

TRANSCRIPT

INTERNATIONAL CONFERENCE CALL CVRD intl.

Third Quarter 2002 Report
November 14th, 2002

Operator: Ladies and gentlemen, thank you for standing by. At this time all lines are in a listen-only mode. Later there will be a question and answer session, and instructions will be given at that time. If you should require any assistance during the call please press star zero (*0). As a reminder, this conference is being recorded. At this time I'd like to turn the conference over to Mr. Curtis Smith from Thomson Financial. Please go ahead, sir.

Mr. Curtis Smith: Thank you. Good afternoon ladies and gentlemen and welcome to CVRD's conference call to discuss third quarter 2002 results.

I would like to mention that a slide presentation has also been made available on the company's website at www.cvr.com.br during this call.

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

With us today in Rio de Janeiro this morning is Mr. Fábio Barbosa, CVRD's Chief Financial Officer.

First Mr. Barbosa will comment on the third quarter 2002 results. Afterwards, the Management will be available for a question and answer session.

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

Mr. Fábio Barbosa: Thank you very much. Good afternoon to you all. It is a pleasure to have you with us today. I have here with me Mr. Alberto Castelo Branco, and this is Daniela from the Investor Relations Unit, and this is Mr. Eduardo Duarte, Mrs. Vera Elias, and Mr. Marcos Severini from the Control and Accounting area.

It is my pleasure to announce, not only the results we are publishing today, but also several important measures related to improvements, enhancement

of our corporate governance model that have been adopted by the board, and in effect from now onwards.

First of all I would like to highlight the new implementation of a new dividend distribution policy, a long awaited one in our contact with investors because its clear that this was a very important issue for them, and then what we managed to present to the board and we receive board approval was a predictable transparent dividend distribution policy. Every year, CVRD will announce until January 31st, a minimum dividend, the share in US dollars to be paid in the months of April and October consistent with the budget, the year budget that is approved previously. In other words, what we are going to announce is much more related with the cash flow generation by CVRD, then the bottom line figures that is much more volatile as I will show later on, much more volatile than our actual EBITDA and cash flow generation, so it is a major improvement and CVRD in fact is decoupling from the volatility associated with the Brazilian economy in the last few years, and particularly in the last months. I would like to point out that once announced this minimum dividend in January 31st, the company observing the actual performance of the year, could propose additional dividends to be paid in the established dates for shareholders. The second important item is that the disclosure policy that is in effect since July, but just to remind you, it creates... it created a disclosure committee, it enforced the concept of simultaneous information for every investor, every market participant, and tries to eliminate and managed to eliminate information asymmetry, and also makes use of information technology to ensure global diffusion of information regarding the company's results and prospects.

A third measure, it is a very important one and acts in transparency, and the approach CVRD has towards the markets is the implementation effective today of a securities trading policy for CVRD management, also trying to mitigate risks of privileged information used by CVRD management and CVRD executives. We are going beyond the actual regulatory framework established by CVM or SEC, and we established some limits of purchases and sales of CVRD's securities by management members, and we are extending the blackout periods that are going to be observed by those eligible for the policy. Finally, we approved yesterday, and in fact from today onwards as well, a code of ethics and conduct for CVRD's financial managers. it is a specific code that, the company has already a general code of conduct, but we find... we found necessary to enhance it further by addressing the specifics of the professionals that work in our area in order to enhance and... the transparency of the CVRD management, particularly in financial area regarding the markets.

As for our performance in the 3rd quarter, I am happy to announce that we reached a new record in sales in iron ore and pellets. We sold 42.4 million approximately, tons of iron ore and pellets; 4.8 million pellets to 37.5 in iron ore. And for the whole nine months, the total reached 120 million tons of sales this year. It is a major increase in our performance this year. Also, despite the very slow GDP growth in Brazilian economy, we managed to increase our railroad transportation services, and the new record that was observed in the second quarter 2002 was also observed in the third quarter 2002. And we reached 3.9 billion net tons of... per kilometer transported by our railroad services and general cargo. Our gross revenues in the third quarter reached 1.1 billion dollars; compared to 1 billion 133 million dollars compared to 1 billion and 71 million dollars in the second quarter, and 987 million in the first quarter.

