
Itabira District				
Caue.....	1942	2014	100%	19.9 17.8 20
Conceicao.....	1957	2014	100	19.3 18.8 19
Dois Corregos.....	--	--	--	-- --
Total Itabira District....	--	--	--	39.2 36.6 39

Timbopeba.....	1984	2006	100	7.5	7.4	7
Gongo Soco Complex(1).....	2000	2010	100	0.2	0.7	6
Capanema/Ouro Fino.....	1982	2003	51	4.6	3.7	5
Fazendao.....	1997	--	100	1.1	0.9	1
Samitri						
Alegria Complex(2).....	2000	2040	100	--	--	9
Agua Limpa Complex(3).....	2000	2009	100	--	--	3
Corrego do Meio Complex(4).....	2000	2006	100	--	--	1
Total Samitri.....	--	--	--	--	--	14
Urucum(5).....	1993	--	100	0.7	0.6	0
Total Southern System.....	--	--	--	53.3	49.9	75
NORTHERN SYSTEM						
Carajas(6).....	1986	2021	100	45.8	44.0	47
Total CVRD Group.....				99.1	93.9	123

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(1) The Gongo Soco Complex consists of the Gongo Soco, Brucutu, Bau and Gralhos deposits.

(2) The Alegria Complex consists of the Alegria, Fabrica Nova and Morro da Mina deposits.

(3) The Agua Limpa Complex consists of the Agua Limpa and Cururu deposits.

(4) The Corrego do Meio Complex consists of the Corrego do Meio and Segredo deposits.

(5) There are no proven and probable reserves at Urucum.

(6) Includes four active mines.

Integrated Systems

[Integrated Systems Chart]

Our iron ore mining and related operations are concentrated in two regions in Brazil, the Southern System and the Northern System. The Southern System is located in the states of Minas Gerais and Espirito Santo, and the Northern System is located in the states of Para and Maranhao. Each system includes iron ore reserves and other mineral deposits, mines, ore processing facilities and integrated railroad and terminal transportation facilities. Our railroads connect the systems and bring products from the mines to our marine terminals, located at Tubarao and Praia Mole in the Southern System, and Sao Luis in the Northern System. The operation of two separate systems, each with transportation capability under our control, enhances reliability and consistency of service to our customers.

Southern System

[Southern System Map]

The Southern System is an integrated system consisting of iron ore mines, the Vitoria-Minas railroad, and the ports of Tubarao and Praia Mole (located in Vitoria, in the state of Espirito Santo). The iron ore mines of the Southern System are located in a region called the Iron Quadrangle in the state of Minas

Gerais, in the southeast of Brazil. Nine mining complexes compose this system: Caue and Conceicao in the Itabira District, Timbopeba, Gongo Soco Complex, Alegria Complex, Agua Limpa Complex, Corrego do Meio Complex, Capanema and Fazendao. The Southern System is accessible by road or by spur tracks of the Vitoria-Minas railroad, which transports iron ore concentrate, lump, and natural pellet ore to the Tubarao marine terminal (located approximately 600 kilometers away) and domestic steelmakers, as well as third party general cargo.

Iron ore in the Southern System is mined by open pit methods. These ore reserves have high ratios of itabirite ore relative to hematite ore. Itabirite is a quartz-hematite rock with an average iron content ranging from 35% to 60%, requiring concentration to achieve shipping grade, which is above a 64% average iron content. Mines in the Southern System generally process their run-of-mine by means of standard crushing, classification and concentration steps, producing sinter feed, lump ore and pellet feed.

Our Vitoria-Minas railroad transports Southern System iron ore to the Tubarao marine terminal located at Vitoria in the state of Espirito Santo. The Southern System has train-loading facilities with a daily carrying capacity of 300,000 tons of iron ore. A train composed of two diesel-electrical locomotives and up to 240 gondola ore-cars makes a roundtrip to the marine terminal every 43 hours. The Tubarao/ Praia Mole marine terminal complex has a storage capacity of 4.5 million tons of iron ore and pellets. The storage capacity in connection with the complex's two piers, which are 25 meters deep and 600 meters wide, ensures access for ships of up to 365,000 DWT. Our loading system consists of a bucket-wheel reclaimer, conveyor belts and a ship-loader for each pier, which represents a total loading capacity of 32,000 tons per hour to the terminal.

Northern System

[Northern System Map]

The Northern System is an integrated mine, railroad and port system, including open pit mines and an ore processing complex. The Northern System is located in the Carajas region, in the states of Para and Maranhao in the north of Brazil (in the Amazon River basin), on public lands for which we hold mining concessions. The Northern System's reserves are among the largest iron ore deposits in the world, with a life of more than 21 years at 2000 output levels. These reserves are divided into two main ranges (north and south), situated approximately 35 kilometers apart. Iron ore mining activities in the Northern System are currently being conducted in the north range, which is divided into four main mining bodies (N4E, N4WC, N4WN and N5).

The N4E deposit is the largest operational pit in the Northern Region. Industrial scale mining operations began at this mine in 1985. We selected the N4E mine as the first iron body to be developed in the Northern System because development of the N4E would facilitate access to the N4W and N5 deposits, which could share the N4E beneficiation complex and train loading terminal. We began mining operations at N4W in 1994, opening two pits (N4WC and N4WN). We completed the construction of two in-pit crushing systems located at N4E and N4WN mines in late December 1998. The N4E and N4W mines use conventional open pit benching,

with drilling and blasting to open a free face followed by shovel loading. During 1998, we also started operations in the N5 mines (N5W and N5E).

Because of the high iron content (65.4% on average) in the Northern System, we do not have to operate a concentration plant at Carajas. The beneficiation process for creating marketable sinter feed, pellet feed, special fines for direct reduction processes and lump ore consists simply of sizing operations, including screening, hydrocycloning, crushing and filtration. We can therefore produce marketable iron ore in the Northern System at a lower cost than in the Southern System. Output from the beneficiation process consists of sinter feed, pellet feed, special fines for direct reduction processes and lump ore, which is sampled regularly before storage at the Carajas stockyard by automatic sampling systems that conform to ISO 9002 standards. After the beneficiation process, our Carajas railroad transports Northern System iron ore to the Ponta da Madeira marine terminal located at Sao Luis in the state of Maranhao, on the Atlantic Ocean. The Northern System has train-loading facilities with an aggregate nominal loading capacity of 14,000 tons per hour. A train composed of three diesel-electrical locomotives and up to 206 gondola ore-cars, each car having a net capacity of 105 tons, makes each 54.5-hour round-trip to the marine terminal. At the Ponta da Madeira marine terminal, a 100 kilometer long natural channel (at least 23 meters deep and 500 meters wide) ensures access for ships of up to 420,000 DWT. With a storage capacity of 3.5 million tons, a loading system consisting of bucket-wheel reclaimers, conveyor belts and single boom ship-loaders at two piers, the marine terminal can handle vessels from 20,000 to 420,000 DWT with no repositioning.

Our complex in Carajas is accessible by road, air and rail. It obtains electrical power at market rates from regional utilities. To support our Carajas operations and to reduce turnover of mining personnel, we provide housing and other facilities for our workers in a nearby township.

Pellets

We conduct our pellet business as follows:

[CVRD FLOW CHART]

The table below sets forth information regarding attributable pellet production capacity by us and our joint ventures for the periods indicated.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE NI MONTHS END SEPTEMBER 3	
PELLET PRODUCER	1998	1999	2000	2000	2
	(IN MILLIONS OF TONS, EXCEPT PERCENTAG				
CVRD	4.7	4.8	5.0	3.9	
Itabrasco	3.4	3.4	3.3	2.6	
Hispanobras	3.9	3.6	3.8	2.8	
Nibrasco	7.5	6.1	8.5	6.4	
Kobrasco	0.4	3.8	4.4	3.2	
Samarco	--	--	12.7	9.3	
GIIC	--	--	3.6	2.7	
Total	19.9	21.7	41.3	31.3	2

Percentage DR pellets	29.1%	25.9%	23.5%	25%	

Except for GIIC, which is located in Bahrain, and Samarco, which is in Ponta do Ubu, all of our pelletizing operations are in the Southern System at our Tubarao complex. We acquired Samarco in May 2000, and GIIC in October 2000.

In April 2001, we acquired an additional 4 million tons of annual production capacity of pellets through our acquisition of Ferteco Mineracao S.A., known as Ferteco.

We have completed the first phase of the construction of our new Sao Luis pelletizing plant, and we expect to complete the plant by March 2002. At September 30, 2001, we had invested approximately US$120 million in the Sao Luis plant and expect to spend an additional US$61 million through March 2002. The plant will be located in our Northern System.

Our pellet activities increase our market for fine and ultrafine iron ore products. We sell pellet feed to our pellet joint ventures at market-based prices. Historically, we have supplied all of the iron ore requirements of our joint ventures located in the Southern System.

The table below sets forth information regarding iron ore shipments to our pellet joint ventures for the periods indicated.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE MONTHS E SEPTEMBER
JOINT VENTURE	1998(1)	1999(1)	2000(1)	2000
	(IN MILLIONS OF TONS)			
Kobrasco	0.4	4.1	4.7	3.5
Itabrasco	3.6	3.6	3.6	2.7
Hispanobras	4.3	4.0	4.1	3.0
Nibrasco	8.2	6.6	9.3	7.0
Samarco	--	--	1.9	1.4
GIIC	--	--	2.0	1.5
Total	16.5	18.3	25.6	19.1

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(1) Shipments in 1999 and 1998 represent iron ore sold and iron ore delivered to the joint ventures on a tolling basis. Shipments in 2000 represent iron ore sold to the joint ventures.

Customers, Sales and Marketing (Iron Ore and Pellets)

We use all of our iron ore and pellets (including our share of joint-venture pellet production) to supply the steelmaking industry. Prevailing and expected levels of demand for steel products affect demand for our iron ore and pellets. Demand for steel products is influenced by many factors, such as expected rates

of economic growth.

Historically, we have exported more than two-thirds of our iron ore shipments. We export iron ore products primarily to Asia and Europe, with customers in Japan, China, South Korea and Germany accounting for approximately 54.8% of our total export shipments in the first nine months of 2001 and 52.6% in 2000. In the first nine months of 2001, our 10 largest customers collectively purchased 30.5 million tons of iron ore and pellets from us, representing 46.3% of our iron ore and pellet shipments and approximately 27.3% of our total revenues. No individual customer accounted for more than 7.0% of our sales of iron ore products for any of the three years ended December 31, 2000.

We strongly emphasize customer service in order to improve our competitiveness. We work with our customers to understand their principal objectives and then tailor our iron ore to meet specific customer needs. To provide a tailored product, we take advantage of our large number of iron ore mines in order to produce multiple iron ore products possessing different grades of iron, silica and alumina, and varying physical properties, including grain size. We believe that we offer our customers more variety than our competitors in Australia and Canada. This variety helps us offset any disadvantages in relation to competitors who may be more conveniently located geographically. In addition to offering technical assistance to our customers, we operate sales support offices in Tokyo, Brussels, New York and Shanghai. These offices allow us to stay in close contact with our customers, monitor their requirements and our contract performance, and ensure that our customers receive deliveries on schedule. Our central sales office in Rio de Janeiro coordinates the activities of these offices.

Distribution (Iron Ore and Pellets)

Our ownership and operation of transportation systems designed for the efficient transportation of iron ore products complements our iron ore mining business. We operate an integrated railroad and terminal network in each of our Northern and Southern Systems. This network transports our iron ore products from interior mining locations to the marine terminal and domestic customers. The Vitoria-Minas railroad provides the rail link for the Southern System and has a daily carrying capacity of 300,000 tons of iron ore. The Carajas railroad provides the rail link for the Northern System and has a daily carrying capacity of 130,000 tons of iron ore.

Our port and terminal facilities in the Southern and Northern Systems receive iron ore and pellets from our railroads for dispatch onto ocean-going vessels. We shipped a total of 85.6 million tons of iron ore and pellets for the first nine months of 2001 and 117.2 million tons of iron ore and pellets in 2000. The Tubarao/Praia Mole marine terminal complex, located near the port of Vitoria in the state of Espirito Santo, serves the Southern System. The Vitoria-Minas railroad transports ore from iron ore mines in the Southern System directly to the Tubarao terminal and its ship-loading facilities. The Ponta da Madeira marine terminal complex, located near the port of Sao Luis in the state of Maranhao, serves the Northern System. The Carajas railroad transports iron ore from the Northern System mines directly to the Ponta da Madeira terminal and its ship-loading facilities.

We are currently seeking to divest our interests in our dry-bulk shipping business due to its overall lack of profitability and to the significant investment we would have to undertake to replace our existing dry-bulk shipping fleet in the future. See "-- Logistics -- Shipping."

Competition (Iron Ore and Pellets)

The international iron ore market is highly competitive. Several large producers dominate this market. The principal factors affecting competition are price,

quality, range of products offered, reliability and

transportation costs. In 2000, the Asian market (primarily Japan, South Korea and China) and the European market were the primary markets for our iron ore.

Our biggest competitors in the Asian market are located in Australia and include affiliates of Broken Hill Proprietary Company Limited, or BHP, and The Rio Tinto Corporation Plc. Although the transportation costs of delivering iron ore from Australia to Asian customers are generally lower than ours as a result of Australia's geographical proximity, we believe we are able to remain competitive in the Asian market for two principal reasons. First, steel producers generally seek to obtain the types (or blends) of iron ore which can produce the intended final product in the most economic and efficient manner. Our iron ore has low impurity levels which generally lead to lower processing costs. For example, the alumina content of our iron ore is very low compared to Australian ore. Second, steel mills often develop sales relationships based on a reliable supply of a specific mix of iron ore. We have an aggressive marketing policy of meeting our clients' needs to the extent possible, including placing specialized personnel in direct contact with our clients to determine the blend that best suits each particular client. We sell our products FOB from our ports, which means that the invoice price includes delivery at our expense to our ports and no further. In general, our ownership of the process of producing and transporting iron ore to our ports helps ensure that our products get to our ports on schedule and at competitive costs. Consequently, we believe that the sale of our shipping dry-bulk assets will not affect our competitiveness as we have not subsidized shipping costs for those customers who have used our fleet. We believe that third party carriers are available to serve our customers.

We are competitive in the European market for the reasons we described above, as well as the quality of our Carajas iron ore and the proximity of the Ponta da Madeira port facilities to European customers. Our principal competitors in Europe are:

- Iron Ore Co. (Canada),

- Quebec Cartier Mining Co. (Canada),

- Luossavaara Kiirunavaara AB (Sweden),

- Societe Nationale Industrielle et Miniere (Mauritania),

- Kumba Resources (South Africa), and

- affiliates of BHP (Australia) and Rio Tinto (UK).

The Brazilian iron ore market is highly competitive with a wide range of smaller producers. Although pricing is a relevant factor, quality and reliability are important competitive factors as well. We believe that our integrated transportation systems, high-quality ore and technical services make us a strong competitor in domestic sales. Prevailing export market prices, with adjustments negotiated to compensate for lower transport costs to domestic customers, influence iron ore sales in the domestic market.

Manganese and Ferro-Alloys

We conduct our manganese and ferro-alloy business as follows:

[CVRD BUSINESS CHART]

We are the largest Brazilian manganese ore producer, with total production in the first nine months of 2001 of approximately 1.3 million tons. We had US$270 and US$267 million in gross revenues in the first nine months of 2001 and 2000, respectively, from manganese ore and ferro-alloy sales.

We produce manganese ore products from the Azul mine in the Carajas region in the state of Para and from the Urucum mine in the Pantanal region in the state of Mato Grosso do Sul. We operate on-site beneficiation plants at both the Azul and Urucum mines. Both mines are accessible by road and obtain electrical power at market rates from regional electric utilities.

Our manganese mines produce three types of manganese products:

- metallurgical ore used primarily for the production of ferro-alloys,

- natural manganese dioxide suitable for the manufacture of electrolytic batteries, and

- chemical ore used in several industries for the production of fertilizer, pesticides and animal food and used as a pigment in the ceramics industry.

The production of ferro-alloys consumes significant amounts of electricity. On June 1, 2001, the Brazilian government, as part of its energy rationing program, required a decrease of energy consumption by 25% for ferro-alloy related activities. In response to these governmental measures, we immediately began a plan to reduce our ferro-alloy output in the six-month period ending November 30, 2001, by 46,000 tons, from the previously planned 220,000 tons to 174,000 tons. This reduction represents a revenue loss of US$26 million. We believe that the remaining production will be sufficient to supply our clients in Brazil and the rest of Latin America, our main ferro-alloys markets. Despite this mandatory temporary reduction, we continue to pursue our long-term plan to expand our ferro-alloy operations. For information on the risks associated with the Brazilian government's rationing program, see "Risk Factors -- Risks Relating to Brazil -- The Brazilian government's energy rationing program could adversely affect us."

The table below sets forth information regarding our manganese reserves at December 31, 2000. The estimates of mineral reserves have been audited and verified by MRDI.

	PROVEN AND PROBABLE RESERVES		
MINE	TYPE	ORE TONNAGE	GRADE
		(IN MILLIONS OF TONS)	(% M
Azul	Open pit(1)	22.1	44.
	S/P(1)	0.8	47.
		22.9	44.
Urucum	Underground(2)	13.1	47.

Total.....	36.0	45.

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(1) Reported as product wet tons (14.5% moisture content).

(2) Reported as product dry tons.

(3) Reported as recoverable product grade.

The table below sets forth information regarding our manganese mines and recent manganese ore production for the periods indicated. The projected exhaustion dates are based on 2000 production levels.

MINE	COMMENCEMENT OF OPERATIONS	PROJECTED EXHAUSTION DATE	OUR OWNERSHIP INTEREST	PRODUCTI		
				FOR THE YEAR ENDED DECEMBER 31,		F E
				1998	1999 2000	
				(IN MILLIONS OF T		
Azul.....	1986	2014	100%	1.3	0.9 1.4	
Urucum.....	1976	2035	100%	0.3	0.2 0.3	
Total.....				1.6	1.1 1.7	

The table below sets forth information regarding our ferro-alloy production.

PLANT	PRODUCTION CAPACITY	PRODUCTION IN 2000
	(IN THOUSANDS OF TONS PER YEAR)	(IN THOUSANDS OF TONS)
RDME.....	140.0	119.7
CPFL/SIBRA.....	311.6	273.9
NES.....	45.0	37.5

Prior to December 1999, we owned 50% of Vale Usiminas Participacoes, S.A., or VUPSA. In December 1999, we agreed to acquire, for a nominal sum, the 50% stake in VUPSA that we did not already own from our former partner, Usinas Siderurgicas de Minas Gerais S.A., known as Usiminas. In exchange for our agreement to acquire the Usiminas interest in VUPSA, Usiminas was released from some of its obligations with respect to the debt of Companhia Paulista de Ferro Ligas, or CPFL, and Sibra Eletrosiderurgica Brasileira S.A., or SIBRA, two leading Brazilian producers of ferro-alloys, which were owned by Ferro Ligas do

Norte S.A., a subsidiary of VUPSA. This acquisition enables us to integrate our manganese mining operations with ferro-alloy producing plants. On December 31, 2000, after a corporate reorganization, we became the direct owner of SIBRA, which in turn owns CPFL.

NON-FERROUS MINERALS

Our non-ferrous minerals business segment includes the production of gold and other non-ferrous minerals, such as kaolin and potash. We also include our copper exploration efforts in the non-ferrous category.

The table below sets forth information regarding our non-ferrous revenues and sales by geographic market for the periods indicated.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE NINE MO ENDED SEPTEMBER	
	1998	1999	2000	2000	20
	(IN MILLIONS OF US$)				
REVENUES CLASSIFIED BY GEOGRAPHIC DESTINATION					
Export sales:					
Latin America	US$ --	US$ --	US$ --	US$ --	US$
United States	145	139	156	113	
Europe	--	--	35	28	
Japan	--	--	4	2	
Asia, other than Japan	--	4	3	--	
	145	143	198	143	
Domestic sales	124	96	90	70	
Total	US$269	US$239	US$288	US$213	US$
REVENUES CLASSIFIED BY CATEGORY					
Gold	US$168	US$155	US$156	US$113	US$
Potash	101	84	85	66	
Other minerals	--	--	47	34	
Total	US$269	US$239	US$288	US$213	US$

Gold

We conduct our gold business primarily at the parent company level and each of our gold mines is wholly owned.

We started gold operations in 1984 and currently operate three gold mines. We are one of the largest gold producers in Latin America, with a total gold production of 376,200 troy ounces of refined gold for the first nine months of 2001. We were responsible for approximately 32% of all gold produced on an industrial scale in Brazil during 2000. Gold sales generated US$100 million of gross operating revenues in the first nine months of 2001.

The table below sets forth information regarding estimated gold proven and probable reserves at December 31, 2000. The estimates of mineral reserves have been audited and verified by MRDI.

		PROVEN AND PROBABLE RESERVES				
MINE(1)	ORE TYPE	ORE TONNAGE	GRADE(3)	CONTAINED GOLD	METAL RECOVERY(3)	
		(IN MILLIONS OF TONS)	(GRAM/TON)	(IN TONS)	(PERCENT)	(I
Igarape Bahia(2).....	CIP Ore	3.12	3.70	11.54	91%	
	CIP Stock	0.23	2.96	0.68	91	
	HL Ore	4.23	1.31	5.54	81	
	HL Stock	3.07	1.09	3.35	81	
Subtotal.....		10.65	1.98	21.11	87	
Fazenda Brasileiro.....	Sulfide CIP	3.79	5.36	20.31	93	
Itabira.....	CIL in situ	0.27	3.22	0.86	96	
	S/P HL	0.26	0.60	0.15	60	
Subtotal.....		0.53	1.90	1.01	91	
Total.....		14.97	2.83	42.43	90	

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(1) The Almas and Caete deposits listed with reserves at December 1999 were depleted in 2000.

(2) Igarape Bahia includes the Acampamento Sul, Furo Trinta and Acampamento Norte deposits.

(3) The subtotal and total figures include weighted-average ore grades and metallurgical recovery rates.

(4) One troy ounce equals 31.103 grams.

The table below sets forth information regarding our gold mines and recent gold production. The projected exhaustion dates are based on 2000 production levels.

			PRODUCTION			
						FOR THE MONTHS E SEPTEMBE
MINE	COMMENCE-MENT OF OPERATIONS	PROJECTED EXHAUSTION DATE	FOR THE YEAR ENDED DECEMBER 31, 1998	1999	2000	2000

			(IN THOUSANDS OF TROY OUNCES)(2)			
Igarape Bahia.....	1991	2002	359.4	357.5	333.9	243.5
Fazenda Brasileiro.....	1984	2009	170.4	141.2	154.6	122.0
Almas(1).....	1985	2000	16.4	16.0	13.2	10.4
Caete(1).....	1996	2000	13.3	17.4	11.0	8.2
Itabira.....	1984	2002	22.9	20.0	22.4	16.1
Total.....			582.4	552.1	535.1	400.2
Average total cash cost of production (US$ per troy ounce)(2).....			US$175	US$143	US$165	US$167

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(1) Exhausted at December 31, 2000.

(2) One troy ounce equals 31.103 grams.

Our gold mines are located in the states of Minas Gerais, Bahia, and Para. All gold mines are open-pit, except for Fazenda Brasileiro, which is underground. Each mine includes an on-site processing facility to produce dore bars from raw ore. We ship dore bars to a third party refinery for remelting and chemical treatment, which yields gold bars with a 99.99% purity degree. Our gold is insured from the time we place it in its mine vaults until it reaches the customer.

At December 31, 2000, our proven and probable gold reserves represented three years of production at 2000 output levels. We had expenditures of US$7.8 million for gold exploration and resource development for the first nine months of 2001 and expenditures of US$8.5 million for gold exploration and resource development in 2000, including US$1.6 million related to prospecting for new deposits and US$5.9 million directed to the extension of existing reserves. Of these expenses, US$0.8 million and US$1.0 million were reimbursed under the Mineral Risk Contract for the first nine months of 2001, and for 2000, respectively. For a further discussion about the Mineral Risk Contract, see "-- Exploration -- Mineral Risk Contract."

Kaolin

We conduct our kaolin business through our stake in Para Pigmentos S.A., which began operations in August 1996. Our total and voting interests in Para Pigmentos are 80.1% and 84.9%, respectively. Our partners in Para Pigmentos are Mitsubishi Corporation and International Finance Corporation.

Kaolin is a fine white aluminum silicate clay used in the paper, ceramic and pharmaceutical industries as a coating agent and filler. In the first nine months of 2001, Para Pigmentos reported revenues of US$33 million and a net loss of US$37 million. In 2000, Para Pigmentos reported revenues of US$34 million and a net loss of US$9.0 million. At September 30, 2001, Para Pigmentos had approximately US$61 million of long-term debt outstanding, of which we guarantee US$50 million. Para Pigmentos is conducting a four phased investment program to increase production capacity in response to an expected increase in the demand for kaolin.

The table below sets forth the schedule for the investment program which Para Pigmentos expects to carry out through 2007.

INVESTMENT PHASE	PRODUCTION	TOTAL INVESTMENT	EXPECT DATE OF COM
	KT/YEAR	(IN MILLIONS OF US$)	
I	320	US$140.0	2000
II	600	29.0	2001
III	800	24.4	2003
IV	1,000	26.3	2007

Phases I and II were completed as scheduled.

Potash

Potash is an important raw material used in the production of fertilizers. We lease a potash mine in the state of Sergipe from Petroleo Brasileiro S.A., the Brazilian oil company. It is the only mine of this type in Brazil and has a current capacity of 600,000 tons per year. We had gross revenues of US$58 million from potash sales in the first nine months of 2001 and US$84.9 million from potash sales in 2000.

Current Copper Prospects

We conduct our copper development and exploration projects as follows:

[CVRD COPPER FLOW CHART]

The table below sets forth information regarding the status and potential productivity of our copper (Cu) prospects, all but one of which features a gold (Au) byproduct.

PROJECT	STATUS	OTHER MINERAL DEPOSITS	TOTAL EXPECTED CAPITAL EXPENDITURES	ST
		(IN MILLIONS OF TONS)	(IN MILLIONS OF US$)	
Sossego	Feasibility concluded	313 at 1.02% Cu and 0.3 g/t Au	US$ 394	
Salobo	Pre-feasibility in progress	784 at 0.96% Cu and 0.6 g/t Au	1,005	
Project 118	Pre-feasibility in progress	100 at 0.80% Cu	140	
Alemao	Pre-feasibility in progress	170 at 1.60% Cu and 0.90 g/t Au	550	
Cristalino	Pre-feasibility in progress	300 at 0.90% Cu and 0.2 g/t Au	500	

In addition, we and BNDES are prospecting the Carajas region for new copper exploration projects. For more information on this joint venture, see

"-- Exploration -- Mineral Risk Contract."

In October 2001, we acquired the 50% stake in the Sossego joint venture which we did not already own from our former partner, Phelps Dodge, for US$42.5 million.

In November 2001, we agreed to form a 50/50 joint venture to explore new opportunities to produce and process copper with Corporacion Nacional del Cobre de Chile, or Codelco, the world's largest copper producer.

Exploration

As part of our mineral prospecting and development activities in Brazil, we have acquired extensive experience in exploration techniques and processes specifically designed for use in tropical areas of the world. Our current mineral exploration efforts are in Brazil and focus primarily on copper. Expenditures for our mineral exploration program in the first nine months of 2001 and 2000 were US$31 million and US$34 million, respectively.

Since 1998, we have focused our exploration efforts on areas where geological knowledge was more advanced, focusing primarily on gold and copper, and let lapse those claims we did not consider economically attractive. As a result, our undeveloped acreage claims decreased from approximately 31.2 million hectares at December 31, 1997, to approximately 7.0 million hectares at December 31, 2001.

Mineral Risk Contract. We and BNDES entered into a 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 resources in approximately two million identified hectares of land in the Carajas region, which is part of the Northern System, 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 were specifically excluded from the Mineral Risk Contract.

Pursuant to the Mineral Risk Contract, we and BNDES each agreed to provide US$205 million, which represents half of the US$410 million 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 will oversee these projects and BNDES will advance us half of our costs on a quarterly basis. Under the Mineral Risk Contract, at December 31, 2001, we and BNDES each had remaining commitments to contribute an additional US$77.5 million toward exploration and development activities. In the event that either one of us wishes to conduct further exploration and development after having spent such US$205 million, 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 (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.

LOGISTICS

We conduct our logistics business, which comprises the transportation of third party products and passengers, together with related support services, as follows:

[FLOW CHART]

The table below sets forth information regarding our third party logistics revenues and sales by geographic market for the periods indicated.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE NINE MO ENDED SEPTEMBER	
	1998	1999	2000	2000	20
	(IN MILLIONS OF US$)				
Export market					
Latin America	US$ 5	US$ 13	US$ 30	US$ 16	US$
United States	36	34	64	53	
Europe	40	31	75	56	
Middle East	2	3	6	3	
Japan	31	9	15	8	
Asia, other than Japan	15	9	5	7	
Others	6	1	--	--	
	135	100	195	143	
Domestic sales	396	318	403	295	
	US$531	US$418	US$598	US$438	US$

Railroads

Vitoria-Minas Railroad. The Vitoria-Minas railroad, in the Southern System, originates near the city of Belo Horizonte and our Itabira mines in the state of Minas Gerais. We operate this railroad under a 30-year renewable concession granted by the Brazilian government in July 1997. This railroad extends 905 kilometers to our Tubarao marine terminal located near the port of Vitoria in the state of Espirito Santo. The Vitoria-Minas railroad consists of two lines of track extending for a distance of 601 kilometers to permit continuous railroad travel in opposite directions, and single-track branches of 304 kilometers.

Industrial manufacturers are located near this area and major agricultural regions are adjacent and accessible to the Vitoria-Minas railroad. The Vitoria-Minas rolling stock fleet consists of approximately 204 locomotives,

7,603 ore-cars, 5,879 cars for general cargo and 61 passenger cars. The Vitoria-Minas railroad carried a total of 83.4 million tons of iron ore and other cargo in the first nine months of 2001 (of which 55.7 million tons consisted of cargo transported for third parties). The Vitoria-Minas railroad also carried approximately 1.1 million passengers in the first nine months of 2001.

The principal cargo of the Vitoria-Minas railroad consists of:

- iron ore, carried for us,
- steel, coal and pig iron, carried for steel manufacturers located along the railroad, and
- limestone, carried for steel mills located in the states of Minas Gerais and Espirito Santo.

We charge market rates for third party freight, including pellets, aluminum and pulp and paper originating from joint ventures and other enterprises in which we do not own 100% of the equity interest. Market rates vary based upon the distance traveled, the kind of product and the weight of the freight in question.

The table below sets forth information regarding the cargo that the Vitoria-Minas railroad transported for the periods indicated.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE NINE MON ENDED SEPTEMBER	
CARGO	1998	1999	2000	2000	20
	(IN THOUSANDS OF TONS)				
Third Party					
Iron ore and pellets	57,033	53,292	56,986	43,269	37,
Steel	5,042	4,745	5,542	3,976	4,
Coal	4,236	4,223	4,905	3,654	3,
Pig iron	2,016	2,042	2,585	2,056	2,
Limestone and dolomite	1,932	2,149	2,609	1,935	2,
Grain	1,752	1,655	2,410	1,882	1,
Coking coal	779	525	854	588	
Oil	362	285	334	204	
Other	3,523	4,143	4,284	3,114	3,
Third party subtotal	76,675	73,059	80,509	60,678	55,
CVRD Group					
Iron ore	26,473	26,322	29,338	21,944	26,
Wood pulp	708	726	756	582	
Other	925	722	1,281	994	
CVRD Group subtotal	28,106	27,770	31,375	23,520	27,
Total	104,781	100,829	111,884	84,198	83,

Carajas Railroad. We operate the Carajas railroad under a 30-year renewable concession granted by the Brazilian government in June 1997. This railroad, located in the Northern System, starts at our Carajas iron ore mines

in the state of Para, and extends 892 kilometers to our Ponta da Madeira marine terminal facilities located near the port of Sao Luis in the state of Maranhao. The Carajas railroad consists of one line of track, with spur tracks and turn-outs to permit the passage of trains in opposite directions. The Carajas fleet consists of approximately 88 locomotives, 4,006 ore-cars, 745 cars for general cargo and 37 passenger cars. The Carajas railroad carried a total of 42.5 million tons of iron ore and other cargo in the first nine months of 2001 (of which 4.7 million tons, or 11.0%, consisted of cargo transported for third

parties). The Carajas railroad also carried approximately 326,000 passengers in the first nine months of 2001 and 475,000 passengers in 2000.

The table below sets forth information regarding the cargo the Carajas railroad transported for the periods indicated.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE NINE ENDED SEPTEMB
CARGO	1998	1999	2000	2000
	(IN THOUSANDS OF TONS)			
Iron ore				
CVRD Group	43,881	41,683	45,353	32,626
Third party	2,242	2,246	2,544	1,734
Manganese ore				
CVRD Group	898	807	1,339	975
Pig iron	1,243	1,321	1,526	1,027
Vehicles	306	120	142	103
Fuels	399	383	394	276
Soy beans	357	426	491	491
Other	120	114	127	79
Total	49,446	47,100	51,916	37,311

Other Investments. We hold a 20% interest in the voting capital of Centro-Atlantica, which operates the central east regional railway network of the Brazilian national railway system under a 30-year renewable concession granted by the government in August 1996. The central east network contains approximately 7,000 kilometers of track extending into the states of Sergipe, Bahia, Espirito Santo, Minas Gerais, Goias, Rio de Janeiro and Distrito Federal. It connects with our Vitoria-Minas railroad near the cities of Belo Horizonte and Vitoria. Centro-Atlantica currently operates on the same track gauge as our Vitoria-Minas railroad. Centro-Atlantica reported net revenues of US$81 million and a net loss of US$60 million in the first nine months of 2001 and net revenues of US$120 million and a net loss of US$40.7 million in 2000.

We also hold a 30% stake in the Malha Nordeste railroad through Companhia Ferroviaria do Nordeste, known as CFN. The Malha Nordeste railroad operates under a 30-year concession granted by the Brazilian government in December 1997. Malha Nordeste is an existing rail line with 4,342 kilometers of track extending into the states of Maranhao, Piaui, Ceara, Rio Grande do Norte, Paraiba, Pernambuco, Alagoas and Sergipe. The Malha Nordeste line comes close to our Carajas line in the Northern System but is built on a narrower gauge. The Malha Nordeste line requires significant modernization, and the owners are currently

discussing the amount of investment required to effect the modernization. CFN reported net revenues of US$5 million and a net loss of US$10 million in the first nine months of 2001 and net revenues of US$9.8 million and a net loss of US$17.7 million in 2000.

We are part of a consortium which won the auction for a 30-year concession for the Malha Paulista railroad in November 1998. We currently hold 18.7% of the total capital in this consortium, which was incorporated as Ferrovias Bandeirantes S.A., or Ferroban. We entered into this concession for a price of US$205.7 million. Ferroban is a 4,236 kilometer railroad linking the states of Sao Paulo, Minas Gerais and Parana. Ferroban reported net revenues of US$50 million and a net loss of US$34 million in the first nine months of 2001 and net revenues of US$65.7 million and a net loss of US$38.3 million in 2000.

In April 2001, we acquired 100% of Ferteco Mineracao S.A. Ferteco owns 9.6% of the total capital and 17.2% of the voting capital of MRS Logistica S.A. MRS is a 1,612 kilometer railroad which links the states of Rio de Janeiro, Sao Paulo and Minas Gerais, and has a capacity to transport 80 million tons per year. MRS operates under a 30-year renewable concession granted by the Brazilian government in November 1996.

The Brazilian government has the option to extend our railroad concessions when they expire. The table below sets forth the expiration date for each of our concessions:

RAILROAD	CONCESSION EXPIRATION DATE
Centro-Atlantica	August 2026
MRS	December 2026
Vitoria-Minas	June 2027
Carajas	June 2027
CFN	December 2027
Ferroban	December 2028

Ports and Terminals

We operate ports and terminals principally as a means to complete the distribution of our iron ore and pellets to ocean-going vessels serving the export market. For a detailed description of this distribution process, see "-- Ferrous Minerals -- Distribution." We also use our ports and terminals to handle third party cargo. In the first nine months of 2001, based on weight, 22% of the cargo handled by our ports and terminals represented cargo handled for third parties. In 2000, based on weight, 32% of the cargo handled by our ports and terminals represented cargo handled for third parties.

Tubarao/Praia Mole Marine Terminal. The Tubarao/Praia Mole marine terminal complex, which covers an area of approximately 18 square kilometers, is located near the port of Vitoria in the state of Espirito Santo and has two piers. Pier I can accommodate two vessels at a time, one of up to 80,000 DWT on the southern side and one of up to 120,000 DWT on the northern side. Pier II can accommodate one vessel of up to 300,000 DWT at a time. In Pier I there are two shiploaders which can load up to a combined total of 14,000 tons per hour. In Pier II there are two shiploaders that work alternately and can each load up to 16,000 tons

per hour. We operate a grain terminal, accessible by highway in the Tubarao area, with an annual capacity of 1.5 million tons and a maximum loading speed of 1,500 tons per hour. We also operate a bulk liquid terminal with a capacity of 2.0 million cubic meters. There are two berths in the Tubarao terminal: one is for transportation of grains, with a capacity of 3 million tons a year, and the other is for transportation of general cargo and fertilizers.

The table below sets forth information on cargo shipped through our Tubarao/Praia Mole marine terminal by tonnage for the periods indicated.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE NINE ENDED SEPTEMB
CARGO	1998	1999	2000	2000
	(IN THOUSANDS OF TONS)			
Iron ore and pellets				
CVRD Group	37,768	42,017	39,397	34,813
Third party	34,065	23,433	31,629	17,087
Coal	7,160	7,497	8,252	5,857
Grain	1,327	1,302	1,889	1,379
Cooking coal	973	603	999	627
Pig iron	1,774	1,867	2,081	1,662
Fertilizers	292	405	334	180
Other	1,339	3,023	4,770	4,485
Total	84,698	80,147	89,351	66,090

Ponta da Madeira Marine Terminal. The Ponta da Madeira marine terminal complex is located near the port of Sao Luis in the state of Maranhao. The Ponta da Madeira port facilities can accommodate two

vessels. Pier I can accommodate vessels displacing up to 420,000 DWT. Pier II can accommodate vessels of up to 155,000 DWT. The two berths have a maximum loading rate of 16,000 tons per hour at Pier I and 8,000 tons per hour at Pier II.

The table below sets forth information on cargo shipped through our Ponta da Madeira marine terminal by tonnage for the periods indicated.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE NINE ENDED SEPTEMB
CARGO	1998	1999	2000	2000
	(IN THOUSANDS OF TONS)			
CVRD Group				
Iron ore	42,921	41,531	46,178	34,068
Manganese ore	920	787	1,293	985
Third Party				
Pig iron	1,197	1,223	1,533	1,036

Soy beans	372	451	561	534
Total	45,410	43,992	49,565	36,623

Other Investments. In September 1994, we licensed the Inacio Barbosa marine terminal, located in the state of Sergipe, near our potash mine. Under the terms of the ten-year agreement we entered into with Sergiportos, a state-owned port company, we receive 40% of the net operating profit of the terminal and must manage the terminal.

In May 1998, we entered into a 25-year lease for the Capuaba marine terminal in Vitoria, in the state of Espirito Santo. We shipped 789,000 tons of cargo during the first nine months of 2001 from Capuaba, and 1,833,000 tons of cargo during 2000.

In September 1998, we acquired a 50% indirect interest in the lease of the Sepetiba container terminal, operated by Sepetiba Tecon S.A. Companhia Siderurgica Nacional, or CSN, holds the remaining 50% of Sepetiba Tecon. The lease has a term of 25 years and we can renew it for an additional period of 25 years. The price for the concession was approximately US$79 million, of which we have already paid US$33 million. The remainder is due in 276 monthly installments starting after the completion of certain investments by Companhia Docas do Rio de Janeiro required under the concession contract. We expect payments to start in January 2003.

Divestitures. In August 2001, we sold our 50% interest in the Rio Doce Pasha marine terminal, located in the port of Los Angeles in Los Angeles, California, to our partner in the joint venture, the Pasha Group, for approximately US$10 million. This marine terminal principally handles imports of steel slabs for California Steel Industries, Inc., or CSI, our steelmaking joint venture located approximately 60 miles inland from the terminal.

Shipping

Navegacao Vale do Rio Doce S.A., known as Docenave, and its affiliated companies conduct our principal shipping activities. Founded in 1962 to support iron ore distribution, Docenave has since expanded its transportation capabilities to serve foreign and domestic third party customers.

We are currently seeking to divest our interests in our dry-bulk shipping business. In September 2001, we reached an agreement to sell six of Docenave's carrier vessels, with a total capacity of 592,240 DWT, to Empresa Naviera Elcano, S.A., a Spanish company, for US$53 million. This transaction closed in February 2002. We intend to sell Docenave's remaining dry-bulk assets in the future, but have reached no agreement regarding this sale to date. Although Docenave's revenues increased by 67% in 2000 compared to 1999, this increase was largely offset by increased operating costs. Docenave reported an operating gain of US$18 million for the first nine months of 2001, and operating loss of US$18 million in 2000, compared to an operating loss of US$35 million in 1999. In addition to Docenave's overall lack of profitability, our

decision to sell our dry-bulk shipping fleet is also a result of the significant investment we would have to undertake to replace our existing fleet in the future. In addition to its dry-bulk activities, Docenave regularly operates charter vessels on short and medium-term charters, including an average of approximately 14 vessels in 2001.

The table below sets forth information on the cargo our shipping operations

transported for the periods indicated.

CARGO	FOR THE YEAR ENDED DECEMBER 31, 1998	1999	2000	FOR THE NINE ENDED SEPTEMB 2000
	(IN THOUSANDS OF TONS)			
Iron ore				
CVRD Group	3,317	1,328	3,058	6,296
Third party	13,780	12,514	15,608	7,203
Coal	7,986	6,541	7,452	5,117
Other	7,175	8,142	9,031	7,019
Total	32,258	28,525	35,149	25,635

Major customers of Docenave include steelmakers (iron ore exports), Alunorte (domestic bauxite purchases) and Brazilian steelmakers (coal imports).

