VALLEY OF THE RIO DOCE CO
Form 6-K
March 26, 2004

United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 6-K

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

For the month of

March 2004

Commission File Number 001-15030

Valley of the Rio Doce Company

(Translation of Registrant s name into English)

Avenida Graca Aranha, No. 26
20030-900 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 [X] 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 [X]

(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 [X]

(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 [X]

(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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United States GAAP Financial Statements for 2003 of Companhia Vale do Rio Doce

This current report on Form 6-K is hereby incorporated by reference into the Registration Statement on Form F-4 of Vale Overseas Limited, File No. 333-109610; the Registration Statement on Form F-4 of Companhia Vale do Rio Doce, File No. 333-109610-01; 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.

Financial Statements US GAAP 2003

Filed with The Comissãode Valores Mobiliários CVM (Brazilian Securities Commission) and Security Exchange Commission SEC on 03/24/2004

Gerência Geral de Controladoria -GECOL

COMPANHIA VALE DO RIO DOCE
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REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, based upon our audits and the reports of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in stockholders equity, present fairly, in all material respects, the financial position of Companhia Vale do Rio Doce and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain affiliates, the investments in which total US$ 376 million and US$343 million at December 31, 2003 and 2002, respectively, and equity in earnings of US$157 million, US$60 million and US$53 million for 2003, 2002 and 2001, respectively. Also, we did not audit the financial statements of certain majority-owned subsidiaries as at and for the years ended December 31, 2003, 2002 and 2001, which statements reflect total assets of US$1,352 million and US$969 million at December 31, 2003 and 2002, respectively, and total revenues of US$839 million, US$426 million and US$407 million for 2003, 2002 and 2001, respectively. The financial statements of these affiliates and subsidiaries were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts for these affiliates and subsidiaries, is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for the opinion expressed above. The financial information relating to quarterly consolidated statements of income, of cash flows, of changes in stockholder ´s equity and related explanatory notes included in the consolidated financial statements have not been audited by us.

As discussed in Note 4 to the financial statements, the Company changed its method of accounting for asset retirement obligations, as from January 1, 2003.

PricewaterhouseCoopers
Auditores Independentes

Rio de Janeiro, Brazil
February 20, 2004

Consolidated Balance Sheets
Expressed in millions of United States dollars

	As of December 31,	
	2003	**2002**
Assets		
Current assets		
Cash and cash equivalents	585	1,091
Accounts receivable		
Related parties	115	121
Unrelated parties	703	539
Loans and advances to related parties	56	49
Inventories	505	292
Deferred income tax	91	211
Others	419	286
	2,474	**2,589**
Property, plant and equipment, net	**6,484**	**3,297**
Investments in affiliated companies and joint ventures and other investments, net of provision for losses on equity investments	**1,034**	**732**
Other assets		
Goodwill on acquisition of subsidiaries	451	412
Loans and advances		
Related parties	40	89
Unrelated parties	68	73
Prepaid pension cost	82	79
Deferred income tax	234	358
Judicial deposits	407	239
Unrealized gain on derivative instruments	5	3
Others	155	84
	1,442	**1,337**
TOTAL	**11,434**	**7,955**

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

(Continued)

	As of December 31,	
	2003	**2002**
Liabilities and stockholders equity		
Current liabilities		
Suppliers	482	365
Payroll and related charges	78	76
Interest attributed to stockholders	118	3
Current portion of long-term debt unrelated parties	1,009	717
Short-term debt	129	184
Loans from related parties	119	64
Others	318	99
	2,253	**1,508**
Long-term liabilities		
Employees post-retirement benefits	198	141
Long-term debt unrelated parties	2,767	2,359
Loans from related parties	4	7
Provisions for contingencies (Note 18)	635	428
Unrealized loss on derivative instruments	96	76
Others	268	122
	3,968	**3,133**
Minority interests	**329**	**27**
Stockholders equity		
Preferred class A stock - 600,000,000 no-par-value shares authorized and 138,575,913 issued	1,055	904
Common stock - 300,000,000 no-par-value shares authorized and 249,983,143 issued	1,902	1,630
Treasury stock - 4,183 (2002 - 4,481) preferred and 4,715,170 common shares	(88)	(88)
Additional paid-in capital	498	498
Other cumulative comprehensive income	(4,375)	(5,175)

Appropriated retained earnings	3,035	2,230
Unappropriated retained earnings	2,857	3,288
	4,884	**3,287**
TOTAL	**11,434**	**7,955**

See notes to consolidated financial statements.

