FUTURE PLANS AND PROSPECTS

On 28 October 2010, we announced that the Board of Directors had approved the investment budget for 2011, including capital expenditures of US$24,000 million dedicated to sustaining existing operations, research and development and project execution.(1)

The capital expenditure budget for 2011 represents an increase of 125.1% over the US$10,662 million invested in the last twelve-month period ended on 30 September 2010. Our investment plan reinforces the focus on organic growth as a priority: 81.3% of the budget is allocated to finance research and development and greenfield and brownfield projects against an average of 74.4% over the last five years.

During 2011 we will invest in the development of a large number of major projects, fifteen of which have already been approved by the Board of Directors. The approved projects include Carajás Additional 30 Mtpy, Conceição Itabiritos, Vargem Grande Itabiritos, Oman, Tubarão VIII, CLN 150, Salobo, Salobo II, Konkola North, Long Harbour, Totten, Moatize, Biofuels, Estreito and Karebbe. We will continue to make sizeable investments in our railroads, maritime terminals, shipping fleet and power generation facilities.

18 large projects are coming on stream between 2010 and 2012, generating cash flow from the US$26,000 million of capital invested over time in their development. The completion of these projects will enhance our capacity to finance our plans for future growth and provide the foundation for building new business platforms through the development of low capital expenditure brownfield projects.

Investment budget data

	Investment budget (US$ million)	
By category	**2011**	**%**
Organic growth	19,521	81.3
Projects	17,535	73.0
Research and development	1,986	8.3
Support of existing operations	4,479	18.7
Total	**24,000**	**100.0**

	Investment budget (US$ million)	
By business area	**2011**	**%**
Bulk materials	10,110	42.1
Ferrous minerals	8,522	35.5
Coal	1,588	6.6
Base metals	4,310	18.0
Fertilizers	2,505	10.4
Logistics	5,014	20.9
Power generation	794	3.3
Steel	677	2.8
Others	590	2.5
Total	**24,000**	**100.0**

(1) The total capital expenditures announced in the investment budget for 2011 cannot be broken down in their entirety by project in this Listing Document on the basis it also includes expenditure dedicated to sustaining existing operations and research and development.

REASONS FOR THE INTRODUCTION

The purpose of our seeking the Introduction is to:

- demonstrate the Group's commitment to, and focus on, Asia;
- raise the Group's profile with Asian customers and investors;
- offer the prospect of further liquidity for investment in our Company and to increase our investor base; and
- offer investors the prospect of trading in our Company in the Asian as well as the European and North American time zones, consolidating our position as a major global company.

The following is the text of the consolidated financial statements of our Group for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 prepared in accordance with US GAAP. The consolidated financial statements of our Group for the three years ended 31 December 2007, 2008 and 2009 have been audited by PricewaterhouseCoopers Auditores Independentes in accordance with the standards of the Public Company Accounting Oversight Board (United States). The consolidated financial statements of our Group for the six months ended 30 June 2010 have been audited by PricewaterhouseCoopers Auditores Independentes in accordance with International Standards on Auditing and the condensed consolidated financial information of our Group for the six months ended 30 June 2009 have been reviewed by PricewaterhouseCoopers Auditores Independentes in accordance with the standards of the Public Company Accounting Oversight Board (United States).

I. CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2010

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Nr.
INDEPENDENT AUDITORS' REPORT	I-2
CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2010 AND DECEMBER 31, 2009	I-3
CONSOLIDATED STATEMENTS OF INCOME FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009	I-5
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009	I-6
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009	I-8
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (DEFICIT) FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009	I-10
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	I-11

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Vale S.A. and subsidiaries (the "Company"), which comprise of the consolidated balance sheet as at June 30, 2010, and the consolidated statements of income, of comprehensive income, of cash flows and of changes in stockholders' equity for the six months period then ended and a summary of significant accounting policies and other explanatory notes.

Other matters

The consolidated financial statements of Vale S.A. and subsidiaries as of June 30, 2009, were not audited by us but were subject to review. A review engagement is substantially less in scope than an audit. We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our review report dated July 29, 2009, expressed an unqualified conclusion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the interim financial statements present fairly, in all material respects, the financial position of Vale S.A. and subsidiaries as of June 30, 2010, and of its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers
Auditores Independentes

Rio de Janeiro, Brazil
December 2, 2010

CONSOLIDATED BALANCE SHEETS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	June 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	6,235	7,293
Short-term investments	—	3,747
Accounts receivable		
Related parties	89	79
Unrelated parties	5,741	3,041
Loans and advances to related parties	14	107
Inventories	3,806	3,196
Deferred income tax	533	852
Unrealized gains on derivative instruments	21	105
Advances to suppliers	328	498
Recoverable taxes	1,303	1,511
Assets held for sale	6,124	—
Others	845	865
	25,039	**21,294**
Non-current assets		
Property, plant and equipment, net	**72,616**	**67,637**
Intangible assets	**1,133**	**1,173**
Investments in affiliated companies, joint ventures and others	**4,444**	**4,585**
Other assets		
Goodwill on acquisition of subsidiaries	3,017	2,313
Loans and advances		
Related parties	11	36
Unrelated parties	134	158
Prepaid pension cost	1,464	1,335
Prepaid expenses	230	235
Judicial deposits	1,410	1,143
Advances to suppliers — energy	—	511
Recoverable taxes	474	817
Unrealized gains on derivative instruments	638	865
Others	193	177
	7,571	**7,590**
TOTAL	**110,803**	**102,279**

CONSOLIDATED BALANCE SHEETS — (CONTINUED)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT NUMBER OF SHARES)

	June 30, 2010	December 31, 2009
Liabilities and stockholders' equity		
Current liabilities		
Suppliers	2,950	2,309
Payroll and related charges	708	864
Current portion of long-term debt	3,958	2,933
Short-term debt	88	30
Loans from related parties	25	19
Provision for income taxes	144	173
Taxes payable and royalties	124	124
Employees postretirement benefits	198	144
Railway sub-concession agreement payable	300	285
Unrealized losses on derivative instruments	48	129
Provisions for asset retirement obligations	80	89
Minimum mandatory dividends payable	421	1,464
Liabilities associated with assets held for sale	2,532	—
Other	637	618
	12,213	**9,181**
Non-current liabilities		
Employees postretirement benefits	2,032	1,970
Long-term debt	19,125	19,898
Provisions for contingencies (Note 21 (b))	1,967	1,763
Unrealized losses on derivative instruments	148	9
Deferred income tax	7,180	5,755
Provisions for asset retirement obligations	1,082	1,027
Debentures	782	752
Other	1,854	1,427
	34,170	**32,601**
Redeemable noncontrolling interest	**724**	**731**
Commitments and contingencies (Note 21)		
Stockholders' equity		
Preferred class A stock — 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2009 — 2,108,579,618) issued	10,370	9,727
Common stock — 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2009 — 3,256,724,482) issued	16,016	15,262
Treasury stock — 51,451,871 (2009 — 77,581,904) preferred and 25,692,694 (2009 — 74,997,899) common shares	(660)	(1,150)
Additional paid-in capital	1,790	411
Mandatorily convertible notes — common shares	290	1,578
Mandatorily convertible notes — preferred shares	644	1,225
Other cumulative comprehensive loss	(3,559)	(1,808)
Undistributed retained earnings	26,086	28,508
Unappropriated retained earnings	9,234	3,182
Total Company stockholders' equity	**60,211**	**56,935**
Noncontrolling interests	**3,485**	**2,831**
Total stockholders' equity	**63,696**	**59,766**
TOTAL	**110,803**	**102,279**

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

CONSOLIDATED STATEMENTS OF INCOME
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT PER SHARE AMOUNTS)

	Six-month period ended	
	June 30, 2010	June 30, 2009 (unaudited)
Operating revenues, net of discounts, returns and allowances		
Sales of ores and metals	14,095	8,539
Aluminum products	1,254	910
Revenues from logistic services	723	480
Fertilizer products	275	186
Other products and services	431	390
	16,778	**10,505**
Taxes on revenues	(516)	(233)
Net operating revenues	**16,262**	**10,272**
Operating costs and expenses		
Cost of ores and metals sold	(5,565)	(4,400)
Cost of aluminum products	(1,052)	(981)
Cost of logistic services	(492)	(343)
Cost of fertilizer products	(213)	(64)
Other	(339)	(247)
	(7,661)	**(6,035)**
Selling, general and administrative expenses	(636)	(463)
Research and development expenses	(361)	(454)
Other	(912)	(659)
	(9,570)	**(7,611)**
Operating income	**6,692**	**2,661**
Non-operating income (expenses)		
Financial income	117	218
Financial expenses	(979)	(580)
Gains (losses) on derivatives, net	(342)	891
Foreign exchange and indexation gains (losses), net(1)	36	539
Gain on sale of investments(2)	—	157
	(1,168)	**1,225**
Income before discontinued operations, income taxes and equity results	**5,524**	**3,886**
Income taxes		
Current	(858)	(1,971)
Deferred	436	41
	(422)	**(1,930)**
Equity in results of affiliates, joint ventures and other investments	379	207
Net income from continuing operations	**5,481**	**2,163**
Discontinued operations, net of tax	**(151)**	**—**
Net income	**5,330**	**2,163**
Net income attributable to noncontrolling interests	21	10
Net income attributable to the Company's stockholders	**5,309**	**2,153**
Basic and diluted earnings per share attributable to Company's stockholders		
Earnings per preferred share	0.99	0.39
Earnings per common share	0.99	0.39
Earnings per preferred share linked to mandatorily convertible notes(*)	1.79	1.16
Earnings per common share linked to mandatorily convertible notes(*)	3.48	1.25

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

(1) The aggregate foreign currency transaction gain or loss (both realised and unrealised) included in determining net income for the reporting period.

(2) The net realised gain or loss on investments sold during the period, which, for cash flow reporting, is a component of proceeds from investing activities.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	Six-month period ended	
	June 30, 2010	June 30, 2009 (unaudited)
Cash flows from operating activities:		
Net income	5,330	2,163
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion and amortization	1,491	1,202
Dividends received	249	143
Equity in results of affiliates, joint ventures and other investments	(379)	(207)
Deferred income taxes	(436)	(41)
Loss on disposal of property, plant and equipment	146	87
Loss on sale of investments	—	(157)
Discontinued operations, net of tax	151	—
Foreign exchange and indexation gains, net	(79)	(874)
Unrealized derivative losses (gains), net	466	(805)
Unrealized interest (income) expense, net	5	(51)
Others	101	(34)
Decrease (increase) in assets:		
Accounts receivable	(2,385)	662
Inventories	(388)	217
Recoverable taxes	(30)	1,171
Others	65	(85)
Increase (decrease) in liabilities:		
Suppliers	497	(330)
Payroll and related charges	(150)	(77)
Income taxes	311	(60)
Others	117	307
Net cash provided by operating activities	**5,082**	**3,231**
Cash flows from investing activities:		
Short term investments	3,747	(692)
Loans and advances receivable		
Related parties		
Loan proceeds	(28)	(61)
Repayments	1	7
Others	4	(10)
Judicial deposits	(163)	(53)
Investments	(51)	(429)
Additions to, property, plant and equipment	(4,053)	(3,696)
Proceeds from disposal of investments/property, plant and equipment	—	277
Acquisition of subsidiaries, net of cash acquired	(5,234)	(1,150)
Net cash used in investing activities	**(5,777)**	**(5,807)**

CONSOLIDATED STATEMENTS OF CASH FLOWS — (CONTINUED)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	Six-month period ended	
	June 30, 2010	June 30, 2009 (unaudited)
Cash flows from financing activities:		
Short-term debt, additions	1,857	454
Short-term debt, repayments	(1,855)	(416)
Loans		
Related parties		
Loan proceeds	15	—
Repayments	(3)	(223)
Issuances of long-term debt		
Third parties	1,528	481
Repayments of long-term debt		
Third parties	(383)	(162)
Treasury stock	—	(10)
Dividends and interest attributed to Company's stockholders	(1,250)	(1,255)
Dividends and interest attributed to noncontrolling interest	(59)	—
Net cash used in financing activities	**(150)**	**(1,131)**
Increase (decrease) in cash and cash equivalents	(845)	(3,707)
Effect of exchange rate changes on cash and cash equivalents	(213)	1,568
Cash and cash equivalents, beginning of period	7,293	10,331
Cash and cash equivalents, end of period	**6,235**	**8,192**
Cash paid during the period for:		
Interest on short-term debt	(1)	—
Interest on long-term debt	(541)	(588)
Income tax	(167)	(228)
Non-cash transactions		
Interest capitalized	102	115
Conversion of mandatorily convertible notes using 75,435,238 treasury stock (see note 18).		

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

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT NUMBER OF SHARES)**

	Six-month period ended	
	June 30, 2010	June 30, 2009 (unaudited)
Preferred class A stock (including twelve golden shares)		
Beginning of the period	9,727	9,727
Transfer from undistributed retained earnings	643	—
End of the period	**10,370**	**9,727**
Common stock		
Beginning of the period	15,262	15,262
Transfer from undistributed retained earnings	754	—
End of the period	**16,016**	**15,262**
Treasury stock		
Beginning of the period	(1,150)	(1,141)
Acquisitions	490	(10)
End of the period	**(660)**	**(1,151)**
Additional paid-in capital		
Beginning of the period	411	393
Change in the period	1,379	—
End of the period	**1,790**	**393**
Mandatorily convertible notes — common shares		
Beginning of the period	1,578	1,288
Change in the period	(1,288)	—
End of the period	**290**	**1,288**
Mandatorily convertible notes — preferred shares		
Beginning of the period	1,225	581
Change in the period	(581)	—
End of the period	**644**	**581**
Other cumulative comprehensive income (deficit)		
Cumulative translation adjustments		
Beginning of the period	(1,772)	(11,493)
Change in the period	(1,845)	5,108
End of the period	**(3,617)**	**(6,385)**
Unrealized gain (loss) — available-for-sale securities, net of tax		
Beginning of the period	—	17
Change in the period	—	32
End of the period	**—**	**49**
Surplus (deficit) accrued pension plan		
Beginning of the period	(38)	(34)
Change in the period	(26)	109
End of the period	**(64)**	**75**

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY — (CONTINUED)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT NUMBER OF SHARES)

	Six-month period ended	
	June 30, 2010	June 30, 2009 (unaudited)
Cash flow hedge		
Beginning of the period	2	—
Change in the period	120	1
End of the period	**122**	**1**
Total other cumulative comprehensive income (deficit)	**(3,559)**	**(6,260)**
Undistributed retained earnings		
Beginning of the period	28,508	18,340
Transfer from/to unappropriated retained earnings	(1,025)	3,590
Transfer to capitalized earnings	(1,397)	—
End of the period	**26,086**	**21,930**
Unappropriated retained earnings		
Beginning of the period	3,182	9,616
Net income attributable to the stockholders' Company	5,309	2,153
Interest on mandatorily convertible debt		
Preferred class A stock	(38)	(23)
Common stock	(46)	(49)
Dividends and interest attributed to stockholders' equity		
Preferred class A stock	(77)	—
Common stock	(121)	—
Appropriation from/to undistributed retained earnings	1,025	(3,590)
End of the period	**9,234**	**8,107**
Total Company stockholders' equity	**60,211**	**49,877**
Noncontrolling interests		
Beginning of the period	2,831	1,892
Disposals and (acquisitions) of noncontrolling interests	2,309	29
Cumulative translation adjustments	(22)	535
Cash flow hedge	35	—
Net income (loss) attributable to noncontrolling interests	21	10
Dividends and interest attributable to noncontrolling interests	(6)	(1)
Capitalization of stockholders advances	—	12
Assets and liabilities held for sale	(1,683)	—
End of the period	**3,485**	**2,477**
Total stockholders' equity	**63,696**	**52,354**
Number of shares:		
Preferred class A stock (including twelve golden shares)	2,108,579,618	2,108,590,250
Common stock	3,256,724,482	3,256,724,482
Buy-backs		
Beginning of the period	(152,579,803)	(151,792,203)
Acquisitions	—	(831,400)
Conversions	75,435,238	—
End of the period	**(77,144,565)**	**(152,623,603)**
	5,288,159,535	**5,212,691,129**

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

STATEMENTS OF COMPREHENSIVE INCOME (DEFICIT)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	Six-month period ended	
	June 30, 2010	June 30, 2009
		(unaudited)
Comprehensive income (deficit) is comprised as follows:		
Company's stockholders:		
Net income attributable to Company's stockholders	5,309	2,153
Cumulative translation adjustments	(1,845)	5,108
Unrealized gain (loss) — available-for-sale securities		
Gross balance as of the period/year end	4	22
Tax (expense) benefit	(4)	10
	—	**32**
Surplus (deficit) accrued pension plan		
Gross balance as of the period/year end	(91)	208
Tax (expense) benefit	65	(99)
	(26)	**109**
Cash flow hedge		
Gross balance as of the period/year end	154	1
Tax expense	(34)	—
	120	**1**
Total comprehensive income attributable to Company's stockholders	**3,558**	**7,403**
Noncontrolling interests:		
Net income attributable to noncontrolling interests	21	10
Cumulative translation adjustments	(22)	535
Cash flow hedge	35	—
Total comprehensive income attributable to Noncontrolling interests	**34**	**545**
Total comprehensive income	**3,592**	**7,948**

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

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", the "Company" or "we") is a limited liability company incorporated in Brazil. Operations are carried out through Vale and our subsidiary companies, joint ventures and affiliates, and consist of bulk material, base metals, fertilizers, logistics and other activities.

At June 30, 2010, our principal consolidated operating subsidiaries are the following:

Subsidiary	% ownership	% voting capital	Location	Principal activity
Alumina do Norte do Brasil S.A. — Alunorte(*)	57.03	59.02	Brazil	Alumina
Alumínio Brasileiro S.A. — Albras(*)	51.00	51.00	Brazil	Aluminum
CVRD Overseas Ltd	100.00	100.00	Cayman Islands	Trading
Ferrovia Centro-Atlântica S. A	99.99	99.99	Brazil	Logistic
Ferrovia Norte Sul S.A	100.00	100.00	Brazil	Logistic
Fertilizantes Fosfatados S.A – Fosfértil	58.60	72.60	Brazil	Fertilizers
Mineração Corumbaense Reunidas S.A.	100.00	100.00	Brazil	Iron ore
PT International Nickel Indonesia Tbk	59.09	59.09	Indonesia	Nickel
Vale Australia Pty Ltd.	100.00	100.00	Australia	Coal
Vale Colombia Ltd	100.00	100.00	Colombia	Coal
Vale Fosfatados S.A	100.00	100.00	Brazil	Fertilizers
Vale Inco Limited	100.00	100.00	Canada	Nickel
Vale International S.A	100.00	100.00	Switzerland	Trading
Vale Manganése Norway	100.00	100.00	Norway	Ferroalloys
Vale Manganês S.A.	100.00	100.00	Brazil	Manganese and Ferroalloys
Vale Manganèse France	100.00	100.00	France	Ferroalloys
Vale Nouvelle-Caledonie SAS	74.00	74.00	New Caledonia	Nickel

(*) assets held for sale

2 BASIS OF CONSOLIDATION

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are accounted for under the equity method (Note 14).

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

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

Our participation in hydroelectric projects is made via consortium contracts under which we have undivided interests in the assets and are liable for our proportionate share of liabilities and expenses, which are based on our proportionate share of power output. We do not have joint liability for any obligations. No separate legal or tax status is granted to consortia under Brazilian law. Accordingly, we recognize our proportionate share of costs and our undivided interest in assets relating to hydroelectric projects (Note 13).

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. In addition, the results of operations for the six-month period ended June 30, 2010, are not necessarily indicative of the actual results expected for the full fiscal year ending December 31, 2010.

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 ("Brazilian GAAP") which are the basis for our statutory financial statements.

Since December 2007, significant modifications have been made to Brazilian GAAP as part of a convergence project with International Financial Reporting Standards (IFRS). The convergence project is expected to be completed by the end of 2010 and therefore our annual consolidated financial statements for 2010 prepared under Brazilian GAAP will be IFRS compliant. The Company does not expect to discontinue US GAAP reporting during 2010.

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

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

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

The exchange rates used to translate the assets and liabilities of the Brazilian operations at June 30, 2010 and December 31, 2009, were R$1.8015 and R$1.7412, respectively.

The net transaction gain (loss) included in our statement of income ("Foreign exchange and indexation gains (losses), net") was US$3 and US$163 in the six-month period ended June 30, 2010 and 2009, respectively.

b) 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, with between 91 days and 360 days maturities are stated at fair value and presented as "Short-term investments".

c) Long-term

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

d) 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 for as processed when they are removed from the mine. The cost of finished goods comprises 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.

e) Removal of waste materials to access mineral deposits

Stripping costs (the costs associated with the removal of overburden and other waste materials) incurred during the development of a mine, before production commences, are capitalized as part of the depreciable cost of developing the property. Such costs are subsequently amortized over 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 the stripping cost are incurred.

f) 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.

g) Business combinations

We adopt business combinations to record acquisitions of interests in other companies. This "purchase method", requires that we reasonably determine the fair value of the identifiable tangible and intangible assets and liabilities 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 circumstance indicating that recognized goodwill may not be fully recovered are identified. We perform the annual goodwill impairment tests during the last quarter of the 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.

h) 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 risk inherent in our current business model.

i) 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.

j) Assets held for sale

We classified the assets held for sale in the noncurrent asset when its carrying amount is recoverable, mainly in case of a sale and when the realization of this sale is virtually certain. These are value at lower of book and fair value less costs to sell if the carrying value may be recoverable.

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 retirement obligations consist primarily of estimated closure costs, the initial measurement of which 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 over 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. Revenue from products sold in the domestic

market is recognized when delivery is made to the customer. Revenue from logistic services is recognized when the service order has been 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.

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".

As 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 18). 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

a) Newly issued accounting pronouncements

Accounting Standards Update (ASU) number 2010-20 Receivables (Topic 310) improves the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. We are currently studying the future impact of this statement.

Accounting Standards Update (ASU) number 2010-18 Receivables (Topic 310) clarifies that modifications of loans that are accounted for within a pool under Subtopic 310-30, which provides guidance on accounting for acquired loans that have evidence of credit deterioration upon acquisition, do not result in the removal of those loans from the pool even if the modification would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. The amendments do not affect the accounting for loans under the scope of Subtopic 310-30 that are not accounted for within pools. Loans accounted for individually under Subtopic 310-30 continue to be subject to the troubled debt restructuring accounting provisions within Subtopic 310-40. This Codification does not impact our financial position, results of operations or liquidity.

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

b) Accounting standards adopted in 2010

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

Accounting Standards Update (ASU) number 2010-10 Consolidation (Topic 810) defers the effective date of the amendments to the consolidation requirements made by FASB Statement 167 to a reporting entity's interest in certain types of entities and clarify other aspects of the Statement 167 amendments. As a result of the deferral, a reporting

entity will not be required to apply the Statement 167 amendments to the Subtopic 810-10 consolidation requirements to its interest in an entity that meets the criteria to qualify for the deferral. This Update also clarifies how a related party's interests in an entity should be considered when evaluating the criteria for determining whether a decision maker or service provider fee represents a variable interest. In addition, the Update also clarifies that a quantitative calculation should not be the sole basis for evaluating whether a decision maker's or service provider's fee is a variable interest. This Codification does not impact our financial position, results of operations or liquidity.

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

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

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

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

Accounting Standards Update (ASU) number 2009-08 Earning per share issued by the FASB provides additional guidance related to calculation of earnings per share. In particular, the effect on income available to common stockholders of redemption or induced conversion of preferred stock. This guidance amends ASC 260. This codification does not impact our financial position, results of operations or liquidity.

5 MAJOR ACQUISITIONS AND DISPOSALS

a) Fertilizers Businesses

In line with our strategy to become a leading global player in the fertilizer business, on May 27, 2010, we acquired 58.6% of the equity capital of Fertilizantes Fosfatados S.A. — Fosfertil (Fosfertil) and the Brazilian fertilizer assets of Bunge Participações e Investimentos S.A. (BPI), currently renamed Vale Fosfatados S.A for a total of US$ 4.7 billion in cash. As part of this acquisition, we have an option contract to acquire additional 20.27% stake in Fosfertil, for US$1.0 billion, which is expected to be exercised in the near future. Also, we will launch a mandatory offer to acquire the 0.19% of the common shares held by the noncontrolling stockholders.

Due to the recent closing of this transaction, information about the purchase price allocation presented below based on the fair values of identified assets acquired and liabilities assumed is preliminary. Such allocation, currently being

performed internally by the Company, will be finalized during future periods, and accordingly, the preliminary purchase price allocation information set forth below is subject to revision, which may be material.

Purchase price	4,710
Noncontrolling interests consideration(*)	1,793
Book value of assets acquired and liabilities assumed, net	(2,382)
Adjustment to fair value of property, plant and equipment and mineral properties	(5,043)
Adjustment to fair value of inventories	(98)
Deferred taxes on the above adjustments	1,748
Goodwill	**728**

(*) Noncontrolling interests consideration is calculated based on the option contract and market prices for the remaining noncontrolling interest.

If the acquisition of these assets had been completed on January 1, 2010, our net income would have increased by US$44 and our net revenues would have increased by US$461.

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

b) Other transactions

As part of our efforts to meet our future production targets, we acquired 51% interest on iron ore concession rights in Simandou South (Zogota), Guinea and iron ore exploration permits in Simandou North. From this amount, US$500 was paid and the remaining US$2 billion upon achievement of specific milestones. In connection with this acquisition we have also committed to renovate 660 km of the Trans-Guinea railway for passenger transportation and light commercial use.

In June 2010, we acquired an additional 24.5% stake in the Belvedere coal project (Belvedere) for US$92 (R$168) from AMCI Investments Pty Ltd (AMCI). As an outcome of this transaction, Vale increased its participation in Belvedere to 75.5% from 51.0%.

In May 2010, we entered into agreement with Oman Oil Company S.A.O.C. (OOC), a company wholly-owned by the Government of the Sultanate of Oman, to sell 30% of Vale Oman Pelletizing Company LLC (VOPC), for US$125. The transaction remains subject to the terms set forth in the definitive share purchase agreement to be signed after the fulfillment of precedent conditions.

On July 7, 2010, we concluded the sale of minority stakes in the Bayóvar project in Peru through the newly-formed company MVM Resources International B.V. (MVM). We sold 35% of the total capital of MVM to Mosaic for US$385 and 25% to Mitsui for US$275. Vale retains control of the Bayóvar project, holding a 40% stake of the total capital of the newly-formed company. The capital amount invested as at June 30, 2010, was approximately US$400. The gain on this transaction will be accounted for in equity in accordance with the accounting rules related to the gains/losses when control is retained.

We have entered into negotiations and agreements to sell our Kaolin, aluminum and alumina assets. For further details see note 12.

6 INCOME TAXES

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

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

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

	Six-month period ended					
	June 30, 2010			June 30, 2009		
	Brazil	Foreign	Total	Brazil	Foreign	Total
					(unaudited)	
Income before income taxes, equity results and noncontrolling interests	3,627	1,897	5,524	6,711	(2,825)	3,886
Exchange variation (not taxable) or not deductible	—	(600)	(600)	—	3,788	3,788
	3,627	1,297	4,924	6,711	963	7,674
Tax at Brazilian composite rate	(1,233)	(441)	(1,674)	(2,282)	(327)	(2,609)
Adjustments to derive effective tax rate:						
Tax benefit on interest attributed to stockholders	418	—	418	—	—	—
Difference on tax rates of foreign income	—	563	563	—	492	492
Tax incentives	229	—	229	77	—	77
Other non-taxable, income/non deductible expenses	(29)	71	42	102	8	110
Income taxes per consolidated statements of income	**(615)**	**193**	**(422)**	**(2,103)**	**173**	**(1,930)**

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

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

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

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

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

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

The reconciliation of the beginning and ending amounts is as follows: (see note 21(b)) tax — related actions)

	Six-month period ended	
	June 30, 2010	June 30, 2009
		(unaudited)
Beginning and end of the period	**396**	**657**
Increase resulting from tax positions taken	4	21
Decrease resulting from tax positions taken	(25)	(1)
Cumulative translation adjustments	(6)	84
End of the period	**369**	**761**

There has been a reduction of US$421 due to the withdrawal of an action related to the compensation of tax carry forwards higher than 30% of our taxable income. This resulted in a reduction of the liability and the release of funds accounted for in judicial deposits.

Recognized deferred income tax assets and liabilities are composed as follows:

	June 30, 2010	December 31, 2009
Current deferred tax assets		
Accrued expenses deductible only when disbursed	533	852
Long-term deferred tax assets and liabilities		
Assets		
Employee postretirement benefits provision	441	384
Tax loss carryforwards	327	324
Other temporary differences	1,164	842
Asset retirement obligation	265	259
	2,197	**1,809**
Liabilities		
Unrealized tax indexation effects	(155)	(154)
Property, plant and equipment	(76)	(79)
Prepaid retirement benefit	(471)	(435)
Fair value adjustments in business combinations	(7,463)	(5,929)
Social contribution	(992)	(758)
Other temporary differences	(116)	(103)
	(9,273)	**(7,458)**
Valuation allowance		
Beginning balance	(106)	(122)
Translation adjustments	(1)	(25)
Change in allowance	3	41
Ending balance	**(104)**	**(106)**
Net long-term deferred tax liabilities	**(7,180)**	**(5,755)**

7 CASH AND CASH EQUIVALENTS

	June 30, 2010	December 31, 2009
Cash	1,423	728
Short-term investments	4,812	6,565
	6,235	**7,293**

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

8 SHORT-TERM INVESTMENTS

	June 30, 2010	December 31, 2009
Time deposit	—	3,747

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

9 ACCOUNT RECEIVABLE

	June 30, 2010	December 31, 2009
Customers		
Denominated in Brazilian Reais	967	885
Denominated in other currencies, mainly US dollars	4,999	2,362
	5,966	**3,247**
Allowance for doubtful accounts	(136)	(127)
Total	**5,830**	**3,120**

Accounts receivable from customers in the steel industry represent 78.6% of receivables at June 30, 2010.

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 June 30, 2010 and June 30, 2009 totaled US$17 and US$10, respectively. We wrote-off US$6 in June 30, 2010 and US$6 in June 30, 2009.

10 INVENTORIES

	June 30, 2010	December 31, 2009
Finished products		
Nickel (co-products and by-products)	1,545	1,083
Iron ore and pellets	635	677
Manganese and ferroalloys	163	164
Fertilizers	430	—
Aluminum products	—	135
Kaolin	—	42
Copper concentrate	28	35
Coal	66	51
Others	81	51
Spare parts and maintenance supplies	858	958
	3,806	**3,196**

On June 30, 2010 and December 31, 2009, there were no adjustments to reduce inventories to market values.

11 RECOVERABLE TAXES

	June 30, 2010	December 31, 2009
Income tax	530	908
Value-added tax — ICMS	358	290
PIS and COFINS	832	1,052
Others	57	78
Total	**1,777**	**2,328**
Current	1,303	1,511
Non-current	474	817
	1,777	**2,328**

12 ASSETS AND LIABILITIES HELD FOR SALE

- Aluminium

In connection with our strategy of active portfolio asset management, on May 2, 2010, we entered into an agreement with Norsk Hydro ASA (Hydro), to sell 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), 60% of our Paragominas bauxite mine and all of our other Brazilian bauxite mineral rights ("Aluminum Business").

For these transactions we will receive US$ 1 billion in cash, and 22% of Hydro's share capital. In addition, Hydro will assume a net debt of US$700. In 2013 and 2015, we will sell the remaining 40% of Paragominas bauxite mine and other Brazilian bauxite mineral rights, for US$400. The sale is expected to be concluded in the near future.

The Company has assessed that the expected fair value of the transaction is higher than the net asset carrying value and accordingly has maintained the original amounts. Also, because of the significant influence the Company will hold on Hydro, aluminum was not considered a discontinued operation.

- Kaolin

As part of our portfolio management, we have entered into negotiations with the intention to sell our net assets linked to kaolin activities. We have measured these assets at fair value less costs to sell and recognized in first quarter, estimated losses in the amount of US$ 133.

At June 30, 2010, detailed amounts of these assets and liabilities classified as held for sale are included in the table below:

Assets held for sale	
Inventories	375
Property, plant and equipment	4,353
Advances to suppliers — energy	476
Recoverable taxes	538
Other assets	382
Total	**6,124**
Liabilities associated with assets held for sale	
Short — term debt	141
Long term debt	624
Noncontrolling interests	1,695
Other	72
Total	**2,532**

13 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

By type of assets:

	June 30, 2010			December 31, 2009		
	Cost	**Accumulated depreciation**	**Net**	**Cost**	**Accumulated depreciation**	**Net**
Land	288	—	288	284	—	284
Buildings	4,989	985	4,004	4,324	1,143	3,181
Installations	13,089	3,624	9,465	14,063	4,160	9,903
Equipment	9,240	3,458	5,782	7,499	2,380	5,119
Railroads	6,666	2,049	4,617	6,685	2,016	4,669
Mine development costs	29,075	3,559	25,516	20,205	2,957	17,248
Others	9,667	2,721	6,946	10,418	3,123	7,295
	73,014	**16,396**	**56,618**	**63,478**	**15,779**	**47,699**
Construction in progress	15,998	—	15,998	19,938	—	19,938
Total	**89,012**	**16,396**	**72,616**	**83,416**	**15,779**	**67,637**

Losses on disposal of property, plant and equipment totaled US$146 and US$87 in June 30, 2010 and 2009, respectively, mainly relating to losses on sales 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$155 as at June 30, 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 June 30, 2010, the cost of hydroelectric plants in service totals US$1,355 (December 31, 2009 US$1,382) and the related depreciation in the period was US$389 (December 31, 2009 US$372). The cost of hydroelectric plant under construction at June 30, 2010, totals US$562 (December 31, 2009 US$521). 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 June 30, 2010, the intangibles amount to US$1,133 (December 31, 2009 US$1,173), and are comprised of rights granted by the government — North-South Railroad of US$894 (December 31, 2009 US$924) and off take-agreements of US$239 (December 31, 2009 US$239).

14 INVESTMENTS IN AFFILIATED COMPANIES AND JOINT VENTURES

	June 30, 2010				Investments		Equity in earnings (losses) of investee adjustments — Six-month period ended		Dividends Received — Six-month period ended	
	Participation in capital (%)		Net equity	Net income (loss) of the period	June 30, 2010	December 31, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	Voting	Total						(unaudited)		(unaudited)
Bulk Material										
Iron ore and pellets										
Companhia Nipo-Brasileira de Pelotização — NIBRASCO (1)	51.11	51.00	258	12	131	132	6	8	—	20
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS (1)	51.00	50.89	168	10	86	83	5	(8)	25	—
Companhia Coreano-Brasileira de Pelotização — KOBRASCO (1)	50.00	50.00	114	19	57	59	9	14	—	—
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO (1)	51.00	50.90	130	6	66	90	3	3	—	—
Minas da Serra Geral SA — MSG	50.00	50.00	58	2	30	31	1	1	—	—
SAMARCO Mineração SA — SAMARCO (2)	50.00	50.00	1,665	582	892	673	291	132	150	50
Baovale Mineração SA — BAOVALE	50.00	50.00	47	3	23	30	1	(4)	—	—
Zhuhai YPM Pellet e Co,Ltd — ZHUHAI	25.00	25.00	90	20	22	13	5	(2)	—	—
Tecnored Desenvolvimento Tecnológico SA	37.40	37.40	94	(27)	35	—	(10)	—	—	—
					1,342	**1,111**	**311**	**144**	**175**	**70**
Coal										
Henan Longyu Resources Co Ltd	25.00	25.00	801	155	200	250	39	31	39	—
Shandong Yankuang International Company Ltd	25.00	25.00	(55)	(28)	(14)	(7)	(8)	(12)	—	—
					186	**243**	**31**	**19**	**39**	**—**
Base Metals										
Bauxite										
Mineração Rio do Norte SA — MRN	40.00	40.00	348	4	140	143	2	12	—	30
					140	**143**	**2**	**12**	**—**	**30**
Copper										
Teal Minerals Incorporated	50.00	50.00	138	(26)	69	80	(14)	(9)	—	—
					69	**80**	**(14)**	**(9)**	**—**	**—**
Nickel										
Heron Resources Inc (cost US$24) — available-for-sale	—	—	—	—	5	8	—	—	—	—
Korea Nickel Corp	—	—	—	—	12	13	—	1	—	—
Others — available for sale	—	—	—	—	5	9	—	—	—	—
					22	**30**	**—**	**1**	**—**	**—**
Logistic										
LOG-IN Logística Intermodal SA	31.33	31.33	361	(1)	121	125	—	2	—	3
MRS Logística SA	37.86	41.50	1,172	83	486	468	34	43	35	33
					607	**593**	**34**	**45**	**35**	**36**
Others										
Steel										
California Steel Industries Inc — CSI	50.00	50.00	330	30	165	150	15	(12)	—	—
THYSSENKRUPP CSA Companhia Siderúrgica	26.87	26.87	6,362	(1)	1,709	2,049	—	—	—	—
Usinas Siderúrgicas de Minas Gerais SA — USIMINAS	—	—	—	—	—	—	—	7	—	7
					1,874	**2,199**	**15**	**(5)**	**—**	**7**

	June 30, 2010				Investments		Equity in earnings (losses) of investee adjustments		Dividends Received	
				Net income (loss)			Six-month period ended		Six-month period ended	
	Participation in capital (%)		Net equity	of the period	June 30, 2010	December 31, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	Voting	Total						(unaudited)		(unaudited)
Other affiliates and joint ventures										
Vale Soluções em Energia	51.00	51.00	283	—	144	99	—	—	—	—
Others	—	—	—	—	60	87	—	—	—	—
					204	**186**	—	—	—	—
Total					**4,444**	**4,585**	**379**	**207**	**249**	**143**

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

(2) Investment includes goodwill of US$62 in December, 2009 and US$60 in June, 2010;

15 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 triggering event was noted for the first six months ended June 30, 2010. The annual impairment test of goodwill be performance during the fourth quarter for 2010. No impairment charges were recognized in 2009 as a result of the annual goodwill impairment tests performed. In 2008, an impairment charge, related to nickel operations was recorded in operating results in the amount of US$950.

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.

Other than US$728 from Fosfértil, there were no goodwill movements in the first six months ended June 30, 2010 and 2009, except for the cumulative translation adjustments.

16 SHORT-TERM DEBT

Short-term borrowings outstanding on June 30, 2010, are from commercial banks for export financing denominated in US dollars, with average annual interest rates of 1.56%.

17 LONG-TERM DEBT

	Current liabilities		Long-term liabilities	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Foreign debt				
Loans and financing denominated in the following currencies:				
US dollars	2,718	1,543	2,915	4,332
Others	64	29	253	411
Fixed Rate Notes				
US dollars	—	—	8,496	8,481
EUR	—	—	918	—
Debt securities — export sales(*) — US dollar denominated	—	150	—	—
Perpetual notes	—	—	78	78
Accrued charges	185	198	—	—
	2,967	1,920	12,660	13,302
Brazilian debt				
Brazilian Reais indexed to Long-term Interest Rate — TJLP/CDI and General Price Index-Market (IGPM)	60	62	3,360	3,433
Basket of currencies	1	1	3	3
Non-convertible debentures	834	861	2,531	2,592
US dollars denominated	—	—	571	568
Accrued charges	96	89	—	—
	991	1,013	6,465	6,596
Total	3,958	2,933	19,125	19,898

(*) Secured by receivables from future export sales. Redeemed in January, 2010.

The long-term portion at June 30, 2010 falls due as follows:

2011	1,032
2012	1,055
2013	3,021
2014	857
2015 and thereafter	12,770
No due date (Perpetual notes and non-convertible debentures)	390
	19,125

At June 30, 2010 annual interest rates on long-term debt were as follows:

Up to 3%	6,295
3.1% to 5%(*)	1,011
5.1% to 7%	8,085
7.1% to 9%(**)	2,788
9.1% to 11%(**)	3,669
Over 11%(**)	1,153
Variable (Perpetual notes)	82
	23,083

(*) 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$6,375 of which US$6,130 has original interest rate above 7.1% per year. The average cost after taking into account the derivative transactions is 4.42% per year in dollars.

The average cost of all derivative transactions is 4.46% per year in US dollars.

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

Non Convertible Debentures	Quantity as of June 30, 2010				Balance	
	Issued	Outstanding	Maturity	Interest	June 30, 2010	December 31, 2009
1st Series	150,000	150,000	November 20, 2010	101.75% CDI	841	869
2nd Series	400,000	400,000	November 20, 2013	100% CDI + 0.25%	2,244	2,318
Tranche "B"	5	5	No due date	6.5% p.a + IGP-DI	312	295
					3,397	3,482
Short-term portion					834	861
Long-term portion					2,531	2,592
Accrued charges					32	29
					3,397	3,482

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

	Six-month period ended	
	June 30, 2010	June 30, 2009
TJLP — Long-Term Interest Rate (effective rate)	3.0	3.1
IGP-M — General Price Index — Market	5.7	(1.2)
Appreciation (devaluation) of Real against US dollar	(3.3)	19.8

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

In March 2010, Vale issued EUR750, equivalent to US$1 billion, of 8-year euronotes at a price of 99.564% of the principal amount. These notes will mature in March 2018 and will bear a coupon of 4.375% per year, payable annually.

In January 2010, we redeemed all outstanding export receivables securitization 10-year notes issued in September 2000 at an interest rate of 8.926% per year and the notes issued in July 2003 at an interest rate of 4.43% per year. The outstanding principal amounts of those September 2010 notes were US$28 and for the July 2013 notes were US$122, totaling US$150 of debt redeemed.

Credit Lines

We have revolving credit lines available under which amounts can be drawn down and repaid at the option of the borrower. At June 30, 2010, the total amount available under revolving credit lines was US$1,600, of which US$850 was granted to Vale International and the balance to Vale Inco. As of June 30, 2010, neither Vale International nor Vale Inco had drawn any amounts under these facilities, but US$108 of letters of credit were issued and remained outstanding pursuant to Vale Inco's facility.

In May 2008, we entered into framework agreements with the Japan Bank for International Cooperation in the amount of US$3 billion and Nippon Export and Investment Insurance in the amount of US $2 billion for the financing of mining, logistics and power generation projects. In November, 2009, Vale has signed a US$300 export facility agreement, through its subsidiary PT International Nickel Indonesia Tbk (PTI), with Japanese financial institutions using credit insurance provided by Nippon Export and Investment Insurance — NEXI, to finance the construction of the Karebbe hydroelectric power plant on the Larona river, island of Sulawesi, Indonesia. Through June 30, 2010, PT International had drawn down US$150 on this facility.

In 2008, we established a credit line for R$7,300, or US$4 billion, with Banco Nacional de Desenvolvimento Econômico e Social — BNDES (the Brazilian National Development Bank) to help finance our investment program. As of June 30, 2010, we had drawn the equivalent of US$862 under this facility.

Guarantee

On June 30, 2010, US$5 (December 31, 2009 — US$753) of the total aggregate outstanding debt were secured, being US$2 (December 31, 2009 — US$34) guaranteed by the Brazilian Federal Government and US$3 (December 31, 2009 — US$567) guaranteed by others receivables. On December 31, 2009, US$152 was guaranteed by receivables from future export sales of CVRD Overseas Ltd, redeemed in January, 2010. The remaining outstanding debt in the amount of US$23,078 (December 31, 2009 — US$22,078) were unsecured.

Our principal covenants require us to maintain certain ratios, such as debt to EBITDA and interest coverage. We have not identified any events of noncompliance as of June 30, 2010.

18 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 than, 3% of the Brazilian GAAP equity value per share.

In April 2010, we paid US$1,250 as a first installment of the dividend to stockholders. The distribution was made in the form of interest on stockholders' equity.

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 treasury stocks book value of US$ 1,379 was accounted for in additional paid-in capital in the stockholder's equity.

The outstanding issued mandatory convertible notes on June 30, 2010, is as follows:

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

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

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

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

In April 2010, we paid to holders of mandatorily convertible notes additional interest: series RIO and RIO P, US$0.417690 and US$0.495742 per note, respectively and series VALE-2012 and VALE.P-2012, US$ 0.602336 and US$ 0.696668 per note, respectively.

On October 30, 2009, we paid additional interest to holders of the mandatorily convertible notes of series RIO and of series RIO P, equal to the US dollar equivalent of R$0.857161 and R$1.017334 per notes, respectively, and to the holders of the mandatorily convertible notes of series VALE-2012 and VALE.P-2012, equal to the US dollar equivalent of R$1.236080 and R$1.429662 per notes, respectively.

In April 2009, we paid to holders of the mandatorily convertible notes of series RIO and of series RIO P, the US dollar equivalent of US$0.490922 and US$0.582658, 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 June 30, 2010, total US$23,880, comprising 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.

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

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, as detailed below:

	Six-month period ended	
	June 30, 2010	June 30, 2009
		(unaudited)
Undistributed retained earnings		
Unrealized income reserve		
Beginning of the period	39	45
Transfer from (to) retained earnings	(1)	10
End of the period	**38**	**55**
Expansion reserve		
Beginning of the period	26,111	16,809
Transfer to capitalized earnings	(1,324)	—
Transfer from (to) retained earnings	(945)	3,286
End of the period	**23,842**	**20,095**
Legal reserve		
Beginning of the period	2,238	1,448
Transfer from (to) retained earnings	(75)	286
End of the period	**2,163**	**1,734**
Fiscal incentive investment reserve		
Beginning of the period	120	38
Transfer to capitalized earnings	(73)	—
Transfer from (to) retained earnings	(4)	8
End of the period	**43**	**46**
Total undistributed retained earnings	**26,086**	**21,930**

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).

Basic and diluted earnings per share

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

	Six-month period ended	
	June 30, 2010	June 30, 2009 (unaudited)
Net income from continuing operations attributable to Company's stockholders	**5,460**	**2,153**
Discontinued operations, net of tax	**(151)**	**—**
Net income attributable to Company's stockholders	**5,309**	**2,153**
Interest attributed to preferred convertible notes	(38)	(23)
Interest attributed to common convertible notes	(46)	(49)
Net income for the period adjusted	**5,225**	**2,081**
Basic and diluted earnings per share		
Income available to preferred stockholders	2,010	797
Income available to common stockholders	3,150	1,250
Income available to convertible notes linked to preferred shares	47	12
Income available to convertible notes linked to common shares	18	22
Weighted average number of shares outstanding (thousands of shares) — preferred shares	2,033,272	2,030,805
Weighted average number of shares outstanding (thousands of shares) — common shares	3,186,018	3,181,715
Treasury preferred shares linked to mandatorily convertible notes	47,285	30,295
Treasury common shares linked to mandatorily convertible notes	18,416	56,582
Total	**5,284,991**	**5,299,397**
Earnings per preferred share	0.99	0.39
Earnings per common share	0.99	0.39
Earnings per convertible notes linked to preferred share(*)	1.79	1.16
Earnings per convertible notes linked to common share(*)	3.48	1.25
Continuous operations		
Earnings per preferred share	1.02	—
Earnings per common share	1.02	—
Earnings per convertible notes linked to preferred share(*)	1.82	—
Earnings per convertible notes linked to common share(*)	3.53	—
Discontinued operations		
Earnings per preferred share	(0.03)	—
Earnings per common share	(0.03)	—
Earnings per convertible notes linked to preferred share(*)	(0.03)	—
Earnings per convertible notes linked to common share(*)	(0.05)	—

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

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

	Six-month period ended	
	June 30, 2010	June 30, 2009
		(unaudited)
Income available to preferred stockholders	2,095	832
Income available to common stockholders	3,214	1,321
Weighted average number of shares outstanding (thousands of shares) — preferred shares	2,080,557	2,061,100
Weighted average number of shares outstanding (thousands of shares) — common shares	3,204,434	3,238,297
Earnings per preferred share	1.01	0.40
Earnings per common share	1.00	0.40
Continuous operations		
Earnings per preferred share	1.04	—
Earnings per common share	1.03	—
Discontinued operations		
Earnings per preferred share	(0.03)	—
Earnings per common share	(0.03)	—

19 PENSION PLANS

Since 1973 we sponsor a supplementary social security plan with characteristics of a defined benefit plan (the "Old Plan") covering substantially all Brazilian employees, with benefits calculated based on years of service, age, contribution salary and supplementary social security benefits. This plan is administered by Fundação Vale do Rio Doce de Seguridade Social — VALIA and was funded by monthly contributions made by us and our employees, calculated based on periodic actuarial appraisals.

In May 2000, we implemented a new supplementary social security plan with characteristics of defined contribution, which complements the earnings of programmed retirements. The plan offers benefits to cover death, physical invalidity, and sickness, with defined benefit characteristics. Brazilian employees could opt to migrate to the "New Plan" (a Benefit Mix Plan — Vale Mais) which was taken up by over 98% of our employees. The Old Plan will continue in existence, covering almost exclusively retired participants and their beneficiaries.

Additionally we provide supplementary payments to a specific group of former Brazilian employees, in addition to the regular benefits from Valia. The plan provides postretirement health care, dental and pharmaceutical benefits.

Upon the acquisition of Inco, we assumed benefits through defined benefit pension plans that cover essentially all its employees and post retirement benefits other than pensions that also provide certain health care and life insurance benefits for retired 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" and employers' accounting for defined benefit pension and other postretirement plans", as amended.

We use a measurement date of June 30 and December 31 for our pension and post retirement benefit plans.

a) Change in benefit obligation

	June 30, 2010			December 31, 2009		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Benefit obligation at beginning of year	3,661	3,923	1,431	2,424	3,031	1,069
Liability recognized upon consolidation of Fosfertil	246	5	30	—	—	—
Transfers	—	7	(7)	—	—	—
Service cost	9	49	15	11	43	17
Interest cost	222	106	52	313	249	88
Plan amendment	3	—	—	—	—	—
Benefits paid	(181)	(156)	(37)	(226)	(279)	(65)
Effect of exchange rate changes	(1)	(53)	8	843	555	187
Actuarial loss (gain)	(10)	6	(5)	296	324	135
Benefit obligation at end of year	**3,949**	**3,887**	**1,487**	**3,661**	**3,923**	**1,431**

b) Change in plan assets

	June 30, 2010			December 31, 2009		
	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	4,996	3,229	11	3,043	2,507	9
Asset recognized upon consolidation of Fosfertil	301	4	—	—	—	—
Plan amendment	3	32	—	—	—	—
Actual return on plan assets	381	58	—	1,121	402	1
Employer contributions	27	17	36	40	155	65
Benefits paid	(181)	(156)	(36)	(226)	(279)	(65)
Effect of exchange rate changes	(114)	(52)	1	1,018	444	1
Fair value of plan assets at end of year	**5,413**	**3,132**	**12**	**4,996**	**3,229**	**11**

Plan assets at June 30, 2010, included US$481 (US$587 at December 31, 2009) and US$67 (US$69 at December 31, 2009) of portfolio investments in our own shares and debentures, respectively, and US$68 (US$64 at December 31, 2009) of shares of related parties. They also included US$3,488 of Brazilian Federal Government securities (US$3,261 at December 31, 2009) and US$400 of Canada Federal Government securities (US$391 at December 31, 2009).

c) Funded Status and Financial Position

	June 30, 2010			December 31, 2009		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Non-current assets	1,464	—	—	1,335	—	—
Current liabilities	—	(104)	(94)	—	(62)	(82)
Non-current liabilities	—	(651)	(1,381)	—	(632)	(1,338)
Funded status	**1,464**	**(755)**	**(1,475)**	**1,335**	**(694)**	**(1,420)**

d) Assumptions used (nominal terms)

	June 30, 2010			Brazil December 31, 2009		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Discount rate	11.08% p.a.	11.08% p.a.	11.08% p.a.	11.08% p.a.	11.08% p.a.	11.08% p.a.
Expected return on plan assets	12.00% p.a.	11.50% p.a.	—	12.00% p.a.	11.50% p.a.	—
Rate of compensation increase — up to 47 years	7.64% p.a.	7.64% p.a.	—	7.64% p.a.	7.64% p.a.	—
Rate of compensation increase — over 47 years	4.50% p.a.	4.50% p.a.	—	4.50% p.a.	4.50% p.a.	—
Inflation	4.50% p.a.	4.50% p.a.	4.50% p.a.	4.50% p.a.	4.50% p.a.	4.50% p.a.
Health care cost trend rate	—	—	7.63% p.a.	—	—	7.63% p.a.

	June 30, 2010		Foreign December 31, 2009	
	Underfunded pension plans	Underfunded other benefits	Underfunded pension plans	Underfunded other benefits
Discount rate	6.21% p.a.	6.20% p.a.	6.21% p.a.	6.20% p.a.
Expected return on plan assets	7.00% p.a.	6.23% p.a.	7.00% p.a.	6.23% p.a.
Rate of compensation increase — up to 47 years	4.11% p.a.	3.58% p.a.	4.11% p.a.	3.58% p.a.
Rate of compensation increase — over 47 years	4.11% p.a.	3.58% p.a.	4.11% p.a.	3.58% p.a.
Inflation	2.00% p.a.	2.00% p.a.	2.00% p.a.	2.00% p.a.
Health care cost trend rate	—	6.04% p.a.	—	6.04% p.a.

Expected returns for all plans' assets are generated within the framework of a long term macroeconomic scenario provided by Tendências Consultoria and an ALM — Asset Liability Modelling study prepared by Mercer Consulting.

e) Pension costs

	Six-month period ended					
	June 30, 2010			June 30, 2009		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
					(unaudited)	
Service cost — benefits earned during the year	—	32	12	4	22	8
Interest cost on projected benefit obligation	140	178	48	115	114	38
Expected return on assets	(233)	(162)	—	(158)	(92)	—
Amortizations and (gain) / loss	—	—	—	5	1	—
Net deferral	—	—	—	—	8	(13)
Net periodic pension costs (credit)	**(93)**	**48**	**60**	**(34)**	**53**	**33**

f) Accumulated benefit obligation

	June 30, 2010			December 31, 2009		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Accumulated benefit obligation	3,940	3,793	1,508	3,645	3,826	1,431
Projected benefit obligation	3,142	3,875	1,487	3,661	3,923	1,431
Fair value of plan assets	(5,413)	(3,132)	(12)	(4,996)	(3,229)	(11)

g) Impact of 1% variation in assumed health care cost trend rate

	1% increase		1% decrease	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
	Overfunded pension plans	Underfunded pension plans	Overfunded pension plans	Underfunded pension plans
Accumulated postretirement benefit obligation (APBO)	207	199	(169)	(163)
Interest and service costs	11	18	(9)	(14)

h) Other Cumulative Comprehensive Income (Deficit)

	June 30, 2010			December 31, 2009		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Net transition (obligation)/asset	—	—	—	2	—	—
Net actuarial (loss)/gain	77	(382)	289	79	(338)	301
Effect of exchange rate changes	(86)	(4)	(2)	(91)	(7)	(4)
Deferred income tax	3	135	(94)	3	111	(94)
Amounts recognized in other cumulative comprehensive income (deficit)	**(6)**	**(251)**	**193**	**(7)**	**(234)**	**203**

i) Change in Other Cumulative Comprehensive Income (Deficit)

	June 30, 2010			December 31, 2009		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Net transition (obligation)/asset not yet recognized in NPPC at beginning of the year	(2)	—	—	(12)	—	—
Net actuarial (loss)/gain not yet recognized in NPPC at beginning of the year	12	345	(297)	(261)	(196)	406
Deferred income tax at beginning of the year	(3)	(111)	94	93	83	(147)
Effect of initial recognition of cumulative comprehensive Income (deficit)	**7**	**234**	**(203)**	**(180)**	**(113)**	**259**
Amortization of net transition (obligation)/asset	—	—	—	14	—	—
Amortization of net actuarial (loss)/gain	1	(2)	7	—	5	(19)
Total net actuarial (loss)/gain arising during the year	(88)	45	(8)	340	(112)	(142)
Effect of exchange rate changes	86	(2)	11	(91)	(42)	52
Deferred income tax	—	(24)	—	(90)	28	53
Total recognized in other cumulative comprehensive income (deficit)	**6**	**251**	**(193)**	**(7)**	**(234)**	**203**

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 built by Tendências Consultoria and an ALM — Asset Liability Modeling study prepared by Mercer Consulting. An Investment Policy Statement was established for each obligation by following results of this strategic asset allocation study (ALM) in the periods.

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

Overfunded pension plans

Brazilian Plans

The Defined Benefit Plan (the "Old Plan") has the majority of its assets allocated in fixed income, mainly in Brazilian government bonds (like TIPS) and corporate long term inflation linked bonds with the objective to reduce the asset-liability volatility. The target is 55% of the total assets. This LDI (Liability Driven Investments) strategy, when considered together with Loans to Participants segment, aims to hedge plan's liabilities against inflation risk and volatility. Other segments or asset classes have their targets, as follows: Equity — 28%; Structured Investments — 5%; International Investments — 2%; Real estate — 6% and Loans to Participants — 4%. Structured Investments segment has invested only in Private Equity Funds in an amount of US$84 and US$87 at the end of June 30, 2010 and December 31, 2009, respectively.

The Investment Policy has the objective to achieve 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 21.3% p.a. in dollars terms in the last 10 years.

The Vale Mais Plan (the "New Plan") has obligations with characteristics of defined benefit and defined contribution plans, as mentioned. The majority of its investments is in fixed income. It was 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 is 60% in fixed income. Other segments or asset classes have their targets, as follows: Equity — 24%; Structured Investments — 2%; International Investments — 2%; Real estate — 3% and Loans to Participants — 10%. Structured Investments segment has invested only in Private Equity Funds in an amount of US$9 and US$10 at the end of June 30, 2010 and 2 December 31, 2009, respectively.

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. Equity option is an indexed — fund that has the Bovespa Index as a benchmark.

The Investment Policy Statement has the objective to achieve the adequate diversification, current income and long term capital growth through the combination of all asset classes described above to fulfill its obligations and targets with the adequate level of risk. This plan has an average nominal return of 20% p.a. in dollars terms in the last 10 years.

- Fair value measurements by category — Overfunded Plans

	June 30, 2010				December 31, 2009			
Asset by category	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	—	—	—	—	1	1	—	—
Accounts Receivable	10	10	—	—	16	16	—	—
Equity securities — liquid	1,338	1,338	—	—	1,303	1,303	—	—
Equity securities — non-liquid	67	—	67	—	64	—	64	—
Debt securities — Corporate bonds	235	—	235	—	143	—	143	—
Debt securities — Financial Institutions	262	—	262	—	226	—	226	—
Debt securities — Government bonds	1,910	1,910	—	—	1,744	1,744	—	—
Investment funds — Fixed Income	2,098	1,823	275	—	2,037	2,037	—	—
Investment funds — Equity	470	470	—	—	577	577	—	—
International investments	26	26	—	—	—	—	—	—
Structured investments — Private Equity funds	93	—	—	93	97	—	—	97
Structured investments — Real estate funds	18	—	—	18	—	—	—	—
Real estate	253	—	—	253	249	—	—	249
Loans to Participants	293	—	—	293	282	—	—	282
Total	**7,073**	**5,577**	**839**	**657**	**6,739**	**5,678**	**433**	**628**
Funds not related to risk plans	(1,660)				(1,743)			
Fair value of plan assets at end of year	**5,413**				**4,996**			

- Fair value measurements using significant unobservable inputs — Level 3

	June 30, 2010					December 31, 2009			
	Private Equity Funds	Real State Funds	Real State	Loans to Participants	Total	Private Equity Funds	Real State Funds	Loans to Participants	Total
Beginning of the year	97	—	249	282	628	72	156	229	457
Actual return on plan assets	(12)	—	1	17	6	30	21	42	93
Initial recognized consolidation of Fosfertil	—	—	23	—	23	—	—	—	—
Assets sold during the year	(2)	(1)	(3)	(1)	(7)	(57)	(11)	(112)	(180)
Assets purchases, sales and settlements	13	—	11	4	28	28	29	45	102
Cumulative translations adjustment	(3)	(1)	(8)	(9)	(21)	24	54	78	156
Transfers in and/or out of level 3	—	19	(19)	—	—	—	—	—	—
End of the year	93	17	254	293	657	97	249	282	628

The return target for private equity assets in 2010 is 10.20%. The target allocation is 5%, ranging between 2% and 10%. These investments have a longer investment horizon and low liquidity that aim to profit from economic growth, especially in the infra-structure sector of the Brazilian economy. Usually non-liquid assets' fair value is established considering: acquisition cost or book value. Some private equity funds maybe, alternatively, apply the following methodologies: discounted cash flows analysis or analysis based on multiples.

The return target for loans to participants in 2010 is 11.90%. The fair value pricing of these assets includes provisions for non-paid loans, according to the local pension fund regulation.

The return target for real estate assets in 2010 is 9.90%. Fair value for these assets is considered 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

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

The Investment Policy Statement has the objective to achieve 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 obligation has an average nominal return of 22.8% p.a. in dollars terms in the last 8 years.

Foreign plans

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

- Fair value measurements by category — Underfunded Pension Plans

Asset by category	June 30, 2010 Total	June 30, 2010 Level 1	June 30, 2010 Level 2	December 31, 2009 Total	December 31, 2009 Level 1	December 31, 2009 Level 2
Cash and cash equivalents	38	15	23	33	12	21
Equity securities — liquid	1,221	1,221	—	1,347	1,347	—
Debt securities — Corporate bonds	11	—	11	12	—	12
Debt securities — Financial Institutions	20	—	20	19	—	19
Debt securities — Government bonds	458	58	400	445	50	395
Investment funds — Fixed Income	1,027	291	736	988	287	701
Investment funds — Equity	357	79	278	409	87	322
Total	3,132	1,664	1,468	3,253	1,783	1,470
Funds not related to risk plans	—			(24)		
Fair value of plan assets at end of year	3,132			3,229		

Underfunded other benefits

- Fair value measurements by category — Other Benefits

Asset by category	June 30, 2010 Total	June 30, 2010 Level 1	December 31, 2009 Total	December 31, 2009 Level 1
Cash	12	12	11	11
Total	12	12	11	11

k) Cash flows contributions

Employer contributions expected for 2010 are US$256. As of June 30, 2010, total contributions of US117 had been made.

l) Estimated future benefit payments

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

	June 30, 2010			
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Total
2010	345	308	89	742
2011	348	309	87	744
2012	353	306	92	751
2013	356	301	96	753
2014	360	295	99	754
2015 and thereafter	1,840	1,420	492	3,752

20 LONG-TERM INCENTIVE COMPENSATION PLAN

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

The shares purchased by each executive are unrestricted and may, at the participant's discretion, be sold at any time. However, the shares must be held for a three-year period and the executive must be continually employed by Vale during that period. The participant then becomes entitled to receive from Vale a cash payment equivalent to the total amount of shares held, based on the market rates. The total shares linked to the plan at June 30, 2010 and December 31, 2009, is 2,896,038 and 1,809,117, 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 Accounting for Stock-Based Compensation. Liabilities are measured at each reporting date at fair value, based on market rates. Compensation costs incurred are recognized, over the defined three-year vesting period. At June 30, 2010 and December 31, 2009, we recognized a liability of US$75 and US$72, respectively, through the Statement of Income.

21 COMMITMENTS AND CONTINGENCIES

a) In connection with a tax-advantaged lease financing arrangement sponsored by the French Government, we provided certain guarantees on December 30, 2004 on behalf of Vale New Caledonia S.A.S. (VNC) pursuant to which we guaranteed payments due from VNC of up to a maximum amount of US$100 ("Maximum Amount") in connection with an indemnity. This guarantee was provided to BNP Paribas for the benefit of the tax investors of GniFi, the special purpose vehicle which owns a portion of the assets in our nickel cobalt processing plant in New Caledonia ("Girardin Assets"). We also provided an additional guarantee covering the payments due from VNC of (a) amounts exceeding the Maximum Amount in connection with the indemnity and (b) certain other amounts payable by VNC under a lease agreement covering the Girardin Assets. This guarantee was provided to BNP Paribas for the benefit of GniFi.

Another commitment incorporated in the tax — advantaged lease financing arrangement was that the Girardin Assets would be substantially complete by December 31, 2009. In light of the delay in the start up of VNC processing facilities the December 31, 2009, substantially complete date was not met. Management proposed an extension to the substantially complete date from December 31, 2009 to December 31, 2010. Both the French government authorities and the tax investors have agreed to this extension, although a signed waiver has not yet been received from the tax investors. The French tax authorities issued their signed extension on March 12, 2010. Accordingly the benefits of the financing structure are fully expected to be maintained and we anticipate that there will be no recapture of the tax advantages provided under this financing structure.

In 2009, two new bank guarantees totaling US$53 (€43) at June 30, 2010 were established by us on behalf of VNC in favor of the South Province of New Caledonia in order to guarantee the performance of VNC with respect to certain environmental obligations in relation to the metallurgical plant and the Kwe West residue storage facility.

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. The put option can be exercised 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 funding, shareholder loans and equity contributions by stockholders to VNC, exceeded $4.2 billion and an agreement cannot be reached on how to proceed with the project. On February 15, 2010, we formally amended our agreement with Sumic to increase the threshold to approximately $4.6 billion at specified rates of exchange. On May 27, 2010, the threshold was reached and we are currently discussing with Sumic an extension of the put option date into the first half of 2011.

We provided a guarantee covering certain termination payments due from VNC to the supplier under an electricity supply agreement ("ESA") entered into in October 2004, for the VNC project. The amount of the termination payments guaranteed depends upon a number of factors, including whether any termination of the ESA is a result of a default by VNC and the date on which an early termination of the ESA were to occur. During the first quarter of 2010, the supply of electricity under the ESA to the project began, and the guaranteed amount now decreases over the life of the ESA from its maximum amount. At June 30, 2010, the guarantee was US$160 (Euro 131).

In February 2009, we and our subsidiary, Vale Newfoundland and Labrador Limited ("VNL"), entered into a fourth amendment to the Voisey's Bay Development agreement with the Government of Newfoundland and Labrador, Canada, that permitted VNL to ship up to 55,000 metric tonnes of nickel concentrate from the Voisey's Bay area mines. As part of the agreement, VNL agreed to provide the Government of Newfoundland and Labrador financial assurance in the form of letters of credit each in the amount of Canadian US$16 (CAD$16) for each shipment of nickel concentrate shipped out of the province from January 1, 2009 to August 31, 2009. The amount of this financial assurance was Canadian US$110 (CAD$112) based on seven shipments of nickel concentrate and as of June 30, 2010, US$11 (CAD$11) remains outstanding.

At June 30, 2010, there was an additional US$108 in letters of credit issued and outstanding pursuant to our syndicate revolving credit facility, as well as an additional US$40 of letters of credit and US$42 in bank guarantees that were issued and outstanding. These are associated with environmental reclamation and other operating associated items such as insurance, electricity 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 are composed as follows:

	June 30, 2010		December 31, 2009	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Labor and social security claims	703	713	657	657
Civil claims	646	363	582	307
Tax — related actions	595	328	489	175
Others	23	6	35	4
	1,967	1,410	1,763	1,143

Labor and social security — related actions principally comprise of claims by Brazilian employees and former employees for (i) payment of time spent traveling 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 related 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 — tax-related actions principally comprise of challenges initiated by us, on certain taxes on revenues and uncertain tax positions. We continue to vigorously pursue our interests in all the above 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 the court requirements, in order to be entitled to either initiate or continue a legal action. These amounts are released to us, upon receipt of a final favorable outcome from the legal action; in the case of an unfavorable outcome, the deposits are transferred to the prevailing party.

Contingencies settled during the six-month periods ended June 30, 2010 and 2009, totaled US$61 and US$39, respectively. Provisions recognized in the six-month periods ended June 30, 2010 and 2009, totaled US$101 and US$73, 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 possible but not probable, in the total amount of US$3,984 at June 30, 2010, and for which no provision has been made (December 31, 2009 — US$4,190).

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

A total of 388,559,056 Debentures were issued at a par value of R$0.01 (one cent), whose value will be restated in accordance with the variation in the General Market Price Index (IGP-M), as set forth in the Issue Deed.

The debentures holders has the right to receive premiums, paid semiannually, equivalent to a percentage of net revenues from specific mine resources as set forth in the indenture.

