

Vale S.A.  
Form 6-K  
July 29, 2011  
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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**

**July 2011**

**Vale S.A.**

**Avenida Graça Aranha, No. 26  
20030-900 Rio de Janeiro, RJ, Brazil**

(Address of principal executive office)

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

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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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**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 (the Company) as of June 30, 2011, and the related condensed consolidated statements of income, of cash flows, of comprehensive income and of stockholders' equity for each of the three-month periods ended June 30 and March 31, 2011 and June 30, 2010 and for the six-month periods ended June 30, 2011 and June 30, 2010. 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, 2010, 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 24, 2011, 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, 2010, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

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PricewaterhouseCoopers

Audidores Independentes

Rio de Janeiro, Brazil

July 28, 2011

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

Table of Contents**Condensed Consolidated Balance Sheets**

Expressed in millions of United States dollars

|  | June 30, 2011<br>(unaudited) | December 31, 2010 |
|--|------------------------------|-------------------|
| <b>Assets</b>  |                              |                   |
| <b>Current assets</b>  |                              |                   |
| Cash and cash equivalents  | 13,227                       | 7,584             |
| Short-term investments   |                              | 1,793             |
| Accounts receivable  |                              |                   |
| Related parties  | 314                          | 435               |
| Unrelated parties  | 7,919                        | 7,776             |
| Loans and advances to related parties                                      | 231                          | 96                |
| Inventories  | 5,273                        | 4,298             |
| Deferred income tax  | 249                          | 386               |
| Unrealized gains on derivative instruments                                 | 793                          | 52                |
| Advances to suppliers  | 487                          | 188               |
| Recoverable taxes  | 2,131                        | 1,603             |
| Assets held for sale   | 215                          | 6,987             |
| Others   | 834                          | 593               |
|  | <b>31,673</b>                | <b>31,791</b>     |
| <b>Non-current assets</b>  |                              |                   |
| Property, plant and equipment, net   | 91,677                       | 83,096            |
| Intangible assets  | 1,344                        | 1,274             |
| Investments in affiliated companies, joint ventures and others investments | 8,552                        | 4,497             |
| Other assets:  |                              |                   |
| Goodwill on acquisition of subsidiaries                                    | 3,370                        | 3,317             |
| Loans and advances   |                              |                   |
| Related parties  | 39                           | 29                |
| Unrelated parties  | 305                          | 165               |
| Prepaid pension cost   | 1,935                        | 1,962             |
| Prepaid expenses   | 333                          | 222               |
| Judicial deposits  | 1,888                        | 1,731             |
| Recoverable taxes  | 518                          | 361               |
| Deferred income tax  | 511                          |                   |
| Unrealized gains on derivative instruments                                 | 190                          | 301               |
| Tax Incentive / reinvestment   | 346                          | 144               |
| Account receivable of sale of aluminum                                     | 347                          |                   |
| Others   | 185                          | 249               |
|  | <b>9,967</b>                 | <b>8,481</b>      |
| <b>TOTAL</b>   | <b>143,213</b>               | <b>129,139</b>    |

Table of Contents**Condensed Consolidated Balance Sheets**

Expressed in millions of United States dollars

(Except number of shares)

|  | (Continued)<br>June 30, 2011<br>(unaudited) | December 31, 2010 |
|--|---|-------------------|
| <b>Liabilities and stockholders equity</b>   |   |                   |
| <b>Current liabilities</b>   |   |                   |
| Suppliers  | 4,652                                       | 3,558             |
| Payroll and related charges  | 1,018                                       | 1,134             |
| Minimum annual remuneration attributed to stockholders   | 2,111                                       | 4,842             |
| Current portion of long-term debt  | 1,918                                       | 2,823             |
| Short-term debt  | 100   | 139               |
| Loans from related parties   |   | 9                 |
| Provision for income taxes   | 4,238                                       | 751               |
| Taxes payable and royalties  | 107   | 257               |
| Employees postretirement benefits  | 235   | 168               |
| Unrealized losses on derivative instruments  | 50  | 35                |
| Provisions for asset retirement obligations  | 56  | 75                |
| Liabilities associated with assets held for sale   | 85  | 3,152             |
| Others   | 1,037                                       | 969               |
|  | <b>15,607</b>                               | <b>17,912</b>     |
| <b>Non-current liabilities</b>   |   |                   |
| Employees postretirement benefits  | 2,207                                       | 2,442             |
| Long-term debt   | 22,435                                      | 21,591            |
| Provisions for contingencies (Note 16 (b))   | 2,169                                       | 2,043             |
| Unrealized losses on derivative instruments  | 11  | 61                |
| Deferred income tax  | 7,069                                       | 8,085             |
| Provisions for asset retirement obligations  | 1,354                                       | 1,293             |
| Debentures   | 1,418                                       | 1,284             |
| Others   | 2,444                                       | 1,987             |
|  | <b>39,107</b>                               | <b>38,786</b>     |
| <b>Redeemable noncontrolling interest</b>  | 578   | 712               |
| <b>Commitments and contingencies (Note 16)</b>   |   |                   |
| <b>Stockholders equity</b>   |   |                   |
| Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2010 - 2,108,579,618) issued | 16,728                                      | 10,370            |
| Common stock - 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2010 - 3,256,724,482) issued            | 25,837                                      | 16,016            |
|  | (2,660)                                     | (2,660)           |

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Treasury stock - 99,649,562 (2010 - 99,649,571) preferred and 47,375,394 (2010 - 47,375,394) common shares

|  |                |                |
|--|----------------|----------------|
| Additional paid-in capital                       | 318            | 2,188          |
| Mandatorily convertible notes - common shares    | 290            | 290            |
| Mandatorily convertible notes - preferred shares | 644            | 644            |
| Other cumulative comprehensive loss              | 2,566          | (333)          |
| Undistributed retained earnings                  | 30,082         | 42,218         |
| Unappropriated retained earnings                 | 11,211         | 166            |
| <b>Total Company stockholders equity</b>         | <b>85,016</b>  | <b>68,899</b>  |
| <b>Noncontrolling interests</b>                  | <b>2,905</b>   | <b>2,830</b>   |
| <b>Total stockholders equity</b>                 | <b>87,921</b>  | <b>71,729</b>  |
| <b>TOTAL</b>                                     | <b>143,213</b> | <b>129,139</b> |

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



Table of Contents**Condensed Consolidated Statements of Income**

Expressed in millions of United States dollars

(Except per share amounts)

|   | (Unaudited)    |  |                |   |                |
|---|----------------|--|----------------|---|----------------|
|   | June 30, 2011  | Three-month period ended<br>March 31, 2011 | June 30, 2010  | Six-month period ended<br>June 30, 2011 | June 30, 2010  |
| <b>Operating revenues, net of discounts, returns and allowances</b>           |                |  |                |   |                |
| Sales of ores and metals  | 13,659         | 11,743                                     | 8,402          | 25,402                                  | 14,095         |
| Aluminum products   |                | 383  | 655            | 383                                     | 1,254          |
| Revenues from logistic services   | 476            | 328  | 409            | 804                                     | 723            |
| Fertilizer products   | 867            | 787  | 210            | 1,654                                   | 275            |
| Others  | 343            | 307  | 254            | 650                                     | 431            |
|   | <b>15,345</b>  | <b>13,548</b>                              | <b>9,930</b>   | <b>28,893</b>                           | <b>16,778</b>  |
| Taxes on revenues   | (356)          | (335)                                      | (272)          | (691)                                   | (516)          |
| <b>Net operating revenues</b>   | <b>14,989</b>  | <b>13,213</b>                              | <b>9,658</b>   | <b>28,202</b>                           | <b>16,262</b>  |
| <b>Operating costs and expenses</b>   |                |  |                |   |                |
| Cost of ores and metals sold  | (4,361)        | (4,101)                                    | (2,965)        | (8,462)                                 | (5,565)        |
| Cost of aluminum products   |                | (289)                                      | (545)          | (289)                                   | (1,052)        |
| Cost of logistic services   | (376)          | (289)                                      | (262)          | (665)                                   | (492)          |
| Cost of fertilizer products   | (676)          | (645)                                      | (175)          | (1,321)                                 | (213)          |
| Others  | (308)          | (252)                                      | (175)          | (560)                                   | (339)          |
|   | <b>(5,721)</b> | <b>(5,576)</b>                             | <b>(4,122)</b> | <b>(11,297)</b>                         | <b>(7,661)</b> |
| Selling, general and administrative expenses                                  | (434)          | (419)                                      | (343)          | (853)                                   | (636)          |
| Research and development expenses   | (363)          | (342)                                      | (189)          | (705)                                   | (361)          |
| Gain on sale of assets  |                | 1,513                                      |                | 1,513                                   |                |
| Others  | (724)          | (420)                                      | (374)          | (1,144)                                 | (912)          |
|   | <b>(7,242)</b> | <b>(5,244)</b>                             | <b>(5,028)</b> | <b>(12,486)</b>                         | <b>(9,570)</b> |
| <b>Operating income</b>   | <b>7,747</b>   | <b>7,969</b>                               | <b>4,630</b>   | <b>15,716</b>                           | <b>6,692</b>   |
| <b>Non-operating income (expenses)</b>  |                |  |                |   |                |
| Financial income  | 226            | 165  | 69             | 391                                     | 117            |
| Financial expenses  | (514)          | (582)                                      | (514)          | (1,096)                                 | (979)          |
| Gains (losses) on derivatives, net  | 358            | 239  | (112)          | 597                                     | (342)          |
| Foreign exchange and indexation gains, net                                    | 578            | 80   | 66             | 658                                     | 36             |
|   | <b>648</b>     | <b>(98)</b>                                | <b>(491)</b>   | <b>550</b>                              | <b>(1,168)</b> |
| <b>Income before discontinued operations, income taxes and equity results</b> | <b>8,395</b>   | <b>7,871</b>                               | <b>4,139</b>   | <b>16,266</b>                           | <b>5,524</b>   |
| <b>Income taxes</b>   |                |  |                |   |                |
| Current   | (1,719)        | (1,593)                                    | (609)          | (3,312)                                 | (858)          |
| Deferred  | (688)          | 216  | (52)           | (472)                                   | 436            |

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|  |              |              |              |               |              |
|--|--------------|--------------|--------------|---------------|--------------|
|  | (2,407)      | (1,377)      | (661)        | (3,784)       | (422)        |
| <b>Equity in results of affiliates, joint ventures and other investments</b> | <b>406</b>   | <b>280</b>   | <b>283</b>   | <b>686</b>    | <b>379</b>   |
| <b>Net income from continuing operations</b>                                 | <b>6,394</b> | <b>6,774</b> | <b>3,761</b> | <b>13,168</b> | <b>5,481</b> |
| <b>Discontinued operations, net of tax</b>                                   |              |              | (6)          |               | (151)        |
| <b>Net income</b>  | <b>6,394</b> | <b>6,774</b> | <b>3,755</b> | <b>13,168</b> | <b>5,330</b> |
| <b>Net income (loss) attributable to noncontrolling interests</b>            | <b>(58)</b>  | <b>(52)</b>  | <b>50</b>    | <b>(110)</b>  | <b>21</b>    |
| <b>Net income attributable to the Company's stockholders</b>                 | <b>6,452</b> | <b>6,826</b> | <b>3,705</b> | <b>13,278</b> | <b>5,309</b> |
| Basic and diluted earnings per share attributable to Company's stockholders  |              |              |              |               |              |
| Earnings per preferred share   | 1.21         | 1.29         | 0.69         | 2.50          | 0.99         |
| Earnings per common share  | 1.21         | 1.29         | 0.69         | 2.50          | 0.99         |
| Earnings per preferred share linked to mandatorily convertible notes (*)     | 1.71         | 1.67         | 1.10         | 3.38          | 1.80         |
| Earnings per common share linked to mandatorily convertible notes (*)        | 1.79         | 1.74         | 1.95         | 3.53          | 3.48         |

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

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

Table of Contents**Condensed Consolidated Statements of Cash Flows**

Expressed in millions of United States dollars

|   | (Unaudited)   |  |               |   |               |
|---|---------------|--|---------------|---|---------------|
|   | June 30, 2011 | Three-month period ended<br>March 31, 2011 | June 30, 2010 | Six-month period ended<br>June 30, 2011 | June 30, 2010 |
| <b>Cash flows from operating activities:</b>                          |               |  |               |   |               |
| <b>Net income</b>   | 6,394         | 6,774                                      | 3,755         | 13,168                                  | 5,330         |
| Depreciation, depletion and amortization                              | 979           | 957  | 748           | 1,936                                   | 1,491         |
| Dividends received  | 343           | 250  | 199           | 593                                     | 249           |
| Equity in results of affiliates, joint ventures and other investments | (406)         | (280)                                      | (283)         | (686)                                   | (379)         |
| Deferred income taxes   | 688           | (216)                                      | 52            | 472                                     | (436)         |
| Loss on disposal of property, plant and equipment                     | 19            | 172  | 48            | 191                                     | 146           |
| Gain on sale of assets available for sale                             |               | (1,513)                                    |               | (1,513)                                 |               |
| Discontinued operations, net of tax                                   |               |  | 6             |   | 151           |
| Foreign exchange and indexation gains, net                            | 257           | (104)                                      | (20)          | 153                                     | (79)          |
| Unrealized derivative losses (gains), net                             | (230)         | (212)                                      | 223           | (442)                                   | 466           |
| Unrealized interest (income) expense, net                             | (41)          | 7  | (13)          | (34)                                    | 5             |
| Others  | (41)          | (37)                                       | (17)          | (78)                                    | 101           |
| <b>Decrease (increase) in assets:</b>                                 |               |  |               |   |               |
| Accounts receivable   | (658)         | 111  | (1,608)       | (547)                                   | (2,385)       |
| Inventories   | (73)          | (743)                                      | (130)         | (816)                                   | (388)         |
| Recoverable taxes   | (79)          | (112)                                      | (78)          | (191)                                   | (30)          |
| Others  | (280)         | 200  | (60)          | (80)                                    | 65            |
| <b>Increase (decrease) in liabilities:</b>                            |               |  |               |   |               |
| Suppliers   | 246           | 157  | 385           | 403                                     | 497           |
| Payroll and related charges   | 204           | (356)                                      | 127           | (152)                                   | (150)         |
| Income taxes  | (24)          | 476  | 357           | 452                                     | 311           |
| Others  | (233)         | 477  | (15)          | 244                                     | 117           |
| <b>Net cash provided by operating activities</b>                      | <b>7,065</b>  | <b>6,008</b>                               | <b>3,676</b>  | <b>13,073</b>                           | <b>5,082</b>  |
| <b>Cash flows from investing activities:</b>                          |               |  |               |   |               |
| Short term investments  | 540           | 1,253                                      | 12            | 1,793                                   | 3,747         |
| Loans and advances receivable   |               |  |               |   |               |
| Related parties   |               |  |               |   |               |
| Loan proceeds   |               |  |               |   | (28)          |
| Repayments  |               |  | 1             |   | 1             |
| Others  | (34)          | (143)                                      | 9             | (177)                                   | 4             |
| Judicial deposits   | (159)         | (29)                                       | (47)          | (188)                                   | (163)         |
| Investments   | (26)          | (115)                                      | (23)          | (141)                                   | (51)          |
| Additions to property, plant and equipment                            | (3,480)       | (2,813)                                    | (2,236)       | (6,293)                                 | (4,053)       |

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|  |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|
| Proceeds from disposal of investments available for sale     |                | 1,081          |                | 1,081          |                |
| Acquisition of subsidiaries, net of cash acquired            |                |                | (5,234)        |                | (5,234)        |
| <b>Net cash used in investing activities</b>                 | <b>(3,159)</b> | <b>(766)</b>   | <b>(7,518)</b> | <b>(3,925)</b> | <b>(5,777)</b> |
| <b>Cash flows from financing activities:</b>                 |                |                |                |                |                |
| <b>Short-term debt</b>                                       |                |                |                |                |                |
| Additions  | 51             | 767            | 225            | 818            | 1,857          |
| Repayments   | (96)           | (760)          | (206)          | (856)          | (1,855)        |
| <b>Loans</b>   |                |                |                |                |                |
| <b>Related parties</b>                                       |                |                |                |                |                |
| Proceeds   |                | 19             | 5              | 19             | 15             |
| Repayments   |                | (1)            | (2)            | (1)            | (3)            |
| <b>Issuances of long-term debt</b>                           |                |                |                |                |                |
| <b>Third parties</b>   |                |                |                |                |                |
| Proceeds   | 268            | 603            | 469            | 871            | 1,528          |
| Repayments   | (419)          | (1,351)        | (133)          | (1,770)        | (383)          |
| Dividends and interest attributed to Company's stockholders  | (2,000)        | (1,000)        | (1,250)        | (3,000)        | (1,250)        |
| Dividends and interest attributed to noncontrolling interest | (60)           |                | (58)           | (60)           | (59)           |
| <b>Net cash used in financing activities</b>                 | <b>(2,256)</b> | <b>(1,723)</b> | <b>(950)</b>   | <b>(3,979)</b> | <b>(150)</b>   |
| Increase (decrease) in cash and cash equivalents             | 1,650          | 3,519          | (4,792)        | 5,169          | (845)          |
| Effect of exchange rate changes on cash and cash equivalents | 306            | 168            | (97)           | 474            | (213)          |
| Cash and cash equivalents, beginning of period               | 11,271         | 7,584          | 11,124         | 7,584          | 7,293          |
| <b>Cash and cash equivalents, end of period</b>              | <b>13,227</b>  | <b>11,271</b>  | <b>6,235</b>   | <b>13,227</b>  | <b>6,235</b>   |
| <b>Cash paid during the period for:</b>                      |                |                |                |                |                |
| Interest on short-term debt                                  | (1)            | (1)            |                | (2)            | (1)            |
| Interest on long-term debt                                   | (374)          | (337)          | (298)          | (711)          | (541)          |
| Income tax   | (1,171)        | (965)          | (40)           | (2,136)        | (167)          |
| <b>Non-cash transactions</b>                                 |                |                |                |                |                |
| Interest capitalized   | 69             | 33             | 56             | 102            | 102            |

Conversion of mandatorily convertible notes using 75,435,238 treasury stock (see note 13).