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

	Three months ended			Year ended December 31,		
	December 31, 2003	**September 30, 2003**	**December 31, 2002**	**2003**	**2002**	**2001**
		(unaudited)				
Operating revenues, net of discounts, returns and allowances						
Sales of ores and metals						
Iron ore and pellets	1,075	918	737	3,500	2,820	2,600
Gold		5	13	21	103	139
Manganese and ferroalloys	104	81	67	349	283	259
Potash	24	28	24	94	91	71
Others	41	25	12	96	45	41
	1,244	**1,057**	**853**	**4,060**	**3,342**	**3,110**
Revenues from logistic services	192	159	98	604	458	608
Aluminum products	254	243	150	852	462	284
Other products and services		24		29	20	75
	1,690	**1,483**	**1,101**	**5,545**	**4,282**	**4,077**
Value-added tax	(52)	(51)	(42)	(195)	(159)	(142)
Net operating revenues	**1,638**	**1,432**	**1,059**	**5,350**	**4,123**	**3,935**
Operating costs and expenses						
Cost of ores and metals sold	(670)	(530)	(392)	(2,066)	(1,579)	(1,550)
Cost of logistic services	(138)	(89)	(56)	(370)	(252)	(378)
Cost of aluminum products	(194)	(185)	(139)	(678)	(412)	(269)
Others	(3)	(8)	(2)	(14)	(20)	(75)
	(1,005)	**(812)**	**(589)**	**(3,128)**	**(2,263)**	**(2,272)**
Selling, general and administrative expenses	(97)	(74)	(51)	(265)	(224)	(241)
Research and development	(37)	(22)	(14)	(82)	(50)	(43)
Employee profit sharing plan	(9)	(2)	(18)	(32)	(38)	(38)
Others	(98)	(21)	(46)	(199)	(119)	(379)

	(1,246)	**(931)**	**(718)**	**(3,706)**	**(2,694)**	**(2,973)**
Operating income	**392**	**501**	**341**	**1,644**	**1,429**	**962**
Non-operating income (expenses)						
Financial income	18	27	40	102	127	135
Financial expenses	(122)	(83)	(48)	(351)	(375)	(335)
Foreign exchange and monetary gains (losses), net	(8)	(57)	257	242	(580)	(426)
Gain on sale of investments	17			17		784
	(95)	**(113)**	**249**	**10**	**(828)**	**158**
Income before income taxes, equity results and minority interests	**297**	**388**	**590**	**1,654**	**601**	**1,120**
Income taxes						
Current	10	41	(8)	(90)	(12)	46
Deferred	(76)	(41)	(101)	(207)	161	172
	(66)		**(109)**	**(297)**	**149**	**218**
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	88	89	121	306	(87)	(53)
Minority interests	(49)	(9)	(33)	(105)	17	2
Income from continuing operations	**270**	**468**	**569**	**1,558**	**680**	**1,287**
Change in accounting pratice for asset retirement obligations (Note 4)				(10)		
Net income	**270**	**468**	**569**	**1,548**	**680**	**1,287**
Basic earnings per Preferred Class A Share	**0.70**	**1.22**	**1.48**	**4.03**	**1.77**	**3.34**

Basic earnings per Common Share	**0.70**	**1.22**	**1.48**	**4.03**	**1.77**	**3.34**
Weighted average number of shares outstanding (thousands of shares)						
Common shares	245,268	245,268	249,864	245,268	249,864	249,864
Preferred Class A shares	138,571	138,571	135,042	138,571	135,042	135,042

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Expressed in millions of United States dollars