In April 2010, we paid remuneration on these debentures of US$5.

d) We are committed under a take-or-pay agreement to purchase approximately 27,071 thousand metric tons of bauxite from Mineração Rio do Norte S.A. — MRN at a formula driven price, calculated based on the current London Metal Exchange — LME quotation for aluminum. Based on a market price of US$23.10 per metric ton as of June 30, 2010, this arrangement represents the following total commitment per metric ton as of June 30, 2010:

2010	79
2011	134
2012	136
2013	138
2014	138
	625

e) Description of Leasing Arrangements

Part of our railroad operations include leased facilities. The 30-year lease, renewable for a further 30 years, 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 lease assets. In most cases, management expects that in the normal course of business, leases will be renewed.

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.

2010	35
2011	69
2012	69
2013	69
2014 thereafter	846
Total minimum payments required	**1,088**

The total expenses of operating leases during on six-mouth period ended June 30, 2010, was US$34.

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.

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:

2010	45
2011	100
2012	100
2013	100
2014 thereafter	1,020
Total	**1,365**

The total expenses of operating leases during on six-month period ended June 30, 2010 was US$55.

F) Assets retirement obligations

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

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

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

	June 30, 2010	December 31, 2009
Beginning of period	**1,116**	**887**
Accretion expense	58	75
Liabilities settled in the current period	(10)	(46)
Revisions in estimated cash flows(*)	26	(23)
Cumulative translation adjustment	(28)	223
End of period	**1,162**	**1,116**
Current liabilities	80	89
Non-current liabilities	1,082	1,027
Total	**1,162**	**1,116**

(*) Includes $44 for the purchase of Fosfértil and Vale Fosfatados S.A.

22 OTHER EXPENSES

The line "Other operating expenses" totaled US$912 in June 30, 2010, mostly due to pre operational expenses and idle capacity and stoppage operations which comprised US$127 and US$359, respectively.

23 FAIR VALUE DISCLOSURE OF FINANCIAL ASSETS AND LIABILITIES

The Financial Accounting Standards Board, through Accounting Standards Codification and Accounting Standards Updates, define fair value, set out a framework for measuring fair value, which refers to valuation concepts and practices and require 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 risks inherent in the inputs to the valuation technique.

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

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

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

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

b) Measurements on a recurring basis

The description of the valuation methodologies used for recurring assets and liabilities measured at fair value in the Company's Consolidated Balance Sheet at June 30, 2010 and December 31, 2009, 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 for the swaps to estimate the fair value discounting their cash flows using the interest rate of the currency they are denominated. Also for the commodities contracts, since the fair value is computed by using forward curves for each commodities.

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

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

	As of June 30, 2010			
	Carry amount	Fair value	Level 1	Level 2
Available-for-sale securities	10	10	10	—
Unrealized gain on derivatives	463	463	—	463
Debentures	(782)	(782)	—	(782)

	As of December 31, 2009			
	Carry amount	Fair value	Level 1	Level 2
Available-for-sale securities	17	17	17	—
Unrealized gain on derivatives	832	832	—	832
Debentures	(752)	(752)	—	(752)

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 intangible assets. During the period ended June 30, 2010, we have not recognized any additional impairment loss for those items.

d) Financial Instruments

Long-term debt

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

Time deposits

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

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

	June 30, 2010			
	Carry amount	Fair value	Level 1	Level 2
Long-term debt (less interests)(*)	(22,802)	(24,410)	(14,356)	(10,054)

(*) Less accrued charges US$281

	As of December 31, 2009			
	Carry amount	Fair value	Level 1	Level 2
Time deposits	3,747	3,747	—	3,747
Long-term debt (less interests)(*)	(22,544)	(23,344)	(12,424)	(10,920)

(*) Less accrued charges US$287

24 SEGMENT AND GEOGRAPHICAL INFORMATION

We adopt disclosures about segments of an enterprise and related information with respect to the information we present about our operating segments. The standard introduced a "management approach" concept for reporting segment information, whereby such information is required to be reported on the basis that the chief decision-maker uses internally for evaluating segment performance and deciding how to allocate resources to segments. Considering the new segment acquired, fertilizers and the related reorganization that occurred the operating segments are:

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

Base Metals — comprised of the production of non-ferrous minerals, including nickel (co-products and by-products), copper and aluminum — comprised of aluminum trading activities, alumina refining and aluminum metal smelting and investments in joint ventures and affiliates engaged in bauxite mining.

Fertilizers — comprised of the three important groups of nutrients: potash, phosphates and nitrogen. This business is being formed through a combination of acquisitions and organic growth. This is a new business segment reported by us from 2010 in connection with the recent transaction disclosured in note 5(a).

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

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

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

Results by segment — before eliminations (aggregated)

	Six-month period ended													
	June 30, 2010							June 30, 2009						
	Bulk material	Base metals	Fertilizers	Logistic	Others	Elimination	Consolidated	Bulk material	Base metals	Fertilizers	Logistic	Others	Elimination	Consolidated
											(unaudited)			
RESULTS														
Gross revenues — Foreign	18,908	4,154	—	12	11	(9,322)	13,763	11,314	3,738	—	16	39	(6,015)	9,092
Gross revenues — Domestic	1,943	358	286	797	209	(578)	3,015	596	337	186	479	103	(288)	1,413
Cost and expenses	(13,363)	(3,717)	(250)	(636)	(168)	9,900	(8,234)	(8,307)	(3,670)	(52)	(378)	(84)	6,303	(6,188)
Research and development	(116)	(100)	(12)	(22)	(111)	—	(361)	(115)	(117)	(18)	(27)	(177)	—	(454)
Depreciation, depletion and amortization	(738)	(655)	(24)	(73)	(1)	—	(1,491)	(478)	(657)	(10)	(53)	(4)	—	(1,202)
Operating income	**6,634**	**40**	—	**78**	**(60)**	—	**6,692**	**3,010**	**(369)**	**106**	**37**	**(123)**	—	**2,661**
Financial income	1,311	386	1	3	—	(1,584)	117	1,261	334	—	2	4	(1,383)	218
Financial expenses	(1,718)	(824)	(1)	(18)	(2)	1,584	(979)	(1,327)	(634)	—	—	(2)	1,383	(580)
Gains (losses) on derivatives, net	(356)	9	—	—	5	—	(342)	973	(82)	—	—	—	—	891
Foreign exchange and monetary gains (losses), net	66	(29)	2	(3)	—	—	36	235	247	—	(10)	67	—	539
Discontinued Operations, Net of tax	—	(151)	—	—	—	—	(151)	—	—	—	—	—	—	—
Gain on sale of investments	—	—	—	—	—	—	—	157	—	—	—	—	—	157
Equity in results of affiliates and joint ventures investments	308	7	—	35	29	—	379	144	12	—	44	7	—	207
Income taxes	(596)	141	3	9	21	—	(422)	(2,095)	179	—	(14)	—	—	(1,930)
Net income attributable to noncontrolling interests	2	(19)	—	—	(4)	—	(21)	22	(23)	—	—	(9)	—	(10)
Net income attributable to the Company's stockholders	**5,651**	**(440)**	**5**	**104**	**(11)**	—	**5,309**	**2,380**	**(336)**	**106**	**59**	**(56)**	—	**2,153**
Sales classified by geographic destination:														
Foreign market														
America, except United States	584	523	—	12	7	(404)	722	112	710	—	—	11	(233)	600
United States	13	309	—	—	2	(26)	298	24	417	—	—	19	(42)	418
Europe	5,482	1,450	—	—	2	(3,196)	3,738	2,542	1,104	—	—	8	(2,175)	1,479
Middle East/Africa/Oceania	940	104	—	—	—	(357)	687	496	125	—	—	—	(382)	239
Japan	2,466	602	—	—	—	(1,164)	1,904	965	316	—	—	1	(420)	862
China	8,007	374	—	—	—	(3,427)	4,954	6,236	466	—	16	—	(2,277)	4,441
Asia, other than Japan and China	1,416	792	—	—	—	(748)	1,460	939	600	—	—	—	(486)	1,053
	18,908	**4,154**	—	**12**	**11**	**(9,322)**	**13,763**	**11,314**	**3,738**	—	**16**	**39**	**(6,015)**	**9,092**
Domestic market	1,943	358	286	797	209	(578)	3,015	596	337	186	479	103	(288)	1,413
	20,851	**4,512**	**286**	**809**	**220**	**(9,900)**	**16,778**	**11,910**	**4,075**	**186**	**495**	**142**	**(6,303)**	**10,505**

Operating segment — after eliminations (disaggregated)

	Six-month period ended												
	June 30, 2010												
	Revenue												
	Foreign	Domestic	Total	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
Bulk Material												
Iron ore	8,101	1,081	9,182	(157)	9,025	(3,107)	5,918	(622)	5,296	26,408	1,593	88
Pellets	1,808	585	2,393	(130)	2,263	(956)	1,307	(58)	1,249	1,698	129	1,254
Manganese	131	16	147	(6)	141	(62)	79	(5)	74	23	—	—
Ferroalloys	181	131	312	(32)	280	(151)	129	(17)	112	240	8	—
Coal	312	—	312	—	312	(378)	(66)	(31)	(97)	1,734	152	186
Pig iron	9	—	9	—	9	(4)	5	(5)	—	—	—	—
	10,542	**1,813**	**12,355**	**(325)**	**12,030**	**(4,658)**	**7,372**	**(738)**	**6,634**	**30,103**	**1,882**	**1,528**
Base Metals												
Nickel and other products(*)	1,617	4	1,621	—	1,621	(1,298)	323	(485)	(162)	27,471	708	22
Copper concentrate	361	26	387	(10)	377	(268)	109	(40)	69	2,662	531	69
Aluminum products	1,186	68	1,254	(13)	1,241	(978)	263	(122)	141	228	61	140
	3,164	**98**	**3,262**	**(23)**	**3,239**	**(2,544)**	**695**	**(647)**	**48**	**30,361**	**1,300**	**231**
Fertilizers												
Potash	—	120	120	(6)	114	(85)	29	(13)	16	1,889	7	—
Phosphates	—	155	155	(15)	140	(145)	(5)	(11)	(16)	7,153	44	—
	—	**275**	**275**	**(21)**	**254**	**(230)**	**24**	**(24)**	—	**9,042**	**51**	—
Logistics												
Railroads	—	537	537	(87)	450	(342)	108	(59)	49	1,944	46	486
Ports	13	168	181	(24)	157	(106)	51	(11)	40	245	3	—
Ships	5	—	5	—	5	(13)	(8)	(3)	(11)	—	—	121
	18	**705**	**723**	**(111)**	**612**	**(461)**	**151**	**(73)**	**78**	**2,189**	**49**	**607**
Others	39	124	163	(36)	127	(186)	(59)	(9)	(68)	2,054	771	2,078
	13,763	**3,015**	**16,778**	**(516)**	**16,262**	**(8,079)**	**8,183**	**(1,491)**	**6,692**	**73,749**	**4,053**	**4,444**

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

Operating segment — after eliminations (disaggregated)

	Six-month period ended June 30, 2009											
	Revenue											
	Foreign	Domestic	Total	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
							(unaudited)					
Ferrous												
Iron ore	5,225	326	5,551	(62)	5,489	(2,012)	3,477	(424)	3,053	18,466	1,333	62
Pellets	353	99	452	(29)	423	(432)	(9)	(29)	(38)	645	84	940
Manganese	52	6	58	(1)	57	(41)	16	(4)	12	21	2	—
Ferroalloys	89	59	148	(15)	133	(142)	(9)	(4)	(13)	231	35	—
Coal	230	—	230	—	230	(216)	14	(17)	(3)	1,433	153	206
Pig iron	11	—	11	—	11	(13)	(2)	—	(2)	144	48	—
	5,960	**490**	**6,450**	**(107)**	**6,343**	**(2,856)**	**3,487**	**(478)**	**3,009**	**20,940**	**1,655**	**1,208**
Base Metals												
Nickel and other products(*)	1,966	6	1,972	—	1,972	(1,717)	255	(496)	(241)	22,504	704	88
Kaolin	62	19	81	(4)	77	(70)	7	(19)	(12)	188	27	—
Copper concentrate	240	37	277	(5)	272	(211)	61	(34)	27	3,831	374	—
Aluminum products	822	88	910	(17)	893	(920)	(27)	(108)	(135)	4,356	99	146
	3,090	**150**	**3,240**	**(26)**	**3,214**	**(2,918)**	**296**	**(657)**	**(361)**	**30,879**	**1,204**	**234**
Fertilizers												
Potash	—	186	186	(5)	181	(65)	116	(10)	106	159	—	—
	—	**186**	**186**	**(5)**	**181**	**(65)**	**116**	**(10)**	**106**	**159**	**—**	**—**
Logistics												
Railroads	—	381	381	(60)	321	(261)	60	(43)	17	1,733	41	372
Ports	—	99	99	(14)	85	(70)	15	(10)	5	1,441	106	—
Ships	—	—	—	—	—	—	—	—	—	638	267	112
	—	**480**	**480**	**(74)**	**406**	**(331)**	**75**	**(53)**	**22**	**3,812**	**414**	**484**
Others	42	107	149	(21)	128	(239)	(111)	(4)	(115)	3,506	423	1,042
	9,092	**1,413**	**10,505**	**(233)**	**10,272**	**(6,409)**	**3,863**	**(1,202)**	**2,661**	**59,296**	**3,696**	**2,968**

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

25 RELATED PARTY TRANSACTIONS

Balances from transactions with major related parties are as follows:

	June 30, 2010		December 31, 2009	
	Assets	Liabilities	Assets	Liabilities
AFFILIATED COMPANIES AND JOINT VENTURES				
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS	47	97	34	34
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO	3	4	1	6
Companhia Nipo-Brasileira de Pelotização — NIBRASCO	—	40	—	22
Companhia Coreano-Brasileira de Pelotização — KOBRASCO	6	20	1	5
Baovale Mineração SA	4	26	2	22
Minas da Serra Geral SA — MSG	—	27	—	26
MRS Logística SA	14	358	10	418
Mineração Rio Norte SA	—	14	—	25
Samarco Mineração SA	40	—	55	—
Teal Minerals Incorporated	—	—	84	—
Korea Nickel Corporation	—	—	11	—
Mitsui & CO, LTD	—	—	—	26
Others	—	31	24	29
	114	617	222	613
Current	**103**	**518**	**186**	**496**
Long-term	**11**	**99**	**36**	**117**

These balances are included in the following balance sheet classifications:

	June 30, 2010		December 31, 2009	
	Assets	Liabilities	Assets	Liabilities
Current assets				
Accounts receivable	89	—	79	—
Loans and advances to related parties	14	—	107	—
Non-current assets				
Loans and advances to related parties	11	—	36	—
Current liabilities				
Suppliers	—	471	—	463
Loans from related parties	—	25	—	19
Others — Others related parties	—	22	—	14
Non-current liabilities				
Others — Long-term debt	—	99	—	117
	114	617	222	613

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

	Six-month period ended			
	June 30, 2010		June 30, 2009	
	Income	Expense	Income	Expense
			(unaudited)	
AFFILIATED COMPANIES AND JOINT VENTURES				
Companhia Nipo-Brasileira de Pelotização — NIBRASCO	—	23	29	26
Samarco Mineração SA	170	—	26	—
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO	—	10	—	6
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS	145	172	8	2
Companhia Coreano-Brasileira de Pelotização — KOBRASCO	—	20	—	29
Mineração Rio Norte SA	—	69	—	115
MRS Logística SA	8	276	4	183
Others	12	25	9	14
	335	595	76	375

(*) Sold in April 2009.

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

	Six-month period ended			
	June 30, 2010		June 30, 2009	
	Income	Expense	Income	Expense
			(unaudited)	
Sales/Cost of iron ore and pellets	318	252	42	70
Revenues/expense from logistic services	12	264	10	183
Sales/Cost of aluminum products	—	69	—	115
Financial income/expenses	5	10	24	7
	335	595	76	375

Additionally we have loans payable to Banco Nacional de Desenvolvimento Social and BNDES Participações S.A in the amounts of US$1,657 and US$659, respectively, accruing interest at market rates, which fall due through 2029. The operations generated interest expenses of US$10. We also maintain cash equivalent balances with Banco Bradesco S.A. in the amount of US$148 it June 30, 2010. The effect of these operations in results was US$65.

26 DERIVATIVE FINANCIAL INSTRUMENTS

Risk management policy

Vale's risk management strategy encompasses an enterprise risk management approach where we evaluate not only market risk impacts on the business, but also the impacts arising from credit and operating risks.

Vale considers that the effective management of risk is a key objective to support its growth strategy and financial flexibility. The risk reduction on Vale's future cash flows contributes to a better perception of the Company's credit

quality, improving its ability to access different markets. As a commitment to the risk management strategy, the Board of Directors has established an enterprise-wide risk management policy and a risk management committee.

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

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

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

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

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

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

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

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

Foreign exchange and interest rate risk

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

Derivative instruments may be used to reduce Vale's potential cash flow volatility arising from its currency mismatch. Vale's foreign exchange and interest rate derivative portfolio consists, basically, of interest rate swaps to convert floating cash flows in Brazilian real to fixed or floating US dollar cash flows, without any leverage.

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

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

The swap transactions used to convert debt linked to Brazilian reais into U.S. Dollars have similar — and sometimes shorter — settlement dates than the final maturity of the debt instruments. Their amounts are similar to the principal and interest payments, subjected to liquidity market conditions. The swaps with shorter settlement date than the debts' final maturity are renegotiated through time so that their final maturity match — or become closer — to the debt final maturity. At each settlement date, the results on the swap transactions partially offset the impact of the foreign

exchange rate in our obligations, contributing to stabilize the cash disbursements in U.S. Dollars for the interest and/or principal payment of our Brazilian Real denominated debt.

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

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

In order to reduce the cash flows volatility associated with the foreign exchange exposure from some coal fixed price sales, Vale purchased forward Australian dollars.

Product price risk

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

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

- Strategic derivative program — in order to protect our cash flows in 2010 and 2011, we entered into derivative transactions where we fixed the prices of some of our nickel sales during the period.
- Fixed price sales program — we use to enter into nickel future contracts on the London Metal Exchange (LME) with the purpose of maintaining our exposure to nickel price variation, regarding the fact that, in some cases, the commodity is sold at a fixed price to some customers. Whenever the 'Strategic derivative program' is executed, the 'Fixed price sales program' is interrupted.
- Nickel purchase program — Vale has also sold nickel futures on the LME, in order to minimize the risk of mismatch between the pricing on the costs of intermediate products and finished goods.

Aluminum — In order to protect our cash flow in 2010, we entered into derivatives transactions where we fixed the prices of some of our aluminum sales during the period. Aluminum operations are available for sale since June 2010.

Coal — In order to protect our cash flow in 2010, we entered into derivatives transactions where we fixed the prices of some of our coal sales during the period.

Copper — We entered into derivatives transactions in order to reduce the cash flow volatility due to the quotation period mismatch between the pricing period of copper scrap purchase and the pricing period of final products sale to the clients.

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

Maritime Freight — In order to reduce the impact of freight price fluctuations on the Company's cash flows, Vale implemented a derivative program that consists of purchasing Forward Freight Agreements (FFA).

Embedded derivatives — In addition to the contracts mentioned above, Vale Inco Ltd., Vale's wholly-owned subsidiary, has nickel concentrate and raw materials purchase agreements, where there are provisions based on the movement of nickel and copper prices. These provisions are considered embedded derivatives. There is also an embedded derivative related to energy purchase in our subsidiary Albras on which there is a premium that can be charged based on the movement of aluminum prices.

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

At June 30, 2010, we have outstanding positions designated as cash flow hedge and fair value hedge. A cash flow hedge is a hedge of the exposure to variability in expected future cash flows that is attributable to a particular risk, such as a forecasted purchase or sale. If a derivative is designated as cash flow hedge, the effective portion of the changes in the

fair value of the derivative is recorded in other comprehensive income and recognized in earnings when the hedged item affects earnings. However, the ineffective portion of changes in the fair value of the derivatives designated as hedges is recognized in earnings. If a portion of a derivative contract is excluded for purposes of effectiveness testing, such as time value, the value of such excluded portion is included in earnings. A fair value hedge is a hedge of an exposure to the changes in the fair value of a recognized asset or liability that is attributable to a particular risk and will affect reported net income.

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			
	June 30, 2010		December 31, 2009		June 30, 2010		December 31, 2009	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Derivatives not designated as hedge								
Foreign exchange and interest rate risk								
CDI & TJLP vs. floating & fixed swap	—	490	—	794	—	64	—	—
USD floating rate vs. fixed USD rate swap	—	—	—	1	—	—	—	—
EURO floating rate vs. USD floating rate swap	—	—	—	—	—	6	7	1
EuroBond Swap	—	—	—	—	—	78	—	—
AUD floating rate vs. fixed USD rate swap	2	—	—	9	—	—	—	—
	2	**490**	—	**804**	—	**148**	**7**	**1**
Commodities price risk								
Nickel								
Fixed price program	19	—	12	2	4	—	3	8
Strategic program	—	—	—	—	31	—	32	—
Aluminium	—	—	—	—	—	—	16	—
Bunker Oil Hedge	—	10	49	—	—	—	—	—
Coal	—	—	—	—	3	—	—	—
Maritime Freight Hiring Protection Program	—	—	29	—	10	—	—	—
	19	**10**	**90**	**2**	**48**	—	**51**	**8**
Derivatives designated as hedge								
Foreign exchange cash flow hedge	—	96	15	59	—	—	—	—
Strategic Nickel	—	42	—	—	—	—	—	—
Aluminium	—	—	—	—	—	—	71	—
	—	**138**	**15**	**59**	—	—	**71**	—
Total	**21**	**638**	**105**	**865**	**48**	**148**	**129**	**9**

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

	Amount of gain or (loss) recognized in financial income (expense)		Financial settlement		Amount of gain or (loss) recognized in OCI	
	June 30, 2010	June 30, 2009 (unaudited)	June 30, 2010	June 30, 2009 (unaudited)	June 30, 2010	June 30, 2009 (unaudited)
Derivatives not designated as hedge						
Foreign exchange and interest rate risk						
CDI & TJLP vs. USD fixed and floating rate swap	(241)	959	(104)	(121)	—	—
EURO floating rate vs. USD floating rate swap	(1)	(1)	—	(1)	—	—
USD floating rate vs. USD fixed rate swap	(1)	(1)	4	2	—	—
Swap Convertibles	37	—	(37)	—	—	—
Swap NDF	1	—	—	—	—	—
EuroBond Swap	(78)	—	—	—		
AUD floating rate vs. fixed USD rate swap	1	10	(7)	(1)	—	—
	(282)	**967**	**(144)**	**(121)**	—	—
Commodities price risk						
Nickel						
Fixed price program	9	24	1	30	—	—
Purchase program	—	(22)	—	25	—	—
Strategic program	(51)	(42)	50	—	—	—
Natural gas	—	(4)	—	4	—	—
Aluminum	—	—	16	—	—	—
Maritime Freight Hiring Protection Program	(19)	34	(19)	(5)	—	—
Coal	(3)	—	—	—	—	—
Bunker Oil Hedge	(13)	—	(23)	—	—	—
	(77)	**(10)**	**25**	**54**	—	—
Embedded derivatives:						
For nickel concentrate costumer sales	—	(16)	—	(18)	—	—
Customer raw material contracts	—	(63)	—	—	—	—
Energy — Aluminum options	—	—	—	—	—	—
	—	**(79)**	—	**(18)**	—	—
Derivatives designated as hedge						
Bunker Oil Hedge	—	13	—	(1)	—	—
Aluminum hedge	—	—	26	—	35	—
Strategic Nickel	(2)	—	—	—	41	—
Foreign exchange cash flow hedge	19	—	(31)	—	44	1
	17	**13**	**(5)**	**(1)**	**120**	**1**
	(342)	**891**	**(124)**	**(86)**	**120**	**1**

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
Aluminum	December 2010
Bunker Oil	December 2011
Freight	December 2010
Nickel	December 2011
Coal	December 2010
Copper	October 2010

II. CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2007, 2008 and 2009

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	I-48
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING	I-50
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008	I-51
CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007	I-53
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007	I-54
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007	I-55
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (DEFICIT) FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007	I-57
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	I-58

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. (formerly Companhia Vale do Rio Doce) and its subsidiaries ("Company") at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 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, 2009, 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.

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.

PricewaterhouseCoopers
Auditores Independentes

Rio de Janeiro, Brazil

February 10, 2010 (except with respect to our opinion on the consolidated financial statements insofar as it relates to the change in segment reporting discussed in Note 3(a), 13 and 23, as to which the date is December 2, 2010).

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, 2009 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, 2009.

The effectiveness of the company's internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report which appears herein.

February 10, 2010

Roger Agnelli
Chief Executive Officer

Fábio de Oliveira Barbosa
Chief Financial Officer

CONSOLIDATED BALANCE SHEETS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	As of December 31	
	2009	2008
Assets		
Current assets		
Cash and cash equivalents	7,293	10,331
Short-term investments	3,747	2,308
Accounts receivable		
Related parties	79	137
Unrelated parties	3,041	3,067
Loans and advances to related parties	107	53
Inventories	3,196	3,896
Deferred income tax	852	583
Unrealized gains on derivative instruments	105	—
Advances to suppliers	498	405
Recoverable taxes	1,511	1,993
Others	865	465
	21,294	**23,238**
Non-current assets		
Property, plant and equipment, net	**67,637**	**48,454**
Intangible assets	**1,173**	**875**
Investments in affiliated companies, joint ventures and others	**4,585**	**2,408**
Other assets		
Goodwill on acquisition of subsidiaries	2,313	1,898
Loans and advances		
Related parties	36	—
Unrelated parties	158	77
Prepaid pension cost	1,335	622
Prepaid expenses	235	223
Judicial deposits	1,143	1,141
Advances to suppliers — energy	511	408
Recoverable taxes	817	394
Unrealized gains on derivative instruments	865	93
Others	177	161
	7,590	**5,017**
TOTAL	**102,279**	**79,992**
Liabilities and stockholders' equity		
Current liabilities		
Suppliers	2,309	2,261
Payroll and related charges	864	591
Current portion of long-term debt	2,933	633
Short-term debt	30	—
Loans from related parties	19	77
Provision for income taxes	173	502
Taxes payable and royalties	124	55
Employees postretirement benefits	144	102
Railway sub-concession agreement payable	285	400
Unrealized losses on derivative instruments	129	—
Provisions for asset retirement obligations	89	48
Minimum mandatory dividends payable	1,464	2,068
Other	618	500
	9,181	**7,237**

CONSOLIDATED BALANCE SHEETS — (CONTINUED)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT NUMBER OF SHARES)

	As of December 31	
	2009	2008
Non-current liabilities		
Employees postretirement benefits	1,970	1,485
Long-term debt	19,898	17,535
Provisions for contingencies (Note 20(b))	1,763	1,685
Unrealized losses on derivative instruments	9	634
Deferred income tax	5,755	4,005
Provisions for asset retirement obligations	1,027	839
Debentures	752	379
Other	1,427	1,146
	32,601	**27,708**
Redeemable noncontrolling interest (Note 4(b))	731	599
Commitments and contingencies (Note 20)		
Stockholders' equity		
Preferred class A stock — 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2008 — 2,108,579,618) issued	9,727	9,727
Common stock — 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2008 — 3,256,724,482) issued	15,262	15,262
Treasury stock — 77,581,904 (2008 — 76,854,304) preferred and 74,997,899 (2008 — 74,937,899) common shares	(1,150)	(1,141)
Additional paid-in capital	411	393
Mandatorily convertible notes — common shares	1,578	1,288
Mandatorily convertible notes — preferred shares	1,225	581
Other cumulative comprehensive loss	(1,808)	(11,510)
Undistributed retained earnings	28,508	18,340
Unappropriated retained earnings	3,182	9,616
Total Company stockholders' equity	**56,935**	**42,556**
Noncontrolling interests	**2,831**	**1,892**
Total stockholders' equity	**59,766**	**44,448**
TOTAL	**102,279**	**79,992**

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

CONSOLIDATED STATEMENTS OF INCOME
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT PER SHARE AMOUNTS)

	Year ended December 31,		
	2009	2008	2007
Operating revenues, net of discounts, returns and allowances			
Sales of ores and metals	19,502	32,484	28,263
Aluminum products	2,050	3,042	2,722
Revenues from logistic services	1,104	1,607	1,525
Fertilizers products	413	295	178
Other products and services	870	1,081	427
	23,939	**38,509**	**33,115**
Taxes on revenues	(628)	(1,083)	(873)
Net operating revenues	**23,311**	**37,426**	**32,242**
Operating costs and expenses			
Cost of ores and metals sold	(9,853)	(13,938)	(13,514)
Cost of aluminum products	(2,087)	(2,267)	(1,705)
Cost of logistic services	(779)	(930)	(853)
Cost of fertilizers products	(173)	(117)	(114)
Other	(729)	(389)	(277)
	(13,621)	(17,641)	(16,463)
Selling, general and administrative expenses	(1,130)	(1,748)	(1,245)
Research and development expenses	(981)	(1,085)	(733)
Impairment of goodwill	—	(950)	—
Other	(1,522)	(1,254)	(607)
	(17,254)	**(22,678)**	**(19,048)**
Operating income	**6,057**	**14,748**	**13,194**
Non-operating income (expenses)			
Financial income	381	602	295
Financial expenses	(1,558)	(1,765)	(2,517)
Gains (losses) on derivatives, net	1,528	(812)	931
Foreign exchange and indexation gains (losses), net[(1)]	675	364	2,553
Gain (loss) on sale of assets[(2)]	40	80	777
	1,066	**(1,531)**	**2,039**
Income before income taxes and equity results	**7,123**	**13,217**	**15,233**
Income taxes			
Current	(2,084)	(1,338)	(3,901)
Deferred	(16)	803	700
	(2,100)	**(535)**	**(3,201)**
Equity in results of affiliates, joint ventures and other investments	433	794	595
Net income	**5,456**	**13,476**	**12,627**
Net income attributable to noncontrolling interests	107	258	802
Net income attributable to the Company's stockholders	**5,349**	**13,218**	**11,825**
Basic and diluted earnings per share attributable to Company's stockholders			
Earnings per preferred share	0.97	2.58	2.41
Earnings per common share	0.97	2.58	2.41
Earnings per preferred share linked to mandatorily convertible notes[(*)]	1.71	4.09	3.30
Earnings per common share linked to mandatorily convertible notes[(*)]	2.21	4.29	3.51

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

(1) The aggregate foreign currency transaction gain or loss (both realised and unrealised) included in determining net income for the reporting period.

(2) The net realised gain or loss on investments sold during the period, which, for cash flow reporting, is a component of proceeds from investing activities.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	Year ended December 31,		
Cash flows from operating activities:	**2009**	**2008**	**2007**
Net income	5,456	13,476	12,627
Adjustments to reconcile net income to cash from operations:			
Depreciation, depletion and amortization	2,722	2,807	2,186
Dividends received	386	513	394
Equity in results of affiliates, joint ventures and other investments	(433)	(794)	(595)
Deferred income taxes	16	(803)	(700)
Impairment of goodwill	—	950	—
Loss on disposal of property, plant and equipment	293	376	168
(Gain)/Loss on sale of investments	(40)	(80)	(777)
Foreign exchange and indexation losses (gains), net	(1,095)	451	(2,827)
Unrealized derivative losses (gains), net	(1,382)	809	(917)
Unrealized interest (income) expense, net	(25)	116	102
Others	20	(3)	115
Decrease (increase) in assets:			
Accounts receivable	616	(466)	235
Inventories	530	(467)	(343)
Recoverable taxes	108	(263)	—
Others	(455)	21	(292)
Increase (decrease) in liabilities:			
Suppliers	121	703	998
Payroll and related charges	159	1	170
Income taxes	(234)	(140)	393
Others	373	(93)	75
Net cash provided by operating activities	**7,136**	**17,114**	**11,012**
Cash flows from investing activities:			
Short term investments	(1,439)	(2,308)	—
Loans and advances receivable			
Related parties			
Loan proceeds	(181)	(37)	(33)
Repayments	7	58	10
Others	(25)	(15)	1
Judicial deposits	(132)	(133)	(125)
Investments	(1,947)	(128)	(324)
Additions to, property, plant and equipment	(8,096)	(8,972)	(6,651)
Proceeds from disposal of investments/property, plant and equipment	606	134	1,042
Acquisition of subsidiaries, net of cash acquired	(1,952)	—	(2,926)
Net cash used in investing activities	**(13,159)**	**(11,401)**	**(9,006)**
Cash flows from financing activities:			
Short-term debt, additions	1,285	1,076	4,483
Short-term debt, repayments	(1,254)	(1,311)	(5,040)
Loans			
Related parties			
Loan proceeds	16	54	259
Repayments	(373)	(20)	(273)
Issuances of long-term debt			
Third parties	3,104	1,890	7,212
Repayments of long-term debt			
Third parties	(307)	(1,130)	(11,130)
Treasury stock	(9)	(752)	—
Mandatorily convertible notes	934	—	1,869
Capital increase	—	12,190	—
Dividends and interest attributed to Company's stockholders	(2,724)	(2,850)	(1,875)
Dividends and interest attributed to noncontrolling interest	(47)	(143)	(714)
Net cash provided by (used in) financing activities	**625**	**9,004**	**(5,209)**
Increase (decrease) in cash and cash equivalents	(5,398)	14,717	(3,203)
Effect of exchange rate changes on cash and cash equivalents	2,360	(5,432)	(199)
Cash and cash equivalents, beginning of period	10,331	1,046	4,448
Cash and cash equivalents, end of period	**7,293**	**10,331**	**1,046**
Cash paid during the period for:			
Interest on short-term debt	(1)	(11)	(49)
Interest on long-term debt	(1,113)	(1,255)	(1,289)
Income tax	(1,331)	(2,867)	(3,284)
Non-cash transactions			
Interest capitalized	266	230	78

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS (EXCEPT NUMBER OF SHARES)

	Year ended December 31,		
	2009	2008	2007
Preferred class A stock (including twelve special shares)			
Beginning of the period	9,727	4,953	4,702
Capital increase	—	4,774	—
Transfer from undistributed retained earnings	—	—	251
End of the period	**9,727**	**9,727**	**4,953**
Common stock			
Beginning of the period	15,262	7,742	3,806
Capital increase	—	7,520	—
Transfer from undistributed retained earnings	—	—	3,936
End of the period	**15,262**	**15,262**	**7,742**
Treasury stock			
Beginning of the period	(1,141)	(389)	(389)
Acquisitions	(9)	(752)	—
End of the period	**(1,150)**	**(1,141)**	**(389)**
Additional paid-in capital			
Beginning of the period	393	498	498
Change in the period	18	(105)	—
End of the period	**411**	**393**	**498**
Mandatorily convertible notes — common shares			
Beginning of the period	1,288	1,288	1,288
Change in the period	290	—	—
End of the period	**1,578**	**1,288**	**1,288**
Mandatorily convertible notes — preferred shares			
Beginning of the period	581	581	581
Change in the period	644	—	—
End of the period	**1,225**	**581**	**581**
Other cumulative comprehensive income (deficit)			
Cumulative translation adjustments			
Beginning of the period	(11,493)	1,340	(1,628)
Change in the period	9,721	(12,833)	2,968
End of the period	**(1,772)**	**(11,493)**	**1,340**
Unrealized gain (loss) — available-for-sale securities, net of tax			
Beginning of the period	17	211	271
Change in the period	(17)	(194)	(60)
End of the period	**—**	**17**	**211**
Surplus (deficit) accrued pension plan			
Beginning of the period	(34)	75	353
Change in the period	(4)	(109)	(278)
End of the period	**(38)**	**(34)**	**75**
Cash flow hedge			
Beginning of the period	—	29	—
Change in the period	2	(29)	29
End of the period	**2**	**—**	**29**
Total other cumulative comprehensive income (deficit)	**(1,808)**	**(11,510)**	**1,655**

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY — (CONTINUED)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT NUMBER OF SHARES)

	Year ended December 31,		
	2009	2008	2007
Undistributed retained earnings			
Beginning of the period	18,340	15,317	9,555
Transfer from/to unappropriated retained earnings	10,168	3,023	9,949
Capitalized earnings	—	—	(4,187)
End of the period	**28,508**	**18,340**	**15,317**
Unappropriated retained earnings			
Beginning of the period	9,616	1,631	2,505
Net income attributable to the stockholders' Company	5,349	13,218	11,825
Interest on mandatorily convertible debt			
Preferred class A stock	(58)	(46)	(22)
Common stock	(93)	(96)	(45)
Dividends and interest attributed to stockholders' equity			
Preferred class A stock	(570)	(806)	(1,049)
Common stock	(894)	(1,262)	(1,634)
Appropriation from/to undistributed retained earnings	(10,168)	(3,023)	(9,949)
End of the period	**3,182**	**9,616**	**1,631**
Total Company stockholders' equity	**56,935**	**42,556**	**33,276**
Noncontrolling interests			
Beginning of the period	1,892	2,180	2,465
Disposals and (acquisitions) of noncontrolling interests	83	—	(817)
Cumulative translation adjustments	823	(445)	333
Cash flow hedge	(18)	(21)	21
Net income attributable to noncontrolling interests	107	258	802
Dividends and interest attributable to noncontrolling interests	(56)	(137)	(700)
Capitalization of stockholders advances	—	57	76
End of the period	**2,831**	**1,892**	**2,180**
Total stockholders' equity	**59,766**	**44,448**	**35,456**
Number of shares:			
Preferred class A stock (including twelve special shares)	2,108,579,618	2,108,579,618	1,919,516,400
Common stock	3,256,724,482	3,256,724,482	2,999,797,716
Buy-backs			
Beginning of the period	(151,792,203)	(86,923,184)	(86,927,072)
Acquisitions	(831,400)	(64,869,259)	—
Sales	43,800	240	3,888
End of the period	**(152,579,803)**	**(151,792,203)**	**(86,923,184)**
	5,212,724,297	**5,213,511,897**	**4,832,390,932**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (DEFICIT) EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	Year ended December 31,		
	2009	2008	2007
Comprehensive income (deficit) is comprised as follows:			
Company's stockholders:			
Net income attributable to Company's stockholders	5,349	13,218	11,825
Cumulative translation adjustments	9,721	(12,833)	2,968
Unrealized gain (loss) — available-for-sale securities			
Gross balance as of the period/year end	(47)	(230)	(123)
Tax (expense) benefit	30	36	63
	(17)	**(194)**	**(60)**
Surplus (deficit) accrued pension plan			
Gross balance as of the period/year end	10	(194)	(410)
Tax (expense) benefit	(14)	85	132
	(4)	**(109)**	**(278)**
Cash flow hedge			
Gross balance as of the period/year end	11	(29)	29
Tax (expense) benefit	(9)	—	—
	2	**(29)**	**29**
Total comprehensive income (deficit) attributable to Company's stockholders	**15,051**	**53**	**14,484**
Noncontrolling interests:			
Net income attributable to noncontrolling interests	107	258	802
Cumulative translation adjustments	823	(445)	333
Cash flow hedge	(18)	(21)	21
Total comprehensive income (deficit) attributable to Noncontrolling interests	**912**	**(208)**	**1,156**
Total comprehensive income (deficit)	**15,963**	**(155)**	**15,640**

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

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., formerly Companhia Vale do Rio Doce, ("Vale", the "Company" or "we") is a limited liability company incorporated in Brazil. Operations are carried out through Vale and our subsidiary companies, joint ventures and affiliates, and mainly consist of mining, base metals, production, fertilizers, logistics and steel activities.

At December 31, 2009, our principal consolidated operating subsidiaries are the following:

Subsidiary	% ownership	% voting capital	head office location	Principal activity
Alumina do Norte do Brasil S.A. — Alunorte	57.03	59.02	Brazil	Alumina
Alumínio Brasileiro S.A. — Albras	51.00	51.00	Brazil	Aluminum
CADAM S.A	61.48	100.00	Brazil	Kaolin
CVRD Overseas Ltd	100.00	100.00	Cayman Islands	Trading
Vale Colombia Ltd	100.00	100.00	Colombia	Coal
Ferrovia Centro-Atlântica S. A	99.99	99.99	Brazil	Logistic
Ferrovia Norte Sul S.A	100.00	100.00	Brazil	Logistic
Mineração Corumbá Reunidas S.A.	100.00	100.00	Brazil	Iron ore
Pará Pigmentos S.A.	86.17	85.57	Brazil	Kaolin
PT International Nickel Indonesia Tbk	59.09	59.09	Indonesia	Nickel
Vale Manganése Norway	100.00	100.00	Norway	Ferroalloys
Vale Manganês S.A.	100.00	100.00	Brazil	Manganese and Ferroalloys
Vale Manganèse France	100.00	100.00	France	Ferroalloys
Vale Australia Pty Ltd.	100.00	100.00	Australia	Coal
Vale Inco Limited	100.00	100.00	Canada	Nickel
Vale International S.A	100.00	100.00	Switzerland	Trading

2 BASIS OF CONSOLIDATION

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are accounted for under the equity method (Note 13).

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

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

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

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 ("Brazilian GAAP") which are the basis for our statutory financial statements.

These financial statements reflect the retrospective adoption of the new segment information as of December 31, 2009 and the three years then ended as shown in Note 23. The new segment information was set up during 2010 based on new acquisitions and project developments that matured along the year. The information disclosed under Note 13 and Note 23 retroactively reflects these changes for all periods covered by those financial statements.

These financial statements also reflect the retrospective adoption of the Noncontrolling Interests in Consolidated Financial Statements Standard, as of December 31, 2008 and the three years then ended. The noncontrolling interest standard, which clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements, as shown in the consolidated statements of changes in stockholders' equity and consolidated statements of comprehensive income (deficit). Noncontrolling interests that could be redeemed upon the occurrence of certain events outside the Company's control have been classified as redeemable noncontrolling interest using the mezzanine presentation on the balance sheet between liabilities and stockholders' equity, retroactively to all periods presented.

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

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

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

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

The exchange rates used to translate the assets and liabilities of the Brazilian operations at December 31, 2009 and 2008, were R$1.7412 and R$2.3370, respectively.

The net transaction gain (loss) included in our statement of income ("Foreign exchange and indexation gains (losses), net") was US$665, US$(1,011) and US$1,639 in the years ended December 31, 2009, 2008 and 2007, respectively.

The Company has performed an evaluation of subsequent events through February 10, 2010 which is the date the financial statements were issued.

b) *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- to 360-day maturities are stated at fair value and presented as "Short-term investments".

c) *Long-term*

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

d) *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 for as processed when they are removed from the mine. The cost of finished goods comprises 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.

e) 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 commences, are capitalized as part of the depreciable cost of developing the property. Such costs are subsequently amortized over 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.

f) Property, plant and equipment and intangible assets

Property, plant and equipment are recorded as 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.

g) Business combinations

We adopt business combinations to record acquisitions of interests in other companies. This "purchase method", requires that we reasonably determine the fair value of the identifiable tangible and intangible assets and liabilities 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 circumstance indicating that recognized goodwill may not be fully recovered are identified. We perform the annual goodwill impairment tests during the last quarter of the 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.

h) 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 risk inherent in our current business model.

i) 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.

j) Compensated absences

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

k) 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.

l) Asset retirement obligations

Our retirement obligations consist primarily of estimated closure costs, the initial measurement of which 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 over the asset's useful life.

m) 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. Revenue from products sold in the domestic market is recognized when delivery is made to the customer. Revenue from logistic services is recognized when the service order has been fulfilled. Expenses and costs are recognized on the accrual basis.

n) 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.

o) 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.

p) 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".

As 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.

q) 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

a) Newly issued accounting pronouncements

Accounting Standards Update (ASU) number 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 and are expected to provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The Company will adopt this update in 2010 and does not expect relevant impacts on fair value information currently disclosed.

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

In June 2009, the "FASB" issued an amendment to the accounting and disclosure requirements for transfers of financial assets. Subsequently, in December 2009, the Accounting Standards Update (ASU) number 2009-16 Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140 was issued. The amendments improve financial reporting requiring greater transparency and additional disclosures for transfers of financial assets and the entity's continuing involvement with them and also change the requirements for derecognizing financial assets. In addition, the amendments eliminate the exceptions for QSPE from the consolidation guidance and the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. The Company will adopt the amendments in 2010 and do not expect major effect to its financial statements.

Accounting Standards Update (ASU) number 2009-08 Earning per share issued by the FASB provides additional guidance related to calculation of earnings per share. This guidance amends ASC 260.

The Company understands that the other recently issued accounting pronouncements, that are not effective as of and for the year ended December 31, 2009, are not expected to be relevant for its consolidated financial statements.

b) Accounting standards adopted in 2009

Accounting Standards Update (ASU) number 2009-05 Fair value measurements and disclosures issued by the FASB provides additional guidance related to address the lack of observable market information to measure the fair value of a liability. This guidance amends ASC 820. It is effective after the issuance. The Company already adopts these statements.

In June 2009, the FASB issued the FASB Accounting Standards Codification (Codification). The Codification became the single source for all authoritative GAAP recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. The Codification does not change GAAP and does not have an affect on our financial position, results of operations or liquidity.

In June 2009, we adopted a newly issued accounting standard for accounting and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this statement sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The standard is effective for interim or annual periods ending after June 15, 2009. The Company already adopts this statement.

In June 2009, we adopted a newly issued accounting standard for fair value of financial instruments which requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This standard also requires these disclosures in summarized financial information at interim reporting periods. This standard shall be effective for interim reporting periods ending after June 15, 2009, and we have not opted for early adoption of this standard for the three-month period ended March 31, 2009. The application of this standard will expand the Company's disclosures regarding the use of fair value in interim periods. The required information is disclosed in Note 22 (d).

In January 2009, we adopted a newly issued accounting standard regarding disclosure of derivative instruments and hedging activities. As such, entities must now provide qualitative disclosure about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gain and losses on derivative instruments and disclosures about credit-risk related contingent features in derivative agreements on a quarterly basis regarding how and why the entity uses derivatives, how derivatives and related hedged items are accounted for under the new standard and how derivatives and related hedged items affect the entity's financial position, performance and cash flows. The required information is disclosed in Note 25. In addition, unrealized gains or losses on derivatives, previously

reported net on balance sheet are presented gross as assets and liabilities. Comparative information for 2008 has been reclassified.

In January 2009, we adopted a newly issued accounting standard for noncontrolling interests. This new accounting standard clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and consolidated statements of changes in stockholders' equity. Noncontrolling interests that could be redeemed upon the occurrence of certain events outside the Company's control have been classified as redeemable noncontrolling interest using the mezzanine presentation on the balance sheet between liabilities and stockholders' equity, retroactive to all periods presented.

In January 2009, we adopted a newly issued accounting standard that applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

5 MAJOR ACQUISITIONS AND DISPOSALS

a) Mineração Corumbá Reunidas S.A.

In September 2009, we acquired from Rio Tinto Plc, Mineração Corumbá Reunidas S.A. (MCR). MCR is the owner of an iron ore mining operation with high iron content and a strategic importance to our product portfolio, adding a substantial volume of lump ore to our reserves.

The purchase price allocation for Mineração Corumbá Reunidas S.A. is as follows:

	Valuation
Total disbursements(*)	814
Cash acquired	(12)
Purchase price	**802**
Book value of assets acquired and liabilities assumed, net of cash acquired	(240)
Adjustment to fair value of inventory	(84)
Adjustment to fair value of property, plant and equipment	(754)
Adjustment to fair value of intangible assets	(14)
Deferred taxes on the above adjustments	290
Total fair value adjustment	**(562)**

(*) Including the payment related to working capital adjustment.

The acquired business contributed revenues of US$24 and net profit of US$(16) for the period from October 1, 2009 to December 31, 2009. If the acquisition had occurred on January 1, 2009, our revenue would have been US$52, and profit before tax would have been US$(88). These amounts have been calculated using the Company's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangibles assets applied from January 1, 2009.

b) Diamond Coal Ltd

In March 2009, we acquired 100% of Diamond Coal Ltd. that owns coal assets in Colombia for US$300, from Cement Argos. Cash payment was made during the quarter ending June 30, 2009.

The primary reason for the acquisition was that the coal assets are an important part of our growth strategy. Therefore, Vale is seeking to build a coal asset platform in Colombia, as it is the world's third largest exporter of high-quality thermal coal, given its low level of sulfur and high calorific value.

The purchase price allocation for Diamond Coal Ltd. is as follows:

	Valuation
Total disbursements	300
Adjustment to fair value of property, plant and equipment	(280)
Deferred taxes on above adjustments	92
Total adjustment	**(188)**

c) Green Mineral Resources

In February 2009, we acquired Green Mineral Resources that owns the Regina Project (Canada) and Colorado Project (Argentina) which are in development stage, from Rio Tinto, for US$850.

The acquisition of potash assets is aligned with Vale's strategy to become a large producer of fertilizers to benefit from the exposure to rising global consumption.

The purchase price allocation for Green Mineral Resources is as follows:

	Valuation
Total disbursements	857
Cash acquired	(7)
Purchase price	**850**
Book value of assets acquired and liabilities assumed, net of cash acquired	(97)
Adjustment to fair value of property, plant and equipment	(1,159)
Deferred taxes on above adjustments	406
Total adjustment	**(753)**

d) Other transactions

In September 2009, we concluded an agreement with ThyssenKrupp Steel AG signed in July, to increase our stake in ThyssenKrupp CSA Siderúrgica do Atlântico Ltda. (CSA) to 26.87%, through a capital subscription of US$1,424.

In April 2009, we concluded the sale of all common shares we held in, Usiminas Siderúrgicas de Minas Gerais S.A. — Usiminas, for US$273 generating a gain of US$153.

In March 2009, we acquired 50% of the joint venture with African Rainbow Minerals Limited of Teal Minerals Incorporated for US$60.

In February 2008, we sold our interest in Jubilee Mines N.L. (held through Vale Inco), representing 4.83% of its common shares, for US$134 generating a gain of US$80.

6 INCOME TAXES

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

We analyze the potential tax impact associated with undistributed earnings by each of our subsidiaries. For those subsidiaries in which the undistributed earnings would be taxable when remitted to the parent company, but we meet the criteria in paragraph 12 of APB 23, no deferred tax is recognized.

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

	Year ended December 31,								
	2009			2008			2007		
	Brazil	Foreign	Total	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before income taxes, equity results and noncontrolling interests	10,024	(2,901)	7,123	2,434	10,783	13,217	7,769	7,464	15,233
Exchange variation (not taxable) or not deductible	—	5,162	5,162	—	(2,887)	(2,887)	—	853	853
	10,024	**2,261**	**12,285**	**2,434**	**7,896**	**10,330**	**7,769**	**8,317**	**16,086**
Tax at Brazilian composite rate	(3,408)	(769)	(4,177)	(828)	(2,685)	(3,513)	(2,641)	(2,828)	(5,469)
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	502	—	502	692	—	692	474	—	474
Difference on tax rates of foreign income	—	1,079	1,079	—	1,728	1,728	—	1,729	1,729
Tax incentives	148	—	148	53	—	53	173	—	173
Other non-taxable, income/non deductible expenses	100	248	348	287	218	505	80	(188)	(108)
Income taxes per consolidated statements of income	**(2,658)**	**558**	**(2,100)**	**204**	**(739)**	**(535)**	**(1,914)**	**(1,287)**	**(3,201)**

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

We are also allowed to reinvest part of the tax savings in the acquisition of new equipment to be used in the operations that enjoy the tax benefit subject to subsequent approval from the Brazilian regulatory agencies Superintendência de Desenvolvimento da Amazônia — SUDAM and Superintendência de Desenvolvimento do Nordeste — SUDENE. When the reinvestment is approved, the corresponding tax benefit must also be accounted 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% income tax holiday. The Goro Project also qualifies for certain exemptions from indirect taxes such as import duties during the construction phase and throughout the commercial life of the project. Certain of these tax benefits, including the income tax holiday, are subject to an earlier phase out should the project achieve a specified cumulative rate of return. We are subject to a branch profit tax commencing in the first year in which commercial production is achieved, as defined by the applicable legislation. To date, we have not recorded any taxable income for New Caledonian tax purposes. The benefits of this legislation are expected to apply with respect to taxes payable once the Goro Project is in operation. We obtained tax incentives for its projects in Mozambique, Oman and Malaysia, that will become effective when those projects start their commercial operation.

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

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

On January 1, 2007, Company adopted the provisions Accounting for Uncertainty in Income Taxes.

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

	Year ended December 31,		
	2009	2008	2007
Beginning and end of the period	**657**	**1,046**	**663**
Increase resulting from tax positions taken	47	103	264
Decrease resulting from tax positions taken	(474)	(261)	(47)
Changes in tax legislation	—	2	29
Cumulative translation adjustments	166	(233)	137
End of the period	**396**	**657**	**1,046**

There has been write-off of values provisioned referring to discussion about compensation for taxes losses and negative basis of social contribution above 30% due to withdrawal of the action and therefore the extinction of process with release of funds deposited in escrow in favor of the Brazilian Unit.

Recognized deferred income tax assets and liabilities are composed as follows:

	As of December 31	
	2009	2008
Current deferred tax assets		
Accrued expenses deductible only when disbursed	852	583
Long-term deferred tax assets and liabilities		
Assets		
Employee postretirement benefits provision	384	171
Tax loss carryforwards	324	119
Other temporary differences	842	548
Asset retirement obligation	259	207
	1,809	**1,045**
Liabilities		
Unrealized tax indexation effects	(154)	(108)
Property, plant and equipment	(79)	(47)
Prepaid retirement benefit	(435)	(199)
Fair value adjustments in business combinations	(5,929)	(4,446)
Social contribution	(758)	—
Other temporary differences	(103)	(128)
	(7,458)	**(4,928)**
Valuation allowance		
Beginning balance	(122)	(104)
Translation adjustments	(25)	18
Change in allowance	41	(36)
Ending balance	**(106)**	**(122)**
Net long-term deferred tax liabilities	**(5,755)**	**(4,005)**

7 CASH AND CASH EQUIVALENTS

	As of December 31	
	2009	2008
Cash	728	767
Short-term investments	6,565	9,564
	7,293	**10,331**

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

8 SHORT-TERM INVESTMENTS

	As of December 31	
	2009	2008
Time deposit	3,747	2,308

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

9 ACCOUNT RECEIVABLE

	As of December 31	
	2009	2008
Customers		
Denominated in Brazilian Reais	885	461
Denominated in other currencies, mainly US dollars	2,362	2,828
	3,247	**3,289**
Allowance for doubtful accounts	(127)	(85)
Total	**3,120**	**3,204**

Accounts receivable from customers in the steel industry represent 51.1% of receivables at December 31, 2009.

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 2009 and 2008 totaled US$48 and US$9, respectively. We wrote-off US$8 in 2009 and US$ nil in 2008.

10 INVENTORIES

	As of December 31	
	2009	2008
Finished products		
Nickel (co-products and by-products)	1,083	1,514
Iron ore and pellets	677	728
Manganese and ferroalloys	164	199
Aluminum products	135	150
Kaolin	42	40
Copper concentrate	35	26
Coal	51	43
Others	51	80
Spare parts and maintenance supplies	958	1,116
	3,196	3,896

In 2009, there were no adjustments to reduce inventories to the market value. In 2008 we recorded an adjustment to reduce nickel inventory, in an amount of US$77.

11 RECOVERABLE TAXES

	As of December 31	
	2009	2008
Income tax	908	1,646
Value-added tax — ICMS	290	258
PIS and COFINS	1,052	380
Others	78	103
Total	**2,328**	**2,387**
Current	1,511	1,993
Non-current	817	394
	2,328	2,387

12 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

By type of assets:

	As of December 31, 2009			As of December 31, 2008		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land	284	—	284	182	—	182
Buildings	4,324	1,143	3,181	3,742	905	2,837
Installations	14,063	4,160	9,903	9,990	2,748	7,242
Equipment	7,499	2,380	5,119	5,391	1,626	3,765
Railroads	6,685	2,016	4,669	5,830	1,358	4,472
Mine development costs	20,205	2,957	17,248	15,976	2,062	13,914
Others	10,418	3,123	7,295	4,974	1,639	3,335
	63,478	**15,779**	**47,699**	**46,085**	**10,338**	**35,747**
Construction in progress	19,938	—	19,938	12,707	—	12,707
Total	**83,416**	**15,779**	**67,637**	**58,792**	**10,338**	**48,454**

Losses on disposal of property, plant and equipment totaled US$293, US$376 and US$168 in 2009, 2008 and 2007, respectively. Mainly relate to losses on sales 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$222 as of December 31, 2009.

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, 2009 the cost of hydroelectric plants in service totaled US$1,382 (December 31, 2008 US$1,162) and the related depreciation in the year was US$372 (December 31, 2008 US$304). The cost of hydroelectric plant under

construction at December 31, 2009 totaled US$521 (December 31, 2008 US$206). Income and operating expenses for such plants were 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, 2009 the intangible assets totaled US$1,173 (December 31, 2008 — US$875), and comprised of rights granted by the government — North-South Railroad of US$924 and off take-agreements of US$239.

13 INVESTMENTS IN AFFILIATED COMPANIES AND JOINT VENTURES

	December 31, 2009						Equity in earnings (losses) of investee adjustments			Dividends Received		
	Participation in capital (%)			Net income (loss) of the period	Investments		Year ended December 31,			Year ended December 31,		
	Voting	Total	Net equity	period	2009	2008	2009	2008	2007	2009	2008	2007
Bulk Materials												
Iron ore and pellets												
Companhia Nipo-Brasileira de Pelotização — NIBRASCO[1]	51.11	51.00	260	(25)	132	110	(12)	84	12	20	—	—
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS[1]	51.00	50.89	164	(23)	83	73	(12)	59	9	—	6	16
Companhia Coreano-Brasileira de Pelotização — KOBRASCO[1]	50.00	50.00	118	(34)	59	55	(17)	44	19	—	13	21
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO[1]	51.00	50.90	177	23	90	58	12	34	10	—	—	8
Minas da Serra Geral SA — MSG	50.00	50.00	61	3	31	21	2	1	3	—	—	—
SAMARCO Mineração SA — SAMARCO[2]	50.00	50.00	1,224	598	673	412	299	315	242	190	300	150
Baovale Mineração SA — BAOVALE	50.00	50.00	61	1	30	26	(3)	6	6	—	—	—
Zhuhai YPM Pellet Co., Ltd. — ZHUHAI	25.00	25.00	51	12	13	13	3	7	—	—	—	—
					1,111	**768**	**272**	**550**	**301**	**210**	**319**	**195**
Coal												
Henan Longyu Resources Co Ltd	25.00	25.00	999	295	250	176	74	79	46	—	27	42
Shandong Yankuang International Company Ltd	25.00	25.00	(27)	(71)	(7)	11	(18)	(17)	—	—	—	—
					243	**187**	**56**	**62**	**46**	**—**	**27**	**42**
Base Metals												
Bauxite												
Mineração Rio do Norte SA — MRN	40.00	40.00	356	(24)	143	140	(10)	62	84	42	99	64
					143	**140**	**(10)**	**62**	**84**	**42**	**99**	**64**
Copper												
Teal Minerals Incorporated[3]	50.00	50.00	160	(34)	80	—	(18)	—	—	—	—	—
					80	**—**	**(18)**	**—**	**—**	**—**	**—**	**—**
Nickel												
Heron Resources Inc (cost US$24) — available-for-sale	—	—	—	—	8	2	—	—	—	—	—	—
Mirabela Nickel Ltd — available-for-sale	—	—	—	—	—	8	—	—	—	—	—	—
Hudbay Minerals — available for sale	—	—	—	—	—	9	—	—	—	—	—	—
Korea Nickel Corp	—	—	—	—	13	21	—	—	—	—	—	—
Skye Resources	—	—	—	—	—	—	—	(38)	—	—	—	—
Others — available for sale	—	—	—	—	9	13	—	4	9	—	—	—
					30	**53**	**—**	**(34)**	**9**	**—**	**—**	**—**
Logistic												
LOG-IN Logística Intermodal SA	31.33	31.33	374	5	125	94	2	20	8	3	3	—
MRS Logística SA	37.86	41.50	1,126	340	468	326	141	113	117	124	34	51
					593	**420**	**143**	**133**	**125**	**127**	**37**	**51**
Others												
Steel												
California Steel Industries Inc — CSI	50.00	50.00	300	(21)	150	160	(10)	11	(1)	—	13	11
THYSSENKRUPP CSA Companhia Siderúrgica[5]	26.87	26.87	7,971	(6)	2,049	443	(6)	—	—	—	—	—
Usinas Siderúrgicas de Minas Gerais SA — USIMINAS[4]	—	—	—	—	—	164	8	18	31	7	18	31
					2,199	**767**	**(8)**	**29**	**30**	**7**	**31**	**42**
Other affiliates and joint ventures												
Vale Soluções em Energia	51.00	51.00	194	—	99	42	—	—	—	—	—	—
Others	—	—	—	—	87	31	(2)	(8)	—	—	—	—
					186	**73**	**(2)**	**(8)**	**—**	**—**	**—**	**—**
Total					**4,585**	**2,408**	**433**	**794**	**595**	**386**	**513**	**394**

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

(2) Investment includes goodwill of US$62 in December 2009 and US$46 in December 2008;
(3) Acquired in March 2009 (Note 5 (d));
(4) Classified as available-for-sale until investment was sold in April 2009. Equity refers to dividends received;
(5) See Note 5 (d).

14 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 2009 as a result of the annual goodwill impairment tests performed. In 2008, an impairment charge, related to nickel operations was recorded in operating results in the amount of US$950.

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.

There were no goodwill movements in 2009, expect for the cumulative translation adjustments.

15 SHORT-TERM DEBT

Short-term borrowings outstanding on December 31, 2009 are from commercial banks for export financing denominated in US dollars, with average annual interest rates of 2.02%.

16 LONG-TERM DEBT

	Current liabilities		Long-term liabilities	
	2009	**2008**	**2009**	**2008**
Foreign debt				
Loans and financing denominated in the following currencies:				
US dollars	1,543	210	4,332	5,905
Others	29	23	411	167
Fixed Rate Notes — US dollar denominated	—	—	8,481	6,510
Debt securities — export sales(*) — US dollar denominated	150	55	—	149
Perpetual notes	—	—	78	83
Accrued charges	198	217	—	—
	1,920	**505**	**13,302**	**12,814**
Brazilian debt				
Brazilian Reais indexed to Long-term Interest Rate — TJLP/CDI and General Price Index-Market (IGPM)	62	33	3,433	1,990
Basket of currencies	1	1	3	4
Non-convertible debentures	861	—	2,592	2,562
US dollars denominated	—	—	568	165
Accrued charges	89	94	—	—
	1,013	**128**	**6,596**	**4,721**
Total	**2,933**	**633**	**19,898**	**17,535**

(*) Secured by receivables from future export sales. Redeemed in January, 2010.

The long-term portion at December 31, 2009 falls due as follows:

2011	2,623
2012	1,209
2013	3,250
2014	925
2015 and thereafter	11,518
No due date (Perpetual notes and non-convertible debentures)	373
	19,898

At December 31, 2009 annual interest rates on long-term debt were as follows:

Up to 3%	6,696
5.1% to 7%	8,148
7.1% to 9%	5,735
9.1% to 11%	978
Over 11%(*)	1,192
Variable (Perpetual notes)	82
	22,831

(*) 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$6,675 of which US$3,949 has original interest rate between 7.1% and 9% per year the remaining amount has original interest rate above 9% per year. The average cost after taking into account the derivative transactions is 4.47% per year.

Vale has non-convertible debentures in Brazilian Reais as follows:

Non-Convertible Debentures	Quantity as of December 31, 2009		Maturity	Interest	Balance	
	Issued	Outstanding			2009	2008
1st Series	150,000	150,000	November 20, 2010	101.75% CDI	869	651
2nd Series	400,000	400,000	November 20, 2013	100% CDI + 0.25%	2,318	1,736
Tranche 'B'	5	5	No due date	6.5% p.a + IGP-DI	295	209
					3,482	2,596
Short-term portion					861	—
Long-term portion					2,592	2,562
Accrued charges					29	34
					3,482	2,596

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

	Year ended December 31,	
	2009	2008
TJLP — Long-Term Interest Rate (effective rate)	6.2	6.3
IGP-M — General Price Index — Market	(1.7)	9.8
Appreciation (devaluation) of Real against US dollar	34.2	(24.2)

In November, 2009, Vale issued US$1 billion of 30-year notes through its wholly-owned subsidiary Vale Overseas, fully and unconditionally guaranteed by Vale. These notes will mature in November 2039 and will bear a coupon of 6.875% per year, payable semi-annually, at a price of 98.564% of the principal amount.

In September, 2009, Vale issued US$1 billion of 10-year notes through its wholly-owned subsidiary Vale Overseas, fully and unconditionally guaranteed by Vale. These notes will mature in September 2019 and will bear a coupon of 5.625% per year, payable semi-annually, at a price of 99.232% of the principal amount.

In January 2008 we entered into a trade finance agreement with a Brazilian bank in the amount of US$1,147 with final maturity in 2018.

Credit Lines

In November, 2009, Vale has signed a US$300 export facility agreement, through its subsidiary PT International Nickel Indonesia Tbk (PTI), with Japanese financial institutions using credit insurance provided by Nippon Export and Investment Insurance — NEXI, to finance the construction of the Karebbe hydroelectric power plant on the Larona river, island of Sulawesi, Indonesia. Through December 31, 2009, PT International had drawn down US$150 this facility.

During 2008, we entered into agreements with Banco Nacional de Desenvolvimento Econômico e Social — BNDES, (the Brazilian National Development Bank) in the amount of US$4 billion and with Japanese financing agencies in the amount of US$5 billion, of which US$3 billion with Japan Bank for International Cooperation — JBIC and US$2 billion with Nippon Export and Investment Insurance — NEXI related to future lines of credit to finance mining, logistics and power generation projects as part of our investment program for 2008-2012. Through December 31, 2009, Vale had drawn down US$892 of the committed credit facility with BNDES.

Additionally, we have revolving credit lines available under which amounts can be drawn down and repaid at the option of the borrower. At December 31, 2009, the total amount available under revolving credit lines was US$1,900, of which US$1,150 was granted to Vale International and the balance to Vale Inco. As of December 31, 2009, neither Vale International nor Vale Inco had drawn any amounts under these facilities, but US$115 of letters of credit were issued and remained outstanding pursuant to Vale Inco's facility.

Guarantee

On December 31, 2009, US$753 (December 31, 2008 — US$556) of the total aggregate outstanding debt were secured, being US$152 (December 31, 2008 — US$204) guaranteed by receivables from future export sales of CVRD Overseas Ltd., US$34 (December 31, 2008 — US$57) guaranteed by the Brazilian Federal Government and US$567 (December 31, 2008 — US$295) guaranteed by other receivables. The remaining outstanding debt in the amount of US$22,078 (December 31, 2008 — US$17,612) was unsecured.

Our principal covenants require us to maintain certain ratios, such as debt to EBITDA and interest coverage. We have not identified any events of default as of December 31, 2009.

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.

In October 2009 the Board of Directors approved the payment of the second tranche of the minimum dividend, and an amount of additional dividends to be distributed, totaling US$1, 500, corresponding to US$0.28775711 per common or preferred share in circulation.

In April 2009, we paid US$1,250 as a first installment of the dividend to stockholders. The distribution was made in the form of dividends.

In July 2008, we issued 80,079,223 common ADS, 176,847,543 common shares, 63,506,751 preferred ADS and 100,896,048 preferred shares through a global equity offering. Our capital increased by US$11,666, upon subscription of preferred stock of US$4,146 corresponding to 164,402,799 shares and common stock of US$7,520 corresponding to 256,926,766 shares. In August 2008, we issued an additional 24,660,419 preferred shares, representing an increase of US$628. After the closing of the operation, our capital stock increased by US$12,294 in 2008; the transaction costs of US$105 were recorded as a reduction of the additional paid-in capital account.

Vale issued mandatory convertible notes, as follows:

	Date		Value		
Headings	**Emission**	**Expiration**	**Gross**	**Net of charges**	**Coupon**
Tranches Rio and Rio P	June/2007	June/2010	1,880	1,869	5.50% p.a.
Tranches Vale and Vale P - 2012	July/2009	June/2012	942	934	6.75% p.a.

The notes pay a coupon quarterly and are entitled to an additional remuneration equivalent to the cash distribution paid to ADS holders. These notes were classified as a capital instrument, mainly due to the fact that neither the Company nor the holders have the option to settle the operation, whether fully or partially, with cash, and the

conversion is mandatory; consequently, they were recognized as a specific component of shareholders' equity, net of financial charges.