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

Table of Contents**Condensed Consolidated Statements of Changes in Stockholders' Equity**

Expressed in millions of United States dollars

(Except number of shares)

|   | June 30, 2011  | Three-month period ended<br>March 31, 2011 | (Unaudited)<br>June 30, 2010 | Six-month period ended<br>June 30, 2011 | June 30, 2010 |
|---|----------------|--|------------------------------|---|---------------|
| <b>Preferred class A stock<br/>(including twelve golden<br/>shares)</b> |                |  |                              |   |               |
| <b>Beginning of the period</b>  | <b>10,370</b>  | <b>10,370</b>                              | <b>9,727</b>                 | <b>10,370</b>                           | <b>9,727</b>  |
| Capital increase  | 6,358          |  |                              | 6,358                                   |               |
| Transfer from undistributed<br>retained earnings                        |                |  | 643                          |   | 643           |
| <b>End of the period</b>  | <b>16,728</b>  | <b>10,370</b>                              | <b>10,370</b>                | <b>16,728</b>                           | <b>10,370</b> |
| <b>Common stock</b>   |                |  |                              |   |               |
| <b>Beginning of the period</b>  | <b>16,016</b>  | <b>16,016</b>                              | <b>15,262</b>                | <b>16,016</b>                           | <b>15,262</b> |
| Capital increase  | 9,821          |  |                              | 9,821                                   |               |
| Transfer from undistributed<br>retained earnings                        |                |  | 754                          |   | 754           |
| <b>End of the period</b>  | <b>25,837</b>  | <b>16,016</b>                              | <b>16,016</b>                | <b>25,837</b>                           | <b>16,016</b> |
| <b>Treasury stock</b>   |                |  |                              |   |               |
| Beginning of the period   | (2,660)        | (2,660)                                    | (1,150)                      | (2,660)                                 | (1,150)       |
| Sales (acquisitions)  |                |  | 490                          |   | 490           |
| <b>End of the period</b>  | <b>(2,660)</b> | <b>(2,660)</b>                             | <b>(660)</b>                 | <b>(2,660)</b>                          | <b>(660)</b>  |
| <b>Additional paid-in capital</b>                                       |                |  |                              |   |               |
| <b>Beginning of the period</b>  | <b>2,188</b>   | <b>2,188</b>                               | <b>411</b>                   | <b>2,188</b>                            | <b>411</b>    |
| Change in the period  | (1,870)        |  | 1,379                        | (1,870)                                 | 1,379         |
| <b>End of the period</b>  | <b>318</b>     | <b>2,188</b>                               | <b>1,790</b>                 | <b>318</b>                              | <b>1,790</b>  |
| <b>Mandatorily convertible<br/>notes - common shares</b>                |                |  |                              |   |               |
| <b>Beginning of the period</b>  | <b>290</b>     | <b>290</b>                                 | <b>1,578</b>                 | <b>290</b>                              | <b>1,578</b>  |
| Change in the period  |                |  | (1,288)                      |   | (1,288)       |
| <b>End of the period</b>  | <b>290</b>     | <b>290</b>                                 | <b>290</b>                   | <b>290</b>                              | <b>290</b>    |
| <b>Mandatorily convertible<br/>notes - preferred shares</b>             |                |  |                              |   |               |
| <b>Beginning of the period</b>  | <b>644</b>     | <b>644</b>                                 | <b>1,225</b>                 | <b>644</b>                              | <b>1,225</b>  |
| Change in the period  |                |  | (581)                        |   | (581)         |
| <b>End of the period</b>  | <b>644</b>     | <b>644</b>                                 | <b>644</b>                   | <b>644</b>                              | <b>644</b>    |
| <b>Other cumulative<br/>comprehensive income<br/>(deficit)</b>          |                |  |                              |   |               |
| <b>Cumulative translation<br/>adjustments</b>                           |                |  |                              |   |               |
| Beginning of the period   | 934            | (253)                                      | (2,162)                      | (253)                                   | (1,772)       |

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|   |               |               |                |               |                |
|---|---------------|---------------|----------------|---------------|----------------|
| Change in the period  | 1,581         | 1,187         | (1,455)        | 2,768         | (1,845)        |
| <b>End of the period</b>  | <b>2,515</b>  | <b>934</b>    | <b>(3,617)</b> | <b>2,515</b>  | <b>(3,617)</b> |
| <b>Unrealized gain (loss) - available-for-sale securities, net of tax</b> |               |               |                |               |                |
| Beginning of the period   | 2             | 3             | 2              | 3             |                |
| Change in the period  | (2)           | (1)           | (2)            | (3)           |                |
| <b>End of the period</b>  |               | <b>2</b>      |                |               |                |
| <b>Surplus (deficit) accrued pension plan</b>                             |               |               |                |               |                |
| Beginning of the period   | 61            | (59)          | 100            | (59)          | (38)           |
| Change in the period  | (132)         | 120           | (164)          | (12)          | (26)           |
| <b>End of the period</b>  | <b>(71)</b>   | <b>61</b>     | <b>(64)</b>    | <b>(71)</b>   | <b>(64)</b>    |
| <b>Cash flow hedge</b>  |               |               |                |               |                |
| Beginning of the period   | (19)          | (24)          | (21)           | (24)          | 2              |
| Change in the period  | 141           | 5             | 143            | 146           | 120            |
| <b>End of the period</b>  | <b>122</b>    | <b>(19)</b>   | <b>122</b>     | <b>122</b>    | <b>122</b>     |
| <b>Total other cumulative comprehensive income (deficit)</b>              |               |               |                |               |                |
|   | <b>2,566</b>  | <b>978</b>    | <b>(3,559)</b> | <b>2,566</b>  | <b>(3,559)</b> |
| <b>Undistributed retained earnings</b>                                    |               |               |                |               |                |
| Beginning of the period   | 43,189        | 42,218        | 27,875         | 42,218        | 28,508         |
| Transfer from/to unappropriated retained earnings                         | 1,202         | 971           | (392)          | 2,173         | (1,025)        |
| Transfer to capitalized earnings  | (14,309)      |               | (1,397)        | (14,309)      | (1,397)        |
| <b>End of the period</b>  | <b>30,082</b> | <b>43,189</b> | <b>26,086</b>  | <b>30,082</b> | <b>26,086</b>  |
| <b>Unappropriated retained earnings</b>                                   |               |               |                |               |                |
| Beginning of the period   | 5,995         | 166           | 5,377          | 166           | 3,182          |
| Net income attributable to the stockholders Company                       | 6,452         | 6,826         | 3,705          | 13,278        | 5,309          |
| Interest on mandatorily convertible debt                                  |               |               |                |               |                |
| Preferred class A stock   | (24)          | (18)          | (19)           | (42)          | (38)           |
| Common stock  | (10)          | (8)           | (23)           | (18)          | (46)           |
| Dividends and interest attributed to stockholders equity                  |               |               |                |               |                |
| Preferred class A stock   |               |               | (77)           |               | (77)           |
| Common stock  |               |               | (121)          |               | (121)          |
| Appropriation from/to undistributed retained earnings                     | (1,202)       | (971)         | 392            | (2,173)       | 1,025          |
| <b>End of the period</b>  | <b>11,211</b> | <b>5,995</b>  | <b>9,234</b>   | <b>11,211</b> | <b>9,234</b>   |
| <b>Total Company stockholders equity</b>                                  |               |               |                |               |                |
|   | <b>85,016</b> | <b>77,010</b> | <b>60,211</b>  | <b>85,016</b> | <b>60,211</b>  |
| Beginning of the period   | 2,904         | 2,830         | 2,784          | 2,830         | 2,831          |
| Disposals (acquisitions) of noncontrolling interests                      |               | 117           | 2,309          | 117           | 2,309          |
| Cumulative translation adjustments  | 40            | (54)          | (11)           | (14)          | (22)           |
| Cash flow hedge   |               | 1             | 31             | 1             | 35             |
| Net income (loss) attributable to noncontrolling interests                | (58)          | (52)          | 50             | (110)         | 21             |
| Net income (loss) attributable to redeemable noncontrolling interests     | 65            | 68            |                | 133           |                |
| Dividends and interest attributable to noncontrolling                     | (59)          | (6)           | 5              | (65)          | (6)            |

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|   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| interests                               |               |               |               |               |               |
| Capitalization of stockholders advances | 8             |               |               | 8             |               |
| Pension plan                            | 5             |               |               | 5             |               |
| Assets and liabilities held for sale    |               |               | (1,683)       |               | (1,683)       |
| <b>End of the period</b>                | <b>2,905</b>  | <b>2,904</b>  | <b>3,485</b>  | <b>2,905</b>  | <b>3,485</b>  |
| <b>Total stockholders equity</b>        | <b>87,921</b> | <b>79,914</b> | <b>63,696</b> | <b>87,921</b> | <b>63,696</b> |

**Number of shares issued and outstanding:**

|  |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Preferred class A stock (including twelve golden shares) | 2,108,579,618        | 2,108,579,618        | 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        | 3,256,724,482        | 3,256,724,482        |
| Buy-backs  |                      |                      |                      |                      |                      |
| Beginning of the period                                  | (147,024,956)        | (147,024,965)        | (152,579,803)        | (147,024,965)        | (152,579,803)        |
| Conversions  |                      | 9                    | 75,435,238           | 9                    | 75,435,238           |
| End of the period  | <b>(147,024,956)</b> | <b>(147,024,956)</b> | <b>(77,144,565)</b>  | <b>(147,024,956)</b> | <b>(77,144,565)</b>  |
|  | <b>5,218,279,144</b> | <b>5,218,279,144</b> | <b>5,288,159,535</b> | <b>5,218,279,144</b> | <b>5,288,159,535</b> |

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

Table of Contents**Condensed Consolidated Statements of Comprehensive Income (deficit)**

Expressed in millions of United States dollars

|  | (Unaudited)   |  |               |   |               |
|--|---------------|--|---------------|---|---------------|
|  | June 30, 2011 | Three-month period ended<br>March 31, 2011 | June 30, 2010 | Six-month period ended<br>June 30, 2011 | June 30, 2010 |
| <b>Comprehensive income is comprised as follows:</b>                                 |               |  |               |   |               |
| <b>Company's stockholders:</b>   |               |  |               |   |               |
| Net income attributable to Company's stockholders                                    | 6,452         | 6,826                                      | 3,705         | 13,278                                  | 5,309         |
| Cumulative translation adjustments   | 1,581         | 1,187                                      | (1,455)       | 2,768                                   | (1,845)       |
| <b>Available-for-sale securities</b>   |               |  |               |   |               |
| Gross balance as of the period/year end  | (13)          | (1)  | (2)           | (14)                                    | 4             |
| Tax (expense) benefit  | 11            |  |               | 11                                      | (4)           |
|  | <b>(2)</b>    | <b>(1)</b>                                 | <b>(2)</b>    | <b>(3)</b>                              |               |
| <b>Surplus (deficit) accrued pension plan</b>  |               |  |               |   |               |
| Gross balance as of the period/year end  | (195)         | 183  | (297)         | (12)                                    | (91)          |
| Tax (expense) benefit  | 63            | (63)                                       | 133           |   | 65            |
|  | <b>(132)</b>  | <b>120</b>                                 | <b>(164)</b>  | <b>(12)</b>                             | <b>(26)</b>   |
| <b>Cash flow hedge</b>   |               |  |               |   |               |
| Gross balance as of the period   | 138           | 14   | 151           | 152                                     | 154           |
| Tax (expense) benefit  | 3             | (9)  | (8)           | (6)                                     | (34)          |
|  | <b>141</b>    | <b>5</b>                                   | <b>143</b>    | <b>146</b>                              | <b>120</b>    |
| <b>Total comprehensive income attributable to Company's stockholders</b>             | <b>8,040</b>  | <b>8,137</b>                               | <b>2,227</b>  | <b>16,177</b>                           | <b>3,558</b>  |
| <b>Noncontrolling interests:</b>   |               |  |               |   |               |
| Net income attributable to noncontrolling interests                                  | (58)          | (52)                                       | 50            | (110)                                   | 21            |
| Cumulative translation adjustments   | 40            | (54)                                       | (11)          | (14)                                    | (22)          |
| Pension plan   | 8             |  |               | 8                                       |               |
| Cash flow hedge  |               | 1  | 31            | 1                                       | 35            |
| <b>Total comprehensive income (deficit) attributable to Noncontrolling interests</b> | <b>(10)</b>   | <b>(105)</b>                               | <b>70</b>     | <b>(115)</b>                            | <b>34</b>     |
| <b>Total comprehensive income</b>  | <b>8,030</b>  | <b>8,032</b>                               | <b>2,297</b>  | <b>16,062</b>                           | <b>3,592</b>  |

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





Table of Contents**Notes to the Condensed Consolidated Financial Statements**

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, basic metals production, fertilizers, logistics and steel activities.

At June 30, 2011, our principal consolidated operating subsidiaries are the following:

| Subsidiary                              | % ownership | % voting capital | Location      | Principal activity        |
|---|-------------|------------------|---------------|---------------------------|
| Compañia Minera Miski Mayo S.A.C.       | 40.00       | 51.00            | Peru          | Fertilizer                |
| Ferrovia Centro-Atlântica S. A.         | 99.99       | 99.99            | Brazil        | Logistics                 |
| Ferrovia Norte Sul S.A.                 | 100.00      | 100.00           | Brazil        | Logistics                 |
| Mineração Corumbaense Reunida S.A.      | 100.00      | 100.00           | Brazil        | Iron ore                  |
| PT International Nickel Indonesia Tbk   | 59.14       | 59.14            | Indonesia     | Nickel                    |
| Sociedad Contractual Minera Tres Valles | 90.00       | 90.00            | Chile         | Copper                    |
| Urucum Mineração S.A.                   | 100.00      | 100.00           | Brazil        | Iron Ore and Manganese    |
| Vale Australia Pty Ltd.                 | 100.00      | 100.00           | Australia     | Coal                      |
| Vale Austria Holdings GMBH              | 100.00      | 100.00           | Austria       | Holding and Exploration   |
| Vale Canada Limited                     | 100.00      | 100.00           | Canada        | Nickel                    |
| Vale Coal Colombia Ltd.                 | 100.00      | 100.00           | Colombia      | Coal                      |
| Vale Fertilizantes S.A                  | 84.27       | 99.90            | Brazil        | Fertilizer                |
| Vale International S.A                  | 100.00      | 100.00           | Switzerland   | Trading                   |
| Vale Manganês S.A.                      | 100.00      | 100.00           | Brazil        | Manganese and Ferroalloys |
| Vale Nouvelle - Calédonie SAS           | 74.00       | 74.00            | New Caledonia | Nickel                    |

**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. Subsidiaries over which control is achieved through other means, such as stockholders agreement, are also consolidated even if we hold less than 51% of voting capital. 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 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 noncontrolling interest but with significant influence over the operating and financial policies of the investee.

Our participation in hydroelectric projects in Brazil 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 statements for the three-month periods ended June 30, 2011, March 31, 2011 and June 30, 2010 and for the six-month periods ended June 30, 2011 and 2010, 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 statement of the results for interim periods. The results of operations for the three-month and six-month periods ended June 30, 2011, are not necessarily indicative of the actual results expected for the full fiscal year ending December 31, 2011.

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This condensed consolidated interim financial statement should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2010, prepared in accordance with US GAAP.

In preparing the condensed consolidated financial statements, 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 December 31, 2010, the convergence was completed and therefore the ( IFRS ) is the accounting practice adopted in Brazil. The Company does expect to continue the ( US GAAP ) reporting during 2011.

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 June 30, 2011 and December 31, 2010, were R\$ 1.5611 and R\$1.6662, respectively.

**4 Accounting pronouncements**

**a) Newly issued accounting pronouncements**

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Accounting Standards Update (ASU) number 2011-05 Comprehensive Income (Topic 220): Presentation of Comprehensive Income. The objective of this Update is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income, so an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income. We are currently studying the future impact of this statement.

Accounting Standards Update (ASU) number 2011-04: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in USGAAP and IFRSs. The amendments in this Update generally represent clarifications of Topic 820, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This Update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with US GAAP and IFRSs. We are currently studying the future impact of this statement.

Accounting Standards Update (ASU) number 2011-03: Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements. The amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. We do not expect any significant change in the disclosure of our financial statements.

Accounting Standards Update (ASU) number 2011-02: Receivables (Topic 310) - A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring. The amendments in this Update would provide additional guidance to assist creditors in determining whether a restructuring of a receivable meets the criteria to be considered a troubled debt restructuring. We do not expect any significant change in the disclosure of our financial statements.

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The Company understands that the other recently issued accounting pronouncements that are not effective as of and for the period ending June 30, 2011, are not expected to be relevant for its consolidated financial statements.

**b) Accounting standards adopted in 2011**

Accounting Standards Update (ASU) number 2010-29 Disclosure of Supplementary Pro Forma Information for Business Combinations a consensus of the FASB Emerging Issues Task Force. The objective of this Update is to address diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in this Update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The Company fully adopted this standard in 2011. This codification does not impact our financial position, results of operations or liquidity.

**5 Major acquisitions and disposals**

**a) Sale of aluminum assets**

In February 2011, we concluded the transaction announced in May, 2010 with Norsk Hydro ASA (Hydro), to transfer all of our stakes in Albras-Alumínio Brasileiro S.A. (Albras), Alunorte Alumina do Norte do Brasil S.A. (Alunorte) and Companhia de Alumina do Pará (CAP), along with its respective off-take rights and outstanding commercial contracts, and 60% of Mineração Paragominas S.A. and all our other Brazilian bauxite mineral rights.