As for the major destinations, we have, as you know a very strong presence in Europe, 33.5%; Asia, emerging Asia, the so-called emerging Asia and Japan, about 16% and would like to point out a strong presence in China. In this particular quarter the domestic market was very strong. We sold 34.5% of our total sales in the Brazilian market. The US, 6.2% of our total sales, and the Middle East, and other Latin American countries, approximately 10% of total sales.

In terms of currency, about 84% of our revenues were dollar denominated compared to 16% denominated in Brazilian Reais which gives us advantage as regarding the absurd depreciation of the currency this year.

In terms of gross revenues by products, iron ore and pellets about 2/3 thirds, 62%-63% of total revenues. Transportation logistics services 11.3%; Aluminium... Aluminum and bauxite, 12.7%, and just to highlight that this is the first quarter, we are consolidating Alunorte figures in our US GAAP statements, it was the result of the acquisition of a stake owned by MRN and Alunorte in the second quarter 2002; Manganese and Ferro Alloy 6.9%; Gold and Potash 12.1%. So this is the distribution of product, and as for the result, of course given the net foreign liability, we do have in our balance sheet, our bottom line result was affected by the depreciation of the currency. If we take the end of quarter exchange rate it was 3.89, 3 Reais and 89 cents, that compared to 2 Reais and 84 cents in the end of the second quarter. It hit our bottom line, and the result was a net loss of US\$ 150 million the third quarter of 2002.

If you are following the presentation, the next slide shows you that our quarterly earnings are extremely sensitive to exchange rate volatility. If we take a broader perspective since 2001, we only try to show by quarter the effects of the appreciation and depreciation of the Real compared to a

starting point of a foreign exchange rate, and we see that in out of 8 quarters 7 quarters, 4 quarters we have a major effect in the bottom line of the depreciation of the currency while only the fourth quarter of 2001 we have a real appreciation of the currency. On the other hand, the next slide shows you how strong is our free cash flow, precisely associated with the depreciation of the Brazilian Reais... Real, given the structure of our revenues and expenditures, and the fact is that our free cash flow jumped from 140 million in the first quarter to 541 million dollars in the third quarter of 2002, showing precisely the ability we do have to implement a bold dividend distribution policy for shareholders.

So the next slide shows you that we actually have been very aggressive in paying our shareholders with a very high dividend yield. The average 1997-2001 reached a dividend yield of 6.5%, and our best estimate considering the market value so far that with the interest on equity shareholders that we approved yesterday, it's R\$1,030 billion. That will reach by the year end a dividend yield of around 6.8% in 2002, above average 1997-2001, in a very complex year like 2002 was, for the Brazilian economy particularly, and also with the adverse international scenario we faced.

Finally, I would like to highlight the quality and soundness of our balance sheet, we managed to reduce gross debt, of course we were helped by the adverse international scenario, but even with the decision we took of not rolling some trade lines and some debt that was maturing, the gross debt was reduced but the net debt was also reduced from US\$ 2.3 billion to US\$ 2.1 billion, meaning that we not only simply repaid the debt but we also enhanced our financial position. And this is shown as well by the reduction of the ratio total debt compared to long term EBITDA that was reduced from 2.17 in the second quarter, to 2.02 in the third quarter, compared to 2.28 in the first quarter of 2002, and the ratio of total debt to enterprise value, increased in the third quarter because by the end of September, the company's share's price was much below the current level for instance. So it was much more the effect of market circumstances, rather than deterioration of financial positions. And finally, our interest coverage ratio comparing our EBITDA, we improved from 7.35 times to 9.29 times, in the third quarter of 2002.

Thank you very much. I will be available for any further questions you may have.

Operator: 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 1 key (*1) on a touch tone phone now. If at any time you would like to remove yourself from the questioning queue, please press the pound key (#).

Our first question comes from Mr. Albert Arias with Goldman Sachs.

Mr. Alberto Arias: Yes, good morning gentleman. Congratulations on the numbers. I have a few questions; the first one on the free cash flow calculations for the quarter. I am a little bit confused about it because according to your statements, you have an EBITDA of US\$ 483 million and that includes the dividends from unconsolidated subsidiaries, and you have investments of US\$ 196 million. If we net this amount, you would have US\$ 287 million available on an operating basis after investments. Where is the difference coming from to reach these US\$ 541 million of free cash flow that you are reporting?

