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05/02/2007

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Vale to take advantage of synergies with MBR

Companhia Vale do Rio Doce (Vale) signed contracts with its Japanese partners of Empreendimentos Brasileiros de Mineração S. A. (EBM), Nippon Steel Corporation (NSC), JFE Steel Corporation (JFE), Itochu Corporation (Itochu), Mitsui & Co. Ltd. (Mitsui), Sumitomo Metal Industries Limited (SMI), Sumitomo Corporation (Sumitomo), Marubeni Corporation (Marubeni), Mitsubishi Corporation (Mitsubishi), Kobe Steel Limited (Kobe) and Nisshin Steel Co. Ltd. (Nisshin) to allow the Company to exploit synergies with its subsidiary Minerações Brasileiras Reunidas S. A. (MBR).

EBM, which is 80% owned by Vale and 20% by the Japanese partners, has as its main asset a 51% stake in MBR. MBR is controlled by Vale, which has an 89.8% stake in the company, directly and through its stake in EBM.

MBR produced 64.6 million metric tons (mt) of iron ore in 2006, and was the world's fourth largest producer. MBR owns world class assets, with proven and probable iron ore reserves of 1.134 billion mt.

Vale has agreed to buy the stakes of Mitsui (US$ 114.5 million), SMI (US$ 60.9 million) and Sumitomo (US$ 55.4 million) in EBM for US$ 230.8 million. As a result of this acquisition, Vale will increase its share of EBM's capital to 86.257% from the current 80%.

Simultaneously, Vale has entered into a usufructuary agreement based on the EBM shares owned by NSC, JFE, Itochu, Marubeni, Mitsubishi, Kobe and Nisshin, representing 13.753 % of EBM's total capital. This agreement will transfer to Vale, during the next 30 years, all rights and obligations entitled to the EBM shares, including the right to collect dividends. In exchange, Vale will pay to the seven partners a total of US$ 60.5 million and an annual fee of US$ 48.1 million.

The transactions will give Vale the effective control of 100% of MBR's total capital for the next 30 years, allowing the company to maximize its exposure to one of the best iron ore assets in the world and to exploit synergies mainly derived from the operation of mines, plants and maritime terminals, elimination of redundancies and best practices sharing. The value of these assets is estimated to reach approximately US$ 500 million, on a net present value basis.

This agreement is consistent with Vale's strategy of shareholder value creation, through an increased exposure to the global iron ore market, significant cost reduction and efficiency gains.

More information

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