VALLEY OF THE RIO DOCE CO
Form 424B2
January 13, 2004
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PROSPECTUS SUPPLEMENT

(To prospectus dated December 12, 2003)

Filed Pursuant to Rule 424(b)(2)
File Nos. 333-110867
333-110867-01

US$500,000,000

Vale Overseas Limited

8.25% Guaranteed Notes due 2034

Unconditionally Guaranteed by

Companhia Vale do Rio Doce

Vale Overseas will pay interest on the notes on January 17 and July 17 of each year beginning July 17, 2004. The notes will mature on January 17, 2034. In the event Vale Overseas or CVRD becomes obligated to pay additional amounts in excess of specified levels as a result of changes in Brazilian or Cayman Islands law, Vale Overseas may redeem the notes at any time in whole but not in part, before their stated maturity at a price equal to 100% of their principal amount plus accrued interest to the redemption date.

The notes will be unsecured obligations of Vale Overseas and will rank equally with Vale Overseas unsecured senior indebtedness. The guaranty will rank equally in right of payment with all of CVRD s other unsecured and unsubordinated debt obligations. The notes will be issued only in registered form in minimum denominations of US$2,000 and any integral multiple of US$1,000 in excess thereof.

Vale Overseas will apply to list the notes on the Luxembourg Stock Exchange.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-12 of this prospectus supplement.

	Per Note	Total
Public offering price[1]	98.904%	US$494,520,000
Underwriting discount	.7%	US$3,500,000
Proceeds, before expenses, to Vale Overseas	98.204%	US$491,020,000

(1) Plus accrued interest from January 15, 2004, if settlement occurs after that date

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about January 15, 2004.

Merrill Lynch & Co.

Deutsche Bank Securities

JPMorgan

Morgan Stanley

The date of this prospectus supplement is January 9, 2004.

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

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EXCHANGE RATES

There are two principal foreign exchange markets in Brazil:

- the commercial rate exchange market, and
- the floating rate exchange market.

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

Since 1999, the Central Bank of Brazil has allowed the *real*/U.S. dollar exchange rate to float freely, and during that period, the *real*/U.S. dollar exchange rate has fluctuated considerably. In the past, the Central Bank of Brazil has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank of Brazil or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate substantially in the future. For more information on these risks, see the information appearing under the heading Risk Factors in this prospectus supplement.

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

	Period-end	Average for Period	Low	High
Year Ended				
December 31, 1999	1.789	1.851(1)	1.208	2.165
December 31, 2000	1.955	1.835(1)	1.723	1.985
December 31, 2001	2.320	2.353(1)	1.936	2.801
December 31, 2002	3.533	2.988(1)	2.270	3.955
December 31, 2003	2.889	3.059(1)	2.822	3.662
Month Ended				
July 2003	2.966	2.894(2)	2.822	2.966
August 2003	2.967	3.014(2)	2.953	3.074
September 2003	2.923	2.982(2)	2.890	2.984
October 2003	2.856	2.865(2)	2.827	2.903
November 2003	2.949	2.903(2)	2.856	2.955
December 2003	2.889	2.916(2)	2.888	2.943

January 2004 (through January 9, 2004)	2.842	2.864(2)	2.842	2.886

Source: Central Bank of Brazil.

(1) Average of the rates of each period, using the average of the exchange rates on the last day of each month during each period.
(2) Average of the lowest and highest rates in the month.

On January 9, 2004, the commercial selling rate was R$2.842 per US$1.00.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights key information described in greater detail elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. You should read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference before making an investment decision. In this prospectus supplement, unless the context otherwise requires, references to CVRD, we, us and our refer to Companhia Vale do Rio Doce, its consolidated subsidiaries and its joint ventures and other affiliated companies, taken as a whole, and references to Vale Overseas mean Vale Overseas Limited, a wholly-owned finance subsidiary of CVRD.

Vale Overseas Limited

Vale Overseas is a finance company for the CVRD Group. It is wholly owned by CVRD. Vale Overseas business is to borrow money outside Brazil by issuing securities to finance CVRD s activities outside Brazil or to on-lend it to other CVRD group companies. Vale Overseas is a Cayman Islands exempted company incorporated with limited liability. The issue of the notes will be the third borrowing by Vale Overseas.

Companhia Vale do Rio Doce

CVRD is one of the world s largest producers and exporters of iron ore and pellets, the largest diversified mining company in the Americas by market capitalization and one of the largest companies in Brazil. CVRD holds exploration claims that cover 7.6 million hectares (18.8 million acres). CVRD operates large logistics systems including railroads and ports that are integrated with its mining operations. Directly and through affiliates and joint ventures, CVRD has major investments in the energy, aluminum-related and steel businesses.

CVRD recorded consolidated gross operating revenues of US$4,282 million in 2002 and US$3,855 million in the first nine months of 2003. Of total gross operating revenues for the first nine months of 2003, 62.9% were attributable to sales of iron ore and pellets, 10.7% were attributable to third-party logistics services, 15.5% were attributable to sales of aluminum-related products, 6.4% were attributable to sales of manganese and ferroalloys and 0.5% were attributable to sales of gold. In 2002 and the first nine months of 2003, CVRD recorded consolidated operating income of US$1,429 million and US$1,252 million, respectively, and consolidated net income of US$680 million and US$1,278 million, respectively.

CVRD s main businesses are:

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

holdings: comprised of aluminum and steel businesses, and

energy: comprised of power generation businesses.

Mining

CVRD s primary mining activities involve iron ore. CVRD operates two world-class integrated systems in Brazil for producing and distributing iron ore, each consisting of mines, railroads, port and terminal facilities. The Southern System, based in the states of Minas Gerais and Espírito Santo, contains aggregate estimated proven and probable iron ore reserves of approximately 2.9 billion tons with an average grade of 54% iron. The Northern System, based in the states of Pará and Maranhão, contains aggregate estimated proven and probable

iron ore reserves of approximately 1.5 billion tons with an average grade of 67% iron. CVRD also operates ten pellet-producing facilities, six of which are joint ventures with international partners, and has a 50% stake in Samarco Mineração S.A. (Samarco), which owns and operates two pelletizing plants. CVRD also produces kaolin and potash. In August 2003, CVRD sold Fazenda Brasileiro, its one remaining operating gold mine. On September 2, 2003, CVRD further expanded its iron ore and kaolin activities by acquiring control of Caemi Mineração e Metalurgia S.A. (Caemi), a major Brazilian iron ore and kaolin producer, for US$426.4 million.

In addition, as part of its mineral prospecting and development activities in Brazil, CVRD has acquired extensive experience in exploration techniques and processes specifically designed for use in tropical areas of the world. CVRD s current mineral exploration efforts are mainly in Brazil and focus on copper, nickel, manganese, kaolin and platinum metals. Expenditures for mineral exploration were US$50 million in 2002. CVRD currently holds claims to explore approximately 7.6 million hectares (18.8 million acres).

Logistics

In its logistics business, CVRD provides customers with various forms of transportation and related support services, such as warehouse, port and terminal services. CVRD is a leading competitor in the Brazilian transportation industry. Each of its iron ore complexes incorporates an integrated railroad network linked to automated port and terminal facilities, and is designed to provide iron ore, freight and passenger rail transportation, bulk terminal storage and ship loading services to us and third parties. For 2002, CVRD s railroads transported approximately 55% of the total freight tonnage transported by Brazilian railroads, or approximately 171 million tons of cargo, of which 120 million tons were its iron ore and pellets. Of the total amount of iron ore and other products transported, 28% was for third parties and 72% was for us. CVRD s two wholly-owned railroads, the Vitória-Minas railroad and the Carajás railroad, serve primarily to transport its iron ore products from interior mines to coastal port and terminal facilities. In addition, the Vitória-Minas railroad carries significant amounts of third-party cargo as well as passengers. CVRD provides its bulk transportation services through third parties. CVRD also holds 99.99% of Ferrovia Centro Atlântica S.A. (FCA), Brazil s largest railroad, which primarily transports general cargo.

