

VALLEY OF THE RIO DOCE CO  
 Form 424B1  
 March 21, 2002

Filed Pursuant to Rule 424(b)(1)  
 Registration No. 333-82136

PROSPECTUS

34,109,696 AMERICAN DEPOSITARY SHARES

[COMPANHIA LOGO]

COMPANHIA VALE DO RIO DOCE  
 (VALLEY OF THE RIO DOCE COMPANY)

EACH AMERICAN DEPOSITARY SHARE  
 REPRESENTS ONE COMMON SHARE  
 -----

The Federative Republic of Brazil and Banco Nacional de Desenvolvimento Economico e Social-BNDES, the selling shareholders, are each selling 34,255,582 common shares, for a total of 68,511,164 common shares, in a global offering. BNDES is Brazil's national bank for economic and social development. A portion of these shares will be in the form of American depositary shares, each representing one common share. The offered shares represent 27.9% of our outstanding common shares and 17.8% of our outstanding total capital. We will not receive any proceeds from this offering.

The underwriters are offering 34,109,696 American depositary shares in the United States, Canada, the United Kingdom and certain other jurisdictions. In addition, the Brazilian underwriters are concurrently offering 34,401,468 common shares to retail and institutional investors in Brazil.

The principal trading market for the common shares is the Sao Paulo stock exchange, known as BOVESPA. The common shares trade on BOVESPA under the symbol "VALE3." On March 20, 2002, the last sale price for the common shares on BOVESPA was R\$60.92, or US\$26.06, per common share. Our American depositary shares have been approved for listing on the New York Stock Exchange under the symbol "RIO," subject to official notice of issuance.

INVESTING IN AMERICAN DEPOSITARY SHARES OR COMMON SHARES INVOLVES RISKS THAT ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 10 OF THIS PROSPECTUS.

	PER AMERICAN DEPOSITARY SHARE	TOTAL
	-----	-----
Public offering price.....	US\$ 24.50	US\$835,687,552
Underwriting discount.....	US\$ .468	US\$ 15,963,338
Proceeds, before expenses, to the selling shareholders.....	US\$24.032	US\$819,724,214

The underwriters may also purchase up to an additional 10,276,674 shares in the form of American depositary shares from the selling shareholders on a pro rata basis at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities

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commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The American depositary shares will be ready for delivery on or about March 27, 2002.

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Joint Global Coordinators

MERRILL LYNCH & CO.

ABN AMRO ROTHSCHILD

Sole Book-Running Manager

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MERRILL LYNCH & CO.

ABN AMRO ROTHSCHILD LLC

CREDIT SUISSE FIRST BOSTON

GOLDMAN, SACHS & CO.

JPMORGAN

MORGAN STANLEY

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The date of this prospectus is March 20, 2002.

Photographs depicting various aspects of our industrial operations.

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You should rely only on the information contained or incorporated by reference in this prospectus. We and the selling shareholders have not, and the underwriters 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 and the selling shareholders are not, and the underwriters 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.

No offer or sale of American depositary shares may be made to the public in Brazil.

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#### 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.

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.

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#### 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

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- 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.

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### PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our American depositary shares. You should read this entire prospectus carefully, especially the risks of investing in our American depositary shares discussed under "Risk Factors" and the consolidated financial statements and related notes beginning on page F-1, before making an investment decision.

### OUR COMPANY

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.

For the nine months ended September 30, 2001, we had consolidated gross operating revenues of US\$3,099 million, 62.5% of which were attributable to sales of iron ore and pellets, 15.0% of which were attributable to third-party transportation, 7.2% of which were attributable to sales of aluminum sector products and 3.2% of which were attributable to sales of gold. For the nine months ended September 30, 2001, we recorded consolidated operating income of US\$707 million and consolidated net income of US\$585 million. 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\$53 million over that period.

For the year ended December 31, 2000, we had consolidated gross operating revenues of US\$4,069 million, 53.5% of which were attributable to sales of iron

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ore and pellets, 18.7% of which were attributable to third-party transportation, 8.9% of which were attributable to sales of aluminum sector products and 3.8% of which were attributable to sales of gold. For the year ended December 31, 2000, we recorded consolidated operating income of US\$984 million and consolidated net income of US\$1,086 million. Our equity in results of affiliates and joint ventures and provisions for losses and write-downs on equity investments in aggregate totaled US\$322 million over that period.

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. These two systems contain aggregate estimated proven and probable iron ore reserves of approximately 3.5 billion tons. We also operate nine pellet producing facilities, six of which are joint ventures with international partners.

EXPLORATION ASSETS. We have 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).

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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. We have two wholly-owned railroads, the Vitoria-Minas railroad and the Carajas railroad.

ENERGY. In 2001, we began to consider energy as a core business, although at present energy production does not represent a significant component of our activities. We currently hold stakes in nine hydroelectric power generation projects, two of which have started operations. These nine projects have a total projected capacity of 3,364 MW. Depending on market conditions, the power generated by these plants will be sold in the market and/or used for our own operations.

