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VALLEY OF THE RIO DOCE CO
Form 6-K
August 16, 2002

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

FORM 6-K

Report of Foreign Private Issuer
Pursuant To Rule 13a-16 or 15d-16
of the
Securities Exchange Act of 1934

For the month of August 2002

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

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

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

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

Companhia Vale do Rio Doce

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This current report on Form 6-K is hereby incorporated by reference into the Registration Statement on Form F-4 of Companhia Vale do Rio Doce and Vale Overseas Limited, File No. 333-84696.

US
GAAP

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Companhia
Vale do Rio Doce

BOVESPA:VALE3, VALE5
NYSE: RIO, RIOPR
LATIBEX: XVALO, XVALP

Press Release 2Q02

COMPANHIA VALE DO RIO DOCE

SECOND QUARTER PERFORMANCE IN 2002

www.cvrd.com.br

CVRD
Investor
Relations:
Roberto Castello Branco
Andreia Reiiis
Daniella Tinoco
Barbara Gelluda
Rafael Azevedo
Tell: (5521) 3814-4540
riio@cvrd.com.br

The financial and operational information contained in this press release, unless when otherwise indicated, is based on consolidated figures, according to generally accepted accounting principles in the United States of America ("US GAAP"). The main subsidiaries of CVRD which form part of these consolidated figures are: RDME, Sibra, Ferteco, Urucum Mineracao, Para Pigmentos, Docenave, Aluvale, Florestas Rio Doce, Celmar, Rio Doce Europa, Itaco, CVRD Overseas and Rio Doce International Finance. From the end of the second quarter 2002, Alunorte forms part of the consolidated figures. Rio de Janeiro, August 14, 2002 - In the second quarter of 2002, Companhia Vale do Rio Doce (CVRD) posted a loss of US\$ 14 million, equivalent to a loss per share of US\$ 0.04. In the first half, earnings accumulated amounted to US\$ 261 million, equal to an earnings per share of US\$ 0.68. Revenues, margins, cash flow and sales volumes showed a very good performance and some record figures were registered.

The negative result was caused by the 22.4% appreciation of the US Dollar (USD) against the Real (BRL) which took place between the end of 1Q02 and the end of 2Q02. This generated a foreign exchange loss of US\$ 312 million, due to the impact of this variation on net liabilities in foreign currency.

The depreciation of the BRL favourably affects the Company's cash flow over time through a reduction in costs. As most of these costs are denominated in domestic currency and fall in Dollar terms, margins widen and cash flow in foreign currency increases, tending to naturally compensate for the negative effect of monetary variation on earnings.

Gross operating revenues amounted to US\$ 1.071 billion, 8.5% higher than 1Q02, the highest figure for the last six quarters. This occurred in spite of the negative effect of lower iron ore prices.

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Both CVRD, its subsidiaries, affiliates and joint ventures made provisions to fully recognised in 2Q02 the retroactive effect of lower prices, bearing in mind that negotiations were concluded between the end of May and early June.

EBITDA (earnings before interest tax depreciation and amortization) amounted to US\$ 456 million, up 2.7% and 11.5%, compared to 1Q02 and 2Q01, respectively. EBITDA margin amounted to 44.4%, very high and in line with previous results. In 2Q02, the impact of exchange rate fluctuation on EBITDA was very small. The appreciation of the USD against the BRL, comparing the average daily exchange rate in 2Q02 with that in 1Q02, the change that affects cash flow, was only 5%.

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Record sales of iron ore and pellets were achieved in 2Q02, with shipments totalling 41.089 million tons. By the same token, general cargo transported (products other than iron ore and pellets) for clients on CVRD's railroads (Vitoria a Minas and Carajas) also reached record levels, recording 3.730 million net ton kilometres (ntk).

Debt leverage and interest coverage indicators were at very comfortable levels. Total debt amounted to 2.2 times EBITDA accumulated over the last twelve months and 27% of the enterprise value at the end of June. 2Q02 EBITDA was equal to 10.6 times interest payments. Therefore the depreciation of the BRL did not affect the soundness of CVRD's balance sheet.

RELEVANT EVENTS

Strategy execution

Two important transactions took place in the implementation of CVRD's strategy in the aluminum businesses, whose focus is the exploitation of opportunities in the bauxite and alumina segments.

The first was the purchase, for R\$ 118.9 million, of a 12.6% stake in Alunorte by Aluvale, a wholly owned subsidiary of the Company, which thus now holds 62.1% of the common shares and 19.1% of the preferred shares in Alunorte, corresponding to 57% of the total share capital. Among other implications, this means that CVRD will be able to capture greater value in the future expansion of this alumina refinery.

The second transaction was the acquisition, for R\$ 6.4 million, of total control in Mineracao Vera Cruz (MVC). MVC has significant bauxite reserves located in an area adjoining CVRD's own reserves in the Paragominas region, in the state of Para. The geographical location of MVC's mineral resources significantly increases flexibility in the use of the Company's logistics infrastructure.

In the non-ferrous segment, CVRD acquired full control of the Salobo copper project for US\$ 50.4 million and entered into a joint venture with Antofagasta Plc, one of the largest copper producers in the Americas, for mineral

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exploration in the south of Peru, an area with significant mineral resource potential.

In June, the Company ceased extraction activities at the Igarape Bahia gold reserve in Carajas. As a consequence, CVRD's estimated gold production for 2002 is 320,000 troy ounces, compared to the 514,400 troy ounces produced in 2001. However, concurrently, there is an ongoing pre-feasibility study for the development of Igarape Bahia Phase IV. From the middle of 2004, it is estimated that this new phase will produce 36,000 tons of copper concentrate and 83,600 troy ounces of gold annually. The estimated capex for the development of Igarape Bahia Phase IV is US\$ 54 million.

CVRD has obtained the concession for the construction and operation of the Estreito hydroelectric power plant which will have a capacity of 1,087 MW. CVRD's stake in the consortium that made the winning bid at the concession auction is 30%. The Estreito plant will be the Company's tenth hydroelectric power project, two of which, Igarapava and Porto Estrela, are already in operation.

The Company is in the process of negotiating the sale of the assets of Florestas Rio Doce to Bahia Sul Celulose S.A. and Aracruz Celulose S.A., concluding the strategy of divesting out of the paper and pulp sector. Bond issues

Vale Overseas, a wholly owned subsidiary of CVRD, has begun the offer to swap bonds guaranteed by the Company, which fall due in 2007, with a coupon of 8.625%, political risk insurance (PRI) and a total face value of US\$ 300 million, series A (old issue) for series B bonds (new issue). The new issue represent the same debt with exactly identical characteristics. However, the new issue do not carry

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restrictions on their purchase by retail investors and are registered with the SEC (Securities and Exchange Commission) under the terms of the US Securities Act of 1933, which will improve the liquidity of these bonds in the secondary market.

Authorization was requested from the CVM (Brazilian Securities and Exchange Commission) on June 28, 2002, to register shareholders debentures issued by CVRD and distributed to its shareholders in April 1997, in the context of the privatization program. Registration of these debentures will allow them to be publicly traded on Brazilian markets.

