LOCAL CONFERENCE CALL
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2003 RESULTS
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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 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 Eduardo Hoffmann from Thomson Financial Investor Relations. Please go ahead, sir.

Mr. Eduardo Hoffmann: Good afternoon ladies and gentlemen and welcome to CVRD's conference call to discuss 2003 results. I would like to mention that a slide presentation has also been made available on the company's website at www.cvrd.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 those anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks, and other factors.

With us today in Rio de Janeiro this afternoon is Mr. Fabio Barbosa, CVRD's Chief Financial Officer. First Mr. Barbosa will comment on the 2003 results. Afterwards, 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. Fabio Barbosa: Thank you very much. Good afternoon ladies and gentlemen, thank you for attending this conference. In our presentation today we will comment on the 2003 results and also we will comment a little bit on the business outlook as we see it.

In terms of performance in 2003, we have to put it in perspective, we have major challenges to overcome; a dramatic global demand growth in our segment, minerals and metals; limited capacity and asset operations that is record production levels, trying to maximize our performance.

We manage, at CVRD, to anticipate our expansion in Carajás that was scheduled to be operating only in 2005 and this was only possible due to the operation of our 3rd pier in our Ponta da Madeira maritime terminal.

We believe we had an excellent performance in 2003 with an all-time high top line – US$ 5.5 billion, 29.5% growth, essentially driven by larger volumes. About 2/3 of this growth in our gross revenues was due to higher volumes and higher prices in the remaining shares.

Our net earnings also achieved a record high, with US$ 1,548 billion – an increase of 127.6% over last year's results and a record operational profit (EBIT) of US$ 1.6 billion, an additional result of 15.1%, although with lower margins in 2003 compared to 2002 and I will comment on that later on.

We had, on a comparative basis, a very good earnings performance; our market cap as of December 31st was US$ 21.8 billion and although being the fifth largest mining company in the segment, we managed to post the third largest net earnings figure – US$ 1,548 billion that compares very nicely with Anglo American BHP results.

Turning to our EBIT margin decline, it's important to mention that we had the effect of the consolidation of CAEMI and FCA – that explains about 40% of the deterioration of our margin last year. In fact CVRD has been for sometime now, the most efficient mining company in the segment and as we acquire and consolidated CAEMI, CAEMI has a lower margin than CVRD on a structural basis. CAEMI, for instance, does not have the railroads, it's own railroad, it has indirect ownership, or sorry, a stake in MIS but it has to pay market prices for the transportation of its iron ore and CVRD has Vitória-Minas, it's a difference and so the structural difference there in the margins of CVRD and CAEMI.

FCA is also is a general the broker for general cargo business and has, as you saw in our release, had last year a negative EBITDA contribution, we had US$ 24 million in total decline of the EBITDA due to FCA, and this is due to the concession costs. Concession cost represents about US$ 45 million per year and in fact there is a methodological discussion about the adequacy of this treatment because, in fact, it's like a financing granted by the owner of the assets that in this case, is the National Treasury. But anyway, the fact is that the concession cost represents part of our total quota in FCA and then there is the negative contribution for our margin.

Also we had asset impairment, out of the total reduction in the margin in 2003 compared to 2002, we had asset impairment due to the write-off of some pre-operational expenditures of our pelletizing plant in São Luis and also some other provisions for PPSA – US$ 5 million – in the case of our pelletizing plant, it was US$ 12 million.

And finally, tax provisions, we had a decline, we made some provisions for the ICMS payment, we are discussing with some state governments some issues they raised in terms of the criteria of payment of ICMS and as we saw a risk there and this discussion took place basically in the fourth quarter, we thought it would be appropriate to make this provision in order to avoid surprises in the future.

And lastly, of course, our own operational performance was affected by the combination of a more appreciated exchange rate and field costs that increased by 43% last year – it's a very important component of our costs. We have also payroll increases due to the nominal adjustment of 17% that was granted to our employees and this combined with the vital state of the appreciation of the exchange rate in the second half, generated an increase in Dollar terms of the payroll. So that explains the bulk of all those factors combined explain the bulk of this difference in margin and we are working very hard, trying to deal with those issues in 2004.

In terms of EBITDA, we reached a record level in 2003 with US$ 2,130 billion that compared to the US$ 1.780 billion observed in 2002 it is even higher than the figure in the third quarter 2003 that was US$ 2 billion.

CAEMI contribution in total, in 2003, was US$ 88 million and a negative contribution of FCA, of US$ 28 million. So that's US$ 60 million net contribution - a very good performance in terms of cash generation, even taking out the effects of the new companies that we consolidated in 2003.

In terms of sales revenues and adjusted EBITDA, the US$ 5.5 billion, in terms of products, about 69% was generated in our ferrous division: manganese, ferrous alloy, iron ore and pellets. I would like to highlight the rising importance of the aluminum chain, 15.4%; and logistics, general cargo, 10.9% of our total revenues; gold almost disappearing with 0.4%; kaolin and potash, 4.7% and these both products tend to grow in the future due to the expansion of our potash plant and also due to the consolidation of CADAN together with the TSA.

