Vale S.A.
Form 6-K
July 29, 2011
Table of Contents

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

July 2011

Vale S.A.

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 x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)

(Check One) Yes o No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)

(Check One) Yes o No x

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 x

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

Table of Contents

Financial Statements - June 30, 2011

BR GAAP/IFRS

Filed at CVM, SEC and HKEx on 28/07/2011

Gerência Geral de Controladoria - GECOL

Vale S.A.

INDEX TO THE INTERIM FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	1
Balance Sheet as of June 30, 2011 and December 31, 2010 for the consolidated and Parent Company	2
Consolidated Statement of Income for the three-months period ended June 30, 2011, March 31, 2011 and June 30, 2010, and for the six-months period ended June 30, 2011 and June 30, 2010	4
Parent Company Statement of Income for the three-months period ended June 30, 2011, March 31, 2011 and June 30, 2010, and for the six-months period ended June 30, 2011 and June 30, 2010	5
Consolidated Statement of Comprehensive Income for the six-months period ended June 30, 2011 and June 30, 2010	6
Parent Company Statement of Comprehensive Income for the three-months period ended June 30, 2011, March 31, 2011 and June 30, 2010, and for the six-months period ended June 30, 2011 and June 30, 2010	6
Statement of Changes in Stockholders Equity for the three-months period ended June 30, 2011, March 31, 2011 and June 30, 2010, and for the six-months period ended June 30, 2011 and June 30, 2010 for the Consolidated and Parent Company	7
Consolidated Statement of Cash Flow for the three-months period ended June 30, 2011, March 31, 2011 and June 30, 2010, and for the six-months period ended June 30, 2011 and June 30, 2010	8
Parent Company Statement of Cash Flow for the three-months period ended June 30, 2011, March 31, 2011 and June 30, 2010, and for the six-months period ended June 30, 2011 and June 30, 2010	9
Consolidated Statement of Added Value for the three-months period ended June 30, 2011, March 31, 2011 and June 30, 2010, and for the six-months period ended June 30, 2011 and June 30, 2010	10
Parent Company Statement of Added Value for the three-months period ended June 30, 2011, March 31, 2011 and June 30, 2010, and for the six-months period ended June 30, 2011 and June 30, 2010	11
Notes to the Interim Financial Statements	12

Table of Contents

Vale S.A.

(A free translation of the original in Portuguese)

Review Report of Independent Accountants

To the Board of Directors and Stockholders

Vale S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Vale S.A. (the Company), comprising the balance sheet at June 30, 2011 and the statements of income, comprehensive income, changes in equity and cash flows, for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with accounting standard CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information referred to above is not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the interim financial information.

Vale S.A.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the interim financial information.

Other matters
Interim statements of value added

We have also reviewed the parent company and consolidated interim statements of value added for the six-month period ended June 30, 2011, which are required to be presented in accordance with standards issued by the Brazilian Securities Commission (CVM) and are considered supplementary information under IFRS, which does not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not properly prepared, in all material respects, in relation to the interim accounting information taken as a whole.

Rio de Janeiro, July 28, 2011

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 F RJ

Leandro Mauro Ardito

Contador CRC 1SP188307/O-0 S RJ

PricewaterhouseCoopers, Av. José Silva de Azevedo Neto 200, 1º e 2º, Torre Evolution IV, Barra da Tijuca, Rio de Janeiro, RJ, Brasil 22775-056

T: (21) 3232-6112, F: (21) 3232-6113, www.pwc.com/br

PricewaterhouseCoopers, Rua da Candelária 65, 20º, Rio de Janeiro, RJ, Brasil 20091-020, Caixa Postal 949,

T: (21) 3232-6112, F: (21) 2516-6319, www.pwc.com/br

Table of Contents

(A free translation from the original in Portuguese)

Balance Sheet

In thousands of reais

	Notes	Consolidated June 30, 2011 (unaudited)	December 31, 2010	Parent Company June 30, 2011 (unaudited)	December 31, 2010
Assets					
Current assets					
Cash and cash equivalents	7	21.323.361	13.468.958	7.030.794	4.823.377
Short-term investments	8		2.987.497		
Derivatives at fair value	23	1.238.164	87.270	764.225	36.701
Financial assets available for sale		12.615	20.897		
Accounts receivable	9	13.187.139	13.962.306	18.866.324	18.378.124
Related parties	27	163.273	90.166	2.560.969	1.123.183
Inventories	10	8.762.907	7.592.024	2.748.444	2.316.971
Recoverable taxes	12	3.524.296	2.869.340	2.083.833	1.960.606
Advances to suppliers		798.240	410.426	194.356	273.414
Others		1.271.595	903.916	35.149	178.655
		50.281.590	**42.392.800**	**34.284.094**	**29.091.031**
Assets held for sale		336.166	11.875.931		
		50.617.756	**54.268.731**	**34.284.094**	**29.091.031**
Non-current assets					
Related parties	27	24.718	8.032	505.867	1.936.328
Loans and financing agreements to receive		476.590	274.464	155.540	163.775
Prepaid expenses		398.193	254.366	16.643	
Judicial deposits	17	3.133.280	3.062.337	2.357.246	2.312.465
Deferred income tax and social contribution	18	1.781.353	2.439.984	1.135.139	1.788.980
Recoverable taxes	12	849.694	612.384	183.773	124.834
Derivatives at fair value	23	296.287	501.722	170.082	284.127
Reinvestment tax incentive		540.240	239.269	540.240	239.269
Accounts receivable on realized assets held for sale		542.134			
Others		671.867	695.638	263.930	283.180
		8.714.356	**8.088.196**	**5.328.460**	**7.132.958**
Investments	13	9.772.688	3.944.565	97.241.850	92.111.361
Intangible assets	14	18.537.642	18.273.788	13.438.489	13.563.108

Property, plant and equipment, net	15	134.593.158	130.086.834	48.419.156	44.461.771
		171.617.844	**160.393.383**	**164.427.955**	**157.269.198**
Total assets		**222.235.600**	**214.662.114**	**198.712.049**	**186.360.229**

Table of Contents

(A free translation from the original in Portuguese)

Balance Sheet

In thousands of reais, except number of shares

(Continued)

	Notes	Consolidated June 30, 2011 (unaudited)	December 31, 2010	Parent Company June 30, 2011 (unaudited)	December 31, 2010
Liabilities and stockholders equity					
Current liabilities					
Suppliers and contractors		7.142.336	5.803.709	3.472.607	2.863.317
Payroll and related charges		1.654.361	1.965.833	1.016.858	1.270.360
Derivatives at fair value	23	99.426	92.182	72.589	
Current portion of long-term debt	16	3.310.615	4.866.399	530.165	616.153
Short-term debt	16	825.862	1.144.470		
Related parties	27	14.120	24.251	3.953.362	5.325.746
Taxes payable and royalties		170.694	441.609	74.007	203.723
Provision for income taxes		6.725.178	1.309.630	6.005.468	413.985
Employee postretirement benefits obligations		321.025	311.093	194.532	175.564
Provision for asset retirement obligations	17	85.569	128.281	22.130	44.427
Dividends and interest on capital		3.286.055	8.104.037	3.286.055	8.104.037
Others		1.883.682	1.852.688	823.772	705.227
		25.518.923	**26.044.182**	**19.451.545**	**19.722.539**
Liabilities direclty associated with assets held for sale		132.095	5.339.989		
		25.651.018	**31.384.171**	**19.451.545**	**19.722.539**
Non-current liabilities					
Derivatives at fair value	23	16.453	102.680	5.871	
Long-term debt	16	36.869.133	37.779.484	16.116.725	15.907.762
Related parties	27	19.052	3.362	25.221.084	27.597.237
Employee postretirement benefits obligations		2.532.298	3.224.893	402.842	503.639
Provisions for contingencies	17	3.681.452	3.712.341	2.188.170	2.107.773
Deferred income tax and social contribution	18	9.556.980	12.947.141		3.574.271
Provision for asset retirement obligations	17	2.398.198	2.463.154	815.412	760.838
Stockholders Debentures		2.213.122	2.139.923	2.213.122	2.139.923

Redeemable non-controlling interest		902.316	1.186.334		
Others		3.845.598	3.391.768	1.854.701	1.928.244
		62.034.602	**66.951.080**	**48.817.927**	**54.519.687**
Stockholders equity	22				
Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2010 - 2,108,579,618) issued		29.475.211	19.650.141	29.475.211	19.650.141
Common stock - 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2010 - 3,256,724,482) issued		45.524.789	30.349.859	45.524.789	30.349.859
Mandatorily convertible notes - common shares		431.596	445.095	431.596	445.095
Mandatorily convertible notes - preferred shares		960.701	996.481	960.701	996.481
Treasury stock - 99,649,562 (2010 - 99,646,571) preferred and 47,375,394 (2010 - 47,375,394) common shares		(4.826.127)	(4.826.127)	(4.826.127)	(4.826.127)
Results form operations with non-controlling stockholders		685.035	685.035	685.035	685.035
Results in the translation/issuance of shares			1.867.210		1.867.210
Valuation adjustment		212.418	(25.383)	212.418	(25.383)
Cumulative translation adjustments		(12.942.515)	(9.512.225)	(12.942.515)	(9.512.225)
Retained earnings		70.921.469	72.487.917	70.921.469	72.487.917
Total company stockholders equity		**130.442.577**	**112.118.003**	**130.442.577**	**112.118.003**
Non-controlling interests		**4.107.403**	**4.208.860**		
Total stockholders equity		**134.549.980**	**116.326.863**	**130.442.577**	**112.118.003**
Total liabilities and stockholders equity		**222.235.600**	**214.662.114**	**198.712.049**	**186.360.229**

The accompanying notes are an integral part of these financial statements.

Table of Contents

(A free translation from the original in Portuguese)

Statement of Income Consolidated (unaudited)

In thousands of reais, except as otherwise stated

	Notes		Period three-month		Period Six-month	
		June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Net operating revenue		25.063.251	22.985.283	18.470.115	48.048.534	31.053.437
Cost of goods solds and services rendered	25	(9.396.840)	(9.513.771)	(7.732.374)	(18.910.611)	(14.367.574)
Gross profit		**15.666.411**	**13.471.512**	**10.737.741**	**29.137.923**	**16.685.863**
Operating (expenses) income						
Selling and administrative expenses	25	(744.168)	(756.054)	(663.853)	(1.500.222)	(1.229.340)
Research and development expenses	25	(585.726)	(573.537)	(358.929)	(1.159.263)	(672.571)
Other operating expenses, net	25	(1.171.529)	(715.832)	(707.087)	(1.887.361)	(1.751.530)
Realized gain on assets available for sales						
(Equity results on the parent company)			2.492.175		2.492.175	
		(2.501.423)	**446.752**	**(1.729.869)**	**(2.054.671)**	**(3.653.441)**
Operating profit		**13.164.988**	**13.918.264**	**9.007.872**	**27.083.252**	**13.032.422**
Financial income	25	2.211.077	881.069	746.554	3.092.146	1.181.933
Financial expenses	25	(1.286.166)	(1.148.952)	(1.762.351)	(2.435.118)	(3.534.430)
Equity results from associates	13	81.176	17.674	36.954	98.850	44.168
Income before income tax and social contribution		**14.171.075**	**13.668.055**	**8.029.029**	**27.839.130**	**10.724.093**
Current		(2.852.317)	(2.756.574)	(1.222.638)	(5.608.891)	(1.734.568)
Deferred		(1.138.707)	289.406	(75.704)	(849.301)	789.673
Income tax and social contribution	18	**(3.991.024)**	**(2.467.168)**	**(1.298.342)**	**(6.458.192)**	**(944.895)**
Income from continuing operations		**10.180.051**	**11.200.887**	**6.730.687**	**21.380.938**	**9.779.198**
Results on discontinued operations				(11.870)		(236.318)
Net income of the period		**10.180.051**	**11.200.887**	**6.718.817**	**21.380.938**	**9.542.880**

Net gain (loss) attributable to non-controlling interests		**(95.308)**	**(90.096)**	**84.034**	**(185.404)**	**28.753**
Net income attributable to the Company s stockholders		**10.275.359**	**11.290.983**	**6.634.783**	**21.566.342**	**9.514.127**
Basic earnings per share:						
Continuing operations						
Preferred share	22	1,94	2,13	1,25	4,07	1,80
Common share	22	1,94	2,13	1,25	4,07	1,80
Discontinued operations						
Preferred share	22			(0,01)		(0,05)
Common share	22			(0,01)		(0,05)
Diluted earnings per share:						
Continuing operations						
Preferred share	22	2,45	2,38	1,26	4,83	1,85
Common share	22	2,43	2,37	1,26	4,81	1,85
Discontinued operations						
Preferred share	22			(0,01)		(0,05)
Common share	22			(0,01)		(0,05)

The accompanying notes are an integral part of these financial statements.

