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Vale's portfolio management

Vale informs that it has entered into an agreement with Norsk Hydro ASA (Hydro), a company listed on the Oslo Stock Exchange and the London Stock Exchange (ticker symbol: NHY), to transfer all its stakes in Albras - Alumínio Brasileiro S.A. (Albras), Alunorte - Alumina do Norte do Brasil S.A. (Alunorte) and Companhia de Alumina do Pará (CAP), along with its respective off-take rights and outstanding commercial contracts for US\$ 405 million in cash and a certain number of Hydro common shares. After a rights issue to be made by Hydro, Vale will own 22% of Hydro's capital. In addition, Hydro will assume a net debt of US\$ 700 million.

As part of this transaction, Vale will form a newly incorporated "Bauxite JV" and will transfer the Paragominas bauxite mine and all its other Brazilian bauxite mineral rights to this new company. At closing, Vale will sell 60% of "Bauxite JV" to Hydro for US\$ 600 million in cash. The remaining 40% will be sold in two equal tranches of 20% in 2013 and 2015, for US\$ 200 million in cash each.

About the transaction

Under the terms of the agreement, upon completion, Vale will transfer to Hydro: (a) 51.0% of the total capital of Albras; (b) 57.0% of the total capital of Alunorte; (c) 61.0% of the total capital of CAP; and sell (d) 60.0% of the total capital of the Bauxite JV. In addition, Vale will own the remaining 40% equity interest in "Bauxite JV", which will be fully divested until 2015.

Vale's shares in Hydro will have a two-year lock-up period after the closing, in which they cannot be divested. Furthermore, Vale will be entitled to have one representative on Hydro's Board of Directors, subject to approval by Hydro's governing bodies. Pursuant to the transaction agreements, Vale cannot increase its ownership in Hydro beyond its 22% stake.

The transaction has been approved by the Board of Directors of both Vale and Hydro.

Completion of the transaction is conditional upon, amongst other things, the approval of Hydro's shareholders, including the Government of Norway, and the approval of certain of Vale's partners in the companies whose interests will be contributed to Hydro.

Once the required approvals are obtained, the transaction will be completed in the fourth quarter of 2010.

About Hydro

Hydro is an integrated aluminium company headquartered in Oslo, Norway that, directly or indirectly, owns interests in aluminium smelters in Norway and other countries, as well as minority interests in alumina and bauxite operations, including Alunorte, CAP, Alumina Partners of Jamaica and MRN.

Strategic rationale

Active portfolio asset management is one of the pillars of our strategy to create value on a sustainable basis.

Vale is very well positioned in the upstream of the aluminum business, with world-class bauxite and alumina assets. However, its participation in the primary aluminum metal industry is small, and has no growth potential due to the lack of access to low-cost sources of power generation, as energy is a key factor for the competitiveness in this business.

On the other hand, Hydro is a major player in the primary aluminum industry, having captive power generation at competitive costs, technological expertise and growth potential.

The combination of Vale and Hydro assets will create one of the world's largest and most competitive integrated aluminum companies, with access to large bauxite reserves, low energy cost and technological know-how.

Given that Vale will remain exposed to the aluminum business through a significant stake in the combined company we strongly believe that this transaction will create substantial value for our shareholders.

More information



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