Vale S.A.
Form 6-K
March 18, 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

For the quarterly period ended June 30, 2010

March 2011
Vale S.A.

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

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

(Check One) Form 20-F þ Form 40-F o

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

(Check One) Yes o No þ

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

(Check One) Yes o No þ

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

(Check One) Yes o No þ

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

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Ú THE CHALLENGES OF MINING

Mining is an essential foundation of the modern economy. Economic development is becoming ever more dependent on the availability of metals in adequate volumes and quality, which make the execution of structural development feasible for continued improvements in the wellbeing of billions of people around the world.

Mining operations require the application of sophisticated technical knowledge, continual investments in research and development and the allocation of considerable resources in order to promote sustainability.

Each mineral deposit requires the employment of a specific technology and/or different nuances of existing technologies. The necessity to continuously conciliate long-term production planning with the volatility of short-term demands, the complex large-scale logistics operations for the transportation of hundreds of millions of tons of material, the intensive nature of business capital and the creation of opportunities for economic and social upward mobility in the remote communities where the operations take place, are just some of the challenges that a mining company like Vale has to overcome.

Vale has managed to cope with the numerous challenges that have presented themselves over the years with a high degree of success, whilst at the same creating substantial value for its shareholders and for the society in general. As the survey conducted by the renowned magazine Barron s confirms, Vale is one of the 100 most respected companies in the world and the most respected in Latin America.

Ú A YEAR OF EXTRAORDINARY PERFORMANCE

2009 was a period of transition, marked by lower operating and financial performance inferior, but nonetheless quite robust, to the previous two years.

2010 was a year of strong recovery and extraordinary performance resulting from the convergence of actions by two main factors. On one hand, the initiatives developed in 2009 in response to the global economic downturn, which were focused on structural transformations, started to present returns. On the other, the global economy, led by the emerging economies, which make up the main source for the expansion in demand of ore and metals, presented exceptional growth.

As a result, the past year registered the best financial performance in the company s history, with record revenues, operating profit, operating margins, cash flow and profit. The quality of the financial performance is emphasized by the record value of investments, which have constructed new platforms to sustain growth in the long term.

From the operating perspective, the production of iron ore in 2010, totaling 308 million tons, constituted a new record, with Carajás surpassing the 100 million ton mark for the first time. With this level of production, equal to 1.67 times the second largest global producer of iron ore, Vale has consolidated its position as world leader.[1]

[1] Source: production reports of mining companies.

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Records were also broken in the production of pellets, at 49 million tons; bauxite, 14 million tons; and coal, both metallurgical and thermal grade, at 6.9 million tons; proving that excellence in operation is one of the main hallmarks of Vale.

The strong cash flow and rigorous discipline in the allocation of capital, combined with the high quality of our assets, has enabled us to overcome the three classic challenges with which expanding companies are confronted: financing for growth, maintaining a healthy balance sheet and meeting the expectations of shareholders for short term gains.

Vale invested USD 12,7 billion in supporting existing operations, in research and development and in the execution of projects, which represented 99% of the investment budgeted for 2010. The value invested by Vale in 2010 was the highest among mining companies anywhere in the world.

We invested an additional USD 6,7 billion in the acquisition of several assets, the most prominent among them being the purchase of USD 5,8 billion in fertilizer phosphate mines and operations in Brazil. Vale took control of Vale Fertilizantes, nee Fosfértil, acquiring 99.8% of the voting stock. Vale Fertilizantes incorporated the fertilizer assets it acquired from Bunge.

The acquisition of assets in Brazil, together with the conclusion of the Bayóvar phosphate rock mining project, in Peru, are part of the implementation strategy of Vale, which aims to become one of the largest global players in the fertilizer market over the next few years.

We also acquired 51% of the Simandou project in West Africa, the best as-yet untapped iron ore deposit in the world, given the quantity and quality of its estimated reserves.

USD 5.0 billion was returned to shareholders, including USD 3.0 billion with the distribution of dividends and capital payout, and USD 2.0 billion through the execution of a share buy-back program.

After spending almost USD 25 billion on investments and cash returns to shareholders, we even managed to reduce the leverage on our balance sheets, ending the year with a total debt/EBITDA ratio of just 1.0.

In the last 10 years, from 2001 to 2010, Vale created a total value of USD 154.5 billion for its shareholders and distributed USD 17.4 billion in dividends and capital payouts, standing out as one of the leading companies in terms of value creation in the world.

As a global agent of sustainability, we invested USD 737 million in the preservation and protection of the environment and USD 399 million in social actions, thus increasing expenditures to USD 1.136 billion in corporate social responsibility. This value is the highest in the history of the company, having increased by 45.5% compared to 2009.

Strikes at the Sudbury, Voisey s Bay and Port Colborne operations in Canada were resolved. The agreement reached contributes to the sustainability and expansion of our base metal business in Canada, with the introduction of a new pension plan including a defined contribution regime and changes in the old system of variable compensation, which started to enable greater productivity incentives to employees in our Canadian operations.

Taxes paid by Vale on its operations in Brazil amounted to BRL 12.467 billion in 2010, representing an increase of 25.7% over the previous year.

Vale exported USD 29.1 billion from Brazil to the rest of the world, thus becoming the largest Brazilian exporter. Our net exports exports minus imports amounted to USD 27.7 billion, thus surpassing the USD 7.4 billion surplus of the 2010 Brazilian commercial trade balance. Accordingly, our exports have enabled the creation of external resources for the financing of imports by other companies, which makes an increase in investments viable, creating jobs and income for the Brazilian society.

One of the most important consequences of the expansion of our activities is the creation of new jobs . In December 2010, Vale was responsible for 119,246 direct jobs, including 70,785 in-house positions and

48,461 outsourced positions; representing an increase of 25,181 jobs compared to December of the previous year. Furthermore, 54,839 people worked on Vale projects, compared to 46,542 at the end of 2009. Using internationally accepted mining industry coefficients, the company generated a total of approximately 700,000 job postings through its activities.

Ú **FINANCIAL PERFORMANCE IN 2010**

Vale s operating revenue reached a record BRL 85.345 billion, represeting growth of 71.3% compared to 2009, with an annual average increase of 16.2% for the 2006-2010 period.

Ferrous ores iron ore, pellets, manganese ore and ferroalloys comprised 71.9% of the total revenue. Non-ferrous metals nickel, copper, aluminum products, cobalt, metals from the platinum group and others made up 17.0% of our revenue; fertilizers 3.7%; logistics services 3.8%; coal 1.6%; and the remaining 2.0% was originated from other products.

Sales to the Asian market accounted for 52.2% of trade volume; Europe 19.0%; South America 18.9%; North America 5.3%; and other regions, 4.6%. On a national level, China was the main buyer of our products, accounting for 32.3% of our revenue, followed by Brazil with 16.8%, Japan with 10.9% and Germany with 6.6%.

Our exports from Brazil to the rest of the world reached a record of USD 29.090 billion, making Vale the biggest exporter in Brazil. Net exports exports minus imports totaled USD 27.668 billion, equivalent to 136.5% of the Brazilian commercial trade surplus. In the last five years, Vale net exports reached USD 77.187 billion, making it the biggest contributor to the Brazilian foreign trade surplus.

Operating profit reached BRL 40.490 billion, constituting a new record, surpassing the previous level, recorded in 2008, by 35.7%. Operating margins were also record-breaking, at 48.7%, compared to 27.2% in 2009.

EBITDA, profit before interest, tax, depreciation and discharge of debts, reached BRL 46.378 billion, thus setting a new record, BRL 11.356 billion above the previous record from 2008.

Net profit, totaling BRL 30.070 billion and BRL 5.66 per share, was the highest in Vale s history. Calculated according to the BR GAAP criteria (the generally accepted accounting principles in Brazil), Vale s profit, totaling USD 17.264 billion, was the largest in the worldwide mining industry and also the largest in mining history.

SELECTED FINANCIAL INDICATORS

in BRL million	**2006**	**2007**	**2008**	**2009**	**2010**
Operating revenue	46,746	66,385	72,766	49,812	85,345
EBIT	20,089	29,315	29,847	13,173	40,490
EBIT margin (%)	44.4	45.3	42.3	27.2	48.7
EBITDA	22,759	33,619	35,022	18,641	46,378
Net profit	13,431	20,007	21,279	10,337	30,070
Net profit per share (BRL)	2.78	4.14	4.08	0.97	5.66
Exports (USD million)	9,656	12,492	17,606	13,719	29,090
Net exports (USD million)	8,784	11,533	16,203	12,999	27,668

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BRL billion
BRL billion
BRL billion

Ú **FINANCIAL SOLIDITY**

Vale enjoys a fairly healthy financial position, supported by a strong cash flow, broad liquidity and access to short- and long-term credit lines, as well as, a low-risk debt portfolio. This position grants us significant competitive advantages for investment projects and, consequently, sustained value aggregation, in a very capital-intensive activity that requires a high degree of long-term planning.

On 31st of December 2010, our total debt was at USD 25,343 billion, with quite a long-term average, of 9.6 years. This goes hand-in-hand with minimal refinancing risks, an extremely important precaution, considering that, for example, one of the fundamental causes of the economic crisis in the peripheral economies of the Euro zone is exactly the great concentration of short-term debt.

The average cost of our debt is 4.85% a year, compatible with our objective of minimizing the cost of debt. On the 31st of December 2010, our cash position was USD 9,377 billion, with a net debt of USD 15,966 billion.

Leveraging, measured by the total debt/EBITDA ratio, fell to 1.0 compared to 2.5 in December 2009, when the effects of the global economic downturn were still being felt in our cash flow. The total debt/enterprise value ratio decreased also, from 14.4% on the 31st of December 2009, to 13.2% in December 2010.

The rate of interest coverage, measured by the EBITDA/interest payment ratio, rose to 23.8 times, compared to 8.2 times on 31 December 2009.

Considering the hedge positions, 33% of the total debt on the 31st of December 2010 was linked to floating interest rates and 67% to fixed rates, while 96% of the debt was in U.S. dollars and the rest in other currencies.

Consistent with our debt management strategy, we seek to exploit fund-raising opportunities on the global capital markets. Vale made its debut on the debt market in Euros, with the issue of bonds to the value of EUR 750 million, with an 8-year timeframe, due in March 2018, with a fixed rate of 4.375% per annum, paid annually.

We issued bonuses in United States dollars in the third quarter of 2010, to the value of USD 1 billion, due in 2020 and at a fixed rate of 4.65% per annum; and at the same time we reopened the issue of bonuses due in 2039 at a fixed rate of 6.875% per annum, thus raising USD 750 million, at a 6.074% return for investors.

We entered into agreements with official credit institutions in several different countries in order to raise lines of financing, with timeframes and costs suitable for the financing of our projects: (a) Export-Import Bank of China and Bank of China, credit line of up to USD 1.229 billion, destined to finance ship building operations; (b) Export Development Canada (EDC), a credit line of USD 1 billion, for the financing of export projects to Canada and purchases from Canadian companies; (c) Servizi Assicurati Del Commercio Estero (SACE), of Italy, a guarantee of a USD 300 million credit line from commercial banks, due in 10 years.

In November 2010, securities issued on the Brazilian market in 2006, with four-year deadlines, were cashed in, with the payment of USD 870 million.

In June 2010, bonds obligatorily converted into shares, issued in June 2007, were exchanged for ADRs, representative of Vale s class A preferred and common shares. The conversion affected 49,305,205 common shares and 26,130,333 class A preferred shares, representing, at the time, 1.5% and 1.3%, of the total number of shares in circulation for each class, respectively.

In the context of the management strategy for financial liabilities, we cashed in the full amount of the securitization bonds of export receivables, issued in September 2000 and July 2003, early, thus totaling USD150 million.

DEBT INDICATORS [2]

in USD million	**2006**	**2007**	**2008**	**2009**	**2010**
Gross debt	22,581	19,030	18,245	22,880	25,343
Net debt	18,133	17,984	5,606	11,840	15,966
Gross debt / EBITDA (x)	2.5	1.2	1.0	2.5	1.0
EBITDA / interest payments (x)	15.94	11.79	15.02	8.23	23.8
Gross debt / EV (x)	25.7%	11.2%	27.0%	14.4%	13.2

EV = *market capitalization* + *net debt*

2 data calculated in accordance with the U.S. generally accepted accounting principles (USGAAP)

Ú COORPORATE SOCIAL RESPONSIBILITY

Vale investments in corporate social responsibility in 2010 amounted to USD 1.136 billion, totaling USD 2.827 billion in the 2008-2010 three-year period. The budget for 2011 foresees investments of USD

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1.194 billion, including USD 886 million for environmental protection and conservation and USD 308 million for social projects.

The promotion of global sustainability covers several complexities. For example, the benefits that arise from activities that emit excessive amounts of carbon are immediate and highly concentrated, whilst the gains in avoiding emissions tend to be long-term and are diluted among a large number of beneficiaries. At the same time, it is an activity that requires coordination in the global sphere, in a world in which the perception of costs and benefits is not uniform among countries.

Vale understands that, as a global company, it can dedicate resources and conciliate different interests, in order to be active as an agent of global sustainability, in a manner consistent with its corporate mission of transforming mineral resources into wealth and sustainable development.

Accordingly, we have developed technological solutions for mining that conciliate the interests of our shareholders with the maximization of value with social sustainability objectives.

In our iron ore mining operations at Carajás, we have implemented a dry process, which uses the natural humidity of iron ore. This reduces the consumption of water and energy viable, restricting the emission of carbon whilst simultaneously reducing operating and investment costs.

For the Serra Sul S11D project, in Carajás, Vale has developed a truck-less mining technology, which replaces the use of off-road trucks with a system of transportation conveyors; thus, also resulting in an expressive economy in fuel consumption, as well as, reduced carbon emissions, protection of native forests and reduced risk of occupational accidents.

Vale is developing initiatives to build a cleaner energy grid, with increased use of renewable fuels. In this context, at the beginning of 2011, we took over Biopalma S.A., a producer of palm oil, a raw material for the production of biodiesel, for USD 173,5.

Biopalma is starting to produce palm oil in 2011, with the expectation of reaching an annual production of 500,000 tons in 2019. Its main destination will be the production of biodiesel to fuel the fleet of trains, machines and large-scale machinery used in Vale s operations in Brazil, with the use of B20, a 20%/80% mixture of biodiesel and diesel, respectively.

Support for social and economic development in regions where Vale operates is carried out through the Vale Foundation, one of the largest corporate foundations in the world. The Vale Foundation establishes partnerships with governments, non-governmental organizations and private companies, promoting structuring initiatives in the areas of urban infrastructure, strengthening of public administration and human and economic development. Besides Brazil, the Vale Foundation, also operates in Colombia and Mozambique.

The Vale Foundation has been implementing Knowledge Stations, which consist of human and economic development centers. There are already ten units operating in Brazil and four under construction. The La Loma Knowledge Station, in Colombia, has already been launched, and two others are being implemented, one in Ciénaga, in Colombia, and the other in Tetê, in Mozambique.

In 2010, Vale joined two share-price indexes of the BM&F Bovespa linked to sustainability: the ISE company sustainability index and the ICO2 carbon-adjusted index.

Our commitment to excellence in health and safety in our operations is one of our strategic priorities, with strict yearly goals, which also have an impact on the variable compensation of our executives. In 2010, we continued to reduce the rate of accidents. In our operations in Brazil, the rate of accidents with days lost, in number of accidents per million man-hours worked, was 0.85, a reduction of 6.6% compared to 2009. The rate of total frequency of personal accidents, in number of accidents per million man-hours worked, was 3.05, a reduction of 11.6%, compared to 2009.

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Ú PROMOTING GROWTH

In the last five years, Vale invested USD 44,358 billion in maintaining its operations, research and development (R&D) and project implementation. Of this total, resources amounting to USD 29,923 billion were invested in Brazil. In 2010, investments excluding takeovers amounted to USD 12.705 billion, with USD 8.239 billion destined to project development, USD 1,136 billion to R&D and USD 3,330 billion to maintaining existing operations.

In 2010, six projects were concluded: (a) An additional 20 Mtpa at the Brownfield project of high quality/low cost iron ore at Carajás; (b) Bayovar, a phosphate rock mine in Peru, with a capacity of 3.9 Mtpa; (c) Tres Valles, a copper mine in Chile, with a production capacity of 18,500 tons annually; (d) Onça Puma, a ferrous nickel operation in the Brazilian state of Pará, with annual production capacity of 58,000 tons; (e) Oman, a pelletizing operation in the Middle East, with capacity of 9 Mtpa; (f) TKCSA, a production plant for steel sheeting in the state of Rio de Janeiro, with a capacity of 5Mtpa, in which Vale has a capital participation of 26.9%.

Expenditures with takeovers amounted to USD 6,707 billion in 2010. In a series of transactions throughout 2010, we acquired the Bunge fertilizing operations in Brazil, for USD 5,829 billion, and the control of Fosfértil. These assets, the phosphate rock mine and processing plants have been incorporated into Vale Fertilizantes, a publicly-traded company listed on the BM& F Bovespa. Vale has 99.83% of voting rights and 68.2% of the preferred stock in Vale Fertilizantes.

Aiming to establish a world-class asset base in Africa, we ve acquired 51% of the Simandou project, in Guinea, the best untapped iron ore deposit in the world, whose quality is similar to that of Carajás. Initially, USD 500 million was paid, with a further USD 2 billion to be paid over time subject to meeting specific milestones.

In order to initiate the development of the logistics infrastructure to support our coal operation in Mozambique, Vale acquired 51% of the SDCN (Sociedade de Desenvolvimento do Corredor Norte S.A.) railroad company, for USD 21 million. Our objective is to link the Moatize coal mine to the maritime terminal that we intend to build at Nacala, in the north of the country.

A third and final payment for the concession of the North-South Railroad in the order of USD 265 million was made, amounting to a total expenditure of USD 893 million. We have increased our participation in the Belvedere coal project, in Australia, acquiring an additional 24.5% of the share capital for USD 92 million. Accordingly, Vale s stakes in Belvedere reached 75.5%.

Divestitures to the total value of USD 890,2 million were also carried out: (a) Valesul assets for USD 31,2 million; (b) 86.2% participation in PPSA, a kaolin producer, for USD 74 million; (c) 49% of the Bayóvar project, for USD 660 million; (d) 30% participation in the Oman pelletizing operation, for USD 125 million.

In the second quarter of 2010, a transaction was agreed with Norsk Hydro, an aluminum producer in Norway, to transfer our Albrás, Alunorte and CAP holdings, as well as, the Paragominas bauxite mine. The operation shall be completed by the end of the first quarter of 2011, and Vale will receive USD 1.4 billion over time; in addition to acquiring stakes of approximately 22% of Norsk Hydro s capital and transferring its net debt of USD 700 million.

The 2011 budget foresees investments of USD 24 billion, from which USD 17,535 billion shall be destined to project implementation, USD 1,986 billion to research and development and USD 4,479 billion to supporting existing operations USD 15.318 billion shall be destined to investments on our projects and operations in Brazil.

Investments of USD 8,522 billion on ferrous minerals are foreseen, mainly in iron ore and pellets; USD 5.014 billion in logistics; USD 4.310 billion in basic metals; USD 2,505 billion in fertilizers; USD 1,588 billion in coal; and USD 794 million in energy production and natural gas exploitation.

