

VALLEY OF THE RIO DOCE CO

Form 6-K

November 14, 2003

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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

November 2003

**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  Form 40-F

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

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**PERFORMANCE OF COMPANHIA VALE DO RIO DOCE IN THE THIRD QUARTER OF 2003**

*The financial and operational information contained in this press release, except whether otherwise indicated, is based on consolidated figures, according to generally accepted accounting principles in the United States of America ( US GAAP ). This information, with the exception of that referring to investment and market behavior, is based on the quarterly financial statements, which have been reviewed by independent auditors. The main subsidiaries of CVRD which form part of these consolidated figures are: RDM, RDME, RDMN, Urucum Mineração, Caemi, Pará Pigmentos, Docenave, Ferteco, Ferrovia Centro-Atlântica (FCA), Aluvale, Alunorte, Florestas Rio Doce, Celmar, Rio Doce Europa, Itaco, CVRD Overseas e Rio Doce Finance International.*

Rio de Janeiro, November 12, 2003 Companhia Vale do Rio Doce (CVRD) has reported net earnings of US\$ 468 million for the third quarter of 2003 (3Q03), corresponding to earnings per share of US\$ 1.22.

Net earnings for the first nine months of 2003 amounted to US\$ 1.278 billion, the equivalent of US\$ 3.33 per share, being almost the same as the record earnings of US\$ 1.287 billion obtained during the whole year of 2001.

Operational ROE<sup>(1)</sup>, as measured by the ratio between adjusted EBIT<sup>(2)</sup> (earnings before interest expenses and taxes)/shareholders' equity, amounted to 43.2% on an annualized basis, compared to 34.0% in the previous quarter.

Quarterly records were obtained for revenue and cash generation, alumina and kaolin sales, and logistics services.

The good results obtained by CVRD were due to the favourable conditions in the markets in which it operates, and particularly the quality of business strategy execution, consistent with the aim of maximizing value over the long term.

**Record revenues**

Gross operational revenues in 3Q03 amounted to a record US\$ 1.483 billion, 21.7% higher than that obtained in 2Q03 and an increase of 30.4% on 3Q02. In the first nine months of 2003, accumulated gross revenues amounted to US\$ 3.855 billion, an increase of 21.2% in comparison to that generated in the same period last year.

**Exports**

CVRD's consolidated export revenues, in accordance with BR GAAP (generally accepted accounting principles in Brazil), amounted to US\$ 994 million in 3Q03,

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an increase of 5.0% on the previous quarter figure of US\$ 947 million, and 27.4% higher than the US\$ 780 million reported in 3Q02. Export revenues accumulated to the end of September 2003 amounted to US\$ 2.741 billion, compared with US\$ 2.370 billion in the same period a year earlier.

CVRD's net consolidated exports (exports minus imports) amounted to US\$ 2.373 billion in the period January/September 2003, representing 13.4% of Brazil's trade surplus of US\$ 17.797 billion.

#### **Record cash generation**

Cash generation, as measured by EBITDA<sup>(3)</sup> (earnings before interest, tax, depreciation and amortization) amounted to US\$630 million, an increase of 28.6% on 2Q03 and 21.2% higher than in 3Q02, hence constituting a quarterly record. Accumulated adjusted EBITDA in the first nine months of 2003 amounted to US\$ 1.562 billion, an increase of 16.4% compared to the same period in 2002.

Adjusted EBITDA margin<sup>(4)</sup>, which is the ratio between adjusted EBITDA and net revenues, amounted to 44.0%, higher than the 41.9% figure recorded in 2Q03, but lower than the 47.4% reported in 3Q02.

#### **Sales**

Shipments of iron ore and pellets amounted to 46.618 million tons, increase of 12.3% on the previous quarter and of 10.0% on 3Q02. Up to the end of September, sales of these products amounted to 130.633 million tons compared to 120.193 million tons in the first nine months of 2002.

The consolidation of Caemi added 3.410 million tons of iron ore to sales in 3Q03. If this effect were to be disregarded from sale shipment figures, sales would have amounted to 43.208 million tons, the second highest quarterly volume in the Company's history.

Alumina sales set new records, amounting to 747,000 tons, an increase of 23.7% compared to 2Q03 and up 114.7% on 3Q02. Shipments of primary aluminum, corresponding to CVRD's take from Albras, amounted to 54,000 tons, compared to 51,000 tons in 2Q03 and 49,000 tons in 3Q02.

Kaolin sales reached the quarterly record of 182,000 tons in 3Q03. In the first nine months of 2003, shipments of this industrial mineral reached 374,000 tons vis-à-vis 235,000 tons in the same period of 2002.

General cargo transported (cargo other than iron ore and pellets) for customers on the Vitória a Minas (EFVM), Carajás (EFC), and Centro-Atlântica (FCA) railroads, beat the record set in the previous quarter, with 7.371 billion net ton kilometers (ntk). This represented an increase of 6.8% and 10.9%, on 2Q03 and 3Q02, respectively.

#### **Investments**

In the first nine months of 2003, CVRD invested US\$ 1.519 billion. Of this total, US\$ 634.2 million was spent on production capacity growth (growth capex), US\$ 382.9 million was allocated to maintenance (stay-in-business capex) and US\$ 502 million was dedicated to acquisitions.

#### **Dividends**

On October 31, the Company distributed two tranches of dividends to its shareholders.

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The first tranche, of R\$ 1.48 per share, corresponded to the second instalment of the minimum dividend announced on January 30 this year. The second tranche, of R\$ 1.94 per share, refers to the additional dividend approved by CVRD's Board of Directors on August 27.

Therefore, in 2003, the first year in which the new Dividend Policy, approved on November 13, 2002, was implemented, the Company paid interest on shareholder's equity of R\$ 5.04 per share, amounting to a total of R\$ 1.935 million.

Converted into US\$, the total dividend distributed in 2003 was US\$ 675 million, being equivalent to US\$ 1.75 per share, having increased 12.1% vis-à-vis 2002.

In the 12 months to the end of October, the estimated dividend yield in US dollars was 5.4% for common shareholders and 6.1% for preferred shareholders.

**Financial statements**

Starting in September 2003, a number of companies were consolidated into CVRD's financial statements in US GAAP: Caemi and FCA. In this quarter, therefore, this consolidation refers only to the month of September.

In Caemi's financial statements, the following companies have been consolidated: Cadam, a producer of kaolin, and MBR - Minerações Brasileiras Reunidas, a producer of iron ore. The results of MRS Logística affect the shareholder participation line of Caemi and also that of CVRD.

Beginning in 2002, according to the rule established by the Statement of Financial Accounting Standard 142 (SFAS 142), the company has carried out an impairment test on the premia paid for assets with the aim of verifying the feasibility of their recovery, having chosen the month of September of each year as the period to carry out this procedure. This test consists of determining a fair value for each investment and comparing to the value booked in the accounts of CVRD. In 2003, the impairment test for each of the Company's assets booked with goodwill revealed that there is no need for any asset write-down.

**SELECTED FINANCIAL INDICATORS**

	US\$ million				
	3Q 02 (A)	2Q 03 (B)	3Q 03 (C)	Δ% (C/A)	Δ% (C/B)
Gross Revenues	1,137	1,219	1,483	30.4	21.7
Gross Margin (%)	49.5	42.7	43.3		
Adjusted EBITDA	520	490	630	21.2	28.6
Adjusted EBITDA margin (%)	47.4	41.9	44.0		
Adjusted EBIT	459	388	501	9.2	29.1
Adjusted EBIT Margin (%)	41.8	33.2	35.0		
Net Earnings	(150)	456	468	Nm	2.6
Net Margin (%)	(13.7)	39.0	32.7		
Total Debt/ Adjusted LTM EBITDA	2.1	1.7	2.1		
Annualized Operational ROE (%) (*)	70.4	34.0	43.2		
Investments (**)	198.6	407.3	871.5	338.8	114.0

(\*) Adjusted EBIT/net worth

(\*\*) including acquisitions

**RELEVANT EVENTS**

In recent months, a number of initiatives have been concluded whose principal aim is to adhere to the strategic focus of the Company and to help increase transparency.

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#### **Acquisitions**

On September 2, the Company completed the purchase of 50% of the ordinary shares and 40% of the preferred shares of Caemi Mineração e Metalurgia S.A. (Caemi) for US\$ 426.4 million, now having 60.2% of the total capital of this company and all the ordinary shares.

#### **Restructuring of logistics assets**

With the authorization granted by the Brazilian regulatory agency for the transportation sector (ANTT), a capital increase of FCA was carried out. CVRD fully subscribed the capital increase, for a total of R\$ 1.003 billion, of which R\$ 798.3 million corresponded to the conversion of advance payments for future capital increases already made, and the remaining R\$ 204.9 million to be paid in 4 cash instalments, of which three have already been made. The last instalment of R\$ 61.5 million will be paid in December 2003. As a consequence, CVRD became the controlling shareholder of this railroad company, with 99.99% of its common shares and 99.99% of its total capital. FCA will now be fully integrated into CVRD's logistics strategy, thereby making investment in the railroad possible, in order to enlarge and improve its general cargo transportation capacity for the Company's clients.