For this transactions we received US\$ 1,081 in cash and 22% equivalent to 447,834,465 shares of Hydro's common shares outstanding (approximately US\$ 3.5 billion according to Hydro's closing share price at the date of the transaction). Three and five years after the closing of the transaction, we will receive two equal tranches of US\$ 200 each in cash, related to the remaining payment of 40% of Mineração Paragominas S.A. From the date of the transaction, Hydro has been accounted for by the equity method.

The gain on this transaction, of US\$ 1,513 was recorded in the income statement in the line Gain on sale of assets.

**b) Fertilizers Businesses**

In 2010, we acquired 78.92% of the total capital and 99.83% of the voting do capital of Vale Fertilizantes and 100% of the total capital of Vale Fosfatados. In 2011, after the incorporation of Vale Fosfatados by Vale Fertilizantes, our total participation reaches 84.27%.

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.

|   |            |
|---|------------|
| Purchase price  | 5,795      |
| Noncontrolling consideration  | 767        |
| Book value of property, plant and equipment and mining rights               | (1,987)    |
| Book value of other assets acquired and liabilities assumed, net            | (395)      |
| Adjustment to fair value of property, plant and equipment and mining rights | (5,146)    |
| Adjustment to fair value of inventories                                     | (98)       |
| Deferred taxes on the above adjustments                                     | 1,783      |
| <b>Goodwill</b>   | <b>719</b> |

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

In June 2011, we announced a public offer to acquire up to 100% of the free float of our subsidiary Vale Fertilizantes S.A. The public offer involves a cash price of R\$ 25.00 per share, for both common and preferred shares, amounting a total disbursement by Vale of up to R\$ 2.2 billion (equivalent to US\$ 1.4 billion as at June 30, 2011) representing 0.09% of the common shares and 31.77% of the preferred shares issued by Vale Fertilizantes. In July we filed with Comissão de Valores Mobiliários (CVM) the Prospect (Edital) and a request for registration of a public offer to acquire

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up to 100% of the free float shares of its subsidiary Vale Fertilizantes S.A. (Vale Fertilizantes), in order to subsequently cancel the public company registration, as previously disclosed.

**c) Others transactions**

In April, 2011, the Board of Directors has approved the acquisition of up to 9% of Northern Energy S.A. (NESA), which is currently held by Gaia Energia e Participações S.A. (Gaia), subject to certain conditions. NESA was established with the sole purpose of implementing, operating and exploring of the Belo Monte hydroelectric plant, which is still in the early development stage. Vale estimated an investment of US\$ 1.4 billion to repay Gaia by capital contributions made in NESA and commitments of future capital contributions arising from the acquired stake.

**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, we are subject to various taxes rates depending on the jurisdiction.

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 generally accepted accounting principles.

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

|  | (Unaudited)   |         |       |  |         |       |               |         |       |   |         |        |               |         |       |
|--|---------------|---------|-------|--|---------|-------|---------------|---------|-------|---|---------|--------|---------------|---------|-------|
|  | June 30, 2011 |         |       | Three-month period ended<br>March 31, 2011 |         |       | June 30, 2010 |         |       | Six-month period ended<br>June 30, 2011 |         |        | June 30, 2010 |         |       |
|  | Brazil        | Foreign | Total | Brazil                                     | Foreign | Total | Brazil        | Foreign | Total | Brazil                                  | Foreign | Total  | Brazil        | Foreign | Total |
| Income before discontinued operations, income taxes, equity results and noncontrolling interests | 7,303         | 1,092   | 8,395 | 4,518                                      | 3,353   | 7,871 | 3,407         | 732     | 4,139 | 11,821                                  | 4,445   | 16,266 | 3,627         | 1,897   | 5,524 |
| Exchange variation (not taxable) or not  |               | 71      | 71    |  | 47      | 47    |               | (184)   | (184) |   | 118     | 118    |               | (600)   | (600) |



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| deductible  | 7,303          | 1,163        | 8,466          | 4,518        | 3,400        | 7,918          | 3,407        | 548        | 3,955        | 11,821         | 4,563        | 16,384         | 3,627        | 1,297      | 4,924        |
|---|----------------|--------------|----------------|--------------|--------------|----------------|--------------|------------|--------------|----------------|--------------|----------------|--------------|------------|--------------|
| Tax at Brazilian composite rate                         | (2,483)        | (395)        | (2,878)        | (1,536)      | (1,156)      | (2,692)        | (1,158)      | (187)      | (1,345)      | (4,019)        | (1,551)      | (5,570)        | (1,233)      | (441)      | (1,674)      |
| Adjustments to derive effective tax rate:               |                |              |                |              |              |                |              |            |              |                |              |                |              |            |              |
| Tax benefit on interest attributed to stockholders      | 258            |              | 258            | 436          |              | 436            | 209          |            | 209          | 694            |              | 694            | 418          |            | 418          |
| Difference on tax rates of foreign income               |                | 219          | 219            |              | 748          | 748            |              | 239        | 239          |                | 967          | 967            |              | 563        | 563          |
| Tax incentives  | 192            |              | 192            | 171          |              | 171            | 212          |            | 212          | 363            |              | 363            | 229          |            | 229          |
| Reversal of deferred income tax                         |                | (141)        | (141)          |              |              |                |              |            |              |                | (141)        | (141)          |              |            |              |
| Other non-taxable, income/non deductible expenses       | (63)           | 6            | (57)           | 13           | (53)         | (40)           | (25)         | 49         | 24           | (50)           | (47)         | (97)           | (29)         | 71         | 42           |
| <b>Income tax per consolidated statements of income</b> | <b>(2,096)</b> | <b>(311)</b> | <b>(2,407)</b> | <b>(916)</b> | <b>(461)</b> | <b>(1,377)</b> | <b>(762)</b> | <b>101</b> | <b>(661)</b> | <b>(3,012)</b> | <b>(772)</b> | <b>(3,784)</b> | <b>(615)</b> | <b>193</b> | <b>(422)</b> |

Vale and some subsidiaries in Brazil were granted with tax incentives that provide 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 from 2009. The tax savings 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 for 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

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subject to an earlier phase out, should the project achieves 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 our projects in Mozambique, Oman and Malaysia, that will take effects when those projects start their commercial operation.

We are subject to an 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.

Tax loss carry forwards in Brazil and in most of the jurisdictions where we have tax loss carry forwards have no expiration date, though in Brazil, offset is restricted to 30% of annual taxable income.

On January 1, 2007, Company adopted the provision accounting for Uncertainty in Income Taxes.

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

|   | (Unaudited)   |  |               |   |               |
|---|---------------|--|---------------|---|---------------|
|   | June 30, 2011 | Three-month period ended<br>March 31, 2011 | June 30, 2010 | Six-month period ended<br>June 30, 2011 | June 30, 2010 |
| <b>Beginning of the period</b>                  | <b>2,623</b>  | <b>2,555</b>                               | <b>409</b>    | <b>2,555</b>                            | <b>396</b>    |
| Increase resulting from tax positions taken     | 1,065         | 9  |               | 1,074                                   | 4             |
| Decrease resulting from tax positions taken (a) | (3,315)       | (2)  | (25)          | (3,317)                                 | (25)          |
| Cumulative translation adjustments              | (1)           | 61   | (15)          | 60                                      | (6)           |
| <b>End of the period</b>                        | <b>372</b>    | <b>2,623</b>                               | <b>369</b>    | <b>372</b>                              | <b>369</b>    |

(a) In July 2011, as a consequence of a Brazilian court decision in a case related to the exemption of the Social Contribution (Contribuição Social sobre o Lucro Líquido), we transferred the provision already recognized to current liabilities.

## 7 Cash and cash equivalents

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|                        | June 30, 2011<br>(unaudited) | December 31, 2010 |
|------------------------|------------------------------|-------------------|
| Cash                   | 1,087                        | 560               |
| Short-term investments | 12,140                       | 7,024             |
|                        | <b>13,227</b>                | <b>7,584</b>      |

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**

|              | June 30, 2011<br>(Unaudited) | December 31, 2010 |
|--------------|------------------------------|-------------------|
| Time deposit |                              | 1,793             |

Represent low risk investments with original due date over three months.

**9 Inventories**

|   | June 30, 2011<br>(Unaudited) | December 31, 2010 |
|---|------------------------------|-------------------|
| <b>Products</b>                             |                              |                   |
| Nickel (co-products and by-products)        | 2,151                        | 1,310             |
| Iron ore and pellets                        | 1,144                        | 825               |
| Manganese and ferroalloys                   | 203                          | 203               |
| Fertilizer                                  | 263                          | 171               |
| Copper concentrate                          | 63                           | 28                |
| Coal  | 57                           | 74                |
| Others                                      | 130                          | 143               |
| <b>Spare parts and maintenance supplies</b> | <b>1,262</b>                 | <b>1,544</b>      |
|   | <b>5,273</b>                 | <b>4,298</b>      |

In June 30, 2011, the inventory includes provision for adjustment to market value for the products nickel in the amount of US\$105 (US\$ 0 at December 31, 2010).

Table of Contents**10 Investments in affiliated companies and joint ventures**

|   | June 30, 2011 ( unaudited )  |              | Net equity | Net income (loss) of the period | Investments               |                   | Equity in earnings (losses) of investee adjustments (unaudited) |                |               |                                      |
|---|------------------------------|--------------|------------|---------------------------------|---------------------------|-------------------|---|----------------|---------------|--------------------------------------|
|   | Participation in capital (%) | Voting Total |            |                                 | June 30, 2011 (Unaudited) | December 31, 2010 | Three-month period ended June 30, 2011                          | March 31, 2011 | June 30, 2010 | Six-month period ended June 30, 2011 |
| <b>Bulk Material</b>  |                              |              |            |                                 |                           |                   |   |                |               |                                      |
| <b>Iron ore and pellets</b>                                   |                              |              |            |                                 |                           |                   |   |                |               |                                      |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO (1)       |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 51.11                        | 51.00        | 357        | 46                              | 182                       | 171               | 15  | 8              | 1             | 23                                   |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS (1) |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 51.00                        | 50.89        | 243        | 15                              | 125                       | 128               | 5   | 3              | (4)           | 8                                    |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO (1)    |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 50.00                        | 50.00        | 152        | 36                              | 76                        | 87                | 8   | 10             | 3             | 18                                   |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO (1)     |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 51.00                        | 50.90        | 149        | 50                              | 76                        | 86                | 15  | 10             | 2             | 25                                   |
| Minas da Serra Geral SA - MSG                                 |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 50.00                        | 50.00        | 65         | 3                               | 34                        | 36                | (5)   | 1              | 1             | (4)                                  |
| SAMARCO Mineração SA - SAMARCO (2)                            |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 50.00                        | 50.00        | 1,085      | 969                             | 611                       | 561               | 278   | 207            | 245           | 485                                  |
| Baovale Mineração SA - BAOVALE                                |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 50.00                        | 50.00        | 74         | 9                               | 37                        | 31                | 2   | 2              |               | 4                                    |
| Zhuhai YPM Pellet e Co.,Ltd - ZHUHAI                          |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 25.00                        | 25.00        | 90         | 4                               | 23                        | 25                | 1   | (1)            | 1             |                                      |
| Tecnored Desenvolvimento Tecnológico SA                       |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 43.04                        | 43.04        | 120        | (2)                             | 52                        | 40                |   | (1)            |               | (1)                                  |
|   |                              |              |            |                                 | <b>1,216</b>              | <b>1,165</b>      | <b>319</b>  | <b>239</b>     | <b>249</b>    | <b>558</b>                           |
| <b>Coal</b>   |                              |              |            |                                 |                           |                   |   |                |               |                                      |
| Henan Longyu Resources Co Ltd                                 |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 25.00                        | 25.00        | 1,191      | 167                             | 298                       | 250               | 18  | 24             | 19            | 42                                   |
| Shandong Yankuang International Company Ltd                   |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 25.00                        | 25.00        | (144)      | (37)                            | (36)                      | (27)              | (4)   | (5)            | (5)           | (9)                                  |
|   |                              |              |            |                                 | <b>262</b>                | <b>223</b>        | <b>14</b>   | <b>19</b>      | <b>14</b>     | <b>33</b>                            |
| <b>Base Metals</b>  |                              |              |            |                                 |                           |                   |   |                |               |                                      |
| <b>Bauxite</b>  |                              |              |            |                                 |                           |                   |   |                |               |                                      |
| Mineração Rio do Norte SA - MRN                               |                              |              |            |                                 |                           |                   |   |                |               |                                      |
|   | 40.00                        | 40.00        | 409        | 7                               | 166                       | 152               | 1   | 2              | 1             | 3                                    |
|   |                              |              |            |                                 | <b>166</b>                | <b>152</b>        | <b>1</b>  | <b>2</b>       | <b>1</b>      | <b>3</b>                             |

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| <b>Copper</b>                              |       |       |       |      |              |              |            |            |             |             |
|--|-------|-------|-------|------|--------------|--------------|------------|------------|-------------|-------------|
| Teal Minerals Incorporated                 |       |       |       |      |              |              |            |            |             |             |
|  | 50.00 | 50.00 | 265   | (14) | 133          | 90           | (2)        | (5)        | (18)        | (7)         |
|  |       |       |       |      | <b>133</b>   | <b>90</b>    | <b>(2)</b> | <b>(5)</b> | <b>(18)</b> | <b>(7)</b>  |
| <b>Nickel</b>                              |       |       |       |      |              |              |            |            |             |             |
| Heron Resources Inc (3)                    |       |       |       |      |              |              |            |            |             |             |
|  |       |       |       |      | 6            | 7            |            |            |             |             |
| Korea Nickel Corp                          | 25.00 | 25.00 | 5     |      | 5            | 11           |            |            |             |             |
| Others (3)                                 |       |       |       |      | 2            | 5            |            |            |             |             |
|  |       |       |       |      | <b>13</b>    | <b>23</b>    |            |            |             |             |
| <b>Aluminium</b>                           |       |       |       |      |              |              |            |            |             |             |
| Norsk Hydro ASA                            |       |       |       |      |              |              |            |            |             |             |
|  | 22.00 | 22.00 |       |      | 3,520        |              | 50         |            |             | 50          |
|  |       |       |       |      | <b>3,520</b> |              | <b>50</b>  |            |             | <b>50</b>   |
| <b>Logistic</b>                            |       |       |       |      |              |              |            |            |             |             |
| LOG-IN Logística                           |       |       |       |      |              |              |            |            |             |             |
| Intermodal SA                              | 31.33 | 31.33 | 421   | (6)  | 141          | 135          | (2)        |            | 1           | (2)         |
| MRS Logística SA                           | 37.86 | 41.50 | 1,359 | 176  | 565          | 511          | 35         | 36         | 23          | 71          |
|  |       |       |       |      | <b>706</b>   | <b>646</b>   | <b>33</b>  | <b>36</b>  | <b>24</b>   | <b>69</b>   |
| <b>Others</b>                              |       |       |       |      |              |              |            |            |             |             |
| <b>Steel</b>                               |       |       |       |      |              |              |            |            |             |             |
| California Steel Industries Inc - CSI      |       |       |       |      |              |              |            |            |             |             |
|  | 50.00 | 50.00 | 321   | 25   | 167          | 155          | 7          | 6          | 9           | 13          |
| THYSSENKRUPP                               |       |       |       |      |              |              |            |            |             |             |
| CSA Companhia Siderúrgica                  |       |       |       |      |              |              |            |            |             |             |
|  | 26.87 | 26.87 | 7,457 | (68) | 2,002        | 1,840        | (10)       | (8)        | 4           | (18)        |
|  |       |       |       |      | <b>2,169</b> | <b>1,995</b> | <b>(3)</b> | <b>(2)</b> | <b>13</b>   | <b>(5)</b>  |
| <b>Other affiliates and joint ventures</b> |       |       |       |      |              |              |            |            |             |             |
| Vale Soluções em                           |       |       |       |      |              |              |            |            |             |             |
| Energia (1)                                | 51.00 | 51.00 | 277   | (27) | 146          | 115          | (6)        | (9)        |             | (15)        |
| Others                                     |       |       |       |      | 221          | 88           |            |            |             |             |
|  |       |       |       |      | <b>367</b>   | <b>203</b>   | <b>(6)</b> | <b>(9)</b> |             | <b>(15)</b> |
| <b>Total</b>                               |       |       |       |      | <b>8,552</b> | <b>4,497</b> | <b>406</b> | <b>280</b> | <b>283</b>  | <b>686</b>  |

(1) Although Vale held a majority of the voting interest of investees accounted for under the equity method, existing veto rights held by noncontrolling shareholders under shareholder agreements preclude consolidation;

(2) Investment includes goodwill of US\$ 69 in June, 2011 and US\$64 in December, 2010.

(3) Available for sale.

Table of Contents**11 Short-term debt**

Short-term borrowings outstanding on June 30, 2011 are from commercial banks for import financing denominated in US dollars with average annual interest rates of 1.88%.