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

	Maximum amount of action		Value	
Headings	**Common**	**Preferred**	**Common**	**Preferred**
Tranches Rio and Rio P	56,582,040	30,295,456	1,296	584
Tranches Vale and Vale P - 2012	18,415,859	47,284,800	293	649

On October 30, 2009, we paid additional interest to holders of the mandatorily convertible notes of series RIO and series RIO P, equal to the US dollar equivalent of R$0.857161 and R$1.017334 per notes, respectively, and to the holders of the mandatorily convertible notes of series VALE-2012 and VALE.P-2012, equal to the US dollar equivalent of R$1.236080 and R$1.429662 per notes, respectively.

In April 2009 we paid to holders of the mandatorily convertible notes of series RIO and series RIO P, the US dollar equivalent of US$0.490922 and US$0.582658, respectively.

Brazilian law permits the payment of cash dividends only from retained earnings as stated in 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, 2009, totaled US$26,150, comprising 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 the minimum annual mandatory dividend.

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 bylaws 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, as detailed below:

	Year ended December 31,		
	2009	**2008**	**2007**
Undistributed retained earnings			
Unrealized income reserve			
Beginning of the period	45	73	57
Transfer from (to) retained earnings	(6)	(28)	16
End of the period	**39**	**45**	**73**
Expansion reserve			
Beginning of the period	16,809	13,881	8,485
Transfer to capital stock	—	—	(3,776)
Transfer from (to) retained earnings	9,302	2,928	9,172
End of the period	**26,111**	**16,809**	**13,881**
Legal reserve			
Beginning of the period	1,448	1,310	970
Transfer to capital stock	—	—	(370)
Transfer from (to) retained earnings	790	138	710
End of the period	**2,238**	**1,448**	**1,310**
Fiscal incentive investment reserve			
Beginning of the period	38	53	43
Transfer to capital stock	—	—	(41)
Transfer from (to) retained earnings	82	(15)	51
End of the period	**120**	**38**	**53**
Total undistributed retained earnings	**28,508**	**18,340**	**15,317**

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).

Basic and diluted earnings per share

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

	Year ended December 31,		
	2009	2008	2007
Net income attributable to Company's stockholders	5,349	13,218	11,825
Interest attributed to preferred convertible notes	(58)	(46)	(16)
Interest attributed to common convertible notes	(93)	(96)	(37)
Net income for the period adjusted	5,198	13,076	11,772
Basic and diluted earnings per share			
Income available to preferred stockholders	1,967	5,027	4,552
Income available to common stockholders	3,083	7,823	7,092
Income available to convertible notes linked to preferred shares	75	78	45
Income available to convertible notes linked to common shares	73	148	83
Weighted average number of shares outstanding (thousands of shares) — preferred shares	2,030,700	1,946,454	1,889,171
Weighted average number of shares outstanding (thousands of shares) — common shares	3,181,706	3,028,817	2,943,216
Treasury preferred shares linked to mandatorily convertible notes	77,580	30,295	18,478
Treasury common shares linked to mandatorily convertible notes	74,998	56,582	34,510
Total	5,364,984	5,062,148	4,885,375
Earnings per preferred share	0.97	2.58	2.41
Earnings per common share	0.97	2.58	2.41
Earnings per convertible notes linked to preferred share(*)	1.71	4.09	3.30
Earnings per convertible notes linked to common share(*)	2.21	4.29	3.51

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

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

	Year ended December 31,		
	2009	2008	2007
Income available to preferred stockholders	2,100	5,151	4,613
Income available to common stockholders	3,249	8,067	7,212
Weighted average number of shares outstanding (thousands of shares) — preferred shares	2,108,280	1,976,749	1,907,649
Weighted average number of shares outstanding (thousands of shares) — common shares	3,256,704	3,085,399	2,977,726
Earnings per preferred share	1.00	2.61	2.42
Earnings per common share	1.00	2.61	2.42

18 PENSION PLANS

Since 1973 we sponsor a supplementary social security plan with characteristics of a defined benefit plan (the "Old Plan") covering substantially all Brazilian employees, with benefits calculated based on years of service, age, contribution salary and supplementary social security benefits. This plan is administered by Fundação Vale do Rio Doce de Seguridade Social — VALIA ("Valia") and was funded by monthly contributions made by us and our employees, calculated based on periodic actuarial appraisals.

In May 2000, we implemented a new supplementary social security plan with characteristics of defined contribution, which complements the earnings of programmed retirements. The plan offers benefits to cover death, physical invalidity, and sickness, with defined benefit characteristics. Brazilian employees could opt to migrate to the "New Plan" (a Benefit Mix Plan — Vale Mais) which was taken up by over 98% of our employees. The Old Plan will continue in existence, covering almost exclusively retired participants and their beneficiaries.

Additionally we provide supplementary payments to a specific group of former Brazilian employees, in addition to the regular benefits from Valia. The plan provides postretirement health care, dental and pharmaceutical benefits.

Upon the acquisition of Inco, we assumed benefits through defined benefit pension plans that cover essentially all its employees and post retirement benefits other than pensions that also provide certain health care and life insurance benefits for retired 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" and "employers' accounting for defined benefit pension and other postretirement plans", as amended.

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

a) Change in Benefit Obligation

	As of December 31					
	2009			2008		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Benefit obligation at beginning of year	2,424	3,031	1,069	3,178	4,436	1,671
Service cost	11	43	17	11	60	25
Interest cost	313	249	88	309	245	85
Plan amendment	—	—	—	—	16	—
Benefits paid	(226)	(279)	(65)	(283)	(291)	(70)
Effect of exchange rate changes	843	555	187	(779)	(775)	(272)
Actuarial loss (gain)	296	324	135	(12)	(660)	(370)
Benefit obligation at end of year	**3,661**	**3,923**	**1,431**	**2,424**	**3,031**	**1,069**

b) Change in Plan Assets

	As of December 31					
	2009			2008		
	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	3,043	2,507	9	4,187	3,762	10
Actual return on plan assets	1,121	402	1	57	(603)	1
Employer contributions	40	155	65	41	272	70
Benefits paid	(226)	(279)	(65)	(283)	(291)	(70)
Effect of exchange rate changes	1,018	444	1	(959)	(633)	(2)
Fair value of plan assets at end of year	**4,996**	**3,229**	**11**	**3,043**	**2,507**	**9**

Plan assets at December 31, 2009 included US$587 (US$188 at December 31, 2008) and US$69 (US$53 at December 31, 2008) of portfolio investments in our own shares and debentures, respectively, and US$64 (US$44 at December 31, 2008) of shares of related parties. They also included US$3,261 of Brazilian Federal Government securities (US$2,472 at December 31, 2008) and US$391 of Canada Federal Government securities (US$347 at December 31, 2008).

c) Funded Status and Financial Position

	As of December 31					
	2009			2008		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Other assets	1,335	—	—	619	—	3
Current liabilities	—	62	82	—	38	64
Non-current liabilities	—	632	1,338	—	486	999
Funded status	**1,335**	**694**	**1,420**	**619**	**524**	**1,060**

d) Assumptions Used (Nominal Terms)

	Brazil As of December 31					
	2009			2008		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Discount rate	11.08% p.a.	11.08% p.a.	11.08% p.a.	11.28% p.a.	11.28% p.a.	11.28% p.a.
Expected return on plan assets	12.00% p.a.	11.50% p.a.	—	12.22% p.a.	13.00% p.a.	—
Rate of compensation increase — up to 47 years	7.64% p.a.	7.64% p.a.	—	7.12% p.a.	—	—
Rate of compensation increase — over 47 years	4.50% p.a.	4.50% p.a.	—	4.00% p.a.	—	—
Inflation	4.50% p.a.	4.50% p.a.	4.50% p.a.	4.00% p.a.	4.00% p.a.	4.00% p.a.
Health care cost trend rate	—	—	7.63% p.a.	—	—	7.12% p.a.

	Foreign As of December 31			
	2009		2008	
	Underfunded pension plans	Underfunded other benefits	Underfunded pension plans	Underfunded other benefits
Discount rate	6.21% p.a.	6.20% p.a.	5.58% p.a.	7.32% p.a.
Expected return on plan assets	7.00% p.a.	6.23% p.a.	6.99% p.a.	7.35% p.a.
Rate of compensation increase — up to 47 years	4.11% p.a.	3.58% p.a.	4.12% p.a.	3.58% p.a.
Rate of compensation increase — over 47 years	4.11% p.a.	3.58% p.a.	4.12% p.a.	3.58% p.a.
Inflation	2.00% p.a.	2.00% p.a.	2.00% p.a.	2.00% p.a.
Health care cost trend rate	—	6.04% p.a.	—	6.19% p.a.

Expected returns for all plans' assets are generated within the framework of a long term macroeconomic scenario provided by Tendencias Consultoria and an ALM — Asset Liability Modelling study prepared by Mercer Consulting.

e) Pension Costs

	As of December 31					
	2009			2008		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost — benefits earned during the year	11	43	17	11	60	25
Interest cost on projected benefit obligation	313	255	88	309	245	85
Expected return on assets	(431)	(202)	(1)	(515)	(253)	(5)
Amortizations and (gain)/loss	14	3	(19)	15	—	—
Net deferral	—	14	(14)	(5)	11	(2)
Net periodic pension cost (credit)	**(93)**	**113**	**71**	**(185)**	**63**	**103**

f) Accumulated Benefit Obligation

	2009			2008		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Accumulated benefit obligation	3,645	3,826	1,431	2,415	2,955	1,069
Projected benefit obligation	3,661	3,923	1,431	2,424	3,031	1,069
Fair value of plan assets	(4,996)	(3,229)	(11)	(3,043)	(2,507)	(9)

g) Impact of 1% Variation in Assumed Health Care Cost Trend Rate

	1% increase		1% decrease	
	2009	2008	2009	2008
	Overfunded pension plans	Underfunded pension plans	Overfunded pension plans	Underfunded pension plans
Accumulated postretirement benefit obligation (APBO)	199	134	(163)	(110)
Interest and service costs	18	18	(14)	(14)

h) Other Cumulative Comprehensive Income (Deficit)

	As of December 31					
	2009			2008		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Net transition (obligation)/asset	2	—	—	(16)	—	—
Net actuarial (loss)/gain	79	(338)	301	(240)	(206)	402
Effect of exchange rate changes	(91)	(7)	(4)	(18)	10	3
Deferred income tax	3	111	(94)	94	83	(146)
Amounts recognized in other cumulative comprehensive income (deficit)	**(7)**	**(234)**	**203**	**(180)**	**(113)**	**259**

i) Change in Other Cumulative Comprehensive Income (Deficit)

	As of December 31					
	2009			2008		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Net transition (obligation)/asset not yet recognized in NPPC at beginning of the year	(12)	—	—	(31)	—	—
Net actuarial (loss)/gain not yet recognized in NPPC at beginning of the year	(261)	(196)	406	94	(41)	95
Deferred income tax at beginning of the year	93	83	(147)	(21)	14	(35)
Effect of initial recognition of cumulative comprehensive Income (deficit)	**(180)**	**(113)**	**259**	**42**	**(27)**	**60**
Amortization of net transition (obligation)/asset	14	—	—	15	—	—
Amortization of net actuarial (loss)/gain	—	5	(19)	(6)	—	—
Total net actuarial (loss)/gain arising during the year	340	(112)	(142)	(328)	(165)	307
Effect of exchange rate changes	(91)	(42)	52	(18)	10	3
Deferred income tax	(90)	28	53	115	69	(111)
Total recognized in other cumulative comprehensive income (deficit)	**(7)**	**(234)**	**203**	**(180)**	**(113)**	**259**

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 built by Tendências Consultoria and an ALM — Asset Liability Modeling study prepared by Mercer Consulting. An Investment Policy Statement was established for each obligation by following results of this strategic asset allocation study (ALM) in 2009.

Plans 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 the 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 kinds 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 Inco is based upon a combination of local practices and the specific characteristics of the pension plans in each country, including the structure of the liabilities, the risk versus reward trade-off between different asset classes and the liquidity required to meet benefit payments.

Overfunded pension plans

Brazilian Plans

The Defined Benefit Plan (the "Old Plan") has the majority of its assets allocated in fixed income, mainly in Brazilian government bonds (like TIPS) and corporate long term inflation linked bonds with the objective to reduce the asset-liability volatility. The target is 55% of the total assets. This LDI (Liability Driven Investments) strategy, when considered together with Loans to Participants segment, aims to hedge plan's liabilities against inflation risk and volatility. Other segments or asset classes have their targets, as follows: Equity — 28%; Structured Investments — 5%; International Investments — 2%; Real estate — 6% and Loans to Participants — 4%. Structured Investments segment has invested only in Private Equity Funds in an amount of US$87 and US$67 at the end of December 31, 2009 and 2008, respectively.

The Investment Policy has the objective to achieve 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 21.3% p.a. in dollars terms in the last 10 years.

The Vale Mais Plan (the "New Plan") has obligations with characteristics of defined benefit and defined contribution plans, as mentioned. The majority of its investments is in fixed income. It was 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 is 60% in fixed income. Other segments or asset classes have their targets, as follows: Equity — 24%; Structured Investments — 2%; International Investments — 2%; Real estate — 3% and Loans to Participants — 10%. Structured Investments segment has invested only in Private Equity Funds in an amount of US$10 and US$5 at the end of December 31, 2009 and 2008, respectively.

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. Equity option is an indexed- fund that has the Bovespa Index as a benchmark.

The Investment Policy Statement has the objective to achieve the adequate diversification, current income and long term capital growth through the combination of all asset classes described above to fulfill its obligations and targets with the adequate level of risk. This plan has an average nominal return of 20% p.a. in dollars terms in the last 10 years.

- Fair value measurements by category — Overfunded Plans

	As of December 31							
	2009				2008			
Asset by category	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	1	1	—	—	1	1	—	—
Accounts Receivable	16	16	—	—	—	—	—	—
Equity securities – liquid	1,303	1,303	—	—	461	461	—	—
Equity securities – non-liquid	64	—	64	—	120	—	120	—
Debt securities – Corporate bonds	143	—	143	—	151	—	151	—
Debt securities – Financial Institutions	226	—	226	—	147	—	147	—
Debt securities — Government bonds	1,744	1,744	—	—	1,109	1,109	—	—
Investment funds – Fixed Income	2,037	2,037	—	—	1,361	1,361	—	—
Investment funds – Equity	577	577	—	—	220	220	—	—
Investment funds – Private Equity	97	—	—	97	71	—	—	71
Real estate	249	—	—	249	156	—	—	156
Loans to Participants	282	—	—	282	229	—	—	229
Total	**6,739**	**5,678**	**433**	**628**	**4,026**	**3,152**	**418**	**456**
Funds not related to risk plans	(1,743)				(983)			
Fair value of plan assets at end of year	4,996				3,043			

- Fair value measurements using significant unobservable inputs — Level 3

	As of December 31							
	2009				2008			
	Private Equity Funds	Real State	Loans to Participants	Total	Private Equity Funds	Real State	Loans to Participants	Total
Beginning of the year	72	156	229	457	77	183	198	458
Actual return on plan assets	30	21	42	93	5	24	34	63
Assets sold during the year	(57)	(11)	(112)	(180)	(17)	(6)	—	(23)
Assets purchased, sales and settlements	28	29	45	102	25	—	45	70
Cumulative translations adjustment	24	54	78	156	(18)	(45)	(48)	(111)
End of the year	**97**	**249**	**282**	**628**	**72**	**156**	**229**	**457**

The return target for private equity assets in 2010 is 10.20%. The target allocation is 5%, ranging between 2% and 10%. These investments have a longer investment horizon and low liquidity that aim to profit from economic growth, especially in the infra-structure sector of the Brazilian economy. Usually non-liquid assets' fair value is established considering: acquisition cost or book value. Some private equity funds may, alternatively, apply the following methodologies: discounted cash flows analysis or analysis based on multiples.

The return target for loans to participants in 2010 is 11.90%. The fair value pricing of these assets includes provisions for non-paid loans, according to the local pension fund regulation.

The return target for real estate assets in 2010 is 9.90%. Fair value for these assets is considered 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

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

The Investment Policy Statement has the objective to achieve 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 obligation has an average nominal return of 22.8% p.a. in dollars terms in the last 8 years.

Foreign plans

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

- Fair value measurements by category — Underfunded Pension Plans

	As of December 31					
	2009			2008		
Asset by category	**Total**	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**
Cash and cash equivalents	33	12	21	36	14	22
Equity securities – liquid	1,347	1,347	—	—	—	—
Equity securities – non-liquid	—	—	—	836	836	—
Debt securities – Corporate bonds	12	—	12	—	—	—
Debt securities – Financial Institutions	19	—	19	10	1	9
Debt securities – Government bonds	445	50	395	13	—	13
Investment funds – Fixed Income	988	287	701	391	41	350
Investment funds – Equity	409	87	322	839	179	660
Investment funds – Private Equity	—	—	—	404	62	342
Total	**3,253**	**1,783**	**1,470**	**2,529**	**1,133**	**1,396**
Funds not related to risk plans	(24)			(22)		
Fair value of plan assets at end of year	**3,229**			**2,507**		

Underfunded other benefits

- Fair value measurements by category — Other Benefits

	As of December 31			
	2009		2008	
Asset by category	**Total**	**Level 1**	**Total**	**Level 1**
Cash	11	11	9	9
Total	**11**	**11**	**9**	**9**

k) Cash flows contributions

Employer contributions expected for 2010 are US$240.

l) Estimated future benefit payments

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

	As of December 31, 2009			
	Overfunded pension plans	**Underfunded pension plans**	**Underfunded other benefits**	**Total**
2010	277	311	82	670
2011	280	313	87	680
2012	282	311	91	684
2013	284	308	94	686
2014	285	302	97	684
2015 and thereafter	1,434	1,454	479	3,367

19 LONG-TERM INCENTIVE COMPENSATION PLAN

Since 2008, a long-term incentive compensation plan, was implemented.

Under the terms of the 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 their market rates. The total shares linked to the plan at December 31, 2009 and 2008, were 1,809,117 and 711,005, respectively.

Additionally, as a long-term incentive certain eligible executives have the opportunity to receive at the end of the three-year 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 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, 2009 and 2008, we recognized a liability of US$72 and US$7, respectively, through the Statement of Income.

20 COMMITMENTS AND CONTINGENCIES

a) In connection with a tax-advantaged lease financing arrangement sponsored by the French Government, we provided certain guarantees on behalf of Vale Inco New Caledônia (VINC) pursuant to which we guaranteed payments due from VINC of up to a maximum amount of US$100 ("Maximum Amount") in connection with an indemnity. We also provided an additional guarantee covering the payments due from VINC of (a) amounts exceeding the Maximum Amount in connection with the indemnity and (b) certain other amounts payable by VINC under a lease agreement covering certain assets.

During the second quarter two new bank guarantees totaling US$62 (€43) were established by us on behalf of VINC in favour of the South Province of New Caledonia in order to guarantee the performance of VINC with respect to certain environmental obligations in relation to the metallurgical plant and the Kwe West residue storage facility.

Sumic Nickel Netherlands B.V., a 21% stockholder of VINC, has a put option to sell us 25%, 50%, or 100% of the shares they own of VINC. The put option can be exercised if the defined cost of the nickel-cobalt development project exceeds a value agreed between the shareholders at project rates and an agreement cannot be reached on how to proceed with the project.

We provided a guarantee covering certain termination payments due from VINC to the supplier under an electricity supply agreement ("ESA") entered into in October 2004 for the VINC project. The amount of the termination payments guaranteed depends upon a number of factors, including whether any termination of the ESA is a result of a default by VINC and the date on which an early termination of the ESA were to occur. If VINC defaults under the ESA prior to the anticipated start date for supply of electricity to the project, the termination payment, which currently is at its maximum, would be US$209 (€145). Once the supply of electricity under the ESA to the project begins, the guaranteed amounts will decrease over the life of the ESA.

In February 2009, we and our subsidiary, Vale Inco Newfoundland and Labrador Limited ("VINL"), entered into a fourth amendment to the Voisey's Bay Development agreement with the Government of Newfoundland and Labrador, Canada, that permitted VINL to ship up to 55,000 metric tons of nickel concentrate from the Voisey's Bay area mines. As part of the agreement, VINL agreed to provide the Government of Newfoundland and Labrador financial assurance in the form of letters of credit each in the amount of Canadian US$17 (CAD$16) for each shipment of nickel concentrate shipped out of the province from January 1, 2009 to August 31, 2009. The amount of this financial assurance was Canadian US$118 (CAD$112) based on seven shipments of nickel concentrate and as of December 31, 2009, US$65 (CAD$62) remains outstanding.

As of December 31, 2009, there was an additional US$154 of letters of credit issued and outstanding as US$47 in additional bank guarantees. These are associated with environmental reclamation and other operating associated items such as insurance, electricity 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 are composed as follows:

	2009		2008	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Labor and social security claims	657	657	458	378
Civil claims	582	307	386	242
Tax — related actions	489	175	828	518
Others	35	4	13	3
	1,763	**1,143**	**1,685**	**1,141**

Labor and social security — related actions principally comprise claims by Brazilian employees and former employees for (i) payment of time spent traveling from their residence 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 related 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 — tax-related actions principally comprise challenges initiated by us, on certain taxes on revenues and uncertain tax positions. We continue to vigorously pursue our interests in all the above 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 the court requirements, in order to be entitled to either initiate or continue a legal action. These amounts are released to us, upon receipt of a final favorable outcome from the legal action; in the case of an unfavorable outcome, the deposits are transferred to the prevailing party.

Contingencies settled during the years ended December 31, 2009, 2008 and 2007, totaled US$236, US$148 and US$331, respectively. Provisions recognized in the years ended December 31, 2009, 2008 and 2007, totaled US$294, US$213 and US$364, 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 possible but not probable, in the total amount of US$4,190 at December 31, 2009, and for which no provision has been made (December 31, 2008 — US$2,476).

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

A total of 388,559,056 debentures were issued at a par value of R$0.01 (one cent), whose value will be restated in accordance with the variation in the General Market Price Index (IGP-M), as set forth in the Issue Deed.

The debentures holders have the right to receive premiums, paid semiannually, equivalent to a percentage of net revenues from specific mine resources as set forth in the indenture.

In September and April 2009 we paid remuneration on these debentures of US$4 and US$3, respectively. During 2009, we paid a total of US$7.

d) We are committed under a take-or-pay agreement to purchase approximately 30,425 thousand metric tons of bauxite from Mineração Rio do Norte S.A. — MRN at a formula driven price, calculated based on the current London Metal Exchange — LME quotation for aluminum. Based on a market price of US$28.71 per metric ton as of December 31, 2009, this arrangement represented the following total commitment per metric ton as of December 31, 2009:

2010	195
2011	166
2012	169
2013	172
2014	172
	874

e) Description of Leasing Arrangements

Part of our railroad operations include leased facilities. The 30-year lease, renewable for a further 30 years, 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 lease assets. In most cases, management expects that in the normal course of business, leases will be renewed.

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, 2009.

2010	80
2011	80
2012	80
2013	80
2014 thereafter	1,018
Total minimum payments required	**1,338**

The total expenses of operating leases for the years ended December 31, 2009, 2008 and 2007 was US$80, US$53 and US$62, 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.

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, 2009:

2010	114
2011	114
2012	114
2013	114
2014 thereafter	1,313
Total	**1,769**

The total expenses of operating leases for the years ended December 31, 2009 and 2008 was US$114 and US$49, respectively.

f) Assets retirement obligations

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

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

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

	Year ended December 31,		
	2009	**2008**	**2007**
Beginning of period	**887**	**975**	**676**
Accretion expense	75	164	84
Liabilities settled in the current period	(46)	(7)	(15)
Revisions in estimated cash flows	(23)	(47)	83
Cumulative translation adjustment	223	(198)	147
End of period	**1,116**	**887**	**975**
Current liabilities	89	48	64
Non-current liabilities	1,027	839	911
Total	**1,116**	**887**	**975**

21 OTHER EXPENSES

The line "Other operating expenses" totaled US$1,522 in 2009 (US$1,254 in 2008). The expenses of approximately US$880 related to idle capacity and stoppage of operations during the downturn period in the economy is the most significant item recorded in 2009.

22 FAIR VALUE DISCLOSURE OF FINANCIAL ASSETS AND LIABILITIES

The Financial Accounting Standards Board, through Accounting Standards Codification and Accounting Standards Updates, define fair value, set out a framework for measuring fair value, which refers to valuation concepts and practices and require 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 risks inherent in the inputs to the valuation technique.

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

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

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

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

b) Measurements on a recurring basis

The description of the valuation methodologies used for recurring assets and liabilities measured at fair value in the Company's Consolidated Balance Sheet at December 31, 2009 and 2008 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 for the swaps to estimate the fair value discounting their cash flows using the interest rate of the currency they are denominated. Also for the commodities contracts, since the fair value is computed by using forward curves for each commodities.

- **Other Financial Liabilities**

  Comprise stockholder's debentures, which have their fair value measured by the market approach method, and their reference price is available on the secondary market.

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

	As of December 31, 2009			
	Carry amount	Fair value	Level 1	Level 2
Available-for-sale securities	17	17	17	—
Unrealized gain on derivatives	832	832	—	832
Other financial liabilities	(750)	(750)	—	(750)

	As of December 31, 2008			
	Carry amount	Fair value	Level 1	Level 2
Available-for-sale securities	639	639	196	443
Unrealized losses on derivatives	(539)	(539)	—	(539)
Other financial liabilities	(380)	(380)	—	(380)

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 intangible assets. During the year ended December 31, 2009 we have not recognized any additional impairment losses for those items.

d) Financial Instruments

Long-term debt

The valuation method used to estimate the fair value of our debt is the market approach for the contracts that are quoted on the secondary market, such as bonds and debentures. The fair value of both fixed and floating rate debt is determined by discounting future cash flows of LIBOR and Vale's bond 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, however its estimated fair value measurement is disclosed as follows:

	As of December 31, 2009			
	Carry amount	Fair value	Level 1	Level 2
Time deposits	3,747	3,747	—	3,747
Long-term debt (less interests)(*)	(22,544)	(23,344)	(12,424)	(10,920)

(*) Less accrued charges US$287

	As of December 31, 2008			
	Carry amount	Fair value	Level 1	Level 2
Time deposits	2,308	2,308	—	2,308
Long-term debt (less interests)(*)	(17,857)	(16,635)	(7,833)	(8,802)

(*) Less accrued charges US$311

23 SEGMENT AND GEOGRAPHICAL INFORMATION

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

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

Base Metals — comprised of the production of non-ferrous minerals, including nickel (co-products and by-products), copper and aluminum — comprised of aluminum trading activities, alumina refining and aluminum metal smelting and investments in joint ventures and affiliates engaged in bauxite mining.

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

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

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

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

Consolidated net income and principal assets are reconciled as follows:

Results by segment — before eliminations (aggregated)

	Year ended December 31, 2009							2008							2007						
	Bulk materials	Base metals	Fertilizers	Logistic	Others	Elimination	Consolidated	Bulk materials	Base metals	Fertilizers	Logistic	Others	Elimination	Consolidated	Bulk materials	Base metals	Fertilizers	Logistic	Others	Elimination	Consolidated
RESULTS																					
Gross revenues — Foreign	24,161	8,151	—	67	57	(12,152)	20,284	33,946	13,668	—	51	11	(15,842)	31,834	21,287	16,844	—	61	81	(10,437)	27,836
Gross revenues — Domestic	1,779	735	413	1,101	389	(762)	3,655	4,342	1,046	295	1,640	234	(882)	6,675	3,865	1,060	178	1,519	1	(1,344)	5,279
Cost and expenses	(17,880)	(7,769)	(158)	(876)	(410)	12,914	(14,179)	(24,542)	(9,658)	(128)	(1,097)	(218)	16,724	(18,919)	(17,111)	(10,505)	(103)	(983)	(81)	11,781	(17,002)
Research and development	(235)	(207)	(46)	(57)	(436)	—	(981)	(380)	(372)	(8)	(101)	(224)	—	(1,085)	(193)	(314)	(15)	(39)	(172)	—	(733)
Depreciation, depletion and amortization	(1,205)	(1,356)	(29)	(126)	(6)	—	(2,722)	(1,054)	(1,604)	(19)	(128)	(2)	—	(2,807)	(928)	(1,126)	(23)	(103)	(6)	—	(2,186)
Impairment of goodwill	—	—	—	—	—	—	—	—	(950)	—	—	—	—	(950)	—	—	—	—	—	—	—
Operating income	**6,620**	**(446)**	**180**	**109**	**(406)**	—	**6,057**	**12,312**	**2,130**	**140**	**365**	**(199)**	—	**14,748**	**6,920**	**5,959**	**37**	**455**	**(177)**	—	**13,194**
Financial income	2,439	12	—	8	711	(2,789)	381	3,048	798	—	10	1	(3,255)	602	2,514	595	—	9	25	(2,848)	295
Financial expenses	(2,982)	(653)	—	(17)	(695)	2,789	(1,558)	(3,515)	(1,490)	—	(15)	—	3,255	(1,765)	(4,020)	(1,318)	—	(17)	(2)	2,848	(2,509)
Gains (losses) on derivatives, net	1,647	(119)	—	—	—	—	1,528	(719)	(93)	—	—	—	—	(812)	854	63	—	—	—	—	917
Foreign exchange and monetary gains (losses), net	173	445	—	(11)	68	—	675	764	(265)	—	(32)	(103)	—	364	2,297	274	—	(15)	3	—	2,559
Gain on sale of investments	87	(108)	—	—	61	—	40	—	80	—	—	—	—	80	—	81	—	237	459	—	777
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	328	(28)	—	143	(10)	—	433	612	28	—	133	21	—	794	347	93	—	125	30	—	595
Income taxes	(2,613)	525	—	(11)	(1)	—	(2,100)	143	(697)	—	23	(4)	—	(535)	(1,947)	(1,236)	—	(16)	(2)	—	(3,201)
Minority interests	17	(121)	—	—	(3)	—	(107)	(8)	(256)	—	—	6	—	(258)	(31)	(770)	—	(1)	—	—	(802)
Net income attributable to the Company's stockholders	**5,716**	**(493)**	**180**	**221**	**(275)**	—	**5,349**	**12,637**	**235**	**140**	**484**	**(278)**	—	**13,218**	**6,934**	**3,741**	**37**	**777**	**336**	—	**11,825**
Sales classified by geographic destination:																					
Foreign market																					
America, except United States	466	1,368	—	4	10	(596)	1,252	1,805	2,215	—	1	—	(1,201)	2,820	1,449	2,405	—	23	—	(1,026)	2,851
United States	35	824	—	—	35	(62)	832	648	2,201	—	1	9	(392)	2,467	432	2,770	—	—	81	(318)	2,965
Europe	6,136	2,618	—	—	8	(4,726)	4,036	11,224	4,132	—	26	—	(5,933)	9,449	6,823	4,195	—	33	—	(3,716)	7,335
Middle East/Africa/Oceania	1,005	233	—	—	—	(707)	531	2,058	394	—	—	—	(952)	1,500	988	538	—	—	—	(412)	1,114
Japan	2,552	972	—	—	4	(1,116)	2,412	4,761	1,893	—	1	—	(1,918)	4,737	2,131	2,625	—	—	—	(929)	3,827
China	12,084	878	—	63	—	(4,022)	9,003	9,747	887	—	21	—	(3,949)	6,706	7,570	1,457	—	4	—	(3,168)	5,863
Asia, other than Japan and China	1,883	1,258	—	—	—	(923)	2,218	3,703	1,946	—	1	2	(1,497)	4,155	1,894	2,854	—	1	—	(868)	3,881
	24,161	**8,151**	—	**67**	**57**	**(12,152)**	**20,284**	**33,946**	**13,668**	—	**51**	**11**	**(15,842)**	**31,834**	**21,287**	**16,844**	—	**61**	**81**	**(10,437)**	**27,836**
Domestic market	1,779	735	413	1,101	389	(762)	3,655	4,342	1,046	295	1,640	234	(882)	6,675	3,865	1,060	178	1,519	1	(1,344)	5,279
	25,940	**8,886**	**413**	**1,168**	**446**	**(12,914)**	**23,939**	**38,288**	**14,714**	**295**	**1,691**	**245**	**(16,724)**	**38,509**	**25,152**	**17,904**	**178**	**1,580**	**82**	**(11,781)**	**33,115**

Operating segment — after eliminations (disaggregated)

	As of and for the year ended December 31, 2009											
	Revenue											
	Foreign	Domestic	Total	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
Bulk Materials												
Iron ore	11,797	1,034	12,831	(172)	12,659	(4,957)	7,702	(1,043)	6,659	21,736	3,361	74
Pellets	1,015	337	1,352	(92)	1,260	(1,165)	95	(76)	19	947	84	1,037
Manganese	118	27	145	(2)	143	(103)	40	(9)	31	25	4	—
Ferroalloys	190	182	372	(45)	327	(278)	49	(15)	34	261	112	—
Coal	505	—	505	—	505	(549)	(44)	(61)	(105)	1,723	362	243
Pig iron	45	—	45	—	45	(63)	(18)	—	(18)	144	48	—
	13,670	**1,580**	**15,250**	**(311)**	**14,939**	**(7,115)**	**7,824**	**(1,204)**	**6,620**	**24,836**	**3,971**	**1,354**
Base Metals												
Nickel and other products(*)	3,937	10	3,947	—	3,947	(3,292)	655	(1,016)	(361)	24,206	1,464	30
Kaolin	138	35	173	(9)	164	(146)	18	(34)	(16)	190	53	—
Copper concentrate	597	85	682	(19)	663	(462)	201	(72)	129	4,127	558	80
Aluminum products	1,869	181	2,050	(37)	2,013	(1,969)	44	(235)	(191)	4,663	143	143
	6,541	**311**	**6,852**	**(65)**	**6,787**	**(5,869)**	**918**	**(1,357)**	**(439)**	**33,186**	**2,218**	**253**
Fertilizers												
Potash	—	413	413	(17)	396	(187)	209	(29)	180	159	—	—
	—	**413**	**413**	**(17)**	**396**	**(187)**	**209**	**(29)**	**180**	**159**	—	—
Logistics												
Railroads	—	838	838	(137)	701	(539)	162	(97)	65	1,979	96	468
Ports	—	264	264	(38)	226	(161)	65	(29)	36	1,441	106	—
Ships	2	—	2	—	2	(9)	(7)	—	(7)	1,104	738	125
	2	**1,102**	**1,104**	**(175)**	**929**	**(709)**	**220**	**(126)**	**94**	**4,524**	**940**	**593**
Others	71	249	320	(60)	260	(652)	(392)	(6)	(398)	6,105	967	2,385
	20,284	**3,655**	**23,939**	**(628)**	**23,311**	**(14,532)**	**8,779**	**(2,722)**	**6,057**	**68,810**	**8,096**	**4,585**

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

Operating segment — after eliminations (disaggregated)

As of and for the year ended December 31, 2008

	Revenue			Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Impairment of goodwill	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
	Foreign	Domestic	Total										
Bulk Materials													
Iron ore	15,102	2,673	17,775	(364)	17,411	(6,547)	10,864	(876)	—	9,988	14,595	3,645	47
Pellets	3,481	820	4,301	(189)	4,112	(2,394)	1,718	(112)	—	1,606	645	127	721
Manganese	221	45	266	(15)	251	(77)	174	(5)	—	169	18	3	—
Ferroalloys	704	507	1,211	(128)	1,083	(457)	626	(22)	—	604	166	32	—
Coal	577	—	577	—	577	(441)	136	(33)	—	103	826	144	187
Pig iron	146	—	146	—	146	(67)	79	(3)	—	76	144	122	—
	20,231	**4,045**	**24,276**	**(696)**	**23,580**	**(9,983)**	**13,597**	**(1,051)**	**—**	**12,546**	**16,394**	**4,073**	**955**
Base Metals													
Nickel and other products(*)	7,785	44	7,829	—	7,829	(4,425)	3,404	(1,323)	(950)	1,131	21,729	2,813	53
Kaolin	167	42	209	(9)	200	(213)	(13)	(32)	—	(45)	199	6	—
Copper concentrate	787	106	893	(22)	871	(683)	188	(77)	—	111	3,543	283	—
Aluminum products	2,681	361	3,042	(66)	2,976	(2,288)	688	(172)	—	516	3,831	440	140
	11,420	**553**	**11,973**	**(97)**	**11,876**	**(7,609)**	**4,267**	**(1,604)**	**(950)**	**1,713**	**29,302**	**3,542**	**193**
Fertilizers													
Potash	—	295	295	(16)	279	(120)	159	(19)	—	140	159	43	—
	—	**295**	**295**	**(16)**	**279**	**(120)**	**159**	**(19)**	**—**	**140**	**159**	**43**	**—**
Logistics													
Railroads	—	1,303	1,303	(205)	1,098	(749)	349	(103)	—	246	1,431	121	326
Ports	11	293	304	(39)	265	(198)	67	(26)	—	41	1,441	242	—
Ships	—	—	—	—	—	—	—	—	—	—	374	343	94
	11	**1,596**	**1,607**	**(244)**	**1,363**	**(947)**	**416**	**(129)**	**—**	**287**	**3,246**	**706**	**420**
Others	172	186	358	(30)	328	(262)	66	(4)	—	62	228	608	840
	31,834	**6,675**	**38,509**	**(1,083)**	**37,426**	**(18,921)**	**18,505**	**(2,807)**	**(950)**	**14,748**	**49,329**	**8,972**	**2,408**

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

Operating segment — after eliminations (disaggregated)

	As of and for the year ended December 31, 2007											
	Revenue											
	Foreign	Domestic	Total	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
Bulk Materials												
Iron ore	9,873	2,035	11,908	(286)	11,622	(4,520)	7,102	(777)	6,325	17,031	2,496	60
Pellets	2,151	587	2,738	(132)	2,606	(1,860)	746	(87)	659	754	92	741
Manganese	48	21	69	(5)	64	(66)	(2)	(7)	(9)	79	2	—
Ferroalloys	445	274	719	(70)	649	(442)	207	(25)	182	168	22	—
Coal	161	—	161	—	161	(247)	(86)	(11)	(97)	911	90	138
Pig iron	81	—	81	—	81	(57)	24	(5)	19	198	34	—
	12,759	**2,917**	**15,676**	**(493)**	**15,183**	**(7,192)**	**7,991**	**(912)**	**7,079**	**19,141**	**2,736**	**939**
Base Metals												
Nickel and other products(*)	11,664	125	11,789	—	11,789	(6,077)	5,712	(927)	4,785	23,668	2,088	299
Kaolin	202	36	238	(9)	229	(228)	1	(33)	(32)	295	33	—
Copper concentrate	663	139	802	(30)	772	(456)	316	(64)	252	1,841	197	—
Aluminum products	2,418	304	2,722	(66)	2,656	(1,717)	939	(111)	828	4,448	856	184
	14,947	**604**	**15,551**	**(105)**	**15,446**	**(8,478)**	**6,968**	**(1,135)**	**5,833**	**30,252**	**3,174**	**483**
Fertilizers												
Potash	—	178	178	(10)	168	(108)	60	(23)	37	218	19	—
	—	**178**	**178**	**(10)**	**168**	**(108)**	**60**	**(23)**	**37**	**218**	**19**	—
Logistics												
Railroads	—	1,220	1,220	(199)	1,021	(636)	385	(88)	297	1,735	491	342
Ports	13	254	267	(46)	221	(177)	44	(22)	22	1,371	102	—
Ships	17	21	38	(3)	35	(44)	(9)	(3)	(12)	36	12	107
	30	**1,495**	**1,525**	**(248)**	**1,277**	**(857)**	**420**	**(113)**	**307**	**3,142**	**605**	**449**
Others	100	85	185	(17)	168	(227)	(59)	(3)	(62)	1,872	117	1,051
	27,836	**5,279**	**33,115**	**(873)**	**32,242**	**(16,862)**	**15,380**	**(2,186)**	**13,194**	**54,625**	**6,651**	**2,922**

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

24 RELATED PARTY TRANSACTIONS

Balances from transactions with major related parties are as follows:

	As of December 31			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
AFFILIATED COMPANIES AND JOINT VENTURES				
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS	34	34	7	34
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO	1	6	37	64
Companhia Nipo-Brasileira de Pelotização — NIBRASCO	—	22	29	71
Companhia Coreano-Brasileira de Pelotização — KOBRASCO	1	5	1	22
Baovale Mineração SA	2	22	2	20
Usinas Siderúrgicas de Minas Gerais SA — USIMINAS(*)	—	—	18	—
Minas da Serra Geral SA — MSG	—	26	—	13
MRS Logística SA	10	418	8	219
Mineração Rio Norte SA	—	25	8	38
Samarco Mineração SA	55	—	10	—
Teal Minerals Incorporated	84	—	—	—
Korea Nickel Corporation	11	—	38	—
Mitsui & CO, LTD	—	26	—	—
Others	24	29	32	24
	222	613	190	505
Current	**186**	**496**	**190**	**414**
Long-term	**36**	**117**	**—**	**91**

(*) Sold in April 2009

These balances are included in the following balance sheet classifications:

	As of December 31			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Current assets				
Accounts receivable	79	—	137	—
Loans and advances to related parties	107	—	53	—
Non-current assets				
Loans and advances to related parties	36	—	—	—
Current liabilities				
Suppliers	—	463	—	302
Loans from related parties	—	19	—	77
Others — others related parties	—	14	—	35
Non-current liabilities				
Others — Long-term debt	—	117	—	91
	222	**613**	**190**	**505**

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

	Year ended December 31,					
	2009		2008		2007	
	Income	Expense	Income	Expense	Income	Expense
AFFILIATED COMPANIES AND JOINT VENTURES						
Companhia Nipo-Brasileira de Pelotização — NIBRASCO	29	47	105	393	386	328
Samarco Mineração SA	97	—	259	—	117	—
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO	—	18	240	163	233	163
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS	85	75	342	378	247	195
Companhia Coreano-Brasileira de Pelotização — KOBRASCO	—	29	101	234	220	270
Usinas Siderúrgicas de Minas Gerais SA — USIMINAS(*)	46	—	651	—	442	—
Mineração Rio Norte SA	—	210	—	249	—	232
MRS Logística SA	12	484	9	829	17	593
Others	19	29	34	34	30	29
	288	892	1,741	2,280	1,692	1,810

(*) Sold in April 2009.

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

	Year ended December 31,					
	2009		2008		2007	
	Income	Expense	Income	Expense	Income	Expense
Sales/Cost of iron ore and pellets	233	193	1,698	1,369	1,649	960
Revenues/expense from logistic services	26	457	25	624	17	593
Sales/Cost of aluminum products	—	210	—	249	—	232
Financial income/expenses	29	32	18	38	26	24
Others	—	—	—	—	—	1
	288	892	1,741	2,280	1,692	1,810

Additionally we have loans payable to Banco Nacional de Desenvolvimento Social and BNDES Participações S.A in the amounts of US$1,691 and US$662 respectively, accruing interest at market rates, which fall due through 2029. The operations generated interest expenses of US$94. We also maintained cash equivalent balances with Banco Bradesco S.A. in the amount of US$53 as of December 31, 2009. The effect of these operations in results was US$39.

25 DERIVATIVE FINANCIAL INSTRUMENTS

Risk management policy

Vale's risk management strategy encompasses an enterprise risk management approach where we evaluate not only market risk impacts on the business, but also the impacts arising from credit and operating risks.

An enterprise wide risk management approach is considered by us to be mandatory for Vale as traditional market risk measures, such as VaR (Value at Risk), are not sufficient to evaluate the group exposures since our main goal is to avoid a possible lack of cash to fulfill our future obligations and needs.

We also consider the correlations between different market risk factors when evaluating our exposures. By doing so, we are able to evaluate the net impact on our cash flows from all main market variables. Using this framework we also identified a natural diversification of products and currencies in our portfolio. This diversification benefit implies in a natural reduction of the overall risk of the Company. Additionally, we are constantly working to implement risk mitigation strategies that significantly contribute to reduce the volatility in our cash flows beyond the levels initially observed and to acceptable levels of risk.

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

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

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

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

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

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

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

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

Foreign exchange and interest rate risk

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

Derivative instruments may be used to reduce Vale's potential cash flow volatility arising from the currency mismatch between our debt and our revenues. Vale's foreign exchange and interest rate derivative portfolio consists, basically, of interest rate swaps to convert floating cash flows in Brazilian Reais to fixed or floating US dollar cash flows, without any leverage.

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

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

The swap transactions have similar settlement dates to the debt interest and principal payment dates, taking into account the liquidity restrictions of the market. At each settlement date, the results on the swap transactions partially offset the impact of the US dollar / Brazilian Real exchange rate in our obligations, contributing to a stable flow of cash disbursements in US dollars for interest and/or principal payment of our Brazilian Real denominated debt.

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

We have other exposures associated with our outstanding debt portfolio. In order to reduce cash flow volatility associated with a financing from KFW (Kreditanstalt Für Wiederaufbau) indexed to Euribor, Vale entered into a swap contract where cash flows in Euros are converted into cash flows in US dollars.

In order to reduce the cash flows volatility associated with the foreign exchange exposure from coal fixed price sales, Vale purchased forward Australian dollars.

Product price risk

Vale is also exposed to several market risks associated with global commodities price volatilities.

Currently, our derivative transactions include nickel, aluminum, bunker oil and maritime freight (FFA) derivatives and all have the same purpose of mitigating Vale's cash flow volatility.

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

- Strategic derivative program — in order to protect our cash flows in 2009 and 2010, we entered into derivative transactions where we fixed the prices of some of our nickel sales during the period.
- Fixed price sales program — we use to enter into nickel future contracts on the London Metal Exchange (LME) with the purpose of maintaining our exposure to nickel price variation, regarding the fact that, in some cases, the commodity is sold at a fixed price to some customers. This program was interrupted after the decision of the strategic derivative program.
- Nickel purchase program — Vale has also sold nickel futures on the LME, in order to minimize the risk of mismatch between the pricing on the costs of intermediate products and finished goods.

Aluminum — in order to protect our cash flow in 2009 and 2010, we entered into derivatives transactions where we fixed the prices of some of our aluminum sales during the period.

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

Maritime Freight — In order to reduce the impact of freight price fluctuations on the Company's cash flows, Vale implemented a derivative program that consists of purchasing Forward Freight Agreements (FFA).

Embedded derivatives — In addition to the contracts mentioned above, Vale Inco Ltd., Vale's wholly-owned subsidiary, has nickel concentrate and raw materials purchase agreements, where there are provisions based on the movement of nickel and copper prices. These provisions are considered embedded derivatives. There is also an embedded derivative related to energy purchase in our subsidiary Albras on which there is a premium that can be charged based on the movement of aluminum prices.

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

At December 31, 2009, we had outstanding cash flow hedges. 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 a cash flow hedge, the effective portions of the changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in earnings when the hedged item affects earnings. Ineffective portions of changes in the fair value of the derivatives designated as hedges are recognized in earnings. If a portion of a derivative contract is excluded for purposes of effectiveness testing, such as time value, the value of such excluded portion is included in earnings.

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		
	As of December 31			As of December 31		
	2009		2008	2009		2008
	Short-term	Long-term	Long-term	Short-term	Long-term	Long-term
Derivatives not designated as hedge						
Foreign exchange and interest rate risk						
CDI & TJLP vs. floating & fixed swap	—	794	—	—	—	(561)
USD floating rate vs. fixed USD rate swap	—	—	—	(7)	(1)	(14)
EURO floating rate vs. USD floating rate swap	—	1	2	—	—	—
AUD floating rate vs. fixed USD rate swap	—	9	—	—	—	—
	—	**804**	**2**	**(7)**	**(1)**	**(575)**
Commodities price risk						
Nickel						
Fixed price program	12	2	—	(3)	(8)	(50)
Purchase program	—	—	—	—	—	(7)
Strategic program	—	—	—	(32)	—	—
Aluminium	—	—	—	(16)	—	—
Bunker Oil Hedge	49	—	—	—	—	—
Maritime Freight Hiring Protection Program	29	—	—	—	—	—
	90	**2**	—	**(51)**	**(8)**	**(57)**
Embedded derivatives:						
For nickel fixed price sale	—	—	69	—	—	—
Customer raw material contracts	—	—	22	—	—	—
Natural gas hedge	—	—	—	—	—	(2)
	—	—	**91**	—	—	**(2)**
Derivatives designated as hedge						
Foreign exchange cash flow hedge	15	59	—	—	—	—
Aluminium	—	—	—	(71)	—	—
	15	**59**	—	**(71)**	—	—
Total	**105**	**865**	**93**	**(129)**	**(9)**	**(634)**

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

	Amount of gain or (loss) recognized in financial income (expense)			Financial settlement			Amount of gain or (loss) recognized in Oci		
	Year ended December 31,			Year ended December 31,			Year ended December 31,		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Derivatives not designated as hedge									
Foreign exchange and interest rate risk									
Swap BRL denominated Brazilian payroll into USD	—	82	—	—	(198)	—	—	—	—
CDI & TJLP vs. USD fixed and floating rate swap	1,598	(34)	934	(243)	(199)	(293)	—	—	—
EURO floating rate vs. USD floating rate swap	—	(684)	—	(1)	1	—	—	—	—
USD floating rate vs. USD fixed rate swap	(2)	7	—	8	—	—	—	—	—
AUD floating rate vs. fixed USD rate swap	14	—	—	(5)	—	—	—	—	—
	1,610	**(629)**	**934**	**(241)**	**(396)**	**(293)**	—	—	—
Commodities price risk									
Nickel									
Fixed price program	40	(102)	63	22	102	(38)	—	—	—
Purchase program	(35)	21	—	57	(54)	—	—	—	—
Strategic program	(95)	(3)	—	73	—	—	—	—	—
Purchased scrap protection program	—	(23)	—	—	202	—	—	—	—
Strategic hedging program	—	(6)	(129)	—	(30)	240	—	—	—
Platinum	—	(5)	(17)	—	26	13	—	—	—
Gold	—	(30)	(16)	—	42	33	—	—	—
Natural gas	(4)	4	(9)	6	—	3	—	—	—
Aluminum	—	(68)	46	—	122	112	—	—	—
Maritime Freight Hiring Protection Program	66	—	—	(37)	—	—	—	—	—
Bunker Oil Hedge	50	(17)	—	(16)	—	—	—	—	—
	22	**(229)**	**(62)**	**105**	**410**	**363**	—	—	—
Embedded derivatives:									
For nickel concentrate costumer sales	(25)	29	—	(14)	—	—	—	—	—
Customer raw material contracts	(76)	10	—	—	(10)	—	—	—	—
Energy — Aluminum options	—	13	59	—	—	—	—	—	—
	(101)	**52**	**59**	**(14)**	**(10)**	—	—	—	—
Derivatives designated as hedge									
Aluminum hedge	(16)	(6)	—	4	—	—	(36)	(29)	29
Bunker Oil Hedge	13	—	—	—	—	—	—	—	—
Foreign exchange cash flow hedge	—	—	—	—	—	—	38	—	—
	(3)	**(6)**	**—**	**4**	**—**	**—**	**2**	**(29)**	**29**
	1,528	**(812)**	**931**	**(146)**	**4**	**70**	**2**	**(29)**	**29**

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	I-97
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007	I-99
CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007	I-101
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007	I-102
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007	I-103
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	I-105

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 cash flows and of changes in stockholders' equity present fairly, in all material respects, the financial position of Vale S.A. (formerly Companhia Vale do Rio Doce) and its subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for the years than ended 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, 2008, 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 (not presented herein) appearing under item 15 of the Company 2008 Annual Report on Form 20-F. 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.

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.

As discussed in Note 3 (a) to the consolidated financial statements, the Company changed its method of accounting for minority interest (now termed non controlling interests) to conform to SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements — an amendment of

ARB No. 51 ("SFAS No. 160") effective January 1, 2009 and, retrospectively, adjusted the financial statements as of December 31, 2008 and 2007 and for the years than ended.

PricewaterhouseCoopers
Auditores Independentes

Rio de Janeiro, Brazil

February 19, 2009 (except with respect to our opinion on the consolidated financial statements insofar as it relates (i) to the retrospective application of SFAS No. 160, as to which the date is June 26, 2009 and (ii) relates to the change in segment reporting discussed in Note 3 (a), 12 and 23, as to which the date is December 2, 2010).

CONSOLIDATED BALANCE SHEETS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	As of December 31,	
	2008	2007
Assets		
Current assets		
Cash and cash equivalents	10,331	1,046
Short term investments	2,308	—
Accounts receivable		
Related parties	137	281
Unrelated parties	3,067	3,671
Loans and advances to related parties	53	64
Inventories	3,896	3,859
Deferred income tax	583	603
Recoverable taxes	1,993	1,159
Other	870	697
	23,238	**11,380**
Property, plant and equipment, net, and intangible assets	**49,329**	**54,625**
Investments in affiliated companies, joint ventures and other investments	**2,408**	**2,922**
Other assets		
Goodwill on acquisition of subsidiaries	1,898	3,791
Loans and advances		
Related parties	—	3
Unrelated parties	77	127
Prepaid pension cost	622	1,009
Prepaid expenses	223	200
Judicial deposits	1,141	1,124
Advances to suppliers — energy	408	574
Recoverable taxes	394	199
Unrealized gains on derivative instruments	32	673
Other	161	90
	4,956	**7,790**
TOTAL	**79,931**	**76,717**
Liabilities and stockholders' equity		
Current liabilities		
Suppliers	2,261	2,430
Payroll and related charges	591	734
Current portion of long-term debt	633	1,249
Short-term debt	—	167
Loans from related parties	77	6
Provision for income taxes	502	1,198
Taxes payable and royalties	55	322
Employees postretirement benefits	102	131
Railway sub-concession agreement payable	400	210
Unrealized losses on derivative instruments	—	346
Provisions for asset retirement obligations	48	64
Minimum mandatory dividends payable	2,068	2,683
Other	500	543
	7,237	**10,083**

CONSOLIDATED BALANCE SHEETS — (CONTINUED)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT NUMBER OF SHARES)

	As of December 31,	
	2008	2007
Long-term liabilities		
Employees postretirement benefits	1,485	2,204
Long-term debt	17,535	17,608
Provisions for contingencies (Note 20(b))	1,685	2,453
Unrealized losses on derivative instruments	573	5
Deferred income tax	4,005	5,725
Provisions for asset retirement obligations	839	911
Railway sub-concession agreement payable	—	210
Other	1,525	1,687
	27,647	**30,803**
Redeemable noncontrolling interest (Note 3(a))	599	375
Commitments and contingencies (Note 20)		
Stockholders' equity		
Preferred class A stock — 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2007 — 1,919,516,400) issued	9,727	4,953
Common stock — 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2007 — 2,999,797,716) issued	15,262	7,742
Treasury stock — 76,854,304 (2007 — 30,341,144) preferred and 74,937,899 (2007 — 56,582,040) common shares	(1,141)	(389)
Additional paid-in capital	393	498
Mandatorily convertible notes- common shares	1,288	1,288
Mandatorily convertible notes- preferred shares	581	581
Other cumulative comprehensive income (loss)	(11,510)	1,655
Undistributed retained earnings	18,340	15,317
Unappropriated retained earnings	9,616	1,631
Total Company stockholders' equity	**42,556**	**33,276**
Noncontrolling interest	**1,892**	**2,180**
Total stockholders' equity	**44,448**	**35,456**
TOTAL	**79,931**	**76,717**

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

**CONSOLIDATED STATEMENTS OF INCOME
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT PER SHARE AMOUNTS)**

	Year ended of December, 31	
	2008	2007
Operating revenues, net of discounts, returns and allowances		
Sales of ores and metals	32,779	28,441
Aluminum products	3,042	2,722
Revenues from logistic services	1,607	1,525
Other products and services	1,081	427
	38,509	**33,115**
Taxes on revenues	(1,083)	(873)
Net operating revenues	**37,426**	**32,242**
Operating costs and expenses		
Cost of ores and metals sold	(14,055)	(13,628)
Cost of aluminum products	(2,267)	(1,705)
Cost of logistic services	(930)	(853)
Other	(389)	(277)
	(17,641)	**(16,463)**
Selling, general and administrative expenses	(1,748)	(1,245)
Research and development expenses	(1,085)	(733)
Impairment of goodwill	(950)	—
Other	(1,254)	(607)
	(22,678)	**(19,048)**
Operating income	**14,748**	**13,194**
Non-operating income (expenses)		
Financial income	602	295
Financial expenses	(1,765)	(2,517)
Gains (losses) on derivatives, net	(812)	931
Foreign exchange and indexation gains, net	364	2,553
Gain on sale of investments	80	777
	(1,531)	**2,039**
Income before income taxes and equity results	**13,217**	**15,233**
Income taxes		
Current	(1,338)	(3,901)
Deferred	803	700
	(535)	**(3,201)**
Equity in results of affiliates, joint ventures and other investments	794	595
Net income	**13,476**	**12,627**
Net income attributable to noncontrolling interests	258	802
Net income attributable to Company's stockholders	**13,218**	**11,825**
Basic and diluted earnings per share		
Earnings per preferred share	2.58	2.41
Earnings per common share	2.58	2.41
Earnings per preferred share linked to convertible mandatorily notes(*)	**4.09**	3.30
Earnings per common share linked to convertible mandatorily notes(*)	**4.29**	3.51

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	Year ended of December, 31	
	2008	2007
Cash flows from operating activities:		
Net income	13,476	12,627
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion and amortization	2,807	2,186
Dividends received	513	394
Equity in results of affiliates, joint ventures and other investments	(794)	(595)
Deferred income taxes	(803)	(700)
Impairment of goodwill	950	—
Loss on disposal of property, plant and equipment	376	168
Gain on sale of investments	(80)	(777)
Foreign exchange and indexation losses (gains), net	451	(2,827)
Unrealized derivative losses (gains), net	812	(917)
Unrealized interest expense, net	116	102
Others	(3)	115
Decrease (increase) in assets:		
Accounts receivable	(466)	235
Inventories	(467)	(343)
Others	(242)	(292)
Increase (decrease) in liabilities:		
Suppliers	703	998
Payroll and related charges	1	170
Income taxes	(140)	393
Others	(96)	75
Net cash provided by operating activities	**17,114**	**11,012**
Cash flows from investing activities:		
Short term investments	(2,308)	—
Loans and advances receivable		
Related parties		
Loan proceeds	(37)	(33)
Repayments	58	10
Others	(15)	1
Judicial deposits	(133)	(125)
Investments	(128)	(324)
Additions to property, plant and equipment	(8,972)	(6,651)
Proceeds from disposal of investments	134	1,042
Acquisition of subsidiaries, net of cash acquired	—	(2,926)
Net cash used in investing activities	**(11,401)**	**(9,006)**
Cash flows from financing activities:		
Short-term debt, additions	1,076	4,483
Short-term debt, repayments	(1,311)	(5,040)
Loans		
Related parties		
Loan proceeds	54	259
Repayments	(20)	(273)
Issuances of long-term debt		
Others	1,890	7,212
Repayments of long-term debt		
Others	(1,130)	(11,130)
Treasury stock	(752)	—
Mandatorily convertible notes	—	1,869
Capital increase	12,190	—
Dividends and interest attributed to Company's stockholders	(2,850)	(1,875)
Dividends to noncontrolling interest	(143)	(714)
Net cash provided by (used in) financing activities	**9,004**	**(5,209)**
Increase (decrease) in cash and cash equivalents	14,717	(3,203)
Effect of exchange rate changes on cash and cash equivalents	(5,432)	(199)
Cash and cash equivalents, beginning of period	1,046	4,448
Cash and cash equivalents, end of period	**10,331**	**1,046**
Cash paid during the period for:		
Interest on short-term debt	(11)	(49)
Interest on long-term debt	(1,255)	(1,289)
income tax	(2,867)	(3,284)
Non-cash transactions		
interest capitalized	230	78

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS (EXCEPT NUMBER OF SHARES AND PER-SHARE AMOUNTS)

	Year ended of December, 31	
	2008	2007
Preferred class A stock (including twelve special shares)		
Beginning of the period	4,953	4,702
Capital increase	4,774	—
Transfer from undistributed retained earnings	—	251
End of the period	**9,727**	**4,953**
Common stock		
Beginning of the period	7,742	3,806
Capital increase	7,520	—
Transfer from undistributed retained earnings	—	3,936
End of the period	**15,262**	**7,742**
Treasury stock		
Beginning of the period	(389)	(389)
Acquisitions	(752)	—
End of the period	**(1,141)**	**(389)**
Additional paid-in capital		
Beginning of the period	498	498
Change in the period	(105)	—
End of the period	**393**	**498**
Mandatorily convertible notes — common shares		
Beginning and end of the period	1,288	1,288
Mandatorily convertible notes — preferred shares		
Beginning and end of the period	581	581
Other cumulative comprehensive income (deficit)		
Cumulative translation adjustments		
Beginning of the period	1,340	(1,628)
Change in the period	(12,833)	2,968
End of the period	**(11,493)**	**1,340**
Unrealized gain (loss) — available-for-sale securities, net of tax		
Beginning of the period	211	271
Change in the period	(194)	(60)
End of the period	**17**	**211**
Surplus (deficit) accrued pension plan		
Beginning of the period	75	353
Change in the period	(109)	(278)
End of the period	**(34)**	**75**
Cash flow hedge		
Beginning of the period	29	—
Change in the period	(29)	29
End of the period	**—**	**29**
Total other cumulative comprehensive income (deficit)	**(11,510)**	**1,655**
Undistributed retained earnings		
Beginning of the period	15,317	9,555
Transfer from/to unappropriated retained earnings	3,023	9,949
Capitalized earnings	—	(4,187)
End of the period	**18,340**	**15,317**

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY — (CONTINUED)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT NUMBER OF SHARES AND PER-SHARE AMOUNTS)

	Year ended of December, 31	
	2008	2007
Unappropriated retained earnings		
Beginning of the period	1,631	2,505
Net income attributable to Company's stockholders	13,218	11,825
Interest on mandatorily convertible debt		
Preferred class A stock	(46)	(22)
Common stock	(96)	(45)
Dividends and interest attributed to Company's stockholders		
Preferred class A stock	(806)	(1,049)
Common stock	(1,262)	(1,634)
Appropriation from/to undistributed retained earnings	(3,023)	(9,949)
End of the period	**9,616**	**1,631**
Total Company stockholders' equity	**42,556**	**33,276**
Non controlling interests		
Beginning of the period	2,180	2,465
Increase due to business combinations	—	4
Acquisitions of noncontrolling interests	—	(821)
Cumulative translation adjustments	(463)	320
Cash flow hedge	(21)	21
Net income attributable to noncontrolling interests	276	815
Dividends and interest attributable to noncontrolling interests	(137)	(700)
Capitalization of stockholders advances	57	76
End of the period	**1,892**	**2,1 80**
Total stockholders' equity	**44,448**	**35,456**
Number of shares:		
Preferred class A stock (including twelve special shares)	2,108,579,618	1,919,516,400
Common stock	3,256,724,482	2,999,797,716
Buy-backs		
Beginning of the period	(86,923,184)	(86,927,072)
Acquisitions	(64,869,259)	—
Sales	240	3,888
End of the period	**(151,792,203)**	**(86,923,184)**
	5,213,511 ,897	**4,832,390,932**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED

1 THE COMPANY AND ITS OPERATION

Vale S.A. (formerly known as Companhia Vale do Rio Doce) ("Vale", the "Company" or "we") is a limited liability company incorporated in Brazil. Operations are carried out through Vale and our subsidiary companies, joint ventures and affiliates, and mainly consist of mining, base metals production, fertilizers, logistics and steel activities.

At December 31, 2008, our principal consolidated operating subsidiaries are the following:

Subsidiary	% ownership	% voting capital	Head office location	Principal activity
Alumina do Norte do Brasil S.A. — Alunorte ("Alunorte")	57.03	59.02	Brazil	Alumina
Alumínio Brasileiro S.A. — Albras ("Albras")	51.00	51.00	Brazil	Aluminum
CADAM S.A (CADAM)	61.48	100.00	Brazil	Kaolin
CVRD Overseas Ltd.	100.00	100.00	Cayman Islands	Trading
Ferrovia Centro-Atlântica S.A.	99.99	100.00	Brazil	Logistics
Minerações Brasileiras Reunidas S.A. — MBR	92.99	92.99	Brazil	Iron ore
Pará Pigmentos S.A. ("PPSA")	86.17	85.57	Brazil	Kaolin
PT International Nickel Indonesia Tbk ("PT Inco")	61.16	61.16	Indonesia	Nickel
Vale Manganês S.A. (formely Rio Doce Manganês S.A.)	100.00	100.00	Brazil	Manganese and Ferroalloys
Vale Manganèse France (formely Rio Doce Manganèse Europe — RDME)	100.00	100.00	France	Ferroalloys
Rio Doce Manganese Norway — RDMN	100.00	100.00	Norway	Ferroalloys
Vale Australia Pty Ltd.	100.00	100.00	Australia	Coal
Vale Inco Limited	100.00	100.00	Canada	Nickel
Vale International S.A (formerly CVRD International S.A)	100.00	100.00	Switzerland	Trading
Valesul Aumínio S.A.	100.00	100.00	Brazil	Aluminum

2 BASIS OF CONSOLIDATION

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are accounted for under the equity method (Note 12).

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

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

Our participation in hydroelectric projects are made via consortium contracts under which we have undivided interests in the assets and are liable for our proportionate share of liabilities and expenses, which are based on our proportionate share of power output. We do not have joint liability for any obligations. No separate legal or tax status is granted to consortia under Brazilian law. Accordingly, we recognize our proportionate share of costs and our undivided interest in assets relating to hydroelectric projects (Note 11).

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 estimates.

(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 "Brazilian GAAP" which are the basis for our statutory financial statements.

These financial statements reflect the retrospective adoption of SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51" ("SFAS 160") as of December 31, 2008 and the two years then ended. SFAS 160, which clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements, as shown in the consolidated statements of changes in stockholders' equity and in Note 17 — other cumulative comprehensive income (deficit). Noncontrolling interests that could be redeemed upon the occurrence of certain events outside the Company's control have been classified as redeemable noncontrolling interest using the mezzanine presentation on the balance sheet between liabilities and stockholders' equity, retroactively to all periods presented.

In December 2007, significant modifications were made to Brazilian GAAP as part of a convergence project with International Financial Reporting Standards (IFRS). Such changes became effective for the fiscal year ended December 31, 2008, whereas other changes will be introduced subsequently.

The Brazilian Real is the parent Company's functional currency. We have selected the U.S. Dollar as our reporting currency. The financial statements have been translated in accordance with the criteria set forth in Statement of Financial Accounting Standards No. ("SFAS") 52 — "Foreign Currency Translation".

All assets and liabilities have been translated to U.S. 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 U.S. Dollars at the average exchange rates prevailing during the respective periods. Capital accounts are recorded at historical exchange rates. Translation gains and losses are recorded in the Cumulative Translation Adjustments account ("CTA") in stockholders' equity. The results of operations and financial position of our entities that have a functional currency other than the U.S. Dollar, have been translated in accordance with SFAS 52.

The exchange rates used to translate the assets and liabilities of the Brazilian operations at December 31, 2008 and December 31, 2007, were R$2.3370 and R$1.7713, respectively.

The net transaction gain (loss) included in our statement of income ("Foreign exchange and indexation gains (losses), net") was US$(1,011) and US$1,639 in the year ended December 31, 2008 and 2007, respectively.

(b) Cash equivalents and short-tem investment

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, with longer maturities are stated at fair value and presented as "Short-term investments".

(c) Long-term

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

(d) Inventories

Inventory is recorded at the average cost of purchase or production, reduced to market value (net realizable value less a reasonable margin) when lower.

We classify proven and probable reserve quantities attributable to stockpiled inventories as inventories and account for them as processed when they are removed from the mine. 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 obsolescence or slow moving and if needed, we recognize definitive allowances for slow movement or obsolete inventories.

(e) Removal of waste materials to access mineral deposits

Stripping costs (the costs associated with the removal of overburden and other waste materials) incurred during the development of a mine, before production commences, are capitalized as part of the depreciable cost of developing the property. Such costs are subsequently amortized over 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 the stripping cost are incurred.

(f) 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 basis at annual average rates which take into consideration the useful lives of the assets, as follows: 3.03% for railroads, 3.65% for buildings, 3.78% for installations and 7.30% 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.

