

Vale S.A.  
Form 6-K  
February 16, 2012  
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**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**

**February, 2012**

**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.

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(Check One) Form 20-F  Form 40-F

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  No

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  No

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  No

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

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**Financial Statements**

**December 31, 2011**

**IFRS**

Filed at CVM, SEC and HKEx on

February 15, 2012



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**Independent auditor's report**

To the Board of Directors and Stockholders

Vale S.A.

We have audited the accompanying parent company financial statements of Vale S.A. (the Company), which comprise the balance sheet as at December 31, 2011 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Vale S.A. and its subsidiaries (Consolidated), which comprise the consolidated balance sheet as at December 31, 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's responsibility for**

**the financial statements**

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due

to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the parent company**

**financial statements**

In our opinion, the parent company financial statements, present fairly, in all material respects, the financial position of Vale S.A. as at December 31, 2011, and its financial performance and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

**Opinion on the consolidated**

**financial statements**

In our opinion, the consolidated financial statements, present fairly, in all material respects, the financial position of Vale S.A. and its subsidiaries as at December 31, 2011, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil.

**Emphasis of matter**

As described in Note 2, the parent company financial statements have been prepared in accordance with the accounting practices adopted in Brazil. In the case of Vale S.A., these practices differ from IFRS, applicable to separate financial statements, only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities, based on the equity method of accounting, while IFRS requires measurement based on cost or fair value. Our opinion is not qualified due to this matter.

**Other matters statements of**

**value added**

We have also audited the parent company and consolidated statements of value added, for the year ended December 31, 2011, the presentation of which is required by the Brazilian corporate legislation for listed companies, but is considered supplementary information for IFRS. These statements were subject to the same audit procedures previously described and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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Rio de Janeiro, February 15, 2012

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 F RJ

Marcos Donizete Panassol

Contador CRC 1SP55975/O-8 S RJ

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In millions of Reais

|   | Notes | Consolidated<br>December 31, 2011 | Consolidated<br>December 31, 2010 | Parent Company<br>December 31, 2011 | Parent Company<br>December 31, 2010 |
|---|-------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| <b>Assets</b>                               |       |                                   |                                   |                                     |                                     |
| <b>Current assets</b>                       |       |                                   |                                   |                                     |                                     |
| Cash and cash equivalents                   | 7     | 7,458                             | 13,469                            | 575                                 | 4,823                               |
| Short-term investments                      | 8     | 115                               | 2,987                             |                                     |                                     |
| Derivatives at fair value                   | 24    | 1,122                             | 87                                | 574                                 | 37                                  |
| Accounts receivable                         | 9     | 16,236                            | 13,962                            | 15,809                              | 18,378                              |
| Related parties                             | 29    | 69                                | 90                                | 2,561                               | 1,123                               |
| Inventories                                 | 10    | 10,351                            | 7,592                             | 3,183                               | 2,317                               |
| Recoverable taxes                           | 11    | 4,317                             | 2,796                             | 2,317                               | 1,961                               |
| Advances to suppliers                       |       | 733                               | 318                               | 382                                 | 273                                 |
| Others                                      |       | 1,694                             | 1,091                             | 183                                 | 179                                 |
|   |       | <b>42,095</b>                     | <b>42,392</b>                     | <b>25,584</b>                       | <b>29,091</b>                       |
| Non-current Assets held for sale            |       |                                   |                                   |                                     |                                     |
|   |       |                                   | 11,876                            |                                     |                                     |
|   |       | <b>42,095</b>                     | <b>54,268</b>                     | <b>25,584</b>                       | <b>29,091</b>                       |
| <b>Non-current assets</b>                   |       |                                   |                                   |                                     |                                     |
| Related parties                             | 29    | 904                               | 8                                 | 446                                 | 1,936                               |
| Loans and financing agreements to receive   |       | 399                               | 274                               | 158                                 | 164                                 |
| Prepaid expenses                            |       | 506                               | 254                               | 17                                  |                                     |
| Judicial deposits                           | 17    | 2,920                             | 3,062                             | 2,091                               | 2,312                               |
| Deferred income tax and social contribution | 19    | 3,692                             | 2,440                             | 2,109                               | 1,789                               |
| Recoverable taxes                           | 11    | 1,233                             | 612                               | 201                                 | 125                                 |
| Derivatives at fair value                   | 24    | 112                               | 502                               | 96                                  | 284                                 |
| Reinvestment tax incentive                  |       | 429                               | 239                               | 429                                 | 239                                 |
| Others                                      |       | 718                               | 697                               | 372                                 | 283                                 |
|   |       | <b>10,913</b>                     | <b>8,088</b>                      | <b>5,919</b>                        | <b>7,132</b>                        |
| Investments                                 | 12    | 10,917                            | 3,945                             | 113,150                             | 92,111                              |
| Intangible assets                           | 13    | 19,752                            | 18,274                            | 13,974                              | 13,563                              |
| Property, plant and equipment, net          | 14    | 158,105                           | 130,087                           | 55,503                              | 44,463                              |
|   |       | <b>199,687</b>                    | <b>160,394</b>                    | <b>188,546</b>                      | <b>157,269</b>                      |
| <b>Total assets</b>                         |       | <b>241,782</b>                    | <b>214,662</b>                    | <b>214,130</b>                      | <b>186,360</b>                      |





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**Balance Sheet**

In millions of Reais, except number of shares

(Continued)

|   | Notes | Consolidated<br>December 31, 2011 | Consolidated<br>December 31, 2010 | Parent Company<br>December 31, 2011 | Parent Company<br>December 31, 2010 |
|---|-------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| <b>Liabilities and stockholders equity</b>                |       |                                   |                                   |                                     |                                     |
| <b>Current liabilities</b>                                |       |                                   |                                   |                                     |                                     |
| Suppliers and contractors                                 |       | 9,157                             | 5,804                             | 3,504                               | 2,863                               |
| Payroll and related charges                               |       | 2,527                             | 1,966                             | 1,582                               | 1,270                               |
| Derivatives at fair value                                 | 24    | 138                               | 92                                | 117                                 |                                     |
| Current portion of long-term debt                         | 16    | 3,212                             | 4,866                             | 892                                 | 616                                 |
| Short-term debt   | 16    | 660                               | 1,144                             |                                     |                                     |
| Related parties   | 29    | 32                                | 24                                | 4,959                               | 5,326                               |
| Taxes payable and royalties                               |       | 989                               | 455                               | 330                                 | 204                                 |
| Provision for income taxes                                |       | 1,048                             | 1,310                             |                                     | 414                                 |
| Employee post retirement benefits obligations             | 20    | 316                               | 311                               | 141                                 | 176                                 |
| Provision for asset retirement obligations                | 18    | 136                               | 128                               | 21                                  | 44                                  |
| Dividends and interest on capital                         |       | 2,207                             | 8,104                             | 2,207                               | 8,104                               |
| Others  |       | 1,803                             | 1,840                             | 400                                 | 705                                 |
|   |       | <b>22,225</b>                     | <b>26,044</b>                     | <b>14,153</b>                       | <b>19,722</b>                       |
| Liabilities directly associated with assets held for sale |       |                                   |                                   |                                     |                                     |
|   |       |                                   | 5,340                             |                                     |                                     |
|   |       | <b>22,225</b>                     | <b>31,384</b>                     | <b>14,153</b>                       | <b>19,722</b>                       |
| <b>Non-current liabilities</b>                            |       |                                   |                                   |                                     |                                     |
| Derivatives at fair value                                 | 24    | 1,239                             | 103                               | 953                                 |                                     |
| Long-term debt  | 16    | 42,753                            | 37,779                            | 18,596                              | 15,908                              |
| Related parties   | 29    | 230                               | 3                                 | 28,654                              | 27,597                              |
| Employee post retirement benefits obligations             | 20    | 2,846                             | 3,224                             | 406                                 | 504                                 |
| Provisions for contingencies                              | 17    | 3,438                             | 3,712                             | 1,928                               | 2,108                               |
|   | 19    | 10,773                            | 12,947                            |                                     | 3,574                               |

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|  |    |                |                |                |                |
|--|----|----------------|----------------|----------------|----------------|
| Deferred income tax and social contribution  |    |                |                |                |                |
| Asset retirement obligations   | 18 | 3,468          | 2,463          | 1,095          | 761            |
| Stockholders Debentures  | 22 | 2,496          | 2,140          | 2,496          | 2,140          |
| Redeemable noncontrolling interest   |    |                |                |                |                |
|  |    | 943            | 1,186          |                |                |
| Others   |    | 4,680          | 3,395          | 2,373          | 1,929          |
|  |    | <b>72,866</b>  | <b>66,952</b>  | <b>56,501</b>  | <b>54,521</b>  |
| <b>Stockholders equity</b>   |    |                |                |                |                |
|  | 23 |                |                |                |                |
| 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         | 19,650         | 29,475         | 19,650         |
| Common stock - 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2010 - 3,256,724,482) issued            |    |                |                |                |                |
|  |    | 45,525         | 30,350         | 45,525         | 30,350         |
| Mandatorily convertible votes - common shares  |    |                |                |                |                |
|  |    | 360            | 445            | 360            | 445            |
| Mandatorily convertible votes - preferred shares   |    |                |                |                |                |
|  |    | 796            | 996            | 796            | 996            |
| Treasury stock - 181,099,814 (2010 - 99,649,571) preferred and 86,911,207 (2010 - 47,375,394) common shares            |    |                |                |                |                |
|  |    | (9,917)        | (4,826)        | (9,917)        | (4,826)        |
| Results from operations with noncontrolling stockholders   |    |                |                |                |                |
|  |    | (71)           | 685            | (71)           | 685            |
| Results in the translation/issuance of shares  |    |                |                |                |                |
|  |    |                | 1,867          |                | 1,867          |
| Valuation adjustment   |    |                |                |                |                |
|  |    | 220            | (25)           | 220            | (25)           |
| Cumulative translation adjustments   |    |                |                |                |                |
|  |    | (1,017)        | (9,512)        | (1,017)        | (9,512)        |
| Retained earnings  |    |                |                |                |                |
|  |    | 78,105         | 72,487         | 78,105         | 72,487         |
| <b>Total company stockholders equity</b>   |    |                |                |                |                |
|  |    | <b>143,476</b> | <b>112,117</b> | <b>143,476</b> | <b>112,117</b> |
| <b>Noncontrolling interests</b>  |    |                |                |                |                |
|  |    | <b>3,215</b>   | <b>4,209</b>   |                |                |
| <b>Total stockholders equity</b>   |    |                |                |                |                |
|  |    | <b>146,691</b> | <b>116,326</b> | <b>143,476</b> | <b>112,117</b> |
| <b>Total liabilities and stockholders equity</b>   |    |                |                |                |                |
|  |    | <b>241,782</b> | <b>214,662</b> | <b>214,130</b> | <b>186,360</b> |

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

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|   | NOTES | THREE-MONTH PERIOD ENDED (UNAUDITED) |                    |                   | YEAR ENDED        |                   |
|---|-------|--------------------------------------|--------------------|-------------------|-------------------|-------------------|
|   |       | DECEMBER 31, 2011                    | SEPTEMBER 30, 2011 | DECEMBER 31, 2010 | DECEMBER 31, 2011 | DECEMBER 31, 2010 |
| NET OPERATING REVENUE                                   | 25    | 27,138                               | 28,009             | 26,493            | 103,195           | 83,225            |
| COST OF GOODS SOLD AND SERVICES RENDERED                | 26    | (11,135)                             | (10,443)           | (10,385)          | (40,489)          | (33,756)          |
| <b>GROSS PROFIT</b>                                     |       | <b>16,003</b>                        | <b>17,566</b>      | <b>16,108</b>     | <b>62,706</b>     | <b>49,469</b>     |
| <b>OPERATING (EXPENSES) INCOME</b>                      |       |                                      |                    |                   |                   |                   |
| SELLING AND ADMINISTRATIVE EXPENSES                     | 26    | (1,571)                              | (1,139)            | (1,190)           | (4,211)           | (3,201)           |
| RESEARCH AND DEVELOPMENT EXPENSES                       | 26    | (975)                                | (728)              | (506)             | (2,862)           | (1,567)           |
| OTHER OPERATING EXPENSES, NET                           | 26    | (1,845)                              | (1,255)            | (1,570)           | (4,986)           | (4,211)           |
| REALIZED GAIN ON ASSETS AVAILABLE FOR SALES             |       |                                      |                    |                   | 2,492             |                   |
| <b>OPERATING PROFIT</b>                                 |       | <b>11,612</b>                        | <b>14,444</b>      | <b>12,842</b>     | <b>53,139</b>     | <b>40,490</b>     |
| FINANCIAL INCOME  | 27    | 552                                  | 1,006              | 1,845             | 4,650             | 5,154             |
| FINANCIAL EXPENSES                                      | 27    | (1,703)                              | (7,135)            | (2,320)           | (11,273)          | (7,917)           |
| EQUITY RESULTS FROM ASSOCIATES                          | 12    | (179)                                | 28                 | (36)              | (51)              | (48)              |
| <b>INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION</b> |       | <b>10,282</b>                        | <b>8,343</b>       | <b>12,331</b>     | <b>46,465</b>     | <b>37,679</b>     |
| CURRENT DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION     | 19    | (2,113)                              | (493)              | (2,120)           | (9,065)           | (7,035)           |
| <b>INCOME FROM CONTINUING</b>                           |       | <b>8,169</b>                         | <b>7,850</b>       | <b>10,211</b>     | <b>37,400</b>     | <b>30,644</b>     |

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|   |       |       |        |        |        |
|---|-------|-------|--------|--------|--------|
| <b>OPERATIONS</b>   |       |       |        |        |        |
| <b>RESULTS ON DISCONTINUED OPERATIONS</b>                             |       |       |        |        |        |
| <b>NET INCOME OF THE PERIOD</b>                                       |       |       |        |        | (222)  |
|   | 8,169 | 7,850 | 10,211 | 37,400 | 30,422 |
| <b>NET GAIN (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>      |       |       |        |        |        |
|   | (185) | (43)  | 209    | (414)  | 352    |
| <b>NET INCOME ATTRIBUTABLE TO THE COMPANY'S STOCKHOLDERS</b>          |       |       |        |        |        |
| 25  | 8,354 | 7,893 | 10,002 | 37,814 | 30,070 |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO THE COMPANY'S STOCKHOLDERS:</b> |       |       |        |        |        |
| <b>BASIC EARNINGS PER SHARE:</b>                                      |       |       |        |        |        |
| <b>CONTINUING OPERATIONS</b>  |       |       |        |        |        |
| <b>PREFERRED SHARE AND COMMON</b>                                     |       |       |        |        | 5.70   |
|   | 1.61  | 1.50  | 1.90   | 7.21   |        |
| <b>DISCONTINUED OPERATIONS</b>  |       |       |        |        |        |
| <b>PREFERRED SHARE AND COMMON</b>                                     |       |       |        |        | (0.04) |
| <b>DILUTED EARNINGS PER SHARE:</b>                                    |       |       |        |        |        |
| <b>CONTINUING OPERATIONS</b>  |       |       |        |        |        |
| <b>PREFERRED SHARE AND COMMON</b>                                     |       |       |        |        | 5.70   |
|   | 1.61  | 1.50  | 1.90   | 7.21   |        |
| <b>DISCONTINUED OPERATIONS</b>  |       |       |        |        |        |
| <b>PREFERRED SHARE AND COMMON</b>                                     |       |       |        |        | (0.04) |

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****In millions of Reais, except as otherwise stated**

|  | Notes | Year ended        |                   |
|--|-------|-------------------|-------------------|
|  |       | December 31, 2011 | December 31, 2010 |
| Net operating revenue  |       | 66,082            | 51,386            |
| Cost of goods solds and services rendered                      | 26    | (20,958)          | (17,892)          |
| Gross profit   |       | 45,124            | 33,494            |
| Operating (expenses) income                                    |       |                   |                   |
| Selling and administrative expenses                            | 26    | (2,176)           | (1,748)           |
| Research and development expenses                              | 26    | (1,460)           | (1,003)           |
| Other operating expenses, net                                  | 26    | (1,704)           | (759)             |
| Equity results from subsidiaries                               | 12    | 7,555             | 8,709             |
| Realized gain on assets available for sale                     |       | 2,492             |                   |
|  |       | 4,707             | 5,199             |
| Operating profit   |       | 49,831            | 38,693            |
| Financial income   | 27    | 2,958             | 3,954             |
| Financial expenses   | 27    | (8,552)           | (5,575)           |
| Equity results from associates                                 | 12    | (51)              | (48)              |
| Income before income tax and social contribution               |       | 44,186            | 37,024            |
| Current  |       | (6,671)           | (7,356)           |
| Deferred   |       | 299               | 624               |
| Income tax and social contribution                             | 19    | (6,372)           | (6,732)           |
| Income from continuing operations                              |       | 37,814            | 30,292            |
| Results for discontinued operations                            |       |                   | (222)             |
| Net income of the period                                       |       | 37,814            | 30,070            |
| Earnings per share attributable to the company's stockholders: |       |                   |                   |
| Basic earnings per share:                                      |       |                   |                   |
| Continuing operations  |       |                   |                   |
| Preferred share and common                                     |       | 7.21              | 5.70              |
| Discontinued operations  |       |                   |                   |
| Preferred share and common                                     |       |                   | (0.04)            |

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|                             |      |        |
|-----------------------------|------|--------|
| Diluted earnings per share: |      |        |
| Continuing operations       |      |        |
| Preferred share and common  | 7.21 | 5.70   |
| Discontinued operations     |      |        |
| Preferred share and common  |      | (0.04) |

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

Table of Contents**Statement of Comprehensive Income****In millions of Reais**

|  | Consolidated      |                    |                   | Year ended        |                   |
|--|-------------------|--------------------|-------------------|-------------------|-------------------|
|  | December 31, 2011 | September 30, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Net income   | 8,169             | 7,850              | 10,211            | 37,400            | 30,422            |
| Other comprehensive income                               |                   |                    |                   |                   |                   |
| Cumulative translation adjustments                       | 1,284             | 11,212             | 88                | 8,828             | (859)             |
| Unrealized gain (loss) on available-for-sale investments |                   |                    |                   |                   |                   |
| Gross balance as of the period/year ended                | 2                 | (1)                | 104               | 6                 | 37                |
| Tax benefit (expense)                                    |                   |                    | (10)              |                   | (16)              |
|  | 2                 | (1)                | 94                | 6                 | 21                |
| Cash flow hedge  |                   |                    |                   |                   |                   |
| Gross balance as of the period/year ended                | (262)             | 214                | (316)             | 219               | 60                |
| Tax benefit (expense)                                    | 9                 | 44                 | 101               | 21                | (19)              |
|  | (253)             | 258                | (215)             | 240               | 41                |
| Total comprehensive income of the period                 | 9,202             | 19,319             | 10,178            | 46,474            | 29,625            |
| Net income attributable to noncontrolling interests      | (118)             | 460                | 60                | (80)              | 186               |
| Net income attributable to the Company's stockholders    | 9,320             | 18,859             | 10,118            | 46,554            | 29,439            |
|  | 9,202             | 19,319             | 10,178            | 46,474            | 29,625            |

|                                    | Parent Company    |                   |
|------------------------------------|-------------------|-------------------|
|                                    | December 31, 2011 | December 31, 2010 |
| Net income                         | 37,814            | 30,070            |
| Other comprehensive income         |                   |                   |
| Cumulative translation adjustments | 8,495             | (626)             |

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|  |        |        |
|--|--------|--------|
| Unrealized gain (loss) on available-for-sale investments |        |        |
| Gross balance as of the period/year ended                | 6      | 37     |
| Tax benefit (expense)                                    |        | (16)   |
|  | 6      | 21     |
| Comprehensive Equity results from associates             |        |        |
| Cash flow hedge  |        |        |
| Gross balance as of the period/year ended                | 218    | (6)    |
| Tax benefit (expense)                                    | 21     | (20)   |
|  | 239    | (26)   |
| Total comprehensive income of the period                 | 46,554 | 29,439 |

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



Table of Contents**Statement of Changes in Stockholders' Equity**

In millions of Reais

|  | Capital | Results in the translation/ issuance of shares | Mandatorily convertible notes | Revenue reserves | Treasury stock | Valuation adjustment | Year ended Income from operations with non-controlling stockholders | Cumulative translation adjustment | Retained earnings | Parent company stockholders' equity | Non-stoc in |
|--|---------|--|-------------------------------|------------------|----------------|----------------------|---|-----------------------------------|-------------------|-------------------------------------|-------------|
| January 01, 2010   | 47,434  | (161)  | 4,587                         | 49,272           | (2,470)        | (21)                 |   | (8,886)                           | 6,003             | 95,758                              |             |
| Net income of the period                                   |         |  |                               |                  |                |                      |   |                                   | 30,070            | 30,070                              |             |
| Capitalization of reserves                                 | 2,566   |  |                               | (2,566)          |                |                      |   |                                   |                   |                                     |             |
| Capitalization of noncontrolling stockholders advances     |         |  |                               |                  |                |                      |   |                                   |                   |                                     |             |
| Gain on conversion of shares                               |         | 2,028  | (3,064)                       |                  | 1,036          |                      |   |                                   |                   |                                     |             |
| Repurchase of stock  |         |  |                               |                  | (3,392)        |                      |   |                                   |                   | (3,392)                             |             |
| Additional remuneration for mandatorily convertible notes  |         |  | (82)                          |                  |                |                      |   |                                   |                   |                                     | (82)        |
| Unrealized results on valuation at market                  |         |  |                               |                  |                | (4)                  |   |                                   |                   |                                     | (4)         |
| Translation adjustments for the period                     |         |  |                               |                  |                |                      |   | (626)                             |                   | (626)                               |             |
| Dividends to noncontrolling stockholders                   |         |  |                               |                  |                |                      |   |                                   |                   |                                     |             |
| Acquisitions and disposal of non controlling shareholdings |         |  |                               |                  |                |                      | 685   |                                   |                   |                                     | 685         |

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|   |        |         |       |          |         |      |          |         |         |
|---|--------|---------|-------|----------|---------|------|----------|---------|---------|
| Transfer to assets held for sale of noncontrolling stockholders |        |         |       |          |         |      |          |         |         |
| Additional Remuneration   |        |         |       | (513)    |         |      |          |         | (513)   |
| Interim interest on capital and dividends                       |        |         |       |          |         |      | (1,675)  |         | (1,675) |
| Destination of earnings:  |        |         |       |          |         |      |          |         |         |
| Additional remuneration proposed to stockholders                |        |         |       |          |         |      | (8,104)  |         | (8,104) |
| Appropriation to undistributed retained earnings                |        |         |       | 26,294   |         |      | (26,294) |         |         |
| December 30, 2010   | 50,000 | 1,867   | 1,441 | 72,487   | (4,826) | (25) | 685      | (9,512) | 112,117 |
| January 01, 2011  |        |         |       |          |         |      |          |         |         |
| Net income of the period  |        |         |       |          |         |      | 37,814   |         | 37,814  |
| Capitalization of reserves                                      | 25,000 | (1,867) |       | (23,133) |         |      |          |         |         |
| Capitalization of noncontrolling stockholders advances          |        |         |       |          |         |      |          |         |         |
| Repurchase of shares  |        |         |       |          | (5,091) |      |          |         | (5,091) |
| Remuneration for mandatorily convertible notes                  |        |         | (285) |          |         |      |          |         | (285)   |
| Cash flow hedge, net of taxes                                   |        |         |       |          |         | 239  |          |         | 239     |
| Unrealized results on valuation at market                       |        |         |       |          |         | 6    |          |         | 6       |
| Translation adjustments for the period                          |        |         |       |          |         |      | 8,495    |         | 8,495   |
| Dividends to noncontrolling stockholders                        |        |         |       |          |         |      |          |         |         |
| Redeemable noncontrolling stockholders interest                 |        |         |       |          |         |      |          |         |         |
| Acquisitions and disposal of noncontrolling                     |        |         |       |          |         |      | (756)    |         | (756)   |

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|                |        |       |        |         |     |      |         |          |         |
|----------------|--------|-------|--------|---------|-----|------|---------|----------|---------|
| shareholdings  |        |       |        |         |     |      |         |          |         |
| Interim        |        |       |        |         |     |      |         |          |         |
| dividends      |        |       |        |         |     |      |         | (2,207)  | (2,207) |
| Destination of |        |       |        |         |     |      |         |          |         |
| earnings:      |        |       |        |         |     |      |         |          |         |
| Additional     |        |       |        |         |     |      |         | (6,856)  | (6,856) |
| remuneration   |        |       |        |         |     |      |         |          |         |
| Appropriation  |        |       |        |         |     |      |         |          |         |
| to             |        |       |        |         |     |      |         |          |         |
| undistributed  |        |       |        |         |     |      |         |          |         |
| retained       |        |       |        |         |     |      |         |          |         |
| earnings       |        |       | 28,751 |         |     |      |         | (28,751) |         |
| December 30.   |        |       |        |         |     |      |         |          |         |
| 2011           | 75,000 | 1,156 | 78,105 | (9,917) | 220 | (71) | (1,017) |          | 143,476 |

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

Table of Contents

## Statement of Cash Flow Consolidated

In millions of Reais

|  | Three-month period ended (unaudited) |                    |                   | Year ended        |                   |
|--|--------------------------------------|--------------------|-------------------|-------------------|-------------------|
|  | December 31, 2011                    | September 30, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| <b>Cash flow from operating activities:</b>                        |                                      |                    |                   |                   |                   |
| Net income   | 8,169                                | 7,850              | 10,211            | 37,400            | 30,422            |
| <b>Adjustments to reconcile net income to cash from operations</b> |                                      |                    |                   |                   |                   |
| Results of equity investments                                      | 179                                  | (28)               | 36                | 51                | 48                |
| Realized gain on assets held for sale                              |                                      |                    |                   | (2,492)           |                   |
| Results from discontinued operations                               |                                      |                    |                   |                   | 222               |
| Depreciation, amortization and depletion                           | 2,114                                | 1,666              | 1,794             | 6,932             | 5,741             |
| Deferred income tax and social contribution                        | 136                                  | (1,497)            | (708)             | (512)             | (2,251)           |
| Monetary and exchange rate changes, net                            | 1,916                                | 3,495              | (797)             | 4,995             | 24                |
| Loss on disposal of property, plant and equipment                  | 42                                   | 65                 | 491               | 483               | 1,195             |
| Net unrealized losses (gains) on derivatives                       | 543                                  | 1,095              | 909               | 915               | 1,024             |
| Others   | (68)                                 | 111                | (96)              | (202)             | 450               |
| <b>Decrease (increase) in assets:</b>                              |                                      |                    |                   |                   |                   |
| Accounts receivable from customers                                 | 362                                  | (1,371)            | 2,063             | (1,675)           | (5,302)           |
| Inventories  | (464)                                | (538)              | (14)              | (2,473)           | (1,579)           |
| Recoverable taxes  | (400)                                | (230)              | (57)              | (943)             | 153               |
| Others   | (226)                                | (231)              | 744               | (635)             | 750               |
| <b>Increase (decrease) in liabilities:</b>                         |                                      |                    |                   |                   |                   |
|  | 284                                  | 1,314              | (553)             | 2,484             | 1,653             |

|  |                 |                |                 |                 |                 |
|--|-----------------|----------------|-----------------|-----------------|-----------------|
| <b>Suppliers and contractors</b>   |                 |                |                 |                 |                 |
| <b>Payroll and related charges</b>   | 373             | 435            | 353             | 514             | 363             |
| <b>Taxes and contributions</b>   | 828             | (4,393)        | (313)           | (3,087)         | 2,182           |
| <b>Others</b>  | 680             | (710)          | (332)           | 307             | 280             |
| <b>Net cash provided by operating activities</b>                               | <b>14,468</b>   | <b>7,033</b>   | <b>13,731</b>   | <b>42,062</b>   | <b>35,375</b>   |
| <b>Cash flow from investing activities:</b>                                    |                 |                |                 |                 |                 |
| <b>Short-term investments</b>  | (115)           |                | (2,987)         | 2,872           | 3,537           |
| <b>Loans and advances receivable</b>   | (356)           | 395            | (65)            | (303)           | (161)           |
| <b>Guarantees and deposits</b>   | (106)           | (280)          | 291             | (144)           | (64)            |
| <b>Additions to investments</b>  | (582)           | (31)           | (15)            | (716)           | (120)           |
| <b>Additions to property, plant and equipment</b>                              | (11,682)        | (5,830)        | (9,196)         | (28,292)        | (23,546)        |
| <b>Dividends/interest on capital received</b>                                  |                 |                |                 | 84              | 147             |
| <b>Acquisitions/sales of subsidiaries</b>                                      |                 |                |                 | 1,795           | (11,378)        |
| <b>Net cash provided by (used in) investing activities</b>                     | <b>(12,841)</b> | <b>(5,746)</b> | <b>(11,972)</b> | <b>(24,704)</b> | <b>(31,585)</b> |
| <b>Cash flow from financing activities:</b>                                    |                 |                |                 |                 |                 |
| <b>Short-term debt</b>   |                 |                |                 |                 |                 |
| <b>Additions</b>   | 701             | 44             | 735             | 2,678           | 4,776           |
| <b>Repayments</b>  | (746)           | (324)          | (473)           | (3,027)         | (4,466)         |
| <b>Long-term debt</b>  |                 |                |                 |                 |                 |
| <b>Additions</b>   | 612             | 1,351          | 1,966           | 3,480           | 8,375           |
| <b>Repayments:</b>   |                 |                |                 |                 |                 |
| <b>Financial institutions</b>  | (185)           | (1,241)        | (1,596)         | (4,434)         | (4,546)         |
| <b>Dividends and interest on capital paid to stockholders</b>                  | (5,261)         | (4,855)        | (2,897)         | (14,960)        | (5,095)         |
| <b>Dividends and interest on capital attributed to noncontrolling interest</b> | (72)            |                | (137)           | (166)           | (243)           |
| <b>Transactions with non controlling stockholders</b>                          | (2,083)         |                |                 | (2,083)         | 1,118           |
| <b>Treasury stock</b>  | (1,772)         | (3,320)        | (2,806)         | (5,092)         | (3,392)         |
| <b>Net cash provided by (used in) financing activities</b>                     | <b>(8,806)</b>  | <b>(8,345)</b> | <b>(5,208)</b>  | <b>(23,604)</b> | <b>(3,473)</b>  |
| <b>Increase (decrease) in cash and cash equivalents</b>                        | <b>(7,179)</b>  | <b>(7,058)</b> | <b>(3,449)</b>  | <b>(6,246)</b>  | <b>317</b>      |
| <b>Cash and cash equivalents of cash, beginning of the</b>                     | <b>14,674</b>   | <b>21,323</b>  | <b>16,949</b>   | <b>13,469</b>   | <b>13,221</b>   |

|   |                |                |                |                 |                |
|---|----------------|----------------|----------------|-----------------|----------------|
| <b>period</b>   |                |                |                |                 |                |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>         | <b>(37)</b>    | <b>409</b>     | <b>(31)</b>    | <b>235</b>      | <b>(69)</b>    |
| <b>Cash and cash equivalents, end of the period</b>                         | <b>7,458</b>   | <b>14,674</b>  | <b>13,469</b>  | <b>7,458</b>    | <b>13,469</b>  |
| <b>Cash paid during the period for:</b>                                     |                |                |                |                 |                |
| <b>Short-term interest</b>  | <b>(12)</b>    | <b>(6)</b>     | <b>(17)</b>    | <b>(34)</b>     | <b>(46)</b>    |
| <b>Long-term interest</b>   | <b>(368)</b>   | <b>(390)</b>   | <b>(547)</b>   | <b>(1,957)</b>  | <b>(1,983)</b> |
| <b>Income tax and social contribution</b>                                   | <b>(1,860)</b> | <b>(6,496)</b> | <b>(2,008)</b> | <b>(11,986)</b> | <b>(3,694)</b> |
| <b>Inflows during the period:</b>   |                |                |                |                 |                |
| <b>Non-cash transactions:</b>   |                |                |                |                 |                |
| <b>Additions to property, plant and equipment - interest capitalization</b> | <b>(35)</b>    | <b>(90)</b>    | <b>(49)</b>    | <b>(289)</b>    | <b>(310)</b>   |

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

Table of Contents**Statement of Cash Flow Parent Company****In millions of Reais**

|   | Year ended        |                   |
|---|-------------------|-------------------|
|   | December 31, 2011 | December 31, 2010 |
| <b>Cash flow from operating activities:</b>                 |                   |                   |
| Net income  | 37,814            | 30,070            |
| Adjustments to reconcile net income to cash from operations |                   |                   |
| Results of equity investments                               | (7,504)           | (8,661)           |
| Realized gain on assets held for sale                       | (2,492)           |                   |
| Results from discontinued operations                        |                   | 222               |
| Depreciation, amortization and depletion                    | 1,964             | 1,983             |
| Deferred income tax and social contribution                 | (299)             | (624)             |
| Monetary and exchange rate changes, net                     | 7,003             | (640)             |
| Loss on disposal of property, plant and equipment           | 383               | 3,056             |
| Net unrealized losses (gains) on derivatives                | 661               | 776               |
| Others  | (26)              | 251               |
| Decrease (increase) in assets:                              |                   |                   |
| Accounts receivable from customers                          | 2,569             | (14,546)          |
| Inventories   | (630)             | (91)              |
| Recoverable taxes   | (433)             | 180               |
| Others  | (43)              | 895               |
| Increase (decrease) in liabilities:                         |                   |                   |
| Suppliers and contractors                                   | 640               | 480               |
| Payroll and related charges                                 | 311               | 260               |
| Taxes and contributions                                     | (4,583)           | 1,305             |
| Others  | (52)              | 652               |
| Net cash provided by operating activities                   | 35,283            | 15,568            |
| <b>Cash flow from investing activities:</b>                 |                   |                   |
| Loans and advances receivable                               | (33)              | 3,098             |
| Guarantees and deposits                                     | (72)              | (112)             |
| Additions to investments                                    | (5,985)           | (3,684)           |
| Additions to property, plant and equipment                  | (14,615)          | (10,472)          |
| Dividends/interest on capital received                      | 2,196             | 2,060             |
| Proceeds from disposal of investments held for sale         |                   | 4,433             |
| Net cash provided by (used in) investing activities         | (18,509)          | (4,677)           |
| <b>Cash flow from financing activities:</b>                 |                   |                   |
| Short-term debt   |                   |                   |
| Additions   | 1,092             | 3,969             |
| Repayments  | (5,064)           | (8,354)           |
| Long-term debt  |                   |                   |
| Additions   | 3,891             | 7,469             |

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|  |          |         |
|--|----------|---------|
| Repayments:  |          |         |
| Financial institutions   | (891)    | (1,915) |
| Dividends and interest on capital paid to stockholders               | (14,960) | (5,095) |
| Treasury stock   | (5,091)  | (3,392) |
| Net cash provided by (used in) financing activities                  | (21,023) | (7,318) |
| Increase (decrease) in cash and cash equivalents                     |          |         |
|  | (4,248)  | 3,573   |
| Cash and cash equivalents, beginning of the period                   | 4,823    | 1,250   |
| Cash and cash equivalents, end of the period                         | 575      | 4,823   |
| Cash paid during the period for:                                     |          |         |
| Short-term interest  | (1)      | (69)    |
| Long-term interest   | (1,904)  | (1,862) |
| Income tax and social contribution                                   | (9,638)  | (3,103) |
| Inflows during the period:   |          |         |
| Non-cash transactions:   |          |         |
| Additions to property, plant and equipment - interest capitalization | (73)     | (98)    |

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



Table of Contents**Statement of Added Value Consolidated****In millions of Reais**

|  | Consolidated      |  |                   | Year ended        |                   |
|--|-------------------|--|-------------------|-------------------|-------------------|
|  | December 31, 2011 | Three-month period ended (unaudited)<br>September 30, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Generation of added value                        |                   |  |                   |                   |                   |
| Gross revenue                                    |                   |  |                   |                   |                   |
| Revenue from products and services               | 27,816            | 28,517   | 26,959            | 105,520           | 85,345            |
| Gain on realization of assets available for sale |                   |  |                   | 2,492             |                   |
| Other revenue                                    | (25)              | 11   |                   | (14)              |                   |
| Revenue from the construction of own assets      | 10,242            | 10,039   | 7,253             | 30,268            | 20,607            |
| Allowance for doubtful accounts                  | 27                | (19)   | (22)              | 11                | (40)              |
| Less:  |                   |  |                   |                   |                   |
| Acquisition of products                          | (835)             | (863)  | (592)             | (2,951)           | (1,912)           |
| Outsourced services                              | (5,369)           | (5,130)  | (3,960)           | (16,946)          | (11,722)          |
| Materials  | (8,885)           | (9,301)  | (7,067)           | (28,899)          | (20,843)          |
| Fuel oil and gas                                 | (1,020)           | (989)  | (983)             | (3,857)           | (3,701)           |
| Energy   | (394)             | (413)  | (759)             | (1,695)           | (2,349)           |
| Other costs (expenses)                           | (3,963)           | (2,933)  | (3,488)           | (11,678)          | (10,274)          |
| Gross added value                                | 17,594            | 18,919   | 17,341            | 72,251            | 55,111            |
| Depreciation, amortization and depletion         | (2,114)           | (1,666)  | (1,794)           | (6,932)           | (5,741)           |
| Net added value                                  | 15,480            | 17,253   | 15,547            | 65,319            | 49,370            |
| Received from third parties                      |                   |  |                   |                   |                   |
| Financial income                                 | 524               | 705  | 1,148             | 3,010             | 2,038             |
| Equity results                                   | (179)             | 28   | (36)              | (51)              | (48)              |
| Total added value to be distributed              | 15,825            | 17,987   | 16,659            | 68,278            | 51,360            |

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|   |        |         |          |        |         |
|---|--------|---------|----------|--------|---------|
| Personnel   | 2,383  | 1,765   | 1,929    | 7,639  | 5,706   |
| Taxes, rates and contribution                             | 1,485  | 1,045   | 775      | 4,542  | 3,397   |
| Current income tax  | 1,977  | 1,990   | 2,828    | 9,577  | 9,286   |
| Deferred income tax                                       | 136    | (1,497) | (708)    | (512)  | (2,251) |
| Remuneration of debt capital                              | 1,217  | 2,764   | 1,716    | 6,004  | 5,095   |
| Monetary and exchange changes, net                        | 458    | 4,070   | (92)     | 3,628  | (295)   |
| Net income attributable to the Company's stockholders     | 8,354  | 7,893   | (10,289) | 37,814 | 9,779   |
| Reinvested  |        |         | 20,291   |        | 20,291  |
| Loss (Net income) attributable to noncontrolling interest | (185)  | (43)    | 209      | (414)  | 352     |
| Distribution of added value                               | 15,825 | 17,987  | 16,659   | 68,278 | 51,360  |

Table of Contents**Statement of Added Value Parent Company****In millions of Reais**

|   | <b>Parent Company<br/>Year ended</b> |                          |
|---|--------------------------------------|--------------------------|
|   | <b>December 31, 2011</b>             | <b>December 31, 2010</b> |
| <b>Generation of added value</b>                      |                                      |                          |
| Gross revenue   |                                      |                          |
| Revenue from products and services                    | 67,618                               | 52,905                   |
| Gain on realization of available-for-sale assets      | 2,492                                |                          |
| Revenue from the construction of own assets           | 14,824                               | 10,516                   |
| Allowance for doubtful accounts                       | 7                                    | (36)                     |
| Less:   |                                      |                          |
| Acquisition of products                               | (2,547)                              | (1,741)                  |
| Outsourced services                                   | (9,222)                              | (7,251)                  |
| Materials   | (13,602)                             | (10,344)                 |
| Fuel oil and gas                                      | (1,964)                              | (1,597)                  |
| Energy  | (862)                                | (1,121)                  |
| Other costs (expenses)                                | (5,289)                              | (3,918)                  |
| Gross added value                                     | 51,455                               | 37,413                   |
| Depreciation, amortization and depletion              | (1,964)                              | (1,983)                  |
| Net added value                                       | 49,491                               | 35,430                   |
| <b>Received from third parties:</b>                   |                                      |                          |
| Financial income                                      | 1,825                                | 1,929                    |
| Equity results  | 7,504                                | 8,661                    |
| Total added value to be distributed                   | 58,820                               | 46,020                   |
| Personnel   | 3,989                                | 3,132                    |
| Taxes, rates and contribution                         | 3,226                                | 2,535                    |
| Current income tax                                    | 6,671                                | 7,356                    |
| Deferred income tax                                   | (299)                                | (624)                    |
| Remuneration of debt capital                          | 4,351                                | 3,742                    |
| Monetary and exchange changes, net                    | 3,068                                | (191)                    |
| Net income attributable to the Company's stockholders | 37,814                               | 9,779                    |
| Reinvested  |                                      | 20,291                   |
| Distribution of added value                           | 58,820                               | 46,020                   |

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



Table of Contents**Notes to Financial Statements**

Expressed in millions of Brazilian Reais, 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, Graça Aranha Avenue, 26, Downtown, State of Rio de Janeiro, Brazil and 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, platinum group metals and precious metals. In addition, it operates in the segments of energy, logistics and steel.

As at December 31, 2011, the main consolidated operating subsidiaries and jointly controlled entities proportionately consolidated are:

| Entities                                | % ownership | % voting capital | Location      | Principal activity        |
|---|-------------|------------------|---------------|---------------------------|
| <b>Subsidiaries</b>                     |             |                  |               |                           |
| Compañia Minera Miski Mayo S.A.C        | 40.00       | 51.00            | Peru          | Fertilizers               |
| Ferrovias Centro-Atlântica S. A.        | 99.99       | 99.99            | Brazil        | Logistics                 |
| Ferrovias Norte Sul S.A.                | 100.00      | 100.00           | Brazil        | Logistics                 |
| Mineração Corumbaense Reunida S.A.      | 100.00      | 100.00           | Brazil        | Iron ore and Manganese    |
| PT International Nickel Indonesia Tbk   | 59.20       | 59.20            | Indonesia     | Nickel                    |
| Sociedad Contractual Minera Tres Valles | 90.00       | 90.00            | Chile         | Copper                    |
| Vale Australia Pty Ltd.                 | 100.00      | 100.00           | Australia     | Coal                      |
| Vale Austria Holdings GMBH              | 100.00      | 100.00           | Austria       | Holding and Research      |
| Vale Canada Limited                     | 100.00      | 100.00           | Canada        | Nickel                    |
| Vale Coal Colombia Ltd.                 | 100.00      | 100.00           | Colombia      | Coal                      |
| Vale Fertilizantes S.A                  | 99.05       | 99.98            | Brazil        | Fertilizers               |
| Vale International S.A                  | 100.00      | 100.00           | Switzerland   | Trading                   |
| Vale Manganês S.A.                      | 100.00      | 100.00           | Brazil        | Manganese and Ferroalloys |
| Vale Mina do Azul S.A.                  | 100.00      | 100.00           | Brazil        | Manganese                 |
| Vale Moçambique S.A.                    | 100.00      | 100.00           | Mozambique    | Coal                      |
| Vale Nouvelle-Calédonie SAS             | 74.00       | 74.00            | New Caledonia | Nickel                    |
| Vale Oman Pelletizing Company LLC       | 100.00      | 100.00           | Oman          | Pellet                    |
| Vale Shipping Holding PTE Ltd.          | 100.00      | 100.00           | Singapura     | Logistics                 |
| <b>Jointly-controlled entities</b>      |             |                  |               |                           |
| California Steel Industries, Inc.       | 50.00       | 50.00            | United States | Steel industry            |
| MRS Logística S.A                       | 45.84       | 45.68            | Brazil        | Logistics                 |

The Board of Directors authorized these financial statements for issue on February 15, 2012.

