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Operator: Good morning ladies and gentlemen. Thank you for standing by and welcome to CVRD's conference call to discuss fiscal year 2006 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 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 call, please press the star followed by zero. As a reminder, this conference is being recorded.

The replay will be available until March 16, 2007. To access the replay, please dial (+55 11) 4688-6225 (access code: 676). The file will also be available at the Company's website at 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, Investor Relations section or at 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. First, Mr. Barbosa will proceed to the presentation and after that we will open for questions and answers. Also in Rio de Janeiro is Mr. Eduardo Bartolomeu, Executive Director(Logistics); also in Belo Horizonte, we have Mr. Jose Carlos Martins, Executive Director (Ferrous Minerals); and in Canada we have Mr. Leonardo Moretzsohn, CFO of CVRD Inco. It is now my pleasure to turn the call over to Mr. Barbosa. Please sir, go ahead.

Mr. Fabio Barbosa: Thank you very much, good afternoon ladies and gentlemen. It is a pleasure to be here today, with our colleagues to comment on our performance in 2006 and also to share some thoughts on perspectives of our industry and our company.

Let's start with the first section that I like very much the name of this section, the title - "A Vintage Year" - because it summarizes very well what we think it was 2006 for CVRD. In fact, as you can see in our first slide, we became the world's second-largest metals and mining company and we came a long way from 2001, when we implemented our long-term strategic plan. We had a market cap by December 21st, 2001 of US$ 9.2 billion and we reached US$ 79.2 billion at the end of February - a similar market cap as what we observed yesterday. So we, again, we came a long way, we are very proud and in our view it is a result of the success of our strategy designed back there in 2001 by our shareholders and implemented in a very flexible manner by our company, so we are very happy with our achievement that represented a TSR of 42.7% per annum.

We now are actually a global diversified mining company, as we promised back then; some of you may recall that during the offering of the ordinary shares by the Treasury in BNDES, our main statement was that we would be investing to become a global diversified mining company and what is precisely what we delivered and what we believe - that is why market appreciated us so much during the last few years so now we have 60% of our asset base in Brazil, and 27% in North America and 5% in Asia, Europe and even Australia, and the portfolio is much more diversified with, adding to iron ore and the ferrous division itself we have now copper, we have coal, we have nickel and a bigger business in the aluminum chain for instance. So we are achieving what we aimed at back there early in 2001.

In 2006 we believe we had a very impressive operational performance despite all the difficulties as you know, and Martins and Eduardo Bartolomeu may comment further on that, but we are with all assistance stretched to their very limit, so despite that we were able to increase our iron ore production by almost 30 million tons last year, to 264 million tons; our alumina production 53.2% increase; our aluminum margin an increase of 2.2, which is impressive considering the original nominal capacity of the plant; copper - including Inco on a pro forma basis - 12.8%; and nickel 13.5%. And CVRD became the largest producer of finished nickel in the world.

Our earnings and operating margins remain on an upward trend, as we put there, and we reached 43.7% in the fourth quarter of 06, again departing from almost 25% in 2002. This result of course had to do with the very strong development in the metals and mining markets, but also to the capacity that we had during this period to make the right choices in terms of investments and searching for the best opportunities in terms of expansion, both brownfield and greenfield, so this is no accident. The market is very good but, we managed to enjoy a very impressive increase in our margin due to the decisions that we made during the last few years.

Also the fourth quarter of 06 we observed the 19th consecutive quarter of growth in our Ebitda; if we adjust for the extraordinary effects of the inventory adjustments we would have reached US$ 10.1 billion in our Ebitda in 2006, an impressive figure.

Also in the cost side something that we brought your attention since last quarter we are starting to see some results, an initial result, but meaningful ones. If we look at the cost of goods sold and we take out the depreciation - which is a non-cash item, is a result of the increase in our assets in a way - in order to check more clearly what our actual effort on the ground to reduce costs you see that in the last quarter we already got some US$ 67 million in cost reduction. So we are not happy yet with the result, but it was an important step forward in our view.

In terms of Ebitda year-on-year variant, we also indicated progress. Of course prices were an important driver but we also made an impressive move in terms of volumes, so US$ 115 million in our Ebitda on a quarterly basis associated with the increase in our production, as we showed previously.