The Chicago Board Options Exchange (CBOE) and Pacific Exchange have begun trading in options on RIO, the ADR representing the common shares of CVRD. These options constitute a risk transfer vehicle, and it is hoped that they will help to reduce volatility in the Company's stock price.

Iron ore and pellet prices

Between the end of May and the beginning of June, CVRD concluded iron ore and pellet price settlements with European and Japanese clients for 2002 (April 2002 to March 2003 in the case of Japan). Reflecting the performance of the steel industry in 2001, prices were down, by between 1% (iron ore fines from the Southern System to Europe) and 5.5% (blast furnace pellets to Europe). The impact of this drop in prices in the first half of the year is fully recognised

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in the results for 2Q02.

SHORT TERM PROSPECTS

The increased risk aversion prevailing in the world financial market reflects the suspicion generated by the cases of corporate fraud and doubts about the strength of the global economic recovery.

Recent statistics on economic activity in the US and Europe suggest that recovery in the global economy is likely to take place more slowly than we had expected at the time of publishing CVRD's first quarter results earlier this year, on May 15.

In Brazil, uncertainty in world financial markets magnified the effects of the uncertainties about the future of macro-economic policy under the next government. This combination produced a high degree of financial assets price volatility. It is hoped that the new agreement with the IMF, involving a credit line of US\$ 30 billion to the Brazilian government, will produce positive effects on the markets and, consequently, on the Brazilian economy.

The 3.1% drop in global steel output (ex-China) in 2001 and the expansion of global industrial production in 2002, were the main factors behind recovery of the steel products markets this year. The average price of steel products rose significantly: the Steel Price Index (CRUs_{spi}), computed by CRU, showed a rise of 32% between the end of last year and the beginning of August this year. Global production of crude steel, according to data from the International Institute for Steel and Iron (IISI), grew 3.9% in the first half of 2002, compared to the same period in 2001. In the second quarter of 2002, this growth accelerated, production increasing by 5.7% over the first quarter.

This scenario is reflected positively in the demand for iron ore and pellets. China continues to be the principal driving force behind the growth in seaborne demand for iron ore: its imports amounted to 51 million tons in the first half of 2002 (1H02) compared to 41.9 million in 1H01, an increase of 21.9%. In Japan, where the economy is still undergoing a fragile recovery, iron ore inventories are down and import levels remained constant in 1H02, totalling 63 million tons. Higher steel prices have stimulated a recovery in the global demand for pellets.

The prospects for continuing increase in Chinese imports, driven by a fast growing GDP and replacement of domestically produced iron ore by the imported product, combined with the fact that steel prices are

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expected to remain at current levels, leads us to expect good sales performance for iron ore and pellets of CVRD in the second half of 2002, consolidating the movement observed in 1H02.

On the other hand, given the current and expected short term demand evolution for aluminum, we cannot anticipate a price recovery for the next few months. Inventories on the London Metal Exchange (LME) continue to accumulate and prices have reacted negatively to the turbulence in global financial markets, converging to US\$ 1,300 per ton, compared to the 2001 average of US\$ 1,453 and US\$ 1,378 in the first seven months of 2002. In the case of alumina, demand from China provides support for prices at their current level. For new contracts, the

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alumina price has remained at around 11% of the aluminum price on the LME. Gold prices have remained consistently above the level of US\$ 300 per troy ounce, and its resiliency may be associated to the asset price volatility in global financial markets.

Despite the slow growth in the Brazilian economy, demand for logistics services has been very strong, given the deficiencies that exist in Brazil's cargo transportation infrastructure. CVRD has been able to exploit opportunities in the market, especially in the transport of grains and cement, as well as inter-modal transportation. For instance, the winning of new contacts has made it feasible to expand the Company's railroad activities in the transportation of products for the car industry from 4Q02 onwards.

REVENUES AND SALES VOLUMES

Sales volume of iron ore and pellets in the second quarter reached new record level of 41.089 million tons, 11.9% higher than the previous quarter and up 7.3% YoY. In 1H02, the volume accumulated amounted to 77.8 million tons, which was also a record. This figure represents a 7.% increase over the 72.7 million tons sold in 1H01.

CONSOLIDATED SALES OF IRON ORE AND PELLETS

	thousand tons					
	2Q 01	%	1Q 02	%	2Q02	%
Iron ore	33,469	87.4	33,001	89.9	35,963	87.5
Pellets	4,812	12.6	3,715	10.1	5,126	12.5
Total	38,281	100.0	36,716	100.0	41,089	100.0

Sales statistics in 2Q02 showed a cyclical recovery in pellet demand - the level recorded of 5.1 million tons was 38% higher than the previous quarter. Demand for pellets has a close correlation with the steel price cycle, which after a very weak year began a recovery trend in 2002.

As with iron ore, ferro-alloys produced by CVRD have been experiencing increased demand. Sales of these products were up 3.1% on the previous quarter and 7.5% YoY.

The transportation of general cargo (products other than iron ore and pellets) for customers on CVRD's railroads, amounted to 3.730 billion net ton kilometres (ntk), a quarterly record, surpassing the previous record of 3.468 billion ntk in 1Q02. Ferrovia Centro-Atlantica (FCA) also registered its best performance in terms of general cargo transportation since its operation was taken over by CVRD at the beginning of 2000: 2.712 billion nkt.

In addition to transportation records, CVRD's railroads have been significantly improving productivity. At EFVM, ntk per active locomotive, per day, rose from 0.87 million in 2Q01 to 0.95 million in 2Q02. Simultaneously, fuel consumption fell. EFVM's trains transported, on average, 300 tkus per litre of fuel consumed in 2Q02, compared to 280 in 2Q01. Maximization of asset utilization and operational cost reductions are contributing to increase returns on existing assets.

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GENERAL CARGO RAILROAD TRANSPORTATION

	million ntk					
	1Q 01	2Q 01	3Q 01	4Q 01	1Q 02	2Q 02
EF Vitoria a Minas	2,643	2,890	2,844	2,791	2,803	2,880
EF Carajas	356	543	494	423	665	850
Total Parent Company	2,999	3,433	3,338	3,214	3,468	3,730
Ferrovias Centro Atlantica	1,962	2,236	2,167	1,993	2,257	2,712
Grand Total	4,961	5,669	5,505	5,207	5,725	6,442

CVRD's ports handled 7.007 million tons, an increase of 27% on the previous quarter.

Gold sales have been falling due to the exhaustion of the Igarape Bahia mine, amounting to 111,854 troy ounces in the quarter. From the third quarter of 2002, gold will be produced only from the mines of Fazenda Brasileiro and Itabira. However, CVRD's gold production will rise strongly when operations begin at the copper mines in Carajas. Annual production of 950,000 troy ounces is estimated for 2007, by which time all the copper projects should be fully operational. Potash shipments increased substantially, up by 69.9% QoQ and 27.2% YoY.

Gross operating revenues in 2Q02 amounted to US\$ 1.071 billion, up 8.5% on the previous quarter and 4.1% higher than 2Q01. Revenues from the sale of iron ore and pellets amounted to US\$ 703 million, representing 65.6% of total revenues in the quarter. Average sale prices of iron ore and pellets in 2Q02 were, respectively, US\$ 15.34 and US\$ 31.64 per ton.