On November 7, 2003, also upon receiving the authorization from ANTT, CVRD divested its stakes in Companhia Ferroviária do Nordeste (CFN) and Sepetiba Tecon.

#### **Simplification of operational structure**

CVRD has merged Ferteco Mineração S.A. into the main Parent Company, taking over the management of Córrego do Feijão and Fábrica iron ore mines, as well as of the Fábrica pellet plant, located in the Iron Quadrangle, in the state of Minas Gerais. This event did not alter the Company's financial statements in US GAAP.

CVRD has also absorbed Celmar S.A into the parent company, its assets being transferred to Ferro Gusa Carajás S.A., a joint venture created with Nucor for the production of pig iron in the north of Brazil. Therefore, Celmar S.A. ceased to exist.

Starting in January 2004, CVRD's manganese and ferro-alloys operations will be conducted via four wholly-owned subsidiaries: Rio Doce Manganês (Sibra's new name since 15 October 2003), Urucum Mineração, Rio Doce Manganese Norway and Rio Doce Manganèse Europe.

#### **Divestitures**

On August 15, CVRD finalized the sale of the assets of the gold mine Fazenda Brasileiro. The proceeds from this sale, which amounted to US\$ 21 million, were accounted for in this quarter under the item other operational revenues / expenses.

On October 24, the company sold its 11.1% stake in Fertilizantes Fosfatados S.A. Fósfétil for R\$ 240 million. The R\$ 115 million accounting gain from this transaction will be added to the result in 4Q03.

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**BUSINESS OUTLOOK**

Global production of crude steel, according to the International Iron and Steel Institute (IISI), grew 7.1% in the first nine months of 2003, compared to the same period last year, hence registering a slowdown in relation to the first six months of 2003, when production expanded 8.2% year-on-year. This was due to production cutbacks in 3Q03 in the European Union, particularly in Germany, France and Spain, as well as in the US, in reaction to the lackluster macroeconomic performance in the first half of the year.

The driving force behind the global expansion of crude steel production, which according to our estimates is likely to reach 960 million tons this year, compared to 903 million tons in 2002, is China, whose steel production has increased 21.6% this year to the end of September. In the last 60 months up to the end of September 2003, Chinese steel production has grown at an average annual rate of 15%, while in the rest of the world steel production has expanded at an annual rate of 2.6%.

Consistent with its current stage of economic development, steel consumption in China is growing even more rapidly and CRU expects China's imports to exceed 40 million tons in 2003, compared to 29 million last year. The increase in China's overseas purchases of steel influences rising production in certain Asian countries, Japan in particular, whose steel industry has grown 3.5% this year.

The IISI's most conservative scenario for the medium term indicates Chinese steel consumption should reach 330 million tons by 2007, with an annual average growth of 9.3% between 2002 and 2007, compared to 15.3% between 1997 and 2002. According to the same source, global consumption will grow until 2007 at an average annual rate of 3.6%, the same rate as that registered in the period 1997/2002.

The strong Chinese demand is having a positive impact on steel prices, with the *CRU Steel Price Index (CRUspi)* returning to its upward cycle since June. Between December 2001 and October 2003, CRUspi increased by 45.4%.

Another important implication is the substantial increase in demand for iron ore, with Chinese imports during the period January-September 2003 totaling 110 million tons, almost the same volume imported during the whole of last year, which amounted to 111.7 million tons. Compared with the same period in 2002, Chinese imports of iron ore were up 33.1%.

It is estimated that Chinese imports of iron ore will increase by approximately 35 million tons in 2003, with total imports into Asia rising by 40 million tons.

Japan imported 98.8 million tons of iron ore in the first nine months of 2003, 3.2% more than in the same period last year.

It is likely that the global economy in 3Q03 registered its highest rate of growth since the stock market bubble burst in the US, in 1Q00. The USA, whose GDP grew by an annualized rate of 7.2% in 3Q03, extraordinarily high for a developed economy, and Asia, where China's GDP grew by an annualized 9.1% in 3Q03, led the acceleration in global growth.

At the same time, leading indicators of economic activity are signaling the start of a synchronized recovery in the global economy. In fact, the strongest signals for future growth are coming not only from the US, but also Japan, Southeast Asia, Latin America and even the European Union, where GDP growth this year is likely to be very modest, below 1%. After almost three years of below long term trend

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annual growth of 3.6%, the global economy seems likely to resume its normal expansion rate.

The change in the global economic cycle has been adding more consistency to the demand for ores and metals, whose pattern, although favorable, has been relying almost exclusively on the extraordinary expansion in China. Metal prices, already influenced by the weakness in the US dollar, reacted positively to the change in expectations for global GDP growth. The price of copper, for example, is now fluctuating in the range of US\$ 0.90c a pound, having reached at the end of October 2003 its highest level since October 1997, while the prices of primary aluminum, of approximately US\$ 1,500 per ton, even in the face of relatively high stock levels in the industry, are among its highest since May 2001.

The combination of dramatic growth in Chinese demand, now leveraged by the prospect of a synchronized recovery in the global economy, and the restricted growth in the supply of ores and metals in the last few years - the industry reacted to the financial crisis in Southeast Asia in 1997 by reducing investments in capacity expansions - have created imbalances in the markets of certain products, which, despite the expansion projects currently under development, are likely to persist for at least another two years.

CVRD estimates that seaborne trade of iron ore will amount to 545 million tons in 2004, compared to 515 million tons this year, with more than 80% of this growth due to the increasing amount of Chinese purchases overseas. With the extra capacity at Carajás set to come on stream in 2004, ahead of schedule, pushing production up to 70 million tons a year, the enlargement of the Maritime Terminal at Ponta da Madeira to a capacity of 74 million tons a year and the small increase in capacity in the Southern System (3 million tons a year), the Company should benefit to a greater extent from the pick-up in demand.

The dynamics of price elasticity is likely to gradually correct the excessive increase in freight rates, which has been caused by the considerable expansion in seaborne iron ore trade - evaluated at approximately 65 million tons in 2002/2003. China has doubled its average monthly imports from 6 million tons in 2001 to 12 million tons in 2003, while at the same time, investment in the construction of new Capesize vessels has not kept pace with this trade expansion.

The enlargement of port capacity in Brazil, Australia and China, to reduce ship-waiting time, should in the short-term help to increase the effective supply of maritime transportation. Furthermore, according to *Clarkson Research Studies*, in 2004, shipyards will place an extra 5.6 million deadweight tons of shipping capacity in the marketplace, the equivalent of 35 Capesize vessels, representing an increase of approximately 6% in the global fleet, which will also help to ease the current imbalance between supply and demand for transoceanic transportation. The reaction to the increase in shipping supply will be more significant in 2006 and 2007, bearing in mind the length of time between orders being placed and deliveries being met.

Notwithstanding the sharp rise in freight prices on the spot market, with a widening of the spread between the Brasil/Asia - Australia/Asia rates, and the probable slowdown in Chinese GDP growth to around 7% in the next few quarters, demand for CVRD's iron ore will continue to be very strong. This is because of the expansion plans for the Chinese steel industry - the *Chinese Iron and Steel Association* recently estimated that Chinese production capacity will expand by 120 million tons between the end of 2003 and 2005 - and also because of the Company's position as a supplier of high content ore with low levels of impurities, important factors for increasing productivity and improving the quality of steel products. Furthermore, the long-term contracts with its Chinese clients permit

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CVRD to make an effective contribution in optimizing the value chain for steel production.

In the case of alumina, spot prices have remained at around US\$ 300 per ton FOB, approximately 20% of the current primary aluminum price on the LME, reflecting the strong demand pressure from China. In the first nine months of this year, Chinese imports amounted to 4.24 million tons, an increase of 32.3% in relation to the same period in 2002.

We expect that the market shortages will continue during 2004 and 2005, which will mean that prices will remain high for many months, in contrast to what occurred in 1995 and 1999/2000, when the high prices seen in alumina saw a rapid reversal.

Spot market prices are influencing prices in short and long-term contracts. This benefits Alunorte, a subsidiary of CVRD, which is signing contracts to absorb its additional production capacity of 1.8 million tons a year, from the construction of stages 4 and 5, which are due to come into service in 2006.

The recent increase in the price of primary aluminum on the LME has had a positive effect on CVRD's alumina revenues, whose contracts are indexed to metal prices. This situation benefits the sales of Albras, whose production, due to the de-bottleneckings, will amount to 430,000 tons in 2003, rising to 450,000 tons in 2004. However, depending on the recovery in the global economy, it is estimated that in 2004 there will be an excess supply situation in the aluminum market, in relation to global consumption, which will tend to limit the trend of recent price increases.

Stocks of copper have been falling, due to the slow expansion in the supply of copper concentrate and the sharp increase in Chinese consumption. Moreover, it has been estimated that this shortage will continue next year as a result of expected growth in demand. Despite the fact that the increase in the metal price tends to stimulate expansion in the supply of copper concentrate, no downward pressure is expected on prices for this product, given the continued level of excess demand. This scenario is therefore positive for the sales outlook of Sossego, which will be running at full production capacity in the middle of 2004, at an annual production rate of 470,000 tons of concentrate a year.

