



A VIRTUOUS CIRCLE OF GROWTH CVRD performance in the second quarter of 2007

Rio de Janeiro, July 31, 2007 - Companhia Vale do Rio Doce (CVRD) financial performance in the second quarter of 2007 (2Q07) continued to show several new records. The strategy of growth with diversification, anchored on a rigorous discipline in capital allocation, has allowed the effective exploitation of the opportunities presented by the economic cycle, which in turn has produced the strong cash flow necessary to finance growth initiatives. The corollary of this virtuous circle of growth is a significant and increasing value creation.

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The main highlights of CVRD's performance in 2Q07 were:

- Gross revenue of US\$ 8.9 billion, 45.2 % more than 2Q06 and 15.9% higher than the previous record of US\$ 7.7 billion, in 1Q07. Revenue in 1H07 was US\$ 16.6 billion as opposed to US\$ 10.8 billion in 1H06.
- Operational profit, as measured by adjusted EBIT^(a) (earnings before interest and taxes), reached an all-time high figure of US\$ 4.4 billion, involving an increase of 77.4% over 2Q06 and exceeding the US\$ 2.7 billion mark of the last quarter.
- Adjusted EBIT margin of 50.4%, against 41.4% in 2Q06 and 36.1% in 1Q07, overtaking the record 50.1% of 2Q05.
- Cash flow, as measured by adjusted EBITDA^(b) (earnings before interest, taxes, and depreciation), was equal to US\$ 5.1 billion in 2Q07, US\$ 2.1 billion more than 2Q06. This is the highest value ever reached for the adjusted quarterly EBITDA, breaking the 1Q07 record of US\$ 3.2 billion. In 1H07, the adjusted EBITDA reached US\$ 8.2 billion, as against US\$ 4.9 billion in 1H06.
- Record net earnings of US\$ 4.1 billion, corresponding to US\$ 1.69 earnings per share on a fully diluted basis, a 84.7% increase on the 1Q07 record of US\$ 2.2 billion. In the first half of 2007 net earnings reached US\$ 6.3 billion against US\$ 3.3 billion in 1H06.
- Investment spending in the first half of 2007 totaled US\$ 2.8 billion. Capital expenditure in 2Q07 was US\$ 1.4 billion, of which US\$ 1.065 billion was related to organic growth and US\$ 374 million to sustaining existing operations.
- Total debt dropped by 18.8%, from US\$ 23.5 billion in 1Q07 to US\$ 19.1 billion on June 30, 2007.
- US\$ 116.1 million was invested in 1H07 in environmental protection and US\$ 55.3 million in social actions.

Except where otherwise indicated the operational and financial information in this release is based on the consolidated figures in accordance with US GAAP and, with the exception of information on investments and behavior of markets, quarterly financial statements are reviewed by the company's independent auditors. The main subsidiaries that are consolidated are the following: CVRD Inco, MBR, Cadam, PPSA, Alunorte, Albras, Valesul, RDM, RDME, RDMN, Urucum Mineração, Ferrovia Centro-Atlântica (FCA), CVRD Australia, CVRD International, and CVRD Overseas.

In order to facilitate comparisons with the past and better evaluate CVRD's performance, we shall, in this document, be using pro forma data for 2Q06 – as if Inco Ltd., now CVRD Inco Ltd., had been acquired from January 1st 2006 – with the exception of information concerning debt and investments – exactly the same procedure as was used for the 1Q07 results. Complete accounting information for 2Q06 can be found in the report “Financial Information – second quarter of 2007”, filed at the U.S. Securities and Exchange Commission (SEC) and Comissão de Valores Mobiliários (CVM) in Brazil and in reports on CVRD's results for the second quarter of 2006 (www.cvr.com.br / investors relations section).

The performance of our wholly-owned subsidiary CVRD Australia Holdings, resulting from the acquisition of AMCI Holdings Australia, has been consolidated into this quarter's financial statements. Since the acquisition was only finalized on April 20th, 2007, the information refers only to May and June.

SELECTED FINANCIAL INDICATORS					
	US\$ million				
	Pro forma 2Q06 (A)	1Q07 (B)	2Q07 (C)	% (C/A)	% (C/B)
Gross revenues	6,127	7,680	8,899	45.2	15.9
Adjusted EBIT	2,468	2,702	4,379	77.4	62.1
Adjusted EBIT margin (%)	41.4	36.1	50.4		
Adjusted EBITDA	2,940	3,184	5,057	72.0	58.8
Net earnings	2,078	2,217	4,095	97.1	84.7
Earnings per share (US\$)	-	0.92	1.69		
Earnings per share fully diluted (US\$) ¹	-	0.92	1.69		
ROE (%)	-	34.3	33.7		
Total debt/ adjusted LTM EBITDA (x)	-	1.88	1.31		
Capex ²	818	1,360	1,439	75.9	5.8

ACCOUNTING AND NON-CASH ADJUSTMENT OF INVENTORIES - FAS 141/142

According to FAS 141 and 142, pronouncements made by the United States Financial Accounting Standards Board (FASB) in January, 2003, the values of all assets of the acquired company should be updated to market prices, including inventories. When these inventories are sold, the value of the inventory at production cost is recognized in the relevant accounts and the difference between its market value and production cost is recorded in a specific account as a component of COGS.

Since CVRD completed the acquisition of Inco Ltd shares in January 2007, increasing its participation from 87.73% to 100%, and since nickel prices rose significantly since the start of the acquisition of Inco Ltd. in October 2006, a final adjustment of US\$ 78 million has been made in 2Q07.

In 4Q06 US\$ 946 million was accrued, and in 1Q07, US\$ 984 million. It is important to emphasize once again that the entries determined by FAS 141 and 142 have a non-cash accounting effect.

¹ Earnings per share on a fully diluted basis consider in addition to the number of shares in circulation the shares held in treasury underlying notes mandatorily convertible into ADR's. As the mandatory convertible notes were issued only in June 20, 2007, earnings per share on a fully diluted basis are approximately equal to the earnings per share figure for 2Q07.

² Does not include spending with acquisitions.

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To make the effect of the accounting of the inventory adjustments clear, in the following table we present the data relating to the main indicators of CVRD's performance in 2Q07 and 1Q07, with and without the effect of the adjustment made.

EFFECT OF INVENTORY ADJUSTEMENT ON SELECTED FINANCIAL INDICATORS				
	US\$ million			
	1Q07 - A	1Q07 - B	2Q07 - A	2Q07 - B
Adjusted EBIT	2,702	3,686	4,379	4,457
Adjusted EBIT margin (%)	36.1	49.2	50.4	51.3
Adjusted EBITDA	3,184	4,168	5,057	5,135
Net earnings	2,217	2,837	4,095	4,173
Earnings per share, fully diluted basis (US\$)	0.92	1.17	1.69	1.72
ROE (%)	34.3	37.0	33.7	38.1

A – including inventory adjustment

B – excluding inventory adjustment

ISSUANCE OF MANDATORY CONVERTIBLE NOTES

In June 2007 CVRD successfully completed the issue of US\$ 1.88 billion in mandatory convertible notes due June 15, 2010. They bear interest of 5.50% per year, payable quarterly. Holders of the notes will be paid additional interest in the event CVRD makes cash distributions to the holders of its ADRs.

The notes issue is divided into two series: (a) RIO, to the value of US\$ 1.295 billion, convertible into ADRs representing common shares and traded on the New York Stock Exchange (NYSE) under the ticker symbol RIO; (b) RIO P, to the value of US\$ 584.5 million, convertible into ADRs representing preferred shares and traded on the NYSE under the ticker symbol RIO P.