Transportation services contributed 12.2% and aluminum products, bauxite, alumina and primary aluminum, 9.2%. Total accumulated gross revenues in 1H02 amounted to US\$ 2.058 billion, of which sales of iron ore and pellets contributed US\$ 1.369 billion. 1H02 total gross revenues grew 1.2% YoY.

The domestic market accounted for US\$ 345 million of Company gross revenues in 2Q02. In the principal overseas markets, Europe accounted for US\$ 384 million and Asia, US\$ 211 million.

VOLUME SOLD - OTHER PRODUCTS

	thousand tons		
	2Q 01	1Q 02	2Q 02
Gold (troy ounces)	114,780	115,455	111,854
Manganese	151	257	133
Ferro-alloys	93	97	100
Alumina	34	118	21
Aluminum	43	33	63
Bauxite	152	294	253

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Potash	151	113	192
Kaolin	80	63	60

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GROSS REVENUE BY PRODUCT

US\$ million

	2T 01	%	1T 02	%	2T 02	%
Iron Ore	503	48.9	545	55.2	550	51.4
Pellets	173	16.8	121	12.3	153	14.3
Gold	32	3.1	34	3.4	35	3.3
Transportation	131	12.7	111	11.2	131	12.2
Aluminum, Alumina and Bauxite	78	7.6	68	6.9	98	9.2
Manganese and Ferro-alloys	39	3.8	73	7.4	65	6.1
Potash	22	2.1	16	1.6	24	2.2
Kaolin	23	2.2	11	1.1	9	0.8
Wood and Pulp	17	1.7	1	0.1	2	0.2
Others	11	1.1	7	0.7	4	0.4
Total	1,029	100.0	987	100.0	1,071	100.0

GROSS REVENUES BY DESTINATION

US\$ million

	2T 01	%	1T 02	%	2T 02	%
Domestic Market	312	30.3	293	29.7	345	32.2
Foreign Market						
United States	56	5.4	65	6.6	30	2.8
Europe	323	31.4	342	34.7	384	35.9
Middle East and Africa	49	4.8	39	4.0	35	3.3
Japan	87	8.5	62	6.3	69	6.4
Asia except Japan	117	11.4	135	13.7	142	13.3
Latin America and others	85	8.3	51	5.2	66	6.2
Total	1,029	100.0	987	100.0	1,071	100.0

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SECOND QUARTER EARNINGS

According to US GAAP criteria, CVRD posted a loss of US\$ 14 million, caused by the negative effect of depreciation in the BRL on net liabilities in foreign currency, of some US\$ 312 million.

The negative effect of exchange rate variation was also felt in equity income, with a loss of US\$ 37 million in the aluminum related businesses. As in the case of the Parent Company, this negative result was caused by the exchange rate loss effect on net liabilities in foreign currency.

EBITDA OF US\$ 456 MILLION

EBITDA of CVRD in 2Q02 amounted to US\$456 million, 44.4% of net revenues in the quarter. The effect of the BRL's depreciation against the USD on the Company's cash flow, which in the case of US GAAP financial statements is reflected in a lower cost of goods sold (COGS), was not significant, given that the average exchange rate in the second quarter only varied by 5% on the previous quarter. This contrasts with the impact of exchange rate fluctuation on net liabilities in foreign currency, and consequently on quarterly earnings. In this case, the significant variation, for accounting purposes, is the difference between the USD/BRL rate on the last day of 2Q02 (R\$ 2.8444) and the last day of 1Q02 (R\$ 2.3236), 22.4%.

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The main factor behind the increase in EBITDA in 2Q02, compared with 2Q01, of US\$ 47 million, was the US\$ 36 million increase in net operating revenue. This in turn reflected increased sales volume, given that the prices of CVRD's main products, iron ore and pellets, were lower than in 2001. There was an increase of US\$ 20 million in dividends received, which in the second quarter totalled US\$ 30 million (Samarco US\$ 17 million, MRN US\$ 10 million and Caemi US\$ 3 million). COGS, on which exchange rate variation had little effect, came down by US\$ 3 million, 0.5% YoY. Partly offsetting these positive effects, sales, general and administrative expenses increased by US\$ 11 million in 2Q02, compared with the same period a year earlier.

EBITDA COMPOSITION

	US\$ million
	1Q 02
Net Operating Revenues	1,027
COGS	(594)
SG&A	(64)
Research and Development	(12)
Other Operational Expenses	(27)

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Adjustment for Exceptional Non-Cash Items	35
EBIT	365
Depreciation, Depletion and Amortization	61
Dividends received	30
EBITDA	456

The ferrous mineral businesses - iron and manganese ore, pellets and ferro-alloys - accounted for 87.3% of EBITDA in 2Q02. Logistics services contributed with 5.9% and non-ferrous businesses - gold, potash and kaolin - with 5.7%.

EBITDA BY BUSINESS AREA

	US\$ million					
	2Q 01	%	1Q 02	%	2Q 02	%
Ferrous Minerals	316	77.8	349	78.6	398	87.3
Non Ferrous Minerals	18	4.4	12	2.7	26	5.7
Logistics Services	70	17.2	63	14.2	27	5.9
Aluminum	1	0.2	18	4.1	6	1.3
Steel	1	0.2	2	0.5	(1)	(0.2)
Total	406	100.0	444	100.0	456	100.0

CAPITAL EXPENDITURES

Investments made by the Parent Company in 2Q02 amounted to US\$ 215.6 million. This figure included US\$ 50.4 million of the acquisition costs of the 50% stake owned by Anglo American plc in the Salobo copper project, and US\$ 114.7 million which was allocated to several greenfield and brownfield projects.

Capital expenditures for 1H02 amounted to US\$ 373.2 million.

Most of the expenditure on projects was in the area of ferrous minerals, totalling US\$ 58.6 million. Of particular note were: the US\$ 21.4 million spent on the purchase of locomotives for iron ore transportation, work on the construction of Pier III at the Ponta da Madeira maritime terminal (US\$ 5.6 million) and US\$ 24.0 million on the Sao Luis pellet plant and its supporting infrastructure.

US\$ 27.3 million were invested in the construction and the environmental licensing of eight hydroelectric power projects. By the end of August construction will begin on the Capim Branco I and II hydroelectric power plants.

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Logistics projects absorbed US\$ 19.6 million, the largest investment of US\$ 7.7

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million being spent on the purchase of transtainers and portainers for the Vila Velha Terminal (TVV) and US\$ 3.8 million on the enlarging of the Praia Mole Terminal, both in the state of Espirito Santo. US\$ 2.2 million was spent on enlarging the capacity of the grain handling facilities at the port of Tubarao and US\$ 2.9 million spent on increasing transportation capacity, warehousing and general cargo handling facilities in the Northern System.