Competition in the logistics industry

The lower costs of rail transport compared to road transport costs in the routes served by the Carajas railroad restrict the competition. Competition with the Vitoria-Minas railroad is limited with respect to its principal minerals and bulk products cargo due to the comparative cost advantage of rail transport over road transport for the same routes. The local trucking industry provides competition for the Vitoria-Minas railroad with respect to non-bulk cargo. The Centro-Atlantica railroad competes primarily with an established trucking industry to carry freight in the region it serves.

The Ponta da Madeira marine terminal does not face any significant competition due to its geographic distance from other comparable marine terminals and to its direct link with the Carajas railroad. The Tubarao/Praia Mole marine terminal faces limited competition for most types of cargo due to its direct link with the Vitoria-Minas railroad. However, with respect to some types of cargo and origins, it encounters competition from the port of Rio de Janeiro and the port of Santos.

Our shipping services compete with a wide variety of international bulk shipping companies. Competition for tonnage can be quite intense. It depends principally on price, as well as the size, age, condition and acceptability of a vessel and its operator to the customer. Varying economic factors can cause wide swings in freight rates and sudden shifts in traffic patterns. Vessel redeployment and new vessel construction can also lead to an overcapacity of vessels offering the same service or operating in the same market.

ENERGY

In 2001 and 2000, we consumed 12.5 TWh and 13.8 TWh of electricity, respectively. Energy management and supply has become a priority for us, driven both by the Brazilian government's privatization program of the industry, and by the risk of rising electricity prices and electricity rationing due to energy shortages, such as the one Brazil experienced in the second half of 2001. We currently perceive favorable investment opportunities in the Brazilian

electricity sector and are taking advantage of them to invest in the hydroelectric power generation projects discussed below. These projects will sell their production to third parties in the power market, and, as a result, our energy department will be engaged in wholesale marketing activities. Our energy business is comprised of the sale but not the delivery of electricity. We may use some of the electricity from these projects for our internal needs. As we are a large consumer of electricity, we expect that investing in the energy business will help protect us against electricity price volatility.

We are entering the energy business through the following investments:

[CVRD ENERGY FLOW CHART]

Among our partners in these investments, Companhia Energetica de Minas Gerais, known as Cemig and Companhia Estadual de Energia Eletrica, known as CEEE, are state-government controlled companies. Cemig Capim Branco Energia S.A. is an affiliate of Cemig. Alcan Aluminio do Brasil Ltda., known as Alcan, is an affiliate of Alcan Inc. Comercial e Agricola Paineiras Ltda., known as Paineiras, is an affiliate of Suzano Participacoes S.A. Petroleo Brasileiro S.A., known as Petrobras, is controlled by the Brazilian government. Billiton Metais S.A. is a wholly-owned subsidiary of BHP Billiton. Serra de Mesa Energia S.A., known as Serra da Mesa, is an affiliate of the VBC Group, which includes Votorantim Participacoes S.A., Banco Bradesco S.A. and Camargo Correa S.A. Companhia Mineira de Metais, known as CMM, and Votorantim Cimentos S.A. are affiliates of Votorantim Participacoes S.A. Alcoa Aluminio S.A., known as Alcoa, is an affilate of Alcoa Inc. Mineracao Morro Velho Ltda., known as MMV, is an affiliate of Anglo American Brasil Ltda., which in turn is affiliated with Anglo American PLC. Companhia de Tecidos do Norte de Minas, known as Coteminas, is affiliated with Coteminas International Ltd.

The table below sets for the information regarding our power generation projects.

PROJECT	COMMENCEMENT OF OPERATIONS	OUR OWNERSHIP INTEREST	PROJECTED CAPACITY	OUR TOTAL INVESTMENT A SEPTEMBER 30,
		(PERCENT)	(IN MW)	(IN
Igarapava(1).....	January 1999	38.1%	210	US$87.94
Porto Estrela(2).....	September 2001	33.3	112	19.05
Aimores(3).....	December 2003(6)	51.0	330	14.07
Candonga(3).....	November 2003(6)	50.0	140	6.60
Funil(1).....	December 2002(6)	51.0	180	15.96
Capim Branco I(4).....	September 2004(6)	48.4	240	0.092
Capim Branco II(4).....	February 2005(6)	48.4	210	0.131
Foz do Chapeco(5).....	July 2006(6)	40.0	855	--
Santa Isabel.....	July 2006(6)	43.9	1,087	--

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(1) Located in Rio Grande, on the border between Sao Paulo and Minas Gerais.

(2) Located in Santo Antonio river, in the state of Minas Gerais.

(3) Located in Rio Doce basin, in the state of Minas Gerais.

(4) Located in Araguari river, in the state of Minas Gerais.

(5) Located in Uruguai river, on the border of the states of Santa Catarina and Rio Grande do Sul.

(6) Projected date of commencement of operations of the first unit of the project.

Our total investment in the hydroelectric projects at Igarapava, Porto Estrela, Funil, Candonga, Aimores, Capim Branco I, Capim Branco II and Foz do Chapeco is estimated at US$504 million. We cannot assure you that the aggregate cost will not escalate or that the projects will be completed on schedule.

Due to the energy shortage in the second half of 2001, and in response to the Brazilian government's energy rationing program, we temporarily reduced our aluminum and ferro-alloy production. For a description of these measures, see "Risk Factors -- Risks Relating to Brazil -- The Brazilian government's energy rationing program could adversely affect us," "-- Ferrous Minerals -- Manganese and Ferro-Alloys," "-- Holdings -- Aluminum Business -- Aluminum -- Albras" and "-- Holdings -- Aluminum Business -- Aluminum -- Valesul."

HOLDINGS

Our holdings are comprised primarily of our aluminum operations, our pulp and paper business and our interests in the steel industry. We are currently selling our pulp and paper business, as well as some of our interests in the steel industry.

The table below sets forth information regarding our holdings revenues and sales by geographic market for the periods indicated.

	FOR THE YEAR ENDED DECEMBER 31,						
	1998		1999		2000		
	PULP & PAPER	ALUMINUM	PULP & PAPER	ALUMINUM	PULP & PAPER	ALUMINUM	STEEL
Export market							
Latin America	US$--	US$105	US$ --	US$ 5	US$ --	US$ 23	US$--
Europe	43	269	39	146	48	237	--
Middle East	--	--	--	--	--	16	--
Japan	--	--	--	94	--	34	--
United States	37	44	62	23	73	39	--
Asia, other than Japan	--	--	--	50	--	2	--
Others	--	1	--	--	--	--	--
	80	419	101	318	121	351	--
Domestic sales	8	65	10	62	21	12	1
	US$88	US$484	US$111	US$380	US$142	US$363	US$1

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,

	2000			2001		
	PULP & PAPER	ALUMINUM	STEEL	PULP & PAPER	ALUMINUM	STEEL
Export market						
Latin America.....	US$ --	US$ 17	US$--	US$--	US$ 8	US$--
Europe.....	--	172	--	7	161	--
Middle East.....	--	16	--	--	--	--
Japan.....	--	34	--	--	--	--
United States.....	114	34	--	42	33	--
Asia, other than Japan.....	--	1	--	--	23	--
Others.....	--	--	--	--	--	--
	114	274	--	49	225	--
Domestic sales.....	9	11	1	7	1	--
	US$123	US$285	US$1	US$56	US$226	US$--

Aluminum Business

We conduct our aluminum business as follows:

[CVRD ALUMINUM FLOW CHART]

Our wholly-owned subsidiary, Aluvale, manages our aluminum operations through participation in joint ventures that engage in:

- mining bauxite,

- refining bauxite into alumina, and

- using alumina to produce primary aluminum and aluminum alloys.

Aluvale's principal operating activity consists of marketing the aluminum produced by Albras -- Aluminio Brasileiro S.A., or Albras, and Valesul Aluminio S.A., or Valesul. Gross revenues from aluminum products totaled US$224 million in the first nine months of 2001, and US$362 million in 2000.

Bauxite

MRN, the largest bauxite producer in Latin America and one of the largest in the world, produces bauxite for sale to its joint venture partners. Excess production may be sold to third parties. MRN operates two open-pit bauxite mines which produce high quality bauxite. In addition, MRN controls substantial additional high quality bauxite resources which it believes can be produced economically in the future. MRN had net revenues of US$148 million and net income of US$53 million in the first nine months of 2001, and net revenues of US$217 million and net income of US$91 million in 2000.

MRN's mines are located in the northern region of the state of Para. The table below sets forth information regarding MRN's bauxite reserves at December 31, 2000. The estimates of mineral reserves have been audited and verified by

MRDI.

MINE	TYPE	PROVEN AND PROBABLE RESERVES(1) ORE TONNAGE (IN MILLIONS OF TONS)	GRADE (% AL203)
Mineracao Rio do Norte(2)	Open pit	166.8	50.5

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(1) Reported as recoverable product.

(2) Includes two active mines.

Operations at MRN's mines commenced in 1979 and are projected to exhaust in 2016 at 2000 production levels. For the first nine months of 2001 and 2000, and for the years 2000, 1999, and 1998, production equaled 7.9 million, 8.2 million, 11.2 million, 11.0 million, and 10.1 million tons, respectively.

MRN operates ore beneficiation facilities at its mines, which are connected by rail to a loading terminal and port facilities on the Trombetas River. The Trombetas River is a tributary of the Amazon River, and MRN's port facilities can handle vessels of up to 50,000 DWT. MRN owns and operates the rail and the port facilities serving its mines. The MRN bauxite mines are accessible by road from the port area and obtain electricity from their own thermoelectric power station.

MRN is undertaking an expansion of its capacity from 11.0 million tons to 16.3 million tons in 2003. The cost of this expansion is estimated at US$206 million.

Alumina

Alunorte began operations in July 1995 and produces alumina by refining bauxite which MRN supplies. The Alunorte plant has a production capacity of 1.5 million tons of alumina per year. In the first nine months of 2001 and in 2000, it produced 1.2 million and 1.6 million tons, respectively. Alunorte sells the major portion of its production to Albras, Valesul and Aluvale for the production of aluminum. The Alunorte plant is located near Belem in the state of Para next to Albras's aluminum production facilities. This allows Alunorte and its principal customer to share infrastructure and other resources. Alunorte had net revenues of US$227 million and a net loss of US$79 million in the first nine months of 2001 and net revenues of US$322 million and net income of US$23 million in 2000.

With the exception of MRN, each Alunorte joint venture partner must purchase on a take-or-pay basis all alumina produced by Alunorte in proportion to its respective interest. MRN also has the right, but not the obligation, to purchase its share of Alunorte's production. The joint venturers each pay the same price, which is determined by a formula based on prevailing world market prices of alumina and aluminum. In the aggregate, we are committed to take-or-pay 465,816 metric tons per year of alumina

produced by Alunorte, which at a market price of US$194.17 per metric ton at September 30, 2001, represents an annual commitment of US$90 million.

In 2000, Alunorte's partners agreed to contribute an additional US$126 million in equity capital to expand Alunorte's capacity from 1.5 million tons of alumina per year to 2.3 million tons by 2002, a project which is expected to cost approximately US$280 million. Our share of this contribution is US$42 million to be paid over six installments. Due to this contribution, our equity interest in Alunorte will be diluted to 44.4% of the total capital by 2002, although our voting interest will remain unchanged at 50.3%.

Aluminum

Albras and Valesul each produce aluminum using alumina which Alunorte supplies. Alunorte has supplied all of Albras's alumina requirements since October 1995. Albras produces aluminum ingots and Valesul produces aluminum ingots, slabs, bars, billets and alloys. Aluminum is produced from alumina by means of a continuous electro-chemical process which requires substantial amounts of electricity.

Albras

The Albras plant is one of the largest aluminum plants in Latin America, with a capacity of approximately 406,000 tons per year. Albras started its operations in 1985 at a plant located near Belem in the state of Para. Albras had net revenues of US$383 million and a net loss of US$72 million in the first nine months of 2001, and net revenues of US$551 million and net income of US$129 million in 2000.

The Albras joint venture partners must purchase on a take-or-pay basis all aluminum produced by Albras in proportion to their ownership interests which represents an annual commitment from us of US$275 million. See note 15(d) to our consolidated financial statements. We generally market our share of Albras's output in international export markets.

The table below sets forth information regarding Albras's recent aluminum production and our recent purchases from Albras.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
ALUMINUM	1998	1999	2000	2000	2001
	(IN THOUSANDS OF TONS)				
Albras production	342.0	358.0	366.0	275	261
Our purchases from Albras	174.0	183.0	187.0	140	133

At September 30, 2001, Albras had US$583 million of long term outstanding debt, of which US$210 million was denominated in Japanese yen (approximately 57% of which was hedged into U.S. dollars). To reduce the impact of price fluctuations and to assure adequate cash flow, Albras engages in hedging activities from time to time, usually through one-year forward sales. For more information on these hedging activities, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations -- Market Risk -- Commodity Price Risk."

In 2001, Albras obtained a financing package with BNDES aimed at financing the expansion of the Albras plant from a capacity of approximately 366,000 tons per year to a capacity of approximately 406,000 tons per year. In 2001, Albras invested US$25.5 million in this expansion project, which was completed in the fourth quarter of 2001. The total cost of this project was US$55 million. Consequently, Albras' production capacity increased by 40,000 tons.

Electricity. The production of aluminum requires a continuous flow of substantial amounts of electricity. Albras purchases electrical power from Eletronorte, a state-owned electric power utility. Eletronorte generates electricity at the Tucurui hydroelectric power plant located on the Tocantins river. This plant is the sole source of electrical power in the region in the quantities required for Albras's operations. Albras consumes approximately one-quarter of the constant (year round) output of the Eletronorte plant.

We currently benefit from a contract between Albras and Eletronorte pursuant to which Albras is able to purchase electricity at favorable rates. This contract is scheduled to expire in 2004. We cannot assure you that we will be able to renew this contract on the same or similarly favorable terms. We, together with other aluminum producers in the region, are currently investigating alternative electricity sources. For a detailed description of our investments in alternative electricity sources, see "-- Our Lines of Business -- Energy."

Due to the energy shortage and the Brazilian government's energy rationing program which required an energy consumption decrease of 25% for aluminum related activities, we reduced 2001 aluminum production at Albras by 46,000 tons to 333,000 tons from the previously planned 379,000 tons. Despite this mandatory temporary reduction, we continue to pursue our long-term plan to expand our aluminum operations. In January 2002, Albras began operating at full production capacity, which has increased to 406,000 tons following the completion of the Albras plant expansion project. For information on the risk associated with the Brazilian government's energy rationing program, see "Risk Factors -- Risks relating to Brazil -- The Brazilian government's energy rationing program could adversely affect us."

Valesul

Valesul started its operations in 1982 and operates a plant located in the state of Rio de Janeiro. Valesul produces primary aluminum and aluminum alloys in the form of ingots, slabs, bars and billets. Valesul's aluminum is sold primarily in the domestic Brazilian market on a spot basis. Valesul had net revenues of US$103 million and a net income of US$15 million in the first nine months of 2001, and net revenues of US$148 million and net income of US$21 million in 2000.

The table below sets forth information regarding Valesul's primary aluminum production, third party scrap recycled by Valesul and our recent tolling acquisitions from Valesul.

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
ALUMINUM	1998	1999	2000	2000	2001
	(IN THOUSANDS OF TONS)				

Valesul production	93.6	91.7	93.8	68.5	61.2
Third party scrap recycled	15.4	20.1	19.5	14.4	15.3
Our acquisitions from Valesul	59.8	50.7	--	--	--

At the end of 1999, Aluvale and Billiton, Valesul's shareholders, decided to terminate the tolling agreement in force since 1987. Consequently, since January 1, 2000, Valesul independently purchases its raw material requirements and operates as a company in its own right.

Electricity. Valesul currently obtains approximately 20% of its electrical energy requirements from four of our hydroelectric power plants located in the state of Minas Gerais and the remainder from a third party power company at market rates. The Brazilian federal power system uses a two-tiered (peak and off-peak) rate structure, with electricity during peak hours costing considerably more than off-peak electricity. Valesul has invested substantial amounts to reduce its electricity cost during peak hours. If its initiatives are successful, Valesul could realize substantial cost savings in producing aluminum. To address Valesul's need for reliable electrical power sources, we have built a ten megawatt hydroelectric power plant at Rio Preto in the state of Minas Gerais, which began operations in October 1997. Valesul is also a participant in another power plant, known as Machadinho, that will be operational in 2002 and will ensure a self-sufficient power supply in peak hours.

Due to the energy shortage and the Brazilian government's energy rationing program which required an energy consumption decrease of 25% for aluminum related activities, we reduced 2001 aluminum production at Valesul by 13,000 tons to 80,000 tons from the previously planned 93,000 tons. Valesul decreased the production of ingots, a commodity traded on the London Metal Exchange. Valesul did not alter the production of higher value added products, such as alloys and billets, that are sold under contracts with customers. Despite this mandatory temporary reduction, we continue to pursue our long-

term plan to expand our aluminum operations. For information on the risks associated with the Brazilian government's energy rationing program, see "Risk Factors -- Risks Relating to Brazil -- The Brazilian government's energy rationing program could adversely affect us."

Competition in the Aluminum Business

Competition in the bauxite export market is based primarily on two key factors: quality of bauxite and reliability of purchasers. We believe that MRN remains competitive in this market because of:

- the high quality of Brazilian bauxite, and
- our aluminum production system which ensures internal use of our bauxite production.

Quality, price and reliability of supply drive competition in the alumina market. We believe that Alunorte is competitive in the alumina market because of:

- its proximity to MRN's bauxite mines,
- its newly developed refinery facilities,

- its efficient port facilities, and

- the on-going support of its owners in committing to purchase a substantial portion of its annual production.

Aluminum is a commodity and competition is based primarily on the economics of transportation and the costs of production. We believe that Albras is competitive in the aluminum market because of:

- its relatively efficient and accessible port facilities, and

- its generally prevailing lower costs of production.

Pulp and Paper Division

We conduct our pulp and paper business as follows:

[CVRD PAPER FLOW CHART]

In the first half of 2001, we sold our 32% ownership interest in Bahia Sul Celulose S.A., known as Bahia Sul, to our joint venture partner Companhia Suzano de Papel e Celulose, or Suzano, for approximately US$320 million. Under the terms of the acquisition agreement, Suzano agreed to guarantee Bahia Sul's debt of US$116 million.

On September 14, 2001, we concluded the sale of our 51.5% stake in Celulose Nipo-Brasileira S.A., known as Cenibra, to the Japanese consortium which held the other 48.5% stake in Cenibra, for US$670.5 million.

Our remaining interests in the pulp and paper industry currently consist of our Celmar S.A. joint venture with Japanese partners, and our forestry subsidiary, Florestas Rio Doce S.A. We continue to explore the divestiture of these businesses in order to concentrate on our core mining, logistics and energy businesses.

Steel Business

We conduct our steel business as follows:

[CVRD STEEL FLOW CHART]

In line with our strategy to consolidate and focus on mining, logistics and energy, on December 31, 2000 we reached an agreement to unwind our cross holdings with CSN, which we completed in March 2001. Additionally, in December 2000 we exchanged our 2.28% interest in Aco Minas Gerais S.A., or Acominas, a privately held steel company for US$10 million worth of preferred shares of Gerdau S.A., a publicly listed steel holding company, which shares we intend to sell in the future. We might cease owning shares in Usiminas in the future, in which case, our steel investments will be in CST, Siderar, and one steelmaker in the United States, CSI. CSI is the principal purchaser of slabs from CST, with whom we have an exclusive supply contract for iron ore and pellets. In addition, our participation in CSI gives us access to and experience dealing with the U.S. market, where we currently have a very small market share. For these reasons, we intend to hold our investment in CSI.

The following table sets forth information on our continuing interests in makers of steel products.

INVESTMENT	LOCATION	2000 PRODUCTION (IN MILLIONS OF TONS)(1)	2000 NET REVENUES (IN MILLIONS OF US$)(2)	PRINCIPAL PR
CSI	United States	1.8	721	Hot-rolled steel rolled steel; ga steel; steel tub
CST(3)	Brazil	4.9	1,008	Steel slabs
Usiminas	Brazil	4.5	1,224	Hot-rolled steel rolled steel; he plates; electro steel
Siderar	Argentina	2.3	928	Hot-rolled steel rolled steel; ga steel; tin plate

(1) Production in million of tons of crude steel for all steelmakers except CSI, and in millions of tons of finished products for CSI.

(2) Represents amounts translated from local financial statements and converted into U.S. dollars (where applicable) at prevailing year-end exchange rates.

(3) We are party to a shareholders' agreement which permits us to participate in a control group.

The market value of our investments in CST, Usiminas, and Siderar, all of which have publicly traded equity, was US$135 million at September 30, 2001. The aggregate net book value of these investments was US$79 million at September 30, 2001. The aggregate net book value of our total investments in steel producing companies (including CSI, a privately held company) was US$194 million at September 30, 2001. We earned US$27 million in dividends from these investments in 2000, and US$26 million in the first nine months of 2001.

Fertilizers

We conduct our fertilizer business primarily through our stake in Fertilizantes Fosfatados S.A., or Fosfertil, a company that produces and sells nitrate and phosphate based fertilizers. Our total and voting interest in Fosfertil is 11.0%. Our main partner in Fosfertil is Fertifos-Administracao e Participacoes S.A.

E-Business

In 2000, we acquired an ownership interest in Quadrem International Holding Ltd., which operates a global procurement website for the mining and metallurgical industries. Quadrem was launched in the last quarter of 2001.

The table below sets forth information regarding share ownership by each company owning more than 5% of the shares in Quadrem:

NAME	SHARES OWNED	PERCENT OF COMPANY

Alcan Finances (Bda) Ltd.	118,782	9%
Anglo American Luxembourg S.A.	118,782	9
BHP Holdings (Resources) Inc.	118,782	9
Itabira Rio Doce Company Ltd.	118,782	9
Rio Tinto Overseas Holdings Limited	118,782	9
Alcoa International Holdings Company	79,188	6
Codelco International Limited	79,188	6
Compagnie Generale de Participation Industrielle et Financiere	79,188	6
Phelps Dodge Corporation	79,188	6
WMC Resources International Pty Ltd. Corp.	79,188	6

Each of the remaining eleven companies that participate in Quadrem holds 3% or less of the total shares.

We have committed to provide US$9 million in funding for Quadrem. All of our partners have also committed to provide funds in proportional amounts relative to their share in Quadrem.

In September 2000, we incorporated Valepontocom S.A., a vehicle for development of and participation in e-business. With an initial investment of US$50 million to be made up to the end of 2001, Valepontocom plans to participate in both vertical (industry-specific) and horizontal (goods and services common to all industries) websites, in order to provide negotiation and delivery services to customers using our transportation assets and those of third-parties.

In February 2001, Valepontocom launched Solostrata (www.solostrata.com.br), a website that provides a virtual marketplace in which farmers may buy and sell their products. Solostrata seeks to facilitate input and product transactions as well as logistics services. Presently, Solostrata is 100% owned by Valepontocom, but, in the future, it may have additional shareholders. In 2001, we invested US$4.9 million in this new venture.

In April 2001, Valepontocom launched Multistrata. Multistrata was designed to create an electronic marketplace for logistics services, particularly railroads, in the Mercosur region. Multistrata operates a website (www.multistrata.com.br) which provides a link between providers of logistics services and their

clients, and also provides consulting services relating to logistics. The Multistrata website also provides daily news on the logistics business. During its initial phase, Multistrata will be dealing with the following sectors: agriculture, mining, chemical, steel, cement, pulp and paper and containers logistics. In later stages, it intends to render services to the beverage, food, pharmaceutical and electronics sectors. In Brazil, the Internet industry is not subject to any specific regulation.

At September 30, 2001, we had invested US$23 million in our e-business ventures. All e-business related projects are still in the implementation phase and have not generated any revenue to date. We have begun to restructure our e-business. Among other things, we plan to merge Valepontocom into our parent company. Due to the evolving and uncertain nature of e-commerce, we are unable to predict if and when these operations will be profitable.

REGULATORY MATTERS

MINING

Under the Brazilian Constitution, all mineral resources in Brazil belong to the Brazilian government. The Brazilian Constitution requires that mining companies incorporate in accordance with Brazilian law.

The Brazilian Constitution and Mining Code impose on mining companies various regulatory restrictions relating to, among other things:

- the manner in which mineral deposits are exploited,

- the health and safety of workers,

- the protection and restoration of the environment,

- the prevention of pollution, and

- the promotion of local communities where mines are located.

Mining companies in Brazil can only prospect and mine for mineral resources pursuant to prospecting authorizations or mining concessions granted by the National Mineral Production Department, Departamento Nacional de Producao Mineral, or DNPM, an agency of the Ministry of Mines and Energy of the Brazilian government. DNPM grants prospecting authorizations to a requesting party for an initial period of three years. These authorizations are renewable at DNPM's discretion for another period of one to three years, provided that the requesting party is able to show that the renewal is necessary for proper conclusion of prospecting activities. On-site prospecting activities must start within 60 days of official publication of the issuance of a prospecting authorization. Upon completion of prospecting activities and geological exploration at the site, the grantee must submit a final report to DNPM. If the geological exploration reveals the existence of a mineral deposit that is economically exploitable, the grantee will have one year (which DNPM may extend) from approval of the report by DNPM to apply for a mining concession or to transfer its right to apply for a mining concession to a third party. When a mining concession is granted, the holder of the concession must begin on-site mining activities within six months. DNPM grants mining concessions for an indeterminate period of time lasting until the exhaustion of the mineral deposit. Extracted minerals that are specified in the concession belong to the holder of the concession. With the prior approval of DNPM, the holder of a mining concession can transfer it to a third party that is qualified to own concessions. In some cases, mining concessions are challenged by third parties.

The Brazilian government taxes mining companies on the basis of minerals extracted. It also imposes other financial obligations. For example, mining companies must compensate both private property owners for damage and loss of income caused by use and occupation of land and state or municipal governments where the mine is located. In the case of mining on private lands, mining companies must share production with landowners. A substantial majority of our mines and mining concessions are on lands owned by us or on public lands for which we hold mining concessions.

ENERGY

Under the present regulatory structure, the power industry in Brazil is comprehensively regulated by the Brazilian government, acting through the Ministry of Mines and Energy and ANEEL, the Brazilian electricity regulatory governmental agency. The role of the Ministry of Mines and Energy is to develop policies and regulations aimed at organizing and regulating the electricity sector. ANEEL's main function is to ensure the efficient and economical supply

of energy to consumers by monitoring prices and promoting market competition.

Under Law No. 8,987, concessions grant exclusive rights to generate and transmit or to distribute electricity in a particular area for a period of time that, in the opinion of ANEEL, is sufficient for the concessionaire to recover its investment, up to a limit of 35 years in the case of concessions for power generation. Concessions may be renewed at ANEEL's discretion for an additional period of equal duration. Concessionaires are required to supply electricity for public services at the established prices, on a continuing basis, in sufficient quantity and within approved standards of quality.

To mitigate the potential volatility of revenues for hydroelectric generators, ANEEL has implemented regulations that create the Energy Reallocation Mechanism, known as ERM, a mechanism for sharing hydrological risk among all generators.

In order to implement the ERM, ANEEL designates a level of energy production, known as Assured Energy, for each generator, every five years. Assured Energy is calculated in accordance with a statistical model based on average rainfalls in the relevant region, water flows of rivers and water levels in each plant's reservoir over a multi-year time frame. Each generator is promised payment for the amount of its Assured Energy, as long as ERM members as a whole are able to meet ERM Assured Energy levels. To the extent a generator has signed contracts for the sale of its Assured Energy, it receives payments based on these contractual terms, regardless of its level of actual generation. Each generator is allowed to enter into contracts to sell up to 100% of its Assured Energy. If all ERM members meet their contracted energy and there is still produced energy remaining, then there will be an allocation of the net regional surplus generation among generators in different regions.

Energy will be traded in the wholesale energy market, or MAE, at the price prevailing in the region in which the energy has been generated. MAE is the legal entity responsible for the operation of the wholesale energy market and seeks to ensure that purchases of energy in the short-term market are settled and cleared in an efficient manner. Originally created as a self-regulatory body, on February 22, 2002, MAE became a legal entity under supervision and regulation by ANEEL, due to MAE's failure in implementing a self-regulated energy market. MAE is expected to compute the spot price for energy according to guidelines that are currently in use and available to the public. The spot price is determined by the marginal cost of production according to market conditions and a number of policy and operational considerations, including the optimal use of resources, transmission bottlenecks, the costs of an energy deficit, the self-restraint of customers caused by a high spot price and projected energy requirements.

The concepts of Assured Energy and the ERM, together with bilateral contracts between generators and distributors, determine the annual revenues for each generator. Initial contracts between generators and distributors are power purchase agreements in which the parties agree to purchase and sell energy at tariffs set forth by ANEEL. Initial contracts will be valid and binding during a transition period until price deregulation is completed, when they will be fully replaced by bilateral contracts. Bilateral contracts between generators and distributors may be freely negotiated at any price level and with any form of pricing adjustment, subject to compliance with certain Brazilian legal requirements governing generally permissible indexation mechanisms in contracts.

ENVIRONMENTAL MATTERS

Federal, state and municipal legislation contain provisions for the control and protection of the environment in Brazil. These laws oversee the use of natural resources, the reclamation and restoration of mined areas, the control of atmospheric emissions, the treatment of industrial effluents, as well as the

use,

handling and final disposal of hazardous materials. It is possible that current environmental regulations will become more strict in the future. The strengthening of these laws may lead to greater costs for environmental compliance.

In order to conduct our mining, energy generation and industrial activities, we must prepare environmental impact assessments and submit them to authorities who oversee the granting of environmental permits. We are committed to complying with all legal requirements and to achieving the best relationship with the interested parties, especially the communities located near its operational activities. The implementation of the environmental management system in all of our installations and operations provides a systematic approach for the improvement of the legal compliance and the environmental performance of our activities.

Under Brazilian Federal Law No. 9,605, non-compliance with environmental laws and regulations can result in criminal penalties, such as imprisonment and other restrictions on personal rights for individuals (including directors, officers and managers of companies), and fines and the mandatory rendering of public services by companies. Administrative penalties range from warnings and fines to the suspension of corporate activities, and may also include the loss or reduction of the incentives, or the cancellation or interruption of credit facilities granted by governmental institutions.

Issuance of Environmental Licenses. We must obtain environmental licenses in order to build, install, expand and operate facilities that use natural resources or may pollute the environment. Our environmental policies aim to obtain the legally required licenses for each of our facilities and activities. We have entered into agreements with the appropriate environmental authorities with respect to facilities where environmental non-compliance has been detected in order to make these facilities compliant.

Prevention and Environmental Control Measures. Our environmental policies also aim to prevent, control and reduce the environmental impact caused by our business operations. To that end, we have made significant environmentally-related investments in our facilities and in employee training programs (approximately US$22.7 million in 2000). We are also investing in the development of environmental projects directed at the communities located near our operational facilities (approximately US$1.6 million in 2000).

In 1996, we developed an environmental management program which will be implemented in all of our installations and operations. This program provides a systematic approach to the improvement of the legal compliance and the environmental performance of our activities, and further acknowledges our commitment to high environmental standards. The following operational facilities have obtained the International Standards Organization ("ISO") certification No. 14001:

- Mineral Development Center, located in the state of Minas Gerais;
- iron and manganese mines located in Carajas, in the state of Para;
- mining complex of Timbopeba, located in Mariana, in the state of Minas Gerais; and
- Ponta de Madeira marine terminal, located in the state of Sao Luis.

Principal Environmental Projects. From 1994 to 2000, we developed an environmental program involving more than 70 projects, with a total investment of approximately US$120 million, of which US$50 million were financed by the World Bank. One of these projects, intended to reduce the atmospheric emissions from the Tubarao Marine terminal complex, has resulted in an enhancement of the air quality of the region (in the state of Espirito Santo), by reducing the total emission of particles by 62%.

With respect to improvements in water quality, we are currently developing several projects, including:

- control of the pollutants disposed into the sea and into the local rivers as well as proper use, handling and final disposal of hazardous materials into the Tubarao/Praia Mole marine terminal;

- collection and treatment of the industrial effluents created by the washing and maintenance of cars and wagons operated in the Vitoria Minas and in the Carajas railroads; and

- collection and treatment of industrial effluents disposed in the sea in the Ponta da Madeira marine terminal.

Our environmental program also includes reforestation projects which are intended to protect the soil against erosion processes, such as the Green Aisle Program (Programa Corredor Verde) at our Vitoria Minas railroad.

We are also pursuing other legally-required projects in connection with the restoration of lands degraded in the course of our mining operations. Environmental laws require us to spend at least 0.5% of the total cost of each venture with a material environmental impact to create and maintain protected sites.

PATENTS AND TRADEMARKS

We hold a significant number of patents, registered with the U.S. Patent and Trademark Office, and with the Brazilian Instituto Nacional de Propriedade Industrial, or INPI, governmental agencies responsible for the granting and registration of patent and trademarks rights in the United States and in Brazil, respectively. The majority of our patents relate to proprietary ore dressing processes. One of our most successful patents relates to a concentration process for lower grade iron ore, generally known as itabirite, which is widely used by other iron ore mining companies around the world. We are currently conducting technological research to permit commercial exploitation of our deposits of hard itabirites.

We have registered the "CVRD" trademark and our proprietary logo with the INPI related to the following categories:

- minerals in general,

- geology, prospecting, topography, photogrammetry, oceanography and land survey services,

- processing, treatment and dressing services in general,

- cargo transport services,

- ancillary services to transportation and warehousing, and

- research and analysis services of material for industrial purposes.

We renew our trademark registrations with the INPI every ten years.

INSURANCE

We carry insurance covering various types of risks, such as general liability, liability of officers and directors, automotive vehicles, fire, operational risks, operational risks of marine terminals and transportation of precious minerals, as well as group life insurance policy, insuring our employees. The policies are currently in full force and the related premiums were duly paid. We believe that our insurance coverage is adequate for the scope of our operations.

EMPLOYEES

The table below sets forth the number of our employees by category at the dates indicated.

	AT DECEMBER 31,		
	1999	2000	2001
Mining (other than gold)	4,478	4,948	6,141
Transportation	4,514	4,525	4,605
Gold	588	555	528
Other operational(1)	504	511	608
Administrative	659	903	1,522
Total	10,743	11,442	13,404

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(1) Does not include pelletizing, aluminum, or pulp and paper joint venture employees.

We establish our annual wage and benefits programs in July of each year following negotiations with our unions. In July 2001, our final proposals to our unions included a 6% salary increase, additions to the list of available medications, provisions for college materials for employees and annual bonus amounts. The provisions of our collective bargaining agreements with our unions also apply to our non-union employees. We have not suffered any material economic loss as a result of labor strikes or stoppages.

Since 1973 we have sponsored a defined benefit pension plan, known as the old plan, covering substantially all employees, with benefits based on years of service, salary and social security benefits. This plan is administered by VALIA, and is funded by monthly contributions we and our employees make, calculated based on periodic actuarial appraisals.

In May 2000, we implemented a new pension plan, which is primarily a defined contribution plan with a benefit feature relative to service prior to May 2000, known as the new plan, and offered our active employees opportunity to transfer to the new plan. Over 98% of our active employees opted to transfer to

the new plan. The old plan will continue in existence, covering almost exclusively retired participants and their beneficiaries. In the first nine months of 2001 and 2000, we contributed approximately US$17 million and US$37 million, respectively, to VALIA to fund the new plan and the old plan. In addition, on March 9, 2001 we transferred our 10.3% interest in shares of Companhia Siderurgica Nacional to the new plan, as a special contribution valued at US$249 million, equivalent to the value of such shares (determined based on their weighted average price in the last thirty trading sessions on the Sao Paulo Stock Exchange during the period ended on March 9, 2001). We also provide scholarships and apprenticeships at our corporate vocational centers. We believe our relations with our union employees and other employees are good.

Our employees have an equity stake in our business. On May 20, 1997, in connection with our ongoing privatization, the Brazilian government completed the sale of 11,120,919 common shares and 8,744,308 preferred shares to Investvale, an association of our current and retired employees and certain affiliates, at per share prices representing substantial discounts to prevailing market prices.

LEGAL PROCEEDINGS

We and our subsidiaries are defendants in numerous legal actions in the normal course of business, including civil, administrative, tax, social security and labor proceedings. We have set aside or deposited in court amounts to cover estimated contingency losses due to adverse legal judgments. Based on the advice of our legal counsel, we believe that the provision made against contingent losses is sufficient to cover probable losses in connection with such actions.

Conselho Administrativo de Defesa Economica, known as CADE, the Brazilian antitrust regulator, has been conducting inquiries into our principal lines of business to determine whether undue concentration exists in our respective industries. One of such inquiries that CADE made was in the context of our

privatization and involved our railroad system. In November 2001, CADE issued a favorable opinion regarding this matter, on condition that we periodically provide certain financial information to CADE and to the Ministry of Transportation.

Numerous lawsuits challenging the legality of our privatization are pending, including a number of class-action lawsuits. We do not believe that, individually or in the aggregate, these actions will adversely affect the course of the privatization process or otherwise have a material adverse effect on us.

We are currently a defendant in two separate actions brought by the municipality of Itabira, in the state of Minas Gerais. It alleges that our Itabira iron ore mining operations have caused environmental and social damages. In one of the actions, filed in August 1996, the municipality of Itabira alleges that our Itabira iron ore mining operations have caused environmental and social damages and claims damages with respect to the degradation of the site of one of our mines, as well as the immediate restoration of the affected ecological complex and the performance of compensatory environmental programs in the region. The damages sought, as adjusted from the date of the claim, amount to approximately US$535 million. We believe that this amount is significantly higher than the amount we would actually be responsible for in the event that we were found liable. We have requested the annulment of this action as it represents no actual controversy. In fact, on June 5, 2000, the local environmental authorities granted an operating license to our Itabira iron ore mining operations. This license sets forth conditions regarding the environmental restoration of the degraded site and the performance of

compensatory environmental programs. We intend to continue complying with these conditions. In the other action, the municipality of Itabira is claiming the right to be reimbursed for expenses it has incurred in connection with public services rendered as a consequence of our mining activities. We believe that this action is without merit. We are vigorously defending both pending actions.

We have been subpoenaed as a defendant in a public civil action seeking to annul the concession agreement through which we and certain other defendants operate the Praia Mole port terminal. The case is in its initial stages and we believe that the claim is without merit.

MANAGEMENT

EXECUTIVE OFFICERS

The executive officers are our legal representatives and are responsible for our internal organization and day-to-day operations and the implementation of the general policies and guidelines set forth by the board of directors. Our by-laws provide for a minimum of three and a maximum of six executive officers. The board of directors appoints executive officers for three-year terms and may remove them at any time. According to the Brazilian Corporation Law and to our by-laws, executive officers must be Brazilian residents. The executive officers hold regularly scheduled meetings on a weekly basis and hold additional meetings when called by any executive officer.

We are in the process of revising our corporate governance model in order to, among other things, improve the efficiency of our decision-making process. We are also defining metrics of value creation, which will improve the transparency in our communications with our investors. On April 7, 1999, the general meeting approved an amendment to our by-laws to alter the structure of the executive officers' board. As a result, we now have one chief executive officer and up to five executive officers, each responsible for business areas that the board of directors assigns to them. On October 24, 2001, the board of directors approved a new management structure with the following areas:

- Ferrous Minerals,
- Non-Ferrous,
- Holdings and Business Development (including energy),
- Logistics,
- Finance and Investor Relations,
- Planning and Control, and
- Human Resources and Corporate Services.

The table below lists our current executive officers.

NAME	YEAR OF APPOINTMENT	POSITION	AGE
Roger Agnelli.....	2001	Chief Executive Officer	42
Armando de Oliveira Santos Neto.....	2001	Executive Officer (Ferrous Minerals)	51

Antonio Miguel Marques.....	2001	Executive Officer (Holdings and Business Development and Non-Ferrous)	44
Guilherme Rodolfo Laager.....	2001	Executive Officer (Logistics)	45
Gabriel Stoliar.....	2001	Executive Officer (Finance, Investor Relations and Planning and Control)	47
Carla Grasso.....	2001	Executive Officer (Human Resources and Corporate Services)	40

We have summarized below the experience, areas of expertise, and principal outside business interests of our current executive officers.

Roger Agnelli. Since July 2001, Mr. Agnelli has been our chief executive officer. He served as chairman of our board of directors from May 2000 to July 2001. He also served as a member of the board of directors of VBC Energia S.A., Companhia Paulista de Forca e Luz, Companhia Siderurgica Nacional (CSN), Brasmotor S.A., Globo Cabo S.A. and Latas de Aluminio S.A. He also served as the chief executive officer of Bradespar S.A. from March 2000 to July 2001. Mr. Agnelli worked for 22 years with Banco Bradesco S.A., where he started his career as an investment analyst and served

as Executive Director from 1992 to 2000. Mr. Agnelli has a degree in Economics from Fundacao Alvares Penteado.

Armando de Oliveira Santos Neto. Mr. Santos was appointed as an executive officer of our ferrous minerals area in October 2001. Since 1970, Mr. Santos has held many different positions within the CVRD Group, including trainee at the railway division, assistant to the chief executive officer, marketing manager and executive officer at Rio Doce America, Inc., or RDA, sales manager of the Far East area, coordinator for planning and sales promotion, general manager and director of Rio Doce International S.A., or RDI, general sales manager and executive officer of the iron ore division, commercial officer and executive officer of RDA and member of the board of directors of CSI. Mr. Santos has a degree in civil engineering from the Universidade Federal do Espirito Santo (UFES).

