

VALLEY OF THE RIO DOCE CO

Form 6-K/A

August 11, 2004

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United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 6-K/A

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

For the month of

August 2004

Valley of the Rio Doce Company

(Translation of Registrant's name into English)

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

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

(Check One) Form 20-F Form 40-F _____

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1))

(Check One) Yes _____ No

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7))

(Check One) Yes _____ No

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

(Check One) Yes _____ No

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

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This report on Form 6-K/A is hereby incorporated by reference into the Registration Statement on Form F-3 of Vale Overseas Limited, File No. 333-110867-01 and the Registration Statement on Form F-3 of Companhia Vale do Rio Doce, File No. 333-110867 and shall be deemed to be a part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

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Explanatory Note

This report on Form 6-K/A amends and restates in its entirety the Company's report on Form 6-K filed on May 14, 2004 (the "Original 6-K"). The Company has restated its US GAAP financial statements for the first quarter of 2004 for the reasons described in Note 5 to the financial statements included as a part of this report on Form 6-K/A. The Company's Brazilian GAAP financial statements are not affected by the restatement. In addition, this report on Form 6-K/A does not purport to provide an update or a discussion of any other developments subsequent to May 14, 2004. For a discussion of events after that date, you should consult the Company's reports on Form 6-K filed subsequent to May 14, 2004.

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Expressed in millions of United States dollars**

| | March | December |
|---|--------------------|-------------------|
| | 31, 2004 | 31, |
| | Restated | 2003 |
| | <u> </u> | <u> </u> |
| | (unaudited) | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 1,083 | 585 |
| Accounts receivable | | |
| Related parties | 113 | 115 |
| Unrelated parties | 711 | 703 |
| Loans and advances to related parties | 14 | 56 |
| Inventories | 574 | 505 |
| Deferred income tax | 145 | 91 |
| Others | 477 | 419 |
| | <u> </u> | <u> </u> |
| | 3,117 | 2,474 |
| | <u> </u> | <u> </u> |
| Property, plant and equipment, net | 7,017 | 6,484 |
| Investments in affiliated companies and joint ventures and other investments, net of provision for losses on equity investments | 954 | 1,034 |
| Other assets | | |
| Goodwill on acquisition of subsidiaries | 448 | 451 |
| Loans and advances | | |
| Related parties | 40 | 40 |
| Unrelated parties | 66 | 68 |
| Prepaid pension cost | 78 | 82 |
| Deferred income tax | 344 | 234 |
| Judicial deposits | 428 | 407 |
| Unrealized gain on derivative instruments | 1 | 5 |
| Others | 169 | 155 |
| | <u> </u> | <u> </u> |
| | 1,574 | 1,442 |
| | <u> </u> | <u> </u> |
| TOTAL | 12,662 | 11,434 |
| | <u> </u> | <u> </u> |

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

(Continued)

| | March 31, 2004 Restated | December 31, 2003 |
|---|--|------------------------------|
| | (unaudited) | |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Suppliers | 452 | 482 |
| Payroll and related charges | 109 | 78 |
| Interest attributed to stockholders | 276 | 118 |
| Current portion of long-term debt - unrelated parties | 844 | 1,009 |
| Short-term debt | 171 | 129 |
| Loans from related parties | 50 | 119 |
| Others | 399 | 318 |
| | 2,301 | 2,253 |
| Long-term liabilities | | |
| Employees post-retirement benefits | 199 | 198 |
| Long-term debt - unrelated parties | 3,458 | 2,767 |
| Loans from related parties | 3 | 4 |
| Provisions for contingencies (Note 10) | 655 | 635 |
| Unrealized loss on derivative instruments | 164 | 96 |
| Others | 319 | 268 |
| | 4,798 | 3,968 |
| Minority interests | 464 | 329 |
| Stockholders' equity | | |
| Preferred class A stock - 600,000,000 no-par-value shares authorized and 138,575,913 issued | 1,055 | 1,055 |
| Common stock - 300,000,000 no-par-value shares authorized and 249,983,143 issued | 1,902 | 1,902 |
| Treasury stock - 4,183 (2003 - 4,183) preferred and 4,715,170 common shares | (88) | (88) |
| Additional paid-in capital | 498 | 498 |
| Other cumulative comprehensive income | (4,403) | (4,375) |

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| | | |
|----------------------------------|---------------|---------------|
| Appropriated retained earnings | 3,034 | 3,035 |
| Unappropriated retained earnings | 3,101 | 2,857 |
| | <u>5,099</u> | <u>4,884</u> |
| | | |
| TOTAL | <u>12,662</u> | <u>11,434</u> |

See notes to condensed consolidated financial information.