The issuance of this hybrid instrument was considered by the rating agencies as 100% equity, and therefore not having any impact on the Company's debt. From the accounting standpoint, the net value of the notes issue was added to shareholders' equity.

The transaction was equivalent to a forward sale of shares currently held in treasury, having incorporated new investors in CVRD securities and will contribute to increasing the liquidity of our shares.

BUSINESS OUTLOOK

The global economy continues to experience one of the most significant phases of sustained growth in modern economic history. It is likely that the pace has accelerated in the second quarter of this year, with the highest growth rate in China's GDP since 1994 – 11.9% – and an improved performance of the US economy.

Chinese economic growth is broad-based, driven by a substantial increase in retail sales, fixed-asset investment and exports. As China is the third largest importer in the world, strong domestic demand has a positive impact on the growth of other economies, among which exporters of commodities and capital goods, thus contributing to the refueling of world economic growth.

The Chinese economic expansion is accompanied by rising profits and return on assets as much for companies in industries close to the final consumer as for those which make more intensive use of natural resources, such as the steel industry. A good part of investments in fixed assets, which is growing at 26% a year, is led by private sector companies, who are more sensitive to changes in profitability.

The rapid growth (27% per annum) of exports and its shift towards more sophisticated products shows that China has been able to compete internationally in sectors of high-added value, suggesting that companies are investing not only in increased capacity, but also in new technologies.

Our conclusion is that the risks of excess capacity are moderate, which contributes to the sustainability of economic development in China.

In 2Q07 the US economy recorded its best performance in more than a year, growing at 3.4% per year. This was influenced by the end of the inventory cycle, the increase in external demand caused by the depreciation of the US dollar and global growth and by the increase in business investment. However, the housing downturn will remain a significant drag on US growth for the next few quarters. As consequence, we expect an average GDP growth rate of about 2% a year.

The perception of increased credit risk is the greatest threat to US economic growth - as this may lead to a liquidity squeeze - and ultimately to the global growth.

Risks are being repriced, with spreads for poor quality corporate credits widening. The American financial industry has a large capacity for absorbing shocks, while deregulation, financial innovations and the substantial pool of capital in hedge funds, which provide liquidity and help in spreading risks, indicate that there is potential demand for assets backed by mortgages at prices compatible with attractive risk-adjusted returns.

As a result, the odds that the correction underway will contaminate the rest of the economy are slight. At the same time, we believe that a certain degree of nervousness will persist for some time in the financial markets.

In the Euro zone, monetary policies are still accommodative, credit is growing vigorously, and the economy is expanding in a balanced way, driven by exports and domestic demand, and particularly increased investment. The Japanese economy continues to show signs of vitality, based on the behavior of exports and private investment.

The global economy's good prospects are confirmed by the recent revision of estimates of growth by the IMF. The IMF raised its global GDP growth forecast for 2007 and 2008 by 0.3% to 5.2% for each year, as against 4.9% forecast in April of this year. This upward review was influenced mainly by the better prospects of emerging market economies such as China and India, which are going through a phase of intensive consumption of minerals and metals.

During economic expansions there are inventory mini-cycles of accumulation and consumption which use to provoke short-term swings in economic activity. During the current cycle there have been three phases of inventory correction in the world in 2003, 2005 and 2007.

These mini-cycles usually produce considerable volatility in metal prices around their central tendency, which is determined by more fundamental elements on the supply and demand side. In the case of copper, for instance, the consumption and subsequent rebuilding of inventories in China produced a V-shaped curve for prices between 3Q06 and 2Q07.

The stainless steel industry, the main consumer of nickel, was late entering the inventory cycle, reducing global production in 2Q07 after three consecutive quarters of growth. As a natural consequence of cyclical correction, demand for nickel weakened, determining a price decline since the beginning of May. Thus, nickel prices are likely to behave in a way similar to that described for copper.

However, even after a fall of about 30%, the average price of nickel in July, of US\$ 15.20 per pound, is still slightly higher than the average for 4Q06 – US\$ 15.00 per pound – which at the time was a historic record. This shows the tightness on nickel supply, even in the face of the strong negative impact of consumption of stainless steel inventories.

The evidence produced by surveys of world industrial activity suggests that the inventory correction has come to an end, in so far as there has been a decrease and the new orders/inventory ratio has been rising continuously. The behavior of this variable is a leading indicator of re-acceleration of global industrial production, which will underpin a stronger demand for minerals and metals.

Global steel production grew 8.4% in the first half of 2007, with China responsible for 71% of the increase and other Asian countries, mainly India, Japan and Korea for 12%. Brazilian production has recovered from its weak 2006 performance, growing this year by 12.8%. Production capacity has been growing in 2H07, with a new blast furnace starting operation, and there are various expansion projects at different stages of development. As consequence of these capacity increases our sales to the Brazilian will show an important increase over the next few years.

In spite of net exports of steel to China having nearly tripled, reaching 29.3 million metric tons in 1H07, internal consumption continues to increase significantly, driven by housing construction, investment in infra-structure and growth of consumer durable and shipbuilding industries which make more intensive use of the metal.

Imports of iron ore by China grew by 16.4% in the first half of the year, reaching 187.9 million metric tons compared with 161.5 million in the same period of 2006. Spot prices continue to be higher than C&F (cost and freight) prices for iron ore imported under long term contracts, in spite of differences in quality, signaling the permanence of excess global demand.

Chinese demand for copper continues to grow strongly, driven by investments in electricity distribution and electrification of the railways alongside growth in production of automotive components, air conditioning and refrigeration equipment. Given the slower growth in supply, the global market should register a deficit with the resulting return of inventory to 3Q06 levels.

Global demand for aluminum also continues to expand considerably. This is mainly due to China, which is responsible for 25% of world consumption and this should grow by more than 40% this year. In spite of the substantial increase in Chinese alumina production since last year, supported by massive imports of bauxite, the spot price has held at about US\$ 350 per metric ton in 2007, which still allows a good return for low cost producers like CVRD.

After two years of falling prices of metallurgical coal, a turning point has occurred in 2007.

The combination of growth in demand for both metallurgical and thermal coal in China – which moved from exporter to net importer in 1H07 – and India with supply restrictions imposed by Australian logistics infrastructure, and delay in developing projects, was essential for the change in price trends. With the industry's growing cost base, high growth of China and India and the greater

relative shortage of energy, the medium and long-term scenario looks quite favorable.

Looking ahead we continue to foresee the persistence of a benign global economic scenario which will play a favorable role on the future performance of CVRD.

RECORD REVENUES: US\$ 8.9 BILLION

Gross revenue of US\$ 8.899 billion in 2Q07 was a new quarterly record, topping last quarter's US\$ 7.680 billion. This represents a variation of 45.2% over 2Q06, when we obtained revenue of US\$ 6.127 billion. Price increases were responsible for 89% of the growth in revenue (US\$ 2.772 billion) between 2Q06 and 2Q07.

Accumulated revenue for the first half was US\$ 16.579 billion, which resulted in a 53.1% increase in relation to the US\$ 10.828 billion for 1H06.

Shipments of non-ferrous minerals represented 44.2% of gross revenue, against 42% for ferrous minerals. Aluminum chain products – bauxite, alumina and primary aluminum contributed 8.1% and logistics services 4.7%.

Revenues came from sales to Asia (43.4%), the Americas (32.6%), Europe (21.1%) and other countries (2.9%). China accounts for 17.9% of revenues, Brazil 15.2%, Japan 12.5%, United States 9.5%, Taiwan 7.2%, Germany 5.2% and South Korea 4.8%.