Mr. Fábio Barbosa: Thank you Alberto for your question. Basically what you have to look at is the operational cash flow and deduct investments, that is how we get the figure you are mentioning. So we don't depart from the EBITDA.

Mr. Alberto Arias: OK. Well, maybe I can follow up this a little bit later, but a couple of other questions; With regards to your press release, you've mentioned there that you have an incremental estimate for, I don't know, a consumption of around 20 million metric tons next year, which is a pretty healthy amount. But, how much of that incremental, out of that demand, do you think CVRD can capture next year, and that goes along with the question of how flexible is CVRD to increase further their volumes in the iron ore industry.

Mr. Fábio Barbosa: Well, as you point out, those estimates are not ours, they're some indications we could take in the market, and this year our best estimate is that we are going to sell over 160 million tons. You were right when you were pointing that... we are working close to full capacity in iron ore, but we are investing in some debottlenecking of Northern system, and our Southern system as well, and also to increase our capacity in terms of supplying the sea-born trade. I would like to mention as well that the São Luis pellet plant would be ready to operate full capacity in 2003, and its capacity its about 6 million tons of pellets per year. Just a simple arithmetic, if we manage to keep our market share in the sea-born trade, if you consider an increase in sea-born trade of about 20 million tons, we would be talking about, not considering CAEMI, but only CVRD, we are talking about increase in sales of about 6... 5 to 6 million tons compared to the level we are reaching in 2002. So it's feasible, and of course we are investing in order to cope with this potential demand that could be in play.

Mr. Alberto Arias: OK. And one final question; There were some reports that CVRD was interested in potentially acquiring some of the power assets of AES in Brazil. AES has continued having problems in North America, and if you could please tell us what was the policy of CVRD with regards to potentially looking at some of the power assets that might become available, and what kind of level of commitment of capital would you be willing to do in the potential sales of power assets in Brazil.

Mr. Fábio Barbosa: Well, as you know Alberto, we have a very strong pipeline of greenfield products in energy, and we are concluding FUNIL by year-end, and Cangoguenamoés by the end of next year, and we are just starting Capim Branco 1 and Capim Branco 2. So our greenfield pipeline we are implementing on schedule. As for acquisitions, it has to fit our overall strategy of covering our consumption needs, given the strong increase we are anticipating in our demand, for the next 6 to 8 years, so we are increasing by some 70% our total consumption, compared to what we consumed right now, and as you are aware, we would like to avoid some regulatory and supply risks that are associated with the energy business in Brazil, so in this sense, in this perspective, we could look for opportunistic acquisitions in power generation that could fit this overall strategy, and without mitigating regulatory and supply ratios. Of course, assets of the qualities AES has, could be interesting, but as you know, it depends on the willingness of both sellers and buyers to reach an agreement of what would be satisfactory for both parts. So far we have no progress in this direction.

Mr. Alberto Arias: It will be strictly for self-generation, or do you think that that would be part of your strategy of selling power to the wholesale market?

Mr. Fábio Barbosa: No. I would say that it's focusing in our own generation to meet our demand needs.

Mr. Alberto Arias: OK, great. Thank you.

Mr. Fábio Barbosa: Thank you Alberto.

Operator: Our next question comes from Mr. Sebastian Luparia with JP Morgan.

Mr. Sebastian Luparia: Yes, good morning Fábio, a couple of questions: First, on the financial results, if you can please elaborate a little bit on that line. You mentioned in the press release that the decline in the Libor rate was the main driver of the losses with derivatives in the quarter. Can you comment on that? Can you expand to your interest rate derivative and also

what proportion of your debt is linked to floating rates and what is linked to fixed rates please?

Mr. Fábio Barbosa: Ok. Well, thank you, Sebastian, for your question. Our total debt is, starting by your second question, our total debt... out of our total debt, 95% is US dollar denominated, about that figure. We have... the bond as you know, we have a fixed coupon, and the contract we have some bilateral agencies, they are lower interest rates, but they are fixed as well. The losses we have in the financial side, is regarding our investments associated with derivatives when we lock in some higher Libor rates than the ones that prevailed in the market, particularly in this quarter, they are much below as you know, associated with the current situation of the world economy, we just saw last week the Fed reducing further its Fed funds rate to 1.25. European economy, it's very slow pace of recovery, so the European Central Bank has not being aggressive in tightening monetary policy further, so the result is a lower nominal rate that effected our asset position in derivatives, and also some smaller portion of our debt in floating rates. But I would say that the most relevant impact is associated with the... the portion of debt that is linked to Libor that I don't have the figure precisely right now but it's not... 25% of debt – Roberto's helping me here, 25% only. Sorry about that.