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ALUMINUM OPERATIONS. Our integrated aluminum operations rank among the largest in Latin America in terms of production volume. Through joint ventures, our wholly owned subsidiary, Aluvale, conducts major operations in the production of aluminum, which include bauxite mining, alumina refining and aluminum metal smelting and marketing.

### OUR STRENGTHS

WORLD-CLASS IRON ORE OPERATIONS. We are a leading producer and supplier of iron ore to the world market. Although the worldwide iron ore industry is highly competitive, we believe that we benefit from the following strengths in our operations:

- large resource base,
- high quality iron ore deposits,
- ability to produce a broad range of iron ore products,
- production cost advantages, and
- reliable delivery and customer service.

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. We have developed substantial pellet production capacity because we believe that the increase in pellet demand is a trend which will continue.

PIPELINE OF COPPER DEVELOPMENT PROJECTS. We expect our copper projects to begin production in the next two to five years. Our Sossego mine project, with a projected 2004 start-up date, 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%. 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. We have lower cash costs in the production of primary aluminum than many of our competitors.

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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 have 20 years of proven and probable manganese reserves based on 2000 production.

INTEGRATED LOGISTICS BUSINESS. We have extensive experience managing complex logistics operations, based on our experience in our two wholly-owned railroads, Vitoria-Minas and Carajas. We believe our transportation expertise should improve the profitability and efficiency of the four railroads in which we acquired ownership interests after our privatization, especially Centro-Atlantica, which interconnects with our Vitoria-Minas railroad.

FINANCIAL RESOURCES. Our balance sheet and strong cash flows provide us with the financial wherewithal to pursue growth and development opportunities.

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The ratio of our long-term debt to shareholders' equity was 0.58:1 at September 30, 2001.

**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

Since the first step of 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 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.** In 2000, we produced 15% of the world's iron ore, more than any other producer. In 2001, we acquired Ferteco and one half of the control of Caemi, which collectively accounted for 7% 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. Upon completion of ongoing expansion projects in our pellet operations, we and our joint ventures will have a total of 56.2 million tons of annual production capacity.

**GROWING OUR LOGISTICS BUSINESS.** We believe that there is potential for growth in our logistics business 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.

**DEVELOPING OUR COPPER RESOURCES.** Global demand for copper grew rapidly in the 1990s and, despite a downturn in 2001, is expected to continue to grow, primarily driven by the spending in the automotive, computer, telecommunications and electrical appliance sectors of the world economy. We believe that our copper projects can be among the most competitive in the world in terms of investment cost per ton of ore. Nevertheless, all of our five copper projects are in the prospecting and developmental phases, and mineral exploration is speculative in nature and involves many risks which could lower our expected returns.

**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

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increase production capacity in our integrated aluminum operations.

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. Expected further deregulation of this sector may also result in increased competition. As we are a large consumer of electricity, we expect that investing in the energy business will help protect us against electricity price volatility. As we further enter this new line of business we will confront regulatory and business challenges that we do not have a history of dealing with, and our efforts to develop this business may not be successful.

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, including our pulp and paper assets, and some assets in the steel sector. We are also seeking to divest our dry-bulk cargo shipping assets, due to the overall lack of profitability of this business.

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Our 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.cvr.com.br](http://www.cvr.com.br). Information contained in our website does not constitute a part of this prospectus.

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### THE OFFERING

Securities offered by the selling shareholders.....	The Federative Republic of Brazil and BNDES are selling a total of 68,511,164 shares in the form of common shares or American depositary shares in a global offering. Each selling shareholder is selling 34,255,582 shares.
This offering.....	34,109,696 American depositary shares are being offered initially through the underwriters in the United States, Canada, the United Kingdom and certain other jurisdictions. Each American depositary share represents one common share held on behalf of JPMorgan Chase Bank as depositary. The American depositary shares will be represented by American depositary receipts. The underwriters may also purchase up to an additional 10,276,674 shares (in the form of American depositary shares) from the selling shareholders on a pro rata basis solely to cover overallocments.
Brazilian offering.....	34,401,468 common shares are being offered initially through the Brazilian underwriters in the Brazilian offering. For a discussion of the terms of the offering in Brazil, see "Underwriting -- Brazilian Offering."



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Shares outstanding before and after the offering.....	245,267,973 common shares 138,571,161 preferred shares 1 golden share ----- 383,839,135 shares
Use of proceeds.....	We will not receive any proceeds from this offering.
Voting rights.....	One vote per common share, or one vote per American depositary share.
Dividend policy.....	Since our privatization in 1997, and following a recommendation from Valepar, our principal shareholder, we have distributed a dividend equal to at least 50% of the amount of profits available for distribution with respect to each fiscal year. For a discussion of our dividend distribution policy, see "Dividend Policy."
Risk factors.....	See "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our American depositary shares.
New York Stock Exchange symbol for the American depositary shares offered hereby.....	RIO
BOVESPA trading symbol for the common shares.....	VALE3

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### TIMETABLE FOR THE OFFERING

Commencement of marketing of the offering.....	February 26, 2002
Announcement of offer price.....	March 20, 2002
Allocation of American depositary shares and common shares.....	March 20, 2002
Listing of the American depositary shares on the New York Stock Exchange.....	March 21, 2002
Settlement and delivery of American depositary shares and common shares.....	March 27, 2002

Depending on market conditions, this expected timetable may be modified.