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

| | Three months ended | | |
|--|--|---------------------------|------------------------------|
| | March 31, 2004 Restated | March 31, 2003 | December 31, 2003 |
| Operating revenues, net of discounts, returns and allowances | | | |
| Sales of ores and metals | | | |
| Iron ore and pellets | 1,061 | 746 | 1,075 |
| Kaolin | 39 | 16 | 41 |
| Manganese and ferroalloys | 131 | 75 | 104 |
| Potash | 23 | 21 | 24 |
| Others | | 9 | |
| | 1,254 | 867 | 1,244 |
| Revenues from logistic services | 191 | 115 | 192 |
| Aluminum products | 280 | 167 | 254 |
| Other products and services | 6 | 4 | |
| | 1,731 | 1,153 | 1,690 |
| Value-added tax | (75) | (43) | (52) |
| | 1,656 | 1,110 | 1,638 |
| Operating costs and expenses | | | |
| Cost of ores and metals sold | (643) | (428) | (670) |
| Cost of logistic services | (115) | (70) | (138) |
| Cost of aluminum products | (147) | (142) | (194) |
| Others | (3) | (1) | (3) |
| | (908) | (641) | (1,005) |
| Selling, general and administrative expenses | (101) | (49) | (97) |
| Research and development | (23) | (11) | (37) |
| Employee profit sharing plan | (13) | (12) | (9) |
| Others | (28) | (34) | (98) |
| | (1,073) | (747) | (1,246) |

| | | | |
|---|--------------|-------------|-------------|
| Operating income | 583 | 363 | 392 |
| | <hr/> | <hr/> | <hr/> |
| Non-operating income (expenses) | | | |
| Financial income | 12 | 28 | 18 |
| Financial expenses | (142) | (82) | (122) |
| Foreign exchange and monetary gains (losses), net | (42) | 50 | (8) |
| Gain on sale of investments | | | 17 |
| | <hr/> | <hr/> | <hr/> |
| | (172) | (4) | (95) |
| | <hr/> | <hr/> | <hr/> |
| Income before income taxes, equity results and minority interests | 411 | 359 | 297 |
| | <hr/> | <hr/> | <hr/> |
| Income taxes | | | |
| Current | (97) | (6) | 10 |
| Deferred | 32 | (65) | (76) |
| | <hr/> | <hr/> | <hr/> |
| | (65) | (71) | (66) |
| | <hr/> | <hr/> | <hr/> |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | 86 | 94 | 88 |
| Minority interests | (27) | (18) | (49) |
| | <hr/> | <hr/> | <hr/> |
| Income from continuing operations | 405 | 364 | 270 |
| | <hr/> | <hr/> | <hr/> |
| Change in accounting practice for asset retirement obligations (Note 4) | | (10) | |
| | <hr/> | <hr/> | <hr/> |
| Net income | 405 | 354 | 270 |
| | <hr/> | <hr/> | <hr/> |
| Basic earnings per Preferred Class A Share | 1.06 | 0.92 | 0.70 |
| | <hr/> | <hr/> | <hr/> |
| Basic earnings per Common Share | 1.06 | 0.92 | 0.70 |
| | <hr/> | <hr/> | <hr/> |
| Weighted average number of shares outstanding (thousands of shares) | | | |
| Common shares | 245,268 | 245,268 | 245,268 |
| Preferred Class A shares | 138,571 | 138,571 | 138,571 |

See notes to condensed consolidated financial information.