GROSS REVENUE BY DESTINATION						
US\$ million						
	Pro forma 2Q06	%	1Q07	%	2Q07	%
Americas	2,112	34.5	2,563	33.4	2,898	32.6
Brazil	1,023	16.7	1,138	14.8	1,350	15.2
USA	451	7.4	757	9.9	845	9.5
Canada	424	6.9	431	5.6	402	4.5
Others	214	3.5	237	3.1	301	3.4
Asia	2,272	37.1	3,330	43.4	3,866	43.4
China	1,001	16.3	1,239	16.1	1,596	17.9
Japan	642	10.5	886	11.5	1,111	12.5
South Korea	148	2.4	446	5.8	429	4.8
Taiwan	385	6.3	651	8.5	642	7.2
Others	96	1.6	108	1.4	88	1.0
Europe	1,393	22.7	1,541	20.1	1,878	21.1
Germany	350	5.7	386	5.0	459	5.2
France	120	2.0	164	2.1	213	2.4
UK	175	2.9	271	3.5	285	3.2
Others	748	12.2	720	9.4	921	10.3
Rest of the World	350	5.7	246	3.2	257	2.9
Total	6,127	100.0	7,680	100.0	8,899	100.0

COSTS AND OPERATING EXPENSES

In the second quarter of the year, cost of goods sold (COGS) reached US\$ 3.784 billion, 27.3% above that recorded for 2Q06 (US\$ 2.972 billion). If we discounted the effect of inventory adjustment, which in the quarter amounted to US\$ 78

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million, we would have a COGS of US\$ 3.706 billion, 24.7% above 2Q06 and 8.8% above the cost of 1Q07, also without the inventory adjustment.

The increase of US\$ 734 million in COGS compared to 2Q06 is due to: (a) US\$ 166 million as a result of the appreciation of the Brazilian real (9.4%) and the Canadian dollar (2.1%) against the US dollar; (b) US\$ 78 million resulting from expansion of sales; (c) US\$ 119 million related to larger depreciation charges; (d) US\$ 92 million due to the consolidation of CVRD Australia (US\$ 37 million) and Valesul (US\$ 55 million); (e) US\$ 279 million from higher prices for services and products purchased by the Company.

The cost of products acquisition, the main item of COGS and one which is directly impacted by the cycle of economic expansion, totaled US\$ 808 million in the quarter (21.8% of COGS) and contributed to most of its variation relatively to 2Q06, as it showed an increase of US\$ 196 million.

Higher purchases of refined and intermediary nickel products was the main factor for this increase, since it went from US\$ 317 million in 2Q06 to US\$ 487 million in 2Q07. The purchases of iron ore and pellets totaled US\$ 239 million, compared with US\$ 177 million in the same quarter of the previous year.

Costs with outsourced services, the second largest item in COGS (16.8%), grew 13.1% to US\$ 622 million, against US\$ 550 million in 2Q06.

The effect of US dollar depreciation versus the currencies in which services were contracted contributed to an increase of US\$ 55 million in these expenses. Apart from this, the following factors contributed to the increase: (a) increase in costs with rail freight for transportation of iron ore from the Southern System, from US\$ 132 million to US\$ 144 million in 2Q07; (b) increase in maintenance costs, from US\$ 90 million to US\$ 112 million in 2Q07; (c) consolidation of CVRD Australia, US\$ 25 million. Partially offsetting these higher costs was the fall in costs with removal of waste from the iron ore mines of approximately US\$ 44 million and smaller reductions in other items.

The cost of materials were the third largest item of COGS (15.7%) coming in at US\$ 582 million. The increase in relation to 2Q06 was US\$ 127 million, 52.0% of this total being due to price hikes, 33.1% due to exchange variation and 14.9% to growth in sales volume.

Expenses with spare parts and maintenance equipment amounted to US\$ 243 million, against US\$ 123 million in 2Q06; expenses related to purchase of inputs – such as explosives and limestone – amounted to US\$ 233 million, compared to US\$ 165 million in 2Q06, and those related to purchases of tires and conveyor belts amounted to US\$ 30 million, an increase of US\$ 5 million compared with 2Q06.

Energy costs, 15.5% of COGS, reached US\$ 576 million, of which US\$ 348 million for fuels and gases and US\$ 228 million for electricity. The increase in electricity prices account for 46.9% of the extra US\$ 147 million over 2Q06, while depreciation of the US dollar accounted for 31.3% and increased sales volumes 21.8%.

Expenses with fuel and gases increased US\$ 81 million, of which US\$ 30 million was due to change in exchange rate, and US\$ 7 million due to increase in sales volume in 2Q07. Regarding the expenses in electric energy, there was an increase of US\$ 66 million, explained by the Brazilian real appreciation (US\$ 16 million) and higher consumption (US\$ 25 million).

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Costs with personnel represent 12.0% of total COGS, amounting to US\$ 444 million. The 23.0% growth in these costs over 2Q06 is explained by effects of exchange rate variation (US\$ 36 million), additional headcount required by the Company's increased activities (US\$ 3 million) and a rise in compensation (US\$ 44 million). Most of this increase was due to a bonus payment to the employees in our nickel operations.

The costs of depreciation and amortization – 12.6% of COGS – reached US\$ 468 million, US\$ 119 million higher than 2Q06.

Expenses with demurrage – fines paid for delays in loading ships at the Company's maritime terminals – rose to US\$ 46 million. The rise of US\$ 31 million compared with the second quarter of last year is due to delays in loading ships in our ports, brought on by a combination of strong worldwide demand, reduced inventories on our stockyards and some operational problems in the railways. The costs of demurrage moved from US\$ 0.28 per metric ton in 2Q06 to US\$ 0.79 per metric ton of iron ore shipped this quarter.

Sales, general and administrative expenses (SG&A) reached US\$ 266 million, rising 3.5% in relation to 2Q06.

There was a reduction in sale expenses of US\$ 19 million and an increase of US\$ 13 million in rental and tax expenses, as well as US\$ 6 million with depreciation.

Expenses with R&D amounted to US\$ 152 million in the quarter, rising by US\$ 35 million over the second quarter 2006. The increase of US\$ 39 million in relation to 1Q07 is due to the renewal of field research in regions where heavy rainfall is common in the first quarter of the year.

COST OF GOODS SOLD						
	US\$ million					
	Pro forma 2Q06	%	1Q07	%	2Q07	%
Outsourced services	550	18.5	500	14.7	622	16.8
Material	455	15.3	514	15.1	582	15.7
Energy	429	14.4	483	14.2	576	15.5
Fuels	267	9.0	280	8.2	348	9.4
Electric energy	162	5.5	203	6.0	228	6.2
Acquisition of products	612	20.6	792	23.3	808	21.8
Iron ore and pellets	177	6.0	252	7.4	239	6.4
Aluminum products	84	2.8	82	2.4	71	1.9
Nickel products	317	10.7	446	13.1	487	13.1
Other products	34	1.1	12	0.4	11	0.3
Personnel	361	12.1	437	12.8	444	12.0
Depreciation and exhaustion	349	11.7	386	11.3	468	12.6
Others	216	7.3	294	8.6	206	5.6
Total before inventory adjustment	2,972	100.0	3,406	100.0	3,706	100.0
Inventory adjustment FAS 141/142	-		984		78	
Total	2,972		4,390		3,784	

RECORD OPERATING PERFORMANCE

Operating profit, as measured by adjusted EBIT, was US\$ 4.379 billion in 2Q07, the largest ever recorded in the Company's entire history, showing growth of 77.4% over 2Q06. For the full semester, operating profit reached US\$ 7.081 billion, an increase of 73.0% on the first semester of 2006.