You may contact the representatives of the underwriters for information on how to purchase American depositary shares in this offering. You may contact Merrill Lynch, Pierce, Fenner & Smith Incorporated at 4 World Financial Center, 250 Vesey Street, New York, New York, 10080 and ABN AMRO Rothschild LLC at 55 East 52nd Street, New York, New York, 10055.

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## SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The tables below present summary consolidated financial and operating data 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," "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	FOR THE YEAR ENDED DECEMBER 31,					FOR THE YEAR ENDED
	1996	1997	1998	1999	2000	2000
	(IN MILLIONS OF US\$)					
<b>STATEMENT OF INCOME DATA</b>						
Net operating revenues.....	US\$ 3,585	US\$ 3,748	US\$ 3,553	US\$ 3,076	US\$ 3,935	US\$ 2,...
Cost of products and services.....	(2,724)	(2,653)	(2,272)	(1,806)	(2,429)	(1,...
Selling, general and administrative expenses....	(245)	(207)	(171)	(138)	(225)	(...
Research and development.....	(59)	(51)	(48)	(27)	(48)	(...
Employee profit sharing plan.....	(51)	(46)	(29)	(24)	(29)	(...
Restructuring costs.....	--	(87)	(9)	--	--	(...
Other income (expenses).....	40	(67)	(170)	(161)	(220)	(...
Operating income.....	546	637	854	920	984	(...
Non-operating income (expenses):						
Financial income (expenses).....	(63)	(3)	151	(33)	(107)	(...
Foreign exchange and monetary gain/Translation gain (loss).....	14	7	(108)	(213)	(142)	(...
Gain on sale of investments.....	--	--	--	--	--	(...
Other.....	(56)	(12)	(5)	(4)	(4)	(...
	(105)	(8)	38	(250)	(253)	(...
Income before income taxes,						

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equity results, minority interests and extraordinary items.....	441	629	892	670	731		
Income taxes benefit (charge).....	43	(32)	--	(33)	32		
Equity in results of affiliates and joint ventures.....	115	155	80	41	260		
Change in provision for losses and write-downs on equity investments.....	(21)	(59)	(273)	(268)	62		
Minority interests.....	(4)	(2)	(1)	2	1		
Extraordinary items (net of taxes) (1).....	--	(372)	--	--	--		
Net income.....	US\$ 574	US\$ 319	US\$ 698	US\$ 412	US\$ 1,086	US\$	
Total cash distributions.....	US\$ 146	US\$ 302	US\$ 607	US\$ 452	US\$ 246	US\$	

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

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	FOR THE YEAR ENDED DECEMBER 31,					FOR THE ENDED SE
	1996	1997	1998	1999	2000	2000
	(IN US\$ EXCEPT RECORDED DIVIDENDS AND INTEREST ON SHAREHOLDERS' EQUITY PER SHARE AND SHARE NUMBER					
PER SHARE DATA						
Basic earnings per common and preferred share(2):						
Income before extraordinary items.....	US\$1.48	US\$1.06	US\$1.80	US\$1.07	US\$2.82	US\$2.34
Extraordinary items.....	--	(0.96)	--	--	--	--
Net income.....	US\$1.48	US\$0.10	US\$1.80	US\$1.07	US\$2.82	US\$2.34
Recorded dividends and interest on shareholders' equity per share in US\$(3).....	US\$0.64	US\$1.20	US\$1.58	US\$1.28	US\$1.70	US\$1.11
Recorded dividends and interest on shareholders' equity per share in Brazilian reais(3).....	R\$0.67	R\$1.33	R\$1.86	R\$2.28	R\$3.33	R\$2.04
Weighted average number of shares outstanding:						
Common shares (in thousands).....	249,983	249,983	249,983	249,983	249,983	249,983
Preferred shares(2) (in thousands).....	138,576	138,563	137,965	134,917	134,917	134,917
Total.....	388,559	388,546	387,948	384,900	384,900	384,900

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	AT DECEMBER 31,					AT SEPTEMBER
	1996	1997	1998	1999	2000	2000
	(IN MILLIONS OF US\$)					
BALANCE SHEET DATA						
Cash and cash equivalents.....	US\$ 666	US\$ 1,108	US\$ 1,189	US\$1,453	US\$ 1,211	US\$1,055
Total assets.....	11,214	11,617	11,048	8,688	9,795	9,582
Current liabilities.....	1,846	2,057	2,030	2,072	2,136	2,169
Long-term debt(4).....	1,256	1,428	1,389	1,321	2,020	1,525
Total shareholders' equity.....	6,942	6,906	6,392	4,691	4,569	4,887

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- (2) Each American depositary share represents one common share and each preferred American depositary share represents one preferred share.
- (3) Since 1997, all distributions have been in the form of interest on shareholders' equity.
- (4) 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.