**2) Summary of the Main Accounting Practices and Accounting Estimates**

**a) Basis of Presentation**

The 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.

**Consolidated financial statements**

The consolidated financial statements of the company have been prepared according to the International Financial Reporting 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 - ICPCs and guidelines - OCPCs approved by the Securities Exchange Commission - CVM.

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**Financial statements of the parent company**

The individual financial statements of the parent company have been prepared under accounting practices adopted in Brazil issued by the CPCs and are published together with the consolidated financial statements.

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

**Functional currency and presentation currency**

The financial statements of each Group's entities are presented using the currency of the primary economic environment in which the entity operates ( functional currency ), which in the case of the parent company is Real ( R\$ ). For presentation purposes in Brazil, the consolidated financial statements are presented in Brazillian Reais.

The operations with others currencies are translated into the functional currency of the parent company using the actual exchange rate on the transaction dates. 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 income.

In 2011, based on entity business assessment, the subsidiary Vale International had its functional currency changed from the Brazilian Real to US dollar. This change did not cause significant effects in the financial statements presented.

The quotations of major currencies that impact our operations against the currency of presentation were:

|                          | <b>Exchange rates used for conversions in reais</b> |             |
|--------------------------|---|-------------|
|                          | <b>2011</b>   | <b>2010</b> |
| US dollar - US\$         | 1.8683  | 1.6662      |
| US canadian dollar - CAD | 1.8313  | 1.6700      |

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|                            |        |        |
|----------------------------|--------|--------|
| US australian dollar - AUD | 1.9092 | 1.6959 |
| Euro - EUR or              | 2.4165 | 2.2280 |

Translation differences on non-monetary financial assets and liabilities are recognized in income as of fair value gain or loss. The exchange rate gain or loss of non-monetary financial assets, such as investments in shares classified as available for sale, is included in Stockholders' equity as Other Comprehensive Income.

The results and financial position of all Group entities whose functional currency is different from the presentation currency are translated into the presentation currency, the assets and liabilities for each balance sheet presented are translated by the closing rate at the balance sheet date, income and expenses for each statement of income are translated by the average exchange rates, except in specific transactions that, considering their relevance, are translated by the rate at the dates of transactions. All resulting exchange differences are recognized in a separated component of the Stockholders' equity, named currency translation adjustment.

### **b) Principles of Consolidation**

The consolidated financial statements reflect the balances of assets and liabilities and transactions of the parent company and its direct and indirect subsidiaries and of its jointly controlled entities, in proportion to the interests maintained. For associates, entities over which the company has significant influence but not control, the investments are accounted for under the equity method.

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.

For interests in joint projects (e.g.: consortium agreements), the assets, liabilities and transactions of these enterprises are recognized in the proportion held by Vale.



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Interests in joint ventures were consolidated using the Proportionate Consolidation method, since the date of joint control is acquired. According to this method, assets, liabilities, revenues, costs and expenses of these entities were integrated in the consolidated financial statements proportionally to the control attributable to the stockholders.

Considering the option given by pronouncement CPC 19 (R1), issued on August 4, 2011, and anticipating the consequences of adoption of IFRS 11 in Brazil, the company will choose from 2013 to calculate its investments in joint ventures using the equity method. If this method would be applicable in these statements, the effects in the Consolidated Balance sheet and statement of income would be:

|  | December 31, 2011                          |                                |   |
|--|--|--------------------------------|---|
|  | Balance with proportional<br>consolidation | Effect of shared control firms | Balance without proportional<br>consolidation |
| <b>Assets</b>  |  |                                |   |
| <b>Current</b>   |  |                                |   |
| Cash and Cash equivalents                                  | 7,458                                      | (866)                          | 6,592   |
| Other  | 34,637                                     | (1,078)                        | 33,559  |
|  | <b>42,095</b>                              | <b>(1,944)</b>                 | <b>40,151</b>                                 |
| <b>Non-current</b>   |  |                                |   |
| Investments  | 10,917                                     | 4,067                          | 14,984  |
| Property, plant and<br>equipment, and Intangible<br>Assets | 177,857                                    | (6,214)                        | 171,643                                       |
| Other  | 10,913                                     | (603)                          | 10,310  |
|  | <b>199,687</b>                             | <b>(2,750)</b>                 | <b>196,937</b>                                |
| <b>Total Asset</b>   | <b>241,782</b>                             | <b>(4,694)</b>                 | <b>237,088</b>                                |
| <b>Liabilities and Stockholders<br/>equity</b>             |  |                                |   |
| <b>Current</b>   |  |                                |   |
| Accounts Payable   | 9,157                                      | (306)                          | 8,851   |
| Loans and finances   | 3,872                                      | (1,025)                        | 2,847   |
| Other  | 9,196                                      | (208)                          | 8,988   |
|  | <b>22,225</b>                              | <b>(1,539)</b>                 | <b>20,686</b>                                 |
| <b>Non-current</b>   |  |                                |   |
| Loans and finances   | 42,753                                     | (2,528)                        | 40,225  |
| Deferred income tax and<br>social contribution             | 10,773                                     | (159)                          | 10,614  |
| Other  | 19,340                                     | (458)                          | 18,882  |
|  | <b>72,866</b>                              | <b>(3,145)</b>                 | <b>69,721</b>                                 |
| <b>Stockholders equity</b>                                 |  |                                |   |
| Capital stock  | 75,000                                     |                                | 75,000  |
| Noncontrolling interests                                   | 3,215                                      | (10)                           | 3,205   |
| Other  | 68,476                                     |                                | 68,476  |
|  | <b>146,691</b>                             | <b>(10)</b>                    | <b>146,681</b>                                |
| <b>Total Liabilities and<br/>Stockholders equity</b>       | <b>241,782</b>                             | <b>(4,694)</b>                 | <b>237,088</b>                                |

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December 31, 2011

|  | Balance with proportional consolidation | Effect of shared control firms | Balance without proportional consolidation |
|--|---|--------------------------------|--|
| Net revenue  | 103,195                                 | (4,451)                        | 98,744                                     |
| Cost   | (40,489)                                | 1,313                          | (39,176)                                   |
| <b>Gross operating profit</b>                                | <b>62,706</b>                           | <b>(3,138)</b>                 | <b>59,568</b>                              |
| Operational expenses   | (9,567)                                 | 416                            | (9,151)                                    |
| Financial expenses   | (6,623)                                 | 271                            | (6,352)                                    |
| Equity results   | (51)                                    | 1,908                          | 1,857                                      |
| <b>Earnings before taxes</b>                                 | <b>46,465</b>                           | <b>(543)</b>                   | <b>45,922</b>                              |
| Current and deferred Income tax and social contribution, net | (9,065)                                 | 551                            | (8,514)                                    |
| <b>Net income of the year</b>                                | <b>37,400</b>                           | <b>8</b>                       | <b>37,408</b>                              |
| Income (loss) attributable to noncontrolling interests       | 414                                     | (8)                            | 406  |
| <b>Net income attributable to shareholders</b>               | <b>37,814</b>                           |                                | <b>37,814</b>                              |

c) **Business Combinations**

When Vale acquires control over an entity, the identifiable assets acquired, the liabilities and contingent liabilities assumed and the noncontrolling stockholders' interests recognized are measured initially at fair value at the acquisition date.

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The excess of consideration transferred and of the fair value at the acquisition date of any previous equity interests in the acquiree, against the fair value of group interests in the identifiable net assets acquired, is recorded as goodwill, which is allocated to each cash-generating unit ( CGU ) acquired.

**d) Information by Segment and Geographic Area**

The company discloses information by consolidated operational business segment and revenues by consolidated geographic area, in accordance with the principles and concepts used by decision makers in evaluating performance. The information is analyzed by segment as follows:

**Bulk Material** - includes the extraction of iron ore and pellet production and transport systems of North, South and Southeast, including railroads, ports and terminals, related to mining operations. Manganese ore and ferroalloys are also included in this segment.

**Basic metals** comprises the production of non-ferrous minerals, including nickel operations (co-products and byproducts), copper and aluminum.

**Fertilizers** comprises three major groups of nutrients: potash, phosphate and nitrogen. This business is being formed through a combination of acquisitions and organic growth.

**Logistic services** includes our system of cargo transportation for third parties divided into rail transport, port and shipping services.

**Others** - comprises our investments in joint ventures and associate in other businesses.

**e) 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 are recognized at

fair value in income and recorded in short-term investments.

**f) Accounts Receivables**

Represent receivables from the sale of products and services made by the company. The receivables are initially recorded at fair value and subsequently measured by amortized cost, net of estimated losses, to cover potential losses in their realization, based on historical experience of defaults.

**g) Financial Assets**

The Company classifies its financial assets in accordance with the purpose for which they were purchased, and determines 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.
- Loans and receivables non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently at cost amortized using the effective interest method.
- Available for sale - investments in equity instruments that are not listed.

Investments in equity instruments that are not listed and for which it is not possible to estimate with certainty their fair value, are held at acquisition cost less any losses not recoverable.

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**h) Inventories**

Inventories are stated at the lower of average cost of acquisition or production and replacement or realization values. The inventories production cost is determined by variable and fixed costs, and direct and indirect costs of production, using the average cost method. When applicable an estimate of losses with obsolete or slow-moving inventories is constituted.

Inventories of ore are recognized at the moment of the physical extraction of the ore.

**i) Discontinued Operations**

Net assets held for sale linked to discontinued operations are recorded as current assets, separated from other current assets, evaluated at the lower of carrying amount and fair value, less cost of sales.

**j) Non-Current Assets**

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

**k) Intangible Assets**

Intangible asset generators of future economic benefits are evaluated by the acquisition cost, less accumulated amortization and losses by reducing the recoverable amount, when applicable.

Intangible assets that have finite useful lives are amortized considering their effective use, while those with indefinite useful lives are not amortized but tested at least annually as to their recoverability (impairment test).

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In the case of railways, on which the company is a concessionaire, the acquired assets, linked to the concession activities of public services rendered (returned goods) up to the end of the concession period will be returned to the licensor.

Intangible assets acquired in a business combination are recognized separately from goodwill.

### 1) **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 acquisition and impairment losses 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.

Depreciation and depletion of assets of the company are represented in accordance with the following estimated useful lives:

|                    |                         |
|--------------------|-------------------------|
| Buildings          | between 20 and 50 years |
| Installations      | between 20 and 33 years |
| Equipment          | between 10 and 33 years |
| Computer Equipment | between 5               |
| Mineral rights     | between 2 and 33 years  |
| Locomotives        | 25 years                |
| Wagon              | 33 years                |
| Railway equipment  | 25 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.

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The relevant expenditures for maintenance of industrial areas and relevant assets (for 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.

**m) Non-controlling stockholders' interests**

The Company treats transactions with non-controlling stockholders' interests as transactions with equity owners of the Group. 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.

When the Company ceases to 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 Group had directly sold the related assets or liabilities. This means that the amounts previously recognized in other comprehensive income are reclassified in income.

**n) Impairment**

Annually the company assesses whether there is evidence that the carrying amount of long-term financial and non-financial asset, is not impaired.

For the long-term non-financial assets, the analysis is conducted of the recoverable value of these assets grouped at the lowest levels for which there are separately identifiable cash flows of the cash-generating unit to which the asset belongs.

For financial assets, a comparative analysis is carried out - if the book value exceeds the present value of expected cash flows for the asset.

Regardless the indication of impairment of its carrying amount, goodwill balances arising from business combinations and intangible assets with indefinite useful lives are tested for impairment at least once a year.

**o) Expenditures on ore research and development**

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 capitalized as mine development costs.

During the development phase of a mine before production begins and in the stripping campaigns scheduled in the plan of mining, the costs of waste removal are recorded as part of the 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 stripping removal expenditures are treated as production costs.

**p) Leases**

The Company classifies its contracts as financial leases or operational leases based on the substance of the operation contracted may be or not linked to the substantial acquisition of risks and benefits from assets during their useful life.

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 in liabilities. For operating leases, payments are recognized linearly during the term of the contract as a cost or expense in the statement of income.

**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, and are initially recognized at fair value and subsequently measured at amortized cost using effective interest rate method.



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**r) Loans and Financing**

Loans and Financing are initially measured at fair value, net of transaction costs incurred and are subsequently carried at amortized cost and updated using the effective interest rate method and charges. 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 issued by the company which have financial liability (debt) components and Stockholders' equity components, comprise notes mandatorily convertible into preferred or common stock.

The liability component of a compound financial instrument is initially recognized at fair value that 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. After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method.

The Stockholders' equity component is recognized by the difference between the total values received by the company with the issuance of the securities, net of transaction costs directly attributable to the issuance of the securities. After initial recognition, the stockholders' equity component of a compound financial instrument is not measured again until the moment of its conversion.

**s) Provision**

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.

**t) Provision for asset retirement obligations**

The provision made by the company refers basically to the cost of mine closure, by the completion of mining activities and disabling of assets related to mine. The provision is set up initially by recording long-term liabilities with a counterpart an item of main property, plant and

equipment. The long-term liabilities are financially updated by the discount rate to date and registered against the income of the period, on the interest expenses. The asset is depreciated on a straight line by useful life rate of the main asset, and recorded against income.

**u) Employee benefits**

**i. Current benefits 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 income, respecting the accrual basis.

**ii. Current benefits profit sharing**

The company has a policy of profit sharing, based on the achievement of individual performance goals, performance of the area and company. The company makes provision based on the periodic measurement of the compliance with goals, using the accrual basis and recognition of present obligation arising from past events in the estimated outflow of resources in the future. 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.

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**iii. Non-current benefit pension cost and other post-retirement benefits**

The company maintains several retirement plans for its employees.

For defined contribution plans, the company's obligation is limited to a monthly contribution linked to a pre-defined percentage over remuneration of employees related to these plans.

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 is 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 gain and loss are appointed and controlled by corridor method. This method separates the amounts which exceeds the limits of 10% of amounts of assets or liabilities, whichever is greater, amortizing it based on the remaining life expectancy active participants of plan. For plans without active participants, the excess amount is recognized fully in the income. Past service costs that arise with changes in plans are released immediately in income.

For plans with a surplus position, the company does not make any record in the balance sheet or statement of income, in the absence of a clear position on the use of this surplus. For plans with a deficit position, the company recognizes liabilities and results arising from the actuarial valuation and actuarial gains and losses generated by the evaluation of these plans in income, according to the corridor method.

**iv. Non-current benefits non-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 establishes that these eligible executives link to the plan a specific quantity of their own preferred class A stocks of the company, and shall be entitled at the end of three years to a cash sum corresponding to the market value of the shares lot initially linked 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. Obligations are measured at each reporting date, to the fair value based on market quotations. The compensation costs incurred are recognized in income during the three-year vesting period as defined.

**v) Derivative financial instruments and hedging operations**

The company uses derivative instruments to manage their financial risks as a way to hedge these risks, not using 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 other comprehensive income in stockholders' 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 company documents the relationship between hedging instruments and hedged items 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 variations in fair value of derivative financial instruments designated as cash flow hedges have their effective component recorded in other comprehensive income and recognized as stockholders' equity; and their ineffective component recorded in income. The amounts recorded in other comprehensive income, will only be transferred to the income in an appropriate account (cost, operating expense or financial expense) when the hedged item is actually performed.

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**w) 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 other comprehensive income, in which cases the tax is also recognized in other comprehensive income.

The provision for income tax is calculated individually for each entity in the Group based on tax rates and tax rules in force in the location of the entity. The recognition of deferred taxes is based on temporary differences between carrying value and the value for tax basis of assets and liabilities and the tax losses and the basis for calculating social contribution, as it was considered likely their achievement against future taxable income. The deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against fiscal current liabilities and when the deferred income tax assets and liabilities are related to income taxes recorded by the same taxation authority on the same taxable entity.

**x) Capital**

The Company periodically practices the repurchase of shares to remain in treasury for future sale or cancellation. These shares are recorded in a specific account as reduction of stockholders' equity at acquisition value and kept at cost value. These programs are approved by the Board with a term and quantities by determined type of shares.

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

**y) 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.

Revenues with product sales are recognized at the moment the transfer to the buyer of the significant risks and benefits related to the product occurs.

**z) 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 support received. The company records via the statement of income, as reductions in taxes or spending according to the nature of the item, through the distribution of results in the statement of income, retained earnings in stockholders' equity.

**aa) Basic and Diluted earnings per share**

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the company, deducted from the remuneration of holders of equity securities, the weighted average number of shares outstanding (total shares less treasury shares).

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all diluted potential shares. The Company has in its records, securities mandatorily convertible into shares, which will be converted using treasury shares held by the Company. These securities were recorded as an equity instrument, mainly because there is no option, both for the Company and for the holders to liquidate all or part of the transactions with financial resources and is therefore recognized in the accounts net of finance charges, such a specific component of the Stockholders' Equity.

**bb) Statement of Added Value - DVA**

The company publishes its consolidated and the parent company statements of added value (DVA) in accordance with the accounting practices adopted in Brazil applicable to public companies which are submitted as part of the financial statements in accordance with Brazilian accounting practices. For IFRS, this statement is presented as additional information, without prejudice to the set of financial statements.

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**3. Critical Accounting Estimates and Assumptions**

The preparation of financial statements requires the use of certain critical accounting estimates and also the exercise of judgments by part of the Board of Directors of the company in the process for implementing of the accounting policies of the Group.

These estimates are based on the best knowledge existing in each period. Changes in facts and circumstances may lead to the revision of the estimates, because those actual future results may differ from estimates.

The significant estimates and assumptions used by management in preparing these financial statements are presented as such:

**a) 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 based as the calculation of the portion of depletion of their respective mines, and its estimated useful life is a major factor to quantify the provision of environmental rehabilitation of mines when writing down of fixed assets . 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.

**b) Asset Retirement**

The company recognizes an obligation under the market value for asset retirement during the period in which they are incurred in accordance with Note 2(n). The company considers the accounting estimates related to reclamation and closure costs of a mine as a critical accounting policy because they 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. The estimates are revised each

year.

**c) Deferred income tax and social contribution**

The company recognizes the effects of deferred taxes arising from tax losses and temporary differences on its consolidated and parent company's financial statements. It registers a provision for loss where it believes that tax credits are not fully recoverable in the future.

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.

**d) Contingencies**

Contingent liabilities are recorded when the possibility of loss is considered probable by our legal department and their legal advisors.

The contingencies 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 does not depend on our performance, which complicates the realization of precise estimates about the date on which such events are verified.



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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.

**e) Post-retirement benefits for employees**

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.

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.

**f) Impairment**

The company annually tests the impairment of tangible and intangible assets segregated by cash-generating unit, usually using the criterion of discounted cash flow that depends on several estimates, which are influenced by market conditions prevailing at the time that this impairment is tested. Although the tests conducted in 2011 and 2010 have not generated recognition of loss, management believes it is not possible to determine whether new impairment losses will occur or not in the future.

**g) Fair Value of the derivatives and others financial instruments**

Fair value of not traded financial instruments in active market is determined by using valuation techniques. Vale uses its own judgment to choose the various methods and assumptions and 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.



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**4. Accounting Pronouncements**

The company prepared its consolidated financial statements in IFRS based on pronouncements already issued by the CPC and approved by CVM. The statements issued by the IASB, and not yet endorsed by the CVM will not be early adopted by the company.

**a) Pronouncements, interpretations and guidelines issued and/or updated by the CPC during the year 2011**

CPC 15 (R1) - Business combinations

CPC 19 (R1) - Investments in joint venture

CPC 20 (R1) - Borrowing costs - correlation to international accounting standards

CPC 21 (R1) - Interim financial statements - correlation to International accounting standards

CPC 26 (R1) - Presentation of Financial Statements

CPC 35 (R1) - Separate financial statements - correlation to international accounting standards

CPC 36 (R2) - Consolidated financial statements

ICPC 01 (R1) - Service concession arrangements

ICPC 17 - Service concession arrangements - disclosures

**b) Statements and interpretations issued and / or updated by the IASB and not yet endorsed by the CVM, consequently not adopted by the company**

IAS 01 - Presentation of financial statements

IAS 19 - Employee benefits

IAS 27 - Consolidated and separate financial statements

IAS 28 - Investments in associates and joint ventures

IFRS 09 - Financial instrument

IFRS 10 - Consolidated financial statements  
IFRS 11 - Joint arrangements  
IFRS 12 - Disclosure of interests in other entities

IFRS 13 - Fair value measurement  
IFRIC 20 - Stripping costs in the production phase of a surface mine

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**5 Risk Management**

Vale considers that an effective risk management is a key objective to support its growth plan, strategic planning 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. To do that, Vale evaluates not only the impact in the results of the business caused by variables traded in financial markets (market risk), but also the risk from counterparties obligations (credit risk), those relating to inadequate or failed internal processes, people, systems or external events (operational risk), those arising from liquidity risk, among others.

**a) Risk management policy**

The Board of Directors established a risk management policy in order to support the company's growth plan, strategic planning and business continuity, to improve its capital structure and assets management, to ensure flexibility and strength in financial management and to strengthen its corporate governance practices.

The corporate risk management policy determines that Vale should measure and monitor regularly its corporate risk on a consolidated approach in order to guarantee that the overall risk level of the Company remains aligned with the guidelines defined by the Board of Directors and the Executive Board.

The Executive Risk Management Committee, created by the Board of Directors, is responsible for supporting the Executive Board in the risk assessments and for issuing opinion regarding the Company's risk management. It is also responsible for the supervision and revision of the principles and instruments of corporate risk management.

The Executive Board is responsible for the approval of the policy deployment into norms, rules and responsibilities and for reporting to the Board of Directors about such procedures.

The risk management norms and instructions complement the corporate risk management policy and define practices, processes, controls, roles and responsibilities in the Company regarding risk management.

The Company might, whenever considered necessary, allocate limits for specific risks regarding management activities, including - but not limited to - market risk limits, corporate and sovereign credit, in accordance with the acceptable level of corporate risk limit.

**b) Liquidity risk management**

The liquidity risk arises from the possibility that Vale might not perform its obligations on due dates, as well as face difficulties to meet its cash requirements due to market liquidity constraints.

To mitigate such risk, Vale has a revolving credit facility to increase short term liquidity and to enable more efficiency in cash management, being consistent with the strategic focus on cost of capital reduction. The revolving credit facility available today was acquired from a syndicate of several global commercial banks.

**c) Credit risk management**

Vale's credit risk arises from potential negative impacts in its cash flows due to uncertainty in the ability of counterparties to meet their contractual obligations. To manage that risk, Vale has procedures and processes, such as the controlling of credit limits, the obligation of exposure diversification through several counterparties and the monitoring of the portfolio's credit risk.

Vale's counterparties can be divided into three main categories: the customers, responsible by obligations regarding receivables from payment term sales; financial institutions with whom Vale keeps its cash investments or negotiates derivatives transactions; and suppliers of equipment, products and services in the case of payments in advance.

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- **Commercial Credit Risk Management**

For the commercial credit exposure, which arises from sales to final customers, the risk management department, in accordance with the current delegation level, approves or request the approval of credit risk limits for each counterpart. Besides that, the Executive Board sets annually global credit risk limits and working capital limits, both monitored on a monthly basis.

Vale attributes an internal credit risk rating for each counterparty using its own quantitative methodology for credit risk analysis, based on three main sources of information: i) Expected Default Frequency (EDF) provided by KMV (Moody's); ii) credit ratings from the main international credit agencies; iii) customer financial statements from which financial ratios are built.

On December 31, 2011, 75% of the trade receivables have low or insignificant risk and 25% have moderate risk.

Whenever considered necessary, the quantitative credit risk analysis is complemented by a qualitative analysis which takes into consideration the payment history of that counterparty, its commercial relationship with Vale and the customer's strategic position in its economic sector, among others variables.

Based on the counterparty's credit risk or based on Vale's consolidated credit risk profile, risk mitigation strategies are used to minimize the Company's credit risk in order to meet the acceptable level of risk approved by the Executive Board. The main credit risk mitigation strategies used by the Company are credit insurance, mortgage, letter of credit and corporate guarantees, among others.

Vale has a well-diversified accounts receivable portfolio from a geographical standpoint, being China, Europe, Brazil and Japan the regions with more significant exposures. According to each region, different guarantees can be used to enhance the credit quality of the receivables.

Vale controls its account receivables portfolio through Credit and Cash Collection committees, in which representatives from risk management, cash collection and commercial departments monitor periodically each counterparty's position. Finally, Vale has an automatic control that blocks additional sales to customers in default.

- **Treasury Credit Risk Management**

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To manage the exposure arising from cash investments and derivatives instruments, the Executive Board approves annually credit limits by counterparty. Furthermore, the risk management department controls the portfolio diversification, the exposure due to counterparties' spread variations and the treasury portfolio overall credit risk. There is also a daily monitoring of all positions and monthly reporting to the Executive Risk Management Committee.

To calculate the exposure to a counterparty that has several derivative transactions with Vale, it is considered the sum of exposures of each derivative acquired with this counterparty. The exposure for each derivative is defined as the potential future value calculated within the life of the derivative, considering a joint distribution of the market risk factors that affect the value of the derivative instrument.

Vale also assesses the creditworthiness of its counterparties in treasury operations following an internal methodology similar to commercial credit risk management that aims to define a default probability for each counterparty.

Depending on the counterparty's nature (banks, insurance companies, countries or corporations), different inputs will be considered: i) expected default probability given by KMV; ii) CDS (Credit Default Swaps) and bond market spreads; iii) credit ratings defined by the main international 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 might impact its cash flow. The evaluation of this potential impact, given the volatility of these factors and their correlations, is performed periodically to support the decision making process and the Company's growth strategy, to ensure its financial flexibility and to monitor volatility on future cash flows.

Thus, whenever considered necessary, market risk mitigation strategies are evaluated and implemented to meet these objectives. Some of those strategies may incorporate financial instruments, including derivatives. The financial instruments



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portfolios are monthly monitored in a consolidated view in order to allow the financial results follow-up and the impact on cash flows, as well as to ensure the strategies adherence with the established 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 subjected to volatility of several currencies, once its product prices are predominantly indexed to US dollar, while most of the costs, disbursements and investments are indexed to other currencies, mainly Brazilian real and Canadian dollar.

In order to reduce the potential impact that arises 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 swaps.

The foreign exchange swaps 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.

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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. Therefore, at each settlement date, the swap results will partially offset the impact of the foreign exchange rate in Vale's obligations, contributing to reduce volatility of the cash flow.

In the case of debt instruments denominated in Brazilian real, in the event of an appreciation (or depreciation) of the Brazilian Real against the US Dollar, the negative (or positive) impact on Vale's debt service (interest and/or principal payment) measured in US dollars will be partially offset by the positive (or negative) effect from the swaps, regardless of the US\$/R\$ exchange rate on the payment date. The same rationale is applicable to debts denominated in other currencies and their respective swaps.

Vale has also exposure to interest rates risks over loans and financings. The US Dollar floating rate debt in the portfolio consists mainly of loans including export pre-payments, commercial banks and multilateral organizations loans. In general, such debt instruments are indexed to the London Interbank Offered Rate - Libor. Considering the impact of interest rate volatility on the cash flow, Vale observes the potential natural hedges effects between US Dollar floating rates and commodities prices in the decision process of acquiring financial instruments.

- **Risk of product and Input prices**

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 reduce Vale's cash flow volatility. For this kind of risk mitigation strategy, Vale uses predominantly forwards, futures or zero-cost collars.

- e) **Operational risk management**

The operational risk management is the structured approach that Vale uses to manage uncertainty related to possible inadequate or failure in internal processes, people, systems and external events.

Thus, the operational risk mitigation is performed by creating new controls and improving the existing ones, by establishing financial provisions as well as the risk transferring through insurance. Therefore, the Company seeks to have a clear view of its major risks, of the best cost-benefit mitigation plans and of the controls in place, monitoring the potential impact of operational risk and allocating capital efficiently.

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**f) Capital Management**

The Company's policy aims, to manage its capital, to seek a structure that will ensure the continuity of your business in the long term. Within this perspective, the Company has been able to deliver value to stockholders through dividend payments, and at the same time maintain a debt profile suitable for its activities, with an amortization well distributed over the years, on average 9.81 years, thus avoiding a concentration in one specific year.

**g) Insurance**

Vale hires several types of insurance, such as operational risks insurance, civil responsibility, engineering risks insurance (projects), life insurance policy for their employees, among others. The coverage of these policies is similar to the ones used in general by the mining industry and is contracted in line with the objectives defined by the Company, in accordance with the corporate risk management policy.

Insurance management is performed with the support of existing insurance committees in the various operational areas of the Company. Among the management instruments, Vale uses a captive reinsurance company that allows to contract insurances on a competitive basis as well as direct access to key international markets of insurance and reinsurance.

**6. Acquisitions and Disposals**

**a) Sales of aluminium assets**

In February, 2011, Vale concluded the transaction announced in May 2010 with Norsk Hydro ASA ( Hydro ), to transfer all of its interests in ALBRAS - Alumínio Brasileiro S.A. ( Albrás ), 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 its other Brazilian bauxite mineral rights. In December 31,2010 these assets were recognized in statement of financial position as of noncurrent assets held for sale.

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For these transactions, Vale received R\$ 1,802 in cash, and 22% equivalent to 447.834.465 of Hidro's outstanding common shares (approximately R\$ 5,866 in accordance with Hidro's quotation of closing price on the date of the transaction). In three and five years after the conclusion of the transaction Vale will receive two equal tranches of R\$ 374 (equivalent to US\$ 200 ) in cash, related to the remaining payment of 40% of the Mineração Paragominas S.A. After the transaction date, the Hydro's investment is accounted for equity method.

The gain on this transaction, in the amount of R\$2,492 was recorded in income as realized gain on assets available for sale.

Table of Contents**b) Fertilizers Businesses**

In 2010, we acquired 78.92% of the total capital and 99.83% of the voting capital of Vale Fertilizantes and 100% of the total capital of Vale Fosfatados. In 2011 we concluded several transactions including a public offer to acquire the free floating shares of Vale Fertilizantes S.A. During this offer both the common and preferred shares were acquired for R\$ 25.00 per share, amounting to a total of R\$ 2.078 billion at the date the financial settlement of the transaction. After the public offering, we hold 99,05% of the total capital and 99,98% of voting capital of Vale Fertilizantes.

The purchase price allocation based on the fair values of acquired assets and liabilities was based on studies performed by us with the assistance of external valuation specialists and was finalized during 2011.

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 biggest in the global fertilizer business.

|   |               |
|---|---------------|
| <b>Purchase Price</b>   | <b>10,696</b> |
| Portion attributed to noncontrolling interest                 | 1,416         |
| Cost Value of property, plant and equipment and mining assets | (3,665)       |
| Cost value of the assets and liabilities assumed, net         | (730)         |
| Adjustment to fair value of property, plant and equipment     | (9,499)       |
| Adjustment to fair value of inventory                         | (181)         |
| Deferred income taxes on above adjustments                    | 3,291         |
| <b>Goodwill</b>   | <b>1,328</b>  |

**c) Acquisition of NESA**

In July 2011, we acquired 9% of Norte Energia S.A. ( NESA ) from Gaia Energia e Participações S.A. (Gaia) for R\$ 110 (US\$ 70). NESA was established with the sole purpose of implementing, operating and exploring the Belo Monte hydroelectric plant, which is still in the early development stage. Vale estimated an investment of R\$ 2.300 (equivalent to US\$ 1.2 billion) of future capital contributions arising from the acquired stake. Until December 31, 2011 the total capital contribution was R\$ 137.

**7. Cash and Cash Equivalents**

|                        | Consolidated      |                   | Parent Company    |                   |
|------------------------|-------------------|-------------------|-------------------|-------------------|
|                        | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Cash and bank accounts | 2,031             | 1,212             | 177               | 59                |
| Short-term investments | 5,427             | 12,257            | 398               | 4,764             |
|                        | <b>7,458</b>      | <b>13,469</b>     | <b>575</b>        | <b>4,823</b>      |

Cash and cash equivalents includes cash values, demand deposits, and financial investments with insignificant risk of changes in value, being part Brazillian reais indexed the rate of interbank certificates of deposit ( DI Rate our CDI ) and part in US dollars in Time deposits with maturity less than three months.

**8. Short-term investments**

|               | Consolidated      |                   | Parent Company    |                   |
|---------------|-------------------|-------------------|-------------------|-------------------|
|               | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Time deposits | 115               | 2,987             |                   |                   |

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

Table of Contents**9. Accounts Receivables**

|  | Consolidated      |                   | Parent Company    |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Denominated in reais brazilian reais         | 2,158             | 1,861             | 2,238             | 1,595             |
| Denominated in other currencies, mainly US\$ | 14,275            | 12,297            | 13,699            | 16,904            |
|  | <b>16,433</b>     | <b>14,158</b>     | <b>15,937</b>     | <b>18,499</b>     |
| Allowance for doubtful accounts              | (197)             | (196)             | (128)             | (121)             |
|  | <b>16,236</b>     | <b>13,962</b>     | <b>15,809</b>     | <b>18,378</b>     |

Accounts receivables related to steel industry market represent 67,9% and 75,9%, of receivables on December 31, 2011 and 2010, respectively

No customer alone represents over 10% of receivables or revenues.

The loss estimates for credit losses recorded in income as at December 31, 2011, and December 31, 2010 totaled R\$3, R\$40, respectively. We wrote off on December 31, 2011, and December 31, 2010, the total of R\$2, R\$66, respectively.

**10. Inventories**

|                            | Consolidated      |                   | Parent Company    |                   |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
|                            | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Inventories of products    |                   |                   |                   |                   |
| Finished                   | 4,964             | 3,101             | 2,170             | 1,535             |
| In process                 | 2,636             | 1,658             |                   |                   |
|                            | <b>7,600</b>      | <b>4,759</b>      | <b>2,170</b>      | <b>1,535</b>      |
| Inventories of expenditure | 2,751             | 2,833             | 1,013             | 782               |
| <b>Total</b>               | <b>10,351</b>     | <b>7,592</b>      | <b>3,183</b>      | <b>2,317</b>      |

On December 31, 2011, inventory balances include a provision for adjustment to market value of nickel, steel industry products and manganese in the amount of R\$ 27, R\$ 0 and R\$ 16 (R\$0, R\$5 and R\$0 in 2010), respectively.

|  | Consolidated | Parent Company |
|--|--------------|----------------|
| <b>Changes in the inventory</b>              |              |                |
| <b>Balance on January 1, 2010</b>            | <b>4,012</b> | <b>1,148</b>   |
| Addition                                     | 28,690       | 15,573         |
| Transfer on maintenance supplies             | 6,071        | 2,959          |
| Write-off by sale                            | (33,756)     | (17,892)       |
| Addition (write-off) by inventory adjustment | (253)        | (253)          |
| Write-off by impairments                     | (5)          |                |
| <b>Balance on December 31, 2010</b>          | <b>4,759</b> | <b>1,535</b>   |
| Addition                                     | 36,766       | 18,700         |
| Transfer on maintenance supplies             | 7,653        | 3,181          |
| Write-off by sale                            | (40,489)     | (20,958)       |
| Addition (write-off) by inventory adjustment | (1,051)      | (261)          |
| Write-off by impairments                     | (38)         | (27)           |
| <b>Balance on December 31, 2011</b>          | <b>7,600</b> | <b>2,170</b>   |

|   | Consolidated | Parent Company |
|---|--------------|----------------|
| <b>Changes on Inventory of consumable materials</b> |              |                |
| <b>Balance on January 1, 2010</b>                   | <b>1,901</b> | <b>734</b>     |
| Addition  | 7,003        | 3,007          |
| Consumption   | (6,071)      | (2,959)        |
| <b>Balance on December 31, 2010</b>                 | <b>2,833</b> | <b>782</b>     |
| Addition  | 7,571        | 3,412          |
| Consumption   | (7,653)      | (3,181)        |
| <b>Balance on December 31, 2011</b>                 | <b>2,751</b> | <b>1,013</b>   |



Table of Contents**11. Recoverable Taxes**

Recoverable taxes are stated at net value of any realized loss and are classified by the estimated time for realization:

|  | Consolidated      |                   | Parent Company    |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Income tax                                     | 1,606             | 782               | 168               | 137               |
| Value-added tax                                | 1,985             | 871               | 731               | 479               |
| Brazilian Federal Contributions (PIS - COFINS) | 1,902             | 1,655             | 1,536             | 1,394             |
| Others   | 57                | 100               | 82                | 76                |
| <b>Total</b>                                   | <b>5,550</b>      | <b>3,408</b>      | <b>2,518</b>      | <b>2,086</b>      |
| Current  | 4,317             | 2,796             | 2,317             | 1,961             |
| Non-current                                    | 1,233             | 612               | 201               | 125               |
|  | <b>5,550</b>      | <b>3,408</b>      | <b>2,518</b>      | <b>2,086</b>      |

**12. Investments**

|                                     | Consolidated  | Parenty Company |
|-------------------------------------|---------------|-----------------|
| <b>Changes in Investments</b>       |               |                 |
| <b>Balance as january 01, 2010</b>  | <b>4,562</b>  | <b>87,894</b>   |
| Additions                           | 69            | 2,768           |
| Lower                               |               | (3,833)         |
| Cumulative translation adjustment   | (489)         | (770)           |
| Equity                              | (48)          | 8,661           |
| Cumulative translation adjustment   |               | (685)           |
| Dividends proposed 2010             | (149)         | (1,924)         |
| <b>Balance as december 31, 2010</b> | <b>3,945</b>  | <b>92,111</b>   |
| Additions                           | 6,874         | 6,284           |
| Lower                               | (9)           | (579)           |
| Cumulative translation adjustment   | 407           | 8,168           |
| Equity                              | (51)          | 9,996           |
| Cumulative translation adjustment   | (28)          | (765)           |
| Dividends proposed 2011             | (221)         | (2,065)         |
| <b>Balance as december 31, 2011</b> | <b>10,917</b> | <b>113,150</b>  |



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|  | Investments       |                   | Equity results                       |                    |                   |                   |                                      | Received di       |                    |                   |
|--|-------------------|-------------------|--------------------------------------|--------------------|-------------------|-------------------|--------------------------------------|-------------------|--------------------|-------------------|
|  | Year ended        |                   | Three-month period ended (unaudited) |                    | Year ended        |                   | Three-month period ended (unaudited) |                   |                    |                   |
|  | December 31, 2011 | December 31, 2010 | December 31, 2011                    | September 30, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010                    | December 31, 2011 | September 30, 2011 | December 31, 2010 |
| <b>Subsidiaries and affiliated companies</b>   |                   |                   |                                      |                    |                   |                   |                                      |                   |                    |                   |
| <b>Direct and indirect subsidiaries</b>        |                   |                   |                                      |                    |                   |                   |                                      |                   |                    |                   |
| Aços Laminados do Pará S.A.                    | 266               | 85                | (12)                                 | (10)               | (32)              | (48)              | (49)                                 |                   |                    |                   |
| ALBRAS - Alumínio Brasileiro S.A. (a)          |                   | 1,088             |                                      |                    | 33                |                   | (7)                                  |                   |                    |                   |
| ALUNORTE - Alumina do Norte do Brasil S.A. (a) |                   | 2,732             |                                      |                    | 50                |                   | 167                                  |                   |                    |                   |
| Balderton Trading Corp                         | 341               | 313               | (16)                                 | (6)                | (11)              | (28)              | (11)                                 |                   |                    |                   |
| Biopalma da Amazonia S.A.                      | 442               |                   | (35)                                 | (2)                |                   | (37)              |                                      |                   |                    |                   |
| Companhia Portuária da Baía de Sepetiba - CPBS | 350               | 347               | 27                                   | 51                 | 42                | 152               | 151                                  | 155               |                    |                   |
| Compañia Minera Miski Mayo S.A.C               | 403               | 356               | 3                                    | 23                 | (17)              | 6                 | (21)                                 |                   |                    |                   |
| Ferrovía Centro-Atlantica S.A. (b)             | 2,590             | 1,916             | (12)                                 | (29)               | (4)               | (136)             | (15)                                 |                   |                    |                   |
| Ferrovía Norte Sul S.A.                        | 1,740             | 1,743             | (8)                                  | 1                  | (11)              | (4)               | 2                                    |                   |                    |                   |
| Mineração Corumbaense Reunida S.A.             | 1,113             | 913               | 84                                   | 186                | (15)              | 297               | 6                                    |                   |                    |                   |
| Mineração Paragominas S.A.                     |                   | 1,813             |                                      |                    | 5                 | (46)              | 5                                    |                   |                    |                   |
| Minerações Brasileiras Reunidas S.A. - MBR (c) | 3,834             | 3,291             | 445                                  | (28)               | (51)              | 230               | (220)                                |                   |                    |                   |
| Potasio Rio Colorado S.A.                      | 1,494             | 455               | (30)                                 | (41)               | (84)              | (72)              | (36)                                 |                   |                    |                   |
| Rio Doce Australia Pty Ltd.                    | 752               | 1,157             | (307)                                | (42)               | 42                | (507)             | (118)                                |                   |                    |                   |
| Salobo Metais S.A. (b)                         | 4,625             | 3,271             | (12)                                 | (13)               | (39)              | 19                | (81)                                 |                   |                    |                   |
| Sociedad Contractual Minera Tres Valles (b)    | 432               | 394               | (39)                                 | (27)               |                   | (76)              |                                      |                   |                    |                   |
| Urucum Mineração S.A. (e)                      |                   | 120               |                                      | (23)               | 19                | 30                | 51                                   |                   |                    |                   |
| Vale Austria Holdings GMBH (c)                 |                   |                   |                                      |                    |                   |                   |                                      |                   |                    |                   |
| )  | 7,850             | 1,626             | (138)                                | (142)              | (92)              | 1,036             | (90)                                 |                   |                    |                   |
|  | 9,746             | 8,992             | (473)                                | (254)              | 68                | (215)             | (697)                                |                   |                    |                   |

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|   |               |               |            |            |              |              |              |            |            |
|---|---------------|---------------|------------|------------|--------------|--------------|--------------|------------|------------|
| Vale Canada Limited (c)                                   |               |               |            |            |              |              |              |            |            |
| Vale Colombia Holding Ltd.                                | 1,183         | 826           | 11         | 12         | 16           | 18           | (3)          |            |            |
| Vale Fertilizantes S.A.                                   | 10,735        | 6,055         | 73         | 5          | (11)         | 203          | (11)         |            |            |
| Vale Fosfatos S.A. (d)                                    |               | 3,217         |            |            | (35)         | 1            | (35)         |            |            |
| Vale International S.A. (c)                               | 43,804        | 40,083        | 1,553      | 1,304      | 2,828        | 7,805        | 7,827        |            |            |
| Vale Manganês S.A.  | 717           | 890           | (34)       | 25         | 80           | 25           | 201          | 199        |            |
| Vale Mina do Azul S.A.                                    | 154           |               | 73         | (59)       |              | 13           |              |            |            |
| Vale Moçambique S.A.                                      | 771           | 326           | (121)      | (93)       | (187)        | (438)        | (192)        |            |            |
| Vale Shipping Holding Pte. Ltd.                           | 3,945         | 1,245         | (6)        | 27         |              | 55           |              |            |            |
| VBG Vale BSG Limited                                      | 757           | 833           | (93)       | (38)       |              | (175)        |              |            |            |
| Outras  | 122           | 709           | 30         | (39)       | 72           | 31           | 117          | 14         |            |
|   | <b>98,166</b> | <b>84,796</b> | <b>963</b> | <b>788</b> | <b>2,666</b> | <b>8,139</b> | <b>6,941</b> | <b>368</b> |            |
| <b><u>Joint controlled entities</u></b>                   |               |               |            |            |              |              |              |            |            |
| California Steel Industries, INC                          | 301           | 258           | (2)        | 3          | 2            | 21           | 3            | 11         |            |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO    | 208           | 208           | 17         | 9          | 15           | 55           | 76           |            | 27         |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | 214           | 212           | 45         | (24)       | 59           | 34           | 67           |            |            |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO     | 150           | 143           | 13         | 25         | 23           | 78           | 30           |            | 71         |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO       | 372           | 333           | 12         | 26         | 20           | 75           | 84           |            |            |
| MRS Logística S.A.  | 1,028         | 851           | 51         | 52         | 49           | 219          | 157          |            | 81         |
| Samarco Mineração S.A.                                    | 745           | 676           | 332        | 330        | 456          | 1,453        | 1,412        | 208        | 408        |
| Teal Minerals (Barbados) Incorporated                     | 437           | 150           | 6          | (3)        | 8            | (9)          | (16)         |            |            |
| Vale Florestar S.A.                                       | 227           | 235           | (4)        | (2)        |              | (8)          | (7)          |            |            |
| Vale Soluções em Energia S.A.                             | 272           | 199           | (1)        | (4)        | (55)         | (28)         | (55)         |            |            |
| Others  | 113           | 105           | 3          | 6          | 10           | 18           | 17           |            |            |
|   | <b>4,067</b>  | <b>3,370</b>  | <b>472</b> | <b>418</b> | <b>587</b>   | <b>1,908</b> | <b>1,768</b> | <b>371</b> | <b>435</b> |
| <b><u>Affiliates</u></b>                                  |               |               |            |            |              |              |              |            |            |
| CSP- Companhia Siderurgica do PECEM                       | 499           | 30            | (6)        |            |              | (6)          |              |            |            |
| Henan Longyu Energy Resources CO., LTD.                   | 529           | 416           | 30         | 42         | 113          | 140          | 134          |            |            |
| LOG-IN - Logística Intermodal S/A (f)                     | 212           | 224           | (8)        | (1)        | 6            | (12)         | 6            |            |            |
| Norsk Hydro ASA (g)                                       | 6,029         |               | (39)       | 120        |              | 160          |              |            |            |
| Norte Energia S.A.  | 137           |               |            |            |              |              |              |            |            |
| Tecnored Desenvolvimento                                  | 86            | 66            | (8)        | (3)        |              | (13)         | (18)         |            |            |

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|                   |                |               |              |              |              |              |              |            |            |
|-------------------|----------------|---------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
| Tecnologico S.A.  |                |               |              |              |              |              |              |            |            |
| Thyssenkrupp CSA  |                |               |              |              |              |              |              |            |            |
| Companhia         |                |               |              |              |              |              |              |            |            |
| Siderúrgica do    |                |               |              |              |              |              |              |            |            |
| Atlântico         | 3,003          | 3,065         | (157)        | (127)        | (127)        | (309)        | (144)        |            |            |
| Zhuhai YPM Pellet |                |               |              |              |              |              |              |            |            |
| Co                | 43             | 42            |              | (1)          | 7            |              | 16           |            |            |
| Others            | 379            | 102           | 9            | (2)          | (35)         | (11)         | (42)         |            |            |
|                   | <b>10,917</b>  | <b>3,945</b>  | <b>(179)</b> | <b>28</b>    | <b>(36)</b>  | <b>(51)</b>  | <b>(48)</b>  |            |            |
|                   | <b>113,150</b> | <b>92,111</b> | <b>1,256</b> | <b>1,234</b> | <b>3,217</b> | <b>9,996</b> | <b>8,661</b> | <b>739</b> | <b>435</b> |

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- (a) Investment sold in 2011;
- (b) Investment balance includes the values of advance for future capital increase;
- (c) Excluded from equity, investment companies have already detailed in note;
- (d) Incorporated in Vale Fertilizantes S.A. in 2011;
- (e) Incorporated in Mineração Corumbaense Reunida S.A. in 2011;
- (f) Market value on December 31, 2011 and 2010 was R\$ 197 and R\$ 299, respectively;
- (g) Market value on December 31, 2011 was R\$ 3,807.

