Vale S.A.
Form 6-K
May 06, 2010

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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
May 2010
Vale S.A.

Avenida Graça Aranha, No. 26
20030-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

(Check One) Form 20-F þ Form 40-F o

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

(Check One) Yes o No þ

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

(Check One) Yes o No þ

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

(Check One) Yes o No þ

(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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Press Release

Financial Statements March 31, 2010
US GAAP
Filed at CVM and SEC on 05/05/10
Gerência Geral de Controladoria GECOL

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INDEX TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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Report of Independent Registered Public Accounting Firm
To the Board of Directors and Stockholders
Vale S.A.:

We have reviewed the accompanying condensed consolidated balance sheet of Vale S.A. and its subsidiaries as of March 31, 2010, and the related condensed consolidated statements of income, of cash flows, of comprehensive income and of stockholders equity for the three-month periods ended March 31, 2010, December 31, 2009 and March 31, 2009. This interim financial information is the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2009, and the related consolidated statements of income, of cash flows, of comprehensive income and of stockholders equity for the year then ended (not presented herein), and in our report dated February 10, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers
Auditores Independentes
Rio de Janeiro, Brazil
May 5, 2010

Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars

	March 31, 2010 (unaudited)	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	11,124	7,293
Short-term investments	12	3,747
Accounts receivable		
Related parties	97	79
Unrelated parties	3,779	3,041
Loans and advances to related parties	148	107
Inventories	3,404	3,196
Deferred income tax	1,152	852
Unrealized gains on derivative instruments	177	105
Advances to suppliers	471	498
Recoverable taxes	1,527	1,511
Others	921	865
	22,812	**21,294**
Non-current assets		
Property, plant and equipment, net	**68,090**	**67,637**
Intangible assets	**1,155**	**1,173**
Investments in affiliated companies, joint ventures and others	**4,516**	**4,585**
Other assets		
Goodwill on acquisition of subsidiaries	2,343	2,313
Loans and advances		
Related parties	45	36
Unrelated parties	166	158
Prepaid pension cost	1,523	1,335
Prepaid expenses	231	235
Judicial deposits	1,265	1,143
Advances to suppliers energy	490	511
Recoverable taxes	818	817
Unrealized gains on derivative instruments	737	865
Others	149	177
	7,767	**7,590**
TOTAL	**104,340**	**102,279**

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Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars
(Except number of shares)

(Continued)

	March 31, 2010 (unaudited)	December 31, 2009
Liabilities and stockholders equity		
Current liabilities		
Suppliers	2,432	2,309
Payroll and related charges	564	864
Current portion of long-term debt	4,092	2,933
Short-term debt	30	30
Loans from related parties	27	19
Provision for income taxes	134	173
Taxes payable and royalties	90	124
Employees postretirement benefits	183	144
Railway sub-concession agreement payable	292	285
Unrealized losses on derivative instruments	95	129
Provisions for asset retirement obligations	79	89
Minimum mandatory dividends payable	1,431	1,464
Other	641	618
	10,090	**9,181**
Non-current liabilities		
Employees postretirement benefits	1,940	1,970
Long-term debt	19,420	19,898
Provisions for contingencies (Note 16 (b))	1,823	1,763
Unrealized losses on derivative instruments	242	9
Deferred income tax	5,813	5,755
Provisions for asset retirement obligations	1,050	1,027
Debentures	822	752
Other	1,398	1,427
	32,508	**32,601**
Redeemable noncontrolling interest	**734**	**731**
Commitments and contingencies (Note 16)		
Stockholders equity		
Preferred class A stock 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2009 2,108,579,618) issued	9,727	9,727
Common stock 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2009 3,256,724,482) issued	15,262	15,262
Treasury stock 77,581,904 (2009 77,581,904) preferred and 74,997,899 (2009 - 74,997,899) common shares	(1,150)	(1,150)

Additional paid-in capital	411	411
Mandatorily convertible notes common shares	1,578	1,578
Mandatorily convertible notes preferred shares	1,225	1,225
Other cumulative comprehensive loss	(2,081)	(1,808)
Undistributed retained earnings	27,875	28,508
Unappropriated retained earnings	5,377	3,182
Total Company stockholders equity	**58,224**	**56,935**
Noncontrolling interests	**2,784**	**2,831**
Total stockholders equity	**61,008**	**59,766**
TOTAL	**104,340**	**102,279**

The accompanying notes are an integral part of this condensed consolidated financial information.

