Companhia Vale do Rio Doce
Form 6-K
May 09, 2007

United States Securities and Exchange Commission
Washington, D.C. 20549
FORM 6-K
Report of Foreign Private Issuer
Pursuant To Rule 13a-16 or 15d-16
of the
Securities Exchange Act of 1934
For the month of
May 2007
Companhia Vale do Rio Doce
Avenida Graça Aranha, No. 26
20030-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

(Check One) Form 20-F þ Form 40-F o

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

(Check One) Yes o No þ

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b). 82-____.)

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REAPING THE REWARDS OF DIVERSIFICATION
CVRD performance in the first quarter of 2007

BOVESPA: VALE3, VALE5
NYSE: RIO, RIOPR
LATIBEX: XVALO, XVALP
www.cvrd.com.br
rio@cvrd.com.br
Department of Investor Relations
Roberto Castello Branco
Alessandra Gadelha
Marcelo Silva Braga
Patricia Calazans
Theo Penedo
Virgínia Monteiro
Tel: (5521) 3814-4540

Rio de Janeiro, May 3rd 2007 Companhia Vale do Rio Doce (CVRD) maintained in the first quarter of 2007 (1Q07) performance consistent with its focus on continuous improvement deriving from its efforts to make the best use of opportunities presented by the long cycle of minerals and metals through investment in organic growth and acquisitions backed by rigorous discipline in capital allocation. These efforts have produced strong expansion in the Company s productive capacity and diversification of its assets portfolio, which, among other benefits, has allowed it to leverage its exposure to the economic cycle.

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 1Q06 as if Inco Ltd., now CVRD Inco Ltd., had been acquired from January 1st 2006 with the exception of information concerning debt and investments. Complete accounting information for 1Q06 can be found in the report Financial Information first 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 first quarter of 2006 (www.cvrd.com.br/ investors relations section).

In 1Q07, new records were set:

1Q07 was the best first quarter in CVRD s history for sales of various products: iron ore (58.6 million metric tons), pellets (7.9 million metric tons), refined nickel (71 thousand metric tons, on a pro forma basis), copper (66 thousand metric tons, on a pro forma basis), cobalt (580 metric tons, on a pro forma basis) alumina (700 thousand metric tons), aluminum (134 thousand metric tons, on a pro forma basis) potash (161 thousand metric tons) and rail transport of general cargo (6.0 billion net ton-kilometers (ntk)).

Gross revenue of US$ 7.680 billion, an increase of 63.4% over 1Q06.

Operational profit as measured by adjusted EBIT[(a)] (earnings before interest and taxes) of US$ 2.702 billion, US$ 1.078 billion more than 1Q06.

Net earnings of US$2.217 billion, equal to US$0.92 per share, an 86.9% increase on 1Q06.

Cash generation, as measured by adjusted EBITDA[(b)] (earnings before interest, taxes, depreciation and amortization) of US$3.184 billion, 58.4% more than the US$2.010 billion of 1Q06.

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 International, and CVRD Overseas.

1Q07

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Investments totaled US$1.360 billion, of which US$ 923 million in organic growth and US$ 437 million in sustaining existing operations. In addition to these investments, the acquisition of 100% of Inco Ltd (now CVRD Inco Ltd) was concluded in January 2007, with the payment of US$ 2.053 billion to the remaining shareholders and in April the financial settlement of the acquisition of AMCI Holdings Australia was completed, with the payment of A$835 million, equivalent to US$ 656 million.

AMCI Australia will be consolidated into CVRD financial statements as from 2Q07.

On April 30, CVRD paid the first installment of 2007 dividends, of US$ 0.34 per share, a total of US$ 825 million. The second installment proposed in January of this year, of US$ 825 million, will be considered at the meeting of the CVRD Board of Directors scheduled for October 18, 2007. If the proposal is approved, our shares will be traded ex-dividend on October 19 both on Bovespa and NYSE, and dividend payment will be on October 31.

SELECTED FINANCIAL INDICATORS

US$ million

	Pro forma 1Q06 (A)	**4Q06 (B)**	**1Q07 (C)**	**% (C/A)**	**% (C/B)**
Gross revenues	4,701	7,494	7,680	63.4	2.5
Adjusted EBIT	1,624	2,180	2,702	66.4	23.9
Adjusted EBIT margin (%)	35.7	29.8	36.1		
Adjusted EBITDA	2,010	2,623	3,184	58.4	21.4
Net earnings	1,186	1,573	2,217	86.9	40.9
Earnings per share (US$)		0.65	0.92		
ROE (%)		33.2	34.3		
Total debt/ adjusted LTM EBITDA (x)		2.00	1.88		
Capex *	1,126	19,611	1,360	20.8	-93.1

* includes acquisition

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.

The market value of the CVRD Inco inventories on December 31, 2006 was calculated at US$ 3.1 billion, while the cost of production value was US$1.4 billion, a difference of US$1.7 billion. Of this total, US$ 946 million was booked in 4Q06 considering CVRD Inco s 87.73% participation in December 2006 and in 1Q07 we are booking US$ 984 million.