Iron ore shipment also reached a new all-time high and we reached US$ 276 million in shipments that compares to 255 million tons in 2005... sorry, 276 million tons of shipments against 255 million tons in 2005 - and look at the figure in 2001, 148 million tons of shipments. So this is a major challenge to put all this production together in ships to our clients given the constraints that we faced, given the very increase in production in the last few years that occupied virtually all the capacity that we have in ports, in railroads. So we are investing heavily in order to expand our capacity but the challenges are immense and at this point I would like to have Martins commenting on the difficulties that we had in the last quarter of 2006 associated with the anticipated rainy season and the difficulties we faced in terms of transportation; also Eduardo is invited to comment.

Mr. José Carlos Martins: Last year the season rain started in September. Normally it starts in November but last year it started in September, mainly in the southern area so the situation brought a lot of problems in the transportation system, not only in the mines. I think that Eduardo can talk a little bit more about what happened in the transportation area also.

Mr. Eduardo Bartolomeu: Yes, what happened in November to December, the three last months of the year, although February has been very nice - that is good news – they were very, very heavy and the season feels a lot even because what Fabio has just said, it is really stretched. I think although we had these problems the level of investments and the precautions we took years ago, started three years ago, let us face it in a very proper manner. But it was a hurdle to overpass.

Mr. Barbosa: Yes. So despite that we were able to ship, to produce 254 million tons as I said and to ship 276, but the challenges were there and we hope to overcome them this year. I would like to mention also that we became the largest supplier, individual supplier, of iron ore to China. This was a remarkable achievement of our company last year. We shipped almost 76 million tons in 2006 against almost 16 million tons in 2005, almost five times the volumes observed in 2001. So we had sales, our market share in China also increased, despite the distance, so our market share reached 23.2% against 16.5% in 2001.

A next comment is trying to look at the track record and to analyze what we have done and it is nice to make this comment that the portfolio management has been an important source of value creation. When you look our retrospective of our investments, we see that acquisitions we acquired assets in the total of US$ 25.1 billion; at the same time we sold almost US$ 3 billion in other assets, either non-core or not relevant, that is our strategy. And the result of this move was a consolidation for iron ore leadership. In 2000 our share in the seaborne trade was about 19%, last year was around 33%, so we became the number 1 producer of nickel, it is a major achievement and diversified ourselves and we are creating a new growth platform with coal, so I think again, we have been strictly consistent in the strategy we outlined back there five years ago and again, I believe that that is why the markets are recognizing the value in our company – consistency pace.

On Inco, our largest acquisition so far, a progress report that we can present is that there is a new management team fully operational. Leonardo Moretzsohn is today in our call representing CVRD Inco's new team. Murilo Ferreira, the CEO, is traveling with our CEO, Roger Agnelli, throughout Asia. So there is a new management team; Goro is under comprehensive review and as we put there, we believe it is a very important project, our CEO visited the project twice in the last three months showing the importance that we give to this project. So we will go ahead with that if other conditions are in place it is in our best interest to go ahead with that: we will work with the communities trying to address their concerns and also to create value to our shareholders. So we have a positive expectation about Goro project.

Synergies at Sudbury Basin we already captured some. With the agreement, the operational agreement that we reached with Xstrata, US$ 200 million per year of synergies that are already there, that we got in this discussion and agreement that we reached with Xstrata.

We also have a global mineral exploration and procurement team now, integrated one, and we do believe that we have some potential to increase our already large nickel reserve. At this point I would like to ask Leonardo Moretzsohn, our CFO of CVRD Inco, to comment on the integration process of CVRD Inco with CVRD.

Mr. Leonardo Moretzsohn: Good afternoon ladies and gentlemen. We held a 90 days knowledge share period here in CVRD Inco after the acquisition and the result of this was very positive; Inco has by far the largest reserves in nickel compared to the competitors and also the best portfolio of projects, which will allow us to increase capacity in the near future, so we are very optimistic about this strong platform for growth in the nickel and base metals. That is it.

Mr. Barbosa: Thank you. As for the financing of the funding of the acquisition. We are scheduling the full repayment of our bridge facility for the second quarter of this year. We refinanced it with a pre-export financing US$ 6 billion transaction; the bond issuance last year US$ 3.75 billion; debentures issuance in the domestic market - that was a remarkable success - and other sources 2.35 billion. We managed; we also managed to preserve our investment-grade rating by all the four major rating agencies and the next pages explain you why.