Setting aside the US\$ 78 million for inventory adjustment, operating profit for the quarter was US\$ 4.457 billion, which represents an adjusted EBIT margin of 51.3%, and an improvement of 990 basis points in relation to the 41.4% margin reported in 2Q06.

RECORD NET EARNINGS PASS THE 4 BILLION MARK

In the second half of 2007, CVRD showed record net earnings of US\$ 4.095 billion, equivalent to earnings per share diluted of US\$ 1.69. The amount recorded was 97.1% above the US\$ 2.078 billion of 2Q06.

Amongst the factors which contributed directly to this increase in earnings as compared with 2Q06 it's worth to highlight: (a) an increase of US\$ 1.911 billion in operating profit; (b) financial result of US\$ 501 million, with a swing of US\$ 945 million relatively to 2Q06; (c) gains from the sale of assets, Usiminas US\$ 457 million and Log-In Logística US\$ 217 million. On the other hand, income tax increased by US\$ 1.057 billion to US\$ 1.396 billion in 2Q07, versus US\$ 339 million in 2Q06.

The net financial result, excluding gains from the sale of assets, was US\$ 501 million, compared with a negative result of US\$ 444 million in 2Q06. This variation is mainly due to the appreciation of the Brazilian real (11%) and the Canadian dollar (4.6%) against the US dollar, generating a favorable impact of US\$ 932 million on our net liabilities in US currency.

Financial revenue fell from US\$ 131 million in 2Q06 to US\$ 77 million in 2Q07. On the other hand, financial expenses dropped by US\$ 6 million, from US\$ 514 million in 2Q06 to US\$ 508 million in 2Q07.

Derivatives produced gains of US\$ 118 million against losses of US\$54 million in 2Q06. The swap of Brazilian real-linked interest rates of its non-convertible debentures into a US dollar linked interest rate generated a positive effect of US\$ 258 million, due to the appreciation of the Brazilian real against the US dollar. On the downside, hedging of copper prices, designed to lock-in a certain level of revenue, caused losses of US\$ 118 million.

Due to the mark-to-market of our shareholders' debentures, we recognized an accounting loss of US\$ 109 million in 2Q07.

Equity income contributed US\$ 156 million to net profit, a reduction of US\$ 28 million compared to 2Q06.

Investments in ferrous minerals companies were responsible for 44.9% of the equity income, steel 17.9%, logistics 17.3%, aluminum 12.8%, and coal 7.1%. In individual terms, the main contributions came from Samarco (US\$ 59 million), MRS Logistics (US\$ 29 million) and MRN (US\$ 20 million).

EQUITY INCOME BY BUSINESS SEGMENT						
	US\$ million					
	2Q06	%	1Q07	%	2Q07	%
Iron ore and pellets	88	47.8	83	60.1	70	44.9
Aluminum, alumina and bauxite	22	12.0	22	15.9	20	12.8
Logistics	24	13.0	23	16.7	27	17.3
Steel	46	25.0	1	0.7	28	17.9
Coal	4	2.2	9	6.5	11	7.1
Total	184	100.0	138	100.0	156	100.0

RECORD CASH FLOW OF US\$5 BILLION

In 2Q07, adjusted EBITDA surpassed the US\$ 5 billion mark for the first time. The US\$ 5.057 billion record was due to an increase of 72.0% compared with 2Q06 and 58.8% greater than the previous record of US\$ 3.184 billion in 1Q07.

Adjusted EBITDA for 2Q07, excluding the non-cash effect of inventory adjustment to the amount of US\$ 78 million, was US\$ 5.135 billion.

In the first half of 2007, adjusted EBITDA amounted to US\$ 8.241 billion, 66.5% greater than 2H06.

The increase in adjusted EBITDA of US\$ 2.117 billion in 2Q07 compared with 2Q06 is explained by the US\$ 1.911 billion increase in adjusted EBIT, the US\$ 151 million in depreciation and the US\$ 55 million in dividends from non-consolidated companies.

Dividends received in 2Q07 from associated companies and joint ventures amounted to US\$ 153 million, of which US\$ 50 million was paid by Samarco, US\$ 28 million by MRN, US\$ 27 million by MRS, US\$ 24 million by Usiminas, US\$ 16 million by Hispanobras and US\$ 8 million by Itabasco.

Distribution of cash flow by business area in 2Q07 was as follows: non-ferrous minerals 52.7%, ferrous minerals 40.5%, aluminum 5.9%, and logistics 3.8%. Expenses with R&D, not allocated to the business areas, caused a reduction in adjusted EBITDA of US\$ 152 million.

QUARTERLY ADJUSTED EBITDA			
	US\$ million		
	Pro forma 2Q06	1Q07	2Q07
Net operating revenues	5,960	7,489	8,692
COGS	(2,972)	(4,390)	(3,784)
SG&A	(257)	(268)	(266)
Research and development	(117)	(113)	(152)
Other operational expenses	(146)	(16)	(111)
Adjusted EBIT	2,468	2,702	4,379
Depreciation, amortization & exhaustion	374	392	525
Dividends received	98	90	153
Adjusted EBITDA	2,940	3,184	5,057

■ A LOW-RISK DEBT PROFILE

The improvement of debt indicators in 2Q07 is aligned with our focus on a low-risk debt portfolio. There was a significant reduction in total debt and in leverage ratios, simultaneously with the lengthening of the average debt maturity.

The Company's total debt as of June 30, 2007 was US\$ 19.075 billion, showing a reduction of US\$ 4.405 billion compared with its position on March 31, 2007, at US\$ 23.480 billion. The powerful cash flow allowed for the repayment of US\$ 2.25 billion corresponding to the remaining part of the bridge loan taken for the Inco Ltd acquisition and the pre-payment of trade finance lines of US\$ 1.595 billion.

Total net debt as of June 30, 2007 was US\$ 17.301 billion, as compared with US\$ 19.526 billion at the end of 1Q07.

As a result of the debt reduction and the growth in cash flow, the leverage ratio, as measured by gross debt/adjusted LTM EBITDA(d) showed a decline from 2.00x³ at December 31 2006 to 1.88x⁴ at March 31 2007 and to 1.31x⁵ at June 30, 2007. The ratio between total debt and *enterprise value*(f) went from 22.4% at March 31 2007 to 15.9% at June 30 2007.

In line with our financial policy of minimizing refinancing risks, average debt maturity increased, moving from 8.27 years in June 2006 to 10.15 years in June 2007.

In spite of longer debt maturity, the average cost of debt (before income tax) was 6.79% in June 2007, a reduction of 74 basis points in relation to 2Q06 levels.

Total debt as of June 30 2007 was made up of 59% of obligations at floating interest rates and 41% at fixed rates, of which 96% denominated in US dollars.

Interest coverage, expressed through adjusted LTM EBITDA/LTM interest paid (e) fell from 15.63x at March 31, 2007 to 13.00x at June 30, 2007, but remains at extremely comfortable levels. In spite of the lower average debt cost, interest payments increased, causing the interest coverage indicators to point to a decreasing tendency from 4Q06 onwards, when 15.94x were recorded compared with 21.63x in the 3Q06.

The pre-payment of debt in 2Q07 caused additional interest payments of US\$ 66.3 million, contributing to increase the interest payment flow in the last twelve months ended in June 30, 2007, and consequently reducing the interest coverage ratio.

³ Considering, in 4Q06, pro forma adjusted LTM EBITDA of US\$ 11.306 billion.

⁴ Considering, in 1Q07, pro forma adjusted LTM EBITDA of US\$ 12.480 billion.

⁵ Considering, in 2Q07, pro forma adjusted LTM EBITDA US\$ 14.597 billion.