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Condensed Consolidated Statements of Income
Expressed in millions of United States dollars
(Except per share amounts)

	Three-month period ended (unaudited)		
	March 31, 2010	**December 31, 2009**	**March 31, 2009**
Operating revenues, net of discounts, returns and allowances			
Sales of ores and metals	5,758	5,366	4,569
Aluminum products	599	611	442
Revenues from logistic services	314	307	199
Other products and services	177	257	211
	6,848	**6,541**	**5,421**
Taxes on revenues	(244)	(208)	(97)
Net operating revenues	**6,604**	**6,333**	**5,324**
Operating costs and expenses			
Cost of ores and metals sold	(2,638)	(2,899)	(2,169)
Cost of aluminum products	(507)	(571)	(452)
Cost of logistic services	(230)	(235)	(165)
Other	(164)	(290)	(114)
	(3,539)	**(3,995)**	**(2,900)**
Selling, general and administrative expenses	(293)	(378)	(233)
Research and development expenses	(172)	(296)	(189)
Other	(538)	(561)	(317)
	(4,542)	**(5,230)**	**(3,639)**
Operating income	**2,062**	**1,103**	**1,685**
Non-operating income (expenses)			
Financial income	48	65	125
Financial expenses	(465)	(548)	(287)
Gains (losses) on derivatives, net	(230)	296	18
Foreign exchange and indexation gains (losses), net	(30)	17	16
Loss on sale of assets		(190)	
	(677)	**(360)**	**(128)**
Income before discontinued operations, income taxes and equity results	**1,385**	**743**	**1,557**
Income taxes			
Current	(249)	583	(477)
Deferred	488	173	171

	239	**756**	**(306)**
Equity in results of affiliates, joint ventures and other investments	96	71	72
Net income from continuing operations	**1,720**	**1,570**	**1,323**
Discontinued operations, net of tax	**(145)**		
Net income	**1,575**	**1,570**	**1,323**
Net income (loss) attributable to noncontrolling interests	(29)	51	(40)
Net income attributable to the Company s stockholders	**1,604**	**1,519**	**1,363**
Basic and diluted earnings per share attributable to Company s stockholders			
Earnings per preferred share	0.29	0.28	0.25
Earnings per common share	0.29	0.28	0.25
Earnings per preferred share linked to convertible mandatorily notes (*)	0.54	0.52	0.53
Earnings per common share linked to convertible mandatorily notes (*)	0.60	0.59	0.57

(*) Basic earnings per share only, as dilution assumes conversion

The accompanying notes are an integral part of this condensed consolidated financial information.

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Condensed Consolidated Statements of Cash Flows
Expressed in millions of United States dollars

	Three-month period ended (unaudited)		
	March 31, 2010	December 31, 2009	March 31, 2009
Cash flows from operating activities:			
Net income	1,575	1,570	1,323
Adjustments to reconcile net income to cash from operations:			
Depreciation, depletion and amortization	743	799	559
Dividends received	50	243	37
Equity in results of affiliates, joint ventures and other investments	(96)	(71)	(72)
Deferred income taxes	(488)	(173)	(171)
Loss on disposal of property, plant and equipment	98	113	41
Loss on sale of investments		190	
Discontinued operations, net of tax	145		
Foreign exchange and indexation gains, net	(59)	(37)	(57)
Unrealized derivative losses (gains), net	243	(248)	4
Unrealized interest (income) expense, net	18	2	3
Others	118	(5)	(16)
Decrease (increase) in assets:			
Accounts receivable	(777)	327	391
Inventories	(258)	(128)	119
Recoverable taxes	48	(791)	(104)
Others	125	(277)	(77)
Increase (decrease) in liabilities:			
Suppliers	112	559	(103)
Payroll and related charges	(277)	108	(139)
Income taxes	(46)	(696)	216
Others	132	(74)	211
Net cash provided by operating activities	**1,406**	**1,411**	**2,165**
Cash flows from investing activities:			
Short term investments	3,735	815	(909)
Loans and advances receivable			
Related parties			
Loan proceeds	(28)	(14)	(23)
Repayments			7
Others	(5)	(4)	4
Judicial deposits	(116)	(55)	(19)
Investments	(28)	(806)	(138)
Additions to, property, plant and equipment	(1,817)	(2,755)	(1,688)
Proceeds from disposal of investments/property, plant and equipment		158	
Acquisition of subsidiaries, net of cash acquired			(850)