**12 Long-term debt**

|  | Current liabilities          |                   | Non-current liabilities      |                   |
|--|------------------------------|-------------------|------------------------------|-------------------|
|  | June 30, 2011<br>(unaudited) | December 31, 2010 | June 30, 2011<br>(unaudited) | December 31, 2010 |
| <b>Foreign debt</b>  |                              |                   |                              |                   |
| Loans and financing denominated in the following currencies: |                              |                   |                              |                   |
| US dollars   | 1,041                        | 2,384             | 2,937                        | 2,530             |
| Others   | 13                           | 18                | 271                          | 217               |
| Fixed Rate Notes   |                              |                   |                              |                   |
| US dollars   | 405                          |                   | 9,833                        | 10,242            |
| EUR  |                              |                   | 1,089                        | 1,003             |
| Perpetual notes  |                              |                   | 78                           | 78                |
| Accrued charges  | 211                          | 233               |                              |                   |
|  | <b>1,670</b>                 | <b>2,635</b>      | <b>14,208</b>                | <b>14,070</b>     |
| <b>Brazilian debt</b>  |                              |                   |                              |                   |
| General Price Index-Market (IGP-M)                           | 112                          | 76                | 4,233                        | 3,891             |
| Basket of currencies   | 2                            | 1                 | 212                          | 125               |
| Non-convertible debentures                                   |                              |                   | 2,974                        | 2,767             |
| Accrued charges  | 116                          | 110               |                              |                   |
|  | <b>248</b>                   | <b>188</b>        | <b>8,227</b>                 | <b>7,521</b>      |
| <b>Total</b>   | <b>1,918</b>                 | <b>2,823</b>      | <b>22,435</b>                | <b>21,591</b>     |

The long-term portion at June 30, 2011 was as follows (unaudited):

|             |               |
|-------------|---------------|
| 2012        | 571           |
| 2013        | 3,548         |
| 2014        | 1,256         |
| 2015        | 852           |
| 2016        | 15,718        |
| No due date | 490           |
|             | <b>22,435</b> |

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At June 30, 2011 annual interest rates on long-term debt were as follows (unaudited):

|                  |               |
|------------------|---------------|
| Up to 3%         | 4,845         |
| 3.1% to 5% (*)   | 2,313         |
| 5.1% to 7%       | 9,426         |
| 7.1% to 9% (**)  | 2,933         |
| 9.1% to 11% (**) | 165           |
| Over 11% (**)    | 4,591         |
| Variable         | 80            |
|                  | <b>24,353</b> |

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(\*) Includes Eurobonds. For this operation we have entered into derivative transactions at a cost of 4,71% per year in US dollars.

(\*\*) Includes non-convertible debentures and other Brazilian Real denominated debt that bear interest at the Brazilian Interbank Certificate of Deposit (CDI) and Brazilian Government Long-term Interest Rates (TJLP) plus a spread. For these operations we, have entered into derivative transactions to mitigate our exposure to the floating rate debt denominated in Brazilian Real, totaling US\$ 6,908 of which US\$ 5,981 has an original interest rate above 7,1% per year. The average cost after taking into account the derivative transactions is 3,29% per year in US dollars.

The average cost of all derivative transactions is 3,49% per year in US dollars.

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Vale has non-convertible debentures at Brazilian Real denominated as follows:

| Non Convertible Debentures | Quantity as of June 30, 2011 |             |               | Interest             | Balance                      |                   |
|----------------------------|------------------------------|-------------|---------------|----------------------|------------------------------|-------------------|
|                            | Issued                       | Outstanding | Maturity      |                      | June 30, 2011<br>(Unaudited) | December 31, 2010 |
| 2nd Series                 | 400,000                      | 400,000     | November-2013 | 100% CDI +<br>0.25%  | 2,596                        | 2,429             |
| Tranche B                  | 5                            | 5           | No due date   | 6.5% p.a +<br>IGP-DI | 412                          | 367               |
|                            |                              |             |               |                      | <b>3,008</b>                 | <b>2,796</b>      |
| Long-term portion          |                              |             |               |                      | 2,974                        | 2,767             |
| Accrued charges            |                              |             |               |                      | 33                           | 29                |
|                            |                              |             |               |                      | <b>3,008</b>                 | <b>2,796</b>      |

The indexation indices/ rates applied to our debt were as follows:

|   | (Unaudited)   |  |               |   |               |
|---|---------------|--|---------------|---|---------------|
|   | June 30, 2011 | Three-month period ended<br>March 31, 2011 | June 30, 2010 | Six-month period ended<br>June 30, 2011 | June 30, 2010 |
| TJLP - Long-Term Interest Rate<br>(effective rate)      | 1.5           | (4.5)                                      | 1.5           | 3.0                                     | 3.0           |
| IGP-M - General Price Index -<br>Market                 | 0.7           | 2.4  | 2.8           | 3.1                                     | 5.7           |
| Appreciation (devaluation) of Real<br>against US dollar | 4.2           | 2.3  | (1.1)         | 6.5                                     | (3.3)         |

In June 2010, we entered into a bilateral pre-export finance agreement in the amount of US\$500 and final tenor of 10 years.

In September 2010, Vale entered into agreements with The Export-Import Bank of China and the Bank of China Limited for the financing to build 12 very large ore carriers with 400,000 dwt, comprising a facility in an amount up to US\$1,229. 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 June 30, 2011, we had drawn US\$427 under the facility.

In September 2010, we issued US\$1 billion notes due 2020 and US\$750 notes due 2039. The 2020 notes were sold at a price of 99.030% of the principal amount and will bear a coupon of 4.625% per year, payable semi-annually. The 2039 notes that were sold at a price of 110.872% of the principal amount will be consolidated with and form a single series with Vale Overseas US\$1 billion 6.875% Guaranteed Notes due 2039 issued



on November 10, 2009.

### **Credit Lines**

Vale has available lines of revolving credit that can be disbursed and paid optionally. On June 30, 2011, the amount available involving credit lines was US\$ 4,100 million. Until June 30, 2011, no amounts were withdrawn, but letters of credit totaling US\$ 118 million relating to the line of credit were issued in favor of subsidiary Vale Canada Limited and continue outstanding according to the revolving credit terms.

In January 2011, Vale entered into an agreement with some commercial banks with the guarantee of Italian credit bureau, Servizi Assicurativi Del Commercio Estero S.p.A. (SACE) to provide the amount of US\$300 million with a final maturity of 10 years. As of June 30, 2011 we had drawn all amounts available under this facility.

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 US\$1 billion. As of June 30, 2011, Vale disbursed US\$ 500 million.

In June 2010, Vale established some credit lines totaling US\$ 430 million with the Banco Nacional de Desenvolvimento Econômico Social BNDES, in order 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 (US\$ 62). Until June 30, 2011, US\$ 219 was disbursed in this agreement.

In May 2008, the Company has signed agreements with Japanese long term financing credit agencies in the amount of US\$ 5 billion, being US\$ 3 billion with Japan Bank for International Cooperation (JIBC) and US\$ 2 billion with Nippon Export and Investment Insurance (NEXI), to finance mining projects, logistics and energy generation. Until June 30, 2011, Vale through its subsidiary PT International Nickel Indonesia Tbk (PTI) withdrew US\$ 300 million, under this credit facility 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 (US\$ 4 billion) with Banco Nacional de

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Desenvolvimento Econômico e Social - BNDES to finance its investment program. Until June 30, 2011, Vale withdrew R\$ 1,973 (US\$ 1,264) in this line.

**Guarantee**

On June 30, 2011, US\$ 430,7 of the total aggregate outstanding debt were secured by fixed assets.

Our principal covenants require us to maintain certain ratios, such as debt to EBITDA and interest coverage. We have not identified any events of noncompliance as of June 30, 2011.

**13 Stockholders equity**

Each holder of common and preferred class A stock is entitled to one vote for each share on all matters brought before stockholders meetings, except for the election of the Board of Directors, which is restricted to the holders of common stock. The Brazilian Government holds twelve preferred special shares which confer permanent veto rights over certain matters.

Both common and preferred stockholders are entitled to receive a mandatory minimum dividend of 25% of annual adjusted net income under Brazilian GAAP, once declared at the annual stockholders meeting. In the case of preferred stockholders, this dividend cannot be less than 6% of the preferred capital as stated in the statutory accounting records or, if greater, 3% of the Brazilian GAAP equity value per share.

In April 2011, the Board of Directors approved the payment on April 29, 2011, regarding the first installment of interest on capital, in the amount of US\$ 2 billion, corresponding to US\$ 0.383268113 per outstanding share, common or preferred shares, of Vale issuance.

In January 2011, the Board of Directors approved the extraordinary payment which was paid on January 31, 2011, through interest attributed to Company Stockholders capital, in the total gross amount of US\$ 1 billion, which corresponds to approximately US\$0.191634056 per outstanding share, common or preferred, of Vale issuance. This value is subject to the incidence of income tax withheld at the rate in force.

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On October 14, 2010, the Board of Directors approved the following proposals: (i) payment of the second tranche of the minimum dividend of US\$1,250 billion and (ii) payment of an additional dividend of US\$500. The payments were made on October 29, 2010.

On September 23, 2010, the Board of Directors approved a share buy-back program. The shares are to be held in treasury for subsequent sale or cancellation, amounting up to US\$2 billion and involving up to 64,810,513 common shares and up to 98,367,748 preferred shares. As of December 31, 2010 we had acquired 21,682,700 common shares and 48,197,700 preferred shares. The share buy-back program was completely executed in October 2010.

In June 2010, the notes series Rio and Rio P were converted into ADS and represent an aggregate of 49,305,205 common shares and 26,130,033 preferred class A shares respectively. The conversion was made using 75,435,238 treasury stocks held by the Company. The difference between the conversion amount and the book value of the treasury stocks of US\$ 1,379 was accounted for in additional paid-in capital in the stockholders equity.

The outstanding issued mandatory convertible notes as of June 30, 2011, are as follows:

| <b>Headings</b>                 | <b>Emission</b> | <b>Date</b> | <b>Expiration</b> | <b>Gross</b> | <b>Value</b> | <b>Net of charges</b> | <b>Coupon</b> |
|---------------------------------|-----------------|-------------|-------------------|--------------|--------------|-----------------------|---------------|
| Tranches Vale and Vale P - 2012 | July/2009       |             | June/2012         | 942          |              | 934                   | 6.75% p.a.    |

The notes pay a coupon quarterly 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 charges are equivalent to the maximum of common shares and preferred shares, as follows. All the shares are currently held in treasury.

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| Headings                        | Maximum amount of action |            | Value  |           |
|---------------------------------|--------------------------|------------|--------|-----------|
|                                 | Common                   | Preferred  | Common | Preferred |
| Tranches Vale and Vale P - 2012 | 18,415,859               | 47,284,800 | 293    | 649       |

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.

In January 2011, Vale paid additional remuneration to holders of mandatorily convertible notes, series VALE-2012 and VAPE P-2012, R\$0.7776700 and R\$0.8994610, respectively, and in October 2010, VALE-2012 and VAPE P-2012, R\$1.381517 and R\$1.597876 per note, respectively.

**Basic and diluted earnings per share**

Basic and diluted earnings per share amounts have been calculated as follows:

|   | Three-month period ended (unaudited) |                |               | Six-month period ended (unaudited) |               |
|---|--------------------------------------|----------------|---------------|------------------------------------|---------------|
|   | June 30, 2011                        | March 31, 2011 | June 30, 2010 | June 30, 2011                      | June 30, 2010 |
| <b>Net income from continuing operations attributable to Company's stockholders</b> | <b>6,452</b>                         | <b>6,826</b>   | <b>3,711</b>  | <b>13,278</b>                      | <b>5,460</b>  |
| <b>Discontinued operations, net of tax</b>  |                                      |                | <b>(6)</b>    |                                    | <b>(151)</b>  |
| <b>Net income attributable to Company's stockholders</b>                            | <b>6,452</b>                         | <b>6,826</b>   | <b>3,705</b>  | <b>13,278</b>                      | <b>5,309</b>  |
| Interest attributed to preferred convertible notes                                  | (24)                                 | (18)           | (19)          | (42)                               | (38)          |
| Interest attributed to common convertible notes                                     | (10)                                 | (8)            | (23)          | (18)                               | (46)          |
| <b>Net income for the period adjusted</b>   | <b>6,418</b>                         | <b>6,800</b>   | <b>3,663</b>  | <b>13,218</b>                      | <b>5,225</b>  |
| <b>Basic and diluted earnings per share</b>   |                                      |                |               |                                    |               |
| Income available to preferred stockholders  | 2,440                                | 2,585          | 1,409         | 5,025                              | 2,010         |
| Income available to common stockholders   | 3,898                                | 4,130          | 2,208         | 8,028                              | 3,150         |
| Income available to convertible notes linked to preferred shares                    | 57                                   | 61             | 33            | 118                                | 47            |
|   | 23                                   | 24             | 13            | 47                                 | 18            |

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Income available to convertible notes  
linked to common shares

|  |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
| Weighted average number of shares<br>outstanding (thousands of shares) -<br>preferred shares | 2,008,930        | 2,008,930        | 2,035,740        | 2,008,930        | 2,033,272        |
| Weighted average number of shares<br>outstanding (thousands of shares) -<br>common shares    | 3,209,349        | 3,209,349        | 3,190,675        | 3,209,349        | 3,186,018        |
| Treasury preferred shares linked to<br>mandatorily convertible notes                         | 47,285           | 47,285           | 47,285           | 47,285           | 47,285           |
| Treasury common shares linked to<br>mandatorily convertible notes                            | 18,416           | 18,416           | 18,416           | 18,416           | 18,416           |
| <b>Total</b>   | <b>5,283,980</b> | <b>5,283,980</b> | <b>5,292,116</b> | <b>5,283,980</b> | <b>5,284,991</b> |

|   |      |      |      |      |      |
|---|------|------|------|------|------|
| Earnings per preferred share                                    | 1.21 | 1.29 | 0.69 | 2.50 | 0.99 |
| Earnings per common share                                       | 1.21 | 1.29 | 0.69 | 2.50 | 0.99 |
| Earnings per convertible notes linked<br>to preferred share (*) | 1.71 | 1.67 | 1.10 | 3.38 | 1.80 |
| Earnings per convertible notes linked<br>to common share (*)    | 1.79 | 1.74 | 1.95 | 3.53 | 3.48 |

**Continuous operations**

|   |      |      |      |      |      |
|---|------|------|------|------|------|
| Earnings per preferred share                                    | 1.21 | 1.29 | 0.69 | 2.50 | 1.02 |
| Earnings per common share                                       | 1.21 | 1.29 | 0.69 | 2.50 | 1.02 |
| Earnings per convertible notes linked<br>to preferred share (*) | 1.71 | 1.67 | 1.10 | 3.38 | 1.83 |
| Earnings per convertible notes linked<br>to common share (*)    | 1.79 | 1.74 | 1.95 | 3.53 | 3.53 |

**Discontinued operations**

|   |  |  |  |  |        |
|---|--|--|--|--|--------|
| Earnings per preferred share                                    |  |  |  |  | (0.03) |
| Earnings per common share                                       |  |  |  |  | (0.03) |
| Earnings per convertible notes linked<br>to preferred share (*) |  |  |  |  | (0.03) |
| Earnings per convertible notes linked<br>to common share (*)    |  |  |  |  | (0.05) |

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

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If the conversion of the convertible notes had been included in the calculation of diluted earnings per share they would have generated the following effect as shown below:

|  | Three-month period ended (unaudited) |                |               | Six-month period ended (unaudited) |               |
|--|--------------------------------------|----------------|---------------|------------------------------------|---------------|
|  | June 30, 2011                        | March 31, 2011 | June 30, 2010 | June 30, 2011                      | June 30, 2010 |
| Income available to preferred stockholders   | 2,521                                | 2,664          | 1,461         | 5,185                              | 2,095         |
| Income available to common stockholders  | 3,931                                | 4,162          | 2,244         | 8,093                              | 3,214         |
| Weighted average number of shares outstanding (thousands of shares) - preferred shares | 2,056,215                            | 2,056,215      | 2,083,025     | 2,056,215                          | 2,080,557     |
| Weighted average number of shares outstanding (thousands of shares) - common shares    | 3,227,765                            | 3,227,765      | 3,209,091     | 3,227,765                          | 3,204,434     |
| Earnings per preferred share   | 1.22                                 | 1.29           | 0.70          | 2.51                               | 1.01          |
| Earnings per common share  | 1.22                                 | 1.29           | 0.70          | 2.51                               | 1.00          |
| <b>Continuous operations</b>   |                                      |                |               |                                    |               |
| Earnings per preferred share   | 1.22                                 | 1.29           | 0.70          | 2.51                               | 1.04          |
| Earnings per common share  | 1.22                                 | 1.29           | 0.70          | 2.51                               | 1.03          |
| <b>Discontinued operations</b>   |                                      |                |               |                                    |               |
| Earnings per preferred share   |                                      |                |               |                                    | (0.03)        |
| Earnings per common share  |                                      |                |               |                                    | (0.03)        |

**14 Pension plans**

We previously disclosed in our consolidated financial statements for the year ended December 31, 2010, that we expected to contribute US\$310 to our defined benefit pension plan in 2011. As of June 30, 2011, total contributions of US\$ 171 had been made. We do not expect any significant change in our previous estimate.

A special contribution was made to the Vale Canada Limited Defined Benefit plans of US\$342 during the period. The contribution was made to bring the adequate ratios which provide Vale Canada with more certain funding requirements for 2011-2013.