Investment of US\$ 7.7 million was carried out in Mineracao Serra do Sossego, in developing the copper mine. Capital expenditure on enlarging the potash mine at Taquari-Vassouras amounted to US\$ 1.5 million. This brownfield project involves a total investment of US\$ 67.5 million from 2002 to 2005, to increase production capacity from 600 to 850,000 tons a year by 3Q05. This is an investment with a high expected rate of return, in a product whose sales produce strong cash generation, which will increase CVRD's share in a market that is growing by an average of 6% a year. Mineral exploration continues to focus on the discovery of world class mineral deposits. Investment in 2Q02 quarter amounted to US\$ 8.3 million. Most of the expenditure for this year is allocated to the exploration of copper, gold, nickel, kaolin and platinum group metals. US\$ 2.7 million was spent on information technology and US\$ 0.9 million on environmental protection.

CAPITAL EXPENDITURES* - 2Q 02

By Business Area	US\$ million	%	By Category	US\$ million	%
Ferrous Minerals	91.6	55.4	Equity Investments	7.8	4.7
Logistics	25.2	15.3	Maintenance	29.0	17.6
Non Ferrous Minerals	18.5	11.2	Projects	114.7	69.5
Energy	27.5	16.6	Mineral Exploration	8.3	5.0
Others	2.4	1.5	Environmental Protection	0.9	0.5
			Information Technology	2.7	1.6
			Technological Research	1.7	1.0
Total	165.2	100.0	Total	165.2	100.0

* acquisition not included

Among the subsidiaries and affiliates in the area of ferrous minerals, Ferteco invested US\$ 2.6 million in maintenance, bringing the total to US\$ 4.9 million for 1H02. Samarco invested US\$ 3.0 million in the quarter and US\$ 9.4 million in 1H02, US\$ 6.9 million of which was spent on a roller press for pellet feed milling, which saves energy consumption in the pelletizing process.

MRN, a bauxite producer, invested US\$ 29.1 million in 2Q02 and US\$ 53.9 million in 1H02. Most of this, US\$ 42.5 million, was spent on expanding production capacity from 11 to 16.3 million tons a year, which should be concluded by the end of this year.

Alunorte invested US\$ 41.8 million in 2Q02 and US\$ 86.2 million in 1H02. Investment in expanding the production of alumina, from 1.6 million to 2.4 million tons a year, amounted to US\$ 83.5 million. This project is scheduled for completion also at the end of 2002.

Albras' capital expenditure in the quarter amounted to US\$ 4.8 million in 2Q02 and US\$ 10.2 million in 1H02. Of this total, US\$ 4.8 million was spent on a

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project to increase the productivity of the smelter.

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INDEBTEDNESS

CVRD's total debt level fell slightly, falling from US\$ 3.935 billion in 1Q02 to US\$ 3.914 billion as of June 30, 2002. This occurred despite the fact that Alunorte's debt of US\$ 455 million was consolidated into CVRD's financial statements, representing therefore an immediate increase in debt by this amount.

The Company's cash levels fell by US\$ 436 million, meaning that net debt rose from US\$ 1.927 billion to US\$ 2.342 billion at the end of 2Q02. This drop in cash was influenced by an interest on shareholders equity payment of US\$ 329 million in April and capital expenditures during 2Q02 of US\$ 215.6 million.

Debt leverage and interest coverage indicators were at very comfortable levels. Total debt amounted to 2.2 times EBITDA accumulated over the last twelve months, while total debt represented 27% of Company's enterprise value. 2Q02 EBITDA amounted to 10.6 times interest payments.

DEBT INDICATORS

	US\$ million		
	2Q 01	1Q 02	2Q 02
Gross Debt	3,557	3,935	3,914
Net Debt	2,198	1,927	2,342
Gross Debt/LTM EBITDA	1.99x	2.27x	2.20x
EBITDA/Interest Coverage	6.8x	10.8x	10.6x
Gross Debt/Total Assets	0.28x	0.27x	0.27x

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SELECTED FINANCIAL INDICATORS

	US\$ million		
	2Q 01	1Q 02	2Q 02
Gross Operating Revenues	1,029	987	1,071
Gross Margin (%)	39.8	43.7	42.2
Net Income	100	275	(14)
EBITDA	409	444	456

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EBITDA margin (%) 41.3 46.6 44.4

FINANCIAL STATEMENT

US\$ million

	2Q 01	1Q 02	2Q 02
Gross Operating Revenues	1,029	987	1,071
Value Added Tax	(38)	(34)	(44)
Net Operating Revenues	991	953	1,027
Cost of Goods Sold	(597)	(537)	(594)
Gross Income	394	416	433
Gross Margin (%)	39.8	43.7	42.2
SG&A Expenses	(53)	(59)	(64)
R&D Expenses	(10)	(9)	(12)
Employee Profit Sharing Plan	(4)	(9)	3
Others	(59)	(46)	(30)
Operational Income	268	293	330
Financial Income	17	33	44
Financial Expenses	(84)	(62)	(117)
Foreign Exchange and Monetary Gain (loss)	(150)	(3)	(312)
Others	(2)	--	(10)
Income Taxes - Current	49	(7)	3
Income Taxes - Deferred	3	(12)	126
Equity in Results of Affiliates and Joint Ventures	7	29	(37)
Change in Provisions for Losses on Equity Investments	(11)	5	(45)
Minority Interests	3	(1)	4
Net Income	100	275	(14)
Earnings per Share (US\$)	0.26	0.72	(0.04)

BALANCE SHEET

US\$ million

	1Q02	2Q02
Assets		
Current Assets	3,566	3,069
Long Term Assets	1,820	1,459

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Permanent Assets	5,100	4,733
Total	10,486	9,261
Liabilities and Stockholders' Equity		
Current Liabilities	2,364	1,915
Long Term Liabilities	3,345	3,374
Shareholders' Equity	4,777	3,972
Capital	2,709	2,944
Reserves	2,068	1,028
Total	10,486	9,261

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[LOGO] Comphania
Vale do Rio Doce

US GAAP 2Q02

"This press release may contain statements that express management's expectations about future events or results rather than historical facts. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected in forward-looking statements, and CVRD cannot give assurance that such statements will prove correct. These risks and uncertainties include factors: relating to the Brazilian economy and securities markets, which exhibit volatility and can be adversely affected by developments in other countries; relating to the iron ore business and its dependence on the global steel industry, which is cyclical in nature; and relating to the highly competitive industries in which CVRD operates. For additional information on factors that could cause CVRD's actual results to differ from expectations reflected in forward-looking statements, please see CVRD's reports filed with the Comissao de Valores Mobiliarios and the U.S. Securities and Exchange."

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COMPANHIA VALE DO RIO DOCE
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Condensed Consolidated Statements of Cash Flows for the Six-month periods ended June 30, 2002 and 2001

Condensed Consolidated Statements of Changes in Stockholders' Equity for the Six-month periods ended June 30, 2002 and 2001.....

Notes to the Condensed Consolidated Financial Information.....

