

**Local Conference Call**  
**Companhia Vale do Rio Doce**  
**1Q07 EARNINGS**

**May 4 – 12:00 p.m. (RJ time) / 11:00 a.m. (US EDT time) / 4:00 p.m. (British time)**

**Operator:** Good morning ladies and gentlemen, thank you for standing by and welcome to CVRD's conference call to discuss first quarter 2007 earnings results. If you do not have a copy of the relevant press release, it is available at the company's website at: [www.cvrd.com.br](http://www.cvrd.com.br) at the Investor Relations link.

At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time.

If you should require assistance during the conference, please press the star followed by zero. As a reminder, this conference is being recorded. The replay will be available until May 14, 2007. To access the replay, please dial (55 11) 4688-6225 (access code: 188). The file will also be available at the Company's website at [www.cvrd.com.br](http://www.cvrd.com.br), at the Investor Relations section.

This conference call and the slide presentation are being transmitted via internet as well. You can access the webcast by logging on to the Company's website, [www.cvrd.com.br](http://www.cvrd.com.br), Investor Relations section or at [www.prnewswire.com.br](http://www.prnewswire.com.br)

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

With us today in Rio de Janeiro is Mr. Fabio Barbosa, CVRD's Chief Financial Officer and, from Canada, Mr. Leonardo Moretson, CVRD Inco's Chief Financial Officer.

First, Mr. Barbosa will proceed to the presentation and after that we will open for Questions and Answers.

It is now my pleasure to turn the call over to Mr. Barbosa. Sir, you may now begin.

**Mr. Fabio Barbosa:** Thank you very much, good afternoon ladies and gentlemen. I would like to mention that we also have Jose Carlos Martins who is in Carajás today he is also attending this conference directly from Carajás and here in Rio de Janeiro we have Jose Lancaster executive director for non ferrous and also Eduardo Bartolomeo executive director in charge of our logistics.

So let's start with the agenda we have today. First the results of the first quarter of 07, we are very happy with the results that we managed to achieve despite the difficulties that we observed in the weather conditions particularly in the iron ore business in Brazil, despite that we were able to post very strong numbers in terms of sale with several records as you can see in the slide number 5 with iron ore; pellets is almost 35%, of

course we have the effect of the São Luís pellet plant production interruption last year but this pellets' number shows very... confirms our views about the very strong market that we are facing with actually another bulk booking in terms of pellets compared to our actual capacity of production.

Finished nickel also very strong number with 10.8%, copper almost 29% with the increased in production in Sossego that recovered from the levels it achieved last year, Lancaster could comment a little bit later on that; alumina, 39% with 700 with the full effect of the expansion; aluminium with the consolidation of Valesul, 20%, almost 20%; potash, good numbers on sales although production was not that brilliant, in sale we were able to capture the good momentum of the market with 161,000 with the inventories that we had accumulated in the past, and cobalt also 19.3% and general cargo 4.4% increase against the same period last year.

In terms of margins I would highlight the very strong performance in the non-ferrous minerals that we were able to achieve 52.2% in EBIT margin, above ferrous minerals margins, 50.9% and as you may have noticed, we, in the case of ferrous minerals we didn't have any... almost any effect of the price increase that we negotiated last year in the first quarter. I believe that the number, the precise number of the price effect in the first quarter was US\$18 million. So the bulk of the price increase that we achieved with our clients will be posted in the second and third quarter of the year. So I'd like to highlight that ferrous minerals is, in a way, is not reflecting the actual current prices that are prevailing the iron ore business.

Aluminium margins slightly lower than the 2006 but still very strong compared to 2005; the prices are high of course, costs are also increasing, but we managed to keep a very strong margin; logistics 28.3% and the average of the company 49.2 a very strong performance compared to both 2005 and 2006.

Net earnings is US\$ 8.8 billion in the last 12 months; the fifth consecutive year of upward trend - it is a very strong performance; the same goes for our Ebitda performance, it's the 20<sup>th</sup> consecutive quarter of Ebitda growth and now you see a much more diversified profile with non ferrous, for the first time, surpassing the ferrous business; it is a historical quarter for the company considering what we used to be until the 3<sup>rd</sup> quarter of last year. So 47.1% in the so called non ferrous; ferrous 42.8% and Ebitda in the last 12 months, US\$12.5 billion.

The next page indicates a distribution of the contribution of prices, volumes and cost reduction that we managed to achieve in order to reach this Ebitda figure of US\$ 4.2 billion roughly, adjusting for the inventories charge that is a non cash component. And if we do not consider it you see that prices were the major driver together with a cost reduction to achieve this higher level of Ebitda that you see there.