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 after the start of the acquisition of Inco Ltd. in October 2006, a final adjustment of US$ 78 million will be made in 2Q07.

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However, it is important to emphasize once again that the entries determined by FAS 141 and 142 have a non-cash accounting effect.

To make the effect of the accounting of the inventory adjustments clear, we present below the data relating to the main indicators of CVRD s performance in 1Q07 and 4Q06, with and without the effect of the adjustment made.

EFFECT OF INVENTORY ADJUSTEMENT ON SELECTED FINANCIAL INDICATORS

US$ million

	4Q06 - A	4Q06 - B	1Q07 - A	1Q07 - B
Adjusted EBIT	2,180	3,126	2,702	3,686
Adjusted EBIT margin (%)	29.8	42.7	36.1	49.2
Adjusted EBITDA	2,623	3,569	3,184	4,168
Net earnings	1,573	2,165	2,217	2,837
Earnings per share (US$)	0.65	0.90	0.92	1.17
ROE (%)	33.2	38.0	34.3	37.0

A including stock adjustment

B excluding stock adjustment

BUSINESS OUTLOOK

The global economy continues to expand above 4% for the fifth year running, which may be the longest period of growth since the Second World War. Productivity growth, the globalization of markets, continuing low rates of inflation and expectations anchored on sound monetary policies have been important levers for global prosperity.

As a consequence of the strong global growth and of Chinese economic development, minerals and metals markets are also going through a long up cycle. Taking as a basis the behavior of the LMEX, the London Metal Exchange index for base metals (aluminum, copper, nickel, zinc, tin and lead), the present cycle is 65- month old accumulating a 330% increase. This is by far the longest cycle in metal prices since 1970.

The same factors that helped to explain the growth of the global economy until now will continue to influence its performance over the next 12 to 18 months. Thus we expect robust expansion in global economic activity in 2007 and 2008, with a transition in the short term to a more moderate and sustained growth rate than the 5.4% observed in 2006 by the IMF.

In the Euro zone, the normalization of monetary policies, affected through the gradual raising of short term interest rates by the European Central Bank, has been well absorbed, mainly by Germany, its largest economy. The German IFO research released recently shows growing optimism in relation to the future, suggesting that the German economy is being influenced by domestic factors such as increased investments and gains in productivity not fully factored into previous estimates.

The rest of the Euro zone economy is also expanding at a relatively high rate and the picture is similar in the UK.

In Japan, where imports of iron ore for the fiscal year, which ended in March, were the highest since the end of the period of accelerated growth in the first half of the 70 s, prospects are good. GDP is expected to grow at a rate slightly above the long term trend, stimulated by increased investment.

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In China, 1Q07 was the fifth quarter running with GDP growth higher than 10% a year, with a growth rate of 11.1%, lower only than the 11.5% seen in 2Q06. Industrial production is growing at 17% a year and investments in fixed assets at 25%.

Although inflation rose in March, core inflation is close to 2%, in line with the main economies in the world. Since China has a quasi-fixed exchange rate regime, its inflation naturally tends to converge to the rate prevailing in the rest of the world. Consequently we consider the risk of increased inflation to be low and not to pose a threat to GDP growth.

In general, the emerging market economies in Asia, Eastern Europe and Latin America continue to enjoy extraordinarily favorable conditions, with gains in terms of exchange, substantial influx of foreign capital, low inflation and strong economic growth.

In the United States, where the economy had been growing at 3.5% a year since the beginning of 2003, the rate of expansion fell to an average of 1.9% from the third quarter of last year, as a result of the gradual tightening of monetary policies between June 2004 and June 2006 and the strong correction in the residential real estate market.

The US housing downturn poses the main risk for continued global expansion. An American recession could cause a significant negative impact on global economic growth since the United States is responsible for a third of the world s GDP (at market exchange rates), is the world s largest importer and has the most sophisticated capital market in the world.

However, there are several reasons to minimize this risk.

Firstly, it is not yet clear whether the present situation is a mid-cycle pause, as occurred in 1986 and 1995, or if it represents the early stages of a protracted slowdown. So far, there was no spillover of the housing downturn into other sectors of the US economy with consumer spending continuing to grow and healthy financial market conditions.

Past experience tells us that there could be a synchronization in the deceleration of global economic activity caused by events of a global nature (the first petroleum shock of 1974), by the coincidence of macro-economic restrictive policies (as at the beginning of the 80 s) or by global movements in the prices of financial assets (as in the generalized fall in equity prices in 2000).

The spillover of the current deceleration in the United States to other countries is limited by the fact that it is caused by factors specific to the American economy, concentrated in the housing market which import content is very small.

The present situation tends to approximate much more of the one that was originated by the solvency problems of savings and loan associations (S&L), a question circumscribed to the American economy and with no common elements to the rest of the world, that caused a brief recession in the US in 1991 without causing a spillover into the global economy.

Therefore, this suggests that the performance of the rest of the global economy can decouple from the US economy, continuing to support the current minerals and metals cycle.