Table of Contents

(A free translation from the original in Portuguese)

Statement of Income Parent Company (unaudited)

In thousands of reais, except as otherwise stated

			Period three-month		Period Six-month	
	Notes	**June 30, 2011**	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Net operating revenue		16.497.509	13.542.978	12.142.403	30.040.487	18.772.940
Cost of goods solds and services rendered	25	(5.030.782)	(4.677.964)	(4.310.765)	(9.708.746)	(7.982.187)
Gross profit		**11.466.727**	**8.865.014**	**7.831.638**	**20.331.741**	**10.790.753**
Operating (expenses) income						
Selling and administrative expenses	25	(433.573)	(369.354)	(342.354)	(802.927)	(648.550)
Research and development expenses	25	(341.029)	(278.875)	(291.861)	(619.904)	(503.807)
Other operating expenses, net	25	(485.315)	(156.179)	(67.344)	(641.494)	(423.926)
Equity results from subidiaries	13	2.043.259	2.871.370	1.645.365	4.914.629	4.010.788
Realized gain on assets available for sales						
(Equity results on the parent company)			2.492.175		2.492.175	
		783.342	**4.559.137**	**943.806**	**5.342.479**	**2.434.505**
Operating profit		**12.250.069**	**13.424.151**	**8.775.444**	**25.674.220**	**13.225.258**
Financial income	25	1.737.590	438.057	734.434	2.175.647	822.196
Financial expenses	25	(620.869)	(1.076.157)	(1.634.410)	(1.697.026)	(3.299.418)
Equity results from associates	13	81.176	17.674	36.954	98.850	44.168
Income before income tax and social contribution		**13.447.966**	**12.803.725**	**7.912.422**	**26.251.691**	**10.792.204**
Current		(2.348.035)	(1.715.474)	(1.047.053)	(4.063.509)	(1.386.117)
Deferred		(824.572)	202.732	(218.716)	(621.840)	344.358
Income tax and social contribution	18	**(3.172.607)**	**(1.512.742)**	**(1.265.769)**	**(4.685.349)**	**(1.041.759)**
Income from continuing operations		**10.275.359**	**11.290.983**	**6.646.653**	**21.566.342**	**9.750.445**
				(11.870)		(236.318)

Results on discontinued operations						
Net income of the period		**10.275.359**	**11.290.983**	**6.634.783**	**21.566.342**	**9.514.127**
Basic earnings per share:						
Continuing operations						
Preferred share	22	1,94	2,13	1,25	4,07	1,80
Common share	22	1,94	2,13	1,25	4,07	1,80
Discontinued operations						
Preferred share	22			(0,01)		(0,05)
Common share	22			(0,01)		(0,05)
Diluted earnings per share:						
Continuing operations						
Preferred share	22	2,45	2,38	1,26	4,83	1,85
Common share	22	2,43	2,37	1,26	4,81	1,85
Discontinued operations						
Preferred share	22			(0,01)		(0,05)
Common share	22			(0,01)		(0,05)

The accompanying notes are an integral part of these financial statements.

Table of Contents

(A free translation from the original in Portuguese)

Statement of Comprehensive Income (unaudited)

In thousands of reais

		Consolidated				
		Period three-month			Period Six-month	
	Notes	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Net income of the period		**10.180.051**	**11.200.887**	**6.718.817**	**21.380.938**	**9.542.880**
Other comprehensive income						
Cumulative translation adjustments		(2.832.004)	(835.837)	(1.258.103)	(3.667.841)	149.078
Unrealized gain (loss) on available-for-sale securities						
Gross balance as of the period/year end		5.397	(813)	(5.565)	4.584	5.869
Tax (expense) benefit				1.892		(6.327)
		5.397	**(813)**	**(3.673)**	**4.584**	**(458)**
Cash flow hedge						
Gross balance as of the period/year end		241.177	25.241	351.339	266.418	369.498
Tax (expense) benefit		(18.602)	(13.399)	(22.536)	(32.001)	(69.066)
		222.575	**11.842**	**328.803**	**234.417**	**300.432**
Total comprehensive income of the period	23	**7.576.019**	**10.376.079**	**5.785.844**	**17.952.098**	**9.991.932**
Net income attributable to non-controlling interests		**(201.638)**	**(220.117)**	**126.790**	**(421.755)**	**85.140**
Net income attributable to the Company s stockholders		**7.777.657**	**10.596.196**	**5.659.054**	**18.373.853**	**9.906.792**

		Parent Company				
		Period three-month			Period Six-month	
	Notes	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Net income of the period		**10.275.359**	**11.290.983**	**6.634.783**	**21.566.342**	**9.514.127**
Other comprehensive income						
Cumulative translation adjustments		(2.725.674)	(704.616)	(1.245.932)	(3.430.290)	155.724
Unrealized gain (loss) on available-for-sale securities						

Gross balance as of the period/year end		5.397	(813)	(5.565)	4.584	5.869
Tax (expense) benefit				1.892		(6.327)
		5.397	**(813)**	**(3.673)**	**4.584**	**(458)**
Cash flow hedge						
Gross balance as of the period/year end		241.177	24.041	296.412	265.218	306.465
Tax (expense) benefit		(18.602)	(13.399)	(22.536)	(32.001)	(69.066)
		222.575	**10.642**	**273.876**	**233.217**	**237.399**
Total comprehensive income of the period	23	**7.777.657**	**10.596.196**	**5.659.054**	**18.373.853**	**9.906.792**

The accompanying notes are an integral part of these financial statements.

Table of Contents

(A free translation from the original in Portuguese)

Statement of Changes in Stockholders Equity

In thousands of reais

	NOTES	CAPITAL	RESULTS IN THE TRANSLATION/ ISSUANCE OF SHARES	MANDATORILY CONVERTIBLE NOTES	REVENUE RESERVES	TREASURY STOCK	VALUATION ADJUSTMENT	PERIOD SIX-MONTH INCOME FROM OPERATIONS WITH NON-CONTROLLING STOCKHOLDERS	CUMUL TRANSL ADJUST
DECEMBER 31, 2009		**47.434.193**	**(160.771)**	**4.587.011**	**49.272.210**	**(2.470.698)**	**(20.665)**		**(8.8**
NET INCOME OF THE PERIOD									
CAPITALIZATION OF RESERVES		2.565.807			(2.565.807)				
GAIN ON CONVERSION OF SHARES			2.027.981	(3.063.833)		1.035.852			
ADDITIONAL REMUNERATION TO MANDATORILY CONVERTIBLE NOTES				(52.731)					
CASH FLOW HEDGE, NET OF TAXES	23						237.399		
UNREALIZED RESULTS ON VALUATION AT MARKET							(458)		
TRANSLATION ADJUSTMENTS FOR THE PERIOD									
DIVIDENDS TO NON-CONTROLLING STOCKHOLDERS									
ACQUISITIONS AND DISPOSAL OF NON-CONTROLLING STOCKHOLDERS									
TRANSFER TO ASSETS HELD FOR SALE OF NON-CONTROLLING STOCKHOLDERS									
JUNE 30, 2010		**50.000.000**	**1.867.210**	**1.470.447**	**46.706.403**	**(1.434.846)**	**216.276**		**(8.**
01 DE JANEIRO DE 2011		**50.000.000**	**1.867.210**	**1.441.576**	**72.487.917**	**(4.826.127)**	**(25.383)**	**685.035**	**(9.**

LUCRO LÍQUIDO DO EXERCÍCIO									
REDEEMABLE NONCONTROLLING INTERESTS									
CAPITALIZAÇÃO DE ADIANTAMENTO DE ACIONISTAS NÃO CONTROLADORES									
CAPITALIZAÇÃO DE RESERVAS		25.000.000	(1.867.210)		(23.132.790)				
GANHO COM CONVERSÃO DE AÇÕES	22								
RECOMPRA DE AÇÕES	23								
REMUNERAÇÃO ADICIONAL AOS TÍTULOS				(49.279)					
HEDGE DE FLUXO DE CAIXA, LÍQUIDO DE IMPOSTOS							233.217		
RESULTADO NÃO REALIZADO DE AVALIAÇÃO A MERCADO							4.584		
AJUSTES DE CONVERSÃO DO PERÍODO									(3.
DIVIDENDOS DE ACIONISTAS NÃO CONTROLADORES									
AQUISIÇÕES E BAIXAS DE PARTICIPAÇÕES DE ACIONISTAS NÃO CONTROLADORES									
30 DE JUNHO DE 2011		**75.000.000**		**1.392.297**	**49.355.127**	**(4.826.127)**	**212.418**	**685.035**	**(12.**

(I) period adjusted by new accounting pronouncements.

The accompanying notes are an integral part of these financial statements.

