

US GAAP



**Companhia  
Vale do Rio Doce**

## Press Release 1Q02

### COMPANHIA VALE DO RIO DOCE FIRST QUARTER PERFORMANCE IN 2002

*The financial and operational information contained in this press release, except whether 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 Mineração, Pará Pigmentos, Docenave, Aluvale, Florestas Rio Doce, Celmar, Rio Doce Europa, Itaco and CVRD Overseas.*

Rio de Janeiro, May 15, 2002 – For the first quarter of 2002, Companhia Vale do Rio Doce (CVRD) has presented a very solid performance. Net earnings, excluding non-recurrent exceptional items, was US\$ 304 million. Net earnings, including non-recurrent exceptional items, was US\$ 275 million.

Gross revenues totaled US\$ 987 million and cash generation, as measured by EBITDA (earnings before interest, taxes, depreciation and amortization), amounted to US\$ 444 million. EBITDA margin, the ratio between EBITDA and net revenues, amounted to 46.6%, confirming CVRD's capacity for converting revenues into operating profit, given its operational excellence.

These results were obtained against the background of an appreciating Real - against the US dollar - which had an unfavourable influence on the behaviour of revenues, EBITDA and net earnings. At the same time, earnings were not boosted by any non-recurring factors, such as capital gains derived from the sale of assets.

As of March 31, 2002, the Company's cash holdings amounted to US\$ 2.008 billion, net debt being US\$ 1.778 billion. Net debt was equal to 1.03 times last twelve months EBITDA.

Iron ore and pellet shipments in the first quarter amounted to 38.019 million tons.

Capital expenditure by the Parent Company totalled US\$ 157.6 million. Investment in greenfield (São Luís, Sossego, and hydroelectric power plants) and brownfield projects (Gongo Soco iron ore mine, Taquari-Vassouras potash mine, and port facilities) amounted to US\$ 81.1 million.

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

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## RELEVANT EVENTS

On the completion of the global offering of CVRD's common shares belonging to the Brazilian Federal Government and the BNDES, a US\$ 1.9 billion transaction, the Company's capital free float rose to 58.5%, 69% of this being held by foreign investors. CVRD's common shares began trading on the New York Stock Exchange (NYSE) on March 21, 2002, in the form of ADRs level III, ticker code RIO. As consequence of this successful deal, there was a surge in liquidity of CVRD shares traded on Bovespa and NYSE.

In March, CVRD successfully completed a US\$ 300 million 5-year bond issue with a spread of 455 basis points over US Treasuries. Despite the rise seen over the last few weeks in the Emerging Market Bond Index Brazil (EMBI Brazil), which reflects Brazilian sovereign debt spreads, bonds issued by CVRD continue to trade above their initial issue price, reflecting the confidence of capital markets in the Company's solid financial situation.

The São Luís pellet plant was inaugurated in March and has a production capacity of 6 million tpy. The plant is still in the experimental operational phase, expected to begin commercial production in June this year, thus constituting a new cash generation platform for the Company.

The construction works for development of the Sossego copper mine started this quarter. Sossego is expected to be commissioned in 2004 to produce 140,000 tons of copper concentrate and 3 tons of gold per year.

In May, CVRD acquired the stake owned by Anglo American plc in Salobo Metais for US\$ 50.9 million, so obtaining full ownership of the company. The pre-feasibility study for the Salobo copper project is due to be completed by the end of 2002.

CVRD has signed a co-operation agreement with Nucor, the largest steelworks in the US, with a view to jointly exploiting opportunities in the production of metallics.

## SHORT TERM PROSPECTS

There are growing indications of the start of a synchronized global recovery, with the exception of Japan, although it is expected to be slower than the recovery seen in 1999.

In the USA, Europe and Emerging Asia, leading indicators of economic activity, growing consumer and business confidence levels and the behavior of industrial output, all suggest that the global economy is on the road to recovery, which will have positive implications for ore and metal demand. In Brazil's case, despite the fact that economic recovery is proceeding more slowly than previously predicted, there is no doubt that it is nonetheless happening.

Global production of crude steel, as reported by the International Iron and Steel Institute (IISI), increased by 2.1% in 1Q02 compared to the same period in the previous year. The most notable growth was seen in Asia, where production expanded by 10.7%, more than compensating for the cutback in other regions, such as the European Union (-5%) and North America (-4.8%). Production in China was up by a substantial 26%, Taiwan 6.8%, and South Korea 2.9%, while production in Japan was down by 3.1%.