In terms, of course, of goods sold also, our efforts is starting to pay, of course we would like to see a much more significant, meaningful number but I believe that it's a clear indication that our efforts are starting to bear fruits with a cost reduction of US\$72

million, explaining the major part of the cost of goods sold variation on a quarter to quarter basis.

On the financial side we made a lot of announcements the last few days; we paid fully the bridge loan, which was USUS\$ 2.25 billion (remaining) and we also renew our credit facility and we improved further our financial profile with a reduction in our leverage, a total debt to Ebitda of 1.88 and we increased again our average maturity with a virtually stable cost of debt for the total CVRD group.

The results we have achieved implied in a return of investment capital well above the average of the last 2 years and in particular in this quarter 53.4% despite the sharp increase of the capital invested that we had been observing compared, for instance, to 2003. So 2003 our total capital base was USUS\$ 5.4 billion and now we are talking about 7x higher level with a return that is much higher as well. So we were able to deliver very strong results despite the sharp increase in our capital invested.

Now turning to the new growth platform and how we see our company performing in the long term, we just revised our Capex program for 2007 with USUS\$ 7.4 billion; we are still reviewing our numbers and our projects and I believe that given the strength of the market that we anticipate that we could even review further this number if necessary for 2007, if the market continues to perform as it is and if we find the right project. We are performing those studies right now and particularly in the iron ore business we may have some additional news. Martins, would you like to make some comment at this stage? Martins are you there? I think he's got disconnected. I'm sorry, but actually, we are studying additional projects particularly in iron ore, in the case of non ferrous, you saw the new investment level for Goro and at this stage I would like to ask Jose Lancaster to comment on Goro what were the major changes that we implemented there, not only in terms of the level of investments that increased to US\$ 938 billion (in 2007) but also in terms of the efficient strategy?

**Mr. Lancaster:** Yes, basically when we acquired Inco, we went through a thorough review of the project, focus was on the risk management and political, environmental, technological and operating factors. We also use, what is part of our culture, which is a thorough work with the communities, I think the relationships with the people of New Caledonia have improved significantly using our experiences from Carajás. We made some key technical changes, things to do with manganese and the rejects of the mine, and some engineering changes and we have a brand new team which is focused on discipline and execution. The budgets now are; of Goro is about US\$ 3.2 billion and we believe we are on the right track to finish the project by the end of 2008, ok. Goro as most of you people know is a fantastic project; it has reserves of about 120 million tons of material at a grade of 1.5% nickel. This does not fully reflect the size of the project, over 500 million tons of resources; it has a superior position in Asia so it permits to supply the Chinese market and Asia markets in general. It is a low curtail, first curtail of nickel cost of production, which is a very interesting thing to have these days and has a Capex of US\$ 3.2 billion at this stage to produce 60,000 tons of nickel and 4,600 tons of cobalt, ok. So Onça Puma, which is the other nickel project, this is a success story, we

bought it from Canico, and being able of starting the project on schedule. It is going extremely well, I mean, in fact it is slightly ahead of schedule; we are keeping the budget very tightly, it's a budget of 1.4 billion tons of...US\$ 1.4 billion to produce about 58,000 tons of nickel. It is another very fantastic resource, 78 million tons of 1.8% (nickel content) for production of ferrous nickel and the good surprise that we having is that there is a top layer in the separate light deposit which is a significant resource for hydrometallurgical, so we believe that in the future we will be able to increase in capacity at Onça Puma and again it is a first curtail cost of production nickel.

**Mr. Barbosa:** Ok Lancaster. Now turning to the iron ore business particularly what is showing, indicating in slide 18, that is the spot freight spread has increased sharply in the last few years, particularly in the last couple of years and together with this increase in this spread we also observed an increase in the volatility of this spread, meaning there are other factors affecting... affecting the price formation of this particular market. In fact the level of freight costs today indicate that the ship owners that catch a major chunk of the value chain of our business. So at this point I would like to ask Eduardo Bartolomeu and Martins who is already on the line to comment on this new strategy of ours, by developing our dedicated shuttle service between Brazil and China. Eduardo and Jose Martins could you please comment?