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SUMMARY RESERVE AND PRODUCTION DATA

MINERAL	RESERVES		PRODUCTION		
	AT DECEMBER 31, 2000		FOR THE YEAR ENDED DECEMBER		
	PROVEN AND PROBABLE RESERVES	AVERAGE ORE GRADE (1)	1998	1999	2000
	(IN MILLIONS OF TONS)	(PERCENT)	(IN MILLIONS OF TONS EXCEPT		
Iron Ore					
Southern System.....	2,337.0	55.0%	53.3	49.9	75.0
Northern System.....	1,167.4	65.4	45.8	44.0	47.0
Total.....	3,504.4	58.5	99.1	93.9	123.0
Gold.....	15.0	2.83	582.4 (2)	552.1 (2)	535.0
Manganese.....	39.4	46.2	1.6	1.1	1.0
Bauxite.....	166.8	50.5	10.1	11.0	11.0

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- (1) Iron ore grade is expressed in terms of percentage of iron; gold ore grade is expressed as the average of ore grade and metallurgical recovery rate, and is expressed in grams per ton (one ton equals 32,150 troy ounces); manganese ore grade is expressed in terms of percentage of manganese; and bauxite ore grade is expressed in terms of percentage of aluminum oxide.
  - (2) In thousands of troy ounces. One troy ounce equals 31.103 grams.

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#### 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 our American depository shares. 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 American depository shares 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.

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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 Índice Geral de Preços -- 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.

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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 would reduce the U.S. dollar value of distributions and dividends on the American depositary shares and may also 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.

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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%.

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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 OR THE SELLING SHAREHOLDERS.

We and BNDES are organized under the laws of Brazil and substantially all of our assets and of BNDES' assets are located outside of the United States. The majority of our directors and executive officers and all of BNDES' 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, BNDES or those persons in the United States or to enforce against us, BNDES or those persons judgments

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obtained in U.S. courts, including those based on the civil liability provisions of the federal securities laws of the United States.

In addition, the Federative Republic of Brazil and BNDES, in its capacity as administrator of the National Privatization Fund, have not waived their sovereign immunity in connection with any action relating to the securities to be sold by the Federative Republic of Brazil, including any action arising out of or based on United States federal or state securities laws. As a result, it may not be possible for you to effect service of process in the United States upon Brazil, to obtain jurisdiction over Brazil or to enforce against Brazil 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.

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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



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### 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

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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

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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.

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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 -- Alumínio Brasileiro S.A., or Albras, obtains electric power at competitive rates from Eletronorte, a state-owned

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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 Tukurui substation, which has since been repaired. Interruptions in the supply of electricity to Albras lasting more than six hours may occur in the future.

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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 and Selling 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. For a detailed description of the veto powers granted to the Brazilian government by virtue of its ownership of this golden share, see "Description of Capital Stock -- General."

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

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"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 AMERICAN DEPOSITARY SHARES

RESTRICTIONS ON THE MOVEMENT OF CAPITAL OUT OF BRAZIL MAY HINDER YOUR ABILITY TO RECEIVE DIVIDENDS AND DISTRIBUTIONS ON AMERICAN DEPOSITARY SHARES, AND THE PROCEEDS FROM ANY SALE OF AMERICAN DEPOSITARY SHARES.

From time to time the Brazilian government may impose restrictions on capital outflow that would hinder or prevent the custodian who acts on behalf of the depositary for the American depositary shares from converting proceeds from the common shares underlying the American depositary shares into U.S. dollars and remitting those proceeds abroad. Brazilian law permits the government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or reasons to foresee a serious imbalance.

The Brazilian government imposed remittance restrictions for approximately six months in 1989 and early 1990. If enacted, similar restrictions would hinder or prevent the conversion of dividends, distributions or the proceeds from any sale of common shares from reais into U.S. dollars and the remittance of the U.S. dollars abroad. In such a case, the custodian, acting on behalf of the depositary, will hold the reais it cannot convert for the account of the holders of American depositary receipts who have not been paid. The depositary will not invest the reais and will not be liable for interest on those amounts. Furthermore, any reais so held will be subject to devaluation risk.

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IF YOU EXCHANGE OUR AMERICAN DEPOSITARY SHARES FOR COMMON SHARES, YOU RISK LOSING THE ABILITY TO REMIT FOREIGN CURRENCY ABROAD AND BRAZILIAN TAX ADVANTAGES.

The Brazilian custodian for the common shares will obtain a certificate of registration from the Central Bank of Brazil to be entitled to remit U.S. dollars abroad for payments of dividends and other distributions relating to the common shares or upon the disposition of the common shares. If you decide to exchange your American depositary shares for the underlying common shares, you will be entitled to continue to rely, for five business days from the date of exchange, on the custodian's certificate of registration. Thereafter, you may not be able to obtain and remit U.S. dollars abroad upon the disposition of, or distributions relating to, the common shares unless you obtain your own certificate of registration by registering your investment in the common shares under Law No. 4,131 or Resolution No. 2,689 of the National Monetary Council, which entitles foreign investors to buy and sell securities on the Sao Paulo stock exchange. For more information regarding these exchange controls, see "Market Information -- Exchange Controls and Other Limitations Affecting Security Holders." If you attempt to obtain your own certificate of registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to the common shares or the return of your capital in a timely manner. We cannot assure you that the custodian's certificate of registration or any certificate of foreign capital registration obtained by you will not be affected by future legislative changes, or that additional restrictions applicable to you, the disposition of the underlying common shares or the repatriation of the proceeds from disposition will not be imposed in the future.