Antonio Miguel Marques. Mr. Marques was appointed as an executive officer of our holdings, business development and non-ferrous minerals area in October 2001. Currently, Mr. Marques is Chief Executive Officer of Aluvale and a member of the board of directors of Celmar, Albras, Alunorte, MRN and Valesul. Prior to that, Mr. Marques has held various positions at Caraiba Metais S.A. Industria e Comercio, DuPont do Brasil S.A., Billiton Metais S.A., Paranapanema Group and Votorantim Group. Mr. Marques has a degree in engineering from the Universidade Federal de Ouro Preto. He received his post-graduate degree in Mineral Treatment at the Universidade Federal de Minas Gerais (UFMG) and obtained an MBA from COPPEAD, at Universidade Federal do Rio de Janeiro (UFRJ).

Guilherme Rodolfo Laager. Mr. Laager was appointed as an executive officer of our logistics area in September 2001. Mr. Laager served as logistics, supplying and technological information director for AMBEV, Companhia de Bebidas das Americas from 1989 until August 2000. Mr. Laager has a degree in civil engineering from the Universidade Federal do Rio de Janeiro (UFRJ) and obtained an MBA in business administration from COPPEAD, also at UFRJ.

Gabriel Stoliar. Since April 14, 1999, Mr. Stoliar has served as our chief financial officer and as our chief accounting officer. In September

1997, he was appointed as an executive officer of the corporate center and investor relations area. In 1994, he was appointed director of BNDESPAR. In 1991, Mr. Stoliar assumed the position of superintendent of the operational division responsible for the areas of mining, metallurgy, chemicals, petrochemicals, pulp and paper. He was hired by BNDESPAR in 1988 as manager of operations in the area of capital, electronic and consumer goods. In 1982, he was promoted to manager of BNDES for the project area of FINSOCIAL. In 1978, he was hired by BNDES as an analyst in the area of pulp, paper and petrochemicals. Mr. Stoliar began his career as a business organization consultant at the Institute of Economic and Management Development of the Federation of Industries of Rio de Janeiro. Mr. Stoliar obtained an engineering degree from Universidade Federal do Rio de Janeiro, a post-graduate degree in production engineering and an MBA from PDG/EXEC-SDE in Rio de Janeiro.

Carla Grasso. Mrs. Grasso was appointed as an executive officer of the human resources and corporate services area in October 2001. Prior to joining us, Mrs. Grasso served as an economic assistant to the President of Brazil. She has also been deputy coordinator of fiscal policy at the Ministry of the Economy and has held a variety of positions at the Ministry of Social Security. In 1997, she was appointed as an executive officer of Fundacao Vale de Rio Doce de Habitacao e Desenvolvimento Social (FVRD). Mrs. Grasso has both a degree in Economics and a master in Economics from Universidade de Brasilia (UNB).

BOARD OF DIRECTORS

The conselho de administracao, the board of directors, is our decision-making body responsible for determining general guidelines and policies for our business, our wholly-owned subsidiaries and controlled companies, and for formulating and expressing our policies. The board of directors is responsible for supervising the executive officers. It also monitors the executive officers' implementation of the general guidelines and policies. The board of directors holds regularly scheduled meetings on a monthly basis and

holds additional meetings when called by its chairman, vice-chairman or any two directors. Decisions of the board of directors require a quorum of a majority of the directors and are taken by majority vote.

Under the Brazilian Corporation Law, the board of directors must have at least three members. Each director and his or her respective alternate are elected at a general shareholders' meeting and are subject to removal at any time. Our by-laws state that the board of directors must consist of nine members. Our current employees have the right to appoint one member of the board of directors and his respective alternate. According to our by-laws, members of the board of directors must be Brazilian residents who are both shareholders of CVRD and have managerial experience. Members of the board of directors are elected for three-year terms and can be re-elected. Each alternate director serves on behalf of a specific board member. In the absence of the director for whom an alternate director is acting, that alternate director may attend and vote at meetings of the board of directors.

Six of our current directors and five of our current alternate directors were appointed to their positions directly by Valepar, our principal shareholder, pursuant to Valepar's shareholders' agreement and the provisions of the Brazilian Corporation Law. These appointments were approved at our annual general shareholders' meeting held in April 2001. For a description of Valepar's shareholders' agreement, see "Major and Selling Shareholders -- Major Shareholders -- Principal Shareholder."

The table below lists the current members of the board of directors.

NAME	YEAR FIRST ELECTED	POSITION	AGE
Luiz Tarquinio Sardinha Ferro(1)	1999	Chairman of the Board	41
Joao Moises de Oliveira(1)	2001	Board Member	56
Erik Persson(1)	2001	Board Member	47
Jose Marques de Lima(1)	2000	Board Member	44
Octavio Lopes Castello Branco Neto	2001	Board Member	43
Romeu do Nascimento Teixeira(1)	2001	Board Member	69
Renato da Cruz Gomes(1)	2001	Board Member	49
Fabio de Oliveira Barbosa	2000	Board Member	41
Francisco Valadares Povoa(2)	1997	Board Member	56

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(1) Appointed by Valepar.

(2) Appointed by our employees.

The table below lists the alternate members of the board of directors. One additional alternate director is to be appointed by Valepar.

NAME	YEAR FIRST ELECTED	POSITION	AGE
Jose Ricardo do Carmo(1)	2000	Board Member	49
Ricardo Carvalho Giambroni(1)	2001	Board Member	45
Octavio Mauro Muniz Freire Alves(1)	2001	Board Member	40
Eleazar de Carvalho Filho	2001	Board Member	44
Antonio Joao Martins Torres(1)	2001	Board Member	61
Romulo de Mello Dias(1)	2001	Board Member	40
Renato Augusto Zagallo Villela dos Santos	2001	Board Member	46
Otto de Souza Marques Junior(2)	1997	Board Member	53

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(1) Appointed by Valepar.

(2) Appointed by our employees.

We have summarized below the business experience, areas of expertise, and principal outside business interests of our current directors:

Luiz Tarquinio Sardinha Ferro. Mr. Ferro was appointed chairman of our board of directors in July 2001. From May 1999 to July 2001, he served as vice-chairman of our board of directors. From 1996 to 1998, he was President of PREVI -- Caixa de Previdencia dos Funcionarios do Banco do Brasil and executive superintendent of the financial department of Banco do

Brasil S.A. In 1995, he was appointed general coordinator of the public accounts management unit, at the Secretariat of the National Treasury. From 1994 to 1995, he participated in an international management program of Banco do Brasil. From 1992 to 1994, Mr. Ferro worked at the Secretariat of the National Treasury.

Joao Moises de Oliveira. Mr. Oliveira has served as a member of our board of directors since 2001. From 1962 to 2000, he worked at Banco Bradesco S.A. and at several companies in which Banco Bradesco S.A. has a direct or indirect ownership interest. Since 2000, Mr. Oliveira has been an executive officer at Bradespar S.A. He has served as a member of the board of directors of many companies in which Banco Bradesco or Bradespar have or had a direct or indirect ownership interest, including Companhia Siderurgica Belgo Mineira, Companhia Siderurgica Nacional and Sao Paulo Alpargatas S.A.

Erik Persson. Mr. Persson has served as a member of our board of directors since April 2001. Since June 2000, he has been working as a planning director of PREVI. He has been at PREVI since 1977.

Jose Marques de Lima. Mr. Lima has served as a member of our board of directors since April 2000. Currently, he also serves as general manager of the risk management unit at Banco do Brasil. In June 1999, he was appointed as an executive officer of PREVI. From 1984 to 1998, he worked for Banco do Brasil holding a variety of positions, including team work coordinator and executive manager of the investor relations department, manager of the market and shareholders division and manager of the financial analysis department.

Octavio Lopes Castello Branco Neto. Mr. Castello Branco was appointed as a member of our board of directors in April 2001. He is also a managing director of BNDES. In 1995, he joined J.P. Morgan as head of the investment banking group in Brazil. From 1990 to 1995, Mr. Castello Branco worked at Caemi as the chief financial officer and member of the executive committee. Mr. Castello Branco started his career at J.P. Morgan's Sao Paulo Office in 1983 and has developed an extensive experience in mergers and acquisitions, having managed projects across a number of sectors since the inception of J.P. Morgan's mergers and acquisitions group in Brazil.

Romeu do Nascimento Teixeira. Mr. Teixeira has served as a member of our board of directors since April 2001. Mr. Teixeira was also appointed as an executive officer of IESA, Internacional de Engenharia S.A., from 1986 to 1993. Since 1960, he has held many different positions within the CVRD Group. From 1958 to 1960 he worked as an engineer at DNER, Departamento Nacional de Estradas de Rodagem.

Renato da Cruz Gomes. Mr. Gomes joined our board of directors in April 2001. He has also been an executive officer of Valepar since April 2001. In 2000, he was appointed as an executive officer of Bradespar. From 1976 through 2000, Mr. Gomes held a variety of positions within BNDES and participated on the boards of directors of many companies, namely Elebra Eletronica, Globo Cabo, Aracruz, Iochpe, Bahia Sul and Latasa. He is also a member of the consulting board of Factor Sinergia, a securities investment fund, and the investments committee of Bradesco Templeton Value and Liquidity Fund.

Fabio de Oliveira Barbosa. Mr. Barbosa has served as a member of our board of directors since April 2000. Currently, he also serves as member of the board of directors of Valepontocom. Prior to joining us, Mr. Barbosa served as an assistant secretary at the National Treasury Ministry and became secretary in July 1999. He has also served as a member of the board of directors of the following companies: Banespa -- Banco de Estado de Sao

Paulo S.A., Caixa Economica Federal and Banco do

Brasil. From 1996 to 1999, he served as a member on the audit committee of Banco do Brasil and all of its subsidiaries. From 1992 to 1995, he served as an executive director at the World Bank. From 1990 to 1992, he was Deputy Coordinator of Fiscal Policy in the Ministry of the Economy, and, from 1989 to 1990, he was coordinator for economic analysis at SEPLAN-PR. From 1988 to 1989, he served as assistant to the chief planning minister to the President of Brazil. Prior to that time, Mr. Barbosa held a variety of positions at the Ministry of Industry and Commerce, the Parana State Development Institute, the Ministry of Labor and the Institute for Applied Economic Research.

Francisco Valadares Povoa. Mr. Povoa has served as a member of our board of directors since May 1997. Since December 1994, Mr. Povoa has served as Chief Executive Officer of Investvale. He also sits on the board of Valepar, Valepontocom, Rio Doce Manganese Europe, or RDME, Salobo Metais, CSI and Nova Era Silicon. Until March 2001, he was also a member of the board of directors of CSN and was previously an alternate member of the board of CSN. Mr. Povoa joined us as a mining engineer in 1972 and has held a variety of positions within the CVRD Group.

COMMITTEES OF THE BOARD OF DIRECTORS

Recently, our board of directors approved a resolution creating five non-permanent committees and appointing their respective members, as permitted under our by-laws. These committees are advisory committees and therefore have no decision capacity.

The strategy committee will be advising our board with regard to our corporate strategy and to its formulation and will assist in assuring the alignment with our board's strategic guidelines, in order to preserve economic value and adherence to our strategic plan. The strategic committee will consist of five members, including our Chief Executive Officer, our Executive Officer in charge of Planning and Control, and three external members. The audit committee will be advising our board in its monitoring of our financial integrity and appointment of independent and internal auditors in order to guarantee the transparency and efficiency of our internal control systems. The audit committee will consist of three members, including Jose Ricardo do Carmo, Antonio Joao Martins Torres, and one external member. The ethics and governance committee will assist in promoting the effectiveness of our board of directors' corporate governance practices and operations, as well as our ethical behavior, legal compliance, and institutional responsibility, in order to promote our board's transparency and independence, as well as the efficiency of the conflict management system and our internal policies with respect to environmental, health, safety and social matters. The ethics and governance committee will consist of three members, including Luiz Tarquinio Sardinha Ferro, Renato da Cruz Gomes, and one external member. The finance committee will advise on the definition of capital structure and risk management financial policies, in order to promote consistency between our financial policies, our strategic guidelines, and our shareholders' risk-return profile. The finance committee will consist of five members, including our Chief Executive Officer, our Chief Financial Officer, Ricardo Carvalho Giambroni, Romulo de Mello Dias, and one external member. The executive development committee will advise our board on the selection, appraisal, development and remuneration of our senior management as well as on our human resources policies. The executive development committee will consist of four members, including Paulo Pavarini, Francisco Valadares Povoa, Joao Moises de Oliveira, and one external member.

FISCAL COUNCIL

Under the Brazilian Corporation Law, we may appoint the conselho fiscal, a fiscal council, as a corporate body independent of our management and external auditors. The primary responsibility of the fiscal council is to review management's activities and the financial statements, and report its findings to the shareholders. We amended our by-laws on June 18, 1997 in order to provide for the establishment of a five-member permanent fiscal council. On April 25, 2001, the shareholders appointed the current members and their respective alternates. Holders of preferred shares and the golden share together may elect one member of the fiscal council and the respective alternate. Non-controlling holders of common shares comprising at least 10% of the common shares outstanding may also elect one member of the fiscal

council and the respective alternate. The terms of the members of the fiscal council expire at the next general shareholders' meeting following their election.

The table below lists the current members of the fiscal council.

NAME	YEAR OF APPOINTMENT
Luis Carlos Angelotti	2001
Ronaldo Camillo	2000
Marcos Fabio Coutinho	1999
Eliseu Martins	1997
Claudia Torres Teixeira	2000

The table below lists the alternate members of the fiscal council.

NAME	YEAR OF APPOINTMENT
Antonio Jose da Barbara	2001
Eduardo Coutinho Guerra	2001
Vicente Barcelos	2001
Luiz Otavio Nunes West	1998
Mercia Maria Nascimento Pimentel	2001

COMPENSATION

According to our by-laws, our shareholders are responsible for establishing the aggregate compensation we pay to the members of our board of directors and our executive officers. Our shareholders determine this aggregate compensation at the annual shareholders' meeting each year. In order to establish aggregate director and officer compensation, we believe that our shareholders usually take into account various factors which range from age, experience and skills of our directors and officers to the recent performance of our operations. Once aggregate compensation is established, the members of our board of directors are then responsible for distributing such aggregate compensation individually in compliance with our by-laws. Our board of directors does not have a compensation

committee.

In 2001 and in 2000, we paid approximately R$5.0 and R$4.5 million, respectively, in aggregate (including benefits in kind granted) to the members of our board of directors and to the executive officers for services in all capacities.

In 2001 and in 2000, the monthly amount we paid to the members of the fiscal council was the higher of (1) R$4,200 or (2) the equivalent of 10% of the amount paid to a director, excluding benefits. In addition, the members of the fiscal council receive reimbursement for expenses they incur in connection with transportation and accommodation, whenever such expenses are necessary for the performance of their functions. In 2000 and in 2001, none of our board members and executive officers acting in their individual capacities had any financial or other interests in transactions involving us which were not in the ordinary course of business.

MAJOR SHAREHOLDERS

The table below sets forth information regarding beneficial share ownership by each person who we know to be the beneficial owner of more than 5% of any class of our outstanding capital stock, and by all directors and executive officers as a group.

	SHARES OWNED	PERCENT OF CLASS
COMMON SHARES		
Valepar S.A.	105,443,070	43.0%
Federative Republic of Brazil (National Treasury)(1)(2)	--	--
BNDES(1)(2)	1,003	--
BNDESPAR(2)	11,672,271	4.8
Litel Participacoes S.A.(3)		
Shares owned directly	25,272,641	10.3
Shares owned by Valepar S.A.	105,443,070	43.0
Total beneficial ownership by Litel	130,715,711	53.3
Directors and executive officers as a group	17	--
PREFERRED SHARES(4)		
Directors and executive officers as a group	209	--
GOLDEN SHARE		
Federative Republic of Brazil	1	100.0

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(1) Assumes full exercise of the underwriters' overallotment option in the public offering carried out as the third step of our privatization. If the underwriters do not exercise their overallotment option, the Federative Republic of Brazil (National Treasury) will own 5,138,337 common shares representing 2.1% of our outstanding common shares and BNDES will own 5,139,340 common shares representing 2.1% of our outstanding common shares.

(2) Excludes common shares owned directly by Valepar, in which this shareholder has a direct or indirect ownership interest. See note 3 below, and see the table below for information on Valepar's shareholders.

(3) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In general, a person who has or shares voting power or investment power with respect to securities is treated as a beneficial owner of those securities. It does not necessarily imply that the named person has the economic or other benefits of ownership. Litel owns 42% of Valepar. See the table below for more information on Valepar's shareholders.

(4) The Federative Republic of Brazil (National Treasury) owns 5,075,341 preferred shares representing 3.7% of our outstanding preferred shares and BNDESPAR owns 1,251,980 preferred shares representing 0.9% of our outstanding preferred shares.

The table below sets forth information regarding Valepar share ownership and Litel share ownership.

	SHARES OWNED	PERCENT OF TOTAL SHARES OWNED
VALEPAR S.A.		
Litel Participacoes S.A.	43,985,949	42%
Babie(1)	15,019,621	14
Eletron(2)	21,875,000	21
Sweet River Investments Ltd.(3)	12,187,500	11
BNDESPAR	11,250,000	11
Investvale(4)	1,125,000	1
Total	105,443,070	100%
LITEL PARTICIPACOES S.A.		
BB Carteira Ativa 0(5)	129,528,472	52.41%
BB Carteira Ativa I(5)	64,211,703	25.98
BB Carteira Ativa II(5)	53,388,022	21.60
Others	875	--
Directors and Executive Officers as a group	3	--
Total	247,129,075	100.00%

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(1) Babie is a holding company owned by Bradesplan and Bradespar, which are affiliated with Banco Bradesco S.A., a Brazilian bank.

(2) Eletron is a company 86% of which is owned by Bradespar and approximately 14% of which is owned by Opportunity Amafi Participacoes S.A.

(3) Sweet River Investments Ltd. is affiliated with Bank of America.

(4) Investvale is an investment club owned by our employees.

(5) Each of BB Carteira Ativa 0, BB Carteira Ativa I and BB Carteira Ativa II is a Brazilian investment fund. BB Carteira Ativa 0 and BB Carteira Ativa I are

100% owned by Previ. BB Carteira Ativa II is 59.36% owned by Funcef and 38.8% owned by Petros. Each of Previ, Petros and Funcef is a Brazilian pension fund.

The Privatization

In June 1995, the Brazilian government announced its intention to sell its common and preferred share ownership interests in us as part of the ongoing Brazilian privatization program. After a period of considerable governmental, judicial and public attention and debate, the Brazilian government started our privatization in May 1997.

In the first step of the privatization process, on May 6, 1997, the Federative Republic of Brazil and BNDES sold 99,999,203 common shares, representing approximately 40.0% of the outstanding common shares, for approximately US$3 billion to Valepar, a special-purpose company formed to hold a controlling interest in our outstanding common shares. The initial principal investors in Valepar were a subsidiary of CSN, a Brazilian steelmaker, various Brazilian pension funds, an affiliate of Bank of America, a U.S. bank, and certain foreign investment funds.

In the second step of the privatization process, on May 20, 1997, the Federative Republic of Brazil and BNDES sold 11,120,919 common shares, representing approximately 4.5% of the outstanding common shares, and 8,744,308 preferred shares, representing approximately 6.3% of the outstanding preferred shares, in an offering restricted to our current and retired employees. Substantially all of the shares sold in this step of the privatization were purchased through Investvale, an association of our current and retired employees. Employees were also granted the option, exercisable through Investvale, to obtain an interest in the controlling block held by Valepar by exchanging their common shares for equity in Valepar. The

shares offered to employees were sold at substantial discounts to prevailing market prices. Common shares exchanged for equity in Valepar were sold at R$11.09 per share, representing a 58.4% discount from the then-current market price. Common shares not exchanged for equity in Valepar were sold at R$8.88 per share (representing a 66.7% discount from the then-current market price). Preferred shares were sold at R$8.88 per share (representing a 63.2% discount from the then-current market price). Investvale subsequently contributed 1,125,000 common shares to Valepar, in exchange for a 0.9% equity interest in Valepar. These discounts gave rise to a US$318 million extraordinary charge in 1997.

In the third step of the privatization process, on March 21, 2002 the Federative Republic of Brazil and BNDES each sold 34,255,582 shares (and will sell an additional 5,138,337 shares each if the underwriters' overallotment option in that offering is exercised in full), in the form of common shares or American depositary shares, which together represent 27.9% of our outstanding common stock (32.1% if the underwriters' overallotment option is exercised in full). In addition, assuming the exercise in full of the underwriters' overallotment option, the Federative Republic of Brazil will continue to own 5,075,341 preferred shares, representing approximately 3.7% of our outstanding preferred shares, and a golden share in us, which gives it veto powers over certain actions that we could propose to take, and BNDES will own 1,003 of our common shares.

Shareholder Debentures

At the time of the first step of our privatization in 1997, we issued

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 derive from exploiting our mineral resources.

In preparation for the issuance of the debentures, we issued preferred class B shares on a one-for-one basis to all holders of our common shares and preferred class A shares. We then exchanged all of the preferred class B shares for the debentures. The debentures are not redeemable or convertible, and do not trade on a stapled basis or otherwise with our common or preferred shares. Currently, 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 this offering, which will constitute the third step of our privatization. We will be required to register the debentures with the CVM in order to permit trading at that time.

Under Central Bank regulations, pre-privatization shareholders that held their shares through our American depositary receipt 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 holders of American depositary receipts, but the Central Bank rejected our request. We intend to renew our request to the Central Bank, but we cannot assure you that we will succeed.

Under the terms of the debentures, holders will have the right to receive semiannual payments equal to an agreed percentage of our net revenues (revenues less value added tax) from certain identified mineral resources that we owned at 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 at 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 on the estimates of production of our new projects, we would begin making payments related to copper in approximately 2004, payments 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 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 production from May 1997 exceeds billion tons
Northern System.....	Iron ore	1.8% of net revenue, after total production from May 1997 exceeds billion tons
Pojuca, Andorinhas, Liberdade and Sossego....	Gold and Copper	2.5% of net revenue from the beginning of commercial productio
Igarape Bahia and Alemao.....	Gold and Copper	2.5% of net revenue, after total production from the beginning of commercial production exceeds 70 tons of gold
Fazenda Brasileiro.....	Gold	2.5% of net revenue after total

		production from the beginning of commercial production exceeds 26 tons
Other areas, excluding Carajas/Serra Leste...	Gold	2.5% of net revenue
Other areas owned at May 1997.....	Other minerals	1% of net revenue, 4 years after beginning of commercial productio
All areas.....	Sale of mineral rights owned at May 1997	1% of the sales price

Principal Shareholder

Through the Brazilian government's privatization program, the by-laws of Valepar restrict concentration of ownership of Valepar shares by particular types of investors for a period of five years through May 9, 2002. The by-laws of Valepar state that no single investor or group of affiliated investors may hold more than 45% of Valepar's outstanding capital stock. In addition, joint shareholdings in Valepar by any group of iron ore producers or any group of steel producers, and iron ore trading companies combined, may not exceed 45% of Valepar's outstanding capital stock. Finally, shareholdings in Valepar by individual large iron ore producers, steel producers or iron ore trading companies may not exceed 10% of Valepar's outstanding capital stock.

The shareholders of Valepar have entered into a shareholders' agreement, ending in 2017. This agreement:

- gives rights of first refusal on any transfer of Valepar shares and preemptive rights on any new issue of Valepar shares,

- prohibits encumbrances on Valepar shares (other than in connection with financing our acquisition),

- requires each party generally to retain control of its special purpose company holding its interest in shares of Valepar,

- allocates Valepar's and our board seats, and

- establishes super-majority voting requirements for certain matters relating to Valepar or to us.

BNDESPAR has a golden share in Valepar giving it a veto right over:

- any change in Valepar's corporate purpose,

- the liquidation of Valepar,

- a change in ownership of Valepar's shares if such change were to increase concentration of the ownership of Valepar over specified limits by participants in the iron ore, steel or iron ore trading businesses, and

- any transfer of Valepar's shares to anyone until May 2002 if the transfer were to result in such person owning more than 45% of Valepar's shares.

Another agreement among Valepar's shareholders, ending in 2002, contains similar restrictions on transfers.

Continuing Relationship with the Federative Republic of Brazil and BNDES

From time to time, in the ordinary course of our business, we enter into transactions with other entities which the Federative Republic of Brazil owns or controls. See "Related Party Transactions." The most significant of these transactions is with Eletronorte, a state-owned company. Pursuant to a contract between Albras and Eletronorte, Albras is able to purchase electricity at favorable rates. We are currently seeking to renegotiate this contract, which expires in May 2004. For more information on our Eletronorte contract, see "Business -- Our Lines of Business -- Holdings -- Aluminum Business." No other entity controlled by the Federative Republic of Brazil, by itself or in the aggregate, accounted for a significant percentage of our consolidated revenues or purchases in 2000.

We have also entered into a Mineral Risk Contract with BNDES relating to prospecting authorizations for mining regions where drilling and exploration are still in their early stages. This contract provides for the joint development of certain unexplored mineral deposits in the Carajas region, which is part of the Northern System. BNDES is also our partner in Project 118, Alemao and Cristalino, which are joint ventures through which we conduct our copper mining exploration and development. For more information on these joint ventures, see "Business -- Our Lines of Business -- Non-Ferrous Minerals -- Current Copper Prospects -- Exploration."

As a result of the transfer of our voting control to Valepar, we are no longer subject to various regulatory requirements and operating restrictions applicable to Brazilian governmental entities. However, in connection with our privatization, the Federative Republic of Brazil retained special rights with respect to our and Valepar's future decisions and caused us to enter into certain agreements which may restrict our activities and results of operations in the future.

Golden Share

The Federative Republic of Brazil holds one preferred golden share, which confers upon its holder veto rights over certain changes, including:

- our name,

- the headquarters of our head office,

- our corporate purpose as regards the working of mineral deposits, and

- our continued operation of integrated iron ore mining systems.

For a more detailed description of the golden share, see "Description of Capital Stock -- General."

Since the privatization, the Federative Republic of Brazil has not exercised its veto rights and, consequently, has refrained from interfering in our decision-making process.

RELATED PARTY TRANSACTIONS

At September 30, 2001, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of US$801 million, of which US$614 million is denominated in U.S. dollars and the remaining US$187 million is denominated in Brazilian reais.

For information regarding investments in affiliated companies and joint

ventures and for information regarding transactions with major related parties, see notes 10 and 17 to our consolidated financial statements.

The Federative Republic of Brazil owns or controls entities with which we enter into transactions in the ordinary course of business. See "Major and Selling Shareholders -- Major Shareholders -- Continuing Relationships with the Federative Republic of Brazil and BNDES."

BNDES, in its role as an economic development bank, is involved with us as a lender, partner and/or co-investor in a number of projects, and will probably continue to do so in the future.

Current activities of BNDES related to us include:

- investments in several mining prospecting projects, including copper development projects in accordance with our Mineral Risk Contract (see "Business -- Our Lines of Businesses -- Non-Ferrous Minerals -- Mineral Risk Contract"), and

- providing financing for our expansion.

Our consolidated balance sheet at September 30, 2001 includes loans repayable to BNDES in the aggregate amount of US$125 million.

Further, one of our directors is also an executive officer of BNDES, one of our alternate directors is the chief executive officer of BNDES, one of our executive officers was a director of an affiliate of BNDES and one of our directors is the Secretary of the National Treasury. BNDESPAR, an affiliate of BNDES, also owns eleven percent of our largest shareholder, Valepar.

DESCRIPTION OF NOTES

In this section, references to Vale Overseas mean Vale Overseas Limited only and do not include any of its affiliated companies. References to CVRD mean Companhia Vale do Rio Doce only and do not include Vale Overseas or any of CVRD's other subsidiaries or affiliated companies. References to the notes include both the notes and the guaranty of the notes, except where the context indicates otherwise. References to holders mean those who have notes registered in their own names, on the books that Vale Overseas or the trustee maintains for this purpose, and not those who own beneficial interests in notes issued in book-entry form through The Depository Trust Company or in notes registered in a street name. Owners of beneficial interests in the notes should read "Form of notes, clearing and settlement." References to the indenture include the indenture referred to below as amended or supplemented.

GENERAL

The Notes are Issued under the Indenture

The notes are governed by an indenture, dated as of March 8, 2002, as supplemented by the first supplemental indenture, dated as of March 8, 2002. The indenture is a contract between Vale Overseas, CVRD and JPMorgan Chase Bank, which acts as trustee. The trustee has three main roles:

- First, the trustee can enforce your rights against Vale Overseas and CVRD if Vale Overseas or CVRD defaults. There are some limitations on the extent to which the trustee acts on your behalf, described below under "-- Default, remedies and waiver of default."

- Second, the trustee performs administrative duties, such as sending you interest and principal payments and notices.

- Third, the trustee holds a security interest over the reserve account and is the beneficiary of any letters of credit issued in connection with the notes, all in trust for you. See "-- Reserve account and letters of credit".

Principal and Interest

The notes have been issued in an aggregate principal amount of U.S.$300,000,000. The notes will mature on March 8, 2007, unless their maturity is extended. Their maturity can be extended to no later than September 8, 2008, if on March 8, 2007 one of the following events has occurred and is continuing:

- Vale Overseas or CVRD cannot convert Brazilian currency into U.S. dollars and/or remit U.S. dollars outside Brazil as a result of any measures taken by the government of Brazil; or

- the government of Brazil (or entities authorized under the laws of Brazil to operate in the foreign exchange markets) fails to effect the conversion of Brazilian currency into U.S. dollars and/or the remittance of U.S. dollars outside Brazil by Vale Overseas or CVRD; or

- the government of Brazil expropriates, confiscates or takes other measures which have the effect of depriving Vale Overseas or CVRD of the use or control of Brazilian currency or U.S. dollars.

These events are called Political Risk Events. In determining whether a Political Risk Event exists on any payment date, the fact that Vale Overseas or CVRD may be able to make an interest payment under the notes in U.S. dollars from offshore sources outside of Brazil will be ignored. Vale Overseas and CVRD have agreed to notify the trustee and the Luxembourg Stock Exchange whenever a Political Risk Event occurs. Notification that a Political Risk Event has occurred will also be published in a newspaper with general circulation in Luxembourg, which is expected to be the Luxembourg Wort.

The exact length of any extension of maturity (up to September 8, 2008) depends upon two factors: (i) the length of the existence of the Political Risk Event which exists on March 8, 2007 and (ii) the amount of money in the reserve account or available under the letters of credit, as described below under "-- Reserve Account and Letters of Credit". The extended maturity date on which principal becomes payable will be the earlier of (x) five business days after the Political Risk Event ceases, (y) the payment

date after the money in the reserve account or available under the letters of credit has been fully depleted and (z) September 8, 2008.

The notes will bear interest at 8.625% per annum from March 8, 2002. Interest on the notes will be payable semi-annually on March 8 and September 8 of each year, commencing September 8, 2002, to the holders in whose name the notes are registered at the close of business on the February 21 or August 24 immediately preceding the related interest payment date.

Vale Overseas will pay interest on the notes on the interest payment dates stated above, and at maturity. If the maturity is extended, interest will continue to accrue and be paid on the interest payment dates stated above. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been

paid or made available for payment, to but excluding the relevant payment date. Vale Overseas will compute interest on the notes on the basis of a 360-day year of twelve 30-day months. To the extent interest due is not paid on an interest payment date, interest will accrue on any unpaid interest due until it is paid at the rate of interest otherwise payable on the principal of the notes plus 1% per annum.

Reserve Account and Letters of Credit

The notes are enhanced by a reserve account and/or letters of credit. Vale Overseas has delivered funds to the reserve account and/or letters of credit with an aggregate value equal to the political risk coverage. The political risk coverage is an amount of $41,421,565, which is equal to the sum of (i) 18 months interest on principal of the notes, (ii) an amount equal to 0.50% per annum interest on the principal of the notes for 18 months, (iii) 30 days default rate of interest on the amounts described in (i) and (ii) above and (iv) the estimated fees and reasonable expenses of the trustee in connection with the notes for 18 months; provided, however, that this amount shall be reduced by the amount equal to (ii) above upon the earlier of (x) the completion of the exchange offer (regardless of how many notes are exchanged therein), (y) the effectiveness of the shelf registration statement or (z) the notes being freely tradable under the Securities Act. Political risk coverage shall be reduced to zero at such time as CVRD has obtained a long-term foreign currency rating (without the benefit of pledging collateral or any other credit support) from Moody's of Baa2 or better, or when none of the notes remain outstanding and all obligations under the indenture have been satisfied, provided that no reduction in the political risk coverage will occur unless Moody's has confirmed to the trustee in writing that any such reduction will not reduce the rating then currently assigned to the notes.

Security over the reserve account and all moneys in it or derived from it is granted in favor of the trustee for the benefit of the holders of notes. The trustee is authorized to apply money in the reserve account or draw funds from any letters of credit to make an interest payment if, on the interest payment date, a Political Risk Event exists. This ensures that for a maximum period of 18 months (three semi-annual periods) Vale Overseas and CVRD will be able to continue to make timely payments of interest on the notes notwithstanding the existence of a Political Risk Event that might otherwise prevent them from doing so. During a Political Risk Event, the political risk coverage amount may also be used to pay the fees and reasonable expenses of the trustee if not otherwise provided for by Vale Overseas or CVRD. Before the money in the reserve account is applied in this way, the trustee is authorized to invest the money in permitted investments, such as U.S. Government issued bonds, bills and notes, and other highly rated U.S. dollar debt instruments. Any investment made with the funds in the reserve account must come due one business day prior to the next interest payment date. Neither Vale Overseas nor CVRD is obligated to top up the reserve account or issue more amounts under letters of credit for any money applied by the trustee in making an interest payment on their behalf. If at the maturity of the notes there is money left in the reserve account or available under the letters of credit, the trustee will pay such funds back to Vale Overseas and return any letters of credit to their issuer for cancellation. If at any interest payment date the aggregate of the funds in the reserve account and the funds available under the letters of credit exceeds the applicable political risk coverage, the trustee will pay funds back to Vale Overseas or

accept a reduction in the letters of credit equal, in the aggregate, to such excess. The security interest in the reserve account will be released, the funds therein returned to Vale Overseas and any letters of credit returned to their

issuer for cancellation if during the term of the notes CVRD has obtained a long-term foreign currency rating (without the benefit of pledging collateral or any other credit support) from Moody's of Baa2 or better.

Guaranty

CVRD has irrevocably and unconditionally guaranteed the full and punctual payment of principal, interest, additional amounts and all other amounts that may become due and payable in respect of the notes. Subject as provided in the next sentence below, if Vale Overseas fails to punctually pay any such amount, CVRD will immediately pay the amount required to be, but not, paid. In the event (i) the payment of principal and other amounts due under the notes is automatically accelerated due to a voluntary or involuntary bankruptcy or insolvency event on the part of Vale Overseas, (ii) CVRD is not the subject of a voluntary or involuntary bankruptcy or insolvency event and (iii) at that time there exists a Political Risk Event, then CVRD's obligation to make payment of principal under the guaranty will be suspended until the earlier of (x) five business days after the Political Risk Event terminates, (y) the date on which the funds in the reserve account or available under the letters of credit have been fully depleted and (z) 18 months after the date of acceleration.

Further Issues

Vale Overseas reserves the right, from time to time without your consent as a holder of the notes, to issue additional notes on terms and conditions identical to those of the notes, which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes. To the extent Vale Overseas issues any such additional notes, it will establish an additional reserve account and/or cause to be issued letters of credit on the same terms and conditions as the reserve account established and/or letters of credit issued for purposes of the notes. Vale Overseas may also issue other securities under the indenture which have different terms from the notes. Likewise, CVRD has the right, without your consent, to guarantee any such additional notes, to guarantee debt of its other subsidiaries and to issue its own debt. In connection with any such further issues of debt by Vale Overseas guaranteed by CVRD, Vale Overseas is required to confirm with Moody's that such issue or guarantee will not affect the then current rating of the notes.

How the Notes and the Guaranty Rank Against Other Debt

The notes have the benefit of security over the reserve account as described under "-- Reserve account and letters of credit." The notes will not be secured by any of Vale Overseas' other property or assets. Thus, by owning these notes, except to the extent of funds in the reserve account or available under letters of credit, you are one of Vale Overseas' unsecured creditors. These notes will not be subordinated or senior to any of Vale Overseas' other unsecured debt obligations. This means that, in a bankruptcy or liquidation proceeding against Vale Overseas, the payment obligations of Vale Overseas under these notes (to the extent not secured by the reserve account or any letters of credit) would rank equally in right of payment with all Vale Overseas' other unsecured and unsubordinated debt.

CVRD's guaranty of the notes will not be secured by any of its property or assets or any of the property or assets of any of its subsidiaries. Therefore, in the event that CVRD is required to perform under its guaranty, you would be an unsecured creditor of CVRD. The guaranty will not be subordinated to any of CVRD's other unsecured debt obligations. This means that, in a bankruptcy or liquidation proceeding against CVRD, the guaranty would rank equally in right of payment with all CVRD's other unsecured and unsubordinated debt.

Stated Maturity and Maturity

The day on which the principal amount of the notes is scheduled to become due is called the stated maturity of the principal. The principal may also become due sooner, by reason of redemption or acceleration after a default. The principal may become due later, by reason of extension of maturity as described above. The day on which the principal actually becomes due, whether at the stated maturity, earlier or later, is called the maturity of the principal. The terms "stated maturity" and "maturity" also refer to the dates when interest payments become due. For example, a regular interest payment date when an installment of interest is scheduled to become due is referred to as the "stated maturity" of that installment. When we refer to the "stated maturity" or the "maturity" of the notes without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

This Description is Only a Summary

The indenture and its associated documents, including the notes, contain the full legal text of the matters described in this section. Upon request, the trustee will provide you with a copy of the indenture. In addition, we have filed a copy of the indenture with the Commission as an exhibit to the registration statement of which this prospectus forms a part. See "Where you can find more information" for information on how to obtain copies.

This section summarizes all the material terms of the notes and the indenture. It does not, however, describe every aspect of the notes and the indenture. For example, in this section, we use terms that have been given special meaning in the indenture, but we describe the meaning for only the more important of these terms.

DEFINITIONS

"Subsidiary" means, at any time, any entity of which CVRD or Vale Overseas directly or indirectly owns more than 51% (fifty-one percent) of the outstanding voting shares, and Vale Overseas or CVRD has the ability to elect a majority of the members of the board of directors or other governing bodies.

"Significant Subsidiary" means, at any time, a Subsidiary which meets any of the following conditions:

(1) CVRD's and its other Subsidiaries' investments in and advances to the Subsidiary exceed 10% of the total assets of the consolidated group as of the end of the most recently completed fiscal year;

(2) CVRD's and its other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Subsidiary exceeds 10% of the total assets of the consolidated group as of the end of the most recently completed fiscal year; or

(3) CVRD's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Subsidiary exceeds 10% of such income of the consolidated group for the most recently completed fiscal year.

"Indebtedness" means any amount payable (whether as a direct obligation or indirectly through a guarantee) by such person pursuant to an agreement involving or evidencing money borrowed or received, a conditional sale or a transfer with recourse or with an obligation to repurchase or pursuant to a lease with substantially the same economic effect as any such agreement or

instrument and which, under U.S. generally accepted accounting principles, would constitute a capitalized lease obligation; provided, however, as used in the second bullet point under "Default, Remedies and Waiver of Default", "Indebtedness" shall not include any payment made by CVRD on behalf of its affiliate, upon any Indebtedness of such affiliate becoming immediately due and payable as a result of a default by such affiliate, pursuant to a guarantee or similar instrument provided by CVRD in connection with such Indebtedness, provided that such payment make by CVRD is made within five business days of notice being provided to CVRD that payment is due under such guarantee or similar instrument.

PAYMENT OF ADDITIONAL AMOUNTS

All payments by Vale Overseas or CVRD in respect of the notes will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatsoever nature imposed or levied by or on behalf of Brazil, the Cayman Islands, a successor jurisdiction (as defined in "Mergers and Similar Transactions") or any political subdivision or authority thereof or therein having power to tax, unless Vale Overseas or CVRD is compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, Vale Overseas or CVRD will make such withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders of notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the notes in the absence of such withholding or deduction. No such additional amounts shall be payable:

- to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such note by reason of his having some connection with Brazil or the Cayman Islands other than the mere holding of the note;

- in respect of notes surrendered (if surrender is required) more than 30 days after the Relevant Date except to the extent that the holder of such note would have been entitled to such additional amounts on surrender of such note for payment on the last day of such period of 30 days;

- where such additional amount is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such directive;

- to, or to a third party on behalf of, a holder who is liable for or subject to such deduction or withholding by reason of such holder's failure to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with Brazil, the Cayman Islands, or a successor jurisdiction or applicable political subdivision or authority thereof or therein having power to tax, of such holder, if compliance is required by such jurisdiction, or any political subdivision or authority thereof or therein having power to tax, as a precondition to exemption from, or reduction in the rate of, such deduction or withholding;

- in respect of any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or governmental charge;

- in respect of any tax, assessment or other governmental charge which is

payable other than by deduction or withholding from payments of principal of or interest on the note or by direct payment by Vale Overseas or CVRD in respect of claims made against Vale Overseas or CVRD; or

- in respect of any combination of the above.

"Relevant Date" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the trustee on or prior to such due date, the date immediately following the date on which the full amount is so received by the trustee. The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation. Except as specifically provided above, neither Vale Overseas nor CVRD shall be required to make a payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

Any reference in this offering memorandum, the indenture or the notes to principal, interest or any other amount payable in respect of the notes by Vale Overseas or the guaranty by CVRD will be deemed also to refer to any additional amount that may be payable with respect to that amount under the obligations referred to in this subsection.

OPTIONAL REDEMPTION

Vale Overseas will not be permitted to redeem the notes before their stated maturity, except as described below. The notes will not be entitled to the benefit of any sinking fund -- that is, neither Vale Overseas nor CVRD will deposit money on a regular basis into any separate custodial account to repay your notes. In addition, you will not be entitled to require Vale Overseas or CVRD to buy your notes from you before the stated maturity.

