

Vale S.A.  
Form 6-K  
February 16, 2012  
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**United States  
Securities and Exchange Commission**

Washington, D.C. 20549

**FORM 6-K**

**Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16  
of the  
Securities Exchange Act of 1934**

**For the month of**

**February, 2012**

**Vale S.A.**

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

(Address of principal executive office)

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

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

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

(Check One) Yes  No

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

(Check One) Yes  No

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

(Check One) Yes  No

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

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**Financial Statements**

**December 31, 2011**

**US GAAP**

Filed at CVM, SEC and HKEx on

February 15, 2012

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**Vale S.A.**

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**Report of independent registered**

**public accounting firm**

To the Board of Directors and Stockholders

Vale S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of cash flows and of changes in stockholders' equity present fairly, in all material respects, the financial position of Vale S.A. and its subsidiaries (the Company) at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Rio de Janeiro, February 15, 2012

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 F RJ

Marcos Donizete Panassol

Contador CRC 1SP155975/O-8 S RJ

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**Management's Report on Internal Control over Financial Reporting**

The management of Vale S.A (Vale) is responsible for establishing and maintaining adequate internal control over financial reporting.

The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate.

Vale's management has assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2011 based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission - COSO. Based on such assessment and criteria, Vale's management has concluded that the company's internal control over financial reporting was effective as of December 31, 2011.

The effectiveness of the company's internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report which appears herein.

February 15, 2012

Murilo Ferreira

Chief Executive Officer

Tito Martins

Chief Financial Officer



Table of Contents**Consolidated Balance Sheets**

Expressed in millions of United States dollars

	As of December 31,	
	2011	2010
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,531	7,584
Short-term investments		1,793
Accounts receivable		
Related parties	288	435
Unrelated parties	8,217	7,776
Loans and advances to related parties	82	96
Inventories	5,251	4,298
Deferred income tax	203	386
Unrealized gains on derivative instruments	595	52
Advances to suppliers	393	188
Recoverable taxes	2,230	1,603
Assets held for sale		6,987
Others	946	593
	<b>21,736</b>	<b>31,791</b>
<b>Non-current assets</b>		
Property, plant and equipment, net	88,895	83,096
Intangible assets	1,135	1,274
Investments in affiliated companies, joint ventures and others investments	8,093	4,497
Other assets:		
Goodwill on acquisition of subsidiaries	3,026	3,317
Loans and advances		
Related parties	509	29
Unrelated parties	210	165
Prepaid pension cost	1,666	1,962
Prepaid expenses	321	222
Judicial deposits	1,464	1,731
Recoverable taxes	587	361
Deferred income tax	594	
Unrealized gains on derivative instruments	60	301
Deposit on incentive / reinvestment	229	144
Others	203	249
	<b>106,992</b>	<b>97,348</b>
<b>Total</b>	<b>128,728</b>	<b>129,139</b>

Table of Contents**Consolidated Balance Sheets**

Expressed in millions of United States dollars

(Except number of shares)

	(Continued) As of December 31,	
	2011	2010
<b>Liabilities and stockholders equity</b>		
<b>Current liabilities</b>		
Suppliers	4,814	3,558
Payroll and related charges	1,307	1,134
Minimum annual remuneration attributed to stockholders	1,181	4,842
Current portion of long-term debt	1,495	2,823
Short-term debt	22	139
Loans from related parties	24	21
Provision for income taxes	507	751
Taxes payable and royalties	524	264
Employees postretirement benefits	147	168
Railway sub-concession agreement payable	66	76
Unrealized losses on derivative instruments	73	35
Provisions for asset retirement obligations	73	75
Liabilities associated with assets held for sale		3,152
Others	810	874
	<b>11,043</b>	<b>17,912</b>
<b>Non-current liabilities</b>		
Employees postretirement benefits	2,446	2,442
Loans from related parties	91	2
Long-term debt	21,538	21,591
Provisions for contingencies (Note 20 (b))	1,686	2,043
Unrealized losses on derivative instruments	663	61
Deferred income tax	5,654	8,085
Provisions for asset retirement obligations	1,697	1,293
Debentures	1,336	1,284
Others	2,460	1,985
	<b>37,571</b>	<b>38,786</b>
<b>Redeemable noncontrolling interest</b>	505	712
<b>Commitments and contingencies (Note 20)</b>		
<b>Stockholders equity</b>		
Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2010 - 2,108,579,618) issued	16,728	10,370

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Common stock - 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2010 - 3,256,724,482) issued	25,837	16,016
Treasury stock - 181,099,814 (2010 - 99,649,571) preferred and 86,911,207 (2010 - 47,375,394) common shares	(5,662)	(2,660)
Additional paid-in capital	(61)	2,188
Mandatorily convertible notes - common shares	290	290
Mandatorily convertible notes - preferred shares	644	644
Other cumulative comprehensive loss	(5,673)	(333)
Undistributed retained earnings	41,130	42,218
Unappropriated retained earnings	4,482	166
<b>Total Company stockholders equity</b>	<b>77,715</b>	<b>68,899</b>
<b>Noncontrolling interests</b>	<b>1,894</b>	<b>2,830</b>
<b>Total stockholders equity</b>	<b>79,609</b>	<b>71,729</b>
<b>Total</b>	<b>128,728</b>	<b>129,139</b>

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

Table of Contents**Consolidated Statements of Income**

Expressed in millions of United States dollars

(Except per share amounts)

	Three-month period ended (unaudited)			Year ended as of December 31,		
	December 31, 2011	September 30, 2011	December 31, 2010	2011	2010	2009
<b>Operating revenues, net of discounts, returns and allowances</b>						
Sales of ores and metals	13,015	14,783	13,021	53,200	39,422	19,502
Aluminum products			691	383	2,554	2,050
Revenues from logistic services	420	503	334	1,726	1,465	1,104
Fertilizer products	856	1,037	768	3,547	1,845	413
Others	464	418	393	1,533	1,195	870
	<b>14,755</b>	<b>16,741</b>	<b>15,207</b>	<b>60,389</b>	<b>46,481</b>	<b>23,939</b>
Taxes on revenues	(328)	(380)	(278)	(1,399)	(1,188)	(628)
<b>Net operating revenues</b>	<b>14,427</b>	<b>16,361</b>	<b>14,929</b>	<b>58,990</b>	<b>45,293</b>	<b>23,311</b>
<b>Operating costs and expenses</b>						
Cost of ores and metals sold	(4,699)	(4,737)	(4,258)	(17,898)	(13,326)	(9,853)
Cost of aluminum products			(565)	(289)	(2,108)	(2,087)
Cost of logistic services	(346)	(391)	(285)	(1,402)	(1,040)	(779)
Cost of fertilizer products	(592)	(788)	(674)	(2,701)	(1,556)	(173)
Others	(388)	(335)	(258)	(1,283)	(784)	(729)
	<b>(6,025)</b>	<b>(6,251)</b>	<b>(6,040)</b>	<b>(23,573)</b>	<b>(18,814)</b>	<b>(13,621)</b>
Selling, general and administrative expenses	(827)	(654)	(647)	(2,334)	(1,701)	(1,130)
Research and development expenses	(529)	(440)	(301)	(1,674)	(878)	(981)
Gain on sale of assets				1,513		
Others	(1,023)	(643)	(774)	(2,810)	(2,205)	(1,522)
	<b>(8,404)</b>	<b>(7,988)</b>	<b>(7,762)</b>	<b>(28,878)</b>	<b>(23,598)</b>	<b>(17,254)</b>
<b>Operating income</b>	<b>6,023</b>	<b>8,373</b>	<b>7,167</b>	<b>30,112</b>	<b>21,695</b>	<b>6,057</b>
<b>Non-operating income (expenses)</b>						
Financial income	139	188	117	718	290	381
Financial expenses	(547)	(822)	(926)	(2,465)	(2,646)	(1,558)
Gains (losses) on derivatives, net	46	(568)	473	75	631	1,528
Foreign exchange and indexation gains (losses), net	(108)	(2,191)	51	(1,641)	344	675
Gain (loss) on sale of investments						40
	<b>(470)</b>	<b>(3,393)</b>	<b>(285)</b>	<b>(3,313)</b>	<b>(1,381)</b>	<b>1,066</b>
	<b>5,553</b>	<b>4,980</b>	<b>6,882</b>	<b>26,799</b>	<b>20,314</b>	<b>7,123</b>

<b>Income before discontinued operations, income taxes and equity results</b>						
<b>Income taxes</b>						
Current	(1,038)	(1,197)	(1,549)	(5,547)	(4,996)	(2,084)
Deferred	(109)	846	412	265	1,291	(16)
	<b>(1,147)</b>	<b>(351)</b>	<b>(1,137)</b>	<b>(5,282)</b>	<b>(3,705)</b>	<b>(2,100)</b>
Equity in results of affiliates, joint ventures and other investments	167	282	303	1,135	987	433
<b>Net income from continuing operations</b>	<b>4,573</b>	<b>4,911</b>	<b>6,048</b>	<b>22,652</b>	<b>17,596</b>	<b>5,456</b>
<b>Discontinued operations, net of tax</b>					(143)	
<b>Net income</b>	<b>4,573</b>	<b>4,911</b>	<b>6,048</b>	<b>22,652</b>	<b>17,453</b>	<b>5,456</b>
<b>Net income (loss) attributable to noncontrolling interests</b>	(99)	(24)	131	(233)	189	107
<b>Net loss attributable to redeemable noncontrolling interests</b>						
<b>Net income attributable to the Company's stockholders</b>	<b>4,672</b>	<b>4,935</b>	<b>5,917</b>	<b>22,885</b>	<b>17,264</b>	<b>5,349</b>
<b>Earnings per share attributable to Company's stockholders:</b>						
Earnings per preferred share	0.89	0.93	1.12	4.33	3.23	0.97
Earnings per common share	0.89	0.93	1.12	4.33	3.23	0.97
Earnings per convertible note linked to preferred share	1.21	1.78	1.61	6.39	4.76	1.71
Earnings per convertible note linked to common share	2.82	1.79	1.68	8.15	6.52	2.21

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

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

Expressed in millions of United States dollars

	Three-month period ended (unaudited)			Year ended as of December 31,		
	December 31, 2011	September 30, 2011	December 31, 2010	2011	2010	2009
<b>Comprehensive income is comprised as follows:</b>						
<b>Company's stockholders:</b>						
Net income attributable to Company's stockholders	4,672	4,935	5,917	22,885	17,264	5,349
Cumulative translation adjustments	(267)	(7,486)	12	(4,985)	1,519	9,721
<b>Available-for-sale securities</b>						
Gross balance as of the period/year end			7	(13)	12	(47)
Tax (expense) benefit	1		(5)	11	(9)	30
	<b>1</b>		<b>2</b>	<b>(2)</b>	<b>3</b>	<b>(17)</b>
<b>Surplus (deficit) accrued pension plan</b>						
Gross balance as of the period/year end	(261)	(467)	(306)	(740)	(53)	10
Tax (expense) benefit	82	150	93	232	32	(14)
	<b>(179)</b>	<b>(317)</b>	<b>(213)</b>	<b>(508)</b>	<b>(21)</b>	<b>(4)</b>
<b>Participation on other comprehensive income from affiliated company</b>						
<b>Cash flow hedge</b>						
Gross balance as of the period	(145)	123	(190)	130	(16)	11
Tax (expense) benefit	5	26	57	25	(10)	(9)
	<b>(140)</b>	<b>149</b>	<b>(133)</b>	<b>155</b>	<b>(26)</b>	<b>2</b>
<b>Total comprehensive income attributable to Company's stockholders</b>	<b>4,087</b>	<b>(2,719)</b>	<b>5,585</b>	<b>17,545</b>	<b>18,739</b>	<b>15,051</b>
<b>Noncontrolling interests:</b>						
Net income attributable to noncontrolling interests	(99)	(24)	131	(233)	189	107
Cumulative translation adjustments	73	(269)	(85)	(210)	104	823
Pension plan		(1)		4		
Cash flow hedge			5	1	40	(18)
<b>Total comprehensive income (deficit) attributable to Noncontrolling interests</b>	<b>(26)</b>	<b>(294)</b>	<b>51</b>	<b>(438)</b>	<b>333</b>	<b>912</b>

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<b>Total comprehensive income</b>	<b>4,061</b>	<b>(3,013)</b>	<b>5,636</b>	<b>17,107</b>	<b>19,072</b>	<b>15,963</b>
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The accompanying notes are an integral part of these financial statements.

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

Expressed in millions of United States dollars

	Three-month period ended (unaudited)			Year ended as of December 31,		
	December 31, 2011	September 30, 2011	December 31, 2010	2011	2010	2009
<b>Cash flows from operating activities:</b>						
<b>Net income</b>	<b>4,573</b>	<b>4,911</b>	<b>6,048</b>	<b>22,652</b>	<b>17,453</b>	<b>5,456</b>
Adjustments to reconcile net income to cash from operations:						
Depreciation, depletion and amortization	1,168	1,018	1,073	4,122	3,260	2,722
Dividends received	205	240	629	1,038	1,161	386
Equity in results of affiliates, joint ventures and other investments	(167)	(282)	(303)	(1,135)	(987)	(433)
Deferred income taxes	109	(846)	(412)	(265)	(1,291)	16
Loss on disposal of property, plant and equipment	15	17	248	223	623	293
Gain on sale of assets available for sale				(1,513)		(40)
Discontinued operations, net of tax					143	
Foreign exchange and indexation gains, net	808	2,218	(595)	2,879	(787)	(1,095)
Unrealized derivative losses (gains), net	290	642	532	490	594	(1,382)
Unrealized interest (income) expense, net	150	78	(43)	194	187	(25)
Others	(68)	(37)	(27)	(183)	58	20
<b>Decrease (increase) in assets:</b>						
Accounts receivable	456	(730)	(639)	(821)	(3,800)	616
Inventories	(203)	(324)	404	(1,343)	(425)	530
Recoverable taxes	20	(392)	(70)	(563)	42	108
Others	(16)	(219)	709	(315)	307	(455)
<b>Increase (decrease) in liabilities:</b>						
Suppliers	(156)	829	(445)	1,076	928	121
Payroll and related charges	225	212	204	285	214	159
Income taxes	(185)	(2,745)	(93)	(2,478)	1,311	(234)
Others	288	(379)	(35)	153	192	373
<b>Net cash provided by operating activities</b>	<b>7,512</b>	<b>4,211</b>	<b>7,185</b>	<b>24,496</b>	<b>19,183</b>	<b>7,136</b>



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**Cash flows from investing activities:**

Short term investments	(1,793)	1,793	1,954	(1,439)
Loans and advances receivable				
Related parties				
Loan proceeds			(28)	(181)
Repayments				7
Others	(58)	57	(17)	(178)
Judicial deposits	(59)	(239)	96	(186)
Investments	(345)	(18)	(36)	(504)
Additions to property, plant and equipment	(6,071)	(3,711)	(4,742)	(16,075)
Proceeds from disposal of investments			1,081	606
Acquisition (sale) of subsidiaries				(6,252)
<b>Net cash used in investing activities</b>	<b>(6,533)</b>	<b>(3,911)</b>	<b>(6,492)</b>	<b>(14,069)</b>
<b>Cash flows from financing activities:</b>				
Short-term debt				
Additions	21	20	229	859
Repayments	(36)	(63)	(147)	(955)
Loans				
Related parties				
Proceeds			2	19
Repayments			(22)	(1)
Issuances of long-term debt				
Third parties				
Proceeds	214	479	891	1,564
Repayments	(82)	(769)	(958)	(2,621)
Treasury stock	(1,001)	(2,001)	(1,132)	(3,002)
Mandatorily convertible notes				934
Transactions of noncontrolling interest	(1,134)		(1,134)	660
Dividends and interest attributed to Company's stockholders	(3,000)	(3,000)	(1,750)	(9,000)
Dividends and interest attributed to noncontrolling interest	(40)		(81)	(100)
<b>Net cash provided by (used in) financing activities</b>	<b>(5,058)</b>	<b>(5,334)</b>	<b>(2,968)</b>	<b>(14,371)</b>
Increase (decrease) in cash and cash equivalents	(4,079)	(5,034)	(2,275)	(3,944)
Effect of exchange rate changes on cash and cash equivalents	45	(628)	136	(109)
Cash and cash equivalents, beginning of period	7,565	13,227	9,723	7,584
<b>Cash and cash equivalents, end of period</b>	<b>3,531</b>	<b>7,565</b>	<b>7,584</b>	<b>3,531</b>
Cash paid during the period for:				
Interest on short-term debt	(1)		(2)	(3)
Interest on long-term debt	(198)	(234)	(314)	(1,143)
Income tax	(1,060)	(4,097)	(1,100)	(7,293)
Non-cash transactions				
Income tax paid with credits	(681)			(681)
Interest capitalized	78	54	38	234
Conversion of mandatorily convertible notes using				164
				266

75,435,238 treasury stock (see note 17).