Despite the increase, the sharp increase in our total debt, the fact is that we managed to stay within the limit of 2x gross debt/Ebitda, and besides that we improved the profile of our total gross debt with an increase in our average maturity and a reduction of our total cost. And this debt, of course, is over-estimated because we had more liquidity; as you saw in our release, our net debt was around US$ 18.1 billion, the reason being that we would have, we would pay for the remaining shares of Inco early January, on January 3rd, so we spent almost US$ 2 billion there and we also will use part of the liquidity that we had in December to repay the bridge facility as we commented in the previous page. So we are very much in line, or even better, than anticipated in terms of our leverage at the end of the year.

In terms of the results of the acquisition I would like to highlight the improvement in our profile in terms of diversification. In terms of operating revenue, if we look at CVRD stand alone we would see the ferrous division with 71% of our total revenues. Now with the addition of CVRD Inco, ferrous division is representing 50% of our business and the non-ferrous is about 34% and aluminum 9% and so it is a much more diversified company that we have now, again delivering what we promised.

And if we go further in terms of, in further details in the division you see that within the 50% of the ferrous division, iron ore is responsible for 79.1%, almost 80% of the total revenues and the EBIT margin, was 47.3% in 2006. In the case of non-ferrous nickel almost 77% and copper 16%, so it is very similar profile in terms of diversification within the same unit and also similar in terms of the EBIT margin - the EBIT margin in 2006 of the non-ferrous division was 47.3%, precisely the same of the one observed in the ferrous area.

And if you go to the aluminum products, we, next page, alumina 50.1%, bauxite 1.2; and aluminum 48.7, of course showing our focus on the upstream of the aluminum chain and the margin, 39.5%, a slight increase in energy costs; logistics services: railroads 72%; ports 18.4%; and shipping 9.4% - we are including here just general cargo, transported cargo, and EBIT margin improved sharply from 2005, from 22% to roughly 29% in 2006.

With that we are able to show a very strong return of invested capital. After the 64% we reached in 2005 with the increase in asset base we reached 47.4% in 2006, that was a great mark and it keeps our returns very well above the 40% line.

We are also positioning ourselves for future growth with a Capex of US$ 6.3 billion in 2007, again more than 70% focused on growth. We would like to remind you that we delivered in the last few years, five years, four years, 19 major projects. Carajás is now running at 100 million tons, is the latest one; Paragominas I will start up very soon, so we have been able to accomplish what we indicated several years ago due to the discipline and, as we put there, the discipline in capital allocation, the consistency in our strategic plan and the financial flexibility that we have been enjoying. And recent acquisitions provide new growth options in nickel and coal and I would like to call your attention to what we are doing in coal with AMCI HA, the acquisition that is taking place, world class assets in Queensland, in North South Wales in Australia increasing our presence there and a potential nominal capacity of 8 million tons per year, being coke and coal 81% of the total exploration assets in the state of Queensland and efficient logistics that we have available with this asset and again we are in what our colleague, Lancaster, called the "Carajás of coal", so that is a very important achievement to be there. The price 800... AUS$ 835 million.

Projects in Moatize (Mozambique) and Belvedere in Australia. We hope to have a final feasibility study concluded for Moatize by the end of this semester and Belvedere in Australia we are working very hard with pre-feasibility, very good initial indications. And the project we have in China, or the investments we have in China, Longyu and Yankuang, and so far in equity income after one year, one-and-a-half year of investment we already got US$ 35 million, so almost repaying one-third of our total investment of US$ 111 million. So we are very happy with our coal business and happy with our portfolio of projects for the next few years with the expansion in Carajás, 130 Mtpy; Fazendão; Itabirito; Samarco pelletizing plant and the expansions in the aluminum chain with Paragominas and Alunorte stages 6 and 7; the nickel projects and finally the copper projects, 118 and Salobo.

Turning to the next section a very important comment in terms of our efforts to reduce accidents in our company, in our group, is a very key concern that we have in our group and we are very happy to show that we are making CVRD a safer place to work with the accidents 200,000 working hours were reduced to 1/3 of what they were just four years ago. We are very happy with the outcome, although we are not completely happy because accidents are still there; but we are working hard to reduce even further this mark that we managed to achieve.

And we are also making our trains safer with accidents per million of trains being sharply reduced in FCA and Vitória Minas and keeping a very good operational standard at Carajás. At this point, Eduardo, do you want to make any comment on that?

Mr. Bartolomeu: Just a remark on what you just said about we are very proud of the work we've been doing through FCA. I think we have been able to keep, although the increase you just said about the increase in capacity, the traffic in our main lines, our heavy-roll lines is the safest, one of the safest in the industry worldwide, so we are very proud on that.