**Three-month period ended (unaudited)  
June 30, 2011**

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|  | Overfunded pension plans | Underfunded pension plans | Underfunded other benefits |
|--|--------------------------|---------------------------|----------------------------|
| Service cost - benefits earned during the period |                          | 19                        | 8                          |
| Interest cost on projected benefit obligation    | 103                      | 106                       | 26                         |
| Expected return on assets                        | (175)                    | (99)                      |                            |
| Amortizations and (gain) / loss                  |                          | 6                         | (4)                        |
| Net deferral                                     |                          |                           | (3)                        |
| <b>Net periodic pension cost (credit)</b>        | <b>(72)</b>              | <b>32</b>                 | <b>27</b>                  |

Three-month period ended (unaudited)  
March 31, 2011

|  | Overfunded pension plans | Underfunded pension plans | Underfunded other benefits |
|--|--------------------------|---------------------------|----------------------------|
| Service cost - benefits earned during the period |                          | 20                        | 8                          |
| Interest cost on projected benefit obligation    | 98                       | 104                       | 25                         |
| Expected return on assets                        | (166)                    | (93)                      |                            |
| Amortizations and (gain) / loss                  |                          | 9                         | (2)                        |
| <b>Net periodic pension cost (credit)</b>        | <b>(68)</b>              | <b>40</b>                 | <b>31</b>                  |

Three-month period ended (unaudited)  
June 30, 2010

|  | Overfunded pension plans | Underfunded pension plans | Underfunded other benefits |
|--|--------------------------|---------------------------|----------------------------|
| Service cost - benefits earned during the period |                          | 15                        | 6                          |
| Interest cost on projected benefit obligation    | 71                       | 90                        | 24                         |
| Expected return on assets                        | (118)                    | (81)                      |                            |
| <b>Net periodic pension cost (credit)</b>        | <b>(47)</b>              | <b>24</b>                 | <b>30</b>                  |

Six-month period ended (unaudited)  
June 30, 2011

|  | Overfunded pension plans | Underfunded pension plans | Underfunded other benefits |
|--|--------------------------|---------------------------|----------------------------|
| Service cost - benefits earned during the period |                          | 39                        | 16                         |
| Interest cost on projected benefit obligation    | 201                      | 210                       | 51                         |
| Expected return on assets                        | (341)                    | (192)                     |                            |
| Amortizations and (gain) / loss                  |                          | 15                        | (8)                        |
| <b>Net periodic pension cost (credit)</b>        | <b>(140)</b>             | <b>72</b>                 | <b>59</b>                  |

Six-month period ended (unaudited)  
June 30, 2010

|  | Overfunded pension plans | Underfunded pension plans | Underfunded other benefits |
|--|--------------------------|---------------------------|----------------------------|
| Service cost - benefits earned during the period |                          | 32                        | 12                         |
| Interest cost on projected benefit obligation    | 140                      | 178                       | 48                         |
| Expected return on assets                        | (233)                    | (162)                     |                            |
| <b>Net periodic pension cost (credit)</b>        | <b>(93)</b>              | <b>48</b>                 | <b>60</b>                  |

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**15 Long-term incentive compensation plan**

Under the terms of the long-term incentive compensation plan, the participants, restricted to certain executives, may elect to allocate part of their annual bonus to the plan. The allocation is applied to purchase preferred shares of Vale, through a predefined financial institution, at market conditions and with no benefit provided by Vale.

The shares purchased by each executive are unrestricted and may, at the participant's discretion, be sold at any time. However, the shares must be held for a three-year period and the executive must be continually employed by Vale during that period. The participant then becomes entitled to receive from Vale a cash payment equivalent to the total amount of shares held, based on the market rates. The total shares linked to the plan at June 30, 2011 and December 31, 2010, are 3,136,014 and 2,458,627, respectively.

Additionally, as a long-term incentive certain eligible executives have the opportunity to receive at the end of the triennial cycle, a certain number of shares at market rates, based on an evaluation of their career and performance factors measured as an indicator of total return to stockholders.

We account for the compensation cost provided to our executives under this long-term incentive compensation plan, following the requirements for Accounting for Stock-Based Compensation. Liabilities are measured at each reporting date at fair value, based on market rates. Compensation costs incurred are recognized, over the defined three-year vesting period. At June 30, 2011 and December 31, 2010, we recognized a liability of US\$111 and US\$120, respectively, through the Statement of Income.

**16 Commitments and contingencies**

a) In connection with the Girardin Act tax - advantaged lease financing arrangement sponsored by the French government, we provided guarantees to BNP Paribas for the benefit of the tax investors associated with the Girardin Act lease financing certain payments due from VNC. We also committed that assets associated with the Girardin Act lease financing would be substantially complete by December 31, 2010. Both y mutual agreement with both the French government and the tax investors have agreed to extend this date has been extended to December 31, 2011.

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, funding, shareholder loans and equity contributions by shareholders to VNC, exceeded 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. An agreement has been reached with Sumic to extend an extension of their put option into 2012.



In addition, in the course of our operations we have provided letters of credit and guarantees in the amount of US\$ 490 that are associated with items such as environment reclamation, asset retirement obligation commitments, electricity commitments, and community service commitments.

b) We and our subsidiaries are defendants in numerous legal actions in the normal course of business. Based on the advice of our legal counsel, management believes that the amounts recognized are sufficient to cover probable losses in connection with such actions.

The provision for contingencies and the related judicial deposits are composed as follows:

|                                  | June 30, 2011 (unaudited)   |                   | December 31, 2010           |                   |
|----------------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
|                                  | Provision for contingencies | Judicial deposits | Provision for contingencies | Judicial deposits |
| Labor and social security claims | 822                         | 1,009             | 748                         | 874               |
| Civil claims                     | 558                         | 444               | 510                         | 410               |
| Tax-related actions              | 742                         | 429               | 746                         | 442               |
| Others                           | 47                          | 6                 | 39                          | 5                 |
|                                  | <b>2,169</b>                | <b>1,888</b>      | <b>2,043</b>                | <b>1,731</b>      |

Labor and social security related actions principally comprise of claims by Brazilian current and former employees for (i) payment of time spent traveling from their residences to the work-place, (ii) additional health and safety related

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payments and (iii) various other matters, often in connection with disputes about the amount of indemnities paid upon dismissal and the one-third extra holiday pay.

Civil actions principally relate to claims made against us by contractors in Brazil in connection with losses alleged to have been incurred by them as a result of various past Government economic plans, during which full inflation indexation of contracts was not permitted, as well, as for accidents and land appropriation disputes.

Tax related actions principally comprise of challenges initiated by us, on certain taxes on revenues and uncertain tax positions. We continue to vigorously pursue our interests in all the actions but recognize that we probably will incur some losses in the final instance, for which we have made provisions.

Judicial deposits are made by us following court requirements in order to be entitled to either initiate or continue a legal action. These amounts are released to us upon receipt of a final favorable outcome from the legal action, and in the case of an unfavorable outcome, the deposits are transferred to the prevailing party.

Contingencies settled during the three-month periods ended June 30, 2011, March 31, 2011 and June 30, 2010, totaled US\$130, US\$ 431 and US\$61 and six-month periods ended June 30, 2011 and June 30, 2010, totaled US\$561 and US\$76, respectively. Provisions recognized in the three-month periods ended June 30, 2011, March 31, 2011 and June 30, 2010, totaled US\$176, US\$54 and US\$101 and six-month periods ended June 30, 2011 and June 30, 2010, totaled US\$230 and US\$171, respectively, classified as other operating expenses.

In addition to the contingencies for which we have made provisions, we are defendants in claims where in our opinion, and based on the advice of our legal counsel, the likelihood of loss is reasonably possible but not probable, in the total amount of US\$22,878 at June 30, 2011, and for which no provision has been made (December 31, 2010 US\$4,787).

The variation in reasonably possible contingencies reflects the change in the outcome of the case filed by Vale to contest of the constitutionality of Article 74 of Provisional 2.158-34/2001, which determines the payment in Brazil, of income tax and social contribution on net income on the profits of foreign subsidiaries. This quarter, based on recent jurisprudence and similar legal cases, supported by our legal counsel, we altered the probability of loss for reasonably possible.

c) At the time of our privatization in 1997, the Company issued debentures to its then-existing stockholders, including the Brazilian Government. The terms of the debentures, were set to ensure that the pre-privatization stockholders, including the Brazilian Government would participate in possible future financial benefits that could be obtained from exploiting certain 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.

The debentures 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.

**d) Asset retirement obligations**

We use various judgments and assumptions when measuring our asset retirement obligations.

Changes in circumstances, law or technology may affect our estimates and we periodically review the amounts accrued and adjust them as necessary. Our accruals do not reflect unasserted claims because we are currently not aware of any such issues. Also the amounts provided are not reduced by any potential recoveries under cost sharing, insurance or indemnification arrangements because such recoveries are considered uncertain.

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The changes in the provisions for asset retirement obligations are as follows:

|   | Three-month period ended (unaudited) |                |               | Six-month period ended (unaudited) |               |
|---|--------------------------------------|----------------|---------------|------------------------------------|---------------|
|   | June 30, 2011                        | March 31, 2011 | June 30, 2010 | June 30, 2011                      | June 30, 2010 |
| <b>Beginning of period</b>                | <b>1,368</b>                         | <b>1,368</b>   | <b>1,129</b>  | <b>1,368</b>                       | <b>1,116</b>  |
| Accretion expense                         | 30                                   | 41             | 31            | 71                                 | 58            |
| Liabilities settled in the current period | (20)                                 | (10)           | (2)           | (30)                               | (10)          |
| Revisions in estimated cash flows (*)     | (10)                                 | (63)           | 28            | (73)                               | 26            |
| Cumulative translation adjustment         | 42                                   | 32             | (24)          | 74                                 | (28)          |
| <b>End of period</b>                      | <b>1,410</b>                         | <b>1,368</b>   | <b>1,162</b>  | <b>1,410</b>                       | <b>1,162</b>  |
| Current liabilities                       | 56                                   | 71             | 80            | 56                                 | 80            |
| Non-current liabilities                   | 1,354                                | 1,297          | 1,082         | 1,354                              | 1,082         |
| <b>Total</b>                              | <b>1,410</b>                         | <b>1,368</b>   | <b>1,162</b>  | <b>1,410</b>                       | <b>1,162</b>  |

**17 Other expenses**

The line Other operating expenses totaled US\$ 724 in June 30, 2011 (US\$ 420 in March 31, 2011 and US\$ 374 in June 30, 2010) most due to pre operational expenses, idle capacity and stoppage operations US\$ 345 (US\$ 132 in March 31, 2011 and US\$ 198 in June 30, 2010).

**18 Fair value disclosure of financial assets and liabilities**

The Financial Accounting Standards Board, through Accounting Standards Codification and Accounting Standards Updates, defines fair value and set out a framework for measuring fair value, which refers to valuation concepts and practices and requires certain disclosures about fair value measurements.

**a) Measurements**

The pronouncements define fair value as the exchange price that would be received for an asset, or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement

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date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique.

These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, those inputs used to measure the fair value are required to be classified on three levels. Based on the characteristics of the inputs used in valuation techniques the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed as follows:

**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 for identical or similar assets or liabilities on active markets, inputs other than quoted prices that are observable, either directly or indirectly, for the term of the asset or liability;

**Level 3** - Assets and liabilities, which quoted prices do not exist, or those prices or valuation techniques are supported by little or no market activity, unobservable or illiquid. At this point, fair market valuation becomes highly subjective.

### **b) Measurements on a recurring basis**

The description of the valuation methodologies used for recurring assets and liabilities measured at fair value in the Company's Consolidated Balance Sheet at June 30, 2011 and December 31, 2010 are summarized below:

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• **Available-for-sale securities**

They are securities that are not classified either as held-for-trading or as held-to-maturity for strategic reasons and have readily available market prices. We evaluate the carrying value of some of our investments in relation to publicly quoted market prices when available. When there is no market value, we use inputs other than quoted prices.

• **Derivatives**

The market approach is used to estimate the fair value of the swaps discounting their cash flows using the interest rate of the currency they are denominated and, also for the commodities contracts, since the fair value is computed by using forward curves for each commodity.

• **Debentures**

The fair value is measured by the market approach method, and the reference price is available on the secondary market.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis as follows:

|                                | Carrying amount | As of June 30, 2011 (unaudited) |         |         |
|--------------------------------|-----------------|---------------------------------|---------|---------|
|                                |                 | Fair value                      | Level 1 | Level 2 |
| Available for sale             | 8               | 8                               | 8       |         |
| Unrealized gain on derivatives | 922             | 922                             | 3       | 919     |
| Debentures                     | (1,418)         | (1,418)                         |         | (1,418) |

|                                 | Carrying amount | As of December 31, 2010 |         |         |
|---------------------------------|-----------------|-------------------------|---------|---------|
|                                 |                 | Fair value              | Level 1 | Level 2 |
| Available for sale              | 12              | 12                      | 12      |         |
| Unrealized gains on derivatives | 257             | 257                     | 1       | 256     |
| Debentures                      | (1,284)         | (1,284)                 |         | (1,284) |

c) **Measurements on a non-recurring basis**

The Company also has assets under certain conditions that are subject to measurement at fair value on a non-recurring basis. These assets include goodwill and assets acquired and liabilities assumed in business combinations. During the period ended June 30, 2011, we have not recognized any additional impairment for those items.

**d) Financial Instruments**

**Long-term debt**

The valuation method used to estimate the fair value of our debt is the market approach for the contracts that are quoted on the secondary market, such as bonds and debentures. The fair value of both fixed and floating rate debt is determined by discounting future cash flows of Libor and Vale's bonds curves (income approach).

**Time deposits**

The method used is the income approach, through the prices available on the active market. The fair value is close to the carrying amount due to the short-term maturities of the instruments.

Our long-term debt is reported at amortized cost, and the income of time deposits is accrued monthly according to the contract rate. The estimated fair value measurement is disclosed as follows:

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|                    | Carrying amount | As of June 30, 2011 (Unaudited) |          |         |
|--------------------|-----------------|---------------------------------|----------|---------|
|                    |                 | Fair value                      | Level 1  | Level 2 |
| Long-term debt (*) | (24,026)        | (24,834)                        | (17,718) | (7,116) |

  

|                    | Carrying amount | As of December 31, 2010 |          |         |
|--------------------|-----------------|-------------------------|----------|---------|
|                    |                 | Fair value              | Level 1  | Level 2 |
| Time deposits      | 1,793           | 1,793                   |          | 1,793   |
| Long-term debt (*) | (24,071)        | (25,264)                | (19,730) | (5,534) |

(\*) Less accrued charges of US\$ 327 and US\$343 as of June 30, 2011 and December 31, 2010, respectively.

**19 Segment and geographical information**

We adopt disclosures about segments of an enterprise and related information with respect to the information we present about our operating segments. The relevant standard requiring such disclosures introduced a management approach concept for reporting segment information, whereby such information is required to be reported on the basis that the chief decision-maker uses internally for evaluating segment performance and deciding how to allocate resources to segments. In line with our strategy to become a leading global player in the fertilizer business, on May 27, 2010 we acquired 58.6% of the equity capital of Fertilizantes Fosfatados S.A. - Fosfertil (Fosfertil) and the Brazilian fertilizer assets of Bunge Participações e Investimentos S.A. (BPI), currently renamed Vale Fosfatados S.A. Considering this new segment acquisition, fertilizers, and the related reorganization that occurred for the operating segments are:

**Bulk Material** - comprised of iron ore mining and pellet production, as well as our Brazilian Northern and Southern transportation systems, including railroads, ports and terminals, as they pertain to mining operations. Manganese mining and ferroalloys are also included in this segment.

**Base Metals** - comprised of the production of non-ferrous minerals, including nickel (co-products and by-products), copper and investments in joint ventures and affiliates engaged in aluminum.

**Fertilizers** - comprised of the three important groups of nutrients: potash, phosphates and nitrogen. This business is being formed through a combination of acquisitions and organic growth.

**Logistic Services** - comprised of our transportation systems as they pertain to the operation of our ships, ports and railroads for third-party cargos.



**Others** comprised of our investments in joint ventures and affiliates engaged in other businesses.

Information presented to senior management with respect to the performance of each segment is generally derived directly from the accounting records maintained in accordance with accounting practices adopted in Brazil together with certain minor inter-segment allocations.