	Three months ended			Year ended December 31,		
	December 31, 2003	September 30, 2003	December 31, 2002	2003	2002	2001
		(unaudited)				
Cash flows from operating activities:						
Net income	270	468	569	1,548	680	1,287
Adjustments to reconcile net income to cash provided by operating activities:						
Depreciation, depletion and amortization	78	63	43	238	214	212
Dividends received	59	66	19	197	91	132
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	(88)	(89)	(121)	(306)	87	53
Deferred income taxes	76	41	101	207	(161)	(172)
Current income taxes contingency						
Provisions for other contingencies			(1)	9	53	79
Impairment of property, plant and equipment	39		51	51	62	79
Gain on sale of investments	(17)			(17)		(784)
Change in accounting pratice for asset retirement obligations (Note 4)				10		
Pension plan	4	3	3	12	11	32
Foreign exchange and monetary losses (gains)	5	13	(310)	(382)	1,031	460
Net unrealized derivative losses (gains)	20	21	7	43	83	38
Minority interests	49	9	33	105	(17)	(2)
Others	6	(20)	(73)	(15)	46	131
Decrease (increase) in assets:						
Accounts receivable	(68)	(24)	49	37	(123)	(49)
Inventories	6	(27)	(26)	(22)	(69)	(40)
Others	(36)	(1)	(21)	(9)	(105)	17
Increase (decrease) in liabilities:						
Suppliers	59	(2)	125	(18)	102	21
Payroll and related charges	(17)	(15)	1	(25)	23	42
Others	69	(71)	55	94	94	(18)
Net cash provided by operating activities	**514**	**435**	**504**	**1,757**	**2,102**	**1,518**

Cash flows from investing activities:
Loans and advances receivable

Related parties						
Additions	(65)	(15)	(66)	(157)	(101)	(75)
Repayments	9	33	23	71	75	79
Others		18	2	35	20	7
Guarantees and deposits	(13)	78	(17)	(99)	(78)	(85)
Additions to investments	1	(8)		(68)	(1)	(338)
Additions to property, plant and equipment	(594)	(443)	(258)	(1,543)	(766)	(595)
Proceeds from disposal of investments	83		(49)	83		989
Proceeds from disposals of property, plant and equipment		21	5	58	7	3
Cash used to acquire subsidiaries, net of cash acquired		(380)		(380)	(45)	(516)
Net cash used in investing activities	**(579)**	**(696)**	**(360)**	**(2,000)**	**(889)**	**(531)**
Cash flows from financing activities:						
Short-term debt, net issuances (repayments)	(1)	(4)	(202)	(38)	(345)	(28)
Loans						
Related parties						
Additions	24	48	22	72	54	145
Repayments	(2)	(2)	(46)	(26)	(75)	(44)
Issuances of long-term debt						
Related parties	12		6	14	17	66
Others	29	779	37	1,025	698	317
Repayments of long-term debt						
Related parties				(4)	(15)	(40)
Others	(351)	(139)	(85)	(766)	(330)	(310)
Interest attributed to stockholders	(427)	(33)	(273)	(675)	(602)	(1,066)
Treasury stock						(27)
Net cash used in financing activities	**(716)**	**649**	**(541)**	**(398)**	**(598)**	**(987)**
Increase (decrease) in cash and cash equivalents	(781)	388	(397)	(641)	615	
Effect of exchange rate changes on cash and cash equivalents	26	(14)	86	135	(641)	(94)
Cash and cash equivalents, beginning of period	1,340	966	1,402	1,091	1,117	1,211
Cash and cash equivalents, end of period	**585**	**1,340**	**1,091**	**585**	**1,091**	**1,117**
Cash paid during the period for:						
Interest on short-term debt			(15)	(7)	(46)	(45)
Interest on long-term debt	(38)	(54)	(35)	(178)	(157)	(164)
Income tax	(16)	(6)	(8)	(55)	(12)	(46)
Non-cash transactions						

Special pension plan contribution in shares of CSN						(249)
Conversion of loans receivable to investments	(91)	(9)	(15)	(187)	(55)	(35)
Income tax paid with credits				(81)		

See notes to consolidated financial statements.

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

	Three months ended			Year ended December 31,		
	December 31, 2003	**September 30, 2003**	**December 31, 2002**	**2003**	**2002**	**2001**
		(unaudited)				
Preferred class A stock (including one special share)						
Beginning of the period	**1.055**	**1.055**	**904**	**904**	**820**	**709**
Transfer from appropriated retained earnings				**151**	**84**	**111**
End of the period	**1.055**	**1.055**	**904**	**1.055**	**904**	**820**
Common stock						
Beginning of the period	**1.902**	**1.902**	**1.630**	**1.630**	**1.479**	**1.279**
Transfer from appropriated retained earnings				**272**	**151**	**200**
End of the period	**1.902**	**1.902**	**1.630**	**1.902**	**1.630**	**1.479**
Treasury stock						
Beginning of the period	(88)	(88)	(88)	(88)	(88)	(61)
Acquisitions in 2001						(27)
End of the period	**(88)**	**(88)**	**(88)**	**(88)**	**(88)**	**(88)**
Additional paid-in capital						
End of the period	**498**	**498**	**498**	**498**	**498**	**498**