(g) Business combinations

We adopt SFAS 141 "Business Combinations" to record acquisitions of interests in other companies. This "purchase method", requires that we reasonably determine the fair value of the identifiable tangible and intangible assets and liabilities 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 circumstance indicating that recognized goodwill may not be fully recovered are identified. We perform the annual goodwill impairment tests during the last quarter of the year using September 30 as our base date.

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.

(h) 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 risk inherent in our current business model.

(i) Available-for-sale equity securities

Equity securities classified as "available-for-sale" are recorded pursuant to SFAS 115 "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.

(j) Compensated absences

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

(k) Derivatives and hedging activities

We apply SFAS 133 "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.

(l) Asset retirement obligations

Our retirement obligations consist primarily of estimated closure costs, the initial measurement of which 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 over the asset's useful life.

(m) 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. Revenue from products sold in the domestic market is recognized when delivery is made to the customer. Revenue from logistic services is recognized when the service order has been fulfilled. Expenses and costs are recognized on the accrual basis.

(n) Income taxes

The deferred tax effects of tax loss carryforwards and temporary differences are recognized pursuant to SFAS 109 "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.

(o) 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.

(p) 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".

As 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 16). 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.

(q) Comprehensive income

We present comprehensive income as part of the Statement of Changes in Stockholders' Equity, in compliance with SFAS 130 "Reporting Comprehensive Income", net of taxes.

(r) Pension and other post retirement benefits

We sponsor private pension 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 SFAS 158 "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 RECENTLY-ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2009, the Financial Accounting Standards Board ("FASB") issued EITF 99-20-1 "Amendments to the Impairment Guidance of EITF Issue No. 99-20", to achieve more consistent determination of whether an other-than-temporary impairment has occurred. It is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. We are currently studying the effects of this pronouncement.

In December 2008, the FASB issued Staff Position No. FAS 132(R)-1, "Employers' Disclosures about Post Retirement Benefit Plan Assets". It is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2009. We are currently studying the effects of this pronouncement.

In November 2008, the FASB issued EITF 08-08, "Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That is Based on the Stock of an Entity's Consolidated Subsidiary", which addresses the fair value of an outstanding instrument and its presentation. It is effective for fiscal years and interim periods beginning after December 15, 2008. We are currently studying the effects of this pronouncement.

In November 2008, the FASB issued EITF 08-06, "Equity Method Investment Accounting Considerations", which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. It is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. We are currently studying the effects of this pronouncement.

In October 2008, the FASB issued Staff Position No. FAS 157-3, "Determining the Fair Value of a Financial Asset in a Market That Is Not Active" (FSP 157-3), which clarifies the application of SFAS 157 when the market for a financial asset is inactive. Specifically, FSP 157-3 clarifies how (1) management's internal assumptions should be considered in measuring fair value when observable data are not present, (2) observable market information from an inactive market should be taken into account, and (3) the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. The guidance in FSP 157-3 was effective immediately upon issuance and did not generate impact on our Financial Statements.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities". The FSP provides that instruments granted in share-based payment transactions that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, Earnings per Share. It is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early application is not permitted. We are currently studying the effects of this pronouncement.

In May 2008, the FASB issued FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)". According to this FSP these debt instruments are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants. Additionally, it specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008. We are currently studying the effects of this pronouncement.

In May 2008, the FASB issued FAS 162, "The Hierarchy of Generally Accepted Accounting Principles". The objective of this Statement is to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with US GAAP (the GAAP hierarchy). This Statement shall be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. There are no specific disclosure requirements with this statement. We are currently assessing the effects of this Statement and believe that it will not have a material impact on our Consolidation Financial Statements.

In April 2008, the FASB issued FSP FAS 142-3, "Determination of the Useful Life of Intangible Assets". The objective of this FSP is to address situations of renewing or extending the useful life of a recognized intangible asset. It is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early application is not permitted. We are currently studying the effects of this pronouncement.

In December 2007, the FASB issued SFAS 141(R), that applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 (that is, in the case of Vale, January 1, 2009).

5 MAJOR ACQUISITIONS AND DISPOSALS

In February 2008, we sold our interest in Jubilee Mines N.L. (held through Vale Inco), representing 4.83% of its common shares, for US$134 generating a gain of US$80.

In October, 2007 we were awarded, in a public auction, a 30-year sub-concession agreement to operate the Ferrovia Norte Sul S.A. — FNS railway for R$1,482 million equivalent to US$837 at the exchange rate in effect on that date, payable in three installments. The first installment, equivalent to US$ 412 and corresponding to 50% was paid in December 2007. The second and third installments, each representing 25% of the total amount, are to be paid upon the completion of the railroad. The outstanding installments are indexed to the general price index (IGP-DI) and accrue interest of 12% p.a. This sub-concession right has been accounted for as an intangible asset (Note 11).

In July 2007, we sold our interest in Lion Ore Mining International Ltd. (held through Vale Inco), representing 1.80% of its common shares for US$105, generating a gain of US$80.

In June 2007, we sold 25,213,664 common shares, representing 57.84% of the total capital of our subsidiary Log-In Logística Intermodal S.A. ("Log-In") for US$179, recording a gain of US$155. In July 2007, we sold an additional 5.10% stake in Log-In for US$24 recording a gain of US$21. At December 31, 2008, we held 31.33% of the voting and total capital of this entity, which is accounted for under the equity method.

In May 2007, we sold part (12.43%) of our stockholding in Usinas Siderúrgicas de Minas Gerais S.A. — USIMINAS, an available-for-sale investee, for US$728, recording a gain of US$456. We have retained 5.89% of the ordinary shares the minimum number of shares required to participate in the current shareholders agreement of the investee, representing 2.93% of the total capital.

In May 2007, we acquired a further 6.25% of the total share capital of Empreendimentos Brasileiros de Mineração S.A. — EBM, whose main asset is its interest in MBR, for US$231 and as a result, our direct and indirect stake in MBR increased to 92.99% of total and voting capital. We simultaneously entered into an usufruct agreement with noncontrolling interests whereby they transferred to us all rights and obligations with respect to their shares, including rights to dividends for the next 30 years, for which we will make an initial payment of US$61 plus an annual fee of US$48 for each of the next 29 years. The present value of the future obligation is recorded as a liability and the corresponding charge recorded to noncontrolling interests in the balance sheet.

In April 2007, we concluded the acquisition of 100% of Vale Australia (formerly AMCI Holdings Australia Pty — AMCI HA), a private company based in Australia, which owns and operates coal mines in that country, for US$656.

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.

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

	Year ended of December, 31					
	2008			2007		
	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before income taxes, equity results and noncontrolling interests	2,434	10,783	13,217	7,769	7,464	15,233
Tax at Brazilian composite rate	(828)	(3,667)	(4,495)	(2,641)	(2,538)	(5,179)
Adjustments to derive effective tax rate:						
Tax benefit on interest attributed to stockholders	692	—	692	474	—	474
Difference on tax rates of foreign income	—	1,728	1,728	—	1,729	1,729
Exchange variation — not taxable	—	982	982	—	(290)	(290)
Tax incentives	53	—	53	173	—	173
Valuation allowance reversal (provision)	—	—	—	16	—	16
Other non-taxable gains (losses)	287	218	505	64	(188)	(124)
Income taxes per consolidated statements of income	**204**	**(739)**	**(535)**	**(1,914)**	**(1,287)**	**(3,201)**

We have certain Brazilian income tax incentives relating to our manganese operations in Carajás, our potash operations in Rosario do Catete, our alumina and aluminum operations in Barcarena and our kaolin operations in Ipixuna and Mazagão. The incentives relating to manganese, aluminum and kaolin comprise partial exemption up to 2013. The incentive relating to alumina and potash comprise full income tax exemption on defined production levels, which expires in 2009 and 2013, respectively. An amount equal to the tax saving is appropriated from retained earnings to a reserve account within stockholders' equity and may not be distributed in the form of cash dividends.

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

We are subject to examination by the tax authorities for up to five years regarding our operations in Brazil, ten years for Indonesia, and five and six years for Canada, except for Newfoundland which has no limit.

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

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes".

The reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

	As of December 31, 2008	2007
Beginning of the period	**1,046**	**663**
Increase resulting from tax positions taken	103	264
Decrease resulting from tax positions taken	(261)	(47)
Changes in tax legislation	2	29
Cumulative translation adjustments	(233)	137
End of the period	**657**	**1,046**

Recognized deferred income tax assets and liabilities are composed as follows:

	As of December 31, 2008	2007
Current deferred tax assets		
Accrued expenses deductible only when disbursed	**583**	**603**
Long-term deferred tax assets and liabilities		
Assets		
Employee postretirement benefits provision	171	461
Tax loss carryforwards	119	348
Other temporary differences	548	—
Asset retirement obligation	207	195
	1,045	**1,004**
Liabilities		
Fair value of financial instruments	(326)	(173)
Unrealized tax indexation effects	(108)	(138)
Property, plant and equipment	(47)	(150)
Prepaid retirement benefit	(199)	(203)
Fair value adjustments in business combinations	(4,446)	(5,770)
Other temporary differences	198	(191)
	(4,928)	**(6,625)**
Valuation allowance		
Beginning balance	(104)	(113)
Translation adjustments	18	(20)
Change in allowance	(36)	29
Ending balance	**(122)**	**(104)**
Net long-term deferred tax liabilities	**(4,005)**	**(5,725)**

7 CASH AND CASH EQUIVALENTS

	As of December 31, 2008	2007
Cash	767	424
Short-term investments denominated in Brazilian Reais	7,548	123
Short-term investments denominated in other currencies, mainly U.S. dollars	2,016	499
	10,331	**1,046**

The increase in cash and cash equivalents corresponds mainly to the proceeds received from the Global equity offering (Note 16).

8 ACCOUNTS RECEIVABLE

	As of December 31,	
	2008	**2007**
Customers		
Denominated in Brazilian Reais	461	750
Denominated in other currencies, mainly U.S. Dollars	2,828	3,311
	3,289	**4,061**
Allowance for doubtful accounts	(85)	(100)
Allowance for ore weight credits	—	(9)
Total	**3,204**	**3,952**

Accounts receivable from customers in the steel industry represent 47% of receivables at December 31, 2008.

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 2008 and 2007 totaled US$9 and US$31, respectively. We wrote-off US$ nil in 2008 and US$6 in 2007.

9 INVENTORIES

	As of December 31,	
	2008	**2007**
Finished products		
Nickel (co-products and by-products)	1,514	1,812
Iron ore and pellets	728	588
Manganese and ferroalloys	199	176
Aluminum products	150	106
Kaolin	40	42
Copper concentrate	26	15
Coal	43	38
Others	80	36
Spare parts and maintenance supplies	1,116	1,046
	3,896	3,859

At December 31, 2008, we recorded an adjustment of US$ 77, to reduce nickel inventory to its market value (nil in 2007).

10 RECOVERABLE TAXES

	As of December 31,	
	2008	**2007**
Income tax	1,646	643
Value-added tax — ICMS	258	294
PIS and COFINS	380	354
Others	103	67
Total	**2,387**	**1,358**
Current	1,993	1,159
Non-current	394	199
	2,387	**1,358**

11 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

By type of assets:

	As of December 31, 2008			As of December 31, 2007		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	182	—	182	110	—	110
Buildings	3,742	905	2,837	4,086	842	3,244
Installations	9,990	2,748	7,242	10,974	2,889	8,085
Equipment	5,391	1,626	3,765	5,703	1,709	3,994
Railroads	5,830	1,358	4,472	5,819	1,614	4,205
Mine development costs	15,976	2,062	13,914	19,270	1,632	17,638
Others	4,974	1,639	3,335	7,146	1,813	5,333
	46,085	**10,338**	**35,747**	**53,108**	**10,499**	**42,609**
Construction in progress	13,582	—	13,582	12,016	—	12,016
Total	**59,667**	**10,338**	**49,329**	**65,124**	**10,499**	**54,625**

Losses on disposal of property, plant and equipment totaled US$376 and US$168 in 2008 and 2007, respectively. Mainly relate to losses on sales 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$141.

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, 2008 the cost of hydroelectric plants in service totaled US$1,162 (2007 US$803) and the related depreciation in the year was US$304 (2007 US$68). The cost of hydroelectric plant under construction at December 31, 2008 totaled US$206 (2007 US$735). Income and operating expenses for such plants were 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, 2008 the intangibles amount to US$875 (December 31, 2007 — US$1,113), and are comprised of rights granted by the government — North-South Railroad of US$671 and off take-agreements of US$204.

12 INVESTMENTS IN AFFILIATED COMPANIES AND JOINT VENTURES

	December 31, 2008				Investments		Equity in earnings (losses) of investee adjustments		Dividends received	
	Participation in capital (%)		Net equity	Net income (loss) for the year			Year ended of December, 31		Year ended of December, 31	
	Voting	Total			2008	2007	2008	2007	2008	2007
Bulk Materials										
Iron ore and pellets										
Companhia Nipo-Brasileira de Pelotização — NIBRASCO[(1)]	51.11	51.00	215	166	110	61	84	12	—	—
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS[(1)]	51.00	50.89	143	117	73	43	59	9	6	16
Companhia Coreano-Brasileira de Pelotização — KOBRASCO[(1)]	50.00	50.00	109	88	55	45	44	19	13	21
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO[(1)]	51.00	50.90	114	66	58	46	34	10	—	8
Minas da Serra Geral S.A. — MSG	50.00	50.00	42	3	21	30	1	3	—	—
SAMARCO Mineração S.A. — SAMARCO[(2)]	50.00	50.00	732	629	412	546	315	242	300	150
Others	—	—	—	—	26	30	6	6	—	—
					755	**801**	**543**	**301**	**319**	**195**
Coal										
Henan Longyu Resources Co. Ltd	25.00	25.00	703	315	176	115	79	46	27	42
Shandong Yankuang International Company Ltd	25.00	25.00	44	(66)	11	23	(17)	—	—	—
					187	**138**	**62**	**46**	**27**	**42**
Base Metals										
Bauxite										
Mineração Rio do Norte S.A. — MRN	40.00	40.00	347	156	140	184	62	84	99	64
Nickel										
Heron Resources Inc (cost $25) — available-for-sale	—	—	—	—	2	34	—	—	—	—
Jubilee Mines N.L (cost $5)[(4)] — available-for-sale	—	—	—	—	—	126	—	—	—	—
Mirabela Nickel Ltd (cost $24) — available-for-sale	—	—	—	—	8	72	—	—	—	—
Hudbay Minerals (cost $31) available for sale	—	—	—	—	9	—	—	—	—	—
Corea Nickel Corp	—	—	—	—	21	—	—	—	—	—
Skye Resources[(6)]					—	44	(38)	—	—	—
Others	—	—	—	—	13	23	4	9	—	—
					53	**299**	**(34)**	**9**	**—**	**—**
Logistics										
LOG-IN Logística Intermodal S.A.[(3)]	31.33	31.33	282	37	94	107	20	8	3	—
MRS Logística S.A.	37.86	41.50	786	273	326	342	113	117	34	51
					420	**449**	**133**	**125**	**37**	**51**
Others										
Steel										
California Steel Industries Inc. — CSI	50.00	50.00	320	21	160	163	11	(1)	13	11
THYSSENKRUPP CSA Companhia Siderúrgica (Cost $431) — available-for-sale	10.46	10.46	—	—	443	388	—	—	—	—
Usinas Siderúrgicas de Minas Gerais S.A. — USIMINAS (cost $180) — available-for-sale[(5)]	—	—	—	—	164	465	18	31	18	31
					767	**1,016**	**29**	**30**	**31**	**42**
Other affiliates and joint ventures										
Others	—	—	—	—	86	35	(1)	—	—	—
Total					**2,408**	**2,922**	**794**	**595**	**513**	**394**

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

(2) Investment includes goodwill of US$ 46 in 2008 and US$ 61 in 2007.

(3) Consolidation discontinued from June, 2007.

(4) Sold in February, 2008 (Note 5).

(5) Equity in results of affilites refers to dividends received.

(6) Losses considered other than temporary.

13 IMPAIRMENT OF GOODWILL

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

Following the downturn in the economy, which contributed to the decline in the prices of certain commodities produced by us during the last quarter of 2008, we updated our impairment test based on forecasted discounted cash flows. As a result, we determined that the goodwill associated with the acquisition of Vale Inco, included within the reportable segment "Base Metals — nickel" was partially impaired. In the case of Vale Inco, goodwill has been allocated by us to the finished products and intermediate products reporting units. The impairment charge recorded in operating results in the fourth quarter of 2008 was US$950.

Management determined discounted 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.

14 SHORT-TERM DEBT

Short-term borrowings outstanding on December 31, 2007, mainly from commercial banks for export financing denominated in U.S. Dollar, with average annual interest rates of 5.5%.

15 LONG-TERM DEBT

	Current liabilities		Long-term liabilities	
	2008	2007	2008	2007
Foreign debt				
Loans and financing denominated in the following currencies:				
U.S. Dollars	210	212	5,905	5,927
Others	**23**	64	167	214
Fixed Rate Notes — U.S. Dollar denominated	—	—	6,510	6,680
Debt securities — export sales(*) — U.S. Dollar denominated	55	53	149	205
Perpetual notes	—	—	83	87
Accrued charges	217	282	—	—
	505	**611**	**12,814**	**13,113**
Brazilian debt				
Brazilian Reais indexed to Long-Term Interest Rate — TJLP/CDI	33	586	1,989	1,148
Brazilian Reais indexed to General Price Index-Market (IGPM)	—	1	1	1
Basket of currencies	**1**	2	4	6
Non-convertible debentures	—	—	2,562	3,340
U.S. Dollar Denominated	—	—	165	—
Accrued charges	94	49	—	—
	128	**638**	**4,721**	**4,495**
Total	**633**	**1,249**	**17,535**	**17,608**

(*) Secured by receivables from future export sales.

The long-term portion at December 31, 2008 falls due as follows:

2010	2,304
2011	2,618
2012	1,137
2013	2,556
2014 and thereafter	8,628
No due date (Perpetual notes and non-convertible debentures)	292
	17,535

At December 31, 2008 annual interest rates on long-term debt were as follows:

Up to 3%	690
3.1% to 5%	5,845
5.1%to 7%(*)	5,596
7.1%to 9%(*)	2,136
9.1%to 11%	87
Over 11%(*)	3,729
Variable (Perpetual notes)	85
	18,168

(*) Includes non-convertible debentures and other Brazilian Reais-denominated debt that bear interest at CDI (Brazilian interbank certificate of deposit) and TJLP (Brazilian government long-term interest) rates plus a spread. For these operations we have entered into derivative transactions to mitigate our exposure on the floating rate debt denominated in Brazilian Reais, totaling US$4,169 of which US$3,522 has original interest rate above 11%. The average cost after taking into account the derivative transactions is 4.9%.

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

	Year ended of December, 31	
	2008	**2007**
TJLP — Long-Term Interest Rate (effective rate)	6.3	6.4
IGP-M — General Price Index — Market	9.8	7.8
Appreciation (Devaluation) of Real against U.S. Dollar	(24.2)	20.7

In January 2008 we entered into a trade finance agreement with a Brazilian bank in the amount of US$1,100 with final maturity in 2018.

During 2008, we entered into agreements with Banco Nacional de Desenvolvimento Econômico e Social — BNDES, (the Brazilian National Development Bank) and with long-term Japanese financing agencies, Japan Bank for International Cooperation — JBIC and Nippon Export and Investment Insurance — NEXI related to future lines of credit to finance mining, logistics and power generation projects as part of our investment program for 2008-2012.

Additionally, we have revolving credit lines available under which amounts can be drawn down and repaid at the option of the borrower. At December 31, 2008, the total amount available under revolving credit lines was of US$1,900, of which US$1,150 was granted to Vale International and the balance to Vale Inco. As of December 31, 2008, neither Vale International nor Vale Inco had drawn any amounts under these facilities.

Vale Inco had drawn down US$101 by way of letters of credit.

At December 31, 2008 the US Dollar denominated Fixed Rate Notes of US$6,510 (December 31, 2007 — US$6,680) and other debt of US$11,102 (December 31, 2007 — US$11,511) were unsecured. The export securitization of US$204 (December 31, 2007 — US$258) represents debt securities collateralized by receivables from future export sales of CVRD Overseas Ltd. Loans from international lenders of US$57 (December 31, 2007 — US$82) are guaranteed by the Brazilian Federal Government, to which we have provided like counter guarantees. The remaining long-term debt of US$295 (December 31, 2007 — US$326) is collateralized mainly by receivables.

Our principal covenants require us to maintain certain ratios, such as debt to EBITDA and interest coverage. We were in full compliance with our financial covenants as of December 31, 2008 and 2007.

16 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. For the year ended December 31, 2008, this dividend corresponds to US$2,068, provided against stockholders' equity.

In July 2008, we issued 80,079,223 common ADS, 176,847,543 common shares, 63,506,751 preferred ADS and 100,896,048 preferred shares through a global equity offering. Our capital increased by US$11,666, upon subscription of preferred stock of US$4,146 corresponding to 164,402,799 shares and common stock of US$7,520 corresponding to 256,926,766 shares. In August, 2008, we issued an additional 24,660,419 preferred shares, representing an increase of

US$628. After the closing of the operation, our capital stock increased by US$12,294 in 2008; the transaction costs of US$105 were recorded as a reduction of the additional paid-in capital account.

In September 2007, a stock split was effected whereby each existing common and preferred share was split into two shares. After the split our capital comprises 4,919,314,116 shares, of which 1,919,516,400 are preferred class A shares and 2,999,797,716 are common shares, including twelve special class shares without par value ("Golden Shares"). All references to numbers of share and per share amounts included herein reflect retroactive application of the stock split.

In June 2007, we issued US$1,880 Mandatorily Convertible Notes due June 15, 2010 for total proceeds of US$1,869, net of commissions. The Notes bear interest at 5.50% per year payable quarterly and additional interest which will be payable based on the net amount of cash distribution paid to ADS holders. A tranche of US$1,296 Notes are mandatorily convertible into an aggregate maximum of 56,582,040 common shares and a tranche of US$584 Notes are mandatorily convertible into an aggregate maximum of 30,295,456 preferred class A shares. On the maturity date (whether at stated maturity or upon acceleration following an event of default), the Series RIO Notes will automatically convert into ADSs, each ADS representing one common share of Vale, and the Series RIO P Notes will automatically convert into ADSs, each ADS representing one preferred class A share of Vale. We currently hold the shares to be issued on conversion in treasury. The Notes are not repayable in cash. Holders of notes will have no voting rights. We will pay to the holders of our Series RIO Notes or RIO P Notes additional interest in the event that Vale makes cash distributions to all holders of RIO ADSs or RIO P ADSs, respectively. We determined, using a statistical model, that the potential variability in the number of shares to be converted is not a predominant feature of this hybrid financial instrument and thus classified it as an equity instrument within stockholders' equity. Other than during the cash acquisition conversion period, holders of the notes have the right to convert their notes, in whole or in part, at any time prior to maturity in the case of the Series RIO Notes, into RIO ADSs at the minimum conversion rate of 0.8664 RIO ADSs per Series RIO Note, and in the case of Series RIO P Notes, into RIO P ADSs at the minimum conversion rate of 1.0283 RIO P ADSs per Series RIO P Note.

In April 2007, at an Extraordinary Shareholders' Meeting, paid-up capital was increased by US$4,187 through transfer of reserves, without issuance of shares, to US$12,695.

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, 2008 totaled US$16,854, comprising 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.

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 bylaws 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, as detailed below:

	Year ended of December, 31	
	2008	**2007**
Undistributed retained earnings		
Unrealized income reserve		
Beginning of the period	73	57
Transfer from (to) retained earnings	(28)	16
End of the period	**45**	**73**
Expansion reserve		
Beginning of the period	13,881	8,485
Transfer to capital stock	—	(3,776)
Transfer from (to) retained earnings	2,928	9,172
End of the period	**16,809**	**13,881**
Legal reserve		
Beginning of the period	1,310	970
Transfer to capital stock	—	(370)
Transfer from (to) retained earnings	138	710
End of the period	**1,448**	**1,310**
Fiscal incentive investment reserve		
Beginning of the period	53	43
Transfer to capital stock	—	(41)
Transfer from (to) retained earnings	(15)	51
End of the period	38	53
Total undistributed retained earnings	**18,340**	**15,317**

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).

Basic and diluted earnings per share

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

	As of December 31,	
	2008	**2007**
Net income attributable to Company's stockholders	**13,218**	**11,825**
Interest attributed to preferred convertible notes	(46)	(16)
Interest attributed to common convertible notes	(96)	(37)
Net income for the period adjusted	13,076	11,772
Basic and diluted earnings per share		
Income available to preferred stockholders	5,027	4,552
Income available to common stockholders	7,823	7,092
Income available to convertible notes linked to preferred shares	78	45
Income available to convertible notes linked to common shares	148	83
Weighted average number of shares outstanding (thousands of shares) — preferred shares	1,946,454	1,889,171
Weighted average number of shares outstanding (thousands of shares) — common shares	3,028,817	2,943,216
Treasury preferred shares linked to mandatorily convertible notes	30,295	18,478
Treasury common shares linked to mandatorily convertible notes	56,582	34,510
Total	**5,062,148**	**4,885,375**
Earnings per preferred share	2.58	2.41
Earnings per common share	2.58	2.41
Earnings per convertible notes linked to preferred share (*)	4.09	3.30
Earnings per convertible notes linked to common share (*)	4.29	3.51

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

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

	As of December 31,	
	2008	**2007**
Income available to preferred stockholders	5,151	4,613
Income available to common stockholders	8,067	7,212
Weighted average number of shares outstanding (thousands of shares) — preferred shares	1,976,749	1,907,649
Weighted average number of shares outstanding (thousands of shares) — common shares	3,085,399	2,977,726
Earnings per preferred share	2.61	2.42
Earnings per common share	2.61	2.42

17 OTHER CUMULATIVE COMPREHENSIVE INCOME (DEFICIT)

	As of December 31,	
	2008	2007
Comprehensive income (deficit) is comprised as follows:		
Net income attributable to Company's stockholders	13,218	11,825
Cumulative translation adjustments	(12,833)	2,968
Unrealized gain (loss) — available-for-sale securities, net of tax	(194)	(60)
Deficit accrued pension plan	(109)	(278)
Cash flow hedge	(29)	29
Noncontrolling interests:		
Increase due to business combinations	—	4
Acquisitions of noncontrolling interests	—	(821)
Cumulative translation adjustments	(463)	320
Cash flow hedge	(21)	21
Net income attributable to noncontrolling interests	276	815
Dividends and interest attributable to noncontrolling interests	(137)	(700)
Capitalization of stockholders advances	57	76
Total comprehensive income (deficit)	**(235)**	**14,199**
Tax effect on other comprehensive income allocated to each component		
Unrealized gain (loss) — available-for-sale securities, net of tax		
Gross balance as of the period end	42	271
Tax (expense) benefit	(25)	(60)
Net balance as of the period end	17	211
Surplus (deficit) accrued pension plan		
Gross balance as of the period end	(63)	134
Tax (expense) benefit	29	(59)
Net balance as of the period end	(34)	75

18 PENSION PLANS

Since 1973 we sponsor a supplementary social security plan with characteristics of a defined benefit plan (the "Old Plan") covering substantially all Brazilian employees, with benefits calculated based on years of service, age, contribution salary and supplementary social security benefits. This plan is administered by Fundação Vale do Rio Doce de Seguridade Social — VALIA and was funded by monthly contributions made by us and our employees, calculated based on periodic actuarial appraisals.

In May 2000, we implemented a new supplementary social security plan with characteristics of defined contribution, which complements the earnings of programmed retirements. The plan offers benefits to cover death, physical invalidity, and sickness, with defined benefit characteristics. Brazilian employees could opt to migrate to the "New Plan" (a Benefit Mix Plan — Vale Mais) which was taken up by over 98% of our employees. The Old Plan will continue in existence, covering almost exclusively retired participants and their beneficiaries.

Additionally we provide supplementary payments to a specific group of former Brazilian employees, in addition to the regular benefits from Valia. The plan provides represents a postretirement health care, dental and pharmaceutical benefits.

Upon the acquisition of Inco, we assumed benefits through defined benefit pension plans that cover essentially all its employees and post retirement benefits other than pensions that also provide certain health care and life insurance benefits for retired employees.

The following information details the status of the defined benefit elements of all plans in accordance with SFAS 132 "Employers' Disclosure about Pensions and Other Post retirement Benefits" and SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans", as amended.

(a) Change in Benefit Obligation

	As of December 31,					
	2008			2007		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Benefit obligation at beginning of year	3,178	4,436	1,671	2,531	3,743	1,287
Liability recognized upon consolidation of Inco	—	—	—	—	100	213
Service cost	11	60	25	9	61	20
Interest cost	309	245	85	306	229	78
Plan amendment	—	16	—	—	4	—
Benefits paid	(283)	(291)	(70)	(301)	(279)	(63)
Effect of exchange rate changes	(779)	(775)	(272)	526	607	215
Actuarial loss (gain)	(12)	(660)	(370)	107	(29)	(79)
Benefit obligation at end of year	**2,424**	**3,031**	**1,069**	**3,178**	**4,436**	**1,671**

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

(b) Change in Plan Assets

	As of December 31,					
	2008			2007		
	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	4,187	3,762	10	3,508	3,078	4
Actual return on plan assets	57	(603)	1	250	85	1
Employer contributions	41	272	70	33	372	67
Benefits paid	(283)	(291)	(70)	(301)	(279)	(63)
Effect of exchange rate changes	(959)	(633)	(2)	697	506	1
Fair value of plan assets at end of year	**3,043**	**2,507**	**9**	**4,187**	**3,762**	**10**

Plan assets at December 31, 2008 include US$188 (US$693 at December 31, 2007) and US$53 (US$73 at December 31, 2007) of portfolio investments in our own shares and debentures, respectively, and US$44 (US$48 at December 31, 2007) and US$ nil (US$ nil at December 31, 2007) of shares of related parties and debentures, as well. They also include US$2,472 of Brazilian Federal Government securities (US$1,116 at December 31, 2007) and US$347 of Canada Federal Government securities (US$475 at December 31, 2007).

(c) Funded Status and Financial Position

	As of December 31,					
	2008			2007		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Other assets	619	—	3	1,009	—	—
Current liabilities	—	38	64	—	54	77
Long-term liabilities	—	486	999	—	620	1,584
Funded status	**619**	**524**	**1,060**	**1,009**	**674**	**1,661**

(d) Assumptions Used (Nominal Terms)

	Brazil					
	2008			2007		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Discount rate	11.28% p.a.	11.28% p.a.	11.28% p.a.	10.24% p.a.	10.24% p.a.	10.24% p.a.
Expected return on plan assets	12.22% p.a.	13.00% p.a.	—	12.78% p.a.	11.70% p.a.	—
Rate of compensation increase — up to 47 years	7.12% p.a.	—	—	7.12% p.a.	—	—
Rate of compensation increase — over 47 years	4.00% p.a.	—	—	4.00% p.a.	—	—
Inflation	4.00% p.a.	4.00% p.a.	4.00% p.a.	4.00% p.a.	4.00% p.a.	4.00% p.a.
Health care cost trend rate	—	—	7.12% p.a.	—	—	7.64% p.a.

	Foreign					
	2008			2007		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Discount rate	—	5.58% p.a.	7.32% p.a.	—	5.21% p.a.	5.55% p.a.
Expected return on plan assets	—	6.99% p.a.	7.35% p.a.	—	7.18% p.a.	7.50% p.a.
Rate of compensation increase — up to 47 years	—	4.12% p.a.	3.58% p.a.	—	4.01% p.a.	3.58% p.a.
Rate of compensation increase — over 47 years	—	4.12% p.a.	3.58% p.a.	—	4.01% p.a.	3.58% p.a.
Inflation	—	2.00% p.a.	2.00% p.a.	—	2.00% p.a.	2.00% p.a.
Health care cost trend rate	—	—	6.19% p.a.	—	—	6.35% p.a.

(e) Investment Targets and Composition of Plan Assets

- **Overfunded pension plans**

The fair value of the Brazil overfunded pension plan assets is US$3,043 and US$4,187 at December 31, 2008 and 2007, respectively. There are no foreign overfunded pension plans assets at the period end. The asset allocation for these plans at December 31, 2008 and 2007, and the target allocation for 2009, by asset category, follows:

	Percentage of plan assets Brazil		
	Target for 2009	At December 31,	
	(Unaudited)	2008	2007
Equity securities	26%	20%	29%
Real estate	6%	4%	4%
Loans	7%	6%	4%
Fixed Income	61%	70%	63%
Total	100%	100%	100%

- **Underfunded pension plans**

The fair value of the underfunded pension plan assets is US$146 and US$146 at the end of 2008 and 2007, respectively, for Brazilian plans and US$2,361 and US$3,616 at the end of 2008 and 2007, respectively, for foreign plans. The asset allocation for these plans at the end of 2008 (Brazil and foreign) and 2007 (Brazil and foreign), and the target allocation for 2009, by asset category, follows:

	Percentage of plan assets Brazil		
	Target for 2009	At December 31,	
	(Unaudited)	2008	2007
Loans	0%	0%	5%
Fixed Income	100%	100%	95%
Total	**100%**	**100%**	**100%**

	Percentage of plan assets Foreign		
	Target for 2009	At December 31,	
		2008	2007
Equity securities	61%	54%	61%
Fixed Income	39%	46%	39%
Total	**100%**	**100%**	**100%**

The asset allocation policy follows the asset class targets determined by our ALM — Asset Allocation Modeling. The fixed income asset allocation target for the Brazilian plans was established in order to surpass the benefit obligation and to be used for the payment of short-term plans. The proposal for 2009 is to increase the investments in inflation-indexed bonds.

The target for equity securities of these plans reflects the expected appreciation of the Brazilian stock markets and its expected long term return.

The asset allocation policy for the foreign plans of 39% fixed income and 61% equity securities, approximates the policy mix through a rebalancing policy.

- **Underfunded other benefits**

  The fair value of the foreign underfunded other benefit assets is US$9 and US$10 at the end of 2008 and 2007, respectively. There are no Brazilian underfunded other benefit assets in our postretirement benefit other than pensions at the period end.

The asset allocation for these benefits at the end of 2008 and target allocation for 2009, by asset category, follows:

	Percentage of plan assets Foreign		
	Target for 2009	At December 31,	
	(Unaudited)	2008	2007
Equity securities	61%	61%	61%
Fixed Income	39%	39%	39%
Total	**100%**	**100%**	**100%**

The asset allocation policy is the same for the foreign underfunded pension plan.

(f) Pension Costs

	As of December 31,					
	2008			2007		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost – benefits earned during the period	11	60	25	9	61	20
Interest cost on projected benefit obligation	309	245	85	306	229	78
Expected return on assets	(515)	(253)	(5)	(570)	(247)	(4)
Amortization of initial transition obligation	15	—	—	14	—	—
Net deferral	(5)	11	(2)	(17)	—	—
Net periodic pension cost	**(185)**	**63**	**103**	**(258)**	**43**	**94**

(g) Expected Contributions and Benefits

Employer contributions expected for 2009 are US$338.

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

	2008			
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Total
2009	195	262	68	525
2010	197	263	72	532
2011	199	261	76	536
2012	200	260	79	539
2013	201	256	82	539
2014 and thereafter	1,011	1,265	412	2,688

(h) Accumulated Benefit Obligation

	2008			2007		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Accumulated benefit obligation	2,415	2,955	1,069	3,166	4,293	1,671
Projected benefit obligation	2,424	3,031	1,069	3,178	4,436	1,671
Fair value of plan assets	(3,043)	(2,507)	(9)	(4,187)	(3,762)	(10)

(i) Impact of 1% Variation in Assumed Health Care Cost Trend Rate

	1% increase		1% decrease	
	2008	2007	2008	2007
Accumulated postretirement benefit obligation (APBO)	134	261	(110)	(201)
Interest and service costs	18	15	(14)	(12)

(j) Other Cumulative Comprehensive Income (Deficit)

	As of December 31,					
	2008			2007		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Net transition assets	(16)	—	—	(24)	—	—
Net actuarial loss/(gain)	(240)	(206)	402	(6)	(34)	97
Effect of exchange rate changes	(18)	10	3	94	(7)	(2)
Deferred income tax	94	83	(146)	(22)	14	(35)
Amounts recognized in other cumulative comprehensive income (deficit)	**(180)**	**(113)**	**259**	**42**	**(27)**	**60**

(k) Change in Other Cumulative Comprehensive Income (Deficit)

	As of December 31,					
	2008			2007		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Net transition obligation/(asset) not yet recognized in NPPC at beginning of period	(31)	—	—	(38)	—	—
Net actuarial loss/(gain) not yet recognized in NPPC at beginning of period	94	(41)	95	491	(33)	(11)
Deferred income tax at beginning of period	(21)	14	(35)	(154)	11	4
Effect of initial recognition of cumulative comprehensive Income (deficit)	42	(27)	60	299	(22)	(7)
Change in the period						
Amortization of net transition obligation/(asset)	15	—	—	14	—	—
Amortization of net actuarial loss/(gain)	(6)	—	—	(17)	—	—
Total net actuarial loss/(gain) arising during period	(328)	(165)	307	(480)	(1)	108
Effect of exchange rate changes	(18)	10	3	94	(7)	(2)
Deferred income tax	115	69	(111)	132	3	(39)
Total recognized in other cumulative comprehensive income (deficit)	**(180)**	**(113)**	**259**	**42**	**(27)**	**60**

(l) Net periodic pension cost for 2009

	As of December 31,		
	2009		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost	9	41	17
Interest cost	263	240	85
Expected return on plan assets	(362)	(195)	(1)
Net transition obligation/(asset) amortization	12	—	—
Net prior service cost/(credit) amortization	—	3	—
Net actuarial loss/(gain) amortization	—	1	(23)
	(78)	**90**	**78**

19 LONG-TERM INCENTIVE COMPENSATION PLAN

In 2008, the Board of Directors approved a long-term incentive compensation plan, which was implemented in April 2008, over a three-year cycle (2008 to 2010).

Under the terms of the 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 market rates.

We account for the compensation cost provided to our executives under this long-term incentive compensation plan, following the requirements of FAS 123(R) "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, 2008, we recognized a long-term liability of US$7, relating to 711,005 shares, through the Statements of Income.

20 COMMITMENTS AND CONTINGENCIES

(a) We provided certain guarantees on behalf of the Goro Project pursuant to which we guaranteed payments due from Goro of up to a maximum amount of US$100 ("Maximum Amount") in connection with an indemnity. We also provided additional guarantees covering the amounts payable by Goro regarding (a) amounts exceeding the Maximum Amount in connection with the indemnity and (b) certain other amounts under lease agreements.

Sumic Nickel Netherlands B.V. — Sumic, a 21% shareholder of Goro, has a put option to sell to Vale Inco 25%, 50%, or 100% of its share in Goro. The put option can be exercised if the defined cost of the initial Goro project exceeds US$4,200 at project rates and an agreement cannot be reached on how to proceed with the project.

We provided guarantees covering certain termination payments by Goro to a supplier under an electricity supply agreement ("ESA") entered into in October 2004 for the Goro nickel-cobalt project. The amount of the termination payments guaranteed depends upon a number of factors, including whether any termination of the ESA occurs as a result of a default by Goro and the date of such early termination. If Goro defaults under the ESA prior to the anticipated start date for electricity supply, the termination payment, which currently is at its maximum amount, would be €$145 million. Once the supply of electricity under the ESA to the project begins, the guaranteed amounts will decrease over the life of the ESA.

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

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

	As of December 31,			
	2008		2007	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Labor and social security claims	458	378	519	372
Civil claims	386	242	311	135
Tax — related actions	828	518	1,605	613
Others	13	3	18	4
	1,685	**1,141**	**2,453**	**1,124**

Labor and social security — related actions principally comprise claims by Brazilian employees and former employees for (i) payment of time spent traveling 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 related 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 appropriations disputes.

Tax — tax-related actions principally comprise challenges initiated by us, on certain taxes on revenues and value added taxes and uncertain tax positions. We continue to vigorously pursue our interests in all the above 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 the court requirements, in order to be entitled to either initiate or continue a legal action. These amounts are released to us, upon receipt of a final favorable outcome from the legal action; in the case of an unfavorable outcome, the deposits are transferred to the prevailing party.

Contingencies settled in 2008 and 2007 totaled US$148 and US$331, respectively. Provisions recognized in the years ended December 31, 2008 and 2007, totaled US$213 and US$364, respectively, classified as other operating expenses. During 2008, we reversed a provision of US$300 previously recognized, in connection with a favorable decision obtained for a process regarding income tax.

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 possible but not probable, in the total amount of US$2,476 at December 31, 2008, and for which no provision has been made (2007 — US$2,381).

(c) At the time of our privatization in 1997, we issued shareholder revenue interest instruments known in Brazil as "debentures participativas" (debentures) to our then-existing shareholders, including the Brazilian Government. The terms of the debentures, were set to ensure that our pre-privatization shareholders, including the Brazilian Government, would participate alongside us in potential future financial benefits that we could be able to derive from exploiting our mineral resources.

In preparation for the issuance of the debentures, we issued series B preferred shares on a one-for-one basis to all holders of our common shares and series A preferred shares. We then exchanged all of the series B shares for the debentures at par value. The debentures are not redeemable or convertible, and do not trade on a stapled basis or otherwise with our common or preferred shares. During 2002 we registered the debentures with the Brazilian Securities Commissions "CVM" in order to permit trading.

Under the terms of the debentures, holders will have the right to receive semi-annual payments equal to an agreed percentage of our net revenues (revenues less value added tax) from certain identified mineral resources that we owned as of May 1997, to the extent that we exceed defined threshold production volumes of these resources, and from the sale of mineral rights that we owned as of May 1997. Our obligation to make payments to the holders will cease when the relevant mineral resources are exhausted at which time we are required to repay the original par value plus accrued interest.

The table below summarizes the amounts we will be required to pay under the debentures based on the net revenues we earn from the identified mineral resources and the sale of mineral rights.

Area	Mineral	Required Payments by CVRD
Southeastern System	Iron ore	1.8% of net revenue, after total sales from May 1997 exceeds 1.7 billion tons.
Northern System	Iron ore	1.8% of net revenue, after total sales from May 1997 exceeds 1.2 billion tons.
Pojuca, Andorinhas, Liberdade and Sossego	Gold and copper	2.5% of net revenue from the beginning of commercialization.
Igarapé Bahia and Alemão	Gold and copper	2.5% of net revenue, after total sales from May 1997 exceeds 70 tons of gold.
Other areas, excluding Carajás/ Serra Leste	Gold	2.5% of net revenue.
Other areas owned as of May 1997	Other minerals	1% of net revenue, 4 years after the beginning of the commercialization.
All areas	Sale of mineral rights owned as of May 1997	1% of the sales price.

In September 2008 and April 2008 we paid remuneration on these debentures of US$6 and US$5, respectively. During 2007 we paid a total of US$11.

(d) We are committed under a take-or-pay agreement to purchase approximately 32,300 metric tons of bauxite from Mineração Rio do Norte S.A. — MRN at a formula driven price, calculated based on the current London Metal Exchange — LME quotation for aluminum. Based on a market price of US$32.26 per metric ton as of December 31, 2008, this arrangement represents the following total commitment per metric ton as of December 31, 2008:

2009	281
2010	191
2011	187
2012	190
2013	192
	1,041

(e) Description of Leasing Arrangements

Part of our railroad operations includes leased facilities. The 30-year lease, renewable for a further 30 years, 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 lease assets. In most cases, management expects that in the normal course of business, leases will be renewed.

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, 2008:

Year ending December 31:	
2009	53
2010	53
2011	53
2012	54
2013 thereafter	714
Total minimum payments required	**927**

The total expenses of operating leases for the years ended December 31, 2008 and 2007 was US$53 and US$62, respectively.

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

The following is a schedule by year of future minimum rental payments required under the pellet plant operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2008:

Year ending December 31:	
2009	81
2010	81
2011	81
2012	81
2013 thereafter	987
Total	**1,311**

(f) Asset retirement obligations:

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

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

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

	As of December 31,	
	2008	**2007**
Beginning of period	**975**	**676**
Accretion expense	164	84
Liabilities settled in the current period	(7)	(15)
Revisions in estimated cash flows	(47)	83
Cumulative translation adjustment	(198)	147
End of period	**887**	**975**

21 OTHER EXPENSES

The line item "Other operating expenses" totaled US$1,254 in 2008 (US$607 in 2007). During the last quarter of 2008 we recognized certain expenses considered to be one off events which substantially caused the increase in 2008 as compared to 2007. The most significant items recognized during the last quarter of 2008 in this respect were: (i) a US$204 expense relating to additional payment relating to tax assessments on transportation services, (ii) inventory market value write-down of US$77, and (iii) write-off of intangible asset (patent right) in the amount of US$65.

22 FAIR VALUE DISCLOSURE OF FINANCIAL ASSETS AND LIABILITIES

In September 2006, the FASB issued SFAS 157, "Fair Value Measurements", which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 does not require

any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement 115". SFAS 159 permits the choice of measuring financial instruments and certain other items at fair value. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007.

On January 1, 2008, the Company adopted SFAS 159 and elected not to apply the provisions of SFAS 159 to its eligible financial assets and financial liabilities on the date of adoption. Accordingly, the initial application of both SFAS 157 and SFAS 159 had no effect on the Company.

Under SFAS 157, the inputs used to measure fair value must be classified into one of three levels as follows:

Level 1 — Quoted prices in an active market for identical assets or liabilities;

Level 2 — Observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and

Level 3 — Assets and liabilities whose significant value drivers are unobservable.

The valuation of assets measured at fair value in the Company's Consolidated Balance Sheet at December 31, 2008 is summarized below:

			Fair Value Measurements	
	Carry amount	Fair value December 31, 2008	Quoted prices in active markets for identical assets or liabilities, (Level 1)	Significant Other Observable Inputs (Level 2)
Available-for-sale securities	639	639	196	443
Unrealized losses on derivatives	(539)	(539)	—	(539)
Other financial liabilities	(380)	(380)	—	(380)

Our long-term debt is reported at amortized cost, however its fair value measurement at December 31, 2008 is as follows:

	Carrying amount	Fair Value	Level 1	Level 2
Time deposits	2,308	2,308	—	2,380
Long-term debt (less interests)	17,857	16,635	7,833	8,802

The carrying amount of our current financial instruments generally approximates fair market value because of the short-term maturity or frequent repricing of these instruments.

The market value of our listed long-term investments, where available, is disclosed in Note 12.

23 SEGMENT AND GEOGRAPHICAL INFORMATION

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

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

Base Metals — comprised of the production of non-ferrous minerals, including nickel (co-products and by-products), copper and aluminum — comprised of aluminum trading activities, alumina refining and aluminum metal smelting and investments in joint ventures and affiliates engaged in bauxite mining.

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

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

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

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

Consolidated net income and principal assets are reconciled as follows:

Results by segment — before eliminations (aggregated)

	As of and for the year ended December 31,													
	2008							2007						
	Bulk Materials	Base Metals	Fertilizers	Logistics	Others	Eliminations	Consolidated	Bulk Materials	Base Metals	Fertilizers	Logistics	Others	Eliminations	Consolidated
RESULTS														
Gross revenues — Foreign	33,946	13,668	—	51	11	(15,842)	31,834	21,287	16,844	—	61	81	(10,437)	27,836
Gross revenues — Domestic	4,342	1,046	295	1,640	234	(882)	6,675	3,865	1,060	178	1,519	1	(1,344)	5,279
Cost and expenses	(24,542)	(9,658)	(128)	(1,097)	(218)	16,724	(18,919)	(17,111)	(10,505)	(103)	(983)	(81)	11,781	(17,002)
Research and development	(380)	(372)	(8)	(101)	(224)	—	(1,085)	(193)	(314)	(15)	(39)	(172)	—	(733)
Depreciation, depletion and amortization	(1,054)	(1,604)	(19)	(128)	(2)	—	(2,807)	(928)	(1,126)	(23)	(103)	(6)	—	(2,186)
Impairment	—	(950)	—	—	—	—	(950)	—	—	—	—	—	—	—
Operating income	**12,312**	**2,130**	**140**	**365**	**(199)**	**—**	**14,748**	**6,920**	**5,959**	**37**	**455**	**(177)**	**—**	**13,194**
Financial income	3,048	798	—	10	1	(3,255)	602	2,514	595	—	9	25	(2,848)	295
Financial expenses	(3,515)	(1,490)	—	(15)	—	3,255	(1,765)	(4,020)	(1,318)	—	(17)	(2)	2,848	(2,509)
Gains (losses) on derivatives, net	(719)	(93)	—	—	—	—	(812)	854	63	—	—	—	—	917
Foreign exchange and monetary gains (losses), net	764	(265)	—	(32)	(103)	—	364	2,297	274	—	(15)	3	—	2,559
Gain on sale of investments	—	80	—	—	—	—	80	—	81	—	237	459	—	777
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	612	28	—	133	21	—	794	347	93	—	125	30	—	595
Income taxes	143	(697)	—	23	(4)	—	(535)	(1,947)	(1,236)	—	(16)	(2)	—	(3,201)
Noncontrolling interests	(8)	(256)	—	—	6	—	(258)	(31)	(770)	—	(1)	—	—	(802)
Net income	**12,637**	**235**	**140**	**484**	**(278)**	**—**	**13,218**	**6,934**	**3,741**	**37**	**777**	**336**	**—**	**11,825**
Sales classified by geographic destination:														
Foreign market														
America, except United States	1,805	2,215	—	1	—	(1,201)	2,820	1,449	2,405	—	23	—	(1,026)	2,851
United States	648	2,201	—	1	9	(392)	2,467	432	2,770	—	—	81	(318)	2,965
Europe	11,224	4,132	—	26	—	(5,933)	9,449	6,823	4,195	—	33	—	(3,716)	7,335
Middle East/Africa/Oceania	2,058	394	—	—	—	(952)	1,500	988	538	—	—	—	(412)	1,114
Japan	4,761	1,893	—	1	—	(1,918)	4,737	2,131	2,625	—	—	—	(929)	3,827
China	9,747	887	—	21	—	(3,949)	6,706	7,570	1,457	—	4	—	(3,168)	5,863
Asia, other than Japan and China	3,703	1,946	—	1	2	(1,497)	4,155	1,894	2,854	—	1	—	(868)	3,881
	33,946	**13,668**	**—**	**51**	**11**	**(15,842)**	**31,834**	**21,287**	**16,844**	**—**	**61**	**81**	**(10,437)**	**27,836**
Domestic market	4,342	1,046	295	1,640	234	(882)	6,675	3,865	1,060	178	1,519	1	(1,344)	5,279
	38,288	**14,714**	**295**	**1,691**	**245**	**(16,724)**	**38,509**	**25,152**	**17,904**	**178**	**1,580**	**82**	**(11,781)**	**33,115**

Operating segment — after eliminations (disaggregated)

	As of and for the year ended December 31, 2008												
	Revenues												
	Foreign	Domestic	Total	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Impairment of goodwill	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
Bulk Materials													
Iron ore	15,102	2,673	17,775	(364)	17,411	(6,547)	10,864	(876)	—	9,988	14,595	3,645	47
Pellets	3,481	820	4,301	(189)	4,112	(2,394)	1,718	(112)	—	1,606	645	127	721
Manganese	221	45	266	(15)	251	(77)	174	(5)	—	169	18	3	—
Ferroalloys	704	507	1,211	(128)	1,083	(457)	626	(22)	—	604	166	32	—
Coal	577	—	577	—	577	(441)	136	(33)	—	103	826	144	187
Pig iron	146	—	146	—	146	(67)	79	(3)	—	76	144	122	—
	20,231	**4,045**	**24,276**	**(696)**	**23,580**	**(9,983)**	**13,597**	**(1,051)**	**—**	**12,546**	**16,394**	**4,073**	**955**
Base Metals													
Nickel and other products(*)	7,785	44	7,829	—	7,829	(4,425)	3,404	(1,323)	(950)	1,131	21,729	2,813	53
Kaolin	167	42	209	(9)	200	(213)	(13)	(32)	—	(45)	199	6	—
Copper concentrate	787	106	893	(22)	871	(683)	188	(77)	—	111	3,543	283	—
Aluminum products	2,681	361	3,042	(66)	2,976	(2,288)	688	(172)	—	516	3,831	440	140
	11,420	**553**	**11,973**	**(97)**	**11,876**	**(7,609)**	**4,267**	**(1,604)**	**(950)**	**1,713**	**29,302**	**3,542**	**193**
Fertilizers													
Potash	—	295	295	(16)	279	(120)	159	(19)	—	140	159	43	—
	—	**295**	**295**	**(16)**	**279**	**(120)**	**159**	**(19)**	**—**	**140**	**159**	**43**	**—**
Logistics													
Railroads	—	1,303	1,303	(205)	1,098	(749)	349	(103)	—	246	1,431	121	326
Ports	11	293	304	(39)	265	(198)	67	(26)	—	41	1,441	242	—
Ships	—	—	—	—	—	—	—	—	—	—	374	343	94
	11	**1,596**	**1,607**	**(244)**	**1,363**	**(947)**	**416**	**(129)**	**—**	**287**	**3,246**	**706**	**420**
Others	172	186	358	(30)	328	(262)	66	(4)	—	62	228	608	840
	31,834	**6,675**	**38,509**	**(1,083)**	**37,426**	**(18,921)**	**18,505**	**(2,807)**	**(950)**	**14,748**	**49,329**	**8,972**	**2,408**

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

Operating segment — after eliminations (disaggregated)

	As of and for the year ended December 31, 2007											
	Revenues											
	Foreign	Domestic	Total	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
Bulk Materials												
Iron ore	9,873	2,035	11,908	(286)	11,622	(4,520)	7,102	(777)	6,325	17,031	2,496	60
Pellets	2,151	587	2,738	(132)	2,606	(1,860)	746	(87)	659	754	92	741
Manganese	48	21	69	(5)	64	(66)	(2)	(7)	(9)	79	2	—
Ferroalloys	445	274	719	(70)	649	(442)	207	(25)	182	168	22	—
Coal	161	—	161	—	161	(247)	(86)	(11)	(97)	911	90	138
Pig iron	81	—	81	—	81	(57)	24	(5)	19	198	34	—
	12,759	**2,917**	**15,676**	**(493)**	**15,183**	**(7,192)**	**7,991**	**(912)**	**7,079**	**19,141**	**2,736**	**939**
Base Metals												
Nickel and other products(*)	11,664	125	11,789	—	11,789	(6,077)	5,712	(927)	4,785	23,668	2,088	299
Kaolin	202	36	238	(9)	229	(228)	1	(33)	(32)	295	33	—
Copper concentrate	663	139	802	(30)	772	(456)	316	(64)	252	1,841	197	—
Aluminum products	2,418	304	2,722	(66)	2,656	(1,717)	939	(111)	828	4,448	856	184
	14,947	**604**	**15,551**	**(105)**	**15,446**	**(8,478)**	**6,968**	**(1,135)**	**5,833**	**30,252**	**3,174**	**483**
Fertilizers												
Potash	—	178	178	(10)	168	(108)	60	(23)	37	218	19	—
	—	**178**	**178**	**(10)**	**168**	**(108)**	**60**	**(23)**	**37**	**218**	**19**	**—**
Logistics												
Railroads	—	1,220	1,220	(199)	1,021	(636)	385	(88)	297	1,735	491	342
Ports	13	254	267	(46)	221	(177)	44	(22)	22	1,371	102	—
Ships	17	21	38	(3)	35	(44)	(9)	(3)	(12)	36	12	107
	30	**1,495**	**1,525**	**(248)**	**1,277**	**(857)**	**420**	**(113)**	**307**	**3,142**	**605**	**449**
Others	100	85	185	(17)	168	(227)	(59)	(3)	(62)	1,872	117	1,051
	27,836	**5,279**	**33,115**	**(873)**	**32,242**	**(16,862)**	**15,380**	**(2,186)**	**13,194**	**54,625**	**6,651**	**2,922**

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

24 RELATED PARTY TRANSACTIONS

Balances from transactions with major related parties are as follows:

	As of December 31,			
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
AFFILIATED COMPANIES AND JOINT VENTURES				
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS	7	34	59	46
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO	37	64	53	49
Companhia Nipo-Brasileira de Pelotização — NIBRASCO	29	71	108	30
Companhia Coreano-Brasileira de Pelotização — KOBRASCO	1	22	24	13
Baovale Mineração S.A.	2	20	16	41
Usinas Siderúrgicas de Minas Gerais S.A. — USIMINAS	18	—	34	—
Minas da Serra Geral S.A. — MSG	—	13	—	14
MRS Logística S.A.	8	219	11	35
Mineração Rio Norte S.A.	8	38	—	29
Samarco Mineração S.A.	10	—	10	0
Korea Nickel Corporation	38	—	9	—
Mitsui & CO, LTD	—	—	—	21
Others	32	24	24	10
	190	505	348	288
Current	190	414	345	287
Long-term	—	91	3	1

These balances are included in the following balance sheet classifications:

	As of December 31,			
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Current assets				
Accounts receivable	137	—	281	—
Loans and advances to related parties	53	—	64	—
Non-current assets				
Loans and advances to related parties	—	—	3	—
Current liabilities				
Suppliers	—	302	—	281
Loans from related parties	—	77	—	6
Others — others related parties	—	35	—	—
Non-current liabilities				
Long-term debt	—	91	—	1
	190	505	348	288

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

	Year ended of December, 31			
	2008		2007	
	Income	Expense	Income	Expense
AFFILIATED COMPANIES AND JOINT VENTURES				
Companhia Nipo-Brasileira de Pelotização — NIBRASCO	105	393	386	328
Samarco Mineração S.A.	259	—	117	—
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO	240	163	233	163
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS	342	378	247	195
Companhia Coreano-Brasileira de Pelotização — KOBRASCO	101	234	220	270
Usinas Siderúrgicas de Minas Gerais S.A. — USIMINAS	651	—	442	—
Mineração Rio Norte S.A.	—	249	—	232
MRS Logística S.A.	9	829	17	593
Others	34	34	30	29
	1,741	2,280	1,692	1,810

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

	2008		2007	
	Income	Expense	Income	Expense
Sales/Cost of iron ore and pellets	1,698	1,369	1,649	960
Revenues/expense from logistic services	25	624	17	593
Sales/Cost of aluminum products	—	249	—	232
Financial income/expenses	18	38	26	24
Others	—	—	—	1
	1,741	2,280	1,692	1,810

Additionally we have loans payable to Mitsui & Co, Ltd, Banco Nacional de Desenvolvimento Social and BNDES Participações S.A in the amounts of US$4, US$604 and US$305, accruing with interest at market rates, which fall due through 2013. We also maintain cash equivalent balances with Banco Bradesco S.A. in the amount of US$18 at December 31, 2008.

25 DERIVATIVE FINANCIAL INSTRUMENTS

Risk management policy

Vale's risk management strategy encompasses an enterprise risk management approach where we evaluate not only market risk impacts on the business, but also the impacts arising from credit and operating risks.

An enterprise wide risk management approach is considered by us to be mandatory for Vale as traditional market risk measures, such as VaR (Value at Risk), are not sufficient to evaluate the group exposures since our main goal is to avoid a possible lack of cash to fulfill our future obligations and needs.

We also consider the correlations between different market risk factors when evaluating our exposures. By doing so, we are able to evaluate the net impact on our cash flows from all main market variables. Using this framework we also identified a natural diversification of products and currencies in our portfolio. This diversification benefit implies in a natural reduction of the overall risk of the Company. Additionally, we are constantly working to implement risk mitigation strategies that significantly contribute to reduce the volatility in our cash flows beyond the levels initially observed and to acceptable levels of risk.

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

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

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

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

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

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

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

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

Foreign exchange and interest rate risk

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

Derivative instruments may be used to reduce Vale's potential cash flow volatility arising from the currency mismatch between our debt and our revenues. Vale's foreign exchange and interest rate derivative portfolio consists, basically, of interest rate swaps to convert floating cash flows in Brazilian Reais to fixed or floating US dollar cash flows, without any leverage.

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

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

The swap transactions have similar settlement dates to the debt interest and principal payment dates, taking into account the liquidity restrictions of the market. At each settlement date, the results on the swap transactions partially offset the impact of the US dollar / Brazilian Real exchange rate in our obligations, contributing to a stable flow of cash disbursements in US dollars for interest and/or principal payment of our Brazilian Real denominated debt.

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

We have other exposures associated with our outstanding debt portfolio. In order to reduce cash flow volatility associated with a financing from KFW (Kreditanstalt Für Wiederaufbau) indexed to Euribor, Vale entered into a swap contract where cash flows in Euros are converted into cash flows in US dollars.

In order to reduce the cash flows volatility associated with the foreign exchange exposure from coal fixed price sales, Vale purchased forward Australian dollars.

Product Price Risk

Vale is also exposed to several market risks associated with global commodities prices volatilities.

Currently, derivative transactions entered into related to commodities prices are nickel, aluminum, copper, gold platinum and natural gas derivatives and all have the same purpose of mitigating Vale's cash flow volatility.

Nickel — The Company has purchased nickel future contracts in the London Metal Exchange (LME), with the purpose of maintaining its exposure to nickel price variation, regarding the fact that, in some cases, the commodity is sold at a fixed price to some customers. Vale has also sold nickel futures in the LME, in order to minimize the risk of mismatch between the pricing on the costs of intermediate products and finished goods.

Aluminum — In order to reduce cash flow volatility after Inco's acquisition when Vale increased its leverage, we entered in aluminum hedging operations, which matured in December 2008.

Copper — Vale Inco Ltd., Vale's wholly-owned subsidiary, makes use of hedging to protect the price mismatch between the date of copper scrap purchase and the date of selling the finished good.

PGMs and other precious metals — Transactions regarding gold and platinum are executed in order to manage the risk associated with the volatility of these commodities prices. Platinum and gold hedging transactions matured in December 2008.

Natural gas — Vale uses natural gas swap contracts to minimize the impact of price fluctuation of this input cost in the cash flow.

Platinum-group metals — n addition to the contracts mentioned above, Vale IncoLtd., Vale's wholly-owned subsidiary, has nickel concentrate and raw materials purchase agreements, where there are provisions based on nickel and copper future prices behavior. These provisions are considered embedded derivatives.

There is also an embedded derivative related to energy in our subsidiary Albras on which we have no unrealized gain as of December 31, 2008 and US$17 as of December 31, 2007.

The asset (liability) balances and the change in fair value of derivative financial instruments are as follows (the quarterly information is unaudited):

	Interest rates (LIBOR)/ Currencies	Gold	Products of aluminum area	Copper	Nickel	Platinum	Total
Unrealized gains (losses) at January 1, 2008	626	(36)	(98)	(188)	42	(24)	322
Financial settlement	(394)	41	120	173	38	27	5
Unrealized losses in the period	(682)	(30)	(18)	(29)	(46)	(6)	(811)
Effect of exchange rate changes	(123)	25	(4)	44	(2)	3	(57)
Unrealized gains (losses) at December 31, 2008	**(573)**	**—**	**—**	**—**	**32**	**—**	**(541)**
Unrealized gains (losses) at January 1, 2007	(10)	(53)	(318)	(298)	16	(20)	(683)
Financial settlement	(290)	33	112	240	(38)	13	70
Unrealized gains (losses) in the period	854	(7)	153	(129)	63	(17)	917
Effect of exchange rate changes	72	(9)	(45)	(1)	1	—	18
Unrealized gains (losses) at December 31, 2007(*)	**626**	**(36)**	**(98)**	**(188)**	**42**	**(24)**	**322**

(*) At December 31, 2007, US$5 was recorded in long-term liabilities.

Unrealized gains (losses) in the period are included in our income statement under the caption of Financial expenses and Foreign exchange and monetary gains (losses), net.

Final maturity dates for the above instruments are as follows:

Cross currency interest rate swaps	December 2019
Copper concentrate	March 2009
Nickel	March 2011

Under SFAS 133, all derivatives, whether designated in hedging relationships or not, are required to be recorded in the balance sheet at fair value. 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, 2008, we had no outstanding cash flow hedges. 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 a cash flow hedge, the effective portions of the changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in earnings when the hedged item affects earnings.

Ineffective portions of changes in the fair value of the derivatives designated as hedges are recognized in earnings. If a portion of a derivative contract is excluded for purposes of effectiveness testing, such as time value, the value of such excluded portion is included in earnings. At December 31, 2008, unrealized net losses in respect of derivative instruments which were not qualified for hedge accounting amounted to US$811. The unrealized net gain as of December 31, 2007 amounted to US$869.

26 SUBSEQUENT EVENTS

On January 30, 2009 we entered into a purchase and sale agreement with Rio Tinto Plc to acquire iron ore (in Brazil) and potash (in Argentina and Canada) assets. The price to be paid for the iron assets amounts to US$750, while the potash deposits will be acquired for US$850.

We are required by NYSE and AMF in respect of our ADRs to publish unaudited interim financial information prepared in accordance with US GAAP on a quarterly basis.

The following is the unaudited interim condensed consolidated financial information of our Group, which comprises, among others, the unaudited condensed consolidated balance sheet of our Group as of 30 September 2010, the unaudited condensed consolidated statements of income for the nine-month period ended 30 September 2010 and 30 September 2009, the unaudited condensed consolidated statements of cash flows for the nine-month periods ended 30 September 2010 and 30 September 2009 and certain explanatory notes prepared in accordance with US GAAP. The unaudited interim condensed consolidated financial information has been reviewed by PricewaterhouseCoopers Auditores Independentes in accordance with the standards of the Public Company Accounting Oversight Board (United States) and their report has been included therein. The above information and report are included herein for information purposes only.

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Nr.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	II-3
CONDENSED CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2010 AND DECEMBER 31, 2009	II-4
CONDENSED CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2010, JUNE 30, 2010 AND SEPTEMBER 30, 2009 AND FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009	II-6
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2010, JUNE 30, 2010 AND SEPTEMBER 30, 2009 AND FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009	II-7
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2010, JUNE 30, 2010 AND SEPTEMBER 30, 2009 AND FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009	II-9
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (DEFICIT) FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2010, JUNE 30, 2010 AND SEPTEMBER 30, 2009 AND FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009	II-11
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	II-12

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of Vale S.A. and its subsidiaries as of September 30, 2010, and the related condensed consolidated statements of income, of cash flows, of comprehensive income and of stockholders' equity for each of the three-month periods ended September 30 and June 30, 2010 and September 30, 2009 and for the nine-month periods ended September 30, 2010 and September 30, 2009. This interim financial information is the responsibility of the Company's management.