Table of Contents

(A free translation from the original in Portuguese)

Statement of Cash Flow Consolidated
Period ended in (unaudited)

In thousands of reais

		Period three-month			Period Six-month	
	Notes	**June 30, 2011**	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Cash flow from operating activities:						
Net income of the period		10.180.051	11.200.887	6.718.817	21.380.938	9.542.880
Adjustments to reconcile net income to cash from operations						
Results of equity investments		(81.176)	(17.674)	(36.954)	(98.850)	(44.168)
Realized gain on assets held for sale			(2.492.175)	11.870	(2.492.175)	
Results from descontinued operations						236.318
Depreciation, amortization and depletion		1.553.128	1.599.038	1.355.861	3.152.166	2.716.166
Deferred income tax and social contribution		1.138.707	(289.406)	75.704	849.301	(789.673)
Monetary and exchange rate changes, net		(349.856)	494.186	(333.911)	144.330	(522.252)
Loss on disposal of property, plant and equipment		74.077	301.520	93.649	375.597	287.366
Net unrealized losses (gains) on derivatives	23	(368.678)	(353.552)	398.699	(722.230)	799.547
Others		(197.208)	(48.436)	(57.385)	(245.644)	187.008
Decrease (increase) in assets:						
Accounts receivable from customers		(955.191)	288.935	(2.560.891)	(666.256)	(4.042.960)
Inventories		(181.222)	(1.290.119)	(361.086)	(1.471.341)	(796.796)
Recoverable taxes		(183.484)	(128.747)	(101.628)	(312.231)	(111.647)
Others		(629.657)	451.967	(121.943)	(177.690)	444.840
Increase (decrease) in liabilities:						
Suppliers and contractors		548.093	338.243	785.557	886.336	931.582
Payroll and related charges		328.896	(624.001)	236.666	(295.105)	(284.542)
Taxes and contributions		(49.202)	527.374	617.486	478.172	459.763
Others		(559.478)	895.920	(26.961)	336.442	145.244
Net cash provided by operating activities		**10.267.800**	**10.853.960**	**6.693.550**	**21.121.760**	**9.158.676**
Cash flow from investing activities:						
Short-term investments		869.017	2.118.480	21.643	2.987.497	6.524.906
Loans and advances receivable		(52.577)	(289.200)	27.890	(341.777)	44.450
Guarantees and deposits		(268.821)	(49.550)	(88.071)	(318.371)	(170.690)
Additions to investments			(103.411)	(48.369)	(103.411)	(98.369)
Additions to property, plant and equipment		(5.888.218)	(4.892.203)	(4.153.442)	(10.780.421)	(7.507.775)

Dividends/interest on capital received		84.079		70.455	84.079	70.455
Proceeds from disposal of investments held for sale			1.794.985		1.794.985	
Acquisitions of subsidiaries, net of the cash of subsidiary				(9.637.629)		(9.637.629)
Net cash provided by (used in) investing activities		**(5.256.520)**	**(1.420.899)**	**(13.807.523)**	**(6.677.419)**	**(10.774.652)**
Cash flow from financing activities:						
Short-term debt						
Additions		368.694	1.564.302	461.373	1.932.996	3.537.143
Repayments		(316.392)	(1.640.278)	(417.615)	(1.956.670)	(3.524.416)
Long-term debt						
Additions		558.412	959.071	1.071.029	1.517.483	3.076.528
Repayments		(82.589)	(2.926.045)	(128.949)	(3.008.634)	(592.279)
Financial institutions						
Dividends and interest on capital paid to stockholders		(3.174.000)	(1.670.100)	(2.198.000)	(4.844.100)	(2.303.638)
Dividends and interest stockholders' equity attributed to noncontrolling interest		(93.476)		(103.411)	(93.476)	
Net cash provided by (used in) financing activities		**(2.739.351)**	**(3.713.050)**	**(1.315.573)**	**(6.452.401)**	**193.338**
Increase (decrease) in cash and cash equivalents		2.271.929	5.720.011	(8.429.546)	7.991.940	(1.422.638)
Cash and cash equivalents of cash, beginning of the period		19.138.882	13.468.958	20.266.871	13.468.958	13.220.599
Effect of exchange rate changes on cash and cash equivalents		(87.450)	(50.087)	9.946	(137.537)	49.310
Cash and cash equivalents, end of the period	7	**21.323.361**	**19.138.882**	**11.847.271**	**21.323.361**	**11.847.271**
Cash paid during the period for:						
Short-term interest		(9.954)	(6.134)	(11.910)	(16.088)	(19.726)
Long-term interest		(617.826)	(581.255)	(547.540)	(1.199.081)	(996.209)
Income tax and social contribution		(1.933.124)	(1.697.264)	(121.042)	(3.630.388)	(372.932)
Inflows during the period:						
Non-cash transactions:						
Additions to property, plant and equipment - interest capitalization		(100.621)	(63.498)	(101.854)	(164.119)	(184.856)

The accompanying notes are an integral part of these financial statements.

Table of Contents

(A free translation from the original in Portuguese)

Statement of Cash Flow Parent Company
Period ended in (unaudited) **In thousands of reais**

	Notes	Period Six-month June 30, 2011	June 30, 2010
Cash flow from operating activities:			
Net income of the period		21.566.342	9.514.127
Adjustments to reconcile net income to cash from operations			
Results of equity investments		(5.013.479)	(4.054.956)
Realized gain on assets held for sale		(2.492.175)	
Results from descontinued operations			236.318
Depreciation, amortization and depletion		937.985	990.522
Deferred income tax and social contribution		621.840	(344.358)
Monetary and exchange rate changes, net		(2.041.118)	967.035
Loss on disposal of property, plant and equipment		256.790	284.630
Net unrealized losses (gains) on derivatives	23	(440.898)	464.672
Dividends / interest on capital received		1.103.265	357.285
Others		(222.063)	211.844
Decrease (increase) in assets:			
Accounts receivable from customers		(488.201)	(3.335.165)
Inventories		(294.961)	51.263
Recoverable taxes		(182.165)	(92.349)
Others		20.001	302.907
Increase (decrease) in liabilities:			
Suppliers and contractors		1.545.689	262.461
Payroll and related charges		(253.502)	(182.472)
Taxes and contributions		1.152.603	185.981
Others		361.134	153.280
Net cash provided by operating activities		**16.137.087**	**5.973.025**
Cash flow from investing activities:			
Loans and advances receivable		6.361	3.129.434
Guarantees and deposits		(292.795)	(260.312)
Additions to investments		(1.609.387)	(986.427)
Additions to property, plant and equipment		(5.674.612)	(3.162.706)
Proceeds from disposal of investments held for sale			
Acquisitions of subsidiaries, net of the cash of subsidiary			
Net cash provided by (used in) investing activities		**(7.570.433)**	**(1.280.011)**
Cash flow from financing activities:			
Short-term debt			
Additions		1.054.403	1.059.814
Repayments		(4.170.319)	(3.788.701)
Long-term debt			

Additions		2.340.874	2.729.038
Financial institutions		(740.095)	(234.807)
Dividends and interest on capital paid to stockholders		(4.844.100)	(2.198.000)
Net cash provided by (used in) financing activities		**(6.359.237)**	**(2.432.656)**
Increase (decrease) in cash and cash equivalents		2.207.417	2.260.358
Cash and cash equivalents of cash, beginning of the period		4.823.377	1.249.980
Cash and cash equivalents from new incorporated subisidiary			8
Cash and cash equivalents, end of the period	7	**7.030.794**	**3.510.346**
Cash paid during the period for:			
Short-term interest		(2.482)	(47.053)
Long-term interest		(1.228.350)	(1.000.776)
Income tax and social contribution		(3.103.414)	(399.744)
Non-cash transactions:			
Additions to property, plant and equipment - interest capitalization		(47.546)	(50.222)
Transfer of advance for future capital increase to investments		(761.156)	(672.500)

The accompanying notes are an integral part of these financial statements.

Table of Contents

(A free translation from the original in Portuguese)

Statement of Added Value
Period ended in (unaudited) **In thousands of reais**

	Consolidated				
		Period three-month		Period Six-month	
	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Generation of added value					
Gross revenue					
Revenue from products and services	25.613.887	23.573.306	18.980.976	49.187.193	32.010.325
Gain on realization of assets available for sale		2.492.175		2.492.175	
Revenue from the construction of own assets	5.898.396	4.088.559	4.410.836	9.986.955	7.622.655
Allowance for doubtful accounts	(9.569)	11.893		2.324	(6.597)
Acquisition of products	(695.207)	(557.382)	(441.100)	(1.252.589)	(854.260)
Outsourced services	(3.589.771)	(2.857.576)	(2.848.882)	(6.447.347)	(4.540.577)
Materials	(5.968.970)	(4.743.680)	(4.695.727)	(10.712.650)	(9.422.966)
Fuel oil and gas	(866.930)	(981.365)	(912.042)	(1.848.295)	(1.685.640)
Energy	(378.298)	(510.274)	(537.750)	(888.572)	(983.254)
Other costs (expenses)	(2.534.102)	(2.247.993)	(1.955.810)	(4.782.095)	(3.965.526)
Gross added value	**17.469.436**	**18.267.663**	**12.000.501**	**35.737.099**	**18.174.160**
Depreciation, amortization and depletion	(1.553.128)	(1.599.038)	(1.355.861)	(3.152.166)	(2.716.166)
Net added value	**15.916.308**	**16.668.625**	**10.644.640**	**32.584.933**	**15.457.994**
Financial income	1.032.995	748.064	447.612	1.781.059	550.763
Equity results	81.176	17.674	36.954	98.850	44.168
Total added value to be distributed	**17.030.479**	**17.434.363**	**11.129.206**	**34.464.842**	**16.052.925**
Personnel	1.791.336	1.698.685	1.260.547	3.490.021	2.383.788
Taxes, rates and contribution	959.984	1.051.676	388.091	2.011.660	278.102
Current income tax	2.852.317	2.756.574	1.222.638	5.608.891	1.734.568
Deferred income tax	1.138.707	(289.406)	75.704	849.301	(789.673)
Remuneration of debt capital	955.377	1.067.857	1.529.360	2.023.234	2.791.051
Monetary and exchange changes, net	(847.293)	(51.910)	(65.951)	(899.203)	112.209
Net income attributable to the company s stockholders	10.275.359	11.290.983	6.634.783	21.566.342	9.514.127
Net income (loss) attributable to non-controlling interest	(95.308)	(90.096)	84.034	(185.404)	28.753

Distribution of added value	**17.030.479**	**17.434.363**	**11.129.206**	**34.464.842**	**16.052.925**

Table of Contents

	Parent company Period Six-month June 30, 2011	June 30, 2010
Generation of added value		
Gross revenue		
Revenue from products and services	30.805.524	19.502.873
Gain on realization of assets available for sale	2.492.175	
Revenue from the construction of own assets	5.665.123	3.178.554
Allowance for doubtful accounts	8.520	(5.098)
Less:		
Acquisition of products	(1.095.493)	(521.459)
Outsourced services	(3.831.753)	(2.789.556)
Materials	(5.590.277)	(4.763.398)
Fuel oil and gas	(946.931)	(746.502)
Energy	(390.833)	(502.916)
Other costs (expenses)	(2.078.142)	(1.778.081)
Gross added value	**25.037.913**	**11.574.417**
Depreciation, amortization and depletion	(937.985)	(990.522)
Net added value	**24.099.928**	**10.583.895**
Financial income	1.151.013	627.732
Equity results	5.013.479	4.054.956
Total added value to be distributed	**30.264.420**	**15.266.583**
Personnel	1.935.484	1.453.388
Taxes, rates and contribution	1.404.853	152.355
Current income tax	4.063.509	1.386.117
Deferred income tax	621.840	(344.358)
Remuneration of debt capital	1.538.156	2.056.215
Monetary and exchange changes, net	(865.764)	1.048.739
Net income attributable to the company s stockholders	21.566.342	9.514.127
Distribution of added value	**30.264.420**	**15.266.583**

The accompanying notes are an integral part of these financial statements.

Table of Contents

(A free translation from the original in Portuguese.)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

IN THOUSANDS OF REAL, UNLESS OTHERWISE STATED.

1- Operational Context

Vale S.A. (Vale or the Company) is a Public Limited Liability Company with its headquarters in the city of Rio de Janeiro, Brazil. The initial public offering was in October 1943 on the Rio de Janeiro Stock Exchange and now has its securities traded on the stock exchanges in Sao Paulo (BM&F and BOVESPA), New York (NYSE), Paris (NYSE Euronext) and Hong Kong (HKEx).