Dividends received directly by the Company in 2011 were R\$ 2,196 and R\$ 2,060 was 2010.

|  | December 31, 2011 |          |        |             |                        |                      | Adjusted net<br>income for the<br>year |
|--|-------------------|----------|--------|-------------|------------------------|----------------------|--|
|  | Total %           | Voting % | Assets | Liabilities | Stockholders<br>Equity | Operating<br>Results |  |
| <b><u>Direct and indirect subsidiaries</u></b> |                   |          |        |             |                        |                      |  |
| Aços Laminados do Pará S.A.                    | 100.00            | 100.00   | 270    | 4           | 266                    | (49)                 | (48)                                   |
| Balderton Trading Corp                         | 100.00            | 100.00   | 380    | 39          | 341                    | (28)                 | (28)                                   |
| Biopalma da Amazonia S.A.                      | 70.00             | 70.00    | 1,132  | 500         | 632                    | (10)                 | (53)                                   |
| Companhia Portuária da Baía de Sepetiba - CPBS | 100.00            | 100.00   | 427    | 77          | 350                    | 216                  | 152                                    |
| Compañia Minera Miski Mayo S.A.C               | 40.00             | 51.00    | 1,291  | 276         | 1,015                  | 44                   | 15                                     |
| Ferrovía Centro-Atlantica S.A.                 | 99.99             | 99.99    | 2,699  | 109         | 2,590                  | (156)                | (136)                                  |
| Ferrovía Norte Sul S.A.                        | 100.00            | 100.00   | 1,885  | 145         | 1,740                  | (11)                 | (4)                                    |
| Mineração Corumbaense Reunida S.A              | 100.00            | 100.00   | 1,949  | 836         | 1,113                  | 337                  | 297                                    |
| Minerações Brasileiras Reunidas S.A. - MBR     | 92.99             | 92.99    | 6,044  | 1,193       | 4,851                  | 87                   | 392                                    |
| Potassio Rio Colorado S.A.                     | 100.00            | 100.00   | 1,629  | 135         | 1,494                  | (72)                 | (72)                                   |
| Rio Doce Australia Pty Ltd.                    | 100.00            | 100.00   | 4,662  | 3,910       | 752                    | (469)                | (507)                                  |
| Salobo Metais S.A.                             | 100.00            | 100.00   | 5,532  | 907         | 4,625                  | (33)                 | 19                                     |
| Sociedad Contractual Minera Tres Valles        | 90.00             | 90.00    | 566    | 109         | 457                    | (84)                 | (84)                                   |
| Vale Austria Holdings GMBH                     | 100.00            | 100.00   | 14,186 | 6,336       | 7,850                  | 1,716                | 1,036                                  |
| Vale Canada Limited                            | 100.00            | 100.00   | 56,186 | 46,440      | 9,746                  | 2,386                | (194)                                  |
| Vale Colombia Holding Ltd.                     | 100.00            | 100.00   | 1,516  | 333         | 1,183                  | 33                   | 18                                     |
| Vale Fertilizantes S.A.                        | 99.05             | 99.98    | 16,087 | 5,237       | 10,850                 | 464                  | 243                                    |

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|   |        |        |        |        |        |       |         |
|---|--------|--------|--------|--------|--------|-------|---------|
| Vale International S.A.                               | 100.00 | 100.00 | 99,250 | 55,446 | 43,804 | 7,004 | 7,796   |
| Vale Manganês S.A.                                    | 100.00 | 100.00 | 1,167  | 450    | 717    | 52    | 25      |
| Vale Mina do Azul S.A.                                | 100.00 | 100.00 | 307    | 153    | 154    | 20    | 13      |
| Vale Moçambique S.A.                                  | 100.00 | 100.00 | 3,672  | 2,901  | 771    | (379) | (438)   |
| Vale Shipping Holding Pte. Ltd.                       | 100.00 | 100.00 | 4,000  | 55     | 3,945  | 46    | 55      |
| VBG Vale BSGR Limited                                 | 51.00  | 51.00  | 2,961  | 1,482  | 1,479  | (211) | (343)   |
| <b>Joint controlled entities</b>                      |        |        |        |        |        |       |         |
| Companhia   |        |        |        |        |        |       |         |
| Coreano-Brasileira de Pelotização - KOBRASCO          |        |        |        |        |        |       |         |
|   | 50.00  | 50.00  | 508    | 91     | 417    | 168   | 109     |
| Companhia   |        |        |        |        |        |       |         |
| Hispano-Brasileira de Pelotização - HISPANOBRÁS       |        |        |        |        |        |       |         |
|   | 50.89  | 51.00  | 847    | 426    | 421    | 98    | 66      |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO |        |        |        |        |        |       |         |
|   | 50.90  | 51.00  | 404    | 109    | 295    | 236   | 153     |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO   |        |        |        |        |        |       |         |
|   | 51.00  | 51.11  | 833    | 103    | 730    | 216   | 148     |
| MRS Logística S.A.                                    | 45.84  | 45.68  | 5,471  | 3,228  | 2,243  | 930   | 524     |
| Samarco Mineração S.A.                                | 50.00  | 50.00  | 6,808  | 5,319  | 1,489  | 3,911 | 2,906   |
| Teal Minerals (Barbados) Incorporated                 | 50.00  | 50.00  | 1,261  | 385    | 876    | (9)   | (18)    |
| Vale Soluções em Energia S.A.                         | 52.77  | 52.77  | 724    | 212    | 512    | (59)  | (52)    |
| <b>Direct and indirect affiliates</b>                 |        |        |        |        |        |       |         |
| Henan Longyu Energy Resources CO., LTD.               |        |        |        |        |        |       |         |
|   | 25.00  | 25.00  | 3,020  | 904    | 2,116  | 714   | 561     |
| LOG-IN - Logística                                    |        |        |        |        |        |       |         |
|   | 31.33  | 31.33  | 1,394  | 766    | 628    | (21)  | (35)    |
| Norsk Hydro ASA                                       |        |        |        |        |        |       |         |
|   | 22.00  | 22.00  | 41,893 | 15,115 | 26,778 | 1,557 | 727     |
| Thyssenkrupp CSA                                      |        |        |        |        |        |       |         |
| Companhia Siderúrgica do Atlântico                    |        |        |        |        |        |       |         |
|   | 26.87  | 26.87  | 15,587 | 4,410  | 11,177 | (929) | (1,150) |

Table of Contents**13. Intangible**

|                              | Consolidated   |                                   |                |               |                                   |                |
|------------------------------|----------------|-----------------------------------|----------------|---------------|-----------------------------------|----------------|
|                              | Cost           | December 31, 2011<br>Amortization | Net Intangible | Cost          | December 31, 2010<br>Amortization | Net Intangible |
| Indefinite useful lifetime   |                |                                   |                |               |                                   |                |
| Goodwill                     | 8,990          |                                   | 8,990          | 8,655         |                                   | 8,655          |
|                              | <b>8,990</b>   |                                   | <b>8,990</b>   | <b>8,655</b>  |                                   | <b>8,655</b>   |
| Finite useful lifetime       |                |                                   |                |               |                                   |                |
| Concession and subconcession | 12,739         | (3,593)                           | 9,146          | 11,431        | (3,551)                           | 7,880          |
| Right to use                 | 1,133          | (80)                              | 1,053          | 1,102         | (48)                              | 1,054          |
| Others                       | 1,683          | (1,120)                           | 563            | 1,542         | (857)                             | 685            |
|                              | <b>15,555</b>  | <b>(4,793)</b>                    | <b>10,762</b>  | <b>14,075</b> | <b>(4,456)</b>                    | <b>9,619</b>   |
| <b>Total</b>                 | <b>24,545</b>  | <b>(4,793)</b>                    | <b>19,752</b>  | <b>22,730</b> | <b>(4,456)</b>                    | <b>18,274</b>  |
|                              |                |                                   |                |               |                                   |                |
|                              | Parent Company |                                   |                |               |                                   |                |
|                              | Cost           | December 31, 2011<br>Amortization | Net Intangible | Cost          | December 31, 2010<br>Amortization | Net Intangible |
| Indefinite useful lifetime   |                |                                   |                |               |                                   |                |
| Goodwill                     | 8,990          |                                   | 8,990          | 8,655         |                                   | 8,655          |
|                              | <b>8,990</b>   |                                   | <b>8,990</b>   | <b>8,655</b>  |                                   | <b>8,655</b>   |
| Finite useful lifetime       |                |                                   |                |               |                                   |                |
| Concession and subconcession | 5,919          | (2,105)                           | 3,814          | 6,189         | (2,366)                           | 3,823          |
| Right to use                 | 679            | (72)                              | 607            | 679           | (48)                              | 631            |
| Others                       | 1,683          | (1,120)                           | 563            | 1,311         | (857)                             | 454            |
|                              | <b>8,281</b>   | <b>(3,297)</b>                    | <b>4,984</b>   | <b>8,179</b>  | <b>(3,271)</b>                    | <b>4,908</b>   |
| <b>Total</b>                 | <b>17,271</b>  | <b>(3,297)</b>                    | <b>13,974</b>  | <b>16,834</b> | <b>(3,271)</b>                    | <b>13,563</b>  |

The useful life of the concessions and sub-concessions are detailed in note 27.

The rights of use refers basically to the usufruct contract entered into with non-controlling stockholders to use the Empreendimentos Brasileiros de Mineração S.A. shares (owner of the shares of MBR) and intangible identified in business combination of Vale Canada. The amortization of the right to use will expires in 2037 and Vale Canada's intangible will end in September 2046.





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The table below shows the movement of intangible assets during the period:

|                                     | Consolidated |                                |              |            |               |
|-------------------------------------|--------------|--------------------------------|--------------|------------|---------------|
|                                     | Goodwill     | Concessions and Subconcessions | Right to use | Others     | Total         |
| <b>Balance at January 1, 2010</b>   | <b>7,181</b> | <b>7,413</b>                   | <b>1,266</b> | <b>582</b> | <b>16,442</b> |
| Addition through acquisition        | 1,329        | 2,199                          |              | 227        | 3,755         |
| Write off                           |              | (894)                          | (193)        | (1)        | (1,088)       |
| Amortization                        |              | (700)                          | (24)         | (261)      | (985)         |
| Translation adjustment              | 145          |                                | 5            |            | 150           |
| Others                              |              | (138)                          |              | 138        |               |
| <b>Balance at December 31, 2010</b> | <b>8,655</b> | <b>7,880</b>                   | <b>1,054</b> | <b>685</b> | <b>18,274</b> |
| Addition through acquisition        |              | 2,214                          |              | 295        | 2,509         |
| Write off                           |              | (135)                          |              | (2)        | (137)         |
| Amortization                        |              | (1,044)                        | (24)         | (185)      | (1,253)       |
| Translation adjustment              | 335          |                                | 23           |            | 358           |
| Others                              |              | 231                            |              | (230)      | 1             |
| <b>Balance at December 31, 2011</b> | <b>8,990</b> | <b>9,146</b>                   | <b>1,053</b> | <b>563</b> | <b>19,752</b> |

|                                     | Parent Company |                                |              |            |               |
|-------------------------------------|----------------|--------------------------------|--------------|------------|---------------|
|                                     | Goodwill       | Concessions and Subconcessions | Right to use | Others     | Total         |
| <b>Balance at January 1, 2010</b>   | <b>7,181</b>   | <b>3,570</b>                   | <b>655</b>   | <b>381</b> | <b>11,787</b> |
| Addition through acquisition        | 1,329          | 1,614                          |              | 227        | 3,170         |
| Write off                           |                | (744)                          |              | (1)        | (745)         |
| Amortization                        |                | (616)                          | (24)         | (154)      | (794)         |
| Translation adjustment              | 145            |                                |              |            | 145           |
| Others                              |                | (1)                            |              | 1          |               |
| <b>Balance at December 31, 2010</b> | <b>8,655</b>   | <b>3,823</b>                   | <b>631</b>   | <b>454</b> | <b>13,563</b> |
| Addition through acquisition        |                | 331                            |              | 295        | 626           |
| Write off                           |                | (30)                           |              | (2)        | (32)          |
| Amortization                        |                | (310)                          | (24)         | (184)      | (518)         |
| Translation adjustment              | 335            |                                |              |            | 335           |
| <b>Balance at December 31, 2011</b> | <b>8,990</b>   | <b>3,814</b>                   | <b>607</b>   | <b>563</b> | <b>13,974</b> |

Table of Contents**14. Property, plant and equipment**

|   | Consolidated   |               |               |                    |                |               | Constructions im<br>progress | Total          |
|---|----------------|---------------|---------------|--------------------|----------------|---------------|------------------------------|----------------|
|   | Land           | Building      | Facilities    | Computer equipment | Mineral assets | Others        |                              |                |
| <b>Costs:</b>                               |                |               |               |                    |                |               |                              |                |
| <b>Balance in<br/>January 1, 2010</b>       | <b>477</b>     | <b>5,693</b>  | <b>17,054</b> | <b>45</b>          | <b>28,954</b>  | <b>25,487</b> | <b>31,238</b>                | <b>108,948</b> |
| Acquisitions                                |                |               |               |                    |                |               | 21,676                       | 21,676         |
| Low to alienation                           | (2)            | (191)         | (490)         | (33)               | (173)          | (114)         | (873)                        | (1,876)        |
| Depreciation and<br>amortization            |                | (513)         | (1,743)       | (329)              | (245)          | (2,094)       |                              | (4,924)        |
| Translation<br>adjustment                   |                | (264)         | 3,820         | (1)                | 720            | 1,080         | 908                          | 6,263          |
| Transfers                                   | 117            | 3,952         | 7,316         | 774                | 11,416         | 8,842         | (32,417)                     |                |
| <b>Balance in<br/>December 31,<br/>2010</b> | <b>592</b>     | <b>8,677</b>  | <b>25,957</b> | <b>456</b>         | <b>40,672</b>  | <b>33,201</b> | <b>20,532</b>                | <b>130,087</b> |
| Aquisition                                  |                |               |               |                    |                |               | 23,787                       | 23,787         |
| Low to alienation                           |                | (91)          | (27)          | (3)                | (36)           | (104)         | (191)                        | (452)          |
| Depreciation and<br>amortization            |                | (216)         | (876)         | (129)              | (251)          | (3,077)       |                              | (4,549)        |
| Translation<br>adjustment                   |                | (24)          | (2,498)       | 7                  | 977            | 6,637         | 4,133                        | 9,232          |
| Transfers                                   | 738            | 3,621         | (1,038)       | 365                | (6,698)        | 1,078         | 1,934                        |                |
| <b>Balance in<br/>December 31,<br/>2011</b> | <b>1,330</b>   | <b>11,967</b> | <b>21,518</b> | <b>696</b>         | <b>34,664</b>  | <b>37,735</b> | <b>50,195</b>                | <b>158,105</b> |
|   |                |               |               |                    |                |               |                              |                |
|   | Parent Company |               |               |                    |                |               | Constructions im<br>progress | Total          |
|   | Land           | Building      | Facilities    | Computer equipment | Mineral assets | Others        |                              |                |
| <b>Balance in<br/>January 1, 2010</b>       | <b>272</b>     | <b>2,332</b>  | <b>9,752</b>  | <b>302</b>         | <b>1,531</b>   | <b>11,248</b> | <b>14,256</b>                | <b>39,693</b>  |
| Acquisitions                                |                |               |               |                    |                |               | 8,603                        | 8,603          |
| Low to alienation                           | (2)            | (175)         | (1,093)       | (14)               | (129)          | (549)         | (681)                        | (2,643)        |
| Depreciation and<br>amortization            |                | (110)         | (513)         | (309)              | (130)          | (130)         | 2                            | (1,190)        |
| Transfers                                   | 92             | 496           | 433           | 197                | 1,492          | 1,506         | (4,216)                      |                |
| <b>Balance in<br/>December 31,<br/>2010</b> | <b>362</b>     | <b>2,543</b>  | <b>8,579</b>  | <b>176</b>         | <b>2,764</b>   | <b>12,075</b> | <b>17,964</b>                | <b>44,463</b>  |
| Aquisition                                  |                |               |               |                    |                |               | 13,990                       | 13,990         |
| Low to alienation                           |                | (3)           | (15)          |                    | (25)           | (44)          | (351)                        | (438)          |
| Depreciation and<br>amortization            |                | (114)         | (509)         | (103)              | (94)           | (1,692)       |                              | (2,512)        |

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|   |            |              |               |            |              |               |               |               |
|---|------------|--------------|---------------|------------|--------------|---------------|---------------|---------------|
| Transfers                                   | 400        | 2,594        | 4,033         | 145        | 575          | (281)         | (7,466)       |               |
| <b>Balance in<br/>December 31,<br/>2011</b> | <b>762</b> | <b>5,020</b> | <b>12,088</b> | <b>218</b> | <b>3,220</b> | <b>10,058</b> | <b>24,137</b> | <b>55,503</b> |

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Depreciation of the period allocated to the production cost and expenses, for the year ended in December 31, 2011 and 2010, in the amount of R\$ 191 and R\$ 275, respectively, in the consolidated. And in December 31, 2011 and 2010, in the amount of R\$ 134 and R\$ 206, respectively, in the parent company.

The net property, plant and equipments given in guarantees for judicial claims in December 31, 2011 and 2010 correspond to R\$ 191 and R\$ 275 in the consolidated, and R\$ 134 and R\$ 206 in the parent company, respectively.

**15. Impairment of Non-financial Assets**

As defined in the accounting policy described in note 2.n), the Company annually tests the recoverable value of its intangibles assets of long-lived assets, which are mainly the portion of goodwill for expected future earnings arising from process of the business combination.

For long-term non-financial assets, which are not subject to amortization, are reviewed whenever there are indications that the carrying amount is not recoverable.

The Company uses to determine the recoverable value the greater amount between the fair value less cost to sell and the value in method, that is based on the projection of expected cash flows of the business at the valuation date until expected date at the end of useful life of the mine, process plant or business. During projection, the key assumptions considered are related to: mineral reserves and resources, sales prices of all commodities, operating costs, capital investment and discount rates.

Management determines its cash flows based on approved budgets, taking into consideration reserves and mineral resources estimated by internal experts, costs and investments based on the best estimate and past performance, sale prices consistent with projections used in reports published by industry, and considering the market price when available and appropriated. Cash flows used were designed based on the useful life of each unit (consumption of reserves in case of mineral units) and considered maximum and minimum discount rates (8.0% - 5.5%) that reflect specific risks related to relevant assets in each generating unit, depending on their composition and location.

As a result of the annual tests in 2011 and 2010 no expense for loss on recoverable value of assets and goodwill was recognized.

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The determination of the recoverability of assets depends on certain key assumptions as described above which are influenced by market conditions prevailing at the time that such impairment is tested and thus it is not possible to determine if further recoverability losses will occur in the future and, if they were to occur, if these would be materials.

### 16. Loans and Financing

#### a) Short term debts

|                                       | Consolidated      |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | December 31, 2011 | December 31, 2010 |
| Loans attached to imports and exports | 618               | 804               |
| Working capital                       | 42                | 340               |
|                                       | 660               | 1,144             |

Financings raised in the short term for export, denominated in U.S. dollars with an average interest rate on December 31, 2011 and 2010 of 1.81% py and 2% py, respectively.

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## b) Long term

|  | Consolidated        |                   |                        |                   |
|--|---------------------|-------------------|------------------------|-------------------|
|  | Current liabilities |                   | Noncurrent liabilities |                   |
|  | December 31, 2011   | December 31, 2010 | December 31, 2011      | December 31, 2010 |
| <b>Long-term contracts abroad</b>                    |                     |                   |                        |                   |
| Loans and financing in:                              |                     |                   |                        |                   |
| United States dollars                                | 1,022               | 4,062             | 6,726                  | 5,416             |
| Others currencies                                    | 17                  | 29                | 96                     | 362               |
| Fixed rates  |                     |                   |                        |                   |
| Notes indexed in United States dollars (fixed rates) | 767                 |                   | 18,820                 | 17,065            |
| Euro   |                     |                   | 1,812                  | 1,671             |
| Perpetual notes                                      |                     |                   |                        | 130               |
| Accrued charges                                      | 426                 | 401               |                        |                   |
|  | <b>2,232</b>        | <b>4,492</b>      | <b>27,454</b>          | <b>24,644</b>     |
| <b>Long-term contracts in Brazil</b>                 |                     |                   |                        |                   |
| Indexed to TJLP, TR, IGP-M e CDI                     | 527                 | 187               | 10,426                 | 6,963             |
| Basket of currencies                                 | 3                   | 2                 |                        | 207               |
| Loans in United States dollars                       | 22                  | 2                 | 70                     | 1,229             |
| Non-convertible debentures into shares               | 214                 |                   | 4,803                  | 4,736             |
| Accrued charges                                      | 214                 | 183               |                        |                   |
|  | <b>980</b>          | <b>374</b>        | <b>15,299</b>          | <b>13,135</b>     |
|  | <b>3,212</b>        | <b>4,866</b>      | <b>42,753</b>          | <b>37,779</b>     |

|  | Parent Company      |                   |                        |                   |
|--|---------------------|-------------------|------------------------|-------------------|
|  | Current liabilities |                   | Noncurrent liabilities |                   |
|  | December 31, 2011   | December 31, 2010 | December 31, 2011      | December 31, 2010 |
| <b>Long-term contracts abroad</b>      |                     |                   |                        |                   |
| Loans and financing in:                |                     |                   |                        |                   |
| United States dollars                  | 165                 | 236               | 3,325                  | 2,531             |
| Others currencies                      |                     | 5                 |                        |                   |
| Fixes rates                            |                     |                   |                        |                   |
| Euro                                   |                     |                   | 1,812                  | 1,671             |
| Accrued charges                        | 81                  | 73                |                        |                   |
|  | <b>246</b>          | <b>314</b>        | <b>5,137</b>           | <b>4,202</b>      |
| <b>Long-term contracts in Brazil</b>   |                     |                   |                        |                   |
| Indexed to TJLP, TR, IGP-M e CDI       | 448                 | 121               | 9,459                  | 6,275             |
| Basket of currencies                   |                     | 2                 |                        | 207               |
| Loans in United States dollars         |                     |                   |                        | 1,224             |
| Non-convertible debentures into shares |                     |                   | 4,000                  | 4,000             |
| Accrued charges                        | 198                 | 179               |                        |                   |
|  | <b>646</b>          | <b>302</b>        | <b>13,459</b>          | <b>11,706</b>     |

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892

616

18,596

15,908

The long-term portion on December 31, 2011 has maturity in the following years:

|   | <b>Consolidated</b> | <b>Parent<br/>Company</b> |
|---|---------------------|---------------------------|
| 2013  | 6,313               | 4,783                     |
| 2014  | 2,749               | 1,977                     |
| 2015  | 2,388               | 997                       |
| 2016  | 3,358               | 1,002                     |
| 2017 onwards                                  | 27,266              | 9,837                     |
| No maturity date (non-convertible debentures) | 679                 |                           |
|   | <b>42,753</b>       | <b>18,596</b>             |



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The long-term portion on December 31, 2011 has maturity in the following years:

|                   | <b>Consolidated</b> | <b>Parent<br/>Company</b> |
|-------------------|---------------------|---------------------------|
| Up to 3%          | 10,307              | 5,803                     |
| 3,1% to 5% (*)    | 4,922               | 2,405                     |
| 5,1% to 7%        | 16,719              | 1,791                     |
| 7,1% até 9% (**)  | 5,544               | 2,321                     |
| 9,1% até 11% (**) | 4,418               | 4,050                     |
| Over 11% (**)     | 4,045               | 3,118                     |
| Variable          | 10                  |                           |
|                   | <b>45,965</b>       | <b>19,488</b>             |

(\*) Includes the operation of Eurobonds which we have entered derivative financial instrument at a cost of 4.71% per year in american dollars.

(\*\*) Includes non-convertible debentures and other Brazilian real denominated debt that interest at Brazilian Certificate of Deposit (CDI) and Brazilian Government long-term Interest Rates (TJLP) plus a spread. Due to these operations, derivative financial instruments were contracted to protect the Company's exposure to variations in the floating debt in reais. The total contracted amount for these transactions is R\$11,298, of which R\$9,418 has an original interest rates above 7% per year. The average cost after taking into account the derivative transaction is 2.98% per year in US dollars.

The total average cost of all derivative transactions is of 3.22% per year in US dollars.

On January 4, 2012, (subsequent event) Vale issued R\$ 1,868 (US\$1 billion) notes due in 2022 sold at a price of 98.804% of the principal amount and will bear a coupon of 4.375% per year, payable semi-annually through its wholly-owned subsidiary Vale Overseas Limited.

### c) Credit Lines

Vale has available revolving credit lines that can be disbursed and paid at any time, during its availability period. On December 31, 2011, the total amount available under the revolving credit lines was R\$7,660 (US\$4,100 million), of which R\$5,605 (US\$3,000 million) can be drawn by Vale S.A., Vale Canada Limited and Vale International, R\$654 (US\$350 million) can be drawn by Vale International and the balance by Vale Canada Limited. As of December 31, 2011, none of the borrowers had drawn any amounts under these facilities, but letters of credit totaling R\$200 (US\$107 million) had been issued and remained outstanding pursuant to Vale Canada Limited's facility.

In August 2011, we entered into an agreement with a syndicate of financial institutions, with the support of Korean Trade Insurance Corporation (K-Sure), to finance the acquisition of five large ore carriers and two capesize bulkers. The agreement provides a credit line of up to R\$990 (US\$530 million). As of December 31, 2011, Vale had drawn R\$333 (US\$178 million) as agreed.

In October 2010, Vale signed an agreement with Export Development Canada (EDC) to finance its investment program. Under the agreement, EDC will provide a credit line of up to R\$ 1,868 (US\$1 billion). As of December 31, 2011, Vale disbursed R\$ 934 (US\$ 500 million).

In September 2010, Vale entered into agreements with The Export-Import Bank of China and the Bank of China Limited for the financing of 12 very large ore carriers, comprising a facility in an amount up to R\$ 2,048 (US\$1,229 million). The financing has a 13-year total term to be repaid, and the funds will be disbursed during 3 years according to the construction schedule. As of December 31, 2011, we had drawn R\$872 (US\$467 million).

In June 2010, Vale established certain facilities with Banco Nacional de Desenvolvimento Econômico Social - BNDES for a total amount of R\$774 to finance the acquisition of domestic equipments. In March 31, 2011, Vale increased the amount of credit lines through a new agreement with BNDES in R\$ 103 million. As of December 31, 2011, R\$615 was disbursed in this agreement.

In May 2008, the Company has signed agreements with Japanese long term financing credit agencies in the amount of R\$9,342 (US\$ 5 billion), being R\$5,605 (US\$ 3 billion) with Japan Bank for International Cooperation (JIBC) and R\$3,737 (US\$

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2 billion) with Nippon Export and Investment Insurance (NEXI), to finance mining projects, logistics and energy generation. As of December 31, 2011, Vale through its subsidiary PT International Nickel Indonesia Tbk (PTI) withdrew R\$ 560 (US\$ 300 million) under the credit facility NEXI to finance the construction of the hydroelectric plant of Karebbe, Indonesia.

In April 2008, Vale has signed a credit line in the amount of R\$ 7,300 with Banco Nacional de Desenvolvimento Econômico e Social - BNDES to finance its investment program. As of December 31, 2011, Vale withdrew R\$ 2,795 million in this agreement.

**d) Guarantee**

On December 31, 2011, R\$1,902 of the total aggregate outstanding debt were secured by fixed assets. The outstanding balance, in the amount of R\$44,212 has no guarantee.

**e) Covenants**

The principal covenants, included in certain financial agreements, require the observance of certain ratios, such as debt to EBITDA and interest coverage. Vale has not identified any events of noncompliance as of December 31, 2011.

**17. Provision**

We are involved parties in labor, civil, tax and other ongoing lawsuits and are discussing these issues administratively and in court, which, when applicable, are supported by judicial deposits. Provisions for losses resulting from these processes are estimated and updated by the Company, supported by the legal opinion of the legal board of the Company and by its external legal consultants.

|                                    | Consolidated      |                     |                     | Environmental | Total accrued liabilities |
|------------------------------------|-------------------|---------------------|---------------------|---------------|---------------------------|
|                                    | Tax contingencies | Civil contingencies | Labor contingencies | contingencies |                           |
| <b>Balance as January 01, 2010</b> | <b>1,933</b>      | <b>935</b>          | <b>1,273</b>        | <b>61</b>     | <b>4,202</b>              |
| Additions                          | 451               | 64                  | 271                 | 2             | 788                       |
| Reversals                          | (331)             | (170)               | (45)                |               | (546)                     |

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|                                     |              |            |              |           |              |
|-------------------------------------|--------------|------------|--------------|-----------|--------------|
| Payments                            | (751)        | (49)       | (327)        | (2)       | (1,129)      |
| Monetary update                     | 176          | 113        | 105          | 3         | 397          |
| <b>Balance as December 31, 2010</b> | <b>1,478</b> | <b>893</b> | <b>1,277</b> | <b>64</b> | <b>3,712</b> |
| Additions                           | 72           | 256        | 685          | 11        | 1,024        |
| Reversals                           | (83)         | (349)      | (156)        | (16)      | (604)        |
| Payments                            | (169)        | (287)      | (348)        | (19)      | (823)        |
| Monetary update                     | 143          | (18)       | (17)         | 21        | 129          |
| <b>Balance as December 31, 2011</b> | <b>1,441</b> | <b>495</b> | <b>1,441</b> | <b>61</b> | <b>3,438</b> |

|                                     | Parent Company    |                     |                     |                             | Total accrued liabilities |
|-------------------------------------|-------------------|---------------------|---------------------|-----------------------------|---------------------------|
|                                     | Tax contingencies | Civil contingencies | Labor contingencies | Environmental contingencies |                           |
| <b>Balance as January 01, 2010</b>  | <b>1,173</b>      | <b>539</b>          | <b>993</b>          | <b>26</b>                   | <b>2,731</b>              |
| Additions                           | 156               | 51                  | 271                 | 2                           | 480                       |
| Reversals                           | (329)             | (18)                | (45)                |                             | (392)                     |
| Payments                            | (751)             | (5)                 | (251)               | (1)                         | (1,008)                   |
| Monetary update                     | 76                | 113                 | 104                 | 4                           | 297                       |
| <b>Balance as December 31, 2010</b> | <b>325</b>        | <b>680</b>          | <b>1,072</b>        | <b>31</b>                   | <b>2,108</b>              |
| Additions                           | 37                | 57                  | 660                 | 11                          | 765                       |
| Reversals                           | (2)               | (349)               | (145)               |                             | (496)                     |
| Payments                            | (7)               | (143)               | (347)               | (15)                        | (512)                     |
| Monetary update                     | 89                | (22)                | (23)                | 19                          | 63                        |
| <b>Balance as December 31, 2011</b> | <b>442</b>        | <b>223</b>          | <b>1,217</b>        | <b>46</b>                   | <b>1,928</b>              |

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Provisions for Tax Contingencies - The nature of tax contingencies refer to discussions on the basis of calculation of the Financial Compensation for Exploiting Mineral Resources – CFEM and denials of compensation claims of credits in the settlement of federal taxes in Brazil, and mining taxes in our foreign subsidiaries. The other causes refer to the charges of Additional Port Workers Compensation – AITP and questions about the location for the purpose of incidence of Service Tax – ISS.

Provision for Civil Contingencies - They are related to the demands that involve contracts between Vale and other group companies with their service providers, requiring differences in values due to alleged losses that have occurred due to various economic plans, other demands are related to accidents, actions damages and still others related to monetary compensation in action vindicatory.

Provision for Labor Contingencies - Consist of lawsuits filed by employees and service providers, questioning parcels arising from the employment relationship. The most recurring objects are payment of overtime, hours in itinere, hazard pay and unhealthy. The social security contingencies are also included in this context because arising from parcels of labor, in the case of legal and administrative disputes between the INSS and the Vale/group companies, whose core is the incidence of compulsory social security or not.

In addition to those provisions, there are judicial deposits. These deposits are the guarantees to the contingencies required in court. They are monetarily update and reported in noncurrent assets of the Company until it happens the court decision to rescue these deposits by the complainant, unless there is a favorable outcome of the issue to the entity. Judicial deposits are as follows:

| Judicial deposits           | Consolidated      |                   | Parent Company    |                   |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
|                             | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Tax contingencies           | 927               | 910               | 474               | 458               |
| Civil contingencies         | 293               | 692               | 184               | 609               |
| Labor contingencies         | 1,691             | 1,451             | 1,425             | 1,237             |
| Environmental contingencies | 9                 | 9                 | 8                 | 8                 |
| <b>Total</b>                | <b>2,920</b>      | <b>3,062</b>      | <b>2,091</b>      | <b>2,312</b>      |

The Company discuss in its administrative and judicial sphere about legal actions where the loss expectation is considered possible and understands there is no needs to provision, since there is a strong legal basis for the positioning of the Company. These contingent liabilities are split between tax, civil, labor and social security, and are as follows:

| Possible Contingencies | Consolidated      |                   | Parent Company    |                   |
|------------------------|-------------------|-------------------|-------------------|-------------------|
|                        | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Tax contingencies      | 35,938            | 4,419             | 30,814            | 217               |

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|                             |               |              |               |              |
|-----------------------------|---------------|--------------|---------------|--------------|
| Civil contingencies         | 2,800         | 1,827        | 1,567         | 1,195        |
| Labor contingencies         | 3,602         | 3,308        | 3,348         | 3,036        |
| Environmental contingencies | 2,024         | 52           | 2,009         | 37           |
| <b>Total</b>                | <b>44,364</b> | <b>9,606</b> | <b>37,738</b> | <b>4,485</b> |

The increase in the values of the tax contingencies with a possible prognosis refers mainly to discussion relating to recovery of Income Tax and Social Contribution, calculated based on the equity method in foreign subsidiaries.

Table of Contents**18. Asset retirement obligation**

The Company uses various judgments and assumptions when measuring the obligations related to discontinuation of use of assets. The accrued amount is not deducted from the potential costs covered by insurance or indemnities, because their recovery is considered uncertain.

Long term interest rates used to discount to present value and update the provision to December 31, 2011 and 2010 were 5.82% p.y. and 7.96% p.y. respectively. The liability is periodically updated based on these discount rates plus the inflation index (IGPM) for the period in reference.