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

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

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

Rio de Janeiro,
October 27, 2010

PricewaterhouseCoopers
Auditores Independentes

PricewaterhouseCoopers, Rua da Candelária 65,11°, 14°, 15° e 16°, Cjs. 1302 a 1304, Rio de Janeiro, RJ, Brasil 20091-020 Caixa Postal 949, T: (21) 3232-6112, F: (21) 2516-6319, www.pwc.com/br

CONDENSED CONSOLIDATED BALANCE SHEETS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	September 30, 2010 (unaudited)	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	9,723	7,293
Short-term investments	—	3,747
Accounts receivable		
Related parties	57	79
Unrelated parties	7,501	3,041
Loans and advances to related parties	81	107
Inventories	4,263	3,196
Deferred income tax	665	852
Unrealized gains on derivative instruments	23	105
Advances to suppliers	321	498
Recoverable taxes	1,389	1,511
Assets held for sale	6,637	—
Others	829	865
	31,489	21,294
Non-current assets		
Property, plant and equipment, net	**78,697**	**67,637**
Intangible assets	**1,195**	**1,173**
Investments in affiliated companies, joint ventures and others investments	**4,911**	**4,585**
Other assets		
Goodwill on acquisition of subsidiaries	3,249	2,313
Loans and advances		
Related parties	—	36
Unrelated parties	153	158
Prepaid pension cost	1,947	1,335
Prepaid expenses	225	235
Judicial deposits	1,548	1,143
Advances to suppliers — energy	—	511
Recoverable taxes	232	817
Unrealized gains on derivative instruments	1,066	865
Others	583	177
	9,003	7,590
TOTAL	**125,295**	**102,279**

CONDENSED CONSOLIDATED BALANCE SHEETS — (CONTINUED)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT NUMBER OF SHARES)

	September 30, 2010 (unaudited)	December 31, 2009
Liabilities and stockholders' equity		
Current liabilities		
Suppliers	3,789	2,309
Payroll and related charges	910	864
Current portion of long-term debt	3,629	2,933
Short-term debt	96	30
Loans from related parties	27	19
Provision for income taxes	691	173
Taxes payable and royalties	285	124
Employees postretirement benefits	229	144
Railway sub-concession agreement payable	325	285
Unrealized losses on derivative instruments	65	129
Provisions for asset retirement obligations	79	89
Dividends payable	420	1,464
Liabilities associated with assets held for sale	2,979	—
Others	1,493	618
	15,017	**9,181**
Non-current liabilities		
Employees postretirement benefits	2,028	1,970
Long-term debt	20,743	19,898
Provisions for contingencies (Note 17 (b))	2,028	1,763
Unrealized losses on derivative instruments	41	9
Deferred income tax	8,485	5,755
Provisions for asset retirement obligations	1,151	1,027
Debentures	987	752
Others	2,002	1,427
	37,465	**32,601**
Redeemable noncontrolling interest	**666**	**731**
Commitments and contingencies (Note 17)		
Stockholders' equity		
Preferred class A stock — 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2009 — 2,108,579,618) issued	10,370	9,727
Common stock — 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2009 — 3,256,724,482) issued	16,016	15,262
Treasury stock — 72,577,171 (2009 — 77,581,904) preferred and 35,722,394 (2009 — 74,997,899) common shares	(1,528)	(1,150)
Additional paid-in capital	2,188	411
Mandatorily convertible notes — common shares	290	1,578
Mandatorily convertible notes — preferred shares	644	1,225
Other cumulative comprehensive loss	(1)	(1,808)
Undistributed retained earnings	27,730	28,508
Unappropriated retained earnings	13,612	3,182
Total Company stockholders' equity	**69,321**	**56,935**
Noncontrolling interests	**2,826**	**2,831**
Total stockholders' equity	**72,147**	**59,766**
TOTAL	**125,295**	**102,279**

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS
(EXCEPT PER SHARE AMOUNTS)

	Three-month period ended (unaudited)			Nine-month period ended (unaudited)	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Operating revenues, net of discounts, returns and allowances					
Sales of ores and metals	12,350	8,402	5,706	26,401	14,245
Aluminum products	609	655	529	1,863	1,439
Revenues from logistic services	408	409	317	1,131	797
Fertilizer products	802	210	118	1,077	304
Others	327	254	223	802	613
	14,496	**9,930**	**6,893**	**31,274**	**17,398**
Taxes on revenues	(394)	(272)	(187)	(910)	(420)
Net operating revenues	**14,102**	**9,658**	**6,706**	**30,364**	**16,978**
Operating costs and expenses					
Cost of ores and metals sold	(3,503)	(2,965)	(2,614)	(9,068)	(7,014)
Cost of aluminum products	(491)	(545)	(535)	(1,543)	(1,516)
Cost of logistic services	(263)	(262)	(201)	(755)	(544)
Cost of fertilizer products	(669)	(175)	(49)	(882)	(113)
Others	(187)	(175)	(192)	(526)	(439)
	(5,113)	**(4,122)**	**(3,591)**	**(12,774)**	**(9,626)**
Selling, general and administrative expenses	(418)	(343)	(289)	(1,054)	(752)
Research and development expenses	(216)	(189)	(231)	(577)	(685)
Others	(519)	(374)	(302)	(1,431)	(961)
	(6,266)	**(5,028)**	**(4,413)**	**(15,836)**	**(12,024)**
Operating income	**7,836**	**4,630**	**2,293**	**14,528**	**4,954**
Non-operating income (expenses)					
Financial income	56	69	98	173	316
Financial expenses	(741)	(514)	(430)	(1,720)	(1,010)
Gains (losses) on derivatives, net	500	(112)	341	158	1,232
Foreign exchange and indexation gains, net	257	66	119	293	658
Gain on sale of investments	—	—	73	—	230
	72	**(491)**	**201**	**(1,096)**	**1,426**
Income before discontinued operations, income taxes and equity results	**7,908**	**4,139**	**2,494**	**13,432**	**6,380**
Income taxes					
Current	(2,589)	(609)	(696)	(3,447)	(2,667)
Deferred	443	(52)	(230)	879	(189)
	(2,146)	**(661)**	**(926)**	**(2,568)**	**(2,856)**
Equity in results of affiliates, joint ventures and other investments	**305**	**283**	**155**	**684**	**362**
Net income from continuing operations	**6,067**	**3,761**	**1,723**	**11,548**	**3,886**
Discontinued operations, net of tax	**8**	**(6)**	**—**	**(143)**	**—**
Net income	**6,075**	**3,755**	**1,723**	**11,405**	**3,886**
Net income attributable to noncontrolling interests	**37**	**50**	**46**	**58**	**56**
Net income attributable to the Company's stockholders	**6,038**	**3,705**	**1,677**	**11,347**	**3,830**
Basic and diluted earnings per share attributable to Company's stockholders					
Earnings per preferred share	1.13	0.69	0.31	2.12	0.69
Earnings per common share	1.13	0.69	0.31	2.12	0.69
Earnings per preferred share linked to convertible mandatorily notes(*)	1.35	1.09	0.50	3.15	1.19
Earnings per common share linked to convertible mandatorily notes(*)	1.41	1.95	0.59	4.89	1.63

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	Three-month period ended (unaudited)			Nine-month period ended (unaudited)	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Cash flows from operating activities:					
Net income	6,075	3,755	1,723	11,405	3,886
Adjustments to reconcile net income to cash from operations:					
Depreciation, depletion and amortization	696	748	721	2,187	1,923
Dividends received	283	199	—	532	143
Equity in results of affiliates, joint ventures and other investments	(305)	(283)	(155)	(684)	(362)
Deferred income taxes	(443)	52	230	(879)	189
Loss on disposal of property, plant and equipment	229	48	93	375	180
Loss on sale of investments	—	—	(73)	—	(230)
Discontinued operations, net of tax	(8)	6	—	143	—
Foreign exchange and indexation gains, net	(150)	(20)	(184)	(229)	(1,058)
Unrealized derivative losses (gains), net	(403)	223	(329)	63	(1,134)
Unrealized interest (income) expense, net	225	(13)	24	230	(27)
Others	(17)	(17)	59	84	25
Decrease (increase) in assets:					
Accounts receivable	(776)	(1,608)	(373)	(3,161)	289
Inventories	(441)	(130)	441	(829)	658
Recoverable taxes	142	(78)	(272)	112	899
Others	(467)	(60)	(93)	(402)	(178)
Increase (decrease) in liabilities:					
Suppliers	876	385	(108)	1,373	(438)
Payroll and related charges	160	127	128	10	51
Income taxes	1,093	357	522	1,404	462
Others	110	(15)	140	227	447
Net cash provided by operating activities	**6,879**	**3,676**	**2,494**	**11,961**	**5,725**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — (CONTINUED)
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	Three-Month Period Ended (unaudited)			Nine-Month Period Ended (unaudited)	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Cash flows from investing activities:					
Short term investments	—	12	(1,562)	3,747	(2,254)
Loans and advances receivable					
Related parties					
Loan proceeds	—	—	(106)	(28)	(167)
Repayments	(1)	1	—	—	6
Others	(17)	9	(11)	(13)	(20)
Judicial deposits	(27)	(47)	(24)	(190)	(77)
Investments	—	(23)	(712)	(51)	(1,141)
Additions to property, plant and equipment	(3,852)	(2,236)	(1,645)	(7,905)	(5,341)
Proceeds from disposal of investments/property, plant and equipment	—	—	171	—	448
Acquisition of subsidiaries, net of cash acquired	(1,018)	(5,234)	(802)	(6,252)	(1,952)
Net cash used in investing activities	**(4,915)**	**(7,518)**	**(4,691)**	**(10,692)**	**(10,498)**
Cash flows from financing activities:					
Short-term debt, additions	147	225	508	2,004	962
Short-term debt, repayments	(130)	(206)	(459)	(1,985)	(875)
Loans					
Related parties					
Loan proceeds	7	5	—	22	—
Repayments	—	(2)	(135)	(3)	(358)
Issuances of long-term debt					
Third parties	2,017	469	1,086	3,545	1,567
Repayments of long-term debt					
Third parties	(1,288)	(133)	(97)	(1,671)	(259)
Treasury stock	(341)	—	1	(341)	(9)
Mandatorily convertible notes	—	—	934	—	934
Transactions of noncontrolling interest	660	—	—	660	—
Dividends and interest attributed to Company's stockholders	—	(1,250)	—	(1,250)	(1,255)
Dividends and interest attributed to noncontrolling interest	—	(58)	—	(59)	—
Net cash provided by (used in) financing activities	**1,072**	**(950)**	**1,838**	**922**	**707**
Increase (decrease) in cash and cash equivalents	3,036	(4,792)	(359)	2,191	(4,066)
Effect of exchange rate changes on cash and cash equivalents	452	(97)	625	239	2,193
Cash and cash equivalents, beginning of period	6,235	11,124	8,192	7,293	10,331
Cash and cash equivalents, end of period	**9,723**	**6,235**	**8,458**	**9,723**	**8,458**
Cash paid during the period for:					
Interest on short-term debt	(2)	—	(1)	(3)	(1)
Interest on long-term debt	(242)	(298)	(236)	(783)	(824)
Income tax	(705)	(40)	(130)	(872)	(358)
Non-cash transactions					
Interest capitalized	162	56	74	264	189

Conversion of mandatorily convertible notes using 75,435,238 treasury stock (see note 14).

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS (EXCEPT NUMBER OF SHARES)

	Three-month period ended (unaudited)			Nine-month period ended (unaudited)	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Preferred class A stock (including twelve golden shares)					
Beginning of the period	10,370	9,727	9,727	9,727	9,727
Transfer from undistributed retained earnings	—	643	—	643	—
End of the period	**10,370**	**10,370**	**9,727**	**10,370**	**9,727**
Common stock					
Beginning of the period	16,016	15,262	15,262	15,262	15,262
Transfer from undistributed retained earnings	—	754	—	754	—
End of the period	**16,016**	**16,016**	**15,262**	**16,016**	**15,262**
Treasury stock					
Beginning of the period	(660)	(1,150)	(1,151)	(1,150)	(1,141)
Sales (acquisitions)	(868)	490	1	(378)	(9)
End of the period	**(1,528)**	**(660)**	**(1,150)**	**(1,528)**	**(1,150)**
Additional paid-in capital					
Beginning of the period	1,790	411	393	411	393
Change in the period	398	1,379	18	1,777	18
End of the period	**2,188**	**1,790**	**411**	**2,188**	**411**
Mandatorily convertible notes — common shares					
Beginning of the period	290	1,578	1,288	1,578	1,288
Change in the period	—	(1,288)	290	(1,288)	290
End of the period	**290**	**290**	**1,578**	**290**	**1,578**
Mandatorily convertible notes — preferred shares					
Beginning of the period	644	1,225	581	1,225	581
Change in the period	—	(581)	644	(581)	644
End of the period	**644**	**644**	**1,225**	**644**	**1,225**
Other cumulative comprehensive income (deficit)					
Cumulative translation adjustments					
Beginning of the period	(3,617)	(2,162)	(6,385)	(1,772)	(11,493)
Change in the period	3,352	(1,455)	3,843	1,507	8,951
End of the period	**(265)**	**(3,617)**	**(2,542)**	**(265)**	**(2,542)**
Unrealized gain (loss) — available-for-sale securities, net of tax					
Beginning of the period	—	2	49	—	17
Change in the period	1	(2)	(50)	1	(18)
End of the period	**1**	**—**	**(1)**	**1**	**(1)**
Surplus (deficit) accrued pension plan					
Beginning of the period	(64)	100	75	(38)	(34)
Change in the period	218	(164)	271	192	380
End of the period	**154**	**(64)**	**346**	**154**	**346**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY — (CONTINUED) EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS (EXCEPT NUMBER OF SHARES)

	Three-month period ended (unaudited)			Nine-month period ended (unaudited)	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Cash flow hedge					
Beginning of the period	122	(21)	1	2	—
Change in the period	(13)	143	12	107	13
End of the period	**109**	**122**	**13**	**109**	**13**
Total other cumulative comprehensive income (deficit)	**(1)**	**(3,559)**	**(2,184)**	**(1)**	**(2,184)**
Undistributed retained earnings					
Beginning of the period	26,086	27,875	21,930	28,508	18,340
Transfer from/to unappropriated retained earnings	1,644	(392)	2,123	619	5,713
Transfer to capitalized earnings	—	(1,397)	—	(1,397)	—
End of the period	**27,730**	**26,086**	**24,053**	**27,730**	**24,053**
Unappropriated retained earnings					
Beginning of the period	9,234	5,377	8,107	3,182	9,616
Net income attributable to the stockholders' Company	6,038	3,705	1,677	11,347	3,830
Interest on mandatorily convertible debt					
Preferred class A stock	(11)	(19)	(16)	(49)	(39)
Common stock	(5)	(23)	(21)	(51)	(70)
Dividends and interest attributed to stockholders' equity					
Preferred class A stock	—	(77)	—	(77)	—
Common stock	—	(121)	—	(121)	—
Appropriation from/to undistributed retained earnings	(1,644)	392	(2,123)	(619)	(5,713)
End of the period	**13,612**	**9,234**	**7,624**	**13,612**	**7,624**
Total Company stockholders' equity	**69,321**	**60,211**	**56,546**	**69,321**	**56,546**
Noncontrolling interests					
Beginning of the period	3,485	2,784	2,477	2,831	1,892
Disposals (acquisitions) of noncontrolling interests	(680)	2,309	69	1,629	98
Cumulative translation adjustments	211	(11)	209	189	744
Cash flow hedge	—	31	12	35	12
Net income attributable to noncontrolling interests	37	50	46	58	56
Dividends and interest attributable to noncontrolling interests	(80)	5	(3)	(86)	(4)
Capitalization of stockholders advances	—	—	(12)	—	—
Assets and liabilities held for sale	(147)	(1,683)	—	(1,830)	—
End of the period	**2,826**	**3,485**	**2,798**	**2,826**	**2,798**
Total stockholders' equity	**72,147**	**63,696**	**59,344**	**72,147**	**59,344**
Number of shares issued and outstanding:					
Preferred class A stock (including twelve golden shares)	2,108,579,618	2,108,579,618	2,108,579,618	2,108,579,618	2,108,579,618
Common stock	3,256,724,482	3,256,724,482	3,256,724,482	3,256,724,482	3,256,724,482
Buy-backs					
Beginning of the period	(77,144,565)	(152,579,803)	(152,623,603)	(152,579,803)	(151,792,203)
Acquisitions	(31,155,000)	—	—	(31,155,000)	(831,400)
Conversions	—	75,435,238	43,800	75,435,238	43,800
End of the period	**(108,299,565)**	**(77,144,565)**	**(152,579,803)**	**(108,299,565)**	**(152,579,803)**
	5,257,004,535	**5,288,159,535**	**5,212,724,297**	**5,257,004,535**	**5,212,724,297**

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	Three-month period ended (unaudited)			Nine-month period ended (unaudited)	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Comprehensive income is comprised as follows:					
Company's stockholders:					
Net income attributable to Company's stockholders	6,038	3,705	1,677	11,347	3,830
Cumulative translation adjustments	3,352	(1,455)	3,843	1,507	8,951
Unrealized gain (loss) — available-for-sale securities					
Gross balance as of the period/year end	1	(2)	(68)	5	(46)
Tax (expense) benefit	—	—	18	(4)	28
	1	**(2)**	**(50)**	**1**	**(18)**
Surplus (deficit) accrued pension plan					
Gross balance as of the period/year end	344	(297)	377	294	585
Tax (expense) benefit	(126)	133	(106)	(102)	(205)
	218	**(164)**	**271**	**192**	**380**
Cash flow hedge					
Gross balance as of the period	20	151	15	148	16
Tax expense	(33)	(8)	(3)	(41)	(3)
	(13)	**143**	**12**	**107**	**13**
Total comprehensive income attributable to Company's stockholders	**9,596**	**2,227**	**5,753**	**13,154**	**13,156**
Noncontrolling interests:					
Net income attributable to noncontrolling interests	37	50	46	58	56
Cumulative translation adjustments	211	(11)	209	189	744
Cash flow hedge	—	31	12	35	12
Total comprehensive income attributable to Noncontrolling interests	**248**	**70**	**267**	**282**	**812**
Total comprehensive income	**9,844**	**2,297**	**6,020**	**13,436**	**13,968**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED

1 THE COMPANY AND ITS OPERATIONS

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

At September 30, 2010, our principal consolidated operating subsidiaries are the following:

Subsidiary	% ownership	% voting capital	Location	Principal activity
Alumina do Norte do Brasil S.A. — Alunorte(*)	57.03	59.02	Brazil	Alumina
Alumínio Brasileiro S.A. — Albras(*)	51.00	51.00	Brazil	Aluminum
Compañia Minera Misky Mayo S.A.C.	40.00	51.00	Peru	Fertilizer
Ferrovia Centro-Atlântica S. A.	99.99	99.99	Brazil	Logistics
Ferrovia Norte Sul S.A.	100.00	100.00	Brazil	Logistics
PT International Nickel Indonesia Tbk	59.14	59.14	Indonesia	Nickel
Vale Australia Pty Ltd.	100.00	100.00	Australia	Coal
Vale Canada Limited (formely Vale Inco Limited)	100.00	100.00	Canada	Nickel
Vale Colombia Ltd.	100.00	100.00	Colombia	Coal
Mineração Corumbaense Reunida S.A.	100.00	100.00	Brazil	Iron ore
Vale Fertilizantes S.A (formely Fosfértil)	78.90	99.81	Brazil	Fertilizer
Vale Fosfatados S.A.	100.00	100.00	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 Manganese France	100.00	100.00	France	Ferroalloys
Vale Manganese Norway	100.00	100.00	Norway	Ferroalloys
Vale Nouvelle Caledonie SAS	74.00	74.00	New Caledonia	Nickel

(*) Classified as current assets held for sale.

2 BASIS OF CONSOLIDATION

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Subsidiaries over which control is achieved through other means, such as stockholders agreement, one also consolidated even if we hold less than 51% of voting capital. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are accounted for under the equity method (Note 11).

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

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

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

3 BASIS OF PRESENTATION

Our condensed consolidated financial statements for the three-month periods ended September 30, 2010, June 30, 2010 and September 30, 2009 and for the nine-month periods ended September 30, 2010 and 2009, prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), are unaudited. However, in our opinion, such condensed consolidated financial statements includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for periods. The results of operations for the three-month and nine-month periods ended September 30, 2010, are not necessarily indicative of the actual results expected for the full fiscal year ending December 31, 2010.

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

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

Since December 2007, significant modifications have been made to the accounting practices adopted in Brazil ("Brazilian GAAP") as part of a convergence project with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The convergence project is expected to be completed by the end of 2010 and therefore our annual consolidated financial statements for 2010 prepared under Brazilian GAAP will be IFRS compliant. The Company does not expect to discontinue the US GAAP reporting during 2010.

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

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

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

The exchange rates used to translate the assets and liabilities of the Brazilian operations at September 30, 2010 and December 31, 2009, were R$1.6942 and R$1.7412, respectively.

The Company has assessed subsequent events through to October 27, 2010 which is the date the unaudited condensed consolidated financial statements was issued.

4 ACCOUNTING PRONOUNCEMENTS

a) *Newly issued accounting pronouncements*

Accounting Standards Update (ASU) number 2010-25 Plan Accounting — Defined Contribution Pension Plan (Topic 962) amendments in this update require that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. We are currently studying the future impact of this statement.

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

b) *Accounting standards adopted in 2010*

Accounting Standards Update (ASU) number 2010-20 Receivables (Topic 310) improves the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. We do not expect any significant change in the disclosure of our financial statements.

Accounting Standards Update (ASU) number 2010-18 Receivables (Topic 310) clarifies that modifications of loans that are accounted for within a pool under Subtopic 310-30, which provides guidance on accounting for acquired loans that have evidence of credit deterioration upon acquisition, do not result in the removal of those loans from the pool even if the modification would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. The amendments do not affect the accounting for loans under the scope of Subtopic 310-30 that are not accounted for within pools. Loans accounted for individually under Subtopic 310-30 continue to be subject to the troubled debt restructuring accounting provisions within Subtopic 310-40. We do not expect any significant change in the disclosure of our financial statements.

Accounting Standards Update (ASU) number 2010-11 Derivatives and Hedging (Topic 815) clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Only one form of embedded credit derivative qualifies for the exemption one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a

form other than such subordination may need to separately account for the embedded credit derivative feature. This Codification does not impact our financial position, results of operations or liquidity.

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

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

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

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

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

Accounting Standards Update (ASU) number 2009-08 Earning Per Share issued by the FASB provides additional guidance related to calculation of earnings per share. In particular, the effect on income available to common stockholders of a redemption or induced conversion of preferred stock. This guidance amends ASC 260. This codification does not impact our financial position, results of operations or liquidity.

5 MAJOR ACQUISITIONS AND DISPOSALS

a) *Fertilizers Businesses*

In line with our strategy to become a leading global player in the fertilizer business, we acquired in May, 2010, 58.6% of the equity capital of Fertilizantes Fosfatados S.A. (Forfertil), currently Vale Fertilizantes S.A., and the Brazilian fertilizer assets of Bunge Participações e Investimentos S.A. (BPI), currently named Vale Fosfatados S.A. for a total of US$4.7 billion in cash.

Also, an additional payment of US$55 was made in July, as a complement of the purchase price of Vale Fosfatados.

Information about the purchase price allocation presented below based on the fair values of identified assets acquired and liabilities assumed is preliminary. Such allocation, currently being performed internally by the Company, will be finalized during future periods, and accordingly, the preliminary purchase price allocation information set forth below is subject to revision, which may be material.

Purchase price	4,765
Noncontrolling consideration(*)	1,793
Book value of assets acquired and liabilities assumed, net	(2,382)
Adjustment to fair value of property, plant and equipment and mining rights	(5,043)
Adjustment to fair value of inventories	(98)
Deferred taxes on the above adjustments	1,748
Goodwill	**783**

(*) Noncontrolling interests consideration is calculated based on the option contract and market prices for the remaining noncontrolling interest.

As part of this acquisition, we exercised on September an option contract to acquire additional 20.27% stake in Vale Fertilizantes S.A., for US$1.0 billion. Also, we launched a mandatory offer to acquire the 0.19% of the common shares held by the noncontrolling stockholders.

If the acquisition of these assets had been completed on January 1, 2010, our net income would have increased by US$44 and our net revenues would have increased by US$461.

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

b) Other transactions

In September 2010, we acquired 51% stake in Sociedade de Desenvolvimento do Corredor Norte S.A (SDCN) for US$21. The SDCN has the concession to create a logistic infrastructure necessary for the production flow resulting from the second phase at our Moatize Coal Project.

As part of our efforts to meet our future production targets, we acquired 51% interest on iron ore concession rights in Simandou South (Zogota), Guinea, and iron ore exploration permits in Simandou North. From this amount, US$500 is payable immediately and the remaining US$2 billion upon achievement of specific milestones. This joint venture is also committed to renovate 660 km of the Trans-Guinea railway for passenger transportation and light commercial use.

In July, we concluded the sale of minority stakes in the Bayóvar project in Peru through the newly-formed company MVM Resources International B.V. (MVM). We sold 35% of the total capital of MVM to Mosaic for US$385 and 25% to Mitsui for US$275. Vale retains control of the Bayóvar project, holding a 40% stake of the total capital and 51% of voting shares of the newly-formed company. The capital amount invested as at June 30, 2010 was approximately US$550. The difference between the fair value and carrying amount of US$321 on this transaction was accounted for in equity in accordance with the accounting rules related to the gains/losses when control is retained.

In June, we acquired an additional 24.5% stake in the Belvedere coal project (Belvedere) for US$92 from AMCI Investments Pty Ltd (AMCI). As an outcome of this transaction, Vale increased its participation in Belvedere from 51.0% to 75.5%.

In May 2010, we entered into an agreement with Oman Oil Company S.A.O.C. (OOC), a company wholly-owned by the Government of the Sultanate of Oman, to sell 30% of Vale Oman Pelletizing Company LLC (VOPC), for US$125. The transaction remains subject to the terms set forth in the definitive share purchase agreement to be signed after the fulfillment of precedent conditions.

We have entered into negotiations and agreements to sell our Kaolin, aluminum and alumina assets. For further details see note 10.

6 INCOME TAXES

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

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

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

	Three-month period ended (unaudited)								
	September 30, 2010			June 30, 2010			September 30, 2009		
	Brazil	Foreign	Total	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before income taxes, equity results and noncontrolling interests	7,378	530	7,908	3,407	732	4,139	2,894	(400)	2,494
Exchange variation (not taxable) or not deductible	—	751	751	—	(184)	(184)	—	929	929
	7,378	1,281	8,659	3,407	548	3,955	2,894	529	3,423
Tax at Brazilian composite rate	**(2,509)**	**(436)**	**(2,945)**	**(1,158)**	**(187)**	**(1,345)**	**(984)**	**(180)**	**(1,164)**
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	208	—	208	209	—	209	—	—	—
Difference on tax rates of foreign income	—	411	411	—	239	239	—	169	169
Tax incentives	215	—	215	212	—	212	6	—	6
Other non-taxable, income/non deductible expenses	(38)	3	(35)	(25)	49	24	(20)	83	63
Income tax per consolidated statements of income	**(2,124)**	**(22)**	**(2,146)**	**(762)**	**101**	**(661)**	**(998)**	**72**	**(926)**

	Nine-month period ended (unaudited)					
	September 30, 2010			September 30, 2009		
	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before income taxes, equity results and noncontrolling interests	11,005	2,427	13,432	9,605	(3,225)	6,380
Exchange variation (not taxable) or not deductible	—	151	151	—	4,718	4,718
	11,005	**2,578**	**13,583**	**9,605**	**1,493**	**11,098**
Tax at Brazilian composite rate	(3,742)	(877)	(4,619)	(3,266)	(508)	(3,774)
Adjustments to derive effective tax rate:						
Tax benefit on interest attributed to stockholders	626	—	626	—	—	—
Difference on tax rates of foreign income	—	974	974	—	661	661
Tax incentives	444	—	444	82	—	82
Other non-taxable, income/non deductible expenses	(68)	75	7	83	92	175
Income taxes per consolidated statements of income	**(2,740)**	**172**	**(2,568)**	**(3,101)**	**245**	**(2,856)**

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

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

We also have income tax incentives related to our Goro project under development in New Caledonia ("The Goro Project"). These incentives include an income tax holiday during the construction phase of the project and throughout a 15-year period commencing in the first year in which commercial production, as defined by the applicable legislation, is achieved followed by a five-year, 50 per cent income tax holiday. The Goro Project also qualifies for certain exemptions from indirect taxes such as import duties during the construction phase and throughout the commercial life of the project. Certain of these tax benefits, including the income tax holiday, are subject to an earlier phase out should the project achieve a specified cumulative rate of return. We are subject to a branch profit tax commencing in

the first year in which commercial production is achieved, as defined by the applicable legislation. To date, we have not recorded any taxable income for New Caledonian tax purposes. The benefits of this legislation are expected to apply with respect to taxes payable once the Goro Project is in operation. We obtained tax incentives for 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.

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

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

The reconciliation of the beginning and ending amounts is as follows: (see note 17(b)) tax — related actions)

	Three-month period ended (unaudited)			Nine-month period ended (unaudited)	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Beginning of the period	**369**	**409**	**761**	**396**	**657**
Increase resulting from tax positions taken	5	—	20	9	41
Decrease resulting from tax positions taken	3	(25)	(34)	(22)	(35)
Cumulative translation adjustments	15	(15)	65	9	149
End of the period	**392**	**369**	**812**	**392**	**812**

7 CASH AND CASH EQUIVALENTS

	September 30, 2010 (unaudited)	December 31, 2009
Cash	569	728
Short-term investments	9,154	6,565
	9,723	**7,293**

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

8 SHORT-TERM INVESTMENTS

	September 30, 2010 (unaudited)	December 31, 2009
Time deposit	—	3,747

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

9 INVENTORIES

	September 30, 2010 (unaudited)	December 31, 2009
Products		
Nickel (co-products and by-products)	1,931	1,083
Iron ore and pellets	681	677
Manganese and ferroalloys	223	164
Fertilizer	198	—
Aluminum products(*)	—	135
Kaolin(*)	—	42
Copper concentrate	30	35
Coal	98	51
Others	122	51
Spare parts and maintenance supplies	980	958
	4,263	3,196

(*) Classified as held for sale (see note 10)

In September 30, 2010 and December 31, 2009, there were no adjustments to reduce inventories to market values.

10 ASSETS AND LIABILITIES HELD FOR SALE

- Aluminium

In connection with our strategy of active portfolio asset management, on May 2, 2010, we entered into an agreement with Norsk Hydro ASA (Hydro), to sell all 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), 60% of our Paragominas bauxite mine and all our other Brazilian bauxite mineral rights ("Aluminum Business").

For the participations of Albras, Alunorte, and CAP we will receive US$405 in cash, the assumption of US$700 of net debt by Hydro and a 22% stake in Hydro. For 60% of Paragominas and mineral rights we will receive US$600. We will sell the remaining 40% of Paragominas in two tranches, in 2013 and 2015, each for US$200 in cash. The sale is expected to be concluded in the near future.

The Company has assessed that the expected fair value of the transaction is higher than the net asset carrying value and accordingly has maintained the original amounts. Also, because of the significant influence retained by the Company on Hydro, aluminum was not considered a discontinued operation.

- Kaolin

As part of our portfolio management, we have entered into negotiations to sell our kaolin net assets. In August 2010, a part of our kaolin's assets was sold and we remeasured the remaining assets at fair value less costs to sell, and the estimated loss was recorded as discontinued operations in our Statement of Income.

As at September 30, 2010, detailed amounts of these assets and liabilities classified as held for sale are included in the table below:

Assets held for sale	
Inventories	413
Property, plant and equipment	4,575
Advances to suppliers — energy	497
Recoverable taxes	604
Other assets	548
Total	**6,637**
Liabilities associated with assets held for sale	
Suppliers	134
Short — term debt	49
Long term debt	722
Noncontrolling interests	1,830
Other	244
Total	**2,979**

11 INVESTMENTS IN AFFILIATED COMPANIES AND JOINT VENTURES

	September 30, 2010				Investments		Equity in earnings (losses) of investee adjustments					Dividends received				
	Participation in capital (%)						Three-month period ended			Nine-month period ended		Three-month period ended (unaudited)			Nine-month period ended (unaudited)	
	Voting	Total	Net equity	Net income (loss) of the period	September 30, 2010	December 31, 2009	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
				(unaudited)	(unaudited)		(unaudited)			(unaudited)						
Bulk Material																
Iron ore and pellets																
Companhia Nipo-Brasileira de Pelotização — NIBRASCO[1]	51.11	51.00	335	72	171	132	30	1	(5)	36	2	3	—	—	3	20
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS[1]	51.00	50.89	181	10	92	83	1	(4)	(1)	5	(9)	—	25	—	25	—
Companhia Coreano-Brasileira de Pelotização — KOBRASCO[1]	50.00	50.00	174	69	87	59	25	3	(23)	34	(9)	11	—	—	11	—
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO[1]	51.00	50.90	139	8	71	90	—	2	5	4	8	—	—	—	—	—
Minas da Serra Geral SA — MSG	50.00	50.00	64	3	32	31	1	1	1	1	1	—	—	—	—	—
SAMARCO Mineração SA — SAMARCO[2]	50.00	50.00	1,797	1,074	962	673	245	245	110	534	241	225	100	—	375	50
Baovale Mineração SA — BAOVALE	50.00	50.00	52	4	26	30	1	—	—	2	(4)	—	—	—	—	—
Zhuhai YPM Pellet e Co,Ltd — ZHUHAI	25.00	25.00	96	20	24	13	1	1	1	5	—	—	—	—	—	—
Tecnored Desenvolvimento Tecnológico SA	37.40	37.40	99	(27)	37	—	—	—	—	(10)	—	—	—	—	—	—
					1,502	**1,111**	**303**	**249**	**88**	**610**	**230**	**239**	**125**	**—**	**414**	**70**
Coal																
Henan Longyu Resources Co Ltd	25.00	25.00	893	48	223	250	(27)	19	24	12	56	44	39	—	83	—
Shandong Yankuang International Company Ltd	25.00	25.00	(80)	(48)	(20)	(7)	(5)	(5)	(3)	(12)	(14)	—	—	—	—	—
					203	**243**	**(32)**	**14**	**21**	**—**	**42**	**44**	**39**	**—**	**83**	**—**
Base Metals																
Bauxite																
Mineração Rio do Norte SA — MRN	40.00	40.00	380	17	152	143	5	1	10	7	22	—	—	—	—	30
Copper																
Teal Minerals Incorpored	50.00	50.00	148	(52)	74	80	(13)	(18)	—	(26)	—	—	—	—	—	—
Nickel																
Heron Resources Inc (cost US$24) — available-for-sale	—	—	—	—	—	8	—	—	—	—	—	—	—	—	—	—
Korea Nickel Corp	—	—	—	—	—	13	—	—	—	—	—	—	—	—	—	—
Others — available for sale	—	—	—	—	25	9	—	—	—	—	—	—	—	—	—	—
					25	**30**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Logistic																
LOG-IN Logística Intermodal SA	33.56	33.56	381	(1)	128	125	—	1	—	—	2	—	—	—	—	3
MRS Logística SA	37.86	41.50	1,313	149	545	468	26	23	34	62	76	—	35	—	35	33
					673	**593**	**26**	**24**	**34**	**62**	**78**	**—**	**35**	**—**	**35**	**36**
Others																
Steel																
California Steel Industries Inc — CSI	50.00	50.00	312	27	156	150	(2)	9	2	13	(9)	—	—	—	—	—
THYSSENKRUPP CSA Companhia Siderúrgica	26.87	26.87	6,773	(37)	1,820	2,049	(10)	4	—	(10)	—	—	—	—	—	—
Usinas Siderúrgicas de Minas Gerais SA — USIMINAS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7
					1,976	**2,199**	**(12)**	**13**	**2**	**3**	**(9)**	**—**	**—**	**—**	**—**	**7**
Other affiliates and joint ventures																
Vale Soluções em Energia[1]	51.00	51.00	301	—	154	99	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	152	87	28	—	—	28	(1)	—	—	—	—	—
					306	**186**	**28**	**—**	**—**	**28**	**(1)**	**—**	**—**	**—**	**—**	**—**
Total					**4,911**	**4,585**	**305**	**283**	**155**	**684**	**362**	**283**	**199**	**—**	**532**	**143**

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

(2) Investment includes goodwill of US$62 in December, 2009 and US$63 in September, 2010.

12 SHORT-TERM DEBT

Short-term borrowings outstanding on September 30, 2010 are from commercial banks for import financing denominated in US dollars, with average annual interest rates of 2.16%.

13 LONG-TERM DEBT

	Current liabilities		Long-term liabilities	
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
	(unaudited)		(unaudited)	
Foreign debt				
Loans and financing denominated in the following currencies:				
US dollars	2,254	1,543	2,187	4,332
Others	20	29	195	411
Fixed Rate Notes				
US dollars	—	—	10,230	8,481
EUR	—	—	1,023	—
Debt securities	—	150	—	—
Perpetual notes	—	—	78	78
Accrued charges	208	198	—	—
	2,482	1,920	13,713	13,302
Brazilian debt				
Brazilian Reais indexed to Long-term Interest Rate — TJLP/CDI and General Price Index-Market (IGPM)	67	62	3,608	3,433
Basket of currencies	1	1	5	3
Non-convertible debentures	885	861	2,702	2,592
US dollars denominated	—	—	715	568
Accrued charges	194	89	—	—
	1,147	1,013	7,030	6,596
Total	3,629	2,933	20,743	19,898

(*) Secured by receivables from future export sales. Redeemed in January, 2010.

The long-term portion at September 30, 2010 falls due as follows:

2011	208
2012	1,083
2013	3,196
2014	929
2015 and thereafter	14,908
No due date	419
	20,743

At September 30, 2010 annual interest rates on long-term debt were as follows:

Up to 3%	5,115
3.1% to 5%(*)	2,059
5.1% to 7%	8,947
7.1% to 9%(**)	2,879
9.1% to 11%(**)	2,553
Over 11%(**)	2,737
Variable	82
	24,372

(*) 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$6,910 of which US$6,328 has original interest rate above 7.1% per year. The average cost after taking into account the derivative transactions is 4.43% per year in dollars.

The average cost of all derivative transactions is 4.47% per year in US dollars.

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

Non Convertible Debentures	Quantity as of September 30, 2010		Maturity	Interest	Balance	
	Issued	Outstanding			September 30, 2010	December 31, 2009
					(unaudited)	
1st Series	150,000	150,000	November 20, 2010	101.75% CDI	918	869
2nd Series	400,000	400,000	November 20, 2013	100% CDI + 0.25%	2,450	2,318
Tranche "B"	5	5	No due date	6.5% p.a + IGP-DI	341	295
					3,710	3,482
Short-term portion					885	861
Long-term portion					2,702	2,592
Accrued chages					122	29
					3,710	3,482

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

	Three-month period ended			Nine-month period ended	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
		(unaudited)		(unaudited)	
TJLP — Long-Term Interest Rate (effective rate)	1.5	1.5	1.6	4.5	4.7
IGP-M — General Price Index — Market	2.1	2.8	(0.4)	7.8	(1.6)
Appreciation (devaluation) of Real against US dollar	6.3	(1.1)	9.8	2.8	32.1

In September 2010, Vale also entered into agreements with The Export-Import Bank of China and the Bank of China Limited for the financing to build 12 very large ore carriers with 400,000 dwt, comprising of facility in an amount up to US$1,229. The financing has a 13-year total term to be repaid, and the funds will be disbursed during the next 3 years according to the construction schedule.

In September 2010, we issued US$1 billion notes due 2020 and US$750 notes due 2039. The 2020 notes were sold at a price of 99.030% of the principal amount and will bear a coupon of 4.625% per year, payable semi-annually. The 2039 notes that were sold at a price of 110.872% of the principal amount will be consolidated with and form a single series with Vale Overseas's US$1 billion 6.875% Guaranteed Notes due 2039 issued on November 10, 2009.

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

In March 2010, we issued EUR750, equivalent to US$1 billion, of 8-year euronotes at a price of 99,564% of the principal amount. These notes will mature in March 2018 and will bear a coupon of 4,375% per year, payable annually.

In January 2010, we redeemed all outstanding export receivables securitization 10-year notes issued in September 2000 at an interest rate of 8.926% per year and the notes issued in July 2003 at an interest rate of 4.43% per year. The outstanding principal amounts of those September 2010 notes were US$28 and for the July 2013 notes were US$122, totaling US$150 of debt redeemed.

Credit Lines

We have revolving credit lines available under which amounts can be drawn down and repaid at the option of the borrower. At September 30, 2010, the total amount available under revolving credit lines was US$1,600, of which US$850 was granted to Vale International and the balance to Vale Canada Ltd. As of September 30, 2010, neither Vale International nor Vale Canada Ltd had drawn any amounts under these facilities, but US$111 of letters of credit were issued and remained outstanding pursuant Vale Canada Ltd's facility.

In October 2010, we entered into agreement with Export Development Canada (EDC), for the financing of our capital expenditure program. Pursuant to the agreement, EDC will provide a facility in an amount up to US$1 billion. US$500 will be available for investments in Canada and the remaining US$500 will be related to existing and future Canadian purchases of goods and services.

In May 2008, we entered into framework agreements with the Japan Bank for International Cooperation in the amount of US$3 billion and Nippon Export and Investment Insurance in the amount of US$2 billion for the financing of mining, logistics and power generation projects. In November, 2009, Vale signed a US$300 export facility agreement, through its subsidiary PT International Nickel Indonesia Tbk (PTI), with Japanese financial institutions using credit insurance provided by Nippon Export and Investment Insurance — NEXI, to finance the construction of the Karebbe hydroelectric

power plant on the Larona river, island of Sulawesi, Indonesia. Through September 30, 2010, PT International had drawn down US$150 on this facility.

In 2008, we established a credit line for R$7,300, or US$4 billion, with Banco Nacional de Desenvolvimento Econômico e Social — BNDES (the Brazilian National Development Bank) to support our investment program. As of September 30, 2010, we had drawn the equivalent of US$1,104 under this facility.

Guarantee

On September 30, 2010, US$3 (December 31, 2009 — US$753) of the total aggregate outstanding debt were secured by receivables. The remaining outstanding debt in the amount of US$24,369 (December 31, 2009 — US$22,078) were unsecured.

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 September 30, 2010.

14 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.

On October 14, 2010, the Board of Directors approved the following proposals: (i) payment of the second tranche of the minimum dividend of US$1.250 billion and (ii) payment of an additional dividend of US$500. The payments will be made on October 29, 2010.

On September 23, 2010, the Board of Directors approved a share buy-back program. The shares are to be held in treasury for subsequent sale or cancellation, amounting up to US$2 billion and involving up to 64,810,513 common shares and up to 98,367,748 preferred shares. As of September 30, 2010 we had acquired 10,029,700 common shares and 21,125,300 preferred shares. The pending payments as of September 30, 2010 refer to the three days period after the date of the order to buy, in amount of US$527, and was recorded as others current liabilities on the Balance Sheet.

The share buy-back program was completely executed in October, 2010.

In April 2010, we paid US$1,250 as a first installment of the dividend to stockholders. The distribution was made in the form of interest on stockholders' equity.

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 stockholder's equity.

The outstanding issued mandatory convertible notes as of September 30, 2010, are as follows:

	Date		Value		
Headings	**Emission**	**Expiration**	**Gross**	**Net of charges**	**Coupon**
Tranches Vale and Vale P-2012	July/2009	June/2012	942	934	6,75% p.a.

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

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

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

In April, 2010, we paid additional interest to holders of mandatorily convertible notes: series RIO and RIO P, US$0.417690 and US$0.495742 per note, respectively, and series VALE-2012 and VALE.P-2012, US$0.602336 and US$0.696668 per note, respectively.

Basic and diluted earnings per share

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

	Three-month period ended (unaudited)			Nine-month period ended (unaudited)	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Net income from continuing operations attributable to Company's stockholders	**6,030**	**3,711**	**1,677**	**11,490**	**3,830**
Discontinued operations, net of tax	**8**	**(6)**	**—**	**(143)**	**—**
Net income attributable to Company's stockholders	**6,038**	**3,705**	**1,677**	**11,347**	**3,830**
Interest attributed to preferred convertible notes	(11)	(19)	(16)	(49)	(39)
Interest attributed to common convertible notes	(5)	(23)	(21)	(51)	(70)
Net income for the period adjusted	**6,022**	**3,663**	**1,640**	**11,247**	**3,721**
Basic and diluted earnings per share					
Income available to preferred stockholders	2,314	1,409	621	4,324	1,408
Income available to common stockholders	3,635	2,208	973	6,783	2,208
Income available to convertible notes linked to preferred shares	53	33	23	100	53
Income available to convertible notes linked to common shares	21	13	23	39	52
Weighted average number of shares outstanding (thousands of shares) — preferred shares	2,056,473	2,035,740	2,030,954	2,043,102	2,030,727
Weighted average number of shares outstanding (thousands of shares) — common shares	3,230,765	3,190,675	3,181,727	3,204,885	3,181,709
Treasury preferred shares linked to mandatorily convertible notes	47,285	47,285	77,580	47,285	77,580
Treasury common shares linked to mandatorily convertible notes	18,416	18,416	74,998	18,416	74,998
Total	**5,352,939**	**5,292,116**	**5,365,259**	**5,313,688**	**5,365,014**
Earnings per preferred share	1.13	0.69	0.31	2.12	0.69
Earnings per common share	1.13	0.69	0.31	2.12	0.69
Earnings per convertible notes linked to preferred share(*)	1.35	1.09	0.50	3.15	1.19
Earnings per convertible notes linked to common share(*)	1.41	1.95	0.59	4.89	1.63
Continuous operations					
Earnings per preferred share	1.13	0.69	—	2.14	—
Earnings per common share	1.13	0.69	—	2.14	—
Earnings per convertible notes linked to preferred share(*)	1.35	1.10	—	3.17	—
Earnings per convertible notes linked to common share(*)	1.41	1.95	—	4.89	—
Earnings per preferred share	—	—	—	(0.02)	—
Earnings per common share	—	—	—	(0.02)	—
Earnings per convertible notes linked to preferred share(*)	—	—	—	(0.02)	—

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

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

	Three-month period ended (unaudited)			Nine-month period ended (unaudited)	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Income available to preferred stockholders	2,378	1,461	660	4,473	1,500
Income available to common stockholders	3,660	2,244	1,017	6,874	2,330
Weighted average number of shares outstanding (thousands of shares) — preferred shares	2,103,758	2,083,025	2,108,534	2,090,387	2,108,307
Weighted average number of shares outstanding (thousands of shares) — common shares	3,249,181	3,209,091	3,256,725	3,223,301	3,256,707
Earnings per preferred share	1.13	0.70	0.31	2.14	0.71
Earnings per common share	1.13	0.70	0.31	2.13	0.71
Continuous operations					
Earnings per preferred share	1.13	0.70	—	2.17	—
Earnings per common share	1.13	0.70	—	2.16	—
Discontinued operations					
Earnings per preferred share	—	—	—	(0.03)	—
Earnings per common share	—	—	—	(0.03)	—

15 PENSION COSTS

We previously disclosed in our consolidated financial statements for the year ended 2009, that we expected to contribute US$240 to our defined benefit pension plan in 2010. As of September 30, 2010, total contributions of US$184 had been made. We do not expect any significant change in our previous estimate.

	Three-month period ended (unaudited)		
	September 30, 2010		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost — benefits earned during the period	1	19	8
Interest cost on projected benefit obligation	104	92	26
Expected return on assets	(159)	(83)	—
Amortizations and (gain) / loss	—	1	—
Net deferral	(1)	12	(9)
Net periodic pension cost (credit)	**(55)**	**41**	**25**

	Three-month period ended		
	June 30, 2010		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
		(unaudited)	
Service cost — benefits earned during the period	—	15	6
Interest cost on projected benefit obligation	71	90	24
Expected return on assets	(118)	(81)	—
Net periodic pension cost (credit)	**(47)**	**24**	**30**

	Three-month period ended (unaudited)		
	September 30, 2009		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost — benefits earned during the period	3	11	4
Interest cost on projected benefit obligation	81	64	18
Expected return on assets	(112)	(47)	(1)
Amortizations and (gain) / loss	4	—	—
Net deferral	—	4	(4)
Net periodic pension cost (credit)	**(24)**	**32**	**17**

	Nine-month period ended (unaudited)					
	September 30, 2010			September 30, 2009		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost — benefits earned during the year	1	51	20	7	29	12
Interest cost on projected benefit obligation	244	270	74	196	162	56
Expected return on assets	(392)	(245)	—	(270)	(134)	(1)
Amortizations and (gain) / loss	—	1	—	9	(1)	—
Net deferral	(1)	12	(9)	—	13	(17)
Net periodic pension costs (credit)	**(148)**	**89**	**85**	**(58)**	**69**	**50**

16 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 September 30, 2010 and December 31, 2009, is 2,896,038 and 1,809,117, 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 September 30, 2010 and December 31, 2009, we recognized a liability of US$94 and US$72, respectively, through the Statement of Income.

17 COMMITMENTS AND CONTINGENCIES

a) In connection with a tax-advantaged lease financing arrangement sponsored by the French Government, we provided certain guarantees on December 30, 2004 on behalf of Vale New Caledonia S.A.S. (VNC) pursuant to which we guaranteed payments due from VNC of up to a maximum amount of US$100 ("Maximum Amount") in connection with an indemnity. This guarantee was provided to BNP Paribas for the benefit of the tax investors of GniFi, the special purpose vehicle which owns a portion of the assets in our nickel cobalt processing plant in New Caledonia ("Girardin Assets"). We also provided an additional guarantee covering the payments due from VNC of (a) amounts exceeding the Maximum Amount in connection with the indemnity and (b) certain other amounts payable by VNC under a lease agreement covering the Girardin Assets. This guarantee was provided to BNP Paribas for the benefit of GniFi.

Another commitment incorporated in the tax — advantaged lease financing arrangement was that the Girardin Assets would be substantially complete by December 31, 2009. In light of the delay in the start up of VNC processing facilities the December 31, 2009 substantially complete date was not met. Management proposed an extension to the substantially complete date from December 31, 2009 to December 31, 2010. Both the French government authorities and the tax investors have agreed to this extension, although a signed waiver has not yet been received from the tax investors. The French tax authorities issued their signed extension on March 12, 2010. Accordingly the benefits of the

financing structure are fully expected to be maintained and we anticipate that there will be no recapture of the tax advantages provided under this financing structure.

In 2009, two new bank guarantees totaling US$59 (€43 million) as at September 30, 2010 were established by us on behalf of VNC in favor of the South Province of New Caledonia in order to guarantee the performance of VNC with respect to certain environmental obligations in relation to the metallurgical plant and the Kwe West residue storage facility.

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. The put option can be exercised 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 funding, shareholder loans and equity contributions by stockholders to VNC, exceeded US$4.2 billion and an agreement cannot be reached on how to proceed with the project. On February 15, 2010, we formally amended our agreement with Sumic to increase the threshold to approximately US$4.6 billion at specified rates of exchange. On October 22, 2010, we have signed an agreement to extend the put option date into the first half of 2011.

We provided a guarantee covering certain termination payments due from VNC to the supplier under an electricity supply agreement ("ESA") entered into in October 2004 for the VNC project. The amount of the termination payments guaranteed depends upon a number of factors, including whether any termination of the ESA is a result of a default by VNC and the date on which an early termination of the ESA were to occur. During the first quarter of 2010 the supply of electricity under the ESA to the project began, and the guaranteed amount now decreases over the life of the ESA from its maximum amount. As at September 30, 2010 the guarantee was US$176 (€129 million).

In February 2009, we and our subsidiary, Vale Newfoundland and Labrador Limited ("VNL"), entered into a fourth amendment to the Voisey's Bay Development agreement with the Government of Newfoundland and Labrador, Canada, that permitted VNL to ship up to 55,000 metric tonnes of nickel concentrate from the Voisey's Bay area mines. As part of the agreement, VNL agreed to provide the Government of Newfoundland and Labrador financial assurance in the form of letters of credit each in the amount of Canadian US$16 (CAD$16 million) for each shipment of nickel concentrate shipped out of the province from January 1, 2009 to August 31, 2009. The amount of this financial assurance was Canadian US$110 (CAD$112 million) based on seven shipments of nickel concentrate and as of September 30, 2010, US$11 (CAD$11 million) remains outstanding.

As at September 30, 2010, there was an additional US$111 in letters of credit issued and outstanding pursuant to our syndicate revolving credit facility, as well as an additional US$41 of letters of credit and US$48 in bank guarantees that were issued and outstanding. These are associated with environmental reclamation and other operating associated items such as insurance, electricity 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 are composed as follows:

	September 30, 2010 (unaudited)		December 31, 2009	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Labor and social security claims	752	802	657	657
Civil claims	612	410	582	307
Tax — related actions	630	331	489	175
Others	34	5	35	4
	2,028	1,548	1,763	1,143

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

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

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

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

Contingencies settled during the three-month periods ended September 30, 2010, June 30, 2010 and September 30, 2009, totaled US$67, US$61, US$22, respectively. Provisions recognized in the three-month periods ended September 30, 2010, June 30, 2010 and September 30, 2009, totaled US$68, US$101, US$116, 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 possible but not probable, in the total amount of US$4,343 at September 30, 2010, and for which no provision has been made (2009 — US$4,190).

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

A total of 388,559,056 Debentures were issued at a par value of R$0.01 (one cent), whose value will be restated in accordance with the variation in the General Market Price Index (IGP-M), as set forth in the Issue Deed.

The debentures holders has the right to receive premiums, paid semiannually, equivalent to a percentage of net revenues from specific mine resources as set forth in the indenture.

In April and October 2010 we paid remuneration on these debentures of US$5 and US$5, respectively.

d) Asset retirement obligations

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

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

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

	Three-month period ended (unaudited)			Nine-month period ended (unaudited)	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Beginning of period	**1,162**	**1,129**	**999**	**1,116**	**887**
Accretion expense	21	31	23	79	44
Liabilities settled in the current period	(2)	(2)	(7)	(12)	(25)
Revisions in estimated cash flows(*)	(11)	28	—	15	(9)
Cumulative translation adjustment	60	(24)	87	32	205
End of period	**1,230**	**1,162**	**1,102**	**1,230**	**1,102**
Current liabilities	79	80	27	79	27
Non-current liabilities	1,151	1,082	1,075	1,151	1,075
Total	**1,230**	**1,162**	**1,102**	**1,230**	**1,102**

(*) Includes $44 for the purchase of Vale Fertilizantes S.A. and Vale Fosfatados S.A.

18 OTHER EXPENSES

The income statement line "Other operating expenses" totaled US$1,431 for the nine month period ended September 30, 2010, includes pre operational expenses, loss of materials and idle capacity and stoppage operations expenses incurred until September, 2010 of US$174, US$106 and US$472 respectively.

19 FAIR VALUE DISCLOSURE OF FINANCIAL ASSETS AND LIABILITIES

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

a) Measurements

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

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

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

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

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

b) Measurements on a recurring basis

The description of the valuation methodologies used for recurring assets and liabilities measured at fair value in the Company's Consolidated Balance Sheet at September 30, 2010 and 2009 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 and also for the commodities contracts, since the fair value is computed by using forward curves for each commodity.

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

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

	As of September 30, 2010 (unaudited)			
	Carrying amount	Fair value	Level 1	Level 2
Available-for-sale securities	25	25	25	—
Unrealized gain on derivatives	983	983	—	983
Debentures	(987)	(987)	—	(987)

	As of December 31, 2009			
	Carrying amount	Fair value	Level 1	Level 2
Available-for-sale securities	17	17	17	—
Unrealized gains on derivatives	832	832	—	832
Debentures	(752)	(752)	—	(752)

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 September 30, 2010, we have not recognized any additional impairment for those items.

d) Financial Instruments

Long-term debt

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

Time deposits

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

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

	As of September 30, 2010 (unaudited)			
	Carrying amount	Fair value	Level 1	Level 2
Long-term debt (less interests)(*)	(23,970)	(25,583)	(17,295)	(8,288)

	As of December 31, 2009			
	Carrying amount	Fair value	Level 1	Level 2
Time deposits	3,747	3,747	—	3,747
Long-term debt (less interests)(*)	(22,544)	(23,344)	(12,424)	(10,920)

(*) Less accrued charges of US$402 and US$287 as of September 30, 2010 and December 31, 2009, respectively.

20 SEGMENT AND GEOGRAPHICAL INFORMATION

We adopt disclosures about segments of an enterprise and related information with respect to the information we present about our operating segments. The standard introduced a "management approach" concept for reporting segment information, whereby such information is required to be reported on the basis that the chief decision-maker uses internally for evaluating segment performance and deciding how to allocate resources to segments. We analyze our segment information on an aggregated and disaggregated basis.

Considering the new fertilizer segment acquired and the related reorganization occurred the operating segments are: 1) Bulk Materials represented by iron ore, pellets, manganese ore and ferroalloys, coal; 2) Base Metals represented by nickel, aluminum and copper, 3) Fertilizers; and 4) Logistics services.

Consolidated net income and principal assets are reconciled as follows:

Results by segment — before eliminations (aggregated)

Three-month period ended (unaudited)

September 30, 2010	Bulk Material	Base Metals	Fertilizers	Logistic	Others	Elimination	Consolidated
RESULTS							
Gross revenues — Foreign	18,701	2,311	14	—	—	(9,169)	11,857
Gross revenues — Domestic	1,312	222	828	462	188	(373)	2,639
Cost and expenses	(11,960)	(2,012)	(788)	(346)	(184)	9,542	(5,748)
Research and development	(70)	(68)	(21)	(23)	(34)	—	(216)
Depreciation, depletion and amortization	(379)	(224)	(48)	(32)	(13)	—	(696)
Operating income	**7,604**	**229**	**(15)**	**61**	**(43)**	—	**7,836**
Financial income	550	194	4	10	1	(703)	56
Financial expenses	(995)	(391)	(5)	(16)	(37)	703	(741)
Gains (losses) on derivatives, net	642	(137)	—	—	(5)	—	500
Foreign exchange and monetary gains (losses), net	89	157	18	(4)	(3)	—	257
Discontinued operations, net of tax	—	8	—	—	—	—	8
Gain on sale of assets	—	—	—	—	—	—	—
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	302	(26)	—	27	2	—	305
Income taxes	(2,116)	(26)	(6)	2	—	—	(2,146)
Noncontrolling interests	5	(46)	—	—	4	—	(37)
Net income attributable to the Company's stockholders	**6,081**	**(38)**	**(4)**	**80**	**(81)**	—	**6,038**
Sales classified by geographic destination:							
Foreign market America, except United States	289	423	14	—	—	(212)	514
United States	62	171	—	—	—	(36)	197
Europe	4,110	704	—	—	—	(2,321)	2,493
Middle East/Africa/Oceania	976	40	—	—	—	(543)	473
Japan	2,348	370	—	—	—	(1,044)	1,674
China	9,103	210	—	—	—	(4,155)	5,158
Asia, other than Japan and China	1,813	393	—	—	—	(858)	1,348
	18,701	**2,311**	**14**	—	—	**(9,169)**	**11,857**
Domestic market	1,312	222	828	462	188	(373)	2,639
	20,013	**2,533**	**842**	**462**	**188**	**(9,542)**	**14,496**

June 30, 2010	Bulk Material	Base Metals	Fertilizers	Logistic	Others	Elimination	Consolidated
RESULTS							
Gross revenues — Foreign	12,038	2,222	—	—	5	(6,092)	8,173
Gross revenues — Domestic	1,110	157	221	457	138	(326)	1,757
Cost and expenses	(8,270)	(1,857)	(211)	(344)	(99)	6,418	(4,363)
Research and development	(72)	(58)	(5)	(11)	(43)	—	(189)
Depreciation, depletion and amortization	(362)	(330)	(17)	(38)	(1)	—	(748)
Operating income	**4,444**	**134**	**(12)**	**64**	—	—	**4,630**
Financial income	745	388	1	2	(188)	(879)	69
Financial expenses	(961)	(625)	(1)	(11)	205	879	(514)
Gains (losses) on derivatives, net	(157)	40	—	—	5	—	(112)
Foreign exchange and monetary gains (losses), net	119	(55)	2	(1)	1	—	66
Discontinued operations, net of tax	—	(6)	—	—	—	—	(6)
Gain on sale of assets	—	—	—	—	—	—	—
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	250	1	—	23	9	—	283
Income taxes	(743)	74	3	5	—	—	(661)
Noncontrolling interests	2	(48)	—	—	(4)	—	(50)
Net income attributable to the Company's stockholders	**3,699**	**(97)**	**(7)**	**82**	**28**	—	**3,705**
Sales classified by geographic destination:							
Foreign market America, except United States	391	252	—	—	5	(259)	389
United States	12	161	—	—	—	(10)	163
Europe	3,331	785	—	—	—	(1,735)	2,381
Middle East/Africa/Oceania	747	55	—	—	—	(344)	458
Japan	1,260	330	—	—	—	(518)	1,072
China	5,332	173	—	—	—	(2,711)	2,794
Asia, other than Japan and China	965	466	—	—	—	(515)	916
	12,038	**2,222**	—	—	**5**	**(6,092)**	**8,173**
Domestic market	1,110	157	221	457	138	(326)	1,757
	13,148	**2,379**	**221**	**457**	**143**	**(6,418)**	**9,930**

September 30, 2009	Bulk Material	Base Metals	Fertilizers	Logistic	Others	Elimination	Consolidated
RESULTS							
Gross revenues — Foreign	6,669	2,180	—	19	14	(3,057)	5,825
Gross revenues — Domestic	572	213	118	317	74	(226)	1,068
Cost and expenses	(4,627)	(1,956)	(47)	(218)	(83)	3,283	(3,648)
Research and development	(47)	(43)	(9)	(13)	(119)	—	(231)
Depreciation, depletion and amortization	(333)	(346)	(9)	(33)	—	—	(721)
Operating income	**2,234**	**48**	**53**	**72**	**(114)**	—	**2,293**
Financial income	579	189	—	6	—	(676)	98
Financial expenses	(767)	(332)	—	(7)	—	676	(430)
Gains (losses) on derivatives, net	362	(22)	—	—	1	—	341
Foreign exchange and monetary gains (losses), net	(41)	158	—	(2)	4	—	119
Discontinued operations, net of tax	—	—	—	—	—	—	—
Gain on sale of assets	—	12	—	—	61	—	73
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	130	10	—	33	(18)	—	155
Income taxes	(946)	21	—	—	(1)	—	(926)
Noncontrolling interests	16	(49)	—	—	(13)	—	(46)
Net income attributable to the Company's stockholders	**1,567**	**35**	**53**	**102**	**(80)**	—	**1,677**
Sales classified by geographic destination:							
Foreign market America, except United States	232	320	—	—	—	(207)	345
United States	13	241	—	—	12	(13)	253
Europe	1,884	826	—	—	—	(1,488)	1,222
Middle East/Africa/Oceania	191	38	—	—	—	(109)	120
Japan	646	283	—	—	2	(257)	674
China	3,114	202	—	19	—	(761)	2,574
Asia, other than Japan and China	589	270	—	—	—	(222)	637
	6,669	**2,180**	—	**19**	**14**	**(3,057)**	**5,825**
Domestic market	572	213	118	317	74	(226)	1,068
	7,241	**2,393**	**118**	**336**	**88**	**(3,283)**	**6,893**

Operating segment — after eliminations (disaggregated)

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

	Revenue			Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
	Foreign	Domestic	Total									
Bulk Material												
Iron ore	7,987	738	8,725	(108)	8,617	(1,982)	6,635	(325)	6,310	29,523	1,591	95
Pellets	1,663	419	2,082	(81)	2,001	(774)	1,227	(23)	1,204	1,325	137	1,407
Manganese	51	16	67	1	68	(41)	27	(1)	26	24	—	—
Ferroalloys	95	71	166	(16)	150	(74)	76	(2)	74	287	2	—
Coal	217	—	217	—	217	(199)	18	(28)	(10)	2,771	58	203
Pig iron	—	—	—	—	—	—	—	—	—	123	—	—
	10,013	**1,244**	**11,257**	**(204)**	**11,053**	**(3,070)**	**7,983**	**(379)**	**7,604**	**34,053**	**1,788**	**1,705**
Base Metals												
Nickel and other products(*)	1,074	—	1,074	—	1,074	(758)	316	(206)	110	27,968	448	25
Copper concentrate	200	36	236	(8)	228	(152)	76	(22)	54	2,748	566	74
Aluminum products	559	50	609	(15)	594	(533)	61	(4)	57	84	65	152
	1,833	**86**	**1,919**	**(23)**	**1,896**	**(1,443)**	**453**	**(232)**	**221**	**30,800**	**1,079**	**251**
Fertilizers												
Potash	—	87	87	(5)	82	(53)	29	(9)	20	208	—	—
Phosphates	9	547	556	(25)	531	(524)	7	(33)	(26)	6,521	206	—
Nitrogen	2	145	147	(20)	127	(133)	(6)	(6)	(12)	1,446	46	—
Others fertilizers products	—	12	12	(3)	9	(6)	3	—	3	325	—	—
	11	**791**	**802**	**(53)**	**749**	**(716)**	**33**	**(48)**	**(15)**	**8,500**	**252**	**—**
Logistics												
Railroads	—	308	308	(57)	251	(184)	67	(27)	40	2,084	43	545
Ports	—	100	100	(15)	85	(59)	26	(5)	21	269	11	—
Ships	—	—	—	—	—	—	—	—	—	—	—	128
	—	**408**	**408**	**(72)**	**336**	**(243)**	**93**	**(32)**	**61**	**2,353**	**54**	**673**
Others	—	110	110	(42)	68	(98)	(30)	(5)	(35)	4,186	679	2,282
	11,857	**2,639**	**14,496**	**(394)**	**14,102**	**(5,570)**	**8,532**	**(696)**	**7,836**	**79,892**	**3,852**	**4,911**

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

Operating segment — after eliminations (disaggregated)

Three-month period ended (unaudited)

June 30, 2010

	Revenue			Value added		Cost and	Operating	Depreciation, depletion and	Operating	Property, plant and equipment, net and intangible	Addition to property, plant and equipment and	
	Foreign	Domestic	Total	tax	Net revenues	expenses	profit	amortization	income	assets	intangible	Investments
Bulk Material												
Iron ore	4,782	653	5,435	(87)	5,348	(1,658)	3,690	(297)	3,393	26,408	1,039	88
Pellets	1,285	333	1,618	(62)	1,556	(524)	1,032	(34)	998	1,698	77	1,254
Manganese	81	8	89	(6)	83	(47)	36	(4)	32	23	—	—
Ferroalloys	103	67	170	(16)	154	(79)	75	(6)	69	240	3	—
Coal	185	—	185	—	185	(217)	(32)	(16)	(48)	1,734	123	186
Pig iron	9	—	9	—	9	(4)	5	(5)	—	—	—	—
	6,445	**1,061**	**7,506**	**(171)**	**7,335**	**(2,529)**	**4,806**	**(362)**	**4,444**	**30,103**	**1,242**	**1,528**
Base Metals												
Nickel and other products(*)	874	—	874	—	874	(640)	234	(246)	(12)	27,471	386	22
Copper concentrate	207	—	207	(3)	204	(145)	59	(22)	37	2,662	307	69
Aluminum products	634	21	655	(3)	652	(481)	171	(62)	109	228	—	140
	1,715	**21**	**1,736**	**(6)**	**1,730**	**(1,266)**	**464**	**(330)**	**134**	**30,361**	**693**	**231**
Fertilizers												
Potash	—	55	55	(3)	52	(42)	10	(6)	4	1,889	2	—
Phosphates	—	114	114	(10)	104	(103)	1	(9)	(8)	5,546	44	—
Nitrogen	—	39	39	(4)	35	(37)	(2)	(2)	(4)	1,288	—	—
Others fertilizers products	—	2	2	(1)	1	(5)	(4)	—	(4)	319	—	—
	—	**210**	**210**	**(18)**	**192**	**(187)**	**5**	**(17)**	**(12)**	**9,042**	**46**	**—**
Logistics												
Railroads	—	301	301	(45)	256	(190)	66	(32)	34	1,944	25	486
Ports	11	95	106	(14)	92	(51)	41	(5)	36	245	1	—
Ships	2	—	2	—	2	(7)	(5)	(1)	(6)	—	—	121
	13	**396**	**409**	**(59)**	**350**	**(248)**	**102**	**(38)**	**64**	**2,189**	**26**	**607**
Others	—	69	69	(18)	51	(50)	1	(1)	—	2,054	229	2,078
	8,173	**1,757**	**9,930**	**(272)**	**9,658**	**(4,280)**	**5,378**	**(748)**	**4,630**	**73,749**	**2,236**	**4,444**

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

Operating segment — after eliminations (disaggregated)

Three-month period ended (unaudited)