In terms of markets, the domestic market 30.7%; China as our largest client, is 10.5%; Europe, as a region, 32%; Japan, 7.6%; other countries in Asia, 4.5%; the US, just a small chunk, 3.4%.

In terms of the adjusted EBITDA, out of the US$ 2.1 billion, more than 3/4 was generated by the ferrous mineral division; aluminum, 9.3%; and logistics, 8.5%.

In terms of our return on invested capital, we reached 30.6% - well above market average and the last 5 years average of 21.7%.

Our Capex budget in 2004, as we announced, is to reach US$ 1.8 billion. We have a growth Capex of US$ 1.2 billion this year focused on iron ore; bauxite; the aluminum chain; copper, finalizing our Sossego project and starting our 118 deposit on investment; potash, the expansion of Taquari Vassouras, up to 850 thousand tons and port capacity expansions in order to deal with the demand for additional transportation of iron ore, given that there is a strong market and the US$ 78 million investment in mineral exploration worldwide.

In terms of the main projects coming on stream in 2004, I'd like to highlight Carajás, the expansion that is already in place; we are running at 70 million tons per year production trend and these 40 million tons capacity increase was possible due to the investment in our Ponta da Madeira port, as I mentioned before. Very effective Capex cost, US$ 10.28 per ton including all the investment in mine plant, railroad equipment and port. It is already in operation, as I mentioned, and Sossego project, the first of our five projects in the pipeline, with a 455 thousand tons of copper concentrate being produced – the equivalent to 140 thousand tons of copper and 3 tons of gold.

Capex cost is about 80% of the average of the industry, a very effective one. The cash cost, 30 cents per pound, very good in terms of the cash cost of the industry and a very good timing. It is the only greenfield copper project on stream in 2004 and the largest up to 2007 and we are expecting it to be fully operational in July 2004, although we are working hard to even try to anticipate it a little bit.

Turning to our Balance Sheet, I would like to highlight the significant improvement in our financial structure that can be observed by the leverage of the company. Total debt enterprise value was further reduced from 25.1% in 2002, to almost 16% in 2003 and the adjusted EBITDA interest coverage reached a record high of 11.5x. I would like to point out the fact that the company managed to issue a 30-year bond in early January and with that transaction and with the transactions that took place last year, we managed to increase the average maturity of our debt to about six and a half years – it's more than the double of what was by the end of 2002, it is a major achievement, and this is combined with the very low total debt adjusted EBITDA, it's about the same level it was in 2002, 1.89. Considering that we invested about US$ 2 billion last year and we also paid to our shareholders US$ 675 million in dividends. So this shows the strong capability of our company in terms of generating cash and combining a very aggressive Capex program with a very sound Balance Sheet and a very attractive remuneration to our shareholders.

This was possible due to the very strong performance in terms of sales volume, as you see in this presentation. Iron ore, we reached a record high, 186.3 million tons in 2003; also we had an increase in manganese ore, 33%, was not a record but was a major increase; ferrous alloys, 5.5%, a record; alumina as well, 168%, this was possible due to the expansion of Alunorte this year and also the twelve months of consolidation of Alunorte, compared to six months consolidation in 2002; aluminum, 7.1%, this growth was possible due to operational improvement that were implemented in our plant there and we did an investment to increase capacity; bauxite, the expansion of 30.8%, a new record; potash, we managed to increase our production, although in terms of sales we had a reduction because we didn't have in 2003, the same inventory we had in 2002. That's why we are posting a reduction in terms of sales volumes although we had an extraordinary operational performance there.

In terms of kaolin, 98.2%, of course we had the effect of CADAN there, the consolidation, but I would like to highlight the improvement in the performance of PPSA; PPSA we jumped from a production of 330 thousand tons in 2002, to 423 thousand tons, in 2003. This was due, this was achieved through a major commercial effort of our team there that opening new markets for PPSA that has a nominal capacity of 600 thousand tons per year. So we have a lot more to do, but we are improving the performance of this asset over time.

A new record also now, in our general cargo transportation railroads, 26.3 million net tons per kilometer – an additional 5.1%, a new record; and ports, 16.4%.

In terms of iron ore and pellets, our growth was still constrained by capacity but actually, we showed an important growth last year, even if we take out the CAEMI effect, we reached in a US GAAP basis 172 million tons in 2003 that compares to 164 million tons in 2002. So in spite of our very strong constraint, we managed to increase productivity in our capacity, productivity of our assets and produce and to sell 8 million tons more than in 2002, not considering CAEMI's contribution. So that is why we managed to keep our leadership, isolated our leadership in this global iron ore market with almost 33% of our sea-born trade, that grew by more than 10% last year. It's important to mention that we only lost a little bit of market share, if we compare it with the figures of 2002 that was 34% but this was due to the very strong growth of the sea-born trade, 10.3% above the average capacity of our boat systems.

In terms of the manganese we consolidated our position as the second player in this market, behind the VHVP Billington with 11% of the total sea-born manganese ore trade.