**SALES VOLUME AND REVENUES**

Shipments of iron ore and pellets in 3Q03 amounted to 46.618 million tons, compared to 42.388 million tons in 3Q02, and 41.496 million tons in 2Q03, an increase of 10.0% and 12.3%, respectively. The consolidation of Caemi added 3.410 million tons of iron ore to the shipment figures in 3Q03.

In the first nine months of this year, CVRD's iron ore and pellet shipments amounted to 130.633 million tons, exceeding by 10.440 million tons the shipments recorded in the same period in 2002.

The shipments of Caemi, carried out by a subsidiary MBR, in the first nine months of 2003, amounted to 27.550 million tons, compared to 24.289 million tons in the same period in 2002. Approximately 83% of Caemi's sales were directed to the export market. China is Caemi's main market, accounting for 26% of Caemi's iron ore shipments (7.2 million tons).

Pellet sales amounted to 5.475 million tons in 3Q03, representing an increase of 13.0% in comparison to 3Q02 and up 5.8% in relation to 2Q03. Starting in 3Q03, the São Luis pellet plant began operating at full capacity 6 million tons a year all of its production being sold to the export market. Therefore, in addition to a

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higher production capacity, CVRD now has more flexibility in the supply of pellets for its clients, via the Tubarão complex in the Southeast of the country, via São Luís in the State of Maranhão, at Ponta da Madeira, and via the Fabrica plant in the State of Minas Gerais (this last one is more focused on the domestic market).

To meet its commitments to clients, in view of the excess demand prevailing in 3Q03 in global markets, CVRD bought 2.1 million tons of iron ore from third parties, bringing the total amount of iron ore bought from small mining companies in the first nine months of 2003 to 7.2 million tons, the equivalent of 6.3% of the 113.8 million tons sold by CVRD in this period.

Another effect of excess global demand has materialized in the form of demurrage expenses, which amounted to US\$ 8 million in 3Q03, compared to US\$ 12 million in 2Q03. Expenses in this area amounted to US\$ 29 million in the first nine months of this year, up 81.3% compared to the US\$ 16 million incurred in the first nine months of 2002. With Pier 3 entering into operation at the Ponta da Madeira Marine Terminal, and the investments that have been made in the Port of Tubarão to speed up shiploading, these costs are expected to fall in 2004. Despite their increase, demurrage expenses accounted for only 1.4% of COGS in the first nine months of 2003.

CVRD's iron ore exports up to the end of September 2003 (excluding Caemi) amounted to 92.8 million tons, representing 72.9% of total sales. China was the Company's main market with 19.3 million tons, representing 20.8% of the total, which in turn represented 18% of the total imports of that country in the period January/September of this year. Sales to the European Union amounted to 33.5 million tons, Germany leading with 13.8 million tons, followed by France with 6.2 million tons and Belgium, with 4.0 million tons. Japan bought 12.2 million tons, South Korea, 5.0 million tons, Argentina 3.3 million tons and the USA, 2.8 million tons.

**VOLUME SOLD - IRON ORE AND PELLETS**

	000 tons					
	3Q02	%	2Q03	%	3Q03	%
Iron ore	37,541	88.6%	36,321	87.5%	41,143	88.3%
Pellets	4,847	11.4%	5,175	12.5%	5,475	11.7%
<b>Total</b>	<b>42,388</b>	<b>100.0%</b>	<b>41,496</b>	<b>100.0%</b>	<b>46,618</b>	<b>100.0%</b>

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	million tons	
		%
<b>Asia</b>	<b>43.176</b>	<b>46.5</b>
China	19.291	20.8
Japan	12.174	13.1
South Korea	5.028	5.4
Bahrain	1.916	2.1
Taiwan	1.698	1.8
Others	3.069	3.3
<b>European Union</b>	<b>33.455</b>	<b>36.1</b>
Germany	13.827	14.9
France	6.219	6.7
Belgium	4.083	4.4
Italy	3.845	4.1
Spain	2.080	2.2
United Kingdom	1.728	1.9
Holland	1.673	1.8
<b>United States</b>	<b>2.829</b>	<b>3.0</b>
<b>Others</b>	<b>13.326</b>	<b>14.4</b>
<b>Total</b>	<b>92.786</b>	<b>100.0</b>

\* Doesn't consider exports made by Caemi (MBR).

The growth in global steel production has had a positive influence on demand for manganese and ferro-alloys. CVRD's sales of manganese ore in 3Q03 amounted to 238,000 tons, compared to 234,000 tons in 2Q03 and 213,000 tons in 3Q02. In the first nine months of 2003, total sales amounted to 678,000 tons, up 25.1% on the same period last year, when 542,000 tons were sold. Beginning in 3Q03, when ferro-alloy sales amounted to 134,000 tons compared to 103,000 tons in the previous quarter, RDMN began to operate one of its two furnaces, producing carbon steel alloys (FeAcMn) and silicon manganese alloys (FeSiMn).

Given the expansion in alumina production, with the completion of stage 3 at Alunorte in March 2003, alumina sales continue to grow as well as benefit from the new market price scenario. In 3Q03, the Company sold 747,000 tons, an increase of 23.7% on the previous quarter. In the first nine months of 2003, the Company sold 1.897 million tons, an increase of 290% on the amount of 487,000 tons sold in the first three quarters of 2002. However, it should be noted that Alunorte was consolidated into CVRD's US GAAP financial statements only since 3Q02.

Sales of primary aluminium have been increasing, amounting to 54,000 tons in 3Q03, compared to 51,000 tons sold in 2Q03 and 49,000 tons sold in 3Q02. This increase is a result of expanded capacity at Albras, which has increased from 406,000 tpa to 430,000 tpa in 2003. For 2004, due to the removal of a number of production bottlenecks in its plant, production capacity at Albras should increase to 450,000 tons of primary aluminium per year.

With the strong demand coming from Brazil's agricultural sector, which has been seeing record harvests, potash sales increased to 198,000 tons, up 32.9% in comparison to 2Q03. The Taquari-Vassouras potash mine is currently operating at a capacity of 650,000 tpa, over its nominal capacity of 600,000 tpa. In the first three quarters of 2003, 505,000 tons of potash were sold, down 4.4% when compared to the first three quarters of 2002, during which 528,000 tons were shipped. This drop is due to the sales of existing inventories in 2002. With the capacity expansion in the Taquari-Vassouras mine from 600,000 tpa to 850,000

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tpa, which should be completed in the middle of 2005, the Company will aim to cater to the excess demand existing in this market and benefit from the good growth potential of this business.

Sales of gold fell to 14,211 ounces in 3Q03, well below the volume sold of 63,531 ounces in 3Q02. This reduction, already expected, was due to the exhaustion of the Igarapé Bahia gold mine and the sale of the Fazenda Brasileiro gold mine. As a result of these two events, the Company will only be selling gold as a by-product of copper production. Part of the mineral exploration budget is being invested in the search for new gold deposits, with the aim of resuming production of this precious metal in the future.

Kaolin sales amounted to 182,000 tons, compared to 84,000 tons in 2Q03, an increase of 116.7%. The consolidation of Caemi, and its subsidiary kaolin producer CADAM, added 68,000 tons to sales in 3Q03. Disregarding the added sales from CADAM, total sales would have amounted to 114,000 tons, a quarterly record, with an increase of 35.7% in relation to 2Q03. In the first nine months of 2003, sales of this industrial mineral amounted to 374,000 tons, 59.2% higher than the 235,000 tons sold in the same period last year. Sales volume in 2003, disregarding the extra sales due to CADAM, should exceed 400,000 tons, reflecting the very positive outcome of the change in marketing policy, implemented in 2003 to take advantage of installed capacity at PPSA.

**VOLUME SOLD - ORES AND METALS**

	000 tons		
	3Q02	2Q03	3Q03
Gold (ounces)	63,531	19,773	14,211
Manganese	213	234	238
Ferro-alloys	176	103	134
Alumina	348	604	747
Aluminum	49	51	54
Bauxite	398	262	520
Potash	223	149	198
Kaolin	89	84	182

General cargo transported also reached new records, 7.371 billion ntk, an increase of 10.9% in relation to 3Q02 and up 6.8% compared to 2Q03. In the first nine months of 2003, EFVM, EFC and FCA transported 19.893 billion ntk of general cargo, compared to 18.672 billion in the same period last year, an increase of 6.5 %.

The integration of CVRD's assets, the definition of a commercial policy, the launching of new services and investment in locomotives and railcars, are enabling the Company's logistics services to grow at rates well above Brazilian GDP growth.

Freight handling for clients at CVRD's ports and maritime terminals amounted to 6.772 million tons, up 16.0% in relation to 3Q02, and showing a slight drop of 1.7% compared to 2Q03.

**VOLUME SOLD - LOGISTICS SERVICES**

	000 tons		
	3Q02	2Q03	3Q03
Railroads (million ntk)	6,647	6,900	7,371
Ports	5,835	6,889	6,772

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The Company's gross operating revenues amounted to US\$ 1.483 billion in 3Q03, 30.4% higher than in 3Q02 and an increase of 21.7% on 2Q03. Comparing the revenue obtained in 3Q03, with the US\$ 1.137 billion obtained in 3Q02, an increase of US\$ 346 million is observed, US\$ 201 million of which is explained by price increases in iron ore, pellets, ferro-alloys, potash, aluminium, alumina and logistics services, and US\$ 145 million is explained by growth in sales volume.