Aluminum Operations

CVRD conducts major operations in the production of aluminum-related products. They include:

Bauxite mining, which CVRD conducts via its 40% interest in Mineração Rio do Norte S.A. (MRN). MRN holds substantial bauxite reserves with a low strip ratio and high recovery rate. MRN is the largest bauxite producer in the world and produced 9.9 million tons of bauxite in 2002. In July 2002, CVRD increased its share of the capital of Mineração Vera Cruz S.A. (MVC) to 100%. MVC has mining rights in the Paragominas region, in the state of Pará, and expects to begin operations there in the first quarter of 2006.

Alumina refining, which CVRD conducts via its 62.09% voting interest in its alumina refining subsidiary, Alunorte-Alumina do Norte do Brasil S.A. (Alunorte). Alunorte has a nominal production capacity of 2.375 million tons of alumina per year.

Aluminum metal smelting and marketing, which CVRD conducts through two aluminum smelting joint ventures, Albras-Aluminio Brasileiro S.A. (Albras) in which CVRD has a 51.0% interest, and Valesul Aluminio S.A. (Valesul) in which it has a 54.5% interest. These joint ventures have a combined production capacity of approximately 520,000 tons of aluminum per year. CVRD s integrated aluminum operations rank among the largest in Latin America in terms of production volume.

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Energy

CVRD currently holds stakes in ten hydroelectric power generation projects (Igarapava, Porto Estrela, Funil, Candonga, Aimorés, Capim Branco I, Capim Branco II, Foz do Chapecó, Santa Isabel and Estreito), which have a total projected capacity of 4,451 MW. Negotiations are currently underway to return the concession for the Santa Isabel hydroelectric project to the Brazilian government. The Igarapava, the Porto Estrela and the Funil power plants started operations in January 1999, September 2001 and December 2002, respectively. CVRD s remaining power generation projects are scheduled to start operations within the next five years. The power generated by these plants will be used for CVRD s own operations.

Other Investments

In addition, CVRD also has investments in four steel companies. In 2002, CVRD sold the last of its core pulp and paper assets. In October 2003, CVRD sold its interest in Fertilizantes Fosfatados S/A Fosfértil, a company engaged in the fertilizer business.

Business Strategy

CVRD s goal is to strengthen its standing among the world s leading mining companies by focusing on diversified growth in mining (mainly based on its own reserves and new exploration initiatives) and developing its new ventures in logistics and energy. CVRD is pursuing disciplined growth in earnings and in cash generation, looking to maximize return on invested capital and the total return to its shareholders. CVRD is emphasizing organic growth in its core businesses, although it will continue to make selective acquisitions in order to complement its strategy and diversify its portfolio.

Over the past several years, CVRD has developed a more efficient governance structure and a robust long-term strategic planning process. Now it is building on these changes with ambitious long-range plans in each of its principal business areas. During the 2003 to 2007 period, CVRD is planning capital expenditures of approximately US$6 billion for organic growth. The following paragraphs highlight specific major strategies.

Maintaining CVRD s Leadership Position in the Seaborne Iron Ore Market

In 2002, CVRD consolidated its leadership in the seaborne iron ore trade market, achieving an estimated 29.4% of the total 480 million tons traded in the year. In September 2003, it further increased its share of this market through the consolidation of the operations of Caemi. CVRD is committed to maintaining its position in the world iron ore market by keeping in close contact with its customers, focusing its product line to capitalize on industry trends and controlling costs. CVRD believes that its strong relationships with major customers and tailored product line will enable it to achieve this goal.

Expanding Pelletizing Facilities to Accommodate Current Market Demands

CVRD believes that, in the long term, global demand for pellets will continue to outpace the overall iron ore market. It plans to continue investing in the development of this dynamic segment of the market. CVRD built a new pelletizing plant at São Luís and it expanded production capacity at Samarco s pellet operations. With the addition of the São Luís palletizing plant operations and the completion of the Samarco expansion, CVRD and its joint ventures have increased their total annual production capacity to 53 million tons.

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Growing CVRD s Logistics Business

CVRD believes that the quality of its railway assets and its many years of experience as a railroad and port operator positions it to establish itself as a leading Brazilian logistics company serving both domestic and export markets. CVRD plans to focus on the physical and commercial integration of its transportation assets, and the development of intermodal shipping.

Developing Copper Resources

CVRD believes that its copper projects, which are all situated in the Carajás region, can be among the most competitive in the world in terms of investment cost per ton of ore. When CVRD s copper mines enter production, they will benefit from CVRD s transportation facilities serving the Northern System. CVRD entered into a Mineral Risk Contract with Banco Nacional de Desenvolvimento Econômico e Social, or BNDES, providing for the joint development of certain unexplored mineral resources in approximately two million identified hectares of land in the Carajás region. The Mineral Risk Contract also contemplates proportional participation in any financial benefits earned from the development of those resources.

Increasing Aluminum Activities

CVRD plans to develop and increase production capacity in its aluminum-related operations, focusing on bauxite and alumina. MRN and Alunorte concluded an expansion in annual production capacity in 2003. CVRD s aluminum subsidiary, Albras, increased its production capacity by 46,000 tons in 2002. In addition, CVRD owns large unexplored deposits of high quality bauxite in the states of Pará and Maranhão that will allow it to pursue further growth opportunities in the aluminum sector and is planning to further expand Alunorte s alumina refinery. CVRD may pursue acquisitions and/or partnerships in the production of primary aluminum, depending on the level of related electricity costs.

Developing Power Generation Projects

Energy management and supply has become a priority for CVRD, driven both by structural change in the industry, and by the risk of rising electricity prices and electricity rationing due to energy shortages, such as those Brazil experienced in the second half of 2001. CVRD has invested in ten consortia to develop hydroelectric power generation projects. The energy generated by those projects will be used for CVRD s internal needs. Since CVRD is a large consumer of electricity, it expects that investing in the energy business will help protect it against volatility in price and supply of energy.

Vale Overseas registered office is at Walker House, PO Box 908 GT, Mary Street, Georgetown, Grand Cayman, Cayman Islands. CVRD s principal executive offices are located at Avenida Graça Aranha, No. 26, 20030-900, Rio de Janeiro, RJ, Brazil, and its telephone number is 55-21-3814-4540.

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The Offering

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section entitled Description of Notes in this prospectus supplement and the sections entitled Description of Debt Securities and Description of the Guarantees in the accompanying prospectus. In this description of the offering, references to CVRD mean Companhia Vale do Rio Doce only and do not include Vale Overseas or any of CVRD s other subsidiaries or affiliated companies.

Issuer	Vale Overseas Limited
Guarantor	Companhia Vale do Rio Doce
Notes offered	US$500,000,000 in principal amount of 8.25% Guaranteed Notes due 2034
Guaranty	CVRD will irrevocably and unconditionally guarantee the full and punctual payment of principal, interest, additional amounts and all other amounts that may become due and payable in respect of the notes. If Vale Overseas fails to punctually pay any such amount, CVRD will immediately pay the same, subject to limitations due to restrictions on the transfer, conversion, use or control of currency imposed on CVRD by the government of Brazil.
Issue price	98.904% of the principal amount
Maturity	January 17, 2034
Interest rate	The notes will bear interest at the rate of 8.25% per annum from January 15, 2004 based upon a 360-day year consisting of twelve 30-day months.
Interest payment dates	Interest on the notes will be payable semi-annually on January 17 and July 17 of each year, commencing on July 17, 2004.
Ranking	The notes are general obligations of Vale Overseas and are not secured by any collateral. Your right to payment under these notes will be:

- junior to the rights of secured creditors of Vale Overseas to the extent of their interest in Vale Overseas assets. Holders of Vale Overseas Enhanced Guaranteed Notes due 2007 have a security interest in a reserve account which secures the payment of 18 months of interest in the event of certain political risk events; and

- equal with the rights of creditors under all of Vale Overseas other unsecured and unsubordinated debt.