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INVESTMENT MADE PER CATEGORY

million USD	**2006**	**2007**	**2008**	**2009**	**2010**
Organic growth	**3,464**	**5,423**	**7,519**	**6,855**	**9,375**
Projects	2,988	4,682	6,457	5,845	8,239
R&D	476	741	1,063	1,010	1,136
Supporting existing operations	**1,360**	**2,202**	**2,671**	**2,157**	**3,330**
Total	**4,824**	**7,625**	**10,191**	**9,013**	**12,705**

INVESTMENT MADE PER BUSINESS AREA

million USD	**2006**	**2007**	**2008**	**2009**	**2010**
Bulk materials	**2,077**	**1,915**	**2,563**	**2,687**	**4,441**
Ferrous minerals	1,994	1,747	2,171	2,124	3,474
Coal	83	168	392	564	967
Non-ferrous minerals	**1,637**	**3,990**	**4,615**	**3,053**	**2,973**
Fertilizers	**0**	**0**	**0**	**91**	**843**
Logistics	**649**	**977**	**1,952**	**1,985**	**2,852**
Energy	**92**	**165**	**406**	**688**	**656**
Steel	**114**	**278**	**145**	**184**	**186**
Other	**255**	**300**	**511**	**324**	**755**
Total	**4,824**	**7,625**	**10,191**	**9,013**	**12,705**

Ú **VALUE CREATION TO SHAREHOLDERS**

In the last five years, from 2006 to 2010, Vale has been the diverse mining company which has created the most value to shareholders; with average yearly total shareholder return (TSR) of 33.2%. Similarly, Vale has also been ahead of its peers in creating value to its shareholders for the last 10 years, - 2001-2010 with TSR of 38.2%.

According to a recent study by the Boston Consulting Group, namely Mining value creators report , from February 2011, Vale has recorded the highest TSR among the largest mining companies worldwide for the period comprising 2000-2009 35.7%.

Vale s market value has increased from USD 146.9 billion at the end of 2009 to USD 176.3 billion on the 31st of December, 2010. Vale s shares display ongoing liquidity in the stock markets where they are listed, with average daily trading of USD 1.4 billion.

In 2010, Vale s ADRs were the most traded of ADRs listed for trading in the U.S. stock exchange; comprising issuers from over 20 countries and a total of 2,222 programs.

In December 2010, Vale s shares were traded in the Hong Kong Stock Exchange (HKEx) through HDRs (Hong Kong Depositary Receipts), representative of common and class A preferred shares, with tags 6210 and 6230, respectively. Vale was the first company to use the HDR instrument similar to ADRs - and was also the first large company from the Americas to have its shares listed in Hong Kong.

Investors will be able to negotiate Vale s shares almost 24 hours a day, in the Americas, in Europe, and in Asia, choosing between different currencies. This consolidates Vale s positioning as a global company.

On January 31st, 2011, Vale paid extraordinary dividends to its shareholders, as interest on own capital, totaling USD 1 billion.

On January 31st 2011, in line with its Shareholder Dividend Policy, Vale announced a Proposal from the Board of Directors to the Administrative Board, for minimum shareholder dividends of USD 4.0 billion, to be paid between April and October 2011.

05/16/2008 Historic Record USD 200.5 billion
01,/31/2011 USD 178.8
Jan-06; Jun-06; Nov-06, Apr-07; Sep-07; Feb-08; Jul-08; Dec-08; May-09; Oct-09; Mar-10; Aug-10; Jan-11

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Ú BUSINESS PERSPECTIVES

The global economy is gaining momentum faster than expected, and 2011 is bound to be another year of growth above the long term 4% yearly trend.

After slowing down in the late summer, global industrial production regained momentum in the 4Q10 and continued to grow in the beginning of this year. This indicates that the pace of restocking has decreased significantly and that companies are responding to a strong demand for goods. Following subsequent falls in April to December 2010, the Global Manufacturing PMI, recorded by JP Morgan, displayed the fourth consecutive monthly increase in January 2011. Simultaneously, the rate of new orders and the orders over stock ratio two key leading indicators have been increasing and resuming prevailing levels recorded in the 1Q10. This suggests increase in industrial production over the coming months.

In light of the widespread dynamic recovery from recession, we do not expect industrial production to fall back to the 2-digit growth rate observed in the first twelve months of global recovery. Instead, we foresee robust expansion of production, capable of supporting strong demand for minerals and metals.

At present, the scope of global economic growth comprises more industries and geographic regions than seen in the first stages of the recovery from the Great Recession from 2008/2009.

For the first time since mid 2003, the global GDP has peaked above 5% a year, industrial and services segments are gaining momentum, and final demand is showing signs of strong recovery; thus, promoting growth sustainability. The recovery of the services sector is particularly important, due to its potential for job creation; which, in turn, promotes increased consumption expenditure.

Following increases in several segments, there are improvements in the geographic distribution of the global economic activity. Growth rate changes have spread across countries, and acted as an additional force promoting recovery. While the U.S. takes the leading role in promoting global re-growth, main countries in the Euro zone seem to be experiencing strong expansion.

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Despite the risks posed by financial turmoil in the periphery of the Euro zone, markets are bound to behave as before, when they dealt with the turmoil of December 2010 within the region, not affecting other countries. Despite the potential for further integration within the Euro zone, peripheral economies present unsynchronized business cycles in relation to central economies, and we expect this to continue in the short term.

The faster expansion of global economic activity is promoted by certain important factors.

The monetary policies of the central banks of developed economies remain expansionist, which has been essential in supporting recovery.

Companies with excellent profit margins and solid cash flows have been abandoning their defensive posture, which prevailed until mid 2010, and seeking more aggressive capital expenditure increases. As an example, this year global investments in mining, led by Vale with USD 24 billion, are very likely to surpass the record of USD 120 billion from 2008. Expenditures in durable consumer goods, which are restircted to developed economies, have been increasing in the U.S. and Japan since the end of last year.

Financial conditions have been supporting growth. In addition to the high liquidity and low volatility in global market prices of capital; regarding bank credit, Senior Lending Officer Surveys for the U.S., Japan, the Euro zone and the United Kingdom have been revealing significant improvements, both in the supply (maturities and credit standards) and demand for corporate loans. This can be viewed as positive feedback of economic recovery.

For the first time since the 3Q07, surveys have been indicating growth in credit demand, which has been more prominent in the U.S. and Germany. Additionally, banks have been promoting easier maturities and standards for loans to grant credit to consumers, including credit cards and car financing; whereas, consumer demand has stabilized after a long period of decrease in 2006.

Industrial production and investments in fixed capital have been regaining momentum in the second half of 2010 in China. Regarding GDB increase, the Chinese economy has had great performance in the last quarter of 2010, with 12% increase in the previous quarter, annualized, seasonally adjusted. This was the greatest increase since the 2Q09, when the Chinese economy was recovering from the global financial shock.

We expect China s growth to continue above 10% in the first half of 2011, mainly due to the good performance seen in internal demand. This shall be followed by a period of moderate growth in the second semester. The demand for minerals and metals is expected to remain high, not only due to the rapid economic growth, but also due to restocking.

Since mid July 2010, iron ore prices in the cash market have been increasing, having reached almost USD 200 per metric ton higher than the post-crisis peak of USD 186 in the last April. Such price increases results from a combination of high global demand led by China -, and limited offer.

Global steel production has followed a very similar path to global industrial production. After strong recovery in the summer 2009, steel production reached its peak in April in 2010 and followed by a backward trend. However, a it began to show signs of recovery in the 4Q10, and steel production in 2010 reached a historic maximum of 1.47 billion metric tons, annualized and seasonally adjusted. This has been translating in increasing pressures in their demand for iron ore and metallurgical coke.

From the perspective of supply, India, which until recently was China s biggest supplier, has been losing territory, as it was overcome by Brazil in 2007. India s share in Chinese imports has been continuously decreasing; since it reached a peak of 25% in 2005 it has dropped to 15.6% in 2010.

India has been allocating increasing volumes of iron ore for its own blast furnaces, given the high demand for steel, prompted by the rapid economic growth. This has been stimulating steel production to increase at average yearly rate of 11.7%, from 2005 to 2010.

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Thus, India s 11% decrease in exports last year, the first in the last ten years, is far from being a single event. It is probably part of a trend, as India will need an increasing volume of iron ore to foment its industrialization process and the necessary investments on infrastructure.

The quality of Chinese iron ore has been decreasing continuously, leading to an increasing demand for run-of-the-mine minerals to produce the same volume of iron ore to be used in blast furnaces; thus, failing to accelerate production as originally planned. A clear indication of the limitations of the global iron ore is the fact that, to meet the increasing demand for imports, China has been expanding its supplier base; including non-traditional, lower scale producers, who embark the ore overland, since traditional suppliers in the transoceanic market Brazil, Australia and India - have not been able to meet the Chinese appetite for raw materials.

The prices of metallurgical coke have been increasing since the 2Q10 due to demand pressures and the abrupt decrease in offer caused by rain and inundation in the State of Queensland, Australia, an important global producer and exporter; and tend to remain at high levels, with positive implications for the iron ore market. Increasing coal prices tend to stimulate more intensive use of high quality iron ore to enable economies in the consumption of coke in blast furnaces in steel mills; which adds pressure to the premium for our ores.

By eliminating cyclical influences and short-term price volatility, real iron ore prices appear to have entered a long-term rising trend, similar to the one experienced from the Second World War to the early 70s. This trend reflects the increase in premium due to the relative scarcity, since, despite price incentives, the expansion of productive capacity has not been enough to keep pace with demand, mainly due to geological and institutional constraints. A fact that is often overlooked when forecasting future production levels is the extent of investment demand for replacement, which requires relatively large volumes of iron ore to replace lost capacity.

In this scenario of increasing scarcity, Vale s immense high quality iron ore reserves and its proven ability to design and deliver large scale projects, supported by strong cash generation, constitute relevant competitive advantages for value creation for shareholders.

After three years in decline, global stainless steel production accountable for almost two thirds of global nickel consumption increased by 23.4% in 2010, the biggest high of all times. Following the seasonally adjusted annual expansion of 10% in the 4Q10, stainless steel production has continued to grow; plants are operating at full capacity, due to increased demand. Stainless steel 304 prices continue to increase, but are still 30% below the 2007 peak.

Nickel demand for applications other than stainless steel production, a market led by Vale, has been performing well and tends to increase due to projects in the aerospace, petrochemical, oil and gas industries.

Demand was high enough to overcome the potential of the negative pressures of production levels over prices in 2010. For example, as a result of the normalization of Canadian operations in the 2Q10, our nickel production has increased by 55.7% in relation to the 1Q10. After correction caused by financial stress in 2Q10 in Continental Europe, nickel prices, due to the strength in fundamentals and the influence of co-movement of commodity prices, have recently reached nearly USD 30,000 per metric ton, having increased from USD 18,000 in early June. Nickel stocks, which had been gradually increasing from August 2010 until the end of the year due to price increase expectations, started to decline in January 2011, reflecting an imbalance between supply and demand.

Nickel market fundamentals are expected to remain favorable in the near future.

Stainless steel consumption is strongly correlated with family consumer spending and oscillation in relation to income growth. This helps explaining why nickel consumption rates, measured as consumption per USD from the GDP, is still lower in emerging economies than in more advanced economies; unlike other metals, such as steel and copper. Emerging economies are expected to keep the momentum of rapid increase in individual income, as in previous years, leading the expansion of

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consumer spending worldwide; this implies significant growth potential for nickel demand in the medium term.

In the short term, supply is not expected to react substantially to prices. One of the two blast furnaces of our smelter at Copper Cliff, in Sudbury, shall remain inoperable for a period of at least 16 weeks, which will resuls in loss of production of 15,000 metric tons of refined nickel. Moreover, most increases in global production from forthcoming projects will be realized only in the second half of the year.

Limonitic nickel laterite projects the most abundant type of nickel ore reserves in the world - have been struggling to meet expectations for the ramp up term and for its forecast annual capacity. Such difficulties could potentially hold global supply back in the long term.

In addition to high demand, copper supply restrictions have continued to exert high pressure over prices. Additionally to specific events, such as strikes, struggling to maintain production levels in older mines where levels are progressively decreasing is a key component of supply limitation. A hot market and, marginally, the contribution of the co-movement of commodity prices, increased the price of copper to approximately USD 10,000 per metric ton earlier this month a 64% increase above the low of USD 6,100 in the beginning of June 2010.

The increasing availability of scrap, spurred by the movement of copper prices, and the potential threat of substitution, given the widening of the spread in relation to the price of aluminum - which leapt to USD 7,500 in February 2011, compared to USD 1,275 per ton in January 2009 may lead to moderate prices.

Currently, the Tres Valles project, in Chile, with capacity for 18,500 metric tons of copper, is in ramp up. The first phase of the Salobo project, with capacity of 100,000 metric tons of copper in concentrate per year, is expected to begin operations in the 2H11.

The fertilizer market has been positively influenced by farmers increased profitability, due to increases grain prices, the favorable financial conditions and stock consumption throughout 2009 and 2010.

Most of our production is destined for the Brazilian market, which is the fourth largest consumer in the world, and where consumption increased by 6% per annum in the last two decades, well above the global expansion. The demand is seasonally low in the first half of the year, increasing thereafter to meet the main harvest season in Brazil, from September to November.

The prices of phosphate rock and phosphates, such as MAP and DAP, began to rise from early 2010 and should remain stable throughout this year. As stock consumption extended over a longer period, prices for potash began to recover only towards the end of 2010 and have reached a higher level in 2011. In the beginning of this year, several price increases have been announced, confirming the optimistic predictions for its development.

Despite the operating and market risks to which mining companies are typically exposed, we expect Vale s performance in 2011 to continue to promote the sustainability of the process of creating value for our shareholders.

Ú **AWARDS**

Vale has once more been included in the top 100 list of most respected companies in the world, according to a survey conducted by Barron s magazine one of the most prominent publications in capital markets in the U.S. According to Barron s survey, Vale is the most respected company in Latin America.

Vale has been awarded several prizes:

(a) Global Reporting Initiative (GRI), Reader s Choice Awards

(b) ILOS de Logística *ILOS of Logistics* Instituto de Logística e Supply Chain *Logistics and Supply Chain Institute*

(c) IQC, International Quality & Productivity Center

(d) Prêmio Época de mudanças climáticas *Época Climate Change Award*

(e) Boldness in Business, Financial Times

(f) IR Magazine Awards, Brazil, best investor relations program, best website and best annual report;

(g) Institutional Investor Latin America Investor Relations Perception Study, mining best investor relations executives and best investor relations team in Latin America;

(h) Euromoney Best Managed Companies in Latin America best managed company, most transparent financial statements, and most coherent and convincing strategy in the mining industry in Brazil;

(i) Troféu Transparência 2010 *Transparency Trophey 2010* ANEFAC, Associação Nacional dos Executivos de Finanças, Administração e Contabilidade *Brazilian Association of Financing, Management and Accounting Executives* ;

Ú **INDEPENDENT AUDITORS RELATIONS POLICY**

Vale has developed and formalized specific pre-approval rules and procedures for the services provided by external auditors. These are aimed at avoiding conflicts of interest, and preventing our independent external auditors from losing objectivity.

Vale s policy for Independent Auditors, when providing services not related to external audits, is based on principles which preserve their independence. In line with the best corporate governance practices, all of the services provided by our independent auditors are pre-approved by the Board of Auditors.

According to CVM Instruction 381/2003, services to be provided by the Company s external auditors, PricewaterhouseCoopers Auditores Independents, for a three-year period from June 2009, for the fiscal year 2010 to Valle and its subsidiaries were as follows:

thousand BRL	**Vale and subsidiaries**	**Shared control company**	**Total**
Accounting Audit	17,047.59	384.23	17,431.81
Audit Sarbanes Oxley Law	2,795.79		2,795.79
Services related to the Audit[1]	2,788.18	67.47	2,855.65
Tax Services		235.60	235.60
Other	36.89	654.99	691.88
Total services	22,668.45	1,342.28	24,010.73

[1] Services primarily related to Vale s listing in the Hong Kong Stock Exchange.

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BR GAAP/IFRS

Filed at CVM, SEC and SFC on 02/24/2011

Gerência Geral de Controladoria GECOL

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Independent Auditors Report

To the Board of Directors and Stockholders
Vale S.A.

We have audited the accompanying parent company financial statements of Vale S.A. (Company), which comprise the balance sheet as at December 31, 2010 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the consolidated financial statements of Vale S.A. and its subsidiaries (Consolidated), which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management s responsibility for the financial statements

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

Auditors responsibility

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

An audit involves performing procedures obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the evaluating the overall presentation of the financial statements.

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

Opinion on the parent company financial statements

In our opinion, the parent company financial statements, mentioned above, give a true and fair view of the financial position of Vale S.A. as at December 31, 2010, and its financial performance and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

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Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements, mentioned above, give a true and fair view of the financial position of Vale S.A. and its subsidiaries as at December 31, 2010, and their consolidated financial performance and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with accounting practices adopted in Brazil.

Emphasis

As described in Note 2.2, the parent company financial statements were prepared in accordance with the accounting practices adopted in Brazil. In the case of Vale S.A., these practices differ from IFRS, applicable to separate financial statements, only regarding the valuation of the investments in subsidiary, associated and jointly-controlled companies on the equity method of accounting, since for IFRS purposes, it would be cost or fair value.

Other matters statements of value added

We have also audited the individual and consolidated Statements of Value Added (Demonstrações do Valor Adicionado DVA), for the year ended December 31, 2010, whose presentation is required by Brazilian corporate law for listed companies, and as supplementary information by the IFRS that does not require the presentation of the DVA. These statements were submitted to the same audit procedures previously described and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Rio de Janeiro, 24 February 2011

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 F RJ
Marcos Donizete Panassol
Contador CRC

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(A free translation from the original in Portuguese)

Consolidated Balance Sheet
In millions of Reais

	Notes	December 31, 2010	December 31, 2009 (I)	January 1, 2009 (I)
Assets				
Current assets				
Cash and cash equivalents	8	13.469	13.221	24.639
Short-term investments	9	2.987	6.525	5.394
Derivatives at fair value	26	87	183	
Financial assets available for sale	10	21	28	461
Accounts receivable	11	13.962	5.643	7.933
Related parties	31	90	4	28
Inventories	12	7.592	5.913	9.686
Recoverable taxes	14	2.796	2.685	4.886
Advances to suppliers		318	872	946
Others		1.070	1.719	1.242
		42.392	**36.793**	**55.215**
Assets of disposal group classified as held for sale	13	11.876		
		54.268	**36.793**	**55.215**
Non-current assets				
Related parties	31	8	64	
Loans and financing		274	286	180
Prepaid expenses		254	295	632
Judicial deposits		3.062	3.109	2.920
Advances to suppliers energy			889	953
Deferred income tax and social contribution	21	2.440	2.760	978
Recoverable tax	14	612	1.540	1.067
Derivatives at fair value	26	502	1.506	85
Others		936	546	413
		8.088	**10.995**	**7.228**
Investments	15	3.945	4.562	1.981
Intangible assets	16	18.274	16.440	16.191
Property, plant and equipment, net	17	130.087	108.948	105.000
		160.394	140.945	130.400
Total assets		**214.662**	**177.738**	**185.615**

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.