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

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

Expressed in millions of United States dollars

(Except number of shares)

	Three-month period ended (unaudited)			Year ended as of December 31,		
	December 31, 2011	September 30, 2011	December 31, 2010	2011	2010	2009
<b>Preferred class A stock (including twelve golden shares)</b>						
<b>Beginning of the period</b>	16,728	16,728	10,370	10,370	9,727	9,727
Capital increase				6,358		
Transfer from undistributed retained earnings					643	
<b>End of the period</b>	<b>16,728</b>	<b>16,728</b>	<b>10,370</b>	<b>16,728</b>	<b>10,370</b>	<b>9,727</b>
<b>Common stock</b>						
<b>Beginning of the period</b>	25,837	25,837	16,016	16,016	15,262	15,262
Capital increase				9,821		
Transfer from undistributed retained earnings					754	
<b>End of the period</b>	<b>25,837</b>	<b>25,837</b>	<b>16,016</b>	<b>25,837</b>	<b>16,016</b>	<b>15,262</b>
<b>Treasury stock</b>						
<b>Beginning of the period</b>	(4,661)	(2,660)	(1,528)	(2,660)	(1,150)	(1,141)
Sales (acquisitions)	(1,001)	(2,001)	(1,132)	(3,002)	(1,510)	(9)
<b>End of the period</b>	<b>(5,662)</b>	<b>(4,661)</b>	<b>(2,660)</b>	<b>(5,662)</b>	<b>(2,660)</b>	<b>(1,150)</b>
<b>Additional paid-in capital</b>						
<b>Beginning of the period</b>	318	318	2,188	2,188	411	393
Change in the period	(379)			(2,249)	1,777	18
<b>End of the period</b>	<b>(61)</b>	<b>318</b>	<b>2,188</b>	<b>(61)</b>	<b>2,188</b>	<b>411</b>
<b>Mandatorily convertible notes - common shares</b>						
<b>Beginning of the period</b>	290	290	290	290	1,578	1,288
Change in the period					(1,288)	290
<b>End of the period</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>1,578</b>
<b>Mandatorily convertible notes - preferred shares</b>						
<b>Beginning of the period</b>	644	644	644	644	1,225	581
Change in the period					(581)	644
<b>End of the period</b>	<b>644</b>	<b>644</b>	<b>644</b>	<b>644</b>	<b>644</b>	<b>1,225</b>
<b>Other cumulative comprehensive income (deficit)</b>						
<b>Cumulative translation adjustments</b>						
<b>Beginning of the period</b>	(4,971)	2,515	(265)	(253)	(1,772)	(11,493)
Change in the period	(267)	(7,486)	12	(4,985)	1,519	9,721
<b>End of the period</b>	<b>(5,238)</b>	<b>(4,971)</b>	<b>(253)</b>	<b>(5,238)</b>	<b>(253)</b>	<b>(1,772)</b>
<b>Unrealized gain (loss) - available-for-sale securities, net of tax</b>						

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<b>Beginning of the period</b>			1	3		17
Change in the period	1		2	(2)	3	(17)
<b>End of the period</b>	<b>1</b>		<b>3</b>	<b>1</b>	<b>3</b>	
<b>Surplus (deficit) of accrued pension plan</b>						
<b>Beginning of the period</b>	(388)	(71)	154	(59)	(38)	(34)
Change in the period	(179)	(317)	(213)	(508)	(21)	(4)
<b>End of the period</b>	<b>(567)</b>	<b>(388)</b>	<b>(59)</b>	<b>(567)</b>	<b>(59)</b>	<b>(38)</b>
<b>Participation on other comprehensive income of subsidiaries</b>						
<b>Cash flow hedge</b>						
<b>Beginning of the period</b>	271	122	109	(24)	2	
Change in the period	(140)	149	(133)	155	(26)	2
<b>End of the period</b>	<b>131</b>	<b>271</b>	<b>(24)</b>	<b>131</b>	<b>(24)</b>	<b>2</b>
<b>Total other cumulative comprehensive income (deficit)</b>	<b>(5,673)</b>	<b>(5,088)</b>	<b>(333)</b>	<b>(5,673)</b>	<b>(333)</b>	<b>(1,808)</b>
<b>Undistributed retained earnings</b>						
<b>Beginning of the period</b>	25,685	30,082	27,730	42,218	28,508	18,340
Transfer from/to unappropriated retained earnings	15,445	(4,397)	14,488	13,221	15,107	10,168
Transfer to capitalized earnings				(14,309)	(1,397)	
<b>End of the period</b>	<b>41,130</b>	<b>25,685</b>	<b>42,218</b>	<b>41,130</b>	<b>42,218</b>	<b>28,508</b>
<b>Unappropriated retained earnings</b>						
<b>Beginning of the period</b>	17,487	11,211	13,612	166	3,182	9,616
Net income attributable to the Company's stockholders	4,672	4,935	5,917	22,885	17,264	5,349
Remuneration of mandatorily convertible notes						
Preferred class A stock	(15)	(40)	(23)	(97)	(72)	(58)
Common stock	(36)	(16)	(10)	(70)	(61)	(93)
Dividends and interest attributed to stockholders' equity						
Preferred class A stock	(912)	(1,231)	(1,863)	(2,143)	(1,940)	(570)
Common stock	(1,269)	(1,769)	(2,979)	(3,038)	(3,100)	(894)
Appropriation from/to undistributed retained earnings	(15,445)	4,397	(14,488)	(13,221)	(15,107)	(10,168)
<b>End of the period</b>	<b>4,482</b>	<b>17,487</b>	<b>166</b>	<b>4,482</b>	<b>166</b>	<b>3,182</b>
<b>Total Company stockholders equity</b>	<b>77,715</b>	<b>77,240</b>	<b>68,899</b>	<b>77,715</b>	<b>68,899</b>	<b>56,935</b>
<b>Noncontrolling interests</b>						
<b>Beginning of the period</b>	2,644	2,905	2,826	2,830	2,831	1,892
Disposals (acquisitions) of noncontrolling interests	(748)			(631)	1,629	83
Cumulative translation adjustments	73	(269)	(85)	(210)	104	823
Cash flow hedge			5	1	40	(18)
Net income (loss) attributable to noncontrolling interests	(99)	(24)	131	(233)	189	107
Net income (loss) attributable to redeemable noncontrolling interests	52	22		207		
Dividends and interest attributable to noncontrolling interests	(40)		(18)	(105)	(104)	(56)
Capitalization of stockholders advances	12	11	27	31	27	
Pension plan		(1)		4		
Assets and liabilities held for sale			(56)		(1,886)	
<b>End of the period</b>	<b>1,894</b>	<b>2,644</b>	<b>2,830</b>	<b>1,894</b>	<b>2,830</b>	<b>2,831</b>
<b>Total stockholders' equity</b>	<b>79,609</b>	<b>79,884</b>	<b>71,729</b>	<b>79,609</b>	<b>71,729</b>	<b>59,766</b>
<b>Number of shares issued and outstanding:</b>						
Preferred class A stock (including twelve golden shares)	2,108,579,618	2,108,579,618	2,108,579,618	2,108,579,618	2,108,579,618	2,108,579,618
Common stock	3,256,724,482	3,256,724,482	3,256,724,482	3,256,724,482	3,256,724,482	3,256,724,482
<b>Beginning of the period</b>	<b>(226,119,469)</b>	<b>(147,024,956)</b>	<b>(108,299,565)</b>	<b>(147,024,965)</b>	<b>(152,579,803)</b>	<b>(151,792,203)</b>

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Acquisitions	(41,893,200)	(79,094,780)	(38,725,400)	(120,987,980)	(69,880,400)	(831,400)
Conversions	1,648	267		1,924	75,435,238	43,800
<b>End of the period</b>	<b>(268,011,021)</b>	<b>(226,119,469)</b>	<b>(147,024,965)</b>	<b>(268,011,021)</b>	<b>(147,024,965)</b>	<b>(152,579,803)</b>
	5,097,293,079	5,139,184,631	5,218,279,135	5,097,293,079	5,218,279,135	5,212,724,297

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

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

Expressed in millions of United States dollars, unless otherwise stated

**1 The Company and its operations**

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

At December 31, 2011, our principal consolidated operating subsidiaries are the following:

Subsidiary	% ownership	% voting capital	Location	Principal activity
Compañia Minera Miski Mayo S.A.C.	40.00	51.00	Peru	Fertilizer
Ferrovias Centro-Atlântica S. A.	99.99	99.99	Brazil	Logistics
Ferrovias Norte Sul S.A.	100.00	100.00	Brazil	Logistics
Mineraçao Corumbaense Reunida S.A. - MCR	100.00	100.00	Brazil	Iron Ore and Manganese
PT International Nickel Indonesia Tbk	59.20	59.20	Indonesia	Nickel
Sociedad Contractual Minera Tres Valles	90.00	90.00	Chile	Copper
Vale Australia Pty Ltd.	100.00	100.00	Australia	Coal
Vale Austria Holdings GMBH	100.00	100.00	Austria	Holding and Exploration
Vale Canada Limited	100.00	100.00	Canada	Nickel
Vale Coal Colombia Ltd.	100.00	100.00	Colombia	Coal
Vale Fertilizantes S.A	99.05	99.98	Brazil	Fertilizer
Vale International S.A	100.00	100.00	Switzerland	Trading
Vale Manganês S.A.	100.00	100.00	Brazil	Manganese and Ferroalloys
Vale Mina do Azul S. A.	100.00	100.00	Brazil	Manganese
Vale Moçambique S.A.	100.00	100.00	Mozambique	Coal
Vale Nouvelle-Calédonie SAS	74.00	74.00	New Caledonia	Nickel
Vale Oman Pelletizing Company LLC	100.00	100.00	Oman	Pellets
Vale Shipping Holding PTE Ltd.	100.00	100.00	Singapore	Logistics

**2 Basis of consolidation**

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All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Subsidiaries over which control is achieved through other means, such as stockholders agreement, are also consolidated even if we hold less than 51% of voting capital. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are accounted under the equity method (Note 14).

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

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

Our participation in hydroelectric projects in Brazil is made via consortium contracts under which we have undivided interests in the assets, and are liable for our proportionate share of liabilities and expenses, which are based on our proportionate share of power output. We do not have joint liability for any obligations. No separate legal or tax status is granted to consortia under the Brazilian law. Accordingly, we recognize our proportionate share of costs and our undivided interest in assets relating to hydroelectric projects (note 12).

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**3 Summary of significant accounting policies**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, the selection of useful lives of property, plant and equipment, impairment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired in business combinations, income tax valuation allowances, employee post retirement benefits and other similar evaluations. Actual results could differ from those estimated.

**a) Basis of presentation**

We have prepared our consolidated financial statements in accordance with United States generally accepted accounting principles ( US GAAP ), which differ in certain respects from the accounting practices adopted in Brazil ( BR GAAP ), compliant with International Financial Reporting Standards ( IFRS ) as issued by the International Accounting Standard Board ( IASB ), which are the basis for our statutory financial statements.

Our consolidated interim financial statements for the three-month periods ended December 31, 2011, September 30, 2011 and December 31, 2010 presented herein are unaudited. However, in our opinion, such consolidated financial statements include all adjustments necessary for a fair statement of the results for these periods.

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

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

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



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

The exchange rates used to translate the assets and liabilities of the Brazilian operations at December 31, 2011 and 2010, were R\$1.8683 and R\$1.6662, respectively.

The net transaction gain (loss) included in our statement of income ( Foreign exchange and indexation gains (losses), net ) was US\$ (1,382), US\$102 and US\$665 in the years ended December 31, 2011, 2010 and 2009, respectively.

### b) Information by Segment and Geographic Area

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

The information is analyzed by segment as follows:

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

**Basic metals** comprises the production of non-ferrous minerals, including nickel operations (co-products and byproducts), copper and aluminum - includes the trading of aluminum, alumina refining and aluminum smelting metals and investments in joint ventures and associated bauxite mining.

**Fertilizers** comprises three major groups of nutrients: potash, phosphate and nitrogen. This business is being formed through a combination of acquisitions and organic growth. This is a new business reported in 2010.

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

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

c) **Cash equivalents and short-term investments**

Cash flows from overnight investments and fundings are reported net. Short-term investments that have a ready market and original maturities of 90 days or less are classified as Cash equivalents . The remaining investments, between 91 day and 360 day maturities are stated at fair value and presented as Short-term investments .

d) **Non-current assets and liabilities**

Assets and liabilities that are realizable or due more than 12 months after the balance sheet date are classified as non-current.

e) **Inventories**

Inventories are recorded at the average cost of purchase or production, reduced to market value (net realizable value less a reasonable margin) when lower. Stockpiled inventories are accounted as processed when they are removed from the mine. The cost of finished goods is comprised of depreciation and all direct costs necessary to convert stockpiled inventories into finished goods.

We classify proven and probable reserve quantities attributable to stockpiled inventories as inventories. These reserve quantities are not included in the total proven and probable reserve quantities used in the units of production, depreciation, depletion and amortization calculations.

We periodically assess our inventories to identify obsolete or slow-moving inventories and, if needed, we recognize definitive allowances for them.

**f) Removal of waste materials to access mineral deposits**

Stripping costs (the costs associated with the removal of overburdened and other waste materials) incurred during the development of a mine, before production takes place, are capitalized as part of the depreciable cost of developing the property. Such costs are subsequently amortized during the useful life of the mine based on proven and probable reserves.

Post-production stripping costs are included in the cost of the inventory produced (that is extracted), at each mine individually during the period that stripping costs are incurred.

**g) Property, plant and equipment and intangible assets**

Property, plant and equipment are recorded at cost, including interest cost incurred during the construction of major new facilities. We compute depreciation on the straight-line method at annual average rates which take into consideration the useful lives of the assets, as follows: 3.73% for railroads, 1.5% for buildings, 4.23% for installations and 7.73% for other equipment. Expenditures for maintenance and repairs are charged to operating costs and expenses as incurred.

We capitalize the costs of developing major new ore bodies or expanding the capacity of operating mines and amortize these to operations on the unit-of-production method based on the total probable and proven quantity of ore to be recovered. Exploration costs are expensed. Once the economic viability of mining activities is established, subsequent development costs are capitalized.

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognized at fair value at the acquisition date. All our intangible assets have definite useful lives and are carried at cost less accumulated amortization, which is calculated using the straight-line method over their estimated useful lives.

**h) Business combinations**

We apply accounting for business combinations to record acquisitions of interests in other companies. The purchase

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method , requires that we reasonably determine the fair value of the identifiable tangible and intangible assets and liabilities assumed of acquired companies and segregate goodwill as an intangible asset.

We assign goodwill to reporting units and test each reporting unit s goodwill for impairment at least annually, and whenever circumstances indicating that recognized goodwill may not be fully recovered are identified. We perform the annual goodwill impairment tests during the last quarter of each year.

Goodwill is reviewed for impairment utilizing a two step process. In the first step, we compare a reporting unit s fair value with its carrying amount to identify any potential goodwill impairment loss. If the carrying amount of a reporting unit exceeds the unit s fair value, based on a discounted cash flow analysis, we carry out the second step of the impairment test, measuring and recording the amount, if any, of the unit s goodwill impairment loss.

**i) Impairment of long-lived assets**

All long-lived assets are tested to determine if they are recoverable from operating earnings on an undiscounted cash flow basis over their useful lives whenever events or changes in circumstance indicate that the carrying value may not be recoverable.

When we determine that the carrying value of long-lived assets and definite-life intangible assets may not be recoverable, we measure any impairment loss based on a projected discounted cash flow method using a discount rate determined to be commensurate with the inherent risk of our current business model.

**j) Available-for-sale equity securities**

Equity securities classified as available-for-sale are recorded pursuant to accounting for certain investments in debt and equity securities. Accordingly, we classify unrealized holding gains and losses, net of taxes, as a separate component of stockholders equity until realized.

**k) Compensated absences**

The liability for future compensation for employee vacations is fully accrued as earned.

**l) Derivatives and hedging activities**

We apply accounting for derivative financial instruments and hedging activities, as amended. This standard requires that we recognize all derivative financial instruments as either assets or liabilities on our balance sheet and measure such instruments at fair value. Changes in the fair value of derivatives are recorded in each period in current earnings or in other comprehensive income, in the latter case depending on whether a transaction is designated as an effective hedge and has been effective during the period.