In terms of logistics performance, our figures show that we continue to be the cope of the GDPs growth rate, in Brazil – Brazilian GDP growth rate. In fact, the only constraint we have now to grow is the availability of rolling equipment in our railroads because the demand is already identified and we keep growing as we manage to get rail cars and locomotives.

In terms of the business outlook as we see, in our view there is a structural imbalance, disequilibrium in demand and supply in the mineral and the metal segments. In our view this won't be corrected in the short-term because the industry, over the last four/five years under-invested, and in our view there is a structural change… a structural change in demand determined by the Chinese growth; we don't think it is temporary; the Chinese is in a circular trend, in a circular performance in the sense that there is a lot of room for growth there, in terms of the needs of the people and the stage of development and there may be some bottlenecks here and there but they cannot afford stagnation. In our view they will do everything they are capable of, to keep a very strong growth rate. Although we don't think that it will remain as high as in the last couple of years, but we are not counting on a hard landing for the Chinese economy. We believe that will be a gradual conversion of Chinese growth rate towards more Asian levels of 4.5 to 5%, average growth rate per year and that will be their rhythm, in our view.

We have a fortunate a combination of strong Chinese growth and growth in the major economies around the world: the US economy is growing much stronger, even Europe and Japan are showing very positive signs of growth, ensuring that the demand will be there for at least for the next couple of years; so it's a very good prospect for a company like CVRD that has, not only a very good and large mineral deposit, but projects already defined in our pipeline.

In terms of the steel, global steel consumption, due to the Chinese effect again, in our view it will continue to grow; in 2004 the expected growth rate that the expected growth rate is 5.8% and China will represent about 2/3 of this growth in 2005, so very positive scenario and by 2007, total steel consumption should reach 1,41 billion.

In terms of freight rates I believe that most of you know our econometric model for the freight rates differential that are very powerful lead indicator of price adjustment of iron ore and now this chart is showing that prices, cost of freight differential continues, remains very high; so this indicates there is an excess of demand and pressure on demand side and the absolute constraint on the supply side to increase the value, short-term.

Although with higher freight cost, we believe that we will continue to be extremely competitive in Asia; in fact if we had more ore today, as you all know, we would be selling, but we face, in fact, a restriction, a constraint in our capacity that is: already we are operating in Carajás with 17 million tons, we are working in our Southern system to increase additional 4 million tons this year and we are buying from third parties more 6 million tons of iron ore this year in order to deal with this increase in demand.

In terms of the global sea-born trade we expect the growth to be 7.1% in 2004, down from 10.3% in 2003, but well above the average of the 90s that was around 3 and even close to the average of 1999/2003, that was 6.9%. This may prove to be a conservative estimate, given the performance of the Chinese imports in the very beginning of the year - the first two months, the Chinese imports amounted to 32 million tons. So we may be talking about the Chinese imports; the Chinese imports reaching more than 190 million tons, if they continue to perform as they are right now, so this figure of 175 for the Chinese import and 575 million tons for the global sea-born trade, may well prove a very conservative figure than even the share of China in total sea-born trade could prove also conservative in 30.4%.

The world aluminum demand is, in our view is expected to increase by 7.5 million tons in the next five years; additional demand of alumina, of 17 million tons and this means that the imbalance in the market should continue for the next few years and that is very good news for us that we are very well positioned in the aluminum chain to meet this demand.

In terms of copper, our Sossego project couldn't come in a better timing with reduced inventories and copper prices at very high levels, reaching almost US$ 3,000 per ton and as you see in the chart on page 28, our forecast is that for the next four years, including 2004, there will be a deficit in the copper market and that's good news for our pipeline of investment.

In terms of the short-term outlook for logistics, we see again there is no correlation whatsoever with the GDP growth – it's important to stress that - the only determinant that we see now for our logistic, our general cargo business is precisely the availability of rolling equipment; as long as we manage to put them on track, they will be generating EBITDA, immediately. The two years 2003 and 2004, we are buying 139 locomotives and 3,600 wagons for general cargo transportation, very good addition of capacity, although not yet sufficient to meet all the demand that is already identified.

That will be all and myself, Marco Levi, Alberto Castelo Branco, Daniela and Marco Severini will be available for any questions you may have. Thank you very much.

Q&A Session

Operator: Ladies and gentlemen, we will now begin the question and answer session. If you would like to ask a question, please press the "star" key, followed by the "one" key on your touch-tone phone. To remove yourself from the questioning queue, press the "pound" key.

Due to the number of participants on the call, and in order to allow for all questions to be posed, we kindly ask you to limit your questions to two at a time. Should you have a follow-up question, you may prompt the operator to return to the questioning queue.

Operator: Our first question comes from Mr. Marcelo Kayath, from CSFB.

Mr. Marcelo Kayath: How are you? I have two questions here. The first one is that Fábio you made very clear that the capacity constraints are making it hard for you to keep up with demand and your incurring additional expenses because of that, and that's clear from the results: now things in 2004, I think you have indicated that things will improve with new capacity, you are investing de-bottlenecking, etc. Can you give us a sense of timing of the improvement? When you expect things to get better in terms of de-bottlenecking and the new capacity kicking in? Thank you.