**Mr. Eduardo Bartolomeo:** Ok. Fabio already explained we had a big increase and the way we tackled it, we believe we made some significant steps during the 1<sup>st</sup> quarter in developing the dedicated shuttle service between Brazil and China through very large carriers. We announced recently the Bergson contract for 4 big ships around 388,000 tons; added to that, another 300,000 tons of (inaudible) and YK and besides already we had done with our 3 ships that we sent to China and rebuilt it to send to us, plus a tanker, added to that all that add up to a capacity of shipping to China about 10 million tons of iron ore. That's the way we think we should tackle the problem because it's the way that we get economies of scale, of course, reduce the volatility as Fabio just said. At the moment I think that Martins could add because the iron ore strategy that we are helping him to serve better the customer in China.

**Mr. Martins:** Thanks Eduardo. Our idea is to complement this shuttle; the shuttle between Brazil and China with remote blending of iron ore in China to sell locally, just to take advantage of high prices in China. So the idea is combine this shipment capacity with blending capacity in China in some ports to sell, iron ore locally at the same price we have in the domestic market, so the target is to gain more cost competitive; we can to some extent to take some advantage of the price difference that now is captured by the ship owners, so big part of this price that steel makers are paying now, goes to the ship owners and now the cost of shipment is bigger than the price of the iron ore. So the idea is not to be only more competitive but also to take some advantage of this.

**Mr. Barbosa:** Ok Martins, thank you. Martins we commented before on the very strong demand and some additional strategies that you're performing in terms of additional projects: can you comment also on that?

**Mr. Martins:** Yes. We are now considering to anticipate all our projects, mainly in the Carajás area. The idea is to double production of Carajás up to 2011. So we are going to anticipate all our projects not only in the existing north region but also we are going to open up the southeast; we are working very fast on it, there is a lot constraints related to equipment, relating to engineering companies; a lot of difficulties in doing that, but we really believe that we needed to do it because the market continues to be very strong and we are facing a lot of difficulties to cope with the growing demand mainly from China, but it is not only China; the growth in China is now multiplying in other countries, we can see even Japan growing, other Asian countries growing very fast, Latin America is growing, so, even in Europe we see a very good moment for steel production and iron ore consumption. So, the whole picture is very good and for this reason we are considering to anticipate all our plants in order to double Carajás' capacity to 200 million tons per year by 2011 and total CVRD capacity to 450 million tons by 2011. Will be a big task, a huge investment but we are confident that we can do it and also it will be needed. So we don't want to let our customers in a situation that they don't get the iron ore they need. So we are going to enter in a massive investment in order to increase our capacity very fast and in a huge volume.

**Mr. Barbosa:** And in a same approach we are taking, in the case of nickel, that you just saw last week we announced a major increase in our investments in Goro. In iron ore ferrous business, so we have... we take this long term approach to our customers, we want to supply the material they want in the long term and in this context we are investing heavily, we are investing more and we are, in some cases, as Martins indicated, we are anticipating investments because we see the cycle continuing to show very strong signs of growth as we inform in the next section. In fact the global economy remains on track for a continuous robust growth as we indicate there that for the next 18 months or so, 4.5% growth, and this. I may, I could say that is a conservative indication of future global GDP growth, it's the one that we are using right now. We see very strong signs on the industrial production side, as you see by the performance of the global PMI that achieved the highest level in the last 7 months. The same goes for the ISM showing that it's a more generalized phenomenon, I mean, growth is there on the ground and should continue and that's behind, very much behind our decision to anticipate and to intensify our investments effort.

And in the case of the seaborne trade as you see on the page, in slide 25, we are indicating that the seaborne trade should reach by the end of the decade almost 1 billion tons per annum, so it's a major increase compared to what we are observing right now; it's 725 for 2006 and 790 million tons expected for 2007. So growth should continue in a very fast pace; you see indications of growth in the steel industry in China, that Jose Martins referred to, but not only in China but also in different markets around the world. In the case of nickel market I would like to ask Leonardo Moretton to comment, considering that the inventory... the inventories level is very low and demand continues to be very strong. Despite the rise in the supply of nickel pig iron that... in our view has positive effect by mitigating the natural friction that we have now, due to the cost of the material and allow us some time to put our production in place to attend or to

meet our clients' requirements. Leonardo, could you please comment a little bit the nickel market right now?