Mr. Barbosa: As on the environment we invested heavily in 2006 and we budgeted a more ambitious budget for 2007 with US$ 190 million and we made a large provision, as you may have noticed, for future mine closures and construction of dams and this large provision is the result of a long-term auditing process. We implemented around this auditing process in 2001, 2001 if I am not mistaken, and then five years later we review our procedures, our investments given the size of the company and we decided to increase the provisions to improve further, our environmental strategy.

In terms of the outlook for our industry we expect global GDP growth to remain above 4%, it will be the fifth consecutive year, so a very positive environment for the world economy and in our view the risks to global growth ... there are risks of course but maybe the volatility of the last few days was somehow exaggerated. We don't see any sign of spillover of the U.S. housing downturn that is a reality to other sectors or other markets. Maybe some adjustment, but the U.S. economy is extremely resilient and the global industrial production growth is slowing down a little bit but more to produce inventory adjustments and to resume growth very shortly considering that what we indicated at the PMI Survey, showing an increase of the ratio new orders/inventories, so it is a very good sign and we don't see any sign of deterioration.

Turning to the next page - and I would like to ask José Carlos Martins to comment on that - we have the iron ore spot prices remaining above, well above the benchmark prices signaling, in our you view, excess of demand. Martins, could you comment on that, please?

Mr. Martins: The prices quotation in the iron ore market is very positive: if you remember last year, when we made the same conference call some people were concerned about the iron ore production in China, some people were concerned about the freight costs to China and all of these things, but what we can see now is, in spite of all these factors the market continues to be very strong and the Chinese are buying all the iron ore they are able to buy. So the situation continues very much of the same for three years in a row, and we don't see any big change in the next two years neither in the price and also in the market conditions.

The new tax that the Indian government put on exports is putting some additional pressure in demand for our iron ore and so for us the big task for us is really to streamline production and to get things done on the mines, on the railway and the ports and also in the shipping side, where we are facing some difficulties because we have some kind of lack of ships and we are seeing that, as freight prices are skyrocketing so we are addressing this point, is a very important point for us and we are addressing this point trying to interfere a little bit more on the situation, so we are looking for long-term contracts, we are looking for buying ships, we are now looking for converting some oil tankers in ore carriers, so we are looking a lot of alternatives in order to improve the freight situation and for sure, our main task for getting the results this year will be at home, producing in the mines, getting the iron ore to the ports and shipping it and getting it to the customer. This is our main task because the market is there, the price is there, and all the good conditions are there. So it is mainly operational tasks to reach our results this year.

Mr. Barbosa: So at this point I would like to ask Eduardo Bartolomeu to comment on some measures we adopted in our northern system to increase our transportation capacity recently.

Mr. Bartolomeu: Yes, we anticipated the longer train, some of you might have heard about it. The operational model that we are going to use as an expansion to increase our infrastructure capacity to about 290 million tons is to operate larger trains. We had a very brilliant idea; actually, from our colleagues inside the operation department, we started to anticipate. So we go with an even with a longer train of 340 wagons and come back with two smaller trains of 170. This gives us more last five hours in our cycle that is going to release a huge amount of capacity, the traffic there is already congested as Martins just said so this one is... how and why we can do that, because all the equipment are here, the locos, the wagons, the automation controls that are needed for that and we are using the sideways that were already being built along the year so there are like 10 already being built, already built, the other 46 are being built this year so we profit that, so we got like a whisper or whatever from capacity that we are taking care of, how can I say, taking profit this year. That is good new for the North system.

Mr. Barbosa: So as we commented the challenge is to ship because the market is there. We see that there are other signs of strength coming from China, the steel production growing very strong in January, 27% yoy, and construction activities resuming strong growth and iron ore inventories at a very low level, less than one month of consumption.

Our medium-term view, as Martins put it is very positive; we believe that demand could grow as much as 9% per year from 2006 to 2010 from a very large base. The Chinese imports reached 325 million tons last year, so 9% will be roughly 30 million tons per year of additional imports with a large addition every year - if the Chinese economy complies with this forecast. So global capacity expansion is another important aspect as Martins put it, we are stretched, we are with our systems, operating at full capacity, so global expansion will rely more and more on higher-cost greenfield projects not only in terms of mines - mines that must be opened - but also in terms of logistics and the Indian export growth is expected to lose steam as it did in 2006 and the recent taxation of Indian exports are a very concrete sign of a allocation of domestic ore to domestic needs.