The variation in the provision for asset retirement is demonstrated as follows:

|                                     | Consolidated | Parent<br>Company |
|-------------------------------------|--------------|-------------------|
| <b>Balance in January 1, 2010</b>   | <b>2,086</b> | <b>846</b>        |
| Increase expense                    | 205          | 132               |
| Liquidation in the current period   | (78)         | (77)              |
| Revisions in estimated cash flows   | 384          | (96)              |
| Cumulative translation adjustments  | (6)          |                   |
| <b>Balance in December 31, 2010</b> | <b>2,591</b> | <b>805</b>        |
| Increase expense                    | 215          | 102               |
| Liquidation in the current period   | (96)         | (52)              |
| Revisions in estimated cash flows   | 788          | 261               |
| Cumulative translation adjustments  | 106          |                   |
| <b>Balance in December 31, 2011</b> | <b>3,604</b> | <b>1,116</b>      |
| Current                             | 136          | 21                |
| Non-current                         | 3,468        | 1,095             |
|                                     | <b>3,604</b> | <b>1,116</b>      |

**19. Deferred Income Tax and Social Contribution**

The income of the Company is subject to the common system of taxation applicable to companies in general. The net deferred balances were as follows:

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|                                      | Consolidated      |                   | Parent Company    |                   |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                      | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Recoverable income tax               | 1,712             | 1,273             |                   |                   |
| Temporary differences:               |                   |                   |                   |                   |
| Pension plan                         | 891               | 1,223             | 134               | 231               |
| Provision                            | 882               | 964               | 708               | 787               |
| Impairment of Assets                 | 1,645             | 1,113             | 748               | 629               |
| Fair value of financial instruments  | 991               | 631               | 994               | 619               |
| Goodwill linked to property acquired | (12,424)          | (11,583)          |                   |                   |
| Others                               | (778)             | (554)             | (475)             | (477)             |
| <b>Total</b>                         | <b>(7,081)</b>    | <b>(6,933)</b>    | <b>2,109</b>      | <b>1,789</b>      |
| Social contribution                  |                   | (3,574)           |                   | (3,574)           |
| <b>Total</b>                         | <b>(7,081)</b>    | <b>(10,507)</b>   | <b>2,109</b>      | <b>(1,785)</b>    |
| <b>Assets</b>                        | 3,692             | 2,440             | 2,109             | 1,789             |
| <b>Liabilities</b>                   | (10,773)          | (12,947)          |                   | (3,574)           |
|                                      | <b>(7,081)</b>    | <b>(10,507)</b>   | <b>2,109</b>      | <b>(1,785)</b>    |



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|   | Assets       | Consolidated<br>Liabilities | Total           | Parent Company<br>Ativo |
|---|--------------|-----------------------------|-----------------|-------------------------|
| <b>Total amount in January 1, 2010</b>      | <b>2,760</b> | <b>(9,307)</b>              | <b>(6,547)</b>  | <b>730</b>              |
| Net income effect                           | (507)        | 2,758                       | 2,251           | 624                     |
| Addition/settlement of temporary difference | 254          | (560)                       | (306)           | (4)                     |
| Subsidiary acquisition                      |              | (3,810)                     | (3,810)         |                         |
| Cumulative translation adjustment           |              | 261                         | 261             |                         |
| Tax losses consumption                      | (846)        |                             | (846)           | (846)                   |
| Tax losses recognition                      | 779          |                             | 779             |                         |
| Deferred social contribution                |              | (2,254)                     | (2,254)         | (2,254)                 |
| Other comprehensive income                  |              | (35)                        | (35)            | (35)                    |
| <b>Total amount in December 31, 2010</b>    | <b>2,440</b> | <b>(12,947)</b>             | <b>(10,507)</b> | <b>(1,785)</b>          |
| Net income effect                           | 1,061        | (549)                       | 512             | 299                     |
| Subsidiary acquisition                      |              | (127)                       | (127)           |                         |
| Cumulative translation adjustment           | 170          | (724)                       | (554)           |                         |
| Deferred social contribution                |              | 3,574                       | 3,574           | 3,574                   |
| Other comprehensive income                  | 21           |                             | 21              | 21                      |
| <b>Total amount in December 31, 2011</b>    | <b>3,692</b> | <b>(10,773)</b>             | <b>(7,081)</b>  | <b>2,109</b>            |

The deferred assets and liabilities of income tax and social contribution arising from tax losses, negative social contribution and temporary differences are recognized in the accounts, taking into consideration the analysis of future performance, based on economic and financial projections, prepared based on assumptions internal and macroeconomic, trade and tax scenarios that may suffer changes in the future.

These temporary differences that will be performed upon the occurrence of the corresponding relevant facts generators have the following expectations:

|  | Consolidated<br>December 31, 2011 | Consolidated<br>December 31, 2010 | Parent Company<br>December 31, 2011 | Parent Company<br>December 31, 2010 |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| <b>Deferred income tax and social contribution</b> |                                   |                                   |                                     |                                     |
| to be recovered after than 12 months               | (7,612)                           | (10,941)                          | 1,793                               | (2,033)                             |
| to be recovered within 12 months                   | 531                               | 434                               | 316                                 | 248                                 |
|  | <b>(7,081)</b>                    | <b>(10,507)</b>                   | <b>2,109</b>                        | <b>(1,785)</b>                      |

The income tax in Brazil comprises the taxation on income and social contribution on profit. The composite statutory rate applicable in the period presented is 34%. In other countries where we have operations, we are subject to various rates depending on jurisdiction.

The total amount presented as income tax and social contribution results in the financial statements is reconciled with the rates established by law, as follows:

|   | Three-month period ended (unaudited) |                                    |                   |
|---|--------------------------------------|------------------------------------|-------------------|
|   | December 31, 2011                    | Consolidated<br>September 30, 2011 | December 31, 2010 |
| Income before tax and social contribution   | 10,282                               | 8,343                              | 12,331            |
| Results of equity investments   | 179                                  | (28)                               | 36                |
| Exchange variation - not taxable  | 158                                  | (307)                              | 239               |
|   | <b>10,619</b>                        | <b>8,008</b>                       | <b>12,606</b>     |
| <b>Income tax and social contribution at statutory rates - 34%</b>                                | <b>(3,610)</b>                       | <b>(2,723)</b>                     | <b>(4,286)</b>    |
| Adjustments that affects the basis of taxes:  |                                      |                                    |                   |
| Income tax benefit from interest on stockholders' equity  | 689                                  | 947                                | 621               |
| Tax incentive   | 568                                  | 192                                | 422               |
| Results of overseas companies taxed by different rates which differs from the parent company rate | 224                                  | 539                                | 1,220             |
| Reversal  | (262)                                |                                    |                   |
| Deductible Social Contribution paid   |                                      | 886                                |                   |
| Others  | 278                                  | (334)                              | (97)              |
| <b>Income tax and social contribution on the profit for the period</b>                            | <b>(2,113)</b>                       | <b>(493)</b>                       | <b>(2,120)</b>    |

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|   | Consolidated      |                   | Year ended as of  |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Income before tax and social contribution   | 46,465            | 37,679            | 44,186            | 37,024            |
| Results of equity investments   | 51                | 48                | (9,996)           | (8,661)           |
| Exchange variation - not taxable  | 43                | 479               |                   |                   |
|   | <b>46,559</b>     | <b>38,206</b>     | <b>34,190</b>     | <b>28,363</b>     |
| <b>Income tax and social contribution at statutory rates - 34%</b>                                | (15,830)          | (12,990)          | (11,625)          | (9,644)           |
| Adjustments that affects the basis of taxes:  |                   |                   |                   |                   |
| Income tax benefit from interest on stockholders equity   | 2,776             | 1,732             | 2,755             | 1,732             |
| Tax incentive   | 1,507             | 1,390             | 1,188             | 1,093             |
| Results of overseas companies taxed by different rates which differs from the parent company rate | 2,315             | 2,988             |                   |                   |
| Reversal  | (485)             |                   |                   |                   |
| Deductible Social Contribution paid   | 886               |                   | 886               |                   |
| Others  | (234)             | (155)             | 424               | 87                |
| <b>Income tax and social contribution on the profit for the period</b>                            | <b>(9,065)</b>    | <b>(7,035)</b>    | <b>(6,372)</b>    | <b>(6,732)</b>    |

In Brazil, Vale has a tax incentive of partial reduction of income tax due to the amount equivalent to the portion allocated by tax law to transactions in the north and northeast with iron, railroad, manganese, copper, bauxite, kaolin and potash. The incentive is calculated based on the tax profit of the activity (called operating income), takes into consideration the allocation of operating profit by incentive production levels during the periods specified for each product as grantees, and generally, for 10 years and are in the case of Company expire until 2020. An amount equal to that obtained with the tax saving must be appropriated in a retained earnings reserve account in Stockholders equity, and may not be distributed as dividends to Stockholders.

Vale benefits from the allocation of part of income tax due to be reinvested in the purchase of equipment in incentive operation, subject to subsequent approval by the regulatory agency in the incentive area of Superintendence for the Development of Amazonia - SUDAM and the Northeast Development Superintendence - SUDENE. When the reinvestment approved, the tax benefit is also appropriate in retained earnings reserve, which impaired is the distribution as dividends to Stockholders

Vale also has tax incentives related to the production of nickel from Vale New Caledonia VNC. These incentives include temporary exemptions of the total income tax during the construction phase of the project, and also for a period of 15 years beginning in the first year of commercial production as defined by applicable law, followed by 5 years with refund of 50% of temporary. In addition, VNC is eligible for certain exemptions from indirect taxes such as import tax during the construction phase and throughout the commercial life of the project. Some of

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these tax benefits, including temporary tax incentives, are subject to an earlier interruption if the project achieves a specified cumulative rate of return. VNC is taxable for a portion of profits starting in the first year that commercial production is reached, as defined by applicable law. So far, there has been no taxable income realized in New Caledonia. Vale also received tax incentives for projects in Mozambique, Oman and Malaysia.

Vale is subject to the revision of income tax by local tax authorities for up to five years in companies operating in Brazil, ten years for operations in Indonesia and up to seven years for companies with operations in Canada.

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**20. Employee Benefits Obligations**

**a) Retirement Benefit Obligations**

The Company is the sponsor of pension plans mixed with characteristics of benefit and defined contribution (such as benefit plan Vale Mais), which includes retirement income and the risk benefits (death pension, retirement for disability and sickness benefit). These plans are calculated based on length of service, age, salary base and supplement to Social Security benefits. These plans are administered by Fundação Vale do Rio Doce de Seguridade Social - VALIA.

The Company also sponsors a pension plan with defined benefit characteristics. This plan was funded by monthly contributions made by the sponsor and employees, calculated on the basis of periodic actuarial estimates. With the creation of the plan Vale Mais in May 2000, more than 98% of active employees opted to transfer. The defined benefit is still there, covering almost exclusively retired participants and their beneficiaries. This plan is also administered by VALIA.

Additionally, a specific group of former employees are entitled to additional payments to the normal benefits of VALIA through Complementation Bonus plus a post-retirement benefit that covers medical, dental and pharmaceutical assistance to that specific group.

The Company also has defined benefit plans and other post-employment benefits administered by other foundations and social security entities which, together, benefiting all employees.

The following information details the status of defined benefit elements of all the plans, as well as costs related to them.

The results of the actuarial valuation are as follows:

**i. Changes in the present value of obligations**

**Consolidated**

**Parent Company**

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|  | Overfunded<br>pension plans | Underfunded<br>pension plans | Others<br>underfunded<br>pension plans | Overfunded<br>pension plans | Underfunded<br>pension plans | Others<br>underfunded<br>pension plans |
|--|-----------------------------|------------------------------|--|-----------------------------|------------------------------|--|
| <b>Present value of obligations on January 1, 2010</b>   | <b>4,745</b>                | <b>8,209</b>                 | <b>2,270</b>                           | <b>4,745</b>                | <b>2,387</b>                 | <b>324</b>                             |
| Initial liability recognized with new consolidation      | 642                         | 20                           | 97                                     |                             |                              |  |
| Current service cost                                     | 3                           | 122                          | 46                                     |                             | 24                           | 3                                      |
| Interest cost  | 574                         | 635                          | 179                                    | 504                         | 257                          | 35                                     |
| Benefits paid  | (461)                       | (658)                        | (140)                                  | (415)                       | (148)                        | (31)                                   |
| Plan amendment   |                             | 35                           | (4)                                    |                             |                              |  |
| Actuarial loss   | 533                         | 439                          | 16                                     | 442                         | 247                          | 56                                     |
| Exchange rates changes effects                           |                             | 18                           | 36                                     |                             |                              |  |
| <b>Present value of obligations on December 31, 2010</b> | <b>6,036</b>                | <b>8,820</b>                 | <b>2,500</b>                           | <b>5,276</b>                | <b>2,767</b>                 | <b>387</b>                             |
| Initial liability recognized with new consolidation      |                             |                              |  |                             |                              |  |
| Current service cost                                     | 2                           | 148                          | 52                                     |                             | 28                           | 5                                      |
| Interest cost  | 650                         | 631                          | 160                                    | 573                         | 304                          | 42                                     |
| Benefits paid  | (494)                       | (688)                        | (138)                                  | (441)                       | (166)                        | (41)                                   |
| Plan amendment   |                             | 4                            |  |                             |                              |  |
| Net transfers  |                             | 26                           |  |                             |                              |  |
| Alteration of hypotheses                                 |                             | (44)                         | (52)                                   |                             |                              |  |
| Actuarial loss (gain)                                    | 444                         | (210)                        | 192                                    | 404                         | (4)                          | 78                                     |
| Exchange rates changes effects                           |                             | 561                          | 200                                    |                             |                              |  |
| <b>Present value of obligations on December 31, 2011</b> | <b>6,638</b>                | <b>9,248</b>                 | <b>2,914</b>                           | <b>5,812</b>                | <b>2,929</b>                 | <b>471</b>                             |

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## ii. Evolution of the fair value of assets

|  | Consolidated                |                              |  | Parent Company              |                              |  |
|--|-----------------------------|------------------------------|--|-----------------------------|------------------------------|--|
|  | Overfunded<br>pension plans | Underfunded<br>pension plans | Others<br>underfunded<br>pension plans | Overfunded<br>pension plans | Underfunded<br>pension plans | Others<br>underfunded<br>pension plans |
| <b>Fair value of assets on<br/>January 1, 2010</b>   | <b>7,190</b>                | <b>7,131</b>                 | <b>19</b>                              | <b>7,190</b>                | <b>1,977</b>                 |  |
| Initial asset recognized<br>with new consolidation   | 751                         | 16                           |  |                             |                              |  |
| Actual return on assets                              | 944                         | 714                          | 2                                      | 839                         | 233                          |  |
| Sponsor contributions                                | 4                           | 316                          | 140                                    |                             | 206                          | 31                                     |
| Benefits paid  | (461)                       | (658)                        | (140)                                  | (415)                       | (148)                        | (31)                                   |
| Actuarial loss (gain)                                | 879                         | 214                          |  | 879                         | 214                          |  |
| Exchange rates changes<br>effects                    |                             | 8                            | 1                                      |                             |                              |  |
| <b>Fair value of assets on<br/>December 31, 2010</b> | <b>9,307</b>                | <b>7,741</b>                 | <b>22</b>                              | <b>8,493</b>                | <b>2,482</b>                 |  |
| Initial asset recognized<br>with new consolidation   |                             |                              |  |                             |                              |  |
| Actual return on assets                              | 1,097                       | 388                          |  | 994                         | 279                          |  |
| Sponsor contributions                                | 4                           | 964                          | 138                                    | 1                           | 242                          | 41                                     |
| Benefits paid  | (494)                       | (690)                        | (138)                                  | (441)                       | (166)                        | (41)                                   |
| Actuarial loss (gain)                                | (242)                       | 13                           |  | (331)                       | 11                           |  |
| Anticipated settlement<br>in the plan                |                             | (44)                         | (18)                                   |                             |                              |  |
| Exchange rates changes<br>effects                    |                             | 526                          | (1)                                    |                             |                              |  |
| <b>Fair value of assets on<br/>December 31, 2011</b> | <b>9,672</b>                | <b>8,898</b>                 | <b>3</b>                               | <b>8,716</b>                | <b>2,848</b>                 |  |

A special contribution was made to the Vale Canada Limited defined underfunded benefit plans of R\$ 588 during the period. The contribution was made to bring the adequate ratios which provide Vale Canada with more certain funding requirements for 2011-2013

Administrative plan assets by Valia at December 31, 2011 and December 31, 2010 include investments in portfolio of our own stocks in the amount of R\$ 636 and R\$864, investments in debentures in the amount of R\$ 117 and R\$ 106 and investments equity on related parties in the amount of R\$ 157 and R\$135, respectively. They also include on December 31, 2011 and December 31, 2010, R\$ 6,637 and R\$6,914 of securities of the Federal Government. The assets of pension plans of Vale Canada Limited are in securities of the Government of Canada and in December 31, 2011 and 2010, in the amount of R\$1,219 and R\$726, respectively. The assets plans linked to fertilizers assets, in December 31, 2011 and 2010 are in securities of the Federal Government is in the amount of R\$ 278 and R\$263, respectively.





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## iii. Reconciliation of assets and liabilities recognized in the balance sheet

|   | Consolidated             |                           |                                  |                             |                           |                           |
|---|--------------------------|---------------------------|----------------------------------|-----------------------------|---------------------------|---------------------------|
|   | December 31, 2011        |                           | December 31, 2010                |                             | Others                    |                           |
|   | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans | (* Overfunded pension plans | Underfunded pension plans | underfunded pension plans |
| Present value of obligations in the year-end                      | (6,638)                  | (9,248)                   | (2,914)                          | (6,036)                     | (8,820)                   | (2,500)                   |
| Fair value of assets in the year-end                              | 9,672                    | 8,898                     | 3                                | 9,307                       | 7,741                     | 22                        |
| Net value of (gains) and losses not recorded in the balance sheet |                          | (75)                      | 174                              |                             | (45)                      | 67                        |
| Effect of limit of CPC 33, paragraph 58(b)                        | (3,034)                  |                           |                                  | (3,271)                     |                           |                           |
| <b>Total</b>  |                          | <b>(425)</b>              | <b>(2,737)</b>                   |                             | <b>(1,124)</b>            | <b>(2,411)</b>            |
| <b>Net actuarial asset/liability accrued</b>                      |                          |                           |                                  |                             |                           |                           |
| Current   |                          | (172)                     | (144)                            |                             | (160)                     | (151)                     |
| Non-current   |                          | (253)                     | (2,593)                          |                             | (964)                     | (2,260)                   |
| <b>Total</b>  |                          | <b>(425)</b>              | <b>(2,737)</b>                   |                             | <b>(1,124)</b>            | <b>(2,411)</b>            |

|   | Parent Company           |                           |                                  |                          |                           |                           |
|---|--------------------------|---------------------------|----------------------------------|--------------------------|---------------------------|---------------------------|
|   | December 31, 2011        |                           | December 31, 2010                |                          | Others                    |                           |
|   | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans | Overfunded pension plans | Underfunded pension plans | underfunded pension plans |
| Present value of obligations in the year-end                      | (5,812)                  | (2,929)                   | (471)                            | (5,276)                  | (2,767)                   | (387)                     |
| Fair value of assets in the year-end                              | 8,716                    | 2,848                     |                                  | 8,493                    | 2,482                     |                           |
| Net value of (gains) and losses not recorded in the balance sheet |                          | (74)                      | 79                               |                          | (57)                      | 49                        |
| Effect of limit of CPC 33, paragraph 58(b)                        | (2,904)                  |                           |                                  | (3,217)                  |                           |                           |
| <b>Total</b>  |                          | <b>(155)</b>              | <b>(392)</b>                     |                          | <b>(342)</b>              | <b>(338)</b>              |

|  |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| <b>Net actuarial asset/liability accrued</b> |              |              |              |              |
| Current                                      | (120)        | (21)         | (139)        | (37)         |
| Non-current                                  | (35)         | (371)        | (203)        | (301)        |
| <b>Total</b>                                 | <b>(155)</b> | <b>(392)</b> | <b>(342)</b> | <b>(338)</b> |

## iv. Recorded costs in the statement of income

|   | December 31, 2011        |                           | Consolidated                     |                          | December 31, 2010         |                           | Others underfunded pension plans |
|---|--------------------------|---------------------------|----------------------------------|--------------------------|---------------------------|---------------------------|----------------------------------|
|   | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans | Overfunded pension plans | Underfunded pension plans | Underfunded pension plans |                                  |
| Current service cost                                    | 2                        | 147                       | 50                               | 3                        | 101                       |                           | 46                               |
| Interest on actuarial liabilities                       | 650                      | 630                       | 160                              | 574                      | 635                       |                           | 179                              |
| Expected return on assets                               | (1,097)                  | (640)                     | (2)                              | (944)                    | (579)                     |                           | (1)                              |
| Amortization and (gains) / losses, net (paragraph 58a)  | 761                      | 46                        | (11)                             | (404)                    | 38                        |                           | 23                               |
| Effect of limit described in paragraph 58 (b) in CPC 33 | (314)                    |                           |                                  | 771                      |                           |                           |                                  |
| <b>Total costs, net</b>                                 | <b>2</b>                 | <b>183</b>                | <b>197</b>                       |                          | <b>195</b>                |                           | <b>247</b>                       |

|   | December 31, 2011        |                           | Consolidated                     |                          | December 31, 2010         |                           | Others underfunded pension plans |
|---|--------------------------|---------------------------|----------------------------------|--------------------------|---------------------------|---------------------------|----------------------------------|
|   | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans | Overfunded pension plans | Underfunded pension plans | Underfunded pension plans |                                  |
| Current service cost                                    |                          | 28                        | 5                                |                          | 24                        |                           | 3                                |
| Interest on actuarial liabilities                       | 573                      | 304                       | 42                               | 504                      | 257                       |                           | 35                               |
| Expected return on assets                               | (994)                    | (277)                     |                                  | (839)                    | (223)                     |                           |                                  |
| Amortization and (gains) / losses, net (paragraph 58a)  | 735                      |                           | 48                               | (436)                    |                           |                           | 23                               |
| Effect of limit described in paragraph 58 (b) in CPC 33 | (314)                    |                           |                                  | 771                      |                           |                           |                                  |
| <b>Total costs, net</b>                                 |                          | <b>55</b>                 | <b>95</b>                        |                          | <b>58</b>                 |                           | <b>61</b>                        |

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All calculations involve future actuarial projections about some parameters, such as: salaries, interest, inflation, the behavior of INSS benefits, mortality, disability, etc.

The economic actuarial assumptions adopted were formulated considering the long-term period for maturity and should therefore be examined in that light. So, in the short term, they may not necessarily be realized.

In the evaluations were adopted the following economic assumptions:

|   | <b>Brazil</b>                        |   |   |   |                                      |   |
|---|--------------------------------------|---|---|---|--------------------------------------|---|
|   | <b>December 31, 2011</b>             |   |   | <b>December 31, 2010</b>                        |                                      |   |
|   | <b>Overfunded<br/>pension plans</b>  | <b>Underfunded<br/>pension plans</b>            | <b>Others<br/>underfunded<br/>pension plans</b> | <b>Overfunded<br/>pension plans</b>             | <b>Underfunded<br/>pension plans</b> | <b>Others<br/>underfunded<br/>pension plans</b> |
| Discount rate   | 10,91% a.a.                          | 10,78% a.a.                                     | 10,90% a.a.                                     | 11,30% a.a.                                     | 11,30% a.a.                          | 10,30% a.a.                                     |
| Expected return on assets                                   | 11,91% a.a.                          | 10,50% a.a.                                     | N/A   | 12,00% a.a.                                     | 10,50% a.a.                          | N/A   |
| Growth rate of payroll and related charges - up to 47 years | 8,15% a.a.                           | N/A   | N/A   | 8,15% a.a.                                      | 8,15% a.a.                           | N/A   |
| Growth rate of payroll and related charges - after 47 years | 5,00% a.a.                           | 5,00% a.a.                                      | N/A   | 5,00% a.a.                                      | 5,00% a.a.                           | N/A   |
| Inflation   | 5,00% a.a.                           | 5,00% a.a.                                      | 5,00% a.a.                                      | 5,00% a.a.                                      | 5,00% a.a.                           | 5,00% a.a.                                      |
| Nominal growth rate of medical costs                        | N/A                                  | N/A   | 8,15% a.a.                                      | N/A   | N/A                                  | 8,15% a.a.                                      |
|   | <b>Foreign</b>                       |   |   |   |                                      |   |
|   | <b>December 31, 2011</b>             |   | <b>December 31, 2010</b>                        |   |                                      |   |
|   | <b>Underfunded<br/>pension plans</b> | <b>Others<br/>underfunded<br/>pension plans</b> | <b>Underfunded<br/>pension plans</b>            | <b>Others<br/>underfunded<br/>pension plans</b> |                                      |   |
| Discount rate   | 5,43% a.a.                           | 5,43% a.a.                                      | 6,21% a.a.                                      | 5,44% a.a.                                      |                                      |   |
| Expected return on assets                                   | 6,51% a.a.                           | 6,51% a.a.                                      | 7,02% a.a.                                      | 6,50% a.a.                                      |                                      |   |
|   | 4,10% a.a.                           | 4,10% a.a.                                      | 4,11% a.a.                                      | 3,58% a.a.                                      |                                      |   |

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|   |            |            |            |            |
|---|------------|------------|------------|------------|
| Growth rate of payroll and related charges - up to 47 years |            |            |            |            |
| Growth rate of payroll and related charges - after 47 years |            |            |            |            |
| Inflation   | 4,10% a.a. | 4,10% a.a. | 4,11% a.a. | 3,58% a.a. |
| Nominal growth rate of medical costs                        | 2,00% a.a. | 2,00% a.a. | 2,00% a.a. | 2,00% a.a. |
|   | N/A        | N/A        | N/A        | 5,92% a.a. |

vi. Data from participants:

|  | Consolidated             |                           |                                  |                          |                           |                                  |
|--|--------------------------|---------------------------|----------------------------------|--------------------------|---------------------------|----------------------------------|
|  | December 31, 2011        |                           |                                  | December 31, 2010        |                           |                                  |
|  | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans |
| Number of actives participants                   | 202                      | 67,951                    | 74,729                           | 245                      | 59,923                    | 67,990                           |
| Average age                                      | 50                       | 36                        | 36                               | 50                       | 36                        | 36                               |
| Average service length                           | 27                       | 7                         | 8                                | 27                       | 8                         | 9                                |
| Number of participants with deferred benefit (*) |                          | 5,815                     |                                  |                          | 4,876                     |                                  |
| Average age                                      |                          | 39                        |                                  |                          | 40                        |                                  |
| Number of de retirees and pensioners             | 18,380                   | 18,189                    | 32,633                           | 18,496                   | 18,078                    | 32,765                           |
| Average age                                      | 66                       | 71                        | 64                               | 66                       | 71                        | 63                               |

|  | Parent Company           |                           |                                  |                          |                           |                                  |
|--|--------------------------|---------------------------|----------------------------------|--------------------------|---------------------------|----------------------------------|
|  | December 31, 2011        |                           |                                  | December 31, 2010        |                           |                                  |
|  | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans |
| Number of actives participants               | 14                       | 54,179                    | 65,047                           | 21                       | 45,829                    | 55,019                           |
| Average age                                  | 51                       | 35                        | 35                               | 51                       | 35                        | 35                               |
| Average service length                       | 27                       | 7                         | 7                                | 27                       | 7                         | 8                                |
| Number of participants with deferred benefit |                          | 4,141                     |                                  |                          | 3,397                     |                                  |
| Average age                                  |                          | 35                        |                                  |                          | 36                        |                                  |
| Number of de retirees and pensioners         | 16,901                   | 3,167                     | 7,516                            | 17,046                   | 3,066                     | 8,231                            |
| Average age                                  | 67                       | 65                        | 45                               | 66                       | 64                        | 44                               |

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**vii. Assets of pension plans**

**Brazilian Plans**

The Investment Policy Statements of pension plans sponsored for Brazilian employees are based on a long term macroeconomic scenario and expected returns. An Investment Policy Statement was established for each obligation by following results of a strategic asset allocation study.

Plan asset allocations comply with pension funds local regulation issued by CMN - Conselho Monetário Nacional (CMN Resolution 3,792/09). We are allowed to invest in six different asset classes, defined as Segments by the law, as follows: Fixed Income, Equity, Structured Investments (Alternative Investments and Infra-Structure Projects), International Investments, Real Estate and Loans to Participants in compliance with pre approved policies.

The investment policies aims to achieve adequate diversification, revenue and long-term valuation, through the combination of all asset classes described above to meet their obligations to many plans of the appropriate level of risk.

The pension fund has a risk management process with established policies that intend to identify measure and control all kind of risks faced by our plans, such as: market, liquidity, credit, operational, systemic and legal.

**Foreign plans**

The strategy for each of the pension plans sponsored by Vale Canada is based upon a combination of local practices and the specific characteristics of the pension plans in each country, including the structure of the liabilities, the risk versus reward trade-off between different asset classes and the liquidity required to meet benefit payments.

**viii. Overfunded pension plans**

**Brazilian Plans**

The Defined Benefit Plan (the Old Plan ) has the most part of its assets allocated in fixed income, mainly in Brazilian government bonds (such as TIPS) and corporate long term inflation linked corporate bonds with the objective to reduce the asset-liability volatility. This LDI (Liability Driven Investments) strategy, when considered together with Loans to Participants segment, aims to hedge plan's liabilities against inflation risk and volatility. This plan had an average nominal income of 20% per annum, in the past 11 years. The target allocation for each investment segment or asset class in the following:

|                                      | December 31, 2011 | December 31, 2010 |
|--------------------------------------|-------------------|-------------------|
| Fixed income investments             | 57%               | 52%               |
| Variable income investments          | 24%               | 28%               |
| Structures investments               | 6%                | 6%                |
| Foreing investments                  | 1%                | 2%                |
| Real Estate                          | 8%                | 7%                |
| Operations with participants (loans) | 4%                | 5%                |

The Plano Vale Mais has obligations with characteristics of defined benefit plans and defined contribution plans. Most investments are in fixed income. To reduce the volatility of assets and liabilities from the components of the plot with defined benefit's characteristics, we use Brazilian government bonds indexed to inflation. The target allocation for this strategy is 55% of total assets of this sub plan. Bellow there are the target allocations for each investment segment or asset class:

|                                      | December 31, 2011 | December 31, 2010 |
|--------------------------------------|-------------------|-------------------|
| Fixed income investments             | 56%               | 59%               |
| Variable income investments          | 24%               | 24%               |
| Structures investments               | 3.5%              | 2%                |
| Foreing investments                  | 0.5%              | 1%                |
| Real Estate                          | 6%                | 4%                |
| Operations with participants (loans) | 10%               | 10%               |

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The Defined Contribution Vale Mais component offers three options of asset classes mix that can be chosen by participants. The options are: Fixed Income 100%; 80% Fixed Income and 20% Equities and 65% Fixed Income and 35% Equities. Loan to participants is included in the fixed income options. Equities management is done through investment fund that targets Ibovespa index.

Assets by category are as follows:

|  | December 31, 2011 |            |              | Consolidated  |              |            |              | Total         |
|--|-------------------|------------|--------------|---------------|--------------|------------|--------------|---------------|
|  | Level 1           | Level 2    | Level 3      | Level 1       | Level 2      | Level 3    |              |               |
| <b>Assets by category</b>                    |                   |            |              |               |              |            |              |               |
| Cash and cash equivalents                    |                   |            |              |               | 9            |            |              | 9             |
| Accounts receivable                          | 28                |            |              | 28            | 135          |            |              | 135           |
| Equity securities net                        | 2,391             | 146        |              | 2,537         | 2,201        | 126        |              | 2,327         |
| Debt securities corporate bonds              |                   | 832        |              | 832           |              | 699        |              | 699           |
| Debt securities government bonds             | 3,442             |            |              | 3,442         | 3,523        |            |              | 3,523         |
| Investment funds Fixed Income                | 2,879             |            |              | 2,879         | 2,683        |            |              | 2,683         |
| Investment funds equity                      | 538               |            |              | 538           | 855          |            |              | 855           |
| Investment funds private equity              | 21                |            |              | 21            | 39           |            |              | 39            |
| Investment funds not listed companies        |                   |            | 331          | 331           |              |            | 213          | 213           |
| Investment funds real state                  |                   |            | 37           | 37            |              |            | 31           | 31            |
| Real estate                                  |                   |            | 748          | 748           |              |            | 481          | 481           |
| Loans from participants                      |                   |            | 343          | 343           |              |            | 302          | 302           |
| <b>Total</b>                                 | <b>9,299</b>      | <b>978</b> | <b>1,459</b> | <b>11,736</b> | <b>9,445</b> | <b>825</b> | <b>1,027</b> | <b>11,297</b> |
| Funds not related to risk plans              |                   |            |              | (2,064)       |              |            |              | (1,990)       |
| <b>Fair value of plan assets at year-end</b> |                   |            |              | <b>9,672</b>  |              |            |              | <b>9,307</b>  |

|                                 | December 31, 2011 |         |         | Parent Company |         |         |  | Total |
|---------------------------------|-------------------|---------|---------|----------------|---------|---------|--|-------|
|                                 | Level 1           | Level 2 | Level 3 | Level 1        | Level 2 | Level 3 |  |       |
| <b>Assets by category</b>       |                   |         |         |                |         |         |  |       |
| Cash and cash equivalents       |                   |         |         |                | 1       |         |  | 1     |
| Accounts receivable             | 28                |         |         | 28             | 135     |         |  | 135   |
| Equity securities net           | 2,093             | 146     |         | 2,239          | 2,201   | 126     |  | 2,327 |
| Debt securities corporate bonds |                   | 782     |         | 782            |         | 699     |  | 699   |

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|  |            |              |            |              |               |              |            |            |               |
|--|------------|--------------|------------|--------------|---------------|--------------|------------|------------|---------------|
| Debt securities                              | government |              |            |              |               |              |            |            |               |
| bonds  |            | 3,246        |            |              | 3,246         | 3,274        |            |            | 3,274         |
| Investment funds                             | Fixed      |              |            |              |               |              |            |            |               |
| Income                                       |            | 2,636        |            |              | 2,636         | 2,428        |            |            | 2,428         |
| Investment funds                             | equity     | 498          |            |              | 498           | 606          |            |            | 606           |
| Investment funds                             | private    |              |            |              |               |              |            |            |               |
| equity                                       |            | 21           |            |              | 21            | 39           |            |            | 39            |
| Investment funds                             | not listed |              |            |              |               |              |            |            |               |
| companies                                    |            |              | 258        |              | 258           |              | 213        |            | 213           |
| Investment funds                             | real state |              | 32         |              | 32            |              | 31         |            | 31            |
| Real state                                   |            |              | 708        |              | 708           |              | 438        |            | 438           |
| Loans from participants                      |            |              | 332        |              | 332           |              | 292        |            | 292           |
| <b>Total</b>                                 |            | <b>8,522</b> | <b>928</b> | <b>1,330</b> | <b>10,780</b> | <b>8,684</b> | <b>825</b> | <b>974</b> | <b>10,483</b> |
| Funds not related to risk plans              |            |              |            |              | (2,064)       |              |            |            | (1,990)       |
| <b>Fair value of plan assets at year-end</b> |            |              |            |              | <b>8,716</b>  |              |            |            | <b>8,493</b>  |

Measurement of overfunded plan assets at fair value with no observable market variables - level 3

|   | Consolidated                                      |                          |               |                            |              | Parent Company                                    |                          |               |                            |              |
|---|---|--------------------------|---------------|----------------------------|--------------|---|--------------------------|---------------|----------------------------|--------------|
|   | Investments<br>fund of<br>not listed<br>companies | Fund<br>of real<br>state | Real<br>state | Loans from<br>participants | Total        | Investments<br>fund of<br>not listed<br>companies | Fund<br>of real<br>state | Real<br>state | Loans from<br>participants | Total        |
| <b>On January 1, 2010</b>                 | <b>151</b>  |                          | <b>391</b>    | <b>275</b>                 | <b>817</b>   | <b>151</b>  |                          | <b>391</b>    | <b>275</b>                 | <b>817</b>   |
| Actual return on plan assets              | (5)   | 2                        | 81            | 41                         | 119          | (5)   | 2                        | 76            | 38                         | 111          |
| Initial consolidation of new acquisitions |   |                          | 38            | 7                          | 45           |   |                          |               |                            |              |
| Assets sold during the year               | (4)   | (2)                      | (40)          | (125)                      | (171)        | (4)   | (2)                      | (40)          | (125)                      | (171)        |
| Assets purchased and settled              | 71  |                          | 42            | 104                        | 217          | 71  |                          | 42            | 104                        | 217          |
| Transfers between levels                  |   | 31                       | (31)          |                            |              |   | 31                       | (31)          |                            |              |
| Cumulative translation adjustment         |   |                          |               |                            |              |   |                          |               |                            |              |
| <b>On December 31, 2010</b>               | <b>213</b>  | <b>31</b>                | <b>481</b>    | <b>302</b>                 | <b>1,027</b> | <b>213</b>  | <b>31</b>                | <b>438</b>    | <b>292</b>                 | <b>974</b>   |
| Actual return on plan assets              | (12)  | 1                        | 132           | 40                         | 161          | (12)  | 1                        | 132           | 40                         | 161          |
| Initial consolidation of new acquisitions |   |                          |               |                            |              |   |                          |               |                            |              |
| Assets sold during the year               | (2)   |                          | (36)          | (119)                      | (157)        | (2)   |                          | (33)          | (119)                      | (154)        |
| Assets purchased and settled              | 59  |                          | 171           | 120                        | 350          | 59  |                          | 171           | 119                        | 349          |
| Transfers between levels                  | 73  | 5                        |               |                            | 78           |   |                          |               |                            |              |
| Cumulative translation adjustment         |   |                          |               |                            |              |   |                          |               |                            |              |
| <b>On December 31, 2011</b>               | <b>331</b>  | <b>37</b>                | <b>748</b>    | <b>343</b>                 | <b>1,459</b> | <b>258</b>  | <b>32</b>                | <b>708</b>    | <b>332</b>                 | <b>1,330</b> |



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The return target for private equity assets in 2012 is 11.94% p.a. for the Old Plan and 11.51% p.a. for the New Plan. The target allocation is 6% for the Old Plan and 5.3% for the New Plan, ranging between 2% and 10% for the Old Plan and ranging between 1% and 10% for the New Plan. These investments have a longer investment horizon and low liquidity that aim to profit from economic growth, especially in the infrastructure sector of the Brazilian economy. Usually non-liquid assets fair value is similar to the acquisition cost or book value. Some private equity funds, alternatively, apply the following methodologies: discounted cash flows analysis or analysis based on multiples.

The target return for loans to participants in 2012 was 16% p.a. The fair value pricing of these assets includes provisions for non-paid loans, according to the local pension fund regulation.

The target return for real estate assets in 2012 was 12.80% p.a. The fair value of these assets is near to their carrying value. The pension fund hires companies specialized in real estate valuation that do not act in the market as brokers. All valuation techniques follow the local regulation.

**ix. Underfunded pension plans**

**i. Brazilian Plans**

The obligation has an exclusive allocation in fixed income. It was also used a LDI (Liability Driven Investments) strategy for this plan. Most of the resources were invested in long term Brazilian government bonds (similar to TIPS) and inflation linked corporate bonds with the objective of minimizing asset-liability volatility and reduce inflation risk. This obligation has an average nominal return of 16% p.a. in local currency in the last 6 years.

**ii. Foreign plans**

For all pension plans except PT Inco, this has resulted in a target asset allocation of 60% in equity investments and 40% in fixed income investments, with all securities being traded in the public markets. Fixed income investments are in domestic bonds for each plan's market and involve a mixture of government and corporate bonds. Equity investments are primarily global in nature and involve a mixture of large, mid and small capitalization companies with a modest explicit investment in domestic equities for each plan. The Canadian plans also use a currency hedging strategy (each developed currency's exposure is 50% hedged) due to the large exposure to foreign securities. For PT Inco, the target allocation is 20% equity investment and the remainder in fixed income.