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The guaranty will be a general obligation of CVRD and is not secured by any collateral. Your right to payment under the guaranty will be:

- junior to the rights of secured creditors of CVRD to the extent of their interest in CVRD s assets;
- equal with the rights of creditors under all of CVRD s other unsecured and unsubordinated debt; and
- effectively subordinated to the rights of any creditor of a subsidiary of CVRD over the assets of that subsidiary.

As of September 30, 2003, Vale Overseas had US$606 million of debt outstanding. On a consolidated basis, CVRD had US$4,304 million of debt outstanding as of September 30, 2003, US$399 million of which was secured debt. CVRD s subsidiaries had US$2,259 million of indebtedness outstanding as of September 30, 2003. Of this amount, US$208 million was secured. In addition, at September 30, 2003, CVRD had extended guarantees of borrowings of joint ventures and affiliated companies amounting to US$326 million.

Covenants

The indenture governing the notes contains restrictive covenants that, among other things and subject to certain exceptions, limit CVRD s ability to:

- merge or transfer assets, and
- incur liens,

And, among other things and subject to certain exceptions, limit Vale Overseas ability to:

- merge or transfer assets,
- incur liens,
- incur additional indebtedness, and
- pay dividends.

For a more complete description of CVRD s and Vale Overseas covenants, see Description of Notes Certain Covenants in this prospectus supplement and Description of Debt Securities Certain Covenants in the accompanying prospectus.

Further Issuances	Vale Overseas reserves the right, from time to time, without the consent of the holders of the notes, to issue additional notes on terms and conditions identical to those of the notes, which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes. Vale Overseas may also issue other securities under the indenture which have different terms from the notes. Likewise, CVRD has the right, without the consent of the holders, to guarantee any such additional securities, to guarantee debt of its other subsidiaries and to issue its own debt.
Payment of additional amounts	Vale Overseas and CVRD will pay additional amounts in respect of any payments of interest or principal so that the amount you receive after Brazilian or Cayman Islands withholding tax will equal the amount that you would have received if no withholding tax had been

	applicable, subject to some exceptions as described under Description of Notes Payment of Additional Amounts in this prospectus supplement and Description of Debt Securities Payment of Additional Amounts in the accompanying prospectus.
Tax redemption	If, due to changes in Brazilian or Cayman Islands laws relating to withholding taxes applicable to payments of interest, Vale Overseas or CVRD are obligated to pay additional amounts on the notes in respect of Brazilian or Cayman Islands withholding taxes at a rate in excess of 15%, Vale Overseas may redeem the notes in whole, but not in part, at any time, at a price equal to 100% of their principal amount plus accrued interest to the redemption date.
Use of proceeds	The net proceeds of this offering will be used for CVRD s general corporate purposes.
Luxembourg listing	Application will be made to list the notes on the Luxembourg Stock Exchange in accordance with the rules and regulations of the Luxembourg Stock Exchange.
Rating	The notes have been assigned a foreign currency rating of Ba2 by Moody s Investor Services, Inc. (Moody s).
Risk Factors	See Risk Factors and the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus for a discussion of the factors you should carefully consider before investing in the notes.

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Summary Consolidated Financial Data

The tables below present summary consolidated financial data of CVRD at and for the periods indicated. The data in the table below as of December 31, 2001 and 2002 and for each of the three years ended December 31, 2002, have been derived from CVRD s audited financial statements, which appear in CVRD s annual report on Form 20-F, incorporated by reference into this prospectus supplement and the accompanying prospectus. The data at and for the nine months ended September 30, 2003 and 2002 have been derived from our unaudited interim financial statements, incorporated by reference into this prospectus supplement and the accompanying prospectus, which in the opinion of management, reflect all adjustments which are of a normal recurring nature necessary for a fair presentation of the results for such periods. The results of operations for the nine months ended September 30, 2003 are not necessarily indicative of the operating results to be expected for the entire year ended December 31, 2003. In addition, the following table presents selected financial data as of December 31, 1998, 1999 and 2000 and for each of the two years in the period ended December 31, 1999, which have been prepared in a manner consistent with the information set forth in the consolidated financial statements. You should read the information below in conjunction with our audited and unaudited consolidated financial statements and notes thereto, which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

	For the year ended December 31,					For the nine months ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
				(millions of US$)		(unaudited)	
Statement of Income Data							
Net operating revenues	US$ 3,553	US$ 3,076	US$ 3,935	US$ 3,935	US$ 4,123	US$ 3,064	US$ 3,712
Cost of products and services	(2,272)	(1,806)	(2,429)	(2,272)	(2,263)	(1,674)	(2,123)
Selling, general and administrative expenses	(171)	(138)	(225)	(241)	(224)	(173)	(168)
Research and development	(48)	(27)	(48)	(43)	(50)	(36)	(45)
Employee profit sharing plan	(29)	(24)	(29)	(38)	(38)	(20)	(23)
Other expenses	(184)	(155)	(180)	(379)	(119)	(73)	(101)
Operating income	849	926	1,024	962	1,429	1,088	1,252
Non-operating income (expenses):							
Financial income (expenses)	151	(33)	(107)	(200)	(248)	(240)	(145)
Foreign exchange and monetary losses, net	(108)	(223)	(240)	(426)	(580)	(837)	250
Gain on sale of investments			54	784			
Subtotal	43	(256)	(293)	158	(828)	(1,077)	105
Income before income taxes, equity results and minority interests	892	670	731	1,120	601	11	1,357
Income taxes benefit (charge)		(33)	32	218	149	258	(231)
Equity in results of affiliates and joint ventures	80	41	260	(49)	(28)	(71)	295
Change in provision for losses on equity investments	(273)	(268)	62	(4)	(59)	(137)	(77)

Minority interests	(1)	2	1	2	17	50	(56)
Change in accounting practice for asset retirement obligations							(10)
Net income	US$ 698	US$ 412	US$ 1,086	US$ 1,287	US$ 680	US$ 111	US$ 1,278
Total cash paid to shareholders[1]	US$ 607	US$ 452	US$ 246	US$ 1,066	US$ 602	US$ 329	US$ 248
Other Information:							
Ratio of earnings to fixed charges[2]	4.28x	3.66x	3.43x	4.28x	2.65x	1.24x	6.18x

(1) CVRD s distributions to shareholders may take the form of dividends or of interest on shareholders equity. Total cash paid to shareholders consists of cash paid during the period in respect of interest on shareholders equity.

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

	At December 31,					At September 30,
	1998	1999	2000	2001	2002	2003
			(millions of US$)			(unaudited)
Balance Sheet Data						
Current assets	US$ 2,845	US$ 2,490	US$ 2,502	US$ 2,638	US$ 2,589	US$ 3,139
Property, plant and equipment, net	5,261	3,943	3,955	3,813	3,297	5,888
Investments in affiliated companies and joint ventures and other investments and provision for losses on equity investments	1,557	1,203	1,795	1,218	732	990
Other assets	1,385	1,052	1,543	1,839	1,337	1,483
Total assets	US$ 11,048	US$ 8,688	US$ 9,795	US$ 9,508	US$ 7,955	US$11,500
Current liabilities	US$ 2,030	US$ 2,072	US$ 2,136	US$ 1,921	US$ 1,508	US$ 2,602
Long-term liabilities[(1)]	1,169	601	1,061	772	774	1,043
Long-term debt[(2)]	1,389	1,321	2,020	2,170	2,359	2,921
Minority interest	68	3	9	5	27	293
Total liabilities	4,656	3,997	5,226	4,868	4,668	6,859
Stockholder s equity:						
Capital stock	1,740	1,927	1,927	2,211	2,446	2,869
Additional paid-in capital	498	498	498	498	498	498
Reserves and retained earnings	4,154	2,266	2,144	1,931	343	1,274
Total stockholders equity	6,392	4,691	4,569	4,640	3,287	4,641
Total liabilities and stockholders equity	US$ 11,048	US$ 8,688	US$ 9,795	US$ 9,508	US$ 7,955	US$11,500

(1) Excludes long-term debt.