Mr. Sebastian Luparia: Ok. Thank you, Fábio, if I can follow up with another question regarding income from subsidiaries. You reported a very strong result at the Rio Doce Europa. Can you comment on that and can you comment on the sustainability of the results please?

Mr. Fábio Barbosa: Well. Thank you again, and this is very closely related with our asset position in US dollars there. After the sales, we had some assets in **Hibra** for instance, and the association with the strong performance we have in ITACO. So this, I would say that it's very closely related with the foreign exchange depreciation.

Mr. Sebastian Luparia: OK. Thank you very much Fábio.

Mr. Fábio Barbosa: Thank you Sebastian.

Operator: Ladies and Gentlemen, please restrict your questions to 2 at a time.

Our next question comes from Mr. Marcelo Kayath with Credit Swiss First Boston.

Mr. Marcelo Kayath: Hi Fábio, good morning. I was just wondering here on page 8 of your press release in Brazilian Gap. You are mentioning here a provision that you have made of R\$ 140 million related to the losses in CSN, that is the decrease in the share price of CSN. Now, I was not aware, Fábio, that you have this agreement with Valia, that you are guaranteeing a minimum return for your pension fund regarding the shares of CSN that Valia holds. So can you shed more light on this topic and also can you give us some guidance as what is a price for CSN shares that Valia is using as a reference price for this IGP-DI plus 6% return? Thank you.

Mr. Fábio Barbosa: Thank you, Marcelo, for your question. It's an important point, it's important to clarify. In fact, this is the result of a contract signed between CVRD and Valia, and which there is a minimum return on the asset guaranteed to the pension fund: The IDP-DI plus 6% per year. What happened was that until the contract was signed, if I am not mistaken, mid 2001, and then what happened was we had the September 11 and there was some disconnection of the market value with the liability, and then the quick recovery by the end of June. There was no loss associated with that, and then in July with the announcement, July the third quarter, with the announcement of the transaction between CSN and Corus, after a brief increase in nominal price, there was a sharp decrease in market cap of CSN. So by the end of September, it reached 139 million Reais and without that would appropriate to make a provision for that. Just to give an idea, by the end of October, this amount was already reduced given the increase in market prices of CSN by one third. So it's an extremely volatile asset, has been at least this year. So, we found appropriate that even considering that this is a long-term obligation, in benefit of transparency, I am disclosing to the market that we felt appropriate to start to make the provisions right now. In fact, this obligation could be due after 30 years, if I am not mistaken. So... but with our conservative buyers, we thought that this would be the right bet to pursue.

Mr. Marcelo Kayath: And Fábio, if I may follow up, since we are discussing CSN here, now that the deal with Corus has collapsed, can you tell us a bit about how that changes your desire to do CST and the Usiminas merger. And also if there is any measures that you intend to take in the future to, you know, to avoid anybody else coming in and increasing the supply of iron ore from Casa de Pedra because I think you don't want to see an increase in supply of iron ore in the market from Casa de Pedra. So can you talk a little bit about the strategic situation in steel and how that affects CVRD?

Mr. Fábio Barbosa: Well... we took notice of the announcement yesterday. I think it's a very recent event, and it's a major event, it's important to be analyzed; we do not have a single answer for that, so what I could say to you

is that our best interest is the soundness and the developments of the steel industry in Brazil and abroad. We are working for that with the instruments we do have here at CVRD. Our CEO already mentioned that we could have a role in this whole process, but we are not going to be the leader of any process of consolidation. I think the steel sector itself together with some support of government policies of course, will be a partner in this effort. All together could provide the best solution for the steel industry in the years to come. But I think it's too early to comment on the unfolding of the recent announcement of CSN and Corus.

Mr. Marcelo Kayath: Fábio, do you think it's justifiable to put hundreds of millions of dollars, potentially I don't think you are going to do that, but potentially do you think it's justifiable to put hundreds of millions of dollars to put together CST and Usiminas?