BECAUSE WE ARE NOT OBLIGATED TO FILE A REGISTRATION STATEMENT WITH RESPECT TO

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PREEMPTIVE RIGHTS RELATING TO OUR COMMON SHARES, YOU MIGHT BE UNABLE TO EXERCISE THOSE PREEMPTIVE RIGHTS.

Holders of American depositary receipts that are residents of the United States may not be able to exercise preemptive rights, or exercise other types of rights, with respect to the common shares. Your ability to exercise preemptive rights is not assured unless a registration statement is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement relating to preemptive rights with respect to the common shares and we cannot assure you that we will file any registration statement. If a registration statement is not filed and an exemption from registration does not exist, JPMorgan Chase Bank, as depositary, will attempt to sell the preemptive rights, and you will be entitled to receive the proceeds of the sale. However, the preemptive rights will expire if the depositary cannot sell them. For a more complete description of preemptive rights with respect to the common shares, see "Description of Capital Stock -- Preemptive Rights."

HOLDERS OF OUR AMERICAN DEPOSITARY RECEIPTS MAY ENCOUNTER DIFFICULTIES IN THE EXERCISE OF VOTING RIGHTS.

You may encounter difficulties in the exercise of some of your rights as a shareholder if you hold our American depositary shares rather than common shares. For example, under some circumstances, such as our failure to provide the depositary with voting materials on a timely basis, you may not be able to vote by giving instructions to the depositary on how to vote for you. For a detailed description of your rights as an American depositary receipt holder, see "Description of American Depositary Shares."

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### 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

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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 cyclicity 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

We will not receive any proceeds from the sale of American depository shares or common shares offered by the selling shareholders in this offering.

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### MARKET INFORMATION

#### GENERAL

Our publicly traded share capital consists of common shares and preferred shares, each without par value. Our common shares and our preferred shares are publicly traded in Brazil on the Sao Paulo stock exchange, known as BOVESPA, under the ticker symbols VALE3, and VALE5, respectively. Our preferred shares also trade on the LATIBEX, under the ticker symbol XVALP. The LATIBEX is an electronic market created in 1999 by the Madrid stock exchange in order to enable trading of Latin American equity securities in euro denomination.

Our American depository shares (each representing one common share) offered in this offering have been approved for listing on the New York Stock Exchange under the symbol "RIO," subject to official notice of issuance.

Our preferred American depository shares, each representing one preferred share, have traded on the New York Stock Exchange since June 2000, under the ticker symbol RIOPR. Prior to June 20, 2000, the preferred American depository shares traded in the over-the-counter market. JPMorgan Chase Bank serves as the depository for the preferred American depository shares. At December 31, 2001, there were 57,754,261 preferred American depository shares outstanding, representing 41.7% of our preferred shares or 14.9% of our total share capital.

The table below shows the geographic distribution of our share ownership based on information available to us at December 31, 2001.

	COMMON SHARES	PREFERRED SHARES	VOTING INTEREST	ECONOMI INTERES
	-----	-----	-----	-----
Brazilian residents.....	244,517,906	43,847,940	97.8%	31.6%
U.S. residents(1).....	2,918,053	79,979,085	1.2	57.7
Other.....	2,547,184	14,748,888	1.0	10.6
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Total.....	249,983,143	138,575,913	100%	100%
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(1) Includes the depositary for our preferred American depositary shares.

MARKET PRICE INFORMATION

The table below sets forth trading information for our preferred shares and our common shares, as reported by BOVESPA, and for our preferred American depositary shares, as reported by the New York Stock Exchange (and for periods prior to June 2000, reported by the National Quotations Bureau, Inc.) for the periods indicated.

	REAIS PER COMMON SHARE		AVERAGE DAILY TRADING VOLUME OF OUR COMMON SHARES	REAIS PER PREFERRED CLASS A SHARE		AVERAGE DAILY TRADING VOLUME OF OUR PREFERRED CLASS A SHARES
	HIGH	LOW		HIGH	LOW	
1997.....	R\$33.00	R\$17.00	17,227	R\$31.50	R\$18.40	549,491
1998.....	27.00	10.00	17,552	29.10	13.00	443,502
1999.....	42.00	9.80	47,102	50.00	13.80	432,848
2000.....	52.40	33.00	27,401	59.00	38.82	384,018
2001.....	55.00	42.70	51,185	58.70	44.00	388,551
1Q00.....	52.40	33.00	29,777	59.00	42.00	399,410
2Q00.....	46.00	35.00	34,885	53.50	40.01	360,174
3Q00.....	49.00	41.21	23,131	54.00	44.97	374,269
4Q00.....	46.50	37.00	21,767	47.80	38.82	403,152
1Q01.....	51.00	42.70	31,636	53.60	44.00	382,541
2Q01.....	54.00	46.50	30,760	58.60	49.05	350,103
3Q01.....	55.00	46.40	101,921	55.00	45.50	426,802