As for nickel, the nickel market inventories remain at a critically low level. Our inventories are measured, the inventories are measured now in hours of consumption, and the market remains very strong. Demand is there, steel production is growing standing still is of course growing everywhere. In our view there is a structural change in nickel supply because production depends on sulphite deposits and what is available for expansion are the laterite deposits, so there is an issue there that is not easy to be solved, to be addressed. We ourselves we are investing heavily in new projects, as we commented before we have Onça Puma expected to startup in the last quarter of 08, but the fact is that the demand is not waiting for the new supply to come to the market and demand is already there and the markets should remain tight for some years down the road. We don't see any room for any stock replenishing, meaning that the good volatility of the nickel price should remain this year as well.

The medium-term view, China will drive global stainless steel production increase with India also growing fast, in our view, they're trying to catch up and they showed, India showed a very impressive growth rate last year - above 9%; they have been flagging with this Indian possibility as a major driver in the market for some time now, I think it is becoming clearer for more people that India will actually affect market of raw materials in several ways. There are very important challenges in terms of substitutions of nickel content in steel production, so is something that reduces the elasticity of the demand of nickel in the long term and a solid demand growth from aerospace, energy and rechargeable batteries, of course associated with the benign scenario that we see for the global economy.

Copper market prices came up a little bit, but still in a very strong position yet, with inventories at a low-level and China resuming growth of its imports, so we believe that prices should remain in a very strong position in the next few years as well. And despite the softness in the U.S. consumption, the global aluminum market remains very tight, because it is also used as a substitute for copper in some uses and stocks are low; so it is a very benign scenario for our company's products in 2007 and finally we would like to give you some ideas about what we are expecting in terms of production increase for 2007 compared to 2006.

So we believe that we will be able to produce 300 million tons of iron ore in pellets in 2007, that is a 13.6% increase of iron ore; nickel from 251,000 tons this year we hope to produce 287,000 tons in 2007, 14.3% increase of production of finished nickel; alumina 4.4 million tons, meaning that we should operate Alunorte at full capacity with a 12.8% increase; primary aluminum, no increase in production is expected unless we manage to find new opportunities for marginal increases, and copper 11.2% growth.

And with that we conclude our initial remarks and we are happy to take any 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."

Our first question comes from Felipe Hirai of Merrill Lynch. Please go ahead.

Mr. Felipe Hirai: Hi good morning gentlemen, congratulations on the results. I have two questions here, first on the synergies regarding Inco and Xstrata; Could you just comment a little bit more on where are these US$ 200 million coming from and how are you going to split these US$ 200 million between CVRD and Xstrata and what you are expecting going forward? And my second question is regarding the costs because we saw costs margins declining in the iron ore business even if you adjust for the retroactive prices in the third quarter, margins declined from like 60% in the iron ore business to 54%; I just wonder if you have any specific comments on that? Those are my two questions. Thank you.

Mr. Barbosa: Ok Felipe, thank you very much for your question. I will start commenting but I will ask Leonardo Moretzsohn to comment also the synergies there. Basically is an optimization of flows, material flows and involving our Clarabelle operation. Leonardo, could you comment on that please?

Mr. Moretzsohn: Yes, these results, US$ 200 million in synergies per annum are result of the segregation of copper and nickel material in a Sudbury Basin. As you know, we have a lot of operations in Sudbury which are close to Xstrata operations as well and then we have, we settled some operational and commercial agreements with them that allowed us to separate nickel and copper and out of these US$ 200 million in synergies the vast majority belongs to CVRD Inco and we have some additional, we have some additional ... we are doing some additional efforts to improve these synergies.

Mr. Barbosa: Ok Felipe, and your second question, as you may have noticed we produced slightly less, as Martins commented before, due to the much heavier rainy season in 2006 than usual, so a smaller volume of production and that may have caused this slight cost increase. If you take out this extraordinary effect of the prices, the price increase that we observed in the third quarter of 06.

Mr. Hirai: Ok thank you.

Operator: The next question comes Roger Downey. Please go ahead.

Mr. Roger Downey: Leonardo and Martins; two questions one for nickel, the other one for iron ore. With regards to the fourth quarter in Inco we saw a very strong sales performance. In the two months that were accounted for in CVRD results we saw £73 million of nickel being sold against £59 million of production in the quarter; so once we equate for the two months we saw that Inco bought about £15 million of nickel and used up a lot of stock. Going forward is there still, how much stock is there still left to be sold? And should we expect Inco to continue with the strategy to purchase large amounts of nickel on the market to own sell? And the second question would be with iron ore. I think Eduardo mentioned that in the north system they are improving logistics there, that the trains are being increased to 340 wagons. What would be the capacity that would reach in the next few years please?