The Company and its direct and indirect subsidiaries (Group) is principally engaged in the research, production and marketing of iron ore and pellets, nickel, fertilizer, copper, coal, manganese, iron alloys, cobalt, metals platinum group metals and metals precious. In addition, it operates in the segments of energy, logistics and steel.

As of June 30, 2011, the main consolidated operating subsidiaries and jointly controlled entities proportionately consolidated are:

Entities	% participation	% voting capital	Head office location	Main activity
Subsidiaries				
Compañia Mienera Misky Mayo S.A.C	40,00	51,00	Peru	Fertilizers
Ferrovia Centro-Atlântica S. A.	99,99	99,99	Brazil	Logistic
Ferrovia Norte Sul S.A.	100,00	100,00	Brazil	Logistic
Mineração Corumbá Reunidas S.A.	100,00	100,00	Brazil	Iron ore
PT International Nickel Indonesia Tbk	59,14	59,14	Indonesia	Nickel
Vale Australia Pty Ltd.	100,00	100,00	Australia	Coal
Vale Colombia Ltd.	100,00	100,00	Colombia	Coal
Vale Fertilizantes S.A	84,27	99,90	Brazil	Fertilizers
Vale Canada Limited	100,00	100,00	Canada	Nickel
Vale International S.A	100,00	100,00	Switzerland	Trading
Vale Manganês S.A.	100,00	100,00	Brazil	Manganese and Ferroalloys
Vale Nouvelle-Caledonie SAS	74,00	74,00	New Caledonia	Nickel
Sociedad Contractual Minera Tres Valles	90,00	90,00	Chile	Cooper

Urucum Mineração S.A.	100,00	100,00	Brazil	Iron ore and Manganese
Vale Austria Holdings GMBH	100,00	100,00	Austria	Holding and Research
Jointly-controlled entities				
California Steel Industries, Inc.	50,00	50,00	United States	Steel industry
MRS Logística S.A	41,50	37,86	Brazil	Logistic
Samarco Mineração	50,00	50,00	Brazil	Iron ore

Table of Contents

2 Summary of the Main Accounting Practices and Accounting Estimates

a) Basis of presentation

Interim consolidated financial statements

The interim consolidated financial statements of the company have been prepared according with the international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB), and interpretations issued by International Financial Reporting Interpretations Committee (IFRIC), implemented in Brazil through the Committee of Accounting Pronouncements (CPC) and its technical interpretation (ICPC) and guidelines (OCPC) approved by the Securities Exchange Commission (CVM).

The interim financial statements have been prepared considering historical cost as the basis of value and adjusted to reflect the financial assets available for sale, and financial assets and liabilities (including derivative instruments) measured at fair value against income. The interim financial statements follow the principles, methods and standards in relation to those adopted at the closing of last fiscal year ended December 31, 2010, and therefore should be read in together with this.

In preparing the interim financial statements, the use of estimative is required to account for certain assets, liabilities and transactions. Accordingly, the interim financial statements include certain estimates related to the useful lives of fixed assets, provisions for losses on assets, contingencies, operating provisions and other similar evaluations. Actual results of operations for the quarterly periods are not necessarily an indication of expected results for the fiscal year ending on December 31, 2011.

Interim financial statements of the parent company

The interim individual financial statements of the parent company and associated companies have been prepared under accounting practices adopted in Brazil issued by the CPC. Those pronouncements are published together with interim consolidated financial statements.

In the case of Vale SA accounting practices adopted in Brazil applicable to the interim individual financial statements differ from IFRS, applicable to the separated financial statements, only by valuation of investments in subsidiaries and associated companies by the equity method, while according IFRS would be as cost or fair value.

Transactions and balances

The operations with others currencies are translated into the functional currency of the parent company (Real) using the actual exchange rates on the transaction or valuation dates, in which the items were measured. The foreign exchange gains and losses resulting from the settlement of these transactions and from the translation by exchange rates at the end of the year, relating to monetary assets and liabilities in other currencies are recognized in the statement of income, as financial expense or financial income.

In 2011, based on the assessment of business, the subsidiary Vale International has changed its functional currency from Brazilian Real to USA dollars. This change did not cause significant effects on the financial statements presented.

Major currencies impacting our operations:

	Year-end price in Brazilian real	
	June 30, 2011	**Decemebr 31, 2010**
US dollar - USD	1,5611	1,6662
US canadian dollar - CAD	1,6192	1,6700
US australian dollar - AUD	1,6752	1,6959
Euro -	2,2667	2,2280

The exchange rate gain or loss of non-monetary financial assets, such as investments in shares classified as available for sale, is included in other comprehensive income.

The Company has assessed subsequent events through July 28, 2011, which is the date of the interim financial statements.

b) Principles of consolidation

The consolidated financial statements reflect the balances of assets, liabilities and stockholder s equity at June 30, 2011, December 31, 2010 and the operations of the three-months period ended on June 30, 2011 and June 31, 2010, of the parent

Table of Contents

company, of its direct and indirect subsidiaries and of its jointly controlled entities, in proportion to the interest maintained. For associates, entities over which the Company has significant influence but not control the investments are accounted for under the equity method.

The operations in other currencies are translated into the presentation currency of the financial statements in Brazil for the purposes of registration of equity and full or proportional consolidation. Accounting practices of subsidiaries and associated companies are set to ensure consistency with the policies adopted by the parent company. Transactions between consolidated companies, as well as balances, profits and unrealized losses on these transactions are eliminated.

The interests in hydroelectric projects are done through consortium agreements under which the Company participates in assets and liabilities of these enterprises in the proportion that holds on the consortium.

Investments in subsidiaries, joint ventures and associated companies

Investments registered in the consolidated financial statements include investments in related entities. Investments registered in the financial statements of the parent company include investments in subsidiaries, joint ventures and associated companies.

These investments in subsidiaries, joint ventures and associated companies are recorded in accounting by the equity method and include goodwill identified on acquisition, net of any accumulated impairment loss.

c) Business combinations

The company adopts the business combinations method when the company acquires control over an entity. In these operations, the acquired identifiable assets, the liabilities, and the non-controlling interests assumed are initially measured at fair values at the acquisition date. The measurement of the non-controlling shareholder interest to be recognized is determined for each acquisition made.

The excess of the consideration transferred over the fair value at the date of acquisition, inclusive of any prior equity interest in the acquired business is recorded as goodwill. When the consideration transferred is less than the fair value of net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

The goodwill recorded as an intangible asset is not subject to amortization. Goodwill (goodwill) is allocated to cash-generating units (CGU) or groups of cash generating units, and recoverability was tested (impairment test), during the fourth quarter. When it was identified that recorded goodwill would not be fully recovered, the respective portion of goodwill was written down to the income statement.

Non-controlling stockholders interests

The Company treats transactions with non-controlling stockholders interests as transactions with equity owners of the Company. For purchases of non-controlling stockholders interests, the difference between any consideration paid and the portion acquired of the carrying value of net assets of the subsidiary is recorded in stockholders equity. Gains or losses, on disposals of non-controlling stockholders interest, are also recorded in stockholders equity.

For the Company hold control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. Furthermore, any amounts previously recognized in other comprehensive income relating to that entity are accounted for as if the Company had directly sold the related assets or liabilities. This means that the amounts previously recognized in other comprehensive income are reclassified in income.

d) Cash and cash equivalents and short-term investments

The amounts recorded as cash and cash equivalents correspond to the values available in cash, bank deposits and investments in the short-term that have immediately liquidity and maturity within three months. Other investments with maturities exceeding three months, and up to one year, are recognized at fair value in income and recorded in short-term investments.

e) Financial assets

The Company classifies its financial assets in accordance with the purpose for which they were purchased, and determine the classification and initial recognition according to the following categories:

- Measured at fair value through the statement of income - recorded in this category are held for trading financial assets acquired for the purpose of selling in the short term. Derivatives not designated as hedging instruments are recorded in this category.

- Loans and receivables non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company s loans and receivables comprise of the accounts receivables, other receivables, and cash and cash equivalents. Loans and receivables are measured at fair value and subsequently carried at amortized cost using the effective

Table of Contents

interesting rate method, less impairment. The interest income is recognized with the effective tax rate application, except for short-term credits, because the interest recognition would be immaterial.

• Available for sale are non-derivative assets not classified in other categories. They are initially recorded at their acquisition value, which is the fair value of the price paid, including transaction costs. After initial recognition, they are reassessed by their fair values by reference to their market value at the date of the financial statement, without any deduction related to the transaction costs that may occur up to your sale.

Investments in equity instruments that are not listed and for which it is not possible to estimate with certainty its fair value, are held at acquisition cost less any losses not recoverable. Gains or losses from changes in fair value of investments available for sale are recorded in stockholders equity under the caption Equity adjustments included in Other comprehensive income until the investment is sold or received or until the fair value of the investment is below its acquisition cost and this corresponds to a significant loss or prolonged, when the accumulated loss is transferred to the financial expenses.

f) Accounts receivables

Accounts receivables represent amounts receivable from the sale of products and services made by the Company. The receivables are initially recorded at fair value and subsequently measured at amortized cost, net of estimates of potential losses.

The estimated losses from doubtful accounts are provided in an amount considered sufficient to cover potential losses. The value of the loss estimated for doubtful debts is made based on experience of defaults occurred in the past.

g) Inventories

Inventories are stated at the lower value of average cost of acquisition or production and replacement or realization values. The inventories production costs are determined by fixed and variable costs, and direct and indirect costs of production, by the appropriate average cost method. The realizable net value of inventory corresponds to the estimated selling price of inventory, less all estimated costs of completion and costs necessary to make the sale. Where applicable, consists of an estimated loss of obsolete inventory or slow-moving.

Inventories of ore are recognized in the moment of yours physical extraction. And they are no longer part of the calculation of proven and probable reserves anymore, and now are part of the stock pile of ore, and therefore is not part of the calculation of depreciation, amortization and depletion per unit of production.

h) Non-current assets held for sale

Assets held for sale (or discontinued operations) are recorded as non-current assets, separated from other current assets in the balance sheet, when their carrying amounts are recoverable when: a) the realization of the sale is a virtual certainty; b) management is committed to a plan to sell these assets; and c) the sale takes place within a period of 12 months. Assets recorded in this group are valued by the lower of book value and fair value less costs to sell.

i) Non-current

The amount expected to be recovered or settled after more than 12 months of the reporting date is classified as non-current.

j) Property, plant and equipment

Fixed assets are carried at acquisition or production cost. The assets include financial charges, incurred during the construction period, expenses attributable to the acquisition and losses through non-recovery of the asset.

Assets are depreciated by the straight-line method based on estimated useful lives, from the date on which the assets are available for use in the intended way, except for land which is not depreciated. The depletion of reserves is calculated based on the ratio between actual production and the total amount of reserves proven and probable.

In the case of railroads, where the company holds the concession, the assets acquired, related to grant activities to provide public services (returned goods), the will be returned to the grantor termination of the concession period, without any compensation or cost to the grantor. The returned tangible fixed assets are originally recorded by the cost of acquisition or construction, during the construction period. The assets related to the concession are depreciated based on the estimated useful life of assets, since the entry into operation.

The carrying value of an asset is written down immediately to its recoverable amount in income, if the asset s carrying value is greater than its estimated recoverable amount.