AVERAGE DAILY  
TRADING VOLUME  
OF OUR PREFERRED  
AMERICAN  
DEPOSITARY SHARES

1997.....	284,210
1998.....	359,076
1999.....	358,157
2000.....	268,654
2001.....	243,240
1Q00.....	496,090
2Q00.....	164,398
3Q00.....	125,397
4Q00.....	288,732
1Q01.....	311,879
2Q01.....	186,697
3Q01.....	215,020

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	REAIS PER COMMON SHARE	AVERAGE DAILY TRADING VOLUME OF OUR COMMON	REAIS PER PREFERRED CLASS A SHARE	AVERAGE DAILY TRADING VOLUME OF OUR PREFERRED
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	HIGH	LOW	SHARES	HIGH	LOW	CLASS A SHARES
	-----	-----	-----	-----	-----	-----
4Q01.....	54.00	47.00	38,892	58.70	49.60	394,228
August 2001.....	53.99	50.80	24,635	52.88	51.01	296,417
September 2001.....	52.50	46.40	75,395	53.79	45.50	534,632
October 2001.....	54.00	50.60	33,441	56.40	51.40	438,423
November 2001.....	53.60	47.00	38,155	58.70	49.60	360,900
December 2001.....	53.40	48.00	46,372	55.00	51.48	377,244
January 2002.....	55.40	50.00	21,686	56.50	50.70	349,095
February 2002.....	62.50	52.01	122,022	61.49	52.60	489,544

AVERAGE DAILY  
TRADING VOLUME  
OF OUR PREFERRED  
AMERICAN  
DEPOSITARY SHARES

4Q01.....	258,419
August 2001.....	119,026
September 2001.....	393,673
October 2001.....	399,187
November 2001.....	203,033
December 2001.....	154,690
January 2002.....	206,805
February 2002.....	391,053

### REGULATION OF THE BRAZILIAN SECURITIES MARKETS

The Brazilian securities markets are regulated by Comissao de Valores Mobiliarios, or CVM, the Brazilian securities commission, which has regulatory authority over stock exchanges and securities markets generally, and by the Central Bank, which has, among other powers, licensing authority over brokerage firms and regulates foreign investment and foreign exchange transactions.

Under the Brazilian Corporation Law, a company is either public, a companhia aberta, or private, a companhia fechada. All public companies, including us, are registered with the CVM and are subject to reporting requirements. Our shares are listed and traded on BOVESPA and may be traded privately subject to limitations.

We have the option to ask that trading in our securities on BOVESPA be suspended in anticipation of a material announcement. Trading may also be suspended on the initiative of BOVESPA or the CVM, among other reasons, based on or due to a belief that a company has provided inadequate information regarding a material event or has provided inadequate responses to inquiries of the CVM or the BOVESPA.

The Brazilian securities laws and the Brazilian Corporation Law provide for, among other things, disclosure requirements, restrictions on insider trading and price manipulation and protection of minority shareholders. However, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or markets in other jurisdictions.

### EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

There are no restrictions on ownership of our capital stock by individuals or legal entities domiciled outside Brazil. Foreign investors may register their investment under Law No. 4,131 of September 3, 1962 or Resolution No. 2,689 of

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January 26, 2000 of the National Monetary Council. Registration under Law No. 4,131 or under Resolution No. 2,689 generally enables foreign investors to convert into foreign currency dividends, other distributions and sales proceeds received in connection with registered investments and to remit such amounts abroad. Resolution No. 2,689 affords favorable tax treatment to foreign investors who are not resident in a tax haven jurisdiction as defined by Brazilian tax laws (i.e., a country that does not impose taxes or where the maximum income tax rate is lower than 20%).

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Under Resolution No. 2,689, foreign investors may invest in almost all financial assets and engage in almost all transactions available in the Brazilian financial and capital markets, provided that certain requirements are fulfilled. In accordance with Resolution No. 2,689, the definition of foreign investor includes individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered abroad.

Under Resolution No. 2,689, a foreign investor must:

- appoint at least one representative in Brazil, with powers to perform actions relating to its investment,
- appoint an authorized custodian in Brazil for its investment,
- register as a foreign investor with the CVM, and
- register its foreign investment with the Central Bank.

Securities and other financial assets held by foreign investors pursuant to Resolution No. 2,689 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM. In addition securities trading is restricted to transactions carried out on the Sao Paulo stock exchange or through organized over-the-counter markets licensed by the CVM, except for transfers resulting from a corporate reorganization, or occurring upon the death of an investor by operation of law or will.

Resolution No. 1,927 of the National Monetary Council, which is the restated and amended Annex V to Resolution No. 1,289, or the Annex V Regulations, provides for the issuance of depositary shares in foreign markets in respect of shares of Brazilian issuers. The proceeds from the sale of American depositary shares by holders of American depositary receipts outside Brazil are free of Brazilian foreign investment controls and holders of the American depositary receipts who are not resident in a tax haven jurisdiction will be entitled to favorable tax treatment.