Mr. Fábio Barbosa: Marcelo we, first of all, there is no decision that this will be the case, you are guessing that there will be a CVRD investment in a potential transaction involving those two companies, we don't know yet what... I think that they said yesterday it's a major paradigmatic change that should be analyzed and as you know CVRD has very strict concepts and attitudes towards spending in terms of investments as we showed several times, and the most recent one was the bid for **Disputada** when we were much more conservative than the other bidder so we are not going to waste shareholders money at any cost simply to make things a little bit less complex than they are. We are very careful about that and our strategic focus is on mining, we are a global mining company and it's in our best interest that the steel industry develops and that would be our approach towards this issue.

Mr. Marcelo Kayath: Thank you.

Mr. Fabio Barbosa: Thank you.

Operator: Our next question from Mr. Mr. Thomas Souza, with Merrill Lynch.

Ladies and Gentlemen please restrict your questions to two at a time.

Mr. Thomas Souza: Yes, good afternoon Fabio and congratulations on the outstanding results, a question regarding your iron ore division, I noticed the pellet iron ore prices on average, fell 6% quarter on quarter, I was wondering if this was due to the exchange rate you were using to sell iron ore domestically, if you could clarify what exchange rate you are selling iron ore to the domestic market, and also if you could give us a sense of the iron ore division EBITDA for the third quarter?

Mr. Fabio Barbosa: Thank you Thomas for your question, that's right, you are right, we have several effects there, I would highlight - first thing to mention on domestic market had increased share in total sales - 34.5%. Second, we sold to china about 13.6 million up to the third quarter 2002; this figure is close to what we sold to China in the whole year of 2001, so we are selling much more to China and in a major part we are selling ultra-fine iron ore that in dollar terms reduced compared to other products we have like **the lump** and even the pellets we are selling. You cannot forget the second price reduction after the agreements and contracts we had in the first half of the year, and also we are now paying since March taxes – COFINS and PIS/PASEP - in the domestic market sales, that increased shares in total sales of iron ore, so it's a set of factors affecting the figures.

Roberto Castello Branco: I would like to point out that, under normal conditions prices to the domestic market lower than prices to the external market due to freight difference, the railroad freight difference.

Mr. Thomas Souza: Yes, but could you give a sense of what exchange rate equivalent are you selling iron ore in the domestic market?

Roberto Castello Branco: At the normal exchange rate.

Mr. Fabio Barbosa: At the very regular exchange rate that prevailed in the market. No change.

Mr. Thomas Souza: And the EBITDA margin for the iron ore division? Excluding manganese and ferro-alloy, which I suspect that brings it down a little bit.

Roberto Castello Branco: The reduction was due to the factors that Fabio mentioned, including those associated to taxes on these sales of iron ore to the domestic market.

Mr. Thomas Souza: And finally on the pellet sale, why were they weaker quarter on quarter?

Roberto Castello Branco: They are just... just statistical effect there is no sign of a weakening in the pellet demand but statistically some times you can see volatility in the volumes sold due only to the frequency of shipments. There is no sign of a change in the trend.

Mr. Fabio Barbosa: It is a very small change, Thomas, if you look at the figures, its one third of **barge load** shipment.

Mr. Thomas Souza: OK gentlemen, thank you very much.

Mr. Fabio Barbosa: Thank you.

Operator: Our next question comes from Mr. Daniel Altman, with Bear Stearns.

Mr. Daniel Altman: Hi good morning its Daniel from Bear Stearns, two questions, one is on the Capex side you give a projection of 6 billion over the next five years, can you just tell me how much of that is for the energy sector? And then my second question is on the transportation side, I was surprised of how strong revenues were... the volumes were up just by about 5% and despite the change in the Real revenues were only down a couple percent. My impression was that this was a Real denominated business; I thought we might have seen a larger reduction in transportation revenues, thanks.

Mr. Fabio Barbosa: Thank you, Daniel, for your question. On the Capex our current estimate is actually 6 billion dollars for the next five years, in fact we are concluding our strategic planning for the next five, ten years, and we keep this figure as the most likely for the period. As for energy projects our estimated Capex is about 1 billion dollars, out of the 6 billion you mentioned. As for logistic and transportation services, what we have been observing was a record harvest this year very strong general cargo performance, improvements in productivity and you were right, this a Real denominated business although we also transport iron ore from third parties to export so this may have helped a little bit.