Mr. Barbosa: Thank you, Marcelo, for your question. Well, I believe that this will be a year-long effort; in fact it has started already with the port – the Ponta da Madeira port capacity increase; we are working in our Tubarão port also to increase the capacity there and to reduce demurrage cost; we are working in cost structure of FCA; we reduced the consumption of fuel last year and we are also working this year to reduce the cycle of the trips of the train in order to reduce cost; in CAEMI we are starting, hopefully very soon, the investment, the operation in Capão Xavier, we are just waiting for the license – the environmental license – and we are reviewing the freight cost of our coastal shipping in order to deal with the very strong market we are seeing now – among other measures. We are price takers in the case of fuel, as you know and we are working with other suppliers in order to have an alternative; we are today, very concentrated in a single supplier, we are trying to create alternatives for that. We are also working in energy, in terms of energy, trying to obtain alternative supply of energy to our operations; we are thinking of some short-term options for buying energy, enjoying the very good position on the buying side now for energy and energy cost that rose by US$ 30 million last year, we may see a reduction this year with the operation of Candonga and also these auctions we are promoting. So it's a company-wide effort that should appear gradually over time in this year of 2004**.**

Mr. Kayath: Fábio, let me rephrase that, on page 8, slide number 8 of the presentation, you said that 155 bps of operational performance were in all drag-by, in all these occurrences in 2003 so can you give us any guidance of how much you expect margins to improve? Not only because of the price increase in iron ore but also because of these efforts that you just described. What can we expect?

Mr. Barbosa: I believe that this is something that… all these aspects you mentioned are points that should be addressed by the company this year; we must improve our operational performance, we must try to find alternatives and we were, somehow, hurt by the exchange rate that may not perform as last year. I believe that this combination of cost reduction and prices that will be in place effective January 1st for our European clients and April 1st for our Asian clients, will show the effects already in the first quarter of 03, but it's a year-long effort as I mentioned before.

Mr. Kayath: OK Fábio. That's the first issue. The second issue is, as you pointed out on slide 25, you are expecting a 40 million ton increase in sea-born iron ore trade and as you said, China alone is already showing an additional 40 million tons increase, just based on the first two months of the year: now, your additional supply from Carajás – when exactly that kicks in, at what rate during the year and if sea-born trade is, you know, conservative as you said, if we have surprises on the upside, how much do you think you can capture of this upside?

Mr. Barbosa: First on your first question: Carajás is already operational at 70 million basis, so it's already there. And as for your second question, if you recall last year, Marcelo, we started the year forecasting a growth of 4 to 5 million tons in our own production and we managed to reach almost 8 million tons – 8.8% of… not 8 sorry, 12 million tons. So we managed through operational improvements, productivity gains although with some additional costs, we managed to capture a significant part of this additional sea-born trade that was there. We are starting this year, we are forecasting production combined, CVRD, CAEMI and third parties, of around 220 million tons for a total CVRD group; that compares with 173.2 million tons of production last year of this same set, OK?

Mr. Kayath: OK, that's great. Thanks a lot.

Mr. Barbosa: Thank you.

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

Mr. Sebastian Luparia: Yes. Good afternoon Fábio. A couple of questions to follow up on the reasons of the margins decline; in the quarter you posted several numbers of kinds of charge – what guidance are you giving us for the coming quarters? Can we expect anything else on the back of the full consideration of CAEMI that should affect results in the coming quarters?

Mr. Barbosa: Thank you for your question, Sebastian. Well, the fact is that CAEMI and FCA, they have lower margins than CVRD. We have to work hard there – in CAEMI mainly – to put it closer to our group margin. I believe that this new investment in Capão Xavier would help, but if CAEMI has a structural deficiency, that is the fact that it doesn't have its own railroad, although it gets some part of what it pays back through equity it's not the full off-setting of what it pays for the freight cost, there. So there is structural aspect that should be addressed… that will not be addressed in the short-term, let's put it this way. Out of the other costs, we have room for additional improvement there, but we believe that CAEMI's margin – as we commented before – will continue to be slightly lower than CVRD's on the long term. FCA, the main issue in FCA is the issue of the concession cost – this is what makes all the difference. If you look at the margins of our Vitória-Minas railroad, you see that the margin there is over 60%, because it doesn't have the concession cost and the volume transported there, as long as the iron ore is there, is much higher. So FCA is an issue that we address, we are expecting this year a positive contribution of FCA to the EBITDA – it is very hard in terms of cost cutting in order to put, to present a good result there, but we have to work very hard there.

Mr. Luparia: Thank you, Fábio. My follow-up question is on your share prices: if you look at the ONPM spread is at historical high level; what is your view on that and how closely do you look to that on the… in the past it was mentioned that you might consider the possibility of you giving tag-along rights to PM shareholders now; can you give me an update on that?

Mr. Barbosa: Well, frankly I do not understand very well the spread with ONPM; in our view there is no fundamental reason to support that performance in the last few months. As for the tag-along rights, this is a shareholder decision and it's up to them…. Up to them and we believe that every measure that contributes to improve corporate governance and to improve the comfort of our shareholders is welcome, but this is completely up to them.