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Consolidated net income and principal assets are reconciled as follows:

**Results by segment - before eliminations (aggregated)**

|  | June 30, 2011    |                |             |             |              |             |              | Three-month period ended (unaudited)<br>March 31, 2011 |                |             |             |              |             |              |
|--|------------------|----------------|-------------|-------------|--------------|-------------|--------------|--|----------------|-------------|-------------|--------------|-------------|--------------|
|  | Bulk<br>Material | Base<br>Metals | Fertilizers | Logistic    | Others       | Elimination | Consolidated | Bulk<br>Material                                       | Base<br>Metals | Fertilizers | Logistic    | Others       | Elimination | Consolidated |
| <b>RESULTS</b>   |                  |                |             |             |              |             |              |  |                |             |             |              |             |              |
| Gross revenues   | 20,585           | 2,515          | 927         | 545         | 105          | (9,332)     | 15,345       | 16,488   | 3,088          | 831         | 389         | 185          | (7,433)     |              |
| Cost and expenses  | (12,352)         | (1,813)        | (718)       | (465)       | (240)        | 9,332       | (6,256)      | (10,003)   | (1,873)        | (688)       | (351)       | (311)        | 7,433       |              |
| Research and development                                     | (130)            | (98)           | (16)        | (30)        | (89)         |             | (363)        | (112)  | (74)           | (18)        | (21)        | (117)        |             |              |
| Gain on sale of assets                                       |                  |                |             |             |              |             |              |  | 1,513          |             |             |              |             |              |
| Depreciation, depletion and amortization                     | (438)            | (350)          | (129)       | (60)        | (2)          |             | (979)        | (434)  | (357)          | (117)       | (44)        | (5)          |             |              |
| <b>Operating income (loss)</b>                               | <b>7,665</b>     | <b>254</b>     | <b>64</b>   | <b>(10)</b> | <b>(226)</b> |             | <b>7,747</b> | <b>5,939</b>   | <b>2,297</b>   | <b>8</b>    | <b>(27)</b> | <b>(248)</b> |             |              |
| Financial income   | 727              | (23)           | 17          | 6           | 9            | (510)       | 226          | 838  | 2              | 16          | 3           | 2            | (696)       |              |
| Financial expenses   | (771)            | (211)          | (23)        | (16)        | (3)          | 510         | (514)        | (1,022)  | (230)          | (9)         | (15)        | (2)          | 696         |              |
| Gains (losses) on derivatives, net                           | 327              | 31             |             |             |              |             | 358          | 251  | (12)           |             |             |              |             |              |
| Foreign exchange and monetary gains (losses), net            | 557              | (7)            | 35          | (7)         |              |             | 578          | 18   | 13             | 56          | (7)         |              |             |              |
| Discontinued operations, net of tax                          |                  |                |             |             |              |             |              |  |                |             |             |              |             |              |
| Equity in results of affiliates, joint ventures and others   |                  |                |             |             |              |             |              |  |                |             |             |              |             |              |
| investments  | 339              | (2)            |             | 33          | 36           |             | 406          | 258  | (3)            |             | 36          | (11)         |             |              |
| Income taxes   | (2,120)          | (228)          | (57)        | (2)         |              |             | (2,407)      | (981)  | (401)          | 3           | 2           |              |             |              |
| Noncontrolling interests                                     | 1                | 33             | (1)         |             | 25           |             | 58           | 2  | 14             | 4           |             | 32           |             |              |
| <b>Net income attributable to the Company's stockholders</b> | <b>6,725</b>     | <b>(153)</b>   | <b>35</b>   | <b>4</b>    | <b>(159)</b> |             | <b>6,452</b> | <b>5,303</b>   | <b>1,680</b>   | <b>78</b>   | <b>(8)</b>  | <b>(227)</b> |             |              |
| Sales classified by geographic destination:                  |                  |                |             |             |              |             |              |  |                |             |             |              |             |              |
| Foreign market   |                  |                |             |             |              |             |              |  |                |             |             |              |             |              |
| America, except  |                  |                |             |             |              |             |              |  |                |             |             |              |             |              |
| United States  | 576              | 256            | 8           |             | 2            | (284)       | 558          | 472  | 540            | 19          | 2           | 2            | (308)       |              |
| United States  | 5                | 402            | 1           |             |              | (2)         | 406          | 6  | 479            |             |             | 2            | (12)        |              |

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|                                  |               |              |            |            |            |                |               |               |              |            |            |            |                |
|----------------------------------|---------------|--------------|------------|------------|------------|----------------|---------------|---------------|--------------|------------|------------|------------|----------------|
| Europe                           | 4,520         | 836          | 60         | 2          | (2,350)    | 3,068          | 3,680         | 677           | 32           | 2          | 12         | (1,767)    |                |
| Middle East/Africa/Oceania       | 718           | 58           |            |            | (360)      | 416            | 853           | 16            |              |            |            | (413)      |                |
| Japan                            | 2,631         | 302          |            |            | (1,144)    | 1,789          | 1,979         | 377           |              |            |            | (847)      |                |
| China                            | 8,892         | 340          |            |            | (4,227)    | 5,005          | 6,825         | 397           |              |            | 41         | (3,239)    |                |
| Asia, other than Japan and China | 1,654         | 318          | 17         |            | (791)      | 1,198          | 1,365         | 406           | 14           |            |            | (601)      |                |
| Brazil                           | 1,589         | 3            | 841        | 545        | 101        | (174)          | 2,905         | 1,308         | 196          | 766        | 385        | 128        | (246)          |
|                                  | <b>20,585</b> | <b>2,515</b> | <b>927</b> | <b>545</b> | <b>105</b> | <b>(9,332)</b> | <b>15,345</b> | <b>16,488</b> | <b>3,088</b> | <b>831</b> | <b>389</b> | <b>185</b> | <b>(7,433)</b> |

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|  | June 30, 2011 |              |             |             |              |             | six-month period ended (unaudited) |               |              |             |            |        | June 30, 2010 |              |               |             |             |          |               |              |              |  |
|--|---------------|--------------|-------------|-------------|--------------|-------------|------------------------------------|---------------|--------------|-------------|------------|--------|---------------|--------------|---------------|-------------|-------------|----------|---------------|--------------|--------------|--|
|  | Bulk Material | Base Metals  | Fertilizers | Logistic    | Others       | Elimination | Consolidated                       | Bulk Material | Base Metals  | Fertilizers | Logistic   | Others | Elimination   | Consolidated | Bulk Material | Base Metals | Fertilizers | Logistic | Others        | Elimination  | Consolidated |  |
| <b>RESULTS</b>   |               |              |             |             |              |             |                                    |               |              |             |            |        |               |              |               |             |             |          |               |              |              |  |
| Gross revenues   | 37,073        | 5,603        | 1,758       | 934         | 290          | (16,765)    | 28,893                             | 20,851        | 4,512        | 286         | 809        | 2      | (16,765)      | 28,893       | 20,851        | 4,512       | 286         | 809      | 2             | (16,765)     | 28,893       |  |
| Cost and expenses  | (22,355)      | (3,686)      | (1,406)     | (816)       | (551)        | 16,765      | (12,049)                           | (13,363)      | (3,717)      | (250)       | (636)      | (3)    | 16,765        | (12,049)     | (13,363)      | (3,717)     | (250)       | (636)    | (3)           | 16,765       | (12,049)     |  |
| Research and development   | (242)         | (172)        | (34)        | (51)        | (206)        |             | (705)                              | (116)         | (100)        | (12)        | (22)       | (1)    | (705)         | (116)        | (100)         | (12)        | (22)        | (1)      | (705)         | (116)        |              |  |
| Gain on sale of assets   |               | 1,513        |             |             |              |             | 1,513                              |               |              |             |            |        | 1,513         |              |               |             |             |          |               | 1,513        |              |  |
| Depreciation, depletion and amortization                               | (872)         | (707)        | (246)       | (104)       | (7)          |             | (1,936)                            | (738)         | (655)        | (24)        | (73)       | (1)    | (1,936)       | (738)        | (655)         | (24)        | (73)        | (1)      | (1,936)       | (738)        |              |  |
| <b>Operating income (loss)</b>   | <b>13,604</b> | <b>2,551</b> | <b>72</b>   | <b>(37)</b> | <b>(474)</b> |             | <b>15,716</b>                      | <b>6,634</b>  | <b>40</b>    |             | <b>78</b>  |        | <b>15,716</b> | <b>6,634</b> | <b>40</b>     |             | <b>78</b>   |          | <b>15,716</b> | <b>6,634</b> |              |  |
| Financial income   | 1,565         | (21)         | 33          | 9           | 11           | (1,206)     | 391                                | 1,311         | 386          | 1           | 3          | (1)    | (1,206)       | 391          | 1,311         | 386         | 1           | 3        | (1)           | (1,206)      | 391          |  |
| Financial expenses   | (1,793)       | (441)        | (32)        | (31)        | (5)          | 1,206       | (1,096)                            | (1,718)       | (824)        | (1)         | (18)       | (1)    | 1,206         | (1,096)      | (1,718)       | (824)       | (1)         | (18)     | (1)           | 1,206        | (1,096)      |  |
| Gains (losses) on derivatives, net                                     | 578           | 19           |             |             |              |             | 597                                | (356)         | 9            |             |            |        | 597           | (356)        | 9             |             |             |          |               | 597          | (356)        |  |
| Foreign exchange and monetary gains (losses), net                      | 575           | 6            | 91          | (14)        |              |             | 658                                | 66            | (29)         | 2           | (3)        |        | 658           | 66           | (29)          | 2           | (3)         |          |               | 658          | 66           |  |
| Discontinued operations, net of tax                                    |               |              |             |             |              |             |                                    |               | (151)        |             |            |        |               |              |               |             |             |          |               |              |              |  |
| Equity in results of affiliates, joint ventures and others investments | 597           | (5)          |             | 69          | 25           |             | 686                                | 308           | 7            |             | 35         |        | 686           | 308          | 7             |             | 35          |          |               | 686          | 308          |  |
| Income taxes   | (3,101)       | (629)        | (54)        |             |              |             | (3,784)                            | (596)         | 141          | 3           | 9          |        | (3,784)       | (596)        | 141           | 3           | 9           |          |               | (3,784)      | (596)        |  |
| Noncontrolling interests   | 3             | 47           | 3           |             | 57           |             | 110                                | 2             | (19)         |             |            |        | 110           | 2            | (19)          |             |             |          |               | 110          | 2            |  |
| <b>Net income attributable to the Company's stockholders</b>           | <b>12,028</b> | <b>1,527</b> | <b>113</b>  | <b>(4)</b>  | <b>(386)</b> |             | <b>13,278</b>                      | <b>5,651</b>  | <b>(440)</b> | <b>5</b>    | <b>104</b> |        | <b>13,278</b> | <b>5,651</b> | <b>(440)</b>  | <b>5</b>    | <b>104</b>  |          | <b>13,278</b> | <b>5,651</b> |              |  |
| Sales classified by geographic destination:                            |               |              |             |             |              |             |                                    |               |              |             |            |        |               |              |               |             |             |          |               |              |              |  |
| Foreign market   |               |              |             |             |              |             |                                    |               |              |             |            |        |               |              |               |             |             |          |               |              |              |  |
| America, except  |               |              |             |             |              |             |                                    |               |              |             |            |        |               |              |               |             |             |          |               |              |              |  |
| United States  | 1,048         | 796          | 27          | 2           | 4            | (592)       | 1,285                              | 584           | 523          |             | 12         |        | 1,285         | 584          | 523           |             | 12          |          |               | 1,285        | 584          |  |
| United States  | 11            | 881          | 1           |             | 2            | (14)        | 881                                | 13            | 309          |             |            |        | 881           | 13           | 309           |             |             |          |               | 881          | 13           |  |
| Europe   | 8,200         | 1,513        | 92          | 2           | 14           | (4,117)     | 5,704                              | 5,482         | 1,450        |             |            |        | 5,704         | 5,482        | 1,450         |             |             |          |               | 5,704        | 5,482        |  |
| Middle   |               |              |             |             |              |             |                                    |               |              |             |            |        |               |              |               |             |             |          |               |              |              |  |
| East/Africa/Oceania  | 1,571         | 74           |             |             |              | (773)       | 872                                | 940           | 104          |             |            |        | 872           | 940          | 104           |             |             |          |               | 872          | 940          |  |
| Japan  | 4,610         | 679          |             |             |              | (1,991)     | 3,298                              | 2,466         | 602          |             |            |        | 3,298         | 2,466        | 602           |             |             |          |               | 3,298        | 2,466        |  |
| China  | 15,717        | 737          |             |             | 41           | (7,466)     | 9,029                              | 8,007         | 374          |             |            |        | 9,029         | 8,007        | 374           |             |             |          |               | 9,029        | 8,007        |  |
| Asia, other than Japan and China                                       | 3,019         | 724          | 31          |             |              | (1,392)     | 2,382                              | 1,416         | 792          |             |            |        | 2,382         | 1,416        | 792           |             |             |          |               | 2,382        | 1,416        |  |

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|        |               |              |              |            |            |                 |               |               |              |            |            |          |
|--------|---------------|--------------|--------------|------------|------------|-----------------|---------------|---------------|--------------|------------|------------|----------|
| Brazil | 2,897         | 199          | 1,607        | 930        | 229        | (420)           | 5,442         | 1,943         | 358          | 286        | 797        | 2        |
|        | <b>37,073</b> | <b>5,603</b> | <b>1,758</b> | <b>934</b> | <b>290</b> | <b>(16,765)</b> | <b>28,893</b> | <b>20,851</b> | <b>4,512</b> | <b>286</b> | <b>809</b> | <b>2</b> |

Table of Contents**Operating segment - after eliminations (disaggregated)**

|                               | Three-month period ended (unaudited) |                 |               |                   |                  |   |                  |                                    |   |            |
|-------------------------------|--------------------------------------|-----------------|---------------|-------------------|------------------|---|------------------|------------------------------------|---|------------|
|                               | Revenue                              | Value added tax | Net revenues  | Cost and expenses | Operating profit | June 30, 2011<br>Depreciation, depletion and amortization | Operating income | Property, plant and equipment, net | Addition to property, plant and equipment | Investment |
| <b>Bulk Material</b>          |                                      |                 |               |                   |                  |   |                  |                                    |   |            |
| Iron ore                      | 9,102                                | (134)           | 8,968         | (2,157)           | 6,811            | (347)   | 6,464            | 33,602                             | 1,259                                     |            |
| Pellets                       | 2,122                                | (73)            | 2,049         | (778)             | 1,271            | (31)  | 1,240            | 2,678                              |   |            |
| Manganese                     | 52                                   | (2)             | 50            | (48)              | 2                | (4)   | (2)              | 25                                 | 1   |            |
| Ferroalloys                   | 150                                  | (15)            | 135           | (96)              | 39               | (16)  | 23               | 321                                | 10  |            |
| Coal                          | 256                                  |                 | 256           | (276)             | (20)             | (40)  | (60)             | 3,686                              | 218                                       |            |
|                               | <b>11,682</b>                        | <b>(224)</b>    | <b>11,458</b> | <b>(3,355)</b>    | <b>8,103</b>     | <b>(438)</b>  | <b>7,665</b>     | <b>40,312</b>                      | <b>1,488</b>                              | <b>1</b>   |
| <b>Base Metals</b>            |                                      |                 |               |                   |                  |   |                  |                                    |   |            |
| Nickel and other products (*) | 1,966                                |                 | 1,966         | (1,411)           | 555              | (326)   | 229              | 29,801                             | 613                                       |            |
| Copper concentrate            | 264                                  | (1)             | 263           | (214)             | 49               | (24)  | 25               | 4,206                              | 348                                       |            |
| Aluminum products             |                                      |                 |               |                   |                  |   |                  |                                    |   | 3          |
|                               | <b>2,230</b>                         | <b>(1)</b>      | <b>2,229</b>  | <b>(1,625)</b>    | <b>604</b>       | <b>(350)</b>  | <b>254</b>       | <b>34,007</b>                      | <b>961</b>                                | <b>3</b>   |
| <b>Fertilizers</b>            |                                      |                 |               |                   |                  |   |                  |                                    |   |            |
| Potash                        | 68                                   | (3)             | 65            | (66)              | (1)              | (18)  | (19)             | 1,846                              | 293                                       |            |
| Phosphates                    | 586                                  | (22)            | 564           | (404)             | 160              | (62)  | 98               | 7,132                              | 96  |            |
| Nitrogen                      | 194                                  | (25)            | 169           | (151)             | 18               | (49)  | (31)             | 1,592                              | 45  |            |
| Others fertilizers products   | 19                                   | (3)             | 16            |                   | 16               |   | 16               |                                    |   |            |
|                               | <b>867</b>                           | <b>(53)</b>     | <b>814</b>    | <b>(621)</b>      | <b>193</b>       | <b>(129)</b>  | <b>64</b>        | <b>10,570</b>                      | <b>434</b>                                |            |
| <b>Logistics</b>              |                                      |                 |               |                   |                  |   |                  |                                    |   |            |
| Railroads                     | 357                                  | (54)            | 303           | (277)             | 26               | (45)  | (19)             | 1,464                              | 66  |            |
| Ports                         | 119                                  | (14)            | 105           | (81)              | 24               | (15)  | 9                | 739                                | 23  |            |
| Ships                         |                                      |                 |               |                   |                  |   |                  | 1,482                              | 140                                       |            |
|                               | <b>476</b>                           | <b>(68)</b>     | <b>408</b>    | <b>(358)</b>      | <b>50</b>        | <b>(60)</b>   | <b>(10)</b>      | <b>3,685</b>                       | <b>229</b>                                |            |
| <b>Others</b>                 | 90                                   | (10)            | 80            | (304)             | (224)            | (2)   | (226)            | 3,103                              | 368                                       | 2          |
| <b>Gain on sale of assets</b> |                                      |                 |               |                   |                  |   |                  |                                    |   |            |
|                               | <b>15,345</b>                        | <b>(356)</b>    | <b>14,989</b> | <b>(6,263)</b>    | <b>8,726</b>     | <b>(979)</b>  | <b>7,747</b>     | <b>91,677</b>                      | <b>3,480</b>                              | <b>8</b>   |

(\*) Includes nickel co-products and by-products (copper, precious metals, cobalt and others).