(A free translation from the original in Portuguese)

Consolidated Balance Sheet
In millions of Reais, except number of shares

	Notes	December 31, 2010	December 31, 2009(I)	January 1, 2009 (I)
Liabilities and stockholders equity				
Current liabilities				
Suppliers		5.804	3.849	5.248
Payroll and related charges		1.966	1.556	1.428
Derivatives at fair value	26	92	264	
Current portion of long-term debt	19	4.866	5.310	1.590
Short-term debt	19	1.144	646	1.088
Related parties	31	24	33	162
Taxes payable and royalties		442	256	188
Provision for income tax		1.310	366	1.423
Employee post retirement benefits		311	292	288
Railway sub-concession agreement payable		117	496	934
Provision for asset retirement obligations	20b	128	157	113
Dividends and interest on stockholders equity		8.104	2.907	4.834
Others		1.736	1.338	1.399
		26.044	**17.470**	**18.695**
Liabilities directly associated with assets held for sale	13	5.340		
		31.384	**17.470**	**18.695**
Non-current liabilities				
Derivatives at fair value	26	103	40	1.345
Long-term debt	19	37.779	36.132	42.706
Related parties	31	3	103	125
Employee post retirement benefits	22 III	3.224	3.101	3.650
Provisions for contingencies	20a	3.712	4.202	4.115
Deferred income tax and social contribution	21	12.947	9.307	6.932
Provision for asset retirement obligations	20b	2.463	1.930	1.893
Participative Debentures	20c	2.140	1.306	886
Redeemable non-controlling interest		1.186	1.273	1.390
Others		3.396	2.581	2.879
		66.953	**59.975**	**65.921**
Stockholders equity				
	25a	19.650	18.469	18.469

Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2009 - 2,108,579,618) issued				
Common stock - 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2009 - 3,256,724,482) issued	25a	30.350	28.965	28.965
Mandatorily convertible notes common shares	25b	445	2.584	2.111
Mandatorily convertible notes preferred shares		996	2.003	953
Treasury stock - 99,649,571 (2009 - 77,581,904) preferred and 47,375,394 (2009 - 74,997,899) common shares	25c	(4.826)	(2.470)	(2.448)
Income from operations with non-controlling interest		685		
Transaction cost of capital increase		1.867	(161)	(161)
Equity adjustment		(25)	(21)	8
Cumulative translation adjustments		(9.512)	(8.886)	
Undistributed revenue reserves	25a	72.486	49.272	42.396
Unappropriated retained earnings			6.003	6.015
Total Company stockholders equity		**112.116**	**95.758**	**96.308**
Non-controlling interests		**4.209**	**4.535**	**4.691**
Total stockholders equity		**116.325**	**100.293**	**100.999**
Total liabilities and stockholders equity		**214.662**	**177.738**	**185.615**

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.

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(A free translation from the original in Portuguese)

Parent Company Balance Sheet
In millions of Reais

	Notes	December 31, 2010	December 31, 2009 (I)	January 1, 2009 (I)
Assets				
Current assets				
Cash and cash equivalents	8	4.823	1.250	6.713
Derivatives at fair value	26	37		
Financial assets available for sale	10			384
Accounts receivable	11	18.378	3.360	9.827
Related parties	31	1.123	4.360	2.232
Inventories	12	2.317	1.882	2.913
Recoverable taxes	14	1.961	1.881	3.312
Advances to suppliers		273	751	813
Others		179	155	186
		29.091	**13.639**	**26.380**
Non-current assets				
Related parties	31	1.936	1.842	3.398
Loans and financing		164	136	128
Judicial deposits		2.312	2.433	2.161
Deferred income tax and social contribution	21	1.789	2.050	1.963
Recoverable taxes	14	125	158	189
Derivatives at fair value	26	284	1.098	5
Others		523	358	245
		7.133	**8.075**	**8.089**
Investments	15	92.111	87.894	91.392
Intangibles assets	16	13.563	11.788	11.642
Property, plant and equipment, net	17	44.462	39.693	35.455
		157.269	**147.450**	**146.578**
Total assets		**186.360**	**161.089**	**172.958**

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.

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(A free translation from the original in Portuguese)

Parent Company Balance Sheet
In millions of Reais, except number of shares

	Notes	December 31, 2010	December 31, 2009 (I)	January 1, 2009 (I)
Liabilities and stockholders equity				
Current liabilities				
Suplliers		2.863	2.383	2.145
Payroll and related charges		1.270	1.010	881
Current portion of long-term debt	19	616	2.053	711
Related parties	31	5.326	7.343	9.578
Taxes payable and royalties		204	97	56
Provision for income tax		414		
Employee post retirement benefits		176	161	135
Provision for asset retirement obligations	20b	44	122	44
Dividends and interest on stockholders equity		8.104	2.907	4.834
Others		705	466	400
		19.722	**16.542**	**18.784**
Non-current liabilities				
Derivatives at fair value	26			1.084
Long-term debt	19	15.908	12.072	11.602
Related parties	31	27.597	28.111	38.011
Employee post retirement benefits		504	638	777
Provisions for contingencies	20a	2.108	2.731	2.592
Deferred income tax and social contribution	21	3.574	1.320	
Provision for asset retirement obligations	20b	761	724	848
Participative debentures	20c	2.140	1.306	886
Others		1.929	1.887	2.066
		54.521	**48.789**	**57.866**
Stockholders equity				
Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2009 - 2,108,579,618) issued	25a	19.650	18.469	18.469
Common stock - 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2009 - 3,256,724,482) issued	25a	30.350	28.965	28.965
Mandatorily convertible notes common shares	25b	445	2.584	2.111
Mandatorily convertible notes preferred shares	25b	996	2.003	953

Treasury stock - 99,649,571 (2009 - 77,581,904) preferred and 47,375,394 (2009 - 74,997,899) common shares	25c	(4.826)	(2.470)	(2.448)
Income from operations with non-controlling interest		685		
Transaction cost of capital increase		1.867	(161)	(161)
Equity assessnent adjust		(25)	(21)	8
Cumulative translation adjustments		(9.512)	(8.886)	
Undistributed revenue reserves	25a	72.487	49.272	42.396
Unappropriated retained earnings			6.003	6.015
Total Company stockholders equity		**112.117**	**95.758**	**96.308**
Total liabilities and stockholders equity		**186.360**	**161.089**	**172.958**

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.

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(A free translation from the original in Portuguese)

Consolidated Statement of Income
In million of Reais, except per share amounts

		Year ended December, 31	
	Notes	**2010**	**2009(I)**
Revenue		83.225	48.496
Cost of sales	28	(33.756)	(27.750)
Gross profit		**49.469**	**20.746**
Operating expenses			
Selling and administrative expenses	28	(3.201)	(2.347)
Other operating expenses, net	28	(5.778)	(5.226)
		(8.979)	**(7.573)**
Operating profit		**40.490**	**13.173**
Financial income	29	3.136	12.136
Financial expense	29	(5.899)	(10.042)
Equity results from associates		(48)	99
Gain (loss) on disposal of investments			93
Income before income tax and social contribution		**37.679**	**15.459**
Current		(9.286)	(4.991)
Deferred		2.251	37
Income tax and social contribution	21	**(7.035)**	**(4.954)**
Income from continuing operations		**30.644**	**10.505**
Results on discontinued operations		**(222)**	
Net income		**30.422**	**10.505**
Net income attributable to non-controlling interests		**352**	**168**
Net income attributable to the Company s stockholders		**30.070**	**10.337**

Basic earnings per share:		
Continuing operations		
Preferred share	5,70	0,97
Common share	5,70	0,97
Discontinued operations		
Preferred share	(0,04)	
Common share	(0,04)	
Diluted earnings per share:		
Continuous operations		
Preferred share	6,14	1,71
Common share	6,14	2,21
Discontinued operations		
Preferred share	(0,04)	
Common share	(0,04)	

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.
(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.

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(A free translation from the original in Portuguese)

Parent Company Statement of Income
In million of Reais, except per share amounts

	Notes	Year ended December, 31 2010	2009 (I)
Revenue		51.386	26.430
Cost of sales	28	(17.892)	(13.649)
Gross profit		**33.494**	**12.781**
Operating expenses			
Selling and administrative expenses	28	(1.748)	(1.244)
Other operating expenses, net	28	(1.762)	(2.241)
Equity results from subsidiaries	28	8.709	(3.809)
		5.199	**(7.294)**
Operating profit		**38.693**	**5.487**
Financial income	29	3.013	13.336
Financial expenses	29	(4.634)	(3.303)
Equity results from associates		(48)	99
Gain (loss) on disposal of investments			284
Income before income tax and social contribution		37.024	15.903
Current		(7.356)	(4.813)
Deferred		624	(753)
income tax and social contribution	21	**(6.732)**	**(5.566)**
Income from continuing operations		**30.292**	**10.337**
Results on discontinued operations		**(222)**	
Net income		**30.070**	**10.337**
Basic earnings per share:			
Preferred share		5,66	0,97
Common share		5,66	0,97
Diluted earnings per share:			
Preferred share		6,10	1,71

Common share	6,10	2,21

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.

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(A free translation from the original in Portuguese)

Consolidated and Parent Company Statement of Comprehensive Income
In millions of Reais

		Year ended December, 31			
		Consolidated		Parent Company	
	Notes	**2010**	**2009 (I)**	**2010**	**2009 (I)**
Net income		30.422	10.505	30.070	10.337
Other comprehensive income					
Cumulative translation adjustments		(859)	(9.060)	(626)	(8.886)
Unrealized gain (loss) available-for-sale securities					
Gross balance as of the period/year end		37	41	37	41
Tax (expense) benefit		(16)	(75)	(16)	(75)
		21	**(34)**	**21**	**(34)**
Cash flow hedge					
Gross balance as of the period/year end		60	(34)	(6)	22
Tax (expense) benefit		(19)	(14)	(19)	(17)
		41	**(48)**	**(25)**	**5**
Total comprehensive income attributable to Company s stockholders		**29.625**	**1.363**	**29.440**	**1.422**
Net income attributable to noncontrolling interests		187	(59)		
Cumulative translation adjustments		29.438	1.422		

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.

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(A free translation from the original in Portuguese)

Consolidated and Parent Company Statement of Changes in Stockholders Equity
In millions of Reais

December 31, 2010

	Notas	**Capital**	**Transaction cost of capital increase**	**Mandatory convertible notes**	**Undistributed revenue reserves**	**Treasury stock**	**Equity adjustment**	**Income from operations with non-controlling stockholders**	**Cumulative translation adjustment**	**Unappropriated retained earnings**	**Parent company stockholders ´equity**	**Non-controlling stockholders interests**	**Total stockholders equity**
January 1, 2009		**47.434**	**(161)**	**3.064**	**42.396**	**(2.448)**	**8**			**6.015**	**96.308**	**4.691**	**100.999**
Net income of the years (I)										10.337	10.337	168	10.505
Repurchase of stock						(22)					(22)		(22)
Additional remunaration to securities										(100)	(100)		(100)
Unrealized results of valuation at market							(29)				(29)	(53)	(82)
Translation adjustments for the years									(8.886)		(8.886)	(174)	(9.060)
Dividends to non-controlling stockholders												(98)	(98)
Additional Remuneration of 2008					(371)						(371)		(371)
Issuance of securities				1.523							1.523		1.523
Allocation of income:													
Interim interest on capital										(95)	(95)		(95)
Additional remuneration proposed to stockholders										(2.907)	(2.907)		(2.907)
Appropriation to revenue reserves					7.247					(7.247)			

December 31, 2009 (I)	**47.434**	**(161)**	**4.587**	**49.272**	**(2.470)**	**(21)**		**(8.886)**	**6.003**	**95.758**	**4.535**	**100.293**
Net income of the years (I)									30.070	30.070	352	30.422
Capitalization of advance of non-controlling stockholders											62	62
Capitalization of reserves	2.566			(2.566)								
Gain on conversion of shares		2.028	(3.064)		1.036							
Repurchase of stock					(3.392)					(3.392)		(3.392)
Additional remuneration to securities			(82)							(82)		(82)
Unrealized results on valuation at market						(4)				(4)	66	62
Translation adjustments for the years								(626)		(626)	(233)	(859)
Dividends to non-controlling stockholders											121	121
Acquisitions and disposal of non-controlling stockholders							685			685	2.486	3.171
Transfer to assets held for sale of non-controlling stockholders											(3.180)	(3.180)
Additional Remuneration of 2010				(513)						(513)		(513)
Allocation of income:												
Interim interest on capital and dividends									(1.675)	(1.675)		(1.675)
Additional remuneration proposed to stockholders									(8.104)	(8.104)		(8.104)

Appropriation to revenue reserves				26.294					(26.294)			
December 31, 2010	**50.000**	**1.867**	**1.441**	**72.487**	**(4.826)**	**(25)**	**685**	**(9.512)**		**112.117**	**4.209**	**116.326**

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.

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(A free translation from the original in Portuguese)

Consolidated Statement of Cash Flows
In millions of Reais

	Year ended December, 31	
	2010	**2009(I)**
Cash flows from operating activities:		
Net income	30.422	10.505
Adjustments to reconcile net income trash from operations		
Results of equity investments	48	(99)
Sale of investments		(93)
Results from descontinued operations	222	
Depreciation, amortization and depletion	5.741	5.447
Deferred income tax and social contribution	(2.251)	(37)
Monetary and exchange rate changes assets and liabilities, net	24	(6.746)
Disposal of property, plant and equipment	1.195	653
Losses (gains) on derivatives	1.024	(2.649)
Others	450	(47)
Decrease (increase) in assets:		
Accounts receivable	(5.302)	2.287
Inventories	(1.579)	2.796
Recoverable taxes	153	(1.151)
Others	750	(559)
Increase (decrease) in liabilities:		
Suppliers	1.653	(51)
Payroll and related charges	363	112
Taxes and contributions	2.182	736
Others	280	413
Net cash provided by operating activities	**35.375**	**11.517**
Cash flows from investing activities:		
Short term investments	3.537	(1.131)
Loans and advances receivable	(161)	(1.067)
Guarantees and deposits	(64)	(153)
Additions to investments	(120)	(3.422)
Additions to property, plant and equipment	(23.546)	(16.108)
Dividends/interest on stockholders equity received	147	21
Proceeds from disposal of property, plant and equipment/investments		1.200
Net cash used in acquisitions and increase of funds to subsidiaries, net of the cash of subsidiary	(11.378)	(4.246)
Net cash used in investing activities	**(31.585)**	**(24.906)**
Cash flows from (used in) financing activities:		
Short-term debt, additions	4.776	3.940
Short-term debt, repayments	(4.466)	(3.624)

Long-term debt	8.375	6.286
Issue of convertible notes, in common share s		577
Issue of convertible notes, in preferred share s		1.281
Financial institutions	(4.546)	(808)
Dividends and interest on capital paid to stockholders	(5.095)	(5.299)
Dividends and interest stockholders equity attributed to noncontrolling interest	(243)	(82)
Transactions with non controlling stockholders	1.118	
Capital increase		
Treasury stock	(3.392)	(22)
Net cash provided by (used in) financing activities	**(3.473)**	**2.249**
Increase (decrease) in cash and cash equivalents	317	(11.140)
Cash and cash equivalents of cash, beginning of the years	13.221	24.639
Effect of exchange rate changes on cash and cash equivalents	(69)	(278)
Cash and cash equivalents, end of the years	**13.469**	**13.221**
Cash paid during the years for:		
Short-term interest	(46)	(110)
Long-term interest	(1.983)	(2.277)
Income tax and social contribution	(3.694)	(2.698)
Non-cash transactions:		
Additions to property, plant and equipment interest capitalization	(310)	(384)

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.

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(A free translation from the original in Portuguese.)

Parent Company Statement of Cash Flows
In millions of Reais

	Year ended December, 31	
	2010	**2009**
Cash flows from operating activities:		
Net income	30.070	10.337
Adjustments to reconcile net income to cash from operations:		
Results of equity investments	(8.661)	3.710
(Gain)/Loss on sale of investments		(284)
Results from discontinued operations	222	
Depreciation, amortization and depletion	1.983	1.931
Deferred income tax and social contribution	(624)	753
Monetary and exchange rate changes, net	(640)	(10.053)
Disposal of property, plant and equipment	3.056	343
Unrealized gain (loss) on derivatives	776	(2.140)
Dividends and interest on capital received	2.060	728
Others	251	(107)
Decrease (increase) in assets:		
Accounts receivable	(14.546)	6.378
Inventories	(91)	1.091
Recoverable taxes	180	733
Others	895	395
Increase (decrease) in liabilities:		
Suppliers and contractors	480	238
Payroll and related charges	260	129
Taxes and contributions	1.305	693
Others	652	468
Net cash provided by operating activities	**17.628**	**15.343**
Cash flows from investing activities:		
Short term investments		
Loans and advances receivable	3.098	(101)
Guarantees and deposits	(112)	(142)
Additions to investments property, plant and equipment	(3.684)	(9.037)
Additions to investments	(10.472)	(7.481)
Proceeds from disposal of property, plant and equipment/investments	4.433	692
Net cash used in investing activities	**(6.737)**	**(16.069)**
Cash flows from financing activities:		
Short-term debt, additions	3.969	1.785
Short-term debt, repayments	(8.354)	(5.888)
Long-term debt	7.469	5.254
Related parties		(129)

Financial institutions		(1.915)	(438)
Dividends and interest on capital paid to stockholders		(5.095)	(5.299)
Transactions with non-controlling stockholders			
Capital increase			
Treasury stock		(3.392)	(22)
Net cash used in financing activities		**(7.318)**	**(4.737)**
Net Increase (decrease) in cash and cash equivalents	8	3.573	(5.463)
Cash and cash equivalents of cash, beginning of the year		1.250	6.713
Cash and cash equivalents end of the year	8	**4.823**	**1.250**
Cash paid during the year:			
Short-term interest		(69)	(108)
Long-term interest		(1.862)	(2.370)
Income tax and social contribution		(3.103)	(1.535)
Non-cash transactions:			
Additions to property, plant and equipment interest capitalization			
Transfer of advance for future capital increase to investments		(98)	(11)

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.

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(A free translation from the original in Portuguese.)

Consolidated Statement of Added Value
In millions of Reais

	Year ended December, 31	
	2010	**2009(I)**
Generation of added value		
Gross revenue		
Revenue from products and services	85.345	49.812
Other revenue		
Revenue from the construction of own assets	20.607	13.919
Allowance for doubtful accounts	(40)	(23)
Less: Acquisition of products	(1.912)	(1.219)
Outsourced services	(11.722)	(6.242)
Materials	(20.843)	(20.653)
Fuel oil and gas	(3.701)	(2.777)
Energy	(2.349)	(1.777)
Other costs	(10.256)	(6.927)
Gross added value	**55.129**	**24.113**
Depreciation, amortization and depletion	(5.741)	(5.447)
Net added value	**49.388**	**18.666**
Financial revenue	671	866
Equity results	(48)	99
Others		
Total added value to be distributed	**50.011**	**19.631**
Personnel	5.706	5.086
Taxes, rates and contribution	3.397	315
Recoverable taxes paid		
Current income tax	9.286	4.991
Deferred income tax	(2.251)	(37)
Remuneration on third party s capital	3.839	3.291
Foreign indexation and exchange gain, net	(387)	(4.520)
Net income attributable to the company s Stockholders	9.779	3.373
Reinvested	20.291	6.964
Net income attributable to non-controlling interest	351	168
Distribution of added value	**50.011**	**19.631**

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.
The accompanying notes are an integral part of these financial statements.