Net cash provided by (used in) investing activities	**1,741**	**(2,661)**	**(3,616)**
Cash flows from financing activities:			
Short-term debt, additions	1,632	323	103
Short-term debt, repayments	(1,649)	(379)	(74)
Loans			
Related parties			
Loan proceeds	10	16	
Repayments	(1)	(15)	(68)
Issuances of long-term debt			
Third parties	1,059	1,537	185
Repayments of long-term debt			
Third parties	(250)	(48)	(110)
Treasury stock			(10)
Dividends and interest attributed to Company s stockholders		(1,469)	
Dividends and interest attributed to noncontrolling interest	(1)	(47)	
Net cash provided by (used in) financing activities	**800**	**(82)**	**26**
Increase (decrease) in cash and cash equivalents	3,947	(1,332)	(1,425)
Effect of exchange rate changes on cash and cash equivalents	(116)	167	91
Cash and cash equivalents, beginning of period	7,293	8,458	10,331
Cash and cash equivalents, end of period	**11,124**	**7,293**	**8,997**
Cash paid during the period for:			
Interest on short-term debt	(1)		
Interest on long-term debt	(243)	(289)	(277)
Income tax	(127)	(973)	(143)
Non-cash transactions			
Interest capitalized	46	77	65

The accompanying notes are an integral part of this condensed consolidated financial information.

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Condensed Consolidated Statements of Changes in Stockholders Equity
Expressed in millions of United States dollars
(Except number of shares)

	Three-month period ended (unaudited)		
	March 31, 2010	**December 31, 2009**	**March 31, 2009**
Preferred class A stock (including twelve golden shares)			
Beginning of the period	9,727	9,727	9,727
End of the period	**9,727**	**9,727**	**9,727**
Common stock			
Beginning of the period	15,262	15,262	15,262
End of the period	**15,262**	**15,262**	**15,262**
Treasury stock			
Beginning of the period	(1,150)	(1,150)	(1,141)
Acquisitions			(10)
End of the period	**(1,150)**	**(1,150)**	**(1,151)**
Additional paid-in capital			
Beginning of the period	411	411	393
End of the period	**411**	**411**	**393**
Mandatorily convertible notes common shares			
Beginning of the period	1,578	1,578	1,288
End of the period	**1,578**	**1,578**	**1,288**
Mandatorily convertible notes preferred shares			
Beginning of the period	1,225	1,225	581
End of the period	**1,225**	**1,225**	**581**
Other cumulative comprehensive income (deficit)			
Cumulative translation adjustments			
Beginning of the period	(1,772)	(2,542)	(11,493)
Change in the period	(390)	770	(104)
End of the period	**(2,162)**	**(1,772)**	**(11,597)**
Unrealized gain (loss) available-for-sale securities, net of tax			
Beginning of the period		(1)	17

Change in the period	2	1	96
End of the period	**2**		**113**
Surplus (deficit) accrued pension plan			
Beginning of the period	(38)	346	(34)
Change in the period	138	(384)	(48)
End of the period	**100**	**(38)**	**(82)**
Cash flow hedge			
Beginning of the period	2	13	
Change in the period	(23)	(11)	
End of the period	**(21)**	**2**	
Total other cumulative comprehensive income (deficit)	**(2,081)**	**(1,808)**	**(11,566)**
Undistributed retained earnings			
Beginning of the period	28,508	24,053	18,340
Transfer from/to unappropriated retained earnings	(633)	4,455	173
End of the period	**27,875**	**28,508**	**18,513**
Unappropriated retained earnings			
Beginning of the period	3,182	7,624	9,616
Net income attributable to the stockholders Company	1,604	1,519	1,363
Interest on mandatorily convertible debt			
Preferred class A stock	(19)	(19)	(8)
Common stock	(23)	(23)	(18)
Dividends and interest attributed to stockholders equity			
Preferred class A stock		(570)	
Common stock		(894)	
Appropriation from/to undistributed retained earnings	633	(4,455)	(173)
End of the period	**5,377**	**3,182**	**10,780**
Total Company stockholders equity	**58,224**	**56,935**	**43,827**
Noncontrolling interests			
Beginning of the period	2,831	2,798	1,892
Disposals and (acquisitions) of noncontrolling interests		(15)	
Cumulative translation adjustments	(11)	79	222
Cash flow hedge	4	(30)	
Net income (loss) attributable to noncontrolling interests	(29)	51	(40)
Dividends and interest attributable to noncontrolling interests	(11)	(52)	(1)