**Mr. Moretson:** Yes, good morning...afternoon everybody. As mentioned by Fabio we are facing also in the nickel market very tight market; demand in Asia remains very strong and the inventories are in a very low level, and to increase our production in nickel is needed and we are, we share the same statement of CVRD: we are making a lot of effort to fulfill the demands from our clients, especially in Asia, in China where the demand is growing, not only in China but also in other countries as well. We can see some increase in the nickel pig iron. I think it is a positive effect for the market because there are new nickel for the users, for the consumers and we can see some substitution especially in the plating industry, but this is also, the substitution is also challenging because in many cases the substitute material costs are also very high. So it's still possible that the demand is still there and we are doing the best effort possible to give the right offer to the market. We are speeding up our investments here, in Goro, as mentioned already, but also here in Canada, in Ontario region we are investing more in a new mine – Totem - but also in Copper Cliff that we have approved new investments to speed up to have more production in place in the short term.

**Mr. Barbosa:** Ok. And just to conclude this first part of the conference, a comment, a brief comment, aluminum prices continues to sustain very nice levels about US\$ 2,900 per ton and we may have a positive surprise there considering that we are expecting some acceleration of the global industrial production growth. In copper after a small pause, a short pause it is resuming its growth trend in terms of prices particularly the increase, the recent increase in Chinese imports that have reached again the level of US\$ 8,000 per ton. So now we end our first part here and we are available, all of us, for questions you may have. Thank you very much.

### Q&A Session

**Operator:** Thank you. Ladies and gentlemen, we will now begin the Question and Answer session. If you have a question, please press the star (\*) key, followed by the one (1) key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press star (\*) two (2). Please restrict your questions to two at a time.

**Operator:** Our first question comes from Mr. Roger Downey with Credit Suisse.

**Mr. Roger Downey:** Good morning gentlemen, Fabio, Lancaster, Martins, Eduardo and Leonardo. Congratulations on a very strong quarter, very solid results despite the production setbacks with all the rain we had here in Brazil. A couple of questions if I may, first of all with regards to the expansion quite a phenomenal amount of new capacity that you're adding there by 2011; can we already expect to see CVRD to be producing at the full 450 in 2011 or it will that take a couple of years to ramp up?

Second question more regarding nickel; I'd like to hear your views on some of the new technology that is surfacing around the industry especially reported by POSCO with nickel substitutes in that steel production and also if I may congratulate you guys on the cost cutting initiative has certainly filtered through to this quarter's results and if we may get some guidance on what we can see in the next few quarters.

**Mr. Barbosa:** Thank you very much. I will ask Martins to answer the first question on the actual capacity for 2011. Martins.

**Mr. Martins:** Roger, the idea is to be producing by December 2010, to be producing 35 million tons per month, which will be 420 million tons of iron ore; that is our target. As I told you we are facing a lot of difficulties related to the work, the engineering, equipment things like that, but our plan, also the environment license is really a nightmare these days in Brazil, but our plan is to be producing, by December 2010, 35 million tons per month which will be 420 on a yearly basis and by end of 2011, to be producing 450 million tons. The idea is to add 150 million tons of additional capacity by end of 2011. As you probably know both of our investments will be in Carajás area where we have a high quality iron ore, unbeatable by all of the standards, and are easy to process iron ore also. So the very question is mainly related to get all the permits and to get all the equipments and all the engineering in place in order to be there like I told, because the iron ore is there; we have enough resources, high quality, so the task will be mainly in the engineering area to get the permits and to do everything done by 2010 because we intend to be, in December 2010 already reaching this 420 million tons of iron ore. As you probably know, huge investment will be done in the logistics system, most of these acts will be railways imports I would say, Eduardo is there also to comment on that, but two thirds of the investment will be done in the logistic area because now we are fully... we are operating full capacity on the logistic side. So that will be the big challenge. The mining we think the challenge is not so big but for sure to get all the approvals, all the permits and... will be a huge amount of investment. So I think that will be the big challenge. But I would like Eduardo to comment a little bit about the logistic challenges that we have ahead in order to move 450 million tons from the inner part of the country to the seaside and to ship it all over the world. Eduardo, please.

**Mr. Bartolomeo:** Ok. I think as Martins said, it's a huge task...we saw in Carajás, we are actually seeing in Carajás the doubling of the capacity during the last 4/5 years and that took all the expansion along the trains we said the last time; they are operating now with half the model. We're just finishing that step and we are starting to double this track on some of these stages, that's one of the key investments that are going to be made on the track. Besides that we cannot forget the ports. The ports are going to receive lot of investments also. Ponta da Madeira is going to have a 4<sup>th</sup> dock near there and also as already mentioned the challenge to go from the port until China or wherever our clients are. So it's a huge task, we are preparing to that, we have facing that already in the last 4 years and we are taking some measures as Martins already said, anticipating agreements either locals or agreements with the port to get there on time, on budget as we have to do it to serve our clients.