September 30, 2009

	Revenue			Value added	Net	Cost and	Operating	Depreciation, depletion and	Operating	Property, plant and equipment, net and intangible	Addition to property, plant and equipment and	
	Foreign	Domestic	Total	tax	revenues	expenses	profit	amortization	income	assets	intangible	Investments
Bulk Material												
Iron ore	3,499	322	3,821	(43)	3,778	(1,280)	2,498	(285)	2,213	20,563	623	70
Pellets	335	82	417	(34)	383	(316)	67	(27)	40	947	—	1,130
Manganese	16	7	23	—	23	(22)	1	(3)	(2)	23	1	—
Ferroalloys	46	55	101	(14)	87	(67)	20	(5)	15	257	21	—
Coal	138	—	138	—	138	(157)	(19)	(13)	(32)	1,597	81	229
Pig iron	8	—	8	—	8	(8)	—	—	—	144	—	—
	4,042	**466**	**4,508**	**(91)**	**4,417**	**(1,850)**	**2,567**	**(333)**	**2,234**	**23,531**	**726**	**1,429**
Base Metals												
Nickel and other products(*)	1,100	3	1,103	—	1,103	(799)	304	(256)	48	23,805	367	43
Kaolin	36	8	44	(2)	42	(35)	7	(9)	(2)	197	24	—
Copper concentrate	153	45	198	(13)	185	(122)	63	(20)	43	4,013	92	—
Aluminum products	482	47	529	(11)	518	(498)	20	(61)	(41)	4,655	17	171
	1,771	**103**	**1,874**	**(26)**	**1,848**	**(1,454)**	**394**	**(346)**	**48**	**32,670**	**500**	**214**
Fertilizers												
Potash	—	118	118	(4)	114	(52)	62	(9)	53	159	—	—
	—	**118**	**118**	**(4)**	**114**	**(52)**	**62**	**(9)**	**53**	**159**	**—**	**—**
Logistics												
Railroads	—	239	239	(36)	203	(123)	80	(25)	55	1,923	29	445
Ports	—	78	78	(11)	67	(42)	25	(8)	17	1,441	—	—
Ships	—	—	—	—	—	—	—	—	—	807	171	123
	—	**317**	**317**	**(47)**	**270**	**(165)**	**105**	**(33)**	**72**	**4,171**	**200**	**568**
Others	12	64	76	(19)	57	(171)	(114)	—	(114)	5,001	219	2,372
	5,825	**1,068**	**6,893**	**(187)**	**6,706**	**(3,692)**	**3,014**	**(721)**	**2,293**	**65,532**	**1,645**	**4,583**

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

Results by segment — before eliminations (aggregated)

	Nine-month period ended (unaudited)													
	September 30, 2010							September 30, 2009						
	Bulk Material	Base Metals	Fertilizers	Logistic	Others	Elimination	Consolidated	Bulk Material	Base Metals	Fertilizers	Logistic	Others	Elimination	Consolidated
RESULTS														
Gross revenues — Foreign	37,609	6,465	14	12	11	(18,491)	25,620	17,983	5,918	—	35	53	(9,072)	14,917
Gross revenues — Domestic	3,255	580	1,114	1,259	397	(951)	5,654	1,168	550	304	796	177	(514)	2,481
Cost and expenses	(25,323)	(5,729)	(1,038)	(982)	(352)	19,442	(13,982)	(12,934)	(5,626)	(99)	(596)	(167)	9,586	(9,836)
Research and development	(186)	(168)	(33)	(45)	(145)	—	(577)	(162)	(160)	(27)	(40)	(296)	—	(685)
Depreciation, depletion and amortization	(1,117)	(879)	(72)	(105)	(14)	—	(2,187)	(812)	(1,002)	(19)	(86)	(4)	—	(1,923)
Operating income	**14,238**	**269**	**(15)**	**139**	**(103)**	**—**	**14,528**	**5,243**	**(320)**	**159**	**109**	**(237)**	**—**	**4,954**
Financial income	1,861	580	5	13	1	(2,287)	173	1,840	523	—	8	4	(2,059)	316
Financial expenses	(2,713)	(1,215)	(6)	(34)	(39)	2,287	(1,720)	(2,094)	(966)	—	(7)	(2)	2,059	(1,010)
Gains (losses) on derivatives, net	286	(128)	—	—	—	—	158	1,335	(104)	—	—	1	—	1,232
Foreign exchange and monetary gains (losses), net	155	128	20	(7)	(3)	—	293	194	405	—	(12)	71	—	658
Discontinued Operations, Net of tax	—	(143)	—	—	—	—	(143)	—	—	—	—	—	—	—
Gain on sale of investments	—	—	—	—	—	—	—	157	12	—	—	61	—	230
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	610	(19)	—	62	31	—	684	274	22	—	77	(11)	—	362
Income taxes	(2,712)	115	(3)	11	21	—	(2,568)	(3,041)	200	—	(14)	(1)	—	(2,856)
Noncontrolling interests	7	(65)	—	—	—	—	(58)	38	(72)	—	—	(22)	—	(56)
Net income attributable to the Company's stockholders	**11,732**	**(478)**	**1**	**184**	**(92)**	**—**	**11,347**	**3,946**	**(300)**	**159**	**161**	**(136)**	**—**	**3,830**
Sales classified by geographic destination:														
Foreign market														
America, except United States	873	946	14	12	7	(616)	1,236	344	1,030	—	—	10	(439)	945
United States	75	480	—	—	2	(62)	495	37	658	—	—	32	(56)	671
Europe	9,592	2,154	—	—	2	(5,517)	6,231	4,426	1,930	—	—	8	(3,663)	2,701
Middle East/Africa/Oceania	1,916	144	—	—	—	(900)	1,160	687	163	—	—	—	(491)	359
Japan	4,814	972	—	—	—	(2,208)	3,578	1,611	599	—	—	3	(677)	1,536
China	17,110	584	—	—	—	(7,582)	10,112	9,350	668	—	35	—	(3,038)	7,015
Asia, other than Japan and China	3,229	1,185	—	—	—	(1,606)	2,808	1,528	870	—	—	—	(708)	1,690
	37,609	**6,465**	**14**	**12**	**11**	**(18,491)**	**25,620**	**17,983**	**5,918**	**—**	**35**	**53**	**(9,072)**	**14,917**
Domestic market	3,255	580	1,114	1,259	397	(951)	5,654	1,168	550	304	796	177	(514)	2,481
	40,864	**7,045**	**1,128**	**1,271**	**408**	**(19,442)**	**31,274**	**19,151**	**6,468**	**304**	**831**	**230**	**(9,586)**	**17,398**

Operating segment — after eliminations (disaggregated)

Nine-month period ended (unaudited)

September 30, 2010

	Revenue			Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
	Foreign	Domestic	Total									
Bulk Material												
Iron ore	16,088	1,819	17,907	(265)	17,642	(5,089)	12,553	(947)	11,606	29,523	3,184	95
Pellets	3,471	1,004	4,475	(211)	4,264	(1,730)	2,534	(81)	2,453	1,325	266	1,407
Manganese	182	32	214	(5)	209	(103)	106	(6)	100	24	—	—
Ferroalloys	276	202	478	(48)	430	(225)	205	(19)	186	287	10	—
Coal	529	—	529	—	529	(577)	(48)	(59)	(107)	2,771	210	203
Pig iron	9	—	9	—	9	(4)	5	(5)	—	123	—	—
	20,555	**3,057**	**23,612**	**(529)**	**23,083**	**(7,728)**	**15,355**	**(1,117)**	**14,238**	**34,053**	**3,670**	**1,705**
Base Metals												
Nickel and other products(*)	2,691	4	2,695	—	2,695	(2,056)	639	(691)	(52)	27,968	1,156	25
Copper concentrate	561	62	623	(18)	605	(420)	185	(62)	123	2,748	1,097	74
Aluminum products	1,745	118	1,863	(28)	1,835	(1,511)	324	(126)	198	84	126	152
	4,997	**184**	**5,181**	**(46)**	**5,135**	**(3,987)**	**1,148**	**(879)**	**269**	**30,800**	**2,379**	**251**
Fertilizers												
Potash	—	207	207	(11)	196	(138)	58	(22)	36	208	7	—
Phosphates	9	661	670	(35)	635	(627)	8	(42)	(34)	6,521	250	—
Nitrogen	2	184	186	(24)	162	(170)	(8)	(8)	(16)	1,446	46	—
Others fertilizers products	—	14	14	(4)	10	(11)	(1)	—	(1)	325	—	—
	11	**1,066**	**1,077**	**(74)**	**1,003**	**(946)**	**57**	**(72)**	**(15)**	**8,500**	**303**	—
Logistics												
Railroads	—	845	845	(144)	701	(526)	175	(86)	89	2,084	89	545
Ports	13	268	281	(39)	242	(165)	77	(16)	61	269	14	—
Ships	5	—	5	—	5	(13)	(8)	(3)	(11)	—	—	128
	18	**1,113**	**1,131**	**(183)**	**948**	**(704)**	**244**	**(105)**	**139**	**2,353**	**103**	**673**
Others	39	234	273	(78)	195	(284)	(89)	(14)	(103)	4,186	1,450	2,282
	25,620	**5,654**	**31,274**	**(910)**	**30,364**	**(13,649)**	**16,715**	**(2,187)**	**14,528**	**79,892**	**7,905**	**4,911**

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

Operating segment — after eliminations (disaggregated)

Nine-month period ended (unaudited)

September 30, 2009

	Revenue			Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
	Foreign	Domestic	Total									
Bulk Material												
Iron ore	8,724	648	9,372	(105)	9,267	(3,292)	5,975	(709)	5,266	20,563	1,956	70
Pellets	688	181	869	(63)	806	(748)	58	(56)	2	947	84	1,130
Manganese	68	13	81	(1)	80	(63)	17	(7)	10	23	3	—
Ferroalloys	135	114	249	(29)	220	(209)	11	(9)	2	257	56	—
Coal	368	—	368	—	368	(373)	(5)	(30)	(35)	1,597	234	229
Pig iron	19	—	19	—	19	(21)	(2)	—	(2)	144	48	—
	10,002	**956**	**10,958**	**(198)**	**10,760**	**(4,706)**	**6,054**	**(811)**	**5,243**	**23,531**	**2,381**	**1,429**
Base Metals												
Nickel and other products(*)	3,066	9	3,075	—	3,075	(2,516)	559	(752)	(193)	23,805	1,071	43
Kaolin	98	27	125	(6)	119	(105)	14	(28)	(14)	197	51	—
Copper concentrate	393	82	475	(18)	457	(333)	124	(54)	70	4,013	466	—
Aluminum products	1,304	135	1,439	(28)	1,411	(1,418)	(7)	(169)	(176)	4,655	116	171
	4,861	**253**	**5,114**	**(52)**	**5,062**	**(4,372)**	**690**	**(1,003)**	**(313)**	**32,670**	**1,704**	**214**
Fertilizers												
Potash	—	304	304	(9)	295	(117)	178	(19)	159	159	—	—
	—	**304**	**304**	**(9)**	**295**	**(117)**	**178**	**(19)**	**159**	**159**	—	—
Logistics												
Railroads	—	620	620	(96)	524	(384)	140	(68)	72	1,923	70	445
Ports	—	177	177	(25)	152	(112)	40	(18)	22	1,441	106	—
Ships	—	—	—	—	—	—	—	—	—	807	438	123
	—	**797**	**797**	**(121)**	**676**	**(496)**	**180**	**(86)**	**94**	**4,171**	**614**	**568**
Others	54	171	225	(40)	185	(410)	(225)	(4)	(229)	5,001	642	2,372
	14,917	**2,481**	**17,398**	**(420)**	**16,978**	**(10,101)**	**6,877**	**(1,923)**	**4,954**	**65,532**	**5,341**	**4,583**

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

21 DERIVATIVE FINANCIAL INSTRUMENTS

Risk management policy

Vale has developed its risk management strategy in order to provide an integrated approach of the risks the Company is exposed to. To do that, Vale evaluate not only the impact of market risk factors in the business results (market risk), but also the risk arising from third party obligations with Vale (credit risk) and those risks inherent in Vale's operational processes (operational risk).

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

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

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

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

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

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

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

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

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

Foreign exchange and interest rate risk

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

Derivative instruments may be used to reduce Vale's potential cash flow volatility arising from its currency mismatch. Vale's foreign exchange and interest rate derivative portfolio consists, basically, of interest rate swaps to convert floating cash flows in Brazilian real to fixed or floating US dollar cash flows, without any leverage.

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

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

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

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

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

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

In order to reduce the cash flows volatility associated with the foreign exchange exposure from some coal fixed price sales, Vale purchased forward Australian dollars.

Product price risk and input costs

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

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

- Strategic derivative program — in order to protect our cash flows in 2010 and 2011, we entered into derivative transactions where we fixed the prices of some of our nickel sales during the period.
- Fixed price sales program — we use to enter into nickel future contracts on the London Metal Exchange (LME) with the purpose of maintaining our exposure to nickel price variation, as in some cases, the commodity is sold at a fixed price to some customers. Whenever the 'Strategic derivative program' is executed, the 'Fixed price sales program' is interrupted.
- Nickel purchase program — Vale has also sold nickel futures on the LME, in order to minimize the risk of mismatch between the pricing on the costs of intermediate products and finished goods.

Aluminum — In order to protect our cash flows in 2010, we entered into derivatives transactions where we fixed the prices of some of our aluminum sales during the period. Aluminum operations are classified as assets held for sale since June 2010.

Coal — In order to protect our cash flows in 2010, we entered into derivative transactions where we fixed the prices of some of our coal sales during the period.

Copper — We entered into derivative transactions in order to reduce the cash flow volatility due to the quotation period mismatch between the pricing period of copper scrap purchase and the pricing period of final products sale to the clients.

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

Maritime Freight — In order to reduce the impact of freight price fluctuations on the Company's cash flows, Vale implemented a derivative program that consists of purchasing Forward Freight Agreements (FFA).

Embedded derivatives — In addition to the contracts mentioned above, Vale Canada Ltd., Vale's wholly-owned subsidiary, has nickel concentrate and raw materials purchase agreements, where there are provisions based on the movement of nickel and copper prices. These provisions are considered embedded derivatives. There is also an embedded derivative related to energy purchase in our subsidiary Albras on which there is a premium that can be charged based on the movement of aluminum prices. Aluminum operations are available for sale since June 2010.

Under the Standard Accounting for Derivative Financial Instruments and Hedging Activities, all derivatives, whether designated in hedging relationships or not, are required to be recorded in the balance sheet at fair value and the gain

or loss in fair value is included in current earnings, unless if qualified as hedge accounting. A derivative must be designated in a hedging relationship in order to qualify for hedge accounting. These requirements include a determination of what portions of hedges are deemed to be effective versus ineffective. In general, a hedging relationship is effective when a change in the fair value of the derivative is offset by an equal and opposite change in the fair value of the underlying hedged item. In accordance with these requirements, effectiveness tests are performed in order to assess effectiveness and quantify ineffectiveness for all designated hedges.

At September 30, 2010, we have outstanding positions designated as cash flow hedge and fair value hedge. A cash flow hedge is a hedge of the exposure to variability in expected future cash flows that is attributable to a particular risk, such as a forecasted purchase or sale. If a derivative is designated as cash flow hedge, the effective portion of the changes in the fair value of the derivative is recorded in other comprehensive income and recognized in earnings when the hedged item affects earnings. However, the ineffective portion of changes in the fair value of the derivatives designated as hedges is recognized in earnings. If a portion of a derivative contract is excluded for purposes of effectiveness testing, such as time value, the value of such excluded portion is included in earnings. A fair value hedge is a hedge of an exposure to the changes in the fair value of a recognized asset or liability that is attributable to a particular risk and will affect reported net income.

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			
	September 30, 2010		December 31, 2009		September 30, 2010		December 31, 2009	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
	(unaudited)				(unaudited)			
Derivatives not designated as hedge								
Foreign exchange and interest rate risk								
CDI & TJLP vs. floating & fixed swap	—	864	—	794	—	—	—	—
EURO floating rate vs. USD floating rate swap	—	1	—	1	—	—	—	—
USD floating rate vs. fixed USD rate swap	—	—	—	—	—	5	7	1
Swap NDF	2	—			—	—	—	—
EuroBond Swap	—	—	—	—	—	10	—	—
AUD floating rate vs. fixed USD rate swap	3	—	—	9	—	—	—	—
	5	865	—	804	—	15	7	1
Commodities price risk								
Nickel								
Fixed price program	14	—	12	2	13	—	3	8
Strategic program	—	—	—	—	51	—	32	—
Aluminum	—	—	—	—	—	—	16	—
Bunker Oil Hedge	—	10	49	—	—	—	—	—
Coal	—	—	—	—	1	—	—	—
Maritime Freight Hiring Protection Program	4	—	29	—	—	—	—	—
	18	10	90	2	65	—	51	8
Derivatives designated as hedge								
Foreign exchange cash flow hedge	—	191	15	59	—	—	—	—
Strategic Nickel	—	—	—	—	—	26	—	—
Aluminum	—	—	—	—	—	—	71	—
	—	191	15	59	—	26	71	—
Total	23	1,066	105	865	65	41	129	9

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

	Amount of gain or (loss) recognized in financial income (expense)					Financial settlement					Amount of gain or (loss) recognized in OCI				
	Three-month period ended (unaudited)			Nine-month period ended (unaudited)		Three-month period ended (unaudited)			Nine-month period ended (unaudited)		Three-month period ended (unaudited)			Nine-month period ended (unaudited)	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Derivatives not designated as hedge															
Foreign exchange and interest rate risk															
CDI & TJLP vs. USD fixed and floating rate swap	433	(191)	441	192	1,400	(33)	(75)	(30)	(137)	(153)	—	—	—	—	—
EURO floating rate vs. USD floating rate swap	—	(1)	—	(1)	(1)	—	—	—	—	(1)	—	—	—	—	—
USD floating rate vs. USD fixed rate swap	(1)	—	(1)	(2)	(2)	1	2	2	5	6	—	—	—	—	—
Swap Convertibles	—	37	—	37	—	—	(37)	—	(37)	—	—	—	—	—	—
Swap NDF	3	1	—	4	—	(2)	—	—	(2)	—	—	—	—	—	—
EuroBond Swap	72	(78)	—	(6)	—	(1)	—	—	(1)	—	—	—	—	—	—
AUD floating rate vs. fixed USD rate swap	1	(1)	3	2	13	(1)	(6)	(1)	(8)	(2)	—	—	—	—	—
	508	**(233)**	**443**	**226**	**1,410**	**(36)**	**(116)**	**(29)**	**(180)**	**(150)**	—	—	—	—	—
Commodities price risk															
Nickel															
Fixed price program	(5)	18	3	4	40	(8)	2	5	(7)	25	—	—	—	—	—
Purchase program	—	—	—	—	(35)	—	—	—	—	34	—	—	—	—	—
Strategic program	(34)	88	(47)	(85)	(89)	16	36	36	66	36	—	—	—	—	—
Natural gas	—	—	—	—	(4)	—	—	2	—	6	—	—	—	—	—
Aluminum	—	—	—	—	—	—	—	—	16	—	—	—	—	—	—
Maritime Freight Hiring Protection Program	9	(16)	(45)	(10)	(11)	6	(9)	(25)	(13)	(30)	—	—	—	—	—
Coal	1	(2)	—	(2)	—	1	—	—	1	—	—	—	—	—	—
Bunker Oil Hedge	4	(7)	9	(9)	9	(4)	(10)	(5)	(27)	(5)	—	—	—	—	—
	(25)	**81**	**(80)**	**(102)**	**(90)**	**11**	**19**	**13**	**36**	**66**	—	—	—	—	—
Embedded derivatives:															
For nickel concentrate costumer sales	—	—	(9)	—	(25)	—	—	4	—	(13)	—	—	—	—	—
Customer raw material contracts	—	—	(13)	—	(76)	—	—	—	—	—	—	—	—	—	—
Energy — Aluminum options	(44)	23	—	(44)	—	—	—	—	—	—	—	—	—	—	—
	(44)	**23**	**(22)**	**(44)**	**(101)**	—	—	**4**	—	**(13)**	—	—	—	—	—
Derivatives designated as hedge															
Bunker Oil Hedge	—	—	—	—	13	—	—	—	—	—	—	—	—	—	—
Aluminum hedge	—	—	—	—	—	3	13	—	29	(1)	(11)	33	6	24	6
Strategic Nickel	—	(2)	—	(2)	—	—	—	—	—	—	(68)	94	—	(27)	—
Foreign exchange cash flow hedge	61	19	—	80	—	(75)	(27)	—	(106)	—	66	16	6	110	7
	61	**17**	—	**78**	**13**	**(72)**	**(14)**	—	**(77)**	**(1)**	**(13)**	**143**	**12**	**107**	**13**
	500	**(112)**	**341**	**158**	**1,232**	**(97)**	**(111)**	**(12)**	**(221)**	**(98)**	**(13)**	**143**	**12**	**107**	**13**

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	January 2015
Aluminum	December 2010
Bunker Oil	December 2011
Freight	December 2010
Nickel	July 2012
Coal	December 2010
Copper	January 2011

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

Board of Directors

Sérgio Ricardo Silva Rosa
Chairman

Mário da Silveira Teixeira Júnior
Vice-President

Eduardo Fernando Jardim Pinto
Jorge Luiz Pacheco
José Mauro Mettrau Carneiro da Cunha
José Ricardo Sasseron
Ken Abe
Luciano Galvão Coutinho
Oscar Augusto de Camargo Filho
Renato da Cruz Gomes
Sandro Kohler Marcondes

Alternate

Deli Soares Pereira
Hajime Tonoki
João Moisés de Oliveira
Luiz Augusto Ckless Silva
Luiz Carlos de Freitas
Luiz Felix Freitas
Paulo Sergio Moreira da Fonseca
Raimundo Nonato Alves Amorim
Rita de Cássia Paz Andrade Robles
Wanderlei Viçoso Fagundes

Advisory Committees of the Board of Directors

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

Executive Development Committee
João Moisés de Oliveira
José Ricardo Sasseron
Oscar Augusto de Camargo Filho

Strategic Committee
Roger Agnelli
Luciano Galvão Coutinho
Mário da Silveira Teixeira Júnior
Oscar Augusto de Camargo Filho
Sérgio Ricardo Silva Rosa

Finance Committee
Guilherme Perboyre Cavalcanti
Luiz Maurício Leuzinger
Ricardo Ferraz Torres
Wanderlei Viçoso Fagundes

Governance and Sustainability Committee

Jorge Luiz Pacheco
Renato da Cruz Gomes
Ricardo Simonsen

Fiscal Council

Marcelo Amaral Moraes
Chairman

Aníbal Moreira dos Santos
Antônio José de Figueiredo Ferreira
Nelson Machado

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

Executive Officers

Roger Agnelli
Chief Executive Officer

Carla Grasso
Executive Officer for Human Resources and Corporate Services

Eduardo de Salles Bartolomeo
Executive Officer for Integrated Bulk Operations

Eduardo Jorge Ledsham
Executive Office for Exploration, Energy and Projects

Guilherme Perboyre Cavalcanti
Chief Financial Officer and Investor Relations

José Carlos Martins
Executive Officer for Marketing, Sales and Strategy

Mario Alves Barbosa Neto
Executive Officer for Fertilizers

Tito Botelho Martins
Executive Officer for Base Metals Operations

Marcus Vinícius Dias Severini
Chief Officer of Accounting and Control Department

Vera Lúcia de Almeida Pereira Elias
Chief Accountant
CRC-RJ — 043059/O-8

We have set out in this Appendix, executive summaries of each of the reports of the Competent Persons in respect of our Material Reserves. The full text of these reports can be accessed via the internet at the Stock Exchange's website at www.hkex.com.hk and our website at www.vale.com and are available for inspection as set out in Appendix VIII of this Listing Document.

This Appendix contains the following executive summaries:

(a) Review of the Updated Statement of Reserves for Iron Ore Properties in the Northern, Southeastern, and Southern Systems, and SAMARCO Alegria Complex, Brazil prepared for our Company by Pincock Allen & Holt Brasil;

(b) External Audit of Coal Reserves for Moatize Coal Project prepared for our Company by Golder Associates Africa (Pty) Ltd; and

(c) External Audit of Nickel and Copper Mineral Reserves prepared for our Company by Golder Associates Ltd.

Each of the executive summaries set out in this Appendix discloses all material information about the estimates of our Material Reserves.

Each of the reports of the Competent Persons contains a breakdown of the major components of our historical or estimated cash operating costs in respect of our Material Reserves. We have not disclosed other cost components in respect of our historical or estimated cash operating costs listed under Rule18.03(3) of the Listing Rules, as we do not consider them material with respect to each relevant Material Reserve.

Since the effective date of each of the reports of the Competent Persons, no material charge has occurred to the Material Reserves covered by such report.

pincock allen & holt brasil

Rua Tomé de Souza 860, #1601
Funcionarios, CEP 30140-131
Belo Horizonte
Minas Gerais, Brasil

+5531 3055-3945
Fax: +5531 3055-3915

www.pincock.com

Consultores para Soluções nas Áreas de Mineração e Financeira

Review of the Updated Statement of Reserves for Iron Ore Properties in the Northern, Southeastern, and Southern Systems, and SAMARCO Alegria Complex, Brazil

Prepared for

October 1, 2010
BH-00015A,

Prepared by

Jorge Alfonso Amirá
Cauê Pauli de Araujo
Darrel L. Buffington, P.E.
Paul N. Chilson, P.E.
Paul A. Gates, P.E.
Terry J. Laverty, P.E.
Aaron M. McMahon, P.G.

CONTENTS

1.0 INTRODUCTION III-5
2.0 PREVIOUS RESERVE REVIEWS III-5
2.1 Vale Properties III-5
2.2 SAMARCO Alegria Complex III-8
3.0 APPROACH TO AUDITS III-9
3.1 Project Team Qualifications III-9
3.2 Approach to Audits III-12
4.0 SUMMARY OF RESERVES III-14
4.1 Statement of Reserves III-14
4.2 Considerations III-15
4.2.1 *Apolo Project* III-15
4.2.2 *Segredo, João Pereira, Tamanduá, Capitão do Mato, and Abóboras Mines* III-16
4.2.3 *N4E, N4W, and N5 Mines* III-16
4.2.4 *SAMARCO Alegria* III-18
5.0 LIMITATIONS III-18
6.0 UNITS AND ABBREVIATIONS III-19
APPENDIX A — Depletion Report . . . . . .
APPENDIX B — N5 Report . . . . . .
APPENDIX C — 2008 Reserve Report . . . . . .
APPENDIX D — 2005 Reserve Report . . . . . .
APPENDIX E — SAMARCO Reserve Report . . . . . .

TABLES

2-1 Reserve Review and Audit Summary III-7
3-1 Qualifications and Experience of Project Personnel III-10
6-1 Vale's Iron Ore Reserves as of June 30, 2010 . . . . III-14

1.0 INTRODUCTION

At the request of Companhia Vale do Rio Doce (Vale), the consulting engineering firm of Pincock, Allen & Holt — Brasil (Pincock) has completed a review of the updated statement of reserves for 13 iron ore properties in the Northern, Southeastern and Southern Systems and the SAMARCO Alegria Complex mines as of June 30, 2010.

Pincock has assisted Vale in the review and audit of estimated resources and reserves for the iron ore deposits of the Northern, Southeastern and Southern Systems of the Vale operations in Brazil since 2005. This report is presented to summarize this involvement, provide a listing of the qualifications of the personnel involved with each audit and provide the statement of reserves for the specific properties addressed herein, as of June 30, 2010. This statement of reserves is based on a review of Vale's depletion of audited reserves for actual mine production since the date of the most recent audit by Pincock. Accordingly, for these 13 properties in which Vale has 100 percent ownership and the two SAMARCO properties in which Vale is 50 percent owner, Pincock has completed the most recent reserve review and audit as well as the review of the depletion of reserves for production since the last audit.

It is understood this report will be included in Vale's documentation for listing on the Hong Kong Stock Exchange. Accordingly, reference is made to the requirements of Chapter 18 of the exchange listing rules.

This report uses the terms "Measured Mineral Resource," "Indicated Mineral Resource," and "Inferred Mineral Resources." We advise investors that while such terms are recognized and permitted under Canadian regulations, the U.S. Securities and Exchange Commission (SEC) do not recognize them. Any references to mineral resources, Net Present Value (NPV), costs and prices, in this report or any of its annexes, is solely intended to validate the certification of the reserves according to SEC rules and its' "Industry Guide 7," and shall not be considered by any investor, analyst, or any company or person outside this context.

2.0 PREVIOUS RESERVE REVIEWS

The following summarizes the previous reserve reviews and audits completed by Pincock for Vale properties and for the SAMARCO Alegria in which Vale is a 50 percent participant with BHP Billiton.

2.1 Vale Properties

Auditing of the reported resources of Vale iron ore properties in Brazil began in 1997 in support of the filing of an F-3 Form with the United States Securities and Exchange Commission (SEC) as a requirement of the initial listing and public offering of Vale shares on the New York Stock Exchange. In that the objective of the audits was to support the US SEC filings, the review and audit work focused on confirmation that the reserves estimated by Vale complied with US SEC Industry Guide 7 "Description of property by issuers engaged or to be engaged in significant mining operations."

From the initial audit in 1997 through the audit completed of the 1999 reserves, the external auditor was the U.S. based company Mineral Resources Development, Inc. (MRDI). MRDI was acquired by AMEC in May 2000, and subsequent audits through the end of 2002, were done as AMEC but involved essentially the same personnel as the prior MRDI work. Vale changed auditors for the end of year 2003 and 2004 reserve statements. The audit of reserves stated as of the end of 2003 was completed by Golder Associates in early 2004.

Pincock completed the audit of year-end 2004 reserves in March 2005. This work included a thorough review of the metallurgy, processing plants and environmental management, as these areas had not been completely addressed in previous audits. The primary focus of metallurgical and environmental assessments was to confirm there were no material issues that would present

impairments to production of the mineable reserves being stated. This review addressed the Fábrica Nova Mine of the Southern System which is included in the reserve statement discussed herein.

AMEC again audited the reserves in 2005. For 2006, a third-party audit was not conducted, but reserves were depleted for actual production since the date of the previous audit by Vale's technical personnel. In February 2008, Pincock completed a reserve reconciliation review of Vale stated reserves as of December 31, 2007. This work confirmed the reserve statement by Vale for end of year 2007, based on the assumption of the validity of the last reserve audit, but did not include an independent review of the AMEC audits for end of year 2005 reserves.

Pincock completed a review and audit of the reserves for nine of Vale's iron ore properties as of December 31, 2007, with the work beginning in September 2008. The properties consisted of the Fábrica Complex, the Vargem Grande Complex, and the Apolo project of the Southern System, and the N4E and N4W mines and Serra Sul Project of the Northern System of mines.

For the N5 mine of the Northern System, Pincock has just completed a review and audit of the estimated reserves as of December 31, 2009.

For the reserve estimation as of June 30, 2010, Pincock completed a review of the depletion process for all Vale's iron ore properties in Brazil for which reserves are reported. This included both properties for which Pincock completed the most recent reserve review and audit (properties discussed herein) as well as properties for which other entities completed the most recent third-party reviews.

Table 2-1 summarizes the relevant dates of the audits and depletion review leading to the reserve statement presented herein.

Copies of the 2010 depletion review report, the 2010 reserve audit report for the N5 deposit, the 2008 reserve audit report, the November 2005 audit report of the Pico-Galenherio Mine and the specific appendices from the 2005 reserve audit report that relate to the iron ore properties are presented in Appendices A to D, respectively.

TABLE 2-1
Vale
Summary of Reserve Audits
Reserve Review and Audit Summary

Complex	Mine / Deposit	Status of Mine/Deposit	Last Audit of Reserves					Reserves after Depletion As of June 30, 2010	
			Date of the Reserve Statement	Date of Site Visit	Date of Final Report	Stated Reserve[b]			
						Million tonnes	Fe%	Million tonnes	Fe%
Minas Centrais Complex	Apolo	project	December 31, 2007	Sept-October, 2008[a]	August 14, 2009	632.1[c]	56.1	632.1	56.2
Mariana Complex	Fábrica Nova	operating	December 31, 2004	March 2005	May 13, 2005	1,046.5	47.1	829.6	45.2
Itabiritos Complex	Segredo[e]	operating	December 31, 2007	Sept-October, 2008[a] December 2008[b]	August 14, 2009	311.6	50.1	340.8	50.2
	João Pereira[e]	operating	December 31, 2007	Sept-October, 2008[a] December 2008[b]	August 14, 2009	584.8	42.3	490.0	41.9
	Sapecado	operating	May 18, 2005	November 2005	January 3, 2006	341.8	54.8	210.5	53.0
	Galinheiro	operating	May 18, 2005	November 2005	January 3, 2006	353.8	54.9	294.8	54.3
Vargem Grande Complex	Tamanduá	operating	December 31, 2007	Sept-October, 2008[a] December 2008[b]	August 14, 2009	546.0	53.3	484.0	54.1
	Capitao do Mato	operating	December 31, 2007	Sept-October, 2008[a] December 2008[b]	August 14, 2009	839.1	52.2	758.5	51.9
	Abóboras	operating	December 31, 2007	Sept-October, 2008[a] December 2008[b]	August 14, 2009	469.3	45.2	444.5	44.3
Serra Norte Complex	N4W	operating	December 31, 2007	Sept-October, 2008[a] December 2008[b]	August 14, 2009	1,613.0	66.5	1,499.2	66.4
	N4E	operating	December 31, 2007	Sept-October, 2008[a] December 2008[b]	August 14, 2009	442.4	66.4	371.7	66.4
	N5	operating	December 31, 2009	July 2010	August 17, 2010 (draft)	1,143.4	67.1	1,105.7	67.1
Serra Sul	Serra Sul	project	December 31, 2007	Sept-October, 2008[a] December 2008[b]	August 14, 2009	4,239.6	66.8	4,239.6	66.8
SAMARCO Mina Alegria[d]	Samarco Norte Centro	operating	December 31, 2009	Sept-October, 2009[a] December 2009[b]	April 28, 2010	1,276.3	42.7	1,260.7	42.7
	Samarco Sul	operating	December 31, 2009	Sept-October, 2009[a] December 2009[b]	April 28, 2010	835.0	39.2	822.0	39.2
Total Reserve								13,783.7	57.4

a) Site visit for resource review was completed in September-October 2008 and site visit for reserve review was completed in December 2008. The exception was the Apolo Project which was only visited by the Geology team.
b) tonnage based on natural (wet) moisture tonnage and iron grade is on a dry basis.
c) The audited reserve was 652.0 Mt at an average grade of 56.1% Fe which included a small mining decree which Vale does not currently have control but anticipates obtaining. The stated reserve is reduced to 632.1 Mt to reflect the impact of this area.
d) 50% ownership by Vale
e) At the time of the 2008 reserve audit, a portion of the reserves for Segredo had been included in with the João Pereira mine. The current accounting has placed the reserves back with Segredo Mine. The total for the Fábrica Complex is not affected by the distribution.

Appendix D of this report includes the following appendices from the May 2005 reserve audit report:

- Appendix A of the 2005 report which addresses the iron ore mines and projects which were operated by Vale in the Iron Quadrangle.
- Appendix B which addresses the iron ore mines operated by MBR in the Iron Quadrangle.
- Appendix C which addresses the Carajás iron ore mines.

These appendices were prepared as stand-alone technical reports and present the audit results and conclusions for these properties.

2.2 SAMARCO Alegria Complex

SAMARCO's Mina Alegria was first audited by Golder Associates in May 2005 for reserves as of December 31, 2004. This review addressed a reserve base (proven and probable) of 719.4 million tonnes at an average grade of 44.6 percent Fe.

Beginning in 2009, at the request of Samarco Mineração S.A. (SAMARCO), Pincock completed a review and audit of the resources and reserves estimated for the Alegria Mine Complex, which is located in Minas Gerais State, Brazil. Mina Alegria is currently producing from two open pit mines with three distinct zones of mineralization: Alegria North, Alegria Central, and Alegria South. Alegria Central has no mining operations and is primarily a drilled out area, located contiguous with the current Alegria North mine pit. The mine is referred to as Norte-Centro. Germano is a mined out former open pit with a small remaining reserve, but was not addressed in the audit.

Pincock began the audit in September 2008 to review the resource model and resource estimate that had been prepared by SAMARCO's staff as of June 2008. An initial letter report was provided on October 9, 2008 which presented the findings of the resource review. This initial audit conclusion was that the June 2008 resource figures met acceptable international standards for resource calculation and were suitable for reserve estimation.

Subsequent to the initial resource review, SAMARCO decided to revise the resource models with additional drilling results and develop mine plans and a reserve estimate on the updated resource models. For the reserve estimate as of December 31, 2009, SAMARCO staff developed a new resource model.

Pincock's work on this audit resumed with a site visit by the geology team to the operations at the Alegria Complex in October 2009 to review the revised resource model and resource estimate. A letter confirming these resources was provided to SAMARCO on December 9, 2009. Our review of the reserve calculation then began with a site visit from December 14 to December 18, 2009.

The objective of the review was to provide a confirmation of the reserves estimated by SAMARCO's technical staff. Since the results and findings of Pincock's audit report could possibly be referenced in public filings by the two partners with Securities Exchange Commissions in both Australia and the US, consideration was given to both the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (JORC Code) and US SEC Guide 7 definitions of reserves. The Pincock audit report was not, however, prepared as the JORC Competent Person's report for the SAMARCO reserve estimate.

As part of this project, Pincock conducted site visits with a multi-disciplinary team of engineers and geologists, observed mining operations, and reviewed the methodology used by SAMARCO's geologists and mining engineers in calculating reserves.

Appendix E includes a copy of the 2009 reserve review and audit report completed for the SAMARCO Alegria Complex.

3.0 APPROACH TO AUDITS

The following summarizes the project team qualifications and the general approach taken to each reserve review and audit.

3.1 Project Team Qualifications

Reserve reviews and audits completed by Pincock for the Vale and SAMARCO properties were completed to meet US SEC criteria, which currently do not include a criterion for a Competent Person. However, our project teams included senior level personnel in each technical discipline, with at least two people on each team who do meet the Hong Kong Stock Exchange Chapter 18 definition for a Competent Person (CP). We would note that membership in a Recognized Professional Organization is the only reason the other people do not meet the CP criteria. The average experience level of each team is in excess of 30 years, and specific to their role in the project team.

Table 3-1 provides a summary of the area of technical expertise and years of experience of the project team members for each of the reserve audits and notes the people who do meet the Chapter 18 Competent Person criteria.

The following presents a summary of the experience of the project team members:

Jorge Amirá, Principal Mine Engineer. Mr. Amirá has over 33 years experience in the minerals industry including mine management, environmental risk management, and strategic planning. His experience includes mine planning and engineering for both open pit and underground mines, geostatistical evaluations, resource and reserve estimation, and economic evaluations. He participated in the 2008 and 2010 reserve audits for Vale iron ore and manganese properties, the 2010 Vale depletion review and the 2009 audit of SAMARCO.

TABLE 3-1
Vale
Summary of Reserve Audits
Qualifications and Experience of Project Personnel

	Jorge Amira	Bipin Bhatt. PhD.	Darrel Buffington, P.E.	Ronald Harma	Barry Hansen	Douglas Jones	Don M. Larsen, PhD., P.E.	Leonel Lopez, PG, CPG	Landy Stinnett, P.E.	Barton Stone, P.G.	Donald B. Tschabrun
Project Responsibility in Most Recent Audit	**Mining and Economics**	**Geology and Geostatistics**	**Project Manager and Environmental**	**Metallurgical and Process**	**Metallurgical and Process**	**Mining and Economics**	**Metallurgical and Process**	**Geology and Geostatistics**	**Mining and Economics**	**Geology and Geostatistics**	**Mining and Economics**
Years Experience	37	35	30	40	40	25	22	37	42	36	30
Currently affiliated with Pincock	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	No
Meets Competent Person Criteria	Yes	No	Yes	No	No	No	Yes	Yes	Yes	Yes	No
Project Participation Apolo		X	X	X		X		X			
Fábrica Nova		X	X		X			X	X		
Segredo		X	X	X		X		X			
João Pereira		X	X	X		X		X			
Sapecado			X	X				X			X
Galinheiro			X	X				X			X
Tamanduá		X	X	X		X		X			
Capitao do Mato		X	X	X		X		X			
Abóboras		X	X	X		X		X			
N4W	X	X	X	X				X			
N4E	X	X	X	X				X			
N5	X		X	X						X	
Serra Sul	X	X	X	X				X			
Samarco Norte Centro	X		X				X			X	
Samarco Sul	X		X				X			X	

Bipin J. Bhatt, Ph.D., Geostatistician. Dr. Bhatt has extensive experience in mine geology project management, project planning and supervision, budgeting, and bankable feasibility studies including open pit and underground mining operations on both domestic and international projects. He has conducted resource/reserve estimations, reserve updates and auditing, geostatistical studies, and ore reconciliation. He has completed numerous assignments in mine planning — short range and long range strategic, production optimization, exploratory and development drilling, ore control, ore dilution, ore movement, drilling and blasting plans, sampling and mapping, blast movements, and metallurgical evaluations. Dr. Bhatt was part of the Pincock team that recently conducted the VALE 2008 reserve reconciliation project as well as the 2005 Resource and Reserve audits.

Darrel Buffington, P.E., Principal Engineer — Project Manager. Mr. Buffington is located in the Belo Horizonte office and is responsible for direction of Pincock projects in Brazil. He has 30 years experience including reviewing environmental management systems as part of due diligence evaluation of operating mines, providing technical analysis of mine waste containment facilities, review of regulatory compliance issues, and developing strategies for addressing environmental impacts in the mine planning process. Mr. Buffington's experience in Brazil includes serving as team leader for the 2005 resource and review audit of VALE's Southern System and the proposed expansion of Minerações Brasileiras Reunidas' Sapecado-Galinherio Project; due-diligences on an open pit copper-gold deposit in Pará state, completing a Canadian National Instrument 43-101 resource review for an iron ore project in Amapá state, and was the project manager for basic and detailed mine planning and design for two nickel projects in Pará state.

Ronald O. Harma, Principal Process Engineer. Mr. Harma has 40 years experience in mine and plant operations, research and development, engineering and project management, international project development and general management in ferrous and copper/ precious metals businesses. He has extensive iron ore experience having worked for a major iron ore mining and processing company for over 40 years. He has provided leadership for mergers and acquisitions and directed research, development, process engineering, environmental monitoring and geological and land activities. Mr. Harma completed an iron ore mine valuation for Mechel Iron and Steel Company in support of US SEC filings and participated in the 2005, 2008 and 2010 audits of Vale iron ore properties.

Barry J. Hansen, Principal Process Engineer. Mr. Hansen has over 40 years of technical experience in the engineering, design and operation of mining and metallurgical projects, including nickel, cobalt, iron, silicon, copper, lead, zinc, copper, molybdenum, gold and silver ores. He is an expert in the engineering and operation of high-temperature metal production facilities, with particular emphasis on technical trouble-shooting and problem solving, including nickel and silicon smelters, and iron ore pelletizing plants. He is skilled in R & D at all levels from bench-scale testing to complex program management. Mr. Hansen has managed large-scale development programs to produce Ferronickel from nickel laterite ore.

Douglas M. Jones, Vice President, Mining & Geological Services. Mr. Jones has 27 years experience in the minerals industry which includes progressive positions at four major mining companies. He was General Mine Manager for the large underground Stillwater platinum Mine, in charge of all functions at the mine site. As Mine Superintendent for Newmont Mining Corporation's Deep Star and Carlin East gold Mines, he was responsible for all aspects of the mine operations, starting up two underground mines from drill holes to full production. International experience includes positions as Senior Mine Engineer and Senior Project Engineer at the Grasberg, DOZ and Dom copper mines for Freeport McMoran, including two start-up mines. He was also a mine foreman and engineer for Molycorp's Questa molybdenum mine.

Don M. Larsen, Ph.D., P.E., Principal Process Engineer. Dr. Larsen has over 22 years experience in the minerals industry including metallurgical process auditing, evaluation and process improvements. He has managed metallurgical programs supporting feasibility studies on

international acquisitions. He has been involved in iron, gold, silver, copper and nickel mining projects and has worked for a major iron producer and two gold producers.

Leonel Lopez, C.P.G., Principal Geologist. Mr. Lopez has broad participative and productive experience in the mining industry including exploration for iron ores, coal, precious metals, base metals in copper porphyry, disseminated, sedimentary, vein and massive sulfide deposits. Has provided consulting services for numerous world private and public corporations in the area of resource/reserve definition, evaluation, and certification. He has proven leadership abilities for completion of successful negotiations and programs of exploration and development. Mr. Lopez completed geologic review of CVRD's iron ore properties in Brazil in 2005 and 2008 and conducted an audit of the MBR Pico Complex iron operation in the Iron Quadrangle in the state of Minas Gerias, Brazil.

Landy A. Stinnett, P.E., Mine Engineering. Mr. Stinnett is a Principal Mine Engineer with diversified experience in all unit operations associated with a variety of open pit and underground mining methods. He brings to the PAH team over 40 years of experience in mining engineering, valuations, appraisals, and economic cost evaluations. He has been involved in the preparation and/or review of many prefeasibility/feasibility studies in iron, coal, copper, precious metals, and industrial minerals. He specializes in the areas of mine method selection, equipment preference, and engineering cost estimations. His iron experience includes the reserve update for CVRD's Southeastern System iron properties in Brazil. Mr. Stinnett is registered in Colorado as a Professional Engineer, and with the Society of Mining Engineers as a Registered Member.

Barton G. Stone, C.P.G., Chief Geologist. Mr. Stone has expertise in the fields of geology, exploration, and resource estimation. He has more than 40 years experience in the evaluation of base and precious metal deposits around the world, including due diligence reviews, technical evaluations, and prefeasibility/feasibility studies. His experience is highlighted by 10 years with Kinross Gold as Exploration Manager. He also has 15 years with Anaconda/ARCO and managed a team of 12 geoscientists in base and precious metals exploration and evaluation.

Donald B. Tschabrun, Principal Mining Engineer. Mr. Tschabrun has 25 years of broad experience in world-wide base metal, precious metal and industrial mineral projects. He has extensive project experience in computerized drill hole database management, geological interpretation, ore deposit modeling, ore reserve estimation, mine planning and design, capital and operating cost estimation, economic and financial evaluations. He has prepared numerous feasibility studies and due diligence reviews and developed resource/ reserve evaluations within requirements established by United States, Canadian and Australian Securities Exchanges, respectively. Mr. Tschabrun is recognized by US courts as an Expert in mine operations and economic evaluations.

3.2 Approach to Audits

The typical approach to completing the reserve audits included:

- Review of the previous audits completed for the subject property.
- Completing site visits to the operating mines by the full Pincock audit team typically consisting of a geologist, a geostatistician, a mining engineer, an environmental/ geotechnical engineer, and a process/metallurgical engineer. Undeveloped projects would be visited by at least the geologic team.
- Review and independent analysis of data provided by the company's staff.
- Preparation of an interim report of the findings of the resource review.
- Preparation of a final report of the findings of the audit.

Verbal and written reports would be presented to Pincock during the site visit to provide for our understanding of the data, geologic model, mineral processing, and mine designs in sufficient detail to confirm that the reported resources and reserves were estimated in accordance with generally accepted principles and practices of the mining industry.

Pincock reviewed the inputs to the reserve estimates to confirm that appropriate steps have been taken to properly classify the resources as reserves in accordance with US SEC criteria, and in the case of the SAMARCO Alegria Complex, the JORC Code. This includes information regarding the ability to technically, economically and legally extract the reserves.

Pincock teams included geologists to review the geology and geologic model, a geostatistician to examine the analytical approaches used in estimating resources, a mining engineer to assess mining methods and costs and the mine planning that supports definition of mineable reserves, a metallurgist to review processing operations and costs, and a geotechnical/environmental engineer to review geotechnical mine design, permitting status and compliance, environmental management and the existence of a satisfactory reclamation and rehabilitation program.

The following areas are included in this audit:

- Auditing the Geologic and Resource Models
  - Review of the current status of the exploration methods, sampling and assaying procedures, and the geologic interpretations with the geologists familiar with the projects.
  - Review of the statistical and geostatistical parameters used in the estimation of the in situ resources.
  - Review of the reconciliation of past production for operating mines, to the predicted model resources. This involves reconciliation of modeling based on bench face, trench and drill hole sampling during mining with the long-term resource model.
- Auditing of Mineable Reserves
  - Review of the direct operating costs, recoveries, and other economic data used to determine the mineable reserves in the ultimate pits.
  - Review of current mine progress, planned progress, and ultimate pit configuration.
  - Comparison of predicted direct operating costs to the costs currently being reported at the mines.
  - Review of ultimate pit determinations, mine designs, production scheduling and reserve classification. In general, Measured resources within the ultimate pit became Proven reserves and Indicated resources within the ultimate pit became Probable reserves. An exception to this is the N5 mine as discussed in Section 4.2 of this report and in more detail in the N5 reserve audit report in Appendix B.
  - Review of metallurgical test work and process facilities for each mining operation.
  - Review of mine geotechnics including approaches to design and monitoring of pit slopes, mine waste disposal areas, tailings impoundment dams and sediment or other impounding structures.
  - Review of the status of the surface and mineral rights, mine permits, closure plans, and environmental management.

The audit work was focused on the mining and mineral processing operations and did not typically include a review of concentrate pipeline systems, rail systems, or port facilities.

The specific audit reports presented in Appendices B to E provide detailed information on the resource and reserve estimation processes and the procedures used by Pincock in the reserve review.

4.0 SUMMARY OF RESERVES

Pincock has reviewed reserve statements and the underlying estimation process for 11 iron ore mining operations and two development projects of Vale and the SAMARCO Alegria Complex as discussed in Section 2 of this report. The following discusses the status of the reserves as of June 30, 2010.

4.1 Statement of Reserves

Based on the review of Vale's mineral reserves stated as of June 30, 2010, Pincock has developed Table 4-1, which presents the reserves Vale has reported for the Southern Systems Mines and the Northern Systems Mines and SAMARCO's staff has developed for the Mina Alegria Complex mines. The reserves are estimated by a combination of estimation of resources and reserves using industry accepted approaches to define a reserve as of a certain date which is then subject to a third party review and audit. Reports of the Pincock audits for each property are presented in Appendix B to E.

TABLE 4-1 Vale
Summary of Reserve Audits
Vale's Iron Ore Reserves as of June 30, 2010

		Proven		Probable		Total	
	Reserves[(a)]	Mt	% Fe	Mt	% Fe	Mt	% Fe
Minas Centrais Complex	Apolo	292.4	57.4	339.7	55.1	632.1	56.2
Mariana Complex	Fábrica Nova	480.1	46.0	349.6	44.1	829.6	45.2
Itabiritos Complex	Segredo	172.1	52.0	168.7	48.5	340.8	50.2
	João Pereira	202.3	42.2	287.7	41.7	490.0	41.9
	Sapecado	90.2	52.7	120.3	53.2	210.5	53.0
	Galinheiro	114.1	54.7	180.7	54.0	294.8	54.3
Vargem Grande Complex	Tamanduá	280.3	56.1	203.8	51.3	484.0	54.1
	Capitao do Mato	200.2	55.6	558.3	50.6	758.5	51.9
	Abóboras	227.4	45.3	217.1	43.3	444.5	44.3
Serra Norte Complex	N4W	1,212.3	66.5	286.9	66.1	1,499.2	66.4
	N4E	285.4	66.5	86.3	66.0	371.7	66.4
	N5	381.0	66.8	724.7	67.2	1,105.7	67.1
Serra Sul	Serra Sul	3,045.8	66.8	1,193.7	66.7	4,239.6	66.8
SAMARCO Mina Alegria[(b)]	Samarco Norte Centro	706.0	44.2	554.7	40.7	1,260.7	42.7
	Samarco Sul	440.0	39.7	382.0	38.5	822.0	39.2
Total Reserves		**8,129.6**	**59.3**	**5,654.1**	**54.6**	**13,783.7**	**57.4**

a) Reserves stated in wet run-of-mine (ROM) million metric tons (Mt)
b) 50% ownership by Vale

The audited reserve was then depleted for actual production that has occurred between the time of the reserve estimate and June 30, 2010. The depletion estimation was primarily done using site topographic survey data to develop a mine surface as of June 30, 2010 and then determining the tonnes and average grade of proven and probable ore below this surface and above the limits of the ultimate pit considering the audited block model of reserves.

Checks were made against production records as well, to add confidence in the depletion process; however, primary consideration was given to the physical survey data as there were significant discrepancies in the mine production data. Economic analyses were made to confirm material classified as ore as of the date of the most recent reserve audit, still meets the economic viability criteria under today's operating costs and product sales values. The 2010 depletion report presented in Appendix A provides a detailed discussion of the depletion procedures and Pincock's review process.

It is Pincock's opinion that these reserves meet the requirements of the U.S. Securities and Exchange Commission. Recent site visits were not made as part of this report preparation, except for the N5 operations of the Northern System. However, Pincock is not aware of any material changes nor has Vale provided any information of material changes that would indicate material classified as reserve as of the date of the most recent audit from being ore today. We would, however, note the considerations presented in the following section regarding specific aspects of some of the properties regarding the legal right to mine.

4.2 Considerations

The following properties have specific considerations regarding permitting or legal right to mine which should be recognized. It is Pincock's opinion that there is a reasonable probability that these issues will be resolved and Vale will obtain the legal right to mine the full reserve, therefore, consider mining of the reserves to be legally viable.

4.2.1 Apolo Project

The federal department responsible for issuing the mining rights in Brazil is the National Department of Mineral Production (DNPM). Mining rights given by the Mining Decree are transferable with approval of the DNPM. As part of the information provided to Pincock for this audit, Vale presented information concerning the validity of mining rights for the ore bodies that comprise the stated reserves. While Pincock's work did not include a legal opinion on the validity of these rights, it is our opinion that Vale has demonstrated that the right to mine exists for all the reserves stated except for a small portion of the Apolo Project. Relative to the Apolo Project, a portion of the ultimate pit that has been designed for the Apolo Project for the reserve estimation includes an area for which Vale does not currently hold the DNPM mining rights. There is one concession for this area that is not currently controlled by Vale. Pincock understands negotiations are well under way with the company holding the concession.

The stated reserves in Table 4-1 of this report exclude the reserves for which the DNPM concessions are held by other companies but will likely become available to Vale. Vale has evaluated the impact of this concession on the overall resource being stated for the Apolo Project and have provided Pincock with data which demonstrated the reserve to be 632.1 Mt as compared to a reserve of 652.9 Mt, which is addressed in the 2008 reserve review and audit report presented in Appendix C. Pincock believes it is reasonable to expect Vale will be able to resolve this issue through either negotiation with the current concession holder or through legal action through DNPM. In that DNPM has an obligation to assure the mineral resources of the nation are developed in the manner that provides the best value to the people of Brazil, allowing Apolo Project to be developed without mining all the material within the ultimate pit would not achieve this mandate.

Beyond the DNPM Mining Decree, additional regulatory approvals must be obtained for the Apolo Project to address environmental and social impacts of a mining project. There is concurrent regulatory authority by the Federal, State and Local governments over nature conservation, soil and natural resources protection, environmental preservation and pollution control. For the Apolo operations, which are located entirely within the State of Minas Gerais, environmental licensing is through the State Secretary for Environment and Sustainable Development (SEMAD). The State Council for Environmental Policies (COPAM) is responsible for formulating the technical norms and

guidelines for environmental quality. The State Foundation for the Environment (FEAM) is the lead agency within SEMAD and under COPAM for permitting mining operations. FEAM is responsible for review and evaluation of mining projects to confirm the proposed mineral development will comply with the environmental policies formulated by COPAM. As part of the regulatory review process, the State Institute for Forestry (IEF) and the Water Management Institute (IGAM) are responsible for review and comment on issues related to agriculture and forestry and water resources, respectively.

Permitting of the Apolo Project is currently in progress with a projected date of October 2010 to receive the Preliminary License. In accordance with the regulatory requirements, Vale has prepared the EIA and RIMA with the assistance of third party consultants. Public meetings have been held to identify concerns of the local population as part of the scoping of the EIA/RIMA document preparation. The approximately two years is scheduled to obtain the Installation License (LI) for the Apolo Project.

From Pincock's review of the provided schedule and scope of EIA/RIMA, it is our opinion that Vale's schedule for permitting is reasonable, considering the overall project implementation schedule. As in the permitting of any major, greenfields mining project involving the regulatory process and public review and comment, the exact schedule and the need for additional studies or evaluation are uncertainties. Comments received during the public meetings during the EIA/RIMA scoping process indicate a significant public concern for impacts to water resources due to the water demands for the project and the environmental risks associated with the tailings disposal and sediment containment dams, which are common public concerns. Impacts due to the inflow of workers during construction and operation were also identified. The changing land use in the area resulting from development of residential areas is changing focus from the historic agricultural land use. This brings additional public concerns with noise, dust and visual impacts. Vale's success in expanding the operations of the portions of the Southern System that were previously operated as MBR which are adjacent to commuter communities around Belo Horizonte would indicate Vale has the ability to successfully operate within this environment. However, the lack of the environmental license presents a risk to the development of the project, although a reasonable risk, typical of projects at this phase of development.

4.2.2 Segredo, João Pereira, Tamanduá, Capitão do Mato, and Abóboras Mines

As discussed in the 2008 report in Appendix C, the reserves for the Segredo and João Pereira of the Fábrica Complex and the Tamanduá, Capitão do Mato and Abóboras Mines of the Vargem Grande Complex consider the future process of hard itabirite materials which were previously considered waste. These ores are to be treated in new processing plants through crushing, grinding, and flotation to produce pellet feed. While this processing technology to treat hard, lower grade itabirite ores is relatively new to the Brazil iron ore industry, similar materials are being successfully treated in other parts of the world.

The new itabirite processing projects for Fábrica Complex and Vargem Grande Complex will require regulatory approval and modification of the existing Operating Licenses through FEAM. In that these will be expansion projects to the existing operation, an Installation License will needed to allow construction of the plants, then a modification of the existing Operating License will be issued by FEAM. Pincock understands that this is primarily an administrative process with technical review to confirm the expansion project will meet the environmental performance standards of the original Operating License.

4.2.3 N4E, N4W, and N5 Mines

The Northern Complex of mines and most of the associated operations and activities are located on federal land within the Floresta Nacional de Carajás (National Forest of Carajás), which was established by federal law in 1998, after the Carajás mining complex was in operation. Two tailing ponds (Gelado and Geladinho) for the existing Carajás Processing Plant are located in the Gelado

Area of Environmental Protection (APA), a federal conservation unit situated immediately north of the National Forest. Both areas are overseen by the Instituto Brasileiro do Meio Ambiente e dos Recursos Naturals Renovaveis (IBAMA: Brazilian Institute of Environment and Renewable Natural Resources). New projects or significant revisions to the existing operations require approval by IBAMA as discussed in more detail in the N5 reserve audit report in Appendix B and the 2008 report for the Northern System mines presented in Appendix C.

As part of the licensing process, an environmental impact analysis is required. The level of detail of the analysis is determined by the significance of potential impacts. For significant projects, a full environmental impact assessment is required which includes inter-agency review and PUBLIC consultation, public announcements of availability of documents for review and certain taxes or fees to be paid.

The N4E, N4W and N5 Mines of the Carajás Complex are currently in operation and feeding an existing 100 Mtpy process plant and there will be an additional 30 Mtpy (nominal) plant completed in the near term. At the time of the 2008 audit, the installation license for the 30 Mtpy process plant construction had not been received. The license has been received and the plant is under construction as of the time of the July 2010 site visit for the N5 audit.

The northern portion of the N5 deposit has two active mining areas that are included in the existing Operating License. The 338 ha area designated as N5S, located to the south of the existing operation requires regulatory approval by IBAMA. Vale has elected to permit N5S in two steps as a result of the occurrence of caverns in the southern most part of the N5S area. These caverns are developed in the iron formations through dissolution and mobilization of minerals in a similar manner as karst features develop in limestone. Recent changes in Federal environmental regulations has raised the significance of the caverns in iron formations, requiring more detailed mapping and analysis to assess the cultural and ecological significance of caverns in the area to be impacted by mining. There is a classification system developed for classification of the importance of each cavern, which aids in defining the level of protection or mitigation required. It is possible that highly important caverns will require preservation, preventing mine development in those areas.

Vale is proceeding with permitting of approximately 128 ha adjacent to the existing mining operations and is conducting studies of the caverns in the remaining area to identify and classify caverns. An EIA/RIMA has been prepared and submitted in December 2009 for the first part of N5S and public meetings were held in April 2010. Based on the limited public interest exhibited in the project, Vale has requested that future public meetings be waived and IBAMA complete the administrative review of the EIA/RIMA. Vale anticipates obtaining approval of the first portion of the N5S mining area soon.

For the southern most area, studies are being conducted to assess the number and significance of caverns within the ultimate pit area considered in defining the reserves reported for the N5 mine. The studies are ongoing and are not expected to be finalized until May 2011.

In that there is a risk that there may be caverns of significance that could impact development of the final pit in the N5S area, Vale has considered the areas that caverns have been identified and placed a 250 meter buffer zone around each and calculated the reserve outside these area influenced by the caverns to define the Proven reserves. Reserves within the ultimate pit and inside the buffer areas were classified as Probable reserves.

Pincock considers this a reasonable approach to address the uncertainty of the impact of the caverns on the currently designed ultimate pit for the N5S area. Based on the cavern surveys conducted for the northern portion of N5S which is currently being permitted, it appears highly unlikely that a significant number of the caverns would be determined to be of sufficient importance to preclude mining, although mitigation measures will certainly be necessary.

4.2.4 SAMARCO Alegria

Mining of the full reserve reported for the SAMARCO Norte-Centro and Sul Mines of the Mina Alegria Complex will require a new waste disposal pile and the diversion of a small stream that extends through the mining area. In that these will be expansion projects to the existing operation, an Installation License will needed to allow construction of the facilities, then an Operating License will be issued by FEAM. This is primarily an administrative process with technical review to confirm the expansion project will meet the environmental performance standards of the original Operating License.

Of greater interest relative to potential impacts to the stated reserves is the surface use status of the future waste disposal area which is a private property preservation area established under Federal law to conserve ecological processes, biodiversity and for protection of flora and fauna. In 2005, SAMARCO entered into an agreement with the State Institute of Forestry (IEF) to reserve certain areas within the mine limits to meet these requirements. The reserved areas include the proposed location of the future waste disposal area and haul road. SAMARCO is currently discussing alternative land parcels that can be exchanged for the current reserve area which would allow development of the new waste disposal area.

From Pincock's review of the provided schedule and scope of permitting activities, it is our opinion that SAMARCO's schedule for permitting of the new waste disposal area and the stream relocation. In addition, SAMARCO's technical staff has completed alternative studies that indicate there is a viable alternative to the new waste disposal area with in-pit disposal of waste rock. Regardless, lack of environmental license for a major project such as the new waste rock disposal area or the relocation of the stream presents a risk to the development of these reserves, although a reasonable risk.

Information provided to Pincock in the review of the SAMARCO operation indicates current DNPM authorization to mine exist except in the north and northeast sides of the North-Central pit. In these areas the slopes of the ultimate pit extend into that adjacent Alegria Mine owned by Vale. In that Vale is mining the same ore body as SAMARCO; Vale's mining operations will extend up to the SAMARCO property limits as well. A mining agreement is being finalized between SAMARCO and Vale to allow joint mining of the ore between the two properties. For SAMARCO's reserve estimation, only the ore that is within SAMARCO's DNPM concession limits is considered and both waste and Vale ore that must be moved to access this ore is being considered as waste in the mine plan and cost model.

5.0 LIMITATIONS

Pincock has independently reviewed information and data supplied by Vale and its affiliates and consultants. Although, Pincock's opinions expressed in this report rely on the accuracy of the supplied data, Pincock has no reason to believe that any material facts have been withheld. Vale's technical staff has been open and forthcoming with information. Pincock does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from investment or other financial decisions or actions resulting from them.

All disclosure about properties in this report conforms to the standards of United States Securities and Exchange Commission Industry Guide 7, Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations, other than disclosure of "Mineral Resources," "Measured Mineral Resources," "Indicated Mineral Resources," and "Inferred Mineral Resources," which are Canadian geological and mining terms as defined in accordance with Canadian National Instrument 43-101 under the guidelines set out in the CIM Standards.

Mineral resource estimates are inherently forward-looking statements and may be subject to change. Although Pincock exercises due diligence in reviewing the supplied information,

uncontrollable factors or unforeseen events can have significant positive or negative impacts on mineral resource statements. Uncontrollable factors or unforeseen events consist of risks related to the business such as, the cyclical nature of the mineral industry, the internationally competitiveness of the industry, price fluctuations based on varying levels of demand and international or local monetary or political policy changes. Any one or combination of factors could significantly influence mineral resource statements.

This report uses the terms "Measured Mineral Resource" and "Indicated Mineral Resource." We advise U.S. investors that while such terms are recognized and permitted under Canadian regulations, the U.S. Securities and Exchange Commission do not recognize them. U.S. investors are cautioned not to assume that any part or all of the Mineral Resources in these categories will ever be converted into Mineral Reserves.

This report uses the term "Inferred Mineral Resource." We advise U.S. investors that while such terms are recognized and permitted under Canadian regulations, the U.S. Securities and Exchange Commission do not recognize resources. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that any part or all of an Inferred Mineral Resource exists, or is economically or legally mineable.

The results and opinions expressed in this report are based on Pincock's observations and the technical data provided by Vale and are conditional upon the technical data being current, accurate, and complete as of the date of this report, and the understanding that no information has been withheld that would affect the conclusions made herein. Pincock reserves the right, but will not be obligated, to revise this report and the conclusions contained within, if additional information becomes known to Pincock subsequent to the date of this report. Pincock does not assume responsibility for Vale's actions in distributing this report.

6.0 UNITS AND ABBREVIATIONS

Pincock has based all measurements in the metric system, and has identified exceptions to this, notably when listing both English and Metric standards.

Unless otherwise stated, Dollars are United States Dollars, and weights are in metric tonnes of 1,000 kilograms (2,204.62 pounds). The following abbreviations are used in this report:

Abbreviation	Unit or Term
AA	Atomic Adsorption
BIF	Banded iron formation
DCF	Discounted Cash Flow
FEL	Front-End Loaded Project Evaluation Study
ft	feet
ft^3	cubic feet
G&A	General and Administrative
IDS	Inverse Distance Squared
ICP	Inductively Coupled Plasma
In	inch
ISO	International Standards Organization
JORC	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
k	Thousands
kg	kilogram

Abbreviation	Unit or Term
km	Kilometer
LI	Installation License
LMC	Linear co-regionalization model
LO	Operating License
LP	Preliminary License
LOI	Loss On Ignition
M	Millions
Mt or mt	Million tonnes
mm	millimeters
m^3	cubic meter
mtpy	Million tonnes per year
NI 43-101	Canadian National Instrument 43-101
NPO	Natural Pellet Ore
NPV	Net Present Value
OCK	Ordinary Co-Kriging
OK	Ordinary Kriging
oz	ounces
Pincock	Pincock Allen & Holt
ROM	run-of-mine
T or t	Metric Tonne (1,000 kg or 2,204.6 lbs)
TDA	Total De-clustered Average
TDS	Total Dissolved Solids
TSS	Total Suspended Solids
Tpa or tpy	Tonnes per annum
tpd	Tonnes per day
tph	Tonnes per hour
UTM	Universal Transverse Mercator coordinate system
Vale	Companhia Vale do Rio Doce
yd^3	cubic yards
XRF	X-Ray Fluorescence
$	United States Dollars
R$	Brazilian Reals
%	Percent by weight

Common Chemical Symbols	
Aluminum	Al
Calcium	Ca
Chlorine	Cl
Cobalt	Co
Copper	Cu
Gold	Au
Iron	Fe
Lead	Pb
Magnesium	Mg
Manganese	Mn

Common Chemical Symbols

Molybdenum	Mo
Nickel	Ni
Oxygen	O_2
Potassium	K
Silver	Ag
Sulfur	S
Titanium	Ti

Effective Date: 30 June 2010

VALE SOUTH AFRICA

EXTERNAL AUDIT OF MOATIZE COAL RESERVES

VOLUME 1

SUMMARY REPORT

Submitted to:

Vale South Africa (Pty) Ltd
13 Fredman Drive
2nd Floor, Fredman Towers
Sandton
2196

Report Number. 12779-10083-2
Distribution:
2 Copies - Vale South Africa (Pty) Ltd
1 Copy - Golder Associates Africa (Pty) Ltd
1 Copy - Project File

EXECUTIVE SUMMARY

Golder Associates Pty Ltd (Golder) was requested by Vale to carry out an audit of the Coal Reserves of the Moatize coal project in Mozambique.

The work included review of the following main areas:

- Mining and Reserves
- Economic Analysis

This document reports the findings of the audit. The Maputo office of Moatize and the site itself were visited during the period 11 June to 15th June by Ross Bertinshaw (Principal Mining Engineer) and Johan Swart (Senior Coal Geologist) of Golder Associates. Sue Bonham-Carter(Principal Mining Engineer) and Al Tatersall (Senior Engineer) of Golder Associates met Vale staff in the Johannesburg offices 20 June 2010 to review the project financials.

The project is based on a mine producing 26 Mt/a of Run-of-Mine (ROM) which is sent to a processing plant outputting about 8.5 Mt/a of 10.5% coking coal and 2 Mt/a of export thermal coal (27.2 MJ/kg) for a period of at least 35 years.