1Q02 imports by China, totalled 23.8 million tons, and were up 21.9% yoy, helping to sustain the strong demand for iron ore.

Signs of recovery in the demand for pellets began to appear earlier than expected, leading CVRD to alter its original production plans for 2002. Basically, it will no longer be necessary to shut down production at the Company's pellet plants over the next quarters to prevent accumulation of inventories, even with the São Luís pellet plant coming fully on stream from the beginning of June this year.



The US Geological Survey leading indicator of non ferrous metals prices, which usually anticipates commodity prices three quarters ahead, has been showing rises in recent months, despite the growth in inventory levels. As a matter of fact, metals prices are already recovering since November 2001, but a stronger recovery is expected to take place in 2H02.

Persistently low nominal interest rates have led gold prices to appreciate significantly, and these are expected to remain around US\$ 300 per troy ounce for the short term.

## SALES VOLUME AND REVENUES

Iron ore and pellet sales volume in 1Q02, counting the shipments of CVRD, its subsidiaries and affiliates, excluding inter-company transactions, such as the sale of pellet feed to the pellet joint ventures (Nibrasco, Itabrasco, Hispanobras, Kobrasco), amounted to 38.019 million tons in 1Q02. They were 15% higher yoy and 1.7% lower qoq. These sales affect the results of the Company either directly, or indirectly through equity income.

| CONSOLIDATED SALES OF IRON ORE AND PELLETS |               |               |               |
|--|---------------|---------------|---------------|
|  | thousand tons |               |               |
|  | 1Q 01         | 4Q 01         | 1Q 02         |
| <b>Iron Ore</b>                            |               |               |               |
| Parent Company                             | 21,394        | 25,294        | 25,787        |
| Samitri                                    | 3,657         | -             | -             |
| Samarco *                                  | 195           | 272           | 336           |
| Urucum *                                   | 162           | 186           | 233           |
| Ferteco *                                  | -             | 3,639         | 2,503         |
| MBR *                                      | -             | -             | 1,384         |
| QCM *                                      | -             | -             | 68            |
| <b>Total</b>                               | <b>25,408</b> | <b>29,391</b> | <b>30,311</b> |
| <b>Pellets</b>                             |               |               |               |
| Parent Company + JVs                       | 5,816         | 5,626         | 5,279         |
| Samarco *                                  | 1,470         | 1,121         | 1,315         |
| Ferteco *                                  | -             | 2,130         | 619           |
| GIIC *                                     | 372           | 392           | 412           |
| QCM *                                      | -             | -             | 83            |
| <b>Total</b>                               | <b>7,658</b>  | <b>9,269</b>  | <b>7,708</b>  |
| <b>Total</b>                               | <b>33,066</b> | <b>38,660</b> | <b>38,019</b> |

\* sales attributed in proportion to size of stake held by CVRD

JVs: Nibrasco, Itabrasco, Hispanobras and Kobrasco

Samitri: acquired on May 30, 2000 and consolidated into CVRD on October 1, 2001

Samarco: acquired on May 30, 2000

GIIC: acquired on October 9, 2000

Ferteco: acquired on April 27, 2001

MBR and QCM: Caemi acquired on December 07, 2001

Some 85% of iron ore and pellets shipments were exported. Sales of iron ore amounted to 30.311 million tons, while sales of pellets came to 7.708 million tons.

Iron ore and pellet sales, computed according to US GAAP consolidation criteria, amounted to 36.716 million tons in 1Q02 against 37.986 million tons in 4Q01 and 34.433 million tons in 1Q01.



Sales of gold amounted to 115,455 ounces in 1Q02, compared to 141,144 in 4Q01 and 108,253 in 1Q01.

General cargo (products other than iron ore and pellets) transported by railroad, measured in net ton kilometres (ntk), amounted to 5.2 billion ntk (Vitoria a Minas 2.7 billion ntk, Carajás 665 million ntk and Centro-Atlântica 1.8 billion ntk). This performance was practically the same as in 4Q01 and 5.4% higher than 1Q01. General cargo handling in the ports and terminals of CVRD was 12.7% down compared to 4Q01, but 9.1% higher than that reported in 1Q01.

| <b>GENERAL CARGO RAILROAD TRANSPORTATION</b> |              |              |              |
|--|--------------|--------------|--------------|
|  | million ntk  |              |              |
|  | 1Q 01        | 4Q 01        | 1Q 02        |
| EF Vitória a Minas                           | 2,643        | 2,791        | 2,737        |
| EF Carajás                                   | 356          | 423          | 665          |
| <b>Total Parent Company</b>                  | <b>2,999</b> | <b>3,214</b> | <b>3,402</b> |
| Ferrovias Centro Atlântica                   | 1,962        | 1,993        | 1,829        |
| <b>Total</b>                                 | <b>4,961</b> | <b>5,207</b> | <b>5,231</b> |

Gross revenues in 1Q02 of US\$ 987 million were slightly lower than figure of US\$ 1.005 billion reported in the same quarter last year.