(2) Excludes current portion. At September 30, 2003, we had extended guarantees for borrowings of joint ventures and affiliated companies in an aggregate amount of US$326 million. These contingent liabilities do not appear on the face of our consolidated balance sheets, but are disclosed in note 9 to our unaudited consolidated financial statements, incorporated by reference into this prospectus supplement and the accompanying prospectus.

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RISK FACTORS

You should carefully consider the following risks described below, as well the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making a decision to invest in the notes.

Risks Relating to our Business

Due to our dependence on the global steel industry, fluctuations in the demand for steel could adversely affect our business.

Sales prices and volumes in the worldwide iron ore mining industry depend on the prevailing and expected level of demand for iron ore in the world steel industry. The world steel industry is cyclical. A number of factors, the most significant of these being the prevailing level of worldwide demand for steel products, influence the world steel industry. During periods of sluggish or declining regional or world economic growth, demand for steel products generally decreases, which usually leads to corresponding reductions in demand for iron ore. Global steel output increased in 2002 and the first nine months of 2003, which resulted in higher iron ore demand. Although we expect this to have a positive effect on world contract prices and sales volumes for iron ore in the short term, we cannot guarantee the length of time that demand will remain at current high levels. Future prolonged reductions or declines in world contract prices or sales volumes for iron ore could have a material adverse effect on our revenues. In addition, poor conditions in the global steel industry could result in the bankruptcy of some of our customers.

We are subject to cyclicality and price volatility for iron ore, aluminum and other minerals.

Cyclical and other uncontrollable changes in world market prices affect our iron ore, aluminum and other mining activities. In particular, aluminum is sold in an active world market and traded on exchanges, such as the LME and the Commodity Exchange, Inc. Prices for aluminum are more volatile than iron and pellet prices because they respond more quickly to actual and expected changes in supply and demand. Prolonged declines in world market prices for our products would have a material adverse effect on our revenues.

The mining industry is an intensely competitive industry, and we may have difficulty effectively competing with other mining companies in the future.

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

Demand for iron ore in peak periods may outstrip our production capacity, rendering us unable to satisfy customer demand.

Our ability to rapidly increase production capacity to satisfy increases in demand for iron ore is limited. In periods where customer demand exceeds our production capacity, we generally satisfy excess customer demand by reselling iron ore purchased from joint ventures or third parties. If we are unable to satisfy excess customer demand by purchasing from joint ventures or third parties, we may lose customers.

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Our reserve estimates may be materially different from mineral quantities that we may actually recover, our estimates of mine life may prove inaccurate and market price fluctuations and changes in operating and capital costs may render certain ore reserves or mineral deposits uneconomical to mine.

Our reported ore reserves and mineral deposits are estimated quantities of ore and minerals that under present and anticipated conditions have the potential to be economically mined and processed to extract their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. In addition, reserve engineering is a subjective process of estimating underground deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Estimates of different engineers may vary, and results of our mining and production subsequent to the date of an estimate may justify revision of estimates. Reserve estimates may require revision based on actual production experience and other factors. For example, fluctuations in the market price of metals, reduced recovery rates or increased production costs due to inflation or other factors may render proven and probable reserves containing relatively lower grades of mineralization uneconomic to exploit and may ultimately result in a restatement of reserves.

We may not be able to replenish our reserves, which could adversely affect our mining prospects.

We engage in mineral exploration, which is highly speculative in nature, involves many risks and frequently is nonproductive. Our exploration programs, which involve significant capital expenditures, may fail to result in the expansion of our reserves or replacement of reserves depleted by current production. If we do not establish new reserves, we will not be able to sustain our current level of production beyond the remaining life of existing mines.

Even if we discover minerals, we remain subject to drilling and production risks, which could adversely affect the mining process.

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

- establish ore reserves through drilling;
- determine appropriate metallurgical processes for optimizing the recovery of metal contained in ore;
- obtain the ore or extract the metals from the ore; and
- construct mining and processing facilities for greenfield properties.

If a project proves not to be economically feasible by the time we are able to exploit it, we may incur substantial write-offs. In addition, potential changes or complications involving metallurgical and other technological processes arising during the life of a project may result in cost overruns that may render the project not economically feasible.

We face rising extraction costs as our deposits decrease.

Ore reserves gradually decrease in the ordinary course of a given mining operation. As reserves decrease, it becomes necessary to use more expensive processes to extract remaining ore. As a result, over time, we usually experience rising unit extraction costs with respect to each mine. Several of our mines have operated for long periods, and we will likely experience rising extraction costs per unit in the future at these operations.

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Our mining, logistics and energy activities depend on authorizations of regulatory agencies, and changes in regulations could have an adverse effect on our business.

Our mining, logistics and energy activities in Brazil depend on authorizations and concessions by regulatory agencies of the Brazilian government. Our exploration, mining, mineral processing, energy producing and trading and logistics activities are also subject to Brazilian laws and regulations, which may change from time to time. If these laws and regulations change in the future, modifications to our technologies and operations could be required, and we could be required to make unbudgeted capital expenditures, which could lead to an increase in our borrowing costs. For a more detailed discussion about the authorizations and concessions by regulatory agencies of the Brazilian government upon which our mining, logistics and energy activities depend, see Information on the Company Regulatory Matters in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

Changes in Brazilian environmental laws may adversely affect our mining and energy businesses.

Our operations often involve using, handling, disposing of and discharging hazardous materials into the environment or the use of natural resources, and are therefore subject to the environmental laws and regulations of Brazil. Environmental regulation in Brazil has become stricter in recent years, and it is possible that more regulation or more aggressive enforcement of existing regulations will adversely affect us by imposing restrictions on our activities, creating new requirements for the issuance or renewal of environmental licenses, raising our costs or requiring us to engage in expensive reclamation efforts. Several Brazilian states in which we operate are currently considering implementing water use fees under the National Hydrological Resources Policy. This may require us to pay usage fees in the future for water rights that we currently use for free, which could considerably increase our costs in areas where water resources are scarce. In addition, we are currently a defendant in an action brought by the municipality of Itabira, in the state of Minas Gerais, which alleges that our Itabira iron ore mining operations have caused environmental and social damages. If we do not prevail in this lawsuit, we could incur a substantial expense. For more information on environmental laws and the legal challenges we face, see Information on the Company Environmental Matters and Financial Information Legal Proceedings in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

Our Albras joint venture may experience substantial electricity cost increases.

Electricity costs are a significant component of the cost of producing aluminum. Albras obtains electric power at discounted rates from Eletronorte, a state-owned electric power utility. The contract through which Albras purchases electricity from this utility expires in 2004. Albras is unlikely to continue to benefit from such favorable electricity costs following expiration of the contract. Albras is currently trying to negotiate a new contract and is examining other alternatives. Although we expect future energy costs for Albras to be in line with those of its peers in the industry, its costs will likely increase compared to current levels.

The Brazilian government s responses to energy shortages could adversely affect us.

We are a significant consumer of Brazil s electricity production, and accounted for 4.5% of total consumption in Brazil in 2002. Brazil faced a shortage of energy during the second half of 2001 as a result of increased demand due to economic growth, inadequate expansion of electric generation in past years and unfavorable hydrological conditions. In response, the Brazilian government implemented an energy-rationing program to alleviate the energy shortage that aimed to decrease energy consumption by at least 20%. As a result of this program, we experienced a temporary reduction in our aluminum and ferroalloy production, both of which use significant amounts of electricity. By the end of 2001, weather conditions improved, leading to increased generation at hydroelectric plants and reducing the immediate risk of energy shortages.