**Mr. Barbosa:** Ok. At this stage I would like to ask Leonardo Moretson to comment on the POSCO developments. Leonardo, please.

**Mr. Moretson:** Hello Roger; thanks for the question. Of course at this nickel price level, increased demand for substitution must be expected not only in stainless steel application but also in non-stainless application as well. We have already faced some substitution in plating... decorative plating segment, which was the most visibility impact in 2006 and there are some, of course, huge effort in R&D development to... for substitution. However, in our view here there are still some challenges ahead for this new development; for instance I can pass some for you, it's the specific cut booths for nickel and 300 series stainless; also China is still producing 200/400 stainless series and the more lead time and costs for consumers to change standards and production equipment as well is not a challenge, besides the one I already have mentioned, which is the cost of the material for substitution is also high. This is... those are my comments in this field, but we have to give the others the right answer and come up with more production in the short run. Thank you.

**Mr. Downey:** Fabio if you could just give us some guidance on what we can expect on further cost cutting in the next few quarters? And also, back to Martins if I can, we are expecting, according to your slide here, about 255 million tons in growth of seaborne trade; CVRD is going to capture 150 million tons of that; what is your view because that certainly means capturing a lot more market share.

**Mr. Barbosa:** Well on the first part, Roger, we will continue to make more effort here, to control costs, is not easy because the Real appreciated sharply in the first quarter, it is our expectation, and market average expectation next year. We have some good news on the fuel side, but on the other side some labor cost increase and other cost increase are partially offsetting it, so it's a major effort that is in place and we would like rather to show results instead of provide, providing guidance of precise figures, let's show the results and then comment on that. And I will also ask Martins to comment on the second part of your question. Martins?

**Mr. Martins:** The idea is not to increase the market share; the idea is to capture some markets, some domestic Chinese markets, ok? We have a comprehensive strategy towards Chinese markets. Nowadays Chinese mines are selling, iron ore, at a price above US\$100 per ton and we really believe that we have cost and we have structure to deliver iron ore in China at a much lower price than that. So besides keeping or increasing slightly our market share in China, in the seaborne market, the idea is to capture part of the domestic Chinese iron ore market produced by local mines. This local mines are very small, lower competitiveness and as the local currency strength, we think that their competitiveness will be even lower. So, there is a huge market to be captured in China if we compete directly with the local producer and the only way to compete directly with the local producer is to move our iron ore from Brazil to China, to blend locally and to sell locally. We already established a company in China to sell iron ore locally, steel (inaudible) to China, it's already established, so we have a comprehensive strategy towards China and we intend to keep our market share in the

sea borne, increase slightly because we have the quality to do it, to get this additional market share, but our main task is to sell more in China; it is to link some market that now is locally, that is inland market to the seaborne market. That is the idea behind our plan.

**Mr. Downey:** Ok. Thank you very much. That's brilliant, congratulations once again gentlemen.

**Mr. Barbosa:** Thank you, Roger.

**Operator:** Thank you for your question. As reminder please restrict your question to two at time. Our next question comes from Felipe Hirai with Merrill Lynch. Please go ahead.

**Mr. Felipe Hirai:** Hi, good morning, good afternoon gentlemen. I still have a question on the expansion of Carajás and the other mine. First, could you give us a rough idea of what could be the total Capex of these projections to do all these expansion and also if you could comment a little bit on the break down what would be in Carajás out of the 200 million tons of production, what would come from the northern region and how much would come from the southern region and my last question is regarding coal, could you just give us a brief update on what your expectations are on the development of the recent acquisition in Australia and the coal project in Africa, in Moatize. Thank you.

**Mr. Barbosa:** Ok Felipe. On the Capex cost we are finalizing the studies, Martins is right now in Carajás where the bulk of the additional production should come from, so I would not like to mention any figure right now, but Martins could you comment on the additional production capacity, on the northern bench, southern bench, how would it work?

**Mr. Martins:** The bulk of the investment will be in the Carajás area, ok? It was there we can invest less per ton, because we don't need it to process the iron ore like we did in the southern region. So, from this 150 million tons that we intended to add from our final capacity by 2011, 100 million would be in Carajás and 50 million will be in Southern System, so that is the idea related to the volume. Related to the Capex we are just working on it we needed to detail it with a large extent, but we think that in the next 2 or 3 months we can have the final figure and then we can present to the market. As you probably know the investment will be huge because we need to invest also in the logistic system. We have to increase the capacity in all the corridors that we have, in the ports and so it's not only a kind of brownfield projects; a lot of greenfield projects will be developed through it, this volume of production by 2011.