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

| | Three months ended | | |
|---|--|---------------------------|------------------------------|
| | March 31, 2004 Restated | March 31, 2003 | December 31, 2003 |
| Cash flows from operating activities: | | | |
| Net income | 405 | 354 | 270 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Depreciation, depletion and amortization | 99 | 43 | 78 |
| Dividends received | 61 | 36 | 59 |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | (86) | (94) | (88) |
| Deferred income taxes | (32) | 65 | 76 |
| Provisions for other contingencies | | 9 | |
| Impairment of property, plant and equipment | | | 39 |
| Gain on sale of investments | | | (17) |
| Change in accounting practice for asset retirement obligations (Note 4) | | 10 | |
| Pension plan | 3 | 3 | 4 |
| Foreign exchange and monetary losses (gains) | 45 | (142) | 5 |
| Net unrealized derivative losses (gains) | 54 | 3 | 20 |
| Minority interests | 27 | 18 | 49 |
| Others | (35) | 6 | 6 |
| Decrease (increase) in assets: | | | |
| Accounts receivable | (23) | 64 | (68) |
| Inventories | (15) | 24 | 6 |
| Others | (25) | (1) | (36) |
| Increase (decrease) in liabilities: | | | |
| Suppliers | (25) | (93) | 59 |
| Payroll and related charges | (3) | (6) | (17) |
| Others | 147 | 57 | 69 |
| | <u>597</u> | <u>356</u> | <u>514</u> |
| Net cash provided by operating activities | | | |
| | <u>597</u> | <u>356</u> | <u>514</u> |
| Cash flows from investing activities: | | | |
| Loans and advances receivable | | | |
| Related parties | | | |
| Additions | | (23) | (65) |
| Repayments | 41 | 29 | 9 |
| Others | 15 | 16 | |
| Guarantees and deposits | (24) | (12) | (13) |
| Additions to investments | (9) | | 1 |
| Additions to property, plant and equipment | (381) | (198) | (594) |

| | | | |
|--|--------------|--------------|--------------|
| Proceeds from disposal of investments | | | 83 |
| | _____ | _____ | _____ |
| Net cash used in investing activities | (358) | (188) | (579) |
| | _____ | _____ | _____ |
| Cash flows from financing activities: | | | |
| Short-term debt, net issuances (repayments) | 44 | (93) | (1) |
| Loans | | | |
| Related parties | | | |
| Additions | 3 | | 24 |
| Repayments | (6) | (16) | (2) |
| Issuances of long-term debt | | | |
| Related parties | | 2 | 12 |
| Others | 665 | 177 | 29 |
| Repayments of long-term debt | | | |
| Others | (470) | (101) | (351) |
| Interest attributed to stockholders | | | (427) |
| | _____ | _____ | _____ |
| Net cash used in financing activities | 236 | (31) | (716) |
| | _____ | _____ | _____ |
| Increase (decrease) in cash and cash equivalents | 475 | 137 | (781) |
| Effect of exchange rate changes on cash and cash equivalents | (3) | 56 | 26 |
| Initial cash in new consolidated subsidiary | 26 | | |
| Cash and cash equivalents, beginning of period | 585 | 1,091 | 1,340 |
| | _____ | _____ | _____ |
| Cash and cash equivalents, end of period | 1,083 | 1,284 | 585 |
| | _____ | _____ | _____ |
| Cash paid during the period for: | | | |
| Interest on short-term debt | (2) | (6) | |
| Interest on long-term debt | (80) | (53) | (38) |
| Income tax | | (6) | (16) |
| Non-cash transactions | | | |
| Conversion of loans receivable to investments | | (11) | (91) |

See notes to condensed consolidated financial information.

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

| | Three months ended | | |
|---|--------------------|-------------------|----------------------|
| | March 31, 2004 | March 31, 2003 | December 31, 2003 |
| Preferred class A stock (including one special share) | | | |
| End of the period | <u>1,055</u> | <u>904</u> | <u>1,055</u> |
| Common stock | | | |
| End of the period | <u>1,902</u> | <u>1,630</u> | <u>1,902</u> |
| Treasury stock | | | |
| End of the period | <u>(88)</u> | <u>(88)</u> | <u>(88)</u> |
| Additional paid-in capital | | | |
| End of the period | <u>498</u> | <u>498</u> | <u>498</u> |
| Other cumulative comprehensive income | | | |
| Cumulative translation adjustments | | | |
| Beginning of the period | (4,449) | (5,185) | (4,473) |
| Change in the period | <u>(31)</u> | <u>186</u> | <u>24</u> |
| End of the period | <u>(4,480)</u> | <u>(4,999)</u> | <u>(4,449)</u> |
| Unrealized gain on available-for-sale securities | | | |
| Beginning of the period | 74 | | 14 |
| Change in the period | <u>3</u> | <u>13</u> | <u>60</u> |
| End of the period | <u>77</u> | <u>13</u> | <u>74</u> |
| Adjustments relating to investments in affiliates | | | |
| Beginning of the period | | 10 | 10 |
| Transfer to retained earnings | | | <u>(10)</u> |