Accordingly, the Brazilian government eliminated the restrictions on the use of energy on March 1, 2002 for the northern, northeastern and southeastern regions of Brazil. Energy consumption habits in Brazil have been affected by the

energy-rationing, and energy consumption has not returned to prior levels. Although we believe the risk of another energy shortage in the next four years is low, we are unable to assess the long-term impact that the government s response to future energy shortages may have on our operations, particularly on our aluminum and ferroalloy production.

Changes in government regulations could result in lower returns on our energy sector investments.

The Brazilian power generation business depends on concessions granted by the government and is regulated and supervised by the Brazilian electricity regulatory governmental agency, ANEEL. The recently elected Brazilian government has not yet made clear its policy towards the electricity markets. Changes in the laws, regulations or governmental policies regarding the power generation industry, the marketing of energy in the wholesale market or concession requirements could lower the returns we are expecting from our investments in the energy business. For more information on the regulations governing our energy business, see Information on the Company Regulatory Matters in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

We are subject to ongoing antitrust investigations.

We are currently involved in 19 proceedings before the *Conselho Administrativo de Defesa Econômica* (CADE), which is the primary Brazilian antitrust regulator. Most of these proceedings involve post-transaction review of acquisition or joint venture transactions, which is required for nearly all of our acquisitions and joint ventures. The remaining are administrative proceedings alleging that we have engaged in illegal anticompetitive conduct in connection with our logistics and aluminum businesses. We intend to defend these claims vigorously. We cannot predict the outcome of these proceedings. If CADE were to determine that undue concentration exists in any of our industries, it could impose measures to safeguard competition, which could include requirements that we divest operations or respect price restrictions. If CADE were to find that we have engaged in anticompetitive conduct, it could order us to cease the conduct and/or to pay fines, which could be substantial.

We are vulnerable to adverse developments affecting other economies.

In 2002, 6.7% of our consolidated net operating revenues were attributable to sales to Japanese customers, 12.9% were attributable to sales to other Asian customers and 36.2% were attributable to sales to European customers. During the nine-month period ending September 30, 2003, 9% of our consolidated net operating revenues were attributable to sales to Japanese customers, 15% to other Asian customers and 32% to European customers. In 2002 and the nine-month period ended September 30, 2003, 7.2% and 13.1%, respectively, of our iron ore and pellets sales were made to customers in China, and the Chinese market was the main driver of demand in the iron ore market. A weakened economy in China or in the other markets where we sell our products could reduce demand for our products in the Chinese market and such other markets, which, in turn, could result in lower revenues and profitability.

Our principal shareholder could have significant influence over our company.

Valepar, our principal shareholder, currently owns 52.3% of our outstanding common stock and 33.6% of our total outstanding capital. For a description of the ownership of our shares, see Major Shareholders and Related Party Transactions Principal Shareholder in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus. As a result of its share ownership, Valepar can control the outcome of any action requiring shareholder approval. BNDES, which is controlled by the Brazilian government, owns 9.5% of Valepar through its wholly-owned subsidiary BNDESPAR. Further, the Brazilian government owns a golden share in us that gives it limited

veto powers over certain actions that we could propose to take. For a detailed description of the veto powers granted to the Brazilian government by virtue of its ownership of this golden share, see Additional Information Common Shares and Preferred Shares General in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

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Some of our operations depend on joint ventures and could be adversely affected if our joint venture partners do not observe their commitments.

We currently operate important parts of our pelletizing, logistics, energy, aluminum and steel businesses through joint ventures with other companies. Our forecasts and plans for these joint ventures assume that our joint venture partners will observe their obligations to contribute capital, purchase products and, in some cases, provide managerial talent. If any of our joint venture partners fails to observe its commitments, the affected joint venture may not be able to operate in accordance with its business plans or we may have to increase the level of our investment to give effect to these plans. For more information on our joint ventures, see Information on the Company Lines of Business in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

Our risk management strategy may not be effective.

We are exposed to fluctuations in interest rates, foreign currency exchange rates, and prices relating to our iron ore and aluminum production. In order to partially protect ourselves against unusual market volatility, we periodically enter into hedging transactions to manage these risks. We do not hedge risks relating to iron ore price fluctuations. See Quantitative and Qualitative Disclosures about Market Risk in our Form 20-F, which is incorporated by reference into this prospectus supplement and the accompanying prospectus. Our hedging strategy may not be successful in minimizing our exposure to these fluctuations. In addition, to the extent we hedge our commodity price exposure, we forego the benefits we would otherwise experience if commodity prices were to increase.

We may not have adequate, if any, insurance coverage for some business risks that could lead to economically harmful consequences to us.

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

- industrial accidents;
- labor disputes;
- slope failures;
- environmental hazards;
- electricity stoppages;
- equipment or vessel failures; and
- severe weather and other natural phenomena.

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

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Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions have a direct impact on CVRD s business.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes substantial changes in policy, as often occurs in other emerging economies. The Brazilian government s actions to control inflation and effect other policies have often involved wage and price controls, currency devaluations, capital controls and limits on imports, among other things. Our business, financial condition and results of operations may be adversely affected by factors in Brazil including:

- currency fluctuations;
- inflation;
- monetary policy and interest rates;
- fiscal policy;
- tariff policy;
- exchange controls;
- energy shortages; and
- other political, social and economic developments in or affecting Brazil.

Inflation and government measures to curb inflation may contribute significantly to economic uncertainty in Brazil and may harm CVRD s business.

Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation during the last twelve years reaching as high as 1,158% in 1992, 2,708% in 1993 and 1,093% in 1994 (as measured by the Índice Geral de Preços do Mercado published by Fundação Getúlio Vargas, or IGP-M Index). More recently, Brazil s rates of inflation were 9.9% in 2000, 10.4% in 2001, 25.3% in 2002 and 8.7% in 2003 (as measured by the IGP-M Index). Inflation, governmental measures to combat inflation and public speculation about possible future actions have in the past had significant negative effects on the Brazilian economy, and have contributed to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. If Brazil experiences substantial inflation in the future, our costs may increase and our operating and net margins may decrease. Inflationary pressures may also curtail our ability to access foreign financial markets and may lead to further government intervention in the economy, which could involve the introduction of government policies that may adversely affect the overall performance of the Brazilian economy.

Fluctuations in the value of the real against the value of the U.S. dollar may harm CVRD s business.

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

The *real* depreciated 34.3% against the U.S. dollar in 2002, and appreciated 22.3% during 2003. The exchange rate between the *real* and the U.S. dollar may continue to fluctuate and may rise or decline substantially from current levels.

Depreciation of the *real* creates additional inflationary pressures in Brazil by generally increasing the price of imported products and requiring recessionary government policies to curb aggregate demand. In contrast, appreciation of the *real* tends to have a negative impact on our margins because most of our costs are denominated in *reais,* while most of our revenues are denominated in U.S. dollars. Moreover, appreciation of the *real* against the U.S. dollar may lead to a deterioration of Brazil s current account and the balance of payments, as well as dampen export-driven growth. For additional information about historical exchange rates, see Exchange Rates in this prospectus supplement.

Access to international capital markets for Brazilian companies is influenced by the perception of risk in Brazil and other emerging economies, which may hurt our ability to finance our operations.

International investors generally consider Brazil to be an emerging market. As a result, economic and market conditions in other emerging market countries, especially those in Latin America, influence the market for securities issued by Brazilian companies. As a result of economic problems in various emerging market countries in recent years (such as the Asian financial crisis of 1997, the Russian financial crisis in 1998 and the Argentinian financial crisis which occurred in 2001 and 2002), investors have viewed investments in emerging markets with heightened caution. This has resulted in a significant outflow of U.S. dollars from Brazil, and Brazilian companies have faced higher costs for raising funds, both domestically and abroad, and have been impeded from accessing international capital markets. We cannot assure you that international capital markets will remain open to Brazilian companies or that prevailing interest rates in these markets will be advantageous to us. In addition, future financial crises in emerging market countries may have a negative impact on the Brazilian markets, which could adversely affect our share price and the value of the notes.