Mr. Luparia: OK, thank you very much.

Mr. Barbosa: Thank you.

Operator: The next question comes from Mr. Alberto Arias, from Goldman Sachs.

Mr. Alberto Arias: Yes. Good afternoon gentlemen. A couple of questions, the first one is with regards with transoceanic shipping rates: in the past we've seen that you are not affected by transoceanic shipping rates because most of your sales are in FOB basis, however in your first release you are talking about the significant increase in sea freight rates as adding cost of goods sold, as in last year, by US$ 60 million. If you could please explain a little bit further what is the impact of these higher transoceanic shipping rates on your cost structure?

Mr. Barbosa: Thank you Alberto for your question but this freight cost that we have mentioned in the old press release refers to the coastal shipping business, not to the iron ore transportation that, as you mentioned, is in our case, FOB the port so it is not our cost, OK?

Mr. Arias: Yes, because it says here "significant increase in sea freight rate", when it said "sea" I was imagining that it was because of…

Mr. Barbosa: No, it's a coastal shipping business… OK?

Mr. Arias: yes, OK… Ok, perfect. With regards to the purchase of iron ore from third parties, did I get that number right, that you are going to increase your purchases by 6 million metric tons this year relative to last year?

Mr. Barbosa: 6.6 million tons. We bought in 2003 9.2 million tons and we are going to buy in 2004, according to our plans, at least 15.8 million tons. This year we don't have the Capanema mine in operation so we have to increase the third parties ore acquisitions and as I commented before, we are working very hard to increase further our production by increasing the productivity of our current assets.

Mr. Arias: OK, and a final follow-up question with regards to the whole Southern system; in the times you have been trying to extract synergies from Ferteco, the operations of MDR, you know, your Southern system, Alfanitri; where are you on that process of extracting all of the operating synergy that you were expecting? How much more room for improvement you see out of the Southern system consolidation?

Mr. Barbosa: Well, in the case of MBR as you know, it belongs to a company, a listed company, so the synergies with them, we can have there, it is only through maybe combining procurement procedures and issues like that. Otherwise as we have a different set of shareholders in both companies, we must work according to the legal requirements, we cannot transfer cost or benefits from one company to the other, so we are very strict on that and we continue to be in order to preserve both shareholders interest.

In the case of Ferteco, we have the incorporation of Ferteco by the end of August, we already started to collect some synergies in terms of payroll. We brought to the company about 16,000 new employees but the average wage cost was much lower; we didn't bring managers, for instance. Ferteco is now fully integrated in our procurement system and also in terms of, Roberto is remembering me here, from the tax effect, positive effects, now we have only one company – CVRD – and that makes all the Ferteco production belonging to CVRD does have to incur in the cascading taxes we have here in Brazil. So this is part of the, I would say, bulk of the synergies we would get in Ferteco.

Mr. Arias: All right. Thank you.

Operator: Our next question comes from Mr. Scott Piper, from Morgan Stanley.

Mr. Scott Piper: Hi, I have two questions. I was wondering if you could update us about the status of potentially consolidating Albras. And then secondly, I was wondering if you could give us a little more details on FCA, mentioning the negative 23 million EBITDA contribution, primarily in function of concession costs; but you also said that you see that turning around in 04. Can you just explain the nature of the concession costs and how in 2004 that will lead to, or what efforts you're doing to lead to a positive contribution in FCA?

Mr. Barbosa: OK Scott. Thank you for your question. As for Albras we, as you know, we have 53% or so of the capital of the company and according to the shareholders agreement, so the first condition to consolidate in US GAAP is there, but we have a shareholders' agreement that provides some vital rights to the Japanese shareholders. So we are discussing with our lawyers and auditors to see what is the extension of those vital rights, in light of recent discussions I am more optimistic than before regarding this issue; we are having meetings with both parties in the next couple of weeks but we still don't have a final position, although we are more positive now than we were before on this possibility – that is what I can say to you right now.

In terms of the FCA, FCA was a railroad that belonged to Rede Ferroviária Federal and in its privatization what the government did was to lease the assets to a private owner, OK? So in a 30-year basis. So every year, FCA pays around US$ 40 to 45 million for this lease of the assets; the assets belong to the federal government and FCA has the right of use of those assets, by paying annually US$ 45 million per year or so. What we are trying to figure out, Scott, is some adjustment in the capital structure of FCA or by taking over this concession and renegotiating it with the federal government with a new configuration or paying it in advance. We are considering several alternatives because this is simply an accounting figure, actually it doesn't reflect… it's like if you considered… if it was called "loan", if we were paying a loan interest or debt service, it would not affect your EBIT… it's like you have paid an asset for 30 years but instead of calling it a loan, you call it a concession, so the financial nature is the same – it's like a loan but it's not considered like that and as we are conservative, we are deducting the EBIT of this cost. So that's why it produces a negative EBITDA, it produced a negative EBITDA last year, but with several cost-reduction measures even without this structural measure, our strategic plan is forecasting a positive, a slightly positive performance this year. That is what we have now, so that's the expectation and if we manage to improve on a structural basis, this capital structure, we may have even better results. But that is the status right now. Thank you.