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Assets by category are shown below:

|  | December 31, 2011 |              |            | Consolidated  |              | December 31, 2010 |            | Total        |
|--|-------------------|--------------|------------|---------------|--------------|-------------------|------------|--------------|
|  | Level 1           | Level 2      | Level 3    | Total         | Level 1      | Level 2           | Level 3    |              |
| <b>Assets by category</b>                    |                   |              |            |               |              |                   |            |              |
| Cash and cash equivalents                    | 36                | 44           |            | 80            | 36           | 50                |            | 86           |
| Accounts receivable                          | 22                |              |            | 22            | 34           |                   |            | 34           |
| Equity securities net                        | 2,571             | 113          |            | 2,684         | 2,704        | 8                 |            | 2,712        |
| Debt securities corporate bonds              |                   | 594          |            | 594           |              | 291               |            | 291          |
| Debt securities government bonds             | 605               | 1,171        |            | 1,776         | 615          | 694               |            | 1,309        |
| Investment funds Fixed Income                | 2,225             | 1,061        |            | 3,286         | 1,799        | 1,199             |            | 2,998        |
| Investment funds equity                      | 610               | 703          |            | 1,313         | 512          | 577               |            | 1,089        |
| Investment funds private equity              | 3                 | 4            |            | 7             | 6            | 5                 |            | 11           |
| Investment funds not listed companies        |                   |              | 31         | 31            |              |                   | 24         | 24           |
| Investment funds real state                  |                   |              | 2          | 2             |              |                   | 2          | 2            |
| Real state                                   |                   |              | 153        | 153           |              |                   | 62         | 62           |
| Loans from participants                      |                   |              | 301        | 301           |              |                   | 251        | 251          |
| <b>Total</b>                                 | <b>6,072</b>      | <b>3,690</b> | <b>487</b> | <b>10,249</b> | <b>5,706</b> | <b>2,824</b>      | <b>339</b> | <b>8,869</b> |
| Funds not related to risk plans              |                   |              |            | (1,351)       |              |                   |            | (1,128)      |
| <b>Fair value of plan assets at year-end</b> |                   |              |            | <b>8,898</b>  |              |                   |            | <b>7,741</b> |

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|  | December 31, 2011 |            |            | Parent Company |              | December 31, 2010 |            | Total        |
|--|-------------------|------------|------------|----------------|--------------|-------------------|------------|--------------|
|  | Level 1           | Level 2    | Level 3    | Total          | Level 1      | Level 2           | Level 3    |              |
| <b>Assets by category</b>                    |                   |            |            |                |              |                   |            |              |
| Cash and cash equivalents                    | 4                 |            |            | 4              | 7            |                   |            | 7            |
| Accounts receivable                          | 2                 |            |            | 2              | 10           |                   |            | 10           |
| Equity securities net                        | 271               | 110        |            | 381            | 306          | 8                 |            | 314          |
| Debt securities corporate bonds              |                   | 212        |            | 212            |              | 287               |            | 287          |
| Debt securities government bonds             | 555               |            |            | 555            | 560          |                   |            | 560          |
| Investment funds Fixed Income                | 2,084             |            |            | 2,084          | 1,700        |                   |            | 1,700        |
| Investment funds equity                      | 471               |            |            | 471            | 360          |                   |            | 360          |
| Investment funds private equity              | 3                 |            |            | 3              | 6            |                   |            | 6            |
| Investment funds not listed companies        |                   |            | 31         | 31             |              |                   | 24         | 24           |
| Investment funds real state                  |                   |            | 2          | 2              |              |                   | 2          | 2            |
| Real state                                   |                   |            | 153        | 153            |              |                   | 62         | 62           |
| Loans from participants                      |                   |            | 301        | 301            |              |                   | 251        | 251          |
| <b>Total</b>                                 | <b>3,390</b>      | <b>322</b> | <b>487</b> | <b>4,199</b>   | <b>2,949</b> | <b>295</b>        | <b>339</b> | <b>3,583</b> |
| Funds not related to risk plans              |                   |            |            | (1,351)        |              |                   |            | (1,101)      |
| <b>Fair value of plan assets at year-end</b> |                   |            |            | <b>2,848</b>   |              |                   |            | <b>2,482</b> |

Measurement of underfunded plan assets at fair value with non-observable market variables - level 3

|   | Consolidated                             |                    |            |                         | Parent Company |  |                    |            |                         |            |
|---|--|--------------------|------------|-------------------------|----------------|--|--------------------|------------|-------------------------|------------|
|   | Investments fund of not listed companies | Fund of real state | Real state | Loans from participants | Total          | Investments fund of not listed companies | Fund of real state | Real state | Loans from participants | Total      |
| <b>On January 1, 2010</b>                 | <b>17</b>                                |                    | <b>43</b>  | <b>216</b>              | <b>276</b>     | <b>17</b>                                |                    | <b>43</b>  | <b>216</b>              | <b>276</b> |
| Actual return on plan assets              |  |                    |            | 33                      | 33             |  |                    |            |                         |            |
| Initial consolidation of new acquisitions | (4)                                      |                    | 7          |                         | 3              | (4)                                      |                    | 7          | 33                      | 36         |
| Assets sold during the year               |  |                    | (4)        | (94)                    | (98)           |  |                    | (4)        | (94)                    | (98)       |
| Assets purchased and settled              | 11                                       |                    | 18         | 96                      | 125            | 11                                       |                    | 18         | 96                      | 125        |
| Transfers between levels                  |  | 2                  | (2)        |                         |                |  | 2                  | (2)        |                         | 2          |
|   |  |                    |            |                         |                |  |                    |            |                         | (2)        |

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|                                   |           |          |            |            |            |           |          |            |            |            |
|-----------------------------------|-----------|----------|------------|------------|------------|-----------|----------|------------|------------|------------|
| Cumulative translation adjustment |           |          |            |            |            |           |          |            |            |            |
| <b>On December 31, 2010</b>       | <b>24</b> | <b>2</b> | <b>62</b>  | <b>251</b> | <b>339</b> | <b>24</b> | <b>2</b> | <b>62</b>  | <b>251</b> | <b>339</b> |
| Actual return on plan assets      | (3)       |          | 15         | 52         | 64         | (3)       |          | 15         | 52         | 64         |
| Assets sold during the year       |           |          | (3)        | (99)       | (102)      |           |          | (3)        | (99)       | (102)      |
| Assets purchased and settled      | 10        |          | 79         | 97         | 186        | 10        |          | 79         | 97         | 186        |
| <b>On December 31, 2011</b>       | <b>31</b> | <b>2</b> | <b>153</b> | <b>301</b> | <b>487</b> | <b>31</b> | <b>2</b> | <b>153</b> | <b>301</b> | <b>487</b> |

x. **Assets of underfunded other benefits**

i. **Plans abroad**

Underfunded other benefits by asset category:

|  | December 31, 2011 |          | Consolidated |          | December 31, 2010 |           |
|--|-------------------|----------|--------------|----------|-------------------|-----------|
|  | Level 1           | Total    | Level 1      | Total    | Level 1           | Total     |
| <b>Assets by category</b>                    |                   |          |              |          |                   |           |
| Cash and cash equivalents                    |                   | 3        |              | 3        |                   | 22        |
| <b>Total</b>                                 |                   | <b>3</b> |              | <b>3</b> |                   | <b>22</b> |
| <b>Fair value of asset plans at year-end</b> |                   |          |              | <b>3</b> |                   | <b>22</b> |

xi. **Disbursement of future cash flow**

Vale expects to disburse in 2012 with pension plans and other benefits, R\$490 on the consolidated and R\$271 on the parent company.

xii. **Sensitivity related to the nominal growth rate of medical costs**

|                              | Increase of 1%    |                   | Consolidated      |                   | Decrease of 1%    |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                              | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Present value of obligations | 483               | 355               | (385)             |                   | (287)             |                   |
| Interest and service cost    | 41                | 36                | (32)              |                   | (28)              |                   |



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|                              | Parent Company    |                                     |                   |                                     |
|------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|
|                              | December 31, 2011 | Increase of 1%<br>December 31, 2010 | December 31, 2011 | Decrease of 1%<br>December 31, 2010 |
| Present value of obligations | 40                | 33                                  | (34)              | (29)                                |
| Interest and service cost    | 4                 | 3                                   | (4)               | (3)                                 |

**xiii. Estimated future benefit payments**

The following table presents the expected benefit payments, which reflect future services, as follows:

|              | Consolidated             |                           |                                   | Total |
|--------------|--------------------------|---------------------------|-----------------------------------|-------|
|              | Overfunded pension plans | Underfunded pension plans | Others underfunded other benefits |       |
| 2012         | 494                      | 739                       | 162                               | 1,395 |
| 2013         | 510                      | 730                       | 170                               | 1,410 |
| 2014         | 527                      | 729                       | 176                               | 1,432 |
| 2015         | 543                      | 737                       | 184                               | 1,464 |
| 2016         | 559                      | 742                       | 192                               | 1,493 |
| 2017 onwards | 3,004                    | 3,906                     | 951                               | 7,861 |

|              | Parent Company           |                           |                                   | Total |
|--------------|--------------------------|---------------------------|-----------------------------------|-------|
|              | Overfunded pension plans | Underfunded pension plans | Others underfunded other benefits |       |
| 2012         | 438                      | 188                       | 39                                | 665   |
| 2013         | 453                      | 199                       | 43                                | 695   |
| 2014         | 469                      | 211                       | 47                                | 727   |
| 2015         | 483                      | 223                       | 52                                | 758   |
| 2016         | 498                      | 236                       | 57                                | 791   |
| 2017 onwards | 2682                     | 1388                      | 235                               | 4305  |

**b) Participation in the results Plan**

The Company, based in Participation in Results Program ( PPR ) allows defining, monitoring, evaluation and recognition of individual and collective performance of its employees.

The Participation in Results in the Company for each employee is calculated individually according to the achievement of goals previously established by blocks of indicators of the Company, Business Unit, Team and individual. The contribution of each block in the performance scores of employees is discussed and agreed each year, between us and the unions representing their employees.

The Company accrued expenses / costs related to participation in the result as follows:

|                      | Consolidated      |                   | Parent Company    |                   |
|----------------------|-------------------|-------------------|-------------------|-------------------|
|                      | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Operational expenses | 728               | 453               | 627               | 266               |
| Cost of good sold    | 828               | 535               | 715               | 511               |
| <b>Total</b>         | <b>1,556</b>      | <b>988</b>        | <b>1,342</b>      | <b>777</b>        |

c) **Long-term compensation plan**

Aiming to promote the vision of stockholder, in addition to increasing the ability to retain executives and to strengthen the culture of sustainability performance, Vale has a Long-term Compensation Plan, for some executives of the Company, covering 3-year cycles.

Under the terms of the plan, the participants may allocate a portion of their annual bonus to the plan. Part of the bonus allocated to the plan is used by the executive to purchase preferred stock of Vale, through a financial institution prescribed under market conditions and without any benefit provided by Vale.

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The shares purchased by the executive have no restrictions and can according to own criteria of each participant, be sold at any time. However, actions need to be kept for a period of three years and executives need to keep your employment with the Vale during this period. The participant shall be entitled, in this manner, to receive from the Vale, a payment in cash equivalent to the amount of stock holdings based on market quotations. The total number of stocks linked to the plan on December 31, 2011 and December 31, 2010 is 3,012,538 and 2,458,627, respectively.

Additionally, certain executives eligible to long-term incentives have the opportunity to receive at the end of a three years cycle a monetary value equivalent to market value of a determined number of stocks based on an assessment of their careers and performance factors measured as an indicator of total return to the Stockholders.

Liabilities are measured at fair value on the date of each issuance of the report, based on market rates.

The compensation costs incurred are recognized by the defined vesting period of three years. On December 31, 2011 and December 31, 2010, we recorded a provision of R\$ 204 and R\$ 200 respectively, in the income statement.

**21. Classification of financial instruments**

The classification of financial assets and liabilities is shown in the following tables:

|                                    | Loans and receivables (a) | At fair value through profit or loss (b) | Consolidated<br>December 31, 2011<br>Derivatives designated as<br>hedge (c) | Available-for-sale (d) | Total         |
|------------------------------------|---------------------------|--|---|------------------------|---------------|
| <b>Financial assets</b>            |                           |  |   |                        |               |
| <b>Current</b>                     |                           |  |   |                        |               |
| Cash and cash equivalents          | 7,458                     |  |   |                        | 7,458         |
| Derivatives at fair value          |                           | 820                                      | 302   |                        | 1,122         |
| Accounts receivable from customers | 16,236                    |  |   |                        | 16,236        |
| Related parties                    | 69                        |  |   |                        | 69            |
|                                    | <b>23,763</b>             | <b>820</b>                               | <b>302</b>  |                        | <b>24,885</b> |
| <b>Non current</b>                 |                           |  |   |                        |               |
| Related parties                    | 904                       |  |   |                        | 904           |



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|                                   |               |              |            |               |
|-----------------------------------|---------------|--------------|------------|---------------|
| Loans and financing               | 399           |              |            | 399           |
| Derivatives at fair value         |               | 112          |            | 112           |
|                                   | <b>1,303</b>  | <b>112</b>   |            | <b>1,415</b>  |
| <b>Total of Assets</b>            | <b>25,066</b> | <b>932</b>   | <b>302</b> | <b>26,300</b> |
| <b>Financial liabilities</b>      |               |              |            |               |
| <b>Current</b>                    |               |              |            |               |
| Suppliers and contractors         | 9,157         |              |            | 9,157         |
| Derivatives at fair value         |               | 112          | 26         | 138           |
| Current portion of long-term debt | 3,212         |              |            | 3,212         |
| Loans and financing               | 660           |              |            | 660           |
| Related parties                   | 32            |              |            | 32            |
|                                   | <b>13,061</b> | <b>112</b>   | <b>26</b>  | <b>13,199</b> |
| <b>Non current</b>                |               |              |            |               |
| Derivatives at fair value         |               | 1,239        |            | 1,239         |
| Loans and financing               | 42,753        |              |            | 42,753        |
| Related parties                   | 230           |              |            | 230           |
| Debentures                        |               | 2,496        |            | 2,496         |
|                                   | <b>42,983</b> | <b>3,735</b> |            | <b>46,718</b> |
| <b>Total of Liabilities</b>       | <b>56,044</b> | <b>3,847</b> | <b>26</b>  | <b>59,917</b> |

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(a) Non-derivative financial instruments with determinable cash flow.

(b) Financial instruments acquired with the purpose of trading in the short term.

(c) See note 22.

(d) Financial instruments not classified in other categories.

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|                                       | <b>Consolidated<br/>December 31, 2010</b> |   |  |                        |               |
|---------------------------------------|---|---|--|------------------------|---------------|
|                                       | Loans and receivables (a)                 | At fair value through<br>profit or loss (b) | Derivatives designated as<br>hedge (c) | Available-for-sale (d) | Total         |
| <b>Financial assets</b>               |   |   |  |                        |               |
| <b>Current</b>                        |   |   |  |                        |               |
| Cash and cash equivalents             | 13,469                                    |   |  |                        | 13,469        |
| Short-term investments                | 2,987                                     |   |  |                        | 2,987         |
| Derivatives at fair value             |   | 51  | 36                                     |                        | 87            |
| Accounts receivable from customers    | 13,962                                    |   |  |                        | 13,962        |
| Related parties                       | 90  |   |  |                        | 90            |
|                                       | <b>30,508</b>                             | <b>51</b>                                   | <b>36</b>                              |                        | <b>30,595</b> |
| <b>Non current</b>                    |   |   |  |                        |               |
| Related parties                       | 8   |   |  |                        | 8             |
| Loans and financing                   | 274                                       |   |  |                        | 274           |
| Derivatives at fair value             |   | 502   |  |                        | 502           |
|                                       | <b>282</b>                                | <b>502</b>                                  |  |                        | <b>784</b>    |
| <b>Total of financial assets</b>      | <b>30,790</b>                             | <b>553</b>                                  | <b>36</b>                              |                        | <b>31,379</b> |
| <b>Financial liabilities</b>          |   |   |  |                        |               |
| <b>Current</b>                        |   |   |  |                        |               |
| Suppliers and contractors             | 5,804                                     |   |  |                        | 5,804         |
| Derivatives at fair value             |   | 92  |  |                        | 92            |
| Current portion of long-term debt     | 4,866                                     |   |  |                        | 4,866         |
| Loans and financing                   | 1,144                                     |   |  |                        | 1,144         |
| Related parties                       | 24  |   |  |                        | 24            |
|                                       | <b>11,838</b>                             | <b>92</b>                                   |  |                        | <b>11,930</b> |
| <b>Non current</b>                    |   |   |  |                        |               |
| Derivatives at fair value             |   | 15  | 88                                     |                        | 103           |
| Loans and financing                   | 37,779                                    |   |  |                        | 37,779        |
| Related parties                       | 3   |   |  |                        | 3             |
| Debentures                            |   | 2,140                                       |  |                        | 2,140         |
|                                       | <b>37,782</b>                             | <b>2,155</b>                                | <b>88</b>                              |                        | <b>40,025</b> |
| <b>Total of financial liabilities</b> | <b>49,620</b>                             | <b>2,247</b>                                | <b>88</b>                              |                        | <b>51,955</b> |

|  | <b>Parent Company<br/>December 31, 2011</b> |  |   |                           |       |
|--|---|--|---|---------------------------|-------|
|  | Loans and<br>receivables (a)                | At fair value<br>through<br>profit or loss (b) | Derivatives<br>designated as<br>hedge (c) | Available-for-sale<br>(d) | Total |

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| <b>Financial assets</b>            |               |              |           |               |
|------------------------------------|---------------|--------------|-----------|---------------|
| <b>Current</b>                     |               |              |           |               |
| Cash and cash equivalents          | 575           |              |           | 575           |
| Derivatives at fair value          |               | 573          | 1         | 574           |
| Accounts receivable from customers | 15,809        |              |           | 15,809        |
| Related parties                    | 2,561         |              |           | 2,561         |
|                                    | <b>18,945</b> | <b>573</b>   | <b>1</b>  | <b>19,519</b> |
| <b>Non Current</b>                 |               |              |           |               |
| Related parties                    | 446           |              |           | 446           |
| Loans and financing                | 158           |              |           | 158           |
| Derivatives at fair value          |               | 96           |           | 96            |
|                                    | <b>604</b>    | <b>96</b>    |           | <b>700</b>    |
| <b>Total of Assets</b>             | <b>19,549</b> | <b>669</b>   | <b>1</b>  | <b>20,219</b> |
| <b>Financial Liabilities</b>       |               |              |           |               |
| <b>Current</b>                     |               |              |           |               |
| Suppliers and contractors          | 3,504         |              |           | 3,504         |
| Derivatives at fair value          |               | 91           | 26        | 117           |
| Current portion of long-term debt  | 892           |              |           | 892           |
| Related parties                    | 4,959         |              |           | 4,959         |
|                                    | <b>9,355</b>  | <b>91</b>    | <b>26</b> | <b>9,472</b>  |
| <b>Non Current</b>                 |               |              |           |               |
| Derivatives at fair value          |               | 953          |           | 953           |
| Loans and financing                | 18,596        |              |           | 18,596        |
| Related parties                    | 28,654        |              |           | 28,654        |
| Debentures                         |               | 2,496        |           | 2,496         |
|                                    | <b>47,250</b> | <b>3,449</b> |           | <b>50,699</b> |
| <b>Total of Liabilities</b>        | <b>56,605</b> | <b>3,540</b> | <b>26</b> | <b>60,171</b> |

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|                                       | Loans and<br>receivables<br>(a) | At fair value<br>through<br>profit or loss (b) | Parent Company<br>December 31, 2010<br>Derivatives<br>designated as<br>hedge (c) | Available-for-sale<br>(d) | Total         |
|---------------------------------------|---------------------------------|--|--|---------------------------|---------------|
| <b>Financial assets</b>               |                                 |  |  |                           |               |
| <b>Current</b>                        |                                 |  |  |                           |               |
| Cash and cash equivalents             | 4,823                           |  |  |                           | 4,823         |
| Derivatives at fair value             |                                 | 1  | 36   |                           | 37            |
| Accounts receivable from<br>customers | 18,378                          |  |  |                           | 18,378        |
| Related parties                       | 1,123                           |  |  |                           | 1,123         |
|                                       | <b>24,324</b>                   | <b>1</b>                                       | <b>36</b>  |                           | <b>24,361</b> |
| <b>Non current</b>                    |                                 |  |  |                           |               |
| Related parties                       | 1,936                           |  |  |                           | 1,936         |
| Loans and financing                   | 164                             |  |  |                           | 164           |
| Derivatives at fair value             |                                 | 284  |  |                           | 284           |
|                                       | <b>2,100</b>                    | <b>284</b>                                     |  |                           | <b>2,384</b>  |
| <b>Total of financial assets</b>      | <b>26,424</b>                   | <b>285</b>                                     | <b>36</b>  |                           | <b>26,745</b> |
| <b>Financial liabilities</b>          |                                 |  |  |                           |               |
| <b>Current</b>                        |                                 |  |  |                           |               |
| Suppliers and contractors             | 2,863                           |  |  |                           | 2,863         |
| Current portion of long-term<br>debt  | 616                             |  |  |                           | 616           |
| Related parties                       | 5,326                           |  |  |                           | 5,326         |
|                                       | <b>8,805</b>                    |  |  |                           | <b>8,805</b>  |
| <b>Non current</b>                    |                                 |  |  |                           |               |
| Loans and financing                   | 15,908                          |  |  |                           | 15,908        |
| Related parties                       | 27,597                          |  |  |                           | 27,597        |
| Debentures                            |                                 | 2,140  |  |                           | 2,140         |
|                                       | <b>43,505</b>                   | <b>2,140</b>                                   |  |                           | <b>45,645</b> |
| <b>Total of financial liabilities</b> | <b>52,310</b>                   | <b>2,140</b>                                   |  |                           | <b>54,450</b> |

**22. Fair Value Estimative**

Due to the short-term cycle, it is assumed that the fair value of cash and cash equivalents balances, short-term investments, accounts receivable and accounts payable are close to their book values. For measurement and determination of fair value, the Company uses various methods including market approaches, income or cost, in order to estimate the value that market participants would use when pricing the asset or liability. The financial assets and liabilities recorded at fair value should be classified and disclosed in accordance with the following levels:

**Level 1** Unadjusted quoted prices on an active, liquid and visible market for identical assets or liabilities that are accessible at the measurement date;

**Level 2** - Quoted prices (adjusted or unadjusted) for identical or similar assets or liabilities on active markets; and

**Level 3** - Assets and liabilities, which quoted prices does not exist, or those prices or valuation techniques are supported by little or no market activity, unobservable or illiquid.

The tables below present the assets and liabilities of the parent company and the consolidated measured at fair value on December 31, 2011, 31 December 2010 and January 1, 2010.

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|   | Consolidated<br>December 31, 2011 |              |              | December 31, 2010 |              |              |
|---|-----------------------------------|--------------|--------------|-------------------|--------------|--------------|
|   | Level 1                           | Level 2      | Total (*)    | Level 1           | Level 2      | Total (*)    |
| <b>Financial Assets</b>                         |                                   |              |              |                   |              |              |
| <b>Current</b>                                  |                                   |              |              |                   |              |              |
| Deriatives at fair value through profit or loss |                                   | 820          | 820          | 22                | 29           | 51           |
| Derivatives designated as hedges                |                                   | 302          | 302          |                   | 36           | 36           |
|   |                                   | <b>1,122</b> | <b>1,122</b> | <b>22</b>         | <b>65</b>    | <b>87</b>    |
| <b>Non-Current</b>                              |                                   |              |              |                   |              |              |
| Deriatives at fair value through profit or loss |                                   | 112          | 112          |                   | 502          | 502          |
|   |                                   | <b>112</b>   | <b>112</b>   |                   | <b>502</b>   | <b>502</b>   |
| <b>Total of Assets</b>                          |                                   | <b>1,234</b> | <b>1,234</b> | <b>22</b>         | <b>567</b>   | <b>589</b>   |
| <b>Financial Liabilities</b>                    |                                   |              |              |                   |              |              |
| <b>Current</b>                                  |                                   |              |              |                   |              |              |
| Deriatives at fair value through profit or loss | 1                                 | 111          | 112          | 20                | 72           | 92           |
| Derivatives designated as hedges                |                                   | 26           | 26           |                   |              |              |
|   | <b>1</b>                          | <b>137</b>   | <b>138</b>   | <b>20</b>         | <b>72</b>    | <b>92</b>    |
| <b>Non-Current</b>                              |                                   |              |              |                   |              |              |
| Deriatives at fair value through profit or loss |                                   | 1,239        | 1,239        | 1                 | 14           | 15           |
| Derivatives designated as hedges                |                                   |              |              |                   | 88           | 88           |
| Stockholders debentures                         |                                   | 2,496        | 2,496        |                   | 2,140        | 2,140        |
|   |                                   | <b>3,735</b> | <b>3,735</b> | <b>1</b>          | <b>2,242</b> | <b>2,243</b> |
| <b>Total of Liabilities</b>                     | <b>1</b>                          | <b>3,872</b> | <b>3,873</b> | <b>21</b>         | <b>2,314</b> | <b>2,335</b> |

|  | Parent Company<br>December 31, 2011 |            | December 31, 2010 |            |
|--|-------------------------------------|------------|-------------------|------------|
|  | Level 2                             | Total (*)  | Level 2           | Total (*)  |
| <b>Financial Assets</b>                          |                                     |            |                   |            |
| <b>Current</b>                                   |                                     |            |                   |            |
| Derivatives at fair value through profit or loss | 574                                 | 574        | 37                | 37         |
|  | <b>574</b>                          | <b>574</b> | <b>37</b>         | <b>37</b>  |
| <b>Non-current</b>                               |                                     |            |                   |            |
| Derivatives at fair value through profit or loss | 96                                  | 96         | 284               | 284        |
|  | <b>96</b>                           | <b>96</b>  | <b>284</b>        | <b>284</b> |
| <b>Total of assets</b>                           | <b>670</b>                          | <b>670</b> | <b>321</b>        | <b>321</b> |
| <b>Financial Liabilities</b>                     |                                     |            |                   |            |
| <b>Current</b>                                   |                                     |            |                   |            |
| Derivatives at fair value through profit or loss | 91                                  | 91         |                   |            |
| Derivatives designated as hedges                 | 26                                  | 26         |                   |            |

|  | 117          | 117          |              |              |
|--|--------------|--------------|--------------|--------------|
| <b>Non-current</b>                               |              |              |              |              |
| Derivatives at fair value through profit or loss | 953          | 953          |              |              |
| Stockholders debentures                          | 2,496        | 2,496        | 2,140        | 2,140        |
|  | <b>3,449</b> | <b>3,449</b> | <b>2,140</b> | <b>2,140</b> |
| <b>Total of liabilities</b>                      | <b>3,566</b> | <b>3,566</b> | <b>2,140</b> | <b>2,140</b> |

(\*) No classification according to the level 3

a) **Methods and Techniques of Evaluation**

i. **Assets and liabilities at fair value through profits or loss**

Comprise derivatives not designated as hedges and stockholders debentures.

• **Derivatives designated or not as hedge**

The financial instruments were evaluated by calculating their present value through the use of curves that impact the instrument on the dates of verification. The curves and prices used in the calculation for each group of instruments are detailed in the market curves .

The pricing method used in the case of European options is the Black & Scholes model. In this model, the fair value of the derivative is a function of volatility and price of the underlying asset, the exercise price of the option, the interest rate and period to maturity. In the case of options when the income is a function of the average price of the underlying asset over a period of life of the option, called Asian, we use the model of Turnbull & Wakeman. In this model, besides the factors that influence the option price in the Black-Scholes model, is considered the forming period of the average price.

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In the case of swaps, both the present value of the active tip and the passive tip are estimated by discounting cash flows by the interest rate of the currency in which the swap is denominated. The difference between the present value of active tip and passive tip of swap generates its fair value.

In the case of swaps tied to TJLP Long-Term Interest Rate , the calculation of fair value considers the TJLP constant, that is, projections of future cash flows in Brazilian real are made considering the last TJLP disclosed.

Contracts for the purchase or sale of products, inputs and costs of selling with future settlement are priced using the forward curves for each product. Typically, these curves are obtained in the stock exchange where the products are traded, such as the London Metals Exchange (LME), the COMEX (Commodity Exchange) or other providers of market prices. When there is no price for the desired maturity, Vale uses interpolation between the available maturities.

• **Stockholders Debentures**

Comprise the debentures issued on behalf of the privatization process (see note 27(b)), whose fair values are measured based on market approach, and its reference prices are available on the secondary market.

ii. **Assets available-for-sales**

Comprise the assets that are not held-to-maturity, for strategic reasons. Comprise investments that are valued based on quoted prices in active markets where available, or internal assessments based on expected future cash flows of the assets.

b) **Fair value measurement compared to book value**

For the loans allocated in the level 1, the evaluation method used to estimate the fair value of debt is the market approach to the contracts listed on the secondary market. And for the loans allocated in the level 2, the fair value for both fixed-indexed rate debt and floating rate is determined from the discounted cash flow using the future values of the Libor rate and the curve of Vale's Bonds (income approach).



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The fair values and carrying amounts of non-current loans (net of interest) are shown in the table below

|                           | Balance of 2011 | Fair value of 2011 | Consolidated |         |         |
|---------------------------|-----------------|--------------------|--------------|---------|---------|
|                           |                 |                    | Level 1      | Level 2 | Level 3 |
| <b>Loans (long term)*</b> | 45,325          | 48,325             | 35,884       | 12,441  |         |
| <b>Perpetual notes**</b>  | 149             | 149                |              | 149     |         |

\* Net interest of R\$640

\*\* classified on Related parties (Non-current liabilities)

|                           | Balance of 2010 | Fair value of 2010 | Consolidated |         |         |
|---------------------------|-----------------|--------------------|--------------|---------|---------|
|                           |                 |                    | Level 1      | Level 2 | Level 3 |
| <b>Loans (long term)*</b> | 42,062          | 44,233             | 33,607       | 10,625  |         |

\* Net interest of R\$584

|                           | Balance of 2011 | Fair value of 2011 | Parent Company |         |         |
|---------------------------|-----------------|--------------------|----------------|---------|---------|
|                           |                 |                    | Level 1        | Level 2 | Level 3 |
| <b>Loans (long term)*</b> | 19,209          | 19,719             | 12,010         | 7,710   |         |

\* net interest of R\$279

|                           | Balance of 2010 | Fair value of 2010 | Parent Company |         |         |
|---------------------------|-----------------|--------------------|----------------|---------|---------|
|                           |                 |                    | Level 1        | Level 2 | Level 3 |
| <b>Loans (long term)*</b> | 16,272          | 16,628             | 13,944         | 2,684   |         |

\* net interest of R\$252

(\*) No classification according to the level 3

Table of Contents**23. Stockholders Equity****a) Capital**

The Stockholders Equity is represented by common and preferred non-redeemable shares without par value. Preferred shares have the same rights as common shares, with the exception of voting for election of members of the Board of Directors. The Board of Directors may, regardless of changes to bylaws, issuing new shares (authorized capital), including the capitalization of profits and reserves to the extent authorized.

In December 31 2011, the capital was R\$75,000,000 corresponding to 5,365,304,100 (3,256,724,482 common and 2,108,579,618 preferred) shares with no par value.

| Stockholders  | December 31, 2011    |                      | Total                |
|---|----------------------|----------------------|----------------------|
|   | ON                   | PNA                  |                      |
| Valepar S.A.  | 1,716,435,045        | 20,340,000           | 1,736,775,045        |
| Brazilian Government (Golden Share)                 |                      | 12                   | 12                   |
| Foreign investors - ADRs                            | 739,482,753          | 765,585,822          | 1,505,068,575        |
| FMP - FGTS  | 99,572,382           |                      | 99,572,382           |
| PIBB - BNDES  | 2,125,375            | 2,805,380            | 4,930,755            |
| BNDESPar  | 218,386,481          | 69,432,771           | 287,819,252          |
| Foreign institutional investors in the local market | 176,756,776          | 365,179,678          | 541,936,454          |
| Institutional investors                             | 163,266,809          | 378,583,092          | 541,849,901          |
| Retail investors in the country                     | 53,787,654           | 325,553,049          | 379,340,703          |
| Treasure stock in the country                       | 86,911,207           | 181,099,814          | 268,011,021          |
| <b>Total</b>  | <b>3,256,724,482</b> | <b>2,108,579,618</b> | <b>5,365,304,100</b> |

**b) Revenue reserves**

The values of the retained earnings are distributed as:

| Investment reserve | Legal reserve | Tax incentive reserve | Total of undistributed revenue reserves |
|--------------------|---------------|-----------------------|---|
|--------------------|---------------|-----------------------|---|

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|  |               |              |              |               |
|--|---------------|--------------|--------------|---------------|
| <b>Total amount in January 1, 2010</b>   | <b>45,165</b> | <b>3,896</b> | <b>211</b>   | <b>49,272</b> |
| Capitalization of reserves               | (2,435)       |              | (131)        | (2,566)       |
| Additional remuneration to securities    | (513)         |              |              | (513)         |
| Allocation of income                     | 23,468        | 1,804        | 1,022        | 26,294        |
| <b>Total amount in December 31, 2010</b> | <b>65,685</b> | <b>5,700</b> | <b>1,102</b> | <b>72,487</b> |
| Capitalization of reserves               | (22,867)      |              | (266)        | (23,133)      |
| Allocation of income                     | 25,864        | 1,891        | 996          | 28,751        |
| <b>Total amount in December 31, 2011</b> | <b>68,682</b> | <b>7,591</b> | <b>1,832</b> | <b>78,105</b> |

Investment reserve aims to ensure the maintenance and development for activities that comprise the Company's purpose in an amount not exceeding 50% of net income.

Legal reserve is a requirement for all Brazilian Public Company and represents ownership of 5% of annual net income based on Brazilian law, up to 20% of the capital.

Tax incentive reserve resulting from the option to designate a portion of the income tax for investments in projects approved by the Brazilian Government as well as tax incentives (Note 18).

Table of Contentsc) **Resources linked to the future mandatory conversion in shares**

The mandatory convertible as at December 31, 2011 are presented:

| Series                     | Emission | Expiration | Amount (thousands of reais) |                | Coupon     |
|----------------------------|----------|------------|-----------------------------|----------------|------------|
|                            |          |            | Gross                       | Net of changes |            |
| Series VALE e VALEP - 2012 | July/09  | June/12    | 1,858                       | 1,523          | 6,75% a.a. |

The notes pay a quarterly coupon and are entitled to an additional remuneration equivalent to the cash distribution paid to ADS holders. These notes were classified as a capital instrument, mainly due to the fact that neither the Company nor the holders have the option to settle the operation, whether fully or partially, with cash, and the conversion is mandatory. Consequently, they were recognized as a specific component of shareholders' equity, net of financial charges.

The funds linked to future mandatory conversion, net of financial charges, are equivalent to the maximum of common shares and preferred shares as reported below. All the shares are currently held in treasury.

| Series                     | Maximum amount of shares |            | Amount (thousands of reais) |           |
|----------------------------|--------------------------|------------|-----------------------------|-----------|
|                            | Common                   | Preferred  | Common                      | Preferred |
| Series VALE e VALEP - 2012 | 18,415,859               | 47,284,800 | 473                         | 1,050     |

In November 2011, Vale paid additional remuneration to holders of mandatorily convertible notes, series VALE-2012 and VALE P-2012, in the amount of US\$ 1.657454 and US\$ 1.917027 per note, respectively.

In September 2011, Vale paid additional remuneration to holders of mandatorily convertible notes, series VALE-2012 and VALE P-2012, in the amount of US\$ 1.806046 and US\$ 2.088890 per note, respectively.

In April 2011, Vale paid additional remuneration to holders of mandatorily convertible notes, series VALE-2012 and VALE P-2012, in the amount of US\$ 0.985344 and US\$ 1.139659 per note, respectively.

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In January 2011, Vale paid additional remuneration to holders of mandatorily convertible notes, series VALE-2012 and VALE P-2012, US\$ 0.462708 and US\$ 0.535173 per note, respectively.

In June 2010, the notes of Rio and RIO P series were converted into ADSs and representing a total of 49,305,205 common shares and 26,130,033 preferred class A shares, respectively. The conversion was performed using 75,435,238 shares in treasury stock held in by the Company. The difference between the amount converted and the book value of the shares of R\$2,028 was recognized as capital reserve in Stockholders' equity.

### d) Treasury stocks

In November 2011, as part of the buy-back program approved in June 2011, we concluded the acquisitions of 39,536,080 common shares, at an average price of R\$ 26.25 per share, and 81,451,900 preferred shares, at an average price of R\$ 24.09 per share (including shares of each class in the form of ADR), for a total aggregate purchase price of R\$ 5,091. The repurchased shares represent 3.1% of the free float of common shares, and 4.24% of the free float of preferred shares, outstanding before the launch of the program. The shares acquired will be held in treasury for cancellation.

In December 31, 2011, there are 268,001,021 treasury stocks, in the amount of R\$ 9,917, as follows:

| Classes      | December 31, 2010  | Addition           | Reduction      | December 31, 2011  | Price of acquisition |        |       | December 31, 2011 | December 31, 2010 |
|--------------|--------------------|--------------------|----------------|--------------------|----------------------|--------|-------|-------------------|-------------------|
|              |                    |                    |                |                    | Average              | Low(*) | High  |                   |                   |
| Preferred    | 99,649,571         | 81,451,900         | (1,657)        | 181,099,814        | 37.50                | 14.02  | 47.77 | 39.75             | 45.08             |
| Common       | 47,375,394         | 39,536,080         | (267)          | 86,911,207         | 35.98                | 20.07  | 54.83 | 42.39             | 51.50             |
| <b>Total</b> | <b>147,024,965</b> | <b>120,987,980</b> | <b>(1,924)</b> | <b>268,011,021</b> |                      |        |       |                   |                   |

(\*) Shares value with splits: R\$ 1.17 preferred and R\$ 1.67 common.

Table of Contentse) **Basic and diluted earnings per share**

The value of basic earnings per shares and diluted were calculated as follows:

|   | Three-month period ended (unaudited) |                       |                      | Year ended           |                      |
|---|--------------------------------------|-----------------------|----------------------|----------------------|----------------------|
|   | December 31,<br>2011                 | September 30,<br>2011 | December 31,<br>2010 | December 31,<br>2011 | December 31,<br>2010 |
| <b>Net income from continuing operations attributable to the Company's stockholders</b> | <b>8,354</b>                         | <b>7,893</b>          | <b>10,002</b>        | <b>37,814</b>        | <b>30,292</b>        |
| Discontinued operations, net of tax   |                                      |                       |                      |                      | (222)                |
| <b>Net income attributable to the Company's stockholders</b>                            | <b>8,354</b>                         | <b>7,893</b>          | <b>10,002</b>        | <b>37,814</b>        | <b>30,070</b>        |
| <b>Basic and diluted earnings per share:</b>  |                                      |                       |                      |                      |                      |
| Income available to preferred stockholders  | 3,203                                | 3,057                 | 3,882                | 14,640               | 11,793               |
| Income available to common stockholders   | 5,151                                | 4,836                 | 6,120                | 23,174               | 18,277               |
| <b>Total</b>  | <b>8,354</b>                         | <b>7,893</b>          | <b>10,002</b>        | <b>37,814</b>        | <b>30,070</b>        |
| <b>Weighted average number of shares outstanding</b>                                    |                                      |                       |                      |                      |                      |
| (thousands of shares) - preferred shares  | 1,985,195                            | 2,033,746             | 2,044,561            | 2,031,315            | 2,083,068            |
| <b>Weighted average number of shares outstanding</b>                                    |                                      |                       |                      |                      |                      |
| (thousands of shares) - common shares   | 3,192,903                            | 3,216,400             | 3,222,619            | 3,215,479            | 3,228,439            |
| <b>Total</b>  | <b>5,178,098</b>                     | <b>5,250,146</b>      | <b>5,267,180</b>     | <b>5,246,794</b>     | <b>5,311,507</b>     |
| <b>Basic earnings per share</b>   |                                      |                       |                      |                      |                      |
| Basic earnings per preferred share  | 1.61                                 | 1.50                  | 1.90                 | 7.21                 | 5.66                 |
| Basic earnings per common share   | 1.61                                 | 1.50                  | 1.90                 | 7.21                 | 5.66                 |
| <b>Continued operations</b>   |                                      |                       |                      |                      |                      |
| Earnings per preferred share  | 1.61                                 | 1.50                  | 1.90                 | 7.21                 | 5.70                 |
| Earnings per common share   | 1.61                                 | 1.50                  | 1.90                 | 7.21                 | 5.70                 |
| <b>Discontinued operations</b>  |                                      |                       |                      |                      |                      |
| Earnings per preferred share  |                                      |                       |                      |                      | (0.04)               |
| Earnings per common share   |                                      |                       |                      |                      | (0.04)               |
| <b>Diluted earnings per share</b>   |                                      |                       |                      |                      |                      |
| Diluted earnings per preferred share  | 1.61                                 | 1.50                  | 1.90                 | 7.21                 | 5.66                 |
| Diluted earnings per common share   | 1.61                                 | 1.50                  | 1.90                 | 7.21                 | 5.66                 |

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**Continued operations**

|                                      |      |      |      |      |      |
|--------------------------------------|------|------|------|------|------|
| Diluted earnings per preferred share | 1.61 | 1.50 | 1.90 | 7.21 | 5.70 |
| Diluted earnings per common share    | 1.61 | 1.50 | 1.90 | 7.21 | 5.70 |

**Discontinued operations**

|                                      |  |  |  |  |        |
|--------------------------------------|--|--|--|--|--------|
| Diluted earnings per preferred share |  |  |  |  | (0.04) |
| Diluted earnings per common share    |  |  |  |  | (0.04) |

Table of Contentsf) **Remuneration of Stockholders**

During the 2011, Vale paid the minimum annual remuneration attributed to stockholders in 2010, in the form of interest on capital in the amount of R\$ 8,104. Additionally, we anticipate R\$ 6,856 relating to dividends of annual remuneration attributed to stockholders in 2011.