If as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Brazil, the Cayman Islands, a successor jurisdiction or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the issue date of the notes, Vale Overseas or CVRD has or will become obliged to pay additional amounts as described above under "-- Payment of Additional Amounts" in excess of the additional amounts Vale Overseas or CVRD would be obliged to pay if payments were subject to withholding or deduction at a rate of 15% as a result of the taxes, duties, assessments and other governmental charges described above (the "Minimum Withholding Level"), Vale Overseas may, at its sole discretion, redeem all, but not less than all, of the notes, at a redemption price equal to 100% of their principal amount, together with interest accrued to the date fixed for redemption, upon publication of irrevocable notice not less than 30 days nor more than 90 days prior to the date fixed for redemption. Vale Overseas shall not have the right to so redeem the notes in the event it becomes obliged to pay additional amounts which are less than the additional amounts payable at the Minimum Withholding Level. Notwithstanding the foregoing, Vale Overseas shall not have the right to so redeem the notes unless it has taken reasonable measures to avoid the obligation to pay additional amounts. In the event that Vale Overseas elects to redeem the notes, it will deliver to the trustee a certificate, signed by an authorized officer, stating that Vale Overseas is entitled to redeem the notes pursuant to their terms and an opinion of independent counsel of recognized standing to the effect that Vale Overseas has or will become obliged to pay additional amounts in excess of the additional amounts payable at the Minimum Withholding Level.

CVRD and any of its subsidiaries and affiliates may at any time purchase notes in the open market or otherwise at any price. Any purchase by tender shall be made available to all holders alike.

MERGERS AND SIMILAR TRANSACTIONS

Without the consent of the holders of notes, neither Vale Overseas nor CVRD will consolidate with or merge into any other corporation or convey or transfer all or substantially all of the properties or assets, or, in the case of CVRD, it shall not transfer all or substantially all of its mining properties or assets, to any other person unless:

- the corporation formed by such consolidation or into which Vale Overseas or CVRD is merged or the person which acquires by conveyance or transfer all or substantially all of the properties and assets of Vale Overseas or all or substantially all of the mining properties or assets of CVRD (the "Successor Corporation") shall expressly assume the due and punctual payment of the principal of and interest on all the notes and all other obligations of Vale Overseas or CVRD under the indenture and the notes;

- immediately after giving effect to such transaction, no Event of Default or Illegality Event with respect to any note shall have occurred and be continuing;

- Vale Overseas and CVRD have delivered to the trustee a certificate signed by an executive officer of Vale Overseas and an executive officer of CVRD stating that such consolidation, merger, conveyance or transfer complies with this condition and that all conditions precedent herein provided, which relate to such transaction, have been complied with and an opinion of independent counsel of recognized standing as to the legal issues relating thereto; and

- the Successor Corporation shall expressly agree to withhold against any tax, duty, assessment or other governmental charge thereafter imposed or levied by Brazil, the Cayman Islands, a successor jurisdiction or any political subdivision or authority thereof or therein having power to tax as a consequence of such consolidation, merger, conveyance or transfer with respect to the payment of principal of or interest on the notes, and to pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders of the notes after any such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the notes in the absence of such consolidation, merger, conveyance or transfer; provided however that holders of the notes will not be subject to exceptions and limitations contained in "-- Payment of Additional Amounts", in relation to the successor jurisdiction.

Upon any consolidation, merger, conveyance or transfer in accordance with these conditions, the Successor Corporation shall succeed to, and be substituted for, and may exercise every right and power of, Vale Overseas or CVRD under the notes with the same effect as if the Successor Corporation had been named as the issuer or guarantor of the notes. If a successor corporation is incorporated in or considered to be resident in a jurisdiction other than Brazil or the Cayman Islands, such jurisdiction shall be referred to as a "successor jurisdiction".

If the conditions described above are satisfied, neither Vale Overseas nor CVRD will need to obtain the approval of the holders in order to merge or consolidate or to sell or otherwise dispose of its properties and assets

substantially as an entirety. Also, these conditions will apply only if Vale Overseas or CVRD wish to merge into or consolidate with another person or sell or otherwise dispose of its properties and assets substantially as an entirety. Vale Overseas and CVRD will not need to satisfy these conditions if Vale Overseas or CVRD enters into other types of transactions, including any transaction in which either Vale Overseas or CVRD acquires the stock or assets of another person, any transaction that involves a change of control of Vale Overseas or CVRD, but in which neither Vale Overseas nor CVRD merges or consolidates, and any transaction in which Vale Overseas or CVRD sells or otherwise disposes of its assets less than substantially as an entirety.

RESTRICTIONS ON LIENS

CVRD and Vale Overseas have agreed that for so long as any note remains outstanding, CVRD and Vale Overseas will not create or permit to subsist any mortgage, pledge, lien or other charge or encumbrance except for Permitted Liens (as defined below), upon the whole or any part of its assets, present or future, to secure any of its Indebtedness or the Indebtedness of any other person without, at the same time or prior thereto, securing the notes equally and ratably therewith, or providing such other security for the notes as shall be approved by the holders of a majority in principal amount of the outstanding notes.

"Permitted Liens" means any mortgage, pledge, lien or other charge or encumbrance:

- granted upon or with regard to any property hereafter acquired by Vale Overseas or CVRD to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property; provided, however, that the maximum sum secured thereby shall not exceed the purchase price of such property or the debt incurred solely for the purpose of financing the acquisition of such property;

- in existence on the date hereof and any extension, renewal or replacement thereof; provided, however, that the total amount of Indebtedness so secured shall not exceed the amount so secured on the date hereof;

- arising by operation of law, such as tax, merchants', maritime or other similar liens arising in the ordinary course of Vale Overseas' or CVRD's business;

- arising in the ordinary course of business in connection with the financing of export, import or other trade transactions to secure Indebtedness of Vale Overseas or CVRD;

- securing or providing for the payment of Indebtedness incurred in connection with any project financing by CVRD; provided that (1) such security shall not extend to any property in existence on the date hereof, to any revenues from such property, or to any proceeds from claims belonging

to CVRD which arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such property in existence on the date hereof ("Proceeds"), (2) such security shall not extend to any property (or to any revenues or Proceeds therefrom) at any project in existence on the date hereof, other than the existing power plant projects named Vitoria Energia, Aimores, Candonga, Funil, Capim Branco I and Capim Branco II, Foz de Chapeco, Santa Isabel,

Serra Quebrada and Estreito projects and (3) such security only extends to properties which are the subject of such project financing, to any revenues from such properties, or to any Proceeds from such properties;

- granted upon or with regard to any present or future asset or property of Vale Overseas or CVRD for the benefit of (i) any Brazilian Governmental credit agency (including, but not limited to the Brazilian National Treasury, Banco Nacional de Desenvolvimento Economico e Social, BNDES Participacoes S.A., Financiadora de Estudos e Projetos and Agencia Especial de Financiamento Industrial); (ii) any Brazilian official financial institutions (including, but not limited to Banco da Amazonia S.A -- BASA e Banco do Nordeste do Brasil S.A. -- BNB); (iii) any international official export-import bank or official export-import credit insurer, or (iv) the International Finance Corporation or any international multilateral or government-sponsored agency;

- existing on any asset prior to the acquisition thereof by Vale Overseas or CVRD and not created in contemplation of such acquisition;

- granted upon or with regard to the reserve account, as set forth in the indenture, as supplemented by the first supplemental indenture regarding the notes; or

- hereafter granted upon or in respect of any asset of Vale Overseas or CVRD other than those referred to above, provided that the aggregate amount of Indebtedness secured pursuant to this bullet point shall not, on the date any such Indebtedness is incurred, exceed an amount equal to 10% of CVRD's stockholders' equity calculated on the basis of CVRD's latest quarterly unaudited or annual audited non-consolidated financial statements (whichever is the most recently prepared) prepared in accordance with accounting principles generally accepted in Brazil and currency exchange rates prevailing on the last day of the period covered by such financial statements).

PROVISION OF INFORMATION

CVRD will file with the trustee copies of its annual report and the information, documents and other reports that it is required to file with the SEC pursuant to Sections 12, 13 or 15(d) of the Exchange Act.

If any of Vale Overseas' or CVRD's officers discovers that a default or Event of Default is continuing, Vale Overseas will also file a certificate with the trustee describing the details thereof and the action Vale Overseas is taking or proposes to take.

RESTRICTIVE COVENANTS

The Indenture contains restrictive covenants in relation to Vale Overseas, including:

- by CVRD not to make any changes to the constitutive documents of Vale Overseas that would allow Vale Overseas to engage in any business or carry out any activities other than the financing of CVRD Group companies by issuing securities under the indenture and incidental or related activities, except as the trustee may otherwise approve if so directed by the holders of not less than 25% of the principal amount of the notes, or to take any action which could lead to the entry of a decree, order or other action by a court placing Vale Overseas in bankruptcy, liquidation or similar proceeding or otherwise declaring Vale Overseas insolvent; and

- by Vale Overseas not to (i) incur any indebtedness, other than the notes, a further issuance of securities on the same terms as the notes or the

issue of any other securities under the indenture, (ii) engage in any business or carry out any activities other than the financing of CVRD Group companies by issuing securities under the indenture and incidental or related activities, except as

the trustee may otherwise approve if so directed by the holders of not less than 25% of the principal amount of the notes, (iii) declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property, or consolidate or merge with any other person (other than as provided in the indenture) or (iv) file for, or consent to the filing of, any bankruptcy, liquidation or similar proceeding.

DEFAULT, REMEDIES AND WAIVER OF DEFAULT

You will have special rights if an Event of Default or an Illegality Event with respect to the series of notes you hold occurs and is not cured, as described in this subsection.

Events of Default

References to an Event of Default mean any of the following:

- failure to pay any interest (or additional amounts, if any) on any of the notes on the date when due and such failure shall continue for a period of 30 days; or failure to pay any principal (or additional amounts, if any) on any of the notes on the date when due, taking into account the extension of maturity in case of a Political Risk Event;

- in relation to CVRD, its Significant Subsidiaries and Vale Overseas: any default or Event of Default occurring and continuing under any agreement, instrument or other document evidencing outstanding Indebtedness in excess of U.S.$50,000,000.00 in aggregate (or its equivalent in other currencies) and such default or Event of Default results in the actual acceleration of such Indebtedness;

- failure to notify the trustee within five business days of the coming into existence or termination of a Political Risk Event, or notify the trustee one business day prior to each interest payment date during the period when a Political Risk Event is in existence;

- Vale Overseas or CVRD shall notify the trustee of the existence of a Political Risk Event when a Political Risk Event is not in existence, and such Event of Default will be cause for acceleration of the maturity of the notes upon the affirmative vote of only 10% of the principal amount of the notes then outstanding;

- any representation or warranty by Vale Overseas or CVRD in the indenture proves to have been incorrect in any material respect when made;

- Vale Overseas or CVRD shall fail to duly perform or observe any other material covenant or agreement in respect of the notes contained in the indenture or the notes and such failure shall continue for a period of 30 days after it occurs; or

- Vale Overseas, CVRD or its Significant Subsidiary (i) has a court decree or order in an involuntary case or proceeding under any applicable bankruptcy, insolvency, suspension of payments, reorganization or other similar law, entered against it, or has a court decree or order adjudging

it bankrupt or insolvent, or suspending its payments, or approving a petition seeking its reorganization, arrangement, adjustment or composition or appointing a liquidator or other similar official of it or of any substantial part of its property, or ordering its winding up or liquidation, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or (ii) commences a voluntary bankruptcy, insolvency, reorganization or other similar proceeding or consents to a decree or order in, or commencement of, an involuntary bankruptcy or the filing or consent to filing of a petition seeking reorganization or consent to the appointment of a liquidator or similar official of it or of any substantial part of its property, or the making of an assignment for the benefit of its creditors, or the admission in writing of its inability to pay its debts generally as they become due.

Illegality Events

References to an Illegality Event mean any of the following:

- any governmental authorization necessary for the performance of any obligation of Vale Overseas or CVRD under the indenture or the notes fails to enter into or come into full force and effect or remain in full force and effect; or

- it is or will become unlawful for Vale Overseas or CVRD to perform or comply with any one or more of its obligations under any of the notes; or

- any event occurs which under the laws of Brazil or the Cayman Islands has an analogous effect to any of the events referred to in the first bullet point above;

provided, however, that if an event which is an Illegality Event is also a Political Risk Event, it shall be treated as a Political Risk Event and not an Illegality Event.

Remedies if an Event of Default or an Illegality Event Occurs

Except as provided in the next sentence, if an Event of Default or an Illegality Event has occurred and has not been cured or waived, the trustee at the request of holders of not less than 25% in principal amount of the notes may declare the entire principal amount of the notes to be due immediately and upon any such declaration the principal, accrued interest and additional amounts shall become due. If an Event of Default occurs because of a bankruptcy, insolvency or reorganization relating to Vale Overseas or CVRD (but not any Significant Subsidiary) the entire principal amount of the notes will be automatically accelerated, without any action by the trustee or any holder and any principal, interest or additional amounts will become due. In the event payments of principal under the guaranty have been suspended due to the existence of a Political Risk Event, the accelerated principal of the notes will continue to accrue interest at the otherwise applicable non-default rate of interest, and payments of such accrued interest will continue to be made on each March 8 and September 8 in accordance with the terms and conditions of the notes.

Each of the situations described above is called an acceleration of the maturity of the notes. If the maturity of the notes is accelerated and a judgment for payment has not yet been obtained, the holders of a majority in aggregate principal amount of the notes may cancel the acceleration of the notes, provided that all amounts then due (other than amounts due solely because

of such acceleration) have been paid and all other defaults with respect to the notes have been cured.

If any Event of Default or Illegality Event occurs, the trustee will have special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Except as described in the prior paragraph, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an indemnity. If the trustee receives an indemnity that is reasonably satisfactory to it, the holders of a majority in principal amount of the notes may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the indenture with respect to the notes.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the notes, the following must occur:

- you must give the trustee written notice that an Event of Default or Illegality Event has occurred and the Event of Default or Illegality Event has not been cured or waived,

- the holders of not less than 25% in principal amount of the notes must make a written request that the trustee take action with respect to the notes because of the default and they or other holders

must offer to the trustee indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action, and

- the trustee must not have taken action for 60 days after the above steps have been taken, and during those 60 days, the holders of a majority in principal amount of the notes must not have given the trustee directions that are inconsistent with the written request of the holders of not less than 25% in principal amount of the notes.

You are entitled, however, at any time to bring a lawsuit for the payment of money due on your note on or after its due date and which was not paid in full by Vale Overseas or CVRD or by application of sums in the reserve account or available under letters of credit.

Book-entry and other indirect holders should consult their bank or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity.

Waiver of Default

The holders of not less than a majority in principal amount of the notes may waive a default for the notes. If this happens, the default will be treated as if it had not occurred. No one can waive a payment default on any note, however, without the approval of the particular holder of that note.

MODIFICATION AND WAIVER OF COVENANTS

There are four types of changes Vale Overseas and CVRD can make to the indenture and the notes. A supplemental indenture will be prepared if noteholder

approval is required. The Luxembourg Stock Exchange will be notified of any change regardless of whether noteholder approval is required.

Changes Requiring Each Holder's Approval

First, there are changes that cannot be made without the approval of each holder of the notes. Those types of changes are:

- a change in the stated maturity for any principal or interest payment on the notes,
- a reduction in the principal amount, the interest rate or the redemption price for the notes,
- a change in the obligation to pay additional amounts,
- a change in the currency of any payment on the notes,
- a change in the place of any payment on the notes,
- an impairment of the holder's right to sue for payment of any amount due on its notes,
- a reduction in the percentage in principal amount of the notes needed to change the indenture or the notes,
- any change to the terms of payment from, or control over, the reserve account, including a reduction in the amount initially deposited in the reserve account, except as allowed under the terms of the notes,
- a release of the collateral while any of the notes or the exchange notes remain outstanding,
- a reduction in the percentage in principal amount of the notes needed to waive its compliance with the indenture or to waive defaults, and
- a reduction in the percentage in principal amount of the notes needed for the adoption of a resolution or the formation of a quorum for meetings of holders.

Changes Not Requiring Approval

Second, there are changes that do not require any approval by holders of notes. This type of change is limited to clarifications and changes that would not adversely affect the notes in any material respect.

Changes Requiring Majority Approval

Most other changes to the indenture and the notes must be approved by the holders of a majority in principal amount of the notes. The required approval must be given by written consent.

The same majority approval would be required for Vale Overseas or CVRD to obtain a waiver of any of its covenants in the indenture. Their covenants include the promises Vale Overseas and CVRD make about merging and creating liens on their assets, which are described above under "-- Mergers and Similar Transactions" and "-- Restrictions on Liens". If the holders approve a waiver of a covenant, Vale Overseas and CVRD will not have to comply with it. The holders, however, cannot approve a waiver of any provision in the notes or the indenture,

as it affects any note, that Vale Overseas and CVRD cannot change without the approval of the holder of that note as described above in "-- Changes Requiring Each Holder's Approval," unless that holder approves the waiver.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if Vale Overseas or CVRD seek to change the indenture or the notes or request a waiver.

Changes Requiring Approval of 25% of the Holders

The holders of 25% of the notes may approve certain changes involving restrictions on Vale Overseas' ability to conduct business.

SPECIAL RULES FOR ACTION BY HOLDERS

When holders take any action under the indenture, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the trustee an instruction, Vale Overseas will apply the following rules.

Only Outstanding Notes are Eligible

Only holders of outstanding notes will be eligible to participate in any action by holders. Also, Vale Overseas will count only outstanding notes in determining whether the various percentage requirements for taking action have been met. For these purposes, a note will not be "outstanding" if it has been surrendered for cancellation or if Vale Overseas has deposited or set aside, in trust for its holder, money for its payment or redemption; provided, however, that notes held by Vale Overseas, CVRD or their affiliates are not considered outstanding.

Determining Record Dates for Action by Holders

Vale Overseas will generally be entitled to set any day as a record date for the purpose of determining the holders that are entitled to take action under the indenture. In some limited circumstances, only the trustee will be entitled to set a record date for action by holders. If Vale Overseas or the trustee set a record date for an approval or other action to be taken by holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that Vale Overseas specifies for this purpose, or that the trustee specifies if it sets the record date. Vale Overseas or the trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any Global Notes may be set in accordance with procedures established by the depositary from time to time.

PAYMENT MECHANICS

Who Receives Payment

For interest due on the interest payment dates, Vale Overseas will pay the interest to the holder in whose name the note is registered at the close of business on the regular record date relating to the interest payment date. For interest due at maturity but on a day that is not an interest payment date, Vale Overseas will pay the interest to the person or entity entitled to receive the principal of the note. For principal due on the notes at maturity, Vale Overseas will pay the amount to the holders of the notes against surrender of the notes at the proper place of payment.

Regular Record Dates for Interest

The regular record dates relating to the interest payment dates for the notes are February 21 for each March 8 and August 24 for each September 8. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 p.m., New York City time, on that day.

How Vale Overseas Will Make Payments

Vale Overseas will make payments on the notes in accordance with the applicable rules of the depositary, Clearstream and Euroclear from time to time. Under those policies, Vale Overseas will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in a Global Note. An indirect holder's right to receive those payments will be governed by the rules and practices of the depositary and its participants.

Payment When Offices Are Closed

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

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

Transfer Agent

Vale Overseas may appoint one or more financial institutions to act as its transfer agents, at whose designated offices the notes in certificated form must be surrendered before payment is made at their maturity. Each of those offices is referred to as a transfer agent. The initial transfer agent is J.P. Morgan Bank Luxembourg S.A. Vale Overseas may add, replace or terminate transfer agents from time to time, provided that if any notes are issued in certificated form, so long as such notes are outstanding, Vale Overseas will maintain a transfer agent in Luxembourg, for so long as any notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange require it, and in New York City. Vale Overseas may also choose to act as its own transfer agent. Initially, Vale Overseas has appointed the trustee, at its corporate trust office in New York City, as a transfer agent. Vale Overseas must notify you of changes in the transfer agents pursuant to the provisions described under "-- Notices."

Unclaimed Payments

All money paid by Vale Overseas to the trustee that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to Vale Overseas. After that two-year period, the holder may look only to Vale Overseas

and CVRD for payment and not to the trustee, any other transfer agent or anyone else.

NOTICES

As long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If Vale Overseas issues notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed. For so long as any notes are listed on the Luxembourg Stock Exchange and in accordance with the rules and regulations of the Luxembourg Stock Exchange, Vale Overseas will publish all notices to holders in a newspaper with general circulation in Luxembourg, which is expected to be the Luxemburger Wort.

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

GOVERNING LAW

The indenture and the notes will be governed by the laws of the State of New York. Vale Overseas and CVRD will in the indenture agree that any legal suit, action or proceeding arising out of or relating to the indenture and the notes may be instituted in any federal or state court in the Borough of Manhattan, The City of New York, and will designate agents upon which process may be served.

PRESCRIPTION PERIOD

Claims for payment of principal in respect of the notes shall be prescribed upon the expiration of 10 years, and claims for payment of interest in respect of the notes shall be prescribed upon the expiration of 5 years, in each case from the Relevant Date (as defined below) thereof.

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

RELATIONSHIPS WITH THE TRUSTEE

JPMorgan Chase Bank is serving as the trustee for the notes. JPMorgan Chase Bank and its affiliates may from time to time have other business relationships with Vale Overseas, CVRD and their affiliates.

THE EXCHANGE OFFER

In the registration rights agreement among Vale Overseas, CVRD and the initial purchasers of the old securities, Vale Overseas agreed to cause the exchange offer to be completed on or prior to September 8, 2002.

The registration rights agreement provides that, in the event Vale Overseas fails to cause the exchange offer to be completed by September 8, 2002, we will be required to pay additional interest on the old securities over and above the regular interest on the securities. Once the exchange offer is completed, Vale Overseas will no longer be required to pay additional interest on the old securities.

The exchange offer is not being made to, nor will tenders for exchange be accepted from, holders of old securities in any jurisdiction in which the exchange offer or acceptance of the exchange offer would violate the securities or blue sky laws of that jurisdiction.

TERMS OF THE EXCHANGE OFFER; PERIOD FOR TENDERING OLD SECURITIES

This prospectus and the accompanying letter of transmittal contain the terms and conditions of the exchange offer. Upon the terms and subject to the conditions included in this prospectus and in the accompanying letter of transmittal, which together are the exchange offer, Vale Overseas will accept for exchange old securities which are properly tendered on or prior to the expiration date, unless you have previously withdrawn them.

- When you tender to Vale Overseas old securities as provided below, its acceptance of the old securities will constitute a binding agreement between you and Vale Overseas upon the terms and subject to the conditions in this prospectus and in the accompanying letter of transmittal.

- For each $1,000 principal amount of old securities surrendered to Vale Overseas in the exchange offer, Vale Overseas will give you $1,000 principal amount of new securities.

- Vale Overseas will keep the exchange offer open for not less than 20 business days, or longer if required by applicable law, after the date that Vale Overseas first mails notice of the exchange offer to the holders of the old securities. Vale Overseas is sending this prospectus, together with the letter of transmittal, on or about the date of this prospectus to all of the registered holders of old securities at their addresses listed in the trustee's security register with respect to the old securities.

- The exchange offer expires at 5:00 p.m., New York City time, on , 2002; provided, however, that Vale Overseas, in its sole discretion, may extend the period of time for which the exchange offer is open. The term "expiration date" means , 2002 or, if extended by Vale Overseas, the latest time and date to which the exchange offer is extended.

- As of the date of this prospectus, $300,000,000 in aggregate principal amount of the old securities were outstanding. The exchange offer is not conditioned upon any minimum principal amount of old securities being tendered.

- Vale Overseas' obligation to accept old securities for exchange in the exchange offer is subject to the conditions described in the section called "Conditions to the Exchange Offer" below.

- Vale Overseas expressly reserves the right, at any time, to extend the period of time during which the exchange offer is open, and thereby delay acceptance of any old securities, by giving oral (promptly confirmed in writing) or written notice of an extension to the exchange agent and notice of that extension to the holders as described below. During any extension, all old securities previously tendered will remain subject to the exchange offer unless withdrawal rights are exercised. Any old securities not accepted for exchange for any reason will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

- Vale Overseas expressly reserves the right to amend or terminate the

exchange offer, and not to accept for exchange any old securities that we have not yet accepted for exchange, if any of the

conditions of the exchange offer specified below under "Conditions to the Exchange Offer" are not satisfied.

- Vale Overseas will give oral or written notice of any extension, amendment, termination or non-acceptance described above to holders of the old securities as promptly as practicable. If Vale Overseas extends the expiration date, Vale Overseas will give notice by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date. Without limiting the manner in which Vale Overseas may choose to make any public announcement and subject to applicable law, Vale Overseas will have no obligation to publish, advertise or otherwise communicate any public announcement other than by issuing a release to the Dow Jones News Service.

- Holders of old securities do not have any appraisal or dissenters' rights in connection with the exchange offer.

- Old securities which are not tendered for exchange or are tendered but not accepted in connection with the exchange offer will remain outstanding and be entitled to the benefits of the indenture, but will not be entitled to any further registration rights under the registration rights agreement.

- Vale Overseas intends to conduct the exchange offer in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the SEC thereunder.

- By executing, or otherwise becoming bound by, the letter of transmittal, you will be making the representations described below to Vale Overseas. See "-- Resales of the New Securities."

IMPORTANT RULES CONCERNING THE EXCHANGE OFFER

You should note that:

- All questions as to the validity, form, eligibility, time of receipt and acceptance of old securities tendered for exchange will be determined by Vale Overseas in its sole discretion, which determination shall be final and binding.

- Vale Overseas reserves the absolute right to reject any and all tenders of any particular old securities not properly tendered or to not accept any particular old securities which acceptance might, in its judgment or the judgment of our counsel, be unlawful.

- Vale Overseas also reserves the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any particular old securities either before or after the expiration date, including the right to waive the ineligibility of any holder who seeks to tender old securities in the exchange offer. Unless Vale Overseas agrees to waive any defect or irregularity in connection with the tender of old securities for exchange, you must cure any defect or irregularity within any reasonable period of time as Vale Overseas shall determine.

- Vale Overseas' interpretation of the terms and conditions of the exchange offer as to any particular old securities either before or after the

expiration date shall be final and binding on all parties.

- Neither Vale Overseas, the exchange agent nor any other person shall be under any duty to give notification of any defect or irregularity with respect to any tender of old securities for exchange, nor shall any of them incur any liability for failure to give any notification.

PROCEDURES FOR TENDERING OLD SECURITIES

WHAT TO SUBMIT AND HOW

If you, as the registered holder of an old security, wish to tender your old securities for exchange in the exchange offer, you must transmit a properly completed and duly executed letter of transmittal to JPMorgan Chase Bank at the address set forth below under "Exchange Agent" on or prior to the expiration date.

In addition,

(1) certificates for old securities must be received by the exchange agent along with the letter of transmittal, or

(2) a timely confirmation of a book-entry transfer of old securities, if such procedure is available, into the exchange agent's account at the Depository Trust Company, or DTC, using the procedure for book-entry transfer described below, must be received by the exchange agent on or prior to the expiration date or

(3) you must comply with the guaranteed delivery procedures described below.

THE METHOD OF DELIVERY OF OLD SECURITIES, LETTERS OF TRANSMITTAL AND NOTICES OF GUARANTEED DELIVERY IS AT YOUR ELECTION AND RISK. IF DELIVERY IS BY MAIL, WE RECOMMEND THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY. NO LETTERS OF TRANSMITTAL OR OLD SECURITIES SHOULD BE SENT TO VALE OVERSEAS.

HOW TO SIGN YOUR LETTER OF TRANSMITTAL AND OTHER DOCUMENTS

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the old securities being surrendered for exchange are tendered

(1) by a registered holder of the old securities who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal or

(2) for the account of an eligible institution.

If signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, the guarantees must be by any of the following eligible institutions:

- a firm which is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. or

- a commercial bank or trust company having an office or correspondent in the United States

If the letter of transmittal is signed by a person or persons other than the registered holder or holders of old securities, the old securities must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered holder or holders that appear on the old securities and with the signature guaranteed.

If the letter of transmittal or any old securities or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers or corporations or others acting in a fiduciary or representative capacity, the person should so indicate when signing and, unless waived by Vale Overseas, proper evidence satisfactory to Vale Overseas of its authority to so act must be submitted.

ACCEPTANCE OF OLD SECURITIES FOR EXCHANGE; DELIVERY OF NEW SECURITIES

Once all of the conditions to the exchange offer are satisfied or waived, Vale Overseas will accept, promptly after the expiration date, all old securities properly tendered and will issue the new securities promptly after acceptance of the old securities. See "Conditions to the Exchange Offer" below. For purposes of the exchange offer, Vale Overseas' giving of oral (promptly confirmed in writing) or written notice of its acceptance to the exchange agent will be considered its acceptance of the exchange offer.

In all cases, Vale Overseas will issue new securities in exchange for old securities that are accepted for exchange only after timely receipt by the exchange agent of:

- certificates for old securities, or

- a timely book-entry confirmation of transfer of old securities into the exchange agent's account at DTC using the book-entry transfer procedures described below, and

- a properly completed and duly executed letter of transmittal.

If Vale Overseas does not accept any tendered old securities for any reason included in the terms and conditions of the exchange offer or if you submit certificates representing old securities in a greater

principal amount than you wish to exchange, Vale Overseas will return any unaccepted or non-exchanged old securities without expense to the tendering holder or, in the case of old securities tendered by book-entry transfer into the exchange agent's account at DTC using the book-entry transfer procedures described below, non-exchanged old securities will be credited to an account maintained with DTC as promptly as practicable after the expiration or termination of the exchange offer.

BOOK-ENTRY TRANSFER

The exchange agent will make a request to establish an account with respect to the old securities at DTC for purposes of the exchange offer promptly after the date of this prospectus. Any financial institution that is a participant in DTC's systems may make book-entry delivery of old securities by causing DTC to transfer old securities into the exchange agent's account in accordance with DTC's Automated Tender Offer Program procedures for transfer. However, the exchange for the old securities so tendered will only be made after timely confirmation of book-entry transfer of old securities into the exchange agent's account, and timely receipt by the exchange agent of an agent's message,

transmitted by DTC and received by the exchange agent and forming a part of a book-entry confirmation. The agent's message must state that DTC has received an express acknowledgment from the participant tendering old securities that are the subject of that book-entry confirmation that the participant has received and agrees to be bound by the terms of the letter of transmittal, and that Vale Overseas may enforce the agreement against that participant.

Although delivery of old securities may be effected through book-entry transfer into the exchange agent's account at DTC, the letter of transmittal, or a facsimile copy, properly completed and duly executed, with any required signature guarantees, or an agent's message in lieu thereof, must in any case be delivered to and received by the exchange agent at its address listed under "-- Exchange Agent" on or prior to the expiration date.

If your old securities are held through DTC, you must complete a form called "instructions to registered holder and/or book-entry participant," which will instruct the DTC participant through whom you hold your securities of your intention to tender your old securities or not tender your old securities. Please note that delivery of documents to DTC in accordance with its procedures does not constitute delivery to the exchange agent and we will not be able to accept your tender of securities until the exchange agent receives a letter of transmittal or an agent's message in lieu thereof, and a book-entry confirmation from DTC with respect to your securities. A copy of that form is available from the exchange agent.

GUARANTEED DELIVERY PROCEDURES

If you are a registered holder of old securities and you want to tender your old securities but your old securities are not immediately available, or time will not permit your old securities to reach the exchange agent before the expiration date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if

(1) the tender is made through an eligible institution,

(2) on or prior to the expiration date, the exchange agent receives, by facsimile transmission, mail or hand delivery, from that eligible institution a properly completed and duly executed notice of guaranteed delivery, substantially in the form provided by Vale Overseas, stating:

- the name and address of the holder of old securities
- the amount of old securities tendered
- the tender is being made by delivering that notice and guaranteeing that within three New York Stock Exchange trading days after the date of execution of the notice of guaranteed delivery, the certificates of all physically tendered old securities, in proper form for transfer, or a book-entry confirmation, as the case may be, will be deposited by that eligible institution with the exchange agent, and

(3) the certificates for all physically tendered old securities, in proper form for transfer, or a book-entry confirmation, as the case may be, together with the Letter of Transmittal and any other document required by the Letter of Transmittal or an agent's message in lieu thereof, are received by the exchange agent within three New York Stock Exchange trading days after the date of execution of the Notice of Guaranteed Delivery.

WITHDRAWAL RIGHTS

You can withdraw your tender of old securities at any time on or prior to the expiration date.

For a withdrawal to be effective, a written notice of withdrawal must be received by the exchange agent at one of the addresses listed below under "Exchange Agent." Any notice of withdrawal must specify:

- the name of the person having tendered the old securities to be withdrawn,
- the old securities to be withdrawn
- the principal amount of the old securities to be withdrawn
- if certificates for old securities have been delivered to the exchange agent, the name in which the old securities are registered, if different from that of the withdrawing holder
- if certificates for old securities have been delivered or otherwise identified to the exchange agent, then, prior to the release of those certificates, you must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an eligible institution unless you are an eligible institution.
- if old securities have been tendered using the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old securities and otherwise comply with the procedures of that facility.

Please note that all questions as to the validity, form, eligibility and time of receipt of notices of withdrawal will be determined by Vale Overseas, and its determination shall be final and binding on all parties. Any old securities so withdrawn will be considered not to have been validly tendered for exchange for purposes of the exchange offer.

If you have properly withdrawn old securities and wish to re-tender them, you may do so by following one of the procedures described under "Procedures for Tendering Old Securities" above at any time on or prior to the expiration date.

CONDITIONS TO THE EXCHANGE OFFER

Notwithstanding any other provisions of the exchange offer, Vale Overseas will not be required to accept for exchange, or to issue new securities in exchange for, any old securities and may terminate or amend the exchange offer, if at any time before the acceptance of old securities for exchange or the exchange of the new securities for old securities, that acceptance or issuance would violate applicable law or any interpretation of the staff of the SEC.

That condition is for the sole benefit of Vale Overseas and may be asserted by Vale Overseas regardless of the circumstances giving rise to that condition. Vale Overseas' failure at any time to exercise the foregoing rights shall not be considered a waiver by Vale Overseas of that right. Vale Overseas' rights described in the prior paragraph are ongoing rights which Vale Overseas may assert at any time and from time to time.

In addition, Vale Overseas will not accept for exchange any old securities tendered, and no new securities will be issued in exchange for any old securities, if at that time any stop order shall be threatened or in effect with respect to the exchange offer to which this prospectus relates or the qualification of the indenture under the Trust Indenture Act.

EXCHANGE AGENT

JPMorgan Chase Bank has been appointed as the exchange agent for the exchange offer. All executed letters of transmittal should be directed to the exchange agent at one of the addresses set forth below. Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery should be directed to the exchange agent, addressed as follows:

Deliver To:

JPMorgan Chase Bank, Exchange Agent
450 West 33rd Street, 15th Floor
New York, New York 10001
Attn: Institutional Trust Services

Facsimile Transmissions:
(212) 946-8177 or (212) 946-8178

To Confirm by Telephone
or for Information:
(212) 946-3028

DELIVERY TO AN ADDRESS OTHER THAN AS LISTED ABOVE OR TRANSMISSION OF THE LETTER OF TRANSMITTAL VIA FACSIMILE OTHER THAN AS LISTED ABOVE DOES NOT CONSTITUTE A VALID DELIVERY.

FEES AND EXPENSES

The principal solicitation is being made by mail; however, additional solicitation may be made by telegraph, telephone or in person by Vale Overseas' officers, regular employees and affiliates. Vale Overseas will not pay any additional compensation to any of its officers and employees who engage in soliciting tenders. Vale Overseas will not make any payment to brokers, dealers, or others soliciting acceptances of the exchange offer. However, Vale Overseas will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection with the exchange offer.

The estimated cash expenses to be incurred in connection with the exchange offer, including legal, accounting, SEC filing, printing and exchange agent expenses, will be paid by Vale Overseas. Vale Overseas estimates that such expenses will be approximately US$250,000.

TRANSFER TAXES

Holders who tender their old securities for exchange will not be obligated to pay any transfer taxes in connection therewith, except that holders who instruct us to register new securities in the name of, or request that old securities not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder will be responsible for the payment of any applicable transfer tax thereon.

RESALE OF THE NEW SECURITIES

Under existing interpretations of the staff of the SEC contained in several no-action letters to third parties, the new securities would in general be freely transferable after the exchange offer without further registration under

the Securities Act. The relevant no-action letters include the Exxon Capital Holdings Corporation letter, which was made available by the SEC on May 13, 1988, and the Morgan Stanley & Co. Incorporated letter, made available on June 5, 1991.

However, any purchaser of old securities who is an "affiliate" of Vale Overseas or CVRD or who intends to participate in the exchange offer for the purpose of distributing the new securities

(1) will not be able to rely on the interpretation of the staff of the SEC,

(2) will not be able to tender its old securities in the exchange offer and

(3) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the securities unless that sale or transfer is made using an exemption from those requirements.

By executing, or otherwise becoming bound by, the Letter of Transmittal each holder of the old securities will represent that:

(1) it is not an "affiliate" of Vale Overseas or CVRD;

(2) any new securities to be received by it were acquired in the ordinary course of its business; and

(3) it has no arrangement or understanding with any person to participate, and is not engaged in and does not intend to engage, in the "distribution," within the meaning of the Securities Act, of the new securities.

In addition, in connection with any resales of new securities, any broker-dealer participating in the exchange offer who acquired securities for its own account as a result of market-making or other trading activities must deliver a prospectus meeting the requirements of the Securities Act. The SEC has taken the position in the Shearman & Sterling no-action letter, which it made available on July 2, 1993, that participating broker-dealers may fulfill their prospectus delivery requirements with respect to the new securities, other than a resale of an unsold allotment from the original sale of the old securities, with the prospectus contained in the exchange offer registration statement. Under the registration rights agreement, Vale Overseas is required to allow participating broker-dealers and other persons, if any, subject to similar prospectus delivery requirements to use this prospectus as it may be amended or supplemented from time to time, in connection with the resale of new securities.

MATERIAL TAX CONSEQUENCES OF THE EXCHANGE OFFER

In the opinion of Davis Polk & Wardwell, United States counsel for the issuer, the exchange of old securities for new securities in the exchange offer will not result in any United States federal income tax consequences to holders. When a holder exchanges an old security for a new security in the exchange offer, the holder will have the same adjusted basis and holding period in the new security as in the old security immediately before the exchange. In the opinion of Walkers, Cayman Islands counsel for the issuer, the exchange offer will not result in any Cayman Islands income tax consequences to holders. In the opinion of Paulo Francisco de Almeida Lopes, Esq., CVRD's general counsel, the exchange offer will not result in any Brazilian income tax consequences to holders.

PLAN OF DISTRIBUTION

Each broker-dealer that receives new securities for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of new securities. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new securities received in exchange for old securities where old securities were acquired as a result of market-making activities or other trading activities. Vale Overseas and CVRD have agreed that, for a period of 180 days after the expiration date, they will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any resale of new securities received by it in exchange for old securities.

Neither Vale Overseas nor CVRD will receive any proceeds from any sale of new securities by broker-dealers.

New securities received by broker-dealers for their own account in the exchange offer may be sold from time to time in one or more transactions

- in the over-the-counter market

- in negotiated transactions

- through the writing of options on the new securities or

- a combination of those methods of resale

at market prices prevailing at the time of resale, at prices related to prevailing market prices or negotiated prices.

Any resale may be made:

- directly to purchasers or

- to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any new securities.

Any broker-dealer that resells new securities that were received by it for its own account in the exchange offer and any broker or dealer that participates in a distribution of those new securities may be considered to be an "underwriter" within the meaning of the Securities Act. Any profit on any resale of those new securities and any commission or concessions received by any of those persons may be considered to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be considered to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the expiration date, we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests those documents in the letter of transmittal. Vale Overseas has agreed to pay all expenses incident to the exchange offer, including the expenses of one counsel for the holders of the securities, other than commissions or concessions of any brokers or dealers and will indemnify the holders of the securities, including any broker-dealers, against some liabilities, including liabilities under the Securities Act.

VALIDITY OF THE NEW NOTES

The validity of the new notes will be passed upon for Vale Overseas and CVRD by Davis Polk & Wardwell, New York, New York. Certain matters of Cayman Islands law relating to the notes will be passed upon by Walkers, Cayman Islands counsel for CVRD and Vale Overseas. Certain matters of Brazilian law relating to the notes will be passed upon by Paulo Francisco de Almeida Lopes, Esq., General Counsel for CVRD.

EXPERTS

CVRD's consolidated financial statements as of December 31, 2000 and 1999 and for each of the three years in the period ended December 31, 2000 are included in this Registration Statement in reliance upon the report of PricewaterhouseCoopers Auditores Independentes, independent accountants, given on the authority of said firm as experts in auditing and accounting. The financial statements of certain of our subsidiaries and affiliates, not separately included in this prospectus, have been audited by various independent accountants other than PricewaterhouseCoopers Auditores Independentes. The companies and periods covered by these audits are indicated in the individual accountants' reports appearing in this prospectus. These financial statements, to the extent they have been included in our consolidated financial statements, have been included in reliance on the reports of the various independent accountants given on the authority of said firms as experts in auditing and accounting.

With respect to CVRD's unaudited interim consolidated financial statements, at and for the nine months ended September 30, 2000 and 2001, PricewaterhouseCoopers Auditores Independentes reported that they have applied limited procedures in accordance with professional standards for a review of that information. However, their separate report thereon states that they did not audit and they did not express an opinion on our unaudited information. Accordingly, the degree of reliance on their report on that information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers Auditores Independentes is not subject to the liability provisions of Section 11 of the Securities Act for their report on our interim financial information because that report is not a "report" or a "part" of the registration statement prepared or certified by PricewaterhouseCoopers Auditores Independentes within the meaning of Sections 7 and 11 of the Securities Act.

We have engaged Mineral Resources Development, Inc., or MRDI, experts in geology, mining and ore reserve determination, to perform an audit of our estimates of proven and probable reserves and mine life at December 31, 2000. The estimates of proven and probable reserves and mine life as presented herein have been audited and verified by MRDI, which has indicated that our proven and probable reserves have been estimated in accordance with good engineering practices, using current reasonable cost estimates. Reserves classified as "other mineral deposits" have not been audited by MRDI.