Risks Relating to the Notes

CVRD s subsidiaries, affiliated companies and joint ventures are not obligated under the notes or the guaranty, and these companies obligations to their own creditors will effectively rank ahead of CVRD s obligations under the guaranty.

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

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

CVRD conducts a significant amount of business through subsidiaries, affiliated companies and joint ventures, none of which are obligated under the notes or the guaranty. In the first nine months of 2003, the subsidiaries were responsible for approximately 24.9% of CVRD s consolidated U.S. GAAP revenues from operations and approximately 16.1% of CVRD s consolidated U.S. GAAP net cash flows provided by operating activities. The claims of any creditor of a subsidiary, affiliated company or joint venture of CVRD would rank ahead of CVRD s ability to receive dividends and other cash flows from these companies. As a result, claims of these creditors would rank ahead of CVRD s ability to access cash from these companies in order to satisfy its obligations under the guaranty. In addition, these subsidiaries, affiliated companies and joint ventures may be restricted by their own loan agreements, governing instruments and other contracts from distributing cash to CVRD to enable CVRD to perform under its guaranty. At September 30, 2003, 18.1% of CVRD s consolidated U.S. GAAP liabilities were owed by subsidiaries of CVRD, which is the only obligor under the guaranty, meaning that the creditors under these liabilities would rank ahead of investors in the notes in the event of CVRD s insolvency.

The indenture governing the notes contains restrictions on the conduct of business by Vale Overseas and CVRD, including limits on their ability to grant liens over their assets for the benefit of other creditors. These

restrictions do not apply to CVRD s other subsidiaries, affiliated companies and joint ventures, and these companies are not limited by the indenture in their ability to pledge their assets to other creditors.

In addition, holders of the Vale Overseas Enhanced Guaranteed Notes due 2007 have a security interest in a reserve account which secures the payment of eighteen months of interest in the event of certain political risk events.

There may not be a liquid trading market for the notes.

The notes are new securities with no established trading markets. There can be no assurance that a liquid trading market for the notes will develop or, if one develops, that it will be maintained. If an active market for the notes does not develop, the price of the notes and the ability of a holder of notes to find a ready buyer will be adversely affected.

We may not be able to make payments in U.S. dollars.

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

We would be required to pay bankruptcy judgments only in reais.

Any judgment obtained against CVRD in the courts of Brazil in respect of any of CVRD s payment obligations under the notes will be expressed in *reais* equivalent to the U.S. dollar amount of such sum at the commercial exchange rate on the date at which such judgment is rendered. Accordingly, in case of bankruptcy, all credits held against CVRD denominated in foreign currency shall be converted into *reais* at the prevailing rate on the date of declaration of bankruptcy by the judge. In any case, further authorization by the Central Bank of Brazil shall be required for the conversion of such *reais*-denominated amount into foreign currency and for its remittance abroad.

Developments in other countries may affect prices for the notes.

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

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USE OF PROCEEDS

The net proceeds of this offering will be used for CVRD s general corporate purposes. See Recent Developments Liquidity and Capital Resources Overview for a description of CVRD s anticipated cash needs for 2004. The amount of the net proceeds of this offering, after deducting commissions and expenses, is expected to be approximately US$490,420,000.

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CAPITALIZATION OF CVRD

The table below sets forth CVRD s consolidated capitalization at September 30, 2003 on an actual basis and as adjusted to give effect to the issuance of the notes offered hereby, the net proceeds of which, after deducting commissions and expenses, are expected to be approximately US$490,420,000.

You should read the table together with CVRD s consolidated financial statements and the notes thereto incorporated by reference into this prospectus supplement and accompanying prospectus.

	At September 30, 2003	
	Actual	As adjusted
	(unaudited) (millions of US$)	
Debt included in current liabilities:		
Current portion of long-term debt	US$ 1,147	US$ 1,147
Short-term debt	129	129
Loans from related parties	101	101
Debt included in long-term liabilities:		
Long-term debt (excluding current portion):		
Secured	399	399
Unsecured	2,522	3,022
Total long-term debt (excluding current portion)	2,921	3,421
Loans from related parties	6	6
Total debt	4,304	4,804
Minority interest	293	293
Stockholders equity:		
Preferred shares 600,000,000 shares authorized and 138,575,913 issued	1,055	1,055
Common shares 300,000,000 shares authorized and 249,983,143 issued	1,902	1,902
Treasury shares 4,715,170 common and 4,183 preferred shares	(88)	(88)
Additional paid-in capital	498	498
Retained earnings:		
Appropriated	2,251	2,251
Unappropriated	3,472	3,472
Other cumulative comprehensive income	(4,449)	(4,449)
Total stockholders equity	4,641	4,641
Total capitalization (total stockholders equity plus total debt)	US$ 8,945	US$ 9,445

Except as disclosed in this prospectus supplement under Recent Developments, there has been no material change to the consolidated capitalization of CVRD since September 30, 2003.

RECENT DEVELOPMENTS

Results of operations for the nine-month periods ended September 30, 2003 and 2002

Overview

Driven by higher net revenues, higher operating income, positive exchange rate effects and the improved performance of our affiliates and joint ventures, our net income of US$1,278 million in the first nine months of 2003 was more than ten times higher than the US$111 million we recorded in the same period in 2002. Highlights from the first nine months of 2003 include:

a 21.1% increase in net operating revenues compared to the same period in 2002, primarily reflecting exceptionally high demand for iron ore and pellets and higher aluminum-related revenues due to our consolidation of Alunorte beginning in June 2002;

foreign exchange and monetary gains of US$250 million in the first nine months of 2003, compared to foreign exchange and monetary losses of US$837 million in the same period in 2002; and

a turnaround in the performance of our joint ventures and affiliates, which contributed US$218 million to net income in the first nine months of 2003, after reducing our net income by US$208 million in the same period in 2002.

Acquisitions

We completed two significant acquisitions during the third quarter of 2003.

On September 2, 2003, we completed our acquisition of Mitsui s interest in Caemi, and now own 100% of Caemi s common shares and 40% of its preferred shares, totaling 60.2% of Caemi s share capital. We began consolidating Caemi effective September 1, 2003. Caemi and its subsidiaries contributed US$59 million to our gross revenues from iron ore for the first nine months of 2003. Our acquisition of Caemi also gives us a controlling interest in Cadam, a kaolin producer. Cadam contributed US$10 million to our gross revenues from kaolin for the first nine months of 2003.

On September 12, 2003, we completed our acquisition of FCA. We began consolidating FCA on September 1, 2003. FCA contributed US$17 million to our gross revenues from logistics during the first nine months of 2003.

Exchange rate effects

Exchange rate effects had a significant positive effect on our net income in the first nine months of 2003. The average rate of exchange was R$2.68 to US$1.00 during the first nine months of 2002 and R$3.13 to US$1.00 during the same period in 2003, representing a 14.4% depreciation of the *real* relative to the U.S. dollar. This decline in the average value of the *real* relative to the U.S. dollar had a positive effect on

our revenues, most of which are denominated in U.S. dollars, and helped reduce our costs, most of which are denominated in *reais*.

At the same time, although the average value of the *real* relative to the U.S. dollar was lower in the first nine months of 2003 than in the same period in 2002, the *real* appreciated by 20.9% relative to the U.S. dollar in the first nine months of 2003, from R$3.533 to US$1.00 at December 31, 2002 to R$2.923 to US$1.00 at September 30, 2003. As a result of this appreciation relative to the U.S. dollar, we recorded substantial foreign exchange and monetary gains on our U.S. dollar-denominated debt in the first nine months of 2003. In contrast, in the same period in 2002, the *real* depreciated against the dollar, causing us to record substantial foreign exchange and monetary losses.