Mr. Barbosa: Leonardo, could you take the first one?

Mr. Moretzsohn: Yes, thank you Roger. We are buying nickel to fulfill our customer needs. This is not out intention to keep this acquisition of nickel from third parties in the long run, or just to fulfill the needs of the customer, which is eager for nickel in the final products. Our strategy is to increase production to fulfill 100% from our mines. We do not have the intention to keep this pace in the future.

Mr. Barbosa: Eduardo, could you answer the question...

Mr. Eduardo: Yes, the way we set capacity, when we finish the project of the sideways and operating the full system of 320 wagons, just put this way, we go to 190 million tons of infrastructure in the railway, but we can never forget there has to be a ... the port system with the rail with the mines, so for the infrastructure of the rail, 190 million. I hope I answered.

Mr. Barbosa: Thank you.

Mr. Downey: Thank you very much.

Operator: The next question comes from Rodolfo de Angele from JP Morgan.

Mr. Rodolfo de Angele: Hi, congratulations on the results. I just have a question on the iron ore side. You mentioned that you expect the market to remain tight, in the press release you also mentioned that the new capacity increases should come at higher cost, because there are less brownfields more greenfields; I wonder if you could comment on what you have seen in terms of Capex per ton of new capacity that has been announced? Another note, I would like you could just update us on how is the cost-cutting effort? Is the company moving along, if you have any, anything that you can add towards what you expect in 07 and 08?

Mr. Barbosa: Ok. Martins, could you answer the first one and help me with the second please?

Mr. Martins: Ok. Related to Capex for new projects, depending very much upon the geological conditions, but what we are seeing around the world is Capex above US$ 100 per ton, if you consider all the logistic needs involved. So in a greenfield project it will be very difficult to build capacity below this level, which is much bigger than the normal brownfield that we have seen in the last five years, which is around US$ 50 per ton and for some projects that we see in Australia we can see even higher numbers, quite near US$

150 per ton. So the situation for the new projects will bring the price floor at much higher levels than we see now.

Mr. Barbosa: Ok thank you, Martins. And as for the cost-cutting efforts we are implementing our efforts and the first results we showed already in our view. I would also add that we are having a lower cost pressure this first quarter related to fuel costs, and oil costs compared to what we were expecting given the prices, the oil prices that are prevailing abroad. Also we observed some reduction in costs of parts and components, we are discussing with our suppliers a better arrangement. We signed a contract with Petrobrás that would result in a small but meaningful cost-reduction for a few costs in the long term, so there are several initiatives underway and we would rather show you the results every quarter than make a forecast regarding our future…

Mr. de Angele: Thank you very much.

Operator: Thank you Mr. de Angele. Our next question comes from Jorge Beristein with Deutsche Bank. Please go ahead.

Mr. Jorge Beristein: Good morning Fabio, Jorge Beristein with Deutsche Bank. What I wanted to clarify on the nickel guidance that you are giving for the tonnage production for 2007, I think you are mentioning 287,000 t in your release; how much of that would be third party?

Mr. Barbosa: This is production, Jorge.

Mr. Beristain: So that 100% production attributable to you and does not include resales from third parties as we saw in the fourth quarter?

Mr. Barbosa: Production of finished nickel.

Mr. Beristain: Ok. Second question had to do with the rate at which we have seen SG&A climb both, the year on year and sequentially. You are now at a US$ 750 million quarterly rate in the fourth quarter, which is annualizing US$ 3 billion of SG&A. I wanted to know if that is a benchmark we should now be using in our models or if you think that the fourth quarter could have been extraordinary for some reasons?

Mr. Barbosa: The fourth quarter we believe there are some extraordinary charges related to the takeover and we would not annualize that and also we are just starting to, you know, we have a new management team appointed - that was in January - and we are just starting our management there, so I would not take that as a good indication for the future and besides don't forget about the provision for environmental charges that we have there.

Mr. Beristain: Ok and perhaps a quick last question and just regarding the effective tax rate, obviously your Inco operations are contributing to a much higher sequential tax rate for you. Is 24% still a rough benchmark for 2007 or as are you going to see more contribution from nickel would you be guiding towards an even higher effective tax rate for 07 now?

Mr. Barbosa: As you said rightly, we should expect some increase of our average effective tax rate as a result of the consolidation of Inco; however, with this adjustment in inventories it has a positive tax effect in 2007. So we could observe a lower effective rate for Inco, but overall the number you mentioned is a reasonable assumption, I am not saying that is our own assumption, but a very reasonable assumption.