Sales of iron ore and pellets amounted to US\$ 666 million, 67% of total revenues, up 15% on 1Q01. Transportation services generated revenues of US\$ 111 million, down US\$ 80 million YoY. The cutback in activities at Docenave and the acquisition of Ferteco, which therefore ceased to be a client of CVRD, explains this fall in revenue. Another important change came as the result of the divestment of paper and pulp assets, with revenues from the sale of wood and pulp dropping from a previous US\$ 24 million in 1Q01 to US\$ 1 million in 1Q02.

| <b>VOLUME SOLD - US GAAP</b> |               |         |         |
|------------------------------|---------------|---------|---------|
|                              | Thousand tons |         |         |
|                              | 1Q 01         | 4Q 01   | 1Q 02   |
| Iron Ore                     | 30,804        | 34,154  | 33,001  |
| Pellets                      | 3,629         | 3,832   | 3,715   |
| Gold (ounces)                | 108,253       | 141,144 | 115,455 |
| Manganese                    | 340           | 326     | 209     |
| Ferro-alloys                 | 313           | 155     | 100     |
| Alumina                      | 36            | 57      | 118     |
| Aluminum                     | 43            | 32      | 33      |
| Bauxite                      | 265           | 283     | 294     |
| Potash                       | 133           | 95      | 113     |
| Kaolin                       | 81            | 87      | 63      |



### GROSS REVENUE BY PRODUCT

|                            | million US\$ |              |            |
|----------------------------|--------------|--------------|------------|
|                            | 1Q 01        | 4Q 01        | 1Q 02      |
| Iron Ore                   | 465          | 504          | 542        |
| Pellets                    | 115          | 159          | 124        |
| Gold                       | 28           | 39           | 34         |
| Transportation             | 191          | 144          | 111        |
| Aluminum                   | 83           | 60           | 68         |
| Manganese and Ferro-alloys | 74           | 114          | 73         |
| Potash                     | 19           | 13           | 16         |
| Kaolin                     | 1            | -            | 11         |
| Wood and Pulp              | 24           | -            | 1          |
| Others                     | 5            | -            | 7          |
| <b>Total</b>               | <b>1,005</b> | <b>1,033</b> | <b>987</b> |

### EARNINGS OF US\$ 304 MILLION

1Q02 net earnings amounted to US\$ 304 million, down 14.1% on that obtained in 1Q01, of US\$ 354 million.

The main reason for this fall was that in 1Q01, earnings were strongly boosted by capital gains from asset sales - CVRD's stakes in Bahia Sul and CSN. An increase of US\$ 43 million in income tax provision and a reduction of US\$ 22 million in net revenues also contributed to producing a lower result in 1Q02. On the other hand, the cost of goods sold (COGS) in 1Q02 was down US\$ 65 million, YoY.

1Q02 net earnings including exceptional non-recurrent items – provisions for tax contingencies at Docepar US\$ 24 million, provisions for losses in equity investments, FCA US\$ 13 million and Valepontocom US\$ 7 million and the reversion of provision for contingencies of US\$ 13 million – amounted to US\$ 275 million.

### EBITDA OF US\$ 444 MILLION

EBITDA generated in 1Q02 amounted to US\$ 444 million, up 15.3% on 4Q01, but lower than that reported in 1Q01, of US\$ 489 million.

The drop of US\$ 61 million in dividends received from subsidiaries and affiliates, the rise of US\$ 19 million in sales and administrative expenses, mainly as a result of restructuring costs, and the US\$ 18 million fall in gross revenues, were the main factors behind the lower EBITDA in the first quarter, when compared with the same period a year earlier.



| <b>EBITDA COMPOSITION</b>                 |              |
|---|--------------|
|   | US\$ million |
|   | 1Q 02        |
| Net operating revenues                    | 953          |
| Cost of goods sold                        | (537)        |
| SG&A expenses                             | (59)         |
| R&D expenses                              | (9)          |
| Employee profit sharing plan              | (9)          |
| Other operational revenues/expenses       | (46)         |
| Adjustment for exceptional non-cash items | 60           |
| <b>EBIT</b>                               | <b>353</b>   |
| Depreciation, depletion and amortization  | 66           |
| Dividends from non-consolidated companies | 25           |
| <b>EBITDA</b>                             | <b>444</b>   |