**m) Asset retirement obligations**

Our asset retirement obligations consist primarily of estimated closure costs. The initial measurement is recognized as a liability discounted to present value and subsequently accreted through earnings. An asset retirement cost equal to the initial liability is capitalized as part of the related asset's carrying value and depreciated during the asset's useful life.

**n) Revenues and expenses**

Revenues are recognized when title is transferred to the customer or services are rendered. Revenue from exported products is recognized when such products are loaded on board the ship. Revenues from products sold in the domestic market are recognized when delivery is made to the customer. Revenues from logistic services are recognized when the service order is fulfilled. Expenses and costs are recognized on the accrual basis.

**o) Income taxes**

The deferred tax effects of tax loss carryforwards and temporary differences are recognized pursuant to accounting for income taxes. A valuation allowance is made when we believe that it is more likely than not that tax assets will not be fully recovered in the future.

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**p) Earnings per share**

Earnings per share are computed by dividing net income by the weighted average number of common and preferred shares outstanding during the period.

**q) Interest attributed to stockholders' equity (dividend)**

Brazilian corporations are permitted to distribute interest attributable to stockholders' equity. The calculation is based on the stockholders' equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long-term interest rate (TJLP) determined by the Brazilian Central Bank. Also, such interest may not exceed 50% of net income for the year nor 50% of retained earnings plus revenue reserves as determined by Brazilian GAAP.

The notional interest charge is tax deductible in Brazil. The benefit to us, as opposed to making a dividend payment, is a reduction in our income tax charge. Income tax of 15% is withheld on behalf of the stockholders relative to the interest distribution. Under Brazilian law, interest attributed to stockholders' equity is considered as part of the annual minimum mandatory dividend (Note 17). This notional interest distribution is treated for accounting purposes as a deduction from stockholders' equity in a manner similar to a dividend and the tax credit recorded in income.

**r) Pension and other post retirement benefits**

We sponsor private pensions and other post retirement benefits for our employees which are actuarially determined and recognized as an asset or liability or both depending on the funded or unfunded status of each plan in accordance with employees' accounting for defined benefit pension and other post retirement plans. The cost of our defined benefit and prior service costs or credits that arise during the period and are not components of net periodic benefit costs are recorded in other cumulative comprehensive income (deficit).

**4 Accounting pronouncements**

**Accounting standards adopted in 2011**

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Accounting Standards Update - ASU number 2011-12 Comprehensive Income (Topic 220). The amendments in this update supersede certain pending paragraphs in Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, to effectively defer only those changes in update 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. The amendments in this Update are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011.

ASU number 2011-11 Balance Sheet: Disclosures about Offsetting Assets and Liabilities (Topic 210). Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. This pronouncement will be effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods.

ASU number 2011-08 Intangibles Goodwill and Other (Topic 350). The objective of this Update is to simplify how entities, both public and nonpublic, test goodwill for impairment. The amendments in the update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011.

ASU number 2011-05 Comprehensive Income (Topic 220): Presentation of Comprehensive Income. The objective of this update is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income, so an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

ASU number 2011-04: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in USGAAP

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and IFRSs. The amendments in this update generally represent clarifications of Topic 820, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. The amendments are effective during interim and annual periods beginning after December 15, 2011.

ASU number 2011-03: Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements. The amendments in this update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. The Company adopted this standard with no impact on our financial position, results of operations or liquidity. The amendments in this update are effective for the first interim or annual period beginning on or after December 15, 2011.

ASU number 2011-02: Receivables (Topic 310) - A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring. The amendments in this update would provide additional guidance to assist creditors in determining whether a restructuring of a receivable meets the criteria to be considered a troubled debt restructuring. The Company adopted this standard with no impact on its financial position, results of operations or liquidity. The amendments in this update are effective for the first interim or annual period beginning on or after June 15, 2011.

**5 Major acquisitions and disposals**

**a) Sale of aluminum assets**

In February 2011, we concluded the transaction announced in May, 2010 with Norsk Hydro ASA (Hydro), to transfer all of our stakes in Albras-Alumínio Brasileiro S.A. (Albras), Alunorte-Alumina do Norte do Brasil S.A. (Alunorte) and Companhia de Alumina do Pará (CAP), along with its respective off-take rights and outstanding commercial contracts, and 60% of Mineração Paragominas S.A (Paragominas), and all our other Brazilian bauxite mineral rights. In December 31, 2010 these assets were demonstrated as assets held for sale in our balance sheet.

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

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



**b) Fertilizers Businesses**

In 2010, we acquired 78.92% of the total capital and 99.83% of the voting capital of Vale Fertilizantes S.A and 100% of the total capital of Vale Fosfatados. In 2011 we concluded several transactions including a public offer to acquire the free floating shares of Vale Fertilizantes S.A. During this offer both the common and preferred shares were acquired for R\$ 25.00 per share, amounting to a total of R\$ 2,078 billion, equivalent to US\$ 1,134 at the date the financial settlement of the transaction. After the public offer, we hold 99,05% of the total shares of Vale Fertilizantes S.A.

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

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

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

c) **Acquisition of NESA**

In 2011, we acquired 9% of Norte Energia S.A. (NESA) from Gaia Energia e Participações S.A. (Gaia) for US\$ 70. NESA was established with the sole purpose of implementing, operating and exploring the Belo Monte hydroelectric plant, which is still in the early development stage. Vale estimated an investment of R\$ 2,300 (Equivalent of US\$ 1.2 billion) of future capital contributions arising from the acquired stake, until December 31, 2011 the total capital contribution was US\$ 84.

**6 Income taxes**

Income taxes in Brazil comprise federal income tax and social contribution, which is an additional federal tax. The statutory composite enacted tax rate applicable in the periods presented is 34%. In other countries where we have operations, we are subject to various taxes rates depending on the jurisdiction.

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

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

	December 31, 2011			Three-month period ended (unaudited) September 30, 2011			December 31, 2010		
	Brazil	Foreign	Total	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before discontinued operations, income taxes, equity	5,259	294	5,553	4,187	793	4,980	5,581	1,301	6,882

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results and noncontrolling interests									
Exchange variation (not taxable) or not deductible		96	96	(188)	(188)		114	114	
	<b>5,259</b>	<b>390</b>	<b>5,649</b>	<b>4,187</b>	<b>605</b>	<b>4,792</b>	<b>5,581</b>	<b>1,415</b>	<b>6,996</b>
Tax at Brazilian composite rate	(1,788)	(133)	(1,921)	(1,424)	(207)	(1,631)	(1,898)	(481)	(2,379)
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	383		383	578		578	369		369
Difference on tax rates of foreign income		117	117		331	331		699	699
Tax incentives	274		274	67		67	198		198
Social contribution contingency payment				506		506			
Reversal/Constitution of provisions for loss of tax loss carryforward	129	(285)	(156)						
Other non-taxable, income/non deductible expenses	63	93	156	36	(238)	(202)	82	(106)	(24)
<b>Income tax per consolidated statements of income</b>	<b>(939)</b>	<b>(208)</b>	<b>(1,147)</b>	<b>(237)</b>	<b>(114)</b>	<b>(351)</b>	<b>(1,249)</b>	<b>112</b>	<b>(1,137)</b>

	December 31, 2011			Year ended as of December 31, 2010			December 31, 2009		
	Brazil	Foreign	Total	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before discontinued operations, income taxes, equity results and noncontrolling interests	21,267	5,532	26,799	16,586	3,728	20,314	10,024	(2,901)	7,123
Exchange variation (not taxable) or not deductible		26	26		265	265		5,162	5,162
	<b>21,267</b>	<b>5,558</b>	<b>26,825</b>	<b>16,586</b>	<b>3,993</b>	<b>20,579</b>	<b>10,024</b>	<b>2,261</b>	<b>12,285</b>
Tax at Brazilian composite rate	(7,231)	(1,890)	(9,121)	(5,639)	(1,358)	(6,997)	(3,408)	(769)	(4,177)
Tax benefit on interest attributed to stockholders	1,655		1,655	995		995	502		502
Difference on tax rates of foreign income		1,415	1,415		1,673	1,673		1,079	1,079
Tax incentives	704		704	642		642	148		148
Social contribution contingency payment	506		506						
Reversal/Constitution of provisions for loss of tax loss carryforward	129	(426)	(297)						
Other non-taxable, income/non deductible expenses	48	(192)	(144)	13	(31)	(18)	100	248	348
<b>Income tax per consolidated statements of income</b>	<b>(4,189)</b>	<b>(1,093)</b>	<b>(5,282)</b>	<b>(3,989)</b>	<b>284</b>	<b>(3,705)</b>	<b>(2,658)</b>	<b>558</b>	<b>(2,100)</b>

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Vale and some subsidiaries in Brazil were granted with tax incentives that provide for a partial reduction of the income tax due related to certain regional operations of iron ore, railroad, manganese, copper, bauxite, alumina, aluminum, kaolin and potash. The tax benefit is calculated based on taxable profit adjusted by the tax incentive (so-called exploration profit) taking into consideration the operational profit of the projects that benefit from the tax incentive during a fixed period. In general such tax incentives last for 10 years. The Company's tax incentives will expire in 2020. The tax savings must be registered in a special capital (profit) reserve in the Stockholders' equity of the entity that benefits from the tax incentive and cannot be distributed as dividends to the stockholders.

We are also allowed to reinvest part of the tax savings in the acquisition of new equipment to be used in the operations that have the tax benefit subject to subsequent approval from the Brazilian regulatory agencies Superintendência de Desenvolvimento da Amazônia - SUDAM and Superintendência de Desenvolvimento do Nordeste - SUDENE. When the reinvestment is approved, the corresponding tax benefit must also be accounted for in a special profit reserve and is also subject to the same restrictions with respect to future dividend distributions to the stockholders.

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

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

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

The Company adopts the provision accounting for Uncertainty in Income Taxes.

The reconciliation of the beginning and ending amounts is as follows: (see note 20(b)) tax related actions)

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	Three-month period ended (unaudited)			Year ended as of December 31,		
	December 31, 2011	September 30, 2011	December 31, 2010	2011	2010	2009
<b>Beginning of the period</b>	<b>338</b>	<b>372</b>	<b>392</b>	<b>2,555</b>	<b>396</b>	<b>657</b>
Increase resulting from tax positions taken	1	1	2,121	1,076	2,130	47
Decrease resulting from tax positions taken (a)	(90)	(2)	(2)	(3,409)	(24)	(474)
Cumulative translation adjustments	14	(33)	44	41	53	166
<b>End of the period</b>	<b>263</b>	<b>338</b>	<b>2,555</b>	<b>263</b>	<b>2,555</b>	<b>396</b>

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(a) In July 2011, we made a payment as a consequence of a Brazilian court decision in a case related to the exemption of the Social Contribution (Contribuição Social sobre o Lucro Líquido).

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	December 31, 2011	December 31, 2010
<b>Current deferred tax assets</b>		
Accrued expenses deductible only when disbursed	203	386
<b>Assets</b>		
Related to provision for losses and write-downs of investments		
Employee postretirement benefits provision	640	665
Tax loss carryforwards	916	732
Fair value of financial instruments	610	379
Asset retirement obligation	389	322
Other temporary differences (mainly contingencies provisions)	794	855
	<b>3,349</b>	<b>2,953</b>
<b>Liabilities</b>		
Prepaid retirement benefit	(509)	(617)
Fair value adjustments in business combinations	(7,311)	(7,745)
Social contribution		(2,145)
Other temporary differences	(463)	(421)
	<b>(8,283)</b>	<b>(10,928)</b>
<b>Valuation allowance</b>		
Beginning balance	(110)	(106)
Change in allowance	(16)	(4)
<b>Ending balance</b>	<b>(126)</b>	<b>(110)</b>
<b>Net long-term deferred tax liabilities</b>	<b>(5,060)</b>	<b>(8,085)</b>
Asset	594	
Liabilities	(5,654)	(8,085)
<b>Total</b>	<b>(5,060)</b>	<b>(8,085)</b>

7 **Cash and cash equivalents**

	As of December 31,	
	2011	2010
Cash	945	560
Cash equivalents	2,586	7,024
	<b>3,531</b>	<b>7,584</b>

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

8 **Short-term investments**

	2011	As of December 31,	2010
Time deposit			1,793

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

Table of Contents**9 Account receivable**

Accounts receivable from customers in the steel industry represent 70,36% of receivables at December 31, 2011.

No single customer accounted for more than 10% of total revenues.

Additional allowances for doubtful accounts charged to the statement of income as expenses in 2011, 2010 and 2009 totaled US\$2, US\$23 and US\$48, respectively. We wrote-off US\$1 in 2011, US\$37 in 2010 and US\$8 in 2009.

	As of December 31,	
	2011	2010
<b>Customers</b>		
Denominated in Brazilian Reais	1,228	1,227
Denominated in other currencies, mainly US dollars	7,382	7,102
	<b>8,610</b>	<b>8,329</b>
Allowance for doubtful accounts	(105)	(118)
<b>Total</b>	<b>8,505</b>	<b>8,211</b>

**10 Inventories**

	As of December 31,	
	2011	2010
<b>Products</b>		
Nickel (co-products and by-products)	1,771	1,310
Iron ore and pellets	1,137	825
Manganese and ferroalloys	240	203
Fertilizer	387	171
Copper concentrate	72	28
Coal	277	74
Others	91	143
<b>Spare parts and maintenance supplies</b>	<b>1,276</b>	<b>1,544</b>
	<b>5,251</b>	<b>4,298</b>



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On December 31, 2011, the inventory includes provision for adjustment to market value for the products nickel and manganese in the amount of US\$ 14 and US\$ 9, respectively, there were no adjustments at December 31, 2010.

Table of Contents**11 Recoverable taxes**

	As of December 31,	
	2011	2010
Income tax	814	459
Value-added tax	997	484
Others brazilian federal contributions	1,006	1,021
<b>Total</b>	<b>2,817</b>	<b>1,964</b>
Current	2,230	1,603
Non-current	587	361
	<b>2,817</b>	<b>1,964</b>

**12 Property, plant and equipment and intangible assets****By type of assets:**

	As of December 31, 2011			As of December 31, 2010		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land	695		695	356		356
Buildings	7,912	(1,890)	6,022	6,087	(1,110)	4,977
Installations	14,886	(3,708)	11,178	14,904	(4,231)	10,673
Equipment	12,549	(4,243)	8,306	10,948	(3,637)	7,311
Railroads	6,575	(1,930)	4,645	7,337	(2,357)	4,980
Mine development costs	26,955	(5,180)	21,775	28,010	(4,071)	23,939
Others	14,556	(4,126)	10,430	12,088	(2,987)	9,101
	<b>84,128</b>	<b>(21,077)</b>	<b>63,051</b>	<b>79,730</b>	<b>(18,393)</b>	<b>61,337</b>
Intangible assets	1,201	(67)	1,134	1,316	(42)	1,274
Construction in progress	25,845		25,845	21,759		21,759
<b>Total</b>	<b>111,174</b>	<b>(21,144)</b>	<b>90,030</b>	<b>102,805</b>	<b>(18,435)</b>	<b>84,370</b>

Losses on disposal of property, plant and equipment totaled US\$ 223, US\$623 and US\$ 293 in December 31, 2011, 2010 and 2009 respectively. This mainly related to write-offs of ships and trucks, locomotives and other equipment, which were replaced in the normal course of business.

Assets given in guarantee of judicial processes totaled US\$ 97 as at December 31, 2011 (US\$ 149 as at December 31, 2010).

### **Hydroelectric assets**

We participate in several jointly-owned hydroelectric plants, already in operation or under construction, in which we record our undivided interest in these assets as Property, plant and equipment.

At December 31, 2011 the cost of hydroelectric plants in service totals US\$2,261 (December 31, 2010 US\$1,432) and the related depreciation in the year was US\$428 (December 31, 2010 US\$422). The cost of hydroelectric plant under construction totaled at December 31, 2011 totals US\$59 (December 31, 2010 US\$804). Income and operating expenses for such plants are not material.

### **Intangibles**

All of the intangible assets recognized in our financial statements were acquired from third parties, either directly or through a business combination and have definite useful lives from 6 to 30 years.

At December 31, 2011 the intangibles amount to US\$ 1,135 (December 31, 2010 - US\$1,274), and are comprised of rights granted by the government - Ferrovia Norte Sul of US\$ 896 and off take-agreements of US\$ 239.

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**13                    Impairment of goodwill and long-lived assets**

As described in note 3(g), we test goodwill and long-lived assets for impairment when events or changes in circumstances indicate that they might be impaired. For impairment test purposes, goodwill is allocated to reporting units and are tested at least annually.

No impairment charges were recognized in 2011 and 2010, as a result of the annual goodwill impairment tests performed.