Vale Overseas' financial statement as of September 30, 2001 is included in reliance upon the report of PricewaterhouseCoopers Auditores Independentes, independent accountants, given on the authority of said firm as experts in auditing and accounting.

ENFORCEMENT OF CIVIL LIABILITIES AGAINST NON-U.S. PERSONS

VALE OVERSEAS

Vale Overseas has been advised by its Cayman Islands counsel, Walkers, that

although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will, based on the principle that a judgment by a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given, recognise and enforce a foreign judgment of a court having jurisdiction over the defendant according to Cayman Islands conflict of law rules, if such judgment is final, for a liquidated sum not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands judgment in respect of the same matters and was not obtained in a manner, and is not of a kind the enforcement of which is, contrary to natural justice, statute

or the public policy of the Cayman Islands. There is doubt, however, as to whether the courts of the Cayman Islands will (i) recognize or enforce judgments of United States courts predicated upon the civil liability provisions of the securities laws of the United States or any State thereof, or (ii) in original actions brought in the Cayman Islands, impose liabilities upon the civil liability provisions of the securities laws of the United States or any State thereof, on the grounds that such provisions are penal in nature.

A Cayman Islands' court may stay proceedings if concurrent proceedings are being brought elsewhere.

CVRD

We are organized under the laws of Brazil and substantially all of our assets are located outside of the United States. The majority of our directors and executive officers and certain experts named in this prospectus reside outside of the United States and substantially all of the assets of such persons are located outside the United States. As a result, it may not be possible (or may be difficult) for investors to effect service of process upon us or such persons within the United States or to enforce against us or them judgments obtained in U.S. courts, including those predicated upon the civil liability provisions of the federal securities laws of the United States.

We have been advised by Paulo Francisco de Almeida Lopes, Esq., our general counsel, that a judgment of a U.S. court for civil liabilities predicated upon the federal securities laws of the United States may be enforced in Brazil against us and our directors and executive officers and certain of the experts named herein without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Federal Supreme Court. Such confirmation, generally, will be available if the foreign judgment (i) is for a payment of a sum certain, (ii) fulfills all formalities required for its enforceability under the laws of the United States, (iii) is issued by a competent court after proper service of process, (iv) is not subject to appeal, (v) is authenticated by a Brazilian consular office in the United States and is accompanied by a sworn translation in Portuguese and (vi) does not violate Brazilian national sovereignty, public policy or "good morals" (as set forth in Brazilian law). We have also been advised by our General Counsel that (i) original civil actions may be brought in connection with this prospectus predicated solely on the federal securities laws of the United States in Brazilian courts and that Brazilian courts may enforce such liabilities in such actions against us and our directors and executive officers and certain of the experts named herein (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy and provided further that Brazilian courts can assert jurisdiction over the particular action) and (ii) the ability of a judgment creditor to satisfy a judgment by attaching certain assets of the defendant is limited by provisions of Brazilian law. In addition, a plaintiff (whether Brazilian or non-Brazilian) that resides outside Brazil during the course of the litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil.

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MINING TERMS

Alumina	Aluminum oxide. It is extracted from bauxite in a chemical refining process and is the principal raw material in the electro-chemical process from which aluminum is produced.
Bauxite	A rock composed primarily of hydrated aluminum oxides. It is the principal ore of alumina, the raw material from which aluminu is made.
Beneficiation	The process of separating, concentrating and classifying ore by particle size or some other characteristic (e.g., specific gravity magnetic susceptibility, surface chemistry, etc.) in order to obtain the mineral or meta of interest.
CIF	Cost, insurance and freight. It indicates that the seller pays for shipping, insurance and all other costs associated with transportation of the commodity to its destination.
CIL	Carbon-in-Leach. A method of recovering gold in solution from slurry streams by contactin activated carbon with the pulp during the leaching process within agitated vessels and separating loaded carbon from the pulp by screening.
CIP	Carbon-in-Pulp. A method of recovering gold and silver extracted from pregnant cyanide solutions by absorbing the precious metals t granules of activated carbon, which are typically ground up coconut shells.
Concentration	Physical, chemical or biological process to increase the grade of the metal or mineral o interest.
DR	Direct reduction. DR iron ore pellets are used by steelmakers that employ minimill technology.
DWT	Deadweight ton. The measurement unit of a vessel's capacity for cargo, fuel oil, store and crew, measured in metric tons of 1,000 kg. A vessel's total deadweight is the total weight the vessel can carry when loaded to a particular load line.
Fines	Refers to iron ore with particles in the range of 0.10 mm to 6.35 mm diameter.
FOB	Free on Board. It indicates that the purchaser pays for shipping, insurance, and all the other costs associated with transportation of the commodity to its destination.
Grade	The proportion of metal or mineral present i ore or any other host material.

HL	Heap Leaching. A low cost method of extracting metals such as gold and copper from low-grade ores. It consists of building a heap of ore and applying a solution (lixiviant) which dissolves the metal to produce a pregnant solution (leachate) from which the metal is recovered by precipitatio and smelting or carbon absorption, stripping and electrowinning methods.

Kaolin	A fine white aluminum silicate clay used as coating agent, filler, extender and absorben in the paper, ceramics and pharmaceutical industries.
Lump ore	Iron ore or manganese ore with the coarsest particle size in the range of 6.35 mm to 75 mm diameter, but varying slightly between different mines and ores.
Manganese	A hard brittle metallic element found primarily in the minerals pyrolusite, hausmannite and manganate.
Mineral deposit(s) or mineralized material(s)	Refers to a mineralized body which has been intersected by a sufficient number of closely-spaced drill holes and/or underground/surface samples to support sufficient tonnage and grade of metal(s) or mineral(s) of interest to warrant further exploration-development work. The deposit does not qualify as an ore body until it can be legally and economically extracted at the time of ore reserve determination.
Open pit mining	The extraction method by which surface or barren rock is removed so that ore may be removed using power shovels, front-end loaders, hydraulic excavators, draglines, etc.
Oxides	Compounds of oxygen with another element. Fo example, magnetite (Fe(3)O(4)) is an oxide mineral formed by the chemical union of iron with oxygen.
Pellet feed	Fine (0.10 mm to 6.35 mm) and ultra-fine (less than 0.10 mm) iron ore particles generated by the mining, grading, handling and transporting of iron ore, with no practical direct application in the steel industry, unless the material is aggregated into pellets through an agglomeration process.
Pellets	Balls of agglomerated fine and ultra-fine iron ore particles of a size and quality suitable for particular steelmaking processes. Our pellets range in size from 8 mm to 18 mm.
Potash	A potassium chloride compound, chiefly KCl,

	used in industry and agriculture.
Probable (indicated) reserves.....	Reserves for which quantity and grade and/or quality are computed from information simila to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough t assume continuity between points of observation.

Proven (measured) reserves.....	Reserves for which (1) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (2) grade and/or quality are computed from the results of detailed sampling; and (3) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
Recoverable reserve.....	That portion of interest in the ore that can be physically recovered through processing.
Reserve.....	Refers to that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.
Run-of-mine.....	Ore in its natural (unprocessed) state, as mined, without having been crushed.
Seaborne market.....	The market for iron ore products that are shipped in vessels which have a capacity in excess of 50,000 DWT.
Sinter feed.....	Iron or manganese ore suitable for sintering
Sintering.....	Refers to the agglomeration of small particles into a coherent mass by heating without melting.
S/P.....	Stockpile. Refers to ore or materials accumulated or piled at the surface for future use.
Sulfides.....	Compounds of sulphur with more than one element and metallic sulfides (such as galena, PbS, and chalcopyrite, CuFeS(2)) which occur as minerals.

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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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, 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$1,188 million and US$929 million at December 31, 2000 and 1999, respectively, and equity in earnings of US$213 million, US$42 million and US$21 million for 2000, 1999 and 1998, respectively. Also, we did not audit the financial statements of the majority-owned shipping and ferro alloys subsidiaries as at and for the years ended December 31, 2000, 1999 and 1998, which statements reflect total assets of US$584 million and US$569 million at December 31, 2000 and 1999, respectively, and total revenues of US$480 million, US$177 million and US$222 million for 2000, 1999 and 1998, 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.

As discussed in Note 21 to the financial statements, the Company has made changes in the application of certain accounting principles.

/S/ PRICEWATERHOUSECOOPERS
PRICEWATERHOUSECOOPERS
Auditores Independentes

Rio de Janeiro, Brazil
February 21, 2001, except for the accounting changes described in Note 21 and the information on subsequent events contained in Note 22, which are as of February 22, 2002 and March 8, 2002, respectively.

CONSOLIDATED BALANCE SHEETS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	AS OF DECEMBER 31	
	2000	1999
ASSETS		
CURRENT ASSETS		

Cash and cash equivalents	1,211	1,453
Accounts receivable		
Related parties	125	107
Unrelated parties	365	350
Loans and advances to related parties	121	93
Inventories	306	244
Deferred income tax	89	60
Others	285	183
	2,502	2,490
Property, plant and equipment, net	3,955	3,943
Investments in affiliated companies and joint ventures and other investments	2,216	1,707
Provision for losses and write-downs on equity investments	(421)	(504)
OTHER ASSETS		
Goodwill on acquisition of consolidated subsidiaries	175	--
Loans and advances		
Related parties	704	601
Unrelated parties	52	66
Unrecognized pension obligation	125	64
Deferred income tax	255	192
Judicial deposits	119	72
Others	113	57
TOTAL	9,795	8,688
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Suppliers	321	251
Payroll and related charges	51	48
Interest attributed to stockholders	657	254
Current portion of long-term debt		
Related parties	30	30
Unrelated parties	250	458
Short-term debt	465	690
Loans from related parties	152	190
Others	210	151
	2,136	2,072
LONG-TERM LIABILITIES		
Employees postretirement benefits	591	314
Long-term debt		
Related parties	128	121
Unrelated parties	1,892	1,200
Loans from related parties	21	4
Provisions for contingencies (Note 15)	338	185
Others	111	98
	3,081	1,922
Minority interest	9	3
STOCKHOLDERS' EQUITY		
Preferred class A stock -- 600,000,000 no-par-value shares authorized and 138,575,913 issued	709	709
Common stock -- 300,000,000 no-par-value shares authorized and 249,983,143 issued	1,279	1,279
Treasury stock -- 3,659,311 (1999 -- 3,659,311) preferred and 7,300 common shares	(61)	(61)
Additional paid-in capital	498	498

Other cumulative comprehensive income	(3,040)	(2,487)
Appropriated retained earnings	3,537	3,567
Unappropriated retained earnings	1,647	1,186
	4,569	4,691
TOTAL	9,795	8,688

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT NUMBER OF SHARES AND PER-SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
Operating revenues, net of discounts, returns and allowances			
Sales of ores and metals			
Iron ore and pellets	2,177	1,694	1,930
Gold	156	155	168
Others	412	175	200
	2,745	2,024	2,298
Revenues from transportation services	760	642	848
Aluminum products	362	363	407
Other products and services	202	128	105
	4,069	3,157	3,658
Value-added tax	(134)	(81)	(105)
Net operating revenues	3,935	3,076	3,553
Operating costs and expenses			
Cost of ores and metals sold	(1,423)	(996)	(1,348)
Cost of transportation services	(481)	(368)	(440)
Cost of aluminum products	(334)	(323)	(387)
Others	(191)	(119)	(97)
	(2,429)	(1,806)	(2,272)
Selling, general and administrative expenses	(225)	(138)	(171)
Research and development	(48)	(27)	(48)
Employee profit sharing plan	(29)	(24)	(29)
Other	(220)	(161)	(179)
	(2,951)	(2,156)	(2,699)
Operating income	984	920	854
Non-operating income (expenses)			
Financial income	208	200	394
Financial expenses	(315)	(233)	(243)
Foreign exchange and monetary gains (losses), net	(142)	(213)	(108)

Others	(4)	(4)	(5)
	(253)	(250)	38
Income before income taxes, equity results and minority interests	731	670	892
Income taxes			
Current	(10)	--	(28)
Deferred	42	(33)	28
	32	(33)	--
Equity in results of affiliates and joint ventures	260	41	80
Change in provision for losses and write-downs on equity investments	62	(268)	(273)
Minority interests	1	2	(1)
Net income	1,086	412	698
Basic earnings per Common Share	2.82	1.07	1.80
Basic earnings per Preferred Class A Share	2.82	1.07	1.80
Weighted average number of shares outstanding (thousands of shares)			
Common shares	249,983	249,983	249,983
Preferred Class A shares	134,917	134,917	137,965

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
Cash flows from operating activities:			
Net income	1,086	412	698
Adjustments to reconcile net income with cash provided by operating activities:			
Depreciation, depletion and amortization	195	163	231
Equity in results of affiliates and joint ventures, net of dividends received	(127)	23	36
Change in provision for losses and write-downs on equity investments	(62)	268	273
Deferred income taxes	(42)	33	(28)
Provisions for contingencies	101	57	78
Loss on disposals of property, plant and equipment	47	23	64
Gain on Alunorte/MRN transaction	(54)	--	--
Pension plan	105	55	88
Foreign exchange and monetary losses	208	399	135
Others	54	61	(50)
Decrease (increase) in assets:			

Accounts receivable	(63)	(135)	(69)
Inventories	(50)	(6)	(58)
Others	(103)	(25)	(2)
Increase (decrease) in liabilities:			
Suppliers	84	49	(2)
Payroll and related charges	(1)	2	(20)
Others	46	(43)	(2)
Net cash provided by operating activities	1,424	1,336	1,372
Cash flows from investing activities:			
Loans and advances receivable			
Related parties			
Additions	(168)	(202)	(399)
Repayments	32	42	230
Others	8	5	6
Guarantees and deposits	(98)	(4)	(47)
Additions to investments	(538)	(49)	(36)
Additions to property, plant and equipment	(447)	(265)	(412)
Proceeds from disposal of property, plant and equipment	1	1	12
Proceeds from disposal of investments	44	--	--
Net cash used to acquire subsidiaries	(323)	--	--
Others	--	3	15
Net cash used in investing activities	(1,489)	(469)	(631)
Cash flows from financing activities:			
Short-term debt, net issuances	(278)	(110)	60
Loans			
Related parties			
Additions	8	223	46
Repayments	(42)	(42)	(38)
Perpetual notes	120	--	--
Long-term debt			
Related parties	62	60	38
Unrelated parties	750	175	288
Repayments of long-term debt			
Related parties	(25)	(48)	(87)
Unrelated parties	(419)	(299)	(239)
Interest attributed to stockholders	(246)	(452)	(607)
Treasury stock	--	--	(36)
Net cash used in financing activities	(70)	(493)	(575)
Increase (decrease) in cash and cash equivalents	(135)	374	166
Effect of exchange rate changes on cash and cash equivalents	(107)	(110)	(85)
Cash and cash equivalents, beginning of year	1,453	1,189	1,108
Cash and cash equivalents, end of year	1,211	1,453	1,189
Cash paid during the year for:			
Interest on short-term debt	(48)	(55)	(68)
Interest on long-term debt, net of interest capitalized of $12 in 2000, $12 in 1999 and $23 in 1998	(128)	(107)	(98)
Income tax	(6)	--	--
Non-cash transactions			
Exchange of loans receivable for investments	7	241	240
Transfer of credits from related parties at fair value	--	126	--

See Notes to Consolidated Financial Statements

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	2000	1999	199
Preferred class A stock (including one special share)				
Balance January 1, 2000, 1999 and 1998	138,575,913	709	642	4
Transfer from appropriated retained earnings	--	--	67	1
Balance December 31, 2000, 1999 and 1998	138,575,913	709	709	6
Common stock				
Balance January 1, 2000, 1999 and 1998	249,983,143	1,279	1,159	8
Transfer from appropriated retained earnings	--	--	120	3
Balance December 31, 2000, 1999 and 1998	249,983,143	1,279	1,279	1,1
Treasury stock				
Balance January 1	(1,347,500)	(61)	(61)	(
Acquisitions in 1998	(2,311,500)	--	--	(
Acquisitions in 1999	(311)	--	--	
Acquisitions in 2000	(7,300)	--	--	
Balance December 31	(3,666,611)	(61)	(61)	(
Additional paid-in capital				
Balance January 1 and December 31		498	498	4
Other cumulative comprehensive income				
Amounts not recognized as net periodic pension cost				
Balance January 1		--	(153)	(
Excess of additional minimum liability		(151)	229	(1
Tax effect on above		51	(76)	
Balance December 31		(100)	--	(1
Cumulative translation adjustments				
Balance January 1		(2,513)	(731)	(2
Change in the year		(459)	(1,804)	(5
Balance December 31		(2,972)	(2,535)	(7
Unrealized gain on available-for-sale securities				
Balance January 1		54	30	
Unrealized gain (loss) in the year		(30)	24	
Balance December 31		24	54	
Adjustments relating to investments in affiliates				
Balance January 1		(6)	(7)	
Change in adjustments relating to investments in				

affiliates		14	1	
Balance December 31		8	(6)	
Total other cumulative comprehensive income		(3,040)	(2,487)	(8
Appropriated retained earnings				
Balance January 1		3,567	5,212	5,8
Transfer to retained earnings		(30)	(1,458)	(1
Transfer to capital stock		--	(187)	(4
Balance December 31		3,537	3,567	5,2
Retained earnings				
Balance January 1		1,186	(193)	(3
Net income		1,086	412	6
Interest attributed to stockholders				
Preferred class A stock ($1.70, $1.28 and $1.58 per share in 2000, 1999 and 1998)		(230)	(172)	(2
Common stock ($1.70, $1.28 and $1.58 per share in 2000, 1999 and 1998)		(425)	(319)	(3
Appropriation from reserves		30	1,458	1
Balance December 31		1,647	1,186	(1
Total stockholders' equity	384,892,445	4,569	4,691	6,3
Comprehensive income is comprised as follows:				
Net income		1,086	412	6
Amounts not recognized as net period pension cost		(100)	153	(
Cumulative translation adjustments		(459)	(1,804)	(5
Unrealized gain (loss) on available-for-sale securities		(30)	24	
Adjustments relating to investments in affiliates		14	1	
Total comprehensive income (loss)		511	(1,214)	1

See Notes to Consolidated Financial Statements

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 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	PRINCIPAL ACTIVITY

S.A. Mineracao da Trindade -- SAMITRI.....	100	Brazil	Iron ore and pellets
Para Pigmentos S.A.	76	Brazil	Kaolin
SIBRA -- Eletrosiderurgica Brasileira S.A.....	98	Brazil	Ferrous alloys
Navegacao Vale do Rio Doce S.A. -- DOCENAVE.....	100	Brazil	Shipping
Vale do Rio Doce Aluminio S.A. -- ALUVALE...	100	Brazil	Aluminum
Itabira Rio Doce Company Ltd. -- ITACO.....	100	Cayman Islands	Trading
Rio Doce International Finance Ltd. -- RDIF.....	100	Bahamas	International finance

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In preparing the consolidated financial statements, we are required to use estimates to account for certain assets, liabilities, revenues and expenses. Our consolidated financial statements therefore include various estimates concerning the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired in business combinations, income tax valuation allowances, employee postretirement 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 years 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 and liabilities. The resulting deferred taxes associated with the differences between the new functional currency bases and the tax bases, including those relating to 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$1.9554 and R$1.7890 to US$1.00 at December 31, 2000 and 1999, 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 year. The translation gain or loss resulting from this remeasurement process is included in the cumulative translation adjustments account in stockholders' equity.

The net transaction loss included in our statement of income was $115, $265 and $114 in 2000, 1999 and 1998, respectively.

(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 and for other than temporary decreases in market value below carrying value where applicable (see Notes 10 and 21).

We evaluate the carrying value of our listed equity investments as at year end, 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 management thereof, 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 reserves, which are classified in the balance sheet as property, plant and equipment.

Goodwill recorded in our business combination transactions is amortized in a systematic manner over the periods estimated to be benefited.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED (CONTINUED)

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.

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 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. At December 31, 2000 we have recorded provisions of $14.

(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.

In 2000, dividends of $133 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 and 1998 of $64 and $116, respectively, 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 year.

(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.

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, 2000 and 1999, 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) Accounting for Derivatives and Hedging Activities

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 -- Accounting for Derivative Financial Instruments and Hedging Activities (SFAS 133). The standard, as amended by SFAS 137 -- Accounting for Derivative Instruments and Hedging

Activities -- Deferral of the Effective Date of FASB 133, and amendment of FASB Statement No. 133 and SFAS 138 -- Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133 (referred to hereafter as "FAS 133"), is effective for us as from January 1, 2001. FAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or in other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and, if it is, depending on the type of hedge relationship. The ineffective portion of all hedges

is recognized in current period earnings. We currently believe that the initial impact of the adoption of SFAS 133 will not be significant.

(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".

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 currently own 32% of our common shares and 4% of our preferred shares, which in aggregate represents 22% of our total capital.

4. MAJOR ACQUISITIONS

We made the following acquisitions during the year ended December 31, 2000. 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.

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

	UNCONSOLIDATED JOINT VENTURE	{CONSOLIDATED SUBSIDIARIES}	
	SAMARCO	SAMITRI	SOCOIMEX
Fair value of assets	1,006	293	77
Fair value of liabilities	(450)	(144)	(22)
Net assets at fair value	556	149	55
Interest acquired	50.00%	63.06%	100.00%
Fair value of net assets acquired	278	94	55
Attributable to minority stockholders of SAMITRI (36.94%)	(103)	--	--
Tax benefits	31	--	--
Effective interest acquired	206	94	55
Purchase price	252	268	55
Goodwill	46	174	--

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 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.

(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.

5. INCOME TAXES

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 years presented are as follows:

	YEAR ENDED DECEMBER 31 -- %		
	2000	1999	1998
Federal income tax	25.00	25.00	25.00
Social contribution(*)	9.00 to 12.00	8.00 to 12.00	8.00
Composite tax rate	34.00 to 37.00	33.00 to 37.00	33.00

(*) As from May 1, 1999 through January 31, 2000, the social contribution rate has been increased from 8% to 12% (not enacted). Pursuant to a provisional measure, which is valid only for 30 days unless approved by the Congress, the social contribution rate will be 9% from February 1, 2000 to December 31, 2002 and will be reduced to 8% as from January 1, 2003. Since the

provisional measure is not enacted, the social contribution rate of 8% was used to calculate deferred taxes at December 31, 2000.

The amount reported as income tax expense in these consolidated financial statements is reconciled to the statutory rates as follows:

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
Income before income taxes, equity results, provision for losses on equity investments and minority interests.....	731	670	892
Federal income tax and social contribution expense at statutory not enacted rates.....	(249)	(248)	(294)
Adjustments to derive effective tax rate:			
Tax benefit on interest attributed to stockholders.....	222	181	200
Tax incentives.....	31	--	--
Exempt foreign income (losses).....	69	(4)	23
Impairment write-downs on investments.....	--	--	96
Valuation allowance reversal (provision).....	(51)	37	(2)
Other non-taxable gains (loss).....	10	1	(23)
Federal income tax and social contribution benefit (expense) in consolidated financial statements.....	32	(33)	--

In 2000, we obtained government approval of certain tax incentives relative to our iron ore and manganese operations in Carajas. The incentives comprise full income tax exemption on defined production levels up to 2005 and partial exemption thereafter 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:

	AS OF DECEMBER 31	
	2000	1999
Net current deferred tax assets		
Accrued expenses deductible only when disbursed.....	89	58
Tax loss carryforwards.....	--	2
	89	60
Long-term deferred tax		

Assets		
Deferred tax relative to temporary differences :		
Established on the July 1, 1997 change in functional currency, less reversals	16	23
Relative to investments acquired	15	--
Tax-deductible goodwill in business combinations	103	--
Write-downs of investments	61	76
Additional retirement benefits provision, net of unrecognized pension obligation	158	84
Tax loss carryforwards	190	214
Other temporary differences	6	1
	549	398
Liabilities		
Inflationary income	(32)	(28)
Fair value adjustments in business combinations	(61)	--
	(93)	(28)
Valuation allowance		
Beginning balance	(178)	(54)
Translation adjustments	15	17
Additions	(51)	--
Valuation allowance of ferro alloys subsidiaries	13	(158)
Reversals	--	17
Ending balance	(201)	(178)
Net long-term deferred tax assets	255	192

6. CASH AND CASH EQUIVALENTS

	AS OF DECEMBER 31	
	2000	1999
Cash	28	20
Deposits in local currency	694	338
Deposits in United States dollars	489	1,095
	1,211	1,453

7. ACCOUNTS RECEIVABLE

AS OF

	DECEMBER 31	
	2000	1999
Customers		
Domestic	198	195
Export, all denominated in United States dollars	312	280
	510	475
Allowance for doubtful accounts	(14)	(13)
Allowance for ore weight credits	(6)	(5)
Total	490	457

Accounts receivable from customers in the steel industry amount to 16.3% and 14.5% of domestic receivables (export receivables -- 78.8% and 80.8%) at December 31, 2000 and 1999, respectively. No single customer accounted for more than 10% of total revenues in any of the years presented.

8. INVENTORIES

	AS OF DECEMBER 31	
	2000	1999
Finished products		
Iron ore	100	57
Gold	4	9
Manganese	7	22
Ferro alloys	32	31
Others	34	20
Spare parts and maintenance supplies	129	105
	306	244

9. PROPERTY, PLANT AND EQUIPMENT

a) Per Business Area:

AS OF DECEMBER 31, 2000			AS OF DECEMBER 31, 1999		
COST	ACCUMULATED DEPRECIATION	NET	COST	ACCUMULATED DEPRECIATION	N

Ferrous						
Ferrous -- Southern System						
Mining	1,096	533	563	969	560	
Railroads	1,022	513	509	1,110	574	
Marine terminals	157	102	55	184	115	
	2,275	1,148	1,127	2,263	1,249	1,
Ferrous -- Northern System						
Mining	691	310	381	783	333	
Railroads	1,206	439	767	1,289	457	
Marine terminals	222	108	114	229	112	
	2,119	857	1,262	2,301	902	1,
Pelletizing	194	123	71	190	125	
Ferro alloys	278	140	138	295	152	
Energy	77	4	73	81	2	
Construction in progress	406	--	406	250	--	
	5,349	2,272	3,077	5,380	2,430	2,
Non-Ferrous						
Potash	47	16	31	48	14	
Gold	295	132	163	323	134	
Kaolin	91	12	79	153	18	
Research and projects	19	10	9	21	10	
Construction in progress	43	--	43	31	--	
	495	170	325	576	176	
Logistics						
General cargo	349	173	176	371	177	
Maritime transportation	351	167	184	361	158	
Construction in progress	14	--	14	7	--	
	714	340	374	739	335	
Holdings						
Pulp and paper	175	26	149	191	33	
Corporate Center						
Corporate	41	15	26	35	14	
Construction in progress	4	--	4	10	--	
	45	15	30	45	14	
Total	6,778	2,823	3,955	6,931	2,988	3,

b) PER TYPE OF ASSETS:

	AS OF DECEMBER 31, 2000		AS OF DECEMBER 31, 1999		
		ACCUMULATED		ACCUMULATED	

	COST	DEPRECIATION	NET	COST	DEPRECIATION	N
Land and buildings.....	824	289	535	899	317	
Installations.....	1,634	885	749	1,806	976	
Equipment.....	597	290	307	519	259	
Ships.....	348	165	183	358	156	
Railroads.....	1,741	770	971	2,043	947	1,
Mine development costs.....	326	83	243	303	64	
Others.....	841	341	500	705	269	
	6,311	2,823	3,488	6,633	2,988	3,
Construction in progress.....	467	--	467	298	--	
Total.....	6,778	2,823	3,955	6,931	2,988	3,

Losses on disposals of property, plant and equipment totaled $47, $23 and $64 in 2000, 1999 and 1998, respectively. In 2000 and 1999, disposals mainly relate to sales of trucks, locomotives and other equipment which were replaced in the normal course of business. In 1998, additional losses of $28 were incurred with respect to closure of the Serra Leste gold mine and $13 on sale of two ships.

10. INVESTMENTS

	AS OF DECEMBER 31						
	2000				INVESTMENTS		E
	PARTICIPATION IN CAPITAL(%)		NET EQUITY(1)	NET INCOME (LOSS) FOR THE YEAR(1)	2000	1999	2
	VOTING	TOTAL					
Investments in Affiliated Companies and Joint Ventures							
STEEL							
Usinas Siderurgicas de Minas Gerais SA -- USIMINAS(2).....	22.99	11.46	1,213	61	225	255	
Companhia Siderurgica Nacional -- CSN(3)(7).....	10.33	10.33	1,621	129	167	134	
Companhia Siderurgica de Tubarao -- CST(4).....	20.51	22.85	1,096	100	250	233	
California Steel Industries Inc -- CSI.....	50.00	50.00	238	34	119	110	
PAPER AND PULP							
Celulose Nipo-Brasileira SA -- CENIBRA.....	50.67	51.48	407	129	210	177	
Bahia-Sul Celulose SA -- BSC.....	50.00	32.00	506	131	162	141	
ALUMINUM AND BAUXITE							
Mineracao Rio do Norte SA -- MRN.....	40.00	40.00	383	91	153	145	
Valesul Aluminio SA -- VALESUL.....	54.51	54.51	80	21	44	41	

	AS OF DECEMBER 31						
	2000				INVESTMENTS		E
	PARTICIPATION IN CAPITAL(%)		NET EQUITY(1)	NET INCOME (LOSS) FOR THE YEAR(1)	2000	1999	2
	VOTING	TOTAL					
Aluminio Brasileiro SA -- ALBRAS.....	51.00	51.00	--	--	--	--	
Alumina do Norte do Brasil SA -- ALUNORTE.....	50.28	49.29	102	23	80	105	
PELLETS							
Companhia Nipo-Brasileira de Pelotizacao -- NIBRASCO...	51.11	51.00	54	22	28	39	
Companhia Hispano-Brasileira de Pelotizacao -- HISPANOBRAS.....	51.00	50.89	42	17	21	21	
Companhia Coreano Brasileira de Pelotizacao -- KOBRASCO.....	50.00	50.00	24	3	12	12	
Companhia Italo-Brasileira de Pelotizacao -- ITABRASCO..	51.00	50.90	32	13	16	17	
Gulf Industrial Investment Company -- GIIC.....	50.00	50.00	186	2	93	--	
SAMARCO Mineracao SA.....	50.00	50.00	519	30	318	--	
OTHERS							
Fertilizantes Fosfatados SA -- FOSFERTIL(6).....	10.96	10.96	281	48	31	33	
Salobo Metais SA(5).....	50.00	50.00	50	--	25	27	
Ferrovia Centro-Atlantica SA -- FCA.....	20.00	45.65	131	(67)	82	--	(
Vale Usiminas Participacoes SA -- VUPSA(8).....				--	--	--	
Para Pigmentos SA(8).....				--	--	--	
Others.....					131	111	
					2,167	1,601	2
Investments at cost							
ACOMINAS.....	2.28	2.28			--	29	
SIDERAR (market value $42 in 2000 -- $69 in 1999).....	4.85	4.85			15	15	
Unrealized holding gains on equity security.....					27	54	
Others.....					7	8	
					2,216	1,707	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED (CONTINUED)

	AS OF DECEMBER 31					
	2000			INVESTMENTS		E
	PARTICIPATION IN CAPITAL(%)		NET EQUITY(1)	NET INCOME (LOSS) FOR THE YEAR(1)	2000	1999	2
	VOTING	TOTAL					
Change in provision for losses and write-downs on equity investments:							
Usinas Siderurgicas de Minas Gerais S.A. -- USIMINAS(2).....							
Companhia Siderurgica de Tubarao -- CST(4).....							
Para Pigmentos SA(8).....							
Cia Ferroviaria do Nordeste.....							
Vale Usiminas Participacoes S.A. -- VUPSA(8).....							
Aluminio Brasileiro S.A. -- ALBRAS.....							
Alumina do Norte do Brasil S.A. -- ALUNORTE.....							
							-
							=

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(1) Based on US GAAP financial statements.

(2) Value based on quoted market price at December 31, 2000 is $75 compared to net book value of $40.

(3) Value based on quoted market price at December 31, 2000 is $218.

(4) Value based on quoted market price at December 31, 2000 is $129 compared to net book value of $35.

(5) Development state enterprises.

(6) Value based on quoted market price at December 31, 2000 is $47.

(7) In 2000, based on September 30 financial statements.

(8) Consolidated as from 1999 upon increase in ownership to over 50%.

Goodwill included in the above investments is as follows:

INVESTEE	ORIGINAL TERM OF AMORTIZATION (YEARS)	REMAINING AMORTIZATION (YEARS)	AS OF DECEMBER 31 2000	1999
Alumina do Norte do Brasil S.A. -- ALUNORTE...	35	35	30	78
SAMARCO Mineracao S.A.....	6	5	59	--
Ferrovia Centro-Atlantica S.A. -- FCA.....	30	26	22	--
Gulf Industrial Investment Company -- GIIC....	20	20	20	--
			131	78

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

	STEEL SECTOR AFFILIATES (COMBINED) AS OF DECEMBER 31 2000	1999
Balance sheet		
Current assets.....	3,094	3,013
Noncurrent assets.....	10,231	10,542
Current liabilities.....	(2,695)	(3,626)
Noncurrent liabilities.....	(5,094)	(4,314)
Purchase accounting adjustments.....	(1,368)	(1,681)
Stockholders' equity.....	4,168	3,934
Investments.....	761	732

	STEEL SECTOR AFFILIATES (COMBINED) YEAR ENDED DECEMBER 31 2000	1999	1998
Statement of operations			
Net sales.....	4,581	4,174	5,095

Cost and expenses	(4,082)	(4,790)	(4,351)
Purchase accounting adjustments	24	83	26
Income before income taxes	523	(533)	770
Income taxes	(199)	556	(58)
Net income	324	23	712
Equity adjustments	59	7	82

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

	AS OF DECEMBER 31						
	ALUNORTE		ALBRAS		MRN		
	2000	1999	2000	1999	2000	1999	2000
Balance Sheet							
Current assets	130	74	128	145	90	99	16
Noncurrent assets	505	531	627	632	349	346	85
Current liabilities	(79)	(123)	(247)	(321)	(19)	(33)	(23
Noncurrent liabilities	(454)	(446)	(538)	(620)	(37)	(49)	(28
Stockholders' equity	102	36	(30)	(164)	383	363	50
Company's participation	49.29%	74.06%	51.00%	51.00%	40.00%	40.00%	32.0
Investments	50	27	(15)	(84)	153	145	16

	YEAR ENDED DECEMBER 31									
	ALUNORTE			ALBRAS			MRN			
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2
Statement of Operations										
Net sales	322	253	268	551	459	452	217	205	224	
Costs and expenses	(327)	(446)(*)	(286)	(452)	(755)	(535)	(109)	(156)	(136)	
Income (loss) before income taxes	(5)	(193)	(18)	99	(296)	(83)	108	49	88	
Income taxes	28	56	57	30	93	33	(17)	(23)	(19)	

Net income (loss)..	23	(137)	39	129	(203)	(50)	91	26	69	
Company's participation.....	49.29%	65.82%	53.61%	51.00%	51.00%	51.00%	40.00%	40.00%	40.00%	3
Participation in results.....	11	(89)	21	66	(104)	(25)	36	10	28	
Change in provision for losses.....	--	89	(21)	(66)	104	--	--	--	--	
Equity adjustments...	11	--	--	--	--	(25)	36	10	28	

(*) Includes exchange losses of $213 (ALUNORTE), $378 (ALBRAS), and $127 (BSC) for the year ended December 31, 1999 -- see Note 20

(**) Includes $19 of tax benefit on 1999 losses and $93 of valuation allowance reversal relative to prior year losses

The provision for losses and write-downs on equity investments of $421 and $504 at December 31, 2000 and 1999, respectively, relates to other than temporary declines to the public quoted market price below carrying value of our affiliates' equity securities and 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:

	CST	USIMINAS	PARA PIGMENTOS	CIA FERROVIARIA DO NORDESTE	VUPSA	ALBRAS	ALUNORTE	TO
Provision at January 1, 1999.....	(250)	(224)	--	--	--	--	(9)	(4
Change in provision -- results.....	--	--	(15)	(4)	(56)	(104)	(89)	(2
	(250)	(224)	(15)	(4)	(56)	(104)	(98)	(7
Cumulative translation adjustment.....	27	30	--	--	10	21	(7)	
Payment of capital...	--	--					76	
Elimination upon consolidation in 1999.....	--	--	15	--	46	--	--	
Effect of								

capitalization of interest-free debentures.....	--	--	--	--	--	--	29	
PROVISION AT DECEMBER 31, 1999.....	(223)	(194)	--	(4)	--	(83)	--	(5
Change in provision -- results.....	--	--	--	(4)	--	66	--	
	(223)	(194)	--	(8)	--	(17)	--	(4
Cumulative translation adjustment.....	8	9	--	1	--	2	--	
Payment of capital...	--	--	--	1	--	--	--	
PROVISION AT DECEMBER 31, 2000.....	(215)	(185)	--	(6)	--	(15)	--	(4

Our participation in ALUNORTE (49.29% at December 31, 2000) 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 1999 and 2000 are as follows:

	TOTAL SHARES OF ALUNORTE	ALUNORTE SHARES OWNED BY CVRD	INVESTMENT	GOODWIL
	(IN THOUSANDS)	(IN THOUSANDS)		
Balance January 1, 1999.....	325,107	174,279	--	--
Purchase of additional participation:				
January 1999.....	453,921	124,491	68	48
December 1999.....	598,184	144,263	55	30
Participation in 1999 losses.....			(89)	
Translation adjustment.....			(7)	
			---	---
BALANCE DECEMBER 31, 1999.....	598,184	443,033	27	78
Sale of participation in January 2000....	598,184	(124,491)	(7)	(48)
Changes in participation-subscriptions by other shareholders.....			19	
Capital call.....	673,494	13,437	5	
Participation in 2000 net income.....			11	
Translation adjustment.....			(5)	
			---	---
BALANCE DECEMBER 31, 2000.....	673,494	331,979	50	30
			===	===

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.....	--
Cash received by us.....	(55)
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 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.

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. ALUVALE contributed only $5 to the first of these installments ($15), changing its stockholding interest to 49.29%.

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 $133, $64 and $116 in 2000, 1999 and 1998 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	
	2000	1999
Export	386	655
Import	11	21
Working Capital	68	14
	465	690

Average annual interest rates on short-term borrowings were 8.18% and 7.13% in 2000 and 1999, respectively.

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12. LONG-TERM DEBT

	AS OF DECEMBER 31			
	CURRENT LIABILITIES		LONG-TERM LIABILITIES	
	2000	1999	2000	1999
Foreign debt				
Loans and financing contracted in the following currencies, maturing up to 2011:				
United States dollars	170	336	990	576
Japanese Yen	10	11	4	5
Others	2	2	4	6
Fixed Rate Notes -- US$ denominated	--	--	500	500
Export Securitization -- US$ denominated	--	--	300	--
Perpetual Notes	--	--	55	--
Accrued charges	41	28	--	--
	223	377	1,853	1,087
Local debt				
Indexed by Long-Term Interest Rate -- TJLP maturing up to 2002	6	6	40	51

Indexed by General Price Index-Market (IGPM) maturing up to 2005	21	38	49	66
Basket of currencies	15	9	51	52
Capital Lease	1	1	--	--
Shareholder revenue interests (Note 2)	--	--	3	4
Indexed by US dollars	11	55	24	61
Accrued charges	3	2	--	--
	57	111	167	234
Total	280	488	2,020	1,321

The long-term portion at December 31, 2000 becomes due in the following years:

2002	236
2003	625
2004	580
2005	170
2006	107
2007 and thereafter	247
No due date (Perpetual notes)	55
	2,020

At December 31, 2000 annual interest rates on long-term debt were as follows:

Up to 7%	410
7.1% to 9%	1,183
9.1% to 11%	579
Over 11%	73
Variable (Perpetual notes)	55
	2,300

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

	2000	1999	1998

TJLP -- Long-Term Interest Rate (effective rate).....	4.56	6.92	5.41
IGP-M -- General Price Index -- Market.....	9.95	20.10	1.78
United States Dollar.....	9.30	48.01	8.27

Long-term debt at December 31, 2000 is guaranteed or secured as follows:

	AMOUNT OF GUARANTEE
Federal Government guarantee (for which we have provided counter-guarantees).....	353
Shares and securities given in guarantee.....	28
Ships.....	69

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

	AMOUNT	TENOR (YEARS)	GRACE PERIOD (YEARS)	EFFECTIVE RATE P.A.
Tranche 1.....	25	7	2	8.682%
Tranche 2.....	125	7	2	Libor+0.65%
Tranche 3.....	150	10	3	8.926%
	300			

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

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, 2000, 3,659,311 shares had been acquired, at an average weighted unit cost of R$20,83 (minimum cost of R$14,02 and maximum of R$24,19).

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 2000, 1999 and 1998 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 statutory accounting records and such payments are made in Reais. At December 31, 2000, we had no undistributed retained earnings. In addition appropriated retained earnings at December 31, 2000 includes $2,420, 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:

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
Appropriated retained earnings			
Unrealized income reserve			
Balance January 1	1,062	1,636	1,850
Transfer to retained earnings	(188)	(574)	(214)
Balance December 31	874	1,062	1,636
Expansion reserve			
Balance January 1	1,367	1,685	1,936
Transfer to capital stock	--	--	(469)
Transfer (to) from retained earnings	179	(318)	218
Balance December 31	1,546	1,367	1,685
Legal reserve			
Balance January 1	284	368	352
Transfer (to) from retained earnings	23	(84)	16
Balance December 31	307	284	368
Fiscal incentive depletion reserve			
Balance January 1	842	1,246	1,349
Transfer to retained earnings	(71)	(404)	(103)
Balance December 31	771	842	1,246
Fiscal incentive investment reserve			
Balance January 1	12	277	300
Transfer to capital stock	--	(187)	--
Transfer to retained earnings	27	(78)	(23)
Balance December 31	39	12	277
Development reserve Balance January 1	--	--	19
Transfer to capital stock	--	--	(19)

Balance December 31.....	--	--	--
Total appropriated retained earnings.....	3,537	3,567	5,212

The purpose and basis of appropriation to such reserves is as follows:

- Unrealized income reserve -- this represents principally inflationary profit up to December 31, 1995 and 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 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.