The following, proposal for allocation of 2011 stockholders remuneration:

Remuneration of Stockholders:

|   |               |
|---|---------------|
| Net income  | 37,814        |
| Legal reserve   | (1,891)       |
| Tax incentive reserve   | (996)         |
| <b>Ajusted net income</b>   | <b>34,927</b> |
| <b>Dividends:</b>   |               |
| Mandatory minimum - 25% (R\$ 1.713027 per outstanding share) in form of dividends | 8,732         |
| Statutory dividend on preferred shares:   |               |
| 3% of stockholders equity R\$ 0.933053 per outstanding share                      | 1,798         |
| 6% of capital R\$ 0.917527 per outstanding share                                  | 1,769         |
| <b>Proposed remuneration:</b>   |               |
| Dividends advanced on August 2011   | 4,855         |
| Dividends advanced on October 2011  | 2,001         |
| Interest on capital proposed in December 31, 2011                                 | 2,207         |
| <b>Remuneration to Stockholders (R\$ 1,755733 per share outstanding)</b>          | <b>9,063</b>  |

24. **Derivatives**a) **Effects of Derivatives on the balance sheet**

|                   |                   | Consolidated      |                   |
|-------------------|-------------------|-------------------|-------------------|
| Assets            |                   | Liabilities       |                   |
| December 31, 2011 | December 31, 2011 | December 31, 2011 | December 31, 2010 |



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|   | Current      | Non-current | Current   | Non-current | Current    | Non-current  | Current   | Non-current |
|---|--------------|-------------|-----------|-------------|------------|--------------|-----------|-------------|
| <b><u>Derivatives not designated as hedge</u></b>     |              |             |           |             |            |              |           |             |
| <b><u>Foreign exchange and interest rate risk</u></b> |              |             |           |             |            |              |           |             |
| CDI & TJLP vs. US\$ fixed and floating rate swap      | 768          | 112         |           | 500         | 91         | 1,101        |           |             |
| EURO floating rate vs. US\$ fixed rate swap           |              |             | 1         |             |            |              |           |             |
| US\$ floating rate vs. US\$ fixed rate swap           |              |             |           |             |            |              | 6         |             |
| AUD Forward   |              |             | 4         |             |            |              |           |             |
| Fixed rate vs. CDI swap                               | 9            |             |           |             | 2          |              | 33        |             |
| EuroBonds Swap  |              |             |           |             | 7          | 61           |           | 14          |
| Future treasury                                       |              |             |           |             | 11         |              |           |             |
| Pre dollar swap                                       | 35           |             |           | 1           |            | 77           |           |             |
| Floating US\$ vs. Pre Dollar swap                     |              |             |           |             |            |              | 1         |             |
|   | <b>812</b>   | <b>112</b>  | <b>5</b>  | <b>501</b>  | <b>111</b> | <b>1,239</b> | <b>40</b> | <b>14</b>   |
| <b><u>Commodities price risk</u></b>                  |              |             |           |             |            |              |           |             |
| Nickel  |              |             |           |             |            |              |           |             |
| Fixed price program                                   | 1            |             | 21        | 1           | 1          |              | 20        | 1           |
| Strategic program                                     |              |             |           |             |            |              | 25        |             |
| Copper  |              |             |           |             |            |              |           |             |
| Purchased scrap protection program                    |              |             |           |             |            |              | 1         |             |
| Maritime Freight Hiring Protection Program            |              |             |           |             |            |              | 3         |             |
| Bunker Oil Hedge                                      | 7            |             | 26        |             |            |              |           |             |
| Coal  |              |             |           |             |            |              | 3         |             |
|   | <b>8</b>     |             | <b>47</b> | <b>1</b>    | <b>1</b>   |              | <b>52</b> | <b>1</b>    |
| <b><u>Derivatives designated as hedge</u></b>         |              |             |           |             |            |              |           |             |
| Strategic Nickel                                      | 301          |             |           |             |            |              |           | 88          |
| Foreign exchange cash flow hedge                      | 1            |             | 35        |             | 26         |              |           |             |
|   | <b>302</b>   |             | <b>35</b> |             | <b>26</b>  |              |           | <b>88</b>   |
| <b>Total</b>  | <b>1,122</b> | <b>112</b>  | <b>87</b> | <b>502</b>  | <b>138</b> | <b>1,239</b> | <b>92</b> | <b>103</b>  |

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|   | Parent Company    |             |                   |             |                   |             |                   |             |
|---|-------------------|-------------|-------------------|-------------|-------------------|-------------|-------------------|-------------|
|   | Assets            |             |                   |             | Liabilities       |             |                   |             |
|   | December 31, 2011 |             | December 31, 2010 |             | December 31, 2011 |             | December 31, 2010 |             |
|   | Current           | Non-current | Current           | Non-current | Current           | Non-current | Current           | Non-current |
| <b><u>Derivatives not designated as hedge</u></b>     |                   |             |                   |             |                   |             |                   |             |
| <b><u>Foreign exchange and interest rate risk</u></b> |                   |             |                   |             |                   |             |                   |             |
| CDI & TJLP vs. US\$ fixed and floating rate swap      | 538               | 96          |                   | 283         | 91                | 876         |                   |             |
| EURO floating rate vs. US\$ fixed rate swap           |                   |             | 1                 |             |                   |             |                   |             |
| Pre dollar swap                                       | 35                |             |                   | 1           |                   | 77          |                   |             |
|   | <b>573</b>        | <b>96</b>   | <b>1</b>          | <b>284</b>  | <b>91</b>         | <b>953</b>  |                   |             |
| <b><u>Derivatives designated as hedge</u></b>         |                   |             |                   |             |                   |             |                   |             |
| Foreign exchange cash flow hedge                      | 1                 |             | 36                |             | 26                |             |                   |             |
|   | <b>1</b>          |             | <b>36</b>         |             | <b>26</b>         |             |                   |             |
| <b>Total</b>  | <b>574</b>        | <b>96</b>   | <b>37</b>         | <b>284</b>  | <b>117</b>        | <b>953</b>  |                   |             |

b) **Effects of derivatives in the statement of income**

|   | Consolidated                         |                    |                     |                   | Parent Company      |                   |                     |
|---|--------------------------------------|--------------------|---------------------|-------------------|---------------------|-------------------|---------------------|
|   | Three-month period ended (unaudited) |                    | Year ended          |                   | Year ended          |                   |                     |
|   | December 31, 2011                    | September 30, 2011 | 31 dezembro de 2010 | December 31, 2011 | 31 dezembro de 2010 | December 31, 2011 | 31 dezembro de 2010 |
| <b><u>Foreign exchange and interest rate risk</u></b> |                                      |                    |                     |                   |                     |                   |                     |
| CDI & TJLP vs. US\$ fixed and floating rate swap      | 30                                   | (1,209)            | 438                 | (273)             | 764                 | (220)             | 615                 |
| EURO floating rate vs. US\$ fixed rate swap           |                                      |                    |                     |                   | (1)                 |                   | (1)                 |
| US\$ floating rate vs. US\$ fixed rate swap           |                                      |                    | (7)                 |                   | (25)                |                   |                     |
| AUD Forward Fixed rate vs. CDI swap                   | (1)                                  | 30                 | 1                   | 42                | (1)                 |                   |                     |
| NDF swap  |                                      | (2)                |                     | (2)               | 7                   |                   |                     |
| Floating Libor vs. fixed Libor                        |                                      |                    |                     |                   | (3)                 |                   |                     |

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|                             |              |                |             |              |              |              |              |
|-----------------------------|--------------|----------------|-------------|--------------|--------------|--------------|--------------|
| swap                        |              |                |             |              |              |              |              |
| EuroBonds                   |              |                |             |              |              |              |              |
| Swap                        | (44)         | (101)          | 4           | (58)         | (12)         |              |              |
| Swap                        |              |                |             |              |              |              |              |
| Convertibles                |              |                |             |              | 67           |              | 67           |
| US\$ fixed rate             |              |                |             |              |              |              |              |
| vs. CDI swap                | (86)         | 287            |             | 128          |              | 128          |              |
| Randes Forward              |              | (16)           |             | (14)         |              |              |              |
| Treasury future             | (22)         |                |             | (22)         |              |              |              |
| Pre dollar swap             | (17)         | (35)           | 1           | (41)         | 1            | (45)         | 1            |
|                             | <b>(140)</b> | <b>(1,046)</b> | <b>437</b>  | <b>(240)</b> | <b>802</b>   | <b>(137)</b> | <b>682</b>   |
| <b><u>Commodities</u></b>   |              |                |             |              |              |              |              |
| <b><u>price risk</u></b>    |              |                |             |              |              |              |              |
| <b>Nickel</b>               |              |                |             |              |              |              |              |
| Fixed price                 |              |                |             |              |              |              |              |
| program                     | 12           | 15             | (1)         | 69           | 7            |              |              |
| Strategic                   |              |                |             |              |              |              |              |
| program                     |              |                | (2)         | 25           | (156)        |              |              |
| <b>Copper</b>               |              |                |             |              |              |              |              |
| Purchased scrap             |              |                |             |              |              |              |              |
| protection                  |              |                |             |              |              |              |              |
| program                     |              | 1              |             | 1            | (1)          |              |              |
| <b>Maritime</b>             |              |                |             |              |              |              |              |
| Freight Hiring              |              |                |             |              |              |              |              |
| Protection                  |              |                |             |              |              |              |              |
| Program                     |              |                | 8           |              | (10)         |              |              |
| Bunker Oil                  |              |                |             |              |              |              |              |
| Hedge                       | 4            |                | 20          | 60           | 2            |              |              |
| Coal                        |              |                | (4)         |              | (8)          |              |              |
|                             | <b>16</b>    | <b>16</b>      | <b>21</b>   | <b>155</b>   | <b>(166)</b> |              |              |
| <b><u>Embedded</u></b>      |              |                |             |              |              |              |              |
| <b><u>derivatives</u></b>   |              |                |             |              |              |              |              |
| <b>Energy -</b>             |              |                |             |              |              |              |              |
| Aluminum                    |              |                |             |              |              |              |              |
| options                     |              |                | (12)        | (12)         | (88)         |              |              |
|                             |              |                | <b>(12)</b> | <b>(12)</b>  | <b>(88)</b>  |              |              |
| <b><u>Derivatives</u></b>   |              |                |             |              |              |              |              |
| <b><u>designated as</u></b> |              |                |             |              |              |              |              |
| <b><u>hedge</u></b>         |              |                |             |              |              |              |              |
| Strategic Nickel            | 151          | 24             |             | 93           |              |              |              |
| Foreign                     |              |                |             |              |              |              |              |
| exchange cash               |              |                |             |              |              |              |              |
| flow hedge                  | 33           | 32             | 347         | 65           | 488          | 65           | 488          |
|                             | <b>184</b>   | <b>56</b>      | <b>347</b>  | <b>158</b>   | <b>488</b>   | <b>65</b>    | <b>488</b>   |
| <b>Total</b>                | <b>60</b>    | <b>(974)</b>   | <b>793</b>  | <b>61</b>    | <b>1,036</b> | <b>(72)</b>  | <b>1,170</b> |
| Financial                   |              |                |             |              |              |              |              |
| income                      | 231          | 391            | 820         | 1,765        | 1,341        | 1,051        | 1,171        |
| Financial                   |              |                |             |              |              |              |              |
| (expenses)                  | (171)        | (1,365)        | (27)        | (1,704)      | (305)        | (1,123)      | (1)          |
|                             | <b>60</b>    | <b>(974)</b>   | <b>793</b>  | <b>61</b>    | <b>1,036</b> | <b>(72)</b>  | <b>1,170</b> |

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## c) Effects of derivatives as Cash Flow hedge

|  | Consolidated                         |                    | (Inflows)/ Outflows |                   | Parent Company    |                   |
|--|--------------------------------------|--------------------|---------------------|-------------------|-------------------|-------------------|
|  | Three-month period ended (unaudited) |                    | Year ended          |                   | Year ended        |                   |
|  | December 31, 2011                    | September 30, 2011 | December 31, 2010   | December 31, 2011 | December 31, 2010 | December 31, 2011 |
| <b>Derivatives not designated as hedges</b>      |                                      |                    |                     |                   |                   |                   |
| <b>Exchange risk and interest rates</b>          |                                      |                    |                     |                   |                   |                   |
| CDI & TJLP vs. US\$ fixed and floating rate swap | (203)                                | (98)               | (1,404)             | (563)             | (1,645)           | (395)             |
| US\$ floating rate vs. US\$ fixed rate swap      | 1                                    | 1                  | 2                   | 7                 | 11                |                   |
| Euro floating rate vs. US\$ fixed rate swap      |                                      | (1)                |                     | (1)               | (1)               | (1)               |
| AUD Forward Fixed rate vs. CDI swap              |                                      |                    | (2)                 | (4)               | (16)              |                   |
| NDF swap   |                                      |                    | 17                  |                   | 53                |                   |
| Floating Libor vs. fixed Libor swap              |                                      |                    |                     |                   | 1                 |                   |
| EuroBonds Swap                                   |                                      | 2                  |                     | 2                 | (2)               |                   |
| Swap Convertibles                                |                                      |                    |                     |                   | (67)              | (67)              |
| US\$ fixed rate vs. CDI swap                     | (177)                                | 49                 |                     | (128)             |                   | (128)             |
| Randes Forward Treasury future                   | 12                                   | 13                 |                     | 13                |                   |                   |
| Pre dollar swap                                  | (1)                                  |                    |                     | (1)               |                   |                   |
|  | <b>(368)</b>                         | <b>(34)</b>        | <b>(1,390)</b>      | <b>(663)</b>      | <b>(1,672)</b>    | <b>(524)</b>      |
|  |                                      |                    |                     |                   |                   | <b>(1,458)</b>    |

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| <b>Risk of product prices</b>               |              |                |                |              |                |              |                |
|---|--------------|----------------|----------------|--------------|----------------|--------------|----------------|
| Nickel                                      |              |                |                |              |                |              |                |
| Fixed price program                         | (29)         | (9)            | (1)            | (69)         | (13)           |              |                |
| Strategic program                           |              |                | 66             |              | 183            |              |                |
| Purchased scrap protection program          | (1)          |                |                | (1)          |                |              |                |
| Maritime Freight Hiring Protection Program  |              |                | (19)           | 3            | (43)           |              |                |
| Bunker Oil Hedge                            | (21)         | (22)           | (12)           | (80)         | (61)           |              |                |
| Aluminum                                    |              |                |                |              | 28             |              |                |
| Coal  |              |                | 3              | 3            | 4              |              |                |
|   | <b>(51)</b>  | <b>(31)</b>    | <b>37</b>      | <b>(144)</b> | <b>98</b>      |              |                |
| <b>Derivatives designated as hedges</b>     |              |                |                |              |                |              |                |
| Strategic Nickel                            | (151)        | (24)           |                | (93)         |                |              |                |
| Foreign exchange cash flow hedge            | (33)         | (32)           | (381)          | (88)         | (566)          | (65)         | (488)          |
| Aluminum                                    |              |                | 31             | 12           | 82             |              |                |
|   | <b>(184)</b> | <b>(56)</b>    | <b>(350)</b>   | <b>(169)</b> | <b>(484)</b>   | <b>(65)</b>  | <b>(488)</b>   |
| <b>Total</b>                                | <b>(603)</b> | <b>(121)</b>   | <b>(1,703)</b> | <b>(976)</b> | <b>(2,058)</b> | <b>(589)</b> | <b>(1,946)</b> |
| <b>Gains (losses) unrealized derivative</b> | <b>(543)</b> | <b>(1,095)</b> | <b>(909)</b>   | <b>(915)</b> | <b>(1,022)</b> | <b>(661)</b> | <b>(776)</b>   |

d) Effects of derivatives designated as hedge

i. Cash Flow Hedge

The effects of cash flow hedge impact the stockholders equity and are presented in the following tables

|  | Currency | Year ended            |           |             | noncontrolling stockholders | Consolidated Total |
|--|----------|-----------------------|-----------|-------------|-----------------------------|--------------------|
|  |          | Parent company Nickel | Others    | Total       |                             |                    |
| Fair value measurements                        | 490      | (85)                  | 57        | 462         | 73                          | 535                |
| Reclassification to results due to realization | (488)    |                       |           | (488)       |                             | (488)              |
| <b>Net change in 2010</b>                      | <b>2</b> | <b>(85)</b>           | <b>57</b> | <b>(26)</b> | <b>73</b>                   | <b>47</b>          |
| Fair value measurements                        | (46)     | 437                   | 6         | 397         | 1                           | 398                |
|  | (65)     | (93)                  |           | (158)       |                             | (158)              |

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|  |              |            |          |            |          |            |
|--|--------------|------------|----------|------------|----------|------------|
| Reclassification to results due to realization |              |            |          |            |          |            |
| <b>Net change in 2011</b>                      | <b>(111)</b> | <b>344</b> | <b>6</b> | <b>239</b> | <b>1</b> | <b>240</b> |

The maturities dates of the consolidated financial instruments are as follows:

|                                   | <b>Maturities Dates</b> |
|-----------------------------------|-------------------------|
| Currencies/Interest Rates (LIBOR) | Dezembro de 2019        |
| Bunker oil                        | Dezembro de 2011        |
| Nickel                            | Dezembro de 2012        |
| Coal                              | Março de 2012           |

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**Additional information about derivatives financial instruments**

**Value at Risk computation methodology**

The Value at Risk of the positions was measured using a delta-Normal parametric approach, which considers that the future distribution of the risk factors - and its correlations - tends to present the same statistic properties verified in the historical data. The value at risk of Vale's derivatives current positions was estimated considering one business day time horizon and a 95% confidence level.

**Contracts subjected to margin calls**

Vale has contracts subject to margin calls only for part of nickel trades executed by its wholly-owned subsidiary Vale Canada Ltd. The total cash amount as of December 31, 2011 is not relevant.

**Initial Cost of Contracts**

The financial derivatives negotiated by Vale and its controlled companies didn't have initial costs (initial cash flow) associated.

The following tables show as of December 31, 2011, the derivatives positions for Vale and controlled companies with the following information: notional amount, fair value, value at risk, gains or losses in the period and the fair value for the remaining years of the operations per each group of instruments.

**R\$/US\$ Exchange Rate Adopted in Fair Value Calculation**

The derivative instruments fair values for December 31, 2011 were calculated using December 30 market data. According with accounting principles, the fair value of instruments originally negotiated in American dollar were transform in R\$ values with the objective of Company's publishing using PTAX (sell/close) published by BACEN to January 02, 2012, that is 1.8683.

**Interest Rates and Foreign Exchange Derivative Positions**

**Protection program for the Real denominated debt indexed to CDI**

- **CDI vs. US\$ fixed rate swap** In order to reduce the cash flow volatility, Vale entered into swap transactions to convert the cash flows from debt instruments denominated in Brazilian Reais linked to CDI to U.S. Dollars. In those swaps, Vale pays fixed rates in U.S. Dollars and receives payments linked to CDI.
- **CDI vs. US\$ floating rate swap** In order to reduce the cash flow volatility, Vale entered into swap transactions to convert the cash flows from debt instruments denominated in Brazilian Reais linked to CDI to U.S. Dollars. In those swaps, Vale pays floating rates in U.S. Dollars (Libor - London Interbank Offered Rate) and receives payments linked to CDI.

Those instruments were used to convert the cash flows from debentures issued in 2006 with a nominal value of R\$ 5.5 billion, from the NCE (Credit Export Notes) issued in 2008 with nominal value of R\$ 2 billion and also from property and services acquisition financing realized in 2006 and 2007 with nominal value of R\$ 1 billion.

| Flow                              | Notional (\$ million) |                   | Index  | Average rate | Fair value        |                   | Realized Gain/Loss December 31, 2011 | VaR December 31, 2011 | R\$ Million        |              |           |              |
|-----------------------------------|-----------------------|-------------------|--------|--------------|-------------------|-------------------|--------------------------------------|-----------------------|--------------------|--------------|-----------|--------------|
|                                   | December 31, 2011     | December 31, 2010 |        |              | December 31, 2011 | December 31, 2010 |                                      |                       | Fair value by year |              |           |              |
|                                   |                       |                   |        |              |                   |                   |                                      |                       | 2012               | 2013         | 2014      | 2015         |
| <b>CDI vs. fixed rate swap</b>    |                       |                   |        |              |                   |                   |                                      |                       |                    |              |           |              |
| Receivable                        | R\$ 5,542             | R\$ 5,542         | CDI    | 103.03%      | 5,696             | 5,743             | 635                                  |                       |                    |              |           |              |
| Payable                           | US\$ 3,144            | US\$ 3,144        | US\$ + | 3.87%        | (6,075)           | (5,412)           | (205)                                |                       |                    |              |           |              |
| <b>Net</b>                        |                       |                   |        |              | <b>(379)</b>      | <b>331</b>        | <b>430</b>                           | <b>77</b>             | <b>252</b>         | <b>(474)</b> | <b>29</b> | <b>(186)</b> |
| <b>CDI vs. floating rate swap</b> |                       |                   |        |              |                   |                   |                                      |                       |                    |              |           |              |
| Receivable                        | R\$ 428               | R\$ 428           | CDI    | 103.51%      | 453               | 453               | 49                                   |                       |                    |              |           |              |
|                                   |                       |                   | Libor  |              |                   |                   |                                      |                       |                    |              |           |              |
| Payable                           | US\$ 250              | US\$ 250          | +      | 0.99%        | (486)             | (437)             | (7)                                  |                       |                    |              |           |              |
| <b>Net</b>                        |                       |                   |        |              | <b>(33)</b>       | <b>16</b>         | <b>42</b>                            | <b>6</b>              | <b>37</b>          | <b>31</b>    | <b>30</b> | <b>(131)</b> |

**Type of contracts:** OTC Contracts

**Protected Item:** Debts linked to R\$



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The protected items are the Debts linked to R\$ because the objective of this protection is to transform the obligations linked to R\$ into obligations linked to US\$ so as to achieve a currency offset by matching Vale's receivables (mainly linked to US\$) with Vale's payables.

**Protection program for the real denominated debt indexed to TJLP**

- TJLP vs. US\$ fixed rate swap** In order to reduce the cash flow volatility, Vale entered into swap transactions to convert the cash flows of the loans with Banco Nacional de Desenvolvimento Econômico e Social (BNDES) from TJLP(1) to U.S. Dollars. In those swaps, Vale pays fixed rates in U.S. Dollars and receives payments linked to TJLP.
- TJLP vs. US\$ floating rate swap** In order to reduce the cash flow volatility, Vale entered into swap transactions to convert the cash flows of the loans with BNDES from TJLP to U.S. Dollars. In those swaps, Vale pays floating rates in U.S. Dollars (Libor) and receives payments linked to TJLP.

| Flow                                    | Notional (\$ million) |                   | Index | Average rate | Fair value        |                   | Realized Gain/Loss December 31, 2011 | VaR December 31, 2011 | R\$ Million        |      |      |      |           |      |       |
|---|-----------------------|-------------------|-------|--------------|-------------------|-------------------|--------------------------------------|-----------------------|--------------------|------|------|------|-----------|------|-------|
|   | December 31, 2011     | December 31, 2010 |       |              | December 31, 2011 | December 31, 2010 |                                      |                       | Fair value by year |      |      |      |           |      |       |
|   |                       |                   |       |              |                   |                   |                                      |                       | 2012               | 2013 | 2014 | 2015 | 2016-2019 |      |       |
| <b>Swap TJLP vs. fixed rate swap</b>    |                       |                   |       |              |                   |                   |                                      |                       |                    |      |      |      |           |      |       |
|   |                       |                   |       |              |                   |                   |                                      |                       |                    |      |      |      |           |      |       |
|   |                       |                   |       |              |                   |                   |                                      |                       |                    |      |      |      |           |      |       |
| Receivable                              | R\$                   | 3.107             | R\$   | 2.418        | TJLP +            | 1.37%             | 2.927                                | 2.072                 | 166                |      |      |      |           |      |       |
|   |                       |                   |       |              |                   |                   |                                      |                       |                    |      |      |      |           |      |       |
| Payable                                 | US\$                  | 1.611             | US\$  | 1.228        | USD +             | 2.65%             | (2.945)                              | (1.966)               | (98)               |      |      |      |           |      |       |
| Net                                     |                       |                   |       |              |                   |                   | (18)                                 | 106                   | 68                 | 38   | 197  | 150  | (92)      | (92) | (181) |
| <b>Swap TJLP vs. floating rate swap</b> |                       |                   |       |              |                   |                   |                                      |                       |                    |      |      |      |           |      |       |
|   |                       |                   |       |              |                   |                   |                                      |                       |                    |      |      |      |           |      |       |
|   |                       |                   |       |              |                   |                   |                                      |                       |                    |      |      |      |           |      |       |
| Receivable                              | R\$                   | 774               | R\$   | 739          | TJLP +            | 0.96%             | 695                                  | 618                   | 15                 |      |      |      |           |      |       |
|   |                       |                   |       |              |                   |                   |                                      |                       |                    |      |      |      |           |      |       |
| Payable                                 | US\$                  | 365               | US\$  | 372          | Libor +           | -1.14%            | (578)                                | (571)                 | (8)                |      |      |      |           |      |       |
| Net                                     |                       |                   |       |              |                   |                   | 117                                  | 47                    | 7                  | 8    | 189  | 39   | (46)      | 5    | (70)  |

**Type of contracts:** OTC Contracts

**Protected Item:** Debts linked to R\$

The protected items are the Debts linked to R\$ because the objective of this protection is to transform the obligations linked to R\$ into obligations linked to US\$ so as to achieve a currency offset by matching Vale's receivables (mainly linked to US\$) with Vale's payables.

**Protection program for the Real denominated fixed rate debt**

- **R\$ fixed rate vs. US\$ fixed rate swap:** In order to hedge the cash flow volatility, Vale entered into a swap transaction to convert the cash flows from loans rate with Banco Nacional de Desenvolvimento Econômico e Social (BNDES) in Brazilian Reais linked to fixed rate to U.S. Dollars linked to fixed. In those swaps, Vale pays fixed rates in U.S. Dollars and receives fixed rates in Reais.

| Flow   | Notional (\$ million) |                   | Index | Average rate | Fair value        |                   | Realized Gain/Loss December 31, 2011 | VaR December 31, 2011 | R\$ Million        |          |           |           |          |             |             |
|--|-----------------------|-------------------|-------|--------------|-------------------|-------------------|--------------------------------------|-----------------------|--------------------|----------|-----------|-----------|----------|-------------|-------------|
|  | December 31, 2011     | December 31, 2010 |       |              | December 31, 2011 | December 31, 2010 |                                      |                       | Fair value by year |          |           |           |          |             |             |
|  |                       |                   |       |              |                   |                   |                                      |                       | 2012               | 2013     | 2014      | 2015      | 2016     |             |             |
| <b>R\$ fixed rate vs. US\$ fixed rate swap</b> |                       |                   |       |              |                   |                   |                                      |                       |                    |          |           |           |          |             |             |
| Receivable                                     | R\$                   | 615               | R\$   | 204          | <b>Fixed</b>      | 4.64%             | 517                                  | 157                   | 10                 |          |           |           |          |             |             |
| Payable  | US\$                  | 355               | US\$  | 121          | <b>US\$+</b>      | -1.20%            | (560)                                | (156)                 | 4                  |          |           |           |          |             |             |
| <b>Net</b>                                     |                       |                   |       |              |                   |                   | <b>(43)</b>                          | <b>1</b>              | <b>14</b>          | <b>7</b> | <b>35</b> | <b>23</b> | <b>9</b> | <b>(26)</b> | <b>(84)</b> |

**Type of contracts:** OTC Contracts

**Protected Item:** Debts linked to R\$

The protected items are the Debts linked to R\$ because the objective of this protection is to transform the obligations linked to R\$ into obligations linked to US\$ so as to achieve a currency offset by matching Vale's receivables (mainly linked to US\$) with Vale's payables.

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(1) Due to TJLP derivatives market liquidity constraints, some swap trades were done through CDI equivalency.

Table of Contents**Foreign Exchange cash flow hedge**

- **R\$ fixed rate vs. US\$ fixed rate swap** In order to reduce the cash flow volatility, Vale entered into swap transactions to mitigate the foreign exchange exposure that arises from the currency mismatch between the revenues denominated in U.S. Dollars and the disbursements and investments denominated in Brazilian Reais.

| Flow       | Notional (\$ million) |                   | Index | Average rate | Fair value        |                   | Realized Gain/Loss December 31, 2011 | VaR December 31, 2011 | R\$ millions Fair value by year 2012 |
|------------|-----------------------|-------------------|-------|--------------|-------------------|-------------------|--------------------------------------|-----------------------|--------------------------------------|
|            | December 31, 2011     | December 31, 2010 |       |              | December 31, 2011 | December 31, 2010 |                                      |                       |                                      |
| Receivable | R\$ 820               | R\$ 880           | Fixed | 6.20%        | 797               | 869               | 1,067                                |                       |                                      |
| Payable    | US\$ 450              | US\$ 510          | US\$+ | 0.00%        | (822)             | (833)             | (1,002)                              |                       |                                      |
| <b>Net</b> |                       |                   |       |              | <b>(25)</b>       | <b>36</b>         | <b>65</b>                            | <b>11</b>             | <b>(25)</b>                          |

**Type of contracts:** OTC Contracts

**Hedged Item:** part of Vale's revenues in US\$

The P&L shown in the table above is offset by the hedged items' P&L due to R\$/US\$ exchange rate.

**Protection program for Euro denominated debt**

- **Euro floating rate vs. US\$ floating rate swap** In order to reduce the cash flow volatility, Vale entered into a swap transaction to convert the cash flows from loans in Euros linked to Euribor to U.S. Dollars linked to Libor. This trade was used to convert the cash flow of a debt in Euros, with an outstanding notional amount of 1 million, issued in 2003 by Vale. In this trade, Vale received floating rates in Euros (Euribor) and paid floating rates in U.S. Dollars (Libor).

| Notional (\$ million) | Average | Fair value | VaR | R\$ millions Fair value by year |
|-----------------------|---------|------------|-----|---------------------------------|
|-----------------------|---------|------------|-----|---------------------------------|

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| Flow       | December 31, 2011 | December 31, 2010 | Index | rate | December 31, 2011 | December 31, 2010 | Realized Gain/Loss |                   | December 31, 2011 | December 31, 2011 | 2012 |
|------------|-------------------|-------------------|-------|------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|------|
|            |                   |                   |       |      |                   |                   | December 31, 2011  | December 31, 2010 |                   |                   |      |
| Receivable |                   | 2                 |       |      |                   | 5.3               |                    | 6                 |                   |                   |      |
| Payable    | US\$              | 3                 |       |      |                   | (4.5)             |                    | (5)               |                   |                   |      |
| <b>Net</b> |                   |                   |       |      |                   | <b>0.8</b>        |                    | <b>1</b>          |                   |                   |      |

**Type of contracts:** OTC Contracts

**Protected Item:** Vale's Debt linked to EUR.

The P&L shown in the table above was offset by the hedged items P&L due to EUR/US\$ exchange rate.

- **EUR fixed rate vs. US\$ fixed rate swap:** In order to hedge the cash flow volatility, Vale entered into a swap transaction to convert the cash flows from loans in Euros linked to fixed rate to U.S. Dollars linked to fixed rate. Vale receives fixed rates in Euros and pays fixed rates in U.S. Dollars. This trade was used to convert the cash flow of a debt in Euros, with an outstanding notional amount of 750 million, issued in 2010 by Vale.

| Flow       | Notional (\$ million) |                   | Index | Average rate | Fair value        |                   | Realized Gain/Loss December 31, 2011 | VaR December 31, 2011 | R\$ million        |            |             |
|------------|-----------------------|-------------------|-------|--------------|-------------------|-------------------|--------------------------------------|-----------------------|--------------------|------------|-------------|
|            | December 31, 2011     | December 31, 2010 |       |              | December 31, 2011 | December 31, 2010 |                                      |                       | Fair value by year |            |             |
|            |                       |                   |       |              |                   |                   |                                      |                       | 2012               | 2013       | 2014        |
| Receivable | 500                   | 500               | EUR   | 4.375%       | 1,350             | 1,267             | 49                                   |                       |                    |            |             |
| Payable    | US\$ 675              | US\$ 675          | US\$  | 4.712%       | (1,418)           | (1,281)           | (51)                                 |                       |                    |            |             |
| <b>Net</b> |                       |                   |       |              | <b>(68)</b>       | <b>(14)</b>       | <b>(2)</b>                           | <b>16</b>             | <b>(7)</b>         | <b>(8)</b> | <b>(53)</b> |

**Type of contracts:** OTC Contracts

**Protected Item:** Vale's Debt linked to EUR

The P&L shown in the table above is offset by the hedged items P&L due to EUR/US\$ exchange rate.

**Protection program for US\$ floating rate debt**

- **US\$ floating rate vs. US\$ fixed rate swap** In order to reduce the cash flow volatility, Vale Canada Ltd., Vale's wholly-owned subsidiary, entered into a swap to convert U.S. Dollar floating rate debt into U.S. Dollar fixed rate debt. Vale Canada used this instrument to convert the cash flow of a debt issued in 2004 with notional amount of US\$ 200 million. In this trade, Vale paid fixed rates in U.S. Dollars and received floating rates in U.S. Dollars (Libor).



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| Flow       | Notional (\$ million) |                   |                   | Index | Average rate | Fair value        |                   | Realized Gain/Loss<br>December 31, 2011 | VaR<br>December 31, 2011 | R\$ million<br>Fair value<br>by year<br>2012 |
|------------|-----------------------|-------------------|-------------------|-------|--------------|-------------------|-------------------|---|--------------------------|--|
|            | December 31, 2011     | December 31, 2010 | December 31, 2009 |       |              | December 31, 2011 | December 31, 2010 |   |                          |  |
| Receivable | US\$                  | 0                 | US\$              | 100   | +            | 0.00%             |                   | 167                                     | 0                        |  |
| Payable    |                       |                   | US\$              |       |              | 4.795%            |                   | (173)                                   | (7)                      |  |
| <b>Net</b> |                       |                   |                   |       |              |                   |                   | <b>(6)</b>                              | <b>(7)</b>               |  |

**Type of contracts:** OTC Contracts

**Protected Item:** Vale Canada's floating rate debt.

The P&L shown in the table above was offset by the protected items' P&L due to Libor.

#### Protection program for interest rate

- **Treasury Future** Vale entered into a treasury 10 year forward transaction (buyer) on the last quarter of 2011 with the objective of partial protection into debt cost indexed to this rate.

| Flow     | Notional (\$ million) |                      | Buy/ Sell | Average<br>rate<br>% p.a. | Fair value           |                      | Realized Gain/Loss<br>December 31, 2011 | VaR<br>December<br>31, 2011 | R\$ million<br>Fair value<br>by year<br>2012 |
|----------|-----------------------|----------------------|-----------|---------------------------|----------------------|----------------------|---|-----------------------------|--|
|          | December<br>31, 2011  | December<br>31, 2010 |           |                           | December<br>31, 2011 | December<br>31, 2010 |   |                             |  |
| Forwards | US\$                  | 900                  | B         | 1.9423                    | (10)                 |                      | (12)                                    | 0.3                         | (10)   |

**Type of contracts:** OTC Contracts

**Protected Item:** part of debt emission costs

The P&L shown in the table above was partially offset by emission cost increase/reduction due to treasury variations.

**Foreign Exchange protection program for Coal Fixed Price Sales**

In order to reduce the cash flow volatility associated with a fixed price coal contract, Vale used Australian Dollar forward purchase in order to equalize production cost and revenues currencies.

| Fluxo   | Notional (\$ million) |                   | Buy/ Sell | Average rate<br>(AUD/US\$) | Fair value        |                   | Realized Gain/Loss<br>December 31, 2011 | VaR<br>December 31, 2011 | R\$ million<br>Fair value<br>by year<br>2012 |
|---------|-----------------------|-------------------|-----------|----------------------------|-------------------|-------------------|---|--------------------------|--|
|         | December 31, 2011     | December 31, 2010 |           |                            | December 31, 2011 | December 31, 2010 |   |                          |  |
| Forward | AUD                   | 7                 | B         |                            |                   | 4                 | 4                                       |                          |  |

**Type of contracts:** OTC Contracts

**Protected Item:** part of Vale's costs in Australian Dollar.

The P&L shown in the table above was offset by the protected items' P&L due to US\$/AUD exchange rate.

**Protection program for remuneration exposure**

In order to monetize part of cash investments in Brazilian Reais with U.S. Dollar rewards in the Brazilian market, Vale entered into a swap transaction to convert profitability in Brazilian Reais cash investments in CDI to a U.S. Dollar fixed rate. In these operations, Vale received U.S. Dollars fixed rates and paid profitability linked to CDI. This program ended in December 2011 with a realized gain of R\$128 million.

**Foreign Exchange protection program for Vale's bid offer for assets in the African copperbelt**

In order to reduce volatility from the U.S. Dollar offer concerning the payment in South African Rands for Vale's bid offer for assets in the African copper belt, Vale used a South African Rands forward purchase on April 2011. On July 2011, Vale announced that it has agreed to the request by Metorex Limited (Metorex) to terminate the agreement in relation to the previously announced offer to acquire the total share capital of Metorex. On account of this, the transactions relative to this program were settled on July 2011, with a negative result of R\$14 million.

Table of Contents**Foreign Exchange protection program for cash flow**

In order to hedge the cash flow volatility, Vale entered into a swap transaction to convert part of the cash flow linked to R\$ to fixed rate to U.S. Dollars. In those swaps, Vale paid fixed rates in U.S. Dollars and received fixed rates in Reals. This program ended in December 2011 with a realized gain of R\$0.5 million.

**Commodity Derivative Positions**

The Company's cash flow is also exposed to several market risks associated to global commodities price volatilities. To offset these volatilities, Vale contracted the following derivatives transactions:

**Nickel Sales Hedging Program**

In order to reduce the cash flow volatility in 2011 and 2012, hedging transactions were implemented. These transactions fixed the prices of part of the sales in the period.

| Flow    | Notional (ton)    |                   | Buy/ Sell | Average Strike (US\$/ton) | Fair value        |                   | Realized Gain/Loss December 31, 2011 | VaR December 31, 2011 | R\$ million Fair value by year 2012 |
|---------|-------------------|-------------------|-----------|---------------------------|-------------------|-------------------|--------------------------------------|-----------------------|-------------------------------------|
|         | December 31, 2011 | December 31, 2010 |           |                           | December 31, 2011 | December 31, 2010 |                                      |                       |                                     |
| Forward | 19,998            | 18,750            | S         | 25,027                    | 234               | (87)              | 185                                  | 19                    | 234                                 |

**Type of contracts:** OTC Contracts

**Protected Item:** part of Vale's revenues linked to Nickel price.

The P&L shown in the table above is offset by the protected items' P&L due to Nickel price.



**Nickel Fixed Price Program**

In order to maintain the exposure to Nickel price fluctuations, we entered into derivatives to convert to floating prices all contracts with clients that required a fixed price. These trades aim to guarantee that the prices of these operations would be the same of the average prices negotiated in LME in the date the product is delivered to the client. It normally involves buying Nickel forwards (Over-the-Counter) or futures (exchange negotiated). Those operations are usually reverted before the maturity in order to match the settlement dates of the commercial contracts in which the prices are fixed. Whenever the Nickel Sales Hedging Program is executed, the Nickel Fixed Price Program is interrupted.

| Flow           | Notional (ton)    |                   | Buy/ Sell | Average Strike (US\$/ton) | Fair value        |                   | Realized Gain/Loss December 31, 2011 | VaR December 31, 2011 | R\$ million Fair value by year 2012 |
|----------------|-------------------|-------------------|-----------|---------------------------|-------------------|-------------------|--------------------------------------|-----------------------|-------------------------------------|
|                | December 31, 2011 | December 31, 2010 |           |                           | December 31, 2011 | December 31, 2010 |                                      |                       |                                     |
| Nickel Futures | 162               | 2,172             | B         | 21,346                    | (0.7)             | 22                | 24                                   | 0.1                   | (0.7)                               |

**Type of contracts:** LME Contracts

**Protected Item:** part of Vale's revenues linked to fixed price sales of Nickel.

The P&L shown in the table above is offset by the protected items' P&L due to Nickel price.

**Nickel Purchase Protection Program**

In order to reduce the cash flow volatility and eliminate the mismatch between the pricing of the purchased nickel (concentrate, cathode, sinter and others) and the pricing of the final product sold to our clients, hedging transactions were implemented. The items purchased are raw materials utilized to produce refined Nickel. The trades are usually implemented by the sale of nickel forward or future contracts at LME or over-the-counter operations.

| Flow           | Notional (ton)    |                   | Buy/ Sell | Average Strike (US\$/ton) | Fair value        |                   | Realized Gain/Loss December 31, 2011 | VaR December 31, 2011 | R\$ million Fair value by year 2012 |
|----------------|-------------------|-------------------|-----------|---------------------------|-------------------|-------------------|--------------------------------------|-----------------------|-------------------------------------|
|                | December 31, 2011 | December 31, 2010 |           |                           | December 31, 2011 | December 31, 2010 |                                      |                       |                                     |
| Nickel Futures | 228               | 108               | S         | 18,744                    | 0                 | (0.3)             | 34                                   | 0.2                   | 0                                   |

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**Type of contracts:** LME Contracts

**Protected Item:** part of Vale's revenues linked to Nickel price.

The P&L shown in the table above is offset by the protected items' P&L due to Nickel price.

### Bunker Oil Purchase Protection Program

In order to reduce the impact of bunker oil price fluctuation on Vale's freight hiring and consequently reducing the company's cash flow volatility, bunker oil derivatives were implemented. These transactions were executed through forward purchases and swaps.

| Flow    | Notional (ton)    |                   | Buy/ Sell | Average Strike (US\$/mt) | Fair value        |                   | Realized Gain/Loss | VaR | R\$ million Fair value by year 2012 |
|---------|-------------------|-------------------|-----------|--------------------------|-------------------|-------------------|--------------------|-----|-------------------------------------|
|         | December 31, 2011 | December 31, 2010 |           |                          | December 31, 2011 | December 31, 2010 |                    |     |                                     |
| Forward |                   | 240,000           | B         |                          |                   | 19                | 82                 |     |                                     |

**Type of contracts:** OTC Contracts

**Protected Item:** part of Vale's costs linked to Bunker Oil price.

The P&L shown in the table above was offset by the protected items' P&L due to Bunker Oil price.

### Copper Scrap Purchase Protection Program

This program was implemented in order to reduce the cash flow volatility due to the quotation period mismatch between the pricing period of copper scrap purchase and the pricing period of final products sale to the clients, as the copper scrap combined with other raw materials or inputs of Vale's wholly-owned subsidiary, Vale Canada Ltd, to produce copper. This program usually is implemented by the sale of forwards or futures at LME or Over-the-Counter operations.

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| Flow    | Notional (lbs)    |                   | Buy/ Sell | Average Strike (US\$/lbs) | Fair value        |                   | Realized Gain/Loss | VaR | R\$ million Fair value by year 2012 |
|---------|-------------------|-------------------|-----------|---------------------------|-------------------|-------------------|--------------------|-----|-------------------------------------|
|         | December 31, 2011 | December 31, 2010 |           |                           | December 31, 2011 | December 31, 2010 |                    |     |                                     |
| Forward | 892,869           | 386,675           | S         | 3.53                      | 0.2               | (0.5)             | 0.6                | 0.2 | 0.2                                 |

**Type of contracts:** OTC Contracts

**Protected Item:** of Vale's revenues linked to Copper price.

The P&L shown in the table above is offset by the protected items' P&L due to Coal price

**Embedded Derivative Positions**

The Company's cash flow is also exposed to several market risks associated to contracts that contain embedded derivatives or derivative-like features. From Vale's perspective, it may include, but is not limited to, commercial contracts, procurement contracts, rental contracts, bonds, insurance policies and loans. The following embedded derivatives were observed in 2011:

**Raw material and intermediate products purchase**

Nickel concentrate and raw materials purchase agreements, in which there are provisions based on nickel and copper future prices behavior. These provisions are considered as embedded derivatives.

| Flow            | Notional (ton)    |                   | Buy/ Sell | Average Strike (US\$/ton) | Fair value        |                   | Realized Gain/Loss | VaR      | R\$ million Fair value by year 2012 |
|-----------------|-------------------|-------------------|-----------|---------------------------|-------------------|-------------------|--------------------|----------|-------------------------------------|
|                 | December 31, 2011 | December 31, 2010 |           |                           | December 31, 2011 | December 31, 2010 |                    |          |                                     |
| Nickel Forwards | 1,951             | 1,960             | S         | 18,337                    | (0.7)             | (2)               | (7)                |          | (0.7)                               |
| Copper Forwards | 6,653             | 6,389             |           | 7,495                     | 0.9               | (5)               | (4)                |          | 0.9                                 |
| <b>Total</b>    |                   |                   |           |                           | <b>0.2</b>        | <b>(7)</b>        | <b>(11)</b>        | <b>3</b> | <b>0.2</b>                          |

Table of Contents**Derivative Positions from jointly controlled companies**

Below we present the fair values of the derivatives from jointly controlled companies. These instruments are managed under the risk policies of each company. However the effects of mark-to-market are recognized in financial statements to the extent of participation of each of these companies.

**Protection program**

In order to reduce the cash flow volatility, swap transactions was contracted to convert into Reais the cash flows from debt instruments denominated in US Dollars. In this swap, fixed rates in U.S. Dollars are received and payments linked to Reais (CDI index) are made.

| Flow                           | Notional (\$ million) |                   | Index   | Average rate | Fair Value        |                   | R\$ million VaR   |   |
|--------------------------------|-----------------------|-------------------|---------|--------------|-------------------|-------------------|-------------------|---|
|                                | December 31, 2011     | December 31, 2010 |         |              | December 31, 2011 | December 31, 2010 | December 31, 2011 |   |
| <b>Swap fixed rate vs. CDI</b> |                       |                   |         |              |                   |                   |                   |   |
| Receivable                     | US\$                  | 103               | US\$ 89 | US\$ 3.23%   | 196               |                   | 152               |   |
| Payable                        | R\$                   | 179               | R\$ 170 | CDI 102.33%  | (189)             |                   | (186)             |   |
| Net                            |                       |                   |         |              | 7                 |                   | (34)              | 3 |

**Type of contracts:** OTC Contracts

**Protected Item:** Debts indexed to US\$

The P&L shown in the table above is offset by the protected items P&L due to R\$/US\$ exchange rate.

**a) Market Curves**

To build the curves used on the pricing of the derivatives, public data from BM&F, Central Bank of Brazil, London Metals Exchange (LME) and proprietary data from Thomson Reuters and Bloomberg were used. The derivatives prices for December 31, 2011 were calculated using December 30 market data inasmuch December 31 is not considered work day for these instruments and do not present available market data.