The EBITDA breakdown in 1Q02 by business area was as follows: ferrous minerals 78.6%, logistics 14.2%, aluminum 4.1%, non-ferrous minerals 2.7% and steel 0.4%. The contribution from steel came from dividends received from non-consolidated companies.

| <b>EBITDA BY BUSINESS AREA</b> |              |            |            |
|--------------------------------|--------------|------------|------------|
|                                | million US\$ |            |            |
|                                | 1Q 01        | 4Q 01      | 1Q 02      |
| Ferrous Minerals               | 379          | 317        | 349        |
| Non- Ferrous Minerals          | 17           | 13         | 12         |
| Logistics                      | 44           | 45         | 63         |
| Aluminum                       | 25           | 9          | 18         |
| Steel                          | 24           | 1          | 2          |
| <b>Total</b>                   | <b>489</b>   | <b>385</b> | <b>444</b> |

## CAPITAL EXPENDITURES

Capital expenditures of the Parent Company in 1Q02 amounted to US\$ 157.6 million. Project investments of US\$ 81.1 million, accounted for 51.5% of this sum.

Expenditure on projects in the area of iron ore amounted to US\$ 43.6 million. US\$ 15.5 million was invested in the construction of the São Luís pellet plant, US\$ 14.3 million on the infrastructure needed for its operation, and US\$ 10.7 million on iron ore logistics (locomotives, pier III at the port of Ponta da Madeira and enlargement of the stock yards).

Investment in hydroelectric power plants absorbed US\$ 22.3 million, US\$ 13.8 million on Aimorés, US\$ 4.3 million on Candonga, US\$ 3.5 million on Funil and the remainder on other projects still in the development phase where construction has yet to begin (Capim Branco I & II and Foz do Chapecó). Logistics projects absorbed US\$ 10 million and US\$ 1.6 million was spent on expanding production in the potash mine.

US\$ 3.4 million of capital was injected into Mineração Serra do Sossego for financing the development of the copper mine.



Investment in mineral exploration amounted to US\$ 5 million, while US\$ 3.8 million was spent on information technology and US\$ 2.6 million on environmental protection.

| CAPITAL EXPENDITURES - PARENT COMPANY - 1Q 02 |              |               |                        |              |               |
|---|--------------|---------------|------------------------|--------------|---------------|
| By Business Area                              | US\$ million | %             | By Category            | US\$ million | %             |
| Ferrous Minerals                              | 104.7        | 66.4%         | Equity investments     | 3.1          | 2.0%          |
| Transportation                                | 13.7         | 8.7%          | Maintenance            | 60.7         | 38.5%         |
| Non-Ferrous Minerals                          | 12.2         | 7.7%          | Projects               | 81.1         | 51.5%         |
| Energy  | 22.7         | 14.4%         | Mineral exploration    | 5.0          | 3.2%          |
| Others  | 4.4          | 2.8%          | Environment            | 2.6          | 1.7%          |
|   |              |               | Information Technology | 3.8          | 2.4%          |
|   |              |               | Technological Research | 1.3          | 0.9%          |
| <b>Total</b>                                  | <b>157.6</b> | <b>100.0%</b> | <b>Total</b>           | <b>157.6</b> | <b>100.0%</b> |

Mineração Rio do Norte (MRN) and Alunorte, affiliated companies of CVRD, continued to invest in their capacity expansion projects, respective expenditure being US\$ 34.3 million and US\$ 39.4 million. MRN is expanding its bauxite production capacity from 11 million tpy to 16.3 million tons tpy while Alunorte is increasing capacity of its alumina refinery from 1.6 million tpy to 2.4 million tpy. Both MRN and Alunorte brownfield projects have low capex cost per ton, US\$ 34 and US\$ 347, respectively.

## DEBT

Despite the investments carried out in 2001 and the dividend payment of US\$ 1.066 billion, the Company's net debt position fell slightly between 1Q01 and 1Q02, from US\$ 1.864 billion to US\$ 1.778 billion.