- Development reserve -- this was a general reserve for assisting economic and social development in areas in which we operate. During 1998, this reserve was extinguished by transfer to capital stock.

14. PENSION PLAN

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 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 Postretirement Benefits":

(a) CHANGE IN BENEFIT OBLIGATION

	AS OF DECEMBER 31	
	2000	1999
Benefit obligation at beginning of year	1,440	2,102
Service cost	10	31
Interest cost	91	126
Benefits paid	(109)	(107)
Plan amendments	(13)	--
Effect of exchange rate changes	(65)	(734)
Actuarial loss	242	22
Benefit obligation at end of year	1,596	1,440

The actuarial loss of $242 in 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	
	2000	1999
Fair value of plan assets at beginning of year	1,231	1,402
Actual return on plan assets	128	345
Employer contributions	34	27
Employee contributions	5	15
Benefits paid	(109)	(107)
Effect of exchange rate changes	(100)	(451)
Fair value of plan assets at end of year	1,189	1,231

Plan assets at December 31, 2000 include $95 of portfolio investments in our own shares ($93 at December 31, 1999) and $9 of shares of related parties ($1 at December 31, 1999), as well as $480 of Federal Government Securities ($439 at December 31, 1999).

(c) ACCRUED PENSION COST LIABILITY

	AS OF DECEMBER 31	
	2000	1999
Funded status, excess of benefit obligation over plan assets	407	209
Unrecognized net transitory obligation	(125)	(165)
Unrecognized net actuarial gains (loss)	(152)	88
Accrued pension cost liability	130	132

(d) RECOGNITION OF ADDITIONAL MINIMUM LIABILITY

	AS OF DECEMBER 31	
	2000	1999
Accrued pension cost liability	130	132
Unrecognized pension obligation, limited to unrecognized net transitory obligation	125	64
Additional amount recognized in stockholders' equity	151	--
Minimum liability	406	196

(e) ASSUMPTIONS USED IN EACH PERIOD

	2000	1999
Discount rate	6% p.a.	6% p.a.
Expected return on plan assets	6% p.a.	6% p.a.
Rate of compensation increase	1.82% p.a.	1.82% p.a.

Net pension cost includes the following components:

	YEAR ENDED DECEMBER 31		
	2000	1999	1998

Service cost -- benefits earned during the period.....	10	31	52
Interest cost on projected benefit obligation.....	91	126	126
Actual return on assets.....	(128)	(345)	(104)
Amortization of initial transitory obligation.....	15	17	24
Net deferral.....	58	241	17
	46	70	115
Employee contributions.....	(5)	(15)	(27)
Net periodic pension cost.....	41	55	88

The cost recognized in 2000 relative to the defined contribution element of the New Plan was $3.

In addition to benefits provided under our pension plans 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 totalled $185 and $118, at December 31, 2000 and 1999, respectively, plus $30 and $19 in current liabilities.

15. COMMITMENTS AND CONTINGENCIES

(a) At December 31, 2000, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of $788, of which $607 is denominated in United States dollars and the remaining $181 in local currency. These guarantees include $372 relative to ALBRAS and $75 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 its 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:

	AS OF DECEMBER 31}			
	2000		1999	
	PROVISION FOR CONTINGENCIES	JUDICIAL DEPOSITS	PROVISION FOR CONTINGENCIES	JUDICIAL DEPOSITS
Labor claims.....	114	60	72	52
Civil claims.....	137	4	88	3
Tax-related actions.....	80	54	24	16
Others.....	7	1	1	1
	338	119	185	72
Current.....	--	--	--	--
Long-term.....	338	119	185	72
	338	119	185	72

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.

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 2000 and 1999 aggregated $36 and $12, respectively, and additional provisions aggregated $101 and $60 in these years, respectively.

(c) We are defendant 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 $1,567.20 per metric ton at December 31, 2000, represents an annual commitment of $275. We are also committed to take-or-pay 465,816 metric tons per year of alumina produced by ALUNORTE which at a market price of $194.17 per metric ton at December 31, 2000, represents an annual commitment of $90. Actual take from ALBRAS was $260, $222 and $222 in 2000, 1999 and 1998, respectively, and direct from ALUNORTE was $45 (net of take ceded to ALBRAS), $30 and $83 in 2000, 1999 and 1998, 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 will oversee these projects and BNDES will advance us half of our costs on a quarterly basis. Under the Mineral Risk Contract, as of December 31, 2000, each of us and BNDES had remaining commitments to contribute an additional $93 toward exploration and development activities. We both expect to fund a portion of these contributions each year through 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 (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 will constitute the final step of our privatization. We will be required to register the debentures with the CVM in order to permit trading at this time. We cannot be sure when the final step of our privatization will take place.

Under Brazilian Central Bank regulations, pre-privatization shareholders that held their shares through our 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 depositary 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.

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 that 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 on the estimates of production of our new projects, we would begin making payments 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 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 production from May 1997 exceeds 1.7 billion tons
Northern System	Iron ore	1.8% of net revenue, after total production from May 1997 exceeds 1.2 billion tons
Pojuca, Andorinhas, Liberdade and Sossego	Gold and copper	2.5% of net revenue from the beginning of commercial production
Igarape Bahia and Alemao	Gold and copper	2.5% of net revenue, after total production from the beginning of commercial production exceeds 70 tons of gold

AREA	MINERAL	REQUIRED PAYMENTS BY CVRD
Fazenda Brasileiro	Gold	2.5% of net revenue after total production from the beginning of commercial production exceeds 26 tons
Other areas, excluding Carajas/ Serra Leste	Gold	2.5% of net revenue
Other areas owned as of May 1997	Other minerals	1% of net revenue, 4 years after the beginning of commercial production
All areas	Sale of mineral rights owned as of May 1997	1% of the sales price

(g) At December 31, 2000 we have provided $14 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:

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 ferro 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:

- Pulp and paper -- comprises our forestation activities and investments in joint ventures and affiliates engaged in the manufacture of pulp and paper products.

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

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

- Others -- comprises our investments in joint ventures and affiliates engaged in other 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 relatively 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. For return on

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capital employed purposes we consider dividends received from affiliates and joint ventures as part of our net operating profit less taxes.

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 1999 and 1998 information to be comparable with that for 2000):

				HOLDINGS				
	FERROUS	NON FERROUS	LOGISTICS	PULP AND PAPER	ALUMINUM	STEEL	OTHERS	COR CE
RESULTS								
Revenues -- Export...	2,849	198	195	121	351	--	--	
Revenues -- Domestic..	1,000	90	403	21	12	1	--	
Cost and expenses....	(2,585)	(214)	(418)	(156)	(261)	(10)	--	(
Interest revenue.....	52	1	1	7	25	5	--	
Interest expense.....	(74)	(12)	(6)	--	(2)	(6)	--	(
Depreciation.....	(115)	(30)	(22)	(22)	--	--	--	
Pension plan.....	(7)	(2)	--	--	--	--	--	
Equity and provision for losses and write-downs.....	45	--	(22)	108	126	60	5	
Income taxes.....	8	--	5	(7)	(5)	(48)	--	
Net income.....	1,173	31	136	72	246	2	5	(
SALES CLASSIFIED BY GEOGRAPHIC DESTINATION:								
Export market								
Latin America.....	224	--	30	--	23	--	--	
United States.....	252	156	64	73	39	--	--	
Europe.....	969	35	75	48	237	--	--	
Middle East.....	209	--	6	--	16	--	--	
Japan.....	544	4	15	--	34	--	--	
Asia, other than Japan.....	651	3	5	--	2	--	--	
	2,849	198	195	121	351	--	--	
Domestic market.....	1,000	90	403	21	12	1	--	
	3,849	288	598	142	363	1	--	
ASSETS :								
Property, plant and equipment, net.....	3,077	325	374	149	--	--	--	
Capital								

expenditures.....	373	50	14	--	--	--	--	
Investments in affiliated companies and joint ventures and other investments.....	519	31	151	372	262	423	37	
Capital employed.....	3,064	316	390	135	(10)	1	14	
NOPLT.....	1,155	52	165	(44)	23	(54)	--	
ROCE.....	38%	16%	42%	(33%)	--	--	--	

	2000
	CONSOLIDATED
RESULTS	
Revenues -- Export...	2,646
Revenues -- Domestic.	1,423
Cost and expenses....	(3,026)
Interest revenue.....	208
Interest expense.....	(315)
Depreciation.....	(195)
Pension plan.....	(9)
Equity and provision for losses and write-downs.....	322
Income taxes.....	32
Net income.....	1,086
SALES CLASSIFIED BY GEOGRAPHIC DESTINATION:	
Export market	
Latin America.....	186
United States.....	476
Europe.....	1,142
Middle East.....	212
Japan.....	289
Asia, other than Japan.....	341
	2,646
Domestic market.....	1,423
	4,069
ASSETS :	
Property, plant and equipment, net.....	3,955
Capital expenditures.....	447
Investments in affiliated companies and joint ventures and other investments.....	1,795
Capital employed.....	3,912

NOPLT	1,250
ROCE	32%

	HOLDINGS							
	FERROUS	NON FERROUS	LOGISTICS	PULP AND PAPER	ALUMINUM	STEEL	OTHERS	CORP CEN
RESULTS								
Revenues -- Export	1,989	143	100	101	318	--	--	
Revenues -- Domestic	639	96	318	10	62	--	--	
Cost and expenses	(1,435)	(151)	(396)	(103)	(367)	--	--	(4
Interest revenue	46	--	8	4	9	--	--	1
Interest expense	(50)	--	(13)	--	(6)	--	--	(2
Depreciation	(120)	(16)	(21)	(6)	--	--	--	
Pension plan	(21)	(4)	(3)	--	--	--	--	
Equity and provision for losses and write-downs	(44)	(15)	(9)	9	(182)	7	--	
Income taxes	--	--	14	(5)	--	--	--	(
Net income	1,004	53	(2)	10	(166)	7	--	(4
SALES CLASSIFIED BY GEOGRAPHIC DESTINATION:								
Export market								
Latin America	149	--	13	--	5	--	--	
United States	147	139	34	62	23	--	--	
Europe	621	--	31	39	146	--	--	
Middle East	146	--	3	--	--	--	--	
Japan	351	--	9	--	94	--	--	
Asia, other than Japan	575	4	9	--	50	--	--	
Others	--	--	1	--	--	--	--	
	1,989	143	100	101	318	--	--	
Domestic market	639	96	318	10	62	--	--	
	2,628	239	418	111	380	--	--	
ASSETS:								
Property, plant and equipment, net	2,950	400	404	158	--	--	--	
Capital expenditures	201	56	4	--	--	--	--	
Investments in affiliated companies and joint ventures and other								

investments.....	116	33	68	318	208	426	34	
Capital employed.....	3,081	399	419	148	9	--	--	
NOPLT.....	1,055	68	28	6	28	--	--	(3
ROCE.....	34%	17%	7%	4%	311%	--	--	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED (CONTINUED)

	HOLDINGS							
	FERROUS	NON FERROUS	LOGISTICS	PULP AND PAPER	ALUMINUM	STEEL	OTHERS	CORPO CENT
RESULTS								
Revenues -- Export....	2,004	145	135	80	419	--	--	-
Revenues -- Domestic...	776	124	396	8	65	--	--	-
Cost and expenses.....	(1,548)	(213)	(382)	(90)	(473)	--	--	(42
Interest revenue.....	20	--	16	4	25	--	--	36
Interest expense.....	(23)	--	(25)	--	(10)	--	--	(22
Depreciation.....	(167)	(32)	(28)	(4)	--	--	--	-
Pension plan.....	(46)	(7)	--	--	--	--	--	-
Equity and provision for losses and write-downs.....	2	(9)	1	(22)	40	(211)	6	-
Income taxes.....	--	--	--	--	--	--	--	
Net income.....	1,018	8	113	(24)	66	(211)	6	(27
SALES CLASSIFIED BY GEOGRAPHIC DESTINATION:								
Export market								
Latin America.....	177	--	5	--	105	--	--	-
United States.....	185	145	36	37	44	--	--	-
Europe.....	751	--	40	43	269	--	--	-
Middle East.....	135	--	2	--	--	--	--	-
Japan.....	299	--	31	--	--	--	--	-
Asia, other than Japan.....	456	--	15	--	--	--	--	-
Others.....	1	--	6	--	1	--	--	-
	2,004	145	135	80	419	--	--	-
Domestic market.....	776	124	396	8	65	--	--	-
	2,780	269	531	88	484	--	--	-
ASSETS:								
Property, plant and equipment, net.....	4,132	392	508	203	--	--	--	2
Capital expenditures.....	366	32	1	8	--	--	--	
Investments in affiliated companies								

and joint ventures and other investments.....	166	45	64	424	240	571	47	-
Capital employed.....	4,098	401	523	204	15	--	--	(3
NOPLT.....	1,018	17	133	(5)	11	--	--	(31
ROCE.....	25%	4%	25%	(2)%	73%	--	--	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED (CONTINUED)

17. RELATED PARTY TRANSACTIONS

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

	AS OF DECEMBER 31			
	2000		1999	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
AFFILIATED COMPANIES AND JOINT VENTURES				
ALUNORTE(1).....	332	45	333	5
CENIBRA(2).....	126	41	161	69
Salobo Metais S.A.(3).....	76	--	75	--
FCA.....	151	18	1	--
HISPANOBRAS.....	21	23	22	23
ITABRASCO.....	17	22	27	29
NIBRASCO.....	29	38	12	42
KOBRASCO.....	34	7	38	37
Wilsea Shipping Inc.	--	34	9	--
USIMINAS.....	24	--	4	--
ALBRAS.....	1	24	--	42
URUCUM.....	8	1	2	2
Others.....	133	85	129	64
EMPLOYEE FUNDS				
Fundacao Vale do Rio Doce.....	--	1	15	8
VALIA.....	--	40	--	6
BRAZILIAN FEDERAL GOVERNMENT				
Banco do Brasil S.A.(4).....	85	3	151	--
Rede Ferroviaria Federal S.A.....	13	39	14	42
BNDES.....	7	158	6	151
	1,057	579	999	520
Current.....	337	378	378	360
Long-term.....	720	201	621	160

---

(1) Includes on lending outstanding balance of $204 (1999 -- $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 $117 (1999 -- $146), 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 2000.

(4) Represents interest bearing deposits and investment funds.

These balances are included in the following balance sheet classifications:

	AS OF DECEMBER 31			
	2000		1999	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Current assets				
Cash and cash equivalents	85	--	171	--
Accounts receivable	125	--	107	--
Loans and advances to related parties	121	--	93	--
Others	6	--	7	--
Other assets				
Loans and advances to related parties	704	--	601	--
Others	16	--	20	--
Current liabilities				
Suppliers	--	179	--	119
Current portion of long-term debt	--	30	--	30
Loans from related parties	--	152	--	190
Others	--	17	--	21
Long-term liabilities				
Long-term debt	--	128	--	121
Loans from related parties	--	21	--	4
Others	--	52	--	35
	1,057	579	999	520

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

	YEAR ENDED DECEMBER 31					
	2000		1999		1998	
	INCOME	EXPENSE	INCOME	EXPENSE	INCOME	EXPENSE
AFFILIATED COMPANIES AND JOINT VENTURES						
CST	166	--	135	--	132	--
NIBRASCO	172	205	44	58	101	108
ALUNORTE	42	93	167	28	76	89
SIDERAR	18	--	30	--	45	--
ITABRASCO	66	24	57	23	40	41
HISPANOBRAS	75	77	26	50	40	45
KOBRASCO	76	18	62	67	9	9
CENIBRA	33	123	78	99	27	1
USIMINAS	47	--	18	--	25	--
ACOMINAS	7	--	8	--	12	--
ALBRAS	6	216	14	205	11	222
VALESUL	4	--	--	24	2	32
MRN	1	17	--	20	--	20
Others	82	75	80	59	55	73
BRAZILIAN FEDERAL GOVERNMENT						
Banco do Brasil S.A.	46	24	46	14	72	14
Petroleo Brasileiro S.A. -- PETROBRAS	6	11	1	17	1	24
Centrais Eletricas Brasileiras S.A.	--	--	--	--	1	15
BNDES	1	18	1	12	1	13
	848	901	767	676	650	706

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

	YEAR ENDED DECEMBER 31					
	2000		1999		1998	
	INCOME	EXPENSE	INCOME	EXPENSE	INCOME	EXPENSE
Sales of iron ore and pellets	494	313	288	175	316	183
Revenues from transportation services	133	--	89	--	137	--
Cost of aluminum products	--	327	--	271	--	357
Financial income/expenses	117	79	101	59	162	62
Others	104	182	289	171	35	104
	848	901	767	676	650	706

EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED (CONTINUED)

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 is estimated as follows:

	FAIR MARKET VALUE	CARRYING VALUE
2000	1,967	1,965
1999	1,278	1,290

Fair market value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. Changes in assumptions could significantly affect the estimates.

19. DERIVATIVE FINANCIAL INSTRUMENTS

We actively manage our positions in derivative instruments. In view of the policies and practices established for operations with derivatives, management considers the occurrence of non-measurable risk situations as unlikely. Our policy has been to settle all contracts through cash payments or receipts, without physical delivery of product.

(A) GOLD

In connection with our gold mining activities, we are party to derivative financial instruments designed to manage the risks associated with gold price fluctuations, to provide stable cash flows and gross margins for the gold business. At December 31, 2000, such operations can be summarized as follows:

TYPE	QUANTITY (OZ.)	FINAL MATURITY	UNREALIZED GAIN (LOSS)
Puts	479,500	December 2004	13
Calls	999,800	December 2004	(5)
Collar conditional	30,000	November 2002	1
			9

The unrealized gain in the amount of $9 represents the amount receivable if all transactions had been settled on December 31, 2000.

Realized net gains (losses) were $7, $3 and $14 in 2000, 1999 and 1998, respectively.

(B) INTEREST RATES (6-MONTH LIBOR)

We carry out derivative operations seeking to manage our exposure to the 6-month Libor rate, arising from our trade finance operations. At December 31, 2000 such operations were as follows:

TYPE	NOTIONAL VALUE	FINAL MATURITY	UNREALI GAIN (L
Cap	1,200	December 2004	3
Floor	850	December 2004	(7)
Swap	125	October 2007	(4)
			(8)

The unrealized loss in the amount of $8 represents the amount payable if all transactions had been settled on December 31, 2000.

Realized net gains (losses) were $3, $nihil and $(1) in 2000, 1999 and 1998, respectively.

(C) CURRENCY

We also carry out derivative operations seeking to manage our exposure to currencies, arising from our indebteness in EURO and YEN. At December 31, 2000 such operations were as follows:

TYPE	NOTIONAL VALUE	FINAL MATURITY	UNREALIZED GAIN (LOSS)
Yen	15	April 2005	(2)
EURO	12	April 2005	(2)
			(4)

The unrealized loss in the amount of $4 represents the amount payable if all transactions had been settled on December 31, 2000.

Realized net gains (losses) were $(7), $54 and $(20) in 2000, 1999 and 1998, respectively.

20. EFFECTS OF CURRENCY DEVALUATION

On January 13 and 15, 1999, certain significant changes occurred in the exchange rate policy until then adopted by the Brazilian government, which resulted in the elimination of certain exchange controls, previously carried out by means of a system of trading bands, from the moment the Central Bank decided to no longer intervene in the foreign exchange market. As a result of this decision and the market reaction, our functional currency (Real) devalued to US$1: R$1.7890 on December 31, 1999 from US$1: R$1.2087 at December 31, 1998 (US$1: R$1.9554 at December 31, 2000).

21. ACCOUNTING CHANGES

These financial statements have been restated to reflect the following accounting changes:

(A) CHANGES WHICH EFFECT NET INCOME AND STOCKHOLDERS' EQUITY

(a.1) Impairment provision for equity investments in CST and Usiminas.

The Company has concluded that the loss in value in its investment in CST and Usiminas was other than temporary, and that the carrying value should be reduced to the quoted market price of the applicable shares. This methodology has been applied retroactively resulting in a write-down provision of

$180 as at December 31, 1997 (with write-down changes of $50, $24 and $106 recorded for the years ended December 31, 1997, 1996 and 1995, respectively).

(a.2) Amortization of goodwill related to Samarco and Samitri.

The Company has recognized amortization expense of goodwill relating to the acquisition of Samarco and Samitri in May 2000 from the date of the acquisition on a straight line basis at 16.67% per annum. Previously, the Company had not commenced amortization of goodwill.

The impact of the above alterations is shown below:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Net income previously reported	1,100	412	896
Impairment of CST and Usiminas	--	--	(294)
Goodwill amortization	(21)	--	--
Deferred tax effects	7	--	96
RESTATED NET INCOME	1,086	412	698
Earnings per share previously reported	2.86	1.07	2.31
Restated earnings per share	2.83	1.07	1.80
Shareholders' equity previously reported	4,922	5,032	6,715
Impairment of CST and Usiminas	(400)	(417)	(474)
Goodwill amortization	(21)	--	--
Deferred tax effects	68	76	151

RESTATED SHAREHOLDERS' EQUITY.....	4,569	4,691	6,392

(B) CHANGE THAT DOES NOT AFFECT NET INCOME AND STOCKHOLDERS' EQUITY -- CONSOLIDATION OF CELMAR S.A.

Previously we accounted for our development stage subsidiary, Celmar S.A., under the equity method of accounting. We now consolidate this entity for all periods presented which has not resulted in any change to our net income or stockholders' equity. The effects on our consolidated current assets and current liabilities is less than 1% while consolidated long-term liabilities increased by 1.8%.

22. SUBSEQUENT EVENTS

(a) On February 22, 2001 we agreed to sell our 32.00% interest in Bahia Sul Celulose S.A. -- BSC for $318.

(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 valued determined based on the weighted average price of the last 30 (thirty) trading sessions at the Sao Paulo stock exchange in the period ended on March 9, 2001).

(c) On March 8, 2002, our wholly-owned subsidiary, Vale Overseas Limited, issued $300,000,000 of 8.625% Enhanced Guaranteed Notes due March 8, 2007. The notes are unconditionally guaranteed by us.

23. INFORMATION ABOUT OUR 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 accepted in the United States of America:

	AUDITORS	YEARS AUDITED	CITY	STATE	COUNTRY
Aluminio Brasileiro S.A. -- ALBRAS....	DTT	2000, 1999, 1998	RJ	RJ	Brazil
Alumina do Norte do Brasil S.A. -- ALUNORTE.....	DTT	2000, 1999, 1998	RJ	RJ	Brazil
Vale do Rio Doce Aluminio S.A. -- ALUVALE.....	DTT	2000, 1999, 1998	RJ	RJ	Brazil
Bahia Sul Celulose S.A.....	KPMG	2000, 1999, 1998	SP	SP	Brazil
California Steel Industries, Inc.....	KPMG LLP	2000, 1999, 1998	Orange County	CA	USA

Celulose Nipo-Brasileira S.A. -- CENIBRA(1)	DTT	2000, 1999	BH	MG	Brazil
Navegacao Vale do Rio Doce S.A. -- DOCENAVE	DTT	2000, 1999, 1998	RJ	RJ	Brazil
DOCEPAR S.A.(1)	DTT	2000, 1999	RJ	RJ	Brazil
Companhia Hispano-Brasileira de Pelotizacao -- HISPANOBRAS	AA	2000, 1999, 1998	Vitoria	ES	Brazil
Companhia Italo-Brasileira de Pelotizacao -- ITABRASCO	AA	2000, 1999, 1998	Vitoria	ES	Brazil
Companhia Coreano Brasileira de Pelotizacao -- KOBRASCO(2)	DTT	2000	RJ	RJ	Brazil
Mineracao Rio do Norte S.A.	AA	2000, 1999, 1998	RJ	RJ	Brazil
Companhia Nipo-Brasileira de Pelotizacao -- NIBRASCO	DTT	2000, 1999, 1998	RJ	RJ	Brazil
Valesul Aluminio S.A.	KPMG	2000, 1999	RJ	RJ	Brazil
Valesul Aluminio S.A.	DTT	1998	RJ	RJ	Brazil
Companhia Siderugica Nacional(1)	AA	2000, 1999	RJ	RJ	Brazil

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.

	AUDITORS	YEARS AUDITED	CITY	STATE	COUNTRY
Terminal Vila Velha S.A.	DTT	2000, 1999, 1998	RJ	RJ	Brazil
Nova Era Silicon S.A.	DTT	2000	BH	MG	Brazil
Nova Era Silicon S.A.	Trevisan	1999, 1998	BH	MG	Brazil
Celmar S.A. -- Industria de Celulose e Papel(2)	DTT	2000	RJ	RJ	Brazil
SIBRA Eletrosiderurgica Brasileira S.A.(3)	DTT	2000	Salvador	BA	Brazil

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

(1) Audited by PricewaterhouseCoopers Auditores Independentes in 1998.

(2) Audited by PricewaterhouseCoopers Auditores Independentes in 1999 and 1998.

(3) Consolidated as from 2000.

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REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS
AND STOCKHOLDERS OF COMPANHIA VALE DO RIO DOCE

We have reviewed the accompanying unaudited consolidated balance sheets of Companhia Vale do Rio Doce and its subsidiaries at September 30, 2001 and 2000, and the related unaudited consolidated statements of income, of cash flows and of changes in stockholders' equity for the nine month periods then ended. This financial information is the responsibility of the Company's management. The unaudited financial information of certain affiliates, the investments in which total US$274 million and US$864 million at September 30, 2001 and 2000, respectively, and equity in earnings total US$7 million and US$156 million for the nine month periods then ended, and that of the majority-owned shipping and ferrous alloy subsidiaries, which statements reflect total assets of US$288 million and US$422 million at September 30, 2001 and 2000, respectively, and total revenues of US$197 million and US$223 million for the nine month periods then ended, were reviewed by other independent accountants whose reports thereon have been furnished to us.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews and the reports of the other independent accountants referred to above, we are not aware of any material modification that should be made to the accompanying financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

/s/ PRICEWATERHOUSECOOPERS
PRICEWATERHOUSECOOPERS
Auditores Independentes

Rio de Janeiro, Brazil
October 22, 2001, except for the accounting changes described in Note 19 and the subsequent event contained in Note 21, which are as of February 22, 2002 and March 8, 2002, respectively.

CONSOLIDATED BALANCE SHEETS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	AS OF SEPTEMBER 30	
	2001	2000
	(UNAUDITED)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,708	1,055
Accounts receivable		
Related parties	102	122
Unrelated parties	418	391
Loans and advances to related parties	86	192
Inventories	286	295
Deferred income tax	197	39
Others	198	224
	2,995	2,318
Property, plant and equipment, net	3,320	4,024
Investments in affiliated companies and joint ventures and other investments	1,223	2,155
Provision for losses on equity investments	(405)	(446)
Other assets		
Goodwill on acquisition of consolidated subsidiaries	485	181
Loans and advances		
Related parties	516	636
Unrelated parties	97	56
Unrecognized pension obligation	46	136
Prepaid pension cost	89	--
Deferred income tax	78	298
Judicial deposits	147	109
Unrealized gain on derivative instruments	6	--
Others	67	115
TOTAL	8,664	9,582
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Suppliers	258	280
Payroll and related charges	49	76
Interest attributed to stockholders	667	428
Current portion of long-term debt		
Related parties	24	25
Unrelated parties	236	313
Short-term debt	649	777
Loans from related parties	119	101
Others	173	169
	2,175	2,169
LONG-TERM LIABILITIES		
Employees postretirement benefits	194	530
Long-term debt		
Related parties	101	106
Unrelated parties	2,010	1,419
Loans from related parties	4	21
Provisions for contingencies (Note 15)	373	312
Unrealized loss on derivative instruments	44	--
Others	142	112

	2,868	2,500
Minority interests	8	26
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 -- 4,249,970 (2000 -- 3,659,311) common and 91 preferred shares	(79)	(61)
Additional paid-in capital	498	498
Other cumulative comprehensive income	(3,899)	(2,766)
Appropriated retained earnings	2,321	3,484
Unappropriated retained earnings	2,473	1,744
	3,613	4,887
TOTAL	8,664	9,582

See Notes to Consolidated Financial Information.

CONSOLIDATED STATEMENTS OF INCOME
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT NUMBER OF SHARES AND PER-SHARE AMOUNTS)

	NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000
	(UNAUDITED)	
Operating revenues, net of discounts, returns and allowances		
Sales of ores and metals		
Iron ore and pellets	1,937	1,635
Gold	100	113
Others	291	327
	2,328	2,075
Revenues from transportation services	464	577
Aluminum products	224	280
Other products and services	83	160
	3,099	3,092
Value-added tax	(102)	(96)
Net operating revenues	2,997	2,996
Operating costs and expenses		
Cost of ores and metals sold	(1,155)	(1,107)
Cost of transportation services	(270)	(357)
Cost of aluminum products	(214)	(259)
Others	(76)	(142)

	(1,715)	(1,865)
Selling, general and administrative expenses	(188)	(140)
Research and development	(31)	(34)
Employee profit sharing plan	(21)	(31)
Others	(335)	(231)
	(2,290)	(2,301)
Operating income	707	695
Non-operating income (expenses)		
Financial income	80	136
Financial expenses	(240)	(204)
Foreign exchange and monetary losses, net	(700)	(10)
Gain on sale of investments	784	54
Others	(43)	(11)
	(119)	(35)
Income before income taxes, equity results and minority interests	588	660
Income taxes		
Current	41	--
Deferred	2	1
	43	1
Equity in results of affiliates and joint ventures	(8)	187
Change in provision for losses and write-downs on equity investments	(45)	53
Minority interests	7	--
Net income	585	901
Basic earnings per Common and Preferred Class A Share	1.52	2.34
Weighted average number of shares outstanding (thousands of shares)		
Common shares	249,864	249,983
Preferred Class A shares	135,042	134,917

See Notes to Consolidated Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

NINE MONTHS ENDED SEPTEMBER 30	
2001	2000
(UNAUDITED)	
Cash flows from operating activities:	

Net income	585	901
Adjustments to reconcile net income with cash provided by operating activities:		
Depreciation, depletion and amortization	174	130
Equity in results of affiliates and joint ventures, net of dividends received	120	(91)
Change in provision for losses and write-downs on equity investments	45	(53)
Deferred income taxes	(2)	(1)
Provisions for contingencies	87	131
Loss on disposals of property, plant and equipment	69	34
Gain on sale of investments	(784)	(54)
Pension plan	24	21
Foreign exchange and monetary losses	616	57
Net unrealized derivative losses	38	--
Others	134	--
Decrease (increase) in assets:		
Accounts receivable	(78)	(61)
Inventories	(17)	(26)
Others	(5)	(100)
Increase (decrease) in liabilities:		
Suppliers	30	30
Payroll and related charges	12	22
Others	42	27
Net cash provided by operating activities	1,090	967
Cash flows from investing activities:		
Loans and advances receivable		
Related parties		
Additions	(4)	(185)
Repayments	69	20
Others	5	6
Guarantees and deposits	(15)	(61)
Additions to investments	(52)	(423)
Additions to property, plant and equipment	(444)	(214)
Proceeds from disposals of property, plant and equipment	2	1
Proceeds from disposal of investments	989	44
Net cash used to acquire subsidiaries	(516)	(323)
Net cash provided by (used in) investing activities	34	(1,135)
Cash flows from financing activities:		
Short-term debt, net issuances	133	20
Loans		
Related parties		
Additions	85	53
Repayments	(9)	(81)
Perpetual notes	--	120
Long-term debt		
Related parties	3	70
Others	320	237
Repayments of long-term debt		
Related parties	(27)	(22)
Others	(326)	(331)
Interest attributed to stockholders	(639)	(246)
Treasury stock	(18)	--
Net cash used in financing activities	(478)	(180)
Increase (decrease) in cash and cash equivalents	646	(348)

Effect of exchange rate changes on cash and cash equivalents	(149)	(50)
Cash and cash equivalents, beginning of period	1,211	1,453
Cash and cash equivalents, end of period	1,708	1,055
Cash paid during the period for:		
Interest on short-term debt	(25)	(36)
Interest on long-term debt, net of interest capitalized of $9 in 2001 and $12 in 2000	(116)	(102)
Income tax	(41)	--
Non-cash transactions		
Special pension plan contribution in shares of CSN	249	--
Exchange of loans receivable for investments	35	4

See Notes to Consolidated Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT NUMBER OF SHARES AND PER-SHARE AMOUNTS)

	NINE MONTHS ENDED SEPTEMBER 30		
	SHARES	2001	2000
		(UNAUDITED)	
Preferred class A stock (including one special share)			
Balance January 1, 2001 and 2000	138,575,913	709	709
Transfer from appropriated retained earnings	--	111	--
Balance September 30, 2001 and 2000	138,575,913	820	709
Common stock			
Balance January 1, 2001 and 2000	249,983,143	1,279	1,279
Transfer from appropriated retained earnings	--	200	--
Balance September 30, 2001 and 2000	249,983,143	1,479	1,279
Treasury stock			
Balance January 1	(3,666,611)	(61)	(61)
Acquisitions in 2001	(583,450)	(18)	--
Balance September 30	(4,250,061)	(79)	(61)
Additional paid-in capital			
Balance January 1 and September 30		498	498
Other cumulative comprehensive income			
Amounts not recognized as net periodic pension cost			
Balance January 1		(100)	--
Excess of additional minimum liability		151	(119)
Tax effect on above		(51)	40
Balance September 30		--	(79)

Cumulative translation adjustments			
Balance January 1		(2,952)	(2,513)
Change in the period		(954)	(208)
Balance September 30		(3,906)	(2,721)
Unrealized gain on available-for-sale security			
Balance January 1		24	54
Change in the period		(24)	(19)
Balance September 30		--	35
Adjustments relating to investments in affiliates			
Balance January 1		8	(6)
Change in the period		(1)	5
Balance September 30		7	(1)
Total other cumulative comprehensive income		(3,899)	(2,766)
Appropriated retained earnings			
Balance January 1		3,537	3,567
Transfer to retained earnings		(905)	(83)
Transfer to capital stock		(311)	--
Balance September 30		2,321	3,484
Retained earnings			
Balance January 1		1,647	1,186
Net Income		585	901
Interest attributed to stockholders			
Preferred class A stock ($1.72 and $1.11 per share in 2001 and 2000)		(239)	(149)
Common stock ($1.72 and $1.11 per share in 2001 and 2000)		(425)	(277)
Appropriation from reserves		905	83
Balance September 30		2,473	1,744
Total stockholders equity	384,308,995	3,613	4,887
Comprehensive income is comprised as follows:			
Net Income		585	901
Amounts not recognized as net periodic pension cost		100	(79)
Cumulative translation adjustments		(954)	(208)
Unrealized gain on available-for-sale security		(24)	(19)
Adjustments relating to investments in affiliates		(1)	5
Total comprehensive income (loss)		(294)	600

See Notes to Consolidated Financial Information.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
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 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	PRINCIPAL ACTIVITY
S.A. Mineracao da Trindade -- SAMITRI.....	100	Brazil	Iron ore and pellets
Ferteco Mineracao S.A. -- FERTECO.....	100	Brazil	Iron ore and pellets
Para Pigmentos S.A.	80	Brazil	Kaolin
SIBRA -- Eletrosiderurgica Brasileira S.A.....	98	Brazil	Ferrous alloys
Navegacao Vale do Rio Doce S.A. -- DOCENAVE...	100	Brazil	Shipping
Vale do Rio Doce Aluminio S.A. -- ALUVALE.....	100	Brazil	Aluminum
Itabira Rio Doce Company Ltd. -- ITACO.....	100	Cayman Island	Trading
Rio Doce International Finance Ltd. -- RDIF...	100	Bahamas	International financ

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our consolidated interim financial information as of and for the periods of nine months ended September 30, 2001 and 2000 is unaudited. However, in our management's opinion, such consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation thereof. The results of operations for the nine month period ended September 30, 2001 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2001.

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 and liabilities. The resulting deferred taxes associated with the differences between the new functional currency bases and the tax bases, including those relating to 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$2.6713 and R$1.8437 to US$1.00 at September 30, 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 transaction loss included in our statement of income was $558 and $2 in the nine months ended September 30, 2001 and 2000, respectively.

(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 and for other than temporary decreases in market value below carrying value where applicable (see Notes 10 and 19).

We evaluate the carrying value of our listed equity investments, as at year end, 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 management thereof, 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 reserves, which are classified in the balance sheet as property, plant and equipment.

Goodwill recorded in our business combination transactions is amortized in a systematic manner over the periods estimated to be benefited.

(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.

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 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 September 30, 2001 dividends of $112 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 at September 30, 2000 of $94, 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.

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 September 30, 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 $3 in our statement of income for the period of nine months ended September 30, 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 $3 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 18.

(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 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 nine months ended September 30, 2001 totaled $53.

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.

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 currently own 32% of our common shares and 4% of our preferred shares, which in aggregate represents 22% of our total capital.

4. MAJOR ACQUISITIONS AND DISPOSALS DURING THE PERIODS 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.

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

	UNCONSOLIDATED JOINT VENTURE	CONSOLIDATED SUBSIDIARIES	
	SAMARCO	SAMITRI	SOCOIMEX
Fair value of assets	1,006	293	77
Fair value of liabilities	(450)	(144)	(22)
Net assets at fair value	556	149	55
Interest acquired	50.00%	63.06%	100.00%
Fair value of net assets acquired	278	94	55
Attributable to minority stockholders of SAMITRI (36.94%)	(103)	--	--
Tax benefits	31	--	--
Effective interest acquired	206	94	55
Purchase price	252	268	55
Goodwill	46	174	--

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 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:

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

(e) 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.

(f) 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.

(g) 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.

(h) 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.

5. INCOME TAXES

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:

	NINE MONTHS ENDED SEPTEMBER 30 - %	
	2001	2000
Federal income tax	25.00	25.00
Social contribution(*)	9.00	9.00 to 12.00
Composite tax rate	34.00	34.00 to 37.00

(*) As from May 1, 1999 through January 31, 2000, the social contribution rate has been increased from 8% to 12% (not enacted). Pursuant to a provisional measure, the social contribution rate will be 9% from February 1, 2000 to December 31, 2002 and will be reduced to 8% as from January 1, 2003.

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

	NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000
Income before income taxes, equity results and minority interests	588	660
Federal income tax and social contribution expense at statutory enacted rates	(200)	(224)
Adjustments to derive effective tax rate:		
Tax benefit on interest attributed to stockholders	226	144
Exempt foreign income	185	65
Tax incentives	22	32
Valuation allowance reversal (provision)	(27)	(5)
Other non-taxable gains	4	14
Adjustment to reflect expected annual effective tax rate	(167)	(25)
Federal income tax and social contribution expense in consolidated statements of income	43	1

In 2000, we obtained approval of certain tax incentives relative to our iron ore and manganese operations in Carajas. 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:

	AS OF SEPTEMBER 30	
	2001	2000
NET CURRENT DEFERRED TAX ASSETS		
Accrued expenses deductible only when disbursed	147	64
Interest attributed to stockholders	217	--
Adjustment to reflect expected annual effective tax rate	(167)	(25)
	197	39
LONG-TERM DEFERRED TAX ASSETS AND LIABILITIES		
ASSETS		
Deferred tax relative to temporary differences:		
Established on the July 1, 1997 change in functional currency, less reversals	--	22
Relative to investments acquired	9	15
Tax-deductible goodwill in business combinations	71	96
Write-downs of investments	74	75
Additional retirement benefits provision (in 2000 net of unrecognized pension obligation)	49	135
Tax loss carry forwards	175	218
Other temporary differences	29	3
	407	564
LIABILITIES		
Inflationary income	(22)	(29)
Established on the July 1, 1997 change in functional currency, less reversals	(44)	--
Prepaid retirement benefit	(30)	--
Fair value adjustments in business combinations	(59)	(58)
	(155)	(87)
VALUATION ALLOWANCE		
Beginning balance	(201)	(178)
Translation adjustments	54	1
Additions	(27)	(2)
Ending balance	(174)	(179)
Net long-term deferred tax assets	78	298

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION -- (CONTINUED)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED

6. CASH AND CASH EQUIVALENTS

	AS OF SEPTEMBER 30	
	2001	2000
Cash	33	28
Deposits in local currency	451	464
Deposits in United States dollars	1,224	563
	1,708	1,055

7. INVENTORIES

	AS OF SEPTEMBER 30	
	2001	2000
Finished products		
Iron ore	116	80
Gold	6	11
Manganese	23	15
Ferrous alloys	22	30
Others	7	14
Spare parts and maintenance supplies	112	145
	286	295

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION -- (CONTINUED)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED

8. OTHER ASSETS -- LOANS AND ADVANCES

	AS OF SEPTEMBER 30	
	2001	2000
Alunorte(1)	294	314
Cenibra	--	85
Salobo(2)	60	79

CFN	--	11
FCA	83	76
Eletrobras	9	13
Sepetiba Tecon	9	12
Kobrasco	23	21
Wilsea	--	4
Usiminas	17	12
BNDES	6	7
Others	15	2
TOTAL RELATED PARTIES	516	636
Cenibra	57	--
Regional development loans	16	28
Mineracao Morro Velho	18	18
Estaleiro Verolme	6	8
Others	--	2
TOTAL UNRELATED PARTIES	97	56

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(1) Includes on-lending outstanding balance of $203 (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) Convertible debentures bearing interest of IGPM plus 6.50% p.a.