**1. Commodities****Nickel**

| <b>Maturity</b> | <b>Price (US\$/ton)</b> | <b>Maturity</b> | <b>Price (US\$/ton)</b> | <b>Maturity</b> | <b>Price (US\$/ton)</b> |
|-----------------|-------------------------|-----------------|-------------------------|-----------------|-------------------------|
| SPOT            | 18,280.00               | JUN12           | 18,737.65               | DEC12           | 18,757.67               |
| JAN12           | 18,714.01               | JUL12           | 18,745.05               | DEC13           | 18,770.45               |
| FEB12           | 18,705.91               | AGU12           | 18,748.12               | DEC14           | 18,717.03               |
| MAR12           | 18,715.85               | SEP12           | 18,749.02               | DEC15           | 18,562.97               |
| APR12           | 18,720.98               | OCT12           | 18,749.58               | DEC16           | 18,562.97               |
| MAY12           | 18,729.66               | NOV12           | 18,749.41               | DEC17           | 18,562.97               |

**Copper**

| <b>Maturity</b> | <b>Price (US\$/lb)</b> | <b>Maturity</b> | <b>Price (US\$/lb)</b> | <b>Maturity</b> | <b>Price (US\$/lb)</b> |
|-----------------|------------------------|-----------------|------------------------|-----------------|------------------------|
| SPOT            | 3.43                   | JUN12           | 3.45                   | DEC12           | 3.46                   |
| JAN12           | 3.45                   | JUL12           | 3.45                   | DEC13           | 3.43                   |
| FEB12           | 3.45                   | AGU12           | 3.46                   | DEC14           | 3.40                   |
| MAR12           | 3.45                   | SEP12           | 3.46                   | DEC15           | 3.35                   |
| APR12           | 3.45                   | OCT12           | 3.46                   | DEC16           | 3.32                   |
| MAY12           | 3.45                   | NOV12           | 3.46                   | DEC17           | 3.28                   |

Table of Contents**2. Rates****US\$-Brazil Interest Rate**

| <b>Maturity</b> | <b>Rate (% p.a.)</b> | <b>Maturity</b> | <b>Rate (% p.a.)</b> | <b>Maturity</b> | <b>Rate (% p.a.)</b> |
|-----------------|----------------------|-----------------|----------------------|-----------------|----------------------|
| 02/01/12        | 2.33                 | 04/01/14        | 3.22                 | 10/03/16        | 4.11                 |
| 03/01/12        | 2.30                 | 07/01/14        | 3.28                 | 01/02/17        | 4.19                 |
| 04/02/12        | 2.41                 | 10/01/14        | 3.44                 | 04/03/17        | 4.26                 |
| 07/02/12        | 2.58                 | 01/02/15        | 3.57                 | 07/03/17        | 4.32                 |
| 10/01/12        | 2.70                 | 04/01/15        | 3.63                 | 10/02/17        | 4.45                 |
| 01/02/13        | 2.83                 | 07/01/15        | 3.73                 | 01/02/18        | 4.57                 |
| 04/01/13        | 2.92                 | 10/01/15        | 3.76                 | 01/02/19        | 4.98                 |
| 07/01/13        | 3.05                 | 01/04/16        | 3.81                 | 01/02/20        | 5.08                 |
| 10/01/13        | 3.09                 | 04/01/16        | 3.92                 | 01/04/21        | 5.28                 |
| 01/02/14        | 3.12                 | 07/01/16        | 4.01                 | 01/03/22        | 5.47                 |

**US\$ Interest Rate**

| <b>Maturity</b> | <b>Rate (% p.a.)</b> | <b>Maturity</b> | <b>Rate (% p.a.)</b> | <b>Maturity</b> | <b>Rate (% p.a.)</b> |
|-----------------|----------------------|-----------------|----------------------|-----------------|----------------------|
| US\$1M          | 0.30                 | US\$6M          | 0.80                 | US\$11M         | 1.07                 |
| US\$2M          | 0.43                 | US\$7M          | 0.86                 | US\$12M         | 1.13                 |
| US\$3M          | 0.58                 | US\$8M          | 0.92                 | US\$2Y          | 0.73                 |
| US\$4M          | 0.66                 | US\$9M          | 0.96                 | US\$3Y          | 0.84                 |
| US\$5M          | 0.73                 | US\$10M         | 1.02                 | US\$4Y          | 1.04                 |

**TJLP**

| <b>Maturity</b> | <b>Rate (% p.a.)</b> | <b>Maturity</b> | <b>Rate (% p.a.)</b> | <b>Maturity</b> | <b>Rate (% p.a.)</b> |
|-----------------|----------------------|-----------------|----------------------|-----------------|----------------------|
| 02/01/12        | 6.00                 | 04/01/14        | 6.00                 | 10/03/16        | 6.00                 |
| 03/01/12        | 6.00                 | 07/01/14        | 6.00                 | 01/02/17        | 6.00                 |
| 04/02/12        | 6.00                 | 10/01/14        | 6.00                 | 04/03/17        | 6.00                 |
| 07/02/12        | 6.00                 | 01/02/15        | 6.00                 | 07/03/17        | 6.00                 |
| 10/01/12        | 6.00                 | 04/01/15        | 6.00                 | 10/02/17        | 6.00                 |
| 01/02/13        | 6.00                 | 07/01/15        | 6.00                 | 01/02/18        | 6.00                 |
| 04/01/13        | 6.00                 | 10/01/15        | 6.00                 | 01/02/19        | 6.00                 |
| 07/01/13        | 6.00                 | 01/04/16        | 6.00                 | 01/02/20        | 6.00                 |
| 10/01/13        | 6.00                 | 04/01/16        | 6.00                 | 01/04/21        | 6.00                 |
| 01/02/14        | 6.00                 | 07/01/16        | 6.00                 | 01/03/22        | 6.00                 |

**BRL Interest Rate**

| <b>Maturity</b> | <b>Rate (% p.a.)</b> | <b>Maturity</b> | <b>Rate (% p.a.)</b> | <b>Maturity</b> | <b>Rate (% p.a.)</b> |
|-----------------|----------------------|-----------------|----------------------|-----------------|----------------------|
| 01/02/12        | 10.79                | 01/02/14        | 10.48                | 07/01/16        | 10.93                |
| 02/01/12        | 10.68                | 04/01/14        | 10.58                | 10/03/16        | 10.94                |
| 03/01/12        | 10.54                | 07/01/14        | 10.67                | 01/02/17        | 10.98                |
| 04/02/12        | 10.40                | 10/01/14        | 10.70                | 04/03/17        | 11.01                |
| 07/02/12        | 10.14                | 01/02/15        | 10.75                | 07/03/17        | 11.03                |
| 10/01/12        | 10.04                | 04/01/15        | 10.76                | 10/02/17        | 11.05                |
| 01/02/13        | 10.04                | 07/01/15        | 10.77                | 01/02/18        | 11.05                |
| 04/01/13        | 10.11                | 10/01/15        | 10.84                | 04/02/18        | 11.05                |
| 07/01/13        | 10.26                | 01/04/16        | 10.92                | 07/02/18        | 11.05                |
| 10/01/13        | 10.39                | 04/01/16        | 10.90                | 01/02/19        | 11.05                |

**EUR Interest Rate**

| <b>Maturity</b> | <b>EUR/US\$</b> | <b>Maturity</b> | <b>EUR/US\$</b> | <b>Maturity</b> | <b>EUR/US\$</b> |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| EUR1M           | 0.97            | EUR6M           | 1.56            | EUR11M          | 1.86            |
| EUR2M           | 1.11            | EUR7M           | 1.63            | EUR12M          | 1.91            |
| EUR3M           | 1.29            | EUR8M           | 1.70            | EUR2Y           | 0.66            |
| EUR4M           | 1.38            | EUR9M           | 1.75            | EUR3Y           | 0.68            |
| EUR5M           | 1.48            | EUR10M          | 1.81            | EUR4Y           | 0.77            |

**Currencies - Ending rates**

|          |        |          |        |          |        |
|----------|--------|----------|--------|----------|--------|
| CAD/US\$ | 1.0195 | US\$/BRL | 1.8758 | EUR/US\$ | 1.2960 |
|----------|--------|----------|--------|----------|--------|

Table of Contents**Sensitivity Analysis on Derivatives from Parent Company**

We present below the sensitivity analysis for all derivatives outstanding positions as of December 31, 2011 given predefined scenarios for market risk factors behavior. The scenarios were defined as follows:

- Fair Value: the fair value of the instruments as at December 30th , 2011;
- Scenario I: unfavorable change of 25% - Potential losses considering a shock of 25% in the market risk factors used for MtM calculation that negatively impacts the fair value of Vale s derivatives positions;
- Scenario II: favorable change of 25% - Potential profits considering a shock of 25% in the market curves used for MtM calculation that positively impacts the fair value of Vale s derivatives positions;
- Scenario III: unfavorable change of 50% - Potential losses considering a shock of 50% in the market curves used for MtM calculation that negatively impacts the fair value of Vale s derivatives positions
- Scenario IV: favorable change of 50% - Potential profits considering a shock of 50% in the market curves used for MtM calculation that positively impacts the fair value of Vale s derivatives positions;

**Sensitivity analysis - Foreign Exchange and Interest Rate Derivative Positions***Amounts in R\$ million*

| Program   | Instrument                     | Risk                                | Fair Value | Scenario I | Scenario II | Scenario III | Scenario IV |
|---|--------------------------------|-------------------------------------|------------|------------|-------------|--------------|-------------|
| Protection program for the Real denominated debt indexed to CDI | CDI vs. USD fixed rate swap    | USD/BRL fluctuation                 |            | (1.517)    | 1.517       | (3.035)      | 3.035       |
|   |                                | USD interest rate inside Brazil     |            | (62)       | 60          | (126)        | 118         |
|   |                                | Brazilian interest rate fluctuation | (379)      | (1)        | 1           | (3)          | 2           |
|   |                                | USD Libor variation                 |            | (4)        | 4           | (8)          | 8           |
|   | CDI vs. USD floating rate swap | USD/BRL fluctuation                 |            | (121)      | 121         | (242)        | 242         |



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|  |   |                                     |      |       |       |         |       |
|--|---|-------------------------------------|------|-------|-------|---------|-------|
|  |   | Brazilian interest rate fluctuation | (33) | (1)   | 1     | (2)     | 2     |
|  |   | USD Libor variation                 |      | 0     | 0     | 0       | 0     |
|  | Protected Items - Real denominated debt             | USD/BRL fluctuation                 | n.a. |       |       |         |       |
| Protection program for the Real denominated debt indexed to TJLP | TJLP vs. USD fixed rate swap                        | USD/BRL fluctuation                 |      | (736) | 736   | (1,472) | 1,472 |
|  |   | USD interest rate inside Brazil     |      | (62)  | 58    | (129)   | 113   |
|  |   | Brazilian interest rate fluctuation | (18) | (139) | 155   | (265)   | 329   |
|  |   | TJLP interest rate fluctuation      |      | (90)  | 88    | (182)   | 179   |
|  | TJLP vs. USD floating rate swap                     | USD/BRL fluctuation                 |      | (144) | 144   | (289)   | 289   |
|  |   | USD interest rate inside Brazil     |      | (24)  | 22    | (51)    | 41    |
|  |   | Brazilian interest rate fluctuation | 117  | (48)  | 56    | (90)    | 121   |
|  |   | TJLP interest rate fluctuation      |      | (33)  | 31    | (66)    | 64    |
|  |   | USD Libor variation                 |      | (10)  | 10    | (20)    | 20    |
|  | Protected Items - Real denominated debt             | USD/BRL fluctuation                 | n.a. |       |       |         |       |
| Protection program for the Real denominated fixed rate debt      | BRL fixed rate vs. USD                              | USD/BRL fluctuation                 |      | (140) | 140   | (280)   | 280   |
|  |   | USD interest rate inside Brazil     | (43) | (17)  | 16    | (36)    | 31    |
|  |   | Brazilian interest rate fluctuation |      | (37)  | 42    | (70)    | 88    |
|  | Protected Items - Real denominated debt             | USD/BRL fluctuation                 | n.a. |       |       |         |       |
| Foreign Exchange cash flow hedge                                 | BRL fixed rate vs. USD                              | USD/BRL fluctuation                 |      | (206) | 206   | (411)   | 411   |
|  |   | USD interest rate inside Brazil     | (25) | (5)   | 5     | (11)    | 10    |
|  |   | Brazilian interest rate fluctuation |      | (16)  | 17    | (32)    | 35    |
|  | Hedged Items - Part of Revenues denominated in USD  | USD/BRL fluctuation                 | n.a. | 206   | (206) | 411     | (411) |
| Protection Program for the Euro denominated debt                 | EUR fixed rate vs. USD fixed rate swap              | USD/BRL fluctuation                 |      | (17)  | 17    | (34)    | 34    |
|  |   | EUR/USD fluctuation                 |      | (337) | 337   | (675)   | 675   |
|  |   | EUR Libor variation                 | (68) | (5)   | 5     | (10)    | 10    |
|  |   | USD Libor variation                 |      | (6)   | 6     | (12)    | 11    |
|  | Protected Items - Euro denominated debt             | EUR/USD fluctuation                 | n.a. | 337   | (337) | 675     | (675) |
| Protection Program Interest Rate (Treasury 10y)                  | Treasury Future                                     | USD/BRL fluctuation                 |      | (2)   | 2     | (5)     | 5     |
|  |   | Treasury variation                  | (10) | (71)  | 71    | (142)   | 142   |
|  | Protected Items - Debt indexed to treasury 10y cost | USD/BRL fluctuation                 | n.a. | 2     | (2)   | 5       | (5)   |

Table of Contents

**Sensitivity analysis - Foreign Exchange and Interest Rate Derivative Positions**

*Amounts in R\$ million*

| <b>Program</b>  | <b>Instrument</b>  | <b>Risk</b>                         | <b>Fair Value</b>               | <b>Scenario I</b> | <b>Scenario II</b> | <b>Scenario III</b> | <b>Scenario IV</b> |       |
|---|--|-------------------------------------|---------------------------------|-------------------|--------------------|---------------------|--------------------|-------|
| Protection program for the Real denominated debt indexed to CDI | CDI vs. USD fixed rate swap                                      | USD/BRL fluctuation                 |                                 | (1.517)           | 1.517              | (3.035)             | 3.035              |       |
|   |  | USD interest rate inside Brazil     |                                 | (62)              | 60                 | (126)               | 118                |       |
|   |  | Brazilian interest rate fluctuation | (379)                           | (1)               | 1                  | (3)                 | 2                  |       |
|   |  | USD Libor variation                 |                                 | (4)               | 4                  | (8)                 | 8                  |       |
|   | CDI vs. USD floating rate swap                                   | USD/BRL fluctuation                 |                                 | (121)             | 121                | (242)               | 242                |       |
|   |  | Brazilian interest rate fluctuation | (33)                            | (1)               | 1                  | (2)                 | 2                  |       |
|   |  | USD Libor variation                 |                                 | 0                 | 0                  | 0                   | 0                  |       |
|   | Protected Items - Real denominated debt                          | USD/BRL fluctuation                 | n.a.                            |                   |                    |                     |                    |       |
|   | Protection program for the Real denominated debt indexed to TJLP | TJLP vs. USD fixed rate swap        | USD/BRL fluctuation             |                   | (736)              | 736                 | (1.472)            | 1.472 |
|   |  |                                     | USD interest rate inside Brazil |                   | (62)               | 58                  | (129)              | 113   |
| Brazilian interest rate fluctuation                             |  |                                     | (18)                            | (139)             | 155                | (265)               | 329                |       |
| TJLP interest rate fluctuation                                  |  |                                     |                                 | (90)              | 88                 | (182)               | 179                |       |
| TJLP vs. USD floating rate swap                                 |  |                                     | USD/BRL fluctuation             |                   | (144)              | 144                 | (289)              | 289   |
|   |  | USD interest rate inside Brazil     |                                 | (24)              | 22                 | (51)                | 41                 |       |
|   |  | Brazilian interest rate fluctuation | 117                             | (48)              | 56                 | (90)                | 121                |       |
|   |  | TJLP interest rate fluctuation      |                                 | (33)              | 31                 | (66)                | 64                 |       |
|   |  | USD Libor variation                 |                                 | (10)              | 10                 | (20)                | 20                 |       |
| Protected Items - Real denominated debt                         |  | USD/BRL fluctuation                 | n.a.                            |                   |                    |                     |                    |       |
| Protection program for the Real denominated fixed rate debt     | BRL fixed rate vs. USD   | USD/BRL fluctuation                 |                                 | (140)             | 140                | (280)               | 280                |       |
|   |  | USD interest rate inside Brazil     | (43)                            | (17)              | 16                 | (36)                | 31                 |       |
|   |  | Brazilian interest rate fluctuation |                                 | (37)              | 42                 | (70)                | 88                 |       |
|   | Protected Items - Real denominated debt                          | USD/BRL fluctuation                 | n.a.                            |                   |                    |                     |                    |       |
| Foreign Exchange cash flow hedge                                | BRL fixed rate vs. USD   | USD/BRL fluctuation                 | (25)                            | (206)             | 206                | (411)               | 411                |       |
|   |  |                                     |                                 | (5)               | 5                  | (11)                | 10                 |       |

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|  |   |   |      |       |       |       |       |
|--|---|---|------|-------|-------|-------|-------|
|  |   | USD interest rate inside Brazil Brazilian interest rate fluctuation |      | (16)  | 17    | (32)  | 35    |
|  | Hedged Items - Part of Revenues denominated in USD  | USD/BRL fluctuation   | n.a. | 206   | (206) | 411   | (411) |
| Protection Program for the Euro denominated debt | EUR fixed rate vs. USD fixed rate swap              | USD/BRL fluctuation   |      | (17)  | 17    | (34)  | 34    |
|  |   | EUR/USD fluctuation   |      | (337) | 337   | (675) | 675   |
|  |   | EUR Libor variation   | (68) | (5)   | 5     | (10)  | 10    |
|  |   | USD Libor variation   |      | (6)   | 6     | (12)  | 11    |
|  | Protected Items - Euro denominated debt             | EUR/USD fluctuation   | n.a. | 337   | (337) | 675   | (675) |
| Protection Program Interest Rate (Treasury 10y)  | Treasury Future                                     | USD/BRL fluctuation   |      | (2)   | 2     | (5)   | 5     |
|  |   | Treasury variation  | (10) | (71)  | 71    | (142) | 142   |
|  | Protected Items - Debt indexed to treasury 10y cost | USD/BRL fluctuation   | n.a. | 2     | (2)   | 5     | (5)   |

Sensitivity analysis - Commodity Derivative Positions

Amounts in R\$ million

| Program                                  | Instrument  | Risk                     | Fair Value | Scenario I | Scenario II | Scenario III | Scenario IV |
|--|---|--------------------------|------------|------------|-------------|--------------|-------------|
| Nickel sales hedging program             | Sale of nickel future/forward contracts                                     | Nickel price fluctuation |            | (174)      | 174         | (348)        | 348         |
|  |   | Libor USD fluctuation    | 234        | (1)        | 1           | (2)          | 2           |
|  |   | USD/BRL fluctuation      |            | (59)       | 59          | (117)        | 117         |
|  | Hedged Item: Part of Vale's revenues linked to Nickel price                 | Nickel price fluctuation | n.a.       | 174        | (174)       | 348          | (348)       |
| Nickel fixed price program               | Purchase of nickel future/forward contracts                                 | Nickel price fluctuation |            | (1)        | 1           | (3)          | 3           |
|  |   | Libor USD fluctuation    | (0,7)      | (0)        | 0           | (0)          | 0           |
|  |   | USD/BRL fluctuation      |            | 0          | 0           | 0            | 0           |
|  | Protected Item: Part of Vale's nickel revenues from sales with fixed prices | Nickel price fluctuation | n.a.       | 1          | (1)         | 3            | (3)         |
| Nickel purchase protection program       | Sale of nickel future/forward contracts                                     | Nickel price fluctuation |            | (2)        | 2           | (4)          | 4           |
|  |   | Libor USD fluctuation    | 0          | 0          | 0           | 0            | 0           |
|  |   | USD/BRL fluctuation      |            | 0          | 0           | 0            | 0           |
|  | Protected Item: Part of Vale's revenues linked to Nickel price              | Nickel price fluctuation | n.a.       | 2          | (2)         | 4            | (4)         |
| Copper Scrap Purchase Protection Program | Sale of copper future/forward contracts                                     | Copper price fluctuation |            | (1)        | 1           | (3)          | 3           |
|  |   | Libor USD fluctuation    | 0,2        | (0)        | 0           | (0)          | 0           |
|  |   | BRL/USD fluctuation      |            | 0          | 0           | (0,1)        | 0,1         |
|  | Protected Item: Part of Vale's revenues linked to Copper price              | Copper price fluctuation | n.a.       | 1          | (1)         | 3            | (3)         |

## Sensitivity analysis - Embedded Derivative Positions

Amounts in R\$ million

| Program   | Instrument                                   | Risk                     | Fair Value | Scenario I | Scenario II | Scenario III | Scenario IV |
|---|--|--------------------------|------------|------------|-------------|--------------|-------------|
| Embedded derivatives - Raw material purchase (Nickel) | Embedded derivatives - Raw material purchase | Nickel price fluctuation |            | (11)       | 11          | (21)         | 21          |
|   |  | BRL/USD fluctuation      | (1)        | (0,1)      | 0,1         | (0,3)        | 0,3         |
| Embedded derivatives - Raw material purchase (Copper) | Embedded derivatives - Raw material purchase | Copper price fluctuation |            | (16)       | 16          | (33)         | 33          |
|   |  | BRL/USD fluctuation      | 1          | (0,2)      | 0,2         | (0,5)        | 0,5         |

## Sensitivity Analysis on Derivatives from jointly controlled companies

Amounts in R\$ million

| Program            | Instrument                           | Risk                                | Fair Value | Scenario I | Scenario II | Scenario III | Scenario IV |
|--------------------|--------------------------------------|-------------------------------------|------------|------------|-------------|--------------|-------------|
| Protection program | CDI vs. USD fixed rate swap          | USD/BRL fluctuation                 |            | (49)       | 49          | (98)         | 98          |
|                    |                                      | USD interest rate inside Brazil     | 7          | (2,8)      | 3,0         | (5)          | 6           |
|                    |                                      | Brazilian interest rate fluctuation |            | (0,3)      | 0,4         | (0,6)        | 0,8         |
|                    | Protected Item - Debt indexed to USD | USD/BRL fluctuation                 | n.a.       | 49         | (49)        | 98           | (98)        |

## Sensitivity Analysis on Debt and Cash Investments

The Company's funding and cash investments linked to currencies different from Brazilian Reais are subjected to volatility of foreign exchange currencies, such as US\$/R\$.

Amounts in R\$ million

| Program          | Instrument              | Risk                | Scenario I | Scenario II | Scenario III | Scenario IV |
|------------------|-------------------------|---------------------|------------|-------------|--------------|-------------|
| Funding          | Debt denominated in BRL | No fluctuation      |            |             |              |             |
| Funding          | Debt denominated in USD | USD/BRL fluctuation | (6.984)    | 6.984       | (13.968)     | 13.968      |
| Cash Investments | Cash denominated in BRL | No fluctuation      |            |             |              |             |
| Cash Investments | Cash denominated in USD | USD/BRL fluctuation | (485)      | 485         | (969)        | 969         |

Table of Contents**Financial counterparties ratings**

Derivatives transactions are executed with financial institutions that we consider to have a very good credit quality. The exposure limits to financial institutions are proposed annually by the Executive Risk Committee and approved by the Executive Board. The financial institutions credit risk tracking is performed making use of a credit risk valuation methodology which considers, among other information, published ratings provided by international rating agencies. In the table below, we present the ratings in foreign currency published by Moody's and S&P agencies for the financial institutions that we had outstanding trades as of December 31, 2011.

| <b>Vale's Counterparty</b>            | <b>Moody's*</b> | <b>S&amp;P*</b> |
|---------------------------------------|-----------------|-----------------|
| Banco Santander                       | Aa3             | AA-             |
| Itau Unibanco*                        | A2              | BBB             |
| HSBC                                  | A1              | AA-             |
| JP Morgan Chase & Co                  | A1              | A               |
| Banco Bradesco*                       | A1              | BBB             |
| Banco do Brasil*                      | A2              | BBB             |
| Banco Votorantim*                     | A3              | BBB-            |
| Credit Agricole                       | Aa3             | A+              |
| Standard Bank                         | A3              | A               |
| Deutsche Bank                         | A3              | A+              |
| BNP Paribas                           | Aa3             | AA-             |
| Citigroup                             | Baa1            | A-              |
| Banco Safra*                          | Baa1            | BBB-            |
| ANZ Australia and New Zealand Banking | Aa3             | AA-             |
| Banco Amazônia SA                     | -               | -               |
| Societe Generale                      | A1              | A+              |
| Bank of Nova Scotia                   | Aa2             | AA-             |
| Natixis                               | A1              | A+              |
| Royal Bank of Canada                  | Aa2             | AA-             |
| China Construction Bank               | A1              | A               |
| Goldman Sachs                         | A2              | A-              |
| Bank of China                         | A1              | A               |
| Barclays                              | Baa2            | A               |
| BBVA Banco Bilbao Vizcaya Argentaria  | Aa3             | A+              |

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\* For Brazilian Banks we used local long term deposit rating

Table of Contents**25. Information by Business Segment and Consolidated Revenues by Geographic Area**

The information presented to the Executive Board with the respective performance of each segment are usually derived from the accounting records maintained in accordance with the best accounting practices, with some reallocation between segments.

**a) Results by segment**

|  | <b>Consolidated</b>                         |                     |                    |                 |               | <b>Total</b>  |
|--|---|---------------------|--------------------|-----------------|---------------|---------------|
|  | <b>Three-month period ended (unaudited)</b> |                     |                    |                 |               |               |
|  | <b>December 31, 2011</b>                    |                     |                    |                 |               |               |
|  | <b>Bulk<br/>Materials</b>                   | <b>Basic Metals</b> | <b>Fertilizers</b> | <b>Logistic</b> | <b>Others</b> |               |
| <b>Results</b>   |   |                     |                    |                 |               |               |
| Net revenue  | 20,137                                      | 4,243               | 1,442              | 809             | 507           | 27,138        |
| Cost and expenses  | (7,462)                                     | (3,237)             | (1,158)            | (805)           | (750)         | (13,412)      |
| Depreciation, depletion and amortization                           | (968)                                       | (874)               | (149)              | (109)           | (14)          | (2,114)       |
|  | <b>11,707</b>                               | <b>132</b>          | <b>135</b>         | <b>(105)</b>    | <b>(257)</b>  | <b>11,612</b> |
| <b>Financial results</b>   |   |                     |                    |                 |               |               |
|  | (1,306)                                     | 103                 | (2)                | (45)            | 99            | (1,151)       |
| Equity results from associates                                     | 26  | 169                 |                    | (8)             | (366)         | (179)         |
| Income tax and social contribution                                 | (1,615)                                     | (73)                | (79)               | (29)            | (317)         | (2,113)       |
| <b>Net income of the period</b>                                    | <b>8,812</b>                                | <b>331</b>          | <b>54</b>          | <b>(187)</b>    | <b>(841)</b>  | <b>8,169</b>  |
| <b>Net income (loss) attributable to non-controlling interests</b> |   |                     |                    |                 |               |               |
|  | (2)   | (94)                | 7                  |                 | (96)          | (185)         |
| <b>Income attributable to the company's stockholders</b>           | <b>8,814</b>                                | <b>425</b>          | <b>47</b>          | <b>(187)</b>    | <b>(745)</b>  | <b>8,354</b>  |
| <b>Sales classified by geographic area:</b>                        |   |                     |                    |                 |               |               |
| America, except United States                                      | 590   | 672                 |                    |                 | 21            | 1,283         |
| United States of America   | 84  | 540                 |                    |                 | 296           | 920           |
| Europe   | 3,312                                       | 1,311               | 80                 |                 | 31            | 4,734         |
| Middle East/Africa/Oceania   | 1,112                                       | 77                  |                    |                 | 1             | 1,190         |
| Japan  | 3,117                                       | 526                 |                    |                 | 4             | 3,647         |
| China  | 7,976                                       | 557                 |                    |                 | 31            | 8,564         |
| Asia, except Japan and China                                       | 2,453                                       | 458                 | 39                 |                 |               | 2,950         |
| Brazil   | 1,493                                       | 102                 | 1,323              | 809             | 123           | 3,850         |
| <b>Net revenue</b>   | <b>20,137</b>                               | <b>4,243</b>        | <b>1,442</b>       | <b>809</b>      | <b>507</b>    | <b>27,138</b> |
| <b>Assets in december 31, 2011</b>                                 |   |                     |                    |                 |               |               |
| Property, plant and equipment and intangible assets                | 74,717                                      | 67,142              | 18,769             | 12,575          | 4,654         | 177,857       |
| Investments  | 579   | 6,329               | 39                 | 212             | 3,758         | 10,917        |

|  | <b>Consolidated</b>                         |                     |                    |                 |               | <b>Total</b> |
|--|---|---------------------|--------------------|-----------------|---------------|--------------|
|  | <b>Three-month period ended (unaudited)</b> |                     |                    |                 |               |              |
|  | <b>September 30, 2011</b>                   |                     |                    |                 |               |              |
|  | <b>Bulk Materials</b>                       | <b>Basic Metals</b> | <b>Fertilizers</b> | <b>Logistic</b> | <b>Others</b> |              |

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| <b>Results</b>   |               |              |              |            |              |               |
|--|---------------|--------------|--------------|------------|--------------|---------------|
| Net revenue  | 21,275        | 3,734        | 1,598        | 872        | 530          | 28,009        |
| Cost and expenses  | (6,048)       | (2,867)      | (1,267)      | (708)      | (1,009)      | (11,899)      |
| Depreciation, depletion and amortization                           | (688)         | (617)        | (211)        | (132)      | (18)         | (1,666)       |
|  | <b>14,539</b> | <b>250</b>   | <b>120</b>   | <b>32</b>  | <b>(497)</b> | <b>14,444</b> |
| <b>Financial results</b>   | (5,897)       | (37)         | (132)        | 22         | (85)         | (6,129)       |
| Equity results from associates                                     | 37            |              |              |            | (9)          | 28            |
| Income tax and social contribution                                 | (270)         | (170)        | (17)         | (35)       | (1)          | (493)         |
| <b>Net income of the period</b>                                    | <b>8,409</b>  | <b>43</b>    | <b>(29)</b>  | <b>19</b>  | <b>(592)</b> | <b>7,850</b>  |
| <b>Net income (loss) attributable to non-controlling interests</b> | (3)           | 15           | 33           |            | (88)         | (43)          |
| <b>Income attributable to the company's stockholders</b>           | <b>8,412</b>  | <b>28</b>    | <b>(62)</b>  | <b>19</b>  | <b>(504)</b> | <b>7,893</b>  |
| <b>Sales classified by geographic area:</b>                        |               |              |              |            |              |               |
| America, except United States                                      | 723           | 467          | 40           |            | 18           | 1,248         |
| United States of America   | 76            | 665          |              |            | 305          | 1,046         |
| Europe   | 4,372         | 902          | 77           |            | 23           | 5,374         |
| Middle East/Africa/Oceania   | 940           | 56           |              |            |              | 996           |
| Japan  | 2,817         | 452          |              |            | 4            | 3,273         |
| China  | 9,383         | 443          |              |            | 70           | 9,896         |
| Asia, except Japan and China                                       | 1,287         | 715          |              |            |              | 2,002         |
| Brazil   | 1,677         | 34           | 1,481        | 872        | 110          | 4,174         |
| <b>Net revenue</b>   | <b>21,275</b> | <b>3,734</b> | <b>1,598</b> | <b>872</b> | <b>530</b>   | <b>28,009</b> |
| <b>Assets in september 30, 2011</b>                                |               |              |              |            |              |               |
| Property, plant and equipment and intangible assets                | 69,178        | 63,581       | 18,189       | 10,202     | 5,703        | 166,853       |
| Investments  | 666           | 6,929        | 38           | 220        | 2,957        | 10,810        |

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|  | <b>Consolidated</b>                         |                     |                    |                 |               |               |
|--|---|---------------------|--------------------|-----------------|---------------|---------------|
|  | <b>Three-month period ended (unaudited)</b> |                     |                    |                 |               |               |
|  | <b>December 31, 2010</b>                    |                     |                    |                 |               |               |
|  | <b>Bulk Materials</b>                       | <b>Basic Metals</b> | <b>Fertilizers</b> | <b>Logistic</b> | <b>Others</b> | <b>Total</b>  |
| <b>Results</b>   |   |                     |                    |                 |               |               |
| Net revenue  | <b>18,930</b>                               | <b>5,140</b>        | <b>1,248</b>       | <b>622</b>      | <b>553</b>    | <b>26,493</b> |
| Cost and expenses  | (5,865)                                     | (3,775)             | (1,173)            | (526)           | (518)         | (11,857)      |
| Depreciation, depletion and amortization                           | (674)                                       | (806)               | (248)              | (40)            | (26)          | (1,794)       |
|  | <b>12,391</b>                               | <b>559</b>          | <b>(173)</b>       | <b>56</b>       | <b>9</b>      | <b>12,842</b> |
| <b>Financial results</b>   | (396)                                       | (103)               | 7                  | 59              | (42)          | (475)         |
| Equity results from associates                                     | 108   | (22)                |                    | 6               | (128)         | (36)          |
| Income tax and social contribution                                 | (2,315)                                     | 210                 | (2)                | (22)            | 9             | (2,120)       |
| <b>Net income of the period</b>                                    | <b>9,788</b>                                | <b>644</b>          | <b>(168)</b>       | <b>99</b>       | <b>(152)</b>  | <b>10,211</b> |
| <b>Net income (loss) attributable to non-controlling interests</b> | 5   | 237                 | (39)               |                 | 6             | 209           |
| <b>Income attributable to the company's stockholders</b>           | <b>9,783</b>                                | <b>407</b>          | <b>(129)</b>       | <b>99</b>       | <b>(158)</b>  | <b>10,002</b> |
| <b>Sales classified by geographic area:</b>                        |   |                     |                    |                 |               |               |
| America, except United States                                      | 577   | 808                 | 35                 |                 | 7             | 1,427         |
| United States of America   | 57  | 519                 |                    |                 | 197           | 773           |
| Europe   | 3,353                                       | 1,363               | 6                  |                 | 22            | 4,744         |
| Middle East/Africa/Oceania   | 1,101                                       | 148                 | 19                 |                 |               | 1,268         |
| Japan  | 2,141                                       | 713                 |                    |                 | 4             | 2,858         |
| China  | 8,635                                       | 646                 |                    |                 | 37            | 9,318         |
| Asia, except Japan and China                                       | 1,528                                       | 818                 | 14                 | 3               | 10            | 2,373         |
| Brazil   | 1,538                                       | 125                 | 1,174              | 619             | 276           | 3,732         |
| <b>Net revenue</b>   | <b>18,930</b>                               | <b>5,140</b>        | <b>1,248</b>       | <b>622</b>      | <b>553</b>    | <b>26,493</b> |
| <b>Assets in december 31, 2010</b>                                 |   |                     |                    |                 |               |               |
| Property, plant and equipment and intangible assets                | 56,150                                      | 58,166              | 17,056             | 7,050           | 9,939         | 148,361       |
| Investments  | 480   | 18                  |                    | 224             | 3,223         | 3,945         |

|  | <b>Consolidated</b>      |                     |                    |                 |                |               |
|--|--------------------------|---------------------|--------------------|-----------------|----------------|---------------|
|  | <b>Year ended</b>        |                     |                    |                 |                |               |
|  | <b>December 31, 2011</b> |                     |                    |                 |                |               |
|  | <b>Bulk Materials</b>    | <b>Basic Metals</b> | <b>Fertilizers</b> | <b>Logistic</b> | <b>Others</b>  | <b>Total</b>  |
| <b>Results</b>                           |                          |                     |                    |                 |                |               |
| Net revenue                              | 76,405                   | 16,101              | 5,552              | 3,120           | 2,017          | 103,195       |
| Cost and expenses                        | (23,521)                 | (11,346)            | (4,418)            | (2,716)         | (3,615)        | (45,616)      |
| Gain on assets held for sale             |                          | 2,492               |                    |                 |                | 2,492         |
| Depreciation, depletion and amortization | (3,006)                  | (2,649)             | (769)              | (451)           | (57)           | (6,932)       |
|  | <b>49,878</b>            | <b>4,598</b>        | <b>365</b>         | <b>(47)</b>     | <b>(1,655)</b> | <b>53,139</b> |
| <b>Financial results</b>                 | (6,307)                  | (1)                 | (99)               | (110)           | (106)          | (6,623)       |
| Equity results from associates           | 117                      | 172                 |                    | (12)            | (328)          | (51)          |



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|  |               |               |              |              |                |                |
|--|---------------|---------------|--------------|--------------|----------------|----------------|
| Income tax and social contribution                                 | (7,119)       | (1,305)       | (175)        | (125)        | (341)          | (9,065)        |
| <b>Net income of the period</b>                                    | <b>36,569</b> | <b>3,464</b>  | <b>91</b>    | <b>(294)</b> | <b>(2,430)</b> | <b>37,400</b>  |
| <b>Net income (loss) attributable to non-controlling interests</b> | (12)          | (157)         | 8            |              | (253)          | (414)          |
| <b>Income attributable to the company's stockholders</b>           | <b>36,581</b> | <b>3,621</b>  | <b>83</b>    | <b>(294)</b> | <b>(2,177)</b> | <b>37,814</b>  |
| <b>Sales classified by geographic area:</b>                        |               |               |              |              |                |                |
| America, except United States                                      | 2,461         | 2,328         | 72           |              | 37             | 4,898          |
| United States of America   | 181           | 2,628         | 1            |              | 1,224          | 4,034          |
| Europe   | 15,183        | 4,134         | 255          |              | 102            | 19,674         |
| Middle East/Africa/Oceania   | 3,695         | 251           | 1            |              | 2              | 3,949          |
| Japan  | 10,283        | 2,081         |              |              | 13             | 12,377         |
| China  | 31,196        | 2,071         |              |              | 165            | 33,432         |
| Asia, except Japan and China                                       | 6,773         | 2,312         | 64           |              |                | 9,149          |
| Brazil   | 6,633         | 296           | 5,159        | 3,120        | 474            | 15,682         |
| <b>Net revenue</b>   | <b>76,405</b> | <b>16,101</b> | <b>5,552</b> | <b>3,120</b> | <b>2,017</b>   | <b>103,195</b> |
| <b>Assets in december 31, 2011</b>                                 |               |               |              |              |                |                |
| Property, plant and equipment and intangible assets                | 74,717        | 67,142        | 18,769       | 12,575       | 4,654          | 177,857        |
| Investments  | 579           | 6,329         | 39           | 212          | 3,758          | 10,917         |

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|  | <b>Consolidated<br/>Year ended<br/>December 31, 2010</b> |                     |                    |                 |               |               |
|--|--|---------------------|--------------------|-----------------|---------------|---------------|
|  | <b>Bulk Materials</b>                                    | <b>Basic Metals</b> | <b>Fertilizers</b> | <b>Logistic</b> | <b>Others</b> | <b>Total</b>  |
| <b>Results</b>   |  |                     |                    |                 |               |               |
| Net revenue  | 61,428   | 14,379              | 3,013              | 2,772           | 1,633         | 83,225        |
| Cost and expenses  | (19,503)   | (10,983)            | (2,841)            | (1,964)         | (1,703)       | (36,994)      |
| Depreciation, depletion and amortization                           | (2,605)  | (2,436)             | (374)              | (271)           | (55)          | (5,741)       |
|  | <b>39,320</b>  | <b>960</b>          | <b>(202)</b>       | <b>537</b>      | <b>(125)</b>  | <b>40,490</b> |
| <b>Financial results</b>   | (2,542)  | (168)               | 36                 | 32              | (121)         | (2,763)       |
| Equity results from associates                                     | 113  | (2)                 |                    | 6               | (165)         | (48)          |
| Income tax and social contribution                                 | (7,419)  | 430                 | (5)                | (77)            | 36            | (7,035)       |
| <b>Income from continuing operations</b>                           | <b>29,472</b>  | <b>1,220</b>        | <b>(171)</b>       | <b>498</b>      | <b>(375)</b>  | <b>30,644</b> |
| Results on discontinued operations                                 |  | (222)               |                    |                 |               | (222)         |
| <b>Net income of the period</b>                                    | <b>29,472</b>  | <b>998</b>          | <b>(171)</b>       | <b>498</b>      | <b>(375)</b>  | <b>30,422</b> |
| <b>Net income (loss) attributable to non-controlling interests</b> | 40   | 347                 | (39)               |                 | 4             | 352           |
| <b>Income attributable to the company's stockholders</b>           | <b>29,432</b>  | <b>651</b>          | <b>(132)</b>       | <b>498</b>      | <b>(379)</b>  | <b>30,070</b> |
| <b>Sales classified by geographic area:</b>                        |  |                     |                    |                 |               |               |
| America, except United States                                      | 1,823  | 2,080               | 54                 |                 | 7             | 3,964         |
| United States of America   | 142  | 1,316               |                    |                 | 975           | 2,433         |
| Europe   | 12,487   | 3,647               | 6                  | 19              | 77            | 16,236        |
| Middle East/Africa/Oceania   | 3,483  | 379                 | 19                 |                 |               | 3,881         |
| Japan  | 6,882  | 2,402               |                    |                 | 19            | 9,303         |
| China  | 25,929   | 1,612               |                    |                 | 41            | 27,582        |
| Asia, except Japan and China                                       | 5,072  | 2,527               | 14                 | 14              | 12            | 7,639         |
| Brazil   | 5,610  | 416                 | 2,920              | 2,739           | 502           | 12,187        |
| <b>Net revenue</b>   | <b>61,428</b>  | <b>14,379</b>       | <b>3,013</b>       | <b>2,772</b>    | <b>1,633</b>  | <b>83,225</b> |
| <b>Assets in december 31, 2010</b>                                 |  |                     |                    |                 |               |               |
| Property, equipment and intangible                                 | 56,150   | 58,166              | 17,056             | 7,050           | 9,939         | 148,361       |
| Investments  | 480  | 18                  |                    | 224             | 3,223         | 3,945         |

Table of Contents**26. Cost of Goods Sold and Services Rendered, and Sales and Administrative Expenses by Nature, Other Operational Expenses (incomes), net**