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(A free translation from the original in Portuguese.)

Patent Company Statement of Added Value
In millions of reais

	Year ended December, 31	
	2010	**2009 (I)**
Generation of added value		
Gross revenue		
Revenue from products and services	52.905	27.285
Revenue from the construction of own assets	10.516	7.493
Allowance for doubtful accounts	(36)	(18)
Less: Acquisition of products	(1.741)	(363)
Outsourced services	(7.251)	(3.117)
Materials	(10.344)	(11.808)
Fuel oil and gas	(1.597)	(1.128)
Energy	(1.121)	(758)
Other costs	(3.920)	(3.278)
Gross added value	**37.411**	**14.308**
Depreciation, amortization and depletion	(1.983)	(1.931)
Net added value	**35.428**	**12.377**
Received from third parties		
Financial revenue	300	437
Equity results	8.661	(3.710)
Total added value to be distributed	**44.389**	**9.104**
Personnel	3.132	2.540
Taxes, rates and contribution	2.535	257
Recoverable taxes paid		
Current income tax	7.356	4.813
Deferred income tax	(624)	753
Remuneration on third party s capital	2.569	3.269
Inflation and exchange rate changes, net	(649)	(12.865)
Stockholders	9.779	3.373
Reinvested	20.291	6.964
Distribution of added value	**44.389**	**9.104**

(I) period adjusted by new accounting pronouncements, for comparative purposes, according to note 5.

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

(A free translation from the original in Portuguese.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In millions of Real, unless otherwise stated.

1- Operational Context

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

Vale is the world leader in the production of iron ore and pellets, and the second largest producer of nickel. It is a Brazilian mining company present in 38 countries, on the five continents and with a mission to transform mineral resources into prosperity and sustainable development.

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

As at December 31, 2010, the main consolidated operating subsidiaries and jointly controlled entities proportionately consolidated are:

Subsidiary	participation %	% voting capital	Head office location	Principal activity
Parent Company				
Alumina do Norte do Brasil S.A. Alunorte (*)	57,03	59,02	Brazil	Alumina
Alumínio Brasileiro S.A. Albras (*)	51,00	51,00	Brazil	Aluminum
Compañia Mienera Misky Mayo S.A.C	40,00	51,00	Peru	Fertilizers
Ferrovia Centro-Atlântica S. A.	99,99	99,99	Brazil	Logistic
Ferrovia Norte Sul S.A.	100,00	100,00	Brazil	Logistic
Mineração Corumbaense Reunidas 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	Cooper
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 Research
Vale Canada Limited	100,00	100,00	Canada	Nickel
Vale Colombia Ltd.	100,00	100,00	Colombia	Coal
Vale Fertilizantes S.A	78,92	99,83	Brazil	Fertilizers
Vale Fosfatados S.A.	100,00	100,00	Brazil	Fertilizers
Vale International S.A	100,00	100,00	Switzerland	Trading
Vale Manganês S.A.	100,00	100,00	Brazil	Manganese and Ferroalloys
Vale Nouvelle-Caledonie SAS	74,00	74,00	New Caledonia	Nickel
Jointly-controlled companies				
California Steel Industries, Inc.	50,00	50,00	United States	Steel industry
Mineração Rio do Norte S.A.	40,00	40,00	Brazil	Bauxite
MRS Logística S.A	41,50	37,86	Brazil	Logistic

Samarco Mineração S.A.	50,00	50,00	Brazil	Iron ore

(*) Assets held for sale.

The Board of Directors authorized these financial statements for issue on February 24, 2011.

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2 Summary of the Main Accounting Practices and Accounting Estimates

a) Basis of presentation

Consolidated financial statements

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

Vale adopted from January 1, 2010, retroactive to January 1, 2009, all statements issued by the CPC. Therefore, these are the first consolidated financial statements presented by the Company in accordance with International Financial Reporting Standards IFRS. The main differences between accounting practices previously adopted in Brazil (old BR GAAP) and CPCs/IFRS, including the reconciliations of Stockholders equity, income and other comprehensive income, are described in Note 5.

The financial statements have been prepared considering historical cost as the basis of value and adjusted to reflect the financial assets available for sale, and financial assets and liabilities (including derivative instruments) measured at fair value against income.

The preparation of financial statements requires the use of certain critical accounting estimates and also the use of judgment by the Directors of the Company in the process of applying the accounting policies of the Group. Those areas that require a higher use at judgment and have greater complexity, as well as areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Financial statements of the parent company

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

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

b) Translation of transactions in other currencies

Functional currency and presentation currency

Items included in the financial statements of each of the group s entities are presented using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Reais, which is the functional currency of the parent company, and also the presentation currency of the Group, in Brazil.

The results and financial position of all Group entities whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

(i) The assets and liabilities for each balance sheet presented are translated by the closing rate at the balance sheet date

(ii) Income and expenses for each statement of income are translated by the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates established at the dates of transactions, in which case income and expenses are translated by the rate at the dates of transactions).

(iii) All resulting exchange differences are recognized in other comprehensive income.

Transactions and balances

The operations with others currencies are translated into the functional currency of the parent company using the actual exchange rates on the transaction or evaluation dates. The foreign exchange gains and losses resulting from the settlement of these transactions and from the translation by exchange rates at the end of the year (relating to monetary assets and liabilities in other currencies) are recognized in the statement of income as financial expense or income, except when deferred in other comprehensive income as qualifying cash flow hedges.

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Major currencies impacting our operations:

	Year-end price in Brazilian real As of December 31		
	2010	**2009**	**2008**
US dollar US$	1,6662	1,7412	2,3370
US canadian dollar CAD	1,6700	1,6586	1,9128
US australian dollar AUD	1,6959	1,5663	1,6044
Euro EUR	2,2280	2,5073	3,2382

Changes in fair value of monetary securities in other currencies, classified as available for sale are separated between translation differences resulting from changes in the amortized costs of the security and other changes in the carrying amount of the security. Translation differences related to the changes in amortized costs are recognized in income, and other changes in the carrying amount of the security are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are recognized in income as part of fair value gain or loss. The exchange rate gain or loss of non-monetary financial assets, such as investments in shares classified as available for sale, is included in other comprehensive income.

c) Principles of consolidation

The consolidated financial statements reflect the balances of assets and liabilities at December 31, 2010, December 31, 2009 and the operations of the years ended on December 31, 2010 and December 31, 2009, of the parent company, of its direct and indirect subsidiaries and of its jointly controlled entities, in proportion to the interest maintained. For associates, entities over which the Company has significant influence but not control the investments are accounted for under the equity method.

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

The interests in hydroelectric projects are done through consortium agreements under which the Company participates in assets and liabilities of these enterprises in the proportion that holds on the consortium. The Company has joint responsibility for any obligation. According to Brazilian law, there is no separate legal entity for the consortium, therefore no financial statements, income tax statement, statement of income and shareholders equity separately. Thus, the Company recognizes the proportionate interest of the costs and non-divisible interests in the assets related to hydropower projects.

Investments in controlled entities

Controlled entities are entities, including special purpose entities, in which directly or indirectly way the parent company has the power to regulate the accounting and operational policies to obtain benefits from its activities, usually accompanied by a participation of more than one half of voting rights (voting capital). In the consolidation of controlled entities, the third party involvement is recorded in the statement of changes in stockholders equity, in the line of non-controlling stockholder.

The use of the equity method is suspended from the date that the Company ceased to have significant influence over the associated companies and no longer has control over the parent company (except in the individual balance sheet, if the investee moves from subsidiary to associated company). When the equity method is suspended, the investment is treated as a financial instrument in accordance with the requirements of CPC 38/IAS39 Financial Instruments: Recognition and Measurement.

When there is a loss of influence and control, the remaining investment in the ex-associated company or former subsidiary shall be valued at fair value. The Company recognizes in income of the period any difference between:

a) the fair value of the remaining investment, if any, and any amount from the partial sale of its participation in the subsidiary and associated company, and

b) the carrying value of investment on the date that significant influence is lost or has lost the control.

Investments in jointly controlled entities (joint ventures)

Interests in jointly-controlled entities were consolidated by the proportional consolidation method, from the date on which joint control is acquired. According to this method the assets, liabilities, revenues, costs and expenses of these entities have been included in the consolidated financial statements, in the proportion of control attributable to the stockholders.

Investments in associated entities

Associated entities are investments in entities where the company has the power to exercise a significant influence, but they do not have control or joint control through participation in the financial and operational decisions of the entity. Usually the stockholding is 20% to 50% of the voting rights. Investments in associated entities are accounted for under the equity method and include goodwill identified on acquisition, net of any accumulated impairment loss.

d) Business combinations

The company adopts the acquisition method for business combinations to account for businesses under the company s control.

In these operations, the identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at fair values at the acquisition date. The Group recognizes non-controlling stockholders interests on the acquired business, either at their fair value or at the proportionate share of non-controlling interesting of the acquiree s net assets. The measurement of the non-controlling shareholder interest to be recognized is determined for each acquisition made.

The excess of the consideration transferred over the fair value at the date of acquisition, inclusive of any prior equity interest in the acquired business is recorded as goodwill. For acquisitions that the Group presents fair value non-controlling Stockholders, the determination of goodwill also includes the value of any non-controlling stockholder participation in the acquiree, and the goodwill is determined by considering the participation of the Group and non-controlling interests. When the consideration transferred is less than the fair value of net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

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

Non-controlling stockholders interests

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

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

e) Cash and cash equivalents and short-term investments

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

f) Financial assets

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

- Measured at fair value through the statement of income recorded in this category are held for trading financial assets acquired for the purpose of selling in the short term. Derivatives not designated as hedging instruments are recorded in this category. Assets in this category are classified as current assets.
- Loans and receivables non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recorded in current assets, except those with a maturity greater than 12 months after the balance sheet date, which are recorded as non-current assets. The Company s loans and receivables comprise of the accounts receivables, other receivables, and cash and cash equivalents. Loans and receivables are measured at fair value and subsequently carried at amortized cost using the effective interesting rate method, less impairment. The interest income is recognized with the effective tax rate application, except for short-term credits, because the

interest recognition would be immaterial.

Available for sale investments in equity instruments that are not listed and for which it is not possible to estimate fair value with certainty are held at acquisition cost less any losses not recoverable. The gains or losses from changes in fair value of available for sale investments are recorded in equity under the description equity adjustments and included in other comprehensive income , and are reclassified to income when an available for sale investment is derecognized as a

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result of sale or impairment. When there is a significant or prolonged decline in the fair value of the security below its cost, it is also evident that the available for sale investments might be impaired.

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

All purchases and sales of these investments are recognized on the date of signing the respective, regardless of their date of settlement.

g) Accounts receivables

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

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

h) Inventories

Inventories are stated at the lower of average cost of acquisition or production and replacement values or realization. The inventories production cost is determined by variable and fixed costs, and direct and indirect costs of production, using the average cost method. The net value of inventories is the estimated selling price in the ordinary course of business, less all estimated costs to completion and other costs necessary to sell. The Company periodically assesses its inventories to identify obsolete or slow-moving inventories, and if needed the Company recognizes definitive allowances for them.

Inventories of ore are recognized when there is a physical extraction of ore. No longer part of the calculation of proven and probable reserves, this one is now part of the stock pile of ore, and is therefore not part of the calculation of depreciation, amortization and depletion per unit of production.

The inventory costs include gains and losses from cash flow hedging derivatives, acquisition of stock material (raw materials, price of products, and others), initially recorded in Stockholders equity and transferred to the product cost by realization through the selling of the product.

i) Non-current assets held for sale

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

j) Non-current

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

k) Property, plant and equipment

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

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

Vale did not exercise the option of adopting the cost attributed to its fixed assets, as identified no significant amounts of goods with a book value substantially below or above their fair value, primarily due to the significant volume of investments and acquisitions made by the company in recent years.

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

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The carrying value of an asset is written down immediately to its recoverable amount in income, if the asset s carrying value is greater than its estimated recoverable amount.
Depreciation and depletion of assets of the Company, is represented in accordance with the following estimated useful lives:

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

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at the end of each fiscal year.
The relevant expenditures for maintenance of industrial areas and relevant assets (as example, ships), including spare parts, assembly services, and others, are recorded in fixed assets and depreciated over the benefits of this maintenance period until the next stop.

l) Intangible assets

Intangible assets comprise basically the contractual rights and expenses incurred on specific projects with future economic value, are valued at acquisition cost, less accumulated amortization and losses by reducing the recoverable amount where applicable. Intangible assets are recognized only if it is likely they that will generate economic benefits to the Company, are controllable under the Company s control and their respective value can be measured reliably.
Intangible assets that have finite useful lives are amortized over their effective use or a method that reflects their economic benefits, while those with indefinite useful lives are not amortized; consequently these assets are tested at least annually as to their recovery (impairment test). The estimated useful life and amortization methods are reviewed at the end of each financial year and the effect of any changes in estimates are recorded in a prospective manner.
Internally generated intangible assets, during the research phase, have their expenditure recorded in expenses of the period when incurred. Expenditure on development activities (or stage of development of an internal project) is recorded as intangible assets if and only if it meets all of the requirements of the standard. Initial recognition of this asset corresponds to the sum of the expenditures incurred from when the intangible asset has passed to meet the recognition criteria required by the standard. Intangible assets generated internally, are recorded at cost value less amortization and loss on the accumulated impairment.
Intangible assets acquired in a business combination and recognized separately from goodwill are recorded at fair value at the acquisition date, which is equivalent to cost. As required at a later date, these assets are recorded at cost value less amortization and loss on the impairment accumulated.

m) Biological assets

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

n) Impairment

Financing assets

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

Long-term non-financial assets

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

o) Expenditures on research and development

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

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

p) Leases

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

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

q) Accounts payable to suppliers and contractors

Accounts payable to suppliers and contractors are obligations to pay for goods and services that were acquired in the ordinary course of business, and are classified as current liabilities if the payment is due within twelve months. After this period, they are presented in non current liabilities. The amounts are initially recognized at fair value and subsequently measured at amortized cost using effective interest rate method. In practice accounts payable are normally recognized by the value of the corresponding invoice or receipt.

r) Loans and financing

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

Financial instruments, including perpetual debentures that are mandatorily redeemable on a specific date are classified as liabilities.

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

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

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

Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

s) Provisions

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

Provision for asset retirement obligations

The Company, at the end of each year reviews and updates the values of provisions for asset retirement obligations. This provision has the primary goal of long-term value, for financial use in the future at the closing moment of the asset. Provisions made by the Company refer basically to mine closure and the completion of mining activities and decommissioning of assets linked to mine. The calculation of this provision begins with a valuation of the asset conditions at the time of provision. The next step consist s of the formation of amounts to be discounted to present value by the interest rate before income tax that reflects the assessment of market conditions and specific risks associated with the liability to be disabled Finally, the amount at present value is recorded. The revised calculations of this provision occur at the end of each year, or if there is a new asset, or if the situation indicates a need to review the provision. The provision is set up initially with the record of non-current liabilities in counterpart with a main fixed asset item. The increase in the provision due to passage of time is recognized as interest expense, using the current discount rate plus the inflation index. The asset is depreciated linearly at the rate of useful life of the main asset, and registered against the statement of income.

Provisions for contingent liabilities

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

t) Employee benefits

Current benefit wages, vacations and related taxes

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

Current benefit profit sharing

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

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

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

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

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

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

Current benefit current incentive

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

u) Derivative financial instruments and hedging operations

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

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

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

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

v) Current and Deferred Income tax and social contribution

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

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

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

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

w) Revenue recognition

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

Product sales

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

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

Sales of services

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

Financial income

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

x) Government grants and support

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

y) Allocation of income and distribution of remuneration to stockholders

At year end, the Company allocated results between remuneration to Stockholders and reserves as required by Brazilian corporate law. Regarding remuneration of Stockholders, the Company may use interest on capital in line with the criteria and limits set by Brazilian legislation. The tax reflection of interest on own capital is recognized in income for the year.

z) Capital

In the stockholders equity, capital is represented by common and preferred shares non-redeemable, all without no par value. The preferred shares have the same rights as common shares, with the exception of voting for electing members of the Board. The Board may, regardless of statutory reform, resolve the issue of new shares (authorized capital), including by the capitalization of profits and reserves to the authorized limit, according Note 25 (a).

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

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

aa) Statements of added value

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

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

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3. Critical Accounting Estimates and Assumptions

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

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

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

Mineral reserves and mine useful life

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

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

Environmental costs of reclamation

Expenses incurred related to compliance with environmental regulations are recorded in income or capitalized. These programs were created to minimize the environmental impact of activities.

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

Income tax and social contribution

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

The Company recognizes a provision for loss where it believes that tax credits are not fully recoverable in the future.

Contingencies

Contingent liabilities are recorded and/or disclosed, unless the possibility of loss is considered remote by our legal advisors. Contingencies, net of escrow deposits, are arranged in notes to the financial statements Notes 2.s) and 20.

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

Post-retirement benefits for employees

The Company sponsors various plans for post-retirement benefits to their employees in Brazil and abroad, the parent company and group entities, as Notes 2.t) and 22.

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

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

Reduction in recoverable value of assets

The Company annually tests the recoverability of its tangible and intangible assets, with indefinite useful lives that are mostly of the portion of goodwill for expected future earnings arising from processes of the business combination. The accounting policy is presented in Note 2.n) and the possible values and procedures used for the calculations and records are presented in Note 18.

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

Fair value of the derivatives and others financial instruments

Fair value of the not traded financial instruments in active market is determined by using valuation techniques. The Company uses your own judgment to choose the various methods and assumptions set which are based on market conditions, at the end of the year (See note 24).

The analysis of the impacts, if actual results were different from management s estimate, is presented in note 26 on the topic of sensitivity analysis.

4. Amendments and Interpretations to Existing International Standards that are not yet in Force

The follow amendments and interpretations were published and are mandatory for accounting periods beginning after January 1, 2011, and there was no early adoption of these standards by the Company.

IAS 12, revised in December 2010, clarify the difficult to measure whether asset recovery will be through sale or through use when the asset is classified as investment property. The assumption presented in this revision is that the asset value will be recoverable through sale. The Company is evaluating the effects that may arise with the adoption of this pronouncement in our financial statements.

IFRS 9 Financial Instruments, was issued in November 2009 and introduces new requirements for classifying and measuring financial assets. The standard will apply from January 1, 2013, and its early adoption is permitted. The Company is evaluating the possible effects that may arise with the adoption of this pronouncement and it is expected that there is no significant impact on the financial statements of the Company or Parent Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments has been in force since July 1, 2010 and clarifies the requirements of IFRS when an entity renegotiate terms of a financial liability with its lender, and it agrees to accept the entity s shares or other equity instruments to settle the financial liability in whole or in part. The Company will apply the interpretation from January 1, 2011. The Company is evaluating the possible effects that may arise with the adoption of this pronouncement and it is expected that there is no significant impact on the financial statements of the Company or Parent Company.

IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction . Removes the unintended consequences that arise from the treatment of prepayments, in which there is a minimum requirement of funding. The results in advance payments of contributions in certain circumstances are recognized as assets rather than expense. Entry in force from January 1, 2011. The Company is evaluating the possible effects that may arise with the adoption of this pronouncement and it is expected that there is no significant impact on the financial statements of the Company or Parent Company.

IFRS 7 Financial Instruments emphasizes the interaction between quantitative and qualitative disclosures about the nature and the extension of risks associated with financial instruments. It is applicable from January 1, 2011 and applied retroactively. The Company is evaluating the possible effects that may arise with the adoption of this pronouncement and it is expected that there is no significant impact on the financial statements of the Company or Parent Company.

IAS 1 Presentation of Financial Statements clarifies that an entity shall submit an analysis of other comprehensive income for each component of stockholders equity, statement of changes in stockholders equity or in the notes to financial statements. Applicable from January 1, 2011. It is applied retroactively. The Company is evaluating the possible effects that may arise with the adoption of this pronouncement and it is expected that there is no significant impact on the statements of the Company or Parent Company.

IAS 34 Interim Financial Reporting provides guidance to illustrate how to apply the disclosure principles in IAS 34 and to add disclosure requirements about: a) circumstances that are likely to affect the fair values of financial instruments and their classification; b) transfers of financial instruments between different levels of value fair hierarchy; c) changes in the classification of financial assets, and d) changes in contingent assets and liabilities. Applicable from January 1, 2011. Applied retroactively. The Company is evaluating the possible effects that may arise with the adoption of this pronouncement and it is expected that there is no impact on the statements of the Company or Parent Company.

IFRIC 13 Customer Loyalty Programmes. The meaning of fair value is understood in the context of measurement of lending programs for customer loyalty. Applicable from January 1, 2011. The Company is evaluating the possible effects that may arise with the adoption of this pronouncement and it is expected that there is no impact on the statements of the Company or Parent Company.

IAS 32 Financial Instruments. Amendment issued in October 2009. The amendment applies to annual periods beginning on or after February 1, 2010. Early application is permitted. The amendment addresses the accounting for rights shares denominated in a currency other than the issuer s functional. As long as certain conditions are met, such rights shares are now classified as Stockholders equity, regardless of the currency in which the exercise price is denominated. Previously, the shares had to be accounted for as derivative liabilities. The amendment applies retroactively, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The Company is evaluating the possible effects that may arise with the adoption of this pronouncement and it is expected that there is no impact on the statements of the Company or Parent Company.

5. First-time Adoption of International Financial Reporting Standards with Individual Financial Statements in Accordance with CPC Technical Pronouncements

I) Application of CPCs 37 and 43 and IFRS 1

The consolidated financial statements for the year ended December 31, 2010 are the first annual consolidated financial statements in accordance with CPCs and IFRSs. The Company applied CPCs 37 and 43 and IFRS 1 in preparing these consolidated financial statements.

The individual financial statements of the parent company for the year ended December 31, 2010 are the first annual individual statements in accordance with CPCs. The Company applied CPC 35 for preparing these individual financial statements.

The transition date is January 1st, 2009. The administration prepared the opening balance sheets in accordance with CPCs and IFRS at that date.

In preparing those financial statements, the Company applied the mandatory exceptions and certain relevant optional exemptions in relation to the full retrospective application.

II The Company chose to apply the following exemptions in respect of retrospective application:

a) Retirement benefits obligation The Company elected to recognize all past actuarial gains and losses cumulatively at January 1, 2009. Thus, the gains and losses not recognized in the past have been fully recognized in the opening balance against the stockholders equity.

b) Asset Retirement Obligation The Company adopted the exemption of this pronouncement in relation to historical rates of long-term interest before income tax that reflects the assessment of the actual market conditions at the time and the specific risks associated with the liability, used in the previous principles, and remeasurement provided on the new principles for the calculation of discounted present value with asset retirement obligations.

c)

Business combinations the Company has applied the business combinations exemption described in IFRS 1 and in CPC 37 and therefore not restated business combinations that occurred before January 1, 2009, the transition date.

d) Cumulative translation adjustments the Company made the initial recording of cumulative translation adjustments at January 1, 2009, in retained earnings applying this exemption to all subsidiaries at the transition date in accordance with the pronouncement.

e) Other exemptions from the standard are not relevant to the Company and were not adopted.

III Exceptions mandatory in retrospective application:

a) Accounting estimates the estimates used in preparing these financial statements as of January 1, 2009 and December 31, 2009 are consistent with estimates made on the same dates in accordance with the practices adopted in Brazil before.

b) Other mandatory exceptions, low and reversal of financial assets and liabilities, hedge accounting and non-controlling interest shareholders does not apply because there was no significant difference compared to BR GAAP old.

IV Reconciliation between IFRS/CPCs with past practice:

a) The Company has made initial records in employee benefit plans in an immediately way and recognized an increase in liability offset by the deferred income tax asset and in stockholders equity. These adjustments include actuarial gains and losses relating to the previous accounting policy, which would fall within the limits of the corridor (see definition in note 2.t)). The company will continue using the corridor approach.

b) Provision for disposal of assets The Company has recognized in its financial statements the provision for decommissioning in accordance with IFRS, except for the remeasurement of the long-term interest historical rate before income tax that reflects the assessment of actual market conditions prevailing at the time, used to calculate the present value of the obligations, which according to IFRS standards should be reviewed/remeasured at the balance sheet date. As a result of this recalculation the Company made the adjustment to the opening balance by adjusting the stockholders equity at the transition date.

c) Deferred income tax adjustments in this account basically refer to reclassification from current to non-current, according to new principles and the offsetting between assets and liabilities of the same nature and include adjustments to the opening balance at the transition date.

d) Investment the adjustment refers to the impact of transition from previous practice to CPCs in the investee, caught in the line of equity in the statement of income of the Parent Company.

e) Judicial deposit refers to the reclassification of deposits that the old rules were presented as a reduction of contingent liabilities.

f) Minority interest this accounting category came to be called non-controlling the stockholders interest and was reassigned to the stockholders equity. The non-controlling stockholders interest, recorded in stockholders equity, requiring that movement of items of equity composition of those Stockholders occurring in a similar way to those presented to the controlling Stockholders.

g) Non-controlling stockholders redeemable shares the non-controlling stockholders interest that is redeemable upon the occurrence of certain events beyond the control of the Company were classified as redeemable shares of non-controlling Stockholders in non-current liabilities.

h) Intangible Assets In the railway concessions which the Company participates, the permanent investment should be carried over to the grantor at the conclusion of the concession agreement, and reclassified from fixed assets to intangible assets.

Adjustments of the adoption of new practices, accounting estimates and reclassifications

Opening balance of new international accounting practices on January 1, 2009	Note 5	Consolidated Assets	Liabilities	Minority interest	Equity	Parent Company Assets	Liabilities	Equity
Balance prior to the adoption of new practices		**184.847**	**82.491**	**6.081**	**96.275**	**171.760**	**75.485**	**96.275**
Employee benefits and obligations	IV a)	121	127		(6)	103	303	(200)
Assets Retirement Obligation	IV b)	(49)	(88)		39			
Deferred Income Taxes	IV c)	(430)	(430)					
Investments	IV d)					233		233
Judicial deposits	IV e)	1.126	1.126			862	862	
Adjustments to the new accounting practices on January 1, 2009		**768**	**735**		**33**	**1.198**	**1.165**	**33**
Stock	IV				96.308			96.308
Non-controlling stockholders interest	IV f)			(4.691)	4.691			
Redeemable non-controlling stockholders	IV g)		1.390	(1.390)				
Balance on January 1, 2009 with the new practices	IV	**185.615**	**84.616**		**100.999**	**172.958**	**76.650**	**96.308**

On December 31, 2009 4Q09	Notes	Consolidated Assets	Liabilities	Minority interest	Equity	Net income	Parent Company Assets	Liabilities	Minority interest	Equity
Balance in 12/31/09 prior to the adoption of new practices		**175.739**	**74.194**	**5.808**	**95.737**	**10.249**	**159.757**	**64.020**	**95.737**	**10.249**
Adjustments to prior year		768	735		33		1.198	1.165	33	
		176.507	**74.929**	**5.808**	**95.770**	**10.249**	**160.955**	**65.185**	**95.770**	**10.249**
Employee Benefits	IV a)	(26)	(51)		25	(7)	(19)	(56)	37	37
Assets Retirement Obligation	IV a)	138	175		(37)	(7)				
Additional Remuneration of Mandatorily Convertible						102				

Deferred Income Taxes	IV c)	1.614	1.614							
Investments	IV d)						(49)		(49)	51
Judicial deposits	IV e)	(495)	(495)				202	202		
Adjustments as of December 31, 2009		**1.231**	**1.243**		**(12)**	**88**	**134**	**146**	**(12)**	**88**
Equity of controlled stockholders	IV				95.758	10.337				10.337
Non-controlling interest	IV f)			(4.535)	4.535	168				
Redeemable non-controlling stockholders	IV g)		1.273	(1.273)						
Balance on December 31, 2009	IV	**177.738**	**77.445**		**100.293**	**10.505**	**161.089**	**65.331**	**95.758**	**10.337**

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Reconciliation of stockholders equity of the transition period of January 1, 2009 Consolidated

					In millions of reais
		Published	**Adoption adjustment**		**Adjusted**
	Note 5	**December 31, 2008**	**Reclassifications**	**Adjustments**	**January 1, 2009**
Asset					
Current					
Deferred income tax and social contribution	IV c)	1.305	(1.305)		
Financial assets available for sale			461		461
Other current assets		54.754			54.754
		56.059	**(844)**		**55.215**
Non-current					
Judicial deposits	IV e)	1.794	1.126		2.920
Deferred income tax and social contribution	IV c)		875	103	978
Investments in associates	IV d)	2.442	(461)		1.981
Intangible		10.727	13.229		23.956
Property, plant and equipments	IV h)	110.494	(13.229)	(31)	97.234
Other non-current assets		3.331			3.331
		128.788	**1.540**	**72**	**130.400**
		184.847	**696**	**72**	**185.615**
Liability and Stockholders equity					
Current					
Current portion of the long term debt	IV b)	1.583		7	1.590
Pension plan	IV a)	239		49	288
Other current liability and stockholders equity		16.817			16.817
		18.639		**56**	**18.695**
Non-current					
Pension plan	IV a)	3.563		87	3.650
Loans and financing		42.694		12	42.706
Provision for contingences	IV e)	2.989	1.126		4.115
Deferred income tax and social contribution	IV c)	7.105	(430)	257	6.932
Provision for asset retirement obligations	IV b)	1.997		(104)	1.893
Other	IV c)	5.504		(269)	5.235
		63.852	**696**	**(17)**	**64.531**

Reedemable non-controlling shareholders interest	**IV f e g)**		1.390		1.390
		63.852	**2.086**	**(17)**	**65.921**
Stockholders equity					
Comprehensive income					
Net income of year adjustments				21.312	21.312
Other comprehensive income					
Cumulative translation adjustments	II d)			5.982	5.982
Unrealized gain(loss) available for sale securities				8	8
Total other comprehensive income				**27.302**	**27.302**
Other Stockholders equity		96.275		(27.269)	69.006
Total other stockholders equity	IV f)	96.275		33	96.308
Non-controlling stockholders interest	IV f e g)	6.081	(1.390)		4.691
Total stockholders equity		**102.356**		**33**	**100.999**
Total		**184.847**	**696**	**72**	**185.615**

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Reconciliation of stockholders equity of the transition period of January 1, 2009 Parent Company

					In millions of reais
	Note 5	Published December 31, 2008	Adoption adjustment Reclassifications	Adjustments	Adjusted January 1, 2009
Asset					
Current					
Deferred income tax and social contribution		1.220	(1.220)		
Financial assets available for sale			384		384
Other current assets		25.996			25.996
		27.216	**(836)**		**26.380**
Non-current					
Judicial deposits	IV c)	1.299	862		2.161
Deferred income tax and social contribution		640	1.220	103	1.963
Investments	IV d)	91.543	(384)	233	91.392
Intangible	IV h)	8.386	8.626		17.012
Property, plant and equipments	IV h)	38.711	(8.626)		30.085
Other non-current assets		3.965			3.965
		144.544	**1.698**	**336**	**146.578**
		171.760	**862**	**336**	**172.958**
Liability and Stockholders equity					
Current					
Pension plan	IV a)	86		49	135
Other current liability and stockholders equity		18.649			18.649
		18.735		**49**	**18.784**
Non-current					
Pension plan	Iv a)	523		254	777
Provision for contingences	IV e)	1.730	862		2.592
Other non-current liability and stockholders equity		54.497			54.497
		56.750	**862**	**254**	**57.866**
Stockholders equity					
Comprehensive income					
Net income of year adjustments				21.312	21.312
Other comprehensive income					
Cumulative translation adjustments				5.982	5.982
Unrealized gain(loss) available for sale securities				8	8

Total other comprehensive income			**27.302**	**27.302**
Other Stockholders equity	96.275		(27.269)	69.006
Total stockholders equity	**96.275**		**33**	**96.308**
Total	**171.760**	**862**	**336**	**172.958**

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Reconciliation of comparative stockholders equity for December 31, 2009 Consolidated

					In millions of reais
	Note 5	Published December 31, 2008	Adoption adjustment Reclasifications	Adjustments	Ajusted January 1, 2009
Asset					
Current					
Deferred income tax and social contribution	IV a)	1.492	(1.492)		
Financial assets available for sale			28		28
Other current assets		36.766			36.766
		38.258	**(1.464)**		**36.794**
Non-current					
Judicial deposits	IV e)	2.478	631		3.109
Deferred income tax and social contribution	IV c)		2.676	84	2.760
Investments in associates		4.590	(28)		4.562
Intangible	IV h)	10.127	12.478		22.605
Property, plant e equipment	II b) e IV h)	115.160	(12.478)	100	102.782
Other non-current assets		4.766			4.766
		137.121	**3.279**	**184**	**140.584**
		175.379	**1.815**	**184**	**177.378**
Liability and Stockholders equity					
Current portion of the long term debt	II b)	5.305		5	5.310
Pension plan	II a)	243		49	292
Other current liability and stockholders equity		11.868			11.868
		17.416		**54**	**17.470**
Non-current					
Pension plan	II a)	3.334		(233)	3.101
Loans and financing		36.126		6	36.132
Provision for contingences	IV e)	3.571	631		4.202
Deferred income tax and social contribution	IV c)	7.673	1.184	450	9.307
Provision for asset retirement obligations	II b) e IV b)	1.844		86	1.930
Other		2.779		(200)	2.579
Other non-current liability and stockholders equity		1.451			1.451
		56.778	**1.815**	**109**	**58.702**

Reedemable non-controlling shareholders interest	**IV f e g)**		1.273		1.273
		56.778	**3.088**	**109**	**59.975**
Stockholders equity					
Comprehensive income					
Net income of year adjustments				10.337	10.337
Other comprehensive income					
Cumulative translation adjustments				(8.886)	(8.886)
Unrealized gain(loss) available for sale securities				(34)	(34)
Cash flow hegde				5	5
Total other comprehensive income				1.422	1.422
Additional remunaretion to securities				(100)	(100)
Unappropriated retained earnings				6.003	6.003
Total other comprehensive income		95.737		(7.304)	88.433
Total other stockholders equity		**95.737**		**21**	**95.758**
Non-controlling stockholders interest		5.808	(1.273)		4.535
Total stockholders equity		**101.545**	**(1.273)**	**21**	**100.293**
Total		**175.739**	**1.815**	**184**	**177.738**

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Reconciliation of comparative stockholders equity for December 31, 2009 Parent Company

					In millions of reais
		Published	Adoption adjustment		Adjusted
	Note 5	December 31, 2009	Reclassifications	Adjustments	December 31, 2009
Asset					
Current					
Deferred income tax and social contribution	IV a)	1.219	(1.219)		
Other current assets		13.638			13.638
		14.857	**(1.219)**		**13.638**
Non-current					
Judicial deposits		1.370	1.064		2.434
Deferred income tax and social contribution	IV e)	747	1.219	84	2.050
Investments	IV c)	87.711		184	87.895
Intangible		7.852	9.461		17.313
Fixed assets	IV h)	43.628	(9.461)		34.167
Other non-current assets	II b) e IV h)	3.592			3.592
		144.900	2.283	268	147.451
		159.757	**1.064**	**268**	**161.089**
Liability and Stockholders equity					
Current					
Pension plan	II b)	111		49	160
Other current liability and stockholders equity	II a)	16.381			16.381
		16.492		**49**	**16.541**
Non-current					
Pension plan	II a)	440		198	638
Provision for contingences	IV e)	1.667	1.064		2.731
Other cnon-urrent liability and stockholders equity	II b) e IV b)	45.421			45.421
		47.528	**1.064**	**198**	**48.790**
Stockholders equity					
Comprehensive income					
Net income of year adjustments				10.337	10.337
Other comprehensive income					
Cumulative translation adjustments				(8.886)	(8.886)
Unrealized gain(loss) available for sale securities				(34)	(34)
Cash flow hegde				5	5

Total other comprehensive income			1.422	1.422
Additional remuneration to securities			(100)	(100)
Unappropriated retained earnings			6.003	6.003
Total other comprehensive income	95.737		(7.304)	88.433
Total other stockholders equity	**95.737**		**21**	**95.758**
Total	**159.757**	**1.064**	**268**	**161.089**

Reconciliation of comparative net income for December 31, 2009 Consolidated

				Consolidated In millions of reais
	Note 5	Released 2009	Adjustments	Adjusted 2009
Net operating revenues		**48.496**		**48.496**
Cost of goods solds and services rendered	II e IV	(27.720)	(30)	(27.750)
Gross profit		**20.776**	**(30)**	**20.746**
Selling and Administrative	II e IV	(2.369)	22	(2.347)
Other operating expenses/revenues, net		(5.226)		(5.226)
Operating profit		**13.181**	**(8)**	**13.173**
Equity results on associates	II e IV	116	(17)	99
Net financial results	II e IV	1.952	142	2.094
Gain (loss) on disposal of investments		93		93
Income before income tax and social contribution		**15.342**	**117**	**15.459**
Income tax and social contribution	II e IV	(4.925)	(29)	(4.954)
Net income of the year		**10.417**	**88**	**10.505**
Net income attributable to non-controlling stockholders		168		168
Net income attributable to the Company s stockholders		**10.249**	**88**	**10.337**

Reconciliation of comparative net income for December 31, 2009 Parent Company

				Consolidated In millions of reais
	Note 5	**Published 2009**	**Adjustments**	**Adjusted 2009**
Gross revenues		27.285	(855)	26.430
Added Value taxes	II e IV	(855)	855	
Net operating revenues		**26.430**		**26.430**
Cost of goods solds and services rendered		(13.649)		(13.649)
Gross profit	II e IV	**12.781**		**12.781**
Selling and Administrative		(1.244)		(1.244)
Other operating expenses/revenues, net	II e IV	(2.241)		(2.241)
Equity results on subsidiaries	II e IV	(3.860)	51	(3.809)
Operating profit		**5.436**	**51**	**5.487**
Equity results on associates		116	(17)	99
Net financial results	II e IV	9.960	73	10.033
Gain (loss) on disposal of investments		284		284
Income before income tax and social contribution		**15.796**	**107**	**15.903**
Income tax and social contribution		(5.547)	(19)	(5.566)
Net income attributable to the Company s stockholders		**10.249**	**88**	**10.337**

Reconciliation of other comprehensive income

The transition from Brazilian GAAP to IFRS has had an effect on the reported other comprehensive income generated by the group. The reconciling items between the Brazilian GAAP presentation and the IFRS presentation were presented inside the reconciliation note inside the stockholders equity.