**Mr. Hirai:** Actually Martins, my question was that regarding Carajás how much would come from Serra Norte how much would come from Serra 2 out of the 200 million tons?

**Mr. Martins:** The idea is to increase in the Serra Norte area, 35 million tons and in the south region 65 million tons, so that will be 100 million tons...

**Mr. Barbosa:** And Lancaster could you comment on the coal question?

**Mr. Lancaster:** The coal question. We just concluded the acquisition of the Australian assets on April 20<sup>th</sup>. We are presently building a business plan for the growth of these operations in Australia; it's going pretty well, at this point, you know, the plan is to increase production to about 12 million tons of coal from Australia, which probably in the order of 65% will be CVRD share, ok? In terms of Moatize we are finalizing the... we have an environmental permit in place already; we are finalizing the mining license. We are very, very intensely doing our detailed engineering. We expect to have a sort of consortium in the second semester of this year and we are finalizing also the logistical arrangements there in Mozambique.

**Operator:** Thank you for your question. Our next question comes from Jorge Beristain with Deutsche Bank. Please go ahead.

**Mr. Jorge Beristain:** Good morning gentlemen, it's Jorge Beristain from Deutsche Bank. Fabio I guess my first question is for you and again, congratulations on a pretty strong quarter. If you could describe conceptually what is CVRD' policy now towards hedging both on currency and metals mixed basis, as it would seem If you could may be comment on that first.

**Mr. Barbosa:** Ok, thank you Jorge. On the currency the base arrangement that we put in place was the swap of all the debentures this year in the domestic market; we issued 2 tranches of 5 and 7 years and we were able to swap it at an average cost of dollar plus 5.6% per year, so, this was done and with that I would say that roughly 95% or more of our total debt now is dollar denominated. So, this fits very nicely in our total flows, we do have some exposure to the Real as you can see by the effect on the appreciation on our cost but we are working on that to reduce the net exposure to this particular currency. On the metals we put in place also some protection for prices and revenues in the copper and in aluminum, a small part... a major part, pardon, of the copper produced out of Sossego, so we made...we were able to protect a very interesting range of prices and right now we are.... we brought a new supposition of this price level of copper, and also aluminum is virtually in the same level as we were able to lock 2 months ago. So, in some weeks we are losing some money on a market-to-market basis, some weeks we make some money out of the derivatives but the objective was not this. The objective was to protect our cash flow volatility against the volatility of metal prices, and in this connection both currencies were ended in hedging copper and aluminum, have been very effective.

**Mr. Beristain:** Ok. My second question is just specifically on the nickel business. We did see your cash cost per pound rise roughly 60 cents quarter on quarter I believe from around US\$ 3 to US\$ 3.60. You mentioned in the press release that some of this was due to higher profit sharing which, I assume you came to some kind of agreement with your workers to settle the potential strike and can we just get an idea of how much more you're going to capture on quarter on quarter as nickel prices are averaging roughly

US\$ 4 higher. How much of that could be given away in higher profit sharing or other cost inflation in the nickel business?

**Mr. Barbosa:** Leonardo, could you comment on Jorge's question please?

**Mr. Moretson:** This is, this is our...we had a cost increase this first quarter but this profit sharing is just part of it, ok? We also, we had ...as you know we are buying nickel from third parties sources, not only intermediate products but also final products as well, so, due to the nickel price our purchase tonnage was higher so this had another impact in costs as well. We also have to understand that as we had some weather problems in Brazil, we faced some weather problems in Indonesia as well, we had a lack of rain and then we have to increase up to more or less 30% in our diesel consumption in Indonesia, in PTI, which also had an impact in our costs. Regarding the profit sharing it was part of our employees receiving bonus basically on the nickel prices, so this is the effect. So, if the price remains like that we can face additional situations in the second and third quarter and throughout the year. This impact because part of them are receiving bonus from the price. Ok?

**Mr. Barbosa:** And Leonardo just to complement, we also had less by-product credit in this quarter compared to the previous quarter but it's related to the nickel production, ok?