Other cumulative comprehensive income						
Amounts not recognized as net periodic pension cost						
Beginning of the period						(100)
Excess of additional minimum liability						151
Tax effect on above						(51)
End of the period						
Cumulative translation adjustments						
Beginning of the period	(4.473)	(4.406)	(5.295)	(5.185)	(3.475)	(2.972)
Change in the period	24	(67)	110	736	(1.710)	(503)
End of the period	**(4.449)**	**(4.473)**	**(5.185)**	**(4.449)**	**(5.185)**	**(3.475)**
Unrealized gain on available-for-sale securities						
Beginning of the period	14	18				24
Change in the period	60	(4)		74		(24)
End of the period	**74**	**14**		**74**		
Adjustments relating to investments in affiliates						
Beginning of the period	10	10	10	10	10	8
Change in the period						2
Trasnfer to retained earnings	(10)			(10)		

End of the period		**10**	**10**		**10**	**10**
Total other cumulative comprehensive income	**(4.375)**	**(4.449)**	**(5.175)**	**(4.375)**	**(5.175)**	**(3.465)**
Appropriated retained earnings						
Beginning of the period	2.251	2.292	1.635	2.230	3.212	3.537
Transfer (to) from retained earnings	784	(41)	595	1.228	(747)	(14)
Transfer to capital stock				(423)	(235)	(311)
End of the period	**3.035**	**2.251**	**2.230**	**3.035**	**2.230**	**3.212**
Retained earnings						
Beginning of the period	3.472	3.281	3.314	3.288	2.184	1.647
Net income	270	468	569	1.548	680	1.287
Interest attributed to stockholders						
Preferred class A stock	(40)	(115)		(275)	(117)	(276)
Common stock	(71)	(203)		(486)	(206)	(488)
Appropriation (to) from reserves	(774)	41	(595)	(1.218)	747	14
End of the period	**2.857**	**3.472**	**3.288**	**2.857**	**3.288**	**2.184**
Total stockholders equity	**4.884**	**4.641**	**3.287**	**4.884**	**3.287**	**4.640**
Comprehensive income (loss) is comprised as follows:						
Net income	270	468	569	1.548	680	1.287
Amounts not recognized as net periodic pension cost						100

Cumulative translation adjustments	24	(67)	110	736	(1.710)	(503)
Unrealized gain (loss) on available-for-sale securities	60	(4)		74		(24)
Adjustments relating to investments in affiliates						2
Total comprehensive income (loss)	**354**	**397**	**679**	**2.358**	**(1.030)**	**862**
Shares						
Preferred class A stock (including one special share)	**138.575.913**	**138.575.913**	**138.575.913**	**138.575.913**	**138.575.913**	**138.575.913**
Common stock	**249.983.143**	**249.983.143**	**249.983.143**	**249.983.143**	**249.983.143**	**249.983.143**
Treasury stock (1)						
Beginning of the period	(4.719.353)	(4.719.405)	(4.719.921)	(4.719.651)	(4.715.261)	(3.659.311)
Acquisitions					(4.390)	(1.055.950)
Sales		52	270	298		
End of the period	**(4.719.353)**	**(4.719.353)**	**(4.719.651)**	**(4.719.353)**	**(4.719.651)**	**(4.715.261)**
	383.839.703	**383.839.703**	**383.839.405**	**383.839.703**	**383.839.405**	**383.843.795**
Interest attributed to stockholders (per share)						
Preferred class A stock (including one special share)	0,29	0,83		1,98	0,84	1,99
Common stock	0,29	0,83		1,98	0,84	1,99

(1) As of December 31, 2003, 4,715,170 common shares and 4,183 preferred shares were held in treasury in the amount of US$ 88. The 4,715,170 common shares guarantee a loan of to our subsidiary Alunorte.

See notes to consolidated financial statements.

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

1 The Company and its operations

Companhia Vale do Rio Doce (CVRD) is a limited liability company, duly organized and existing under the laws of the Federative Republic of Brazil. Our operations are carried out through CVRD and its subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production and logistics, as well as energy, aluminum and steel activities. Further details of our operations and those of our joint ventures and affiliates are described in Note 13.