Management determined cash flows based on approved financial budgets. Gross margin projections were based on past performance and management's expectations of market developments. Information about sales prices are consistent with the forecasts included in industry reports, considering quoted prices when available and when appropriate. The discount rates used, reflect specific risks relating to the relevant assets in each reporting unit, depending on their composition and location.

Recognition of additional goodwill impairment charges in the future would depend on several estimates including market conditions, recent actual results and management's forecasts. This information shall be obtained at the time when our assessment is to be updated. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

Table of Contents**14 Investments in affiliated companies and joint ventures**

	December 31, 2011		Net income (loss) of the period	Investments		Equity in earnings (losses) of investee adjustments						
	Participation in capital Voting	Net equity Total		December 31, 2011	December 31, 2010	Three-month period ended (unaudited) December 31, 2011	Three-month period ended (unaudited) September 30, 2011	Three-month period ended (unaudited) December 31, 2010	Three-month period ended (unaudited) December 31, 2011	Three-month period ended (unaudited) December 31, 2010	Three-month period ended (unaudited) December 31, 2009	Three-month period ended (unaudited) December 31, 2011
<b>Bulk Material</b>												
<b>Iron ore and pellets</b>												
Companhia Nipo-Brasileira de Pelotização - NIBRASCO (1)												
	51.11	51.00	341	89	173	171	6	16	12	45	48	(12)
Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS (1)												
	51.00	50.89	225	36	115	128	25	(14)	35	19	40	(12)
Companhia Coreano-Brasileira de Pelotização - KOBRASCO (1)												
	50.00	50.00	155	65	78	87	9	5	9	32	43	(17)
Companhia Ítalo-Brasileira de Pelotização - ITABRASCO (1)												
	51.00	50.90	158	93	80	86	7	16	14	47	18	12
Minas da Serra Geral SA - MSG												
	50.00	50.00	57	7	29	36	1	1	4	3	6	2
SAMARCO Mineração SA - SAMARCO (2)												
	50.00	50.00	941	1,754	528	561	186	207	261	878	798	299
Baovale Mineração SA - BAOVALE												
	50.00	50.00	69	16	35	31	1	2	2	8	4	(3)
Zhuhai YPM Pellet e Co.,Ltd - ZHUHAI												
	25.00	25.00	90	1	23	25		(1)	4		9	3
Tecnored Desenvolvimento Tecnológico SA												
	43.04	43.04	107	(13)	48	40	(5)	(2)		(7)	(10)	
					<b>1,109</b>	<b>1,165</b>	<b>230</b>	<b>230</b>	<b>341</b>	<b>1,025</b>	<b>956</b>	<b>272</b>
<b>Coal</b>												
Henan Longyu Resources Co Ltd Shandong Yankuang International Company Ltd												
	25.00	25.00	1,128	336	282	250	17	26	64	85	76	74
	25.00	25.00	(170)	(58)	(43)	(27)	(3)	(2)	(7)	(15)	(19)	(18)
					<b>239</b>	<b>223</b>	<b>14</b>	<b>24</b>	<b>57</b>	<b>70</b>	<b>57</b>	<b>56</b>
<b>Base Metals</b>												
<b>Bauxite</b>												
Mineração Rio do Norte SA - MRN												
	40.00	40.00	357	19	144	152	6	(1)	(8)	8	(2)	(10)

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					<b>144</b>	<b>152</b>	<b>6</b>	<b>(1)</b>	<b>(8)</b>	<b>8</b>	<b>(2)</b>	<b>(10)</b>
<b>Copper</b>												
Teal Minerals Incorporated												
	50.00	50.00	469	(12)	234	90	3	(2)	3	(6)	(10)	(18)
					<b>234</b>	<b>90</b>	<b>3</b>	<b>(2)</b>	<b>3</b>	<b>(6)</b>	<b>(10)</b>	<b>(18)</b>
<b>Nickel</b>												
Heron Resources Inc (3)												
					6	7						
Korea Nickel Corp												
	25.00	25.00	16		4	11			2		2	
Others (3)												
					1	5						
					<b>11</b>	<b>23</b>			<b>2</b>		<b>2</b>	
<b>Aluminium</b>												
Norsk Hydro ASA (4)												
	22.00	22.00	14,668	449	3,227		(21)	70		99		
					<b>3,227</b>		<b>(21)</b>	<b>70</b>		<b>99</b>		
<b>Logistic</b>												
LOG-IN Logística Intermodal SA												
	31.33	31.33	338	(20)	114	135	(4)		4	(7)	4	2
MRS Logística SA												
	45.68	45.84	1,200	316	551	511	29	32	28	132	90	141
					<b>665</b>	<b>646</b>	<b>25</b>	<b>32</b>	<b>32</b>	<b>125</b>	<b>94</b>	<b>143</b>
<b>Others</b>												
<b>Steel</b>												
California Steel Industries Inc - CSI												
	50.00	50.00	322	27	161	155	(1)	2	(1)	14	12	(10)
CSP - Companhia Siderurgica do PECEM												
	50.00	50.00	539	(7)	267	18	(3)			(3)		
THYSSENKRUPP CSA Companhia Siderúrgica do Atlântico												
	26.87	26.87	5,982	(658)	1,607	1,840	(86)	(72)	(75)	(177)	(85)	(6)
Usinas Siderúrgicas de Minas Gerais SA - USIMINAS												
					<b>2,035</b>	<b>2,013</b>	<b>(90)</b>	<b>(70)</b>	<b>(76)</b>	<b>(166)</b>	<b>(73)</b>	<b>(8)</b>
<b>Other affiliates and joint ventures</b>												
Norte Energia S.A.												
	9.00	9.00	837		75							
Vale Soluções em Energia S.A. (1)												
	52.77	52.77	276	(32)	145	115	(1)	(1)	(33)	(16)	(33)	
Others												
					209	70	1		(15)	(4)	(4)	(2)
					<b>429</b>	<b>185</b>		<b>(1)</b>	<b>(48)</b>	<b>(20)</b>	<b>(37)</b>	<b>(2)</b>
<b>Total</b>					<b>8,093</b>	<b>4,497</b>	<b>167</b>	<b>282</b>	<b>303</b>	<b>1,135</b>	<b>987</b>	<b>433</b>

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

(2) Investment includes goodwill of US\$ 58 in December, 2011 and US\$64 in December, 2010.

(3) Available for sale.

(4) The investment is adjusted based on our acquisition and the net income refers to the period from March onwards.

Table of Contents**15 Short-term debt**

Short-term borrowings outstanding on December 31, 2011 are from commercial banks for import financing denominated in US dollars with average annual interest rates of 1.81%.

**16 Long-term debt**

	Current liabilities		Non-current liabilities	
	2011	2010	2011	2010
<b>Foreign debt</b>				
Loans and financing denominated in the following currencies:				
US dollars	496	2,384	2,693	2,530
Others	9	18	52	217
Fixed Rate Notes				
US dollars	410		10,073	10,242
EUR			970	1,003
Perpetual notes				78
Accrued charges	221	233		
	<b>1,136</b>	<b>2,635</b>	<b>13,788</b>	<b>14,070</b>
<b>Brazilian debt</b>				
Brazilian Reais indexed to Long-Term Interest Rate - TJLP/CDI and				
General Price Index-Market (IGP-M)	246	76	5,245	3,891
Basket of currencies	1	1		125
Non-convertible debentures			2,505	2,767
US dollars denominated		1		738
Accrued charges	112	110		
	<b>359</b>	<b>188</b>	<b>7,750</b>	<b>7,521</b>
<b>Total</b>	<b>1,495</b>	<b>2,823</b>	<b>21,538</b>	<b>21,591</b>

The long-term portion at December 31, 2011 was as follows:

2013	3,184
2014	1,231
2015	952
2016	1,607
2017 and after	14,200

No due date	364
	21,538

At december 31, 2011 annual interest rates on long-term debt were as follows:

Up to 3%	4,738
3.1% to 5% (*)	2,301
5.1% to 7%	8,802
7.1% to 9% (**)	2,793
9.1% to 11% (**)	2,365
Over 11% (**)	2,033
Variable	1
	23,033

(\*) Includes Eurobonds. For this operation we have entered into derivative transactions at a cost of 4.71% per year in US dollars.

(\*\*) Includes non-convertible debentures and other Brazilian Real denominated debt that bear interest at the Brazilian Interbank Certificate of Deposit (CDI) and Brazilian Government Long-term Interest Rates (TJLP) plus a spread. For these operations, we have entered into derivative transactions to mitigate our exposure to the floating rate debt denominated in Brazilian Real, totaling US\$ 6,005 of which US\$ 5,041 has an original interest rate above 7% per year. The average cost after taking into account the derivative transactions is 2.98% per year in US dollars.

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

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



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Non Convertible Debentures	Quantity as of December 31, 2011		Maturity	Interest	Balance	
	Issued	Outstanding			December 31, 2011	December 31, 2010
2nd Series	400,000	400,000	November 20, 2013	100% CDI + 0.25%	2,167	2,429
Tranche B	5	5	No date	6.5% p.a + IGP-DI	364	367
					<b>2,531</b>	<b>2,796</b>
Long-term portion					2,505	2,767
Accrued charges					26	29
					<b>2,531</b>	<b>2,796</b>

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

	December 31, 2011	Three-month period ended September 30, 2011	December 31, 2010	Year ended as of December 31,	
				2011	2010
TJLP - Long-Term Interest Rate (effective rate)	1.5	1.5	1.5		6.0
IGP-M - General Price Index - Market	0.9	1.0	3.2	4.1	10.9
Appreciation (devaluation) of Real against US dollar	(0.7)	18.8	1.7	25.3	4.7

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

**Credit Lines**

Vale has available revolving credit lines that can be disbursed and paid at any time, during its availability period. On December 31, 2011, the total amount available under the revolving credit lines was US\$4.1 billion, of which US\$3 billion can be drawn by Vale S.A., Vale Canada Limited and Vale International, US\$350 can be drawn by Vale International and the balance by Vale Canada Limited. As of December 31, 2011, none of the borrowers had drawn any amounts under these facilities, but letters of credit totaling US\$107 had been issued and remained outstanding pursuant Vale Canada Limited's facility.

In August 2011, we entered into an agreement with a syndicate of financial institutions to finance the acquisition of five large ore carriers and two capesize bulkers at two Korean shipyards. The agreement provides a credit line of up to US\$530. As of December 31, 2011, Vale had drawn US\$178 under the facility.

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In October 2010, we signed an agreement with Export Development Canada (EDC) to finance its investment program. Under the agreement, EDC will provide a credit line of up to US\$1 billion. As of December 31, 2011, Vale disbursed US\$ 500. In September 2010, Vale entered into agreements with The Export-Import Bank of China and the Bank of China Limited for the financing to build 12 very large ore carriers comprising a facility for an amount of up to US\$1,229. The financing has a 13-year total term to be repaid, and the funds will be disbursed during 3 years according to the construction schedule. As of December 31, 2011, we had drawn US\$467 under this facility.

In June 2010, Vale established certain facilities with Banco Nacional de Desenvolvimento Econômico Social - BNDES for a total amount of R\$774, (US\$430), to finance the acquisition of domestic equipments. On March 31, 2011, Vale increased this facility through a new agreement with BNDES for R\$ 103 (US\$ 62). As of December 31, 2011, we had drawn the equivalent of US\$329 under these facilities.

In May 2008, the Company has signed agreements with Japanese long term financing credit agencies in the amount of US\$ 5 billion, being US\$ 3 billion with Japan Bank for International Cooperation (JIBC) and US\$ 2 billion with Nippon Export and Investment Insurance (NEXI), to finance mining projects, logistics and energy generation. Until December 31, 2011, Vale through its subsidiary PT International Nickel Indonesia Tbk (PTI) withdrew US\$300, under the credit facility from NEXI to finance the construction of the hydroelectric plant of Karebbe, Indonesia.

In April 2008, Vale has signed a credit line in the amount of R\$ 7.3 billion (US\$ 4 billion) with Banco Nacional de Desenvolvimento Econômico e Social - BNDES to finance its investment program. Until December 31, 2011, Vale withdrew R\$ 2,795 (US\$1,496) in this line.

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**Guarantee**

On December 31, 2011, US\$ 648 of the total aggregate outstanding debt was secured by fixed assets.

**Covenants**

Our principal covenants require us to maintain certain ratios, such as debt to EBITDA and interest coverage. We have not identified any events of noncompliance as of December 31, 2011.

**17 Stockholders equity**

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

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

During the 2011, Vale paid the minimum annual remuneration attributed to stockholder in 2010, as of interest on capital and dividends, and Vale paid the additional remuneration in amount of US\$ 1,000. Additionally, we anticipate US\$ 4,141 relating to dividends of annual remuneration attributed to stockholder in 2011.

In November 2011, a part of the to share buy-back program approved in June 2011, we concluded the acquisitions of 39,536,080 common shares, at an average price of US\$ 26.25 per share, and 81,451,900 preferred shares, at an average price of US\$ 24.09 per share (including shares of each class in the form of American Depositary Receipts), for a total aggregate purchase price of US\$ 3.0 billion. The repurchased shares represent 3.10% of the free float of common shares, and 4.24% of the free float of preferred shares, outstanding before the launch of the program. The shares acquired will be held in treasury for cancellation.

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

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

The outstanding issued mandatory convertible notes as of December 31, 2011, are as follows:

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

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

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

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

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

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

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

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

Brazilian law permits the payment of cash dividends only from retained earnings as stated in the BR GAAP statutory records and such payments are made in Brazilian reais. Pursuant to the Company's statutory books, undistributed retained earnings at December 31, 2011, total US\$36,145, comprising of the unrealized income and expansion reserves, which could be freely transferred to retained earnings and paid as dividends, if approved by the stockholders, after deducting of the minimum annual mandatory dividend, which is 25% of net income of the parent Company.

No withholding tax is payable on distribution of profits earned, except for distributions in the form of interest attributed to stockholders' equity (Note 3 (p)).

Brazilian laws and our By-laws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis, all determined in accordance with amounts stated in the statutory accounting records.

The purpose and basis of appropriation to such reserves is described below:

Unrealized income reserve - this represents principally our share of the earnings of affiliates and joint ventures, not yet received in the form of cash dividends.

Expansion reserve - this is a general reserve for expansion of our activities.

Legal reserve - this reserve is a requirement for all Brazilian corporations and represents the appropriation of 5% of annual net income up to a limit of 20% of capital stock all determined under Brazilian GAAP.

Fiscal incentive investment reserve - this reserve results from an option to designate a portion of income tax otherwise payable, for investment in government approved projects and is recorded in the year following that in which the taxable income was earned. As from 2000, this reserve basically contemplates income tax incentives (Note 6).

#### **Earnings per share**

Earnings per share amounts have been calculated as follows:

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	Three-month period ended (unaudited)			Year ended as of December 31,		
	December 31, 2011	September 30, 2011	December 31, 2010	2011	2010	2009
<b>Net income from continuing operations</b>	<b>4,672</b>	<b>4,935</b>	<b>5,917</b>	<b>22,885</b>	<b>17,407</b>	<b>5,349</b>
<b>Discontinued operations, net of tax</b>					(143)	
<b>Net income for the period</b>	<b>4,672</b>	<b>4,935</b>	<b>5,917</b>	<b>22,885</b>	<b>17,264</b>	<b>5,349</b>
Remuneration attributed to preferred convertible notes	(15)	(40)	(23)	(97)	(72)	(58)
Remuneration attributed to common convertible notes	(36)	(16)	(10)	(70)	(61)	(93)
<b>Net income for the period adjusted</b>	<b>4,621</b>	<b>4,879</b>	<b>5,884</b>	<b>22,718</b>	<b>17,131</b>	<b>5,198</b>
<b>Earnings per share</b>						
Income available to preferred stockholders	1,729	1,846	2,231	8,591	6,566	1,967
Income available to common stockholders	2,834	2,972	3,579	13,842	10,353	3,082
Income available to convertible notes linked to preferred	42	44	53	205	153	75
Income available to convertible notes linked to common	16	17	21	80	59	73
	4,621	4,879	5,884	22,718	17,131	5,197
Weighted average number of shares outstanding (thousands of shares) - preferred shares	1,937,910	1,986,461	1,997,276	1,984,030	2,035,783	2,030,700
Weighted average number of shares outstanding (thousands of shares) - common shares	3,174,487	3,197,984	3,204,203	3,197,063	3,210,023	3,181,706
<b>Total</b>	<b>5,112,397</b>	<b>5,184,445</b>	<b>5,201,479</b>	<b>5,181,093</b>	<b>5,245,806</b>	<b>5,212,406</b>
Weighted average number of convertibles outstanding (thousands of shares) - linked to preferred shares	47,285	47,285	47,285	47,285	47,285	77,580
Weighted average number of convertibles outstanding (thousands of shares) - linked to common shares	18,416	18,416	18,416	18,416	18,416	74,998
<b>Total</b>	<b>65,701</b>	<b>65,701</b>	<b>65,701</b>	<b>65,701</b>	<b>65,701</b>	<b>152,578</b>

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<b>Total</b>						
Earnings per preferred share	0.89	0.93	1.12	4.33	3.23	0.97
Earnings per common share	0.89	0.93	1.12	4.33	3.23	0.97
Earnings per convertible note linked to preferred	1.21	1.78	1.61	6.39	4.76	1.71
Earnings per convertible note linked to common share	2.82	1.79	1.68	8.15	6.52	2.21
<b>Continuous operation</b>						
Earnings per preferred share					3.25	
Earnings per common share					3.25	
Earnings per convertible note linked to preferred					4.77	
Earnings per convertible note linked to common share					6.56	
<b>Discontinuous operation</b>						
Earnings per preferred share					(0.02)	
Earnings per common share					(0.02)	
Earnings per convertible note linked to preferred					(0.01)	
Earnings per convertible note linked to common share					(0.04)	

The Company does not include a calculation for diluted earnings per share because the effect is anti-dilutive.