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have reviewed the accompanying unaudited condensed consolidated balance sheet of Companhia Vale do Rio Doce and subsidiaries as of June 30, 2002, and the unaudited condensed consolidated statements of income, cash flows and of changes in stockholders' equity for the six-month periods ended June 30, 2002 and 2001. These financial statements are the responsibility of the Company's management. The unaudited financial information of certain affiliates, the investments in which total US\$238 million at June 30, 2002, the provision for losses on equity investments which total US\$29 at June 30, 2002, equity in earnings which total US\$4 million and US\$13 million, respectively for the six month periods ended June 30, 2002 and 2001, and change in provision for losses which total US\$33 million for the six-month period ended June 30, 2002, and that of the majority-owned shipping and ferrous alloy subsidiaries, which statements reflect total assets of US\$427 million at June 30, 2002 and total revenues of US\$143 million and US\$235 million for the six-month periods ended June 30, 2002 and 2001, respectively, were reviewed by other independent accountants whose reports thereon have been furnished to us.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews and the reports of other accountants, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Companhia Vale do Rio Doce and subsidiaries as of December 31, 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein). In our report dated March 28, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2001 is fairly stated in all material respects, in relation to the consolidated balance sheet from which

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it has been derived.

PricewaterhouseCoopers
Auditores Independentes

Rio de Janeiro, Brazil
August 14, 2002

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Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars
(Except for numbers of shares)

	June 30, 2002 ----- (Unaudited)
Assets	
Current assets	
Cash and cash equivalents	1,572
Accounts receivable:	
Related parties	118
Unrelated parties	490
Loans and advances to related parties	65
Inventories	315
Deferred income tax	290
Others	219
	----- 3,069
Property, plant and equipment, net	3,846
Investments in affiliated companies and joint ventures and other investments ...	925
Provision for losses on equity investments	(38)
Goodwill on acquisition of consolidated subsidiaries	516
Loans and advances:	
Related parties	137
Unrelated parties	95
Judicial deposits	234
Other assets	477

TOTAL	9,261 =====

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Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars
(Continued)

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(Unaud

Liabilities and stockholders' equity

Current liabilities

Suppliers	
Payroll and related charges	
Interest attributed to stockholders	
Current portion of long-term debt	
Related parties	
Unrelated parties	
Short-term debt	
Loans from related parties	
Others	

1

Long-term liabilities

Employees postretirement benefits	
Long-term debt	
Related parties	
Unrelated parties	2
Loans from related parties	
Provisions for contingencies (Note 8)	
Unrealized loss on derivative instruments	
Others	

3

Minority interests

Stockholders' equity

Preferred class A stock - 600,000,000 no-par-value shares authorized and 138,575,913 issued	
Common stock - 300,000,000 no-par-value shares authorized and 249,983,143 issued	1
Treasury stock -4,751 (2001 - 91) preferred and 4,715,170 (2001 - 4,715,170) common shares	
Additional paid-in capital	(4
Other cumulative comprehensive income	2
Appropriated retained earnings	2
Unappropriated retained earnings	

3

TOTAL

9

==

See notes to condensed consolidated financial information.

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

(Unaudited)

	Six months ended June 30	
	2002	2001
	----	----
Operating revenues, net of discounts, returns and allowances		
Iron ore and pellets	1,369	1,256
Gold	69	60
Other metals	198	178
	-----	-----
	1,636	1,494
Revenues from transportation services	242	322
Aluminum products	166	161
Other products and services	14	57
	-----	-----
	2,058	2,034
Value-added tax	(78)	(68)
	-----	-----
Net operating revenues	1,980	1,966
	-----	-----
Operating costs and expenses		
Cost of ores and metals sold	(824)	(798)
Cost of transportation services	(133)	(205)
Cost of aluminum products	(160)	(153)
Others	(14)	(43)
	-----	-----
	(1,131)	(1,199)
Selling, general and administrative expenses	(123)	(93)
Research and development	(21)	(20)
Employee profit sharing plan	(6)	(14)
Others	(76)	(81)
	-----	-----
	(1,357)	(1,407)
Operating income	623	559
	-----	-----
Non-operating income (expenses)		
Financial income	77	65
Financial expenses	(179)	(168)
Foreign exchange and monetary loss	(315)	(349)
Gain on sale of investments	--	277
Others	(10)	(2)
	-----	-----
	(427)	(177)

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Income before income taxes, equity results and minority interests	196	382
Income taxes		
Current	(4)	41
Deferred	114	33
	110	74
Equity in results of affiliates and joint ventures	(10)	14
Change in provision for losses on equity investments	(38)	(20)
Minority interests	3	4
Net income	261	454
Basic earnings per Common and Preferred Class A Share	0.68	1.18
Weighted average number of shares outstanding (thousands of shares)		
Common shares	245,268	249,975
Preferred Class A shares	138,571	134,935

See notes to condensed consolidated financial information.

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

Six mont
20

Cash flows from operating activities:

Net income.	
Adjustments to reconcile net income with cash provided by operating activities:	
Depreciation, depletion and amortization.....	
Equity in results of affiliates and joint ventures, net of dividends received.....	
Change in provision for losses on equity investments.....	
Deferred income taxes.....	
Provisions for contingencies.....	
Loss on disposals of property, plant and equipment.....	
Gain on sale of investments.....	
Pension plan.....	
Foreign exchange and monetary (gains) losses.....	
Others.....	
Decrease (increase) in assets:	
Accounts receivable.....	

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Inventor.....	
Others.....	
Increase (decrease) in liabilities:	
Suppliers	
Payroll and related charges.....	
Others.....	
Net cash provided by operating activities.....	-----
Cash flows from investing activities:	
Loans and advances receivable	
Related parties	
Additions.....	
Repayments.....	
Others.....	
Guarantees and deposits.....	
Additions to investments.....	
Additions to property, plant and equipment.....	(
Proceeds from disposals of property, plant and equipment.....	
Proceeds from disposal of investment.....	
Net cash used to acquire subsidiaries.....	-----
Net cash used in investing activities.....	(
Cash flows from financing activities:	
Short-term debt, net issuances.....	
Loans	
Related parties	
Additions.....	
Repayments.....	
Long-term debt	
Related parties.....	
Others.....	
Repayments of long-term debt	
Related parties.....	(
Others....	(
Interest attributed to stockholders.....	-----
Net cash provided by (used in) financing activities.....	-----
Increase in cash and cash equivalents.....	
Effect of exchange rate changes on cash and cash equivalents.....	(3
Cash and cash equivalents, beginning of period.....	1,
Cash and cash equivalents, end of period.....	1,
	=====
Cash paid during the period for:	
Interest on short-term debt	
Interest, net of interest capitalized of \$10 in 2002 and \$5 in 2001	
Income tax.....	
Non-cash transactions	
Special pension plan contribution in shares of CSN.....	
Exchange of loans receivable for investments.....	

See notes to condensed consolidated financial information.

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

	Shares

Preferred class A stock (including one special share)	
Balance January 1.....	138,575,913
Transfer from appropriated retained earnings.....	-

Balance June 30, 2002 and 2001.....	138,575,913

Common stock	
Balance January 1.....	249,983,143
Transfer from appropriated retained earnings.....	-

Balance June 30, 2002 and 2001.....	249,983,143

Treasury stock	
Balance January 1.....	(4,719,921)
Sales in 2001.....	-

Balance January 1.....	(4,719,921)

Additional paid-in capital	
Balance January 1.....	
Other cumulative comprehensive income	
Amounts not recognized as net periodic pension cost	
Balance January 1.....	
Excess of additional minimum liability.....	
Tax effect on above.....	
Balance January 1.....	
Cumulative translation adjustments	
Balance January 1.....	
Change in the period.....	
Balance January 1.....	
Unrealized gain on available-for-sale security	
Balance January 1.....	
Change in the period.....	
Balance January 1.....	
Adjustments relating to investments in affiliates	
Balance January 1.....	
Change in the period.....	