Table of Contents

Depreciation and depletion of assets of the Company, is represented in accordance with the following estimated useful lives:

Buildings	between 10 and 50 years
Installations	between 5 and 50 years
Equipment	between 3 and 33 years
Computer Equipment	between 5 and 10 years
Mineral rights	between 2 and 33 years
Locomotives	between 12,5 and 33 years
Wagon	33 years
Railway equipment	between 5 and 50 years
Ships	between 5 and 20 years
Other	between 2 and 50 years

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at the end of each fiscal year.

The relevant expenditures for maintenance of industrial areas and relevant assets (as example, ships), including spare parts, assembly services, and others, are recorded in fixed assets and depreciated over the benefits of this maintenance period until the next stop.

l) Intangible assets

Intangible assets are valued at acquisition cost, less accumulated amortization and losses by reducing the recoverable amount where applicable. Intangible assets are recognized only if it is likely they that will generate economic benefits to the Company, are controllable under the Company s control and their respective value can be measured reliably.

Intangible assets that have finite useful lives are amortized over their effective use or a method that reflects their economic benefits, while those with indefinite useful lives are not amortized; consequently these assets are tested at least annually as to their recovery (impairment test). The estimated useful life and amortization methods are reviewed at the end of each financial year and the effect of any changes in estimates are recorded in a prospective manner.

Expenditure on development activities (or stage of development of an internal project) is recorded as intangible assets if and only if it generate future economic benefits, there is technical viability to use or sale, and capacity to measure in a confinable way these costs. Initial recognition of this asset corresponds to the sum of the expenditures incurred from when the intangible asset has passed to meet the recognition criteria. Intangible assets generated internally, are recorded at cost value less amortization and loss on the accumulated impairment.

Intangible assets acquired in a business combination and recognized separately from goodwill are recorded at fair value at the acquisition date, which is equivalent to cost. As required at a later date, these assets are recorded at cost value less amortization and loss on the impairment accumulated.

m) Biological assets

The biological assets are valued and recognized at fair value less cost to sell (less depreciation and accumulated impairment losses), when a market value can be determined, otherwise they are value and recognized at cost. In the absence of an active market, the valuation method used is the discounted cash flow method. Related gains and losses are recognized in the statement of income.

n) Impairment

Financing assets

The Company assess each reporting period if there are objective evidences that an asset is impaired. Case the existence of impacts on cash flow caused by asset impaired and this impact can be reliable estimated; Company recognizes in the results an impairment loss.

Long-term non-financial assets

The Company assesses impairment of non financial assets annually to assets whether there is evidence that the book value of a long-term non-financial asset will not be recoverable. Regardless of existing indication of non recoverability of its carrying amount, goodwill balances from business combinations and intangible assets with indefinite useful lives are tested for recovery at least once a year. When the residual value book of this non-financial asset exceeds its recoverable value, the Company recognizes a reduction in the carrying balance of its non-financial asset (impairment), and also in this moment review the non-financial assets, except goodwill, that have suffered reduction of the accounting balance for non-recovery for a possible reversal of these write-down values. If it is not possible to determine the recoverable amount of a nonfinancial asset individually, the recoverable value of non-financial assets grouped at the lowest levels for which there are separately identifiable cash flows of the cash-generating unit - CGU, which the asset belongs is realized.

Table of Contents

o) Expenditures on research

Expenditure on ore research and development are considered operating expenses until the effective proof of the economic feasibility of commercial exploration of a given field. From this evidence, the expenditures incurred are to be capitalized as mine development costs.

During the development phase of mine before production begins, the cost of waste removal, and associated costs with removal of waste and other residual materials are recorded as part of asset in development cost of the mine. Subsequently, these costs are amortized over the useful life of the mine based on proven and probable reserves. After the start of the production phase from the mine, the ore removal expenditures are treated as production costs.

p) Leasing

The Company classifies its contracts as financial leasing or operational leases based on the substance of the contract, regardless of its form.

For financial leases, the lower of the fair value of the leased asset and the present value of minimum lease payments is recorded in tangible fixed assets offsetting the corresponding obligation recorded is liabilities. For operating leases, payments are recognized linearly during the term of the contract as a cost or expense in the statement of income in the year to which they belong.

q) Accounts payable to suppliers and contractors

Accounts payable to suppliers and contractors are obligations to pay for goods and services that were acquired in the ordinary course of business. The amounts are initially recognized at fair value and subsequently measured at amortized cost using effective interest rate method. In practice accounts payable are normally recognized by the value of the corresponding invoice or receipt.

r) Loans and financing

Loans are initially measured at fair value, net of transaction costs incurred and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the loans, using the effective interest rate method. Fees paid on the establishment of the loan are recognized as transaction costs of the loan.

Compound financial instruments (which have components of a financial liability debt and of Stockholders equity) issued by the Company comprise of mandatorily convertible notes into Stockholders equity, and the number of shares to be issued does not vary with changes in its fair value.

The liability component of a compound financial instrument is initially recognized at fair value. The fair value of the liability portion of a convertible debt security is determined using discounted cash flow, considering the interest rate market for a debt instrument with similar characteristics (period, value, credit risk), but not convertible. The Stockholders equity component is recognized initially by the difference between the total value received by the Company with the issuance of the title, and the fair value as a financial liability component recognized. The transaction costs directly attributable to the title are allocated to the components of liabilities and stockholders equity in proportion to amounts initially recognized.

After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured after the initial recognition, except for upon conversion.

s) Provisions

Provisions are recognized only when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that settlement of this obligation would result in an outflow of resources and the amount of the obligation could be reasonably estimated. Provisions are reviewed and adjusted to reflect the current best estimate at the end of each reporting period. Provisions are measured at the present value of the expenditure expected to be required to settle an obligation using a pre-tax rate, which reflects current market assessments of time value of money and the risks specific to the obligation. The increase in the obligation due to the passage of time is recognized as interest expense.

Provision for asset retirement obligations

The Company, at the end of each year reviews and updates the values of provisions for asset retirement obligations. This provision has the primary goal of long-term value, for financial use in the future at the closing moment of the asset. Provisions made by the Company refer basically to mine closure and the completion of mining activities and decommissioning of assets linked to mine. The provision is set up initially with the record of non-current liabilities in counterpart with a main fixed asset item. The increase in the provision due to passage of time is recognized as interest expense, using the current discount rate plus the inflation index. The asset is depreciated linearly at the rate of useful life of the main asset, and registered against the statement of income.

Table of Contents

Provisions for contingent liabilities

The judicial provisions are recognized when the loss is considered probable, and would cause an outflow of resources for the settlement of the liabilities, and when the amounts are reliably measurable taking into consideration the opinion of legal counsel, the nature of actions, similarity with previous cases, complexity, and the positioning of the courts.

t) Employee benefits

Current benefit - wages, vacations and related taxes

Payments of benefits such as wages, vacation past due or accrued vacation, as well their related social security taxes over those benefits, are recognized monthly in the results.

Current benefit - profit sharing

The Company has a policy of profit sharing, based on the achievement of individual performance goals, and on the area of operation and performance of the Company. The amount is formed based on the best estimates of the amount to be paid by the company based on the results, and periodic verification (measurement) of the compliance with all performance goals. The Company makes monthly provision with respect to the accrual basis and recognition of present obligation arising from past events, and believes that the estimated amount is reasonable and a future outflow of resources should occur. The counterpart of the provision is recorded as cost of sales or service rendered or operating expenses in accordance with the activity of the employee in productive or administrative activities, respectively.

Non-current benefit - pension cost and other post-retirement benefits

For defined benefit plans in which the Company has the responsibility for or has some kind of risk actuarial calculations are periodically obtained of liabilities determined in accordance with the Projected Unit Credit Method in order to estimate the liability for payment of those installments. The liability recognized in the balance sheet regarding the defined benefit plan a the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets, with adjustments for past service cost not recognized. Actuarial gains and losses are appointed and controlled by the corridor method, this method only affects the income of the period if it exceeds the limits of 10% of the fair value of plan assets and the present value of the defined benefit obligations, whichever is greater, and the amount exceeding the deferred portion by the number of active participants of the plan. Past service costs that arise with changes in plans are released immediately in income.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rates consistent with market rates, which are denominated in the currency in which benefits will be paid and which have maturities close to the respective liabilities of the pension plan obligation.

The Company has several pension plans, among them plans presenting surplus and deficit situations. For plans with a surplus position, the Company not recognize on the balance sheet, neither on the statement of income, as there was not a clear position about the use of this surplus by the Company, being only demonstrated in a note. For plans with a deficit position, the Company recognizes liabilities and results arising from the actuarial valuation and the actuarial gains and losses generated by the evaluation of these plans are recognized in income, according to the corridor method.

With respect to defined contribution plans, the Company has no further obligation after the contribution is made.

Table of Contents

Current benefit - current incentive

The Company has established a mechanism to award its eligible executives (Matching Plan and Long-Term Incentive Plan - ILP) with the goal of encouraging loyalty and sustained performance among others. The Matching plan allows eligible executives to acquire preferred class A stocks of the Company, through criteria activated with targets reached, and shall be entitled at the end of three years to a cash sum corresponding to the market value of the shares lot initially purchased by the executives, provided that they are under the ownership of executives throughout the entirety of the period. As well as matching, the ILP provides at the end of three years the payment in the amount equivalent to a certain number of shares based on the assessment of the executives career and company performance factors in relation to a group of companies of similar size (per group). Liabilities are measured at each reporting date, at fair value, based on market quotations. The compensation costs incurred are recognized in income during the three-year vesting period as defined.

u) Derivative financial instruments and hedging operations

The Company uses derivative instruments to manage their financial risks as a way to hedge these risks, not being used derivative instruments for the purpose of negotiation. Derivative financial instruments are recognized as assets or liabilities on the balance sheet and are measured at fair value. Changes in fair value of derivatives are recorded in each year as gains or losses in the statements of income or in equity adjustments in comprehensive income in shareholders equity when the transaction is illegible and characterized as an effective hedge, in the form of cash flow, and which has been in effect during the period listed.

The method of registration of an item that is being hedged depends on its nature. The derivatives will be designated and recognized as fair value hedges of assets and liabilities when there is a firm commitment, such as cash flow hedges when a specific risk associated with a recognized asset or liability or a highly probable forecast transaction, and to hedge a net investment in a foreign operation. The Company documents the relationship between hedging instruments and hedged items at the beginning of the operation, with the objective of risk management and strategy for carrying out hedging operations. The Company also documents its assessment, both initially and continuously, that the derivatives used in hedging transactions are highly effective in their changes in fair value or cash flows of hedged items.

The cash flow hedges the effective portion of changes in fair value of designated and qualified as hedges, in this mode, is recorded in shareholders equity accounted for in comprehensive income. The effective amount released in shareholders equity in comprehensive income, will only be transferred to the result of the period, in the results appropriated for the hedged item (cost, operating expense, interest expense, etc.) when the hedged item is actually performed. However, when a hedged item prescribed, sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain and loss, at the time, stay logged in shareholders equity until the forecast transaction is finally done and finally recognized in the result.

Derivative instruments that do not qualify for hedge accounting records, its fair value changes should be recorded immediately in statements of income, which are derivatives measured at fair value through income.

v) Current and Deferred Income tax and social contribution

The costs of income tax and social contribution are recognized in the statement of income, except for items recognized directly in Stockholders equity or comprehensive income. In such cases the tax is also recognized in Stockholders equity or comprehensive income.