Table of Contents**Operating segment - after eliminations (disaggregated)**

|                               | Three-month period ended (unaudited) |                 |               |                   |                  |  |                  |                                    |   |            |
|-------------------------------|--------------------------------------|-----------------|---------------|-------------------|------------------|--|------------------|------------------------------------|---|------------|
|                               | March 31, 2011                       |                 |               |                   |                  |  |                  |                                    |   |            |
|                               | Revenue                              | Value added tax | Net revenues  | Cost and expenses | Operating profit | Depreciation, depletion and amortization | Operating income | Property, plant and equipment, net | Addition to property, plant and equipment | Investment |
| <b>Bulk Material</b>          |                                      |                 |               |                   |                  |  |                  |                                    |   |            |
| Iron ore                      | 7,287                                | (110)           | 7,177         | (1,736)           | 5,441            | (357)                                    | 5,084            | 29,377                             | 1,177                                     |            |
| Pellets                       | 1,878                                | (61)            | 1,817         | (840)             | 977              | (36)                                     | 941              | 2,551                              | 353                                       |            |
| Manganese                     | 43                                   | (2)             | 41            | (21)              | 20               | (5)                                      | 15               | 20                                 |   |            |
| Ferrous alloys                | 157                                  | (12)            | 145           | (111)             | 34               | (11)                                     | 23               | 308                                | 11  |            |
| Coal                          | 154                                  |                 | 154           | (253)             | (99)             | (25)                                     | (124)            | 3,409                              | 388                                       |            |
|                               | <b>9,519</b>                         | <b>(185)</b>    | <b>9,334</b>  | <b>(2,961)</b>    | <b>6,373</b>     | <b>(434)</b>                             | <b>5,939</b>     | <b>35,665</b>                      | <b>1,929</b>                              |            |
| <b>Base Metals</b>            |                                      |                 |               |                   |                  |  |                  |                                    |   |            |
| Nickel and other products (*) | 2,115                                |                 | 2,115         | (1,150)           | 965              | (338)                                    | 627              | 29,409                             | 371                                       |            |
| Copper concentrate            | 251                                  | (17)            | 234           | (132)             | 102              | (18)                                     | 84               | 3,519                              | 170                                       |            |
| Aluminum products             | 383                                  | (5)             | 378           | (304)             | 74               | (1)                                      | 73               |                                    | 16  |            |
|                               | <b>2,749</b>                         | <b>(22)</b>     | <b>2,727</b>  | <b>(1,586)</b>    | <b>1,141</b>     | <b>(357)</b>                             | <b>784</b>       | <b>32,928</b>                      | <b>557</b>                                |            |
| <b>Fertilizers</b>            |                                      |                 |               |                   |                  |  |                  |                                    |   |            |
| Potash                        | 62                                   | (4)             | 58            | (69)              | (11)             | (7)                                      | (18)             | 1,764                              | 7   |            |
| Phosphates                    | 536                                  | (28)            | 508           | (408)             | 100              | (87)                                     | 13               | 7,811                              | 127                                       |            |
| Nitrogen                      | 172                                  | (23)            | 149           | (127)             | 22               | (23)                                     | (1)              | 839                                |   |            |
| Others fertilizers products   | 17                                   | (3)             | 14            |                   | 14               |  | 14               |                                    |   |            |
|                               | <b>787</b>                           | <b>(58)</b>     | <b>729</b>    | <b>(604)</b>      | <b>125</b>       | <b>(117)</b>                             | <b>8</b>         | <b>10,414</b>                      | <b>134</b>                                |            |
| <b>Logistics</b>              |                                      |                 |               |                   |                  |  |                  |                                    |   |            |
| Railroads                     | 250                                  | (45)            | 205           | (197)             | 8                | (37)                                     | (29)             | 1,383                              | 36  |            |
| Ports                         | 78                                   | (9)             | 69            | (60)              | 9                | (7)                                      | 2                | 469                                | 37  |            |
| Ships                         |                                      |                 |               |                   |                  |  |                  | 770                                | 23  |            |
|                               | <b>328</b>                           | <b>(54)</b>     | <b>274</b>    | <b>(257)</b>      | <b>17</b>        | <b>(44)</b>                              | <b>(27)</b>      | <b>2,622</b>                       | <b>96</b>                                 |            |
| <b>Others</b>                 | 165                                  | (16)            | 149           | (392)             | (243)            | (5)                                      | (248)            | 4,869                              | 97  |            |
| <b>Gain on sale of assets</b> |                                      |                 |               | 1,513             | 1,513            |  | 1,513            |                                    |   |            |
|                               | <b>13,548</b>                        | <b>(335)</b>    | <b>13,213</b> | <b>(4,287)</b>    | <b>8,926</b>     | <b>(957)</b>                             | <b>7,969</b>     | <b>86,498</b>                      | <b>2,813</b>                              |            |

(\*) Includes nickel co-products and by-products (copper, precious metals, cobalt and others).





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## Operating segment - after eliminations (disaggregated)

|                                     | Three-month period ended (unaudited)<br>June 30, 2010 |                    |              |                      |                     |  |                     |   |   |              |
|-------------------------------------|---|--------------------|--------------|----------------------|---------------------|--|---------------------|---|---|--------------|
|                                     | Revenue   | Value added<br>tax | Net revenues | Cost and<br>expenses | Operating<br>profit | Depreciation,<br>depletion and<br>amortization | Operating<br>income | Property, plant<br>and<br>equipment,<br>net | Addition to<br>property, plant<br>and equipment | Investments  |
| <b>Bulk Material</b>                |   |                    |              |                      |                     |  |                     |   |   |              |
| Iron ore                            | 5,435   | (87)               | 5,348        | (1,658)              | 3,690               | (297)  | 3,393               | 26,408                                      | 1,039   | 88           |
| Pellets                             | 1,618   | (62)               | 1,556        | (524)                | 1,032               | (34)   | 998                 | 1,698                                       | 77  | 1,254        |
| Manganese                           | 89  | (6)                | 83           | (47)                 | 36                  | (4)  | 32                  | 23  |   |              |
| Ferroalloys                         | 170   | (16)               | 154          | (79)                 | 75                  | (6)  | 69                  | 240   | 3   |              |
| Coal                                | 185   |                    | 185          | (217)                | (32)                | (16)   | (48)                | 1,734                                       | 123   | 186          |
|                                     | <b>7,497</b>  | <b>(171)</b>       | <b>7,326</b> | <b>(2,525)</b>       | <b>4,801</b>        | <b>(357)</b>                                   | <b>4,444</b>        | <b>30,103</b>                               | <b>1,242</b>                                    | <b>1,528</b> |
| <b>Base Metals</b>                  |   |                    |              |                      |                     |  |                     |   |   |              |
| Nickel and<br>other<br>products (*) | 874   |                    | 874          | (640)                | 234                 | (246)  | (12)                | 27,471                                      | 386   | 22           |
| Copper<br>concentrate               | 207   | (3)                | 204          | (145)                | 59                  | (22)   | 37                  | 2,662                                       | 307   | 69           |
| Aluminum<br>products                | 655   | (3)                | 652          | (481)                | 171                 | (62)   | 109                 | 228   |   | 140          |
|                                     | <b>1,736</b>  | <b>(6)</b>         | <b>1,730</b> | <b>(1,266)</b>       | <b>464</b>          | <b>(330)</b>                                   | <b>134</b>          | <b>30,361</b>                               | <b>693</b>                                      | <b>231</b>   |
| <b>Fertilizers</b>                  |   |                    |              |                      |                     |  |                     |   |   |              |
| Potash                              | 55  | (3)                | 52           | (42)                 | 10                  | (6)  | 4                   | 1,889                                       | 2   |              |
| Phosphates                          | 155   | (15)               | 140          | (145)                | (5)                 | (11)   | (16)                | 7,153                                       | 44  |              |
|                                     | <b>210</b>  | <b>(18)</b>        | <b>192</b>   | <b>(187)</b>         | <b>5</b>            | <b>(17)</b>                                    | <b>(12)</b>         | <b>9,042</b>                                | <b>46</b>                                       |              |
| <b>Logistics</b>                    |   |                    |              |                      |                     |  |                     |   |   |              |
| Railroads                           | 301   | (45)               | 256          | (190)                | 66                  | (32)   | 34                  | 1,944                                       | 25  | 486          |
| Ports                               | 106   | (14)               | 92           | (51)                 | 41                  | (5)  | 36                  | 245   | 1   |              |
| Ships                               | 2   |                    | 2            | (7)                  | (5)                 | (1)  | (6)                 |   |   | 121          |
|                                     | <b>409</b>  | <b>(59)</b>        | <b>350</b>   | <b>(248)</b>         | <b>102</b>          | <b>(38)</b>                                    | <b>64</b>           | <b>2,189</b>                                | <b>26</b>                                       | <b>607</b>   |
| <b>Others</b>                       | 78  | (18)               | 60           | (54)                 | 6                   | (6)  |                     | 2,054                                       | 229   | 2,078        |
|                                     | <b>9,930</b>  | <b>(272)</b>       | <b>9,658</b> | <b>(4,280)</b>       | <b>5,378</b>        | <b>(748)</b>                                   | <b>4,630</b>        | <b>73,749</b>                               | <b>2,236</b>                                    | <b>4,444</b> |

(\*) Includes nickel co-products and by-products (copper, precious metals, cobalt and others).

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## Operating segment - after eliminations (disaggregated)

|                               | Six-month period ended (unaudited) |                 |               |                   |                  |  |                  |                                    |   |               |
|-------------------------------|------------------------------------|-----------------|---------------|-------------------|------------------|--|------------------|------------------------------------|---|---------------|
|                               | Revenue                            | Value added tax | Net revenues  | Cost and expenses | Operating profit | Depreciation, depletion and amortization | Operating income | Property, plant and equipment, net | Addition to property, plant and equipment | Investment    |
| <b>Bulk Material</b>          |                                    |                 |               |                   |                  |  |                  |                                    |   |               |
| Iron ore                      | 16,389                             | (244)           | 16,145        | (3,893)           | 12,252           | (704)                                    | 11,548           | 33,602                             | 2,436                                     | 1,000         |
| Pellets                       | 4,000                              | (134)           | 3,866         | (1,618)           | 2,248            | (67)                                     | 2,181            | 2,678                              | 353                                       | 1,000         |
| Manganese                     | 95                                 | (4)             | 91            | (69)              | 22               | (9)                                      | 13               | 25                                 | 1   | 1,000         |
| Ferrous alloys                | 307                                | (27)            | 280           | (207)             | 73               | (27)                                     | 46               | 321                                | 21  | 1,000         |
| Coal                          | 410                                |                 | 410           | (529)             | (119)            | (65)                                     | (184)            | 3,686                              | 606                                       | 2,000         |
|                               | <b>21,201</b>                      | <b>(409)</b>    | <b>20,792</b> | <b>(6,316)</b>    | <b>14,476</b>    | <b>(872)</b>                             | <b>13,604</b>    | <b>40,312</b>                      | <b>3,417</b>                              | <b>14,000</b> |
| <b>Base Metals</b>            |                                    |                 |               |                   |                  |  |                  |                                    |   |               |
| Nickel and other products (*) | 4,081                              |                 | 4,081         | (2,561)           | 1,520            | (664)                                    | 856              | 29,801                             | 984                                       | 1,000         |
| Copper concentrate            | 515                                | (18)            | 497           | (346)             | 151              | (42)                                     | 109              | 4,206                              | 518                                       | 1,000         |
| Aluminum products             | 383                                | (5)             | 378           | (304)             | 74               | (1)                                      | 73               |                                    | 16  | 3,000         |
|                               | <b>4,979</b>                       | <b>(23)</b>     | <b>4,956</b>  | <b>(3,211)</b>    | <b>1,745</b>     | <b>(707)</b>                             | <b>1,038</b>     | <b>34,007</b>                      | <b>1,518</b>                              | <b>3,800</b>  |
| <b>Fertilizers</b>            |                                    |                 |               |                   |                  |  |                  |                                    |   |               |
| Potash                        | 130                                | (7)             | 123           | (135)             | (12)             | (25)                                     | (37)             | 1,846                              | 300                                       | 1,000         |
| Phosphates                    | 1,122                              | (50)            | 1,072         | (812)             | 260              | (149)                                    | 111              | 7,132                              | 223                                       | 1,000         |
| Nitrogen                      | 366                                | (48)            | 318           | (278)             | 40               | (72)                                     | (32)             | 1,592                              | 45  | 1,000         |
| Others fertilizers products   | 36                                 | (6)             | 30            |                   | 30               |  | 30               |                                    |   | 1,000         |
|                               | <b>1,654</b>                       | <b>(111)</b>    | <b>1,543</b>  | <b>(1,225)</b>    | <b>318</b>       | <b>(246)</b>                             | <b>72</b>        | <b>10,570</b>                      | <b>568</b>                                | <b>4,000</b>  |
| <b>Logistics</b>              |                                    |                 |               |                   |                  |  |                  |                                    |   |               |
| Railroads                     | 607                                | (99)            | 508           | (474)             | 34               | (82)                                     | (48)             | 1,464                              | 102                                       | 5,000         |
| Ports                         | 197                                | (23)            | 174           | (141)             | 33               | (22)                                     | 11               | 739                                | 60  | 1,000         |
| Ships                         |                                    |                 |               |                   |                  |  |                  | 1,482                              | 163                                       | 1,000         |
|                               | <b>804</b>                         | <b>(122)</b>    | <b>682</b>    | <b>(615)</b>      | <b>67</b>        | <b>(104)</b>                             | <b>(37)</b>      | <b>3,685</b>                       | <b>325</b>                                | <b>7,000</b>  |
| <b>Others</b>                 | 255                                | (26)            | 229           | (696)             | (467)            | (7)                                      | (474)            | 3,103                              | 465                                       | 2,500         |
| <b>Gain on sale of assets</b> |                                    |                 |               | 1,513             | 1,513            |  | 1,513            |                                    |   |               |
|                               | <b>28,893</b>                      | <b>(691)</b>    | <b>28,202</b> | <b>(10,550)</b>   | <b>17,652</b>    | <b>(1,936)</b>                           | <b>15,716</b>    | <b>91,677</b>                      | <b>6,293</b>                              | <b>8,500</b>  |

(\*) Includes nickel co-products and by-products (copper, precious metals, cobalt and others).



Table of Contents**Operating segment - after eliminations (disaggregated)**

|                               | Six-month period ended (unaudited) |                 |               |                   |                  |  |                  |                                    |   |            |
|-------------------------------|------------------------------------|-----------------|---------------|-------------------|------------------|--|------------------|------------------------------------|---|------------|
|                               | Revenue                            | Value added tax | Net revenues  | Cost and expenses | Operating profit | Depreciation, depletion and amortization | Operating income | Property, plant and equipment, net | Addition to property, plant and equipment | Investment |
| <b>Bulk Material</b>          |                                    |                 |               |                   |                  |  |                  |                                    |   |            |
| Iron ore                      | 9,182                              | (157)           | 9,025         | (3,107)           | 5,918            | (622)                                    | 5,296            | 26,408                             | 1,593                                     |            |
| Pellets                       | 2,393                              | (130)           | 2,263         | (956)             | 1,307            | (58)                                     | 1,249            | 1,698                              | 129                                       | 1,2        |
| Manganese                     | 147                                | (6)             | 141           | (62)              | 79               | (5)                                      | 74               | 23                                 |   |            |
| Ferrous alloys                | 312                                | (32)            | 280           | (151)             | 129              | (17)                                     | 112              | 240                                | 8   |            |
| Coal                          | 312                                |                 | 312           | (378)             | (66)             | (31)                                     | (97)             | 1,734                              | 152                                       | 1          |
|                               | <b>12,346</b>                      | <b>(325)</b>    | <b>12,021</b> | <b>(4,654)</b>    | <b>7,367</b>     | <b>(733)</b>                             | <b>6,634</b>     | <b>30,103</b>                      | <b>1,882</b>                              | <b>1,5</b> |
| <b>Base Metals</b>            |                                    |                 |               |                   |                  |  |                  |                                    |   |            |
| Nickel and other products (*) | 1,621                              |                 | 1,621         | (1,298)           | 323              | (485)                                    | (162)            | 27,471                             | 708                                       |            |
| Copper concentrate            | 387                                | (10)            | 377           | (268)             | 109              | (40)                                     | 69               | 2,662                              | 531                                       |            |
| Aluminum products             | 1,254                              | (13)            | 1,241         | (978)             | 263              | (122)                                    | 141              | 228                                | 61  | 1          |
|                               | <b>3,262</b>                       | <b>(23)</b>     | <b>3,239</b>  | <b>(2,544)</b>    | <b>695</b>       | <b>(647)</b>                             | <b>48</b>        | <b>30,361</b>                      | <b>1,300</b>                              | <b>2</b>   |
| <b>Fertilizers</b>            |                                    |                 |               |                   |                  |  |                  |                                    |   |            |
| Potash                        | 120                                | (6)             | 114           | (85)              | 29               | (13)                                     | 16               | 1,889                              | 7   |            |
| Phosphates                    | 155                                | (15)            | 140           | (145)             | (5)              | (11)                                     | (16)             | 7,153                              | 44  |            |
|                               | <b>275</b>                         | <b>(21)</b>     | <b>254</b>    | <b>(230)</b>      | <b>24</b>        | <b>(24)</b>                              |                  | <b>9,042</b>                       | <b>51</b>                                 |            |
| <b>Logistics</b>              |                                    |                 |               |                   |                  |  |                  |                                    |   |            |
| Railroads                     | 537                                | (87)            | 450           | (342)             | 108              | (59)                                     | 49               | 1,944                              | 46  | 4          |
| Ports                         | 181                                | (24)            | 157           | (106)             | 51               | (11)                                     | 40               | 245                                | 3   |            |
| Ships                         | 5                                  |                 | 5             | (13)              | (8)              | (3)                                      | (11)             |                                    |   | 1          |
|                               | <b>723</b>                         | <b>(111)</b>    | <b>612</b>    | <b>(461)</b>      | <b>151</b>       | <b>(73)</b>                              | <b>78</b>        | <b>2,189</b>                       | <b>49</b>                                 | <b>6</b>   |
| <b>Others</b>                 | 172                                | (36)            | 136           | (190)             | (54)             | (14)                                     | (68)             | 2,054                              | 771                                       | 2,0        |
|                               | <b>16,778</b>                      | <b>(516)</b>    | <b>16,262</b> | <b>(8,079)</b>    | <b>8,183</b>     | <b>(1,491)</b>                           | <b>6,692</b>     | <b>73,749</b>                      | <b>4,053</b>                              | <b>4,4</b> |

(\*) Includes nickel co-products and by-products (copper, precious metals, cobalt and others).

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**20 Derivative financial instruments**

**Risk management policy**

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 of market risk factors in the business results (market risk), but also the risk arising from third party obligations with Vale (credit risk) and those risks inherent in Vale's operational processes (operational risk).

Vale considers that the effective management of risk is a key objective to support its growth strategy and financial flexibility. The risk reduction on Vale's future cash flows contributes to a better perception of the Company's credit quality, improving its ability to access different markets. As a commitment to the risk management strategy, the Board of Directors has established an enterprise-wide risk management policy and a risk management committee.

The risk management policy determines that Vale should evaluate regularly its cash flow risks and potential risk mitigation strategies. Whenever considered necessary, mitigation strategies should be put in place to reduce cash flow volatility. The executive board is responsible for the evaluation and approval of long-term risk mitigation strategies recommended by the risk management committee.

The risk management committee assists our executive officers in overseeing and reviewing our enterprise risk management activities including the principles, policies, process, procedures and instruments employed to manage risk. The risk management committee reports periodically to the executive board on how risks have been monitored, what are the most important risks we are exposed to and their impact on cash flows.

The risk management policy and procedures, that complement the normative of risk management governance model, explicitly prohibit speculative transactions with derivatives and require the diversification of operations and counterparties.