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Balance January 1.....	
Total other cumulative comprehensive income.....	
Appropriated retained earnings	
Balance January 1.....	
Transfer to retained earnings.....	
Transfer to capital stock.....	
Balance January 1.....	
Retained earnings	
Balance January 1.....	
Net income.....	
Interest attributed to stockholders	
Preferred class A stock (\$0.39 per share in June 2002 and \$0.68 in June 2001)	
Common stock (\$0.39 per share in June 2002 and \$0.68 in June 2001).....	
Appropriation from reserves.....	
Balance January 1.....	
Total stockholders' equity.....	----- 383,839,135 =====
Comprehensive income is comprised as follows:	
Net income.....	
Amounts not recognized as net periodic pension cost.....	
Cumulative translation adjustments.....	
Unrealized loss on available-for-sale security.....	
Adjustments relating to investments in affiliates.....	
Total comprehensive income.....	

See notes to condensed consolidated financial information.

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

1 The Company and its operations

Companhia Vale do Rio Doce CVRD is a limited liability company, duly organized and existing under the laws of the Federative Republic of Brazil. Our operations are carried out through CVRD and its subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production and logistics, as well as forestry, aluminum and steel activities. Further details of our operations and those of our joint ventures and affiliates are described in Note 9.

The main consolidated operating subsidiaries are as follows:

Head office

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

2 Basis of consolidation

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

3 Summary of significant accounting policies

Our condensed consolidated interim financial information as of June 30, 2002 and for the periods of six months ended June 30, 2002 and 2001 is unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods. The results of operations for the six month period ended June 30, 2002 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2002.

This condensed interim financial information should be read in conjunction with our consolidated financial statements for the year ended December 31, 2001.

4 Recently issued accounting pronouncement

In accordance with SFAS 142 "Goodwill and Other Intangible Assets", as from January 1, 2002 (or immediately for acquisitions after June 30, 2001):

- o Goodwill relative to consolidated subsidiaries is no longer amortized, but is aggregated to reporting units and subject at least annually to testing for impairment, considering the reporting unit as a whole.

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- o Goodwill relative to affiliates and joint ventures is no longer amortized but is allocated to the respective investment and included in the measurement of the gain or loss on sale, or the loss arising from an other than temporary decline in the value of the investment.
- o Goodwill charged against earnings for the six months ended June 30, 2001 totaled \$14 relating to subsidiaries and \$8 relating to equity investees which were classified as other operating expenses and equity in results of affiliates and joint ventures, respectively.

SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" has been applied as from January 1, 2002 and the provisions thereof are applied prospectively.

5 Income tax

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

	Six months ended June 30 - %	
	2002	2001
Federal income tax	25.00	25.00
Social contribution (*)	9.00	9.00
Composite tax rate	34.00	34.00

(*) From February 1, 2000 to December 31, 2002 the social contribution rate is 9% and as from January 1, 2003 it will be 8%.

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

Income before income taxes, equity results and minority interests.....	=====
Federal income tax and social contribution expense at statutory enacted rates.....	=====
Adjustments to derive effective tax rate:	
Tax benefit on interest attributed to stockholders.....	-----
Exempt foreign income.....	-----
Tax incentives.....	-----
Valuation allowance reversal (provision).....	-----
Adjustments to reflect expected annual effective rate.....	-----
Other non-taxable gains	-----
Federal income tax and social contribution expense in consolidated statements of income.....	-----

=====

In 2000, we obtained approval of certain tax incentives relative to our iron ore and manganese operations in Carajas. The incentives comprise full income tax exemption on defined production levels up to 2005 and partial exemption up to 2013. An amount equal to the tax saving must be appropriated to a reserve account within stockholders' equity and may not be distributed in the form of cash dividends.

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6 Inventories

	June 30, 2002	December 31, 2001
	-----	-----
Finished products		
Iron ore	81	110
Gold	5	5
Manganese	21	27
Ferrous alloys	18	28
Others	31	16
Spare parts and maintenance supplies	159	137
	-----	-----
	315	323
	=====	=====

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7 Investments

	30, 2002			
			(1) Net	
	Participation	(Net	income	
	in capital (%)	equity	(loss)	for the
	-----	-----	-----	-----
	voting	total		
	-----	-----		
Investments in affiliated companies and joint ventures				
Steel				
Usinas Siderurgicas de Minas Gerais S.A - USIMINAS (2).....	22.99	11.46	140	(70)
Companhia Siderurgica Nacional - CSN (3)	-	-	-	-
Companhia Siderurgica de Tubarao - CST (4).....	20.51	22.85	48	(22)
California Steel Industries Inc. - CSI	50.00	50.00	208	13

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Paper and pulp				
Celulose Nipo-Brasileira S.A. - CENIBRA (3).....	-	-	-	-
Bahia-Sul Celulose S.A - BSC (3).....	-	-	-	-
Aluminum and bauxite				
Mineracao Rio do Norte S.A. - MRN.....	40.00	40.00	377	47
Valesul Aluminio S.A. - VALESUL.....	54.51	54.51	83	7
Alumina do Norte do Brasil S.A. - ALUNORTE	62.18	57.58	-	(51)
Pellets				
Companhia Nipo-Brasileira de Pelotizacao - NIBRASCO.....	51.11	51.00	28	2
Companhia Hispano-Brasileira de Pelotizacao - HISPANOBRAS...	51.00	50.89	31	6
Companhia Coreano Brasileira de Pelotizacao - KOBRASCO	50.00	50.00	(14)	(14)
Companhia Italo-Brasileira de Pelotizacao - ITABRASCO.....	51.00	50.90	24	3
Gulf Industrial Investment Company - GIIC.....	50.00	50.00	68	5
SAMARCO Mineracao S.A.....	50.00	50.00	333	16
Others				
Fertilizantes Fosfatados S.A. - FOSFERTIL (5).....	10.96	10.96	220	20
Caemi Mineracao e Metalurgia S.A.....	50.00	16.82	1,385	4
Salobo Metais S.A (6).....	50.00	50.00	-	-
Ferrovia Centro-Atlantica S.A - FCA.....	20.00	45.65	-	-
Others.....				
Investments at cost				
SIDERAR (market value \$11 and \$31 in June 30, 2002 and 2001, respectively).....	4.85	4.85		
Unrealized holding gains on equity security.....				
MRS Logistica S.A.....	17.19	9.76		
Others.....				
Change in provision for losses on equity investments:				
Aluminio Brasileiro S.A. - ALBRAS.....				
Cia Ferroviaria do Nordeste				
Companhia Coreano Brasileira de Pelotizacao - KOBRASCO				
Ferrobán				
Ferrovia Centro-Atlantica S.A. - FCA				
MRS Logistica S.A.				