3Q03 revenues of US\$ 701 million obtained from iron ore sales accounted for 47.3% of total sales, an increase of 32.3% in comparison to 3Q02, and up 18.2% on 2Q03. The average iron ore shipment price amounted to US\$ 17.13 per ton, up 5.4% on 2Q03 and an increase of 20.8% on 3Q02. Pellet sales generated revenues of US\$ 205 million in 3Q03 13.8% of total revenues representing an increase of 18.5% in relation to 3Q02 and up 30.6% compared to 2Q03. The average pellet price amounted to US\$ 36.64 per ton in 3Q03, compared to US\$ 30.84 in 2Q03.

As a consequence of the retroactive impact of the price increases negotiated with CVRD's clients in May of this year, US\$ 58 million was booked as part of sales revenue from iron ore and pellets in 3Q03 (which referred to the price increase on shipments made in the first half of the year). A further US\$ 2 million remains to be booked in 4Q03. These adjustments do not include sales made by MBR.

Service revenue from the operation of the 5 joint-venture pellet plants at Tubarão amounted to US\$ 12 million, compared to US\$ 10 million in 3Q02 and US\$ 11 million in 2Q03.

Revenue from the sales of manganese and ferro-alloys amounted to US\$ 78 million in 3Q03, practically the same as the US\$ 79 million reported in 2Q03. Manganese and ferro-alloy revenues accumulated in 2003 to the end of September amounted to US\$ 227 million, compared to US\$ 199 million in the same period a year earlier.

Revenues from the sale of alumina amounted to US\$ 149 million, compared to US\$ 104 million in 2Q03 and US\$ 64 million in 3Q02. In addition to the extra volume from the expansion at Alunorte, revenue growth also reflected an increase in the average shipment price, which stood at US\$ 199.16 per ton in 3Q03, compared to US\$ 178.20 in 3Q02. With the recovery in aluminium prices alumina contract prices are linked to the LME metal price and the actual renewal of alumina contracts in a much stronger price scenario than that in 2002, and with prices tending to stabilize at the current levels, growth in revenues and profitability can be expected.

Revenues from the sales of primary aluminium amounted to US\$ 81 million, compared to US\$ 78 million in 2Q03 and US\$ 73 million in 3Q02. In this case, the increase in revenues resulted, not only from an increase in volumes, but also due to an increase in average price: US\$ 1,407.85 per ton in 3Q03, compared to US\$ 1,369.55 in 2Q03 and US\$ 1,375.02 in 3Q02.

Logistics services generated gross revenues of US\$ 159 million, representing 10.7% of total gross revenues in 3Q03.

The transport of general cargo, which produced revenues of US\$ 101 million, registered an increase of 53.0% in relation to 3Q02's US\$ 66 million and was 27.9% higher than 2Q03's US\$ 79 million. The main elements behind this increase were services provided to the steel industry, which accounted for 38.0% of the total, services to the agro-industry, which accounted for 31.9% of revenues (with particular emphasis on soy beans, sugar and alcohol), and inter-modal transport, with 3.1%. Despite the small proportion of logistics revenues represented by inter-modal transport, which basically involves the transport of products from factories to large distribution centers, the growth rate in this segment has been extremely

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high, having practically quadrupled between 3Q02 and 3Q03. Another important segment was the transport of building materials and forestry products.

Port services generated revenues of US\$ 40 million in 3Q03, compared to US\$ 36 million in 3Q02 and to US\$ 38 million in 2Q03. Maritime transport operations generated revenues of US\$ 18 million in 3Q03, of which US\$ 10 million came from container transport, amounting to 16,765 Teus. As part of its logistics services, CVRD operates a fleet of five ships, which transport containers between various ports along the Brazilian coast and going as far as Buenos Aires.

Revenues from the sale of gold dropped from US\$ 21 million in 3Q02 to US\$ 7 million in 2Q03 and US\$ 5 million in 3Q03. Potash sales remained stable in 3Q03, at US\$ 28 million, in relation to 3Q02, with an average price of US\$ 140.08 per ton compared to US\$ 117.52 in 3Q02. In relation to 2Q03, revenues increased by 33.3%, due to the growth in volume sold.

Sales to external markets accounted for 68% of the US\$ 3.855 billion total gross revenues obtained by the Company in the first nine months of 2003. Europe, with 30% and Asia with 23%, were its most important markets. China, as a result of the strong increase in iron ore purchases, became individually, after Brazil, CVRD's most important market, accounting for US\$ 390 million, about 10% of total Company revenue.

**GROSS REVENUE BY PRODUCT**

	US\$ million					
	3Q02	%	2Q03	%	3Q03	%
Iron Ore	530	46.6	593	48.6	701	47.3
Pellet plant operation services	10	0.9	11	0.9	12	0.8
Pellets	173	15.2	157	12.9	205	13.8
Gold	21	1.8	7	0.6	5	0.3
Logistics services	118	10.4	138	11.3	159	10.7
Aluminum, alumina and bauxite	146	12.8	188	15.4	243	16.4
Manganese and ferro-alloys	79	6.9	79	6.5	78	5.3
Potash	27	2.4	21	1.7	28	1.9
Kaolin	13	1.1	14	1.1	25	1.7
Others	20	1.8	11	0.9	27	1.8
<b>Total</b>	<b>1,137</b>	<b>100.0</b>	<b>1,219</b>	<b>100.0</b>	<b>1,483</b>	<b>100.0</b>

**GROSS REVENUE BY DESTINATION**

	US\$ million					
	3Q02	%	2Q03	%	3Q03	%
<b>Domestic market</b>	<b>381</b>	<b>33.5</b>	<b>405</b>	<b>33.2</b>	<b>463</b>	<b>31.2</b>
<b>External market</b>	<b>756</b>	<b>66.5</b>	<b>814</b>	<b>66.8</b>	<b>1,020</b>	<b>68.8</b>
USA	70	6.2	42	3.4	53	3.6
Europe	393	34.6	375	30.8	415	28.0
Japan	65	5.7	122	10.0	115	7.8
Asian, ex Japan	115	10.1	143	11.7	263	17.7
Rest of the World	113	9.9	132	10.8	174	11.7
<b>Total</b>	<b>1,137</b>	<b>100.0</b>	<b>1,219</b>	<b>100.0</b>	<b>1,483</b>	<b>100.0</b>

**NET EARNINGS OF US\$ 468 MILLION**

Net earnings in 3Q03 amounted to US\$ 468 million, compared to the US\$ 150 million loss recorded in 3Q02. In the first nine months of the year, the Company

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obtained net earnings of US\$ 1.278 billion, much higher than the US\$ 111 million reported in the same period in 2002.

The growth in net revenues of US\$ 334 million and the improvement of US\$ 249 million in the result from shareholdings, had an important influence on the Company's performance in 3Q03, compared to 3Q02.

In iron ore and pellets, the result from shareholdings showed an increase of US\$ 144 million in 3Q03. Samarco had excellent performance in 3Q03, with sales volume of 3.928 million tons of iron ore (569,000) and pellets (3.359 million), and net earnings of US\$ 33 million. Its sales grew by 15% in the first nine months of 2003, in relation to the same period a year earlier, 35% of its shipments being sold to China, the company being the largest supplier of pellets in that market.

In 3Q02, Caemi made a provision US\$ 88 million, due to the restructuring of its affiliate Quebec Cartier Mining Company (QCM). Other companies, such as Samarco and Kobrasco, saw their results negatively affected by the depreciation of the Real against the US dollar in that quarter.

The aluminum area increased its contribution to CVRD's earnings by US\$ 58 million. In addition to the elimination of the negative effects from exchange rate volatility, which occurred in 3Q02, the operational performance of the companies improved substantially, with increased sales and prices thereafter. MRN shipped 4.049 million tons of bauxite in 3Q03 compared to 2.554 million tons in 3Q02, at an average price of US\$ 19.21 per ton compared to the previous US\$ 18.46, and Albras sold 111,000 tons in 3Q03 compared to 104,000 tons in 3Q02, with prices increasing by 6%. MRN contributed to the quarter's earnings with US\$ 11 million, Albras with US\$ 14 million and Valesul with US\$ 2 million.

As a consequence of the good performance of the steel sector, with the increase in production, sales and prices, the result from shareholdings in affiliates improved, increasing from US\$ 15 million in 3Q02 to US\$ 26 million in 3Q03. Usiminas contributed with US\$ 14 million and CST with US\$ 14 million, while the CSI stake had a negative effect on CVRD's earnings, representing a loss of US\$ 2 million, as a consequence of falling prices and a drop in production.

**RESULT FROM SHAREHOLDINGS**

	US\$ million		
	3Q02	2Q03	3Q03
Steel	15	16	26
Aluminum and bauxite	(31)	47	27
Logistics	(38)	(72)	(1)
Pellets	(18)	35	26
Iron ore	(94)	10	6
Others	6	(1)	5
<b>Total</b>	<b>(160)</b>	<b>35</b>	<b>89</b>

The financial result showed an improvement of US\$ 82 million, principally due to the fact that in 3Q02 there were losses from interest-rate hedging with derivatives.