The right to convert dividend payments and proceeds from the sale of our capital stock into foreign currency and to remit these amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investment be registered with the Central Bank. Restrictions on the remittance of foreign capital abroad could hinder or prevent the custodian for the common shares represented by American depositary shares, or holders who have exchanged American depositary shares for common shares from converting dividends, distributions or the proceeds from any sale of common shares, as the case may be, into U.S. dollars and remitting such U.S. dollars abroad. Delays in, or refusal to grant any required government approval for conversions of Brazilian currency payments and remittances abroad of amounts owed to holders of American depositary shares could adversely affect holders of American depositary receipts.

The custodian will obtain a certificate of registration in the name of

JPMorgan Chase Bank, the depository. Pursuant to the certificate, the custodian and the depository are able to convert dividends and other distributions with respect to the common shares represented by American depository shares into foreign currency and to remit the proceeds outside Brazil. In the event that a holder exchanges American depository shares for common shares, the holder will be entitled to rely on the custodian's certificate of registration for five business days after the exchange. After that, the holder must seek to obtain its own certificate of registration by registering its investment directly with the Central Bank under Law No. 4,131 or Resolution No. 2,689. Thereafter, unless the holder has registered its investment with the Central Bank, the holder may not convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to, the common shares. The holder generally will be subject to less favorable Brazilian tax treatment than a holder of American depository shares. For a more detailed description of Brazilian tax treatment of holders of American depository receipts as compared to holders of our common shares, see "Taxation -- Brazilian Tax Considerations."

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#### DIVIDEND POLICY

Under the Brazilian Corporation Law, shareholders are generally entitled to receive an annual mandatory dividend set forth in the company's by-laws, which may not be lower than 25% of adjusted net income for the relevant year, calculated in accordance with the Brazilian Corporation Law. Accordingly, our by-laws prescribe that we must distribute to our shareholders an amount equal to not less than 25% of the amount of profits available for distribution with respect to each fiscal year, unless the board of directors advises our shareholders at the general shareholders' meeting that payment of the required distributions for the preceding fiscal year is inadvisable in light of our financial condition. The fiscal council must review any such determination and report to the shareholders and to the CVM. The shareholders must also approve the recommendation of the board of directors with respect to any required distributions. To date, our board of directors has never determined that a payment of the required distribution amount was inadvisable.

In addition to any required distributions, the board of directors may recommend to the shareholders the payment of distributions from other funds that are legally available.

Since our privatization in 1997, and following a recommendation from Valepar, our principal shareholder, we have distributed a dividend equal to at least 50% of the amount of profits available for distribution with respect to each fiscal year.

Holders of preferred class A shares and the golden share are entitled to receive an amount equal to 6% of their pro rata share of our paid-in capital prior to any distribution to holders of preferred class B shares, if any are issued, or to holders of common shares. Holders of preferred class B shares, if any are issued, are entitled to receive an amount equal to 6% of their pro rata share of our paid-in capital prior to any distribution to holders of common shares and to any additional distribution to holders of preferred class A shares and the golden share. After holders of common shares receive distributions per share in an amount equal to the preferential dividend of holders of preferred shares, all holders of shares receive the same additional distribution amount per share.

Since our privatization, we have had sufficient distributable amounts to be able to distribute equal amounts to both common and preferred shareholders. For a discussion on our preferred class A and preferred class B shares, see "Description of Capital Stock."

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According to Law No. 10,303, the recently enacted law that amended the Brazilian Corporation Law, we may be required to amend our by-laws in order to modify the rights granted to holders of preferred shares. For a detailed description of this requirement, see "Description of the Capital Stock -- New Provisions in the Brazilian Corporation Law."

We may make distributions either in the form of dividends or in the form of interest on shareholders' equity. Dividends with respect to the American depositary shares, and to non-resident holders of common shares, will not be subject to Brazilian withholding tax, except for dividends declared based on profits generated prior to December 31, 1995. These dividends will be subject to a 15% Brazilian withholding tax. Distributions of interest on shareholders' equity to shareholders, including holders of American depositary receipts, are currently subject to Brazilian withholding tax of 15%. We pay distributions in Brazilian currency.

We are required to hold an annual shareholders' meeting by April 30 of each year at which an annual dividend may be declared. Additionally, our board of directors may declare interim dividends. Under the Brazilian Corporation Law, dividends are generally required to be paid to the holder of record on a dividend declaration date within 60 days following the date the dividend was declared, unless a shareholders' resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which the dividend was declared. A shareholder has a three-year period from the dividend payment date to claim dividends (or payments of interest on shareholders' equity) in respect of its shares, after which we will have no liability for such payments. Since 1997, all cash distributions we have made have been in the form of interest on shareholders' equity.

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We will make cash distributions on common shares underlying the American depositary shares in Brazilian currency to the custodian on behalf of the depositary. The custodian will then convert such proceeds into U.S. dollars and will cause such U.S. dollars to be delivered to the depositary for distribution to holders of American depositary receipts. Under current Brazilian law, dividends paid to shareholders who are not Brazilian residents, including holders of the American depositary receipts, will not be subject to Brazilian withholding tax. For more information on Brazilian tax policies regarding dividend distributions, see "Taxation -- Brazilian Tax Considerations."