Reconciliation of cash flow statement

The transition from Brazilian GAAP to IFRS has had no effect on the reported cash flows generated by the group. The reconciling items between the Brazilian GAAP presentation and the IFRS presentation have no net impact on the cash flows generated.

6. Risk Management

Vale considers that effective risk management is a key objective to support its growth strategy and financial flexibility. The risk reduction on Vale s future cash flow and on its business and operations contribute to a better perception of the company s credit quality, improving its ability to access different markets and reduce financing costs. Vale has developed its risk management strategy in order to provide an integrated approach of the risks the Company is exposed to. In order to do that, we have developed an enterprise wide risk management approach that encompasses all kinds of risk market, credit, operational and liquidity.

a) Risk management policy

The board of directors established a risk management policy, as well as an Executive Risk Committee.

The risk management policy and its supporting procedures determine that Vale should evaluate regularly the potential impact of risk factors on its cash flows, business and operations. Any risk mitigation strategy should only be put in place with the objective of reducing the risks the company is exposed to if it is essential to keep its financial flexibility and corporate strategy in track.

The executive board is responsible for the evaluation and approval of the risk mitigation strategies recommended by the Executive Risk Committee. The committee is responsible for overseeing and reviewing our risk management principles and procedures, besides reporting periodically to the executive board about the management process and risk monitoring.

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

Besides the risk management governance model, Vale has put in place a corporate governance structure with well defined roles and responsibilities. Regarding financial risks, the recommendation and execution of risk strategies are implemented by different and independent areas. It is the responsibility of the risk management department to define and propose to the Executive Risk Committee risk mitigation strategies consistent with Vale and it s wholly owned subsidiaries corporate strategy, while it is the responsibility of the finance department to execute the risk mitigation strategies through the use of financial instruments. The independence of the areas guarantees an effective control on these operations.

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b) Liquidity risk

Our liquidity risk arises from the possibility that we may not be able to settle or meet our obligations and daily cash requirements given liquidity constraints in the financials markets.

Vale makes use of its strong credit profile, diversified funding sources and committed credit facilities to ensure the sufficient funds and instruments to bear the liquidity risk. The Company has total revolving credit lines of US$1.6 billion arranged by bank syndicates comprised by commercial banks, granting US$850 million to Vale International and the remaining balance to Vale Canada Ltd. These credit lines work as a short term liquidity buffer that allow a more efficient cash management, consistent with Vale s strategic focus on cost of capital reduction.

c) Credit risk

Vale s credit risk arises from the negative impact in cash flows of the Companyin the cases our counterparties don t meet their contractual obligations. To manage this risk Vale maintains group-wide procedures such as controlling credit limits, guaranteeing counterparty diversification and monitoring Vale s credit portfolios.

Vale s counterpart exposure

Generally speaking, credit risk is the risk due to uncertainty in counterparty s ability to meet its obligations. From a credit risk standpoint, Vale s counterparties can be divided into three main categories: 1) commercial customers which owe money to Vale further to sales on credit; 2) financial institutions which either keep cash of Vale or are counterparty in a derivative transaction; 3) suppliers which have been paid in advance for part of their service.

Vale has a well diversified Account Receivable portfolio from a geographical standpoint. The regions in which we have more significant credit risk exposure include China, Europe, Brazil, Japan and the US. According to the region, different kind of guarantees can be used to enhance the credit quality of the receivables.

The credit exposure to counterparties due to derivatives is defined as the sum of the credit exposures given by each derivative that Vale has with that counterpart. And, finally, the credit exposure for each derivative is defined as the potential future MtM calculated within the life of the derivative, considering a 95% probability scenario for the joint distribution of the market risk factors that affect that derivative.

Regarding the commercial credit exposure that arises from sales to customers, Vale manages it in two credit portfolios: i) Current / Not yet due receivables and ii) Past due receivables. The past due receivables are closely monitored by the risk management and cash collection areas so as to check for the financial solvency of the counterparties and to minimize the working capital requirements of Vale.

Management of Vale s credit risk

For the commercial credit exposure arising from sales to final customers, the Risk Management Department approves a credit risk limit for every counterpart. Also, a global working capital limit for Vale is approved by the Executive Board and monitored on a monthly basis.

For counterparties exposures arising from cash investments and derivatives, credit limits to counterparties (Banks, Insurance Companies, Countries, and Corporations) are annually approved by the Executive Board and monitored on a daily basis. Also, the Risk Management Department controls the portfolio diversification and the overall credit risk (default probability) of Vale s consolidated treasury portfolio.

Risk profile of commercial counterparties

Vale uses an internal credit rating for each customer which results from a credit analysis which is based on three sources of information: i) Expected Default Frequency (Expected Default Frequency - EDF) provided by KMV (Moodys); ii) Credit Ratings from Moodys, Standard & Poors and Fitch; iii) Financial Statements from which financial ratios are built.

Whenever deemed appropriate, the quantitative credit analysis is complemented by a qualitative analysis which takes into consideration the payment history of that counterparty, the strategic position of the counterparty in its economic sector, and other factors. The internal credit rating model of Vale is divided into 4 categories: i) insignificant risk; ii) low risk; iii) moderate risk; iv) high risk.

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Depending on the counterparty s credit risk or on the credit risk profile of a given line of business, risk mitigation strategies such as credit insurance, mortgage, corporate guarantees or secured payment methods like letters of credit and cash against documents are used to manage Vale s credit risk.

Risk Profile of Accounts Receivable	**31-Dec-10**	**31-Dec-09**	**1-Jan-09**
Open Exposure			
Insignificant Risk	75%	76%	59%
Low Risk	21%	22%	12%
Moderate Risk	3%	1%	26%
High Risk	0%	1%	1%
Non evaluated	1%	1%	2%

The risk level of a customer depends on an implied rating which is derived from the expected default frequency (EDF). The EDF is either given by the KMV model from Moodys or, if not available, computed based on the company s rating or financial statements. The transformation of the EDF into an implied rating is made using a conversion table. Finally, the final score of a customer is related to the implied rating as follows:

Insignificant risk: Aaa to A3

Low risk: Baa1 to Ba2

Moderate risk: Ba3 to B3

High risk: B3 to C

d) Market risk

The monitoring and monthly evaluations of the consolidated risk exposure allow us to evaluate the financial results and the impact on Vale s cash flow, as well as guarantee that the initial goals will be achieved. The fair value measurements of the trades are reported weekly to Management.

All derivative trades were recognized in our balance sheet at fair value and their respective gains or losses were recognized in earnings.

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

Interest rates;

Foreign exchange;

Products prices and input and other costs[1];

Foreign exchange and interest rate derivative positions

The Company s cash flow is subject to volatility of several different currencies against the US Dollar. While most of our product prices are indexed to US dollars, most of our costs, disbursements and investments are indexed to currencies other than the US Dollar, mainly Brazilian Reais and Canadian dollars.

In order to reduce the company s potential cash flow volatility arising from this currency mismatch we use FX derivatives instruments. Our main strategy is to swap Debts linked to BRL into USD so as to attenuate the impact of BRL/USD exchange rate as most of our revenues are denominated in USD.

The swap transactions used to convert debt linked to Brazilian reais into US 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, subject to liquidity market conditions. The swaps with shorter settlement dates than the debt s final maturity are renegotiated through time so that their final maturity matches or becomes closer to the debt s 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 US Dollars for the interest and/or principal payment of our Brazilian Real denominated debt.

In the event of an appreciation (or depreciation) of the Brazilian Real against the US Dollar, the negative (or positive) impact on Vale debt service (interest and/or principal payment) measured in US Dollars will be almost totally offset by a positive (or negative) effect from the swap transaction, regardless of the US dollar / Brazilian Real exchange rate on the payment date.

[1] The details for products prices inputs and other costs risks are in the note Additional information about derivatives financial instruments .

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Vale has also a cash flow exposure to interest rates risks over loans and financings. The US Dollars floating rate debt in the portfolio consists mainly of loans including export pre-payments, commercial banks and multilateral organizations loans. In general, the US Dollar floating rate debt is mainly subject to changes in the Libor. To mitigate the impact of the interest rate volatility on the cash flow, Vale takes advantage of natural hedges allowed by the positive correlation of metal prices and US Dollar floating rates. When natural hedges are not present, Vale enters into financial instruments to obtain the same effect.

e) Operational risk

The Company has a comprehensive risk management program, which provides coverage and protection for all assets, as well as possible losses caused by interruption of production, through a type policy of all risks. This program includes inspections, training on-site and using the structure of various risk committees throughout the Company, its subsidiaries and associates. Vale seeks to align the risks in all areas, providing a unique and uniform treatment, seeking the domestic and international market coverage compatible with a company of its size.

Insurance

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

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

7. Acquisitions and Divestments

a) Fertilizer business

In line with the strategy to become a global leader in the fertilizer business, Vale acquired in May 2010, 58.6% of the capital of Fertilizantes Fosfatados SA, now Vale Fertilizantes S.A., and fertilizer assets of Bunge Participações e Investimentos S.A. (BPI), currently denominated Vale Fosfatados for R$8,692 (equivalent to a price per share of US$12.0185 shares of Fosfértil and US$1.7 million by the Bunge s fertilizer assets. A payment of R$103 was made in July as a supplement to the price of Vale Fosfatados.

In September, we acquired additional interest of 20.27% in Vale Fertilizantes capital for R$1,762 (equivalent to a price per share of US$12.0185) and in December we announced the results of the public offer to purchase common shares by this company owned by non-controlling stockholders.

In December, we have the participation of 78.92% of total capital and 99.83% of the voting capital of Vale Fertlizantes and 100% of Vale Fosfatados capital.

The acquired business contributed with net revenues of R$2,612 and reduced net income of R$(48) for the Group in the period from June to December 2010. If this acquisition had been completed on January 1, 2010, net revenue would increase by R$1,397 and net income would decrease by R$22, due to the January and May 2010 transactions. These amounts were calculated using the Vale s accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortization that have been charged assuming the fair value adjustments to fixed assets and intangible assets had been applied from January 1, 2010 along with their tax purposes.

Information related to the purchase price allocation presented below is based on fair value of identifiable assets and assumed liabilities and are preliminary. This allocation actually is being done by the Company with the assistance of experts and will be finalized during next years and, because of this, the values related to allocation described below is subject to a review that can be material.

Purchase Price	10.696
Portion attributed to noncontrolling interest	1.416
Book Value of proprerty, plant and equipment and mining assets	(3.665)
Cost value of the assets and liabilities assumed, net	(730)
Adjustment to fair value of property, plant and equipment	(9.499)

Adjustment to fair value of inventory	(181)
Deferred income taxes on above adjustments	3.291
Goodwill	**1.328**

The goodwill is attributable mainly due to synergies between the acquired assets and operations of potassium on Taquari-Brooms, Carnalita, Rio Colorado and Neuquen and phosphates on Bayovar I and II, in Peru, and Evate, in Mozambique. The future development of projects combined with the acquisition of the assets portfolio of fertilizers will enable that the Vale become one of the world s best in the business of fertilizers.

b) Other transactions -2010

In September 2010, Vale acquired 51% of the Sociedade de Desenvolvimento do Corredor Norte S.A. (SDCN) for R$36,615. The SDCN has the concession to build a logistics infrastructure required for the production flow resulting from the second phase of the Moatize coal project.

As part of the Company s efforts to achieve the goals of future production of iron ore, Vale acquired 51% interest in BSG Resources (Guinea) Ltd, which holds concessions for iron ore in South Simandou (Zogota) and exploration license in North Simandou. Of this amount, R$901 was paid immediately and the remaining US$2 billion (equivalent to R$3,388 at December 31, 2010) shall be paid upon the achievement of specific milestones. This venture is committed to renewing 660 km of Trans-Guinea.

In July 2010, Vale completed the sale of minority interests in Bayovar project in Peru through the Company s newly formed MVM Resources International BV (MVM). The Company sold 35% of the total capital of MVM to Mosaic for R$682 and 25% to Mitsui for R$487. Vale has the control of the Bayovar project, keeping an interest of 40% of total capital and 51% of the voting capital of the newly-formed company. The amount of capital invested by June 30, 2010 was approximately US$550 (equivalent to R$932 at September 2010). The difference between the fair value and book value in this transaction, amounting to R$544 was recorded in Stockholders equity in accordance with the rules for gain/loss when the control is maintained.

In June 2010, Vale acquired an additional interest of 24.5% in the coal project Belvedere (Belvedere) for R$168 of AMCI Investments Pty Ltd (AMCI). As a result of this transaction, the Company increased its interest in Belvedere from 51.0% to 75.5%.

In May 2010, Vale reached an agreement with Oman Oil Company SAOC (OOC), a company controlled by the Government of the Sultanate of Oman to sell 30% of Vale Oman Pelletizing Company LLC (VOPC) for US$125 million (equivalent to R$212 million at September 30, 2010). The transaction is subject to the terms set forth in the definitive agreement to purchase shares to be signed after the fulfillment of conditions precedent. The difference between fair value and carrying amount, in this transaction was recorded in stockholders equity in accordance with the rules for gain/loss when the control is maintained.

Vale has concluded agreements and entered into negotiations to sell the assets of kaolin, alumina and aluminum. For details see note 17.

c) Other transactions 2009

In September 2009, Vale acquired from Rio Tinto, the Company Mineração Corumbá Reunidas, holder of the assets related to the iron ore operations in Corumbá by R$1,473 (including payment of working capital changes of the period). In this acquisition, the assets and liabilities were measured at market value resulting in an increase of R$788 compared to the carrying amount, with no goodwill recognition.

In March 2009, Vale acquired from Cement Argos, the Diamond Coal Ltd. (actual Vale Colombia Holding Limited), which owns thermal coal assets in Colombia by R$695. In the acquisition, the assets and liabilities were measured at market value resulting in an increase of R$475 compared to the carrying amount, with no goodwill recognition.

In February 2009, Vale acquired from Rio Tinto, the Green Mineral Resources, the owner company of fertilizer mineral rights of Project Regina (Canada) and Project Colorado (Argentina) by R$1,995. In the acquisition, the assets and liabilities were measured at market value resulting in an increase of R$1,745 compared to the carrying amount, with no goodwill recognition.

In September 2009, Vale concluded an agreement with ThyssenKrupp Steel AG to increase of its interest in ThyssenKrupp CSA Siderúrgica do Atlântico Ltda. (CSA) from 10% to 26.87% interest, through a capital increase of R$2,532.

In July 2009, Vale signed an agreement which involves the sale of some at its forest assets, totaling 84,7 thousand hectares including preservation areas and eucalyptus forests located in southwest of Maranhão, by approximately R$235, obtaining a gain of R$111.

In April 2009, Vale sold its remaining interest in Usiminas for R$595 obtaining a gain of R$288.

In March 2009, the Company acquired 50% of Teal Minerals Incorporated, a joint venture with African Rainbow Minerals Limited by R$139. In the acquisition, the assets and liabilities were measured at market value resulting in an increase of R$254 compared to the carrying amount, with no goodwill recognition.

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8. Cash and Cash Equivalents

	Consolidated			Parent Company		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Cash and bank accounts	1.212	1.405	1.814	59	86	59
Short-term investments	12.257	11.816	22.825	4.764	1.164	6.654
	13.469	**13.221**	**24.639**	**4.823**	**1.250**	**6.713**

Cash and cash equivalents includes cash values, demand deposits, and investment in financial investments with insignificant risk of changes in value, being part reais indexed to CDI and part in US dollars in Time deposits with maturity less than three months for their classification as financial assets see Note 23.

9. Short-term Financial Investment

			Consolidated
	December 31, 2010	December 31, 2009	January 1, 2009
Time deposits	2.987	6.525	5.394

This includes the financial investments in low risk investments with a maturity of between 91 and 360 days, classified as a financial asset, see Note 23.

10. Financial Assets Available for Sale

Financial assets available for sale are primarily related to investments valued at market

			Consolidated
	December 31, 2010	December 31, 2009	January 01, 2009
Shares Brazil			384
Shares Exterior	21	28	77
	21	**28**	**461**

(I) Period adjusted by the new accounting pronouncements for comparative purposes, according to Note 5.

		Consolidated
	2010	2009
January 1	28	461
Exchange differences	(3)	19
Disposals	(6)	(423)
Transfer gain(loss), net to stockholders equity	2	(29)
In December 31	**21**	**28**
		-

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11. Accounts Receivables

	Consolidated			Parent Company		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Denominated in reais brazilian reals	1.861	1.538	1.135	1.595	1.211	825
Denominated in other currencies, mainly US dolar	12.297	4.327	6.997	16.904	2.234	9.071
	14.158	**5.865**	**8.132**	**18.499**	**3.445**	**9.896**
Allowance for doubtful accounts	(196)	(222)	(199)	(121)	(85)	(69)
	13.962	**5.643**	**7.933**	**18.378**	**3.360**	**9.827**

Classification as financial assets and the credit quality, see Note 23.
Accounts receivable related to steel industry market represent 75,9%, 62% and 49,6% of receivables on December 31, 2010, December 31, 2009 and January 1, 2009, respectively.
No customer alone represents over 10% of receivables or revenues.
The loss estimates for credit losses recorded in income as at December 31, 2010, and December 31, 2009 totaled R$40, R$23, respectively. We wrote off on December 31, 2010, and December 31, 2009, the total of R$66, R$0, respectively.

12. Inventories

	Consolidated			Parent Company		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Inventories of finished products	3.101	2.199	4.171	1.535	1.148	1.831
Inventories in process	1.658	1.813	2.553			
Inventories of expenditure	2.833	1.901	2.962	782	734	1.082
Total	**7.592**	**5.913**	**9.686**	**2.317**	**1.882**	**2.913**

On December 31, 2010, inventory balances include a provision for adjustment to market value of steel industry products in the amount of R$4 (R$5 in 2009).
The cost of inventories recognized in income of the year in relation to the continued operations of the Company was R$33,756 on December 31, 2010, R$27,750 on December 31, 2009, at the consolidated, and R$17,892 on December 31, 2010, R$13,649 on December 31, 2009 for the parent company.

13. Assets and Liabilities Non Current Held for Sale

Aluminum

In connection with the strategy of portfolio management of assets in May 2010, Vale reached an agreement with Norsk Hydro ASA (Hydro) for the sale of all shares in Albras Aluminio Brasileiro SA (Albras), Alunorte Alumina do Norte do Brasil SA (Alunorte), Companhia de Alumina do Pará (CAP), 60% of the Mineração Paragominas S.A. (Paragominas) and all mining rights of bauxite in Brazil (Aluminum Business).

For the interests of Albras, Alunorte and CAP, Vale will receive US$405 million in cash (equivalent to R$675,as at December 31, 2010, assume net debt of US$700 million (equivalent to R$1,166 as at December 31, 2010) of Hydro and 22% interest in Hydro. For the 60% interest of Paragominas and for the mineral rights, Vale will receive US$600 million (equivalent to R$1,000 as at December 31, 2010). The Company will sell 40% of Paragominas in two installments of US$200 million (equivalents to R$333, as at December 31, 2010) in cash.