Besides the risk management governance model, Vale has put in place a well defined corporate governance structure. The recommendation and execution of the derivative transactions are implemented by independent areas. The strategy and risk management department is responsible for defining and proposing to the risk management committee market risk mitigation strategies consistent with Vale's and its wholly owned subsidiaries corporate strategy. The finance department is responsible for the execution of the risk mitigation strategies through the use of derivatives. The independence of the areas guarantees an effective control on these operations.

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When measuring our exposures, the correlations between market risk factors are taken into consideration once we must be able to evaluate the net impact on our cash flows from all main market variables. We are also able to identify a natural diversification of products and currencies in our portfolio and therefore a natural reduction of the overall risk of the Company.

The consolidated market risk exposure and the portfolio of derivatives are measured monthly and monitored in order to evaluate the financial results and market risk impacts on our cash flow, as well as to guarantee that the initial goals will be achieved. The mark-to-market of the derivatives portfolio is reported weekly to management.

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

- Interest rates;
- Foreign exchange;
- Product prices and input costs

### **Foreign exchange and interest rate risk**

Vale's cash flows are exposed to volatility of several different currencies. While most of our product prices are indexed to the US dollars, most of our costs, disbursements and investments are indexed to currencies other than the US dollar, mainly the Brazilian real and Canadian dollar.

Derivative instruments may be used to reduce Vale's potential cash flow volatility arising from its currency mismatch. Vale's foreign exchange and interest rate derivative portfolio consists, basically, of interest rate swaps to convert

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floating cash flows in Brazilian real to fixed or floating US dollar cash flows, without any leverage.

Vale is also exposed to interest rate risks on loans and financings. Our floating rate debt consists mainly of loans including export pre-payments, commercial banks and multilateral organizations loans.

In general, our US dollars floating rate debt is subject to changes in the LIBOR (London Interbank Offer Rate in US dollars). To mitigate the impact of the interest rate volatility on its cash flows, Vale takes advantage of natural hedges resulting from the correlation of metal prices and US dollar floating rates. When natural hedges are not present, we may opt to look for the same effect by using financial instruments.

Our Brazilian real denominated debt subject to floating interest rates refers to debentures, loans obtained from Banco Nacional de Desenvolvimento Econômico e Social (BNDES) and property and services acquisition financing in the Brazilian market. These debts are mainly linked to CDI and TJLP.

The swap transactions used to convert debt linked to Brazilian reais into U.S. Dollars have similar and sometimes shorter settlement dates than the final maturity of the debt instruments. Their amounts are similar to the principal and interest payments, subjected to liquidity market conditions. The swaps with shorter settlement date than the debts final maturity are renegotiated through time so that their final maturity match or become closer to the debt final maturity. At each settlement date, the results on the swap transactions partially offset the impact of the foreign exchange rate in our obligations, contributing to stabilize the cash disbursements in U.S. Dollars for the interest and/or principal payment of our Brazilian Real denominated debt.

In the event of an appreciation (depreciation) of the Brazilian real against the US dollar, the negative (positive) impact on our Brazilian real denominated debt obligations (interest and/or principal payment) measured in US dollars will be partially offset by a positive (negative) effect from a swap transaction, regardless of the US dollar / Brazilian real exchange rate on the payment date.

We have other exposures associated with our outstanding debt portfolio. In order to reduce cash flow volatility associated with a financing from KfW (Kreditanstalt Für Wiederaufbau) indexed to Euribor, Vale entered into a swap contract where the cash flows in Euros are converted into cash flows in US dollars. We have also entered into a swap to convert the cash flow from a debt instrument issued originally in Euro into US dollars. In this derivative transaction, we receive fixed interest rates in Euros and pay fixed interest rates in US dollars.

Vale started a program of cash allocation in U.S. Dollars where the goal is 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 receives U.S. Dollars fixed rates and pays profitability linked to CDI.



In addition, Vale had made a bid offer for assets in the African copperbelt, therefore, in order to reduce volatility of the value in U.S. dollars for the payment in South African Rands, Vale used South African Rands forward purchase.

**Product price risk**

Vale is also exposed to several market risks associated with commodities price volatilities. Currently, our derivative transactions include nickel, copper and bunker oil derivatives and all have the same purpose of mitigating Vale's cash flow volatility.

**Nickel** The Company has the following derivative instruments in this category:

- Sales Hedging Program - in order to protect our cash flows in 2011 and 2012, we entered into derivative transactions where we fixed the prices of some of our nickel sales during the period.
- Fixed price sales program - we use to enter into nickel future contracts on the London Metal Exchange (LME) with the purpose of maintaining our exposure to nickel price variation, regarding the fact that, in some cases, the commodity is sold at a fixed price to some customers. Whenever the Strategic derivative program is executed, the Fixed price sales program is interrupted.
- Nickel purchase program - Vale has also sold nickel futures on the LME, in order to minimize the risk of mismatch between the pricing on the costs of intermediate products and finished goods.

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**Copper** We entered into derivatives transactions 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.

**Bunker Oil** In order to reduce the impact of bunker oil price fluctuation on Vale's freight hiring and, therefore, on Vale's cash flow, Vale implemented a derivative program that consists of forward purchases and swaps.

**Embedded derivatives** In addition to the contracts mentioned above, Vale Inco Ltd., Vale's wholly-owned subsidiary, has nickel concentrate and raw materials purchase agreements, where there are provisions based on the movement of nickel and copper prices. These provisions are considered embedded derivatives.

Under the Standard Accounting for Derivative Financial Instruments and Hedging Activities, all derivatives, whether designated in hedging relationships or not, are required to be recorded in the balance sheet at fair value and the gain or loss in fair value is included in current earnings, unless if qualified as hedge accounting. A derivative must be designated in a hedging relationship in order to qualify for hedge accounting. These requirements include a determination of what portions of hedges are deemed to be effective versus ineffective. In general, a hedging relationship is effective when a change in the fair value of the derivative is offset by an equal and opposite change in the fair value of the underlying hedged item. In accordance with these requirements, effectiveness tests are performed in order to assess effectiveness and quantify ineffectiveness for all designated hedges.

At June 30, 2011, we have outstanding positions designated as cash flow hedge. A cash flow hedge is a hedge of the exposure to variability in expected future cash flows that is attributable to a particular risk, such as a forecasted purchase or sale. If a derivative is designated as cash flow hedge, the effective portion of the changes in the fair value of the derivative is recorded in other comprehensive income and recognized in earnings when the hedged item affects earnings. However, the ineffective portion of changes in the fair value of the derivatives designated as hedges is recognized in earnings. If a portion of a derivative contract is excluded for purposes of effectiveness testing, such as time value, the value of such excluded portion is included in earnings.

|   | Assets                            |           |                           |           | Liabilities                       |           |                           |           |
|---|-----------------------------------|-----------|---------------------------|-----------|-----------------------------------|-----------|---------------------------|-----------|
|   | As of June 30 (Unaudited)<br>2011 |           | As of December 31<br>2010 |           | As of June 30 (Unaudited)<br>2011 |           | As of December 31<br>2010 |           |
|   | Short-term                        | Long-term | Short-term                | Long-term | Short-term                        | Long-term | Short-term                | Long-term |
| <b><u>Derivatives not designated as hedge</u></b>     |                                   |           |                           |           |                                   |           |                           |           |
| <b><u>Foreign exchange and interest rate risk</u></b> |                                   |           |                           |           |                                   |           |                           |           |
| CDI & TJLP vs. floating & fixed swap                  | 601                               | 127       |                           | 300       | 1                                 | 7         |                           |           |
| EURO floating rate vs. US\$ floating rate swap        |                                   |           | 1                         |           |                                   |           |                           |           |
| US\$ floating rate vs. fixed US\$ rate swap           |                                   |           |                           |           | 2                                 |           | 4                         |           |

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|  |            |            |          |            |           |           |          |          |
|--|------------|------------|----------|------------|-----------|-----------|----------|----------|
| EuroBond Swap                              |            | 46         |          |            |           |           |          | 8        |
| Pre Dollar Swap                            | 13         |            |          | 1          |           | 4         |          |          |
| AUD floating rate vs. fixed US\$ rate swap |            |            | 2        |            |           |           |          |          |
| Swap US\$ fixed rate vs. CDI               |            |            |          |            | 46        |           |          |          |
| Rande forward (South Africa)               | 2          |            |          |            |           |           |          |          |
|  | <b>616</b> | <b>173</b> | <b>3</b> | <b>301</b> | <b>49</b> | <b>11</b> | <b>4</b> | <b>8</b> |

**Commodities price**

**risk**

|                           |           |  |           |  |          |  |           |  |
|---------------------------|-----------|--|-----------|--|----------|--|-----------|--|
| Nickel                    |           |  |           |  |          |  |           |  |
| Fixed price program       | 7         |  | 13        |  | 1        |  | 12        |  |
| Strategic program         |           |  |           |  |          |  | 15        |  |
| Bunker Oil Hedge          | 26        |  | 16        |  |          |  |           |  |
| Coal                      |           |  |           |  |          |  | 2         |  |
| Maritime Freight          |           |  |           |  |          |  |           |  |
| Hiring Protection Program |           |  |           |  |          |  | 2         |  |
|                           | <b>33</b> |  | <b>29</b> |  | <b>1</b> |  | <b>31</b> |  |

**Derivatives**

**designated as hedge**

|                                  |            |            |           |            |           |           |           |           |
|----------------------------------|------------|------------|-----------|------------|-----------|-----------|-----------|-----------|
| Foreign exchange cash flow hedge | 83         |            | 20        |            |           |           |           |           |
| Strategic Nickel                 | 61         | 17         |           |            |           |           |           | 53        |
|                                  | <b>144</b> | <b>17</b>  | <b>20</b> |            |           |           |           | <b>53</b> |
| <b>Total</b>                     | <b>793</b> | <b>190</b> | <b>52</b> | <b>301</b> | <b>50</b> | <b>11</b> | <b>35</b> | <b>61</b> |

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The following table presents the effects of derivatives for the periods ended:

|   | Amount of gain or (loss) recognized as financial income (expense) |                |                        |               |               | Financial settlement: (Inflows)/ Outflows |                |                        |               |               |
|---|---|----------------|------------------------|---------------|---------------|---|----------------|------------------------|---------------|---------------|
|   | Three-month period ended  |                | six-month period ended |               |               | Three-month period ended                  |                | six-month period ended |               |               |
|   | June 30, 2011   | March 31, 2011 | June 30, 2010          | June 30, 2011 | June 30, 2010 | June 30, 2011                             | March 31, 2011 | June 30, 2010          | June 30, 2011 | June 30, 2010 |
| <b><u>Derivatives</u></b>                                   |   |                |                        |               |               |   |                |                        |               |               |
| <b><u>not</u></b>   |   |                |                        |               |               |   |                |                        |               |               |
| <b><u>designated</u></b>                                    |   |                |                        |               |               |   |                |                        |               |               |
| <b><u>as hedge</u></b>                                      |   |                |                        |               |               |   |                |                        |               |               |
| <b><u>Foreign</u></b>                                       |   |                |                        |               |               |   |                |                        |               |               |
| <b><u>exchange</u></b>                                      |   |                |                        |               |               |   |                |                        |               |               |
| <b><u>and interest</u></b>                                  |   |                |                        |               |               |   |                |                        |               |               |
| <b><u>rate risk</u></b>                                     |   |                |                        |               |               |   |                |                        |               |               |
| CDI & TJLP<br>vs. USD<br>fixed and<br>floating rate<br>swap | 389   | 175            | (191)                  | 564           | (241)         | (112)                                     | (48)           | (75)                   | (160)         | (1)           |
| EURO<br>floating rate<br>vs. USD<br>floating rate<br>swap   |   |                | (1)                    |               | (1)           |   |                |                        |               |               |
| USD floating<br>rate vs. USD<br>fixed rate<br>swap          |   |                |                        |               | (1)           | 1   | 1              | 2                      | 2             |               |
| Swap<br>Convertibles  |   |                | 37                     | 37            |               |   |                | (37)                   |               |               |
| Swap NDF  |   |                | 1                      | 1             |               |   |                |                        |               |               |
| EuroBond<br>Swap  | 11  | 42             | (78)                   | 53            | (78)          |   |                |                        |               |               |
| Pre Dollar<br>Swap  | 6   | 2              |                        | 8             |               |   |                |                        |               |               |
| Swap USD<br>fixed rate vs.<br>CDI                           | (47)  |                |                        | (47)          |               |   |                |                        |               |               |
| South African<br>Rande<br>Forward                           | 2   |                |                        | 2             |               |   |                |                        |               |               |
| AUD floating<br>rate vs. fixed<br>USD rate<br>swap          |   |                | (1)                    |               | 1             |   | (2)            | (6)                    | (2)           |               |
|   | <b>361</b>  | <b>219</b>     | <b>(233)</b>           | <b>580</b>    | <b>(282)</b>  | <b>(111)</b>                              | <b>(49)</b>    | <b>(116)</b>           | <b>(160)</b>  | <b>(1)</b>    |
| <b><u>Commodities</u></b>                                   |   |                |                        |               |               |   |                |                        |               |               |
| <b><u>price risk</u></b>                                    |   |                |                        |               |               |   |                |                        |               |               |
| Nickel<br>Fixed price<br>program                            | 12  | 13             | 18                     | 25            | 9             | (19)                                      | (1)            | 2                      | (20)          |               |
|   |   | 15             | 88                     | 15            | (51)          |   |                | 36                     |               |               |

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|   |            |            |              |             |              |              |             |              |              |
|---|------------|------------|--------------|-------------|--------------|--------------|-------------|--------------|--------------|
| Strategic program                             |            |            |              |             |              |              |             |              |              |
| Aluminum                                      |            |            |              |             |              | 7            |             |              | 7            |
| Maritime                                      |            |            |              |             |              |              |             |              |              |
| Freight                                       |            |            |              |             |              |              |             |              |              |
| Hiring  |            |            |              |             |              |              |             |              |              |
| Protection                                    |            |            |              |             |              |              |             |              |              |
| Program                                       |            |            | (16)         |             | (19)         |              | 2           | (9)          | 2            |
| Coal  |            |            | (2)          |             | (3)          |              | 2           |              | 2            |
| Bunker Oil                                    |            |            |              |             |              |              |             |              |              |
| Hedge   | 2          | 32         | (7)          | 34          | (13)         | (15)         | (8)         | (10)         | (23)         |
|   | <b>14</b>  | <b>60</b>  | <b>81</b>    | <b>74</b>   | <b>(77)</b>  | <b>(34)</b>  | <b>2</b>    | <b>19</b>    | <b>(32)</b>  |
| <b><u>Embedded derivatives:</u></b>           |            |            |              |             |              |              |             |              |              |
| Energy -                                      |            |            |              |             |              |              |             |              |              |
| Aluminum                                      |            |            |              |             |              |              |             |              |              |
| options                                       |            | (7)        | 23           | (7)         |              |              |             |              |              |
|   |            | (7)        | <b>23</b>    | (7)         |              |              |             |              |              |
| <b><u>Derivatives designated as hedge</u></b> |            |            |              |             |              |              |             |              |              |
| Aluminum                                      |            |            |              |             |              |              |             | 13           |              |
| Strategic                                     |            |            |              |             |              |              |             |              |              |
| Nickel  | (17)       | (33)       | (2)          | (50)        | (2)          | 17           | 33          |              | 50           |
| Foreign                                       |            |            |              |             |              |              |             |              |              |
| exchange                                      |            |            |              |             |              |              |             |              |              |
| cash flow                                     |            |            |              |             |              |              |             |              |              |
| hedge   |            |            | 19           |             | 19           |              | (13)        | (27)         | (13)         |
|   | (17)       | (33)       | <b>17</b>    | <b>(50)</b> | <b>17</b>    | <b>17</b>    | <b>20</b>   | <b>(14)</b>  | <b>37</b>    |
| <b>Total</b>                                  | <b>358</b> | <b>239</b> | <b>(112)</b> | <b>597</b>  | <b>(342)</b> | <b>(128)</b> | <b>(27)</b> | <b>(111)</b> | <b>(155)</b> |

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Unrealized gains (losses) in the period are included in our income statement under the caption of gains (losses) on derivatives, net.

Final maturity dates for the above instruments are as follows:

|                            |               |
|----------------------------|---------------|
| Interest rates/ Currencies | December 2019 |
| Bunker Oil                 | December 2011 |
| Nickel                     | December 2012 |

**21 Subsequent Event**

In July 11, 2011, we announced that it has agreed to request by Metorex Limited (Metorex) to terminate the agreement in relation to previously announced offer to acquire the controlling of this copper and cobalt producer.

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**BOARD OF DIRECTORS, FISCAL COUNCIL, ADVISORY COMMITTEES AND EXECUTIVE OFFICERS**

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José Ricardo Sasseron  
Luciano Galvão Coutinho  
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Hajime Tonoki  
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Luiz Carlos de Freitas  
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Paulo Sergio Moreira da Fonseca  
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Paulo Roberto Ferreira de Medeiros

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Marcus Pereira Aucélio  
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**Executive Officer for Human Resources and Corporate Services**

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**Executive Officer for Integrated Bulk Operations**

Eduardo Jorge Ledsham  
**Executive Office for Exploration, Energy and Projects**

Guilherme Perboyre Cavalcanti  
**Chief Financial Officer and Investor Relations**

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**Executive Officer for Marketing, Sales and Strategy**

Mario Alves Barbosa Neto  
**Executive Officer for Fertilizers**

Tito Botelho Martins  
**Executive Officer for Base Metals Operations**

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Mário da Silveira Teixeira Júnior  
Oscar Augusto de Camargo Filho  
Ricardo José da Costa Flores

**Finance Committee**

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Luciana Freitas Rodrigues  
Luiz Maurício Leuzinger

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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**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.

Date: 28 July, 2011

By:

Vale S.A.  
(Registrant)

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

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