As of March 31, 2002, CVRD's total debt amounted to US\$ 3.786 billion. Net debt corresponded to 27% of asset book value and just 1.03 times EBITDA accumulated in the past twelve months. EBITDA in 1Q02 was 10.8 times interest paid, reflecting a very comfortable level of interest rate coverage.

| SELECTED FINANCIAL INDICATORS                |       |       |       | million US\$ |
|--|-------|-------|-------|--------------|
|  | 1Q 01 | 4Q 01 | 1Q 02 |              |
| Gross Operating Revenues                     | 1,005 | 1,033 | 987   |              |
| Gross Margin (%)                             | 38.3  | 38.4  | 43.7  |              |
| Net Earnings*                                | 354   | 702   | 275   |              |
| Net Earnings per share (US\$)*               | 0.92  | 1.82  | 0.72  |              |
| EBITDA                                       | 489   | 385   | 444   |              |
| EBITDA Margin (%)                            | 50.2  | 38.8  | 46.6  |              |
| Gross Debt                                   | 3.040 | 3.055 | 3.786 |              |
| Net Debt                                     | 1.864 | 1.938 | 1.778 |              |
| Net Debt / (Net Debt + Shareholders' Equity) | 0.29  | 0.29  | 0.27  |              |

\*including exceptional non-recurrent items



### FINANCIAL STATEMENT

|   | million US\$ |             |             |
|---|--------------|-------------|-------------|
|   | 1Q 01        | 4Q 01       | 1Q 02       |
| Gross Operating Revenues                              | 1.005        | 1.033       | 987         |
| Value Added Tax                                       | (30)         | (40)        | (34)        |
| <b>Net Operating Revenues</b>                         | <b>975</b>   | <b>993</b>  | <b>953</b>  |
| Cost of Goods Sold                                    | (602)        | (612)       | (537)       |
| <b>Gross Income</b>                                   | <b>373</b>   | <b>381</b>  | <b>416</b>  |
| Gross Margin (%)                                      | 38,3         | 38,4        | 44          |
| SG&A Expenses   | (40)         | (53)        | (59)        |
| R&D Expenses  | (10)         | (12)        | (9)         |
| Employee Profit Sharing Plan                          | (10)         | (17)        | (9)         |
| Others  | (22)         | (77)        | (46)        |
| <b>Operational Income</b>                             | <b>291</b>   | <b>222</b>  | <b>293</b>  |
| Financial Income                                      | 48           | 55          | 33          |
| Financial Expenses                                    | (84)         | (95)        | (62)        |
| Foreign Exchange and Monetary Gain (loss)             | (199)        | 307         | (3)         |
| Gain on Sale of Investments                           | 277          | -           | -           |
| Others  | -            | 43          | -           |
| Income Taxes  | (8)          | 5           | (7)         |
| Deferred Income Taxes                                 | 30           | 170         | (12)        |
| Equity in Results of Affiliates and Joint Ventures    | 7            | (41)        | 29          |
| Change in Provisions for Losses on Equity Investments | (9)          | 41          | 5           |
| Minority Interests                                    | 1            | (5)         | (1)         |
| <b>Net Income</b>                                     | <b>354</b>   | <b>702</b>  | <b>275</b>  |
| <b>Earnings per Share (US\$)</b>                      | <b>0.92</b>  | <b>1.82</b> | <b>0.72</b> |

### BALANCE SHEET

|   | US\$ million |              |               |
|---|--------------|--------------|---------------|
|   | 1Q 01        | 4Q 01        | 1Q 02         |
| <b>Assets</b>                               |              |              |               |
| Current Assets                              | 2,816        | 2,638        | 3,566         |
| Long Term Assets                            | 1,352        | 1,853        | 1,820         |
| Permanent Assets                            | 4,934        | 5,031        | 5,100         |
| <b>Total</b>                                | <b>9,102</b> | <b>9,522</b> | <b>10,486</b> |
| <b>Liabilities and Stockholders' Equity</b> |              |              |               |
| Current Liabilities                         | 1,950        | 1,921        | 2,364         |
| Long Term Liabilities                       | 2,659        | 2,961        | 3,345         |
| Shareholders' Equity                        | 4,493        | 4,640        | 4,777         |
| Capital                                     | 2,426        | 2,709        | 2,709         |
| Reserves                                    | 2,067        | 1,931        | 2,068         |
| <b>Total</b>                                | <b>4,493</b> | <b>9,522</b> | <b>10,486</b> |

### NET INCOME

|   | US\$ million |
|---|--------------|
|   | 1Q 02        |
| Excluding Exceptional Non Recurrent Items | 304          |
| Including Exceptional Non Recurrent Items | 275          |





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"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 Comissão de Valores Mobiliários and the U.S. Securities and Exchange."