Capitalization of stockholders advances			12
End of the period	**2,784**	**2,831**	**2,085**
Total stockholders equity	**61,008**	**59,766**	**45,912**
Number of shares:			
Preferred class A stock (including twelve golden shares)	2,108,579,618	2,108,579,618	2,108,579,618
Common stock	3,256,724,482	3,256,724,482	3,256,724,482
Buy-backs			
Beginning of the period	(152,579,803)	(152,579,803)	(151,792,203)
Acquisitions			(831,400)
End of the period	**(152,579,803)**	**(152,579,803)**	**(152,623,603)**
	5,212,724,297	**5,212,724,297**	**5,212,680,497**

The accompanying notes are an integral part of this condensed consolidated financial information.

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Consolidated Statements of Comprehensive Income (deficit)
Expressed in millions of United States dollars

	Three-month period ended (unaudited)		
	March 31, 2010	**December 31, 2009**	**March 31, 2009**
Comprehensive income (deficit) is comprised as follows:			
Company s stockholders:			
Net income attributable to Company s stockholders	1,604	1,519	1,363
Cumulative translation adjustments	(390)	770	(104)
Unrealized gain (loss) available-for-sale securities			
Gross balance as of the period/year end	6	1	131
Tax (expense) benefit	(4)		(35)
	2	**1**	**96**
Surplus (deficit) accrued pension plan			
Gross balance as of the period/year end	206	(578)	(28)
Tax (expense) benefit	(68)	194	(20)
	138	**(384)**	**(48)**
Cash flow hedge			
Gross balance as of the period/year end	3	(2)	
Tax expense	(26)	(9)	
	(23)	**(11)**	
Total comprehensive income attributable to Company s stockholders	**1,331**	**1,895**	**1,307**
Noncontrolling interests:			
Net income (loss) attributable to noncontrolling interests	(29)	51	(40)
Cumulative translation adjustments	(11)	79	222
Cash flow hedge	4	(30)	
Total comprehensive income (deficit) attributable to Noncontrolling interests	**(36)**	**100**	**182**
Total comprehensive income (deficit)	**1,295**	**1,995**	**1,489**

The accompanying notes are an integral part of this condensed consolidated financial information.

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Notes to the Condensed Consolidated Interim Financial Information
Expressed in millions of United States dollars, unless otherwise stated

1 The Company and its operations

Vale S.A., (Vale , the Company or we) is a limited liability company incorporated in Brazil. Operations are carried out through Vale and our subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production, logistics and steel activities.

At March 31, 2010, our principal consolidated operating subsidiaries are the following:

Subsidiary	% ownership	% voting capital	head office location	Principal activity
Alumina do Norte do Brasil S.A. Alunorte	57.03	59.02	Brazil	Alumina
Alumínio Brasileiro S.A. Albras	51.00	51.00	Brazil	Aluminum
Ferrovia Centro-Atlântica S. A	99.99	99.99	Brazil	Logistic
Ferrovia Norte Sul S.A	100.00	100.00	Brazil	Logistic
Mineração Corumbá Reunidas S.A.	100.00	100.00	Brazil	Iron ore
PT International Nickel Indonesia Tbk	59.09	59.09	Indonesia	Nickel
Vale Australia Pty Ltd.	100.00	100.00	Australia	Coal
Vale Colombia Ltd	100.00	100.00	Colombia	Coal
Vale Manganése Norway	100.00	100.00	Norway	Ferroalloys
Vale Manganês S.A.	100.00	100.00	Brazil	Manganese and Ferroalloys
Vale Manganèse France	100.00	100.00	France	Manganese and Ferroalloys
Vale Inco Limited	100.00	100.00	Canada	Nickel
Vale International S.A	100.00	100.00	Switzerland	Trading

2 Basis of consolidation

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are accounted for under the equity method (Note 10).

We evaluate the carrying value of our equity accounted investments in relation to publicly quoted market prices when available. If the quoted market price is below book value, and such decline is considered other than temporary, we write-down our equity investments to quoted market value.