The Company records a provision for current income tax based on taxable profit for the year. Taxable income differs from net income (profit presented in the statement of income), because it excludes income and expenses taxable or deductible in other years, and excludes items not permanently taxable or not deductible. The provision for income tax is calculated individually for each entity of the group based on tax rates and tax rules in force at the location of the entity. The recognition of deferred taxes by the Company is based on temporary differences between the book value and the tax base value of assets and liabilities on tax losses of income tax, and offsetting social contribution on profits where their achievement against future taxable results is considered likely. If the Company is unable to generate future taxable income or if there is a significant change in the time required for the deferred taxes to be deductible, management evaluates the need to record a provision for loss of those deferred taxes. The deferred income tax, assets and liabilities, are offset when there is a legally enforceable right to offset current tax assets against current liabilities, and when the deferred income tax, assets and liabilities, are related to income taxes released by the same taxation authority on the same taxable entity.

Deferred income tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Table of Contents

w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable by the trading of products and services in the ordinary course of business of the Company. Revenue is presented net of taxes, repayment of rebates and discounts, and in the consolidated financial statements net of eliminations of sales between consolidated entities.

- **Product sales**

Revenues with product sales are recognized when value can be measured reliably, it is probable that future economic benefits will flow to the Company, and when there is a transfer to the purchaser of the significant risks and benefits related to the product.

Sales revenues are dependent on negotiated commercial terms, including transportation clauses, which are most often the determining factor in a defining the transfer of risks and benefits of the products sold. The Company uses separate commercial arrangements where substantial part of the Company s revenue from sales has being recognized at the delivery time of goods to the responsible company for the transportation. In other circumstances, the commercial clauses negotiated require that the revenue is recognized only in the delivery of goods at the port of destination.

- **Sales of services**

Revenues from services rendered by the Company are related to contracts of transport services rendered and are recognized over the period that the services are performed.

- **Financial income**

Interest income is recognized with the time elapsed, using the effective interest rate applicable.

x) Government grants and support

Government grants and support are accounted for when the Company complies with reasonable security conditions set by the government related to grants and assistance received. The Company records via the statement of income, as reducing taxes or spending according to the nature of the item, and through the distribution of results on statement of income, earnings reserve account in stockholders equity.

y) Allocation of income and distribution of remuneration to stockholders

Regarding remuneration of Stockholders, the Company may use interest on capital, among other modalities, in line with the criteria and limits set by Brazilian legislation. The tax reflection of interest on capital is recognized in income.

z) Capital

The capital is represented by common and preferred shares non-redeemable, all without no par value. The preferred shares have the same rights as common shares, with the exception of voting for electing members of the Board. The Board may, regardless of statutory reform, resolve the issue of new shares (authorized capital), including by the capitalization of profits and reserves to the authorized limit.

The Company periodically practices the repurchase of shares to remain in treasury for future sale or cancellation. These programs are approved by the Board with a term and quantities by determined type of shares.

Incremental costs directly attributable to the issuance or repurchase of new shares or options are demonstrated in Stockholders equity as a deduction from the amount raised, net of taxes.

aa) Statements of added value

The Company publishes its consolidated and the parent company statements of added value (DVA) in accordance with the pronouncements of CPC 09, which are submitted as part of the financial statements in accordance with Brazilian accounting practices applicable to Limited Liability companies that for IFRS are presented as additional information, without prejudice to the set of financial statements.

This statement represents one of the component elements of the Social Balance which has the main objective to present with great evidence the wealth creation by the entity and its distribution during the period reported.

Table of Contents

3 Critical Accounting Estimates and Assumptions

The presentation of financial statements in accordance with the principles of recognition and measurement by the accounting standards issued by the CPC and IASB requires that management of the Company make judgments, estimates and assumptions that may affect the value of assets and liabilities presented.

These estimates are based on the best knowledge existing at any period and the planed actions, being constantly reviewed based on available information. Changes in facts and circumstances may lead to revision of estimates, so the actual future results could differ from estimates.

Significant estimates and assumptions used by Company s management in preparing these financial statements are presented as such:

Mineral reserves and mine useful life

The estimates of proved reserves and probable reserves are regularly evaluated and updated. The proved reserve and probable reserve are determined using generally accepted geological estimates. The calculation of reserves requires that the company take positions on future conditions that are highly uncertain, including future ore prices, exchange rates, inflation rates, mining technology, availability of permits and production costs. Changes in some of these assumptions could have a significant impact on proved reserves and probable reserves recorded.

The estimated volume of mineral reserves is base of the calculation of the depletion portion of their respective mines, and its estimated useful life is a major factor to quantity the provision of environmental rehabilitation of mines when it is written off. Any change in the estimates of the volume of mine reserves, and the useful life of assets linked to them may have significant impact on charges for depreciation, depletion and amortization recognized in the financial statements as cost of goods sold. Changes in estimated useful life of the mines could cause significant impact on the estimates of environmental spending provision through the write-down of fixed assets and the impairment analysis.

Environmental costs of reclamation

The Company recognizes an obligation under the market value for disposal of assets during the period in which they are incurred in accordance with Note 2.s). Vale considers the accounting estimates related to reclamation and closure costs of a mine as a critical accounting policy and to involve significant values for the provision and it is estimated using several assumptions, such as interest rate, inflation, useful life of the asset considering the current state of depletion and the projected date of depletion of each mine. Although the estimates are revised each year, this provision requires that we project cash flows applicable to the operations.

Income tax and social contribution

The determination of the provision for income taxes or deferred income tax, assets and liabilities, and any valuation allowance on tax credits requires estimates of the Company. For each future credit tax, the company assesses the probability that part or total tax assets will not be recovered. The valuation allowance made with respect to accumulated tax losses depends on the assessment of the Company of the probability of generating future taxable profits in the deferred income tax asset recognized based on production and sales planning, commodity prices, operational costs, restructuring plans, reclamation costs and planned capital costs.

Contingencies

Contingent liabilities are recorded and/or disclosed, unless the possibility of loss is considered remote by our legal advisors. Contingencies, net of escrow deposits, are arranged in notes to the financial statements Note 2 (s) and 17.

The contingencies of a given liability on the date of the financial statements are recorded when the amount of loss can be reasonably estimated. By their nature, contingencies will be resolved when one or more future event occurs or fails to occur. Typically, the occurrence of such events depends not on our performance, which complicates the realization of precise estimates about the date on which such events are recorded. Assessing such liabilities, particularly in the uncertain Brazilian legal environment, and other jurisdictions involves the exercise of significant estimates and judgments of management regarding the results of future events.

Post-retirement benefits for employees

The Company sponsors various plans for post-retirement benefits to their employees in Brazil and abroad, the parent company and group entities, as Note 2 (t).

The values reported in this section depend on a number of factors that are determined based on actuarial calculations using several assumptions in order to determine costs, liabilities, among others. One of the assumptions used in determining the amounts to be recorded in accounting is the discount rate. Any changes in these assumptions will affect the accounting records made.

Table of Contents

The Company, together with external actuaries, reviews at the end of each exercise, which assumptions should be used for the following year. These premises are used for upgrades and discounts to fair value of assets and liabilities, costs and expenses and determination of future values of estimated cash outflows, which are needed to settle the plan obligations.

Reduction in recoverable value of assets

The Company annually tests the recoverability of its tangible and intangible assets, with indefinite useful lives that are mostly of the portion of goodwill for expected future earnings arising from processes of the business combination. The accounting policy is presented in Note 2 (n).

Recoverability of assets based on the criterion of discounted cash flow depends on several estimates, which are influenced by market conditions prevailing at the time that such impairment is tested and thus the administration believes it is not possible to determine whether new impairment losses occur in the future.

Fair value of the derivatives and others financial instruments

Fair value of the not traded financial instruments in active market is determined by using valuation techniques The Company uses your own judgment to choose the various methods and assumptions set which are based on market conditions, at the end of the year.

The analysis of the impacts if actual results were different from management s estimate is presented in note 23 on the topic of sensitivity analysis.

4 Accounting pronouncements

There was no issuance of new pronouncements affecting the statements of the period. The pronouncements mentioned in the financial statements ending 31 December 2010 were adopted with no significant impact on financial statements.

The Company made an option for not early adopt in its financial statements the recently pronouncements issued by IASB, and not yet implemented in Brazil by the CPC that will be in force after the year ended December 31, 2012. The Company is evaluating the possible effects that can rise with the adoption of this pronouncement.

5 Risk Management

Vale considers that an effective risk management is a key objective to support its growth strategy and financial flexibility.

Therefore, Vale has developed its risk management strategy in order to provide an integrated approach of the risks the company is exposed to. Thus, Vale evaluates not only the impact of financial market trading variables on the results of the business (market risk), as well as the risk from counterparties obligations (credit risk), those relating to production processes (operational risk) and those from the liquidity risk.

a) Risk management policy

The board of directors established the risk management policy in order to support the company s growth planning, improve its capital structure, ensure flexibility and financial solidness and increase transparency and decision process support.

The risk management policy determine that Vale should evaluate regularly the risk profile associated to its cash flow, as well its mitigation strategies that could reduce the risks in relation for the fulfillment of the commitments assumed by the Company, as well as with its stockholders, and for its third parties.

The executive board is responsible for the evaluation and approval of the risk mitigation, and to supports it in its responsibilities, the Board of Directors established the Executive Committee of Risk Management. The committee is responsible for issuing opinion on the principles and instruments of risk management, reporting periodically to the executive board about the management process and monitoring the main risks that the Company is exposed, as well, the potential impact over the cash flow.

The risk Management norms and instructions complement the corporate risk management policy and define practices, processes, controls, role and responsibilities in the company regarding risk management.

b) Liquidity risk management

Vale´s liquidity risk arises from the possibility that we may not be able to settle or meet our obligations on due dates and cash requirements due to financial market liquidity constraints.

Table of Contents

To mitigate this risk, Vale has revolving credit facilities to increase its short term liquidity and to enable more efficient cash management, in agreement with its strategic focus on cost reduction of capital. The revolving credit facility was acquired from a syndicate compound by a set of several global commercial banks, according to Note 23.

c) Credit risk management

Vale s credit risk arises from potential negative impacts in its cash flows in the cases which our counterparties don t meet their contractual obligations. To manage this risk, Vale maintains group-wide procedures such as controlling credit limits, guaranteeing counterparty diversification and monitoring the portfolio s consolidated credit risk.

Vale s counterparties can be divided into three main categories: 1) commercial customers who generated receivables to Vale through payment term sales; 2) financial institutions in which Vale invests its cash or are counterparty in a derivative contract; 3) equipments, products or service suppliers which received advance payments for their products or services.

- **Commercial Credit Risk Management**

For the commercial credit exposure arising from sales of our products and services to final customers, the Corporate Risk Management Department approves a credit risk limit for every counterpart. Also, the Executive Board establishes annually global credit risk limits for the portfolio and working capital cost limits, and these limits are monitored on a monthly basis.

Vale attribute a risk rating for each client using an own quantitative methodology basis on analysis of credit risk, from three main sources of information: i) the Expected Default Frequency (EDF) provided by KMV model (Moody s), ii) the credit ratings attributed by major international rating agencies; iii) the financial statements of the client to economic and financial evaluation based on financial indicators.