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**18 Pension plans**

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

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

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

Vale Fertilizantes and its wholly owned subsidiaries pay to employees who are eligible to the FGTS - fine according to union agreement and provide certain health benefits for retired employees who are eligible.

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

The following information details the status of the defined benefit elements of all plans in accordance with employers disclosure about pensions and other post retirement benefits, as well as costs related to them.

We use a measurement date December 31 for our pension and post retirement benefit plans.

**a) Change in benefit obligation**

	As of December 31, 2011			As of December 31, 2010		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
<b>Benefit obligation at beginning of year</b>	<b>3,623</b>	<b>5,667</b>	<b>1,601</b>	<b>3,661</b>	<b>3,923</b>	<b>1,431</b>
Benefit initial recognized consolidation				385	12	58
Transfers	1,132	(1,132)		(936)	936	
Service cost	18	79	32	2	59	26
Interest cost	517	272	102	329	360	102
Plan amendment		2	(23)	(28)	10	(2)
Assumptions changes	141	39	10	87	65	6
Benefits paid/ Actual distribution	(345)	(363)	(82)	(237)	(364)	(78)
Plan settlements		(26)	(8)			
Effect of exchange rate changes	(539)	(138)	(67)	126	241	71
Actuarial loss	64	162	129	234	425	(13)
<b>Benefit obligation at end of year</b>	<b>4,611</b>	<b>4,562</b>	<b>1,694</b>	<b>3,623</b>	<b>5,667</b>	<b>1,601</b>

## b) Change in plan assets

	As of December 31, 2011			As of December 31, 2010		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Fair value of plan assets at beginning of year	5,585	4,645	13	4,996	3,229	11
Fair value initial recognized consolidation				451	10	
Transfers	1,105	(1,105)		(866)	866	
Actual return on plan assets	573	125		1,094	541	1
Employer contributions	65	512	82	2	169	80
Benefits paid/ Actual distribution	(345)	(363)	(82)	(265)	(364)	(80)
Plan settlements		(26)	(11)			
Effect of exchange rate changes	(706)	(126)	(1)	173	194	1
<b>Fair value of plan assets at end of year</b>	<b>6,277</b>	<b>3,662</b>	<b>1</b>	<b>5,585</b>	<b>4,645</b>	<b>13</b>

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

Plan assets managed by Valia on December 31, 2011, December 31, 2010 and January 1, 2010 include investments in portfolio of our own stock of US\$340, US\$519 and US\$587, investments in debentures worth US\$63, US\$64 and US\$69 and equity investments from related parties amounting to US\$84, US\$81 and US\$164, respectively. They also include on December 31, 2011, 31 December 2010 and January 1, 2010, US\$3,552, US\$4,150 and US\$3,261 of securities of the Federal Government. The assets of the pension plans of Vale Canada Limited in securities of the Government of Canada on December 31, 2011, 2010 and January 1, 2010, amounted to US\$653, US\$436 and US\$391, respectively. The assets of Vale Fertilizantes and Ultrafertil in December 31, 2011 and December 31, 2010 in securities of the Federal Government worth US\$149 and 158, respectively.

**c) Funded Status and Financial Position**

	As of December 31, 2011			As of December 31, 2010		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Noncurrent assets	1,666			1,962		
Current liabilities		(69)	(78)		(35)	(133)
Non-current liabilities		(831)	(1,615)		(987)	(1,455)
<b>Funded status</b>	<b>1,666</b>	<b>(900)</b>	<b>(1,693)</b>	<b>1,962</b>	<b>(1,022)</b>	<b>(1,588)</b>

**d) Assumptions used (nominal terms)**

All calculations involve future actuarial projections for some parameters, such as salaries, interest, inflation, the behavior of INSS benefits, mortality, disability, etc. No actuarial results can be analyzed without prior knowledge of the scenario of assumptions used in the assessment.

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

For the evaluations the following economic assumptions were adopted:

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Brazil

	Overfunded pension plans	December 31, 2011 Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	December 31, 2010 Underfunded pension plans	Underfunded other benefits	
Discount rate	10.78% p.a.	11.30% p.a.	11.30% p.a.	11.30% p.a.	11.30% p.a.	11.30p.a.	%
Expected return on plan assets	14.25% p.a.	13.79% p.a.	N/A	12.00% p.a.	11.50% p.a.	N/A	
Rate of compensation increase - up to 47 years	8,15% p.a.	8,15% p.a.	N/A	8,15% p.a.	8,15% p.a.	N/A	
Rate of compensation increase - over 47 years	5.00% p.a.	5.00% p.a.	N/A	5.00% p.a.	5.00% p.a.	N/A	
Inflation	5.00% p.a.	5.00% p.a.	5.00% p.a.	5.00% p.a.	5.00% p.a.	5.00p.a.	%
Health care cost trend rate	N/A	N/A	8,15% p.a.	N/A	N/A	8,15p.a.	%

Foreign

	Overfunded pension plans	December 31, 2011 Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	December 31, 2010 Underfunded pension plans	Underfunded other benefits	
Discount rate	N/A	5.43% p.a.	5.10% p.a.	N/A	6.21% p.a.	5.44p.a.	%
Expected return on plan assets	N/A	6.51% p.a.	6.50% p.a.	N/A	7.02% p.a.	6.50p.a.	%
Rate of compensation increase - up to 47 years	N/A	4.10% p.a.	3.00% p.a.	N/A	4.11% p.a.	3.58p.a.	%
Rate of compensation increase - over 47 years	N/A	4.10% p.a.	3.00% p.a.	N/A	4.11% p.a.	3.58p.a.	%
Inflation	N/A	2.00% p.a.	2.00% p.a.	N/A	2.00% p.a.	2.00p.a.	%
Initial Health care cost trend rate	N/A	N/A	7.22% p.a.	N/A	N/A	7.35p.a.	%
Ultimate Health care cost trend rate	N/A	N/A	4.49% p.a.	N/A	N/A	4.49p.a.	%

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## e) Pension costs

	Three-month period ended in December 31, 2011 (unaudited)		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost - benefits earned during the period		18	7
Interest cost on projected benefit obligation	92	101	27
Expected return on assets	(154)	(92)	
Amortizations and (gain) / loss		4	(23)
<b>Net periodic pension cost (credit)</b>	<b>(62)</b>	<b>31</b>	<b>11</b>

	Three-month period ended in September 30, 2011 (unaudited)		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost - benefits earned during the period		18	8
Interest cost on projected benefit obligation	98	107	26
Expected return on assets	(164)	(99)	
Amortizations and (gain) / loss		6	(5)
<b>Net periodic pension cost (credit)</b>	<b>(66)</b>	<b>32</b>	<b>29</b>

	Three-month period ended in December 31, 2010 (unaudited)		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost - benefits earned during the period	1	8	7
Interest cost on projected benefit obligation	85	91	23
Expected return on assets	(139)	(76)	
Amortizations and (gain) / loss		6	(7)
<b>Net periodic pension cost (credit)</b>	<b>(53)</b>	<b>29</b>	<b>23</b>

	Year ended as of December 31, 2011		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost - benefits earned during the period	18	79	32
Interest cost on projected benefit obligation	517	272	102
Expected return on assets	(785)	(258)	
Amortizations and (gain) / loss		24	(35)
<b>Net periodic pension cost (credit)</b>	<b>(250)</b>	<b>117</b>	<b>99</b>

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	Year ended as of December 31, 2010		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost - benefits earned during the period	2	59	27
Interest cost on projected benefit obligation	329	361	97
Expected return on assets	(531)	(321)	
Amortizations and (gain) / loss		18	(14)
Net deferral	(1)		
<b>Net periodic pension cost (credit)</b>	<b>(201)</b>	<b>117</b>	<b>110</b>

	Year ended as of December 31, 2009		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost - benefits earned during the period	11	43	17
Interest cost on projected benefit obligation	313	255	88
Expected return on assets	(431)	(202)	(1)
Amortizations and (gain) / loss	14	3	(19)
Net deferral		14	(14)
<b>Net periodic pension cost (credit)</b>	<b>(93)</b>	<b>113</b>	<b>71</b>

f) **Accumulated benefit obligation**

	December 31, 2011			December 31, 2010		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Accumulated benefit obligation	4,610	4,404	1,694	3,612	5,540	1,601
Projected benefit obligation	4,611	4,562	1,694	3,623	5,667	1,601
Fair value of plan assets	(6,277)	(3,662)	(1)	(5,585)	4,645	(13)

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	2011	1 % increase	2010	2011	1 % decrease	2010
Accumulated postretirement benefit obligation (APBO)	258		213	(206)		(172)
Interest and service costs	22		12	(18)		(17)

**h) Other Cumulative Comprehensive Income (Deficit)**

	As of December 31, 2011			As of December 31, 2010		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Net prior service (cost) / credit		(15)			(15)	
Net actuarial (loss) / gain	(181)	(885)	292	243	(628)	335
Effect of exchange rate changes	(24)	3		(1)		(1)
Deferred income tax	70	249	(76)	(82)	201	(111)
<b>Amounts recognized in other cumulative comprehensive income (deficit)</b>	<b>(135)</b>	<b>(648)</b>	<b>216</b>	<b>160</b>	<b>(442)</b>	<b>223</b>

**i) Change in Other Cumulative Comprehensive Income (Deficit)**

	As of December 31, 2011			As of December 31, 2010		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Net prior service (cost) / credit not yet recognized in NPPC at beginning of period		(14)				
Net actuarial (loss) / gain not yet recognized in NPPC at beginning of period	242	(629)	334	(18)	(337)	297
Transfers				8	(8)	
Deferred income tax at beginning of period	(82)	201	(111)	3	111	(94)

<b>Effect of initial recognition of cumulative comprehensive income (deficit)</b>	<b>160</b>	<b>(442)</b>	<b>223</b>	<b>(7)</b>	<b>(234)</b>	<b>203</b>
Reclassifications						
Amortization of net transition (obligation) / asset		(5)				
Amortization of net prior service (cost) / credited		5				
Amortization of net actuarial (loss) / gain		19	2		(1)	9
Total net actuarial (loss) / gain arising during period	(423)	(290)	(48)	261	(277)	11
Transfers				(8)	8	
Effect of exchange rate changes	(24)	17	4	(1)	(28)	17
Deferred income tax	152	48	35	(85)	90	(17)
<b>Total recognized in other cumulative comprehensive income (deficit)</b>	<b>(135)</b>	<b>(648)</b>	<b>216</b>	<b>160</b>	<b>(442)</b>	<b>223</b>

j) **Plan assets**

**Brazilian Plans**

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

Plan asset allocations comply with pension funds local regulation issued by CMN - Conselho Monetário Nacional (Resolução CMN 3792/09). We are allowed to invest in six different asset classes, defined as Segments by the law, as follows: Fixed Income, Equity, Structured Investments (Alternative Investments and Infra-Structure Projects), International Investments, Real Estate and Loans to Participants.

The Investment Policy Statements are approved by the Board, the Executive Directors and two Investments Committees. The internal and external portfolio managers are allowed to exercise investment discretion under the limitations imposed by the Board and the Investment Committees.

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

**Foreign plans**

The strategy for each of the pension plans sponsored by Vale Canada is based upon a combination of local practices and the specific characteristics of the pension plans in each country, including the structure of the liabilities, the risk versus reward





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trade-off between different asset classes and the liquidity required to meet benefit payments.

**Overfunded pension plans**

**Brazilian Plans**

The Defined Benefit Plan (the Old Plan) has the most part of its assets allocated in fixed income, mainly in Brazilian government bonds (such as TIPS) and corporate long term inflation linked corporate bonds with the objective of reducing the asset-liability volatility. The target is 55% of the total assets. This LDI (Liability Driven Investments) strategy, when considered together with the Loans to Participants segment, aims to hedge the plan's liabilities against inflation risk and volatility. The target allocation for each investment segment or asset class in the following:

	December 31, 2011	December 31, 2010
Fixed income	57%	52%
Equity	24%	28%
Structured investments	6%	6%
International investments	1%	2%
Real estate	8%	7%
Loans to participants	4%	5%

The Investment Policy has the objective of achieving the adequate diversification, current income and long term capital growth through the combination of all asset classes described above to fulfill its obligations with the adequate level of risk. This plan has an average nominal return of 20 % p.a. in dollars terms in the last 11 years.

The Vale Mais Plan (the New Plan) has obligations with both characteristics of defined benefit and variable contribution, as mentioned. The most part of its investments is in fixed income. It also implemented a LDI (Liability Driven Investments) strategy to reduce asset-liability volatility of the defined benefits plan's component by using inflation linked bonds (like TIPS). The target allocation for this strategy is 55% of total assets of this sub-plan. The target allocation for each investment segment or asset class in the following:

	December 31, 2011	December 31, 2010
Fixed income	56%	59%
Equity	24%	24%

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Structured investments	3.5%	2%
International investments	0.5%	1%
Real estate	6%	4%
Loans to participants	10%	10%

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

The Investment Policy has the objective of achieving the adequate diversification, current income and long term capital growth through the combination of all asset classes described above to fulfill its obligations with the adequate level of risk. This plan has an average nominal return of 16 % p.a. in dollars terms in the last 11 years.

Table of Contents**- Fair value measurements by category - Overfunded Plans**

	Total	As of December 31, 2011			Total	As of December 31, 2010		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Asset by category</b>								
Cash and cash equivalents	2	2			6	6		
Accounts Receivable	15	15			81	81		
Equity securities - liquid	1,508	1,425	83		1,396	1,321	75	
Debt securities - Corporate bonds	560		560		420		420	
Debt securities - Government bonds	2,134	2,134			2,114	2,114		
Investment funds - Fixed Income	2,292	2,292			1,610	1,610		
Investment funds - Equity	539	539			513	513		
International investments	13	13			23	23		
Structured investments - Private Equity funds	194			194	128			128
Structured investments - Real estate funds	21			21	19			19
Real estate	482			482	288			288
Loans to Participants	345			345	182			182
<b>Total</b>	<b>8,105</b>	<b>6,420</b>	<b>643</b>	<b>1,042</b>	<b>6,780</b>	<b>5,668</b>	<b>495</b>	<b>617</b>
Funds not related to risk plans	(1,828)				(1,195)			
Fair value of plan assets at end of year	<b>6,277</b>				<b>5,585</b>			

**- Fair value measurements using significant unobservable inputs - Level 3 (Overfunded)**

	Private Equity Funds	As of December 31, 2011			Total	Private Equity Funds	As of December 31, 2010			Total
		Real State Funds	Real State	Loans to Participants			Real State Funds	Real State	Loans to Participants	
<b>Beginning of the year</b>	<b>128</b>	<b>19</b>	<b>288</b>	<b>182</b>	<b>617</b>	<b>97</b>	<b>249</b>	<b>282</b>	<b>628</b>	
Actual return on plan assets	(8)		79	49	120	(3)	1	49	25	72
Initial recognized consolidation of Fosfertil	(1)		(22)	(117)	(140)	(3)	(1)	(24)	(75)	(103)

Assets sold during the period										
Assets purchases, sales and settlements	37		135	116	288	43		25	62	130
Cumulative translation adjustment	(16)	(2)	(35)	(36)	(89)	4	1	9	7	21
Transfers in and/or out of Level 3	54	4	37	151	246	(10)	18	(42)	(124)	(158)
<b>End of the year</b>	<b>194</b>	<b>21</b>	<b>482</b>	<b>345</b>	<b>1,042</b>	<b>128</b>	<b>19</b>	<b>288</b>	<b>182</b>	<b>617</b>

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

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

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

### Underfunded pension plans

#### Brazilian Obligation

The obligation has an exclusive allocation in fixed income. A LDI (Liability Driven Investments) was also used strategy for this plan. Most of the resources were invested in long term Brazilian government bonds (similar to TIPS) and inflation linked corporate bonds with the objective of minimizing asset-liability volatility and reduce inflation risk.