Fundamentals of the various segments of the minerals and metals markets remain very robust allowing us to maintain our optimism about the future performance of CVRD. Consumption is growing considerably, there is practically no idle capacity, supply reaction is slow and inventories are at very low levels.

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Steel production continues to expand, growing by 10.2% in 1Q07 relative to 1Q06, with China as the main engine, at 22.3%. Production in the rest of the world is growing at a relatively high rate, 4.4%, with expansion in all regions except North America. As a reflection of the robustness of global demand, increase in production has been accompanied by a rise in prices of steel products since December 2006. At the end of April 2007, the CRU Global steel price index (CRUspi) surpassed the previous historic peak recorded in July 2006.

The intensity of this movement has put considerable pressure on the demand for metallics (pig iron, scrap and HBI), whose prices have risen significantly, iron ore and pellets.

In spite of the increase in local production, Chinese imports of iron ore in 1Q07, on a de-seasonalized and annualized basis, reached 417.8 million metric tons, which is 28% more than the 326.3 million metric tons imported in 2006.

At the same time iron ore spot prices have risen, continuing the growth which started in October 2006, reaching levels about US$ 10 higher than the C&F prices of CVRD products in China, in spite of record prices of maritime freight from Brazil to Asia.

Nickel prices have beaten historic records as a result of the significant growth in demand in a environment characterized by historically low inventories, and supply growth restrictions, with no new projects coming on stream in 2007/2008.

It is hoped that growth in global stainless steel production will continue to slow in the next few months to a rate more sustainable in the long term. Demand for nickel for other applications coming from the oil and gas industries, aerospace and batteries holds firm, and no sudden changes are expected.

Although the expansion in stainless steel output is expected to be lower this year, 7% as opposed to 16% in 2006, and in spite of the substantial increase in production of nickel pig iron in China, we estimate that the growth in nickel supply will be sufficient only to meet the increase in consumption, with nothing available for the necessary replacement of inventories.

In the face of the severe shortage of refined nickel, increased production of nickel pig iron is supporting at the margin the growth of series 200 stainless steel production in China. However, there are various challenges to be overcome: high production costs, logistics (imports of millions tons of lateritic nickel ore), low nickel content and high levels of sulphur and phosphorous, intensive energy consumption and the negative impact on the environment.

Global aluminum consumption grew at an average annual rate of 7.9% in the period 2002/2006, which was due not only to China, but also to its increased use in various applications. In the short term, the significant increase in production by China and the weakening of demand in the USA have not been able to change the price trend. Prices have remained at about US$ 2,700 per metric ton since 4Q06, due to the strong demand from Asia, Europe and Latin America.

The resumption of Chinese imports reversed the trend of falling copper prices initiated in May 2006. Supply of this metal, like nickel, faces multiple constraints to its expansion, although there are no technological hurdles to be overcome.

The mines in operation are suffering from the effects of lack of off-road tires and decline in grades, there is no inventory of projects of a significant size coming on stream and those being developed have faced numerous difficulties, such as long lead times for delivery of equipment, high investment costs and delays with environmental licenses.

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RECORD REVENUES: US$ 7.7 BILLION

Gross revenue of US$ 7.680 billion was a new quarterly record. This was a variation of 63.4% on 1Q06, when we obtained revenue of US$ 4.701 million. Price increases were responsible for 77% of the growth in revenue of US$ 2.979 billion between 1Q06 and 1Q07.

Shipments of non-ferrous minerals represented 44.6% of gross revenue, overtaking ferrous minerals for the first time, the latter contributing 41.8%. This was due to raised nickel prices and, on the other hand, to the fact that the new iron ore and pellet prices were not incorporated into 1Q07 revenue. Aluminum products bauxite, alumina and primary aluminum made up 8.5% and logistics services 4.3%.

Asia maintains its position as our primary sales destination, providing 43.4% of total revenue. Our revenue from sales to Asian countries practically doubled in a year, from US$ 1.736 billion in 1Q06 to US$ 3.330 billion in 1Q07. The Americas were the second main destination with 33.4%, and Europe with 20.1%.

On a country level, sales to China represented 16.1% of revenue, Brazil 14.8%, Japan 11.5% and the United States 9.9%.

GROSS REVENUE BY DESTINATION

US$ million

	Pro forma 1Q06	**%**	**4Q06**	**%**	**1Q07**	**%**
Americas	**1,658**	**35.3**	**2,436**	**32.5**	**2,563**	**33.4**
Brazil	855	18.2	1,149	15.3	1,138	14.8
USA	350	7.4	558	7.4	757	9.9
Others	453	9.6	729	9.7	668	8.7
Asia	**1,736**	**36.9**	**3,090**	**41.2**	**3,330**	**43.4**
China	777	16.5	1,275	17.0	1,239	16.1
Japan	553	11.8	932	12.4	886	11.5
Others	406	8.6	883	11.8	1,205	15.7
Europe	**1,144**	**24.3**	**1,694**	**22.6**	**1,541**	**20.1**
Rest of the World	**163**	**3.5**	**274**	**3.7**	**246**	**3.2**
Total	**4,701**	**100.0**	**7,494**	**100.0**	**7,680**	**100.0**

CONTROLLING COSTS

Cost of goods sold (COGS) totaled US$ 4.390 billion, against US$ 2.530 billion in 1Q06 and US$ 4.387 billion in 4Q06.