Golder finds the Coal Reserves documentation and data put together to a good standard. The Reserves are based on two main studies. These are the 2006 BFS (Snowden 2006c) and the 2009 update (Snowden 2009a and 2009b). The BFS provides the basis for all the Mining Sections except 2A. The plan was updated for this Section in 2009 with extra holes and more detailed planning for what will be the initial mining area.

Golder believes that the Reserves are fully supported by the work and studies carried out to date.

The main problem has been a lack of solid audit trail at this time. This is not because the work and data is not available but because Moatize is in a transitional period between the Feasibility and implementation planning carried out by Snowden and the operational planning that is now being taken over by the Moatize staff on site.

These on site people will in the next year no doubt redo much of the work and hopefully produce a new set of Reserves which will be fully documented and backed up by their own work. During this work it is important they create a proper audit trail.

Construction of the CHPP and other mine infrastructure are well underway, so risk in these areas are rapidly reducing. Much of the initial mining equipment is already on site and is now operating in the box-cut.

Golder believes that the Reserves published at June 2009 and as given below (after correction for tabulation error) are reasonable and supportable.

Golder has not expressed any opinion on mineral resources and any reference to mineral resources, NPVs, costs and prices in this report or any of its annexes. Golder audited the Coal Resources as part of this project and found no material problems with the estimation of the Coal Resources, and they were used for the validation of basic supporting information which is required to determine that the reserves are certified according to the SEC Rules and Industry Guide 7 and shall not be considered or relied upon by any investor, analyst or any company or person other than in relation to this specific purpose. The results from this audit can be found in the complete report "External Audit of Mineral Resources and Reserves for Moatize Coal Project,Report Number 12779-9783-1."

Coal Reserves at June 2009

Section	Class	ROM Coal Mt (adb)	ROM Coal Mt (arb)	Saleable Coking Coal Mt (adb) (10.5% Ash)	Saleable Coking Coal Mt (arb)	Saleable Thermal Coal Mt (adb) (27.2 MJ/kg)	Saleable Thermal Coal Mt (arb)
1	Proved	78	82	28	31	7	7
	Probable	47	47	16	17	5	5
2A	Proved	73	76	25	28	4	4
	Probable	115	120	40	44	7	7
3	Proved	56	59	15	17	4	4
	Probable	4	4	1	1	0	0
4	Proved	150	157	54	59	14	15
	Probable	41	43	14	15	4	4
6	Proved	66	69	18	20	4	4
	Probable	325	340	98	107	29	31
Total Proved		423	443	140	155	33	34
Total Probable		532	554	169	184	45	47
Total Reserves		955	997	309	339	78	81

Notes
ROM(arb) assumes mositure added to give 4.6% total moisture
Coking Coal Product (arb) assumes moisture added to give 10% total moisture
Thermal Coal Product (arb) assumes moisture added to give 6% total moisture

Report Structure

The Mineral Reserve Statement consists of two reports.

This report provides a summary of:

- Context of the Audit
- Basis for Coal Reserve Reporting
- Competent Persons
- Financial Assumptions
- Coal Reserve Estimates
- Results of Economic Evaluations
- Opinions of the Competent Persons

A detailed report with supporting documentation has been supplied to Vale.

TABLE OF CONTENTS

1.0 INTRODUCTION III-26
2.0 BASIS FOR COAL RESERVES REPORTING AS OF 30 JUNE 2010 . . . . III-26
2.1 Guidelines and Definitions III-26
3.0 COMPETENT PERSONS III-27
4.0 ECONOMIC ANALYSIS III-27
4.1 Life of Mine Plan III-27
4.2 Cost Estimates (Mining, Processing, G&A, others) III-27
4.3 Cash Flow Model and Sensitivity Analysis III-28
5.0 COAL RESERVE ESTIMATES III-28
6.0 OPINIONS OF COMPETENT PERSONS III-29

TABLES
Table 1: 5 Year Summary of Unit Costs ($US/product tonne) III-28
Table 2: Coal Reserves at June 2009 . . . . III-29

FIGURES

No table of figures entries found.

APPENDICES

APPENDIX A

Document Limitations

1.0 INTRODUCTION

Golder Associates Africa (Pty) Ltd. (Golder) has been retained to audit Vale's Moatize coal reserves as of 30 June 2010. Between 11 June and 15 June, Golder's competent persons visited the Moatize project site and interviewed key personnel from Vale at the site in order to ascertain the validity of the information gathered and the coal reserves being declared in this document. This report will support Vale's application for listing on the Stock Exchange of Hong Kong Limited. Accordingly, reference is made to the requirements of Chapter 18 of the exchange listing rules.

Golder has prepared this document in a manner consistent with that level of care and skill ordinarily exercised by members of the engineering and science professions currently practising under similar conditions in the jurisdiction in which the services are provided, subject to the time limits and physical constraints applicable to this document.

This document, including all text, data, tables, plans, figures, drawings and other documents contained herein, has been prepared by Golder. It represents Golder's professional judgement based on the knowledge and information available at the time of completion.

The factual data, interpretations, suggestions, recommendations and opinions expressed in this document pertain to the specific operation or project, site conditions, design objective, development and purpose described to Golder by Vale, and are not applicable to any other project or site location. In order to properly understand the factual data, interpretations, suggestions, recommendations and opinions expressed in this document, reference must be made to both this summary report and the full report.

In this document and the full report the terms Qualified Persons and Competent Persons are interchangeable.

2.0 BASIS FOR COAL RESERVES REPORTING AS OF 30 JUNE 2010

The key elements used for reporting Vale's coal reserve estimates are as follows:

- Coal reserves are estimated only in areas where Vale has legal rights to the property and only for the period that the mining rights exist.
- The economic viability of a coal reserve is demonstrated by full feasibility study. This principle is consistent with the requirements of the South African Code for Reporting of Coal Resources and Coal Reserves (The SAMREC Code) and also the US SEC Industry Guide 7.
- Coal reserves are estimated using industry best practices and are consistent with the definitions and standards under the SAMREC Code and also SEC Industry Guide 7.
- Coal reserves are scheduled in the Project's long-term production plan.
- Mining, processing, overhead and marketing costs are assigned based on the assumption that the operation is operating at a production level that is generally near the capacity of its production facilities.
- The economic viability of the coal reserves is demonstrated by the evaluation of the Project's long-term production plan against all applicable costs.

2.1 Guidelines and Definitions

As part of routine validation of the Moatize coal reserves, Golder is obliged to confirm that the following items are the result of sound engineering and geological practise, and that the final estimations are compliant with reporting codes such as SAMREC, SEC Industry Guide 7, HKEx Chapter 18, or NI 43-101, as required.

The items are:

- The Mining plan that is based on acceptable resource estimation practices.
- The Coal Reserves Statement is based on the mining plan.
- The positive cash flow resulting from the mining plan.
- Vale's sensitivity analysis on the cash flow, concluding that the project is robust under reasonably expected market conditions.

3.0 COMPETENT PERSONS

The following Golder Competent Persons were involved in the audit of Vale's Moatize Project.

- Johan Swart, Resource Geologist
- Ross Bertinshaw, Mining Engineer
- Sue Bonham-Carter, Mining Engineer
- Al Tattersall, Mining Engineer

4.0 ECONOMIC ANALYSIS

The Vale June 2010 cost model was audited during a meeting at the Johannesburg Vale offices on 21 June 2010. The model shows a fairly robust internal rate of return and profit within a project payback of 7 years. The revenue model assumes a discounted coal sale price due to coal quality of:

- 3% for hard coking coal.
- 22% for export thermal coal.

A domestic thermal coal scenario was not modelled.

The revenue model is considered reasonable. Golder considers the hard coking coal sale price may be slightly optimistic for the first few years for an untried brand. Later years were more conservative and there exists some upside.

4.1 Life of Mine Plan

The Life of Mine plan (LOM) remains unchanged with that presented in the BFS from years 5 to 35. The first five years of the plan was updated in the current vale budget 2010-2015 to reflect the delayed start date and ramp up using the modified truck and excavator fleets.

Golder considers the LOM plan productivity assumptions achievable and calculated to an appropriate level of detail.

The ramp up schedule of 4.5 years is considered achievable given that Vale is a large mining company with well established technical standards and operating procedures. The ability to meet production targets will depend on a smooth transition from feasibility mine design to production.

4.2 Cost Estimates (Mining, Processing, G&A, others)

Golder reviewed the 2010 cost estimates at a high level. Golder has not sighted detailed calculation data. A summary of the June 2010 Budget costs in comparisons to the IBFS is included in Table 1. Capital costs generally increased in comparisons to the IBFS. The logistics category was the highest to date with an additional $125M spent on rail/port transport costs. In addition the delayed project start date resulted in increased capital costs for some of the equipment generally due to escalation clauses in the contract or unfavourable changes in exchange rate.

Operating costs per product tonne also generally rose with logistics again being the most significant. A rise in diesel cost and additional power costs attributed to the increases. The mining cost per tonne of total material moved remained fairly consistent at $1.55/t.

Site personal and labour were in general consistent with the IBFS. A total of 750 staff is budgeted for 2011 ramping up to 893 by 2015.

Table 1: 5 Year Summary of Unit Costs ($US/product tonne)

Area	IBFS	Budget 2010
Mine	13.58	17.74
CHPP	3.20	4.66
Infrastructure	0.45	0.83
Logistics	12.43	31.64
Administration	4.81	5.84
Total	**34.47**	**60.71**

Golder considers the cost model assumptions used to be reasonable.

4.3 Cash Flow Model and Sensitivity Analysis

Updated cash flows were completed for year 1 to 5 only. The updated cash flows were calculated using methods similar to those discussed in the BFS of 2006.

Golder considers the financial model assumptions used to be reasonable and the cash flow model to be well constructed and to a high standard.

Golder did not sight any sensitivity analyses done by Vale during the audit. However, the original BFS costs and revenues were roughly compared to the 2010 budget cash flow model. Although costs have increased the coking coal price has risen significantly from 66$/t to the long term average of $160/t.

In preparing coal reserve data, Vale used price assumptions that did not exceed the following (2007 to 2009) historical average prices (based on realized sales or reference prices): for hard metallurgical coal for Moatize reserves US$175 per metric ton (hard coking coal FOB Australia reference price).

5.0 COAL RESERVE ESTIMATES

In preparing coal reserve data, Vale used price assumptions that did not exceed the following (2007 to 2009) historical average prices (based on realized sales or reference prices): for hard metallurgical coal for Moatize reserves US$175 per metric ton (hard coking coal FOB Australia reference price).

Golder supports the Coal Reserves as given in Table 2.

Table 2: Coal Reserves at June 2009

Section	Class	ROM Coal Mt (adb)	ROM Coal Mt (arb)	Saleable Coking Coal Mt (adb) (10.5% Ash)	Saleable Coking Coal Mt (arb)	Saleable Thermal Coal Mt (adb)	saleable Thermal Coal Mt (arb)
1	**Proved**	78	82	28	31	7	7
	Probable	47	47	16	17	5	5
2A	**Proved**	73	76	25	28	4	4
	Probable	115	120	40	44	7	7
3	**Proved**	56	59	15	17	4	4
	Probable	4	4	1	1	0	0
4	**Proved**	150	157	54	59	14	15
	Probable	41	43	14	15	4	4
6	**Proved**	66	69	18	20	4	4
	Probable	325	340	98	107	29	31
Total Proved		423	443	140	155	33	34
Total Probable		532	554	169	184	45	47
Total Reserves		955	997	309	339	78	81

Notes
ROM(arb) assumes mositure added to give 4.6% total moisture
Coking Coal Product (arb) assumes moisture added to give 10% total moisture
Thermal Coal Product (arb) assumes moisture added to give 6% total moisture

6.0 OPINIONS OF COMPETENT PERSONS

The following opinions pertain to June 30, 2010 Coal Reserve Statement for Vale's Moatize Project:

Golder concurs with the selection of a truck/shovel system.

Golder believes that the scheduling parameters and ramp-up are aggressive but achievable.

Golder believes that the water management strategy is appropriate for the operation.

The waste dump design parameters are reasonable and Golder supports their use.

Golder believes that there is no particular reason why the mix of in-pit and out-of-pit dumps cannot be used to handle the waste from all the sections plus the coarse rejects from the preparation plant.

The mine design parameters are reasonable industry standards and Golder concurs with their use.

Golder believes that the wall design is appropriate for the level of study.

Highwalls that intersect underground workings in Sections 1 or 6 may need a reduced slope angle.

Golder finds the mining method and equipment selected suitable for the operation.

Golder considers this to be all industry standard equipment from good suppliers and see no particular problem with the equipment selection.

Golder has sighted detailed equipment productivity calculations supporting the planned BFS primary production fleet, and finds the assumptions and methods of calculations used for equipment fleet and cost projections to be reasonable.

Marketing is a risk to the Reserves but Vale is a strong company with excellent contacts and links around the world and should be able to secure suitable markets for its production.

Golder finds the mine services area layout and facilities to be suitable for the likely operations at Moatize.

Golder considers the coal mining and quality control methods planned to be used are reasonable for the size of operation and the geometry and consistency of the coal quality.

Golder believes that the dilution and mining loss allowances are reasonable.

The correction factor used for converting slim core yield to practical yield may be overestimating product coal by 7% particularly for the saleable coking coal.

Golder finds that the scheduling has been carried out to appropriate standard using industry standard software.

Golder supports the Coal Reserves as reported. These are corrected for the tabulation error within the reported FS.

Golder believes that it may be possible to achieve the best of both a high production with some more selectively mined areas for product improvement but this is likely to be at the cost of more equipment and therefore higher cost to allow for loss of production and the need for greater selectivity.

The CHPP design and process selection appears to be appropriate for the Moatize coal deposit and the style of operation envisaged by Vale.

Golder considers the LOM plan productivity assumptions achievable and calculated to an appropriate level of detail.

The revenue model is considered reasonable. Golder considers the hard coking coal sale price may be slightly optimistic for the first few years for an untried brand. Later years were more conservative and there exists some upside.

Golder considers the LOM plan productivity assumptions achievable and calculated to an appropriate level of detail.

Golder considers the cost model assumptions used to be reasonable.

Golder considers the financial model assumptions used to be reasonable and the cash flow model to be well constructed and to a high standard.

GOLDER ASSOCIATES AFRICA (PTY) LTD.

Johan Swart
Snr Resource Geologist

Ross Bertinshaw
Principal

Sue Bonham-Carter
Associate

Alan Tattersall
Senior Mining Engineer

JS/RB/tk

Reg. No. 2002/007104/07

Golder, Golder Associates and the GA globe design are trademarks of Golder Associates Corporation.

APPENDIX A
Document Limitations

DOCUMENT LIMITATIONS

This Document has been provided by Golder Associates Africa Pty Ltd ("Golder") subject to the following limitations:

i) This Document has been prepared for the particular purpose outlined in Golder's proposal and no responsibility is accepted for the use of this Document, in whole or in part, in other contexts or for any other purpose.

ii) The scope and the period of Golder's Services are as described in Golder's proposal, and are subject to restrictions and limitations. Golder did not perform a complete assessment of all possible conditions or circumstances that may exist at the site referenced in the Document. If a service is not expressly indicated, do not assume it has been provided. If a matter is not addressed, do not assume that any determination has been made by Golder in regards to it.

iii) Conditions may exist which were undetectable given the limited nature of the enquiry Golder was retained to undertake with respect to the site. Variations in conditions may occur between investigatory locations, and there may be special conditions pertaining to the site which have not been revealed by the investigation and which have not therefore been taken into account in the Document. Accordingly, additional studies and actions may be required.

iv) In addition, it is recognised that the passage of time affects the information and assessment provided in this Document. Golder's opinions are based upon information that existed at the time of the production of the Document. It is understood that the Services provided allowed Golder to form no more than an opinion of the actual conditions of the site at the time the site was visited and cannot be used to assess the effect of any subsequent changes in the quality of the site, or its surroundings, or any laws or regulations.

v) Any assessments made in this Document are based on the conditions indicated from published sources and the investigation described. No warranty is included, either express or implied, that the actual conditions will conform exactly to the assessments contained in this Document.

vi) Where data supplied by the client or other external sources, including previous site investigation data, have been used, it has been assumed that the information is correct unless otherwise stated. No responsibility is accepted by Golder for incomplete or inaccurate data supplied by others.

vii) The Client acknowledges that Golder may have retained sub-consultants affiliated with Golder to provide Services for the benefit of Golder. Golder will be fully responsible to the Client for the Services and work done by all of its sub-consultants and subcontractors. The Client agrees that it will only assert claims against and seek to recover losses, damages or other liabilities from Golder and not Golder's affiliated companies. To the maximum extent allowed by law, the Client acknowledges and agrees it will not have any legal recourse, and waives any expense, loss, claim, demand, or cause of action, against Golder's affiliated companies, and their employees, officers and directors.

viii) This Document is provided for sole use by the Client and is confidential to it and its professional advisers. No responsibility whatsoever for the contents of this Document will be accepted to any person other than the Client. Any use which a third party makes of this Document, or any reliance on or decisions to be made based on it, is the responsibility of such third parties. Golder accepts no responsibility for damages, if any, suffered by any third party as a result of decisions made or actions based on this Document.

GOLDER ASSOCIATES AFRICA (PTY) LTD

At Golder Associates we strive to be the most respected global group of companies specialising in ground engineering and environmental services. Employee owned since our formation in 1960, we have created a unique culture with pride in ownership, resulting in long-term organisational stability. Golder professionals take the time to build an understanding of client needs and of the specific environments in which they operate. We continue to expand our technical capabilities and have experienced steady growth with employees now operating from offices located throughout Africa, Asia, Australasia, Europe, North America and South America.

Africa	+ 27 11 254 4800
Asia	+ 852 2562 3658
Australasia	+ 61 3 8862 3500
Europe	+ 356 21 42 30 20
North America	+ 1 800 275 3281
South America	+ 55 21 3095 9500

solutions@golder.com
www.golder.com

Golder Associates Africa (Pty) Ltd.
Thandanani Park
Matuka Close
Midrand
South Africa
T: [+27] (11) 254 4800

Effective Date: 30 June 2010

CELEBRATING 50 YEARS in 2010

REPORT

VALE INCO LIMITED

EXTERNAL AUDIT OF NICKEL AND COPPER MINERAL RESERVES

VOLUME 1

SUMMARY REPORT

Submitted to:
Vale Inco Limited
2060 Flavelle Blvd., Sheridan Park
Mississauga, Ontario
Canada L5K 1Z9

Project Number: 10-1117-0032
Distribution:

1 e-copy: Vale Inco Limited
1 e-copy: Golder Associates Ltd.

A world of capabilities delivered locally

EXECUTIVE SUMMARY

Vale's nickel and copper estimated proven and probable mineral reserves as of June 30, 2010 are compiled for Ontario, Manitoba, Vale Inco Newfoundland (VINL), PT Inco TBK (PT Inco) and Sossego operations and Vale Inco Nouvelle Calédonie S.A.S. (VINC), Onça Puma, and Salobo development projects. For the purposes of this report these sites are referred to collectively as "Vale's Operations and Projects".

This Mineral Reserve Statement summarizes the mineral reserve estimates at each of Vale's Operations and Projects as of June 30, 2010. It also outlines the basis of the estimates, demonstrates the economic viability of the mineral reserves and discusses the information supporting the estimates for disclosure to investors.

The Mineral Reserve Statement is a summary of the statements from each of Vale Operations and Projects. The format of the Statement is in general consistent with the format of the Technical Report as required in National Instrument (NI) 43-101. This Mineral Reserve Statement reflects the value of Vale's estimated payable metals (mainly nickel and copper but also includes other recovered metals found in association with nickel and copper mineralization).

Monetary units are in US dollars and tonnages are expressed in metric tonnes unless otherwise stated.

Report Structure

The Mineral Reserve Statement consists of two volumes.

Volume 1 (this volume) provides a summary of:

- Context of the Audit
- Basis for Mineral Reserve Reporting
- Qualified Persons
- Financial Assumptions
- Mineral Reserve Estimates
- Results of Economic Evaluations
- Opinions of the Qualified Persons

Volume 2 contains a detailed report supporting the Mineral Reserve Statement for each of Vale's Operations and Projects, divided into sections as follows;

- Section 1: Ontario (operation)
- Section 2: Manitoba (operation)
- Section 3: VINL (operation)
- Section 4: PT Inco (operation)
- Section 5: VINC (project)
- Section 6: Onça Puma (project)
- Section 7: Salobo (project)
- Section 8: Sossego (operation)

Each Section has been organized to cover the following areas:

- Summary, with auditor recommendations and conclusions

- Location, ownership and land tenure
- Infrastructure, production process, products, metal recoveries and markets
- Historic production, if applicable
- Description of the type of mineral deposits and exploration activity in 2009
- Deposit sampling methods, sampling and analysis, database management and validation of the data
- Geological interpretation, mineral resource modelling and mineral resource estimation and reporting
- Mine planning, deposit feasibility and mineral reserve estimation and reporting
- Mineral reserve estimates and classification
- Reconciliation studies and audits
- Environmental, government and community affairs and labour issues
- Operating, administrative and corporate cost estimates
- Capital cost estimates
- Economic evaluation, payback and sensitivities
- The potential life of the Operation or Project

TABLE OF CONTENTS

1.0	**INTRODUCTION**	III-40
2.0	**BASIS FOR MINERAL RESERVES REPORTING AS OF JUNE 30, 2010**	III-40
	2.1 Guidelines and Definitions	III-40
3.0	**QUALIFIED PERSONS**	III-41
4.0	**FINANCIAL ASSUMPTIONS**	III-42
	4.1 Metal Price, Exchange Rate and Product Premium/Discount Assumptions	III-42
	4.2 Vale Inco Corporate Costs	III-43
	4.3 Basis of Cost Allocations at Operating Sites	III-43
	4.4 Discount Rates	III-43
5.0	**MINERAL RESERVES ESTIMATES**	III-44
	5.1 Nickel Reserves	III-44
	5.2 Copper Reserves	III-45
	5.3 Cobalt Reserves	III-45
	5.4 Precious Metals Reserves	III-46
6.0	**RESULTS OF ECONOMIC EVALUATIONS**	III-46
7.0	**OPINIONS OF QUALIFIED PERSONS**	III-47

TABLES

Table 4-1: Metal Price and Exchange Assumptions III-42
Table 4-2: Premiums (Discounts) on Vale Pricing Assumptions, Forecasts III-43
Table 5-1: Nickel Mineral Reserve Estimates as of June 30, 2010 . . . . III-44
Table 5-2: Copper Mineral Reserve Estimates as of June 30, 2010 . . . . III-45
Table 5-3: Cobalt Mineral Reserve Estimates as of June 30, 2010 . . . . III-46
Table 5-4: Precious Metals Mineral Reserve Estimates as of June 30, 2010 . . . . III-46
Table 6-1: Realised prices (all Vale operations and business units) III-47

1.0 INTRODUCTION

Golder Associates Ltd. (Golder) has been retained to audit Vale's nickel and copper operations and projects mineral reserves as of June 30, 2010. Between June 21 and July 9 Golder's qualified persons visited each of Vale's Operations and Projects and interviewed key personnel from Vale at each of the sites in order to ascertain the validity of the information gathered and the mineral reserves being declared in this document.

Golder has prepared this document in a manner consistent with that level of care and skill ordinarily exercised by members of the engineering and science professions currently practising under similar conditions in the jurisdiction in which the services are provided, subject to the time limits and physical constraints applicable to this document.

This document, including all text, data, tables, plans, figures, drawings and other documents contained herein, has been prepared by Golder. It represents Golder's professional judgement based on the knowledge and information available at the time of completion.

The factual data, interpretations, suggestions, recommendations and opinions expressed in this document pertain to the specific operation or project, site conditions, design objective, development and purpose described to Golder by Vale, and are not applicable to any other project or site location. In order to properly understand the factual data, interpretations, suggestions, recommendations and opinions expressed in this document, reference must be made to both Volume 1 and Volume 2 of the report.

In this document and Volume 2 the terms Qualified Persons and Competent Persons are interchangeable.

2.0 BASIS FOR MINERAL RESERVES REPORTING AS OF JUNE 30, 2010

The key elements used for reporting Vale's mineral reserve estimates are as follows:

- Mineral reserves are estimated only in areas where Vale has legal rights to the properties and only for the period that the mining rights exist.
- The economic viability of a mineral reserve is demonstrated by a preliminary or full feasibility study. This principle is consistent with the requirements of the Canadian Securities Administrators' NI 43-101 and also the US SEC Industry Guide 7.
- Mineral reserves are estimated using industry best practices and are consistent with the definitions and standards under NI 43-101 and also SEC Industry Guide 7.
- Mineral reserves are scheduled in each Operation's or Project's long-term production plan.
- Mining, processing, overhead and marketing costs are assigned based on the assumption that the operation is operating at a production level that is generally near the capacity of its production facilities.
- The economic viability of the mineral reserves is demonstrated by the evaluation of the Operation's or Project's long-term production plan against all applicable costs.

2.1 Guidelines and Definitions

For the purposes of data collection, data verification, geological modelling, block modelling, mineral resource estimation and mineral reserve estimation, Golder used the Canadian Institute of Mining and Metallurgy (CIM) "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines" dated May 30, 2003, adopted by CIM Council on November 23, 2003 ("CIM Best Practice Guidelines") for all Operations and Projects.

The definitions used for estimating mineral reserves follow the definitions used in NI 43-101 and as described in the "CIM Definitions Standards For Mineral Resources and Mineral Reserves"

prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council on December 11, 2005. Golder also followed the definition of "ore reserves" for the purpose of reporting mineral (ore) reserves estimates under the requirements of the US Securities and Exchange Commission ("SEC") as described in the SEC Industry Guide 7. Vale Inco provides estimates of mineral (ore) reserves that comply with SEC Industry Guide 7. Golder has also verified that the Mineral Reserve Statement would comply with the Hong Kong Exchange Commission for mineral producers.

It is emphasized that mineral reserves have demonstrated economic viability based on a preliminary feasibility study or full feasibility study. The SEC requires a full feasibility study for greenfield projects and mining plans for current operations, which is equivalent to a preliminary feasibility study for operating sites.

3.0 QUALIFIED PERSONS

The following Golder Qualified Persons were involved in the audit of Vale's Operations and Projects.

Ontario (operation)

- Kevin Beauchamp, Mine Engineer
- Greg Greenough, Resource Geologist

Manitoba (operation)

- David Sprott, Mine Engineer
- Paul Palmer, Geological Engineer

VINL (operation)

- Jean-Pierre Nicoud, Mine Engineer
- Kevin Palmer, Resource Geologist

PT Inco (operation)

- Iain Cooper, Mine Engineer
- Ian Lipton, Resource Geologist
- Richard Gaze, Geostatistician
- Gustavo Pilger, Geostatistician

VINC (project)

- Ross Bertinshaw, Mine Engineer
- Sia Khosrowshahi, Geostatistician

Onca Puma (project)

- Honorio Lima, Mine Engineer
- Frederico Carmo, Geostatistician
- Jani Kalla, Resource Geologist

Salobo (project)

- Marcelo Godoy, Mine Engineer
- Ronald Turner, Resource Geologist

Sossego (operation)

- Marcelo Godoy, Mine Engineer
- Ronald Turner, Resource Geologist

4.0 FINANCIAL ASSUMPTIONS

4.1 Metal Price, Exchange Rate and Product Premium/Discount Assumptions

Vale's Executive Management reviews the market supply and demand for each commodity with input from its marketing department and derives long-term price and exchange rate assumptions to be used for estimating future cash flows.

For June 30, 2010, Vale's metals prices, currency exchange rate assumptions and product premiums/discounts are used for the purpose of reporting the Mineral Reserves Statement tonnes and grades. Vale's long term price assumptions for the main payable metals and exchange rates are lower than the suggested three year average metal price by the SEC. In order to comply with U.S. security law requirements, Golder is utilizing the last three-year average metal prices (based on LME daily morning cash prices each day of the month for the period from July 1, 2007 to June 30, 2010) and exchange rates in Table 4-1, and the metal premium and discounts in Table 4-2, to assess cash flows and Net Present Values (NPV) for each project and operation.

Table 4-1: Metal Price and Exchange Assumptions

Commodity	SEC Assumptions
Base Metals	**3-yrMA (US$/lb)**
Nickel	9.26
Copper	2.94
Cobalt	20.58
Precious Metals	**3-yrMA (US$/oz)**
Platinum	1,379.47
Palladium	329.64
Gold	941.03
Rhodium	4,209.84
Rubidium	264.31
Iridium	352.68
Silver	14.60
	3-yrMA
C$/US$	0.93
Rupiah/US$	10,000
Real/US$	1.87

Table 4-2: Premiums (Discounts) on Vale Pricing Assumptions, Forecasts

Operation	Product	Premium (Discount) LT (US$/lb)
Manitoba	Ni	0.34
Ontario	Ni	0.20
VINL	Ni	—
PTI	Ni	(1.60)
VINC	Ni	(1.09)
MOP	Ni	—
Sossego	Cu	(0.30)
Salobo	Cu	(0.46)
VINC	Co	(1.80)

4.2 Vale Inco Corporate Costs

Vale's Operations and Projects corporate costs used to estimate the mineral reserves include estimates of future cash costs, such as delivery expense, primary metals sales, general and administrative (SG&A), Vale Inco corporate SG&A, demolition and a charge for stand-by mines.

Vale's Operations and Projects corporate SG&A represents head office costs, excluding head office marketing costs. The amount excludes one-time costs such as bonus, stock options expensed, legal and consulting fees. The basis for excluding these costs is that they are one-time costs not directly related to mine development. The allocation is done in two stages. Directly attributable costs are allocated to Operations based on the internal transfer pricing study completed by Vale Inco in 2004 (Golder did not review this document). The remaining corporate SG&A costs are allocated based on the relative value of nickel and copper revenues.

Direct marketing costs, which represent the SG&A of the Regional Marketing Units and of the head office Marketing Group, are allocated to Ontario and Manitoba Operations based on the relative value of nickel and copper revenues. Indirect marketing costs, representing largely unallocated parent company SG&A, are allocated based on the transfer pricing study results and the relative value of nickel and copper revenues.

Stand-by mine charges are excluded from the indicated costs of production for mineralization to be evaluated. However, these costs are included in the respective Operation's base case economic model used in the determination of the base case economic results.

Demolition costs other than those included in a closure plan are included in the economic evaluation for estimated mineral reserves as these costs represent a real future cash outflow that will need to be sourced in the future. However, these costs should be excluded from the indicated costs of production for mineralization to be evaluated. The demolition costs in a closure plan are included in the indicated costs of production for mineralization, as the cost to reclaim a property after its closure that should be part of the operating cost. The cash outflow, related to the closure of a mine or plant, is included in the economic evaluation for mineral reserves.

4.3 Basis of Cost Allocations at Operating Sites

The site processing and administrative cost allocations are based on an assumed sustained production rate for each of the Operations and Projects based on the 2010 production plans.

4.4 Discount Rates

Discount rates are **real after tax rates** based on the Company's nominal weighted average cost of capital (WACC) and are applied to cash flows that are not escalated. These rates are used only for testing the economic viability of the mineral reserve estimates.

5.0 MINERAL RESERVES ESTIMATES

Vale has a mineral reserve base, of approximately 492 million tonnes at 1.5% nickel and 1,405 million tonnes at 0.8% Cu as of June 30th 2010 based on 100% ownership. Based on such mineral reserves (and not taking into account measured and indicated or inferred mineral resources), production is expected to continue at the operations in the Canadian provinces of Ontario, Manitoba, Newfoundland and Labrador, in Indonesia and in Brazil for between 12 to 32 years.

The tables below set forth information regarding the proven and probable nickel mineral reserves and projected exhaustion dates for the periods indicated. The estimates shown in the following mineral reserve may reflect rounding differences and accordingly may not be consistent with certain of the numbers shown. Certain minor rounding differences have been made to grade reported on June 30, 2010 versus grade reported in previous years.

The laterite operation and projects mineral reserves are adjusted to account for actual or projected losses due to screening at the feed preparation plants.

5.1 Nickel Reserves

The table below sets forth information regarding the proven and probable nickel mineral reserves and projected exhaustion dates for the periods indicated.

Table 5-1: Nickel Mineral Reserve Estimates as of June 30, 2010

					Proven and probable reserves for the year ended(1)			
					2009		June 30, 2010	
Operations	Classification	Began operations	Projected exhaustion date	Type	Ore tonnage	Grade	Ore tonnage	Grade
					(millions of tonnes)	(percent)	(millions of tonnes)	(percent)
Ontario (Canada)	**Total**	**1885**	**2040**	**Underground**	**116.9**	**1.20**	**116.5**	**1.19**
	Proven				69.9	1.23	69.5	1.22
	Probable				47.0	1.15	47.0	1.15
Manitoba (Canada)(2)	**Total**	**1961**	**2023**	**Underground**	**26.1**	**1.72**	**24.9**	**1.72**
	Proven				9.1	1.89	8.0	1.93
	Probable				17.0	1.63	17.0	1.63
VINL (Canada)	**Total**	**2005**	**2022**	**Open pit**	**25.0**	**2.71**	**24.6**	**2.71**
	Proven				21.8	3.01	21.4	3.00
	Probable				3.2	0.66	3.2	0.66
PT Inco (Indonesia)(3),(4)	**Total**	**1977**	**2035**	**Open pit**	**121.1**	**1.79**	**119.0**	**1.79**
	Proven				82.3	1.84	—	—
	Probable				38.8	1.70	—	—
VINC (New Caledonia) Project(3)	**Total**		**2041**	**Open pit**	**124.3**	**1.46**	**124.3**	**1.46**
	Proven				100.8	1.35	110.8	1.35
	Probable				23.5	1.91	23.5	1.91
Onça Puma (Brazil) Project	**Total**		**2042**	**Open pit**	**82.7**	**1.73**	**82.7**	**1.73**
	Proven				55.1	1.79	55.1	1.79
	Probable				27.6	1.62	27.6	1.62

Notes:

(1) Mineral reserves listed are totals for the operation/projects that Vale owns, or has all of the necessary rights to mine, extract and process, 100% of such mineral reserves and, accordingly, are not based upon Vale's ownership interest in the operation or project or properties. Mineral reserves are of in-place material after adjustment for mining dilution and mining (or screening in the case of PT Inco and VINC) recoveries. However, no adjustments have been made for metal losses due to processing.

(2) If Vale is unable to renew the OIC Leases beyond their expiry dates, the mineral reserves for Thompson Mine would be reduced by 1.2 million tonnes.

(3) Vale has rights to other properties in Indonesia, New Caledonia and in certain other locations, which have not yet been fully explored.

(4) If Vale is not able to renew its concessions beyond year 2035 the mineral reserves for PT Inco would be reduced by approximately 3 million tonnes.

5.2 Copper Reserves

The table below sets forth information regarding the proven and probable copper mineral reserves and projected exhaustion dates for the periods indicated.

Table 5-2: Copper Mineral Reserve Estimates as of June 30, 2010

					Proven and probable reserves for the year ended[1]			
					2009		June 30, 2010	
Operations	Classification	Began operations	Projected exhaustion date	Type	Ore tonnage (millions of tonnes)	Grade (percent)	Ore tonnage (millions of tonnes)	Grade (percent)
Ontario (Canada)	**Total**	**1885**	**2040**	**Underground**	**116.9**	**1.51**	**116.5**	**1.50**
	Proven				69.9	1.49	69.5	1.48
	Probable				47.0	1.53	47.0	1.53
Manitoba (Canada)[2],[3]	**Total**	**1961**	**2023**	**Underground**	**26.1**	**1.72**	**24.9**	**0.10**
	Proven				9.1	1.89	8.0	0.11
	Probable				17.0	1.63	17.0	0.10
VINL (Canada)	**Total**	**2005**	**2022**	**Open pit**	**25.0**	**1.58**	**24.6**	**1.57**
	Proven				21.8	1.76	21.4	1.75
	Probable				3.2	0.38	3.2	0.38
Salobo (Brazil) Project	**Total**	**2011[4]**	**2059**	**Open pit**	**928.5**	**0.77**	**1123.3**	**0.70**
	Proven				508.2	0.80	569.2	0.75
	Probable				420.3	0.74	554.1	0.64
Sossego (Brazil)	**Total**	**2004**	**2022**	**Open pit**	**161.4**	**0.91**	**159.4**	**0.88**
	Proven				122.1	0.91	119.6	0.89
	Probable				39.3	0.91	39.8	0.88

Notes:

(1) Mineral reserves listed are totals for the operation/projects indicated that Vale owns, or has 100% of the necessary rights to mine, extract and process, all of such mineral reserves and, accordingly, are not based upon Vale's ownership interest in the operation or project or properties. Mineral reserves are of in-place material after adjustment for mining dilution and mining (or screening in the case of PT Inco and VINC) recoveries. However, no adjustments have been made for metal losses due to processing.

(2) If Vale is unable to renew the OIC Leases beyond their expiry dates, the mineral reserves for Thompson Mine would be reduced by 1.2 million tonnes.

(3) Cu reserves are based on historical factors derived from corrections between Ni and Cu in assay data of diamond drill core. Thompson Mine has validated the factors by reconciling with mill credited production numbers over a 5 year period.

(4) Projected date of commissioning

5.3 Cobalt Reserves

The table below provides information regarding the proven and probable cobalt mineral reserves and projected exhaustion dates for the periods indicated. The cobalt mineral reserve estimates reported from lateritic mineralization is restricted to hydrometallurgical projects as cobalt is not credited from pyrometallurgical processing operations being fed by lateritic mineralization.

Table 5-3: Cobalt Mineral Reserve Estimates as of June 30, 2010

Operations	Classification	Began operations	Projected exhaustion date	Type	Proven and probable reserves for the year ended[1] 2009 Ore tonnage (millions of tonnes)	2009 Grade (percent)	June 30, 2010 Ore tonnage (millions of tonnes)	June 30, 2010 Grade (percent)
Ontario (Canada)	**Total**	**1885**	**2040**	**Under-ground**	**116.9**	**0.04**	**116.5**	**0.04**
	Proven				69.9	0.04	69.5	0.04
	Probable				47.0	0.03	47.0	0.03
VINL (Canada)	**Total**	**2005**	**2022**	**Open pit**	**25.0**	**0.13**	**24.6**	**0.13**
	Proven				21.8	0.15	21.4	0.15
	Probable				3.2	0.03	3.2	0.03
VINC (New Caledonia) Project[2],[3]	**Total**	**2010**	**2041**	**Open pit**	**124.3**	**0.11**	**124.3**	**0.11**
	Proven				100.8	0.12	100.8	0.12
	Probable				23.5	0.08	23.5	0.08

Notes:

(1) Mineral reserves listed are totals for the operation/projects indicated that Vale owns, or has 100% of the necessary rights to mine, extract and process, all of such mineral reserves and, accordingly, are not based upon Vale's ownership interest in the operation or project or properties. Mineral reserves are of in-place material after adjustment for mining dilution and mining (or screening in the case of PT Inco and VINC) recoveries. However, no adjustments have been made for metal losses due to processing.

(2) Cobalt mineral reserves for laterite projects and operations include only material for hydrometallurgical processing.

(3) Vale has rights to other properties in Indonesia, New Caledonia and in certain other locations, which have not yet been fully explored.

5.4 Precious Metals Reserves

The table below provides information regarding the proven and probable precious metals mineral reserves and projected exhaustion dates for the periods indicated.

Table 5-4: Precious Metals Mineral Reserve Estimates as of June 30, 2010

Operations	Metal	Began operations	Projected exhaustion date	Type	Proven and probable reserves for the year ended[1] 2009 Ore tonnage (millions of tonnes)	2009 Grade (g/tonne)	June 30, 2010 Ore tonnage (millions of tonnes)	June 30, 2010 Grade (g/tonne)
Ontario (Canada)	Platinum	1885	2040	Underground	116.9	0.9	116.5	0.9
	Palladium	1885	2040	Underground	116.9	1.0	116.5	1.0
	Gold	1885	2040	Underground	116.9	0.4	116.5	0.4
Salobo (Brazil) Project	Gold	2011[2]	2059	Open pit			1,123.3	0.5
Sossego (Brazil)	Gold	2004	2022	Open pit			140.6	0.3

Notes:

(1) Mineral reserves listed are totals for the operation/projects indicated that Vale owns, or has 100% of the necessary rights to mine, extract and process, all of such mineral reserves and, accordingly, are not based upon Vale's ownership interest in the operation or project or properties. Mineral reserves are of in-place material after adjustment for mining dilution and mining (or screening in the case of PT Inco and VINC) recoveries. However, no adjustments have been made for metal losses due to processing.

(2) Projected date of commissioning.

6.0 RESULTS OF ECONOMIC EVALUATIONS

All financial and economic estimates are based on mineral reserves that are part of a life of mine plan. The discounted cash flow values for some Operations and Projects are calculated using end-of-year convention while others use a mid-year convention; however, Golder has used a mid-year convention for calculation of all NPVs.

Metal premiums and discounts vary from one project or operation to the other and have been applied accordingly. Vale commodities price forecasts are based on realised prices for previous years. Historic corporate realised prices are provided in Table 6-1.

Table 6-1: Realised prices (all Vale operations and business units)

Commodity	Unit	2007	2008	2009
Nickel	(US$/t)	37,442.28	21,662.14	14,596.50
Copper	(US$/t)	6,611.27	6,331.07	5,229.39
Cobalt	(US$/lb)	24.56	31.01	10.03
Platinum	(US$/oz)	1,314.25	1,557.07	1,073.98

Cash flows and NPV's from all Operations and projects were positive under both Vale's long term price assumptions and three year average LME metal prices.

7.0 OPINIONS OF QUALIFIED PERSONS

The following opinions pertain to June 30, 2010 Mineral Reserve Statement for Vale's Operations and Projects.

General (all operations and projects)

Vale's mineral reserves estimates are in compliance with accepted reporting standards including: SEC GUIDE 7 and NI 43-101 including the CIM DEFINITION STANDARDS on Mineral Resources and Mineral Reserves adopted on November 14, 2004.

The metal prices used to derive the Mineral Reserve Statement do not exceed the July 1, 2007 to June 30, 2010 rolling average as demonstrated in the Results of Economic Evaluation section above.

All nickel operations visited are mature mine sites that have been operating for years or decades and as such the expertise and knowledge gained throughout the years by Vale's personnel are reflected in the data collection and mineral reserve estimation process. This coupled with Vale's lower future price assumption in comparison with the 3 year price rolling average provides a strong confidence that the mineral reserves reported are indeed economic. While Sossego has been in production for a limited time the economics of this project are strong.

For the nickel and copper projects there is a greater uncertainty about the forecasted operating costs and capital costs than for well established producing mines. However, since most of the projects visited are in their final phase of construction and soon to be commissioned the uncertainty about capital expenditures is less. Nonetheless, considering the strong economics for all projects the declaration of mineral reserves is supported.

Golder recommends that Vale select a standard approach for the discounting period. For the purpose of this reporting Golder has adopted a mid year discounting approach.

Ontario (operation)

- Potential post Labour Dispute Issues: Engagement and productivity of the Steelworkers Local 6500 employees may be affected as a result of the long and contentious labour dispute. Ongoing labour relations may result in lower than expected performance of baseline business.
- The mineral resource block modelling methods and factors for mining recovery and dilution employed at the Ontario Operations are completed to accepted industry standards and appropriate for mineral reserve reporting.
- Geotechnical issues are likely to persist at the mines in the Ontario Operations. Furthermore, orebodies at greater depth have an increased likelihood of issues with regard

to mining recovery, productivity and mining costs. However, it is the opinion of the QP that the ground control programs at the Ontario Operations have an established track record in addressing these geotechnical issues.

- The Ontario Operations is required to meet proposed government regulations on sulphur dioxide emissions reduction. Economically and technically feasible solutions for reducing emissions will be required to prevent closure of the smelter and refinery, or a significant reduction in plant throughput.

Manitoba (operation)

- Tailings facility capacity: A number of options for long-term management of the tailings area were reviewed and a three-phase capital plan was developed. To date, only two phases have been initiated. The third phase of the basin capital plan is to raise dam levels by approximately 10 ft (3 m). Once the final capital project phase is approved and all three projects are successfully implemented, these changes are expected to increase the life of the tailings basin to support the life of mine of the plant site, maintain compliance to MMER, and improve the closure plan for the facility. Therefore, in order to support the life of mine plan, all three phases will need to be implemented.

- Sulphur dioxide reduction at the smelter complex: The Manitoba Operations (MO) is required to meet government regulations proposed which requires that the smelter and refineries reduce their greenhouse gas emissions by 18% by 2010 and by 2% year upon year until 2020. These requirements may result in the closure of the smelter and refinery if an economically and technically feasible solution for reducing emissions cannot be devised. However, evaluations have shown that the MO would remain economic as a mine-mill operation that sold concentrate to smelters located elsewhere (either owned by Vale or third parties.

- Infrastructure Issues: The 3600 Tram is recognized as a future bottleneck to production at the Thompson Mine and studies are ongoing to address this issue. As both the Thompson and Birchtree Mines go deeper, the delivery of key mine services like backfill and ventilation will incur greater challenges and costs. Cemented rockfill is currently planned to be the predominant backfill for future mining.

- Maintaining current production rates at the MO has been challenging due to ground instability issues at the Birchtree Mine and infrastructure inefficiencies from moving personnel and material in the 1D area.

- Sample assay data is being entered in manually through exporting CSV files into the database. Control checks are completed regularly, but were done by manual checks of spreadsheets. Opportunities to improve the process are being used at other Vale operations (Ontario and VINL) and should be considered at the MO.

- A small portion of older mineral resources were estimated using polygonal models and have not been updated using block models and the MO Mineable Reserves Optimizer process. Areas supported by polygonal models under estimate tons and over estimate grade. This was noted at the T1 Mine where mined grade in the current year was lower than the stated mineral reserve grade for particular blocks. It was suggested that this was due to the polygonal estimation method.

- A review was completed of the SRK pit design pre-feasibility reports and an update to the economic pit shells may be warranted given changes to metal price and exchange rate.

- The cash flow forecast review showed that positive project economics support conversion of mineral resources to mineral reserves. A sensitivity analysis indicated the NPV remained positive in all cases tested, suggesting robust project economics.

VINL (operation)

- The current open pit mining method is suitable for Voisey's Bay.
- Geotechnical consultants conduct regular audits.
- The limited production in 2013 is due to constraints required by the Development Agreement between Vale and the province of Newfoundland and Labrador.
- The mining rate is appropriate in light of the constraints imposed by the Development Agreement and the risk of not achieving production from a mining perspective is low.
- The storage capacity for overburden, clean rock, PAG rock and tailings appears adequate for the period considered by the mining schedule. VINL conducts regular bathymetry surveys.
- VINL has a good understanding of the geology related to the Main and Mini Ovoid. Sampling is carried out to an industry standard and the associated data is suitable for inclusion in the mineral resource database. The database is well organised and no errors were noted. The wireframes generated for coding the drill holes and calculating volume are appropriate.
- The methods and the procedures used for mineral resource estimation are appropriate and the mineral resource model meets the standards required for estimating mineral reserves.
- The safety statistics demonstrate an improving trend from 2008 in terms of Lost Time Injury Frequency and Total Recordable Injury Frequency. Continued efforts to decrease these trends are a key component of sustainable development.
- Golder reviewed the 2009 MRMR production schedule and related assumptions. The approach is consistent with the constraints imposed by the Development Agreement.
- Meeting the production targets for the mine and the mill should not present significant challenges as extra capacity exists. The extra capacity might have to be used during short periods.
- The Ni/Cu blend constraints present a very significant mill operating constraint and don't allow for efficient mining operations.

PT Inco (operation)

- Golder is satisfied that PTI has met all legal obligations and accordingly considers there is no impediment to the declaration of a mineral reserve. However, given the complex conditions of the CoW, the recent changes to the Mining Law there is some risk to PTI's security of tenure and ability to operate the SPA (Sorowako Project Area) effectively. PTI is managing this risk by on-going discussions with relevant government agencies.
- Based on the analysis for the QAQC data from SPA, sampling preparation and assaying at SPA are of industry standard suitable for use in mineral reserve estimation and has acceptable errors of precision and no significant bias can be observed. Considerable improvements in cross sample contamination have been made since the 2008 Audit (AMEC, 2009).
- The general approach for estimation in saprolite of using accumulations is supported and correctly accounts for the support effect of the size fraction grades and their corresponding dry weights.
- The overall procedure of applying the economic, geographical, operational and environmental constraints to the mineral resources before they can be considered for the mineral reserves is supported.

- The mineral reserve modifying factors have been developed over a number of years and are reasonable.
- The mining method has been developed and improved over the life of the mine. Selective mining, closure and rehabilitation of mined out areas is an integral part of the mining method. The objective of the selective mining is to ensure that the blend parameters are met. The mining is well supervised.
- In both cost and pricing assumptions scenarios used (Vale and three-year moving average), positive project economics support conversion of mineral resources to mineral reserves. Under sensitivity analysis, in all cases tested, the NPV remained positive, suggesting robust project economics.
- The PTI mine life takes into consideration the new mining law and accordingly the current mineral reserve does not report mineralized material beyond 2035.

VINC (project)

- Tonnages and grades for coarse rejects and for +6 mm -50 mm Saprolite are important for reconciliation, process control and operational performance. Failure to correctly determine such tonnages and grades may lead to reduced processing of high grade saprolite, with consequences for the mineral reserve.
- The dilution from the BRK (bedrock) material is very high in MgO and will therefore have an important effect on acid consumption.
- The standard samples show excellent accuracy and precision. Some minor biases were identified, but these are not expected to materially impact on the quality and representativity of the data to support mineral resources.
- In relation to bulk density measurements, there is insufficient documentation available for a rigorous assessment of the wet and dry bulk density values which are interpolated and used as tonnage factors in the Mineral Resource estimate.
- The new data drilled since January 2009 has had a major impact on the volume of SAP (saprolite) that is present in the modelled area due to the highly variable nature of the SAP and BRK contact. A moderate drop in amount of LATR (red laterite) and TRN (transition) is noted with a significant increase in the proportion of SAP and moderate increase in LATJ (yellow laterite) material.
- The new data drilled since January 2009 has increased in the volume of potential mineralization bearing material (by 5%) provides further confidence on the conservative nature of the current geology resource model.
- Introduction of 1 m re-blocked mining model has resulted in significant re-distribution of various mineralized material types. The 1 m re-blocked model represents a highly selective mining model and may prove difficult to achieve in actual mining. A moderate to low impact is expected on the final mineral reserves.
- The 1 m high model will better represent the seam mining approach, which appears to be the presently followed mining method at Goro.
- The planned mining production ramp-up is ambitious but should be an achievable considering the equipment already on-site.
- The mining production schedule is achievable at least on a yearly basis. Once the pit is opened up sufficiently, it should be possible to achieve a reasonable blend on a shorter term basis.

- The allowances for dilution and recovery to generate expected plant feed are reasonable considering that no full reconciliation of production from the FPP (feed preparation plant) has yet occurred. However, prediction of the expected dilution, mineralisation loss and overall mining recovery is complex and means that there is no simple conversion of mineral resource to mineral reserve. This will make it difficult to determine the cause of any variation from the predicted mineral reserve when interpreting the reconciliation results.
- The development and conversion of mineral resources to mineral reserves is appropriate with reasonable factors having been applied.
- In addition to the mineral reserves there are considerable measured and indicated mineral resources (approximately 150 Mt of comparable grade to the mineral reserves).
- VINC has a reasonable plan for tailings disposal (with potential back-up options), meeting one of the requirements for defining mineral reserves.
- Based on the DCF economic analysis using prices from two scenarios, the high grade cut-off of 1.2% Ni and low grade of 1.0%Ni are reasonable.
- Golder considers the basis and reporting mineral reserve used by VINC for the Goro Nickel Project to be appropriate.

Onca Puma (project)

- Golder believes that the deposits are sufficiently drilled with appropriate drill spacing, depth, orientation and location of drill holes for accurate estimation of mineral resources.
- Drilling and logging procedures are industry standard and Golder considers them to be appropriate for Nickel laterite deposits. Golder reviewed the sampling procedures and considers these to be appropriate for geological modelling and mineral resource estimation.
- The equipment fleet seems to be properly sized considering the required production targets and mining selectivity. A dispatch system is currently installed and will generate a useful database that can be used for planning and production control. It is important that periodic reports be produced not only with the historic information but pointing to trends in the evolution of the main control variables. This will allow for pro-active decision making to react to grade trends that may be detrimental to meeting production targets.
- In both cost and pricing assumptions scenarios used (Vale and three-year moving average) positive project economics support conversion of mineral resources to mineral reserves. Under sensitivity analysis, in all cases tested the NPV remained positive, suggesting robust project economics.
- The results of the test mining program confirm the effectiveness of operational mining parameters used to estimate mineral reserves. The reconciliation system designed by MOP (Mineração Onca Puma) will assist in improving the understanding about mining selectivity and equipment performance which will be key factors controlling the effective mining recovery.

Salobo (project)

- The Salobo area is currently undergoing pre-striping. Contracted mining operations effectively started in April 2009 with the target mining of approximately 500,000 m^3 per month until the start of the mining operations. The operation will be a typical large-scale truck/shovel operation with 240 tonne trucks and 26-32m3 hydraulic and electric shovels.

- Golder considers the sample preparation procedures to be of an appropriate standard for the purpose of resource estimation.
- Due to the high fluor content present in the Salobo concentrate having a suitable buyer for the concentrate is key to allow for the conversion of mineral resources into mineral reserves. The technology to deal with fluor exists and can be applied with relatively uncomplicated changes to standard smelters. In current contracts the fluor content penalty to Vale has been fixed in 0.04c/lb.
- The Salobo mine has adequate areas available for waste dumping and tailings deposition that support the LOM plan and therefore the mineral reserve. The geotechnical recommendations have been properly applied in the mine design.
- Conversion of the mineral resource estimate to a mineral reserve is based on appropriate mine design and planning. The tonnes and grades are reported at an appropriate economic cut-off grade. Both pit optimization and economic analysis use reasonable operating costs as long term estimates. Consumable costs are based on current contracts in place at Sossego.
- The differences in terms of waste tonnage between the final pit design and the selected Whittle pit shell is considered excessive and should be reviewed. The differences are probably due to a marginal phase incorporated in the mine design. In any case these differences should be properly documented with the appropriate explanations. There may be a considerable upside potential related to mine design optimisation. Standard differences in open pit mining are between 5% and 10%.

Sossego (operation)

- Golder considers the sample preparation and chemical analysis procedures to be of an appropriate standard for the purpose of mineral reserve estimation. The standard samples show acceptable accuracy and precision.
- For the purposes of an in situ mineral resource estimate, the overall estimation approach adopted by Vale for total copper, gold and density is acceptable.
- The slope regimes for the Siqueirinho and Sossego pits are modeled appropriately during pit optimization and the pit slopes are considered a low risk area for the Mineral Reserves.
- The Sequeirinho open pit will be approximately 500 m deep at completion. This is a very deep open pit excavation and extra care will need to be taken in the mining operations to ensure stability of the final pit walls to allow for full extraction of the reserve.
- The copper and gold prices used for pit optimisation are considered appropriate for the development of a mineral reserve estimates. In particular the values adopted meet generally accepted SEC guidelines which suggest using values that are less or equal the average price for the last 3 years.
- The differences in terms of waste tonnage between the final pit design and the selected Whittle pit shell is considered excessive and should be reviewed in detail. The differences are probably due to a marginal phase incorporated in the mine design. In any case these differences should be properly documented with the appropriate explanations. There may be a considerable upside potential related to mine design optimisation.
- The mining equipment fleet considered in LOM (Life of Mine) plan was reviewed and is considered suitable for purpose. The effectiveness of the mining fleet has been demonstrated over the last couple of years. The mine appears to be adequate areas available for waste dumping and tailings deposition that support the LOM plan and therefore the mineral reserve.

- Reconciliation results for 2009 indicate conformance of planned versus realised production. The reconciliation process is considered to be of high standard. The process plant is clean, well-maintained and employs modern and appropriate process control. In general it gives the impression of a very efficient and well-designed operation. Process control uses modern instrumentation.
- Vale holds all environmental permits required by Brazilian legislation to operate the Sossego mine. No fatal flaws regarding environmental aspects of the Sossego operation have been identified by Golder. The Sossego operation manages environmental responsibilities and liabilities appropriately.
- Conversion of the mineral resource estimate to a mineral reserve is based on appropriate mine design and planning. In particular, dilution and mine recovery are supported by historical data. The tonnes and grades are reported at an appropriate economic cut-off grade. The mine has demonstrated sufficient economic viability to justify the conversion of mineral resources to mineral reserves.

At Golder Associates we strive to be the most respected global group of companies specializing in ground engineering and environmental services. Employee owned since our formation in 1960, we have created a unique culture with pride in ownership, resulting in long-term organizational stability. Golder professionals take the time to build an understanding of client needs and of the specific environments in which they operate. We continue to expand our technical capabilities and have experienced steady growth with employees now operating from offices located throughout Africa, Asia, Australasia, Europe, North America and South America.

Africa	+27 11 254 4800
Asia	+852 2562 3658
Australasia	+61 3 8862 3500
Europe	+356 21 42 30 20
North America	+1 800 275 3281
South America	+55 21 3095 9500

solutions@golder.com
www.golder.com

Golder Associates Ltd.
6700 Century Avenue
Mail: 2390 Argentia Road, Mississauga, Ontario, L5N 5Z7
Canada
T: +1 (905) 567 4444

As mentioned in the section of this Listing Document headed "Waivers — Share repurchase and treasury shares", our Company and the Stock Exchange have agreed to a list of modifications to a number of Listing Rules necessary to enable our Company to hold our current and future treasury shares. The modifications to the Listing Rules also reflect various consequential matters to deal with the fact that our Company may hold treasury shares in the future.

The amendments and insertions which have been made to the Listing Rules are set out below (in bold and underlined or denoted with strikethroughs).

The full text of the Listing Rules can be located on the Stock Exchange's website on http://www.hkex.com.hk/eng/rulesreg/listrules/mbrules/listrules.htm.

Amendment and addition to Chapter 1 of the Listing Rules

The definition of "market capitalisation" contained in Chapter 1 of the Listing Rules is amended as such:

"Market capitalisation" means "the market value of the entire size of an issuer, which shall include all classes of securities of the issuer **(other than treasury shares)**, irrespective of whether any of such class(es) of securities are unlisted, or listed on other regulated market(s)".

In addition, the definition of "treasury shares" is added into Chapter 1 of the Listing Rules and reads as such:

"treasury shares"	**"shares of an issuer which are owned by the issuer in accordance with the laws of its jurisdiction of incorporation".**

Amendment to Chapter 2 of the Listing Rules

Chapter 2 of the Listing Rules contains the introduction of the Listing Rules. In relation to the general principles of the Listing Rules, Rule 2.03 of the Listing Rules is amended to read:

"The Exchange Listing Rules reflect currently acceptable standards in the market place and are designed to ensure that investors have and can maintain confidence in the market and in particular that:

(1) ...

(4) all holders of listed securities are treated fairly and equally **(disregarding for these purposes the issuer in its capacity as the holder of any treasury shares)**;

Amendment to Chapter 3 of the Listing Rules

Chapter 3 of the Listing Rules contains the rules relating to authorised representatives and directors. In relation to directors, Rule 3.13 of the Listing Rules is amended to read:

"In assessing the independence of a non-executive director, the Exchange will take into account the following factors, none of which is necessarily conclusive. Independence is more likely to be questioned if the director:

(1) holds more than 1% of the total issued share capital **(excluding treasury shares)** of the listed issuer;

..."

Amendment to Chapter 3A of the Listing Rules

Chapter 3A of the Listing Rules contains the rules relating to sponsors and compliance advisers. In relation to the compliance adviser's undertaking to the Stock Exchange, Rule 3A.23 of the Listing Rules is amended to read:

"During the Fixed Period, a listed issuer must consult with and, if necessary, seek advice from its Compliance Adviser on a timely basis in the following circumstances:

...

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues, **sales of treasury shares** and share repurchases;

..."

Amendments to Chapter 4 of the Listing Rules

Chapter 4 of the Listing Rules contains the rules relating to accountants' reports and pro forma financial information. In relation to the basic contents of accountants' report for a listing document, Rule 4.04 is amended to read:

"In the case of a new applicant (rule 4.01(1)) and an offer of securities to the public for subscription or purchase falling within rule 4.01(2) the accountants' report must include:

...

(8) the earnings per share **(which, for the avoidance of doubt, will not take account of treasury shares)** and the basis of computation in respect of each of the financial years referred to in rules 4.04(1) and 4.04(2) except that the accountants' report need not include this information if, in the opinion of the reporting accountants, such information is not meaningful having regard to the purpose of the accountants' report or if combined results are presented in accordance with rule 4.09 or if the accountants' report relates to an issue of debt securities;

In relation to pro forma financial information, Rule 4.29 is amended to read:

"Where an issuer includes pro forma financial information in any document (whether or not such disclosure of pro forma financial information is required under the Exchange Listing Rules), that information must comply with rules 4.29(1) to (6) and a report in the terms of rule 4.29(7) must be included in the relevant document.

...

(8) Where pro forma earnings per share information is given for a transaction which includes the issue of securities **or the sale of treasury shares for cash**, the calculation is to be based on the weighted average number of shares outstanding during the period **(other than treasury shares)**, adjusted as if that issue had taken place at the beginning of the period."

Amendment to Chapter 6 of the Listing Rules

Chapter 6 of the Listing Rules contains the rules relating to suspension, cancellation and withdrawal of listing. Rule 6.11 to Rule 6.16 of the Listing Rules contain the rules relating to withdrawal of listing. In particular, Rule 6.15 of the Listing Rules is amended to read:

"An issuer may voluntarily withdraw its listing on the Exchange, irrespective of whether it has an alternative listing or not, if:

(1) after a general offer a right to compulsory acquisition is exercised pursuant to applicable laws and regulations (the requirements of which are, where the issuer is not a company

incorporated in Hong Kong, at least as onerous as those applicable if it were) resulting in the acquisition of all the listed securities of the issuer **(other than treasury shares)**; or

...

and, in either case, it has given its shareholders notice of the proposed withdrawal of the listing by way of an announcement published in accordance with rule 2.07C and the intention not to retain the issuer's listing on the Exchange has been stated in a circular to shareholders."

Amendments to Chapter 10 of the Listing Rules

Chapter 10 of the Listing Rules contains the rules relating to restrictions on purchase and subscription of equity securities. In relation to the restrictions on preferential treatment of purchase and subscription applications, Rule 10.01 of the Listing Rules is amended to read:

"Normally no more than ten per cent. of **the aggregate of** any securities being marketed for which listing is sought **and/or any treasury shares being sold (but not any treasury shares being sold or transferred for the purposes of an employee or management share scheme)** may be offered to employees or past employees of the issuer or its subsidiaries or associated companies and their respective dependants or any trust, provident fund or pension scheme for the benefit of such persons on a preferential basis (including selection under a placing in accordance with the placing guidelines set out in Appendix 6). Any preferential treatment must be approved by the Exchange prior to the marketing and the issuer concerned may be called upon to supply particulars of such employees, past-employees and their respective dependants and the objects, beneficiaries or members of any trust, provident fund or pension scheme as well as the results of subscription by employees, past-employees, their respective dependants and any trust, provident fund or pension scheme for the benefit of such persons. The issuer must maintain records of such particulars for a period of not less than 12 months from the date of approval and make the same available for inspection by the Exchange during the said period."

In relation to the notification requirements on issuers purchasing their own shares on a stock exchange, Rule 10.06 is amended to read:

(4) Reporting Requirements

An issuer shall:

...

(b) include in its annual report and accounts a monthly breakdown of purchases of shares made during the financial year under review showing the number of shares purchased each month (whether on the Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, the aggregate price paid by the issuer for such purchases, **the number of shares held as treasury shares following such purchases, the number of treasury shares sold, transferred or cancelled (on a monthly basis) and the number of treasury shares held following such sale, transfer or cancellation (at the end of each month)**. The directors' report shall contain reference to the purchases made during the year and the directors' reasons for making such purchases.

Amendments to Chapter 13 of the Listing Rules

Chapter 13 of the Listing Rules contains the continuing obligations of issuers.

Rule 13.25A contains the rules relating to changes in the issued share capital of the issuer. In particular, Rule 13.25A is modified by the insertion of a new sub-paragraph (2)(xi) as follow:

"(1) In addition and without prejudice to specific requirements contained elsewhere in the Exchange Listing Rules, a listed issuer shall, whenever there is a change in its issued share

capital as a result of or in connection with any of the events referred to in rule 13.25A(2), submit through HKEx-EPS, or such other means as the Exchange may from time to time prescribe, for publication on the Exchange's website a return in such form and containing such information as the Exchange may from time to time prescribe by not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day next following the relevant event.

(2) The events referred to in rule 13.25A(1) are as follows:

(a) any of the following:

(i) ...

(x) capital reorganisation;

(xi) sale of treasury shares or cancellation of treasury shares; or

(xii) change in issued share capital not falling within any of the categories referred to in rule 13.25A(2)(a)(i) to **(xi)** or rule 13.25A(2)(b); and

..."

(3) The disclosure obligation for an event in rule 13.25A(2)(b) only arises where:

(a) the event, either individually or when aggregated with any other events described in that rule which have occurred since the listed issuer published its last monthly return under rule 13.25B or last return under this rule 13.25A (whichever is the later), results in a change of 5% or more of the listed issuer's issued share capital **(excluding treasury shares)**; or

...

(4) For the purposes of rule 13.25A(3), the percentage change in the listed issuer's issued share capital is to be calculated by reference to the listed issuer's total issued share capital **(excluding treasury shares)** as it was immediately before the earliest relevant event which has not been disclosed in a monthly return published under rule 13.25B or a return published under this rule 13.25A."

In relation to the submission of the monthly return, Rule 13.25B of the Listing Rules is modified by the insertion of the following:

"A listed issuer shall, by no later than 9:00 a.m. of the fifth business day next following the end of each calendar month, submit through HKEx-EPS, or such other means as the Exchange may from time to time prescribe, for publication on the Exchange's website a monthly return in relation to movements in the listed issuer's equity securities, debt securities and any other securitised instruments, as applicable, during the period to which the monthly return relates, in such form and containing such information as the Exchange may from time to time prescribe (irrespective of whether there has been any change in the information provided in its previous monthly return). Such information includes, among other things, the number as at the close of such period of equity securities **(including the number of any equity securities held as treasury shares)**, debt securities and any other securitised instruments, as applicable, issued and which may be issued pursuant to options, warrants, convertible securities or any other agreements or arrangements. **Such information shall also include details of the sale of treasury shares or cancellation of treasury shares.**"

In relation to the issue of securities, Rule 13.28 of the Listing Rules is amended to read:

"Where the directors agree to issue securities for cash in accordance with rule 13.36(1)(a) or 13.36(2), **or agree to sell treasury shares for cash other than in connection with an employee or management share scheme,** an issuer shall publish an announcement in accordance with rule 2.07C

as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day, containing the following information:

(1) the name of the issuer;

(2) the number, class and aggregate nominal value of the securities agreed to be issued **or of the treasury shares agreed to sold**;

(3) the total funds to be raised and the proposed use of the proceeds;

(4) the issue**/sale** price of each security and the basis for determining the same;

(5) the net price to the issuer of each security;

(6) the reasons for making the issue**/sale**;

(7) the names of the allottees**/transferees**, if less than six in number and, in the case of six or more allottees**/transferees**, a brief generic description of them. The Exchange reserves the right to require submission of such further information (on an electronic spreadsheet or such other format as it may request) on the allottees**/transferees** as it may consider necessary for the purpose of establishing their independence, including without limitation details of beneficial ownership;

(8) the market price of the securities concerned on a named date, being the date on which the terms of the issue **or sale of treasury shares** were fixed;

(9) the total funds raised and a detailed breakdown and description of the funds raised on any issue of equity securities **or sale of treasury shares** in the 12 months immediately preceding the announcement of the proposed issue of securities, the use of such proceeds, the intended use of any amount not yet utilised and how the issuer has dealt with such amount."