| | | | |
|---|--------------------|--------------------|--------------------|
| End of the period | | 10 | - |
| | | | |
| Total other cumulative comprehensive income | (4,403) | (4,976) | (4,375) |
| | | | |
| Appropriated retained earnings | | | |
| Beginning of the period | 3,035 | 2,230 | 2,251 |
| Transfer (to) from retained earnings | (19) | 121 | 784 |
| | | | |
| End of the period | 3,016 | 2,351 | 3,035 |
| | | | |
| Retained earnings | | | |
| Beginning of the period | 2,857 | 3,288 | 3,472 |
| Net income | 405 | 354 | 270 |
| Interest attributed to stockholders | | | |
| Preferred class A stock | (58) | (72) | (40) |
| Common stock | (104) | (128) | (71) |
| Appropriation (to) from reserves | 19 | (121) | (774) |
| | | | |
| End of the period | 3,119 | 3,321 | 2,857 |
| | | | |
| Total stockholders' equity | 5,099 | 3,640 | 4,884 |
| | | | |
| Comprehensive income is comprised as follows: | | | |
| Net income | 405 | 354 | 270 |
| Cumulative translation adjustments | (31) | 186 | 24 |
| Unrealized gain (loss) on available-for-sale securities | 3 | 13 | 60 |
| | | | |
| Total comprehensive income | 377 | 553 | 354 |
| | | | |
| Shares | | | |
| Preferred class A stock (including one special share) | 138,575,913 | 138,575,913 | 138,575,913 |
| | | | |
| Common stock | 249,983,143 | 249,983,143 | 249,983,143 |
| | | | |
| Treasury stock (1) | | | |
| Beginning of the period | (4,719,353) | (4,719,651) | (4,719,353) |
| Sales | | 16 | |

| | | | |
|-------------------|--------------------|--------------------|--------------------|
| | _____ | _____ | _____ |
| End of the period | <u>(4,719,353)</u> | <u>(4,719,635)</u> | <u>(4,719,353)</u> |
| | <u>383,839,703</u> | <u>383,839,421</u> | <u>383,839,703</u> |

Interest attributed to stockholders (per share)

| | | | |
|---|------|------|------|
| Preferred class A stock (including one special share) | 0.42 | 0.52 | 0.29 |
| Common stock | 0.42 | 0.52 | 0.29 |

(1) As of March 31, 2004, 4,715,170 common shares and 4,183 preferred shares were held in treasury in the amount of \$ 88. The 4,715,170 common shares guarantee a loan of to our subsidiary Alunorte.

See notes to condensed consolidated financial information.

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Expressed in millions of United States dollars, unless otherwise stated (Unaudited)

1 The Company and its operations

Companhia Vale do Rio Doce (CVRD) is a limited liability company, duly organized and existing under the laws of the Federative Republic of Brazil. Our operations are carried out through CVRD and its subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production and logistics, as well as energy, aluminum and steel activities. Further details of our operations and those of our joint ventures and affiliates are described in Note 8.

The main operating subsidiaries we consolidate are as follows:

| Subsidiary | % ownership | Head office location | Principal activity |
|---|----------------|-------------------------|--|
| Alumina do Norte do Brasil S.A. Alunorte | 57 | Brazil | Aluminum |
| Alumínio Brasileiro S.A. Albras (8) | 51 | Brazil | Aluminum |
| CADAM S.A. (2) (4) | 37 | Brazil | Kaolin |
| CELMAR S.A. Indústria de Celulose e Papel (3) | 100 | Brazil | Forestry |
| CVRD Overseas Ltd. | 100 | Cayman Island | Trading |
| Ferrovias Centro-Atlântica S.A. (4) | 100 | Brazil | Logistics |
| Ferteco Mineração S.A. FERTECO (3) | 100 | Brazil | Iron ore and Pellets |
| Itabira Rio Doce Company Ltd. ITACO | 100 | Cayman Island | Trading |
| Mineração Serra do Sossego S.A. (1) (5) | 100 | Brazil | Copper |
| Minerações Brasileiras Reunidas S.A. MBR (4) (7) | 56 | Brazil | Iron ore |
| Navegação Vale do Rio Doce S.A. DOCENAVE | 100 | Brazil | Shipping |
| Pará Pigmentos S.A. | 76 | Brazil | Kaolin |
| Rio Doce International Finance Ltd. RDIF | 100 | Bahamas | International finance |
| Rio Doce Manganês Europe RDME | 100 | France | Ferrous alloys |
| Rio Doce Manganese Norway RDMN | 100 | Norway | Ferrous alloys |
| Salobo Metais S.A. (1) | 100 | Brazil | Copper |
| Rio Doce Manganês S.A. (6) | 100 | Brazil | Manganese and Ferrous alloys |
| Urucum Mineração S.A. | 100 | Brazil | Iron ore, Ferrous alloys and Manganese |
| Vale do Rio Doce Alumínio S.A. ALUVALE (5) | 100 | Brazil | Aluminum |

(1) Development stage companies

- (2) Through Caemi Mineração e Metalurgia S.A.
- (3) Merged with CVRD on August 29, 2003
- (4) Consolidated as from September 2003
- (5) Merged with CVRD on December 30, 2003
- (6) Formerly Sibra-Eletrosiderúrgica Brasileira S.A.
- (7) Through Caemi Mineração e Metalurgia S.A. and Belém Administrações e Participações Ltda.
- (8) Consolidated as from January 1, 2004 (See Note 5)

2 Basis of consolidation

All majority-owned subsidiaries where we have both share and management control are consolidated, with elimination of all significant intercompany accounts and transactions. Investments in unconsolidated affiliates and joint ventures are reported at cost plus our equity in undistributed earnings or losses. Included in this category are certain joint ventures in which we have majority ownership but, by force of shareholders' agreements, do not have effective management control. We provide for losses on equity investments with negative stockholders' equity where applicable (see Note 8).

We evaluate the carrying value of our listed investments relative to publicly available quoted market prices. If the quoted market price is below book value, and such decline is considered other than temporary, we write-down our equity investments to quoted market value.

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We define joint ventures as businesses in which we and a small group of other partners each participate actively in the overall entity management, based on a shareholders agreement. We define affiliates as businesses in which we participate as a minority stockholder but with significant influence over the operating and financial policies of the investee.

Investments in unincorporated joint ventures, formed for the purpose of investing in electrical energy projects, as proportionately consolidated.

3 Summary of significant accounting policies

Our condensed consolidated interim financial information for the three-month periods ended March 31, 2004, December 31, 2003 and March 31, 2003 is unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods. The results of operations for the three month period ended March 31, 2004 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2004.

In preparing the consolidated financial statements, we are required to use estimates to account for certain assets, liabilities, revenues and expenses. Our consolidated financial statements therefore include various estimates concerning the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired in business combinations, income tax valuation allowances, employee post-retirement benefits and other similar evaluations, actual results may vary from our estimates.

4 Change in accounting policy in 2003

In June 2001, the FASB issued SFAS 143 Accounting for Asset Retirement Obligations . We adopted SFAS 143 as from January 1, 2003, and as a consequence an additional \$26 for asset retirement obligations was recorded as Others long-term liabilities , a net increase of \$11 in mine development costs was registered within Property, plant and equipment and a resulting charge of \$10 was registered as Change in Accounting Practice for Asset Retirement Obligations on the Statement of Income, net of income tax (\$15 gross of deferred income tax). Over time the liabilities will be accreted for the change in their present value and initial capitalized costs will be amortized over the useful lives of the related assets.