When is ever necessary, the analysis of quantitative credit risk is complemented by a qualitative analysis that takes into account, for example, the payment history of the counterparty, the time relationship business with Vale, its strategic position in its economic sector, among other factors.

According to the credit risk of a particular counterparty or in accordance with the consolidated credit risk profile of Vale, risk mitigation strategies are used to minimize the credit risk of the Company to achieve the level of risk approved by the Executive Board. Among the main strategies to mitigate credit risk, stand out credit insurance, mortgage, letter of credit and corporate guarantees, among others.

Vale has a geographically diversified portfolio of receivables, with China, Europe, Brazil and Japan, countries / regions that present the most significant exposures. According to region, different types of guarantees can be used to improve the credit quality of receivables.

The Company closely monitors its receivables portfolio through the Credit and Collection Committee, where the areas of risk management, collection and trade, monitoring the position of each counterparty. Additionally, the Vale has systemic controls of credit risk to block any further sale to a counterparty which has, along with Vale, past due receivables.

- **Treasury Credit Risk Management**

For credit exposures arising from cash investments and derivatives, credit limits to counterparties are annually approved by the Executive Board. Furthermore, the Risk Management Department controls the portfolio diversification, the exposure due to spreads variations and the overall credit risk of Vale s consolidated treasury portfolio. Daily and monthly reports are generated to the Executive Risk Committee and to the Executive Board.

The credit exposure to counterparties due to derivatives is defined as the sum of the credit exposures given by each derivative that Vale has with a certain counterpart. And, finally, the credit exposure for each derivative is defined as the potential future fair value calculated within the life of the derivative, considering positive scenario for Vale (5% probability) given the joint distribution of the market risk factors that affect that derivative.

Vale assess the creditworthiness of its counterparties in treasury operations following an internal methodology based on the aforementioned framework for commercial credit risk that aims at defining a default probability for each counterparty. Different inputs will be considered depending on the counterparty s nature (Banks, Insurance Companies, Countries, and Corporations): i)

Table of Contents

expected default probability given by KMV; ii) CDS (Credit Default Swaps) and bond market spreads; iii) credit ratings defined by the main rating agencies; iv) financial statements data and indicators analysis; v) country s debt ratios, fiscal and monetary policies and other useful measures for country s risk assessment.

d) Market risk management

Vale is exposed to the behavior of several market risk factors that can impact its cash flow. The monitoring of the potential impact on cash flow due to the volatility of these factors - as well as their correlations - is done periodically to support decision making concerning growth strategy, ensure its financial flexibility and to reduce volatility on future cash flows. Thus, market risk mitigation strategies are implemented in order to guarantee that these objectives will be achieved.

Some of these strategies are implemented using financial instruments including derivatives. The financial instruments portfolios are monthly monitored in a consolidated view, in order to allow the financial results follow-up, impact on cash flows and to ensure the strategies adherence with the initial goals.

Considering the nature of Vale s business and operations, the main market risk factors in which the Company is exposed are:

- Interest rates;
- Foreign exchange;
- Products prices and input and other costs;

Foreign exchange and interest rate risk

The company s cash flow is subject to volatility of several currencies considering that our product prices are predominantly indexed to US dollars, while most of our costs, disbursements and investments are indexed to other currencies, mainly Brazilian Reais and Canadian dollars.

Whenever necessary to reduce the cash flow impact arising from this currency mismatch, derivatives instruments can be used as a risk mitigation strategy.

In the case of cash flow foreign exchange protection regarding revenues, costs, disbursements and investments, the main risk mitigation strategies used are forwards and swap trades.

The foreign exchange swap trades used to mitigate risks considering debt instruments have similar or, in some cases, shorter settlement dates than the final maturity of the debt. Their amounts are similar to the principal and interest payments, subject to liquidity market conditions.

The swaps with shorter settlement dates considering the debt s final maturity are renegotiated through time so that their final maturity matches or become closer to the debt s final maturity, as far as market liquidity constraints. Therefore, at each settlement date, the swap trade result will partially offset the impact of the foreign exchange rate in Vales obligations, contributing to reduce volatility of the cash flow.

Specifically for those debt instruments denominated in Brazilian Reais, in the event of an appreciation (or depreciation) of the Brazilian Real against the US Dollar, the negative (or positive) impact on Vale debt service (interest and/or principal payment) measured in US Dollars will be partially offset by the positive (or negative) effect from the swap transactions, regardless of the US dollar / Brazilian Real exchange rate on the payment date. The same rationale is applicable to debts denominated in other currencies and their respective swaps.

Vale has also a cash flow exposure to interest rates risks over loans and financings. The US Dollars floating rate debt in the portfolio consists mainly of loans including export pre-payments, commercial banks and multilateral organizations loans. In general, the US Dollar floating rate debt is mainly subject to changes in the Libor. Considering the impact of interest rate volatility on the cash flow, Vale observes the natural hedges effects between US Dollar floating rates and metal prices in the decision process of acquiring financial instruments for the desired protection.

Products prices and input and other costs

Vale is also exposed to market risks regarding commodities prices and input volatilities. In accordance with risk management policy, risk mitigation strategies involving commodities can be used to adjust the cash flow risk profile and minimize Vale s cash flow volatility. Normally, this kind of risk mitigation strategy considers forward transactions, futures or zero-cost collars, among others.

Table of Contents

e) Operational risk

Operational risk management is the structured approach Vale takes to manage uncertainty related to inadequate or failed internal processes, people and systems and to external events.

Vale mitigates operational risk with new controls and improvement of existing ones, with transfer of risk through insurance and establishment of financial provisions. As a result, the company seeks to have a clear view of its major risks, the best cost-benefit mitigation plans it must invest in, and the controls in place to monitor the impact of operational risk closely and to efficiently allocate capital to reduce it.

f) Insurance

With the aim of mitigating the appropriate risks, Vale hires several different types of insurance such as insurance of operational risks and civil responsibility, engineering risks insurance (projects), life insurance policy for their employees, among others. The coverage of these policies is contracted in line with the policy of Corporate Risk Management and similar insurance contract by other companies in the mining industry. Among the management instruments, Vale since 2002 have used a captive reinsurance company that allows us to contract insurances on a competitive basis as well as direct access to key international markets of insurance and reinsurance.

Insurance management is performed in Vale with the support of existing insurance committees in the various operational areas of the Company which are composed of various professionals in these units.

6 Acquisitions

a) Fertilizers Acquisitions

In 2010, Vale acquired 78.92% of total capital and 99.83% of voting capital of Vale Fertilizantes and 100% of the total capital of Vale Fosfatados. In 2011, after the incorporation of Vale Fosfatados by Vale Fertilizantes, Vale increased the stake on Vale Fertilizantes to 84.27%.

The information concerning to the allocation of the purchase price based on the fair value of identifiable assets and assumption liabilities were based in studies realized by the company with the assistance of specialist.

Purchase Price	10.696.105
Portion attributed to non-controlling interest	1.416.208
Book value of proprerty, plant and equipment and mining assets	(3.664.933)
Book value of the assets and assumption liabilities, net	(729.613)
Adjustment to fair value of property, plant and equipment	(9.499.360)
Adjustment to fair value of inventory	(180.762)
Deferred income taxes on above adjustments	3.291.241
Goodwill	**1.328.886**

The goodwill balance arises primarily due to the synergies between the acquired assets and the potash operations in Taquari-Vassouras, Carnalita, Rio Colorado and Neuquém and phosphates in Bayóvar I and II, in Peru, and Evate, in Mozambique. The future development of our projects combined with the acquisition of the portfolio of fertilizer assets will allow Vale to be one of the top players in the world s fertilizer business.

In addition to this acquisition in June 2011, the Board of Directors approved the proposed offering of public acquisitions of shares (OPA) which includes the total disbursement by Vale up to 2,2 billion, of acquisition by its parent Company Mineração Naque S.A. up to 100% of the outstanding shares of its subsidiary Vale Fertilizantes in the market, intending later to close the capital, the outstanding shares of Vale Fertilizantes in the market represents 15.66% of its total capital. The OPA is a move consistent with the strategy of the Vale in becoming a global leader in the fertilizer business.

b) Others Acquisitions

In April, 2011, the Board of Directors has approved the acquisition of up to 9% of Northern Energy S.A. (NESA), which is currently held by Gaia Energia e Participações S.A. (Gaia), subject to certain conditions. NESA was established with the sole purpose of implementing, operating and exploring of the Belo Monte hydroelectric plant. Vale estimated an investment of R$ 2,3

Table of Contents

billion to repay Gaia by capital contributions made in NESA and commitments of future capital contributions arising from the acquired stake.

7 Cash and Cash Equivalents

	Consolidated		Parent Company	
	June 30, 2011 (unaudited)	**Decemebr 31, 2010**	**June 30, 2011 (unaudited)**	**Decemebr 31, 2010**
Cash and bank accounts	1.902.027	1.211.748	54.398	59.159
Short-term investments	19.421.334	12.257.210	6.976.396	4.764.218
	21.323.361	**13.468.958**	**7.030.794**	**4.823.377**

Cash and cash equivalents includes cash values, demand deposits, and investment in financial investments with insignificant risk of changes in value, being part reais indexed to CDI and part in US dollars in Time deposits with maturity less than three months.

8 Short-term investments

	Consolidated	
	June 30, 2011 (unaudited)	**Decemebr 31, 2010**
Time deposits		2.987.497

This includes the financial investments in low risk investments with a maturity of between 91 and 360 days, classified as a financial asset.

9 Accounts Receivables

	Consolidated		Parent Company	
	June 30, 2011 (unaudited)	**December 31, 2010**	**June 30, 2011 (unaudited)**	**December 31, 2010**
Denominated in brazilian reals	2.574.865	1.861.137	1.951.202	1.595.149
Denominated in other currencies, mainly US dolar	10.796.332	12.297.553	17.027.295	16.903.668
	13.371.197	**14.158.690**	**18.978.497**	**18.498.817**

Allowance for doubtful accounts	(184.058)	(196.384)	(112.173)	(120.693)
	13.187.139	**13.962.306**	**18.866.324**	**18.378.124**

10 Inventories

	Consolidated		Parent Company	
	June 30, 2011 (unaudited)	**Decemebr 31, 2010**	**June 30, 2011 (unaudited)**	**Decemebr 31, 2010**
Finished products	3.938.035	3.100.890	1.810.692	1.534.837
Process	2.504.066	1.657.976		
Expenditure	2.320.806	2.833.158	937.752	782.134
Total	**8.762.907**	**7.592.024**	**2.748.444**	**2.316.971**

In June 30, 2011, inventories include provision for adjustment to market value regarding steel and nickel industry products in the amount of R$ 167,635 and R$ 0 (as of December 31, 2010 R$ 0 and R$ 4,550), respectively.

The cost of inventories recognized in results of the period in relation to the continued operations of the Company in the three-months period ended June 30, 2011, March 31, 2011 and June 30, 2010, in the amount of R$ 8,628,604, R$ 8,768,542 and R$ 7,191,130, respectively in the consolidated. For the six-months period ended June 30, 2011 and June 30, 2010, in the amount of R$ 17,397,146 e R$ 13,290,708, respectively in the Consolidated, and for the six-months period ended June 30, 2011 and June 30, 2010, in the amount of R$ 8,573,961 and R$ 7,209,968, respectively in the Parent Company.