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
CADAM S.A. (2) (4)	61	Brazil	Kaolin
CELMAR S.A. Indústria de Celulose e Papel (3)	100	Brazil	Forestry
CVRD Overseas Ltd.	100	Cayman Island	Trading
Ferrovia 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 (2) (4)	85	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 Manganèse Europe RDME	100	France	Ferroalloys
Rio Doce Manganese Norway RDMN	100	Norway	Ferroalloys
Salobo Metais S.A. (1)	100	Brazil	Copper
Rio Doce Manganês S.A. (6)	100	Brazil	Manganese and Ferroalloys
Urucum Mineração S.A.	100	Brazil	Iron ore, Ferroalloys 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.

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 13).

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.

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.

Our condensed consolidated interim financial information for the three-month periods ended December 31, 2003, September 30, 2003, and December 31, 2002 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. Certain interim footnotes have been excluded due of the inclusion of the footnote for the annual information.

3 Summary of significant accounting policies

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.

(a) Basis of presentation

We have prepared the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP), which differ in certain respects from the accounting practices adopted in Brazil that we use in preparing our statutory financial statements.

The U.S. dollar amounts for the years presented have been remeasured (translated) from the Brazilian currency amounts in accordance with the criteria set forth in Statement of Financial Accounting Standards 52 Foreign Currency Translation (SFAS 52).

Prior to July 1, 1997, Brazil was considered under SFAS 52 to have a highly inflationary economy and accordingly, up to June 30, 1997, we adopted the U.S. dollar as both our functional currency and reporting currency.

As from July 1, 1997, we concluded that the Brazilian economy had ceased to be highly inflationary and changed our functional currency from the reporting currency (U.S. dollars) to the local currency (Brazilian reais), for Brazilian operations and extensions thereof. Accordingly, we translated the U.S. dollar amounts of non-monetary assets and liabilities into reais at the current exchange rate, and those amounts became the new accounting bases for such assets and liabilities.

We have remeasured all assets and liabilities into U.S. dollars at the current exchange rate at each balance sheet date (R$2.8892 and R$3.5333 to US$1.00 at December 31, 2003 and 2002, respectively), and all accounts in the statements of income (including amounts relative to local currency indexation and exchange variances on assets and liabilities denominated in foreign currency) at the average rates prevailing during the period. The translation gain or loss resulting from this remeasurement process is included in the cumulative translation adjustments account in stockholders equity.

The net exchange transaction gain (loss) included in our statement of income was $222, ($515) and ($410) in 2003, 2002 and 2001, respectively, included within the line Foreign exchange and monetary losses, net .

(b) Business combinations

We adopt the procedures determined by SFAS 141 Business Combinations to recognize acquisitions of interests in other companies. The method of accounting used in our business combination transactions is the purchase method , which requires that acquirers reasonably determine the fair value of the identifiable assets and liabilities of acquired companies, individually, in order to determine the goodwill paid in the purchase to be recognized as an intangible asset. On the acquisition of assets, which include the rights to mine reserves of natural resources, the establishment of values for these assets includes the placing of fair values on purchased reserves, which are classified in the balance sheet as property, plant and equipment.

Goodwill was amortized in a systematic manner over the periods estimated to be benefited through December 31, 2001. As required by SFAS 142 - Goodwill and Other Intangible Assets from January 1, 2002 goodwill resulting from the acquisitions is not amortized, but is tested for impairment at least annually and reduced to fair value to the extent any such impairment is identified.

(c) Inventories

Inventories are stated at the average cost of purchase or production, lower than replacement or realizable values. We record allowances for slow moving or obsolete inventories when considered appropriate, reflecting our periodic assessment of recoverability. A write-down of inventory utilizing the allowance establishes a new cost basis for the related inventory.

Finished goods inventories include all related materials, labor and direct production expenditures, and exclude general and administrative expenses.

(d) Property, plant and equipment

Property, plant and equipment are recorded at cost, including interest cost incurred during the construction of major new facilities. We compute depreciation on the straight-line basis at annual rates which take into consideration the useful lives of the items, such as: from 2% to 20% for the railroads, 5% for ships, 3% for buildings, from 2% to 5% for installations and from 5% to 20% for mining and other equipment. Expenditures for maintenance and repairs are charged to operating costs and expenses as incurred.