We define joint ventures as businesses in which we and a small group of other partners each participate actively in the overall entity management, based on a stockholders agreement. We define affiliates as businesses in which we participate as a noncon trolling interests but with significant influence over the operating and financial policies of the investee.

Our participation in hydroelectric projects is made via consortium contracts under which we have undivided interests in the assets and are liable for our proportionate share of liabilities and expenses, which are based on our proportionate share of power output. We do not have joint liability for any obligations. No separate legal or tax status is granted to consortia under Brazilian law. Accordingly, we recognize our proportionate share of costs and our undivided interest in assets relating to hydroelectric projects.

3 Basis of presentation

Our condensed consolidated interim financial information for the three-month periods ended March 31, 2010, December 31, 2009 and March 31, 2009, prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), are unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods. The results of operations for the three-month periods ended March 31, 2010, are not necessarily indicative of the actual results expected for the full fiscal year ending December 31, 2010.

This condensed consolidated interim financial information should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2009, prepared in accordance with US GAAP.

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In preparing the condensed consolidated financial information, we are required to use estimates to account for certain assets, liabilities, revenues and expenses. Our condensed consolidated financial statements therefore include various estimates concerning the selection of useful lives of property, plant and equipment, impairment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired and assumed in business combinations, income tax uncertainties, employee post-retirement benefits and other similar evaluations. Actual results may vary from our estimates.

Since December 2007, significant modifications have been made to Brazilian GAAP as part of a convergence project with International Financial Reporting Standards (IFRS) and as from 2010 annual financial statements the convergence will be completed and therefore the IFRS will be the accounting practice adopted in Brazil. The Company does not expect to discontinue the US GAAP reporting during 2010.

The Brazilian real is the parent Company s functional currency. We have selected the US dollar as our reporting currency.

All assets and liabilities have been translated to US dollars at the closing rate of exchange at each balance sheet date (or, if unavailable, the first available exchange rate). All statement of income accounts have been translated to US dollars at the average exchange rates prevailing during the respective periods. Capital accounts are recorded at historical exchange rates. Translation gains and losses are recorded in the Cumulative Translation Adjustments account (CTA) in stockholders equity.

The results of operations and financial position of our entities that have a functional currency other than the US dollar, have been translated into US dollars and adjustments to translate those statements into US dollars are recorded in the CTA in stockholders equity.

The exchange rates used to translate the assets and liabilities of the Brazilian operations at March 31, 2010 and December 31, 2009, were R$1.7810 and R$1.7412, respectively.

The Company has assessed subsequent events through May 05, 2010 which is the date the financial statements were issued.

4 Accounting pronouncements

a) Newly issued accounting pronouncements

Accounting Standards Update (ASU) number 2010-11 Derivatives and Hedging (Topic 815) clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Only one form of embedded credit derivative qualifies for the exemption one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. This Codification does not impact our financial position, results of operations or liquidity.

Accounting Standards Update (ASU) number 2010-10 Consolidation (Topic 810) defers the effective date of the amendments to the consolidation requirements made by FASB Statement 167 to a reporting entity s interest in certain types of entities and clarify other aspects of the Statement 167 amendments. As a result of the deferral, a reporting entity will not be required to apply the Statement 167 amendments to the Subtopic 810-10 consolidation requirements to its interest in an entity that meets the criteria to qualify for the deferral. This Update also clarifies how a related party s interests in an entity should be considered when evaluating the criteria for determining whether a decision maker or service provider fee represents a variable interest. In addition, the Update also clarifies that a quantitative calculation should not be the sole basis for evaluating whether a decision maker s or service provider s fee is a variable interest. This Codification does not impact our financial position, results of operations or liquidity.

Accounting Standards Update No. 2010-09 Subsequent Events (Topic 855) addresses both the interaction of the requirements of Topic 855, Subsequent Events, with the SEC s reporting requirements and the intended breadth of the reissuance disclosures provision related to subsequent events (paragraph 855-10-50-4). The amendments in this Update have the potential to change reporting by both private and public entities, however, the nature of the change may vary depending on facts and circumstances. This Codification does not impact our financial position, results of operations or liquidity.

The Company understands that the other recently issued accounting pronouncements, that are not effective as of and for the year ending December 31, 2010, are not expected to be relevant for its consolidated financial statements.