The costs of goods sold and services rendered are as follows:

|   | Consolidated<br>Three-month period ended (unaudited) |                    |                   | Year ended        |                   | Parent Company<br>Year ended |                   |
|---|--|--------------------|-------------------|-------------------|-------------------|------------------------------|-------------------|
|   | December 31, 2011                                    | September 30, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011            | December 31, 2010 |
| <b>Cost of goods sold and services rendered</b> |  |                    |                   |                   |                   |                              |                   |
| Personnel                                       | 1,705  | 1,411              | 1,258             | 5,587             | 3,921             | 2,513                        | 2,029             |
| Material  | 1,939  | 2,013              | 1,665             | 7,653             | 6,071             | 3,181                        | 2,959             |
| Fuel oil and gas                                | 1,020  | 989                | 897               | 3,857             | 3,615             | 1,964                        | 1,597             |
| Outsourcing services                            | 1,834  | 1,888              | 1,410             | 6,860             | 4,641             | 4,257                        | 3,720             |
| Energy  | 382  | 403                | 681               | 1,656             | 2,243             | 845                          | 1,090             |
| Acquisition of products                         | 835  | 863                | 588               | 2,951             | 1,903             | 2,547                        | 1,741             |
| Depreciation and depletion                      | 1,903  | 1,500              | 1,536             | 6,251             | 4,916             | 1,704                        | 1,669             |
| Others  | 1,517  | 1,376              | 2,350             | 5,674             | 6,447             | 3,948                        | 3,087             |
| <b>Total</b>                                    | <b>11,135</b>  | <b>10,443</b>      | <b>10,385</b>     | <b>40,489</b>     | <b>33,757</b>     | <b>20,959</b>                | <b>17,892</b>     |

The expenses are demonstrated in the tables as follows:

|  | Consolidated<br>Three-month period ended (unaudited) |                    |                   | Year ended        |                   | Parent Company<br>Year ended |                   |
|--|--|--------------------|-------------------|-------------------|-------------------|------------------------------|-------------------|
|  | December 31, 2011                                    | September 30, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011            | December 31, 2010 |
| <b>Selling and Administrative expenses</b>       |  |                    |                   |                   |                   |                              |                   |
| Personnel  | 429  | 311                | 250               | 1,267             | 828               | 777                          | 507               |
| Services (consulting, infrastructure and others) | 439  | 219                | 233               | 932               | 624               | 517                          | 376               |
|  | 58   | 40                 | 80                | 162               | 196               | 140                          | 213               |

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|                           |              |              |              |              |              |              |              |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Advertising and publicity |              |              |              |              |              |              |              |
| Depreciation              | 103          | 85           | 127          | 368          | 427          | 260          | 314          |
| Travel expenses           | 53           | 24           | 23           | 109          | 52           | 59           | 24           |
| Taxes and rents           | 25           | 23           | 21           | 83           | 94           | 23           | 33           |
| Incentive                 | 135          | 20           | 118          | 160          | 132          | 135          | 90           |
| Others                    | 153          | 134          | 105          | 475          | 269          | 271          | 154          |
| Sales                     | 176          | 282          | 233          | 653          | 579          | (6)          | 37           |
|                           | <b>1,571</b> | <b>1,139</b> | <b>1,190</b> | <b>4,209</b> | <b>3,201</b> | <b>2,176</b> | <b>1,748</b> |

The expenses are demonstrated in the tables as follows:

|   | Consolidated                         |                    |                   | Year ended        |                   | Parent Company    |                   |
|---|--------------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | Three-month period ended (unaudited) |                    |                   | Year ended        |                   | Year ended        |                   |
|   | December 31, 2011                    | September 30, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| <b>Others operational expenses (incomes), net, including research and development</b> |                                      |                    |                   |                   |                   |                   |                   |
| Provision for contingency   | 322                                  | 30                 | 8                 | 479               | 242               | 269               | 88                |
| Provision for loss with taxes credits (ICMS)  | 28                                   | 26                 | 23                | 84                | 210               | 5                 | 23                |
| Provision for variable remuneration   | 232                                  | 183                | 168               | 728               | 453               | 627               | 266               |
| Vale do Rio Doce Foundation - FVRD  | 22                                   | 56                 | 35                | 204               | 96                | 178               | 92                |
| Provision for disposal of materials/inventories                                       | 10                                   | 24                 | 4                 | 91                | 191               | 35                | 4                 |
| Pre operational, plant stoppages and idle capacity                                    | 878                                  | 608                | 813               | 2,255             | 1,968             | 183               | 82                |
| Research and development  | 975                                  | 728                | 506               | 2,862             | 1,567             | 1,460             | 1,003             |
| Others  | 353                                  | 328                | 519               | 1,146             | 1,051             | 407               | 204               |
| <b>Total</b>  | <b>2,820</b>                         | <b>1,983</b>       | <b>2,076</b>      | <b>7,849</b>      | <b>5,778</b>      | <b>3,164</b>      | <b>1,762</b>      |

Table of Contents**27. Financial result**

The financial results occurred in the periods, recorded by nature and competence, are as follows:

|  | Consolidated  |                       |                   | Year ended        |                   | Parent Company    |                   |
|--|---|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | Three-month period ended (unaudited)<br>December 31, 2011 | September 30,<br>2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| <b>Financial expenses</b>                    |   |                       |                   |                   |                   |                   |                   |
| Interest                                     | (688)   | (595)                 | (608)             | (2,403)           | (2,155)           | (2,227)           | (2,042)           |
| Labor, tax and civil contingencies           | (23)  | (37)                  | (38)              | (69)              | (282)             | (53)              | (261)             |
| Derivatives                                  | (171)   | (1,365)               | (27)              | (1,704)           | (305)             | (1,123)           | (1)               |
| Monetary and exchange rate variation (a)     | (486)   | (4,371)               | (604)             | (5,269)           | (2,822)           | (4,201)           | (1,834)           |
| Stockholders debentures                      | (222)   | (71)                  | (471)             | (380)             | (849)             | (380)             | (849)             |
| IOF  | (13)  | (3)                   | (16)              | (22)              | (137)             | (9)               | (57)              |
| Others                                       | (100)   | (693)                 | (556)             | (1,426)           | (1,367)           | (559)             | (531)             |
|  | <b>(1,703)</b>  | <b>(7,135)</b>        | <b>(2,320)</b>    | <b>(11,273)</b>   | <b>(7,917)</b>    | <b>(8,552)</b>    | <b>(5,575)</b>    |
| <b>Financial income</b>                      |   |                       |                   |                   |                   |                   |                   |
| Related parties                              | 3   |                       |                   | 7                 | 1                 | 14                | 73                |
| Short-term investments                       | 210   | 261                   | 165               | 1,041             | 434               | 724               | 210               |
| Derivatives                                  | 231   | 391                   | 820               | 1,765             | 1,341             | 1,051             | 1,171             |
| Monetary and exchange rate variation (b)     | 28  | 301                   | 696               | 1,640             | 3,117             | 1,133             | 2,025             |
| Others                                       | 80  | 53                    | 164               | 197               | 261               | 36                | 475               |
|  | <b>552</b>  | <b>1,006</b>          | <b>1,845</b>      | <b>4,650</b>      | <b>5,154</b>      | <b>2,958</b>      | <b>3,954</b>      |
| <b>Financial results, net</b>                | <b>(1,151)</b>  | <b>(6,129)</b>        | <b>(475)</b>      | <b>(6,623)</b>    | <b>(2,763)</b>    | <b>(5,594)</b>    | <b>(1,621)</b>    |
| <b>Summary of Monetary and exchange rate</b> |   |                       |                   |                   |                   |                   |                   |
| Cash and cash equivalents                    | 1   | 2                     | (76)              | (2)               | (192)             |                   | (16)              |
| Loans and financing                          | (119)   | (1,452)               | 413               | (1,254)           | 1,247             | (791)             | 367               |
| Related parties                              |   |                       |                   |                   |                   | 72                | 1,174             |
| Others                                       | (340)   | (2,620)               | (245)             | (2,373)           | (760)             | (2,349)           | (1,334)           |
| <b>Net (a+b)</b>                             | <b>(458)</b>  | <b>(4,070)</b>        | <b>92</b>         | <b>(3,629)</b>    | <b>295</b>        | <b>(3,068)</b>    | <b>191</b>        |

**28. Commitments**

**a) Nickel project New Caledonia**

In connection with the Girardin Act tax – an advantaged lease financing arrangement sponsored by the French government, we provided guarantees to BNP Paribas for the benefit of the tax investors regarding certain payments due from VNC. We also committed that assets associated with the Girardin Act lease financing would be substantially complete by December 31, 2011. The French Government and tax investors agreed to postpone the deadline to December 31, 2012. A formal request for extension has been submitted to them. We believe the likelihood of the guarantee being called upon to be remote.

Sumic Nickel Netherlands B.V. ( Sumic ), a 21% stockholder of VNC, has a put option to sell to us 25%, 50%, or 100% of the shares they own of VNC if the defined cost of the initial nickel cobalt development project, as measured by funding provided to VNC, in natural currencies and converted to U.S. dollars at specified rates of exchange, in the form of Girardin Act lease financing, shareholder loans and equity contributions by shareholders to VNC, exceeded R\$ 8.594 (US\$4.6 billion) and an agreement cannot be reached on how to proceed with the project. On May 27, 2010 the threshold was reached. The put option discussion and decision period was stayed to January 1, 2012. We are currently in discussion with Sumic on their continued participation in VNC, and expect to reach a resolution during the second or third quarter of 2012.

In addition, in the course of our operations we have provided letters of credit and guarantees in the amount of R\$ 869 (US\$ 465) that are associated with items such as environmental reclamation, asset retirement obligation commitments, electricity commitments, community service commitments and export duties.

**b) Participative Debentures**

At the time of its privatization in 1997, Vale issued debentures to then-existing stockholders, including the Brazilian Government. The debentures – terms were set to ensure that our pre-privatization stockholders, would participate in potential future benefits that might be obtained from exploiting our mineral resources.

A total of 388,559,056 debentures were issued at a par value of R\$ 0.01 (one cent), whose value will be restated in accordance with the variation in the General Market Price Index (IGP-M), as set forth in the Issue Deed. In December 31, 2011 and 2010 the total amount of these debentures was R\$ 2.496 and 2.140, respectively.

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The debenture holders have the right to receive premiums, paid semiannually, equivalent to a percentage of net revenues from specific mine resources as set forth in the indenture. During 2011 we paid remuneration on these debentures of R\$ 22.

c) **Operational lease**

- **Railroad operations**

The Company conducts part of railway operations using leases. This lease has a term of 30 years, renewable for another 30 years and expires in August 2026. It is classified as operational leasing for not having risks and benefits incidental to ownership of the asset just the obligation to pay rent for the asset. At the end of the lease the leased property will be returned to the lessor. In most cases, the Company's management expects that in the normal course of business these contracts will be renewed.

The table below shows the minimum operating lease payments in the future of rail operations on 31 December 2011.

| <b>Rail Operations</b> | <b>Consolidated</b> |
|------------------------|---------------------|
| 2012                   | 163                 |
| 2013                   | 163                 |
| 2014                   | 163                 |
| 2015                   | 163                 |
| 2016                   | 163                 |
| 2017 onwards           | 1,621               |
|                        | <b>2,436</b>        |

- **Pelletize Operations**

The table below shows the minimum operating lease payments in the future of pelletize operations on 31 December 2011.

| <b>Pelletizing Operations</b> | <b>Consolidated</b> |
|-------------------------------|---------------------|
| 2012                          | 123                 |
| 2013                          | 108                 |

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|              |            |
|--------------|------------|
| 2014         | 43         |
| 2015         | 43         |
| 2016 onwards | 120        |
|              | <b>437</b> |

The consolidated operational leasing expenses on rail operations on 31 December 2011 and in 2010 were R\$ 163 and R\$ 150, respectively and the consolidated operational leasing expenses of pelletizing operations on December 31, 2011 and in 2010 were R\$ 123 and R\$ 178, respectively.



Table of Contents**d) Concession Contracts and Sub-concession****i. Rail companies**

The Company and certain group companies entered into with the Union, through the Ministry of Transport, concession agreements for exploration and development of public rail transport of cargo and leasing of assets for the provision of such services. The accounting records of grants and sub-concessions are presented in note 13.

| <b>Railroad</b>                        | <b>End of the concession period</b> |
|--|-------------------------------------|
| Vitória a Minas e Carajás (direta) (*) | June 2027                           |
| Carajás (direta) (*)                   | June 2027                           |
| Malha Centro-Leste (indireta via FCA)  | August 2026                         |
| Malha Sudeste (indireta via MRS)       | December 2026                       |
| Ferrovias Norte Sul S.A. (FNS)         | December 2037                       |

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(\*) Concessions is not onerous.

The grant shall be terminated with the completion of one of the following events: termination of the contract term, expropriation, forfeiture, cancellation, annulment or dissolution and bankruptcy of the concessionaire.

The concessions, sub-concessions and leasing of the subsidiaries companies are recorded in the concept of operational lease and present the following:

|                         | <b>FNS</b> | <b>FCA</b> | <b>MRS</b> |
|-------------------------|------------|------------|------------|
| Total number of plots   | 3          | 112        | 118        |
| Periodicity of payments | (*)        | Trimestral | Trimestral |
| Update index            | IGP-DI FGV | IGP-DI FGV | IGP-DI FGV |
| Plots paid              | (**)       | 54         | 58         |
| Plots updated value     |            |            |            |
| Concession              |            | 2          | 3          |
| Leasing                 |            | 31         | 48         |

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(\*) In accordance with the delivery of each stretch of the railway

(\*\*) Two plots have been paid. The third plot had just 80% paid; the 20% they left is to cover existing railroad disputes.

**ii. Port**

The Company has specialized port terminals, as follows:

| <b>Terminals</b>                                     | <b>Location</b>  | <b>Expiration of the concession term</b> |
|--|------------------|--|
| Terminal of Tubarão, Praia Mole e Granéis Líquidos   | Vitória - ES     | 2020                                     |
| Terminal of Produtos Diversos                        | Vitória - ES     | 2020                                     |
| Terminal of Vila Velha                               | Vila Velha - ES  | 2023                                     |
| Terminal Marítimo de Ponta da Madeira - Píer I e III | S. Luiz - MA     | 2018                                     |
| Terminal Marítimo de Ponta da Madeira - Píer II      | S. Luiz - MA     | 2010 (*)                                 |
| Terminal Marítimo Inácio Barbosa                     | Acarajú - SE     | 2012                                     |
| Terminal of Ore Exportation- Porto de Itaguaí        | Itaguaí - RJ     | 2021                                     |
| Terminal Marítimo da Ilha Guaíba - TIG - Mangaratiba | Mangaratiba - RJ | 2018                                     |

(\*) The extension of the duration for 36 months until the date that of a new price bidding.

Table of Contents**29. Related parties**

Transactions with related parties are made by the Company in a strictly commutative manner, observing the price and usual market conditions and therefore do not generate any undue benefit to their counterparties or loss to the Company.

In the normal course of operations, Vale contracts rights and obligations with related parties (subsidiaries, associated companies, jointly controlled entities and Stockholders), derived from operations of sale and purchase of products and services, leasing of assets, sale of raw material, so as rail transport services, with prices agreed between the parties and also mutual transactions.

The balances of these related party transactions and their effect on financial statements may be identified as follows:

|   | <b>Consolidated Assets</b> |                        |                          |                        |
|---|----------------------------|------------------------|--------------------------|------------------------|
|   | <b>December 31, 2011</b>   |                        | <b>December 31, 2010</b> |                        |
|   | <b>Customers</b>           | <b>Related parties</b> | <b>Customers</b>         | <b>Related parties</b> |
| Baovale Mineração S.A.                                    | 5                          |                        | 1                        |                        |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | 162                        |                        | 216                      |                        |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO       | 1                          |                        |                          |                        |
| Korea Nickel Corporation                                  |                            |                        | 20                       |                        |
| MRS Logística S.A.  | 8                          |                        | 1                        |                        |
| Norsk Hydro ASA   |                            | 868                    |                          |                        |
| Samarco Mineração S.A.                                    | 38                         | 6                      | 44                       | 6                      |
| Others  | 104                        | 99                     | 189                      | 92                     |
| <b>Total</b>  | <b>318</b>                 | <b>973</b>             | <b>471</b>               | <b>98</b>              |
| Current   | 318                        | 69                     | 471                      | 90                     |
| Non-current   |                            | 904                    |                          | 8                      |
| <b>Total</b>  | <b>318</b>                 | <b>973</b>             | <b>471</b>               | <b>98</b>              |

|                        | <b>Consolidated Liabilities</b> |                        |                          |                        |
|------------------------|---------------------------------|------------------------|--------------------------|------------------------|
|                        | <b>December 31, 2011</b>        |                        | <b>December 31, 2010</b> |                        |
|                        | <b>Suppliers</b>                | <b>Related parties</b> | <b>Suppliers</b>         | <b>Related parties</b> |
| Baovale Mineração S.A. | 19                              |                        | 25                       |                        |

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|   |            |            |            |           |
|---|------------|------------|------------|-----------|
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO    | 5          |            | 5          | 1         |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | 149        |            | 245        |           |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO     |            |            | 8          |           |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO       | 1          | 10         | 9          | 10        |
| Minas da Serra Geral                                      | 8          |            | 8          |           |
| Mineração Rio do Norte S.A.                               |            |            | 25         |           |
| MRS Logística S.A.  | 14         |            | 8          |           |
| Norsk Hydro ASA   |            | 149        |            |           |
| Mitsui & CO, LTD  | 69         |            | 101        |           |
| Others  | 45         | 103        | 118        | 16        |
| <b>Total</b>  | <b>310</b> | <b>262</b> | <b>552</b> | <b>27</b> |
| Current   | 310        | 32         | 552        | 24        |
| Non-current   |            | 230        |            | 3         |
| <b>Total</b>  | <b>310</b> | <b>262</b> | <b>552</b> | <b>27</b> |

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|   | Parent Company<br>Assets |                 |                   |                 |
|---|--------------------------|-----------------|-------------------|-----------------|
|   | December 31, 2011        |                 | December 31, 2010 |                 |
|   | Customers                | Related parties | Customers         | Related parties |
| ALUNORTE - Alumina do Norte do Brasil S.A.                | 1                        | 1               | 2                 | 18              |
| Baovale Mineração S.A.                                    | 10                       | 3               | 2                 | 3               |
| Biopalma da Amazônia S.A.                                 |                          | 349             |                   |                 |
| Companhia Portuária Baía de Sepetiba - CPBS               | 3                        |                 | 1                 | 6               |
| CVRD OVERSEAS Ltd.  |                          |                 | 1,244             |                 |
| Ferrovias Centro - Atlântica S.A.                         | 6                        | 36              | 50                | 44              |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | 329                      |                 | 438               |                 |
| Minerações Brasileiras Reunida S.A. - MBR                 | 18                       | 555             | 4                 | 677             |
| Minerações Corumbaense Reunida S.A.                       | 139                      | 80              |                   | 362             |
| MRS Logística S.A.  | 15                       | 29              | 1                 | 21              |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO       | 1                        |                 |                   |                 |
| Salobo Metais S.A.  | 20                       | 5               | 7                 | 5               |
| Samarco Mineração S.A.                                    | 75                       | 13              | 88                | 13              |
| Vale International S.A.                                   | 14,271                   | 1,705           | 15,614            | 1,553           |
| Vale Manganês S.A.  | 44                       |                 | 32                | 182             |
| Vale Mina do Azul S.A.                                    |                          | 47              |                   |                 |
| Vale Operações Ferroviárias                               | 135                      | 11              |                   |                 |
| Vale Potássio Nordeste                                    | 45                       |                 |                   |                 |
| Others  | 137                      | 173             | 275               | 175             |
| <b>Total</b>  | <b>15,249</b>            | <b>3,007</b>    | <b>17,758</b>     | <b>3,059</b>    |
| Current   | 15,249                   | 2,561           | 17,758            | 1,123           |
| Non-current   |                          | 446             |                   | 1,936           |
| <b>Total</b>  | <b>15,249</b>            | <b>3,007</b>    | <b>17,758</b>     | <b>3,059</b>    |

|   | Parent Company<br>Liabilities |                 |                   |                 |
|---|-------------------------------|-----------------|-------------------|-----------------|
|   | December 31, 2011             |                 | December 31, 2010 |                 |
|   | Suppliers                     | Related parties | Suppliers         | Related parties |
| ALUNORTE - Alumina do Norte do Brasil S.A.                |                               |                 | 15                |                 |
| Baovale Mineração S.A.                                    | 37                            |                 | 51                |                 |
| Companhia Portuária Baía de Sepetiba - CPBS               | 58                            |                 | 28                |                 |
| CVRD OVERSEAS Ltd.  |                               |                 |                   | 217             |
| Ferrovias Centro - Atlântica S.A.                         | 19                            |                 | 19                |                 |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO    | 9                             |                 | 9                 |                 |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | 303                           |                 | 500               |                 |
| Minerações Brasileiras Reunidas S.A. - MBR                | 44                            |                 | 32                | 271             |
| MRS Logística S.A.  | 37                            |                 | 25                |                 |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO       | 2                             | 21              | 18                | 21              |
| Vale International S.A.                                   | 8                             | 33,582          | 4                 | 32,412          |
| Vale Mina do Azul S.A.                                    | 152                           |                 |                   |                 |

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|                        |            |               |              |               |
|------------------------|------------|---------------|--------------|---------------|
| Vale Potássio Nordeste | 37         |               |              |               |
| Mitsui & CO, LTD       | 69         |               | 101          |               |
| Others                 | 99         | 10            | 199          | 2             |
| <b>Total</b>           | <b>874</b> | <b>33,613</b> | <b>1,001</b> | <b>32,923</b> |
|                        |            |               |              |               |
| Current                | 874        | 4,959         | 1,001        | 5,326         |
| Non-current            |            | 28,654        |              | 27,597        |
| <b>Total</b>           | <b>874</b> | <b>33,613</b> | <b>1,001</b> | <b>32,923</b> |

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|   | <b>Consolidated<br/>Income</b>              |                           |                          |                          |                          |
|---|---|---------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>Three-month period ended (unaudited)</b> |                           |                          | <b>Year ended</b>        |                          |
|   | <b>December 31, 2011</b>                    | <b>September 30, 2011</b> | <b>December 31, 2010</b> | <b>December 31, 2011</b> | <b>December 31, 2010</b> |
| Baovale Mineração S.A.                                    |   |                           | 1                        | 2                        | 8                        |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | 136   | 159                       | 198                      | 586                      | 386                      |
| Log-in S.A.   | 1   | 5                         | 2                        | 10                       | 10                       |
| MRS Logística S.A.  | 4   | 4                         | 3                        | 15                       | 16                       |
| Samarco Mineração S.A.                                    | 85  | 109                       | 96                       | 403                      | 360                      |
| Others  | 4   | 62                        | 8                        | 259                      | 12                       |
| <b>Total</b>  | <b>230</b>                                  | <b>339</b>                | <b>309</b>               | <b>1,275</b>             | <b>792</b>               |

|   | <b>Consolidated<br/>Cost / Expense</b>      |                           |                          |                          |                          |
|---|---|---------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>Three-month period ended (unaudited)</b> |                           |                          | <b>Year ended</b>        |                          |
|   | <b>December 31, 2011</b>                    | <b>September 30, 2011</b> | <b>December 31, 2010</b> | <b>December 31, 2011</b> | <b>December 31, 2010</b> |
| Baovale Mineração S.A.                                    | 5   | 4                         | 5                        | 20                       | 18                       |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO    | 27  | 13                        | 20                       | 83                       | 103                      |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | 212   | 125                       | 277                      | 686                      | 477                      |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO     | 24  | 35                        | 28                       | 122                      | 40                       |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO       | 22  | 33                        | 30                       | 123                      | 67                       |
| Mineração Rio do Norte S.A.                               |   |                           | 59                       | 18                       | 165                      |
| Mitsui & Co Ttd   | 62  | 79                        | 103                      | 245                      | 181                      |
| MRS Logística S.A.  | 174   | 210                       | 179                      | 735                      | 610                      |
| Others  | 6   | 3                         | 3                        | 19                       | 37                       |
| <b>Total</b>  | <b>532</b>                                  | <b>502</b>                | <b>703</b>               | <b>2,051</b>             | <b>1,698</b>             |

|   | <b>Consolidated<br/>Financial</b>           |                           |                          |                          |                          |
|---|---|---------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>Three-month period ended (unaudited)</b> |                           |                          | <b>Year ended</b>        |                          |
|   | <b>December 31, 2011</b>                    | <b>September 30, 2011</b> | <b>December 31, 2010</b> | <b>December 31, 2011</b> | <b>December 31, 2010</b> |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO    |   |                           | 1                        |                          | 1                        |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS |   |                           | 3                        | (2)                      | 3                        |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO     |   |                           | 1                        |                          | 1                        |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO       |   |                           | 1                        |                          | 1                        |
| MRS Logística S.A.  |   |                           | 49                       |                          | 33                       |
| Others  | 19  | (99)                      | (1)                      | (120)                    | 3                        |
| <b>Total</b>  | <b>19</b>                                   | <b>(99)</b>               | <b>54</b>                | <b>(122)</b>             | <b>42</b>                |

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|   | Parent Company<br>Income             |                       |                      |                      |                      |
|---|--------------------------------------|-----------------------|----------------------|----------------------|----------------------|
|   | Three-month period ended (unaudited) |                       |                      | Year ended           |                      |
|   | December 31,<br>2011                 | September 30,<br>2011 | December 31,<br>2010 | December 31,<br>2011 | December 31,<br>2010 |
| ALBRAS - Alumínio Brasileiro S.A.                         |                                      |                       | 127                  | 31                   | 159                  |
| ALUNORTE - Alumina do Norte do Brasil S.A.                |                                      |                       | 188                  | 1                    | 284                  |
| Baovale Mineração S.A.                                    |                                      |                       | 10                   | 3                    | 16                   |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | 271                                  | 314                   | 653                  | 1,163                | 828                  |
| CVRD Overseas Ltd.  |                                      |                       | 4,234                |                      | 6,511                |
| Ferrovia Centro - Atlântica S.A.                          | 41                                   | 58                    | 151                  | 195                  | 196                  |
| Ferrovia Norte Sul S.A.                                   | 4                                    | 2                     | 13                   | 12                   | 13                   |
| Vale Canada Limited                                       | 5                                    | 7                     | 8                    | 17                   | 8                    |
| MRS Logística S.A.  | 6                                    | 5                     | 16                   | 21                   | 22                   |
| Samarco Mineração S.A.                                    | 166                                  | 213                   | 497                  | 788                  | 719                  |
| Vale Energia S.A.   | 13                                   |                       | 1                    | 13                   | 1                    |
| Vale International S.A.                                   | 15,367                               | 16,178                | 23,810               | 57,026               | 36,418               |
| Vale Manganês S.A.  |                                      | 23                    | 73                   | 68                   | 93                   |
| Vale Operações Ferroviárias                               | 156                                  | 90                    |                      | 246                  |                      |
| Vale Mina do Azul S.A.                                    | 21                                   |                       |                      | 21                   |                      |
| Minerações Brasileiras Reunidas S.A. - MBR                | 1                                    |                       |                      | 1                    |                      |
| Outras  | 4                                    | 19                    | 70                   | 35                   | 78                   |
| <b>Total</b>  | <b>16,053</b>                        | <b>16,910</b>         | <b>29,851</b>        | <b>59,642</b>        | <b>45,345</b>        |



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|   | <b>Parent Company<br/>Cost / Expense</b>    |                               |                              |                              |                              |
|---|---|-------------------------------|------------------------------|------------------------------|------------------------------|
|   | <b>Three-month period ended (unaudited)</b> |                               |                              | <b>Year ended</b>            |                              |
|   | <b>December 31,<br/>2011</b>                | <b>September 30,<br/>2011</b> | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2011</b> | <b>December 31,<br/>2010</b> |
| ALUNORTE - Alumina do Norte do Brasil S.A.                |   |                               | 115                          | 28                           | 151                          |
| Baovale Mineração S.A.                                    | 10  | 10                            | 27                           | 40                           | 36                           |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO    | 55  | 27                            | 77                           | 166                          | 206                          |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS | 431   | 254                           | 861                          | 1,397                        | 1,141                        |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO     | 49  | 71                            | 74                           | 249                          | 88                           |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO       | 45  | 67                            | 102                          | 251                          | 263                          |
| Companhia Portuária Baía de Sepetiba - CPBS               | 61  | 81                            | 221                          | 296                          | 310                          |
| Mitsui & Co Ltd   | 62  | 79                            | 103                          | 245                          | 181                          |
| MRS Logística S.A.  | 302   | 355                           | 774                          | 1,254                        | 1,035                        |
| Vale Energia S.A.   | 53  | 46                            | 303                          | 162                          | 435                          |
| Vale Mina do Azul S.A.                                    | 119   |                               |                              | 119                          |                              |
| Minerações Brasileiras Reunidas S.A. - MBR                | 496   |                               |                              | 496                          |                              |
| Outras  | 44  | 131                           | 55                           | 371                          | 97                           |
| <b>Total</b>  | <b>1,726</b>                                | <b>1,122</b>                  | <b>2,711</b>                 | <b>5,076</b>                 | <b>3,943</b>                 |

|   | <b>Parent Company<br/>Financial</b>         |                               |                              |                              |                              |
|---|---|-------------------------------|------------------------------|------------------------------|------------------------------|
|   | <b>Three-month period ended (unaudited)</b> |                               |                              | <b>Year ended</b>            |                              |
|   | <b>December 31,<br/>2011</b>                | <b>September 30,<br/>2011</b> | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2011</b> | <b>December 31,<br/>2010</b> |
| ALUNORTE - Alumina do Norte do Brasil S.A.                |   |                               | (1)                          | 5                            | (1)                          |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO    |   |                               | 2                            |                              | 2                            |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS |   |                               | 11                           | (4)                          | 2                            |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO     |   |                               | 2                            |                              | 2                            |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO       |   |                               | 2                            |                              | 2                            |
| CVRD Overseas Ltd.  |   |                               | (19)                         |                              | (108)                        |
| Ferrovia Centro - Atlântica S.A.                          |   | 14                            | 5                            | 1                            | 10                           |
| Vale Canada Limited                                       | 15  | 21                            | 43                           | 31                           | 43                           |
| MRS Logística S.A.  |   |                               | 75                           |                              | 71                           |
| Vale Energia S.A.   |   |                               |                              |                              |                              |
| Vale International S.A.                                   | (248)                                       | (161)                         | (1,608)                      | (988)                        | (458)                        |
| Sociedad Contractual Minera Tres Valles                   | (1)   | 4                             |                              | 4                            |                              |
| Mineração Corumbaense Reunida S.A.                        | (14)  | 7                             |                              | (7)                          |                              |
| Biopalma da Amazonia S.A.                                 | 47  |                               |                              | 47                           |                              |
| Vale Overseas   |   |                               |                              | 25                           |                              |
| Outras  |   | 14                            | 11                           | 13                           | 19                           |
| <b>Total</b>  | <b>(200)</b>                                | <b>(102)</b>                  | <b>(1,479)</b>               | <b>(873)</b>                 | <b>(415)</b>                 |

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Additionally we have loans payable to Banco Nacional de Desenvolvimento Social and BNDES Participações S.A in the amounts of R\$ 5,760 and R\$ 1,686 respectively, accruing interest at market rates, which fall due through 2029. The operations generated interest expenses of R\$ 231 and R\$ 96. We also maintain cash equivalent balances with Banco Bradesco S.A. in the amount of R\$ 37 in December 31, 2011. The effect of these operations in results was R\$ 123.

### Remuneration of key management personnel:

|                              | December 31, 2011 | December 31, 2010 |
|------------------------------|-------------------|-------------------|
| Short-term benefits:         | <b>84</b>         | <b>56</b>         |
| Wages or pro-labor           | 19                | 17                |
| Direct and indirect benefits | 36                | 18                |
| Bonus                        | 29                | 21                |
| Long-term benefits:          |                   |                   |
| Based on stock               | 22                | 30                |
|                              | <b>22</b>         | <b>30</b>         |
| Termination of position      | 90                | 4                 |
|                              | <b>197</b>        | <b>90</b>         |

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**30 Board of Directors, Fiscal Council, Advisory committees and Executive Officers**

**Board of Directors**

Ricardo José da Costa Flores  
**Chairman**

Mário da Silveira Teixeira Júnior  
**Vice-President**

Fuminobu Kawashima  
José Mauro Mettrau Carneiro da Cunha  
José Ricardo Sasseron  
Luciano Galvão Coutinho  
Oscar Augusto de Camargo Filho  
Paulo Soares de Souza  
Renato da Cruz Gomes  
Robson Rocha  
Nelson Henrique Barbosa Filho

**Alternate**

Eduardo de Oliveira Rodrigues Filho  
Estáquio Wagner Guimarães Gomes  
Deli Soares Pereira  
Hajime Tonoki  
João Moisés de Oliveira  
Luiz Carlos de Freitas  
Marco Geovanne Tobias da Silva  
Paulo Sergio Moreira da Fonseca  
Raimundo Nonato Alves Amorim  
Sandro Kohler Marcondes

**Advisory Committees of the Board of Directors**

**Controlling Committee**

Luiz Carlos de Freitas  
Paulo Ricardo Ultra Soares  
Paulo Roberto Ferreira de Medeiros

**Executive Development Committee**

João Moisés de Oliveira  
José Ricardo Sasseron

**Governance and Sustainability Committee**

Gilmar Dalilo Cezar Wanderley  
Renato da Cruz Gomes  
Ricardo Simonsen

**Fiscal Council**

Marcelo Amaral Moraes  
**Chairman**

Aníbal Moreira dos Santos  
Antonio Henrique Pinheiro Silveira  
Arnaldo José Vollet

**Alternate**

Cícero da Silva  
Marcus Pereira Aucélio  
Oswaldo Mário Pêgo de Amorim Azevedo

**Executive Officers**

Murilo Pinto de Oliveira Ferreira  
**Chief Executive Officer**

Vânia Lucia Chaves Somavilla  
**Executive Officer of Human Resources, Health and Safety,  
Sustainability, Energy and Corporate Affairs**

Tito Botelho Martins  
**Chief Financial Officer and Executive Director of Finance, Investor  
Relations, Procurement and Shared Services**

Eduardo de Salles Bartolomeo  
**Executive Officer of Fertilizer and Coal Operations and Marketing**

José Carlos Martins  
**Executive Officer of Ferrous Minerals Operations and Marketing**

Galib Abrahão Chaim  
**Executive Officer of Exploration and Projects**

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Oscar Augusto de Camargo Filho

**Strategic Committee**

Murilo Pinto de Oliveira Ferreira

Luciano Galvão Coutinho

Mário da Silveira Teixeira Júnior

Oscar Augusto de Camargo Filho

Ricardo José da Costa Flores

**Finance Committee**

Tito Botelho Martins

Eduardo de Oliveira Rodrigues Filho

Luciana Freitas Rodrigues

Luiz Maurício Leuzinger

Humberto Ramos de Freitas

**Executive Officer of Logistics and Mineral Exploration**

Gerd Peter Poppinga

**Executive Officer of Base Metals Operations and Marketing**

Marcus Vinicius Dias Severini

**Chief Officer of Accounting and Control Department**

Vera Lucia de Almeida Pereira Elias

**Chief Accountant**

**CRC-RJ - 043059/O-8**

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**Additional information**

**(unaudited)**

**Social Report**

The Company presents its annual social and sustainability reports, which reaffirms the commitment to strategically enhance the sustainable development by the global guidelines. The Sustainable Development Policy of the Company aims to build a legacy of social, economic and environmental development in regions where we act, using the pillars of Sustainable Operator, Local Development Catalyst and Global Agent of Sustainability. Within these principles and guidelines, the Company publishes a social report which shows social and environmental indicators, functional quantitative and relevant information about the corporate citizenship. The information presented was obtained through the auxiliary registers and certain management information of the Company, the direct and indirect subsidiaries and jointly controlled companies.

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|  | Consolidated |              | Parent Company |              |
|--|--------------|--------------|----------------|--------------|
|  | 2011         | 2010         | 2011           | 2010         |
| <b>Basis of calculation</b>  |              |              |                |              |
| Gross revenue  | 103,195      | 83,225       | 66,082         | 51,386       |
| Operating income before financial result and equity in results of affiliates, joint ventures and other investments | 53,139       | 40,490       | 49,831         | 29,984       |
| <b>Gross remuneration</b>  | <b>5,285</b> | <b>4,544</b> | <b>3,444</b>   | <b>2,650</b> |

|                                 | Value        | Payroll    | Net revenue | Value        | Payroll    | Net revenue | Value        | Payroll     | Net revenue | Value        | Payroll    | Net revenue |
|---------------------------------|--------------|------------|-------------|--------------|------------|-------------|--------------|-------------|-------------|--------------|------------|-------------|
| <b>Labor indicators</b>         |              |            |             |              |            |             |              |             |             |              |            |             |
| Feed                            | 471          | 9%         | 0%          | 373          | 8%         | 1%          | 418          | 12%         | 1%          | 323          | 12%        | 1%          |
| Mandatory social security       | 1,296        | 25%        | 1%          | 1,056        | 23%        | 3%          | 958          | 28%         | 1%          | 760          | 29%        | 3%          |
| Transport                       | 246          | 5%         | 0%          | 184          | 4%         | 0%          | 211          | 6%          | 0%          | 159          | 6%         | 1%          |
| Private pensions plans          | 369          | 7%         | 0%          | 267          | 6%         | 1%          | 180          | 5%          | 0%          | 119          | 4%         | 0%          |
| Health                          | 546          | 10%        | 1%          | 481          | 11%        | 1%          | 278          | 8%          | 0%          | 227          | 9%         | 1%          |
| Education                       | 193          | 4%         | 0%          | 140          | 3%         | 0%          | 151          | 4%          | 0%          | 99           | 4%         | 0%          |
| Daycare center                  | 5            | 0%         | 0%          | 3            | 0%         | 0%          | 5            | 0%          | 0%          | 3            | 0%         | 0%          |
| Profit sharing                  | 1,556        | 29%        | 2%          | 842          | 19%        | 2%          | 1,342        | 39%         | 2%          | 778          | 29%        | 3%          |
| Others benefits                 | 147          | 3%         | 0%          | 121          | 3%         | 0%          | 135          | 4%          | 0%          | 98           | 4%         | 0%          |
|                                 | <b>4,828</b> | <b>91%</b> | <b>5%</b>   | <b>3,467</b> | <b>77%</b> | <b>8%</b>   | <b>3,678</b> | <b>107%</b> | <b>6%</b>   | <b>2,566</b> | <b>97%</b> | <b>9%</b>   |
| <b>Total - Labor indicators</b> |              |            |             |              |            |             |              |             |             |              |            |             |

|                                   | Value      | % over Operating income | Net revenue | Value      | % over Operating income | Net revenue | Value      | % over Operating income | Net revenue | Value      | % over Operating income | Net revenue |
|-----------------------------------|------------|-------------------------|-------------|------------|-------------------------|-------------|------------|-------------------------|-------------|------------|-------------------------|-------------|
| <b>Social indicators</b>          |            |                         |             |            |                         |             |            |                         |             |            |                         |             |
| Taxes (excluding social charges)  | 9,131      | 17%                     | 9%          | 9543       | 24%                     | 11%         | 8,903      | 18%                     | 13%         | 9035       | 30%                     | 17%         |
| Deferred taxes                    | (1,103)    | -2%                     | -1%         | -1725      | -4%                     | -2%         | (961)      | -2%                     | -1%         | -1582      | -5%                     | -3%         |
| <b>Investments in citizenship</b> | <b>783</b> | <b>1%</b>               | <b>1%</b>   | <b>690</b> | <b>2%</b>               | <b>1%</b>   | <b>689</b> | <b>1%</b>               | <b>1%</b>   | <b>618</b> | <b>2%</b>               | <b>1%</b>   |
| Projects and social actions       | 631        | 1%                      | 1%          | 490        | 1%                      | 1%          | 543        | 1%                      | 1%          | 421        | 1%                      | 1%          |
| Culture                           | 128        | 0%                      | 0%          | 173        | 0%                      | 0%          | 122        | 0%                      | 0%          | 172        | 1%                      | 0%          |
| Native communities                | 24         | 0%                      | 0%          | 27         | 0%                      | 0%          | 24         | 0%                      | 0%          | 25         | 0%                      | 0%          |

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|                                     |              |            |           |              |            |            |              |            |            |             |            |            |
|-------------------------------------|--------------|------------|-----------|--------------|------------|------------|--------------|------------|------------|-------------|------------|------------|
| <b>Environmental investments</b>    | <b>8,811</b> | <b>17%</b> | <b>9%</b> | <b>8508</b>  | <b>22%</b> | <b>10%</b> | <b>8,631</b> | <b>17%</b> | <b>13%</b> | <b>8071</b> | <b>27%</b> | <b>16%</b> |
| <b>Total - Social indicators</b>    | <b>1,744</b> | <b>3%</b>  | <b>2%</b> | <b>9.779</b> | <b>3%</b>  | <b>2%</b>  | <b>1,220</b> | <b>2%</b>  | <b>2%</b>  | <b>626</b>  | <b>2%</b>  | <b>1%</b>  |
| <b>Indicators of workforce</b>      |              |            |           |              |            |            |              |            |            |             |            |            |
| Total of employees at end of year   |              |            |           | 79,646       |            |            | 70,785       |            |            | 48,485      |            | 41,111     |
| Total of admissions during the year |              |            |           | 16,336       |            |            | 12,312       |            |            |             |            | 6,494      |

|   |                        |                            |                                    |
|---|------------------------|----------------------------|------------------------------------|
| The social and environmental projects developed by the company were defined by:   | Directors              | (X) Directors and managers | (X) All employees                  |
| The standards of safety and cleanliness in the workplace were defined by:   | Directors and managers | All employees              | (X) Everyone + CIPA                |
| Concerning freedom of association, the right to collective bargaining and internal representation of (the) employee (s), the company: | Don't get involved     | Follows the ILO standards  | (X) Encourages and follows the ILO |
| The pension plan covers:  | (X) Directors          | (X) direção e gerências    | (X) All employees                  |
| The share of profits or results includes:   | (X) Directors          | (X) direção e gerências    | (X) All employees                  |
| In selecting suppliers, the same ethical and social responsibility standards adopted by the company:                                  | It isn't considered    | It's suggested             | (X) It's required                  |
| Regarding the participation of employees in volunteer work, the company:  | Don't get involved     | (X) Supports               | (X) Organize and encourage         |

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**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Vale S.A.  
(Registrant)

Date: February 15, 2012

By:

/s/ Roberto Castello Branco  
Roberto Castello Branco  
Director of Investor Relations