Mr. Beristain: Thank you.

Mr. Barbosa: Thank you.

Operator: Thank you for your question Mr. Beristain. Our next question comes from Victoria Santaella of Santander. Please go ahead.

Ms. Victoria Santaella: Hi good morning gentlemen. I have two questions; the first one is regarding the outsourced services where we saw an increase of almost 40% in 2006. I want to know if there are any plans to decrease these expenses and what does the bulk of it represent? And my second question is regarding the currency appreciation, if you can give us an idea of what is management doing in order to minimize any negative impact that you might have in your earnings going forward?

Mr. Barbosa: OK thank you. First on the outsourced services, the total increase of cost of outsourced services in 2006 was about US$ 440 million and roughly one-third of it was associated with the appreciation of the real and if you take out the volume effect, two major components explain the main increase: first waste removal services that is a cost that increased sharply in 2006, US$ 86 million; and also cost of freight, of transportation for iron ore, both in railways and also through trucks, and those together represented roughly one-third of the increase in the outsourced services. What we are trying to do with the suppliers, we are discussing with them because we believe that in some cases is not reasonable what happened in the last few years in terms of cost increase, for instance, Martins is implementing a new idea in terms of fleet to transport our iron ore in the southern system with smaller trucks. Martins, would you like to comment on this a little bit?

Mr. Martins: Yes Fabio, we are now reducing outsourcing in the iron ore business. We are doing much more from ourselves and in this case of moving, we are putting small trucks because big trucks, the economicity of the big trucks is becoming not so convenient and we are, we have lack of tires and so we are introducing the small trucks in order to solve these problems and we are getting rid of third parties for moving waste. In reality we are more and more doing things by ourselves in the iron ore business, so I think going forward we are going to see a reduction in the third party services in our iron ore business. In this year specifically we have much more volume in the MRS railway system, we ship much more iron ore through the MRS so it increased the third party costs in the railway system because we ship much more iron ore for that system and also because we have an extraordinary increase in the freight rates for that system. Looking ahead the idea is to reduce more and more the impact of the third parties and to do much more internally this kind of service because the economicity now is completely different. Cost of capital for CVRD is lower than for third parties and we think that we can operate better, so more and more we intend to reduce third party services in our cost structure.

Mr. Barbosa: And again, this is on top of a major discussion that we are having now with our suppliers trying to show them that we would expect a different approach from now on as they increased sharply their prices or their cost over the last few years and we are following that very, very closely. Now the second question regarding currency appreciation, what we are doing? With the acquisition of Inco we naturally reduced the share of the Real in our total exposure to currencies. We believe that we should work more on this variable because as we see a very benign scenario going forward in terms of the global economy and the perspectives of the Chinese growth and the international liquidity - although with some adjustments here and there - we don't expect any major depreciation of the Real and maybe even see some appreciation as it occurred in the first few months of the year, compared to what we were expecting. We were working with a nominal exchange rate of R$ 2.33 and it is now R$ 2.10 or something like that, so it is already 5% more appreciated than we expected at the beginning. So we should, we must work with this reality and the answer to your question is we should reduce our exposure to the Real and what we are doing that is synchronizing our global procurement effort, trying to increase the share of dollar-related procurements and processes and also trying to reduce further our exposure to the Real through derivative transactions, but this is in a very initial stage and we have no major results to show as yet. Thank you.

Ms. Santaella: Thanks.

Operator: Thank you for your question Ms. Santaella. Our next question comes from Denis Parisien with Santander. Please go ahead.

Mr. Denis Parisien: Good morning everyone, congratulations on your results. My question is on debt, I would like to if you could get to give a bit more color. I think you mentioned you plan to repay the remaining bit of the bridge loan by the second quarter, if you could comment on the kind of the nature of the transaction you may use to do that refinancing, if you can comment on that? And if you have any color you can give us on target debt/Ebitda and net debt/Ebitda coverage ratios through the end of the year? Thanks.

Mr. Barbosa: Thank you Denis. We are studying several possibilities. As I commented, we have some liquidity already available to us as our own resources and we will use it. We are studying increasing transactions like the supply credit that works very well, it is a very, very interesting transaction - very long maturity, 8 years at a very attractive cost; we are studying some other debt instruments but for the time being we have no decision which one we are going to choose, as we are in a very comfortable position. As for the indications for net debt/Ebitda for the future, well, we provided you for the first time with some figures for the production for the whole year, so it is up to you to make the exercise on prices and make your assumptions and reach your own results, but we did what we could to provide you with the best information. Thank you.