If we discount from COGS related to 1Q07 the inventory adjustment (US$ 984 million) and the depreciation variation (US$ 194 million), the effective increase in relation to 1Q06 would be US$ 682 million, of which US$ 247 million due to greater production and sales volume and US$ 114 million due to depreciation of the US dollar against the currencies in which our costs are incurred.

The expansion of our geographic diversity also increased the diversification of our exposure to currency risks. In 1Q07 the Company s COGS as per exchange rate exposure was as follows: 45% in Brazilian reais, 27% in Canadian dollars, 25% in US dollars, 2% in Indonesian rupiah and 1% in other currencies (Euros, British pounds, Japanese yeans, Chinese renminbi). Between 1Q06 and 1Q07 there was an appreciation of 2% of the basket of currencies which are relevant for our costs against the US dollar.

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A greater diversification in our portfolio of assets has changed the composition of the Company s COGS, the acquisition of products becoming the main component, with 23.3%, therefore surpassing outsourced services[1]. However, it is worthwhile mentioning that there is a strong cyclical component to this cost item, since both quantities and prices of goods tend to vary in tandem with economic cycles.

In 1Q07 cost of products acquisition totaled US$ 792 million as against US$ 473 million in 1Q06 (at that time represented 18.7% of COGS). Higher prices account for 62% of this variation, therefore numbers for COGS for 1Q07 encompass an increase of US$ 319 million due to cyclical factors , which is almost half the cost increase excluding the extraordinary inventory adjustment and the depreciation variation, US$ 650 million.

Costs with purchases of nickel products reached US$ 446 million, against US$ 188 million in 1Q06. This amount includes the acquisition of refined nickel for resale and also of concentrates and other intermediary products which are processed and refined in our plants.

Costs with acquisition of iron ore and pellets were US$ 252 million, a reduction of US$ 51 million compared with 1Q06.

The volume of iron ore purchased in 1Q07 was 1.831 million metric tons, as against 2.303 million in 4Q06 and 3.214 million in 1Q06.

In the case of pellets, due to the considerable demand expansion, CVRD increased in this quarter its purchases from the Tubarão joint ventures (Nibrasco, Itabrasco, Kobrasco and Hispanobras) in order to comply with commitments to its clients: 3.266 million metric tons against 2.266 million metric tons in 4Q06 and 2.102 million metric tons in 1Q06.

Purchases of bauxite from Trombetas totaled US$ 72 million, while alumina purchases reached US$ 10 million. With the start of operations of the Paragominas mine, the volume of bauxite purchases should gradually return to 2005 levels, equivalent to our take in MRN.

Manganese ore purchases amounted to US$ 10 million, in line with the same period the previous year, at US$ 9 million.

Over the last few years, costs with outsourced services have been systematically pressuring CVRD s COGS. It share increased from 18.4% in 2003 to 24.3% in 2006. In 1Q07, this item amounted to US$ 500 million, a decrease of US$ 21 million compared to 1Q06 and US$ 145 million against 4Q06.

The main items of outsourced services in the 1Q07 were costs related to rail freight, mainly for transportation of iron ore produced in the Southern system, US$ 122 million, maintenance of equipment and installations US$ 88 million, and removal of waste and ore, US$ 52 million.

Outsourced services costs used to be the main COGS component, and had it participation diminished to 14.7% in 1Q07. In parallel to the rising importance of products acquisition, due to the economic cycle, the decrease of this item participation was due to a large extent to a series of initiatives put in place by CVRD to tame costs. Among them we can highlight restructuring of various service contracts, concentrating the provision of a service in a single supplier instead of using various suppliers to carry out different parts of a service, the development of partnerships with suppliers and the bringing in-house of waste and ore removal although this will lead to increase expenses with other COGS items such as personnel, fuel and maintenance, but resulting in a larger decrease in the cost of outsourced services.

1 The share of each item in the Company s COGS is based on the total COGS before the inventory adjustments.

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The price cut of outsourced services was essential for the reduction in expenses in 1Q07. Prices have contributed with US$ 108 millions to the QoQ reduction in costs and with US$ 83 millions to the YoY variation.

Costs with material, 15.1% of total COGS, totaled US$ 514 million, having grown US$ 149 million over 1Q06. The main components of materials costs were: replacement parts and maintenance materials, US$ 170 million, inputs, US$ 90 million, and tires and conveyor belts, US$ 30 million.

Materials prices continue to pressure costs, being responsible for 68% of their increased expenditure.

Energy costs 14.2% of COGS reached US$ 483 million, made up of US$ 280 million for fuel and gases and US$ 203 million for electricity. The increase in sales volumes explains 62% of the US$ 93 million rise in this cost item, while the effects of higher prices and of the depreciation of the dollar are responsible for 19.4% and 18.3%, respectively.

Expenses with electricity increased 36.2%, which is explained mainly by the higher prices paid for aluminum operations, which are vulnerable to appreciation in the Brazilian real and to hikes in metal prices.