FINANCIAL EXPENSES			
			US\$ million
	Pro forma		
	2Q06	1Q07	2Q07
Gross interest on:			
Debt with third parties	(325)	(365)	(360)
Debt with related parties	(2)	(2)	(1)
Sub-total	(327)	(367)	(361)
Other financial expenses on:	2Q06	1Q07	2Q07
Tax and labor contingencies	(26)	(15)	(25)
Tax on financial transactions (CPMF)	(18)	(53)	(32)
Derivatives	(54)	85	118
Others	(89)	(309)	(208)
Sub-total	(187)	(292)	(147)
Total	(514)	(659)	(508)

DEBT INDICATORS			
			US\$ million
	2Q06	1Q07	2Q07
Total debt	5,883	23,480	19,075
Net debt	3,989	19,526	17,301
Total debt / adjusted LTM EBITDA (x)	0.80	1.88	1.31
Adjusted LTM EBITDA / LTM interest expenses (x)	23.76	15.63	13.00
Total debt / EV (%)	9.84	22.36	15.86

Enterprise Value = market capitalization + net debt

■ PERFORMANCE OF THE BUSINESS DIVISIONS

Ferrous minerals

Iron ore and pellets shipments in 2Q07 reached 73.053 million metric tons, the largest ever shipment for a second quarter, lower only against to 3Q06 (73.437 million metric tons). Compared with the 67.583 million metric tons shipped in 2Q06, there was an increase of 8.1%.

In the first half of the year iron ore and pellets shipments reached 139.618 million metric tons, representing 6.2% growth over 1H06, when the total was 131.469 million metric tons.

Iron ore sales attained 64.803 million metric tons in the quarter, as opposed to 62.518 million in 2Q06. In 1H07 CVRD shipped to its customers 123.429 million metric tons of iron ore, 2.4% more than in 1H06, when 120.510 million metric tons were shipped.

The volume of pellets sold in 2Q07 was 8.250 million metric tons, also the second largest ever in the history of the Company and only less than 4Q05, when we shipped 8.579 million metric tons. In the first half of the year, pellets sales grew 47.7%, reaching 16.189 million metric tons, compared to 10.959 million sold in 1H06.

Given the sharp rise in global steel output, the search for productivity increase enhances the demand for pellets to be used more intensively in the blast furnaces.

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To meet the increasing demand from our clients we bought 6.140 million metric tons of pellets from our Tubarão JVs – Nibrasco, Kobrasco, Itabasco and Hispanobras.

China is the main destination for iron ore and pellets sales, receiving 23.4 million metric tons in 2Q07. In the first half of the year, shipments to customers in China amounted to 45.0 million metric tons, corresponding to 32.3% of our total sales and 23.9% of Chinese imports.

Sales to Brazil remained stable in 2Q07 at 14.567 million metric tons, causing a reduction in share in the overall volume sold. As a result of our efforts to attract steel players, several steel projects are in different stages of development in Brazil. The demand from these new plants will produce an important increase in our sales to the Brazilian market.

For the pelletizing joint ventures (Samarco, Nibrasco, Kobrasco, Hispanobras and Itabasco), sales of pellet feed reached 5.202 million metric ton in 2Q07.

The 2007 reference prices for iron ore and pellets are almost completely factored into our 2Q07 results. Only US\$ 8 million remains to be in the next quarter as a retroactive adjustment.

Average sale price per metric ton for iron ore in 2Q07 was US\$ 44.72, 13.2% above the 2Q06 price, which was US\$ 39.52 per metric ton. The average price per metric ton for pellets was US\$ 80.36, 5.5% higher than 2Q06 when it reached US\$ 76.21 per metric ton.

Shipments of manganese ore came to 219 thousand metric tons, 10.6% greater than for 2Q06, when they amounted to 198 thousand metric tons; ferroalloys shipments came to 111 thousand metric tons, a reduction of 22.9% from 2Q06, at 144 thousand metric tons.

Manganese and ferroalloys prices are recovering, due to a combination of significant demand for alloys (caused by the increase in steel production) and a tight supply of manganese ore. The average realized price for manganese reached US\$ 95.89 per metric ton in 2Q07, as against US\$ 55.56 in 2Q06. For ferroalloys, whose average price in 2Q06 was US\$ 805.56 per metric ton, there was an increase of 36.4%, hitting US\$ 1,099.10 this quarter.

Revenue from ferrous minerals – iron ore, pellets, manganese and ferroalloys – was US\$ 3.734 billion in 2Q07, 24.0% above the US\$ 3.011 billion obtained in 2Q06. Sales of iron ore made up US\$ 2.898 billion (78%), pellets US\$ 663 million (18%), operational services for the Tubarão pelletizing plants US\$ 19 million, manganese ore US\$ 21 million and ferroalloys US\$ 122 million.

Adjusted EBIT margin was 49.4%, an increase of 100 basis points in relation to the 48.4% of 2Q06.

The adjusted EBITDA for the quarter amounted to US\$ 2.081 billion, an increase of 31.0% over 2Q06.

FERROUS MINERALS			
	2Q06	1Q07	2Q07
Adjusted EBIT margin (%)	48.4	50.9	49.4
Adjusted EBITDA (US\$ million)	1,588	1,828	2,081

Non-ferrous minerals

Revenues from sales of non-ferrous minerals – nickel, copper, kaolin, potash, platinum group of metals, precious metals and cobalt – reached a new quarterly record, totaling US\$ 3.933 billion, an improvement of 91.3% over the US\$ 2.056 billion recorded in 2Q06.

In 2Q07 the revenue from the sale of 68,457 metric tons of finished nickel reached US\$ 3.196 billion, at an average price of US\$ 21.15 per pound, compared with US\$ 9.17 per pound in 2Q06.

The nickel unit cash cost of sales, before by-product credits, showed an increase of 15% over 2Q06, reaching US\$ 3.81 per pound. After by-product credits, the nickel unit cash cost dropped to US\$ 2.98 per pound, compared with US\$ 2.08 in 2Q06.

The increase in cash cost of nickel sales were due to: (i) higher employment costs, primarily as a result of higher earnings-based bonus payments; (ii) higher costs of supplies and outsourced services; (iii) increased consumption of high sulphur fuel oil and diesel oil in Indonesia, where prices have gone up by 5.7%; (iv) higher costs for purchased nickel concentrates and other intermediary products acquired from third parties; (v) appreciation of the Canadian dollar (2.1%) and the Indonesian rupiah (1.5%) against the US dollar.

The volume of copper shipped amounted to 68,388 metric tons, an increase of 3% over 2Q06. The average price obtained for copper sales increased 7%, reaching US\$ 7,369.71 per metric ton. Revenues in the quarter reached US\$ 504 million, the largest sales of this product so far recorded, 11% above the US\$ 455 million of 2Q06.

Revenues from sales of platinum group metals (PGMs) were US\$ 87 million, kaolin US\$ 55 million, potash US\$ 39 million, cobalt US\$ 32 million and precious metals (gold and silver) US\$ 20 million.

The market for platinum has been very tight, due to a significant growth in demand, mainly driven by the clean air regulations for autos in the US and Europe. As a consequence, prices have been hovering around US\$ 1,300 per troy ounce (oz). Our average sales prices rose from US\$ 1,167 in 2Q06 to US\$ 1,297 per oz in 2Q07.

The increase in worldwide demand for proteins, which require ever-increasing quantities of grain, the leap in ethanol and biodiesel production and the higher usage of fertilizers to improve agricultural productivity have all created an increasing pressure on the supply of potash. The average realized price in our sales rose to US\$ 240.74 per metric ton from US\$ 190.08 in 2Q06.

Adjusted EBITDA, excluding the extraordinary effect of the inventory accounting adjustment, reached US\$ 2.706 billion, as compared with US\$ 955 million in 2Q06.