Mr. Piper: Thank you.

Operator: Our next question comes from Mr. Jorge Beristein, with Deutsche Ixe.

Mr. Jorge Beristein: Hi Fábio. It's Jorge Beristein with Deutsche Ixe. I just have two questions, one was if you could again, going back to that slide number 8, quantify how much of these costs you believe are recurring, versus non-recurring; what I'm trying to get is, for example, is an issue like demurrage which is buried in your operational performance. It cost you US$ 9 million in the fourth quarter, but with new capacity coming on stream, is that something that would essentially go away quarter-over-quarter? That's kind of my first question.

Mr. Barbosa: Yes, thank you Jorge. Yes, you are right, we are expecting a reduction in demurrage cost due to this operational improvement and the capacity expansion and in our logistic capacities, logistic assets. I would mention also that the asset impairment in tax provisions, they are strictly once and for all; we are not expecting as yet, any additional provision there. And as for CAEMI and FCA, we commented already, there is a difference in margins that is structural – a good part of it, but there is also some temporary effect that we are trying to address.

Mr. Beristein: Another similar question is, for example, with regards to labor; we did notice a very sharp increase both year-over-year and quarter-over-quarter in your labor expense: Is any part of this seasonal and related, say, to the payment of a Christmas bonus to employees or may be overtime as a result of your running your operation flat out in something that would normalize moving into the first quarter?

Mr. Barbosa: Again you are right. The fact that for the Christmas bonus we made a provision after the conclusion of the negotiation with our labor force by the end of September, if I am not mistaken, it was formalized when… by this time and then made the provisions for the payment in December that cost us US$ 11 million. This combined the bonus… the Christmas bonus with the nominal increase of 17%, resulted in this US$ 11 million increase in payroll. What we should do this year is to improve the procedures in order to smooth this effect over the year, in order to avoid that. We couldn't do it before because the nominal adjustment was defined in July but this year we will try to smooth it a little bit in order to avoid these sharp changes.

Mr. Beristein: Great, and my second question is just related to the actual press release on page 8, sorry, on page 16; you do put a table detailing interest expense and there was quite a large charge of US$ 43 million under "other" in the fourth quarter, which contributed to your full year total of about, I think, 86 million in that category. Could you just explain what this "other" financial charges are, please? Sorry, it was 89 for the full year and 43 of that occurred in the fourth quarter, as on page 16.

Mr. Barbosa: Page 16?

Mr. Beristein: Under "other".

Mr. Barbosa: Oh, let's see, page 16, "Interest payment"? Just a moment please.

Mr. Beristein: The line that says "other" on interest bond.

Mr. Barbosa: We paid the bond; we paid the bond in December - that should be the final coupon, let me see. It was a 200 million bond that was due in December and we paid. I will check it for you but I believe that this was it. OK?

Mr. Beristein: OK. Thank you.

Operator: Our next question comes from Mr. Sherman Chao, with Shumway Capital.

Mr. Sherman Chao: Hi Fábio. I hate to beat a dead horse, but I want to come back to the cost numbers and try to get a sense of how much of the deterioration in the margins in '03 is recurring versus non-recurring.

Mr. Barbosa: Well, I believe that we could consider the FCA consolidation, at least for the short-term, as a permanent effect. OK? As for CAEMI, I believe that the reduction in margins that was in CAEMI EBIT margins, as we put in the chart, was due to 25.8 to 19.5, was due to non-cash, non-recurring measures, factors, sorry. So I believe that this should improve over the year together with the measures we are adopting to, as I mentioned before, in terms of new investments. FCA, again, it will take a long time and effort to improve it. Asset impairment was once and for all; Usina Peletizadora de São Luis, São Luis Pelletizing Plant, sorry, we had operational… pre operational expending, expenditure, then we had to write it off and the PPSA, we capitalized the company in the third quarter and we had to adjust its assets according to FCC requirements. Tax provisions: it's a non-recurrent in a sense, but we deal with 14 states and every year you have a discussion with a state or the other – it's non-recurrent because it's the nature of it, we do not believe that the government, that the government is right but we have to make the provision in order to avoid surprises in the future. So I don't have a precise figure here for what is non-recurrent and recurrent, but I'd say the bulk of this reduction was non-recurrent, the majority of this set is non-recurrent and it is clearly the case of CAEMI with the accounting procedures that improved, etc, the adjustment in FCA concession cost, but there is some reduction in margin on a structural basis due to the structural performance of CAEMI and FCA, mainly.

Mr. Chao: Thank you very much. My second question is related to the domestic Chinese iron ore market: I am curious to hear what your thoughts are and what your people are finding as to what local Chinese iron ore pricing and availability might be. In other words, how would the pricing for iron ore be, for imported versus domestic supply?