Personnel expenses at 12.8% of COGS reached US$ 437 million, a rise of 32% in relation to 1Q06. This rise reflects salaries adjustments (US$ 75 million), an increase in overall personnel made necessary by growth of activities (US$ 25 million) and the exchange rate effect (US$ 6 million).

Expenses with demurrage fines paid for delays in loading ships at the Company s maritime terminals reached US$ 16 million, against US$ 10 million in 1Q06. Operational problems with the railroads due to the Brazilian rainy season caused lack of iron ore inventory in the maritime terminals, meaning delays in loading ships and greater demurrage costs, which jumped from US$ 0.20 per metric ton of iron ore shipped in 1Q06 to US$ 0.31 per metric ton this quarter.

Depreciation and amortization, accounting for 11.3% of COGS, was US$ 386 million, double that of 1Q06, influenced by the start up of operations in various projects in the last 12 months.

Sales, general and administrative expenses (SG&A) came to US$ 268 million, 25.8% more than 1Q06, a reflection of greater expenses with personnel (US$ 22 million), rents and taxes (US$ 13 million), services (US$ 12 million) and depreciation (US$ 7 million).

Expenses with R&D reached US$ 113 million in the quarter, an increase of US$ 28 million over the same period in the previous year, in a pro forma basis, with US$ 58 million being spent on research in Brazil.

Other operational expenses came to US$ 16 million, as against US$ 99 million in 1Q06. This reduction is mainly due to the reversion of the provision for taxes payment PIS/COFINS of US$ 150 million supported by a Brazilian court decision.

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COST OF GOODS SOLD

US$ million

	1Q06	%	4Q06	%	1Q07	%
Outsourced services	**521**	**20.6**	**645**	**18.7**	**500**	**14.7**
Material	**365**	**14.4**	**572**	**16.6**	**514**	**15.1**
Energy	**390**	**15.4**	**503**	**14.6**	**483**	**14.2**
Fuels	241	9.5	312	9.1	280	8.2
Electric energy	149	5.9	191	5.6	203	6.0
Acquisition of products	**473**	**18.7**	**762**	**22.1**	**792**	**23.3**
Iron ore and pellets	201	7.9	188	5.5	252	7.4
Aluminum products	69	2.7	60	1.7	82	2.4
Nickel	188	7.4	482	14.0	446	13.1
Other products	15	0.6	32	0.9	12	0.4
Personnel	**331**	**13.1**	**407**	**11.8**	**437**	**12.8**
Depreciation and exhaustion	**192**	**7.6**	**350**	**10.2**	**386**	**11.3**
Others	**258**	**10.2**	**202**	**5.9**	**294**	**8.6**
Total before inventory adjustment	**2,530**	**100.0**	**3,441**	**100.0**	**3,406**	**100.0**
Inventory adjustment FAS 141/142			946		984	
Total	**2,530**		**4,387**		**4,390**	

OPERATIONAL PERFORMANCE: NEW RECORDS

CVRD s operational profit, measured by adjusted EBIT, was US$ 2.702 billion in 1Q07, the highest in the Company s history, even with the US$ 984 million inventory adjustment. If this adjustment is excluded, operational profit reaches US$ 3.686 billion, giving an 83.6% growth over 1Q06.

Adjusted EBIT Margin, without the non-cash cost of US$ 984 million, would have been 49.2%, a quarterly record.

NET EARNINGS EXCEED THE US$ 2 BILLION MARK FOR THE FIRST TIME

CVRD s net earnings in 1Q07 reached US$ 2.217 billion, equivalent to US$ 0.92 per share, the best quarterly result ever for the Company. This amount is 86.9% greater than in 1Q06, which was US$1.186 billion. If we exclude the extraordinary effect of the non-cash accounting adjustment of US$ 984 million, net earnings would be US$ 2.837 billion, two and a half times the US$ 1.186 billion reported in 1Q06.

The major direct influences on net earnings performance were the increase of US$ 1.078 billion in operational profit and an improvement of US$ 394 million in the financial result, partially offset by an increase of US$ 342 million in tax paid.

This quarter no assets were sold, whilst in 1Q06 the company had a capital gain of US$ 9 million from the sale of its share in Nova Era Silicon (NES).

The net financial result was US$ 232 million, as compared with a negative result of US$ 162 million in 1Q06.

Financial income went from US$ 50 million in 1Q06 to US$ 121 million in 1Q07, because of higher interest rates and the increase in cash holdings.

Financial expenses increased by US$ 185 million, going from US$ 474 million in 1Q06 to US$ 659 million in 1Q07. Interest payments rose at US$ 43 million, considering pro forma basis.

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On the other hand there was a net improvement of US$ 156 million in derivative operations. Since the Company carried out a swap of the Brazilian real-linked interest rates of its non-convertible debentures into a US dollar linked interest rate and the Brazilian currency appreciated against the US dollar, there was a gain that is responsible for a major share of the US$ 156 million recorded improvement.