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Revenues

Our net operating revenues increased 21.1% from US$3,064 million in the first nine months of 2002 to US$3,712 million in the same period in 2003. The following table summarizes our gross revenues by product and our net operating revenues for the periods indicated:

	Nine months ended September 30,	
	2003	**2002**
	(unaudited)	
	(millions of US$)	
Iron ore and pellets		
Iron ore	US$ 1,841	US$ 1,606
Pellets	584	477
Subtotal	2,425	2,083
Gold	21	90
Manganese and ferroalloys	245	216
Potash	70	67
Kaolin	55	33
Revenues from logistic services	412	360
Aluminum-related products	598	312
Other products and services	29	20
Gross revenues	3,855	3,181
Value added tax	(143)	(117)
Net operating revenues	US$ 3,712	US$ 3,064

Iron ore and pellets

Driven primarily by strong demand from China, together with a modest expansion in other markets, the global seaborne iron ore market is currently experiencing the highest demand pressure it has faced in the past two decades. Reflecting these global market conditions, in the first nine months of 2003, customer demand for iron ore and pellets exceeded CVRD s production capacity, continuing the trend experienced in the second half of 2002. Our gross revenues for the first nine months of 2003 were also positively affected by price increases. We reached initial agreements with major steelmakers in May and June 2003 under which our reference prices for iron ore and pellets increased by an average of 9.0% and 9.8% respectively. Reflecting these positive volume and pricing trends, our gross revenues from iron ore and pellets increased 16.4%, from US$2,083 million in the first nine months of 2002 to US$2,425 million in the same period in 2003.

Iron Ore. Gross revenues from iron ore increased by 14.6% from US$1,606 million in the first nine months of 2002 to US$1,841 million in same period in 2003, driven primarily by a 6.9% increase in shipments of iron ore from 106.5 million tons in the first nine months of 2002 to 113.8 million tons in the same period in 2003. The volume growth was driven primarily by continued growth in shipments to China, which increased by 24.7% compared to the first nine months of 2002. Shipments for the first nine months of 2003 also include one month s worth of

shipments by Caemi, which we began consolidating on September 1, 2003. Actual average selling prices for iron ore were 6.7% higher in the first nine months of 2003 than in the same period in 2002, primarily reflecting the price increases agreed with major steelmakers in May 2003.

Pellets. Gross revenues from pellets increased by 22.4% from US$477 million in the first nine months of 2002 to US$584 million in the same period in 2003. The increase was primarily driven by a 22.6% increase in volume shipped, from 13.7 million tons in the first nine months of 2002 to 16.8 million tons in the same period in 2003. The increase in volume resulted primarily from a 204.0% increase in shipments to Argentina, a 72.4% increase in shipments to Brazil and a 83.9% increase in shipments to China. The average selling price for pellets

increased by 4.3% in the first nine months of 2003 compared to the same period in 2002, reflecting the impact of the price increases agreed with major steelmakers in June 2003.

Gold

Gross revenues from sales of gold decreased 76.7%, from US$90 million in the first nine months of 2002 to US$21 million in the same period in 2003, reflecting the closure of our Igarapé Bahia gold mine in 2002 and lower yields from our Fazenda Brasileiro mine prior to its sale in August 2003. These developments led to a 79.5% decrease in volume sold. The volume declines were partially offset by a 16.5% increase in average selling prices in the first nine months of 2003 reflecting higher world gold prices due primarily to the devaluation of the U.S. dollar relative to other currencies and the war in Iraq.

In June 2003, we signed an agreement with Yamana Resources Inc., to sell Fazenda Brasileiro for US$21 million. The sale was completed in August 15, 2003. Since completion of the sale, our gold operations have been interrupted, and we do not expect them to resume until the start-up of the copper projects that we are currently developing in Carajás, which we expect to produce gold as a by-product of the copper mining process.

Manganese and ferroalloys

Gross revenues from sales of manganese and ferroalloys increased by 13.4% from US$216 million in the first nine months of 2002 to US$245 million in the same period in 2003. This increase resulted from:

- A 31.0% increase in sales of manganese, from US$ 29 million in the first nine months of 2002 to US$38 million in the same period in 2003. The sales increase was driven primarily by higher sales volume, which rose by 25.1% mainly reflecting higher shipments of manganese sinter feed from our Carajas mines to China. Revenues were also positively affected by higher average selling prices, which increased by 2.7% compared to the same period in 2002.

- A 10.7% increase in gross revenues from ferroalloys from US$187 million in the first nine months of 2002 to US$207 million in the same period in 2003. The increase was driven by strong demand for our principal ferroalloy products, which experienced a 6.0% increase in average selling prices and a 5.7% increase in volume.

Potash

Gross revenues from sales of potash increased by 4.5% from US$67 million in the first nine months of 2002 to US$70 million in the same period in 2003. The increase was driven by a 9.4% increase in average selling prices, reflecting strong demand. The higher average selling prices were partially offset by lower sales volume, which decreased 4.4% in the first nine months of 2003. Shipments were higher in the first nine months of 2002 because we sold inventories on hand in addition to volumes produced in that period. Demand for potash in the first nine months of 2003 exceeded production capacity, and we expect this trend to continue for the remainder of 2003.

Kaolin

Gross revenues from sales of kaolin increased by 66.7% from US$33 million in the first nine months of 2002 to US$55 million in the same period in 2003. The increase in gross revenues resulted primarily from a 59.2% increase in total volume shipped, which was driven both by increased marketing efforts and the consolidation of Cadam, the kaolin subsidiary of Caemi, beginning September 1, 2003.

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Logistic services

Gross revenues from logistic services increased by 14.4% to US$412 million in the first nine months of 2003 from US$360 million in the same period in 2002. A large part of the performance in logistics services in first nine months of 2003 can be explained by our exploitation of opportunities provided by agricultural production, especially grains, and by increased shipments due to higher Brazilian steel production in the first nine months of 2003. Our gross revenues were also positively affected by the consolidation of FCA beginning September 1, 2003. In particular, the increase in gross revenues from logistic services reflects:

A 10.4% increase in gross revenues from port operations from US$96 million in the first nine months of 2002 to US$106 million in the corresponding period in 2003. The increase in port operations gross revenues was driven by a 10.8% increase in services rendered, reflecting increased shipments of grains destined for the export market. The volume growth was partially offset by a 5.0% decrease in average selling prices, primarily reflecting the impact of the devaluation of the *real* on port operations prices, most of which are quoted in *reais*.

A 11.1% increase in gross revenues from shipping, from US$54 million in the first nine months of 2002 to US$60 million in the same period in 2003. This increase in gross revenues was driven by:

A 57.1% increase in gross revenue from bulk transportation, from US$21 million in the first nine months of 2002 to US$33 million in the same period in 2003, driven primarily by a substantial increase in volume transported in the first nine months of 2003. This increase primarily reflects activities beginning in the second half of 2002, when we decided to continue providing dry bulk transportation services using chartered services. Average selling prices increased by 63.3% in the first nine months of 2003 compared to the same period in 2002 due to a combination of high world market demand for iron ore transportation (mainly to China) and a limited number of available ships. The higher prices also reflect a change in the mix of other products transported.

A 18.2% decrease in gross revenue from cargo transportation, from US$33 million in the first nine months of 2002 to US$27 million in the same period in 2003, reflecting a 14.0% decrease in volume transported, and a 3.1% decrease in average selling prices. The decrease in volume resulted primarily from the removal of one ship from service during the first half of 2003 for maintenance and the end of a charter contract with one of our customers in the first nine months of 2003. The decrease in average selling prices primarily reflects the impact of the devaluation of the *real* on our prices, most of which are denominated in *reais.*

Gross revenues from railroad transportation increased 17.1% from US$210 million in the first nine months of 2002 to US$246 million in the same period in 2003. The increase in gross revenues from railroad transportation primarily reflects a 11.6% increase in average selling prices due to fare increases at the end of 2002 and in the first nine months of 2003, and a 0.3% increase in volume transported. Gross revenues from railroad transportation also include US$17 million of revenues generated in the month of September by FCA, which we began consolidating on September 1, 2003.