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b) Accounting standards adopted in 2010

Accounting Standards Update (ASU) number 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 and are expected to provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The Company fully adopted this standard in 2010 with no impact on our financial position, results of operations or liquidity.

In June 2009, the Financial Accounting Standards Board (FASB) issued an amendment to Interpretation No. 46(R) on the accounting and disclosure requirements for the consolidation of variable interest entities (VIEs). Subsequently, in December 2009, the Accounting Standards Update (ASU) number 2009-17 Amendments to FASB Interpretation No. 46(R) was issued. The amendments replace the quantitative-based risks and rewards calculation, for determining which reporting entity has a controlling financial interest in a VIE, with a qualitative analysis when determining whether or not it must consolidate a VIE. The newly required approach is focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. The amendments also require an enterprise to continuously reassess whether it must consolidate a VIE. Additionally, the amendments eliminated the scope exception on qualifying special-purpose entities (QSPE) and require enhanced disclosures about: involvement with VIEs, significant changes in risk exposures, impacts on the financial statements, and, significant judgments and assumptions used to determine whether or not to consolidate a VIE. The Company adopted these amendments in 2010, with no impact on our financial position, results of operations or liquidity.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for transfers of financial assets. Subsequently, in December 2009, the Accounting Standards Update (ASU) number 2009-16 Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 was issued. The amendments improve financial reporting requiring greater transparency and additional disclosures for transfers of financial assets and the entity s continuing involvement with them and also change the requirements for derecognizing financial assets. In addition, the amendments eliminate the exceptions for QSPE from the consolidation guidance and the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. The Company adopted these amendments in 2010, with no impact on our financial position, results of operations or liquidity.

Accounting Standards Update (ASU) number 2009-08 Earning per share issued by the FASB provides additional guidance related to calculation of earnings per share. This guidance amends ASC 260. This colification does not impact our fimancial position, results of operations or liquidity.

5 Major acquisitions and disposals

In line with our strategy to become a leading global player in the fertilizer business, during 2010 we entered into purchase agreements to acquire fertilizer assets in Brazil from Bunge Participações e investimentos S.A. (Bunge). Among these assets are phosphate rock mines and phosphates assets, and a 78,9% stake in the equity capital of Fertilizantes Fosfatados S.A. Fosfertil (Fosfertil) formerly owned by Bunge, Fertifós, Heringer, Fertipar, Yara and Mosaic. The total amount to be paid is US$5,660. The transaction is still subject to the approval of governmental regulatory agencies. Control over these business have not been obtained when these financial statements were approved to be issued.

We entered into agreements to sell a minority stake of the Bayóvar Project with Mosaic Company (Mosaic) and Mitsui & Co. Ltd. (Mitsui), for US$660. The capital amount invested as at December 31, 2009 was approximately US$400. Actual closing of the transaction remains subject to the parties finalization of the definitive stockholders agreement and commercial off take agreements, certain governmental regulatory approvals and other customary closing conditions.

As part of our portfolio management, we have entered into negotiations with the intention to sell our net assets linked to kaolin activity. We have measured these assets at fair value, and recognized on first quarter results, an estimated loss in an amount of US$145, which was classified as discontinued operations in the income statement.

6 Income taxes

Income taxes in Brazil comprise federal income tax and social contribution, which is an additional federal tax. The statutory composite enacted tax rate applicable in the periods presented is 34%. In other countries where we have operations, the applicable tax rates vary from 1.67% to 40%.

We analyze the potential tax impact associated with undistributed earnings by each of our subsidiaries. For those subsidiaries in which the undistributed earnings would be taxable when remitted to the parent company, no deferred tax is recognized, based on criteria in accounting for income taxes special areas.