The marking-to-market of the shareholders debentures caused a negative impact of US$ 187 million in financial expenses in 1Q07. This adjustment on the book value of the shareholders debentures was due to a sharp rise in their prices in the secondary market.

The behavior of monetary variation was positive for the financial result to the amount of US$ 509 million, given the strengthening of the real against the US dollar and the increase in the Company s total debt.

Equity income contributed US$ 138 million to net profit in 1Q07, a reduction of US$ 18 million in relation to the same period the previous year.

Investments in ferrous minerals companies were responsible for 60.1%, logistics 16.7%, aluminum 15.9% and coal 6.5%.

Stakes in ferrous minerals companies generated US$ 83 million, in line with the US$ 78 million recorded for 1Q06, in spite of the loss of income due to the sale of GIIC in May 2006. Samarco was the joint venture which most contributed to CVRD profits, coming in with US$ 60 million against US$ 39 million in 1Q06.

Equity income from MRS Logistica increased from US$ 14 million in 1Q06 to US$ 23 million in 1Q07.

Equity income from MRN (bauxite) also showed an increase. From US$ 12 million in 1Q06 to US$ 22 million in 1Q07.

Equity income from coal joint ventures in China (Henan Longyu Energy Resources Ltd. and Shandong Yankuang International Coking Company Ltd) added another US$ 9 million, against US$ 7 million in 1Q06.

Equity income from shares in the steel industry was a mere US$ 1 million in 1Q07, compared with US$ 41 million in 1Q06. With the decision to sell part of the Company s shares in Usiminas, the remaining holding, of less than 20% of the Usiminas voting capital, is no longer eligible for reporting as an equity income source in our financial statements.

EQUITY INCOME BY BUSINESS SEGMENT

US$ million

	1Q06	**%**	**4Q06**	**%**	**1Q07**	**%**
Iron ore and pellets	78	50.0	78	42.6	83	60.1
Aluminum, alumina and bauxite	16	10.3	20	10.9	22	15.9
Logistics	14	9.0	27	14.8	23	16.7
Steel	41	26.3	54	29.5	1	0.7
Coal	7	4.5	4	2.2	9	6.5
Total	**156**	100.0	**183**	100.0	**138**	100.0

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RECORD CASH GENERATION

In the first quarter of 2007, cash generation, as measured by adjusted EBITDA, reached US$ 3.184 billion, a new quarterly record, with growth of 58.4% in relation to the US$ 2.010 billion of 1Q06.

1Q07 was the 20th consecutive quarter of growth in LTM (last twelve months) accumulated adjusted EBITDA amount.

The main reason for the US$ 1.174 billion adjusted EBITDA growth relative to 1Q06 is the increase in adjusted EBIT to the amount of US$ 1.078 billion.

Dividends paid to CVRD in 1Q07 by non-consolidated companies associated companies and joint ventures amounted to US$ 90 million, compared to US$ 112 million received in 1Q06. The largest payment came from Samarco, which distributed US$ 50 million to CVRD. The Company also received dividends from MRN, US$ 29 million, and from CSI, US$ 11 million.

Adjusted EBITDA for 1Q07, excluding the non-cash effect of inventory adjustment to the amount of US$ 984 million, was US$ 4.168 billion and in the 12-month period ending March 2007 was US$ 12.480 billion.

In 1Q07, the distribution of adjusted EBITDA (excluding inventory adjustment) by business area was: ferrous minerals 43.9%, non-ferrous minerals 48.2%, aluminum 7.3% and logistics 3.0%, discounting R&D expenses, which represented 2.4% of adjusted EBITDA.

QUARTERLY ADJUSTED EBITDA

US$ million

	Pro forma 1Q06	**4Q06**	**1Q07**
Net operating revenues	4,551	7,313	7,489
COGS	(2,530)	(4,387)	(4,390)
SG&A	(213)	(269)	(268)
Research and development	(85)	(175)	(113)
Other operational expenses	(99)	(302)	(16)
Adjusted EBIT	**1,624**	**2,180**	**2,702**
Depreciation, amortization & exhaustion	274	379	392
Dividends received	112	64	90
Adjusted EBITDA	**2,010**	**2,623**	**3,184**

A HEALTHY BALANCE-SHEET

Despite the sharp increase in investments, the Company continues to enjoy a healthy balance-sheet, with lower leverage ratios, lower costs, and a longer debt maturity.

The Company s total debt of March 31, 2007 was US$ 23.480 billion, against US$ 22,581 billion at December 31, 2006 and US$ 6.063 billion at March 31, 2006. Net debt as of March 31, 2007 was US$ 19.526 billion, with a cash position of US$ 3.954 billion.

The concentration of financial disbursements in April among them the dividend payment (US$ 825 million), the acquisition of AMCI Australia (US$ 656 million) and the payment of the remaining balance the two-year bridge loan of US$ 14.6 billion used to finance the acquisition of Inco Limited (Inco) led to a temporary increase in the Company s debt through the raising of short term credit lines and, at the same time the maintainance of significant cash balances, which was invested in short term financial assets at the end of 1Q07.