Aluminum-related products

Gross revenues from aluminum products increased 91.7% from US$312 million in the first nine months of 2002 to US$598 million in same period in 2003. This increase resulted from:

A US$260 million increase in gross revenues from sales of alumina from US$86 million in the first nine months of 2002 to US$346 million in the same period in 2003. The increased revenues from alumina reflect the consolidation of Alunorte beginning in June 2002, when we acquired control of this previously affiliated company. Gross revenues in the first nine months of 2003 were also positively affected by the completion of a recent capacity expansion at Alunorte, which went on-line

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in March 2003. Average selling prices for alumina were 5.6% higher in the first nine months of 2003 than in the same period in 2002, reflecting the increase in demand for alumina in the world market.

A 10.6% increase in gross revenues from sales of aluminum, from US$207 million in the first nine months of 2002 to US$229 million in the same period in 2003. The increase in gross revenues from aluminum resulted from increased worldwide demand for aluminum, which led to a 6.2% increase in volume sold, and a 0.2% increase in average selling prices.

A 21.1% increase in gross revenues from sales of bauxite, from US$19 million in the first nine months of 2002 to US$23 million in the same period in 2003. The increase in gross revenues from bauxite resulted from a 2.8% increase in volume sold, and a 18.9% increase in average selling prices that reflected both a general rise in worldwide bauxite prices and the end of an arrangement under which we charged one of our customers prices at 2001 levels during the first half of 2002.

Other products and services

Gross revenues from other products and services increased 45.0% from US$20 million in the first nine months of 2002 to US$29 million in the same period in 2003, primarily reflecting the sale by Rio Doce Manganese Europe of excess energy to third parties in the Norwegian market during the conversion of its plant, which more than offset the decline in revenues due to our exit from the pulp and paper business, which was completed in 2002.

Operating costs and expenses

The following table summarizes our operating costs and expenses for the periods indicated.

	Nine months ended September 30,	
	2003	2002
	(unaudited) (millions of US$)	
Cost of ores and metals sold	US$ 1,396	US$ 1,187
Cost of logistic services	232	196
Cost of aluminum-related products	484	273
Others	11	18
Cost of goods sold	2,123	1,674
Selling, general and administrative expenses	168	173
Research and development, employee profit sharing plan and other cost and expense	169	129
Total operating costs and expenses	US$ 2,460	US$ 1,976

Cost of goods sold

Total cost of goods sold increased 26.8% from US$1,674 million in the first nine months of 2002 to US$2,123 million in the same period in 2003. CVRD s costs, as expressed in U.S. dollars, were positively affected by the depreciation of the *real* against the U.S. dollar because the majority of CVRD s costs and expenses are denominated in *reais*. The average rate of exchange was R$2.68 to US$1.00 during the first nine months of 2002 and R$3.13 to US$1.00 during the same period in 2003, representing a depreciation of 14.4%.

Cost of ores and metals sold increased by 17.6% to US$1,396 million in the first nine months of 2003 from US$1,187 million in the same period in 2002, primarily due to increased production volumes required by the 16.4% increase in sales of iron ore and pellets. A portion of the increase in the cost of ores and metals sold

also reflects the higher costs associated with purchases of iron ore from third parties to meet excess demand. The cost of ores and metals during the first nine months of 2003 also includes US$39 million in costs generated by Caemi after its consolidation beginning on September 1, 2003.

Cost of logistic services increased by 18.4% from US$196 million in the first nine months of 2002 to US$232 million in the same period in 2003, whereas the corresponding revenue increased by 14.4%. The increase in costs at a rate greater than the increase in revenues primarily reflects an increase in the number of ships chartered by Docenave. Cost of logistic services for the first nine months of 2003 also includes US$16 million in costs generated by FCA after its consolidation beginning on September 1, 2003.

Cost of aluminum-related products increased by 77.3% from US$273 million in the first nine months of 2002 to US$484 million in the same period in 2003. The increase is primarily due to the consolidation of Alunorte beginning in June 2002, which increased our consolidated costs by US$173 million during the first nine months of 2003 compared with the same period in 2002.

Cost of other products and services declined 38.9% from US$18 million in the first nine months of 2002 to US$11 million in the same period in 2003, primarily due to lower volumes of pulp purchases following our exit from the pulp and paper business.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased 2.9% from US$173 million in the first nine months of 2002 to US$168 million in the same period in 2003. Despite higher *real*-denominated expenses in the first nine months of 2003 related to increased volumes, our costs as expressed in U.S. dollars declined due to the depreciation of the *real* against the U.S. dollar.

Non-operating income (expenses)

The following table details our non-operating income (expenses) for the periods indicated.

	Nine months ended September 30,	
	2003	**2002**
	(unaudited)	
	(millions of US$)	
Financial income	US$ 84	US$ 87
Financial expenses	(229)	(327)
Foreign exchange and monetary gains (losses, net)	250	(837)
Non-operating income (expenses)	US$ 105	US$ (1,077)

Net non-operating income in the first nine months of 2003 amounted to US$105 million compared to net non-operating expenses of US$1,077 million in the same period in 2002. This change primarily reflects:

The positive effect of exchange rate movements on our net U.S. dollar-denominated liabilities (mainly short and long-term debt less cash and cash equivalents). Our net foreign exchange and monetary result generated a gain of US$250 million in the first nine months of 2003 compared to a loss of US$837 million in the same period in 2002.

A decrease in financial income from US$87 million in the first nine months of 2002 to US$84 million in the same period in 2003 due to reductions in global interest rates.

A decrease in financial expenses from US$327 million in the first nine months of 2002 to US$229 million in the same period in 2003, primarily as a result of a decline in global interest rates compared to the first nine months of 2002.

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Income Taxes

In the first nine months of 2003 we recorded a tax expense of US$231 million, compared to a tax benefit of US$258 million in the same period in 2002. Our tax expense at statutory rates would have been US$461 million in the first nine months of 2003 and US$4 million in the same period in 2002. The difference is principally due to the tax benefit of tax-deductible dividends that we pay in the form of interest on shareholders equity, which amounted to US$229 million in the first nine months of 2003, as compared to US$90 million in the same period in 2002. Income tax expense in the first nine months of 2003 was also affected by the recording of a US$33 million expense in respect of exempt foreign income in the first nine months of 2003, compared to a tax benefit of US$174 million in the same period in 2002. This resulted from changes in Brazilian tax legislation regarding the treatment of foreign income.

Affiliates and Joint Ventures

Our equity in the results of affiliates and joint ventures and provisions for losses on equity investments resulted in a gain of US$218 million in the first nine months of 2003 compared to a loss of US$208 million in the same period in 2002. The following table summarizes the composition of our equity in results of affiliates and joint ventures and provisions for losses on equity investments for the periods indicated.

	Nine months ended September 30,	
	2003	2002
	(unaudited) (millions of US$)	
Iron Ore and Pellets		
Equity in results of affiliates and joint ventures	US$ 95	US$ (78)
Provision for losses on equity investments	10	(17)
Subtotal	105	(95)
Logistics		
Equity in results of affiliates and joint ventures	3	(20)
Provision for losses on equity investments	(88)	(61)
Subtotal	(85)	(81)
Aluminum and Bauxite		
Equity in results of affiliates and joint ventures	121	16
Provision for losses on equity investments	1	(59)
Subtotal	122	(43)
Steel		
Equity in results of affiliates and joint ventures	61	8
Provision for losses on equity investments		

Subtotal	61	8
Others		
Equity in results of affiliates and joint ventures	15	3
Subtotal	15	3
Total		