The Investment Policy Statement has the objective of achieving the adequate diversification, current income and long term capital growth to fulfill its obligations with the adequate level of risk. This obligation has an average nominal return of 16% p.a. in local currency in the last 6 years.

Table of Contents**Foreign plans**

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

**- Fair value measurements by category - Underfunded Pension Plans**

	Total	As of December 31, 2011			Total	As of December 31, 2010		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Asset by category</b>								
Cash and cash equivalents	41	17	24		52	22	30	
Accounts Receivable	11	11			20	20		
Equity securities	1,232	1,231	1		1,628	1,623	5	
Debt securities	259		259		175		175	
Debt securities - Government bonds	660	33	627		786	370	416	
Investment funds - Fixed Income	1,007	439	568		1,799	1,079	720	
Investment funds - Equity	450	74	376		437	91	346	
International investments	2		2		6	3	3	
Investment funds - Private Equity					216	216		
Structured investments - Private Equity funds					15			15
Structured investments - Real estate funds					1			1
Real estate					37			37
Loans to Participants					151			151
<b>Total</b>	<b>3,662</b>	<b>1,805</b>	<b>1,857</b>		<b>5,323</b>	<b>3,424</b>	<b>1,695</b>	<b>204</b>
Funds not related to risk plans					(678)			
Fair value of plan assets at end of year	<b>3,662</b>				<b>4,645</b>			

**- Fair value measurements using significant unobservable inputs - Level 3 (Underfunded)**

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	As of December 31, 2011					As of December 31, 2010				
	Private Equity Funds	Real State Funds	Real State	Loans to Participants	Total	Private Equity Funds	Real State Funds	Real State	Loans to Participants	Total
<b>Beginning of the year</b>	15	1	37	151	204					
Actual return on plan assets						(2)		4	20	22
Assets sold during the period						7		(2)	(57)	(52)
Assets purchases, sales and settlements								10	58	68
Cumulative translation adjustment								1	6	7
Transfers in and/or out of Level 3	(15)	(1)	(37)	(151)	(204)	10	1	24	124	159
<b>End of the year</b>						<b>15</b>	<b>1</b>	<b>37</b>	<b>151</b>	<b>204</b>

**Underfunded other benefits**

**- Fair value measurements by category Other Benefits**

Asset by category	As of December 31, 2011		As of December 31, 2010	
	Total	Level 1	Total	Level 1
Cash	1	1	13	13
<b>Total</b>	<b>1</b>	<b>1</b>	<b>13</b>	<b>13</b>

Table of Contents**k) Cash flows contributions**

Employer contributions expected for 2012 are US\$262.

**l) Estimated future benefit payments**

The benefit payments, which reflect future service, are expected to be made as follows:

	As of December 31, 2011		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
2012	282	403	89
2013	279	393	93
2014	279	387	96
2015	272	387	99
2016	269	383	101
2017 and thereafter	1,269	1,917	494

**m) Summary of participant data**

	As of December 31, 2011			As of December 31, 2010		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
<b>Active participants</b>						
Number	202	67,951	74,729	245	59,923	67,990
Average age - years	50.0	36	35.9	49.8	36	36.4
Average service - years	27.2	7	7.7	27.1	8	8.5
<b>Terminated vested participants</b>						
Number		5,815			4,876	
Average age - years		39			40	
<b>Retirees and beneficiaries</b>						
Number	18,380	18,189	32,633	18,496	18,078	32,765
Average age - years	66.3	71	63.7	65.6	71	62.5



**19 Long-term incentive compensation plan**

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

The shares purchased by each executive are unrestricted and may, at the participant's discretion, be sold at any time. However, the shares must be held for a three-year period and the executive must be continually employed by Vale during that period. The participant then becomes entitled to receive from Vale a cash payment equivalent to the total amount of shares held, based on the market rates. The total shares linked to the plan at December 31, 2011 and December 31, 2010, are 3,012,538 and 2,458,627, respectively.

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

We account for the compensation cost provided to our executives under this long-term incentive compensation plan, following the requirements for Accounting for Stock-Based Compensation. Liabilities are measured at each reporting date at fair value, based on market rates. Compensation costs incurred are recognized, over the defined three-year vesting period. At December 31, 2011, December 31, 2010 and December 31, 2009, we recognized a liability of US\$109, US\$120 and US\$72, respectively, through the Statement of Income.

Table of Contents**20 Commitments and contingencies**

a) In connection with the Girardin Act tax - advantaged lease financing arrangement sponsored by the French government, we provided guarantees to BNP Paribas for the benefit of the tax investors regarding certain payments due from VNC, associated with the Girardin Act lease financing. We also committed that assets associated with the Girardin Act lease financing would be substantially complete by December 31, 2011. In light of the delay in the start-up of the VNC processing facilities, we have proposed an extension to the previously agreed substantial completion date of December 31, 2011 to December 31, 2012. The French Government and tax investors have been briefed on this request and a formal request for extension has been submitted to them. We believe the likelihood of the guarantee being called upon to be remote.

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

In addition, in the course of our operations we have provided letters of credit and guarantees in the amount of \$465 million that are associated with items such as environment reclamation, asset retirement obligation commitments, insurance, electricity commitments, community service commitments and import and export duties.

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

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

	As of December 31,			
	2011	2011		2010
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Labor and social security claims	751	895	748	874
Civil claims	248	151	510	410
Tax - related actions	654	413	746	442

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Others	33	5	39	5
	<b>1,686</b>	<b>1,464</b>	<b>2,043</b>	<b>1,731</b>

Labor and social security related actions principally comprise of claims by Brazilian current and former employees for (i) payment of time spent travelling from their residences to the work-place, (ii) additional health and safety related payments and (iii) various other matters, often in connection with disputes about the amount of indemnities paid upon dismissal and the one-third extra holiday pay.

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

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

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

Contingencies settled during the three-month periods ended December 31, 2011, September 30, 2011 and December 31, 2010, totaled US\$643, US\$98 and US\$224, respectively. Provisions recognized in the three-month periods ended December

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31, 2011, September 30, 2011 and December 31, 2010, totaled US\$162, US\$134 and US\$41, respectively, classified as other operating expenses.

Contingencies settled during the year ended December 31, 2011, December 31, 2010 and December 31, 2009, totaled US\$658, US\$352 and US\$236, respectively. Provisions recognized in the year ended December 31, 2011, December 31, 2010 and December 31, 2009, totaled US\$526, US\$112 and US\$294, respectively, classified as other operating expenses.

In addition to the contingencies for which we have made provisions, we are defendants in claims where in our opinion, and based on the advice of our legal counsel, the likelihood of loss is reasonably possible but not probable, in the total amount of US\$22,449 at December 31, 2011, and for which no provision has been made (December 31, 2010 US\$4,787). The increase in the values of reasonably possible tax contingencies refers mainly to tax assessments against us for regarding the payment of Income Tax and Social Contribution calculated based on the equity method in foreign subsidiaries.

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

A total of 388,559,056 Debentures were issued at a par value of R\$ 0.01 (one cent), whose value will be restated in accordance with the variation in the General Market Price Index (IGP-M), as set forth in the Issue Deed. In December 31, 2011 the total amount of these debentures was US\$ 1,336 (US\$ 1,284 in December 31, 2010).

The debenture holders have the right to receive premiums, paid semiannually, equivalent to a percentage of net revenues from specific mine resources as set forth in the indenture. During 2011 we paid remuneration on these debentures of US\$ 14.

**d) Description of Leasing Arrangements**

Part of our railroad operations include leased facilities. The 30-year lease is renewable for a further 30 years and expires in August, 2026 and is classified as an operating lease. At the end of the lease term, we are required to return the concession and the leased assets. In most cases, management expects that in the normal course of business, leases will be renewed.

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The following is a schedule by year of future minimum rental payments required under the railroad operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2011.

2012	87
2013	87
2014	87
2015	87
2016 thereafter	955
<b>Total minimum payments required</b>	<b>1,303</b>

The total expenses of operating leases for the years ended December 31, 2011, 2010 and 2009 were US\$87, US\$90 and US\$80, respectively.

During 2008, we entered into operating lease agreements with our joint ventures Nibrasco, Itabrasco and Kobrasco, under which we leased four pellet plants. The lease terms are from 5 to 30 years.

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The following is a schedule by year of future minimum rental payments required under the pellet plants operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2011:

2012	66
2013	58
2014	23
2015	23
2016 thereafter	64
<b>Total minimum payments required</b>	<b>234</b>

The total expenses of operating leases for the years ended December 31, 2011, 2010 and 2009 was US\$66, US\$107 and US\$114, respectively.

**e) Asset retirement obligations**

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

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

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

	Three-month period ended (unaudited)			Year ended as of December 31,		
	December 31, 2011	September 30, 2011	December 31, 2010	2011	2010	2009
<b>Beginning of period</b>	<b>1,273</b>	<b>1,410</b>	<b>1,230</b>	<b>1,368</b>	<b>1,116</b>	<b>887</b>
Accretion expense	25	29	34	125	113	75
Liabilities settled in the current period	(16)	(11)	(33)	(57)	(45)	(46)
Revisions in estimated cash flows	495	(3)	110	420	125	(23)
Cumulative translation adjustment	(7)	(152)	27	(86)	59	223

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<b>End of period</b>	<b>1,770</b>	<b>1,273</b>	<b>1,368</b>	<b>1,770</b>	<b>1,368</b>	<b>1,116</b>
Current liabilities	73	54	75	73	75	89
Non-current liabilities	1,697	1,219	1,293	1,697	1,293	1,027
<b>Total</b>	<b>1,770</b>	<b>1,273</b>	<b>1,368</b>	<b>1,770</b>	<b>1,368</b>	<b>1,116</b>

**21 Other expenses**

The income statement line Other operating expenses totaled US\$2,810 for the year ended December 31, 2011, (US\$2,205 in 2010 and US\$1,522 in 2009). It includes pre operational expenses US\$439 (US\$360 in 2010 and US\$0 in 2009), loss of materials US\$49 (US\$108 in 2010 and US\$9 in 2009) and idle capacity and stoppage operations expenses US\$854 (US\$757 in 2010 and US\$880 in 2009).

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

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

**a) Measurements**

The pronouncements define fair value as the exchange price that would be received for an asset, or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the inherent risks in the inputs to the valuation technique.

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

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

**Level 2** - Quoted prices for identical or similar assets or liabilities on active markets, inputs other than quoted prices that are observable, either directly or indirectly, for the term of the asset or liability;

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

**b) Measurements on a recurring basis**



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

- **Available-for-sale securities**

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

- **Derivatives**

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

- **Debentures**

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

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

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	Carrying amount	December 31, 2011		
		Fair value	Level 1	Level 2
Available-for-sale securities	7	7	7	
Unrealized losses on derivatives	(81)	(81)		(81)
Debentures	(1,336)	(1,336)		(1,336)

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

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

The Company also has assets under certain conditions that are subject to measurement at fair value on a non-recurring basis. These assets include goodwill and assets acquired and liabilities assumed in business combinations. During the year ended December 31, 2011, we have not recognized any impairment for those items.

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**d) Financial Instruments**

**Long-term debt**

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

**Time deposits**

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

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

	Carrying amount	December 31, 2011		
		Fair value	Level 1	Level 2
Long-term debt (less interests) (*)	(22,700)	(24,312)	(18,181)	(6,131)
Perpetual Notes (**)	(80)	(80)		(80)

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

(\*) Less accrued charges of US\$333 and US\$343 as of December 31, 2011 and December 31, 2010, respectively.

(\*\*) Classified on LT Loans and related parties .



Table of Contents**23 Segment and geographical information**

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

Consolidated net income and principal assets are reconciled as follows:

**Results by segment**

	December 31, 2011					Three-month period ended (unaudited) September 30, 2011						
	Bulk Material	Base Metals	Fertilizers	Logistic	Others	Consolidated	Bulk Material	Base Metals	Fertilizers	Logistic	Others	Consolidated
<b>RESULTS</b>												
Gross revenues	10,984	2,361	856	420	134	14,755	12,763	2,287	1,037	503	151	16,744
Cost and expenses	(4,139)	(1,661)	(653)	(386)	(196)	(7,035)	(3,844)	(1,627)	(798)	(396)	(245)	(6,910)
Research and development	(219)	(141)	(38)	(33)	(98)	(529)	(188)	(100)	(32)	(37)	(83)	(440)
Depreciation, depletion and amortization	(536)	(486)	(83)	(61)	(2)	(1,168)	(439)	(379)	(129)	(64)	(7)	(1,018)
<b>Operating income</b>	<b>6,090</b>	<b>73</b>	<b>82</b>	<b>(60)</b>	<b>(162)</b>	<b>6,023</b>	<b>8,292</b>	<b>181</b>	<b>78</b>	<b>6</b>	<b>(184)</b>	<b>8,377</b>
Financial Result	(502)	58	1	(23)	(4)	(470)	(3,142)	(20)	(78)	(149)	(4)	(3,393)
Change in provision for losses on equity investments	250	(12)		24	(95)	167	248	118		32	(116)	282
Income taxes	(877)	(219)	(47)	(4)		(1,147)	(224)	(106)	(13)	(8)		(358)
Noncontrolling interests	50	50	(12)		11	99	52	(9)	(22)		3	203
<b>Net income attributable to the Company's stockholders</b>	<b>5,011</b>	<b>(50)</b>	<b>24</b>	<b>(63)</b>	<b>(250)</b>	<b>4,672</b>	<b>5,226</b>	<b>164</b>	<b>(35)</b>	<b>(119)</b>	<b>(301)</b>	<b>4,935</b>
Sales classified by geographic destination:												
Foreign market												
America, except United States												
United States	292	371			8	671	331	289	24		13	655
United States	42	299				341	46	403				444
Europe	1,774	729	45		19	2,567	2,552	553	48		14	3,116
Middle East/Africa/Oceania	493	43	1			537	452	34				481
Japan	1,709	292			2	2,003	1,658	277			2	1,932
China	4,287	308			20	4,615	5,612	271			44	5,927

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Asia, other than Japan and China	1,256	259	19			1,534	693	440				1,131
Brazil	1,131	60	791	420	85	2,487	1,419	20	965	503	78	2,987
	<b>10,984</b>	<b>2,361</b>	<b>856</b>	<b>420</b>	<b>134</b>	<b>14,755</b>	<b>12,763</b>	<b>2,287</b>	<b>1,037</b>	<b>503</b>	<b>151</b>	<b>16,744</b>

Table of Contents**Operating segment**

	Three-month period ended in December 31, 2011 (unaudited)									
	Revenue	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment	Additions to property, plant and equipment	Investments
<b>Bulk Material</b>										
Iron ore	8,483	(111)	8,372	(2,673)	5,699	(365)	5,334	32,944	2,959	112
Pellets	1,992	(56)	1,936	(854)	1,082	(72)	1,010	2,074	199	997
Manganese	31	(2)	29	(58)	(29)	(4)	(33)	81	135	
Ferrous alloys	115	(9)	106	(93)	13	(11)	2	252	6	
Coal	363		363	(502)	(139)	(84)	(223)	4,081	346	239
	<b>10,984</b>	<b>(178)</b>	<b>10,806</b>	<b>(4,180)</b>	<b>6,626</b>	<b>(536)</b>	<b>6,090</b>	<b>39,432</b>	<b>3,645</b>	<b>1,348</b>
<b>Base Metals</b>										
Nickel and other products (*)										
	2,032		2,032	(1,515)	517	(463)	54	29,097	979	11
Copper (**)										
	329	(5)	324	(282)	42	(23)	19	4,178	598	234
Aluminum products										
										3,371
	<b>2,361</b>	<b>(5)</b>	<b>2,356</b>	<b>(1,797)</b>	<b>559</b>	<b>(486)</b>	<b>73</b>	<b>33,275</b>	<b>1,577</b>	<b>3,616</b>
<b>Fertilizers</b>										
Potash	77	(4)	73	(83)	(10)	(12)	(22)	2,137	222	
Phosphates	566	(18)	548	(432)	116	(71)	45	6,430	2	
Nitrogen	199	(26)	173	(125)	48		48	896	10	
Others fertilizers products										
	14	(3)	11		11		11	364		
	<b>856</b>	<b>(51)</b>	<b>805</b>	<b>(640)</b>	<b>165</b>	<b>(83)</b>	<b>82</b>	<b>9,827</b>	<b>234</b>	
<b>Logistics</b>										
Railroads	300	(62)	238	(260)	(22)	(45)	(67)	1,307	57	551
Ports	120	(10)	110	(87)	23	(16)	7	576	210	
Ships										
								2,485	64	114
	<b>420</b>	<b>(72)</b>	<b>348</b>	<b>(347)</b>	<b>1</b>	<b>(61)</b>	<b>(60)</b>	<b>4,368</b>	<b>331</b>	<b>665</b>
<b>Others</b>										
	134	(22)	112	(272)	(160)	(2)	(162)	1,993	284	2,464
	<b>14,755</b>	<b>(328)</b>	<b>14,427</b>	<b>(7,236)</b>	<b>7,191</b>	<b>(1,168)</b>	<b>6,023</b>	<b>88,895</b>	<b>6,071</b>	<b>8,093</b>

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

(\*\*) Includes copper concentrate.

