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## OVERCOMING CHALLENGES - CVRD Performance in 2006

The Companhia Vale do Rio Doce (Vale) presents its financial results for FY 2006, characterized as yet another year where important strategic, operational and financial performance challenges were successfully overcome.

The acquisition of Inco Ltd. (Inco) was successfully completed and financed through sufficiently favorable conditions, allowing the company to have a low risk debt, and thus maintaining Vale's investment ranking by the world's top four rating agencies.

A series of well-planned strategic decisions allowed Vale to emerge as the world's second largest company in the mining, metals and industry based on market capitalization. Between December 2001 and February 2007, Vale's market value increased by over US\$ 75 billion, with the total shareholder return in 2001-2006 reaching 42.7% per year.

The amount paid to shareholders over the last five years amounts to US\$ 4.7 billion, and for 2007, the company proposed a payment of US\$ 1.65 billion, equivalent to US\$0.68 per share, representing an increase of 27% in relation to the US\$ 1.3 billion distributed last year, corresponding to US\$ 0.536 per share.

This month, Vale obtained the proper certifications for internal controls for consolidated financial statements in compliance with Section 404 of the Sarbanes-Oxley Act. PricewaterhouseCoopers (PwC) verified the effectiveness of Vale's key controls and those of its subsidiaries.

Vale has had another record year in the production of iron ore (271,069 million tons), alumina (3,939 million tons), aluminum (550 thousand tons), copper (267 thousand tons), potash (732 thousand tons) and kaolin (1,352 million tons), which resulted in record client shipments of those minerals. In 2006, Vale became the largest supplier of iron ore for China, reaffirming its global leadership in the production of the mineral.

The consolidation of Vale Inco is already reflected in the figures for 4Q06, revealing the company's largest quarterly production of nickel, reaching 69,000 tons of refined nickel.

On a pro forma basis, Vale produced the largest quantities of refined nickel in the world in 2006, with 250.6 thousand tons. The company's financial performance breaks several records in terms of revenue, operating profits, net profits, cash generation and investments.

Vale's confidence in the future is demonstrated by the company's commitment to invest significantly in organic growth through a capital expenditure (CAPEX) budget of US\$ 6.3 billion for 2007, and an additional important step in the expansion of the coal business with the acquisition of AMCI Holdings Australia Pty for US\$ 668 million.

. Record-breaking shipments:

- . Iron ore and pellets, 272,682 million tons;
- . Alumina, 3,207 million tons;
- . Primary aluminum, 510 thousand tons;
- . Copper, 169 thousand tons;

- . Potash, 733 thousand tons;
- . Kaolin, 1,323 million tons.
  
- . General cargo railway transportation for customers: 28,922 billion net tons per kilometer (tku), a record in transportation.
  
- . Financial records:
  - . Gross revenue of R\$ 46,746 billion;
  - . Consolidated exports of US\$ 9,656 billion, an increase of 37.5% in comparison to 2005;
  - . Net exports of US\$ 8,784 billion, an increase of 38.6% over 2005. Vale contributed 19.0% to Brazilian trade surplus in 2006;
  - . Operating profit of R\$ 20,089 billion;
  - . Operating margin of 44.4%;
  - . Cash generation measured by EBITDA of R\$ 22,759 billion;
  - . Net profits of R\$ 13.431 billion, corresponding to R\$ 5.56 per share;
  - . Investments of US\$ 26 billion, US\$ 3.2 billion in organic growth, US\$ 1.3 billion in existing businesses and US\$ 21.5 billion for acquisitions.
  
- . Corporate social responsibility:
  - . Investments of R\$ 286 million in social projects;
  - . Investments of R\$ 317 million in environmental projects.
  
- . Social contribution:
  - . Number of actual and outsourced employees: 110,000;
  - . Contributed to the generation of 620,000 jobs;
  - . Wages and social security contributions of R\$ 2.3 billion in 2006, and R\$ 8.1 billion in 2001 - 2006;
  - . Taxes paid to various levels of the Brazillian government, R\$ 4.8 billion in 2006, and R\$ 13.7 billion in 2001 - 2006.

## **VALE'S PERFORMANCE IN 2006**

### **Ferrous minerals**

In 2006, iron ore and pellets sales reached a new record, 272,682 million tons, exceeding the previous year's results by 8.1%. Iron ore shipments amounted to 238,728 million tons, while pellet sales totaled 33,954 million tons. Manganese ore sales reached 779 thousand tons and ferro-alloys, 522 thousand tons.

Vale became China's largest iron ore supplier, shipping 77,873 million tons to the country. This is an increase of 37.8% in relation to 2005, when the company shipped 56,530 million tons. Therefore, Vale was responsible for 23.2% of Chinese imports, which are 28.6% of the company's total sales volume, compared to 22.4% in 2005 and 19.0% in 2004.

The revenues produced by ferrous minerals - iron ore, pellets, manganese and ferro alloys - was R\$ 27,635 billion, an increase of 10.9% compared 2005, when revenues were R\$ 24,926 billion.

### **Non-ferrous minerals**

Revenues from non-ferrous minerals - nickel, copper, kaolin, potash, precious metals and cobalt totaled R\$ 8.5 billion, another company record. The acquisition of Vale Inco propelled Vale to become one of the most important players in the global base metal market. The acquisition of Vale Inco added R\$ 6,025 billion to the company's revenues of R\$ 6,776 billion between the years 2005 and 2006 in the non-ferrous mineral business.

Nickel sales reached 73.8 thousand tons. In pro forma terms, Vale's nickel production totaled 250.6 thousand tons in 2006, which made the company the world's largest nickel producer.

Copper sales reached 169 thousand tons, kaolin was at 1,323 million tons and potash shipments were of 733 thousand tons.

## Aluminum

Bauxite, alumina and primary aluminum sales respectively totaled 4,085 million tons, 3,207 million tons and 510 thousand tons. Their gross revenue was R\$ 5,533 billion, a 43.5% increase over 2005's revenue of R\$ 3,857 billion.

## Logistic Services

Our railroads transported 28,922 billion net tons per kilometer (tku) of general cargo to customers and the company's ports and maritime terminals handled 29,600 million tons of cargo for our customers.

Customer revenue from Vale's logistic services was R\$ 3,405 billion, compared to R\$ 3.291 billion in 2005.

## More information



### Mônica Ferreira

monica.ferreira@vale.com

Rio de Janeiro

+55 (21) 3845-3636

### Fatima Cristina

fatima.cristina@vale.com

Rio de Janeiro

+55 (21) 3485-3621