(1) Based on US GAAP financial information.

(2) Value based on quoted market price at June 30, 2002 is \$57 compared to net book value of \$1

(3) Investments sold in 2001

(4) Value based on quoted market price at June 30, 2002 is \$114 compared to net book value of \$

(5) Value based on quoted market price at June 30, 2002 is \$37 compared to net book value of \$2

(6) Development stage enterprise

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accordance with SFAS 142, included in the above investments is as follows:

Investee	June 30, 2002
-----	-----
Alumina do Norte do Brasil S.A. - ALUNORTE	--
Samarco Mineracao S.A.....	34

	34
	=====

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

	CAEMI (*)		ALUNORTE		
	June 30, 2002	December 31, 2001	June 30, 2002	December 31, 2001	June 30, 2002
Balance Sheet					
Current assets.....	348	398	-	159	138
Mining rights.....	1,084	1,325			
Other noncurrent assets.....	628	729	-	509	449
Current liabilities.....	(305)	(307)	-	(95)	(188)
Noncurrent liabilities.....	(370)	(427)	-	(431)	(442)
Stockholders' equity.....	1,385	1,718	-	142	(43)
Our participation.....	16.82%	16.82%	-	45.58%	51.00%
Investments.....	233	289	-	65	(22)

	CAEMI	ALUNORTE		ALBRAS
	2002	2002	2001	2002
Statement of Operations				
Net sales.....	360	138	157	260
Costs and expenses.....	(349)	(189)	(197)	(284)
Income (loss) before income taxes	11	(51)	(40)	(24)
Income taxes.....	(8)	-	-	-
Equity in results of affiliates..	1	-	-	-
Net income (loss)	4	(51)	(40)	(24)
Our participation	16.85%	44.96%	47.82%	51.00%
Participation in results.....	1	(23)	(19)	(12)
Change in provision for losses.....	-	-	-	-
Equity in results.....	1	(23)	(19)	(12)

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(*) The fair value allocation of the initial investment in Caemi is still under analysis.

The provision for losses on equity investments of \$38 and \$9 at June 30, 2002 and December 31, 2001, respectively, relates to our investments in affiliates which have reported negative stockholders' equity in their financial statements prepared in accordance with US GAAP and in circumstances where we have assumed commitments to fund our share of the accumulated losses, if necessary, through additional capital contributions or other means. Accordingly we (a) first reduce the value of the investment to zero and (b) subsequently provide for our portion of negative equity. The provision is comprised as follows:

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	Ferroban	MRS Logistica	Cia Coreano- Brasileira de Pelotizacao	Ferrovias Centro- Atlantica	Ferrovias do Sudeste
Provision at January 1, 2001	-	-	-	-	-
Change in provision - results	-	-	-	-	-
Payment of capital	-	-	-	-	-
Translation adjustment	-	-	-	-	-
Provision at June 30, 2001	-	-	-	-	-
Provision at January 1, 2002	-	-	-	-	-
Change in provision - results	(2)	(7)	(5)	(10)	-
Payment of capital	-	-	-	10	-
Translation adjustment	-	-	(1)	-	-
Provision at June 30, 2002	(2)	(7)	(6)	-	-

Dividends received from investees aggregated \$55 and \$96 in six month periods ended June 30, 2002 and 2001, respectively.

8 Commitments and contingencies

(a) At June 30, 2002, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of \$531, of which \$417 is denominated in United States dollars and the remaining \$114 in local currency. These guarantees include \$357 relative to ALBRAS.

(b) We are defendants in numerous legal actions in the normal course of

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business. Based on the advice of our legal counsel, management believes that the provision made against contingent losses is sufficient to cover probable losses in connection with such actions.

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

	June 30, 2002		December
	Provisions for contingencies	Judicial deposits	Provisions for contingencies
Labor claims.....	144	54	147
Civil claims.....	102	37	123
Tax - related actions	193	141	177
Others.....	8	2	5
	447	234	452
Long-term.....	447	234	452

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

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

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

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

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

Contingencies settled in the six months period ended June 30, 2002 and 2001 aggregated \$40 and \$22, respectively, and additional provisions aggregated \$102 and \$107 in the six months periods ended

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June 30, 2002 and 2001, respectively.

- (c) We are defendants in two actions seeking substantial compensatory damages brought by the Municipality of Itabira, State of Minas Gerais, which we believe are without merit. Due to the remote likelihood that any loss will arise therefrom no provision has been made in the financial statements with respect to these two actions.
- (d) We are committed under a take-or-pay agreement to take delivery of approximately 207,060 metric tons per year of aluminum from ALBRAS at market prices. This estimate is based on 51% of ALBRAS expected production and, at a market price of \$1,375.00 per metric ton at June 30, 2002, represents an annual commitment of \$285. We are also committed to take-or-pay 683,135 metric tons per year of alumina produced by ALUNORTE which at a market price of \$170.28 per metric ton at June 30, 2002, represents an annual commitment of \$116. Actual take from ALBRAS was \$128 during the six month periods ended June 30, 2002 and 2001, and direct from ALUNORTE (net of take ceded to ALBRAS) was \$23 and \$14 during the six month periods ended June 30, 2002 and 2001 respectively.
- (e) We and BNDES entered into a contract, known as the Mineral Risk Contract, in June 1997, relating to prospecting authorizations for mining regions where drilling and exploration are still in their early stages. The Mineral Risk Contract provides for the joint development of certain unexplored mineral deposits in approximately two million identified hectares of land in the Carajas region, as well as proportional participation in any financial benefits earned from the development of such resources. Iron ore and manganese deposits already identified and subject to development are specifically excluded from the Mineral Risk Contract.
- (f) At the time of our privatization in 1997, we issued shareholder revenue interests known in Brazil as "debentures" to our then-existing shareholders, including the Brazilian Government. The terms of the "debentures", which are more fully described in our consolidated financial statements for the year ended December 31, 2001, were set to ensure that our pre-privatization shareholders, including the Brazilian Government, would participate alongside us in potential future financial benefits that we are able to derive from exploiting our mineral resources.
- (g) At June 30, 2002 we have provided \$27 for environmental liabilities. Such provisions relate to site restoration at mines already closed or which are expected to be closed in the next two years.