Adjusted EBIT margin, also excluding the extraordinary item for inventory adjustment, reached 59.9%, as against 35.6 % in 2Q06.

NON FERROUS MINERALS			
	Pro forma 2Q06	1Q07*	2Q07*
Adjusted EBIT margin (%)	35.6	52.2	59.9
Adjusted EBITDA (US\$ million)	955	2,011	2,706

* excluding inventory adjustment

Aluminum

Revenues from shipments of bauxite, alumina and aluminum reached US\$ 724 million in the second quarter, the largest volume ever recorded by CVRD and an increase of 13.1% versus 2Q06.

In parallel with the rise in aluminum prices, US\$ 2,845.16 per metric ton against US\$ 2,607.14 in 2Q06, volumes sold also increased, totaling 155,000 metric tons, compared to 112,000 in 2Q06. Part of this increase is due to the consolidation of Valesul.

Alumina shipments amounted to 766,000 metric tons, compared to 867,000 in 2Q06 and 700,000 in 1Q07. The average price obtained was US\$ 348.56 per metric ton, maintaining the previous quarter's levels, but showing a drop of 10.9% from the 2Q06 level.

Adjusted EBIT margin was 34.3%, versus the record margin of 47.4% in 2Q06. The average price increase for electricity, from US\$ 37.90 per MWh to US\$ 45.30 in 2Q07, and the increases in caustic soda and bauxite prices were important factors compressing operational margins.

Adjusted EBITDA reached US\$ 301 million, compared with US\$ 339 million in the same quarter of the previous year.

ALUMINUM			
	2Q06	1Q07	2Q07
Adjusted EBIT margin (%)	47.4	39.1	34.3
Adjusted EBITDA (US\$ million)	339	304	301

Coal

Revenues from coal reached US\$ 42 million in May/June 2007, of which US\$ 30 million from metallurgical coal (semi-hard, semi-soft and PCI) and US\$ 12 million from thermal coal.

We sold 470,000 metric tons of metallurgical coal and 228,000 metric tons of thermal coal at average prices of US\$ 63.83 and US\$ 52.63 per metric ton, respectively.

Logistics services

Total revenues generated by logistics services in 2Q07 amounted to US\$ 414 million, a new quarterly record, 14.4% above the US\$ 362 million of 2Q06 and 8.1% above the US\$ 383 million record registered in 3Q06.

Rail transportation of general cargo contributed US\$ 333 million, port services US\$ 61 million and shipping and port support services US\$ 20 million.

The volume of general cargo transported on the Company's railways during the second quarter of 2007 came to 7.629 billion net tons kilometers (ntk), an increase of 3.6% over 2Q06.

The main cargoes transported were agricultural products, making up 47.8% of the total, as a result of the strong growth in agricultural production in Brazil. Next were inputs and products for the steel industry at 38.4%, fuel at 8.4% and others (5.4%).

US GAAP

CVRD's ports and maritime terminals handled 7.176 million metric tons of general cargo, compared with 7.818 million metric tons in the same period in 2006.

Adjusted EBIT margin was 27.5%, 120 basis points lower than the 28.7% recorded in 2Q06.

Adjusted EBITDA reached US\$ 193 million in 2Q07, 43.3% above the US\$ 135 million recorded in 2Q06.

LOGISTICS			
	2Q06	1Q07	2Q07
Adjusted EBIT margin (%)	28.7	28.3	27.5
Adjusted EBITDA (US\$ million)	135	125	193

SALES VOLUMES, REALIZED PRICES AND REVENUES

VOLUME SOLD: MINERALS AND METALS						
'000 metric tons						
	2Q06	%	1Q07	%	2Q07	%
Iron ore	62,518	92.5	58,626	88.1	64,803	88.7
Pellets	5,065	7.5	7,939	11.9	8,250	11.3
Total	67,583	100.0	66,565	100.0	73,053	100.0

VOLUME SOLD: MINERALS AND METALS			
'000 metric tons			
	Pro forma 2Q06	1Q07	2Q07
Manganese ore	198	83	219
Ferro-alloys	144	124	111
Nickel	71	71	69
Copper	66	66	68
Kaolin	305	269	325
Potash	121	161	162
Precious metals (oz)	735	640	467
PGMs (oz)	84	77	97
Cobalt (metric ton)	525	580	583
Aluminum	112	134	155
Alumina	867	700	766
Bauxite	265	316	401
Metallurgical coal	-	-	470
Thermal coal	-	-	228

US GAAP

IRON ORE AND PELLET SALES BY REGION						
	'000 metric tons					
	2Q06	%	1Q06	%	2Q07	%
Americas	18,192	26.9	17,113	25.7	17,759	24.3
Brazil	14,607	21.6	14,237	21.4	14,567	19.9
Steel mills and pig iron producers	9,010	13.3	8,686	13.0	9,365	12.8
JVs pellets	5,597	8.3	5,551	8.3	5,202	7.1
USA	1,592	2.4	653	1.0	778	1.1
Others	1,993	2.9	2,223	3.3	2,414	3.3
Asia	30,395	45.0	32,059	48.2	34,669	47.5
China	19,967	29.5	21,664	32.5	23,385	32.0
Japan	6,057	9.0	5,930	8.9	6,606	9.0
South Korea	1,967	2.9	2,133	3.2	3,000	4.1
Others	2,404	3.6	2,332	3.5	1,678	2.3
Europe	16,579	24.5	15,597	23.4	18,528	25.4
Germany	5,093	7.5	5,224	7.8	5,793	7.9
France	2,290	3.4	2,592	3.9	3,200	4.4
Belgium	1,678	2.5	1,562	2.3	1,348	1.8
Italy	1,430	2.1	1,880	2.8	2,019	2.8
Others	6,088	9.0	4,339	6.5	6,168	8.4
Rest of the World	2,417	3.6	1,796	2.7	2,097	2.9
Total	67,583	100.0	66,565	100.0	73,053	100.0

LOGISTICS SERVICES – GENERAL CARGO			
	2Q06	1Q07	2Q07
Railroads (million ntk)	7,365	6,035	7,629

AVERAGE PRICES REALIZED			
	US\$/ metric ton		
	Pro forma 2Q06	1Q07	2Q07
Iron ore	39.52	41.79	44.72
Pellets	76.21	75.07	80.36
Manganese	55.56	72.29	95.89
Ferro alloys	805.56	1,000.00	1,099.10
Nickel	20,209.87	40,338.50	46,624.94
Copper	6,868.96	5,540.33	7,369.71
Kaolin	154.10	185.87	169.23
Potash	190.08	198.76	240.74
Platinum (US\$/oz)	1,167.41	1,154.45	1,297.17
Cobalt (US\$/lb)	13.33	22.68	24.90
Aluminum	2,607.14	2,947.76	2,845.16
Alumina	391.00	345.71	348.56
Bauxite	30.19	31.65	37.41
Metallurgical coal	-	-	63.83
Thermal coal	-	-	52.63