Mr. Barbosa: I believe that… thank you for your question again, I believe that the first two months so the Chinese imports will continue to be very strong, they are trying to improve further the product mix there, and the iron ore imports are growing faster than the steel production, so this is a possible indicator that higher quality imported ore is required or is going to China. Of course with this scarcity in the iron ore business, in the iron ore production, several Chinese players are looking even for heterodox alternatives considering even the possibility of using lower quality ore that could be bought around the world, even in Brazil. We have some information that some traders are trying to find smaller miners' ore that is piled here and there with lower quality, that in different market conditions would not be available or would not be sellable and they are looking for that. The same may be happening in the domestic production in China, as you all know, iron ore – Chinese iron ore – has a lower quality than ours and other players, including the Australians, so given the scarcity of ore, that may be even economical to use lower quality ore and there are some information about spot prices for pellets around US$ 80 per ton, so it's a clear imbalance in the market and they are trying to find alternatives.

Mr. Barbosa: Sherman, looking at the Chinese steel industry, we can classify in two groups: there are the low technology steel mills, for them, they are confident about the CIF iron ore price; and there is another group that is made by the high technology steel mills, more than the steel mills that are much more interested in the quality of iron ore. We see the Chinese steel industry in a process of restructuring and mobilization as more steel mills become more modern, they are more technologically advanced; they will need more higher-fee low-silica iron ore. So there is a potential for growing for CVRD iron ore in China and then we see our share in the Chinese market, increasing as we have more iron ore to sell to them. Right now we are short of iron ore, according to the information of our Shanghai office, if we had more 10 million tons of iron ore this year for sale, it was a done deal but unfortunately even increasing our capacity, we continue to be short of supply.

Mr. Chao: Thank you very much.

Operator: The next question comes from Mr. Asi De Silva, with Axiom International Investors.

Mr. Asi De Silva: Good afternoon. Two questions: the first one was whether you are willing to tell us what your margins are on the third party iron ore that you source and the second question is on the alumina side; your fourth quarter you managed to get something like US$ 197 per ton, whether there is a lag in the price you realized because the current price is now up near now US$ 450 a ton? And if there is a lag, how much of it is 3-month or 6-month lag? Thank you.

Mr. Barbosa: OK, thank you for your question. First on the third parties: we have a lower margin there; it's about 25 to 30% lower than the current… than the regular production of ours. In terms of the alumina, the difference you see in the prices that we actually observe and the current spot prices, is decisive because 85 to 90% of our production is sold through long-term contracts and in this case the longer the contract you have, the lower the percentage of alumina prices you get in those contracts, it's a trade off, as you know. So it is just a small share of the alumina we produce, is sold and enjoy this very strong market of alumina right now.

Mr. De Silva: OK. Just to clarify, your margins in the third party is 25 to 30% lower than your own source?

Mr. Barbosa: Yes.

Mr. De Silva: Thank you.

Mr. Barbosa: Thank you.

Operator: Our next question comes from Mr. Raphael Biderman, with BBVA.

Mr. Raphael Biderman: Hi Fábio. Congratulations for the results. I have a doubt regarding Albras, the contract of electricity. I mean there was some news that you were thinking of acquiring electricity on the MAE spot market. I would like if you could give me some guidance on what is the prospect and the long-term timing for such contracts and if you could give some guidance in terms of the impact of the increase of transportation costs in the competitiveness of CVRD in relation to the Australian mines.

Mr. Barbosa: OK, thank you Raphael. On your first question, what we are facing is a long-term contract Albras has with Eletronorte is coming to an end next May. Albras consumes about 750 mw/hour and it's a very large consumer and so far we didn't manage to reach an agreement with Eletronorte. Currently we have this long-term contract, prices ranging from US$ 12 to 15 depending on what we are talking, but it is about this range that is very much in line. When the electric intensive with the cost, several electric intensive industries around the world get to, in order to produce, in order to verticalize production. So as a short-term alternative, we are with this option, we are trying to buy in the market, I believe for 7 months, energy to supply Albras in order to give more time to negotiate with Eletronorte.

We hope we reach an agreement but if not possible we will look for alternatives or alternative suppliers, other companies that we could have this long-term contracts with them, on a reasonable basis for the characteristics of our business. It's regrettable that in a country like ours that may have a major role in this market of electric intensive with competitive energy cost because we have, for instance, the bauxite - only CVRD has 11% of the world reserves of bauxite, high-quality bauxite and we could be even more aggressive in our investments and even consider additional investments in aluminum here in Brazil, if we did have energy at competitive prices. But what we see is that a long-term contract that has been discussed for almost two years is coming to an end and we don't have any perspective of renewal as yet. So we have to look for alternatives and that's what we are doing with this option. In terms of the transportation cost, I believe that if you are referring to the freight cost, again CVRD operates in FOB basis and we are not affected by the freight cost increase due to the high quality of our ore, so our differential with our competitors is the fact that we are able to provide almost tailor-made solutions to our clients; we are able to deliver with reliability, very high quality ore for our clients in Asia and we have been doing that for more than five decades, now.

Mr. Biderman: OK. Thank you, Fábio.

Mr. Barbosa: Thank you.

Operator: The next question comes from Mr. Marcelo Aguiar, with Merrill Lynch.