9. PROPERTY, PLANT AND EQUIPMENT

a) PER BUSINESS AREA:

	AS OF SEPTEMBER 30, 2001			AS OF SEPTEMBER 30	
	COST	ACCUMULATED DEPRECIATION	NET	COST	ACCUMULATED DEPRECIATION
Ferrous					
Ferrous -- Southern System					
Mining	842	372	470	1,147	550
Railroads	818	396	422	1,087	540
Marine terminals	192	79	113	166	107
	1,852	847	1,005	2,400	1,197

	AS OF SEPTEMBER 30, 2001		AS OF SEPTEMBER 30
		ACCUMULATED	ACCUMULATED

	COST	DEPRECIATION	NET	COST	DEPRECIATION
Ferrous -- Northern System					
Mining	564	256	308	738	330
Railroads	926	345	581	1,260	459
Marine terminals	172	83	89	223	113
	1,662	684	978	2,221	902
Pelletizing	168	92	76	202	132
Ferrous-alloys	217	113	104	273	142
Energy	131	5	126	85	4
Construction in progress	380	--	380	287	--
	4,410	1,741	2,669	5,468	2,377
NON-FERROUS					
Potash	44	15	29	49	16
Gold	225	147	78	321	148
Kaolin	65	10	55	95	12
Research and projects	15	7	8	20	10
Construction in progress	33	--	33	39	--
	382	179	203	524	186
LOGISTICS					
General cargo	278	140	138	368	180
Maritime transportation	303	162	141	357	167
Construction in progress	15	--	15	11	--
	596	302	294	736	347
HOLDINGS					
Pulp and paper	140	10	130	212	41
CORPORATE CENTER					
Corporate	34	14	20	35	15
Construction in progress	4	--	4	15	--
	38	14	24	50	15
Total	5,566	2,246	3,320	6,990	2,966

b) PER TYPE OF ASSETS:

	AS OF SEPTEMBER 30, 2001			AS OF SEPTEMBER 30, 200		
	COST	ACCUMULATED DEPRECIATION	NET	COST	ACCUMULATED DEPRECIATION	N
Land and buildings	525	205	320	850	296	
Installations	1,349	665	684	1,717	928	

Equipment	569	246	323	639	316	
Ships	301	160	141	354	164	
Railroads	1,449	621	828	1,832	809	1,
Mine development costs	284	72	212	318	73	
Others	657	277	380	928	380	
	5,134	2,246	2,888	6,638	2,966	3,
Construction in progress	432	--	432	352	--	
Total	5,566	2,246	3,320	6,990	2,966	4,

10. INVESTMENTS

	AS OF SEPTEMBER			
	2001			
	PARTICIPATION IN CAPITAL(%)			NET INCOME (LOSS) FOR
INVESTMENTS IN AFFILIATED COMPANIES AND JOINT VENTURES	VOTING	TOTAL	NET EQUITY(1)	THE PERIOD(1)
STEEL				
Usinas Siderurgicas de Minas Gerais S.A. -- USIMINAS(2)	22.99	11.46	1,389	60
Companhia Siderurgica Nacional -- CSN(3)			--	92
Companhia Siderurgica de Tubarao -- CST(4)	20.51	22.85	1,138	27
California Steel Industries Inc. -- CSI	50.00	50.00	230	(5)
PAPER AND PULP				
Celulose Nipo-Brasileira S.A. -- CENIBRA(3)			--	17
Bahia-Sul Celulose S.A -- BSC(3)			--	6
ALUMINUM AND BAUXITE				
Mineracao Rio do Norte S.A. -- MRN	40.00	40.00	358	53
Valesul Aluminio S.A. -- VALESUL	54.51	54.51	72	15
Alumina do Norte do Brasil S.A. -- ALUNORTE	50.30	46.60	42	(79)
PELLETS				
Companhia Nipo-Brasileira de Pelotizacao -- NIBRASCO	51.11	51.00	41	(12)
Companhia Hispano-Brasileira de Pelotizacao -- HISPANOBRAS	51.00	50.89	30	8
Companhia Coreano Brasileira de Pelotizacao -- KOBRASCO	50.00	50.00	3	(17)
Companhia Italo-Brasileira de Pelotizacao -- ITABRASCO	51.00	50.90	26	7
Gulf Industrial Investment Company -- GIIC	50.00	50.00	130	8
SAMARCO Mineracao S.A	50.00	50.00	355	(5)

AS OF SEPTEMBER

	2001			
	PARTICIPATION IN CAPITAL(%)			NET INCOME (LOSS) FOR
INVESTMENTS IN AFFILIATED COMPANIES AND JOINT VENTURES	VOTING	TOTAL	NET EQUITY(1)	THE PERIOD(1)
OTHERS				
Fertilizantes Fosfatados S.A. -- FOSFERTIL(5)....	10.96	10.96	205	23
Salobo Metais S.A. (6).....	50.00	50.00	37	--
Ferrovia Centro-Atlantica S.A. -- FCA.....	20.00	45.65	68	(61)
Others.....				
INVESTMENTS AT COST				
ACOMINAS.....				
SIDERAR (market value $18 in 2001 -- $50 in 2000)...	4.85	4.85		
Unrealized holding gains on equity security.....				
MRS Logistica S.A.....	17.19	9.76		
Others.....				
CHANGE IN PROVISION FOR LOSSES ON EQUITY INVESTMENTS:				
Aluminio Brasileiro S.A. -- ALBRAS.....				
Cia Ferroviaria do Nordeste.....				

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(1) Based on US GAAP financial statements

(2) Value based on quoted market price at September 30, 2001 is $36 compared to net book value of $33

(3) Investments sold in 2001

(4) Value based on quoted market price at September 30, 2001 is $81 compared to net book value of $28

(5) Value based on quoted market price at September 30, 2001 is $31

(6) Development stage enterprise

Goodwill included in the above investments is as follows:

	ORIGINAL TERM OF AMORTIZATION	REMAINING AMORTIZATION	AS OF SEPTEMBER 30	
INVESTEE	(YEARS)	(YEARS)	2001	2000
Alumina do Norte do Brasil S.A. -- ALUNORTE...	35	34	21	30
SAMARCO Mineracao S.A.....	6	5	42	69
			63	99

Based on our revised expectation for profitability and other economic facts, we fully amortized the remaining goodwill relative to FCA and GIIC in the quarter ended September 30, 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 SEPTEMBER 30	
	2001	2000
Balance sheet		
Current assets	1,099	2,873
Noncurrent assets	5,843	10,420
Current liabilities	(973)	(2,929)
Noncurrent liabilities	(2,505)	(4,825)
Purchase accounting adjustments	(707)	(1,612)
Stockholders' equity	2,757	3,927
Investments	534	747

	STEEL SECTOR AFFILIATES (COMBINED) NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000
Statement of operations		
Net sales	2,320	3,277
Costs and expenses	(2,195)	(2,958)
Purchase accounting adjustments	4	24
Income before income taxes	129	343
Income taxes	45	(146)
Net income	174	197
Equity adjustments	19	44

Information with respect to other major affiliates' financial position and

results of operations is as follows:

	AS OF SEPTEMBER 30					
	ALUNORTE		ALBRAS		MRN	
	2001	2000	2001	2000	2001	2000
Balance Sheet						
Current assets	120	74	100	123	51	72
Noncurrent assets	408	513	483	636	371	347
Current liabilities	(76)	(78)	(163)	(235)	(26)	(17)
Noncurrent liabilities	(410)	(423)	(507)	(577)	(38)	(38)
Stockholders' equity	42	86	(87)	(53)	358	364
Our participation	46.60%	50.27%	51.00%	51.00%	40.00%	40.00%
Investments	20	43	(44)	(27)	143	146

	NINE MONTHS ENDED SEPTEMBER 30					
	ALUNORTE		ALBRAS		MRN	
	2001	2000	2001	2000	2001	2000
Statement of Operations Net sales	227	237	382	417	148	164
Costs and expenses	(306)	(236)	(454)	(326)	(80)	(84)
Income (loss) before income taxes	(79)	1	(72)	91	68	80
Income taxes	--	14	--	18	(6)	(15)
Equity in results of affiliates	--	--	--	--	(9)	7
Net income (loss)	(79)	15	(72)	109	53	72
Our participation	46.60%	50.27%	51.00%	51.00%	40.00%	40.00%
Participation in results	(37)	8	(37)	55	21	29
Change in provision for losses	--	--	37	(55)	--	--
Equity adjustments	(37)	8	--	--	21	29

The provision for losses and write-downs on equity investments of $405 and $446 at September 30, 2001 and 2000, respectively, relates to other than temporary declines in the publicly quoted market price below carrying value of our affiliates equity securities and 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:

	CST	USIMINAS	CIA FERROVIARIA DO NORDESTE	ALBRAS	TOTAL
PROVISION AT JANUARY 1, 2000.....	(223)	(194)	(4)	(83)	(504)
Change in provision -- results.....	--	--	(2)	55	53
	(223)	(194)	(6)	(28)	(451)
Payment of capital.....	--	--	1	--	1
Translation adjustment.....	2	1	--	1	4
PROVISION AT SEPTEMBER 30, 2000.....	(221)	(193)	(5)	(27)	(446)
PROVISION AT JANUARY 1, 2001.....	(215)	(185)	--	(15)	(415)
Change in provision -- results.....	--	--	(8)	(37)	(45)
	(215)	(185)	(8)	(52)	(460)
Translation adjustment.....	(17)	59	5	8	55
PROVISION AT SEPTEMBER 30, 2001.....	(232)	(126)	(3)	(44)	(405)

Dividends received from investees aggregated $112 and $94 in nine month periods ended September 30, 2001 and 2000, 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 SEPTEMBER 30	
	2001	2000
Export.....	638	761
Import.....	2	9
Working Capital.....	9	7
	649	777

Average annual interest rates on short-term borrowings were 7.43% and 8.67% in 2001 and 2000, respectively.

12. LONG-TERM DEBT

	AS OF SEPTEMBER 30			
	CURRENT LIABILITIES		LONG-TERM LIABILITIES	
	2001	2000	2001	2000
Foreign debt				
Loans and financing contracted in the following currencies, maturing up to 2011:				
United States dollars	199	235	1,072	743
Japanese Yen	9	10	30	4
Others	2	3	3	3
Fixed Rate Notes -- US$ denominated	--	--	500	500
Export Securitization -- US$ denominated	--	--	300	--
Perpetual notes	--	--	56	55
Accrued charges	21	23	--	--
	231	271	1,961	1,305
Local debt				
Indexed by Long-Term Interest Rate -- TJLP maturing up to 2002	3	7	29	42
Indexed by General Price Index-Market (IGPM) maturing up to 2005	2	21	51	50
Basket of currencies	15	16	44	61
Capital Lease	--	1	--	--
Shareholders revenue interests (Note 3)	--	--	3	3
Indexed by U.S. dollars	5	21	23	64
Accrued charges	4	1	--	--
	29	67	150	220
Total	260	338	2,111	1,525

The long-term portion at September 30, 2001 becomes due in the following years:

2002 (after September 30)	55
2003	689
2004	713
2005	192
2006	129
2007 and thereafter	277
No due date (Perpetual notes)	56
	2,111

At September 30, 2001 annual interest rates on long-term debt were as follows:

Up to 7%	1,172
7.1% to 9%	481
9.1% to 11%	562
Over 11%	100
Variable (Perpetual notes)	56
	2,371

Long-term debt at September 30, 2001 is guaranteed or secured as follows:

	AMOUNT OF GUARANTEE
Federal Government guarantee(*)	308
Export receivables (securitization)	125
Ships	62

(*) For this guarantee, counter-guarantees were constituted by us with receivables of a subsidiary and an affiliate.

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 September 30, 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).

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 and 2000 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 statutory accounting records and such payments are made in Reais. At September 30, 2001, we had $239

in undistributed retained earnings. In addition, appropriated retained earnings at September 30, 2001 includes $1,532, 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:

	NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000
Appropriated retained earnings		
Unrealized income reserve		
Balance January 1	874	1,062
Transfer to retained earnings	(234)	(34)
Balance September 30	640	1,028
Expansion reserve		
Balance January 1	1,546	1,367
Transfer to capital stock	(278)	--
Transfer to retained earnings	(376)	(43)
Balance September 30	892	1,324
Legal reserve		
Balance January 1	307	284
Transfer to retained earnings	(82)	(10)
Balance September 30	225	274
Fiscal incentive depletion reserve		
Balance January 1	771	842
Transfer to retained earnings	(207)	(27)
Balance September 30	564	815
Fiscal incentive investment reserve		
Balance January 1	39	12
Transfer to capital stock	(33)	--
Transfer (to) from retained earnings	(6)	31
Balance September 30	--	43
Total appropriated retained earnings	2,321	3,484

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 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 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 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000
Benefit obligation at beginning of period.....	1,596	1,440

Service cost	3	9
Interest cost	60	69
Benefits paid	(68)	(84)
Plan amendments	--	(13)
Effect of exchange rate changes	(427)	(51)
Actuarial loss	--	242
Benefit obligation at end of period	1,164	1,612

The actuarial loss of $242 in the period of nine months ended September 30, 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 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000
Fair value of plan assets at beginning of period	1,189	1,231
Actual return on plan assets	114	82
Special employer contributions (Note 4(f))	249	--
Employer contributions	14	25
Employee contributions	--	4
Benefits paid	(68)	(84)
Effect of exchange rate changes	(380)	(39)
Fair value of plan assets at end of period	1,118	1,219

Plan assets at September 30, 2001 include $92 of portfolio investments in our own shares ($92 at September 30, 2000) and $6 of shares of related parties ($9 at September 30, 2000), as well as $469 of Federal Government Securities ($426 at September 30, 2000).

(c) ACCRUED PENSION COST LIABILITY

	AS OF SEPTEMBER 30	
	2001	2000
Funded status, excess of benefit obligation over plan assets	46	393
Unrecognized net transitory obligation	(84)	(136)
Unrecognized net actuarial loss	(51)	(120)

Accrued pension cost liability (prepaid pension cost).....	(89)	137

(d) RECOGNITION OF ADDITIONAL MINIMUM LIABILITY

	AS OF SEPTEMBER 30	
	2001	2000
Accrued pension cost liability.....	--	137
Unrecognized pension obligation, limited to unrecognized net transitory obligation.....	46	136
Additional amount recognized in stockholders' equity.....	--	119
Minimum liability.....	46	392

(e) ASSUMPTIONS USED IN EACH PERIOD

	2001	2000
Discount rate.....	6% p.a.	6% p.a.
Expected return on plan assets.....	6% p.a.	6% p.a.
Rate of compensation increase.....	1.82% p.a.	1.82% p.a.

Net pension cost includes the following components:

	NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000
Service cost -- benefits earned during the period.....	3	9
Interest cost on projected benefit obligation.....	60	69
Actual return on assets.....	(114)	(82)
Amortization of initial transitory obligation.....	9	12
Net deferral.....	66	30
	24	38
Employee contributions.....	--	(4)
Net periodic pension cost.....	24	34

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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 $148 and $138, at September 30, 2001 and 2000, respectively, plus $23 and $22 in current liabilities.

The cost recognized in the period of nine months ended September 30, 2001 relative to the defined contribution element of the New Plan was $3.

15. COMMITMENTS AND CONTINGENCIES

(a) At September 30, 2001, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of $801, of which $614 is denominated in United States dollars and the remaining $187 in local currency. These guarantees include $372 relative to ALBRAS and $78 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:

	AS OF SEPTEMBER 30			
	2001		2000	
	PROVISION FOR CONTINGENCIES	JUDICIAL DEPOSITS	PROVISION FOR CONTINGENCIES	JUDICIAL DEPOSITS
Labor claims	97	45	98	60
Civil claims	102	42	139	15
Tax -- related actions	122	58	69	32
Others	52	2	6	2
	373	147	312	109
Current	--	--	--	--
Long-term	373	147	312	109
	373	147	312	109

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.

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 nine months ended September 30, 2001 and 2000 aggregated $19 and $15, respectively, and additional provisions aggregated $125 and $131 in these periods, 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 $1,368.15 per metric ton at September 30, 2001, represents an annual commitment of $241. We are also committed to take-or-pay 459,214 metric tons per year of alumina produced by ALUNORTE which at a market price of $183.21 per metric ton at September 30, 2001, represents an annual commitment of $84. Actual take from ALBRAS was $176 and $196 during the nine month periods ended September 30, 2001 and 2000, respectively, and direct from ALUNORTE (net of take ceded to ALBRAS) was $22 and $35 during the nine month periods ended September 30, 2001 and 2000, 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 September 30, 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 (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 will constitute the final step of our privatization. We will be required to register the debentures with the CVM in order to permit trading at this time. We cannot be sure when the final step of our privatization will take place.

Under Brazilian Central Bank regulations, pre-privatization shareholders that held their shares through our 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 depositary 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.

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 on the estimates of production of our new projects, we would begin making payments 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 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 production from May 1997 exceeds 1.7 billion tons.
Northern System	Iron ore	1.8% of net revenue, after total production from May 1997 exceeds 1.2 billion tons.
Pojuca, Andorinhas, Liberdade and Sossego	Gold and copper	2.5% of net revenue from the beginning of commercial production.
Igarape Bahia and Alemao	Gold and copper	2.5% of net revenue, after total production from the beginning of commercial production exceeds 70 tons of gold.
Fazenda Brasileiro	Gold	2.5% of net revenue after total production from the beginning of commercial production exceeds 26 tons.
Other areas, excluding Carajas/Serra Leste	Gold	2.5% of net revenue.
Other areas owned as of May 1997	Other minerals	1% of net revenue, 4 years after the beginning of commercial production.
All areas	Sale of mineral rights owned as of May 1997	1% of the sales price.

(g) At September 30, 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:

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:

- Pulp and paper -- comprises our forestation activities and investments in joint ventures and affiliates engaged in the manufacture of pulp and paper products.

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

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

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

Consolidated net income and principal assets are reconciled as follows:

	AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001						
				HOLDINGS			
	FERROUS	NON FERROUS	LOGISTICS	PULP AND PAPER	ALUMINUM	STEEL	O
RESULTS							
Revenues -- Export	2,570	133	125	49	225	--	
Revenues -- Domestic	805	58	269	7	1	--	

Cost and expenses	(2,292)	(141)	(446)(1)	611(2)	(209)	107(3)
Interest revenue	22	1	6	7	5	--
Interest expense	(76)	(9)	(7)	--	(1)	(3)
Depreciation	(128)	(23)	(17)	(2)	--	--
Pension plan	(19)	(3)	(2)	--	--	--
Equity and provision for losses and write-downs	2	--	(43)	11	(45)	19
Income taxes	2	--	(1)	(3)	--	--
Net income	886	16	(116)	680	(24)	123
Sales classified by geographic destination:						
Export market						
Latin America	194	4	52	--	8	--
United States	154	100	15	42	33	--
Europe	1,015	27	43	7	161	--
Middle East	149	--	3	--	--	--
Japan	395	--	9	--	12	--
Asia, other than Japan	663	2	3	--	11	--
	2,570	133	125	49	225	--
Domestic market	805	58	269	7	1	--
	3,375	191	394	56	226	--
Assets:						
Property, plant and equipment, net	2,669	203	294	130	--	--
Capital expenditures	382	36	17	--	--	--
Investments in affiliated companies and joint ventures and other investments	372	20	35	--	179	194
Capital employed	2,819	194	302	127	(2)	10
NOPLT	1,104	62	55	(30)	17	(1)
ROCE	39%	32%	18%	(24)%	--	(10)%

	AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 #		
	CORPORATE CENTER	ELIMINATIONS	CONSOLIDATED
RESULTS			
Revenues -- Export	--	(986)	2,116
Revenues -- Domestic	--	(157)	983
Cost and expenses	(919)	1,143	(2,146)
Interest revenue	75	(36)	80
Interest expense	(180)	36	(240)
Depreciation	(4)	--	(174)
Pension plan	--	--	(24)
Equity and provision for losses and write-downs	--	--	(53)
Income taxes	45	--	43
Net income	(983)	--	585
Sales classified by geographic destination:			

Export market			
Latin America	--	(69)	189
United States	--	(57)	287
Europe	--	(450)	803
Middle East	--	(57)	95
Japan	--	(114)	302
Asia, other than Japan	--	(239)	440
	--	(986)	2,116
Domestic market	--	(157)	983
	--	(1,143)	3,099
Assets:			
Property, plant and equipment, net	24	--	3,320
Capital expenditures	9	--	444
Investments in affiliated companies and joint ventures and other investments	--	--	818
Capital employed	(15)	(50)	3,386
NOPLT	(160)	(42)	1,005
ROCE	--	--	30%

---

(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

	AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 3							
				HOLDINGS				
	FERROUS	NON FERROUS	LOGISTICS	PULP AND PAPER	ALUMINUM	STEEL	OTHERS	CORPO CENT
RESULTS								
Revenues -- Export	1,980	143	143	114	274	--	--	-
Revenues -- Domestic	748	70	295	9	11	1	--	-
Cost and expenses	(1,784)	(154)	(307)	(114)	(193)	(3)	--	(36
Interest revenue	32	1	1	5	21	--	--	11
Interest expense	(46)	(9)	(6)	--	(3)	(4)	--	(17
Depreciation	(87)	(18)	(18)	(2)	--	--	--	(
Pension plan	(7)	(2)	--	--	--	--	--	-
Equity and provision for losses and write-downs	27	--	(18)	84	100	44	3	-

Income taxes.....	2	--	6	(4)	(4)	--	--	
Net income.....	865	31	96	92	206	38	3	(43
Sales classified by geographic destination:								
Export market								
Latin America.....	161	--	16	--	17	--	--	-
United States.....	169	113	53	114	34	--	--	-
Europe.....	660	28	56	--	172	--	--	-
Middle East.....	135	--	3	--	16	--	--	-
Japan.....	409	2	8	--	34	--	--	-
Asia, other than Japan.....	446	--	7	--	1	--	--	-
	1,980	143	143	114	274	--	--	-
Domestic market.....	748	70	295	9	11	1	--	-
	2,728	213	438	123	285	1	--	-
Assets:								
Property, plant and equipment, net.....	3,091	338	389	171	--	--	--	3
Capital expenditures.....	168	29	12	--	--	--	--	
Investments in affiliated companies and joint ventures and other investments.....	457	32	111	381	238	410	80	-
Capital employed.....	3,174	343	434	44	2	12	4	(2
NOPLT.....	850	44	119	3	22	1	--	(13
ROCE.....	27%	13%	27%	7%	--	8%	--	-

17. 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 September 30, 2001 is not substantially different from that as of December 31, 2000.

Fair market value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. Changes in assumptions could significantly affect the estimates.

18. 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 $3 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.

For the nine month period ended September 30, 2001 the movement of unrealized and realized gains or losses on derivative financial instruments is as follows:

	NET GAINS (LOSSES)}			
	GOLD	INTEREST RATES (LIBOR)	CURRENCIES	TOTAL
Initial unrealized gains and losses at January 1, 2001	9	(8)	(4)	(3)
Change in the period	2	(39)	(1)	(38)
(Gains) and losses realized in the period	(5)	6	2	3
UNREALIZED GAINS AND (LOSSES) AT SEPTEMBER 30, 2001	6	(41)	(3)	(38)

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:

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 overselves 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 nine months ended September 30, 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 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.

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.

19. ACCOUNTING CHANGES

These financial statements have been restated to reflect the following accounting changes:

(a) CHANGES WHICH EFFECT NET INCOME AND STOCKHOLDERS' EQUITY

(a.1) Impairment provision for equity investments in CST and Usiminas.

The Company has concluded that the loss in value in its investment in CST and Usiminas was other than temporary, and that the carrying value should be reduced to the quoted market price of the applicable shares. This methodology has been applied retroactively resulting in a write-down provision of $180 as at December 31, 1997 (with write-down changes of $50, $24 and $106 recorded for the years ended December 31, 1997, 1996 and 1995, respectively).

(a.2) Amortization of goodwill related to Samarco and Samitri.

The Company has recognized amortization expense of goodwill relating to the acquisition of Samarco and Samitri in May 2000 from the date of the acquisition on a straight line basis at 16.67% per annum. Previously, the Company had not commenced amortization of goodwill.

The impact of the above alterations is shown below:

	AS OF SEPTEMBER 30,	
	2001	2000
Net income previously reported	597	909
Goodwill amortization	(18)	(12)
Deferred tax effects	6	4
RESTATED NET INCOME	585	901
Earnings per share previously reported	1.55	2.36
Restated earnings per share	1.52	2.34
Shareholders' equity previously reported	3,928	5,238
Write-off of Usiminas goodwill		
Impairment of CST and Usiminas	(358)	(414)
Goodwill amortization	(31)	(12)
Deferred tax effects	74	75
RESTATED SHAREHOLDERS' EQUITY	3,613	4,887

(b) CHANGE THAT DOES NOT AFFECT NET INCOME AND STOCKHOLDERS' EQUITY -- CONSOLIDATION OF CELMAR S.A.

Previously we accounted for our development stage subsidiary, Celmar S.A.,

under the equity method of accounting. We now consolidate this entity for all periods presented which has not resulted in any change to our net income or stockholders' equity. The effects on our consolidated current assets and current liabilities is less than 1% while consolidated long-term liabilities increased by 1.8%.

20. INFORMATION ABOUT OUR INDEPENDENT ACCOUNTANTS

Our consolidated financial statements are reviewed by PricewaterhouseCoopers Auditores Independentes. The financial statements of certain of our subsidiaries and affiliates have been reviewed by independent accountants other than PricewaterhouseCoopers Auditores Independentes and, as mentioned

in their report, PricewaterhouseCoopers Auditores Independentes has relied on such reviews when issuing their report on our consolidated financial statements.

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

	INDEPENDENT ACCOUNTANTS	PERIODS REVIEWED	CITY	STATE	C
Aluminio Brasileiro S.A.-ALBRAS.....	DTT	2001, 2000	RJ	RJ	B
Alumina do Norte do Brasil S.A.-ALUNORTE...	DTT	2001, 2000	RJ	RJ	B
Bahia Sul Celulose S.A.(1).....	KPMG	2000	SP	SP	B
Celulose Nipo-Brasileira S.A.-CENIBRA(1)...	DTT	2001, 2000	BH	MG	B
Navegacao Vale do Rio Doce S.A.-DOCENAVE...	DTT	2001, 2000	RJ	RJ	B
DOCEPAR S.A.	DTT	2001, 2000	RJ	RJ	B
Companhia Hispano-Brasileira de Pelotizacao-HISPANOBRAS.....	AA	2001, 2000	Vitoria	ES	B
Companhia Italo-Brasileira de Pelotizacao-ITABRASCO.....	AA	2001, 2000	Vitoria	ES	B
Companhia Coreano Brasileira de Pelotizacao-KOBRASCO.....	DTT	2001, 2000	RJ	RJ	B
Minaracao Rio do Norte S.A.	AA	2001, 2000	RJ	RJ	B
Companhia Nipo-Brasileira de Pelotizacao-NIBRASCO.....	DTT	2001, 2000	RJ	RJ	B
Valesul Aluminio S.A.	KPMG	2001, 2000	RJ	RJ	B
Companhia Siderurgica Nacional(1).....	AA	2000	RJ	RJ	B

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(1) Investments sold in 2001.

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

21. SUBSEQUENT EVENT

On March 8, 2002, our wholly-owned subsidiary, Vale Overseas Limited, issued US$300,000,000 of 8.625% Enhanced Guaranteed Notes due March 8, 2007. The notes are unconditionally guaranteed by us.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Vale Overseas Limited

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Vale Overseas Limited at September 30, 2001 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement 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 balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, and evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

October 22, 2001, except for the subsequent event described in Note 4 which is as of March 8, 2002.

/s/ PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
Auditores Independentes

VALE OVERSEAS LIMITED

BALANCE SHEET AS AT SEPTEMBER 30
EXPRESSED IN U.S. DOLLARS

	2001
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	1,000
	1,000
LIABILITIES	
STOCKHOLDERS' EQUITY	

Common stock (1,000 common shares of a par value of US$1.00 each)	1,000
	1,000

The accompanying notes are an integral part of these financial statements.

VALE OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT SEPTEMBER 30, 2001
EXPRESSED IN U.S. DOLLARS

1 OPERATIONS

Vale Overseas Limited (the "Company"), located in the Cayman Islands, was constituted in April, 2001 as a wholly-owned subsidiary of Companhia Vale do Rio Doce and operates principally as a finance company.

2 PRESENTATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The transactions are accounted for in United States dollars and are tax exempt.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are denominated in U.S. dollars and represented, by short-term bank deposits.

4 SUBSEQUENT EVENT

On March 8, 2002, the Company issued US$300,000,000 of 8.625% Enhanced Guaranteed Notes due March 8, 2007 Unconditionally Guaranteed by Companhia Vale do Rio Doce.

* * *

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REPORT

To the Directors and Stockholders of
ALBRAS -- Aluminio Brasileiro S.A.
Barcarena -- PA

We have audited the accompanying balance sheets of ALBRAS -- Aluminio Brasileiro S.A. as of December 31, 2000 and 1999, and the related statements of operations, changes in stockholders' deficiency and cash flows for the three-year period ended December 31, 2000 (all expressed in United States dollars). 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of ALBRAS -- Aluminio Brasileiro S.A. at December 31, 2000 and 1999, and the results of its operations and its cash flows for the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

January 19, 2001

/s/ DELOITTE TOUCHE TOHMATSU

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REPORT

To the Directors and Stockholders
ALUNORTE -- Alumina do Norte do Brasil S.A.

Barcarena -- PA

We have audited the accompanying balance sheets of ALUNORTE -- Alumina do Norte do Brasil S.A. as of December 31, 2000 and 1999, and the related statement of operations, changes in stockholders' equity and cash flows for the three-year period ended December 31, 2000 (all expressed in United States Dollars). 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of ALUNORTE -- Alumina do Norte do Brasil S.A. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

January 17, 2001

/s/ DELOITTE TOUCHE TOHMATSU

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
Vale do Rio Doce Aluminio S.A. -- ALUVALE

We have audited the accompanying balance sheets of Vale do Rio Doce Aluminio S.A. -- ALUVALE as of December 31, 2000 and 1999, and the related statements of operations, cash flows and changes in stockholders' equity for each of the three-years in the period ended December 31, 2000 (all expressed in United States dollars). 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 the Mineracao Rio do Norte S.A. (2000, 1999 and 1998) and Valesul Aluminio S.A. (2000 and 1999), the Company's investment in which are accounted for by use of the equity method. The Company's equity in the aforementioned affiliates companies' net assets at December 31, 2000 and 1999, totaling US$197,104,000 and US$186,296,000, respectively, and the Company's net equity in the aforementioned affiliated companies' net income for the years ended December 31, 2000, 1999 and 1998, totaling US$47,861,000, US$10,538,000 and

US$27,688,000, respectively, are included in the accompanying financial statements. The financial statements of the above mentioned affiliated companies were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such companies is based solely on the reports of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Vale do Rio Doce Aluminio S.A. -- ALUVALE as of December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with the accounting principles generally accepted in the United States of America.

/s/ DELOITTE TOUCHE TOHMATSU

January 19, 2001

[KPMG LOGO]

KPMG AUDITORES INDEPENDENTES

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of
Bahia Sul Celulose S.A.

We have audited the accompanying consolidated balance sheets of Bahia Sul Celulose S.A. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and

significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bahia Sul Celulose S.A. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

Sao Paulo, Brazil
February 6, 2001

/s/ KPMG Auditores Independentes

[KPMG LOGO]

600 Anton Boulevard
Suite 700
Costa Mesa, CA 92626-7651

INDEPENDENT AUDITORS' REPORT

The Board of Directors
California Steel Industries, Inc.:

We have audited the accompanying consolidated balance sheets of California Steel Industries, Inc. and subsidiary as of December 31, 2000 and 1999 and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of California Steel Industries, Inc. and subsidiary as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with accounting principals generally accepted in the United States of America.

/s/ KPMG LLP

Orange County, California
January 19, 2001

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT AUDITORS' OPINION

To the Shareholders and Directors of
Celulose Nipo-Brasileira S.A. -- CENIBRA
Belo Oriente/MG

We have audited the accompanying consolidated balance sheets of Celulose Nipo-Brasileira S.A. -- CENIBRA as of December 31, 2000 and 1999 and the related statements of operations, changes in stockholders' equity and of cash flows for the years then ended (all expressed in United States dollars). These consolidated 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. The consolidated financial statements of the Company for the year ended December 31, 1998 were audited by other auditors, whose report dated January 21, 1999 expressed a qualified opinion in relation to the same matter mentioned in the fourth paragraph.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Celulose Nipo-Brasileira S.A. -- CENIBRA and its subsidiaries as of December 31, 2000 and 1999 the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in United States of America.

As mentioned in note 4, at December 31, 1999 the Company had not provided for a contingency in the amount of US$2,993 thousand related to the tax effects (income tax and social contribution) for the use of the deductibility of the effects of the restatement determined by Law n degrees 7.730/89, which established the "Plano Verao". In 2000 the Company conservatively decided to provide for the referred amount and, consequently, to restatement the financial statements of 1999 and 1998.

/s/ DELOITTE TOUCHE TOHMATSU

January 19, 2001

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders
Navegacao Vale do Rio Doce S.A. -- DOCENAVE

We have audited the accompanying consolidated balance sheets of Navegacao Vale do Rio Doce S.A. -- DOCENAVE and subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of operations, cash flows and changes in stockholders' equity for the years then ended. These consolidated 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 the affiliated company, Wilsea Shipping, Inc., the Company's investment in which is accounted for by use of the equity method. The Company's equity of US$36,257,000 and US$22,273,000 in the aforementioned affiliated company's net assets at December 31, 2000 and 1999, respectively, and of US$13,984,000 and US$783,000 in that company's net income for the respective years then ended are included in the accompanying financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the accompanying financial statements referred to above presented fairly, in all material respects, the financial position of Navegacao Vale do Rio Doce S.A. -- DOCENAVE and subsidiaries as of December 31, 2000 and 1999, and the results of its operations and its cash flows the years then ended in conformity with accounting principles generally accepted in the United States of America.

February 8, 2001

/s/ DELOITTE TOUCHE TOHMATSU

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
Vale do Rio Doce Navegacao S.A. - DOCENAVE

We have audited the accompanying consolidated balance sheet of Vale do Rio Doce Navegacao S.A. - DOCENAVE and subsidiaries as of December 31, 1998 (restated as note 9) and the related consolidated statements of operations, cash flows and changes in stockholders' equity for the year ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the affiliated companies, Companhia Siderurgica Nacional and Wilsea Shipping Inc., the Company's investments in which are accounted for by use of the equity method. The Company's equity and net income for the year in the aforementioned affiliated companies totals US$246,136,000 and US$42,309,000 at December 31, 1998.

The financial statements of the above mentioned affiliated companies were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such companies, is based solely on the reports of such other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the accompanying restated financial statements referred to above present fairly, in all material respects, the financial position of Vale do Rio Doce Navegacao S.A. and subsidiaries as of December 31, 1998 and the result of its operations, its cash flows and the changes in its stockholders' equity for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Subsequent to the issuance of the Company's 1998 financial statements, the management determined to change the method used to account for the investment in a certain affiliated company, as discussed in note 9. As a result, the previously-issued financial statements for the year ended December 31, 1998 have been restated in order to reflect such changing in the accounting method.

The consolidated financial statements of Vale do Rio Doce Navegacao S.A. and subsidiaries for the year ended in December 31, 1997 and the consolidated statements of operations, cash flows and changes in stockholders' equity for the year ended December 31, 1996 were audited by other accountants whose issued unqualified opinion thereon dated February 6, 1998. These financial statements have also been restated due to the same reason described in the previous paragraph.

February 12, 1999

/s/ DELOITTE TOUCHE TOHMATSU

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REPORT

To
The Board of Directors and Stockholders of
DOCEPAR S.A.
Rio de Janeiro - RJ
Brazil

We have audited the accompanying balance sheets of DOCEPAR S.A. as of December 31, 2000 and 1999, and the related statements of operations, cash flows and changes in stockholders' equity (deficiency) for the years then ended (all expressed in United States Dollars). 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 audit. We did not audit the financial statements of the affiliated company, Companhia Siderurgica Nacional, the Company's investments in which is accounted for by use of the equity method. The Company's equity related to the aforementioned affiliated company totals US$133,569,000 at December 31, 1999 and a gain of US$4,189,000 and US$3,328,000 for the years ended December 31, 2000 and 1999, respectively. The financial statements of the above mentioned affiliated company were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such company, is based solely on the reports of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of DOCEPAR S.A. as of December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

January 19, 2001

/s/ DELOITTE TOUCHE TOHMATSU

[ARTHUR ANDERSEN LOGO]

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of

Companhia Hispano-Brasileira de
Pelotizacao -- HISPANOBRAS:

(1) We have audited the accompanying balance sheets of COMPANHIA HISPANO-BRASILEIRA DE PELOTIZACAO -- HISPANOBRAS (a Brazilian corporation and a subsidiary of Companhia Vale do Rio Doce), translated into U.S. dollars, as of December 31, 2000 and 1999, and the related translated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2000, 1999 and 1998. 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.

(2) We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

(3) These translated financial statements have been prepared as the basis for application of the equity method by its stockholders and, accordingly, they translate the assets, liabilities, stockholders' equity and revenues and expenses of Companhia Hispano-Brasileira de Pelotizacao -- Hispanobras for that purpose, as explained in Note 2.

(4) In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, and for the purpose described in the preceding paragraph, the financial position of Companhia Hispano-Brasileira de Pelotizacao -- Hispanobras as of December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and its cash flows for the years ended December 31, 2000, 1999 and 1998, in conformity with generally accepted accounting principles in the United States.

/s/ Arthur Andersen S/C

Vitoria, Brazil,
January 15, 2001.

[ARTHUR ANDERSEN LOGO]

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of

Companhia Italo-Brasileira de
Pelotizacao -- ITABRASCO:

(1) We have audited the accompanying balance sheets of COMPANHIA ITALO-BRASILEIRA DE PELOTIZACAO-ITABRASCO (a Brazilian corporation and a subsidiary of Companhia Vale do Rio Doce), translated into U.S. dollars, as of December 31, 2000 and 1999, and the related translated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2000, 1999 and 1998. 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.

(2) We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

(3) These translated financial statements have been prepared as the basis for application of the equity method by its stockholders and, accordingly, they translate the assets, liabilities, stockholders' equity and revenues and expenses of Companhia Italo-Brasileira de Pelotizacao -- Itabrasco for that purpose, as explained in Note 2.

(4) In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, and for the purpose described in the preceding paragraph, the financial position of Companhia Italo-Brasileira de Pelotizacao -- Itabrasco as of December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and its cash flows for the years ended December 31, 2000, 1999 and 1998, in conformity with generally accepted accounting principles in the United States.

/s/ Arthur Andersen S/C

Vitoria, Brazil
January 15, 2001

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Companhia Coreano-Brasileira de Pelotizacao -- KOBRASCO
Vitoria, Brazil

We have audited the accompanying consolidated balance sheet of Companhia Coreano-Brasileira de Pelotizacao -- KOBRASCO as of December 31, 2000, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended (all expressed in United States dollars). 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 audit. The financial statements of the Company for the years ended December 31, 1999 and 1998 were audited by other accountants whose reports thereon, dated January 14, 2000 and January 15, 1999, respectively, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Companhia Coreano-Brasileira de Pelotizacao -- KOBRASCO as of December 31, 2000, and the consolidated results of its operations, the changes in its stockholders' equity and its cash flow for the year then ended, in conformity with accounting principles generally accepted in United States of America.

January 29, 2001

/s/ DELOITTE TOUCHE TOHMATSU

[ARTHUR ANDERSEN LOGO]

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and
Board of Directors of

Mineracao Rio do Norte S.A.:

(1) We have audited the accompanying balance sheets of MINERACAO RIO DO NORTE S.A. (a Brazilian corporation), translated into U.S. dollars, as of December 31, 2000 and 1999, and the related translated statements of income, changes in stockholders' equity and cash flows for the years then ended. 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.

(2) We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

(3) The financial statements of the associated company Alunorte -- Alumina do Norte do Brasil S.A. as of December 31, 2000 and 1999 were audited by other auditors. This investment represents 3% of the total assets (1% in 1999) and 7% of the net income (19% in 1999). Our opinion on such investment is based solely on the report of the other auditors.

(4) These translated financial statements have been prepared as the basis for application of the equity method by the Company's stockholders and, accordingly, they translate the assets, liabilities, stockholders' equity and revenues and expenses of Mineracao Rio do Norte S.A. for that purpose, as explained in Note 2.

(5) In our opinion, based on our audits and on the report of other auditors, as mentioned in paragraph (3), the financial statements referred to in paragraph

(1) present fairly, in all material respects, and for the purpose described in the preceding paragraph, the financial position of Mineracao Rio do Norte S.A. as of December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States.

/s/ ARTHUR ANDERSEN S/C

Rio de Janiero, Brazil,
January 18, 2001.

[ARTHUR ANDERSEN LOGO]

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and
Board of Directors of

Mineracao Rio do Norte S.A.:

(1) We have audited the accompanying balance sheets of MINERACAO RIO DO NORTE S.A. (a Brazilian corporation), translated into U.S. dollars, as of December 31, 1999 and 1998, and the related translated statements of income, changes in stockholders' equity and cash flows for the years then ended. 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.

(2) We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide reasonable basis for our opinion.

(3) The financial statements of the associate Alunorte -- Alumina do Norte do Brasil S.A. as of December 31, 1999 were audited by other auditors. This investment represents 1% of the total assets and 100% of the equity adjustment. Our opinion on such investments is based solely on the report of the other auditors.

(4) These translated financial statements have been prepared as the basis for application of the equity method by the Company's stockholders and, accordingly, they translate the assets, liabilities, stockholders' equity and revenues and expenses of Mineracao Rio do Norte S.A. for that purpose, as explained in Note 2.

(5) In our opinion, based on our audits and on the report of other auditors, as mentioned in paragraph (3), the financial statements referred to in paragraph (1) present fairly, in all material respects, and for the purpose described in the preceding paragraph, the financial position of Mineracao Rio do Norte S.A. as of December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States.

(6) The report of other auditors, mentioned in paragraph (3), indicates the

Alunorte -- Alumina do Norte do Brasil S.A. and its stockholders are implementing measures designed to alleviate the Company's financial condition (Note 7).