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

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Consolidated net income and principal assets are reconciled as follows:

	Ferrous	Non ferrous	Logistics	Fores- try	A m
RESULTS					
Revenues - Export.....	2,001	86	19	-	
Revenues - Domestic.....	485	43	179	3	
Cost and expenses.....	(2,086)	(113)	(153)	(8)	
Interest revenue.....	93	-	6	-	
Interest expense.....	(196)	(3)	(3)	-	
Depreciation.....	(98)	(19)	(9)	(1)	
Pension plan.....	(6)	-	-	-	
Equity.....	14	-	(42)	-	
Income taxes.....	113	-	(1)	-	
Net income.....	320	(6)	(4)	(6)	
Sales classified by geographic destination:					
Export market					
Latin America.....	217	-	12	-	
United States.....	147	29	3	-	
Europe.....	851	55	2	-	
Middle East.....	85	-	-	-	
Japan.....	243	1	-	-	
Asia, other than Japan.....	458	1	2	-	
Domestic market.....	2,001	86	19	-	
	485	43	179	3	
	2,486	129	198	3	
Assets :					
Property, plant and equipment, net.....	2,709	392	252	83	
Capital expenditures.....	283	18	26	-	
Investments in affiliated companies and joint ventures and other investments.....	573	-	(2)	-	
Capital employed.....	2,036	345	248	40	
EBITDA.....	747	38	90	-	

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	Ferrous	Non ferrous	Logistics	Fores- try
RESULTS				
Revenues - Export.....	1,617	81	97	49
Revenues - Domestic.....	501	44	198	6
Cost and expenses.....	(1,911)	(103)	(188)	128
Interest revenue.....	87	9	-	6
Interest expense.....	(193)	(7)	(5)	-
Depreciation.....	(98)	(17)	(12)	(1)
Pension plan.....	(14)	(2)	(1)	-
Equity.....	14	-	(29)	11
Income taxes.....	75	-	-	(1)
Net income.....	78	5	60	198
 Sales classified by geographic destination:				
Export market				
Latin America.....	171	-	38	-
United States.....	79	60	9	43
Europe.....	627	19	35	6
Middle East.....	103	-	-	-
Japan.....	261	2	9	-
Asia, other than Japan.....	376	-	6	-
Domestic market.....	501	44	198	6
Assets :				
Property, plant and equipment, net.....	2,924	271	345	131
Capital expenditures.....	246	18	16	1
Investments in affiliated companies and joint ventures and other investments.....	460	22	135	173
Capital employed.....	3,043	264	363	115
EBITDA.....	695	35	114	-

- (1) - Includes \$170 profit on sale of Bahia Sul Celulose S.A. - BSC.
- (2) - Includes \$107 profit on sale of Companhia Siderurgica Nacional - CSN.
- (3) - Up to September 2001 includes pulp and paper operation.

For more information on segments see the segment disclosures included in our consolidated financial statements for the year ended December 31, 2001.

10 Derivative financial instruments

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

We monitor and evaluate our derivative positions on a regular basis and adjust our strategy in response to market conditions. We also periodically review the credit limits and credit worthiness of our

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counter-parties in these transactions. In view of the policies and practices established for operations with derivatives, management considers the occurrence of non-measurable risk situations as unlikely.

As from January 1, 2001 we adopted SFAS 133 "Accounting for Derivative Financial Instruments and Hedging Activities", as amended by SFAS 137 and SFAS 138, and began to recognize all derivatives on our balance sheet at fair value. Accordingly we recognized an initial transition adjustment of \$3 as a charge in our statement of income relative to net unrealized losses on contracts open as of December 31, 2000. Subsequently to January 1, 2001 all derivatives have been adjusted to fair market value at each balance sheet date and the change included in current earnings.

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For the six month periods ended June 30, 2002 and 2001 the movement of unrealized and realized gains or losses on derivative financial instruments is as follows:

	Gold	Interest rates (Cu
Initial unrealized gains and losses at January 1, 2001	9	(8)
Change in the period	21	(31)
(Gains) and losses realized in the period	(4)	2
Unrealized gains and (losses) at June 30, 2001	26	(37)
Unrealized gains and losses at January 1, 2002	7	(36)
Change in the period	(11)	21
(Gains) and losses realized in the period	1	(13)
Unrealized gains and (losses) at June 30, 2002	(3)	(28)

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

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

Final maturity dates for the above instruments are as follows:

Gold.....	December 2006
Interest rates (libor).....	May 2007
Currencies.....	May 2005

(a) Interest Rate and Exchange Rate Risk

Interest rate risks mainly relate to that part of the debt borrowed at floating rates. The foreign currency debt is largely subject to fluctuations in the London Interbank Offered Rate - LIBOR. That

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portion of local currency denominated debt that is subject to floating rates is linked to the Long Term Interest Rate - TJLP, fixed quarterly by the Brazilian Central Bank. Since May 1998, we have used derivative instruments to protect ourselves against fluctuations in the LIBOR rate.

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

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

From time to time we enter into foreign exchange derivative swap transactions seeking to change the characteristics of our real-denominated cash investments to US dollar-indexed instruments. The extent of such transactions depends on our perception of market and currency risk, but is never speculative in nature. All such operations are marked-to-market at each balance sheet date and the effect included in financial income or expense. During the six months ended June 30, 2002 and 2001 our use of such instruments was not significant.

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(b) Commodity Price Risk

We also use derivative instruments to manage exposure to changing gold prices. Derivatives allow the fixing of an average minimum profit level for future gold production. However, they may also have the effect of eliminating potential gains on certain price increases in the spot market for gold. We manage our contract positions actively, and the results are reviewed at least monthly, allowing adjustments to targets and strategy to be made in response to changing market conditions.

In the case of gold derivatives, our policy has been to settle all contracts through cash payments or receipts, without physical delivery of product.

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

In December 2000, we introduced a new risk management system to evaluate, measure and manage the market risk associated with our financial activities, using the value-at-risk - VAR method. VAR incorporates a variety of risk factors which affect our results,

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including commodity prices, interest and exchange rate volatilities, as well as the correlation between all these variables.

11 Long-term Debt

On March 8, 2002, we issued \$300 of 8.625% Enhanced Guaranteed Notes due March 8, 2007.

In March 2002, the BNDES sold shares it held in CVRD and at June 30, 2002 was no longer considered a related party.

12 Subsequent events

(a) Sale of Pulp Assets

On June 10, 2002, CVRD and its subsidiary Florestas Rio Doce S.A (FRDSA) signed a letter of intent for the sale of assets (planted eucalyptus forest lands) owned by FRDSA in the Sao Mateus region of the state of Espirito Santo, to Aracruz Celulose S.A. (Aracruz) and Bahia Sul Celulose S.A. (Bahia Sul).

The completion of this sale is conditional on a forest, legal and financial audit, negotiation and formalization of all the contracts and other documents necessary for the transaction.

(b) CVRD and Antofagasta establish a Joint Venture

On July 19, 2002, CVRD and Antofagasta Plc (Antofagasta), one of the largest copper producers in Chile, constituted Cordillera de las Minas S.A. (Cordillera), whose purpose is to develop mineral research and exploration activities in the south of Peru, near Cuzco. The area of potential mining covers approximately 60 thousand square kilometers.

On July 18, 2002 CVRD received the option to acquire up to 50% of the capital of Cordillera, which holds the rights to mineral exploration in the area mentioned above, through a \$7 investment over a three-year period for geological research and exploration of Cordillera, and the right to significant influence over the operations of Cordillera, particularly in relation to the future investments.

(c) Acquisition of Mineracao Vera Cruz (MVC)

On July 1, 2002 CVRD acquired the remaining 64% of the shares of MVC, from Parapanema group for \$2.

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Members of the Board of Directors, Audit Committee, Chief Executive Officer and Executive Directors

Board of Directors
Luiz Tarquinio Sardinha Ferro
Chairman

Chief Executive Officer
Roger Agnelli

Erik Persson

Director of Legal Affairs

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Eduardo de Carvalho Duarte
Chief Accountant