2Q07

GROSS REVENUE BY PRODUCT						
						US\$ million
	Pro forma 2Q06	%	1Q07	%	2Q07	%
Ferrous minerals	3,011	49.1	3,207	41.8	3,734	42.0
Iron ore	2,471	40.3	2,450	31.9	2,898	32.6
Pellet plant operation services	17	0.3	18	0.2	19	0.2
Pellets	386	6.3	596	7.8	663	7.5
Manganese ore	11	0.2	6	0.1	21	0.2
Ferro-alloys	116	1.9	124	1.6	122	1.4
Others	10	0.2	13	0.2	11	0.1
Non ferrous minerals	2,056	33.6	3,427	44.6	3,933	44.2
Nickel	1,431	23.4	2,860	37.2	3,196	35.9
Copper	455	7.4	364	4.7	504	5.7
Kaolin	47	0.8	50	0.7	55	0.6
Potash	23	0.4	32	0.4	39	0.4
PGMs	63	1.0	70	0.9	87	1.0
Precious metals	22	0.4	22	0.3	20	0.2
Cobalt	15	0.3	29	0.4	32	0.4
Aluminum products	640	10.4	649	8.5	724	8.1
Aluminum	293	4.8	397	5.2	442	5.0
Alumina	339	5.5	242	3.2	267	3.0
Bauxite	8	0.1	10	0.1	15	0.2
Coal	0	0.0	0	0.0	42	0.5
Logistics services	362	5.9	331	4.3	414	4.7
Railroads	273	4.5	242	3.2	333	3.7
Ports	58	0.9	60	0.8	61	0.7
Shipping	31	0.5	29	0.4	20	0.2
Others	58	0.9	66	0.9	52	0.6
Total	6,127	100.0	7,680	100.0	8,899	100.0

■ BUILDING GROWTH

Our investment expenditures⁶ reached US\$ 1.439 billion in 2Q07, an increase of 75.9 % relatively to the disbursements made in 2Q06, which were equal to US\$ 818 million.

US\$ 1.065 billion were invested in organic growth – US\$ 943 million in projects and US\$ 122 million in R&D – and US\$ 374 million in sustaining existing assets. Simultaneously, CVRD acquired 100% of AMCI Holdings Australia for US\$ 656 million and paid US\$230.6 million for an additional stake in MBR, which is now a wholly-owned subsidiary.

CVRD invested US\$ 122 million in R&D in 2Q07, as compared with US\$ 101 million in 2Q06 and US\$ 86 million in 1Q07. Exploratory drilling at the Company's Sudbury operations has confirmed mineralization at depth near Creighton, a century-old nickel mine in Sudbury. The Creighton Deep project, a deep mine exploration program has the potential to almost double the proven and probable reserves at Creighton from 17 million metric tons to up 32 million metric tons grading 1.9-2.2% of nickel and 2.0-2.3% of copper.

In the first half of this year CVRD invested US\$ 5.759 billion. Excluding acquisition spending, capex in 1H07 amounted to US\$ 2.779 billion, compared

⁶ Include just financial disbursement realized.

US GAAP

with US\$ 1.897 billion in the same period in 2006, representing an increase of 46.5%.

Project investments amounted to US\$ 1.78 billion in this half of the year. Most of the expenditures were concentrated on five projects: Goro, US\$ 504 million, Itabiritos US\$ 224 million, Alunorte 6&7 US\$ 181 million, Onça Puma US\$ 153 million and the Carajás railroad (iron ore logistics) US\$ 113 million.

CVRD has already obtained from the government of Mozambique the license to implement the Moatize project, which foresees a 35-year period of open pit coal mining with an annual average production estimated at 11 million metric tons of coal products, of which 8.5 million metric tons of metallurgical coal and 2.5 million metric tons of thermal coal.

Acquisitions in 1H07 amounted to US\$ 2.960 billion, including US\$ 2.053 billion referring to the final payment made to Inco shareholders this year.

On the other hand, divestments generated revenues of US\$ 931.5 million, of which US\$ 728 million came from the sale of Usiminas shares and US\$ 203.5 million from the initial public offering of Log-In Logística.

CVRD spun off some logistics assets, which were not part of its core business, creating Log-In Logística. Log-In business goal is to provide to its customers integrated solutions for port handling and door-to-door transportation of containers by sea or rail.

Sales of non-core assets produce benefits beyond the generation of extraordinary cash flow. They contribute to improve the allocation of capital and to unlock value that was not factored into the Company's share prices.

• Description of main projects

Area	Project	Budgeted 2007 US\$ million	Status
Ferrous minerals	Expansion of iron ore production capacity at Carajás to 130 Mtpy – Northern system	66	This project will add 30 million metric tons a year of production capacity to CVRD, with the building of a new plant, consisting of primary crushing, and processing and classification units. Completion scheduled for 2009. Subject to approval by the Board of Directors.
	Fazendão iron ore mine – Southeastern system	111	Project for the production of 15.8 million metric tons of ROM (unprocessed ore) iron ore per year. This project will make it possible for Samarco's third pelletizing plant to begin operations. Work began in 2H06 and will be completed in 1Q08, with the start-up of operations.
	Pelletizing Itabiritos	417	Construction of a pelletizing plant in Minas Gerais, with a nominal production capacity of 7 million metric tons a year, and an iron ore concentration plant. Operational start-up is scheduled for the third quarter of 2008.

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Non ferrous minerals	Copper – Salobo I	78	The project will have a production capacity of 100,000 metric tons of copper in concentrate form.
	Nickel - Vermelho	97	Annual production capacity is estimated at 46,000 metric tons of nickel in ferronickel form and 2,800 metric tons of cobalt.
	Nickel – Onça Puma	658	The project will have a nickel production capacity of 58,000 metric tons p.a. in ferronickel form. Construction began in July 2006 with earthmoving and landscaping of the industrial area. Civil engineering work is proceeding at a rapid pace and the assembling of the metal structures began in April 2007. The main items of equipment are already under manufacture. The plant is forecast to be commissioned in 4Q08.
	Nickel – Goro	938	The project has an estimated production capacity of 60,000 metric tons a year of finished nickel and 4,600 metric tons of cobalt. Commissioning is scheduled for 4Q08.
Aluminum	Alumina – Alunorte stages 6 and 7	520	The project for the construction of modules 6 and 7 will increase refinery production capacity to 6.26 million metric tons of alumina per year. Completion is scheduled for July of 2008.
	Bauxite - Paragominas II	115	The second phase of Paragominas will add 4.5 million metric tons to the capacity of 5.4 million metric tons a year obtained in the first phase. Completion is scheduled for 2Q08.

INVESTMENT BUDGET BY BUSINESS AREA

	US\$ million			
	Realized 2Q07		Realized 1H07	
Ferrous minerals	379	26.4%	717	25.6%
Non-ferrous minerals	523	36.4%	1,113	39.7%
Logistics	203	14.1%	412	14.7%
Aluminum	224	15.5%	361	12.9%
Coal	41	2.9%	47	1.7%
Power generation	11	0.8%	26	0.9%
Steel	23	1.6%	42	1.5%
Others	35	2.4%	81	2.9%
Total	1,439	100.0%	2,799	100.0%

2Q07

◆ TELECONFERENCE/WEBCAST

On Wednesday, August 1st a teleconference and webcast will be held at 12:00 p.m., Rio de Janeiro time, 11:00 a.m. US Eastern Standard Time and 04:00 p.m., UK time. Information on how to participate in these events is available on CVRD's website www.cvrd.com.br, investor relations. A recording of the teleconference/webcast will be available from CVRD's website for 90 days as from August 1st.

◆ SELECTED FINANCIAL INDICATORS OF MAIN NON-CONSOLIDATED COMPANIES

Selected financial indicators for the main non-consolidated companies are available in CVRD's quarterly accounting statements on the Company's website, www.cvrd.com.br, investor relations.