5 Revision in 2004

In December 2003, the FASB issued FIN 46R Consolidation of Variable Interest Entities, (revised December 2003) . The primary objectives of FIN 46R are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights (variable interest entities or VIEs) and how to determine when and which business enterprise should consolidate the VIE (the primary beneficiary). This new model for consolidation applies to an entity in which either (1) the equity investors (if any) do not have a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity s activities without receiving additional subordinated financial support from other parties. In addition, FIN 46R requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures regarding the nature, purpose, size and activities of the VIE and the enterprise s maximum exposure to loss as a result of its involvement with the VIE.

The implementation date of FIN 46R is the first period ending after December 15, 2003 for Special Purpose Entities (SPEs) and as from January 1, 2004 for previously existing variable interest entities which are not SPEs. FIN 46R may be applied prospectively with a cumulative adjustment as of the date on which it is first applied or by restating previously issued financing statements for one or more years with a cumulative-effect adjustment as of the

beginning of the first year restated.

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Albrás, an equity investee, was determined to be a VIE in accordance with FIN 46R and has been consolidated as from January 1, 2004. Accordingly financial information for the three-months ended March 31, 2004 has been restated to consolidate this entity. Below is a summary of the impacts on the previously presented un-audited condensed financial information for the three month period ended March 31, 2004:

| | As previously Presented | Consolidation of Albrás | As Presented Herein |
|-------------------------------|-------------------------------|----------------------------|---------------------------|
| | (unaudited) | (unaudited) | (unaudited) |
| Balance Sheet | | | |
| Current assets | 2,938 | 179 | 3,117 |
| Property, plant and equipment | 6,727 | 290 | 7,017 |
| Investments | 1,069 | (115) | 954 |
| Other assets | 1,427 | 147 | 1,574 |
| Current liabilities | (2,147) | (154) | (2,301) |
| Long-term liabilities | (4,562) | (236) | (4,798) |
| Minority interests | (353) | (111) | (464) |
| Stockholders equity | (5,099) | | (5,099) |
| Income Statement | | | |
| Net Operating Revenues | 1,610 | 46 | 1,656 |
| Operating costs and expenses | (1,081) | 8 | (1,073) |
| | 529 | 54 | 583 |
| Operating income | | | |
| Non-operating expense | (137) | (35) | (172) |
| Income taxes | (53) | (12) | (65) |
| Equity in results | 90 | (4) | 86 |
| Minority interests | (24) | (3) | (27) |
| | 405 | | 405 |
| Net income | | | |

6 Income taxes

Income taxes in Brazil comprise federal income tax and social contribution, which is an additional federal tax. The statutory composite enacted tax rate applicable in the periods presented is 34% represented by a 25% federal income tax rate plus a 9% social contribution rate.

The amount reported as income tax expense in our consolidated financial statements is reconciled to the statutory rates as follows:

| Three months ended | | |
|--------------------|--------------|----------------------|
| March 31, | March 31, | December 31, 2003 |

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| | <u>2004</u> | <u>2003</u> | <u> </u> |
|---|-------------------|-------------------|-------------------|
| Income before income taxes, equity results and minority interests | 411 | 359 | 297 |
| Federal income tax and social contribution expense at statutory enacted rates | (139) | (122) | (101) |
| Adjustments to derive effective tax rate: | | | |
| Tax benefit on interest attributed to stockholders | 55 | 63 | 42 |
| Exempt foreign income (expenses) | 14 | (16) | (26) |
| Difference on tax basis of equity investees | (14) | | (56) |
| Tax incentives | 9 | | 12 |
| Valuation allowance reversal (provision) | | 9 | 40 |
| Other non-taxable gains (losses) | 10 | (5) | 23 |
| | <u> </u> | <u> </u> | <u> </u> |
| Federal income tax and social contribution expense in consolidated statements of income | (65) | (71) | (66) |
| | <u> </u> | <u> </u> | <u> </u> |

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We have certain tax incentives relative to our iron ore and manganese operations in Carajás and relative to alumina in Barcarena. The incentives relative to iron ore and manganese comprise full income tax exemption on defined production levels up to 2005 and partial exemption up to 2013. Both incentives relative to alumina expire in 2010. An amount equal to the tax saving must be appropriated to a reserve account within stockholders' equity and may not be distributed in the form of cash dividends.