The table below sets forth the dollar equivalent of cash distributions we paid to holders of common shares and preferred shares for the periods indicated. For your convenience, we have calculated U.S. dollar conversions using both the commercial market rate in effect on the date of payment and the exchange rate at March 20, 2002 of R\$2.338 per US\$1.00. We stated amounts gross of any applicable withholding tax.

YEAR	PAYMENT DATE	U.S. DOLLARS PER SHARE AT PAYMENT DATE	U.S. DOLLARS PER SHARE AT MARCH 20, 2002
----	-----	-----	-----
1997	May 30.....	0.48	0.21
	September 2.....	0.30	0.14
1998	May 8.....	0.88	0.43
	August 31.....	0.64	0.32
1999	January 15.....	0.44	0.28
	March 31.....	0.29	0.21

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	August 20.....	0.57	0.47
2000	March 1.....	0.66	0.50
2001	February 20.....	1.66	1.42
2001	December 10.....	0.98	0.99

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.

YEAR ENDED	PERIOD-END -----	AVERAGE FOR PERIOD -----	LOW -----	HIGH -----
December 31, 1997.....	1.116	1.088 (1)	1.040	1.11

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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

-----  
 (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.

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CAPITALIZATION

The table below sets forth our 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. The sale of common shares, either directly or in the form of American depositary shares, in this offering by the selling shareholders will not change our capitalization.

	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
	-----

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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 approximately US\$300 million in debt during the first quarter of 2002, which matures in 2007.

SELECTED CONSOLIDATED FINANCIAL DATA

The tables below present selected consolidated financial and operating data 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
Cost of products and services.....	(2,724)	(2,653)	(2,272)	(1,806)
Selling, general and administrative				

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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
	=====	=====	=====	=====
Total cash distributions.....	US\$ 146	US\$ 302	US\$ 607	US\$ 452

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

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FOR THE YEAR ENDED DECEMBER 31,

	1996	1997	1998	1999	2000
--	------	------	------	------	------

(IN US\$ EXCEPT RECORDED DIVIDENDS AND INTERESTS)  
SHAREHOLDERS' EQUITY PER SHARE AND SHARE NUMBER

PER SHARE DATA

Basic earnings per common and preferred share(2):

Income before extraordinary

items.....	US\$ 1.48	US\$ 1.06	US\$ 1.80	US\$ 1.07	US\$ 2.8
------------	-----------	-----------	-----------	-----------	----------



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Extraordinary items.....	--	(0.96)	--	--	--
Net income.....	US\$ 1.48	US\$ 0.10	US\$ 1.80	US\$ 1.07	US\$ 2.8
Recorded dividends and interest on shareholders' equity per share in US\$(3).....	US\$ 0.64	US\$ 1.20	US\$ 1.58	US\$ 1.28	US\$ 1.7
Recorded dividends and interest on shareholders' equity per share in Brazilian reais(3).....	R\$ 0.67	R\$ 1.33	R\$ 1.86	R\$ 2.28	R\$ 3.3
Weighted average number of shares outstanding (in thousands):					
Common shares.....	249,983	249,983	249,983	249,983	249,983
Preferred shares(2).....	138,576	138,563	137,965	134,917	134,917
Total.....	388,559	388,546	387,948	384,900	384,900

AT DECEMBER 31,

	1996	1997	1998	1999	2000
	(IN MILLIONS OF US\$)				
BALANCE SHEET DATA					
Current assets.....	US\$2,469	US\$2,603	US\$2,845	US\$2,490	US\$2,490
Property, plant and equipment, net.....	5,451	5,557	5,261	3,943	3,943
Investments in affiliated companies and joint ventures and other investments.....	1,714	1,666	1,557	1,203	1,203
Other assets.....	1,580	1,791	1,385	1,052	1,052
Total assets.....	11,214	11,617	11,048	8,688	8,688
Current liabilities.....	1,846	2,057	2,030	2,072	2,072
Long-term liabilities.....	1,099	1,157	1,169	601	601
Long-term debt(4).....	1,256	1,428	1,389	1,321	1,321
Minority interest.....	71	69	68	3	3
Total liabilities.....	4,272	4,711	4,656	3,997	3,997
Stockholders' equity:					
Capital stock.....	1,313	1,288	1,740	1,927	1,927
Additional paid-in capital.....	180	498	498	498	498
Reserves and retained earnings.....	5,449	5,120	4,154	2,266	2,266
Total stockholders' equity.....	US\$6,942	US\$6,906	US\$6,392	US\$4,691	US\$4,691
Total liabilities and stockholders' equity.....	US\$11,214	US\$11,617	US\$11,048	US\$8,688	US\$8,688

(2) Each American depositary share represents one common share and each preferred American depositary share represents one preferred share.

(3) Since 1997, all distributions have been in the form of interest on shareholders' equity.

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- (4) 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.

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### 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 our consolidated financial statements and notes thereto and other financial information included elsewhere in this prospectus.

#### OVERVIEW

Several factors will affect our 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			GOLD
	ASIAN MARKET (1)	EUROPEAN MARKET (1) (2)	PELLETS (3)	
	-----	-----	-----	-----
		(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

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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

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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.

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### Inflation

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

FOR  
M