We capitalize the costs of developing major new ore bodies or expanding the capacity of operating mines and amortize these to operations on the unit-of-production method based on the total probable and proven quantity of ore to be recovered. Exploration costs are expensed until economic viability of mining activities is established; subsequently such costs are capitalized together with further exploration costs. We capitalize mine development costs as from the time we actually begin such development.

(e) Available-for-sale equity securities

Equity securities classified as available-for-sale are recorded in accordance with SFAS 115 Accounting for Certain Investments in Debt and Equity Securities . Accordingly, we exclude unrealized holding gains and losses, net of taxes, if applicable, from income and recognize them as a separate component of stockholders equity until realized.

(f) Revenues and expenses

Revenues are recognized when title has transferred to the customer or services are rendered. Revenue from exported products is recognized when such products are loaded on board the ship. Revenue from products sold in the domestic market is recognized when delivery is made to the customer. Revenue from transportation services, other than shipping operations, is recognized when the service order has been fulfilled. Shipping operations are recorded on the completed voyage basis and net revenue, costs and expenses of voyages not completed at period-end are deferred. Anticipated losses on voyages are provided when probable and can be reasonably estimated. Expenses and costs are recognized on the accrual basis.

(g) Environmental and site reclamation and restoration costs

Expenditures relating to ongoing compliance with environmental regulations are charged against earnings or capitalized as appropriate. These ongoing programs are designed to minimize the environmental impact of our activities. With respect to our major iron ore mine at Carajás, which has extensive remaining reserves, liabilities for final site reclamation and restoration costs will be recorded when the respective reclamation and restoration strategies can be reasonably determined and the related costs can be reasonably estimated.

(h) Compensated absences

We fully accrue the employees compensation liability for vacations vested during the year.

(i) Income taxes

In accordance with SFAS 109 Accounting for Income Taxes , the deferred tax effects of tax loss carryforwards and temporary differences have been recognized in the consolidated financial statements. A valuation allowance is made when we believe that it is more likely than not that tax assets will not be fully recoverable in the future.

(j) Statement of cash flows

Cash flows relating to overnight financing and investment are reported net. Short-term investments that have a ready market and maturity to us, when purchased, of 90 days or less are considered cash equivalents.

(k) Earnings per share

Earnings per share are computed by dividing net income by the weighted average number of common and preferred shares outstanding during the period.

(l) Interest attributed to stockholders

As from January 1, 1996 Brazilian corporations are permitted to attribute interest on stockholders equity. The calculation is based on the stockholders equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long-term interest rate (TJLP) determined by the Brazilian Central Bank. Also, such interest may not exceed 50% of net income for the year nor 50% of retained earnings plus revenue reserves.

The amount of interest attributed to stockholders is deductible for income tax purposes. Accordingly, the benefit to us, as opposed to making a dividend payment, is a reduction in our income tax charge equivalent to the statutory tax rate applied to such amount. Income tax is withheld from the stockholders relative to interest at the rate of 15%.

Under Brazilian law, interest attributable to stockholders is considered as part of the annual minimum dividend (See Note 16). Accordingly such distributions are treated as dividends for accounting purposes.

We have opted to pay such tax-deductible interest to our stockholders and have therefore accrued the amounts due as of December 31, 2003, 2002 and 2001, with a direct charge to stockholders equity.

(m) Derivatives and hedging activities

As of January 1, 2001 we adopted SFAS 133 Accounting for Derivative Financial Instruments and Hedging Activities , as amended by SFAS 137, SFAS 138 and SFAS 149. Those standards require that we recognize all derivative financial instruments as either assets or liabilities on our balance sheet and measure such instruments at fair value. Changes in the fair value of derivatives are recorded in each period in current earnings or in other comprehensive income, in the latter case depending on whether a transaction is designated as an effective hedge.

The transition adjustment relating to the fair value of derivatives existing as of December 31, 2000 is recorded as a charge of $8 in our statement of income for the year ended December 31, 2001. In view of the immateriality of this effect of a change in accounting principle the corresponding amount was included with other non-operating expenses. Certain of our affiliated companies and joint ventures also recorded similar charges, of which our portion of $4 is included in the caption Equity in results of affiliates and joint ventures in the statement of income.

Further information about our derivatives and hedging activities is included in Note 22.

(n) Comprehensive income

We have disclosed comprehensive income as part of the Statement of Changes in Stockholders Equity, in compliance with SFAS 130 Reporting Comprehensive Income .