

Inco gives Phelps thumbs-up, Companhia Vale thumbs-down

2006-08-29 07:54 ET - News Release

Mr. Steve Mitchell reports

INCO BOARD CONTINUES TO SUPPORT COMBINATION WITH PHELPS DODGE

Inco Ltd.'s board of directors continues to recommend that shareholders vote in favour of the proposed combination between Inco and Phelps Dodge Corp. at a special meeting of Inco shareholders to be held on Sept. 7, 2006. Accordingly, the board has recommended that Inco shareholders reject the offer by Companhia Vale do Rio Doce to purchase for cash all of the outstanding common shares of Inco.

Subject to certain exceptions, the combination agreement between Inco and Phelps Dodge requires that Inco's board continue to recommend that shareholders vote in favour of the arrangement between Inco and Phelps Dodge, unless the board determines that a competing acquisition proposal constitutes a superior proposal. The combination agreement also provides that Inco publicly may take a neutral position with respect to any competing acquisition proposal only until 15 days following the commencement of such competing acquisition proposal. In the case of the CVRD offer, this 15-calendar-day period expires today.

On Aug. 15, 2006, Inco announced that its board of directors was remaining neutral and making no recommendation with respect to the CVRD offer. Inco's board did not determine that the CVRD offer constitutes a superior proposal for purposes of the combination agreement. However, the board did determine that the CVRD offer could reasonably be expected to result in a superior proposal and, in accordance with the combination agreement, authorized Inco's senior management and advisers to engage in discussions and negotiations with CVRD. Representatives of Inco have had several conversations with representatives of CVRD in which they indicated that Inco was in a position to engage in negotiations with CVRD to ascertain whether CVRD was willing to improve the CVRD offer such that the board would be willing to declare it a superior proposal for purposes of the combination agreement. To date, CVRD has indicated that it is not willing to enter into substantive discussions or negotiations with respect to improving the CVRD offer. Accordingly, the Inco board, consistent with its obligations under the combination agreement, has determined to continue to recommend that Inco shareholders vote in favour of the arrangement with Phelps Dodge and to recommend that Inco shareholders reject the CVRD offer.

In connection with board's recommendation regarding the CVRD offer, the company is filing today a notice of change to directors' circular with Canadian securities regulatory authorities and an amendment to the solicitation/recommendation statement on Schedule 14D-9 with the United States Securities and Exchange Commission. The notice of change to directors' circular will be mailed to Inco shareholders today. Inco shareholders are

urged to read the notice of change to directors' circular and the CVRD 14D-9 and any amendments thereto because they contain important information. Investors can obtain a free copy of these documents and any amendments thereto on Inco's corporate website, the Canadian securities regulators website or the SEC's website.