**Mr. Moretson:** That's right Fabio, agreed.

**Mr. Barbosa:** Thank you.

**Mr. Beristain:** Thank you.

**Operator:** Thank you for your question. Our next question comes from Jim Lennon with Macquarie Bank. Please go ahead.

**Mr. Jim Lennon:** Okay, thank you gentlemen. I think some of my questions have already been answered but I wanted to ask a question about the shipping cost of the iron ore from Brazil to China;, we know the spot freight rates had recently gone above US\$ 50 a ton, but could you give some indication of your roughly 100 million tons that you sell to China this year. How much of that do you think is exposed to the spot freight market? Is it, you know, relative to steel mills taking longer term freight arrangements at lower prices? I just want to get a sense of the increase in steel making costs as result of this freight movement. That's one thing and secondly when you mention that you want to take some market share from the smaller mines in China, I assume that you may in future sell on a C&F delivered basis from some mills in China as opposed to an FOB basis, are you implying maybe that in order...to compete with the domestic mines you sell on a similar type of pricing basis, rather than on the traditional FOB basis?

**Mr. Barbosa:** Martins I think that those questions are for you.

**Mr. Martins:** Okay, related to China it's one of the most exposed markets to be... it is the most exposed market to this high freight cost. Nearly 60% of our sales to China is being transported in a spot based freight guidance, because China is growing so fast and every additional ton normally goes to China in a spot base, you have some big customers like Baosteel, (inaudible), that have long term contracts with freight on a range of US\$ 8 to US\$ 12 per ton but, for the additional tonnage that they need they have to go for the spot market, you see, all the smaller customers as they buy, I don't know from different sources, they buy locally, they buy from India and they buy from Arco, they prefer to buy in the spot market because they don't want long term commitments with freight, so, these things are showing now, because as Fabio said before we have unbalance between the transportation from East to West and West to East with fixed freight rate from Brazil to Asia in high levels. So, because of this situation all of the customers are looking for long term contracts and we are working on them in order to facilitate, for them to get the long term contracts with ship owners, so we freight,... we are giving we are signing 25 year contracts with some customers, because they want to have a 25 year contract with the ship owners. So we are working very close with our customers to help them to reduce their freight costs. Above that, this local market for iron ore will be there and there will be also opportunity for us to get part of the market. Nowadays we are not participate on it, we don't sell in this spot market in China, where you have mainly, Chinese ore...and Indian ore, makes the big part of this market. So our idea is to move iron ore from Brazil to there, based in the long term contracts, based on this vector that we are now contracting, so we are going to deliver this iron ore in China at a very low price compared with the local price. And so, we have the opportunity to arbitrate the difference between local prices and our price, so, the market is good we can charge more if the market is not good we can, we can get the market share. So, but we have to be there we intend to represent China like a virtual mind, moving iron ore from Brazil to there ports, blending there and selling this iron ore to these local customers. We made a deep analysis of this market and ...only if we go to three ports in China, which is (inaudible) we can access a market of iron ore, in an order of 100 million tons that we are not now selling one ton on it, so there is a huge opportunity there if we are able to really deliver iron ore, at a very low price. We have no idea to change the way we are selling iron ore; we sell FOB to big customers in Brazil and we are continuing to sell. For sure we have to be very careful in price, locally, but we have...we are fully...we are certain that we can price locally at a higher price that we sell to our long term customers that we have in China. So we can have these 2 price system and we are... we consider that we are able to manage without interfering one in another because we are going to operate in China like being a Chinese company, a Chinese mind. That is our strategy for this increasing in our volumes; it is really the part of our strategy.

**Mr. Lennon:** Ok. Thank you.

**Operator:** Thank you for your question. Our next question comes from Oscar Cabrera with Goldman Sachs. Please go ahead.

**Mr. Oscar Cabrera:** Good afternoon gentlemen. Congratulations on the strong results. First question is your operations in nickel, basically you had about 10,000 tons of purchase concentrate and I guess the gap with production in Indonesia, sort of like partly explains that, but are you seeing different grades or issues with Voicéy's Bay? I guess the question goes, you know... the question that I want you to address is the following, do you expect this production towards the rest of the year to eliminate most of these concentrate purchases and are you facing any structural issues in terms of just mining sequencing at Voicéy?

**Mr. Barbosa:** Leonardo could you answer that?

**Mr. Moretson:** Yes. We are buying concentrates from third sources to fulfill our customers' needs. This will continue at this year, but we intend to replace those tonnages by increasing in our own production and this is going to happen by the end of this year, beginning of next year so, but this year we want to start, continue to buy concentrate from third parties, which is today compared to the last year it's a lower volume, ok? Regarding Voicéy's Bay, I think on the contrary, the production there is very good, very high content of nickel in the concentrates, also very high content of copper as well in concentrate so, we don't see any major problem, any problem at all in Voicéy's Bay production so the ramp up went well, went very well and they are producing above the plan, so, no major issue at all in the Voicéy's Bay, ok? Thank you.