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The amount reported as income tax expense in our consolidated financial statements is reconciled to the statutory rates as follows:

	Three-month period ended (unaudited)								
	March 31, 2010			**December 31, 2009**			**March 31, 2009**		
	Brazil	**Foreign**	**Total**	**Brazil**	**Foreign**	**Total**	**Brazil**	**Foreign**	**Total**
Income before income taxes, equity results and noncontrolling interests	220	1,165	1,385	419	324	743	1,409	148	1,557
Exchange variation (not taxable) or not deductible		(416)	(416)		446	446		26	26
	220	**749**	**969**	**419**	**770**	**1,189**	**1,409**	**174**	**1,583**
Tax at Brazilian composite rate	(75)	(254)	(329)	(142)	(262)	(404)	(479)	(59)	(538)
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	209		209	502		502			
Difference on tax rates of foreign income		324	324		418	418		154	154
Tax incentives	17		17	66		66	18		18
Other non-taxable, income/non deductible expenses	(4)	22	18	17	157	174	17	43	60
Income tax per consolidated statements of income	**147**	**92**	**239**	**443**	**313**	**756**	**(444)**	**138**	**(306)**

Vale and some related companies in Brazil were granted with a tax incentive that provides for a partial reduction of the income tax due related to certain regional operations of iron ore, railroad, manganese, copper, bauxite, alumina, aluminum, kaolin and potash. The tax benefit is calculated based on taxable profit adjusted by the tax incentive (so-called exploration profit) taking into consideration the operational profit of the projects that benefit from the tax incentive during a fixed period. In general, such tax incentives expire in 2018. Part of the northern railroad and iron ore operations have been granted with tax incentives for a period of 10 years starting as from 2009. The tax saving must be registered in a special capital (profit) reserve in the net equity of the entity that benefits from the tax incentive and cannot be distributed as dividends to the stockholders.

We are also allowed to reinvest part of the tax savings in the acquisition of new equipment to be used in the operations that enjoy the tax benefit subject to subsequent approval from the Brazilian regulatory agencies

Superintendência de Desenvolvimento da Amazônia SUDAM and Superintendência de Desenvolvimento do Nordeste SUDENE. When the reinvestment is approved, the corresponding tax benefit must also be accounted in a special profit reserve and is also subject to the same restrictions with respect to future dividend distributions to the stockholders.

We also have income tax incentives related to our Goro project under development in New Caledonia (The Goro Project). These incentives include an income tax holiday during the construction phase of the project and throughout a 15-year period commencing in the first year in which commercial production, as defined by the applicable legislation, is achieved followed by a five-year, 50 per cent income tax holiday. The Goro Project also qualifies for certain exemptions from indirect taxes such as import duties during the construction phase and throughout the commercial life of the project. Certain of these tax benefits, including the income tax holiday, are subject to an earlier phase out should the project achieve a specified cumulative rate of return. We are subject to a branch profit tax commencing in the first year in which commercial production is achieved, as defined by the applicable legislation. To date, we have not recorded any taxable income for New Caledonian tax purposes. The benefits of this legislation are expected to apply with respect to taxes payable once the Goro Project is in operation. We obtained tax incentives for its projects in Mozambique, Oman and Malaysia, that will take effects when those projects start their commercial operation.

We are subject to examination by the tax authorities for up to five years regarding our operations in Brazil, up to ten years for Indonesia, and up to seven years for Canada for income taxes.

Brazilian tax loss carryforwards have no expiration date, though offset is restricted to 30% of annual taxable income.

The reconciliation of the beginning and ending amounts is as follows: (see note 16(b)) tax related actions)

	Three-month period ended (unaudited)		
	March 31, 2010	**December 31, 2009**	**March 31, 2009**
Beginning and end of the period	**396**	**812**	**657**
Increase resulting from tax positions taken	4	6	14
Decrease resulting from tax positions taken		(439)	
Cumulative translation adjustments	9	17	(5)
End of the period	**409**	**396**	**666**

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7 Cash and cash equivalents

	March 31, 2010 (unaudited)	December 31, 2009
Cash	681	728
Short-term investments	10,443	6,565
	11,124	**7,293**

All the above mentioned short-term investments are made through the use of low risk fixed income securities, in a way that: those denominated in Brazilian reais are concentrated in investments indexed to the CDI, and those denominated in US dollars are mainly time deposits, with the original due date less than three-months.

8 Short-term investments

	March 31, 2010 (unaudited)	December 31, 2009
Time deposit	12	3,747

Represent low risk investments with original due date over three-month.

9 Inventories

	March 31, 2010 (unaudited)	December 31, 2009
Finished products		
Nickel (co-products and by-products)	1,287	1,083
Iron ore and pellets	678	677
Manganese and ferroalloys	167	164
Aluminum products	154	135
Kaolin	41	42
Copper concentrate	36	35
Coal	62	51
Others	56	51
Spare parts and maintenance supplies	923	958