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In the 2Q07, this increase in debt will be canceled by the repayment of the short term debt using the Companies operational cash flow proceeds.

In March 2007, the CVRD PRI notes, with five-year maturity and insurance for country risk with nominal value of US$ 111.4 million, expired and were redeemed.

Total debt in March 2007 was made up of 47% of obligations at floating interest rates and 53% at fixed interest rates, 99% of which denominated in US dollars, already reflecting the effect of the swap of Brazilian reais for dollars carried out through the non-convertible debentures.

At the same time, the average debt maturity lengthened from 8.36 years in December 2006 to 8.71 years in March 2007.

Average cost of debt (before tax) for the Company was 6.4% p.a. in March 2007, having been reduced 99 basis points in relation to its 1Q06 level.

The leverage ratio, as measured by gross debt/adjusted LTM EBITDA[d], shows a reduction, from 2.00x[2] at December 31, 2006 to 1.88x[3] at March 31, 2007. Interest coverage, indicated by the adjusted LTM EBITDA/LTM interest paid ratio[e], shows a slight variation, from 15.94x at the end of 2006 to 15.63x at March 31, 2007. The relation between total debt and *enterprise value* [f] went from 25.7% to 22.4%.

The Company has renewed a revolving credit line facility with a bank syndicate to the amount of US$ 650 million, with longer due maturity and a reduction in fees and interest rates. CVRD has total revolving credit lines to the amount of US$ 1.9 billion, which gives us a cushion of short term liquidity and a more efficient cash flow management tool.

FINANCIAL EXPENSES

			US$ million
Gross interest on:	**Pro forma 1Q06**	**4Q06**	**1Q07**
Debt with third parties	(322)	(293)	(365)
Debt with related parties	(2)	(1)	(2)
Sub-total	**(324)**	**(294)**	**(367)**
Other Financial expenses on:	**1Q06**	**4Q06**	**1Q07**
Tax and labour contingencies	(26)	(28)	(15)
Tax on financial transactions (CPMF)	(21)	(84)	(53)
Derivatives	(71)	(97)	85
Others	(32)	(205)	(309)
Sub-total	(150)	(414)	(292)
Total	**(474)**	**(708)**	**(659)**

2 Considering, in 4Q06, pro forma consolidated adjusted LTM EBITDA of US$ 11.306 billion

3

Considering, in 1Q07, pro forma consolidated adjusted LTM EBITDA of US$ 12.480 billion

1Q07

US GAAP

DEBT INDICATORS

US$ million

	1Q06	4Q06	1Q07
Gross debt	6,063	22,581	23,480
Net debt	4,419	18,133	19,526
Gross debt / adjusted LTM EBITDA (x)	0.84	2.00	1.88
Adjusted LTM EBITDA / LTM interest expenses (x)	27.08	15.94	15.63
Gross debt / EV (%)	10.31	25.68	22.36

Enterprise Value = market capitalization + net debt

PERFORMANCE OF THE BUSINESS SEGMENTS

Ferrous minerals

1Q07 was the Company s best ever first quarter with respect to shipments of iron ore and pellets: 66.565 million metric tons as compared with 63.886 million in 1Q06, an increase of 4.2%. This took place in spite of heavy rain during the period which, as well as slowing down production in the mines, especially in Itabira, also seriously disrupted rail transportation, in the Southeast System, slowing down the flow of goods from the mines to the ports.

In 1Q07, sales of iron ore reached 58.626 million metric tons, an increase of 1.1% compared with the 57.992 million of 1Q06.

Sales of pellets in the quarter reached 7.939 million metric tons, 35% above the sales for the same period in the previous year, when there was a stoppage of production in the São Luis plant. In relation to 4Q06, shipments of pellets were up 11%.

The growth in sales of pellets was helped by the production of 4.175 million metric tons and by purchases from the Tubarão joint ventures for resale to our clients of 3.266 million metric tons.

Shipments of iron ore to China reached 21.664 million metric tons in 1Q07 and 80.167 million metric tons in the last 12 months ending in March 2007. China has increased successively its share in CVRD iron ore sales, moving from 26.9% in 1Q06 to 32.5% in 1Q07.

Sales to the Brazilian market represent 21.4% of the total 13.0% to steel mills and pig iron producers and 8.3% to the pelletizing joint ventures (Samarco, Nibrasco, Kobrasco, Hispanobras and Itabrasco). The Japanese market has taken up 8.9% of shipments, while Germany and France maintained their shares steady at 7.8% and 3.9% respectively.

Iron and pellets prices for 2007, with increases of 9.5% and 5.28%, respectively, relative to 2006, were not reflected in the 1Q07 results, due to a re-negotiation by a large number of European clients of the reference period for prices, moving from a calendar year to the Japanese tax year, which begins April 1 and ends March 31. For this reason the effect of the new prices will only effectively be reflected in CVRD results in 2Q07.

The average sale price per metric ton for iron ore in 1Q07 was US$ 41.79 per metric ton, 21.2% over 1Q06, incorporating the effects of the 19% hike obtained in 2006. This only began to be seen in 2Q06 because of the late closing of negotiations. Average pellet price US$ 75.07 per metric ton, was in line with the 1Q06 price of US$ 75.33 per metric ton.