Mr. Daniel Altman: OK so, can you give us an idea on what percentage of your transportation revenues are Real versus Dollar denominated, it's just that the numbers seem too high for a Real denominated business.

Mr. Fabio Barbosa: Daniel, it's about 90%. 9-0

Mr. Daniel Altman: OK thank you.

Mr. Fabio Barbosa: Thank you

Operator: Our next question comes from Mr. Jorge Beristain, with Deutsche Bank.

Mr. Jorge Beristain: Good morning gentlemen, Jorge Beristain here with Deutsche Bank again, congratulations on a strong quarter. Fabio, I just had a question related to your iron ore sales into China according to your own press release, you did comment that your sale, CVRD's sales into China grew 18.3% on a 9-month basis, and that the Chinese imports of iron ore were 23.8% over the same period, that would seem to indicate that you are in fact lagging that the growth rate into China and definitely 2001, you were above market growth there, so could you just comment a bit on what's happening there? I understand there are may be some divisions for which were not or some units for which were not seeing the volume consolidated by CVRD, which could be making up that differential?

Mr. Fabio Barbosa: thank you Jorge for your question, and well, the fact that the Chinese market is growing at remarkable rates - 23% over the same period in one year, it's something that I have no other words, it's impressive, remarkable and we are growing 18.3%, in China is second only to our domestic market, in terms of market share for CVRD Iron ore, so we are producing and we are selling to china a fair amount and your perception about our growth rate is mathematical, we in fact if the market grows 23% we are growing less than that, 18.3% we are comparatively with a smaller share that we have for instance in the second quarter when it reached 18%. So anyway, it's very strong performance in the Chinese market and it's a market that has grown for everybody and even if we simply manage to keep this share in 16% or 16.5% this will represent a major increase in our sales compared to 2001. 2001 Chinese imports were 92 million tons this year they are indicating 110 million tons as we put in our press release, and we could get close to the 17.5, 18 million tons to the Chinese market depending on the shipments and logistics and also the capacity of northern and southern systems.

Mr. Jorge Beristain: OK. And my second question is also related into the freight rate into China for the sea born iron ore market have been rising significantly in the last few quarters, and therefore your differential to the Australians is being reduced your lower cost of shipping is being eroded, could you comment or explain how exactly your sales into China are handled, if there is a major increase of freight rate does that make you less competitive into China or are you essentially guaranteeing the Chinese a delivered price and therefore,

CVRD would have lower margins because that increase in freight rate would be reflected in their cost of good sold.

Mr. Fabio Barbosa: Thank you again, Jorge. Well, in fact what we have been observing it's an increase in freight costs and as we mentioned in our press release there was a US\$ 2.50 increase in the spread, the differential freight costs with Australia and China, Brazil and China this is a fact. However we trust the quality of our iron ore, the ability we have to deal with the diversified demand of our clients, the very focused approach we have in China, the partnerships we have with **Bau Steel** and other Chinese partners that are clients of CVRD, this all together makes a very strong package that insures our long term presence in the Chinese market. We are also working in the line of reducing our freight cost with the coal, as you know already commented that on the second quarter, but I would say that the quality product differentiation and the services we are providing make us extremely competitive to keep a strong presence in Chinese market.

Roberto Castello Branco: I would like to add that this spread historically goes from 2 dollars to 8 dollars, and its increases a powerful indicator of the strength of the Chinese demand so of course it is competitive disadvantage but on the other hand that means that the Chinese are importing more and more, and on other hand we are benefiting from it.

Mr. Jorge Beristin: Yes, I'm just trying to get a direct answer though this question, in other words, in the price of freight goes up by 2 dollars and 50 cents along the Brazil/China freight route, does that mean that the Chinese ultimately have to pay 2 dollars and 50 cents more for your iron ore? Or is this a cost that is negotiable and CVRD somehow eats the difference? That's what I'm trying to figure out.

Mr. Fabio Barbosa: The straight answer is yes. They will have to pay more.

Roberto Castello Branco: The Asian steel makers are always willing to pay a premium for Brazilian iron ore due to its better quality.