Table of Contents**Operating segment**

	Three-month period ended in September 30, 2011 (unaudited)									
	Revenue	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment	Additions to property, plant and equipment	Investments
<b>Bulk Material</b>										
Iron ore	10,136	(139)	9,997	(2,500)	7,497	(349)	7,148	30,800	2,014	104
Pellets	2,158	(76)	2,082	(789)	1,293	(57)	1,236	1,951	72	896
Manganese	45	(2)	43	(60)	(17)	(2)	(19)	58	1	
Ferroalloys	139	(12)	127	(107)	20	(16)	4	228	13	
Coal	285		285	(347)	(62)	(15)	(77)	3,727	189	290
	<b>12,763</b>	<b>(229)</b>	<b>12,534</b>	<b>(3,803)</b>	<b>8,731</b>	<b>(439)</b>	<b>8,292</b>	<b>36,764</b>	<b>2,289</b>	<b>1,290</b>
<b>Base Metals</b>										
Nickel and other products (*)										
	2,005		2,005	(1,482)	523	(360)	163	28,128	674	3
Copper (**)										
	282		282	(245)	37	(19)	18	3,759	110	132
Aluminum products										
										3,726
	<b>2,287</b>		<b>2,287</b>	<b>(1,727)</b>	<b>560</b>	<b>(379)</b>	<b>181</b>	<b>31,887</b>	<b>784</b>	<b>3,861</b>
<b>Fertilizers</b>										
Potash	80	(3)	77	(97)	(20)	(8)	(28)	1,864	10	
Phosphates	707	(27)	680	(516)	164	(77)	87	6,130	91	
Nitrogen	217	(29)	188	(154)	34	(44)	(10)	1,220	125	
Others fertilizers products										
	33	(4)	29		29		29	375		
	<b>1,037</b>	<b>(63)</b>	<b>974</b>	<b>(767)</b>	<b>207</b>	<b>(129)</b>	<b>78</b>	<b>9,589</b>	<b>226</b>	
<b>Logistics</b>										
Railroads	359	(61)	298	(270)	28	(52)	(24)	1,296	54	502
Ports	144	(15)	129	(87)	42	(12)	30	522	77	
Ships										
								1,519	81	119
	<b>503</b>	<b>(76)</b>	<b>427</b>	<b>(357)</b>	<b>70</b>	<b>(64)</b>	<b>6</b>	<b>3,337</b>	<b>212</b>	<b>621</b>
<b>Others</b>										
	151	(12)	139	(316)	(177)	(7)	(184)	2,696	200	2,065
	<b>16,741</b>	<b>(380)</b>	<b>16,361</b>	<b>(6,970)</b>	<b>9,391</b>	<b>(1,018)</b>	<b>8,373</b>	<b>84,273</b>	<b>3,711</b>	<b>7,837</b>

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

(\*\*) Includes copper concentrate.





Table of Contents**Operating segment**

	Three-month period ended in December 31, 2010 (unaudited)									
	Revenue	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment	Additions to property, plant and equipment	Investments
<b>Bulk Material</b>										
Iron ore	8,477	(101)	8,376	(2,275)	6,101	(360)	5,741	30,412	831	107
Pellets	1,927	(55)	1,872	(785)	1,087	(29)	1,058	1,445	87	1,058
Manganese	44	(2)	42	(33)	9	(4)	5	24	2	
Ferrous alloys	186	(14)	172	(81)	91	(7)	84	292	16	
Coal	241		241	(279)	(38)	(24)	(62)	3,020	289	223
	<b>10,875</b>	<b>(172)</b>	<b>10,703</b>	<b>(3,453)</b>	<b>7,250</b>	<b>(424)</b>	<b>6,826</b>	<b>35,193</b>	<b>1,225</b>	<b>1,388</b>
<b>Base Metals</b>										
Nickel and other products (*)	2,017		2,017	(1,346)	671	(454)	217	28,623	724	23
Copper (**)	311	(11)	300	(201)	99	(25)	74	3,579	(25)	90
Aluminum products	691	(4)	687	(598)	89	(1)	88	395	216	152
	<b>3,019</b>	<b>(15)</b>	<b>3,004</b>	<b>(2,145)</b>	<b>859</b>	<b>(480)</b>	<b>379</b>	<b>32,597</b>	<b>915</b>	<b>265</b>
<b>Fertilizers</b>										
Potash	73		73	(131)	(58)	(7)	(65)	474	348	
Phosphates	541	(12)	529	(443)	86	(79)	7	7,560	188	
Nitrogen	151	(19)	132	(115)	17	(42)	(25)	809	1	
Others fertilizers products	3	(1)	2		2		2	146	3	
	<b>768</b>	<b>(32)</b>	<b>736</b>	<b>(689)</b>	<b>47</b>	<b>(128)</b>	<b>(81)</b>	<b>8,989</b>	<b>540</b>	
<b>Logistics</b>										
Railroads	262	(39)	223	(190)	33	(37)	(4)	1,278	71	511
Ports	72	(8)	64	(71)	(7)	(7)	(14)	297	22	
Ships						3	3	747	747	135
	<b>334</b>	<b>(47)</b>	<b>287</b>	<b>(261)</b>	<b>26</b>	<b>(41)</b>	<b>(15)</b>	<b>2,322</b>	<b>840</b>	<b>646</b>
<b>Others</b>	211	(12)	199	(141)	58		58	3,995	1,222	2,198
	<b>15,207</b>	<b>(278)</b>	<b>14,929</b>	<b>(6,689)</b>	<b>8,240</b>	<b>(1,073)</b>	<b>7,167</b>	<b>83,096</b>	<b>4,742</b>	<b>4,497</b>

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

(\*\*) Includes copper concentrate.



Table of Contents**Results by segment**

	December 31, 2011						Year ended as of December 31, 2010					
	Bulk Material	Base Metals	Fertilizers	Logistic	Others	Consolidated	Bulk Material	Base Metals	Fertilizers	Logistic	Others	Consolidated
<b>RESULTS</b>												
Gross revenues	44,948	9,627	3,547	1,726	541	60,389	34,478	8,200	1,845	1,465	493	46,481
Cost and expenses	(14,466)	(6,350)	(2,753)	(1,467)	(958)	(25,994)	(11,589)	(5,916)	(1,669)	(1,120)	(354)	(20,648)
Research and development	(649)	(413)	(104)	(121)	(387)	(1,674)	(289)	(277)	(72)	(75)	(165)	(878)
Gain on sale of assets		1,513				1,513						
Depreciation, depletion and amortization	(1,847)	(1,572)	(458)	(229)	(16)	(4,122)	(1,536)	(1,359)	(200)	(146)	(19)	(3,266)
<b>Operating income</b>	<b>27,986</b>	<b>2,805</b>	<b>232</b>	<b>(91)</b>	<b>(820)</b>	<b>30,112</b>	<b>21,064</b>	<b>648</b>	<b>(96)</b>	<b>124</b>	<b>(45)</b>	<b>21,690</b>
Financial result	(2,966)	(1)	(55)	(207)	(84)	(3,313)	(332)	(80)	32	(43)	(958)	(1,386)
Discontinued operations, net of tax								(143)				(143)
Gain (loss) on sale of investments												
change in provision for losses on equity investments	1,095	101		125	(186)	1,135	1,013	(10)		94	(110)	987
Income taxes	(4,202)	(954)	(114)	(12)		(5,282)	(3,980)	240	(12)	20	27	(3,705)
Noncontrolling interests	105	88	(31)		71	233	5	(209)	19		(4)	(182)
<b>Net income attributable to the Company's stockholders</b>	<b>22,018</b>	<b>2,039</b>	<b>32</b>	<b>(185)</b>	<b>(1,019)</b>	<b>22,885</b>	<b>17,770</b>	<b>446</b>	<b>(57)</b>	<b>195</b>	<b>(1,090)</b>	<b>17,264</b>
Sales classified by geographic destination:												
Foreign market												
America, except United States	1,168	1,380	44		21	2,613	792	1,170	32	12	4	2,011
United States	98	1,571	1		2	1,672	73	740			15	826
Europe	8,766	2,456	153		62	11,437	6,797	2,067	4		44	8,911
Middle East/Africa/Oceania	1,743	150	1		1	1,895	1,562	217	11			1,790
Japan	5,987	1,243			8	7,238	3,859	1,371			10	5,248
China	18,237	1,235			99	19,571	14,432	923			24	15,379
Asia, other than Japan and China	3,619	1,394	35		1	5,049	2,710	1,445	8		9	4,171
Brazil	5,330	198	3,313	1,726	347	10,914	4,253	267	1,790	1,453	387	8,150
	<b>44,948</b>	<b>9,627</b>	<b>3,547</b>	<b>1,726</b>	<b>541</b>	<b>60,389</b>	<b>34,478</b>	<b>8,200</b>	<b>1,845</b>	<b>1,465</b>	<b>493</b>	<b>46,481</b>



Table of Contents**Results by segment**

	Year ended as of December 31, 2011									
	Revenue	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment	Additions to property, plant and equipment	Investment
<b>Bulk Material</b>										
Iron ore	35,008	(494)	34,514	(9,066)	25,448	(1,418)	24,030	32,944	7,409	11
Pellets	8,150	(266)	7,884	(3,261)	4,623	(196)	4,427	2,074	624	99
Manganese	171	(8)	163	(187)	(24)	(15)	(39)	81	137	
Ferrous alloys	561	(48)	513	(407)	106	(54)	52	252	40	
Coal	1,058		1,058	(1,378)	(320)	(164)	(484)	4,081	1,141	23
	<b>44,948</b>	<b>(816)</b>	<b>44,132</b>	<b>(14,299)</b>	<b>29,833</b>	<b>(1,847)</b>	<b>27,986</b>	<b>39,432</b>	<b>9,351</b>	<b>1,34</b>
<b>Base Metals</b>										
Nickel and other products (*)	8,118		8,118	(5,558)	2,560	(1,487)	1,073	29,097	2,637	1
Copper (**)	1,126	(23)	1,103	(873)	230	(84)	146	4,178	1,226	23
Aluminum products	383	(5)	378	(304)	74	(1)	73		16	3,37
	<b>9,627</b>	<b>(28)</b>	<b>9,599</b>	<b>(6,735)</b>	<b>2,864</b>	<b>(1,572)</b>	<b>1,292</b>	<b>33,275</b>	<b>3,879</b>	<b>3,61</b>
<b>Fertilizers</b>										
Potash	287	(14)	273	(315)	(42)	(45)	(87)	2,137	532	
Phosphates	2,395	(95)	2,300	(1,760)	540	(297)	243	6,430	316	
Nitrogen	782	(103)	679	(557)	122	(116)	6	896	180	
Others fertilizers products	83	(13)	70		70		70	364		
	<b>3,547</b>	<b>(225)</b>	<b>3,322</b>	<b>(2,632)</b>	<b>690</b>	<b>(458)</b>	<b>232</b>	<b>9,827</b>	<b>1,028</b>	
<b>Logistics</b>										
Railroads	1,265	(222)	1,043	(1,003)	40	(179)	(139)	1,307	213	55
Ports	461	(48)	413	(315)	98	(50)	48	576	347	
Ships								2,485	308	11
	<b>1,726</b>	<b>(270)</b>	<b>1,456</b>	<b>(1,318)</b>	<b>138</b>	<b>(229)</b>	<b>(91)</b>	<b>4,368</b>	<b>868</b>	<b>66</b>
<b>Others</b>	541	(60)	481	(1,285)	(804)	(16)	(820)	1,993	949	2,46
<b>Gain on sale of assets</b>				1,513	1,513		1,513			
	<b>60,389</b>	<b>(1,399)</b>	<b>58,990</b>	<b>(24,756)</b>	<b>34,234</b>	<b>(4,122)</b>	<b>30,112</b>	<b>88,895</b>	<b>16,075</b>	<b>8,09</b>

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

(\*\*) Includes copper concentrate.

Table of Contents**Results by segment**

	Year ended as of December 31, 2010									
	Revenue	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment	Additions to property, plant and equipment	Investment
<b>Bulk Material</b>										
Iron ore	26,384	(366)	26,018	(7,364)	18,654	(1,307)	17,347	30,412	4,015	10
Pellets	6,402	(266)	6,136	(2,515)	3,621	(110)	3,511	1,445	353	1,05
Manganese	258	(7)	251	(136)	115	(10)	105	24	2	
Ferrous alloys	664	(62)	602	(306)	296	(26)	270	292	26	
Coal	770		770	(856)	(86)	(83)	(169)	3,020	499	22
	<b>34,478</b>	<b>(701)</b>	<b>33,777</b>	<b>(11,177)</b>	<b>22,600</b>	<b>(1,536)</b>	<b>21,064</b>	<b>35,193</b>	<b>4,895</b>	<b>1,38</b>
<b>Base Metals</b>										
Nickel and other products (*)	4,712		4,712	(3,402)	1,310	(1,145)	165	28,623	1,880	2
Copper (**)	934	(29)	905	(621)	284	(87)	197	3,579	1,072	9
Aluminum products	2,554	(32)	2,522	(2,109)	413	(127)	286	395	342	15
	<b>8,200</b>	<b>(61)</b>	<b>8,139</b>	<b>(6,132)</b>	<b>2,007</b>	<b>(1,359)</b>	<b>648</b>	<b>32,597</b>	<b>3,294</b>	<b>26</b>
<b>Fertilizers</b>										
Potash	280	(11)	269	(269)		(29)	(29)	474	355	
Phosphates	1,211	(47)	1,164	(1,070)	94	(121)	(27)	7,560	438	
Nitrogen	337	(43)	294	(285)	9	(50)	(41)	809	47	
Others fertilizers products	17	(5)	12	(11)	1		1	146	3	
	<b>1,845</b>	<b>(106)</b>	<b>1,739</b>	<b>(1,635)</b>	<b>104</b>	<b>(200)</b>	<b>(96)</b>	<b>8,989</b>	<b>843</b>	
<b>Logistics</b>										
Railroads	1,107	(183)	924	(716)	208	(123)	85	1,278	160	51
Ports	353	(47)	306	(236)	70	(23)	47	297	36	
Ships	5		5	(13)	(8)		(8)	747	747	13
	<b>1,465</b>	<b>(230)</b>	<b>1,235</b>	<b>(965)</b>	<b>270</b>	<b>(146)</b>	<b>124</b>	<b>2,322</b>	<b>943</b>	<b>64</b>
<b>Others</b>	493	(90)	403	(429)	(26)	(19)	(45)	3,995	2,672	2,19
	<b>46,481</b>	<b>(1,188)</b>	<b>45,293</b>	<b>(20,338)</b>	<b>24,955</b>	<b>(3,260)</b>	<b>21,695</b>	<b>83,096</b>	<b>12,647</b>	<b>4,49</b>

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

(\*\*) Includes copper concentrate.