In addition to the aforementioned factors, in 3Q02 the main determining factor behind the negative result was the appreciation of the US dollar in relation to the Real on CVRD's foreign currency denominated debt, which amounted to a loss of US\$ 506 million, and which in 3Q03 was limited to US\$ 57 million.

The increase of US\$ 258 million in the cost of goods sold (COGS) in 3Q03 which amounted to US\$ 812 million, in comparison to the US\$ 554 million in 3Q02, is

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basically explained by: (i) the consolidation of the results from other CVRD companies in September 2003, which added US\$ 55 million to COGS Caemi US\$ 39 million and FCA US\$ 16 million where the most important impact occurred in the item contracted services of US\$ 28 million; (ii) an increase of US\$ 76 million in material costs, due to provisions for repairs and an actual increase in production; and (iii), an increase of US\$ 55 million with aluminum, alumina and bauxite purchases, along with sales volume growth and revenue growth for these products.

**COGS BREAKDOWN**

	US\$ million					
	3Q02	%	2Q03	%	3Q03	%
Personnel	69	12.5	63	9.4	74	9.1
Material	118	21.3	180	26.9	194	23.9
Contracted Services	100	18.1	103	15.4	150	18.5
Acquisition of Iron Ore and Pellets	66	11.9	83	12.4	87	10.7
Acquisition of Other Products	108	19.5	125	18.7	175	21.6
Depreciation and Exhaustion	40	7.2	47	7.0	63	7.8
Energy	28	5.1	28	4.2	38	4.7
Others	25	4.5	41	6.1	31	3.8
<b>Total</b>	<b>554</b>	<b>100.0</b>	<b>670</b>	<b>100.0</b>	<b>812</b>	<b>100.0</b>

**CASH GENERATION**

In this quarter, the Company generated record adjusted EBITDA of US\$ 630 million. This was an increase of 21.2% in relation to 3Q02 (US\$ 520 million) and up 28.6% compared to 2Q03 (US\$ 490 million). Adjusted EBITDA margin amounted to 44.0%, lower than the margin in 3Q02 (47.4%) but higher than that in 2Q03, of 41.9%.

In the period from January to September 2003, adjusted EBITDA amounted to US\$ 1.562 billion, an increase of 16.4%, or US\$ 220 million, in relation to the same period in 2002. In the last 12 months to September 2003, adjusted EBITDA amounted to US\$ 2.000 billion.

**Increase in adjusted EBITDA in relation to 3Q02**

The principal reason for the increase in adjusted EBITDA in 3Q03 relative to 3Q02 was the growth of US\$ 334 million in net operational revenues. Other factors also contributed favourably: (i) the increase in dividends received from subsidiaries and affiliates of around US\$ 49 million, with a total US\$ 66 million in 3Q03 compared to US\$ 17 million in 3Q02; (ii) the US\$ 21 million gain from the sale of the Fazenda Brasileiro gold mine, accounted for at the other operational expenses/revenues line.

In 3Q03, CVRD received dividends from CST of US\$ 30 million, US\$ 14 million from Samarco, US\$ 3 million from Usiminas, US\$ 2 million from Fosfertil, and US\$ 17 million from other companies.

According to the *Securities and Exchange Commission* (SEC) guidelines regarding the reporting of *non-GAAP* measurements, any event should not be considered as non-recurring if it is likely to be repeated during the next two years, or has already occurred within the previous two years. In this way, as CVRD has sold assets within the last two years, ships and forestry being examples, having in 4Q03 already sold a number of shareholdings - in CFN, Sepetiba Tecon and Fosfertil -

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the US\$ 21 million in proceeds derived from the sale of Fazenda Brasileiro was not discounted from adjusted EBITDA in 3Q03 as a non-recurring item.

The consolidation of Caemi and FCA had a net positive effect of US\$ 21 million on adjusted EBITDA in 3Q03, being US\$ 27 million from Caemi and a negative figure of US\$ 6 million from FCA.

The ferrous mineral businesses contributed US\$ 453 million to adjusted EBITDA, experiencing a reduction in their participation within the Company's adjusted EBITDA from 80.0% in 2Q03 to 71.9% in 3Q03. Logistics services generated adjusted EBITDA of US\$ 53 million, showing a reduced participation within the Company's adjusted EBITDA from 11.8% in 2Q03, to 8.4% in 3Q03. The aluminum businesses, with US\$ 65 million in adjusted EBITDA, accounted for 10.3% of the Company's adjusted EBITDA, almost double the figure of 5.5% recorded in 2Q03.

**QUARTERLY ADJUSTED EBITDA**

	US\$ million		
	3Q02	2Q03	3Q03
Net Operating Revenues	1,098	1,170	1,432
COGS	(554)	(670)	(812)
S,G &A	(65)	(45)	(74)
Research and Development	(15)	(12)	(22)
Other Operational Expenses	(5)	(55)	(23)
<b>ADJUSTED EBIT</b>	<b>459</b>	<b>388</b>	<b>501</b>
Depreciation, Amortization & Exhaustion	44	54	63
Dividends Received	17	36	66
Adjustment for Non-recurring Items (asset impairment)		12	
<b>ADJUSTED EBITDA</b>	<b>520</b>	<b>490</b>	<b>630</b>

**ADJUSTED EBITDA BY BUSINESS AREA**

	US\$ million					
	3Q02	%	2Q03	%	3Q03	%
Ferrous Minerals	359	69.0	392	80.0	453	71.9
Non- Ferrous Minerals	26	5.0			21	3.3
Logistics	34	6.5	58	11.8	53	8.4
Aluminum	43	8.3	27	5.5	65	10.3
Others	58	11.2	13	2.7	38	6.0
<b>Total</b>	<b>520</b>	<b>100.0</b>	<b>490</b>	<b>100.0</b>	<b>630</b>	<b>100.0</b>

**DEBT**

CVRD's total debt as at September 30, 2003, amounted to US\$ 4.304 billion, an increase on its position at the end of 2Q03, when the figure stood at US\$ 3.282 billion. Part of this increase was due to the consolidation of Caemi (US\$ 207 million) and FCA (US\$ 132 million). The remaining US\$ 683 million corresponds partially to a temporary increase in the Company's debt. This increase is transitory given that in 4Q03 scheduled debt repayments amount to approximately US\$ 400 million, including in this total, the maturity of the CVRD 2003 bond, of US\$ 200 million in face value, which falls due in December.

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Net debt <sup>(5)</sup> as of September 30 amounted to US\$ 2.964 billion, given that cash and equivalents increased from US\$ 966 million at the end of 2Q03 to US\$ 1.340 billion at the end of September.

As a consequence of this temporary increase in debt levels, the leverage indicator Total Debt/ LTM adjusted EBITDA <sup>(6)</sup> increased from 1.74x to 2.15x. However, this ratio is distorted, because the numerator includes, for example, 100% Caemi's debt of US\$ 207 million, while the denominator takes into account only one month of its cash generation, in other words, only US\$ 27 million. Therefore, considering that Caemi has a degree of leverage slightly below that of CVRD, it is expected, all other things being equal, that this indicator will converge to the levels seen in 2Q03.

The debt/firm value <sup>(7)</sup> ratio dropped slightly from 0.23 in 2Q03 to 0.22 in 3Q03.

Interest coverage remained fairly constant, as the ratio of adjusted EBITDA /interest expenses <sup>(8)</sup>, was 11.67x in 3Q03, compared to 11.95x in 2Q03.

**FINANCIAL EXPENSES**

	US\$ million	
	2Q03	3Q03
<b>Financial Expenses on:</b>		
Local Debt	(4)	(6)
External Debt	(35)	(43)
Debt with Related Parties	(2)	(5)
<b>Total Debt-related Financial Expenses</b>	<b>(41)</b>	<b>(54)</b>
	<b>2Q03</b>	<b>3Q03</b>
<b>Gross Interest on:</b>		
Tax and Labour Contingencies	(6)	(10)
Tax on Financial Transactions (CPMF)	(5)	(6)
Derivatives	4	2
Others	(16)	(15)
<b>Total Gross Interest</b>	<b>(23)</b>	<b>(29)</b>
<b>Total</b>	<b>(64)</b>	<b>(83)</b>

The value of the guarantees granted to non-consolidated companies amounted to US\$ 326 million at the end of September, of which US\$ 278 million was denominated in US dollars and US\$ 48 million denominated in Reais. US\$ 291 million of these guarantees refer to obligations incurred by Albras.

In the 12 months ending September 2003, Albras' adjusted EBITDA amounted to US\$ 226 million and its debt at the end of the same month amounted to US\$ 387 million, representing, therefore, a Total Debt/ LTM adjusted EBITDA ratio of 1.7x, which is extremely comfortable.

The value of guarantees fell by US\$ 158 million in relation to those in 2Q03, given that US\$ 135 million, which was related to FCA, is now consolidated in CVRD's financial statements.