The Company concluded that the fair value of the expected transaction is larger than the net book value, maintained the original values. Moreover, due to the significant influence that the company will maintain in Hydro, aluminum was not considered as a discontinued operation

Kaolin

As part of the portfolio management of assets, Vale is in talks aimed at the sale of liquid assets linked to activity of kaolin. In 2010, Vale sold part of its assets with kaolin and measured the remaining assets at fair value less cost to sell. The effect of realized and unrealized losses is recognized in income of discontinued operations in 2010. The 2009 values are presented below or comparison purposes in 2010.

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	2010	2009
Income from discontinued operations		
Revenues	*123*	288
Expenses	*(153)*	(343)
Loss before income tax and social contribution related to discontinued operations	*(30)*	(55)
Loss before income tax and social contribution recognized from remeasurement	*(239)*	
Income tax and social contribution on operations	*1*	(10)
Income tax and social contribution on remeasurement	*46*	
Income from discontinued operations	***(222)***	**(65)**

	2010	2009
Effects on cash flow		
Operating cash flow	*19*	39
Cash flow from investments	*(12)*	(26)
Financial cash flow	*(9)*	(16)
Total cash flow	***(2)***	**(3)**

Effects on Balance Sheet

On 31 December 2010, the amount of assets and liabilities classified as held for sale are as follows:

	Consolidated
Assets held for sale	
Property, plant and equipment	8.413
Advances to suppliers energy	826
Inventories	617
Recoverable tax	1.046
Other assets	974
Total	**11.876**
Liabilities related to assets held for sale	
Participation of non-controlling stockholders	3.251
Long-term debt	1.174
Suppliers	461
Others	454
Total	**5.340**

14. Recoverable Taxes

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

	Consolidated	Parent Company

	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Income tax	782	1.577	3.957	137	402	2.581
Value-added tax						
ICMS	871	570	733	479	466	538
PIS and COFINS	1.655	1.898	1.057	1.394	1.105	328
Others	100	180	206	76	66	54
Total	**3.408**	**4.225**	**5.953**	**2.086**	**2.039**	**3.501**
Current	2.796	2.685	4.886	1.961	1.881	3.312
Non-current	612	1.540	1.067	125	158	189
	3.408	**4.225**	**5.953**	**2.086**	**2.039**	**3.501**

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15. Investments
Investments in unconsolidated companies

Investments valued by equity method		Investments		Equity results	
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009
Henan Longyu Energy Resources Co. Ltd.	417	435	411	134	148
Korea Nickel Corp.	18	22	49	3	1
Log-In Logistica Intermodal S/A.	224	218	221	6	4
Shandong Yankuang International Company Ltd (d)	(45)	(12)	58	(34)	(35)
ThyssenKrupp CSA Cia Siderúrgica do Âtlantico (c)	3.065	3.546	1.034	(144)	(11)
Tecnored Desenvolvimentos Tecnologias	66	80		(19)	
Zhuhai YPM Pellet e Co.,Ltd.	42	22	30	16	3
Others	158	251	178	(10)	(11)
	3.945	**4.562**	**1.981**	**(48)**	**99**

Balance of investments in non-controlled company	Consolidated
Balance as of January, 1 2009	**1.981**
Acquisitions	2.720
Disposals	(7)
Dividends	(7)
Cumulated translation adjustment	(224)
Equity	99
Balance as of December 31, 2009	**4.562**
Balance as of January, 1 2010	**4.562**
Acquisitions	69
Dividends	(149)
Cumulated translation adjustment	(489)
Equity	(48)
Balance as of December 31, 2010	**3.945**

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Investments to parent company:

	Investments			Equity results		Received dividends	
	December 31, 2010	December 31, 2009 (I)	January 1, 2009	December 31, 2010	December 31, 2009 (I)	December 31, 2010	December 31, 2009 (I)
Major subsidiaries and associates companies Direct and indirect subsidiaries							
ALBRAS Alumínio Brasileiro S.A. (a)	1.088	1.038	992	(7)	78		6
ALUNORTE Alumina do Norte do Brasil S.A. (a)	2.732	2.599	2.479	167	139	31	8
Aços Laminados do Pará	84	10		(49)	4		
Belém Administrações e Participações LTDA.		1	232		(15)		
BSGR Limited	833						
Cadam S.A (a)	124	141	156	(15)	(15)		
Companhia Coreano-Brasileira de Pelotização - KOBRASCO	208	150	127	76	23	18	
Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS	212	146	170	67	(24)		
Companhia Ítalo-Brasileira de Pelotização ITABRASCO	143	159	136	30	22	45	
Companhia Nipo-Brasileira de Pelotização NIBRASCO	333	255	257	84	(2)	5	46
Companhia Portuária da Baía de Sepetiba CPBS	347	347	325	151	155	147	46
Ferrovia Norte Sul S.A.	1.744	1.291	820	2	14		6
Green Mineral Resources Inc		1.433		(2)	(74)		
Minas da Serra Geral S.A. MSG	58	51	49	10	3		

Mineração Rio do Norte S.A.	236	256	237	(3)	19	18	86
Ferrovia Centro Atlantica (b)	1.916	1.704	1.700	(15)	3		
Minerações Brasileiras Reunidas S.A. MBR	3.291	3.424	3.568	(220)	(507)	19	
Mineração Corumbá Reunidas S.A	1.225	1.426		(5)	(28)		
Mineração Paragominas	1.813			5			
MRS Logística S.A.	851	813	761	157	266	126	54
Salobo Metais S.A.(b)	3.271	1.599	832	(81)	(60)		
Samarco Mineração S.A.	676	902	300	1.412	590	1.639	346
Sociedad Contractual Minera Tres Valles	394	456					
Vale Austria Holdings GMBH (c)	1.549	(9)		(90)	(47)		
Vale Fertilizantes S.A	7.384			(11)			
Vale Fosfatados S.A.	3.217			(35)			
Vale Manganês S.A.	890	689	600	201	194		
Vale Florestar	235			(7)			

	Investments			Equity results		Received dividends	
	December 31, 2010	**December 31, 2009 (I)**	**January 1, 2009**	**December 31, 2010**	**December 31, 2009 (I)**	**December 31, 2010**	**December 31, 2009 (I)**
Vale Canada Limited	9.250	8.161	7.688	(694)	(869)		
Vale International S.A. (c)	42.442	55.334	67.717	7.444	(3.667)		
Vale Colombia Ltd	826	678		(3)	(26)		
Vale Soluções em Energia	198	172	98	(55)			
Urucum Mineração	120	68	38	51	8		100
Others	476	38	129	144	7	12	30
	88.166	83.332	89.411	8.709	(3.809)	2.060	728
Direct and indrect affiliated companies							
LOG-IN Logística Intermodal S/A	224	218	221	6	4		6
Henan Longyu Energy Resources	417	435	411	134	148	147	
Thyssenkrupp CSA Companhia Siderúrgica do Atlântico	3.065	3.547	1.034	(144)	(76)		
Others company	239	362	315	(44)	23		15
	3.945	4.562	1.981	(48)	99	147	21
	92.111	87.894	91.392	8.661	(3.710)	2.207	749

(I) Period adjusted by new accounting pronouncements for comparative purposes, according Note 5.

(a) Investments held for sale in 2010, (b) The total investment includes the values of advance for future capital increase (AFAC), (c) Excluded from stockholders equity the investments of these companies already is detailed in the note

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Balance of parent company investments	
Balance as of January 1, 2009	**91.392**
Acquisitions	8.912
Disposals	(28)
Dividends	(312)
Acumulated translation adjustment	(8.360)
Equity	(3.710)
Balance as of December 31, 2009	**87.894**
Saldo em 1º de janeiro de 2010	**87.894**
Acquisitions	2.768
Disposals	(3.833)
Dividends	(1.923)
Acumulated translation adjustment	(771)
Equity	8.661
Income from non-controlling stockholders interest	(685)
Balance as of December 31, 2010	**92.111**

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Parent Company	Total %	Voting %	Assets	Liabilities	Stockholders' Equity	Operating Results	Em 31 de Dezembro d3 2010 Adjusted net income for the year
Direct and indirect subsidiaries							
Aços Laminados do Pará	100,00	100,00	85	1	84		(50)
ALBRAS Alumínio Brasileiro S.A.	51,00	51,00	3.156	1.024	2.132	101	(14)
ALUNORTE Alumina do Norte do Brasil S.A.	57,03	61,74	6.525	1.735	4.790	331	293
BSGR Limited	51,00	51,00	2.410	778	1.632		(2)
Cadam S.A	61,48	100,00	390	188	202	3	(24)
Companhia Coreano-Brasileira de Pelotização KOBRASCO	50,00	50,00	511	96	416	210	151
Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS	50,89	51,00	915	497	417	213	132
Companhia Ítalo-Brasileira de Pelotização ITABRASCO	50,90	51,00	357	75	282	81	59
Companhia Nipo-Brasileira de Pelotização NIBRASCO	51,00	51,11	767	114	654	237	164
Companhia Portuária da Baía de Sepetiba CPBS	100,00	100,00	416	70	346	219	151
Ferrovia Centro Atlantica	100,00	100,00	2.274	353	1.921	(10)	(12)
Ferrovia Norte Sul S.A.	100,00	100,00	1.887	143	1.743	(4)	2
Minas da Serra Geral S.A. MSG	50,00	50,00	122	6	116	28	19
Mineração Corumbá Reunidas S.A	100,00	100,00	2.119	893	1.225	10	(5)
Mineração Paragominas	100,00	100,00					
Mineração Rio do Norte S.A.	40,00	40,00	1.392	803	589	106	(8)
Minerações Brasileiras Reunidas S.A. MBR	92,99	92,99	5.814	1.661	4.153	(243)	(103)
MRS Logística S.A.	41,50	37,86	4.502	2.451	2.051	524	379
Salobo Metais S.A.	100,00	100,00	3.929	658	3.270	(102)	(81)
Samarco Mineração S.A.	50,00	50,00	5.476	4.124	1.352	3.490	2.823
Sociedad Contractual Minera Tres Valles	90,00	90,00	450	14	438		
Urucum Mineração	100,00	100,00	259	139	120	96	51
Vale Austria Holdings GMBH	100,00	100,00	7.987	6.437	1.550		(90)
Vale Canada Limited	100,00	100,00	49.789	40.538	9.251	448	(694)
Vale Colombia Ltd	100,00	100,00	1.411	585	826	11	(3)
Vale Fertilizantes S.A	78,92	78,92	12.843	3.484	9.359	(50)	(14)
Vale Florestar	100,00	100,00	353	118	236	(5)	(6)
Vale Fosfatados S.A.	100,00	100,00	3.945	728	3.217	(69)	(35)
Vale International S.A.	100,00	100,00	93.241	50.798	42.442	6.821	7.444
Vale Manganês S.A.	100,00	100,00	1.638	748	890	283	201
Vale Soluções em Energia	52,77	52,77	496	120	376	(117)	(110)
Direct and Indirect affiliated							
LOG-IN Logística Intermodal S/A	31,33	31,33	1.115	452	663	36	18
Henan Longyu Energy Resources	25,00	25,00	2.083	418	1.665	519	537

Thyssenkrupp CSA Companhia Siderúrgica do Atlântico	26,87	26,87	14.033	2.616	11.416	(18)	(527)

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16. Intangible

					Consolidated
	Goodwill	Concessions and subconcessions	Right to use	Others	Total
Costs:					
Balance at January 1, 2009	**7.707**	**9.451**	**1.382**	**1.142**	**19.682**
Additions		1.404		278	1.681
Disposals		(245)		(32)	(276)
Transfers				24	24
Translation adjustments	(526)		(58)	11	(573)
Balance at December 31, 2009	**7.181**	**10.610**	**1.324**	**1.423**	**20.538**
Amortization:					
Balance at January 1, 2009		**(2.824)**	**(36)**	**(631)**	**(3.491)**
Additions		(435)	(23)	(234)	(692)
Disposals		62		32	95
Translation adjustments				(9)	(9)
Balance at December 31, 2009		**(3.197)**	**(59)**	**(842)**	**(4.098)**
Net Balance	**7.181**	**7.413**	**1.265**	**581**	**16.440**
Costs:					
Balance at January 1, 2010	**7.181**	**10.610**	**1.324**	**1.423**	**20.538**
Additions	1.328	1.571	7	298	3.204
Disposals		(894)	(193)	(11)	(1.098)
Transfers				78	78
Translation adjustments	145			5	150
Balance at December 31, 2010	**8.654**	**11.287**	**1.138**	**1.793**	**22.872**
Amortization:					
Balance at January 1, 2010		**(3.197)**	**(59)**	**(842)**	**(4.098)**
Additions		(700)	(25)	(261)	(986)
Disposals		490		1	491
Translation adjustments				(5)	(5)
Balance at December 31, 2010		**(3.407)**	**(84)**	**(1.107)**	**(4.598)**
Net Balance	**8.654**	**7.880**	**1.054**	**686**	**18.274**

The useful life of the concessions and sub-concessions are detailed in note 30.

The rights of use refers to basically to the usufruct contract entered into with non-controlling shareholders to use the EBM shares (owner of the shares of MBR) and intangible identified in business combination of Vale Canada. The amortization of these items is recognized in statement of income on cost of sales. The amortization of the right to use will expires in 2037 and Vale Canada s intangible will end in September 2046.

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					Parent Company
	Goodwill	Concessions and Subconcessions	Right to use	Others	Total
Costs:					
Balance at January 1, 2009	**7.707**	**4.915**	**715**	**977**	**14.314**
Additions		1.088		122	1.209
Disposals		(193)		(33)	(226)
Translation adjustments	(526)				(526)
Balance at December 31, 2009	**7.181**	**5.810**	**715**	**1.065**	**14.771**
Amortization:					
Balance at January 1, 2009		**(2.105)**	**(36)**	**(531)**	**(2.672)**
Additions		(197)	(23)	(185)	(406)
Disposals		61		33	95
Balance at December 31, 2009		**(2.241)**	**(59)**	**(683)**	**(2.983)**
Net balance	**7.181**	**3.569**	**656**	**382**	**11.788**
Costs:					
Balance at January 1, 2010	**7.181**	**5.810**	**715**	**1.065**	**14.771**
Additions	1.328	1.614		274	3.216
Disposals		(1.234)		(10)	(1.244)
Translation adjustments	145				145
Balance at December 31, 2010	**8.654**	**6.190**	**715**	**1.329**	**16.888**
Balance at January 1, 2010		**(2.241)**	**(59)**	**(683)**	**(2.983)**
Additions		(615)	(25)	(192)	(832)
Disposals		490			490
Balance at December 31, 2010		**(2.366)**	**(84)**	**(875)**	**(3.325)**
Net balance	**8.654**	**3.824**	**631**	**454**	**13.563**

The goodwill was allocated for the purpose of testing its recoverable value, to the Cash Generating Units CGU, identified according to the operating segments, as follow:

			Consolidated
	As of December 31,		In january 01
	2010	2009	2009
Assets Class:			

Iron Ore Brazil	4.060	4.060	4.060
Nickel Canada	3.082	2.948	3.471
Coal Australia	179	168	171
Fertilizers Brazil	1.328		
Others	5	5	5
	8.654	**7.181**	**7.707**

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17. Property, Plant and Equipment

								Consolidated
	Land	**Buildings**	**Facilities**	**Computer Equipment**	**Mineral assets**	**Others**	**Construction in progress**	**Total**
Costs:								
Balance at January 1, 2009	**425**	**9.158**	**24.712**	**799**	**29.171**	**33.309**	**31.249**	**128.823**
Additions			1.510	61	4.811	3.057	4.987	14.426
Disposals	(39)	(838)	(44)	(21)	(101)	(293)	(202)	(1.538)
Transfers	91	579	866	72	190	1.950	(3.748)	
Translation adjustments		(980)	(939)	(86)	(1.645)	(1.485)	(1.049)	(6.184)
Balance at December 31, 2009	**477**	**7.919**	**26.105**	**825**	**32.426**	**36.538**	**31.237**	**135.527**
Depreciation/Depletion:								
Balance at January 1, 2009		**(2.377)**	**(8.175)**	**(526)**	**(3.441)**	**(9.304)**		**(23.823)**
Additions		(135)	(1.282)	(333)	(893)	(2.998)		(5.641)
Disposals		105	164	114	57	626		1.066
Translation adjustments		181	242	(35)	806	625		1.819
Balance at December 31, 2009		**(2.226)**	**(9.051)**	**(780)**	**(3.471)**	**(11.051)**		**(26.579)**
Net Balance	**477**	**5.693**	**17.054**	**45**	**28.955**	**25.487**	**31.237**	**108.948**
Costs:								
Balance at January 1, 2010	**477**	**7.919**	**26.105**	**825**	**32.426**	**36.538**	**31.237**	**135.527**
Additions		153	273	24	768	3.876	16.583	21.677
Disposals		(293)	(907)	(47)	(188)	(575)	(873)	(2.883)
Transfers	116	3.309	6.778	(365)	11.949	3.664	(25.451)	
Translation adjustments		(296)	(493)	(15)	(1.310)	(239)	(168)	(2.521)
Balance at December 31, 2010	**593**	**10.792**	**31.756**	**422**	**43.645**	**43.264**	**21.328**	**151.800**
Depreciation/Depletion:								
Balance at January 1, 2010		**(2.226)**	**(9.051)**	**(780)**	**(3.471)**	**(11.051)**		**(26.579)**

Additions		(174)	(1.743)	(329)	(245)	(2.094)		(4.585)
Disposals		102	417	14	15	1.196		1.744
Transfers		151	266	884	(1.301)			
Translation adjustments		32	1.910	1.848	2.030	1.887		7.707
Balance at December 31, 2010		**(2.115)**	**(8.201)**	**1.637**	**(2.972)**	**(10.062)**		**(21.713)**
Net Balance	**593**	**8.677**	**23.555**	**2.059**	**40.673**	**33.202**	**21.328**	**130.087**

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							Parent Company	
	Land	Buildings	Facilities	Computer equipment	Mining assets	Others	Construction in progress	Total
Costs:								
Balance as of January 1, 2009	**245**	**2.601**	**13.456**	**636**	**1.844**	**15.472**	**11.796**	**46.050**
Acquisitions					17		5.782	5.799
Disposals	(39)	(32)	(38)	(20)	(97)	(194)	(144)	(564)
Transfers	66	542	804	288	212	1.267	(3.179)	
Balance as of December 31, 2009	**272**	**3.111**	**14.222**	**904**	**1.976**	**16.545**	**14.255**	**51.285**
Depreciation/ depletion:								
Balance as of January 1, 2009		**(714)**	**(4.001)**	**(392)**	**(399)**	**(5.089)**		**(10.595)**
Acquisitions		(97)	(504)	60	(96)	(764)		(1.401)
Disposals		17	31	86	51	219		404
Transfers		14	4	10		(28)		
Balance as of December 31, 2009		**(780)**	**(4.470)**	**(236)**	**(444)**	**(5.662)**		**(11.592)**
Net balance	**272**	**2.331**	**9.752**	**668**	**1.532**	**10.883**	**14.255**	**39.693**
Costs:								
Balance as of January 1, 2010	**272**	**3.111**	**14.222**	**904**	**1.976**	**16.545**	**14.255**	**51.285**
Acquisitions							8.603	8.603
Disposals	(2)	(183)	(2.254)	(32)	(200)	(975)	(681)	(4.327)
Transfers	92	498	1.284	(955)	1.792	1.505	(4.216)	
Balance as of December 31, 2010	**362**	**3.426**	**13.252**	**(83)**	**3.568**	**17.075**	**17.961**	**55.561**
Depreciation/ depletion:								

Balance as of January 1, 2010		**(780)**	**(4.470)**	**(236)**	**(444)**	**(5.662)**		**(11.592)**
Acquisitions		(110)	(238)	(309)	(130)	(881)		(1.192)
Disposals		8	310	870	71	426		1.685
Balance as of December 31, 2010		**(882)**	**(3.922)**	**325**	**(503)**	**(6.117)**		**(11.099)**
Net balance	**362**	**2.544**	**9.330**	**242**	**3.065**	**10.958**	**17.961**	**44.462**

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The depreciation for the year allocated to the production cost and to expenses, is R$5,741 in 2010 (R$5,447 in 2009) for the consolidated and R$1,983 in 2010 (R$1,931 in 2009) for the parent company.