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Shipments of ferro-alloys reached 124 thousand metric tons, similar to the 1Q06 amount of 126 thousand metric tons. In a reflection of the price recovery driven by the growth of global demand and the shut down of production capacity of the swing producers, the average sale price of ferro alloys reached US$ 1,000 per metric ton, 32.6% over the level recorded for 1Q06.

The Company is restructuring the manganese and ferro alloy segments with a view to cutting costs, maximizing efficiency and aligning production, both qualitatively and quantitively, with demand.

Revenue from ferrous minerals iron ore, pellets, manganese and ferro alloys was US$ 3.207 billion in 1Q07, an increase of 24.4% over 1Q06. Iron ore represents 71.7% of this growth.

Revenues with iron ore amounted to US$ 2.450 billion, pellets US$ 596 million, operation services for the Tubarão pelletizing plants US$ 18 million, manganese ore US$ 6 million and ferro alloys US$ 124 million.

The adjusted EBIT margin was 50.9%, an increase of 610 base points in relation to the 44.8% of 1Q06.

Adjusted EBITDA totaled US$ 1,828 billion, an increase of 37.0% compared to that obtained in 1Q06.

FERROUS MINERALS

	1Q06	4Q06	1Q07
Adjusted EBIT margin (%)	44.8	43.4	50.9
Adjusted EBITDA (US$ million)	1,334	1,668	1,828

Non-ferrous minerals

Revenues from sales of non-ferrous minerals nickel, copper, kaolin, potash, platinum group of metals, precious metals and cobalt totaled US$ 3.427 billion, a quarterly landmark for the Company, and more than double the revenue of US$ 1.358 billion recorded for 1Q06.

Revenue from nickel sales was US$ 2.860 billion, from copper US$ 364 million, metals in the platinum group US$ 70 million, kaolin US$ 50 million, and potash US$ 32 million.

The adjusted EBIT margin with non-ferrous business, excluding the extraordinary item related to the accounting adjustment for inventory, would be 52.2%, against 24.3% in 1Q06.

Adjusted EBITDA, without the extraordinary effect mentioned in the paragraph above, amounted to US$ 2.011 billion, more than four times greater than that of US$469 million recorded in 1Q06.

1Q07 was the Company s best fist quarter in terms of sales of nickel, copper, cobalt and potash.

Shipments of refined nickel in 1Q07 totaled 71 thousand metric tons, 10.9% over the volume sold in 1Q06. Average price obtained was US$ 40,339 per metric ton US$ 18.30 per pound an increase of 170% compared with 1Q06.

1Q07

US GAAP

In 1Q07, the unit cash cost for refined nickel production, before by-product credits, was US$ 3.64 per pound, and US$ 3.11 per pound after calculating the above-mentioned credits.

The increase in nickel unit cash cost of sales before by-product credits in the first quarter of 2007 compared with the first quarter of 2006 was due to (1) higher employment costs primarily as a result of higher earnings-based bonus payments, (2) higher spending on supplies and services, (3) higher costs for purchased nickel intermediates due to higher benchmark prices upon which such purchases are made and (4) higher consumption of and prices for diesel at Indonesia partially offset by the benefits of (1) the favourable impact on unit costs of higher nickel production and (2) a depreciation of the Canadian dollar agains the U.S. dollar that positively impacted our costs.

1Q07 revenues with nickel, at US$ 2.860 billion in 1Q07, were almost three times greater than the US$ 956 million recorded in the same quarter of last year.

CVRD sold 66 thousand metric tons of copper in 1Q07, 29.4% more than in 1Q06, due to higher production at Sossego and Voisey s Bay mines. The average price obtained in 1Q07 was US$ 5,540 per metric ton, an increase of 15.8% in relation to the US$ 4,784 per metric ton of 1Q06. Revenues with copper sales reached US$ 364 million in 1Q07, 49.2% greater than 1Q06, which were US$ 244 million.

The volume of potash shipped was 56.3% greater than in 1Q06. Average price obtained was US$ 198.76 per metric ton, as against US$ 213.59 per metric ton in 1Q06. However, this is an improvement on the prices obtained during most of last year, which were around US$ 190.00 per metric ton. The price of potash is reacting positively to improving market conditions, driven by the global increase in agricultural land farmed and the use of fertilizers, this increase in turn stimulated by price increases in most agricultural products.

Recorded revenue for potash shipments was US$ 32 million, representing 45.5% growth over 1Q06.

The platinum group metals (PGMs), other precious metals (gold and silver) and cobalt, extracted as by-products of the nickel operations in Canada, had total revenues of US$ 70 million, US$ 22 million and US$ 29 million, respectively.

269 thousand metric tons of kaolin were sold, which is a slight reduction in volume compared with 1Q06, which was 321 thousand metric tons. This was due to reduced availability of the product, as our production fell in 1Q07 because of operational problems. Average price obtained was US$ 185.87 per metric ton, a 24.3% increase over 1Q06.

NON FERROUS MINERALS

Pro forma