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INCOME STATEMENTS

	US\$ million		
	2Q06	1Q07	2Q07
Gross operating revenues	4,313	7,680	8,899
Taxes	(167)	(191)	(207)
Net operating revenue	4,146	7,489	8,692
Cost of goods sold	(1,884)	(4,390)	(3,784)
Gross profit	2,262	3,099	4,908
Gross margin (%)	54.6	41.4	56.5
Selling, general and administrative expenses	(212)	(268)	(266)
Research and development expenses	(101)	(113)	(152)
Others	(76)	(16)	(111)
Operating profit	1,873	2,702	4,379
Financial revenues	45	121	77
Financial expenses	(245)	(659)	(508)
Monetary variation	28	770	932
Gains on sale of affiliates	338	-	674
Tax and social contribution (Current)	(158)	(833)	(1,483)
Tax and social contribution (Deferred)	(80)	191	87
Equity income and provision for losses	184	138	156
Minority shareholding participation	(105)	(213)	(219)
Net earnings	1,880	2,217	4,095
Earnings per share (US\$)	0.77	0.92	1.69
Earnings per share diluted (US\$)	0.77	0.92	1.69

BALANCE SHEET

	US\$ million		
	06/30/06	3/31/07	6/30/2007
Assets			
Current	6,313	12,421	10,801
Long-term	2,619	8,261	7,370
Fixed	20,550	44,095	50,144
Total	29,482	64,777	68,315
Liabilities			
Current	3,652	7,582	6,190
Long term	8,622	35,053	33,040
Shareholders' equity	17,208	22,142	29,085
Paid-up capital	8,893	8,617	12,804
Mandatory convertible notes	-	-	1,869
Reserves	8,315	13,525	14,412
Total	29,482	64,777	68,315

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CASH FLOW	US\$ million		
	2Q06	1Q07	2Q07
Cash flows from operating activities:			
Net income	1,880	2,217	4,095
Adjustments to reconcile net income with cash provided by operating activities:			
Depreciation, depletion and amortization	205	392	525
Dividends received	98	90	153
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	(184)	(138)	(156)
Deferred income taxes	80	(191)	(87)
Gain on sale of investment	(338)	0	(674)
Foreign exchange and monetary losses	(75)	(772)	(1,224)
Net unrealized derivative losses	51	(85)	(168)
Minority interest	105	213	219
Net interest payable	40	173	(57)
Others	(2)	23	(25)
Decrease (increase) in assets:			
Accounts receivable	(346)	103	(492)
Inventories	(23)	673	(264)
Others	(38)	(404)	499
Increase (decrease) in liabilities:			
Suppliers	103	46	428
Payroll and related charges	47	(161)	104
Income Tax	175	(54)	503
Others	(34)	157	251
Net cash provided by operating activities	1,744	2,282	3,630
Cash flows from investing activities:			
Loans and advances receivable	(34)	10	(2)
Guarantees and deposits	(12)	(32)	(31)
Additions to investments	(2)	(52)	(42)
Additions to property, plant and equipment	(961)	(1,106)	(1,633)
Proceeds from disposals of investment	418	0	908
Proceeds from disposals of property, plant and equipment	29	0	0
Net cash used to acquire subsidiaries	0	(2,023)	(903)
Net cash used in investing activities	(562)	(3,203)	(1,703)
Cash flows from financing activities:			
Short-term debt, net issuances (repayments)	(65)	291	(992)
Loans	30	4	15
Long-term debt	4	6,463	49
Repayment of long-term debt	(200)	(6,205)	(3,940)
Mandatory convertible notes	-	-	1,869
Interest attributed to shareholders	(650)	0	(825)
Dividends to minority interest	(19)	(61)	(224)
Treasury stock	(25)	0	0
Net cash used in financing activities	(925)	492	(4,048)
Increase (decrease) in cash and cash equivalents	257	(429)	(2,121)
Effect of exchange rate changes on cash and cash equivalents	(7)	(65)	(59)
Cash and cash equivalents, beginning of period	1,644	4,448	3,954
Cash and cash equivalents, end of period	1,894	3,954	1,774
Cash paid during the period for:			
Interest on short-term debt	(5)	(1)	(39)
Interest on long-term debt	(73)	(205)	(399)
Income tax	(31)	(606)	(1,255)
Non-cash transactions			
Income tax paid with credits	(40)	(119)	(193)
Interest capitalized	(31)	(22)	(21)

2Q07

APPENDIX

Reconciliation between US GAAP and “non-GAAP” information

(a) Adjusted EBIT

	US\$ million		
	Pro forma - 2Q06	1Q07	2Q07
Net operational revenue	5,960	7,489	8,692
Cost of goods sold	(2,972)	(4,390)	(3,784)
Sales, general and administrative expenses	(257)	(268)	(266)
Research and development	(117)	(113)	(152)
Other operational expenses	(146)	(16)	(111)
Adjusted EBIT	2,468	2,702	4,379

(b) Adjusted EBITDA

EBITDA defines profit or loss before interest, tax, depreciation and amortization. CVRD uses the term *adjusted EBITDA* to reflect exclusion, also, of: monetary variations; equity income from the profit or loss of affiliated companies and joint ventures, less the dividends received from them; provisions for losses on investments; adjustments for changes in accounting practices; minority interests; and non-recurrent expenses. However our adjusted EBITDA is not the measure defined as EBITDA under US GAAP, and may possibly not be comparable with indicators with the same name reported by other companies. Adjusted EBITDA should not be considered as a substitute for operational profit or as a better measure of liquidity than operational cash flow, which are calculated in accordance with GAAP. CVRD provides its adjusted EBITDA to give additional information about its capacity to pay debt, carry out investments and cover working capital needs. The following table shows the reconciliation between adjusted EBITDA and operational cash flow, in accordance with its statement of changes in financial position:

RECONCILIATION BETWEEN ADJUSTED EBITDA AND OPERATIONAL CASH FLOW			
	US\$ million		
	2Q06	1Q07	2Q07
Operational cash flow	1,744	2,282	3,630
Income tax	158	833	1,483
FX and monetary losses	47	2	292
Financial expenses	160	365	488
Net working capital	116	(352)	(1,029)
Other	(49)	54	193
Adjusted EBITDA	2,176	3,184	5,057

(c) Net debt

RECONCILIATION BETWEEN GROSS DEBT AND NET DEBT			
	US\$ million		
	2Q06	1Q07	2Q07
Gross debt	5,883	23,480	19,075
Cash and cash equivalents	1,894	3,954	1,774
Net debt	3,989	19,526	17,301

(d) Total debt / Adjusted LTM EBITDA

	2Q06	1Q07	2Q07
Total debt / Adjusted LTM EBITDA (x)	0.80	1.88	1.31
Total debt / LTM operational cash flow (x)	1.07	2.60	1.75

(e) Adjusted LTM EBITDA / LTM interest payments

	2Q06	1Q07	2Q07
Adjusted LTM EBITDA / LTM interest payments (x)	23,76	15.63	13.00
LTM operational profit / LTM interest payments (x)	19,72	13.14	11.01

(f) Total debt/Enterprise value

	2Q06	1Q07	2Q07
Total debt / EV (%)	9.84	22.36	15.86
Total debt / total assets (%)	19.95	36.25	27.92

Enterprise value = Market capitalization + Net debt

IMPORTANT INFORMATION

This release may include statements that present the Company's management's expectations on future events or future results. All statements based on future expectations and not on historical facts involve various risks and uncertainties. The Company cannot guarantee that such statements will be realized in fact. Such risks and uncertainties include factors in relation to: the Brazilian and Canadian economies and capital markets, which are volatile and may be affected by developments in other countries; the iron ore and nickel businesses and their dependence on the steel industry, which is cyclical by nature; and the highly competitive nature of the industries in which CVRD operates. To obtain additional information on factors which could give rise to results different from those indicated by the Company, please consult the reports filed with the Brazilian Securities Commission (CVM – *Comissão de Valores Mobiliários*) and the US Securities and Exchange Commission (SEC), including CVRD's most recent Form 20F Annual Report.