/s/ ARTHUR ANDERSEN S/C

Rio de Janeiro, Brazil,
January 17, 2000.

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Companhia Nipo-Brasileira de Pelotizacao - NIBRASCO
Vitoria, Brazil

We have audited the accompanying balance sheets of Companhia Nipo-Brasileira de Pelotizacao - NIBRASCO as of December 31, 2000 and 1999, and the related statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000 (all expressed in United States dollars). 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Companhia Nipo-Brasileira de Pelotizacao - NIBRASCO at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

January 29, 2001

/s/ DELOITTE TOUCHE TOHMATSU

[KPMG LOGO]

KPMG AUDITORES INDEPENDENTES

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The Board of Directors of
Valesul Aluminio S.A.

We have audited the accompanying balance sheet of Valesul Aluminio S.A. as of December 31, 2000 and 1999, and the related statements of income, changes in stockholders' equity and comprehensive income and cash flows for each of the years in the two-year period ended December 31, 2000. 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 audit. The accompanying statements of income, changes in stockholders' equity and comprehensive income and cash flows for the year ended December 31, 1998 were audited by other independent auditors, who issued an unqualified report, dated January 20, 1999.

We conducted our audit in accordance with auditing standards generally accepted in Brazil and in the United States of America. Those standards 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 disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valesul Aluminio S.A. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Notes 4 and 8 to the financial statements, the company has adjusted its property, plant and equipment and deferred income taxes accounting balances as a result of correcting of errors. Consequently, the Company's financial statements for 2000, 1999 and 1998 referred to above have been restated to conform with these adjustments.

January 19, 2001, except for notes 4 and 8, which date is January 17, 2002
Rio de Janeiro, Brazil

/s/ KPMG Auditores Independentes

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT AUDITORS' REPORT

To the Directors and Stockholders
Valesul Aluminio S.A.
Rio de Janeiro, Brazil

We have audited the accompanying balance sheets of Valesul Aluminio S.A. as of December 31, 1998 and 1997, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended (all expressed in United States dollars). 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Valesul Aluminio S.A. at December 31, 1998 and 1997, and the results of its operations, the changes in its stockholders' equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

January 20, 1999

/s/ DELOITTE TOUCHE TOHMATSU

ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Companhia Siderurgica Nacional

(1) We have audited the accompanying consolidated balance sheets of COMPANHIA SIDERURGICA NACIONAL (a Brazilian corporation) and its subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. 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.

(2) The financial statements of the affiliate CVRD -- Companhia Vale do Rio Doce as of December 31, 2000 and 1999 were audited by other auditors. As of December 31, 2000 this asset represents 14% of the total assets and 28% of the net income (15% and 21% respectively as of December 31, 1999). Our opinion on such asset is based solely on the report of other auditors.

(3) We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

(4) In our opinion, based on our audits and the report of other auditors for the years ended December 31, 2000 and 1999 as mentioned in paragraph (2) above, the consolidated financial statements referred to in paragraph (1) present fairly, in all material respects, the financial position of Companhia Siderurgica Nacional and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.

/s/ Arthur Andersen S/C

Rio de Janeiro, Brazil,
February 19, 2001 (except for Notes 7, 9 and 21, as to which the date is June 19, 2001).

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT AUDITORS' OPINION

To
The Stockholders and Board of Directors
TVV - Terminal de Vila Velha S.A.
Vitoria - ES

1. We have audited the balance sheets of TVV - Terminal de Vila Velha S.A. as of December 31, 2000 and 1999, and the related statements of operations, changes in stockholders' equity and changes in financial position for the years then ended (all expressed in Brazilian Reais). 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.

2. We conducted our audits in accordance with auditing standards generally accepted in Brazil, and included: (a) planning the audit, considering the materiality of the amounts presented, the number of transactions and the Company's accounting and internal control systems; (b) examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements; and (c) the assessment of the accounting principles used and of the significant estimates made by management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to the first paragraph present fairly, in all material respects, the financial position of as of December 31, 2000 and 1999, and the results of its operations, changes in its stockholders' equity and changes in its financial position for the years then ended, in conformity with the Brazilian corporate law.

4. The translation of the financial statements into English have been made solely for the convenience of readers outside of Brazil.

Vitoria, February 2, 2001

/s/ DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU
Independent Auditors
CRC-SP 11.609 S/RJ

/s/ MARCELO C. ALMEIDA
MARCELO C. ALMEIDA
Certified Accountant
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INDEPENDENT AUDITORS' OPINION

To
The Stockholders and Board of Directors
TVV - Terminal de Vila Velha S.A.
Vila Velha - ES

1. We have audited the balance sheets of TVV - Terminal de Vila Velha S.A. as of December 31, 1999 and 1998, and the related statements of operations, changes in stockholders' equity and changes in financial position for the years then ended and for the period between July 2 (date of Company's organization) and December 31, 1998 (all expressed in Brazilian Reais). 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.

2. We conducted our audits in accordance with auditing standards generally accepted in Brazil, and included: (a) planning the audit, considering the materiality of the amounts presented, the number of transactions and the Company's accounting and internal control systems; (b) examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements; and (c) the assessment of the accounting principles used and of the significant estimates made by management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to the first paragraph present fairly, in all material respects, the financial position of as of December 31, 1999 and 1998 and the results of its operations, changes in its stockholders' equity and changes in its financial position for the years then ended and for the period between July 2 (date of Company's organization) and December 31, 1998, in conformity with the Brazilian corporate law.

4. The translation of the financial statements into English have been made solely for the convenience of readers outside of Brazil.

Rio de Janeiro, April 28, 2000

/s/ DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU
Independent Auditors
CRC-SP 11.609 S/RJ

/s/ MARCELLO C. ALMEIDA
MARCELLO C. ALMEIDA
Certified Accountant
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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT AUDITORS' REPORT

To the Management and Stockholders of
Nova Era Silicon S.A.
Belo Horizonte/MG

1. We have audited the accompanying balance sheet of Nova Era Silicon S.A. as of December 31, 2000 and the related statements of income, changes in stockholders' equity and changes in financial position for the year then ended. 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 audit.

2. Except for the mentioned on the third paragraph, we conducted our audit in accordance with generally accepted auditing standards in Brazil, which included: (a) planning of the engagement, considering the materiality of the balances, the volume of transactions and the accounting and internal control system of the Company; (b) examination, on a test basis, of the evidence and records supporting the amounts and disclosures in the financial statements; and (c) evaluation of the accounting principles used and significant used adopted by management of the company, as well as the overall financial statement presentation.

3. The Company has calculated the depletion of its forests, with a net balance of R$3,761 at December 31, 2000, at a 10% annual (straight line) rate. As required by accounting policies, depletion of forests should be calculated based on the volume of timber that has been extracted in proportion to total potential volume, applied to total building cost. We were unable to measure the effects arising from the adoption of such procedure as of December 31, 2000.

4. As of December 31, 1999, the Company elected to follow Resolution 294, issued by the Brazilian Securities and Exchange Commission -- CVM, and recorded in its deferred assets the net loss on exchange variation for the three-month period ended March 31, 1999. As required by accounting principles, exchange variation should be recorded as expenses in the period in which they were incurred. Consequently, permanent assets and stockholders' equity as of December 31, 2000 were overstated by R$4,128 thousand, and net income for the year then ended was understated by R$2,061 related to respective

amortization.

5. In our opinion, except for the effects, if any, of the matter mentioned in the third paragraph and for the effects of the matter mentioned in the fourth paragraph, the financial statements referred in the first paragraph present fairly, in all material respects, the financial position of Nova Era Silicon S.A. as of December 31, 2000, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the year then ended, in conformity with accounting principles established by the Brazilian Corporate Law.

6. The financial statements for the year ended December 31, 1999, presented for comparison purposes, were examined by other auditors who issued a report on January 18, 2000 containing the same qualification as stated in Paragraph 4, in the amount of R$6,190 thousand.

7. The translation of the financial statements into English have been made solely for the convenience of readers outside of Brazil.

/s/ Deloitte Touche Tohmatsu

January 19, 2001

TREVISAN
THE GLOBAL SOLUTION

A FREE TRANSLATION OF THE ORIGINAL IN PORTUGUESE, ISSUED IN JANUARY 18, 2000, ON FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH BRAZILIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

INDEPENDENT AUDITORS' REPORT

The Shareholders and Management
Nova Era Silicon S.A.

1. We have examined the balance sheets of Nova Era Silicon S.A. as of December 31st, 1999 and 1998, and the related statements of income, of changes in shareholders' equity and of changes in financial position for the years then ended, all prepared under the responsibility of the management. Our responsibility is to issue an opinion on these financial statements, based on our audit.

2. Except for the subject on paragraph 3, we conducted our audit in accordance with Brazilian generally accepted auditing standards, 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. An audit also includes assessing the accounting principles used, internal control systems and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The Company has calculated the depletion on the forests, which net amount at December 31st, 1999 is R$3,859 (R$3,998 at 1998), considering the straight-line method and the rate of 10% per annum. Brazilian generally

accepted accounting principles require that depletion on the forest should be calculated considering the amount of wood extracted in relation to the total potential of extraction of the referred forests. The possible effects related to the deviation of accounting principles has not been measured at the balance sheet dates.

4. Exercising the permission contained in the Deliberation 294 of the Brazilian Securities Exchange Commission -- CVM (the Comissao de Valores Mobiliarios), as of March 26, 1999, the company recorded the negative net effect from exchange variation for the 3 months period ended on March 31, 1999 as a deferred asset. Brazilian generally accepted accounting principles request that exchange variations to be registered as expense on the period of their occurrence. Consequently, the permanent assets (deferred assets) and the shareholders' equity as of December 31, 1999 and the net income for the year then ended are overstated in an amount of R$6,190 thousand.

TREVISAN
THE GLOBAL SOLUTION

A FREE TRANSLATION OF THE ORIGINAL IN PORTUGUESE, ISSUED IN JANUARY 18, 2000, ON FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH BRAZILIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

INDEPENDENT AUDITORS' REPORT

The Shareholders and Management
Nova Era Silicon S.A.

5. In our opinion, except for the possible effects regarding the subject mentioned in the paragraph 3, and the effects of the exchange variation deferred, mentioned in the paragraph 4, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of Nova Era Silicon S.A. as of December 31, 1999 and 1998, the results of its operations, the changes in its shareholders' equity and in financial position for the years then ended, in accordance to accounting practices prescribed by the Brazilian Corporate law.

Belo Horizonte, Brazil

January 18th, 2000 (except for the subject mentioned on the paragraph 3 that is dated on January 31st, 2002)

/s/ LUIZ CLAUDIO FONTES
Luiz Claudio Fontes
Socio-contador
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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT AUDITORS' OPINION

To
The Stockholders and Board of Directors
CELMAR S.A. -- Industria de Celulose e Papel
Imperatriz - Maranhao

1. We have audited the balance sheets of CELMAR S.A. -- Industria de Celulose e Papel as of December 31, 2000, and the related statements of operations, changes in stockholders' equity and changes in financial position for the years then ended (all expressed in Brazilian Reais). 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.

2. We conducted our audits in accordance with auditing standards generally accepted in Brazil, and included: (a) planning the audit, considering the materiality of the amounts presented, the number of transactions and the Company's accounting and internal control systems; (b) examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements; and (c) the assessment of the accounting principles used and of the significant estimates made by management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to the first paragraph present fairly, in all material respects, the financial position of CELMAR S.A. -- Industria de Celulose e Papel as of December 31, 2000, and the results of its operations, changes in its stockholders' equity and changes in its financial position for the years then ended, in conformity with the Brazilian corporate law.

4. The Company is in the pre-operating phase. In order to take advantage of new technology that would allow the optimization of industrial production capacity, the production activities start-up was postponed. As described in the first paragraph to the financial statements, the Company's management is endeavoring, primarily, to obtain financial resources that will enable the Company to increase the forestry capacity of the project. The continuity as well as the recovery of the costs already invested in the project depends on the obtaining of these resources.

5. The financial statements of CELMAR S.A. -- Industria de Celulose e Papel for the year ended December 31, 1999 were audited by other auditors, whose report, dated January 14, 2000, expressed an unqualified opinion included the same emphasis as that described in the previous paragraph.

6. The translation of the financial statements into English have been made solely for the convenience of readers outside of Brazil.

Rio De Janeiro, January 19, 2001

/s/ DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU
Independent Auditors
CRC-SP 11.609 S/RJ

/s/ MARCELO C. ALMEIDA
MARCELO C. ALMEIDA
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[DELOITTE TOUCHE TOHMATSU LOGO]

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Shareholders, Administrative Council and Directors of
SIBRA -- ELETROSIDERURGICA BRASILEIRA S.A.
Simoes Filho - BA

1. We have audited the accompanying balance sheet of SIBRA -- ELETROSIDERURGICA BRASILEIRA S.A., Parent Company and Consolidated, as of December 31, 2000, and the related statements of income, changes in shareholders' equity (Parent Company) and changes in financial position for the year then ended (all expressed in thousands of Brazilian Reais) which were prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in Brazil. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The accompanying financial statements have been translated into the English language from those issued in Portuguese and in all respects follow Brazilian generally accepted accounting principles and reporting practices. The effects of the differences between generally accepted accounting principles as established by Brazilian Corporate Law and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used have not been quantified. Accordingly, the accompanying financial statements are not intended to present financial position, results of operations and changes in financial position in accordance with accounting principles generally accepted in the countries of users of the financial statements other than Brazil.

4. In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of SIBRA -- ELETROSIDERURGICA BRASILEIRA S.A. as of December 31, 2000, Parent Company and Consolidated, the results of its operations, changes in its shareholder's equity and changes in its financial position for the year then ended in conformity with accounting principles established by Brazilian Corporate Law.

5. As mentioned in notes 15 and 17, the Company and its subsidiary Companhia Paulista de Ferro-Ligas, have received a Public Civil Environment Suit and a Notice of Violation questioning certain procedures for federal taxes and

several legal actions, which currently are in process. Based on the opinion of its lawyers that the Company will be successful in these processes, no provisions were made.

6.The financial statements corresponding to the period ending on December 31, 1999, presented for comparative reasons, were audited by us, and our opinion, dated February 24, 2000, contained an emphasis paragraph concerning the matters below:

- The Company's administration introduced a series of operational and financial restructuring measures, with the objective of reestablishing the economic and financial equilibrium of the Company and its subsidiaries, and the financial statements were prepared based on the presumed success of these measures. In 2000, these measures were concluded;

- the Company and its subsidiary, Companhia Paulista de Ferro-Ligas, hold loans with subsidiary companies and shareholders in the amount of R$ 10,537 thousand, parent company and R$ 35,975 thousand, consolidated, R$ 4,054 thousand and R$ 4,500 thousand, consolidated, respectively, registered under long term liabilities. In 2000, R$ 12,056 thousand, in loans with shareholders were capitalized and the other loans with shareholders and subsidiaries, ICMS and IPI, are being used in the operations;

- on December 31, 1999 the subsidiary, Companhia Paulista de Ferro-Ligas had overdue loans for which the parent company recognized a provision equivalent to its stock participation. On March 31, 2000, the subsidiary reverted the situation of deficiency in Shareholder's equity.

Salvador, January 22, 2001

/s/ DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC -- SP 011.609/O-8-F "BA"

/s/ JOSE OTHON TAVARES DE ALMEIDA
Accountant
CRC -- BA 013.212/O

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REPORT

To the Directors and Stockholders of
ALBRAS -- Aluminio Brasileiro S.A.
Barcarena -- PA

We have reviewed the accompanying balance sheets of ALBRAS - Aluminio Brasileiro S.A. as of September 30, 2001 and 2000, and the related statements of operations, changes in stockholders' deficiency and cash flows for the nine-month periods then ended (all expressed in United States dollars). These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim

financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE TOUCHE TOHMATSU

October 23, 2001

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INDEPENDENT ACCOUNTANTS' REPORT

To the Directors and Stockholders
ALUNORTE -- Alumina do Norte do Brasil S.A.
Barcarena -- PA

We have reviewed the accompanying balance sheets of ALUNORTE -- Alumina do Norte do Brasil S.A. as of September 30, 2001 and 2000, and the related statements of operations, changes in stockholders' equity and cash flows for the nine-month periods then ended (all expressed in United States dollars). These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquires of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE TOUCHE TOHMATSU

October 23, 2001

[KPMG LOGO]

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors
and Shareholders of Bahia Sul Celulose S.A.

We have reviewed the accompanying consolidated balance sheet of Bahia Sul Celulose S.A. and subsidiaries as of September 30, 2000 and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss) and cash flows for the nine-month periods ended September 30, 2000 and 1999. These consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Bahia Sul Celulose S.A. and its subsidiaries as of December 31, 1999. We also have audited the consolidated statements of operations, changes in shareholders' equity and comprehensive income, and cash flows for the year then ended not presented herein. In our report dated January 20, 2000, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the selected information set forth in the accompanying consolidated balance sheet as of December 31, 1999 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Sao Paulo, Brazil

/s/ KPMG Auditores Independentes

October 18, 2000

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders and Directors of
Celulose Nipo-Brasileira S/A -- CENIBRA
Belo Oriente/MG

We have reviewed the accompanying consolidated balance sheets of Celulose Nipo-Brasileira S/A -- CENIBRA as of September 30, 2001 and 2000, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the nine-month periods then ended (all expressed in United States dollars). These consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

/s/ DELOITTE TOUCHE TOHMATSU

November 1, 2001

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholders
Navegacao Vale do Rio Doce S.A. -- DOCENAVE
Rio de Janeiro -- RJ

We have reviewed the accompanying consolidated balance sheets of Navegacao Vale do Rio Doce S.A. -- DOCENAVE and subsidiaries as of September 30, 2001 and 2000 and the related consolidated statements of operations, cash flows and changes in stockholders' equity for the nine-month periods then ended (all expressed in United States dollars). These consolidated financial statements are the responsibility of the Company's management.

Except as discussed in the following paragraph, we conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is

substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The financial statements of the affiliated company, Wilsea Shipping, Inc., in which the Company's investment is accounted for by use of the equity method, were not reviewed by us or other accountants. The Company's equity and accounts receivable from the aforementioned affiliated company total US$946,000 and US$26,391,000 as of September 30, 2001 and 2000, respectively, and the net loss for the nine-month periods ended September 30, 2001 and 2000 totals US$314,000 and US$1,577,000, respectively.

Based on our reviews, excepted for the effects of adjustments, if any, as might have been determined to be necessary had the affiliated company's financial statements referred to above been reviewed by independent accountants, we are not aware of any material modifications that should be made to such consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE TOUCHE TOHMATSU

October 22, 2001

Deloitte Touche Tohmatsu
Av. Presidente Wilson 231-22 degrees
20030-021 -- Rio de Janeiro -- RJ
Brasil
Telefone: (21) 524-1281
Fac-simile: (21) 220-3876
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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REPORT

To The Board of Directors and Stockholders of
DOCEPAR S.A.
Rio de Janeiro -- RJ
Brazil

We have reviewed the accompanying balance sheets of DOCEPAR S.A. as of September 30, 2001 and 2000 and the related statements of operations, cash flows and changes in stockholders' equity (deficiency) for the nine-month periods then ended (all expressed in United States dollars). These financial statements are the responsibility of the Company's management. We were furnished with the report of other accountants on their review of the interim financial information of the affiliated company, Companhia Siderurgica Nacional-CSN for the nine-month period ended September 30, 2000, in which the Company's investment was accounted for by use of equity method. The Company's gain related to the aforementioned affiliated company totals US$4,189,000 for the nine-month period ended September 30, 2000.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a

whole. Accordingly, we do not express such an opinion.

Based on our reviews and the report of the other accountants, we are not aware of any material modifications that should be made to such financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE TOUCHE TOHMATSU

October 22, 2001

[ARTHUR ANDERSEN LOGO]

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of

Companhia Hispano-Brasileira de
Pelotizacao -- Hispanobras:

(1) We have reviewed the accompanying balance sheets of COMPANHIA HISPANO-BRASILEIRA DE PELOTIZACAO -- HISPANOBRAS (a Brazilian corporation and a subsidiary of Companhia Vale do Rio Doce), translated into U.S. dollars, as of September 30, 2001 and 2000, and the related translated statements of income, changes in stockholders' equity and cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management.

(2) We conducted our audits in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

(3) These translated financial statements have been prepared as the basis for application of the equity method by its stockholders and, accordingly, they translate the assets, liabilities, stockholders' equity and revenues and expenses of Companhia Hispano-Brasileira de Pelotizacao -- Hispanobras for that purpose, as explained in Note 2.

(4) Based on our review, we are not aware of any material modification that should be made to the accompanying financial statements referred to above for them to be in conformity with generally accepted accounting principles in the United States of America.

/s/ Arthur Andersen S/C

Vitoria, Brazil,
October 19, 2001

[ARTHUR ANDERSEN LOGO]

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of

Companhia Italo-Brasileira de
Pelotizacao -- ITABRASCO:

(1) We have reviewed the accompanying balance sheets of COMPANHIA ITALO-BRASILEIRA DE PELOTIZACAO-ITABRASCO (a Brazilian corporation and a subsidiary of Companhia Vale do Rio Doce), translated into U.S. dollars, as of September 30, 2001 and 2000, and the related translated statements of income, changes in stockholders' equity and cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management.

(2) We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

(3) These translated financial statements have been prepared as the basis for application of the equity method by its stockholders and, accordingly, they translate the assets, liabilities, stockholders' equity and revenues and expenses of Companhia Italo-Brasileira de Pelotizacao -- Itabrasco for that purpose, as explained in Note 2.

(4) Based on our review, we are not aware of any material modification that should be made to the accompanying financial statements referred to above for them to be in conformity with generally accepted accounting principles in the United States of America.

Vitoria, Brazil

/s/ Arthur Andersen S/C

October 19, 2001

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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholders of
Companhia Coreano -- Brasileira de Pelotizacao -- KOBRASCO
Vitoria, Brazil

We have reviewed the accompanying consolidated balance sheets of Companhia Coreano-Brasileira de Pelotizacao -- KOBRASCO as of September 30, 2001 and 2000, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the nine-month periods then ended (all expressed in

United States dollars). These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE TOUCHE TOHMATSU

October 19, 2001

[ARTHUR ANDERSEN LOGO]

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of

Mineracao Rio do Norte S.A.:

(1) We have reviewed the accompanying balance sheets of MINERACAO RIO DO NORTE S.A. (a Brazilian corporation), translated into U.S. dollars, as of September 30, 2001 and 2000, and the related translated statements of income, changes in stockholders' equity and cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management.

(2) The interim financial statements of the associated company Alunorte -- Alumina do Norte do Brasil S.A. as of September 30, 2001 and 2000 were reviewed by other auditors. This investment represents 2.10% (3.28% in 2000) of the total assets and 100% of the equity adjustment (100% in 2000). Our review of such investment is based solely on the report of the other auditors.

(2) We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

(4) These translated financial statements have been prepared as the basis for application of the equity method by the Company's stockholders and, accordingly, they translate the assets, liabilities, stockholders' equity and revenues and expenses of Mineracao Rio do Norte S.A. for that purpose, as explained in Note 2.

(5) Based on our review and on the report of other auditors, as mentioned in paragraph (2), we are not aware of any material modifications that should be made to the financial statements referred to in paragraph (1) for them to be in conformity with generally accepted accounting principles in the United States.

Rio de Janeiro, Brazil,
October 22, 2001.

/s/ ARTHUR ANDERSEN S/C

Deloitte Touche Tohmatsu
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[DELOITTE TOUCHE TOHMATSU LOGO]

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholders of
Companhia Nipo-Brasileira de Pelotizacao -- NIBRASCO
Vitoria, Brazil

We have reviewed the accompanying balance sheets of Companhia Nipo-Brasileira de Pelotizacao - NIBRASCO as of September 30, 2001 and 2000, and the related statements of operations, changes in stockholders' equity and cash flows for the nine-month periods then ended (all expressed in United States dollars). These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE TOUCHE TOHMATSU

October 19, 2001

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors of
Valesul Aluminio S.A.

We have reviewed the accompanying balance sheets of Valesul Aluminio S.A. as of September 30, 2001 and 2000 and the related income statements, changes in stockholders' equity and comprehensive income/losses and cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with auditing standards generally

accepted in Brazil and in the United States of America. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

As more fully described in Notes 4 and 8 to the financial statements, the company has adjusted its property, plant and equipment and deferred income taxes accounting balances as a result of corrections of errors. Consequently, the Company's financial statements for 2001 and 2000 referred to above have been restated to conform with these adjustments.

/s/ KPMG Auditores Independentes

Rio de Janeiro, October 19, 2001, except for notes 4 and 8, which date is January 17, 2002

[ARTHUR ANDERSEN LOGO]

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Companhia Siderurgica Nacional

1. We have reviewed the accompanying condensed consolidated balance sheet of Companhia Siderurgica Nacional (a Brazilian corporation) and subsidiaries, translated into U.S. dollars, as of September 30, 2000, and the related translated condensed consolidated statements of operations, cash flows and changes in stockholders' equity for the nine-month period then ended. These financial statements are the responsibility of the Company's management.

2. The financial statements of the affiliate CVRD -- Companhia Vale do Rio Doce as of September 30, 2000 and 1999 were reviewed by other accountants. This investment represents 14% of the total assets (15% in 1999) and 38% of net income (28% of net loss in 1999). Our report on such investment is based solely on the report of other auditors.

3. We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

4. Based on our review and the report of other auditors, as mentioned in paragraph (2), we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with generally accepted accounting principles in the United States.

5. The balance sheet as of December 31, 1999, presented for comparison purposes

only, was audited by us, and our report dated February 15, 2000 was unqualified. The condensed consolidated statements of operations, cash flows and changes in stockholders' equity for the nine-month period ended September 30, 1999, also presented for comparison purposes, was reviewed by us and our report dated October 22, 1999 was unqualified.

/s/ Arthur Andersen S/C

Rio de Janeiro, Brazil,
October 20, 2000 (except for Note 11, as to which the date is January 11, 2001)

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The laws of the Cayman Islands do not provide for indemnification of directors and officers. Article 131 of Vale Overseas' Memorandum and Articles of Association provide that Vale Overseas shall indemnify officers and directors and their personal representatives against all actions, proceedings costs, charges, expenses, losses, damages or liabilities incurred or sustained in or about the conduct of Vale Overseas' business or affairs or in the execution or discharge of their duties, powers, authorities or discretions, including any costs, expenses, losses or liabilities incurred in defending any civil proceedings concerning Vale Overseas in the Cayman Islands or elsewhere. Article 132 of Vale Overseas' Memorandum and Articles of Association provides that no officer or director shall be liable for acts, omissions, losses, damages or other misfortune arising from their execution or discharge of duties, powers, authorities, discretions of office or in relation thereto, unless resulting from the officer's or director's dishonesty.

Neither the laws of Brazil nor the CVRD's by-laws or other constitutive documents provide for indemnification of directors and officers. CVRD maintains standard policies of insurance under which coverage is provided (a) to its directors and officers against loss rising from claims made by reason of breach of duty or other wrongful act, and (b) to the Registrant with respect to payments which may be made by the Registrant to such officers and directors pursuant to the above indemnification provision or otherwise as a matter of law.

ITEM 21. EXHIBITS

The following documents are filed as part of this Registration Statement:

EXHIBIT NUMBER	DESCRIPTION
1	Registration Rights Agreement dated as of March 8, 2002 among Vale Overseas Limited, Companhia Vale do Rio Doce and J.P. Morgan Securities Inc., Banco Bilbao Vizcaya Argentoria, S.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Salomon Smith Barney Inc., as Initial Purchasers.
3.1	Memorandum and Articles of Association of Vale Overseas Limited.
3.2	Instrument corresponding to Articles of Incorporation and

	By-laws, as revised on April 25, 2001 (English translation)(incorporated by reference to CVRD's Annual Report on Form 20-F, as amended, for the fiscal year ended December 31, 2000 (File No. 000-26030)).
4.1	Indenture, dated as of March 8, 2002 among Vale Overseas Limited, Companhia Vale do Rio Doce and JPMorgan Chase Bank, as Trustee.
4.2	First Supplemental Indenture, dated as of March 8, 2003, among Vale Overseas Limited, Companhia Vale do Rio Doce and JPMorgan Chase Bank, as Trustee.
5.1	Opinion of Davis Polk & Wardwell with respect to the new securities.
5.2	Opinion of Paulo Francisco de Almeida Lopes, general counsel of CVRD, with respect to authorization of the new notes and the enforcement of civil liabilities in Brazil.
5.3	Opinion of Walkers with respect to authorization of the new notes and the enforcement of civil liabilities in the Cayman Islands.
10.1	Account Control Agreement dated as of March 8, 2002 among Vale Overseas Limited, as Pledgor, JPMorgan Chase Bank, as Secured Party, and JPMorgan Chase Bank, as Bank and Securities Intermediary.
12	Computation of Ratio of Earnings to Fixed Charges.
15.1	Awareness Letter of PricewaterhouseCoopers Auditores Independentes for the nine months periods ended September 30, 2001 and 2000 (CVRD).

EXHIBIT NUMBER	DESCRIPTION
15.2	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Albras).
15.3	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month period ended September 30, 2001 and 2000 (Alunorte).
15.4	Awareness Letter of KPMG Auditores Independentes for the nine-month periods ended September 30, 2000 and 1999 (Bahia Sul).
15.5	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Cenibra).
15.6	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Docenave).
15.7	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Docepar).
15.8	Awareness Letter of Arthur Andersen S/C for the nine-month periods ended September 30, 2001 and 2000 (Hispanobras).
15.9	Awareness Letter of Arthur Andersen S/C for the nine-month periods ended September 30, 2001 and 2000 (Itabrasco).
15.10	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Kobrasco).

15.11	Awareness Letter of Arthur Andersen S/C for the nine-month periods ended September 30, 2001 and 2000 (MRN).
15.12	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Nibrasco).
15.13	Awareness Letter of KPMG Auditores Independentes for the nine-month periods ended September 30, 2001 and 2000 (Valesul).
15.14	Awareness Letter of Arthur Andersen S/C for the nine-month period ended September 30, 2000 (CSN).
23.1	Consent of PricewaterhouseCoopers Auditores Independentes for the three years ended December 31, 2000, 1999 and 1998 (CVRD).
23.2	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999 and 1998 (Albras).
23.3	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999 and 1998 (Alunorte).
23.4	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999 and 1998 (Aluvale).
23.5	Consent of KPMG Auditores Independentes for the three years ended December 31, 2000, 1999 and 1998 (Bahia Sul).
23.6	Consent of KPMG LLP for the three years ended December 31, 2000, 1999 and 1998 (CSI).
23.7	Consents of Deloitte Touche Tohmatsu for the two years ended December 31, 2000 and 1999 (Cenibra).
23.8	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999 and 1998 (Docenave).
23.9	Consent of Deloitte Touche Tohmatsu for the two years ended December 31, 2000 and 1999 (Docepar).
23.10	Consent of Arthur Andersen S/C for the three years ended December 31, 2000, 1999 and 1998 (Hispanobras).
23.11	Consent of Arthur Andersen S/C for the three years ended December 31, 2000, 1999 and 1998 (Itabrasco).
23.12	Consent of Deloitte Touche Tohmatsu for the year ended December 31, 2000 (Kobrasco).

EXHIBIT NUMBER	DESCRIPTION
23.13	Consents of Arthur Andersen S/C for the three years ended December 31, 2000, 1999 and 1998 (MRN).
23.14	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999 and 1998 (Nibrasco).
23.15	Consent of KPMG Auditores Independentes for the two years ended December 31, 2000 and 1999 (Valesul).
23.16	Consent of Deloitte Touche Tohmatsu for the year ended December 31, 1998 and 1997 (Valesul).
23.17	Consent of Arthur Andersen S/C for the years ended December 31, 2000 and 1999 (CSN).
23.18	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999, and 1998. (Terminal Vila Velha S.A.).
23.19	Consent of Deloitte Touche Tohmatsu for the year ended December 31, 2000. (Nova Era Silicon S.A.).
23.20	Consent of Trevisan for the two years ended December 31,

	1999 and 1998. (Nova Era Silicon S.A.).
23.21	Consent of Deloitte Touche Tohmatsu for the year ended December 31, 2000. (Celmar S.A.-Industria de Celulose e Papel).
23.22	Consent of Deloitte Touche Tohmatsu for the year ended December 31, 2000. (SIBRA Eletrosiderurgica Brasileira S.A.).
23.23	Consent of Mineral Resources Development, Inc.
23.24	Consent of PricewaterhouseCoopers (Vale Overseas Limited).
23.25	Consent of Davis Polk & Wardwell (included in Exhibit 5.1).
23.26	Consent of Paulo Francisco de Almeida Lopes (included in Exhibit 5.2).
23.27	Consent of Walkers (included in Exhibit 5.3).
24.1	Power of Attorney (included in page II-5).
25.1	Statement of Eligibility under the Trust Indenture Act of 1939 on Form T-1 of JPMorgan Chase Bank, at Trustee.
99.1	Form of Letter of Transmittal.
99.2	Form of Notice of Guaranteed Delivery.
99.3	Form of Letter to Clients.
99.4	Form of Letter to Nominees.
99.5	Form of Instructions to Registered Holder and/or Book-Entry Transfer Participant from Owner.
99.6	Form of Exchange Agent Agreement.

ITEM 22. UNDERTAKINGS

(a) Each co-registrant hereby undertakes:

(1) For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such

indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by one of our directors, officers or controlling persons in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) Each co-registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to

Item 4, 10(b) or 11 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(d) Each co-registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Vale Overseas Limited has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Georgetown, Cayman Islands, on March 21, 2002.

VALE OVERSEAS LIMITED

By: /s/ TITO BOTELHO MARTINS

Name:Tito Botelho Martins
Title:Director

By: /s/ FRANCISCO ROHAN DE LIMA

Name:Francisco Rohan de Lima
Title:Director

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Gabriel Stoliar, Tito Botelho Martins and Francisco Rohan de Lima, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and all additional registration statements pursuant to Rule 462(b) of the Securities Act of 1933, as amended, the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agents full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DA
/s/ GABRIEL STOLIAR Gabriel Stoliar	Director (Principal Executive Officer)	March 2
/s/ TITO BOTELHO MARTINS	Director (Principal Financial and	March 2

Tito Botelho Martins	Accounting Officer)	
/s/ FRANCISCO ROHAN DE LIMA Francisco Rohan de Lima	Director	March 2
/s/ ARMANDO DE OLIVEIRA SANTOS NETO Armando de Oliveira Santos Neto	Authorized Representative in the United States	March 2

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Rio de Janeiro, Brazil, on the 21st day of March, 2002.

COMPANHIA VALE DO RIO DOCE

By: /s/ ROGER AGNELLI
Name: Roger Agnelli
Title: Chief Executive Officer

By: /s/ GABRIEL STOLIAR
Name: Gabriel Stoliar
Title: Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Roger Agnelli, Tito Botelho Martins, Francisco Rohan de Lima and Paulo Francisco de Almeida Lopes, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any and all additional registration statements pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agents full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DA
/s/ ROGER AGNELLI	Director and Chief Executive	March 2

	Officer	
Roger Agnelli		
/s/ LUIZ TARQUiNIO SARDINHA FERRO	Board Member	March 2
Luiz Tarquinio Sardinha Ferro		
	Board Member	March 2
Octavio Lopes Castello Branco Neto		
	Board Member	March 2
Octavio Mauro Muniz Freire Alves		
	Board Member	March 2
Romeu do Nascimento Teixeira		
/s/ RENATO DA CRUZ GOMES	Board Member	March 2
Renato da Cruz Gomes		
/s/ JOAO MOISES DE OLIVEIRA	Board Member	March 2
Joao Moises de Oliveira		
/s/ FABIO DE OLIVEIRA BARBOSA	Board Member	March 2
Fabio de Oliveira Barbosa		
/s/ FRANCISCO VALADARES POVOA	Board Member	March 2
Francisco Valadares Povoa		
/s/ GABRIEL STOLIAR	Executive Officer (Chief Financial and Accounting Officer)	March 2
Gabriel Stoliar		
/s/ ARMANDO DE OLIVEIRA SANTOS NETO	Authorized Representative in the United States	March 2
Armando de Oliveira Santos Neto		

EXHIBIT INDEX

EXHIBIT

NUMBER	DESCRIPTION
1	Registration Rights Agreement dated as of March 8, 2002 among Vale Overseas Limited, Companhia Vale do Rio Doce and J.P. Morgan Securities Inc., Banco Bilbao Vizcaya Argentoria, S.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Salomon Smith Barney Inc., as Initial Purchasers.
3.1	Memorandum and Articles of Association of Vale Overseas Limited.
3.2	Instrument corresponding to Articles of Incorporation and By-laws, as revised on April 25, 2001 (English translation)(incorporated by reference to CVRD's Annual Report on Form 20-F, as amended, for the fiscal year ended December 31, 2000 (File No. 000-26030)).
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5.1	Opinion of Davis Polk & Wardwell with respect to the new securities.
5.2	Opinion of Paulo Francisco de Almeida Lopes, general counsel of CVRD, with respect to authorization of the new notes and the enforcement of civil liabilities in Brazil.
5.3	Opinion of Walkers with respect to authorization of the new notes and the enforcement of civil liabilities in the Cayman Islands.
10.1	Account Control Agreement dated as of March 8, 2002 among Vale Overseas Limited, as Pledgor, JPMorgan Chase Bank, as Secured Party, and JPMorgan Chase Bank, as Bank and Securities Intermediary.
12	Computation of Ratio of Earnings to Fixed Charges.
15.1	Awareness Letter of PricewaterhouseCoopers for the nine-month periods ended September 30, 2001 and 2000 Auditores Independentes (CVRD).
15.2	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Albras).
15.3	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Alunorte).
15.4	Awareness Letter of KPMG Auditores Independentes for the nine-month periods ended September 30, 2000 and 1999 (Bahia Sul).
15.5	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Cenibra).
15.6	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Docenave).
15.7	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Docepar).
15.8	Awareness Letter of Arthur Andersen S/C for the nine-month periods ended September 30, 2001 and 2000 (Hispanobras).
15.9	Awareness Letter of Arthur Andersen S/C for the nine-month periods ended September 30, 2001 and 2000 (Itabrasco).
15.10	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000

	(Kobrasco).
15.11	Awareness Letter of Arthur Andersen S/C for the nine-month periods ended September 30, 2001 and 2000 (MRN).
15.12	Awareness Letter of Deloitte Touche Tohmatsu for the nine-month periods ended September 30, 2001 and 2000 (Nibrasco).
15.13	Awareness Letter of KPMG Auditores Independentes for the nine-month periods ended September 30, 2001 and 2000 (Valesul).
15.14	Awareness Letter of Arthur Andersen S/C for the nine-month period ended September 30, 2000 (CSN).
23.1	Consent of PricewaterhouseCoopers Auditores Independentes for the three years ended December 31, 2000, 1999 and 1998 (CVRD)
23.2	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999 and 1998 (Albras).

EXHIBIT NUMBER	DESCRIPTION
23.3	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999 and 1998 (Alunorte).
23.4	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999 and 1998 (Aluvale).
23.5	Consent of KPMG Auditores Independentes for the three years ended December 31, 2000, 1999 and 1998 (Bahia Sul).
23.6	Consent of KPMG LLP for the three years ended December 31, 2000, 1999 and 1998 (CSI).
23.7	Consents of Deloitte Touche Tohmatsu for the two years ended December 31, 2000 and 1999 (Cenibra).
23.8	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999 and 1998 (Docenave).
23.9	Consent of Deloitte Touche Tohmatsu for the two years ended December 31, 2000 and 1999 (Docepar).
23.10	Consent of Arthur Andersen S/C for the three years ended December 31, 2000, 1999 and 1998 (Hispanobras).
23.11	Consent of Arthur Andersen S/C for the three years ended December 31, 2000, 1999 and 1998 (Itabrasco).
23.12	Consent of Deloitte Touche Tohmatsu for the year ended December 31, 2000 (Kobrasco).
23.13	Consents of Arthur Andersen S/C for the three years ended December 31, 2000, 1999 and 1998 (MRN).
23.14	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999 and 1998 (Nibrasco).
23.15	Consent of KPMG Auditores Independentes for the two years ended December 31, 2000 and 1999 (Valesul).
23.16	Consent of Deloitte Touche Tohmatsu for the year ended December 31, 1998 and 1997 (Valesul).
23.17	Consent of Arthur Andersen S/C for the years ended December 31, 2000 and 1999 (CSN).
23.18	Consents of Deloitte Touche Tohmatsu for the three years ended December 31, 2000, 1999, and 1998. (Terminal Vila Velha S.A.).
23.19	Consent of Deloitte Touche Tohmatsu for the year ended December 31, 2000. (Nova Era Silicon S.A.).
23.20	Consent of Trevisan for the two years ended December 31, 1999 and 1998. (Nova Era Silicon S.A.).

23.21	Consent of Deloitte Touche Tohmatsu for the year ended December 31, 2000. (Celmar S.A.-Industria de Celulose e Papel).
23.22	Consent of Deloitte Touche Tohmatsu for the year ended December 31, 2000. (SIBRA Eletrosiderurgica Brasileira S.A.).
23.23	Consent of Mineral Resources Development, Inc.
23.24	Consent of PricewaterhouseCoopers (Vale Overseas Limited).
23.25	Consent of Davis Polk & Wardwell (included in Exhibit 5.1).
23.26	Consent of Paulo Francisco de Almeida Lopes (included in Exhibit 5.2).
23.27	Consent of Walkers (included in Exhibit 5.3).
24.1	Power of Attorney (included in page II-5).
25.1	Statement of Eligibility under the Trust Indenture Act of 1939 on Form T-1 of JPMorgan Chase Bank, as Trustee.
99.1	Form of Letter of Transmittal.
99.2	Form of Notice of Guaranteed Delivery.
99.3	Form of Letter to Clients.
99.4	Form of Letter to Nominees.
99.5	Form of Instructions to Registered Holder and/or Book-Entry Transfer Participant from Owner.
99.6	Form of Exchange Agent Agreement.