Table of Contents**Results by segment**

	Year ended as of December 31, 2009										
	Revenue	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment	Additions to property, plant and equipment	Investment	
<b>Bulk Material</b>											
Iron ore	12,831	(172)	12,659	(4,956)	7,703	(1,044)	6,659	21,736	3,361	10	
Pellets	1,352	(92)	1,260	(1,165)	95	(76)	19	947	84	1,05	
Manganese	145	(2)	143	(103)	40	(9)	31	25	4		
Ferrous alloys	372	(45)	327	(278)	49	(15)	34	261	112		
Coal	505		505	(549)	(44)	(61)	(105)	1,723	362	24	
	<b>15,205</b>	<b>(311)</b>	<b>14,894</b>	<b>(7,051)</b>	<b>7,843</b>	<b>(1,205)</b>	<b>6,638</b>	<b>24,692</b>	<b>3,923</b>	<b>1,40</b>	
<b>Base Metals</b>											
Nickel and other products (*)	3,947		3,947	(3,292)	655	(1,016)	(361)	23,967	1,464	3	
Copper (**)	682	(19)	663	(470)	193	(71)	122	4,127	558	8	
Aluminum products	2,050	(37)	2,013	(1,969)	44	(235)	(191)	4,663	143	14	
	<b>6,679</b>	<b>(56)</b>	<b>6,623</b>	<b>(5,731)</b>	<b>892</b>	<b>(1,322)</b>	<b>(430)</b>	<b>32,757</b>	<b>2,165</b>	<b>25</b>	
<b>Fertilizers</b>											
Potash	413	(17)	396	(187)	209	(29)	180	159			
	<b>413</b>	<b>(17)</b>	<b>396</b>	<b>(187)</b>	<b>209</b>	<b>(29)</b>	<b>180</b>	<b>159</b>			
<b>Logistics</b>											
Railroads	838	(137)	701	(524)	177	(97)	80	1,045	96	46	
Ports	264	(38)	226	(161)	65	(29)	36	1,441	106		
Ships	2		2	(9)	(7)		(7)	1,104	738	12	
	<b>1,104</b>	<b>(175)</b>	<b>929</b>	<b>(694)</b>	<b>235</b>	<b>(126)</b>	<b>109</b>	<b>3,590</b>	<b>940</b>	<b>59</b>	
<b>Others</b>	538	(69)	469	(869)	(400)	(40)	(440)	6,439	1,068	2,33	
	<b>23,939</b>	<b>(628)</b>	<b>23,311</b>	<b>(14,532)</b>	<b>8,779</b>	<b>(2,722)</b>	<b>6,057</b>	<b>67,637</b>	<b>8,096</b>	<b>4,58</b>	

Table of Contents**24 Related party transactions**

Balances from transactions with major related parties are as follows:

	December 31, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
<b>Affiliated Companies and Joint Ventures</b>				
Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS	177	162	264	300
Companhia Ítalo-Brasileira de Pelotização - ITABRASCO				10
Companhia Nipo-Brasileira de Pelotização - NIBRASCO	1	13		23
Companhia Coreano-Brasileira de Pelotização - KOBRASCO		5		4
Baovale Mineração SA	8	20	3	30
Minas da Serra Geral SA - MSG		9		9
MRS Logística SA	50	20	1	15
Mineração Rio Norte SA				25
Norsk Hydro ASA	489	80	2	
Samarco Mineração SA	47		61	
Mitsui & CO, LTD		37		61
Others	107	49	229	84
	<b>879</b>	<b>395</b>	<b>560</b>	<b>561</b>
<b>Current</b>	<b>370</b>	<b>304</b>	<b>531</b>	<b>559</b>
<b>Long-term</b>	<b>509</b>	<b>91</b>	<b>29</b>	<b>2</b>
<b>Total</b>	<b>879</b>	<b>395</b>	<b>560</b>	<b>561</b>

These balances are included in the following balance sheet classifications:

	December 31, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
<b>Current assets</b>				
Accounts receivable	288		435	
Loans and advances to related parties	82		96	
<b>Non-current assets</b>				
Loans and advances to related parties	509		29	
<b>Current liabilities</b>				
Suppliers		280		538
Loans from related parties		24		21
<b>Non-current liabilities</b>				
Long-term debt		91		2

879	395	560	561
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Income and expenses from the principal transactions and financial operations carried out with major related parties are as follows:

	December 31, 2011		December 31, 2010		December 31, 2009	
	Income	Expense	Income	Expense	Income	Expense
<b>Affiliated Companies and Joint Ventures</b>						
Companhia Nipo-Brasileira de Pelotização - NIBRASCO		151		149	29	47
Samarco Mineração SA	511		448		97	
Companhia Ítalo-Brasileira de Pelotização - ITABRASCO		150		50		18
Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS	729	521	462	513	85	75
Companhia Coreano-Brasileira de Pelotização - KOBRASCO		98		117		29
Usinas Siderúrgicas de Minas Gerais SA - USIMINAS (*)					46	
Mineração Rio Norte SA				156		210
MRS Logística SA	16	759	16	561	12	484
Others	103	53	17	18	19	29
	<b>1,359</b>	<b>1,732</b>	<b>943</b>	<b>1,564</b>	<b>288</b>	<b>892</b>

(\*) Sold in April 2009.

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These amounts are included in the following statement of income line items:

	December 31, 2011		December 31, 2010		December 31, 2009	
	Income	Expense	Income	Expense	Income	Expense
Sales / Cost of iron ore and pellets	1,337	952	910	785	233	193
Revenues / expense from logistic services	16	759	23	603	26	457
Sales / Cost of aluminum products		18		156		210
Financial income/expenses	6	3	10	20	29	32
	<b>1,359</b>	<b>1,732</b>	<b>943</b>	<b>1,564</b>	<b>288</b>	<b>892</b>

Additionally we have loans payable to Banco Nacional de Desenvolvimento Social and BNDES Participações S.A in the amounts of US\$ 2,954 and US\$ 902 respectively, accruing interest at market rates, which fall due through 2029. These operations generated interest expenses of US\$ 138 and US\$ 57. We also maintain cash equivalent balances with Banco Bradesco S.A. in the amount of US\$ 16 in December 31, 2011. The effect of these operations in results was US\$ 73.

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**25 Derivative financial instruments**

**Risk management policy**

Vale considers that the effective management of risk is a key objective to support its growth strategy, strategic planning and financial flexibility. Therefore Vale has developed its risk management strategy in order to provide an integrated approach of the risks the Company is exposed to. To do that, Vale evaluates not only the impact of market risk factors in the business results (market risk), but also the risk arising from third party obligations with Vale (credit risk), those inherent to inadequate or failed internal processes, people, systems or external events (operational risk), those arising from liquidity risk, among others.

The Board of Directors established the corporate risk management policy in order to support the growth strategy, strategic planning and business continuity of the Company, strengthening its capital structure and asset management, ensure flexibility and consistency on the financial management and strengthen corporate governance practices.

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

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

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

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

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The Company may, when necessary, allocate specific risk limits to management activities that need them, including but not limited to, market risk limit and corporate and sovereign credit limit, in accordance with the acceptable corporate risk limit.

### **Market Risk Management**

Vale is exposed to the behavior of various market risk factors that can impact its cash flow. The assessment of this potential impact arising from the volatility of risk factors and their correlations is performed periodically to support the decision making process and the growth strategy of the Company, ensure its financial flexibility and monitor the volatility of future cash flows.

When necessary, market risk mitigation strategies are evaluated and implemented in line with these objectives. Some of these strategies may incorporate financial instruments, including derivatives. The portfolios of the financial instruments are monitored on a monthly basis, enabling surveillance of financial results and then impact on cash flow, and ensuring adherence to the objectives of the strategies proposed.

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

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

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

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

Derivative instruments may be used to reduce Vale's potential cash flow volatility arising from its currency mismatch.

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For hedges of revenue, costs, expenses and investment cash flows, the main risk mitigation strategies used are currency forward transactions and swaps.

The swap transactions used to convert debt linked to Brazilian Real into US dollar have similar - or sometimes shorter - settlement dates than the final maturity of the debt instruments. Their notional amounts are similar to the principal and interest payments, subject to liquidity market conditions.

The swaps with shorter settlement dates are renegotiated through time so that their final maturity matches - or becomes closer - to the debts' final maturity. At each settlement date, the results of the swap transactions partially offset the impact of the foreign exchange rate in Vale's obligations, contributing to stabilize the cash disbursements in US dollar.

In the event of an appreciation (depreciation) of the Brazilian Real against the US dollar, the negative (positive) impact on Brazilian Real denominated debt obligations (interest and/or principal payment) measured in US dollars will be partially offset by a positive (negative) effect from a swap transaction, regardless of the US dollar / Brazilian Real exchange rate in the payment date. The same rationale applies to debt denominated in other currencies and their respective swaps.

Vale is also exposed to interest rate risks on loans and financings. Its floating rate debt consists mainly of loans including export pre-payments, commercial banks and multilateral organizations loans. In general, the US dollar floating rate debt is subject to changes in the LIBOR (London Interbank Offer Rate in US dollar). To mitigate the impact of the interest rate volatility on its cash flows, Vale considers the natural hedges resulting from the correlation of commodities prices and US dollar floating rates. If such natural hedges are not present, Vale may search for the same effect by using financial instruments.

**Product price and Input Cost risk**

Vale is also exposed to several market risks associated with commodities price volatilities. In line with the risk management policy, risk mitigation strategies involving commodities can also be used to adjust its risk profile and reduce the volatility of cash flow. In these cases, the mitigation strategies used are primarily forward transactions, futures contracts or zero-cost collars.

**Embedded derivatives**



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The cash flow of the Company is also exposed to various market risks associated with contracts that contain embedded derivatives or behave as derivatives. The derivatives may be embedded in, but are not limited to, commercial contracts, purchase agreements, leases, bonds, insurance policies and loans.

Vale's wholly-owned subsidiary Vale Canada Ltd has nickel concentrate and raw materials purchase agreements, in which there are provisions based on the movement of nickel and copper prices. These provisions are considered embedded derivatives.

Table of Contents**Hedge Accounting**

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

At December 31, 2011, Vale has outstanding positions designated as cash flow hedge. A cash flow hedge is a hedge of the exposure to variability in expected future cash flows that is attributable to a particular risk, such as a forecasted purchase or sale. If a derivative is designated as cash flow hedge, the effective portion of the changes in the fair value of the derivative is recorded in other comprehensive income and recognized in earnings when the hedged item affects earnings. However, the ineffective portion of changes in the fair value of the derivatives designated as hedges is recognized in earnings. If a portion of a derivative contract is excluded for purposes of effectiveness testing, the value of such excluded portion is included in earnings.

The assets and liabilities balances of derivatives measured at fair value and the effects of their recognition are shown in the following tables:

	Assets				Liabilities			
	December 31, 2011		December 31, 2010		December 31, 2011		December 31, 2010	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
<b><u>Derivatives not designated as hedge</u></b>								
<b><u>Foreign exchange and interest rate risk</u></b>								
CDI & TJLP vs. USD fixed and floating rate swap	410	60		300	49	590		
EURO floating rate vs. USD floating rate swap				1				
USD floating rate vs. fixed USD rate swap							4	
EuroBond Swap					4	32		8
Pre Dollar Swap	19				1	41		
AUD floating rate vs. fixed USD rate				2				

swap								
Treasury future					5			
	<b>429</b>	<b>60</b>	<b>3</b>	<b>301</b>	<b>58</b>	<b>663</b>	<b>4</b>	<b>8</b>
<b>Commodities price risk</b>								
Nickel								
Fixed price program	1		13		1		12	
Purchase program							15	
Bunker Oil Hedge	4		16					
Coal							2	
Maritime Freight Hiring Protection Program								2
	<b>5</b>		<b>29</b>		<b>1</b>		<b>31</b>	
<b>Embedded derivatives:</b>								
<b>Derivatives designated as hedge</b>								
Strategic Nickel	161				14			53
Foreign exchange cash flow hedge			20					
	<b>161</b>		<b>20</b>		<b>14</b>			<b>53</b>
<b>Total</b>	<b>595</b>	<b>60</b>	<b>52</b>	<b>301</b>	<b>73</b>	<b>663</b>	<b>35</b>	<b>61</b>

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	Amount of gain or (loss) recognized as financial income (expense)						Financial settlement (Inflows)/ Outflows						Amount of gain or (loss) recognized as financial income (expense)
	Three-month period ended (unaudited) year ended as of December 31,						Three-month period ended (unaudited) year ended as of December 31,						
	December 31, 2011	September 30, 2011	December 31, 2010	2011	2010	2009	December 31, 2011	September 30, 2011	December 31, 2010	2011	2010	2009	
<b><u>Derivatives</u></b>													
<b><u>not designated as hedge</u></b>													
<b><u>Foreign exchange and interest rate risk</u></b>													
CDI & TJLP vs. USD fixed and floating rate swap	29	(685)	259	(92)	451	1,598	(114)	(63)	(819)	(337)	(956)	(243)	
EURO floating rate vs. USD floating rate swap					(1)				1		1	(1)	
USD floating rate vs. fixed USD rate swap					(2)	(2)	1	1	(2)	4	3	8	
EuroBond Swap	(24)	(59)	1	(30)	(5)		1			1	(1)		
Pre Dollar Swap	(9)	(22)		(23)	4		(1)			(1)	(2)		
Swap USD fixed rate vs. CDI	(48)	164		69			(99)	31		(68)			
South African Rand Forward		(10)		(8)			8			8			
AUD floating rate vs. fixed USD rate swap					1	3	14		(1)	(2)	(9)	(5)	
Treasury Future Swap	(12)			(12)			6			6			
Convertibles						37					(37)		
	(64)	(612)	261	(96)	487	1,610	(207)	(22)	(821)	(389)	(1,001)	(241)	
<b><u>Commodities</u></b>													
<b><u>price risk</u></b>													
Nickel													
Fixed price program	6	8		39	4	5	(16)	(5)		(41)	(7)	79	
Strategic program				(2)	15	(87)	(95)		39		105	73	

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Copper		1		1														
Aluminum										7	16							
Bunker Oil																		
Hedge	2	1	13	37	4	50	(12)	(13)	(7)	(48)	(34)	(16)						
Coal			(2)	(4)					2	2	3							
Maritime																		
Freight																		
Hiring																		
Protection																		
Program			5	(5)	66				(11)	2	(24)	(37)						
Natural gas					(4)							6						
	<b>8</b>	<b>10</b>	<b>14</b>	<b>92</b>	<b>(88)</b>	<b>22</b>	<b>(28)</b>	<b>(18)</b>	<b>23</b>	<b>(78)</b>	<b>59</b>	<b>105</b>						
<b><u>Embedded derivatives:</u></b>																		
For nickel																		
concentrate																		
costumer																		
sales						(25)						(14)						
Customer raw																		
material																		
contracts						(76)												
Energy -																		
Aluminum																		
options			(7)	(7)	(51)													
			(7)	(7)	(51)	(101)						(14)						
<b><u>Derivatives designated as hedge</u></b>																		
Bunker Oil																		
Hedge						(16)			18	47	4							
Aluminum						13												
Strategic																		
Nickel	84	15	1	49	(1)		(83)	(15)	(48)			(115)						
Foreign																		
exchange																		
cash flow																		
hedge	18	19	204	37	284		(18)	(19)	(225)	(50)	(330)							
	<b>102</b>	<b>34</b>	<b>205</b>	<b>86</b>	<b>283</b>	<b>(3)</b>	<b>(101)</b>	<b>(34)</b>	<b>(207)</b>	<b>(98)</b>	<b>(283)</b>	<b>4</b>	<b>(140)</b>					
<b>Total</b>	<b>46</b>	<b>(568)</b>	<b>473</b>	<b>75</b>	<b>631</b>	<b>1,528</b>	<b>(336)</b>	<b>(74)</b>	<b>(1,005)</b>	<b>(565)</b>	<b>(1,225)</b>	<b>(146)</b>	<b>(140)</b>					

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

Final maturity dates for the above instruments are as follows:

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

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**Vice-President**

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João Moisés de Oliveira

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Raimundo Nonato Alves Amorim

Sandro Kohler Marcondes

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**Governance and Sustainability Committee**

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Ricardo Simonsen

**Fiscal Council**

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Arnaldo José Vollet

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**President & CEO**

Vânia Lucia Chaves Somavilla

**Executive Director HR, Health & Safety, Sustainability and Energy**

Tito Botelho Martins

**Chief Financial Officer**

Eduardo de Salles Bartolomeo

**Executive Director, Fertilizers and Coal**

José Carlos Martins

**Executive Director, Ferrous and Strategy**

Galib Abrahão Chaim

**Executive Director, Capital Projects Implementation**

Humberto Ramos de Freitas

**Executive Director, Logistics and Mineral Research**

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

**Finance Committee**

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Eduardo de Oliveira Rodrigues Filho  
Luciana Freitas Rodrigues  
Luiz Maurício Leuzinger

Gerd Peter Poppinga  
**Executive Director, Base Metals and IT**

Marcus Vinicius Dias Severini  
**Chief Officer of Accounting and Control Department**

Vera Lucia de Almeida Pereira Elias  
**Chief Accountant**  
**CRC-RJ - 043059/O-8**



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**Signatures**

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

Vale S.A.  
(Registrant)

Date: February 15, 2012

By:

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

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