**DEBT INDICATORS**

US\$ million

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	<u>3Q02</u>	<u>2Q03</u>	<u>3Q03</u>
Gross Debt	3,579	3,282	4,304
Net Debt	2,177	2,316	2,964
Gross Debt / LTM adjusted EBITDA (x)	2.12	1.74	2.15
Adjusted EBITDA / Interest Expenses (x)	10.00	11.95	11.67
Gross Debt / Firm Value (x)	0.29	0.23	0.22

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**INVESTMENTS**

In the first nine months of 2003, CVRD's capital expenditure amounted to US\$ 1.519 billion. Of this total, US\$ 634.2 million was invested in the expansion of production capacity (*growth capex*), US\$ 382.9 million in maintenance (*stay-in-business capex*) and US\$ 502 million in acquisitions.

During 3Q03, CVRD invested a total of US\$ 871.6 million, of which US\$ 426.4 million referred to the acquisition of Caemi.

In this quarter, US\$ 243.1 million was invested in projects. Most of this amount was allocated to the following investments; first, to the development of the Sossego copper project, which incurred expenditure of US\$ 106.3 million in the quarter; second, to increasing alumina production capacity, which accounted for US\$ 26 million; third, to the expansion of the Taquari-Vassouras potash mine, accounting for US\$ 8.6 million; fourth, to the purchase of locomotives and railcars, accounting for US\$ 28.6 million. In addition, US\$ 32.8 million was invested in projects related to the ferrous business in the Northern System and US\$ 13.6 million in the Southern System.

Expenditure on mineral exploration and technological research amounted to US\$ 18.9 million.

Expenditure on maintenance (*stay-in-business capex*) in 3Q03 amounted to US\$ 183.2 million, including capital injections of US\$ 54.1 million for the financial restructuring of subsidiaries (FCA and PPSA) and US\$ 9.1 million on information technology.

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Area	Project	Investment realized US\$ million				Status
		1Q03	2Q03	3Q03	9M03	
Ferrous	Expansion of iron ore production capacity in the Northern System	6.1	7.7	14.2	28.0	It is expected that the Northern System will be operating at a rate of 70 million tons per year in 1Q04, consequently being some 12 months ahead of schedule.
	Pier III at the Marine Terminal of Ponta da Madeira (TMPM)	2.1	2.8	4.7	9.6	Completion scheduled for February 2004 . The implementation of this project is proceeding on schedule with capex estimated at US\$ 33.3 million. Pier III will have a shipment loading capacity of 18 million tons a year, increasing the capacity of TMPM to 74 million tons a year.
	Brucutu iron ore mine Southern System	0.146	0.296	1.1	1.5	Completion of first phase scheduled for 2006, when the mine will have a production capacity of 12 million tons per year. The work is proceeding according to schedule. Total investment is budgeted at US\$ 219.9 million.
	Nova Fábrica iron ore mine Southern System	0.637	2.5	5.9	9.0	11% of the investment has already been realised and work is proceeding according to schedule. Fábrica Nova should reach nominal production capacity of 10 million tons a year in 2005, reaching 15 million tons in 2009. Total capex is estimated at US\$ 84.4 million, with investment in 2003 budgeted at US\$ 39.6 million. The project is on schedule and within budget.
	Conversion of RDMN	3.6	3.4	4.5	11.5	Total investment in the conversion of the furnaces at RDMN is estimated at US\$ 15 million and, after completion, the plant will have a production capacity of 110,000 tons of manganese ferro-alloys. The first furnace is already in operation. The conversion of the second is expected for completion by the end of 2003.
Non Ferrous	Sossego Copper Mine	40.5	87.5	106.3	234.3	83% of the total investment for the project has already been carried out, which represents completion of around 90% of the work. Commissioning is scheduled for 1Q04., production ramp up for 2Q04, and start of commercial operations for July 04.
	Expansion of the Taquari- Vassouras Potash Mine	4.0	6.9	8.6	19.5	Completion scheduled for 1H05. 38% of the total investment in the project has already been realised. 42% of the work has already been completed. After the expansion, the mine will have a capacity increase of 850,000 tons a year.
Logistics		18.9	35.3	28.6	82.8	

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Purchase of Locomotives and Railcars						Of the 2,010 railcars and 77 locomotives which will be purchased by the end of 2003 , the company has already received 1,356 railcars and 66 locomotives. Part of this equipment will be allocated to the transport of general cargo and part for the transport of iron ore. 51% of the total investment, estimated at US\$ 162.9 million has already been carried out.
Praia Mole Marine Terminal (phases I & II)	0.707	1.5	3.0	5.2		Phase I was concluded in April 2003. After the completion of Phase II, scheduled for 2Q04, the shipment capacity of the terminal will be 14.5 million tons a year. Total investment is budgeted at US\$ 20.9 million.
Aluminium Paragominas	0.344	1.3	2.6	4.3		The start-up of the Paragominas bauxite mine is scheduled for 2006, with an initial production capacity of 4.5 million tons per year, with a total investment of US\$ 271 million.
Alunorte stage 3	32.1	21.0	12.9	66.0		Project concluded in April 2003
Alunorte stages 4 & 5			13.1	13.1		The project for the construction of modules 4 and 5 at Alunorte, which will add an additional 1.8 million tons to the plant capacity, began this quarter. This expansion is scheduled for completion in 2006, with total investment budgeted at approximately US\$ 583 million.

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Electricity	Aimorés Hydroelectric Plant	6.4	7.6	2.9	16.9	Full operation has been postponed to October 2004, as a result of delays in the relocation of a town due to legal issues. The construction of the plant is proceeding according to schedule. The plant will be ready within the initial period envisaged, but will not be able to generate electricity because the water reservoir will not be full.
	Candongá Hydroelectric Plant	6.7	5.4	3.6	15.7	Completion scheduled for December 2003. Almost 100% of the total investment in the project, estimated at US\$ 40.1 million, has been completed.

MBR, a producer of iron ore controlled by Caemi, invested US\$ 61.2 million in the first nine months of 2003, US\$ 50.9 million in the expansion of its production capacity to 40 million tons a year in 2004. CADAM, a kaolin producer also controlled by Caemi, invested US\$ 10.1 million in the same period. The investments made by MBR and CADAM were not included in the investments reported by CVRD.

Among affiliates and joint ventures, in the period from January to September 2003, MRN invested a total of US\$ 30.2 million, US\$ 21 million of which was spent on the completion of the project to expand its bauxite production capacity to 16.3 million tons a year, US\$ 12.3 million was invested in Albras and US\$ 16.8 million in Samarco.

**INVESTMENTS - 3Q03**

<b>By business area</b>	<b>US\$ million</b>	<b>%</b>	<b>By category</b>	<b>US\$ million</b>	<b>%</b>
Ferrous Minerals	585,9	67,2%	Capital infusions	54,1	6,2%
Logistics	62,3	7,1%	Maintenance & Environmental Protection	120,0	13,8%
Non-ferrous Minerals	167,8	19,3%	Projects	243,1	27,9%
Aluminum	31,9	3,7%	Mineral Prospecting & Technological Research	18,9	2,2%
Power Generation	12,8	1,5%	Information Technology	9,1	1,0%
Others	10,8	1,2%	Acquisitions	426,4	48,9%
<b>Total</b>	<b>871,6</b>	<b>100,0%</b>	<b>Total</b>	<b>871,6</b>	<b>100,0%</b>

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## FINANCIAL STATEMENTS

	US\$ million		
	3Q02	2Q03	3Q03
Gross operating revenues	1,137	1,219	1,483
Taxes	(39)	(49)	(51)
<b>Net Operating Revenue</b>	<b>1,098</b>	<b>1,170</b>	<b>1,432</b>
Cost of Goods Sold	(554)	(670)	(812)
<b>Gross Profit</b>	<b>544</b>	<b>500</b>	<b>620</b>
Gross Margin (%)	49.5	42.7	43.3
Selling, General and Administrative Expenses	(65)	(45)	(74)
Research and Development Expenses	(15)	(12)	(22)
Employee Profit-Sharing	(14)	(9)	(2)
Others	9	(46)	(21)
<b>Operating Profit</b>	<b>459</b>	<b>388</b>	<b>501</b>
Financial Revenues	10	29	27
Financial Expenses	(148)	(64)	(83)
Monetary Variation	(506)	257	(57)
Tax and Social Contribution (Current)		(135)	41
Tax and Social Contribution (Deferred)	148	(25)	(41)
Equity Income and Provision for Losses	(160)	35	89
Accounting Changes for Asset Write-offs			
Minority Shareholding Participation	47	(29)	(9)
<b>Net Earnings</b>	<b>(150)</b>	<b>456</b>	<b>468</b>
<b>Earnings per Share (US\$)</b>	<b>(0.39)</b>	<b>1.19</b>	<b>1.22</b>

## BALANCE SHEET

	US\$ million		
	09/30/02	06/30/03	09/30/03
<b>Assets</b>			
Current	2,893	2,482	3,139
Long-term	1,170	1,727	1,483
Fixed	3,429	5,574	6,878
<b>Total</b>	<b>7,492</b>	<b>9,783</b>	<b>11,500</b>
<b>Liabilities</b>			
Current	1,602	2,044	2,602
Long Term	3,282	3,177	4,257
Shareholders Equity	2,608	4,562	4,641
Paid-up Capital	2,944	3,367	3,367
Reserves	(336)	1,195	1,274
<b>Total</b>	<b>7,492</b>	<b>9,783</b>	<b>11,500</b>