**Mr. Cabrera:** So I would just like to follow up on that, if I can, so the... basically the shortness in production is coming from Indonesia only?

**Mr. Moretson:** No, we had a shortness of production from Indonesia, but also this quarter we have an issue in Ontario operations, Sudbury because of the copper and nickel separation, ok? But the volume is there, it's in the process and we are going to catch up in the second, third quarter, it is just a temporary issue, ok? We are not foreseeing any disruption in our production plan for this year, ok?

**Mr. Cabrera:** Okay, great, thanks very much, and now I can just ask a second question with reverse to the expansions, if Martins could just remind us what type of greenfield development capital expenditures and brownfield development capital expenditures you're seeing in the industry currently and if you're thinking about expanding the Northern System to those levels what type of inflationary pressures, what type of inflation numbers are you guys considering for this type of project?

**Mr. Barbosa:** Oscar this is Fabio here. We are, as Martins mentioned, we are finalizing the studies and we have the strategy in place and we want to expand and we will expand our production, it's too premature to indicate any figure at this stage. Thank you very much.

**Mr. Cabrera:** Ok. Thank you.

**Operator:** Thank you for your question. Our next question comes from Harry Mater with Lehman Brother. Please go ahead.

**Mr. Harry Lehman:** Hi guys. I have a question for you; a couple of questions really, primarily related to your balance sheet. One, given the debt increased from the end of the year and I know a large part of it was largely temporary due to the payment of the dividend as well as the financing of the acquisition of AMCI, could you give us an update of where total debts stands as of today, pro forma for, not only financing both those transactions at an operating cash flow but also the final US\$ 2.25 billion payment under your bridge facility. And my second question is, again related to credit quality: where do you stand right now with this fact of talking to the rating agencies and can you give us a sense for A) what your target credit metrics may be and B) where would you like to see your ratings over the course of the next year, 1 to 2 years?

**Mr. Barbosa:** Well, we don't have the final numbers for the April figures because April we had a lot of events. We paid fully the bridge loan US\$ 2.25 billion, disburse of US\$ 825 million in dividends and also we paid for AMCI US\$ 656 million and also we have the current disbursements for our Capex program that was just increased to US\$ 7.3 billion, so, I don't have the... even in a pro forma basis but I certainly I could say to you that the debt, the total debt both gross and net by the end of June, will be lower than, we expected to be lower than that we indicated at the end of March. As for the rating agencies, myself and Rogerio Agnelli, we are visiting the rating agencies at the end of this month in New York and the idea is to update them on the latest developments in our quarter, as we regularly do every 6 months. And we give, just to give you an idea of a very, very strong dialog with them, just before the announcement of our new Capex program, for instance we inform them about it beforehand in order to allow them to have more time to analyze the numbers. So, we are going to visit them there and I believe that this dialog is very important to keep them updated on the development of our company and as for our expectations we do believe that we address very important concerns they had in the past about CVRD credit, concerns that are related to the diversification of our geography and diversification of our export to a single industry with the acquisition of Inco it is evident in our numbers since 2006 the end of 2006 with the number for the first quarter 07 that we actually delivered what we promised. So, in a way, market already reassessed our credit risk embedded in the multiples that they apply in our cash flows and this is clear in our devolution of our market cap and I believe there is still some room for further improvement in our rating as more and more we decouple from the old structure of a single product in a single geography content; we are more global profile in line with the obvious major players in this industry. So, we do expect to be in the same lead they are and I would say that we are not there yet, but we hope to get there very soon, I'm not sure if it is possible next year but we'll work very hard for it.

**Mr. Mater:** That's great and in terms of target leverage metrics is there anything we can look to from the fixed income side in terms of total debt to Ebitda where you would like to get to?

**Mr.Barbosa:** We would like to get back to the levels that we had before the acquisition of Inco; that is around 0.8 total debt to Ebitda ratio. We are running at a very sound level in terms of Ebitda cash flow generation, so, it's possible that you get there sooner rather than later. Thank you.

**Mr. Mater:** Thank you very much.

**Operator:** This concludes today's question and answer session. Mr. Barbosa, at this time you may proceed with your closing statements.

**Mr.Barbosa:** I would like to thank our colleges for attending this conference with me and also to all of you also in this conference and of course as usual we will be available for any comments that you may have. Thank you very much.

**Operator:** That does conclude our Companhia Vale do Rio Doce's First Quarter 2007 Earnings conference call for today. Thank you very much for your participation. You may now disconnect.

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