7 Inventories

| | March 31, 2004 | December 31, 2003 |
|--------------------------------------|-------------------------------|------------------------------|
| | <u> </u> | <u> </u> |
| Finished products | | |
| Iron ore and pellets | 144 | 146 |
| Manganese and ferroalloys | 80 | 78 |
| Aluminum | 43 | |
| Alumina | 16 | 20 |
| Kaolin | 17 | 16 |
| Others | 6 | 8 |
| Spare parts and maintenance supplies | 268 | 237 |
| | <u> </u> | <u> </u> |
| | 574 | 505 |
| | <u> </u> | <u> </u> |

Table of Contents**8 Investments in affiliated companies and joint ventures**

| | March 31, 2004 | | | | Investments | |
|---|-------------------------------------|--------------|-------------------|----------------------------------|-----------------------|--------------------------|
| | Participation in capital (%) | | Net equity | Net income for the period | March 31, 2004 | December 31, 2003 |
| | voting | total | | | | |
| Steel | | | | | | |
| Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS | 22.99 | 11.46 | 319 | 157 | 37 | 31 |
| Companhia Siderúrgica de Tubarão CST (1) | 26.93 | 28.79 | 364 | 62 | 102 | 86 |
| California Steel Industries Inc. CSI | 50.00 | 50.00 | 205 | (1) | 103 | 103 |
| SIDERAR (costs \$15) available for sale investments | 4.85 | 4.85 | | | 93 | 89 |
| | | | | | 335 | 309 |
| Aluminum and bauxite | | | | | | |
| Mineração Rio do Norte S.A. MRN | 40.00 | 40.00 | 394 | 26 | 157 | 168 |
| Valesul Alumínio S.A. VALESUL | 54.51 | 54.51 | 92 | 6 | 50 | 49 |
| Alumínio Brasileiro S.A. ALBRAS (5) | | | | | | 112 |
| Alumínio Brasileiro S.A. ALBRAS change in provision for losses (5) | | | | | | |
| | | | | | 207 | 329 |
| Ferrous | | | | | | |
| Caemi Mineração e Metalurgia S.A. (3) | | | | | | |
| Companhia Nipo-Brasileira de Pelotização NIBRASCO | 51.11 | 51.00 | 40 | 5 | 20 | 18 |
| Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS | 51.00 | 50.89 | 33 | 1 | 17 | 17 |
| Companhia Coreano-Brasileira de Pelotização KOBRASCO | 50.00 | 50.00 | 4 | 3 | 2 | 1 |
| Companhia Coreano-Brasileira de Pelotização KOBRASCO - change in provision for losses | | | | | | |
| Companhia Ítalo-Brasileira de Pelotização ITABRASCO | 51.00 | 50.90 | 23 | 1 | 12 | 11 |
| Gulf Industrial Investment Company GIIC | 50.00 | 50.00 | 76 | 8 | 38 | 40 |
| SAMARCO Mineração S.A. SAMARCO (4) | 50.00 | 50.00 | 379 | 51 | 226 | 221 |
| Minas da Serra Geral S.A. MSG | 50.00 | 50.00 | 36 | | 18 | 15 |
| Others | | | | | 20 | 21 |

| | | |
|---|-------------------|---------------------|
| | 353 | 344 |
| Logistics | | |
| Companhia Ferroviária do Nordeste CFN change in provision for losses (2) | | |
| Ferrobán Ferrovias Bandeirantes S.A. change in provision for losses | 1 | 1 |
| Ferrovias Centro-Atlântica S.A. FCA change in provision for losses (3) | | |
| MRS Logística S.A | 45 | 39 |
| MRS Logística S.A. change in provision for losses | | |
| Sepetiba Tecon S.A. change in provision for losses | | |
| Others | 5 | 4 |
| | <u>51</u> | <u>44</u> |
| Other affiliates and joint ventures | | |
| Fertilizantes Fosfatados S.A. FOSFERTIL (2) | | |
| Others | 8 | 8 |
| | <u>8</u> | <u>8</u> |
| Total | <u>954</u> | <u>1,034</u> |

[Additional columns below]