Operator: Thank you for your question Mr. Parisien. Our next question comes from Stephen Barret with Nevsky Capital. Please go ahead.

Mr. Stephen Barret: Hi, both my questions have actually been answered. I just had one question on iron ore production. I am just trying to understand the production at Brucutu and I can actually see that mine spread out of your production report. Could you tell us what the production was at Brucutu in the fourth quarter? Thanks very much.

Mr. Barbosa: Martins, could you answer that? Thank you. Martins?

Mr. Martins: Yes.

Mr. Barbosa: The question was on the Brucutu production in the last quarter of 06.

Mr. Martins: In the last quarter Brucutu production was very small, was near 1 million tons only. Because we are in ramping-up production. So was very small, the impact of Brucutu last year was very small. For this year we are now producing in the rhythm of 1 million tons per month and we expect to produce 18 million tons by end of this year in Brucutu.

Mr. Barbosa: And this is for the new Brucutu, right, Martins? Because we have the old plant there working at 1.5 million tons per quarter, roughly.

Mr. Martins: Yes, yes. We are talking about the new Brucutu with the new processing plant.

Mr. Barrett: Was there a delay in the ramp up? Because I am sure in your third quarter report you were talking about production as of around 12 million tons to 2004 when in fact it has only been 1 million tons?

Mr. Barbosa: That is total production - that is what I was trying to explain. There was a delay in the ramp up yes, but there is a smaller plant that was already in operation, the old Brucutu, let's say, with a nominal capacity of 6 million tons and this was, I believe, produced that year plus the new Brucutu you are right, the ramp up has been slower than anticipated but the new Brucutu that would add, as Martins mentioned, 1 million tons, it will be fully operational by the end of this year.

Mr. Barrett: Thank you.

Mr. Barbosa: Thank you.

Operator: Thank you for your question Mr. Barret. Our next question comes from Eric Olive with ING. Please go ahead.

Mr. Eric Olive: Hi, congratulations on the results. Just following up on Denis' debt question, if I was to interpret your answer correctly my guess would be that you do not intend to bring down the absolute level of debt, but rather, at least in the near-term, but rather grow into improved debt ratios through your growth program. Is that a correct statement?

Mr. Barbosa: I am afraid not, it is not a correct statement. What I said was we indicated what our production levels are expected for 2007, is production that implies impressive growth in our lines of production, and at the same time we indicated a very positive global environment for raw materials in particular, and we already announced our investment program and our dividend, so if you do the math there you see it is not what I said, to the very contrary it is very likely that we will see a sharp reduction in our debt this year.

Mr. Olive: Ok, thank you for the clarity.

Mr. Barbosa: Thank you.

Operator: Thank you for your question Mr. Olive. Our next question comes from Ethan Silverman with Wexford Capital. Please go ahead.

Mr. Ethan Silverman: Yes, good morning, or good afternoon. I have a question specifically about nickel growth at PT Inco in Indonesia specifically the Capex plant and how much you intend to grow the production there given that it has got a lot of potential; and secondly if you can make a comment about the dividend policy now that you are running in the company?

Mr. Barbosa: Leonardo, could you comment on that please?

Mr. Moretzsohn: Ok, we have in fourth quarter, some plans to increase capacity in Indonesia and what we have in mind today is to increase capacity up to £200 million up to 2010 and also as you know we have some agreements with the Indonesian government to exploit two different reserves, which is Pomalaa and Bahodopi which are in our pipeline as well to be developed in the short term. So those are the investments in the production plants for Indonesia. Thank you.

Mr. Silverman: Could you make a follow comment given the balance sheet and the free cash flow there, what you intend to do about the dividend policy, please?

Mr. Moretzsohn: This is something that we have been analyzing, discussing; we are going to have a position on that by the end of this month when we are going to meet the remaining shareholders there on the board of commissioners, so I have nothing to declare for the time being, but we are going to know about this soon.

Mr. Silverman: Thank you.

Mr. Moretzsohn: 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: Thank you very much for attending this conference. I would like to thank especially our colleagues that joined us in this conference call, and please if you have any further questions let us know, we will be more than happy to answer them. Thank you very much.

Operator: That does conclude our Companhia Vale do Rio Doce’s 4th Quarter & 2006 Earnings conference call. Thank you very much for your participation. You may now disconnect.