The residual value of the fixed assets given in guarantees of judicial lawsuits corresponding at December 31, 2010 and December 31, 2009, to R$303 and R$450 in the consolidated, and R$234 and R$277 in the parent company, respectively.

18. Impairment of Non-financial Assets

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

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

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

Management determines its cash flows based on approved budgets, taking into consideration reserves and mineral resources estimated by internal experts, costs and investments based on the best estimate and past performance, sale prices consistent with projections used in reports published by industry, and considering the market price when available and appropriated. Cash flows used were designed based on the useful life of each unit (consumption of reserves in case of mineral units) and considered maximum and minimum discount rates (8.0% 6.2%) that reflect specific risks related to relevant assets in each generating unit, depending on their composition and location.

As a result of the annual tests in 2010 and 2009 no expense for loss on recoverable value of assets and goodwill was recognized. In 2008, a loss for the non-recoverability of goodwill related to the nickel operations in Canada was recognized in the amount of R$2,447.

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

19. Loans and Financing

Short-term debt

			Consolidated
	December 31, 2010	**December 31, 2009**	**January 1, 2009**
Export-import financing	804	546	958
Working capital	340	100	130
	1.144	**646**	**1.088**

Refer to short-term financing for exports denominated in US dollars, with an average interest rate on December 31, 2010, December 31, 2009 and January 1, 2009 of 2% , 2.02% and 5.5% per annum, respectively.

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Long-term debt

						Consolidated
	Current liabilities			Non-Current liabilities		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Foreign operations						
Loans and financing denominated in the following currencies:						
U.S. dollars	4.062	2.851	575	5.416	10.688	15.299
Other debt securities	29	51	54	362	715	390
Fixed rate notes US dollares				17.065	12.852	15.214
Euro				1.671		
Export securitization (*)		261	129			348
Perpetual notes				130	136	194
Accrued charges	401	346	507			
	4.492	**3.509**	**1.265**	**24.644**	**24.391**	**31.445**
Domestic operations						
Indexed by TJLP, TR, IGP-M and CDI	187	146	103	6.963	6.233	4.879
Basket of currencies	2	2	2	207	5	9
Loans in U.S. dollars	2			4.736	990	386
Non-convertible debentures		1.500		1.229	4.513	5.987
Accrued charges	183	153	220			
	374	**1.801**	**325**	**13.135**	**11.741**	**11.261**
	4.866	**5.310**	**1.590**	**37.779**	**36.132**	**42.706**

						Parent company
	Current liabilities			Non-Current liabilities		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Foreign operations						
Loans and financing in:						
U.S. dollars	236	276	380	2.531	1.095	1.046
Other currencies	5	6	8			
Notes in U.S. dollars					6	15
Euro				1.671		
Accrued charges	73	7	24			

	314	**289**	**412**	**4.202**	**1.101**	**1.061**
Domestics operations						
Indexed by TJLP, TR, IGP-M and CDI	121	108	76	6.275	5.976	4.645
Basket of currencies	2	2	3	207	5	10
Loans in U.S. dollars				1.224	990	386
Non-convertible debentures		1.500		4.000	4.000	5.500
Accrued charges	179	154	220			
	302	**1.764**	**299**	**11.706**	**10.971**	**10.541**
	616	**2.053**	**711**	**15.908**	**12.072**	**11.602**

(*) Debt securitized by future receivables from certain sales of exports

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The long-term portion at December 31, 2010 have maturity in the following years:

	Consolidated		Parent Company	
2012	2.037	5%	508	3%
2013	6.040	16%	4.557	29%
2014	2.057	5%	1.659	10%
2015	1.550	4%	659	4%
2016 onwards	25.353	68%	8.525	54%
No due date (Perpetual notes and non-convertible debentures)	742	2%		0%
	37.779	**100%**	**15.908**	**100%**

As at December 31, 2010, annual interest rates on long-term debt were as follows:

	Consolidated	Parent Company
Up to 3%	9.689	4.006
3,1% to 5%	3.928	1.952
5,1% to 7% (*)	13.696	1.239
7,1% to 9% (**)	7.528	2.169
9,1% to 11% (**)	4.553	4.048
Over 11% (**)	3.118	3.110
Variable (Perpetual notes)	133	
	42.645	**16.524**

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

(**) Includes non-convertible debentures and other Brazilian real denominated debt that interest at Brazilian Certificate of Deposit (CDI) and Brazilian Government long-term interest Rates (TJLP) plus a spread. These operations derivative financial instruments were contracted to protect the Company s exposure to variations in the floating debt in reais. The total contracted amount for these transactions is R$9,722, of which R$9,099 has an original interest rates above 7.1% per year. The average cost after taking into account the derivative transaction is 3.13% per year in US dollars.

The total average cost of all derivative transactions is of 3.35% per year in US dollars.

In September 2010, Vale signed an agreement with The Export-Import Bank of China and Bank of China Limited to finance the construction of 12 vessels with a capacity of 400,000 dwt, totaling up to US$1,229 million (equivalent to R$2,048). The financing has a total term for payment of 13 years and Vale will receive the funds over the next three years according to the schedule of construction of ships. Until December 31, 2010, US$291 million (equivalent to R$485) was disbursed in the line.

In September 2010, Vale issued US$1 billion (equivalent to R$1,694) in notes maturing in 2020 and US$750 (equivalent to R$1,271) in notes maturing 2039. Notes for 2020 will have a coupon of 4.625% per year, payable semi-annually half yearly at a price of 99.030% of face value of the title. The notes of 2039 issued at a price of 110.872% of face value of the title, will be consolidated with the bonus of US$1 billion issued by Vale Overseas in November 2009 with a coupon of 6.875% and maturing in 2039, forming a single series.

In June 2010, Vale established with the Banco Nacional de Desenvolvimento Econômico Social BNDES some credit lines totaling R$774, in order to finance the acquisition of certain equipments. Until December 31, 2010, R$205 was disbursed in this agreement.

In June 2010, a prepayment Export in the amount of US$500 million (equivalent to R$901) a captured maturing in 10 years.

In March 2010, Vale raised 750 million (equivalent to R$1,806) at 8-year Eurobonds at a price of 99.564% of face value of the title. The notes due in March 2018 will have a coupon of 4.375% per year, payable annually.

In January 2010, Vale made the early redemption of all notes receivables securitization of exports issued in September 2000 (due 2010 and interest rate of 8.926% per year), and July 2003 (due in 2013 and interest rate of 4.43% per year). The total principal amount was R$48 for the September 2000 notes and R$213 for the July 2003 notes, totaling the early redemption of debt of R$261.

Guarantees

On December 31, 2010, R$3 (December 31, 2009 R$1,311) of the outstanding debt due was secured by receivables. The balance due of R$42,642 (December 31, 2009 R$40,120) has no guarantees.

Some of the long-term financial instruments contain obligations relating to financial indicators. The main indicators are debt on Stockholders equity, debt on Earnings Before Interest Tax, Depreciation and Amortization (EBITDA) and interest coverage. Vale is in compliance with the required levels for the indicators.

Credit lines

Vale has available lines of revolving credit that can be disbursed and paid optionally. On December 31, 2010, the amount available involving credit lines was US$1,600 (equivalent to R$2,666), being US$850 million (equivalent to R$1,416) available to Vale International and the remaining for Vale Canada Limited (formerly Vale Inco). Until December 31, 2010, no amounts were withdrawn by Vale International or Vale Canada Limited, but letters of credit were issued totaling US$114 (equivalent to R$190) relating to the line of credit of Canada Vale Limited.

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 (equivalent to R$503) with a final maturity of 10 years.

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 (equivalent to R$1.666 on December 31, 2010), US$500 million (equivalent to R$833 on December 31, 2010) for investment in Canada and the remaining US$500 (equivalent to R$833 on December 31, 2010) are available to financing of purchases of goods and services of Vale in Canada. On December 31, 2010, Vale disbursed US$250 million (equivalent to R$417) in this line.

In May 2008, the Company has signed agreements with the Japan Bank for International Cooperation, in the amount of US$3 billion (equivalent to R$4,999 on December 31, 2010), and with Nippon Export and Investment Insurance, in the amount of US$2 billion (equivalent to R$3,332 at December 31, 2010), to finance mining projects, logistics and energy generation. In November 2009, Vale signed a credit line in the amount of US$300 (equivalent to R$525 at December 31, 2010), through its subsidiary PT International Nickel Indonesia Tbk (PTI), with Japanese financial institutions, using insurance of Nippon Export and Investment Insurance (NEXI) to finance the construction of the hydroelectric plant of Karebbe, Indonesia. Until December 31, 2010, PT International withdrew US$150 (equivalent to R$250) this facility.

In 2008, Vale has signed a credit line in the amount of US$7,300 with Banco Nacional de Desenvolvimento Economico e Social BNDES to finance its investment program. Until December 31, 2010, Vale withdrew R$1,922 in this line.

20. Provision for Contingent Liabilities

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

a) Provision for contingences

Provisions that are considered by management of the Company and its legal counsel as necessary to cover possible losses in legal proceedings of any kind are detailed as follows:

	Consolidated			Parent Company		
	December 31, 2010	**December 31, 2009**	**January 1, 2009**	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Tax contingencies	1.478	1.933	2.299	325	1.173	1.203
Civil contingencies	893	935	687	680	539	475
Labor contingencies	1.277	1.273	1.098	1.072	993	905
Environmental contingencies	64	61	31	31	26	9
Total accrued liabilities	**3.712**	**4.202**	**4.115**	**2.108**	**2.731**	**2.592**

	Consolidated			Parent Company		
	December 31, 2010	**December 31, 2009**	**January 1, 2009**	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Balance at the beginning of the period	4.202	4.115	4.315	2.731	2.592	2.984
Provisions, net of reversals	(132)	474	921	(61)	192	530
Payments	(606)	(377)	(1.507)	(602)	(237)	(1.292)
Monetary update	248	(10)	386	40	184	370
Balance at the end of period	**3.712**	**4.202**	**4.115**	**2.108**	**2.731**	**2.592**

For these contingencies exist in consolidated judicial deposits amounting to $3,062 in 2010, R$3,109 at December 31, 2009 and $2,920 on January 12, 2009. In parent company judicial deposits are amounting to R$1,789 as at 31 December 2010, R$2,050 at December 31, 2009 and $2,161 on January 12, 2009.

I) Provision of tax contingencies

The main nature of tax causes refer to discussions on the basis of calculation of the Financial Compensation for Exploiting Mineral Resources CFEM and about denials of compensation claims of credits in the settlement of federal taxes. The other causes refer to the charges of Additional Port Workers Compensation AITP and questions about the location of incidence for the purpose of Service Tax ISS.

In 2009, we proceeded to the write off of values accrued related to the discussion over the fiscal loss compensation of social contribution above 30% due to the withdrawal of the action and consequently termination of the process with the release of funds deposited in escrow in favor of the Union.

II) Provisions of civil contingencies

The civil lawsuits related to claims for companies contracted by losses that alleged to have occurred as a result of various economic plans and other claims related to accidents, compensation claims and still others related to monetary compensation in action prosecutor.

III) Provisions of labor contingencies

Labor related actions principally comprise of: (a) payment of time spent travelling from their residences to the work place, (b) addition of dangerousness and insalubrities, (c) various other matters, often in connection with disputes about the amount of indemnities paid upon dismissal and the one-third extra holiday pay.

The social security contingencies are also included in this context because arising from parcels of labor, in the case of legal and administrative disputes between the INSS and the Vale, whose core is the incidence of compulsory social security or not.

In addition to those provisions, there are judicial deposits as at December 31, 2010, December 31, 2009 and January 1, 2009 totaling R$3,062, R$3,109 and R$2,920, in the consolidated company and R$2,312, R$2,433 and R$2,161 in the parent

company, respectively. Judicial deposits are made by us following the 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; in the case of an unfavorable outcome, the deposits are transferred to the prevailing party.
There are also obligations arising from past events whose existence will be confirmed by the occurrence or not of one or more uncertain future events, outside control of the Company. Contingent liabilities are classified as possible losses and are not recognized in the balance sheet of the Company, only disclosed in the notes.
The Company is challenging in court actions for which there is the expectation of possible losses. The company believes that these shares would not fall under the provision, since there is a strong legal foundation for such. These contingent liabilities are distributed among tax, civil and labor claims, and represent on December 31, 2010, December 31, 2009 and January 1, 2009, the amount of R$9,606, R$9,242 and R$6,793 in the consolidated company and R$4,485, R$4,009 and R$3,416 on the parent company, respectively.

b) Asset Retirement Obligations

The Company uses various judgments and assumptions when measuring the obligations related to discontinuation of use of assets. Changing circumstances, law or technology may affect the estimates and periodically the amount allocated is reviewed and adjusted when necessary. The provision does not reflect duties unclaimed because there is no information about it. The accrued amount is not deducted from the potential costs covered by insurance or indemnities, because their recovery is considered uncertain.
Long term interest rates used to discount to present value and update the provision to December 31, 2010, December 31, 2009 and January 1, 2009 were 7,96%, 7,96% and 6,875% respectively. The recorded liability is periodically updated based on these discount rates plus the inflation index (IGPM) for the period in reference.
The variation in the provision for asset retirement is demonstrated as follows:

	Consolidated			**Parent Company**		
	December 31, 2010	**December 31, 2009**	**January 1, 2009**	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Accrual in the begining of	2.086	2.006	1.763	846	892	790
Expenses additions	205	136	294	132	90	163
Financing Settlement in the period	(78)	(86)	(16)	(77)	(75)	(11)
Estimative revisions on cash flow	384	143	(257)	(96)	(61)	(50)
Cumulative translation adjustment	(6)	(112)	222			
Accrual in the end of	**2.591**	**2.087**	**2.006**	**805**	**846**	**892**
Current	128	157	113	44	122	44
Non-Current	2.463	1.930	1.893	761	724	848
Total of liabilities accrued	**2.591**	**2.087**	**2.006**	**805**	**846**	**892**

c) Provision for Participative Debentures

At the time of our privatization in 1997, we issued stockholder revenue interest instruments known in Brazil as participative debentures (debentures) to our then-existing stockholders, including the Brazilian Government. The terms of the debentures, were set to ensure that our pre-privatization stockholders, including the Brazilian Government, would participate alongside us in potential future financial benefits that we might be able to derive from

exploiting our mineral resources.
Vale has 388,559,056 issued participative debentures with a unit face value at the date of issuance of R$0.01 (one cent of real), whose valuation is done according to the variation of the General Market Price Index IGP-M as set forth in the indenture. On December 31, 2010, the balance of R $2,140 (2009 R$1,306) was recorded at fair value in non-current liabilities in Participative Debentures, see note 24.
The debenture holders have the right to receive premium, paid semi-annually, equal to a percentage of net revenues from certain mineral resources as an index.
During the fiscal year 2010, Vale paid remuneration of participative debentures in the total amount of R$15, being R$8 in September and R$7 in April.

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21. Income Tax and Social Contribution Deferred

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

	Consolidated			Parent Company		
	December 31, 2010	December 31, 2009	January 01, 2009	December 31, 2010	December 31, 2009	January 01, 2009
Income tax offset	1.273	1.374	725		799	
Temporary differences:						
. Pension Plan	1.223	871	292	231	271	338
. Provision for contingencies	964	781	687	787	667	654
. Impairment of assets	1.113	1.093	1.151	629	488	1.047
. Fair value of financial instruments	631	62		619	84	
. Fair value of assets acquired	(11.583)	(9.168)	(8.518)			
. Others	(554)	(240)	(291)	(477)	(259)	(76)
Total	**(6.933)**	**(5.227)**	**(5.954)**	**1.789**	**2.050**	**1.963**
Social contribution	(3.574)	(1.320)		(3.574)	(1.320)	
Total	**(10.507)**	**(6.547)**	**(5.954)**	**(1.785)**	**730**	**1.963**
Assets	2.440	2.760	978	1.789	2.050	1.963
Liabilities	(12.947)	(9.307)	(6.932)	(3.574)	(1.320)	
	(10.507)	**(6.547)**	**(5.954)**	**(1.785)**	**730**	**1.963**

	Asset	Liability	Consolidated	Parent company
Deffered tax balance on 1/1/2009	**978**	**(6.932)**	**(5.954)**	**1.963**
Net income effects	131	(94)	37	(753)
Addition / setlement of temporary differences	805	(729)	(444)	(86)
Subsidiary acquisition		(1.523)	(1.523)	
Cumulative translation adjustment		1.834	1.834	
Tax losses consumption	(37)		(37)	(37)
Tax losses recognition	799		799	799
IFRS adoption Stockholders equity adjustment	84	(450)	154	84
Defferred social contribution		(1.320)	(1.320)	(1.320)
Other comprehensive income		(93)	(93)	(92)

Deffered tax balance on 31/12/2009	**2.760**	**(9.307)**	**(6.547)**	**730**
Net income effects	(507)	2.758	2.251	624
Addition / setlement of temporary differences	254	(560)	(306)	(4)
Subsidiary acquisition		(3.810)	(3.810)	
Cumulative translation adjustment		261	261	
Tax losses consumption	(846)		(846)	(846)
Tax losses recognition	779		779	
Defferred social contribution		(2.254)	(2.254)	(2.254)
Other comprehensive income		(35)	(35)	(35)
Deffered tax balance on 31/12/2010	**2.440**	**(12.947)**	**(10.507)**	**(1.785)**

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The income tax in Brazil comprises the taxation on income and social contribution on profit. The composite statutory rate applicable in the period presented is 34%. In other countries where we have operations are subjects to varies rates depending on jurisdiction.
The total amount presented as income tax and social contribution results in the financial statements is reconciled with the rates established by law, as follows:

	Consolidated			Parent Company		
	December 31, 2010	**December 31, 2009**	**January, 01**	**December 31, 2010**	**December 31, 2009**	**January, 01**
to be recovered after than 12 months	(10.941)	(8.039)	(7.263)	(2.033)	(489)	743
to be recovered within 12 months	434	1.492	1.309	248	1.219	1.220