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## US GAAP

**CASH FLOW STATEMENT**

	US\$ million		
	3Q02	2Q03	3Q03
<b>Cash flows from operating activities:</b>			
Net income	(150)	456	468
Adjustments to reconcile net income with cash provided by operating activities:			
Depreciation, depletion and amortization	44	54	63
Dividends received	17	36	66
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	160	(35)	(89)
Deferred income taxes	(148)	25	41
Provisions for contingencies	(15)	108	
Impairment of property, plant and equipment	0	12	0
Gain in accounting practice for asset retirement obligations	0		
Pension plan	2	2	3
Foreign exchange and monetary losses	875	(258)	13
Net unrealized derivative losses	37	(1)	21
Minority interest	(47)	29	9
Others	17	(7)	(20)
Decrease (increase) in assets:			
Accounts receivable	(90)	65	(24)
Inventories	(18)	(25)	(27)
Others	(54)	(26)	(1)
Increase (decrease) in liabilities:			
Suppliers	(9)	18	(2)
Payroll and related charges	17	13	(15)
Others	33	(14)	(71)
<b>Net cash provided by operating activities</b>	<b>671</b>	<b>452</b>	<b>435</b>
Cash flows from investing activities:			
Loans and advances receivable	33	(53)	36
Guarantees and deposits	(22)	(152)	78
Additions to investments	0	(61)	(8)
Additions to property, plant and equipment	(191)	(308)	(443)
Proceeds from disposals of property, plant and equipment	50	37	21
Net cash used to acquire subsidiaries	0		(380)
<b>Net cash used in investing activities</b>	<b>(130)</b>	<b>(537)</b>	<b>(696)</b>
Cash flows from financing activities:			
Short-term debt, net issuances (repayments)	(354)	60	(4)
Loans	10	(6)	46
Long-term debt	148	40	779
Repayments of long-term debt	(105)	(179)	(139)
Interest attributed to stockholders	0	(215)	(33)
<b>Net cash used in financing activities</b>	<b>(301)</b>	<b>(300)</b>	<b>649</b>
Increase (decrease) in cash and cash equivalents	240	(385)	388
Effect of exchange rate changes on cash and cash equivalents	(410)	67	(14)
Cash and cash equivalents, beginning of period	1,572	1,284	966
<b>Cash and cash equivalents, end of period</b>	<b>1,402</b>	<b>966</b>	<b>1,340</b>
Cash paid during the period for:			
Interest on short-term debt	(15)	(1)	0
Interest on long-term debt, net of interest capitalized	(43)	(28)	(50)
Interest capitalized	1	5	4
Income tax	0	(27)	(6)
Non-cash transactions			

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Conversion of loans receivable to investments

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## US GAAP

**Ferrous Minerals Companies****IRON ORE AND PELLETS FINANCIAL INDICATORS**

<b>KOBRASCO</b>	<b>US\$ million</b>		
	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>
Volume Sold ( 000 tons)	850	1,128	1,000
Export Markets	850	667	800
Domestic Market	0	461	200
Average Price (US\$/ton)	29.47	30.35	34.59
Net Operating Revenues	25	34	35
COGS	(21)	(30)	(28)
Operating Profit	4	2	6
Net Financial Result	(46)	16	(2)
Net Earnings	(28)	11	3
Gross Margin (%)	16.0	11.8	20.0
Adjusted EBITDA	5	2	7
Adjusted EBITDA Margin (%)	20.0	5.8	20.0
Total Debt	147	102	102
- Short Term	0	0	0
- Long Term	147	102	102
<b>NIBRASCO</b>	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>
Volume Sold ( 000 tons)	1,842	1,719	1,626
Export Markets	290	513	509
Domestic Market	1,552	1,206	1,117
Average Price (US\$/ton)	25.96	26.77	33.79
Net Operating Revenues	52	50	60
COGS	(47)	(51)	(53)
Operating Profit	3	(1)	6
Net Financial Result	0	0	(1)
Net Earnings	2	(1)	6
Gross Margin (%)	9.6	(2.0)	11.7
Adjusted EBITDA	4	0	7
Adjusted EBITDA Margin (%)	7.7	0.0	11.7
Total Debt	4	2	2
- Short Term	2	2	2
- Long Term	2	0	0
<b>ITABRASCO</b>	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>
Volume Sold ( 000 tons)	815	843	838
Export Markets	572	778	838
Domestic Market	243	65	0
Average Price (US\$/ton)	30.06	35.25	32.96

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Net Operating Revenues	26	31	27
COGS	(23)	(26)	(25)
Operating Profit	1	7	1
Net Financial Result	5	(2)	1
Net Earnings	4	3	2
Gross Margin (%)	11.5	16.1	7.4
Adjusted EBITDA	1	7	1
Adjusted EBITDA Margin (%)	3.8	22.6	3.7
Total Debt	16	0	1
- Short Term	0	0	0
- Long Term	16	0	1

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**Table of Contents****US GAAP****IRON ORE AND PELLETS FINANCIAL INDICATORS**

<b>HISPANOBRAS</b>	<b>US\$ million</b>		
	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>
Volume Sold ( 000 tons)	685	890	824
Export Markets	165	625	94
Domestic Market	520	265	730
Average Price (US\$/ton)	32.07	36.33	32.59
Net Operating Revenues	24	32	27
COGS	(20)	(28)	(21)
Operating Profit	2	6	1
Net Financial Result	3	(2)	(1)
Net Earnings	4	4	0
Gross Margin (%)	16.7	12.5	22.2
Adjusted EBITDA	2	6	2
Adjusted EBITDA Margin (%)	8.3	18.8	7.4
<b>SAMARCO</b>	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>
Volume Sold Iron Ore- Export Markets ( 000 tons)	596	938	569
Average Price (US\$/ton)	15.81	16.57	17.56
Volume Sold Pellets- Export Markets ( 000 tons)	3,275	3,339	3,359
Average Price (US\$/ton)	30.13	35.03	35.47
Net Operating Revenues	100	125	119
COGS	(47)	(59)	(58)
Gross Margin (%)	53.0	52.8	51.3
Adjusted EBITDA	45	57	54
Adjusted EBITDA Margin (%)	45.0	45.6	45.4
Operating Income	40	51	48
Net Financial Result	(52)	8	(5)
Net Income	(24)	46	33
Total Debt	246	188	174
- Short Term	170	138	136
- Long Term	76	50	38
<b>GHIC*</b>	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>
Volume Sold - ( 000 tons)	643	1,178	900
Average Price (US\$/ton)	41.55	43.30	41.18
Net Operating Revenues	25	49	41
COGS	(23)	(37)	(30)
Operating Income	1	8	6
Net Financial Result	0	0	0
Gross Margin (%)	8.0	24.5	26.8
Net Income	2	8	6

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Adjusted EBITDA	3	8	7
Adjusted EBITDA Margin (%)	12.0	16.3	17.1
Total Debt	40	35	30
- Short Term	0	0	0
- Long Term	40	35	30

\*Financial indicators calculated according to standards set by the International Accounting Standards Committee

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**Table of Contents****US GAAP****Aluminum Companies****ALUMINUM FINANCIAL INDICATORS**

<b>MRN</b>	<b>US\$ million</b>		
	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>
Volume Sold ( 000 tons)	2,554	3,512	4,049
Export Markets	740	958	1,324
Domestic Market	1,814	2,554	2,725
Average Price (US\$/ton)	18.46	18.98	19.21
Net Operating Revenues	43	64	73
COGS	(30)	(34)	(39)
Operating Profit	12	29	33
Net Financial Result	17	(12)	(1)
Gross Margin (%)	30.2	46.9	46.6
Net Earnings	30	15	28
Adjusted EBITDA	22	39	45
Adjusted EBITDA Margin (%)	51.2	60.9	61.6
Total Debt	101	200	203
- Short Term	23	134	145
- Long Term	78	66	58

<b>ALBRAS</b>	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>
Volume Sold ( 000 tons)	104	106	111
Export Markets	101	102	107
Domestic Market	3	4	4
Average Price (US\$/ton)	1,289.68	1,326.07	1,366.25
Net Operating Revenues	133	142	152
COGS	(79)	(91)	(92)
Adjusted EBITDA	56	50	62
Adjusted EBITDA Margin (%)	42.1	35.2	40.8
Operating Income	52	46	58
Net Financial Result	(153)	58	(31)
Gross Margin (%)	40.6	35.9	39.5
Net Income	(101)	77	27
Total Debt	519	400	387
- Short Term	20	0	0
- Long Term	499	400	387

<b>VALESUL</b>	<b>3T02</b>	<b>2T03</b>	<b>3T03</b>
Volume Sold ( 000 tons)	18	24	26
Export Markets	8	15	17
Domestic Market	10	9	9
Average Price (US\$/ton)	1,654.96	1,685.82	1,668.32

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Net Operating Revenues	30	38	41
COGS	(20)	(30)	(33)
Operating Profit	8	3	7
Net Financial Result	0	0	0
Gross Margin (%)	33.3	21.1	19.5
Net Earnings	7	1	5
Adjusted EBITDA	9	5	8
Adjusted EBITDA Margin (%)	30.0	13.2	19.5
Total Debt	1	2	2
- Short Term	0	1	1
- Long Term	1	1	1