Mr. Jorge Beristain: OK, thank you.

Mr. Fabio Barbosa: Thank you.

Operator: Ladies and Gentlemen please, restrict your questions to two at a time.

Our next question comes from Mr. Jose Miguel, with Banco Pactual.

Mr. Jose Miguel: I can see here in the press release that the Capex reported referred to investments of CVRD, Aluvale, Alunorte and Ferteco - it did not include the other companies consolidated on the US GAAP, I would like to know what would be total Capex issued to not exclude these companies?

Mr. Fabio Barbosa: Thank you, Jose Miguel for your question, they are not relevant I think that investment its considered in the US GAAP and that... the figure that relates to the 6 billion dollar figure, we mentioned before.

Mr. Jose Miguel: Ok thank you.

Mr. Fabio Barbosa: Thank you

Operator: our next question comes from Mr. Paolo Di Sora, with Banco BBA.

Mr. Paolo Di Sora: Hi Fabio, hi Roberto, congratulations the strong results. I have actually 2 questions, one is related to KM, I would like to know how is the development of merging operation or trying to capture as much profitability as possible with the operations of MBR and is Ferteco, if CVRD is intending to actually merge both companies' operations? Still related with KM, I would like to know how much... how is the development of the sale of the QCM. I realize that QCM reports very weak results in this third quarter and I would like to understand what CVRD's strategy with this asset? And the second question is still regarding to the Chinese market, we know that China is imposing for the restriction of the importing of steel from the Asian market, and I would like to understand if this will trigger further production, steel production in China and for further purchase of iron ore from, specially, CVRD.

Mr. Fabio Barbosa: Thank you Paulo for your questions, you have 3 questions actually, as for KM we have not changed so far the idea of keeping our shareholder position there - we 50% of common shares and we are happy with the situation - we have no plans as yet of going ahead with any operation, merger or whatever transaction could be done in this area, so have no news on that, as for QCM we are

putting our best efforts to sell it, to comply with European commission regulation and as soon as we find a willing buyer, we are going to conclude the transaction. As for the Chinese restrictions on steel imports as you know, Chinese iron ore has a much lower quality than CVRD and even the Australian iron ore, so this restriction could enhance further the process of replacement of domestic iron ore by imported iron ore and this could, in the long run, benefit CVRD and other iron ore producers in tapping the Chinese market. It's a very strong market already, and maybe the Chinese market will answer for major part of the increase in the sea born trade sellers especially are expecting for 2003, so I think the net effect for CVRD in terms of iron ore sales to China is positive.

Mr. Paolo Di Sora: Could you share with us a figure of increase in iron ore sales to China for 2003? For CVRD's iron ore of course.

Mr. Fabio Barbosa: Well, let's again make some arithmetic; if the Chinese market grows by 20% - a lower rate that we are observing this year about 25%... 22% - if it grows at 22% and we manage to keep our market share, lets say, at the current level of 16%, we would have 16% out of 130 million tons of imports - that would be, lets say, about 21 million tons next year that would compare to 17.5, 18 million this year. Roughly, simply some arithmetic.

Mr. Paolo Di Sora: Thank you

Mr. Fabio Barbosa: Thank you.

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

Mr. Fabio Barbosa: Well I'd to like to thank everyone that participated in this conference call, and I would like to again convey the message to the strong commitments CVRD has, with the transparency and with the good quality of information we are providing to our shareholders and more important than that, now with a clear, transparent and predictable dividend policy in place something that has been requested by investors for a long time and we managed to put in place this year in 2002, concluding a part of the process of reformulating the corporate government model in place for CVRD. Thank you very much and until the next quarter and just to, before ending I would like to remind you that we are going to have next Monday the CVRD day in the New York stock exchange and with

presentations by our CEO, myself, Mr. Antonio Miguel Marques, our new business executive director, Mr. Armando Santos our deputy director for ferrous, and Mr. Diego Hernandez, our executive director in charge of non ferrous business; presentations by all of them and then we are going to start our non-deal road show establishing a routine of visiting our foreign investors at least twice a year, to present our results, to present our performance and collect from them their suggestions, criticisms, in order to improve CVRD's results, Thank you very much and until next time.

Operator: That does conclude our CVRD's conference for today, thank you for your participation, you may now disconnect.