Mr. Thomas: Hi, it's actually Thomas here. Good afternoon. I have a question on the demand/supply picture for iron ore; as you well said the demand should grow may be 40 million tons plus, I wanted to see what CVRD's view is in terms of supply growth for this year and may be next; if you could give us what is your year expectation, especially for 2005, given that this year in terms of pricing and demand it's already a done deal.

Mr. Barbosa: OK Thomas, thank you very much for your question. We are working with these almost 40 million tons increase although the first figures from China show a different trend, stronger than we anticipated stronger performance than we were anticipating. We, in our case, we are trying to increase our capacity in 2004 and 2005 so I will be producing in Fábrica Nova, 10 million tons more in 2005; we are trying to speed up other projects and in 2004, the total production of our assets combined, as I mentioned before, should be around 220 million tons.

Mr. Thomas: No, but what I mean is from a global perspective, I mean. It seems like 2004…

Mr. Barbosa: Oh, I'm sorry, for 2004, 5.75 may prove to be conservative, as I commented before, if China continues to perform as it is right now. For 2005, I believe that a 5% increase in line with the growth rate of the last five years, the average at least, it's a reasonable figure to work with although everything will depend on Chinese performance.

Mt. Thomas: Yes, but do you believe it is correct to say that 2005 could be as tight as 2004 from a demand/supply?

Mr. Barbosa: I believe that, I believe that, because ourselves, we are adding capacity with Fábrica Nova and we are trying to anticipate some other investments in order to deal with the demand and even to recover our market share that we have reduced, we reduced last year. So it will be a very tight market, it will continue to be a very tight market and again, China is surprising on the upside.

Mr. Branco: Unless there is a sharp slow-down in China, the iron ore, alumina and copper market will continue to stay in a very tight situation until 2007.

Mr. Thomas: OK, thank you very much.

Mr. Barbosa: Thank you, Thomas.

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

Mr. Daniel Altman: Hi. Just a couple of questions; on the iron ore production forecast that you gave, can you give us in terms of – instead of production, can you give us in terms of shipments, what you think your forecast is both for iron ore and pellets? Second question is; your third-party purchases go from 9 to 15, according to your guidance, I am wondering where is this extra 6 million coming from? Is this expanded capacity at some of the Southern system mines or is this increasing from CSN? Where do you find an extra 6 million? And last question is on alumina: how were you able to run so far above the nominal capacity at Alunorte? Is that a sustainable level we've seen that now for two quarters – is that sustainable in 2004? Thanks.

Mr. Barbosa: OK Daniel, thank you very much for your questions. On the pellets we should have an increase of 2.4 million tons this year due to the production of São Luis pelletizing plant. Last year we had 3.6 million tons in the production and in spite of actual operational need of the year, full operations and then this year we have 12 months, in fact, 2 to 2.4 million tons. Also we are counting on some operational improvement in our pelletizing plant in Tubarão; we may get some additional production there in terms of pellets, nothing very meaningful right now, but in this very imbalanced market, it will be very well received by our clients, I can assure you that. And we are also discussing with our Board and we will discuss, we will be reaching a decision very soon on the duplication of our Fábrica pelletizing plant, it's actually not really a duplication because the current unit there produces 4.5 million tons per year and that new plant should produce 6 million tons per year. So that's our current plan for the pellets. As for the 6 million tons of third parties, we, since last year, we are signing long-term contracts with the major producers in Minas Gerais State, so actually these 15 million tons did not come as a surprise for them, in fact, based on this contract they are now capable of expanding their own capacity and provide us with this additional ore. Those are contracts that will issue 3 to 6 years and, no, we didn't sign any contract with CSN we already have a contract with them on first refusal right. As for the alumina, you are right, we are doing very well in our Alunorte plant, it's fully operational, it's beating records over records every quarter; the nominal capacity is 2.4 million tons but we may be operating slightly above this figure, given, not only the very strong market, but also the very performance of the equipments.

Mr. Altman: OK, great. So again, just to tie up the number in terms of your guidance for iron ore and pellets; when you say 220 million you're referring to production? What would be the number you use for shipments?

Mr. Barbosa: We are not including pellets; it's production plus third parties, OK? 220 million of iron ore, we are not including pellets here.

Mr. Altman: But some of that production is then sent to the pelletizing plants.

Mr. Barbosa: Sorry, could you repeat?

Mr. Altman: Is the 220 include iron ore that is then sent back to the…

Mr. Barbosa: Yes, yes, yes. OK?

Mr. Altman: OK, so total shipment of iron ore - do you have a projection on that?

Mr. Barbosa: We may be talking 230 for the total of the company and if you take 30 million we are maybe talking about 200 million or so.

Mr. Altman: OK, great. Thank you very much.

Mr. Barbosa: Thank you.

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

Mr. Barbosa: Well, I would like to thank you all for attending this conference and as usual. Our team and myself here will be available for any further questions you may have. Thank you very much and until May with our first quarter conference.

Operator: That does conclude our CVRD´s conference for today. Thank you very much for your participation. You may now disconnect.