Table of Contents

11 Assets and Liabilities Non Current Held for Sale

- Aluminum

In February 2011, Vale concluded the transaction announced in May 2010 with Norsk Hydro ASA (Hydro), to transfer all of yours interest 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 their respective off-take rights, outstanding commercial contracts, 60% of Mineração Paragominas S.A., and all of yours other Brazilian bauxite mineral rights.

For this transactions, Vale received R$ 1,081,225 in cash, and 22% (equivalent to 447,834,465 shares) of Hydro s outstanding common shares (approximately R$ 5,866,105, in accordance with the Hydro s quotation of closing price on the date of the transaction). Vale will also receive two equal tranches in 3 e 5 years after the closing of the operations of US$ 200 million in cash, in three and five years after completion of the transaction, related to the remaining payment of 40% of the Mineração Paragominas S.A. After transaction date, Hydro s investment is being evaluated by equity method.

The gain on this transaction, in the amount of R$ 2,492,175, was recorded in results as realized gain on assets available for sales.

- Kaolin

As part of the portfolio of assets management, Vale is in talks aimed at the sale of liquid assets linked to activity of kaolin. In 2010, Vale sold part of its kaolin s assets and measured the remaining assets at fair value less cost to sell. The effect of realized and unrealized losses is recognized in income of discontinued operations in 2010. The balances of assets and liabilities classified as held for sale refers mainly to fixed assets balances.

12 Recoverable Taxes

Recoverable taxes are stated at net value of any realized loss and are represented as follows:

	Consolidated		Parent Company	
	June 30, 2011 (unaudited)	Decemebr 31, 2010	June 30, 2011 (unaudited)	Decemebr 31, 2010
Income taxes	826.961	781.656	138.663	137.097
Value-added tax - ICMS	1.655.274	944.857	613.787	479.439
PIS and COFINS	1.755.026	1.655.119	1.436.275	1.393.703
Others	136.729	100.092	78.881	75.201
Total	**4.373.990**	**3.481.724**	**2.267.606**	**2.085.440**
Current	3.524.296	2.869.340	2.083.833	1.960.606
Non-current	849.694	612.384	183.773	124.834
	4.373.990	**3.481.724**	**2.267.606**	**2.085.440**

13 Investments

Changes in investments (unaudited)	Consolidated	Parenty Company
Balance as of December 31, 2010	**3.944.565**	**92.111.361**
Acquisitions	6.205.264	2.069.883
Disposals	(24.455)	
Dividends	(98.902)	(1.233.450)
Cumulated translation adjustment	(350.817)	(3.365.969)
Equity result	98.850	7.505.654
Valuation adjustments	(1.817)	154.371
Balance as of June 30, 2011	**9.772.688**	**97.241.850**
Balance as of December 31, 2009	**4.562.088**	**87.894.653**
Acquisitions	98.369	958.367
Disposals		(1.540.396)
Dividends	(145.785)	(1.103.665)
Cumulated translation adjustment	(484.727)	(83.841)
Equity result	44.168	4.054.956
Incorporation		(352.619)
Valuation adjustments	73.528	160.837
Balance as of June 30, 2010	**4.147.641**	**89.988.292**

Table of Contents

	Investments		Equity results (unaudited)					Received divider		
	Period Six-month		Period three-month			Period Six-month		Period three-month		
	June 30, 2011 (unaudited)	Decemebr 31, 2010	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	March 31, 2011	June 3
Major subsidiaries and affiliated companies										
Direct and indirect subsidiaries										
ALBRAS - Alumínio Brasileiro S.A. (e)		1.087.500			8.156		(43.540)			
ALUNORTE - Alumina do Norte do Brasil S.A. (e)		2.731.679			50.982		55.929			
Aços Laminados do Pará	164.388	84.516	(19.260)	(6.712)		(25.972)	(6.417)			
Balderton Trading Corp	292.332	312.838	(307)	(5.777)	755	(6.084)	442			
Biopalma da Amazonia	478.696									
BSG Resources S.À R.L	738.435	832.859	(32.460)	(11.404)		(43.864)				
Companhia Portuária da Baía de Sepetiba - CPBS	388.153	346.525	44.632	29.728	34.806	74.360	63.884			
Companhia Coreano-Brasileira de Pelotização - KOBRASCO	182.406	207.813	12.319	16.274	4.909	28.593	16.461	27.000		
Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS	192.987	212.446	7.633	4.703	(6.886)	12.336	7.428	31.795		
Companhia Ítalo-Brasileira de Pelotização - ITABRASCO	118.960	143.496	23.898	16.209	2.749	40.107	5.392			
Companhia Nipo-Brasileira de Pelotização - NIBRASCO	334.415	333.380	23.922	13.541	1.681	37.463	10.972	36.428		
Ferrovia Norte Sul S.A.	1.746.924	1.743.480	12.490	(9.050)	10.594	3.440	6.547		2.922	
Ferrovia Centro Atlantica (b)	1.994.665	1.916.286	(33.288)	(61.320)	4.775	(94.608)	(18.104)			
Minerações Brasileiras Reunidas S.A. - MBR	3.153.600	3.291.156	(115.233)	(71.467)	(38.255)	(186.700)	(12.354)			
Mineração Corumbaense Reunida S.A.	921.941	912.533	16.571	9.787	22.428	26.358	(25.856)			

Mineração Paragominas (e)		1.812.936		(45.810)		(45.810)			
Minas da Serra Geral S.A. - MSG	49.976	57.972	823	1.287	1.203	2.110	1.518	1.011	
MRS Logística S.A.	897.741	851.202	55.790	60.492	39.156	116.282	62.279	10.892	
Salobo Metais S.A. (b)	3.933.735	3.270.948	48.826	(4.839)	(34.191)	43.987	(16.131)		
Samarco Mineração S.A.	698.517	676.146	443.959	346.719	440.713	790.678	525.606	356.220	412.088
Sociedad Contractual Minera Tres Valles	386.093	394.076	(9.120)	(771)		(9.891)			
Vale Austria Holdings GMBH (c)	3.177.952	1.549.736	1.001.010	1.359.929	(7.539)	2.360.939	22.709		
Vale Fertilizantes S.A	10.658.148	7.384.350	66.407	58.881		125.288			
Vale Fosfatados S.A. (d)		3.217.447		1.018		1.018			
Vale Manganês S.A.	722.034	890.074	(5.009)	39.424	64.273	34.415	84.349		183.792
Vale Florestar	232.910	235.366	(364)	(2.092)		(2.456)			
Vale Canada Limited	8.989.659	9.250.155	23.935	508.364	(257.780)	532.299	(644.624)		
Vale International S.A. (c)	44.454.702	42.441.747	412.579	3.108.676	1.298.529	3.521.255	3.816.889		
Vale Coal Colombia Ltd.	1.509.101	825.860	21.685	(26.703)	(1.373)	(5.018)			
Vale Soluções em Energia	228.548	198.622	(8.398)	(14.447)		(22.845)			
Urucum Mineração	160.196	120.006	42.323	9.826	20.872	52.149	24.553		41.117
Others	661.948	833.646	7.896	39.079	(15.192)	46.975	72.856		
	87.469.162	**88.166.796**	**2.043.259**	**5.363.545**	**1.645.365**	**7.406.804**	**4.010.788**	**463.346**	**639.919**
Affiliated companies									
LOG-IN - Logística Intermodal S/A	220.580	223.908	(3.328)		1.456	(3.328)			
Henan Longyu Energy Resources	465.129	416.092	29.066	39.295	34.085	68.361	69.785		
Thyssenkrupp CSA Companhia Siderúrgica do Atlântico	3.125.828	3.064.924	(11.059)	(14.178)	7.332	(25.237)	(329)		
Norsk Hydro ASA	5.495.940		79.446			79.446		84.079	
Tecnored Desenvolvimento Tecnologico S.A.	89.400	65.855	(302)	(1.390)		(1.692)	(18.188)		
Korea Nickel Corp.	8.105	18.382	28	612	108	640	700		
Zhuhai YPM Pellet e Co., Ltd.	35.054	42.180	2.043	(1.165)	2.959	878	8.971		
Others	332.652	113.224	(14.718)	(5.500)	(8.986)	(20.218)	(16.771)		
	9.772.688	**3.944.565**	**81.176**	**17.674**	**36.954**	**98.850**	**44.168**	**84.079**	
	97.241.850	**92.111.361**	**2.124.435**	**5.381.219**	**1.682.319**	**7.505.654**	**4.054.956**	**547.425**	**639.919**

(a) Investments sold in 2011

(b) Investments balances contain values of Advance for Future Capital Increase

(c)Excluded from stockholder s equity, the entities investments already detailed

(d) Incorporated on Vale fertilizantes in 2011

28

Table of Contents

14 Intangible

	Consolidated (Unaudited) Period three-month				
	Goodwill	Concessions and subconcessions	Right to use	Others	Total
Costs:					
Balance at March 31, 2011	**8.656.809**	**11.507.276**	**1.132.214**	**1.863.130**	**23.159.429**
Additions		57.563		184.136	241.699
Disposals	(82.714)				(82.714)
Transfers		(34.999)		158	(34.841)
Translation adjustments	(94.760)		(15.386)		(110.146)
Balance at June 30, 2011	**8.479.335**	**11.529.840**	**1.116.828**	**2.047.424**	**23.173.427**
Amortization:					
Balance at March 31, 2011		**(3.134.974)**	**(85.322)**	**(1.203.615)**	**(4.423.911)**
Additions		(140.670)	(10.157)	(61.330)	(212.157)
Disposals		(22.331)		(12.033)	(34.364)
Transfers		330.184		(295.343)	34.841
Translation adjustments			(194)		(194)
Balance at June 30, 2011		**(2.967.791)**	**(95.673)**	**(1.572.321)**	**(4.635.785)**
Net Balance	**8.479.335**	**8.562.049**	**1.021.155**	**475.103**	**18.537.642**
Costs:					
Balance at December 31, 2010	**8.654.307**	**11.287.322**	**1.129.373**	**1.792.327**	**22.863.329**
Additions		716.310		99.425	815.735
Disposals		(674.356)		(28.464)	(702.820)
Transfers		178.000		(158)	177.842
Translation adjustments	2.502		2.841		5.343
Balance at March 31, 2011	**8.656.809**	**11.507.276**	**1.132.214**	**1.863.130**	**23.159.429**
Amortization:					
Balance at December 31, 2010		**(3.407.820)**	**(75.084)**	**(1.106.637)**	**(4.589.541)**
Additions		(138.223)	(10.293)	(109.887)	(258.403)
Disposals		589.069		12.751	601.820
Transfers		(178.000)		158	(177.842)
Translation adjustments			55		55
Balance at March 31, 2011		**(3.134.974)**	**(85.322)**	**(1.203.615)**	**(4.423.911)**
Net Balance	**8.656.809**	**8.372.302**	**1.046.892**	**659.515**	**18.735.518**
Costs:					
Balance at March 31, 2010	**7.338.504**	**10.610.571**	**1.343.272**	**1.462.870**	**20.755.217**
Additions	1.351.375	328.132		21.763	1.701.270
Disposals		(19.150)		(22.836)	(41.986)
Translation adjustments	(95.058)		(15.547)		(110.605)

Balance at June 30, 2010	**8.594.821**	**10.919.553**	**1.327.725**	**1.461.797**	**22.303.896**
Amortization:					
Balance at March 31, 2010					