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**Table of Contents****US GAAP****Steel Companies****STEEL FINANCIAL INDICATORS**

<b>CSI</b>	<b>US\$ million</b>		
	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>
Volume Sold ( 000 tons)	508	447	508
Average Price (US\$/ton)	382.38	401.96	374.08
Net Operating Revenues	196	182	191
COGS / Other Expenses	(173)	(179)	(195)
Operating Profit	23	3	(4)
Net Financial Result	(3)	(3)	(2)
Net Earnings	12	0	(3)
Adjusted EBITDA	30	11	3
Adjusted EBITDA Margin (%)	15.3	6.0	1.6

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**Table of Contents****US GAAP****APPENDIX****Reconciliation of non-GAAP information and comparable GAAP information**

## (1) Annualized Operational ROE (%)

	<u>3T02</u>	<u>2T03</u>	<u>3T03</u>
(Adjusted EBIT x 4 / Stockholder s equity)	70.4	34.0	43.2

## (2) Adjusted EBIT

	US\$ million		
	<u>3Q02</u>	<u>2Q03</u>	<u>3Q03</u>
Net operating revenues	1,098	1,170	1,432
COGS	(554)	(670)	(812)
SG&A expenses	(65)	(45)	(74)
Research and development	(15)	(12)	(22)
Employee profit sharing plan	(14)	(9)	(2)
Others	9	(46)	(21)
<b>Operating income (Adjusted EBIT)</b>	<b>459</b>	<b>388</b>	<b>501</b>

## (3) Adjusted EBITDA

The term EBITDA refers to a financial measure that is defined as earnings (losses) before interest, taxes, depreciation and amortisation; we use the term Adjusted EBITDA to reflect that our financial measure also excludes monetary gains/losses, equity in results of affiliates and joint ventures less dividends received from those companies, changes in provision for losses on equity investments, adjustments for changes in accounting practices, minority interests and non-recurring expenses. However, Adjusted EBITDA is not a measure determined under GAAP in the United States of America and may not be comparable to similarly titled measures reported by other companies. Adjusted EBITDA should not be construed as a substitute for operating income or as a better measure of liquidity than cash flow from operating activities, which are determined in accordance with GAAP. We have presented Adjusted EBITDA to provide additional information with respect to our ability to meet future debt service, capital expenditure and working capital requirements. The following schedule reconciles Adjusted EBITDA to net cash provided by (used in) operating activities reported on our Consolidated Statements of Cash Flows, which we believe is the most directly comparable GAAP measure:

**RECONCILIATION BETWEEN ADJUSTED EBITDA VS. OPERATING CASH FLOW**

	US\$ million		
	<u>1Q03</u>	<u>2Q03</u>	<u>3Q03</u>
<b>Operating Cash Flow</b>	<b>356</b>	<b>452</b>	<b>435</b>
Income tax			(47)
Income tax paid	6	27	6
Monetary and Foreign Exchange Losses	92	1	44
Financial Expenses	41	32	12
Net Working Capital	(45)	(31)	140
Others	(8)	9	40
<b>Adjusted EBITDA</b>	<b>442</b>	<b>490</b>	<b>630</b>



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**Table of Contents****US GAAP**

## (4) Adjusted EBITDA Margin

	<u>3Q02</u>	<u>2Q03</u>	<u>3Q03</u>
Adjusted EBITDA Margin (Adjusted EBITDA/Net Revenues)	47.4	41.9	44.0
Operating Income / Net Revenues	41.8	33.2	35.0

## (5) Net Debt

**RECONCILIATION BETWEEN GROSS DEBT VS. NET DEBT**

	US\$ million		
	<u>3Q02</u>	<u>2Q03</u>	<u>3Q03</u>
Gross Debt	3,579	3,282	4,304
Cash and cash equivalents	(1,402)	(966)	(1,340)
Net Debt	2,177	2,316	2,964

## (6) Gross Debt / Adjusted LTM EBITDA

	<u>3Q02</u>	<u>2Q03</u>	<u>3Q03</u>
Gross Debt / adjusted LTM EBITDA (x)	2.12	1.74	2.15
Gross Debt/Operating Cash Flow (x)	1.33	1.82	2.47

## (7) Gross Debt/ Firm Value

	<u>3Q02</u>	<u>2Q03</u>	<u>3Q03</u>
Gross Debt/ Firm Value (FV)	0.29	0.23	0.22
Gross Debt/ Assets	0.48	0.34	0.37

## (8) Adjusted EBITDA / Interest expenses

	<u>3Q02</u>	<u>2Q03</u>	<u>3Q03</u>
Adjusted EBITDA / Interest expenses (x)	10.0	12.0	11.7
Operating income / Financial expenses (x)	3.1	6.1	6.0

This communication may include declarations which represent the expectations of the Company's Management about future results or events. All such declarations, when based on future expectations and not on historical facts, involve various risks and uncertainties. The Company cannot guarantee that such declarations turn out to be correct. Such risks and uncertainties include factors relative to the Brazilian economy and capital

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markets, which are volatile and may be affected by developments in other countries; factors relative to the iron ore business and its dependence on the steel industry, which is cyclical in nature; and factors relative to the high degree of competitiveness in industries in which CVRD operates. To obtain additional information on factors which could cause results to be different from those estimated by the Company, please consult the reports filed with the Comissão de Valores Mobiliários (CVM - Brazilian stock exchange regulatory authority) and the U.S. Securities and Exchange Commission - SEC, including the most recent Annual Report - CVRD Form 20F.

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

We have reviewed the accompanying unaudited condensed consolidated balance sheet of Companhia Vale do Rio Doce and subsidiaries as of September 30, 2003, and the unaudited condensed consolidated statements of income, of cash flows and of changes in stockholders' equity for the three-month periods ended September 30, 2003, June 30, 2003 and September 30, 2002 and for the nine-month periods ended September 30, 2003 and 2002. This financial information is the responsibility of the Company's management. The unaudited financial information of certain affiliates, the investments in which total US\$ 248 million at September 30, 2003 and equity in earnings which total US\$ 15 million, US\$ 9 million, US\$ 17 million, US\$ 37 million and US\$ 16 million for the three-month periods ended September 30, 2003, June 30, 2003 and September 30, 2002 and for the nine-month periods ended September 30, 2003 and 2002, respectively, and that of certain subsidiaries, which statements reflect total revenues of US\$ 82 million and US\$ 133 million for the three and nine-month periods ended September 30, 2002, respectively, were reviewed by other independent accountants whose reports thereon have been furnished to us.

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

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

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Companhia Vale do Rio Doce and subsidiaries as of December 31, 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein). In our report dated February 21, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002 is fairly stated in all material respects, in relation to the consolidated balance sheet from which it has been derived.

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  
November 7, 2003

**Table of Contents****Condensed Consolidated Balance Sheets**  
Expressed in millions of United States dollars

	<u>September 30, 2003</u>	<u>December 31, 2002</u>
	<b>(unaudited)</b>	
Assets		
Current assets		
Cash and cash equivalents	1,340	1,091
Accounts receivable		
Related parties	125	121
Unrelated parties	617	539
Loans and advances to related parties	27	49
Inventories	505	292
Deferred income tax	121	211
Others	404	286
	<u>3,139</u>	<u>2,589</u>
Property, plant and equipment, net	<b>5,888</b>	<b>3,297</b>
Investments in affiliated companies and joint ventures and other investments and provision for losses on equity investments	<b>990</b>	<b>732</b>
Other assets		
Goodwill on acquisition of subsidiaries	480	412
Loans and advances		
Related parties	61	89
Unrelated parties	68	73
Prepaid pension cost	79	79
Deferred income tax	266	358
Judicial deposits	390	239
Unrealized gain on derivative instruments	2	3
Others	137	84
	<u>1,483</u>	<u>1,337</u>
<b>TOTAL</b>	<b><u>11,500</u></b>	<b><u>7,955</u></b>

**Table of Contents****Condensed Consolidated Balance Sheets**  
Expressed in millions of United States dollars

(Continued)

	September 30, 2003	December 31, 2002
	(unaudited)	
Liabilities and stockholders' equity		
Current liabilities		
Suppliers	418	325
Payroll and related charges	94	76
Interest attributed to stockholders	419	3
Current portion of long-term debt - unrelated parties	1,147	717
Short-term debt	129	184
Loans from related parties	101	64
Others	294	139
	<u>2,602</u>	<u>1,508</u>
Long-term liabilities		
Employees post-retirement benefits	173	141
Long-term debt - unrelated parties	2,921	2,359
Loans from related parties	6	7
Provisions for contingencies (Note 9)	563	428
Unrealized loss on derivative instruments	87	76
Others	214	122
	<u>3,964</u>	<u>3,133</u>
Minority interests	<u>293</u>	<u>27</u>
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	(4,449)	(5,175)
Appropriated retained earnings	2,251	2,230
Unappropriated retained earnings	3,472	3,288
	<u>4,641</u>	<u>3,287</u>
TOTAL	<u>11,500</u>	<u>7,955</u>

*See notes to condensed consolidated financial information.*



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**Condensed Consolidated Statements of Income (Loss)**  
**Expressed in millions of United States doll**