[Continued from above table, first column(s) repeated]

| | <u>Equity Adjustments</u> | | | <u>Dividends received</u> | | | <u>Quoted market</u> |
|--|-------------------------------|-------------------------------|----------------------------------|-------------------------------|-------------------------------|----------------------------------|--------------------------|
| | <u>Three months ended</u> | | | <u>Three months ended</u> | | | |
| | <u>March 31, 2004</u> | <u>March 31, 2003</u> | <u>December 31, 2003</u> | <u>March 31, 2004</u> | <u>March 31, 2003</u> | <u>December 31, 2003</u> | |
| Steel | | | | | | | |
| Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS | 18 | 10 | | 13 | | | 248 |
| Companhia Siderúrgica de Tubarão CST (1) | 17 | 6 | 19 | | 5 | 17 | 484 |

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| | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| California Steel Industries Inc. CSI SIDERAR (costs \$15) available for sale investments | (1) | 3 | 2 | | | | 93 |
| | — | — | — | — | — | — | — |
| | 34 | 19 | 21 | 13 | 5 | 17 | 825 |
| Aluminum and bauxite | | | | | | | |
| Mineração Rio do Norte S.A. MRN | 11 | 4 | 12 | 21 | 5 | 11 | |
| Valesul Alumínio S.A. VALESUL | 3 | 4 | 2 | 2 | | 6 | |
| Alumínio Brasileiro S.A. ALBRAS (5) | | 39 | 10 | | | | |
| Alumínio Brasileiro S.A. ALBRAS change in provision for losses (5) | | 1 | | | | | |
| | — | — | — | — | — | — | — |
| | 14 | 48 | 24 | 23 | 5 | 17 | |
| Ferrous | | | | | | | |
| Caemi Mineração e Metalurgia S.A. (3) | | 5 | | | | | |
| Companhia Nipo-Brasileira de Pelotização NIBRASCO | 2 | 1 | | | | | |
| Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS | 1 | 1 | | | 2 | | |
| Companhia Coreano-Brasileira de Pelotização KOBRASCO | 1 | | 1 | | | | |
| Companhia Coreano-Brasileira de Pelotização KOBRASCO - change in provision for losses | | 3 | 8 | | | | |
| Companhia Ítalo-Brasileira de Pelotização ITABRASCO | 1 | | | | | | |
| Gulf Industrial Investment Company GIIC | 4 | 2 | 3 | 6 | 5 | | |
| SAMARCO Mineração S.A. SAMARCO (4) | 25 | 19 | 12 | 19 | 14 | 25 | |
| Minas da Serra Geral S.A. MSG | | 1 | | | | | |
| Others | (1) | 2 | (1) | | | | |
| | — | — | — | — | — | — | — |
| | 33 | 34 | 23 | 25 | 21 | 25 | |
| Logistics | | | | | | | |
| Companhia Ferroviária do Nordeste CFN change in provision for losses (2) | | 1 | | | | | |
| Ferrobán Ferrovias Bandeirantes S.A. change in provision for losses | | | | | | | |
| Ferrovia Centro-Atlântica S.A. FCA change in provision for losses (3) | | (11) | | | | | |
| MRS Logística S.A. | 6 | | 37 | | | | |
| MRS Logística S.A. change in provision for losses | | 1 | | | | | |
| Sepetiba Tecon S.A. change in provision for losses | | (1) | (1) | | | | |
| Others | | | | | | | |

| | | | | | | |
|--|------------|-------------|-------------|-----------|-----------|-----------|
| | — | — | — | — | — | — |
| | 6 | (10) | 36 | | | |
| Other affiliates and joint ventures | | | | | | |
| Fertilizantes Fosfatados S.A. | | | | | | |
| FOSFERTIL (2) | | 3 | (9) | | 5 | |
| Others | (1) | | (7) | | | |
| | — | — | — | — | — | — |
| | (1) | 3 | (16) | | 5 | |
| | — | — | — | — | — | — |
| Total | 86 | 94 | 88 | 61 | 36 | 59 |
| | 825 | | | | | |

- (1) During the quarter ended June 30, 2003 CVRD acquired an additional 4.42% of the voting shares and 5.64% of the preferred shares, representing 5.17% of CST's total capital for \$ 60;
- (2) Investment sold in 2003;
- (3) Consolidated as from September, 2003, after acquisition of control;
- (4) Investment includes goodwill of \$37 in 2004 and 2003;
- (5) Albras was consolidated as from January, 2004.

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9 Pension plans

Three months ended

March March December

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