(10) where applicable, the name of the underwriter/placing agent and the principal terms of the underwriting/placing arrangements;

(11) a statement whether the issue **or sale of treasury shares** is subject to shareholder's approval;

(12) where the securities are issued under a general mandate granted to the directors by the shareholders in accordance with rule 13.36(2)(b), details of the mandate;

(13) where the securities are issued **or treasury shares are sold** by way of a rights issue or an open offer, the information set out in paragraph 18 of Appendix 1, Part B;

(14) conditions to which the issue **or sale of treasury shares** is subject or a negative statement if applicable; and

(15) any other material information with regard to the issue **or sale of treasury shares** (including any restrictions on the ability of the issuer to issue further securities **or sell treasury shares,** or any restrictions on the ability of the allottees**/transferees** to dispose of shares issued **or sold** to them or any restrictions on the ability of existing shareholders to dispose of their securities arising in connection with the allotment **or sale of treasury shares**".

Amendment to Chapter 19B of the Listing Rules

Chapter 19B of the Listing Rules contains additional requirements, modifications, exceptions and interpretations to other chapters of the Listing Rules with respect to the listing of depositary receipts.

Rule 19B.06 is amended to read:

"Depositary receipts may be issued in respect of newly issued shares**, treasury shares sold** and/or in respect of shares placed with a depositary by existing shareholders provided that the issuer applies to be the issuer of such depositary receipts and assumes the obligations and duties imposed on an issuer by the Exchange Listing Rules. An application for the listing of depositary receipts will not be allowed if the shares which the depositary receipts would represent are already listed on the Exchange and vice versa."

Amendment to Appendix 1F of the Listing Rules

Appendix 1F sets out the content requirements of listing documents, in the case where listing is sought for depositary receipts of an issuer where depositary receipts representing some part of its share capital are already listed. In relation to general information about the group's activities, Paragraph 22(1)(b) of Appendix IF to the Listing Rules is amended as such:

"additional information in respect of major customers (meaning, other than in relation to consumer goods or services, the ultimate customer, and in relation to consumer goods or services the ultimate wholesaler or retailer as the case may be) and suppliers (meaning the ultimate supplier of items which are not of a capital nature) as follows:

(i) ...

(v) a statement of the interests of any of the directors; their associates; or any shareholder (which to the knowledge of the directors owns more than 5% of the issuers' share capital **(excluding treasury shares)**) in the suppliers or customers disclosed under (i) to (iv) above or if there are no such interests a statement to that effect.

..."

Amendment to Form F Contained in Appendix 5 of the Listing Rules

Appendix 5 of the Listing Rules contains the forms relating to applications for listing on the Stock Exchange. The Company will amend Form F — Directors' Declaration contained in Appendix 5 of the Listing Rules to the extent necessary (if at all) as and when it is required to submit such form pursuant to the Listing Rules:

Paragraph 3 of Form F is amended to read: "that...Shares of... (Number & Class) ...HK$...Debenture/Loan Stock...Debenture/Notes/Bonds **(of which...Shares of HK$...were treasury shares which were sold for cash)** have been subscribed/purchased for cash and duly allotted/issued/transferred to the subscribers/purchasers (and that the said shares have been converted into HK$...Stock); ..."

Amendments to Appendix 16 of the Listing Rules

Appendix 16 of the Listing Rules sets out the minimum financial information that a listed issuer shall include in its preliminary announcement of results, interim reports, summary interim reports, annual reports, summary financial reports, listing documents and circulars in relation to equity securities.

In relation to the requirement for financial statements, Paragraph 2 of Appendix 16 of the Listing Rules is amended to read:

"Each set of financial statements presented in an annual report, listing document, or circular, shall... include, at a minimum, the following components:

(1) ...

(4) statement of changes in equity **(which, for the avoidance of doubt, will include any changes in respect of treasury shares held by the listed issuer)**;

...”

In relation to the basic financial information required in financial statements, Paragraph 4 of Appendix 16 of the Listing Rules is amended to read:

“Financial statements... shall include at least the information set out below..

(1) Income statement

(a) ...

(g) earnings per share **(which, for the avoidance of doubt, will not take account of treasury shares)**;

...”

Paragraphs 6 to 34A of Appendix 16 to the Listing Rules contain the rules relating to the information requirement in annual reports.

In particular, paragraph 10 of Appendix 16 of the Listing Rules is amended to read:

“In relation to transactions in its securities, or securities of its subsidiaries during the financial year a listed issuer shall include:

(1) ...

(4) particulars of any purchase, sale or redemption by the listed issuer, or any of its subsidiaries, of its listed securities during the financial year, or an appropriate negative statement. Such statement must include the aggregate price paid or received by the listed issuer for such purchases, sales or redemptions and should distinguish between those securities purchased or sold:

(a) on the Exchange;

(b) on another stock exchange;

(c) by private arrangement; and

(d) by way of a general offer.

Any such statement must also distinguish between**:**

(i) those listed securities which are purchased **and cancelled** by the listed issuer**, those securities which are purchased and held as treasury shares by that issuer and any existing treasury shares cancelled by the issuer;** and

(ii) those **securities** which are purchased, by a subsidiary of the listed issuer”.

Paragraph 11 of Appendix 16 of the Listing Rules is amended to read:

“In the case of any issue for cash of equity securities **or sale of treasury shares** made otherwise than **to** shareholders in proportion to their shareholdings **(excluding any transfer of treasury shares for the purposes of an employee or management share scheme)** and which has not been specifically authorised by the shareholders, a listed issuer shall disclose:

(1) the reasons for making the issue**/sale**;

(2) the classes of equity securities issued**/sold**;

(3) as respect each class of equity securities, the number issued**/sold**, their aggregate nominal value;

(4) the issue**/sale** price of each security;

(5) the net price to the listed issuer of each security;

(6) the names of the allottees**/transferees**, if less than six in number, and, in the case of six or more allottees**/transferees**, a brief generic description of them;

(7) the market price of the securities concerned on a named date, being the date on which the terms of the issue**/sale** were fixed; and

(8) the use of the proceeds."

In relation to the information required to accompany interim reports, paragraph 37 of Appendix 16 of the Listing Rules is amended to read:

"A listed issuer shall prepare an interim report in respect of the first six months of its financial year, unless that financial year is of six months or less. Banking companies shall, in addition, comply with Appendix 15 as regards the disclosure requirements for an interim report. That interim report shall include, at a minimum, the following components:

(1) ...

(4) a statement of changes in equity **(which, for the avoidance of doubt, will include any changes in respect of treasury shares)**;

..."

Set out below is a summary of the By-laws, certain provisions of Brazilian corporate law, and certain Brazilian, US and other securities and tax regulations applicable to our Company.

GENERAL

The rights and restrictions attaching to the Common Shares and Preferred Shares are detailed in the By-laws, the Corporations Act, the BM&FBOVESPA Listing Rules, and the CVM Rules. Other than the Golden Shares, which must be owned by the Brazilian Government, there are no restrictions on the transfer of either the Common Shares or Preferred Shares, the number of members of our Company or on invitations by our Company to the public to subscribe for its Common Shares or Preferred Shares which would result in our Company being classified as a private company under section 29 of the Companies Ordinance.

The Stock Exchange has granted waivers from strict compliance with certain requirements of Appendix 3 to the Listing Rules.

SUMMARY OF THE BY-LAWS AND CERTAIN PROVISIONS OF BRAZILIAN CORPORATE LAW

The last amendment of the By-laws was made on 19 May 2010. A copy of the By-laws is available at our website.

Our corporate purpose is defined in the By-laws to include:

- the exploitation of mineral deposits in Brazil and abroad by means of research, extraction, processing, industrialisation, transportation, shipment and commerce of mineral goods;
- the building and operation of railways and the exploitation of our Company's own or unrelated party rail traffic;
- the building and operation of our Company's own or any unrelated party's maritime terminals, and the exploitation of maritime activities for the provision of support within the harbour;
- the provision of integrated cargo transport logistics services, comprising generation, storage, trans-shipment, distribution and delivery within the context of a multi-modal transport system;
- the production, processing, transport, industrialisation and commercialisation of all and any source and form of energy, also involving activities of production, generation, transmission, distribution and trading of its products, derivatives and sub-products;
- the carrying-on, in Brazil or abroad, of other activities that may be of direct or indirect consequence for the achievement of our Company's corporate purpose, including research, industrialisation, purchase and sale, importation and exportation, exploitation, industrialisation and commercialisation of forest resources and provision of services of any kind whatsoever; and
- incorporating or participating in any other type of company, consortium or association that is directly or indirectly related to its corporate purpose.

Share Capital

Classes of Shares

Please refer to the sections in this Listing Document headed "Share Capital — Capital Structure" and "Share Capital — Two Classes of Shares" for details of our Common Shares and Preferred Shares.

Issue of Shares

Pursuant to the Corporations Act, our Company may increase its share capital (i) by the Simple Approval of Shareholders at a general Shareholders' meeting constituted with a Special Quorum or, where Shares are being issued pursuant to any limit authorised in the By-laws, by a resolution passed by our Board; (ii) by conversion of debentures into Shares or by the exercise of rights conferred by warrants (or subscription bonuses as known under Brazilian law) (if any) or options to purchase Shares.

Where authorisation to issue new Shares is to be given in the By-laws, the authorisation must specify:

(i) the limit by which the share capital may be increased, whether in terms of the amount of capital or the number of Shares, and the type and class of Shares that may by issued;

(ii) the body that is competent to approve the issue of the new Shares, which may be either the general meeting or the Board;

(iii) the conditions to which the issue of the new Shares may be subject;

(iv) the circumstances and conditions under which Shareholders would or would not be entitled to pre-emptive rights upon the issue of any of the new Shares.

Where an increase of share capital and the corresponding amendment to the By-laws are to be specifically approved by our Shareholders, a Simple Approval at a general Shareholders' meeting constituted with a Special Quorum is required. Where specific approval to issue Shares is granted by our Shareholders, our Shareholders may specify all the conditions of the capital increase, such as the number of new Shares to be issued, the time limit within which the new Shares must be issued and the issue price, or they may delegate the authority to determine the issue price to our Board of Directors. Where general authorisation to issue Shares is given by our Shareholders to our Board of Directors by way of amendment to the By-laws, there is no time limit within which the authorised share capital has to be issued by our Board of Directors and the authorisation remains valid without any specific term or the need for renewal.

The Corporations Act further provides that Shareholders have general pre-emptive rights to subscribe for any Shares, warrants or convertible securities in proportion to their respective shareholdings. A minimum period of 30 days following the publication of the notice of an increase in capital has to be provided for the exercise of the right.

In the event of an increase of the number of Shares of all existing types and classes in the same proportion, each Shareholder shall have a pre-emptive right to subscribe for Shares of the same type or class as those he owns. If the Shares issued are of the existing types or classes but the respective proportions in the capital are altered, holders of the same types or classes shall have pre-emptive rights to subscribe for the new Shares issued, and holders of another type or class of Shares may only subscribe for the new Shares issued if their existing Shares are insufficient to assure them the same proportion as they had in the capital before the increase. In the event of an issue of Shares of a new type or class, each Shareholder shall have a pre-emptive right to subscribe for the new Shares issued, in proportion to his shareholding.

Under the By-laws, our Board may issue Shares, convertible securities or subscription bonuses (or warrants) without any pre-emptive rights to our existing Shareholders, or reduce the 30-day period granted for the exercise of pre-emptive rights under the Corporations Act on the issue of Shares, convertible securities or subscription bonuses (or warrants) in the event of a sale of Shares on a stock exchange or a capital increase offered for public subscription.

The By-laws currently authorise the issuance of up to 3.6 billion Common Shares and up to 7.2 billion Class A Preferred Shares, in each case based solely on the approval of our Board without any further Shareholders' approval.

Form and transfer of Shares

Our Class A Preferred Shares and Common Shares are in book-entry form registered in the name of each Shareholder or its nominee. As provided under the Corporations Act, transfers of Shares are effected by our transfer agent, Banco Bradesco S.A., upon presentation of valid share transfer instructions to us by a transferor or its representative. When our Class A Preferred Shares or Common Shares are acquired or sold on BM&FBOVESPA, the transfer is effected on the records of our transfer agent by a brokerage firm through BM&FBOVESPA clearing system. Transfers of Shares by a foreign investor are made in the same way and are executed by the investor's local agent, who is also responsible for updating the information relating to the foreign investor furnished to the Central Bank of Brazil.

BM&FBOVESPA operates a central clearing system through *Companhia Brasileira de Liquidação e Custódia* or CBLC. A holder of our Shares may participate in this system and all Shares elected to be put into the system will be deposited in custody with CBLC (through a Brazilian brokerage institution that is duly authorised to operate by the Central Bank of Brazil and maintains a clearing account with CBLC). The fact that such Shares are subject to custody with the relevant stock exchange will be reflected in our register of Shareholders. Each participating Shareholder will, in turn, be registered in the register of our beneficial Shareholders that is maintained by CBLC and will be treated in the same way as registered Shareholders.

Changes in share capital

In accordance with the Corporations Act and the By-laws, our Company may by a Simple Approval at a meeting of our Shareholders constituted by a Special Quorum:

- consolidate our Common Shares or Class A Preferred Shares;
- subdivide our Common Shares or Class A Preferred Shares;
- redeem our Common Shares and Class A Preferred Shares; and
- cancel any of our Common Shares or Class A Preferred Shares held in treasury.

Variation of rights

Any change in the preferences or advantages of our Preferred Shares or the creation of a class of Shares having priority over our Preferred Shares, would be subject to the veto right of the holder of our Golden Shares. In addition to this, if the variation of rights would be prejudicial to the interests of those holders or would result in changes to the relative ratios between the different classes of Preferred Shares, the Special Approval of our Shareholders in a general meeting and the Special Approval of the holders of a majority of the outstanding Preferred Shares pertaining to the class(es) negatively affected, voting as a class at a special meeting, is required. Any other changes to class rights which are not considered to be prejudicial to the interests of the relevant class of Shareholders do not require a separate class vote and only require the Special Approval of Shareholders in a general Shareholders' meeting.

Reduction of capital

Our Company may reduce its share capital if it is authorised to do so by the Simple Approval of Shareholders attending a meeting constituted with a Special Quorum. Our Company must ensure that a resolution to reduce its share capital abides by the principle of equal treatment and must not

be limited to certain classes of Shares. The minutes of the general Shareholders' meeting at which the capital reduction was approved must be published. Following publication, our creditors will have 60 days to oppose any capital reduction pursuant to which we would be returning cash or assets to our Shareholders. Upon expiration of the creditors' opposition period, the minutes of the general Shareholders' meeting must be filed with the Registry of Commerce. The capital reduction will be completed upon registration with the Registry of Commerce.

Share option schemes

Pursuant to the CVM Rules, any share option scheme to be adopted by us and any share option scheme which involves the grant of share options over our Shares by any of our Subsidiaries must be approved by our Shareholders at a general Shareholders' meeting. The general Shareholders' meeting must approve the main provisions of the share option scheme, including the group of beneficiaries, the maximum number of options that can be issued and the maximum number of Shares that can be subscribed or purchased by the beneficiary as a result of the exercise of such options.

In addition, we must include the following information on the relevant stock option plan(s) in our Annual Disclosure Document:

(i) the participants of the scheme and the basis of their eligibility;

(ii) the total number of securities that may be issued upon exercise of all options to be granted under the scheme (which must not exceed the authorised share capital previously approved by our Shareholders and set forth in the By-laws);

(iii) the vesting period;

(iv) the basis of determination of the exercise price;

(v) restrictions on the transfer of shares issued upon the exercise of share options;

(vi) the life of the scheme; and

(vii) the circumstances under which the scheme will expire.

Where any of our Directors, Executive Officers, members of the executive committees or employees have been granted stock option(s) under the stock option plan, we must disclose such stock option(s) granted in our Annual Disclosure Document. Our Annual Disclosure Document must also include details of any impact that the share options granted under the share option scheme may have on the compensation paid to Directors and Executive Officers.

The Corporations Act also prohibits any Director to whom share options are proposed to be granted from voting in the Directors' meeting at which the grant of options to him is to be approved.

We have provided undertakings to the Stock Exchange with respect to any share option schemes we may adopt in future. With effect from the listing of the Depositary Receipts on the Stock Exchange and for so long as they remain so listed, we have undertaken to ensure that if and when we have adopted a stock option plan, no stock option will be granted: (i) after a Material Fact (as defined in the section of this Appendix headed "Brazilian Regulatory Provisions — Disclosure of information") has arisen until a notice of Material Fact has been published; or (ii) during the period of 30 days immediately preceding the publication of our quarterly financial statements and annual financial statements.

Warrants

Under the Corporations Act, all warrants to subscribe for shares (*bônus de subscrição*) in a listed company must be approved by shareholders in general meeting, unless the board of directors has been given the express authority to approve the issue of warrants under the by-laws. Such authority shall be limited to the authorised share capital specified in the by-laws of the company, that is, the shares to be issued on exercise of the warrants granted, together with the shares already in issue, shall not exceed the authorised share capital.

In the event that any warrant is to be issued, whether approved by our Board or our Shareholders, and the Shares to be issued on exercise of such warrant, together with the Shares already in issue, exceed the authorised share capital specified in the By-laws, prior Shareholders' approval for the increase of the authorised share capital is required by way of amendment of the by-laws. A Simple Approval at a general meeting at which a Special Quorum is present is required. A management proposal must be published on the websites of CVM and BM&FBOVESPA at the same time as the publication of the notice of the meeting.

Our Fiscal Council must opine on the management proposal on any issue of warrants. However, it has no power to approve or veto any issue of warrants.

Subject to certain exceptions, our Shareholders generally have the pre-emptive right to subscribe for any new warrants issued.

Voting rights

Please refer to the section in this Listing Document headed "Share Capital — Voting rights" for details of the voting rights attached to our Shares.

Distributions

Calculation of distributable amount

At each annual Shareholders' meeting, our Board is required to recommend, based on the Executive Officers' proposal, how to allocate our earnings for the preceding fiscal year. Pursuant to the Corporations Act, a company's net income after income taxes and social contribution taxes for such fiscal year, net of any accumulated losses from prior fiscal years and amounts allocated to employees' and management's participation in earnings represents its "net profits" for such fiscal year. In accordance with the Corporations Act, an amount equal to our net profits, as further reduced by amounts allocated to the legal reserve, the fiscal incentive investment reserve, the contingency reserve or the unrealised income reserve established by our Company in compliance with applicable law and increased by reversals of reserves constituted in prior years, is available for distribution to Shareholders in any given year. Such amount, being the adjusted net profits, is the distributable amount. We may also establish discretionary reserves, such as reserves for investment projects.

The Corporations Act provides that all discretionary allocations of net profits, including discretionary reserves, the contingency reserve, the unrealised income reserve and the reserve for investment projects, are subject to approval by our Shareholders voting at the annual meeting and can be transferred to capital or used for the payment of dividends in subsequent years. The fiscal incentive investment reserve and legal reserve are also subject to approval by our Shareholders voting at the annual meeting and may be transferred to capital but are not available for the payment of dividends in subsequent years.

The sum of profit reserves, except for the contingency reserve, the tax incentive investment reserve and the unrealised profit reserve, may not exceed the amount of our paid-in capital. When such limit is reached, our Shareholders may vote to use the excess to pay in capital, increase capital or

distribute dividends. Our calculation of net profits and allocations to reserves for any fiscal year are determined on the basis of financial statements prepared in accordance with the Corporations Act. Our consolidated financial statements have been prepared in accordance with U.S. GAAP and, although our allocations to reserves and dividends will be reflected in these financial statements, investors will not be able to calculate such allocations or required dividend amounts from our consolidated financial statements.

Mandatory dividend

The Corporations Act and the By-laws prescribe that we must distribute to our Shareholders in the form of dividends or interest on Shareholders' equity an annual amount equal to not less than 25% of the distributable amount, referred to as the mandatory dividend, unless our Board advises our Shareholders at our general Shareholders' meeting that payment of the mandatory dividend for the preceding year is inadvisable in light of our financial condition. To date, our Board has never determined that payment of the mandatory dividend was inadvisable. Our Fiscal Council must review any such determination and report it to our Shareholders. In addition to the mandatory dividend, our Board may recommend to our Shareholders payment of dividends from other funds legally available for such purpose. Any payment of interim dividends will be netted against the amount of the mandatory dividend for that fiscal year. Our Shareholders must also approve the recommendation of our Board with respect to any required distribution. The amount of the mandatory dividend is subject to the size of the legal reserve, the contingency reserve, and the unrealised income reserve. The amount of the mandatory dividend is not subject to the size of the discretionary depletion reserve.

Dividend preference of Preferred Shares

Pursuant to the By-laws, holders of our Preferred Shares are entitled to a minimum annual non-cumulative preferential dividend equal to (i) at least 3% of the book value per share, calculated in accordance with the financial statements which serve as reference for the payment of dividends, or (ii) 6% of their pro rata share of our paid-in capital, whichever is higher. The amount of dividends declared by our Company in any year must first be applied to satisfy the preferential dividend payable on our Preferred Shares. Any dividend remaining will then be paid to the holders of our Common Shares up to an amount equivalent to the total preferential dividend paid on our Preferred Shares. Any further amount of dividend remaining will then be distributed among holders of our Common Shares and Preferred Shares on a pro rata basis.

Holders of our Common Shares are not entitled to any preference relating to our Company's dividends or other distributions.

Pursuant to the Corporations Act, dividends are payable to the persons appearing in our Company's share register as Shareholders on the date of the resolution approving the distribution. Our Company must pay any declared dividend within 60 days from the date of the approval of the distribution, unless our Shareholders decide by Simple Approval in a general Shareholders' meeting to set a later date. Notwithstanding any resolution passed, dividends must be paid within the fiscal year in which they have been declared. In addition, dividends relating to the unrealised profit reserve are payable as soon as such profit becomes available for distribution.

Distributions classified as shareholders' equity

Brazilian companies are permitted to pay limited amounts to shareholders and treat such payments as an expense for Brazilian income tax purposes. The By-laws provide for the distribution of interest on Shareholders' equity as an alternative form of payment to Shareholders. The interest rate applied is limited to the Brazilian long-term interest rate for the applicable period. The deduction of the amount of interest paid cannot exceed the greater of (1) 50% of net income

(after the deduction of the provision of social contribution on net profits and before the deduction of the provision of the corporate income tax) before taking into account any such distribution for the period in respect of which the payment is made; or (2) 50% of the sum of retained earnings and profit reserves. Any payment of interest on Shareholders' equity is subject to Brazilian withholding income tax. Under the By-laws, the amount paid to Shareholders as interest on Shareholders' equity (net of any withholding tax) may be included as part of any mandatory and minimum dividend. Under the Corporations Act, we are obligated to distribute to Shareholders an amount sufficient to ensure that the net amount received, after payment by us of applicable Brazilian withholding taxes in respect of the distribution of interest on Shareholders' equity, is at least equal to the mandatory dividend.

Management

Board of Directors

Our Board sets general guidelines and policies for our Company's business and monitors the implementation of those guidelines and policies by our Executive Officers. However, our Shareholders must approve certain matters, such as changes to the share capital and the election and re-election of our Board. Our Board may appoint Directors to fill vacancies until the next general Shareholders' meeting. The By-laws provide that our Board shall comprise eleven members and their respective alternates. Pursuant to article 146 of the Corporations Act, all the members of our Board of Directors must be Shareholders, holding at least one Share each. There is no maximum number of Shares that must be held by each Director. Each Director (and his alternate) is elected for a two-year term at a general Shareholders' meeting, may be re-elected, and is subject to removal at any time.

Our Board holds meetings on a monthly basis and additional meetings when called by the Chairman, Vice-Chairman or any two Directors. Meetings of our Board require a quorum of a majority of our Directors and decisions are taken by majority vote. Alternate Directors may attend and vote at meetings in the absence of the Director for whom the alternate Director is acting.

As a general rule, the execution of any agreement and the undertaking of any obligation on behalf of our Company is attributed to our Executive Officers. The By-laws provide that the execution of transactions exceeding certain thresholds set forth by our Board is subject to Board approval. The Executive Officers may exercise all the powers of our Company to borrow money and to mortgage or charge any of its assets subject to certain thresholds set out in the By-laws.

Appointment of Directors

Please refer to the section in this Listing Document headed "Share Capital — Two Classes of Shares — Voting rights" for details on our Shareholders' rights to vote on the election and removal of members of our Board of Directors. In addition to these rights, the By-laws provide that our employees may appoint one Director at a separate election.

Under the Corporations Act, Shareholders representing 5% of our voting share capital have the right to request a multiple voting system on election of Directors. Where the multiple voting system is used, each Shareholder is entitled to exercise the number of votes equal to the number of Directors being appointed for each Share held. Shareholders are free to allocate their votes to one candidate or divide them among some or all candidates.

In order to be appointed as a Director, a person may not:

(a) have been disqualified from holding office as a member of the board of directors or board of executive officers of any company by law or by decision of CVM;

(b) have been sentenced for bankruptcy offence, fraud, bribery or corruption, misappropriation of public funds or embezzlement, crimes against the national economy,

indecency or public property, or to any criminal sanction which precludes, even temporarily, access to public office.

There is no requirement under Brazilian law for a Director to retire upon reaching a certain maximum age.

Any person who holds a position in a company engaged in a competing business or has conflicting interests with our Company will not be eligible to be appointed as a Director unless special authorisation is granted by our Shareholders in a general Shareholders' meeting.

Remuneration of Directors

Please refer to the section in this Listing Document headed "Directors, Executive Officers, Committees and Staff — Management Compensation" for details of the remuneration of Directors.

Directors' interests in contracts

In accordance with the requirements of the Corporations Act, if a Director has a conflict of interest with our Company in connection with any proposed transaction, he may not vote, intervene or take any action to direct any decision of our Board regarding such transaction and must disclose the nature and extent of the conflicting interest for record in the minutes of the meeting of the Board at which such transaction is considered. In any case, a Director may not transact any business with our Company, except on reasonable or fair terms and conditions that are identical to the terms and conditions prevailing in the market or offered by unrelated parties.

Directors' power to vote on own terms of appointment

A Director may vote on and be counted in the quorum in relation to any resolution presented at the general Shareholders' meeting concerning his appointment as a Director, or the settlement or variation of the terms or the termination of his appointment as a Director. As the By-laws do not provide for a Director's appointment contract to be approved by our Shareholders, it may also be approved by the Board and the rules on conflict of interests will apply, such that (i) any Director whose appointment contract is to be approved by the Board may not vote or by any means intervene in the relevant resolution approving his appointment contract; and (ii) the contract must be entered into on regular commercial terms.

Loans to Directors

Our Company may grant loans (or any comparable benefits, including guarantees for a loan granted by a third party) to any of its managers (who include Directors or employees of our Company) if: (i) such transaction is approved by Shareholders in a general Shareholders' meeting or by the Board; (ii) such transaction is entered into on an arm's length basis; and (iii) the relevant manager does not intervene or take any action to direct our Company to undertake an obligation for his benefit (for example, by means of approving a resolution authorising the execution of the agreement or executing the agreement on our Company's behalf).

Under Brazilian law, if a Director or manager of our Company attempts to conceal his conflicting interests by means of using a legal entity or another individual to enter into an agreement with our Company on his behalf, the resulting transaction would be considered fraudulent and, thus, null and void. The relevant Director or manager would have to disgorge all benefits arising out of the transaction and would be subject to the applicable sanctions.

In addition, pursuant to the Exchange Act and subject to certain exceptions, we are prohibited from, directly or indirectly, including through any subsidiary, (i) extending or maintaining credit, (ii) arranging for the extension of credit, or (iii) renewing an extension of credit in the form of a personal loan to or for any of our Directors or Executive Officers (or equivalent thereof).

We have provided undertakings to the Stock Exchange in respect of loans being made to Directors or their related parties. With effect from the listing of the Depositary Receipts on the Stock Exchange and for so long as they remain so listed and subject to certain limited exceptions, we have undertaken to not make any loan, or provide guarantee or security, to a related party of any of our Directors, being:

(i) the spouse, child or step-child (under the age of 18 years) (the **Relatives**) of such Director;

(ii) a person acting in his capacity as the trustee (other than as trustee under an employees' share scheme or pension scheme) of any trust the beneficiaries of which include the Director or his Relatives or the terms of which confer a power on the trustees that may be exercised for the benefit of the Director or his Relatives; and

(iii) a person acting in his capacity as partner of that Director or of his Relatives, or of any trustees referred to in (ii) above.

Payments to Directors for loss of office

In accordance with the Corporations Act, we must obtain the approval of our Shareholders in our annual general meeting of the total aggregate amount proposed to be paid to the Directors, Executive Officers and members of any advisory committee of our Company in the current financial year. Any compensation payable for loss of office or in connection with the retirement of any Director will have to be paid out of such amount.

Fiscal Council

Please refer to the section in this Listing Document headed "Directors, Executive Officers, Committees and Staff — Fiscal Council" for details.

Board of Executive Officers

Please refer to the section in this Listing Document headed "Directors, Executive Officers, Committees and Staff — Board of Executive Officers" for details.

Meetings

A general Shareholders' meeting is to be convened whenever necessary, and at least once a year, to decide on matters relating to our corporate purpose and to pass such resolutions as Shareholders may deem necessary.

Pursuant to the Corporations Act, Shareholders voting at a general Shareholders' meeting have the power, among others, to:

- amend the By-laws;
- elect or dismiss members of the Board and members of our Fiscal Council at any time;
- establish the remuneration of senior management and members of our Fiscal Council;
- receive annual reports by management and accept or reject management's financial statements and recommendations including the allocation of net profits and the distributable amount for payment of the mandatory dividend and allocation to the various reserve accounts;
- authorise the issuance of convertible and secured debentures;
- suspend the rights of a Shareholder who is in default of obligations established by law or the By-laws;

- accept or reject the valuation of assets to be contributed by a Shareholder in consideration for issuance of capital stock;
- pass resolutions to reorganise the legal form of our Company, to merge, consolidate or divide our Company, to dissolve and liquidate our Company, to elect and dismiss our liquidators and to examine their accounts; and
- authorise management to file for bankruptcy or to request a creditors' reorganisation.

According to the Corporations Act, all Shareholders' meetings, including the annual Shareholders' meeting, are to be convened by publishing, no fewer than 15 days prior to the scheduled meeting date and no fewer than three times, a notice in the *Diário Oficial do Estado do Rio de Janeiro* and in a newspaper in general circulation in Rio de Janeiro where we have our registered office. Our Shareholders have previously designated *Jornal do Commercio* for this purpose. Also, because our Shares are traded on BM&FBOVESPA, our Company publishes its notice of Shareholders' meetings in a São Paulo-based newspaper and DCI was designated for this purpose. Such notice must contain the agenda for the meeting and, in the case of an amendment to the By-laws, an indication of the subject matter. Under the By-laws, the holder of our Golden Shares is entitled to a minimum of 15 days prior notice to its legal representative of any general Shareholders' meeting to consider any proposed action that may be subject to the veto rights attached to the Golden Shares.

A Shareholders' meeting may be constituted by an Ordinary Quorum, except for meetings convened to amend the By-laws, which require a Special Quorum. If no such quorum is present, notice must again be given in the same manner as described above except that only 8 days' prior notice will be required, and a meeting may then be convened without any specific quorum requirement, subject to the minimum voting requirements for certain matters, as discussed below. A Shareholder who does not have the right to vote on any matter to be considered at a general Shareholders' meeting in the circumstances set out below may still attend the meeting and take part in the discussion of matters tabled for consideration.

We have provided undertakings to the Stock Exchange in respect of the length of the notice period required for the convening of a general Shareholders' meeting. With effect from the listing of the Depositary Receipts on the Stock Exchange and for so long as they remain so listed, we have undertaken to (i) follow strictly the recommendation of CVM to give at least 30 days' notice of any general meeting to our Shareholders; and (ii) where any general Shareholders' meeting is adjourned, give at least 15 days' notice to reconvene the meeting.

Except as otherwise provided by law, resolutions of a Shareholders' meeting are passed by Simple Approval, and any abstentions are not taken into account for voting purposes. Under the Corporations Act, Special Approval is required for the matters described below, as well as, in the case of clause (i) and clause (ii), approval by a majority of the holders of any class of Preferred Shares whose interests are adversely affected:

(i) creating a new class of preferred shares or disproportionately increasing an existing class of preferred shares relative to the other classes of Shares, other than to the extent permitted by the By-laws;

(ii) changing a priority, preference, right, privilege or condition of redemption or amortisation of any class of preferred shares or creating any class of non-voting preferred shares that has a priority, preference, right, condition or redemption or amortisation superior to an existing class of shares, such as our Preferred Shares;

(iii) reducing the mandatory dividend;

(iv) changing the corporate purposes;

(v) merging our Company with another company or consolidating or dividing *(cisão)* our Company;

(vi) dissolving or liquidating our Company;

(vii) participating in a centralised group of companies as defined under the Corporations Act; and

(viii) authorising any ongoing liquidation of our Company.

Whenever our Shareholders are entitled to vote, each Share is entitled to one vote. Under Brazilian law, a Shareholder is required to abstain from voting only under the following circumstances:

(a) where our financial statements have been prepared by management and are to be approved by Shareholders at a general meeting, members of the management who are also Shareholders are required to abstain from voting on the resolution approving the financial statements;

(b) where there is an injection of assets by a Shareholder into our Company in consideration for the issue of new Shares, the Shareholder who is injecting the assets is required to abstain from voting on the resolution approving the valuation report on those assets; and

(c) where a resolution purports to grant to a Shareholder or group of Shareholders an economic benefit which will not be extended to the other holders of Shares of the same type or class, the Shareholder(s) who is/are to receive the economic benefit is/are required to abstain from voting on such resolution.

In addition, in the three scenarios mentioned above, if (i) a resolution is approved in a general Shareholders' meeting due to the affirmative vote of a Shareholder or group of Shareholders acting in concert and (ii) on a case-by-case analysis, such Shareholder or Shareholders are proved to be in conflict of interest with our Company, the resolution may be annulled.

Annual Shareholders' meetings must be held by 30 April of each year. Shareholders' meetings are called, convened and presided over by the chairman or by the vice-chairman of our Board. In the case of the temporary absence or unavailability of the chairman or vice-chairman of the Board, Shareholders' meetings may be chaired by their respective alternates, or in the absence or unavailability of such alternates, by a Director especially appointed by the chairman of the Board. A Shareholder may be represented at a general Shareholders' meeting by an attorney-in-fact appointed not more than one year before the meeting, who must be a Shareholder, a Company officer or a lawyer. For a public company, such as our Company, the attorney-in-fact may also be a financial institution.

We have provided undertakings to the Stock Exchange in respect of the content of the notice of a general Shareholders' meeting. With effect from the listing of the Depositary Receipts on the Stock Exchange and for so long as they remain so listed, we have undertaken to include a statement in reasonable prominence in each notice of general Shareholders' meeting that a Shareholder entitled to attend and vote at the general meeting is entitled to appoint an attorney-in-fact or, where permitted, more than one attorney-in-fact, to attend and vote instead of him.

Shareholder protection

Statutory derivative action

Under the Corporations Act, Shareholders who, together, hold at least 5% of the total issued shares of our Company (including non-voting shares) have the right to request our Board to convene a general Shareholders' meeting. They are required to give the reasons for the request and the proposed agenda of the meeting. If any such Shareholders consider that a transaction is not in the

best interests of our Company or that the management of our Company has abused its power in any way, they may request the Board to convene a general Shareholders' meeting to put forward the matter for deliberation by the Shareholders. If a majority of Shareholders present at the meeting resolves that the transaction under consideration is not in the best interests of our Company or that the management has abused its power, our Company may file a claim against its Directors, Executive Officers and/or other managers. If our Company fails to do so within 90 days from the date of the general Shareholders' meeting, Shareholders holding at least 5% of the total issued share capital of our Company may file the claim on behalf of our Company. In addition, any Shareholder who has directly suffered any loss as a result of the management's misconduct may file a legal claim directly (as opposed to a derivative action) against the management.

Protection of minorities

Our Common Shares and Preferred Shares are not redeemable, except that a dissenting Shareholder is entitled under the Corporations Act to obtain redemption upon a decision made at a Shareholders' meeting by Shareholders representing the majority of the voting Shares:

(1) to create a new class of preferred shares or to disproportionately increase an existing class of Preferred Shares relative to the other classes of Shares (unless such actions are provided for or authorised by the By-laws);

(2) to modify a preference, privilege or condition of redemption or amortisation conferred on one or more classes of preferred shares, or to create a new class with greater privileges than the existing classes of Preferred Shares;

(3) to reduce the mandatory distribution of dividends;

(4) to change our corporate purposes;

(5) to merge with another company or to consolidate or divide our Company;

(6) to transfer all of our Shares to another company in order to make us a wholly-owned subsidiary of such company (that is, a stock merger);

(7) to approve the acquisition of control of another company at a price which exceeds certain limits set forth in the Corporations Act;

(8) to approve our participation in a centralised group of companies as defined under the Corporations Act; or

(9) in the event that the entity resulting from (a) a merger, (b) a stock merger or (c) a spin-off that we conduct fails to become a listed company within 120 days of the general Shareholders' meeting at which such decision was taken.

Only holders of Shares adversely affected by the changes mentioned in items (1) and (2) above may require us to redeem their Shares. The right of redemption mentioned in items (5), (6) and (8) above may only be exercised if our Shares do not satisfy certain tests of liquidity, among others, at the time of the Shareholders' resolution. The right of redemption lapses 30 days after publication of the minutes of the relevant general Shareholders' meeting, unless, in the case of items (1) and (2) above, the resolution is subject to confirmation by the preferred Shareholders (which must be made at a special meeting to be held within one year), in which case the 30-day term is counted from the publication of the minutes of the general Shareholders' meeting.

We would be entitled to reconsider any action giving rise to redemption rights within 10 days following the expiration of such rights if the redemption of Shares by dissenting Shareholders would jeopardise our financial stability. Any redemption pursuant to the Corporations Act would be made at no less than the book value per share, determined on the basis of the last balance sheet approved by Shareholders; provided that if the general Shareholders' meeting giving rise to

redemption rights occurred more than 60 days after the date of the last approved balance sheet, a Shareholder would be entitled to demand that his or her shares be valued on the basis of a new balance sheet dated within 60 days of such general Shareholders' meeting.

General

Powers of subsidiaries to own Shares in our Company

Under Brazilian law, a subsidiary may purchase shares issued by its parent company, but it will be subject to the same restrictions applicable to the repurchase by our Company of its own Shares. For further details, please see section "Purchase by our Company of its own securities" below.

Procedures on liquidation

Special Approval of our Shareholders is required to pass a resolution to wind up our Company. The holder of our Golden Shares also has the right to veto the voluntary winding up of our Company.

In the event of a winding-up or liquidation, surplus assets would be distributed to Shareholders in proportionate to the interests held by each of them in our Company's share capital.

BRAZILIAN REGULATORY PROVISIONS

Share offerings

Private offering of Shares

A private offering for subscription of shares by a listed company in Brazil occurs when the offering is extended only to its existing shareholders on a pro rata basis. Shareholders are free to transfer the subscription rights to third parties in the market. Shares not taken up will be allotted to other existing shareholders who have expressed an intention to subscribe for the untaken shares or sold by the company in the market.

Pursuant to the Corporations Act, we may increase our share capital by passing a Shareholders' resolution at a general Shareholders' meeting or, where Shares are being issued pursuant to the authorised share capital, by a resolution passed by our Board of Directors. Where a capital increase is to be specifically approved by our Shareholders at a general Shareholders' meeting, the approval by a Special Quorum and Simple Approval is required.

If we were to conduct a private offering of our Shares, we would have to publish a management proposal on the websites of CVM and BM&FBOVESPA before or at the same time as the publication of the call notice for the general Shareholders' meeting. If our Board approves the capital increase, CVM does not require the publication of a management proposal.

After approval of the capital increase, our Company must publish a press announcement setting out the key terms of the capital increase. CVM does not prescribe a minimum content for the notice to Shareholders but the notice is expected to provide Shareholders with sufficient information in order to make an informed decision on whether or not to participate in the capital increase. Our Company is not required to seek prior authorisation from CVM or to release an offering memorandum.

Within seven business days after the Shares have been issued, our Company must update and issue its Annual Disclosure Document to reflect the change in its issued share capital.

Public offering of Shares

A public offering for subscription of shares by a listed company in Brazil occurs when the offering is marketed to an uncertain number of investors, irrespective of the types of investors, by way of the publication of a prospectus.

Any public offering of shares in Brazil must be registered with CVM. If we were to conduct a public offering of our Shares, we must obtain the prior approval of CVM and BM&FBOVESPA and publish an offering memorandum. Our Company must also publish two notices describing the terms of the offering and the methods for subscription of the offered Shares.

The first notice (*Aviso ao Mercado*, a Notice to the Market) states our Company's intention of effecting a public offering (including the conditions for suspension and cancellation of the offering) and indicates the documents which non-institutional investors must file in order to make a reservation request for the amount of Shares they intend to subscribe for. The second notice (*Anúncio de Início*, a Notice of Commencement) states the price per Share and the commencement of the offering. In addition, it is likely that we would also have to publish notices of Material Fact upon the disclosure of the intention to launch a public offer and the commencement of the offering.

Under the BM&FBOVESPA Rules, our Company must, on the day after completion of the public offering, convene a meeting of our Board or a general Shareholders' meeting in order to approve the number of issued Shares that have been subscribed for under the public offering. The minutes of the meeting will specify the total number and class of Shares issued and the total amount of the funds which will be raised. These minutes must be published on the websites of CVM and BM&FBOVESPA on the same day on which the meeting is held.

In addition, three days after completion of the public offering (being the settlement date of the public offering), our Company may convene a meeting of our Board or a general Shareholders' meeting in order to confirm completion of the capital increase. Upon completion of the Share issue, our Company must announce the results of the public offering, which must include, among other information, the number of Shares issued and the price per Share.

Within seven business days after the Shares have been issued, our Company must update and issue its Annual Disclosure Document to reflect the change in its issued share capital.

Capitalisation issue

In Brazil, a company whose shares do not have any par value (as in the case of our Company) may undertake a capitalisation issue by capitalising its reserves or profits, thereby increasing the amount of paid-up capital represented by each share in issue but not, however, increasing the number of shares in issue. It will involve an amendment of the by-laws of the company and hence, will require approval by the shareholders. The company is required to publish a management proposal disclosing the reasons for the capital increase and setting out the proposed amendments at the same time as the publication of the notice convening the shareholders' meeting at which such amendments are to be approved. The company must publish the minutes of the relevant meetings on the websites of CVM and BM&FBOVESPA and in the designated newspapers within seven business days of the local commercial registry granting registration of the respective minutes.

Exchange issue

Under Brazilian law, an exchange issue by a company is required to be approved by its shareholders since it will involve an amendment of its by-laws and may also involve a change in the rights attached to the existing class of shares. The company is required to publish a management proposal disclosing the reasons for conducting the exchange issue and setting out the proposed amendments at the same time as the publication of the notice convening the shareholders' meeting at which such amendments are to be approved.

Disclosure of information

Our Company is required to keep CVM and the market informed immediately after the occurrence of any material fact, which may include: (i) any resolution passed at a general Shareholders' meeting or any meeting of our Board; or (ii) any decision made by the Board of Executive Officers or the Controlling Shareholder of our Company; or (iii) any other act or fact of political, economic, administrative or technical nature, provided that it materially affects: (a) the price of the securities of our Company or securities related to our Company; (b) the decision of investors to purchase, sell or hold the securities of our Company or securities related to our Company; or (c) the decision of the investors to exercise any rights attached to the securities of our Company or securities related to our Company (each, a **Material Fact**). Under certain circumstances, the management of our Company may decide not to disclose a Material Fact to protect our best interest. However, such Material Fact must be immediately disclosed in the event that there is any partial or full leakage to the market.

Our Company must also include in its annual and quarterly financial statements and/or the Annual Disclosure Document, a description of any Material Fact that was disclosed if such Material Fact has had an impact or continues to have an impact on the financial position of our Company for the period covered by the annual or quarterly financial statements or the Annual Disclosure Document, as the case may be.

Major acquisitions

A major acquisition entered into by our Company has to be approved or ratified by our Shareholders by Simple Approval. Our Company has the right to elect, at its sole discretion, if the major acquisition is to be approved or ratified by our Shareholders. The acquisition will be classed as a 'major acquisition' if: (i) the purchase price constitutes a relevant investment for our Company (being 10% or more of the Shareholders' equity of our Company); or (ii) the price per share paid by our Company exceeds one and a half times of the greater of: (a) the average market price of the shares of the target entity (if listed) during the ninety trading days preceding the acquisition; (b) the net book value per share of the target entity, based on the market value of such entity's assets; and (c) the net profit per share of the target entity. If the purchase price per share exceeds one and a half times of the greater of (a), (b) and (c) above, any dissenting Shareholder has the right of redemption.

A management proposal is required to be prepared and published together with the notice of the general Shareholders' meeting convened to approve or ratify the major acquisition. The CVM Rules specify the content requirements for the management proposal, which include, *inter alia*, details of the nature of the transaction, information on the target company, major terms of the transaction and disclosure of the costs incurred by our Company if the transaction is not completed.

Our Company is required to disclose in its Annual Disclosure Document details of all major acquisitions entered into during the last three years preceding the date of the Annual Disclosure Document.

Related party transactions

Pursuant to the CVM Rules, a related party, in relation to any listed company, includes (i) any party that directly or indirectly through one or more intermediaries (a) controls, is controlled by, or is under the common control of any party who controls the listed company (this includes parent companies, subsidiaries and fellow subsidiaries); (b) has an interest in the listed company that gives it significant influence over the listed company; or (c) has joint control over the listed company; (ii) any party which is a joint venture in which the listed company is a joint venture partner; (iii) any party who is a member of the key management personnel of the listed company or its parent company; (iv) any party who is a close member of the family of any individual referred to in (i) or (iii);

(v) any party which is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in the listed company resides with, directly or indirectly, any individual referred to in (iii) or (iv); or (vi) any party which operates a post-employment/retirement benefit plan for the benefit of employees of the listed company, or of any company that is a related party of the listed company.

If our Company enters into a transaction with a related party, we are required, (i) if the transaction constitutes a Material Fact, to publish a notice immediately after such transaction has been entered into; (ii) to include annually a summary in its Annual Disclosure Document of all related party transactions that have been entered into by our Company during the last three years preceding the date of the Annual Disclosure Document; and (iii) report on all related party transactions involving an amount greater than (1) R$200,000; or (2) 1% of our Shareholders' equity of our Company, whichever is higher, to BM&FBOVESPA. Disclosures made under (i) and (ii) above, must identify the parties to the transaction and the relationship between them and also include the key terms and conditions of the transaction, such as the purpose, amounts payable, any guarantees, interest rates and termination clauses. The report to BM&FBOVESPA must include the main terms and conditions of the related party transaction, as well as the resulting influence on the management and on the business of our Company, if any.

Disclosure of shareholder's interests

Pursuant to the CVM Rules, any Shareholder, or a group of Shareholders acting in concert, that acquires an interest or short position of 5% or more in any class of our Shares, depositary receipts, securities convertible into or exchangeable for shares or share subscription and acquisition rights (and any other rights attached to such securities) (the **Securities**), of our Company (a **Major Shareholder**) must send a notice to our Company informing it of such acquisition immediately after the closing of the transaction. Further, any Major Shareholder must notify our Company by way of a notice of any further acquisition or disposal of an interest or short position in 5% or more in any Securities of our Company. Our Company must disclose the information received to CVM and BM&FBOVESPA immediately upon receipt of such notice. Our Company must also update the Annual Disclosure Document and upload it on the websites of CVM and BM&FBOVESPA within seven business days after the acquisition or disposal giving rise to the notification obligation of the Major Shareholder.

Disclosure of director's interests

Pursuant to the CVM Rules, each Director, Executive Officer and member of our Fiscal Council must disclose to our Company, by the tenth day of each month, his interests and short positions (and the interests and short positions held by his spouse, any individual that is financially dependent on him for tax purposes and any company directly or indirectly controlled by him, being referred to, together, as the **Relevant Persons**) in the Securities of our Company or any of its listed Controlling Shareholders and subsidiaries. Each Director, Executive Officer and member of our Fiscal Council must file an individual form with the investor relations officer of our Company within five days from the closing of such transaction. Our Company will forward the individual forms filed, as well as a consolidated form which sets out the aggregate interests and short positions in the Securities to CVM by the tenth day of the following month. The consolidated form will be published on the websites of CVM and BM&FBOVESPA by the tenth day of the following month. The Annual Disclosure Document must contain disclosure of the aggregate interests and short positions in the Securities held by all the Directors, Executive Officers, members of our Fiscal Council and their respective Relevant Persons. In addition to the requirements set out above, if any transaction entered into by any Director, Executive Officer or member of our Fiscal Council or their Relevant Persons, involves the acquisition or disposal of an interest or short position of 5% or more in any Securities, the disclosure requirements for Major Shareholders shall also apply.

U.S. REGULATORY PROVISIONS

Listing status

The ADSs are listed on NYSE. As a condition to listing on NYSE, securities must be registered under Section 12(b) of the Exchange Act. Accordingly, the Shares and ADSs are registered under the Exchange Act.

Our Company qualified for listing by satisfying the following criteria applicable to non-U.S. companies: (i) at least 5,000 shareholders worldwide own at least 100 company shares; (ii) at least 2,500,000 shares are held publicly worldwide; and (iii) the market value of the publicly held shares is at least US$100 million. In addition, the listed company must satisfy one of various earnings or cash flow tests.

Maintenance of a listing requires ongoing compliance with detailed quantitative standards regarding share distribution and share price, and compliance with the rules of NYSE and SEC.

Principal rules and regulations

Share offerings

To conduct a listing in the US, an issuer must file a registration statement with SEC. The disclosure requirements of the registration statement are similar in scope to the disclosure requirements of reports on Form 20-F, which include disclosures regarding the company's operations and financial condition. For a foreign private issuer such as our Company, US law does not impose any shareholder approval requirements apart from those that may be required under the law of the issuer's home jurisdiction.

US securities laws do not impose detailed disclosure requirements for an offering unless the offering is registered with SEC. For a reporting company like our Company that is current in its reports under the Exchange Act, an unregistered offering may ordinarily be completed without any additional disclosure requirements.

Shareholder approval will not generally be required for any such issuance involving: (a) any public offering for cash; (b) any bona fide private financing, if such financing involves a sale of: (i) common stock, for cash, at a price at least as great as each of the book and market value of the issuer's common stock; or (ii) securities convertible into or exercisable for common stock, for cash, if the conversion or exercise price is at least as great as each of the book and market value of the issuer's common stock.

Periodic reporting

Pursuant to SEC's periodic reporting rules, we are required to file an annual report on Form 20-F, including audited financial statements, and current reports on Form 6-K. A foreign company such as our Company is required to disclose material information on Form 6-K whenever such information: (i) is made or is required to be made public pursuant to the law of the jurisdiction of its domicile or in which it is incorporated or organised; or (ii) is filed or required to be filed with a stock exchange on which its securities are traded and is made public by that exchange; or (iii) is distributed to or is required to be distributed to its security holders. Material information includes, but is not limited to, interim financial information, changes in management or auditors, acquisitions or dispositions and material legal proceedings.

Exchange Act Rules 13a-15 and 15d-15 require that reporting companies maintain "disclosure controls and procedures", defined as procedures designed to ensure that information (both financial and non-financial) required to be disclosed under the Exchange Act is recorded and reported in a timely and accurate manner. Our Company's management is required to evaluate, as of the end of each fiscal year, the effectiveness of our Company's internal control over financial

reporting. Management's report on the effectiveness of internal controls is required to be included in the 20-F report.

Corporate governance

NYSE requires listed companies to comply with certain corporate governance practices. Under NYSE rules, a non-U.S. company is permitted to follow home country practices in lieu of most of the NYSE corporate governance requirements applicable to U.S. companies, provided the non-U.S. company discloses any significant ways in which its home country practices differs from NYSE standards. This disclosure must be included in our annual report on Form 20-F.

The principal NYSE corporate governance rule with which a non-U.S. company must comply is the requirement to maintain an audit committee that satisfies the requirements of Exchange Act Rule 10A-3, unless the company qualifies for an exemption contained in the rule. Rule 10A-3 contains independence requirements and defines the committee's functions to include the appointment, compensation and oversight of the company's auditors. It also requires that the audit committee establish procedures for handling complaints regarding the company's accounting practices. Rule 10A-3 contains an exemption from these requirements for non-U.S. companies that have a corporate body, separate from the company's board of directors, for overseeing auditors. In reliance on the exemption in section (c)(3) of Rule 10A-3 (and in accordance with Brazilian corporate law), our Company maintains the Fiscal Council.

Anti-fraud rules

Section 10(b) of the Exchange Act and Rule 10b-5 thereunder forbid the use of manipulative or deceptive devices, including making false or misleading statements, in connection with the purchase or sale of a security. Under Rule 10b-5, an issuer, its directors, its officers, or any person who exercises control over it can be held liable for disseminating information about the company that contains material misstatements or omissions of fact, whether or not in connection with a purchase or sale of securities. Liability can be based on information filed with SEC, such as a report on Form 20-F or Form 6-K, or in public statements (including press releases).

A director, officer, or controlling person can also be held liable under Section 18 of the Exchange Act by reason of a false or misleading statement in a report on Form 20-F (but not a report on Form 6-K) to anyone who, in reliance on such information, buys or sells a security at a price affected by such information. For purposes of this rule, "insiders" include members and any alternate members of the board of directors, officers, other members of management who have access to significant corporate plans or developments, and employees and agents who owe the company a duty of confidentiality.

FRENCH REGULATORY PROVISIONS

As a result of the admission to listing and trading of the ADSs on NYSE Euronext Paris, we must comply with certain French periodic and ongoing disclosure rules (for example, annual report with audited financial statements and interim financial statements) and anti-fraud rules, which prohibit market-abuse practices and devices, including insider trading, market manipulation and disclosure of false or misleading information. In general, our Company is deemed to comply with the French periodic and ongoing disclosure rules through its compliance with U.S. disclosure rules.

PURCHASE BY OUR COMPANY OF ITS OWN SECURITIES

Our Company is incorporated under the laws of Brazil, where we have our head office and place of central management. We have applied for, and the SFC has issued, a ruling that we will not be treated as a public company in Hong Kong for the purposes of the Share Repurchases Code and

hence, this code will not apply to our Company after the listing of the Depository Receipts on the Stock Exchange.

Brazilian requirements

Share repurchases in Brazil are governed by the CVM Rules and the Corporations Act. The Corporations Act permits listed companies to purchase its own shares or sell its treasury shares in the case of: (a) redemption, refund or amortisation set forth in law; (b) purchase and subsequent cancellation or maintenance of the repurchased shares as treasury stock (a listed company may only use its retained earnings or reserves to pay for the repurchased shares, and repurchases are limited to 10% of the company's free float of such class of shares); (c) sale of the shares acquired in accordance with paragraph (b) above in the market; and (d) if the shareholders have approved a share capital reduction and the stock price on the market is lower than the approved price, purchase shares on the stock exchange.

All purchases and sales of a listed company's own shares must be carried out on a stock exchange unless CVM approves otherwise. For the implementation of a stock buy-back programme, the CVM Rules require that the by-laws expressly authorise the board of directors to approve the purchase and sale of the company's own shares. In relation to our Company, a share repurchase programme may be approved by the Board as the By-laws expressly delegates this function.

Under the CVM Rules, we would not be permitted to purchase our own Shares and maintain them as treasury stock if, among other things, the transaction would:

(i) result in a share capital reduction;

(ii) require the use of funds in excess of our Company's retained earnings or reserves as recorded in the most recent financial statements (and the following reserves cannot be included in the calculation of the total amount of reserves: (1) legal reserve (*reserva legal*), (2) unrealised profits reserve (*reserva de lucros a realizar*), (3) special reserve for non-paid fixed dividends, as recorded in the most recent financial statements of the Company);

(iii) directly or indirectly create, through action or omission, any artificial demand for our Shares, any artificial market for our Shares that affects their trading and price or involves unfair market practices;

(iv) be used to purchase unpaid Shares or Shares held by Controlling Shareholders; or

(v) take place in the course of any public tender offer for our Shares.

The share repurchase programme must be conducted by a financial institution duly authorised by CVM to act as intermediary agent. The acquisition price cannot be higher than the market value of the shares to be purchased.

Our treasury stock may not exceed 10% of the free float of each of the class of Common Shares and Class A Preferred Shares.

Since the listing approval granted by BM&FBOVESPA to the Company was by reference to the entire class of its Common Shares and Class A Preferred Shares (including Shares held in the form of treasury stock) and not just limited to the Common Shares or Class A Preferred Shares in issue, if the Company decides to offer any treasury stock, it would not be necessary to apply to BM&FBOVESPA for the re-listing of such treasury stock.

In addition, our Company would not need to apply to BM&FBOVESPA for the treasury stock to be re-listed as such stock only had its economic and voting rights suspended for the time it was in treasury. Upon the transfer of treasury Shares to a third party, such Shares would resume the same rights afforded to Shares of the same type or class.

Under the CVM Rules, our annual and quarterly financial statements are required to disclose: (a) the purpose of any repurchase of Shares undertaken during the period covered by such financial statement; (b) the number of Shares repurchased, set out by type and class; (c) the highest, the lowest and the weighted average price paid; (d) net profit made by our Company on all sales of treasury Shares; (e) the market value of our Shares, set out by type and class, based on the last trading day of the previous fiscal year or quarterly period (as the case may be); and (f) any adjustments accrued on the price of Shares held in treasury due to inflation.

U.S. requirements

Any repurchases of Shares by our Company are subject to Rule 10b-5 of the Exchange Act and the following restrictions:

(1) on any single day, the share repurchases cannot be effected through more than one broker;

(2) repurchases cannot be effected immediately upon the opening of trading or shortly before the closing of trading;

(3) the purchase price cannot exceed the highest independent bid or the last independent transaction price, which is higher, at the time the repurchase is effected; and

(4) the total volume of repurchases on any single day must not exceed 25% of the average daily trading volume reported for the security during the four calendar weeks in which the repurchase is effected.

We are required to promptly notify NYSE of all facts relating to the purchase, directly or indirectly, of any of our Shares at a price in excess of the market price of such security prevailing on NYSE at the time of such purchase. Repurchases must be disclosed in our Form 20-F, which is filed with SEC annually, including the number of Shares purchased per month and the average price paid per month.

Our Company would not need to file a registration statement with SEC for our treasury stock to be re-listed. We are, however, required to provide a notice to SEC, in advance, of any re-issue of treasury stock of a class that is already listed. When treasury stock is re-issued together with newly issued Shares, our Company may include this notification in the listing application for the newly issued Shares.

Our annual report on Form 20-F discloses, for each month of the fiscal year covered by the report: (a) the total number of Shares repurchased; (b) the average price paid per Share; (c) the total number of Shares purchased as part of a publicly announced plan; (d) the maximum number (or approximate dollar value) of Shares that may yet be purchased under the plan. With respect to Shares purchased other than through a publicly announced plan or program, we must disclose the number of Shares repurchased and the nature of the transaction.

No specific disclosures about treasury stock are required in the annual report on Form 20-F, and foreign private issuers are not required to file quarterly reports in the US. However, we report the number of Shares held in treasury in our annual and quarterly financial statements included in our reports on Form 20-F and Form 6-K, respectively.

French requirements

French law provides for black-out periods during which our Company may not trade in its own securities (including ADSs). These black-out periods are (a) 15 days prior to the release of annual and quarterly results; (b) during the period from the date of the decisions of the shareholders of Valepar, (i) to modify the share capital through stock issuances (subscrição de ações), (ii) to approve a share acquisition or divestment programme by our Company; or (iii) to approve dividends or interest on

the company's capital stock, stock approve, stock derivatives, or share splits; and up to and including the date of the publication of relevant public notices or other press releases; and (c) during any other period designated by our Executive Officer for Investor Relations, upon prior authorisation by the Chairman of our Board of Directors, as requested by our Chief Executive Officer.

French law also provides for certain disclosure obligations. For share repurchases implemented on any market other than NYSE Euronext Paris, a press release would have to be issued to inform the French public of the terms and conditions of the repurchase programme and that no ADSs are repurchased on NYSE Euronext Paris. In the event that ADSs are repurchased by our Company, certain French specific disclosure obligations would be applicable.

TAKEOVER REGULATIONS

Our Company is incorporated under the laws of Brazil, where we have our head office and place of central management. We have applied for, and the SFC has issued, a ruling that we will not be treated as a public company in Hong Kong for the purposes of the Takeovers Code and hence, this code will not apply to our Company after the listing of the Depositary Receipts on the Stock Exchange.

Brazilian requirements

Takeover bids in Brazil are governed by the CVM Rules and the Corporations Act. The Corporations Act and the CVM Rules provide for three types of tender offers related to the acquisition of control of a listed company or any increase in shareholding by a Controlling Shareholder.

A voluntary tender offer may be made by any person, whether or not a shareholder, to acquire all or a specific percentage of shares in a listed company. In relation to our Company, a voluntary offer may be made to acquire all or a specific percentage of either our Common Shares or Class A Preferred Shares, or of both classes of Shares. There is, however, no requirement under Brazilian law that a voluntary tender offer has to be extended to all classes of Shares.

A mandatory tender offer is triggered where as a result of the acquisition of existing shares in a listed company by any person, there is a direct or indirect transfer of 'control' in the listed company to such person. Pursuant to the Corporations Act, a **Controlling Shareholder** means a person that (i) holds interests that permanently allow him to prevail in any matter to be decided at any shareholders' meeting of the company; (ii) appoints the majority of the company's managers (or if the company has a board of directors, the majority of directors, who will, in turn, appoint the executive officers); and (iii) effectively uses his power to guide the company's operations. Although the Corporations Act does not specify a percentage threshold for defining 'control', it is generally understood that, in most cases, the acquisition of more than 50% of the issued voting shares of a company would constitute control. The Corporations Act and the CVM Rules further provide that a mandatory tender offer, once triggered, must be extended to all holders of shares with unrestricted and permanent voting rights. Where a mandatory tender offer is triggered, the offeror must extend the offer to all holders of shares with unrestricted and permanent voting rights at a price that is equivalent to at least 80% of the price per share paid by the offeror to acquire the voting shares comprising the controlling block.

In relation to our Company, a mandatory tender offer will only be triggered by the acquisition of our Common Shares that results in a direct or indirect transfer of 'control' and not by the transfer of Class A Preferred Shares. Further to this, a mandatory tender offer, if triggered, would be required to be extended only to the remaining holders of our Common Shares (and not to any holders of the Class A Preferred Shares) by the party acquiring control.

An increased ownership mandatory tender offer is triggered if the Controlling Shareholder of a listed company (that is, a shareholder who already holds more than 50% of shares with unrestricted

and permanent voting rights) purchases by means other than a public tender offer, shares of any class (voting or non-voting) which represents more than one-third of the free float of that class of shares. The Controlling Shareholder will be required to make an offer to acquire all of the remaining shares of that class. In addition, if the Controlling Shareholder that holds more than 50% of the equity interest of a certain type or class of shares in issue of a company acquires, directly or indirectly, a further equity interest equivalent to 10% or more of such type or class of shares within a period of 12 months (even if such acquisition amounts to less than one-third of the free float), CVM may require, at its sole discretion, the Controlling Shareholder to launch an increased ownership mandatory tender offer. In relation to our Company, an increased ownership mandatory tender offer will only be triggered by the acquisition of further Shares in the manner described above by the Controlling Shareholder of our Common Shares.

As our Golden Shares must be owned by the Brazilian Government, none of our Golden Shares would be subject to any mandatory tender offer or voluntary tender offer.

U.S. requirements

Where the bidder, after consummation of the offer, would be the direct or indirect beneficial owner of more than 5% of any class of Shares, certain provisions of the Exchange Act apply. The provisions require certain disclosures by the bidder and management and contain certain procedural rights for the target Shareholders.

Tender offers must be open to all Shareholders of the class of Shares sought by the bidder, and the same price must be paid for all tendered Shares. The bidder is required to disclose in a filing with SEC the identity of the bidder, the target and target securities, the source and amount of funds to be used to purchase the target securities and the purpose of the offer. Management of the target is required to disclose in a filing with the SEC whether it has taken a position with respect to the bid and, if so, what that position is and management's reasons for adopting it.

French requirements

The bidder would be required to report crossing of ownership thresholds to the AMF if, after consummation of the offer, it would hold directly or indirectly more than 5% of any class of shares or voting rights of our Company.

The AMF may decide to exercise its jurisdiction and apply French takeover rules (except for the rules relating to mandatory takeover bids and squeeze-out) on the offer to the extent made in France.

EXCHANGE CONTROL, REGISTRATION REQUIREMENTS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

Other than strategic sectors such as telecommunications, broadcasting and news media, and nuclear energy, there are no restrictions under Brazilian law on ownership of Shares in any company incorporated in Brazil (including our Company) by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of Class A Preferred Shares or Common Shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investment be registered with the Central Bank of Brazil. These restrictions on the remittance of foreign capital abroad could hinder or prevent the Custodian for our Class A Preferred Shares or Common Shares represented by HDRs, or holders who have exchanged HDRs for Class A Preferred Shares or Common Shares, from converting dividends, distributions or the proceeds from any sale of Class A Preferred Shares or Common Shares, as the case may be, into either HK Dollars or U.S. Dollars and remitting such HK Dollars or U.S. Dollars abroad. Delays in, or

refusal to grant, any required government approval for conversions of Brazilian currency payments and remittances abroad of amounts payable to the HDR Depositary could in turn adversely affect HDR Holders.

Under Resolution No. 2,689/2000, foreign investors may invest in almost all financial assets and engage in almost all types of transactions available in the Brazilian financial and capital markets, provided that certain requirements are fulfilled. In accordance with Resolution No. 2,689/2000, the definition of foreign investor includes individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered outside Brazil.

Under Resolution No. 2,689/2000, a foreign investor must:

(1) appoint at least one representative in Brazil, with powers to perform actions relating to its investment;

(2) complete the appropriate foreign investor registration form;

(3) register as a foreign investor with CVM; and

(4) register its foreign investment with the Central Bank of Brazil.

Securities and other financial assets held by foreign investors pursuant to Resolution No. 2,689/2000 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank of Brazil or CVM. In addition, securities trading is restricted to transactions carried out on stock exchanges or through organised over-the-counter markets licensed by CVM. This restriction will not apply in the event of a subscription, granting of bonuses or conversion of debentures into shares, an acquisition or sale of derivatives or other financial instruments which track the price of indexed securities, purchase and sale of quotas issued by investment funds and, if permitted by CVM, purchase and sale of securities in the context of the cancellation of a company's registration with CVM, a delisting or a temporary suspension of trading. Moreover, the transfer or assignment of securities or other financial assets held by foreign investors pursuant to Resolution No. 2,689/2000 out of a stock exchange or an organised over-the-counter market in Brazil is prohibited, except for transfers resulting from a corporate reorganisation, or occurring upon the death of an investor by operation of law or will.

Resolution No. 1,927/1992 of the National Monetary Council provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. It provides that the proceeds from the sale of depositary receipts outside Brazil are not subject to Brazilian foreign investment control and holders of depositary receipts who are not resident in a tax haven jurisdiction (that is, any country or location that does not impose taxes on income or where the maximum income tax rate is lower than 20%, or where the legislation imposes restrictions on disclosure of the shareholding structure or the ownership of the investment) will be entitled to favourable tax treatment.

An electronic registration has been issued to the Custodian in the name of the HDR Depositary with respect to the HDRs. Pursuant to this electronic registration, the Custodian and the HDR Depositary are able to convert dividends and other distributions with respect to the underlying shares into foreign currency and to remit the proceeds outside Brazil. If a holder exchanges HDRs for Class A Preferred Shares or Common Shares, the holder may continue to rely on the Custodian's electronic registration for only five business days after the exchange. After that, the holder must seek to obtain its own electronic registration with the Central Bank of Brazil under Law No. 4,131/1962 or Resolution No. 2,689/2000. Thereafter, unless the holder has registered its investment with the Central Bank of Brazil, such holder may not convert the proceeds from the disposition of, or distributions with respect to, such Class A Preferred Shares or Common Shares into foreign currency and remit them out of Brazil.

Under Brazilian law, whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance, the Brazilian Government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil, and on the conversion of Brazilian currency into foreign currencies. Such restrictions may hinder or prevent the Custodian or holders who have exchanged HDRs for underlying Class A Preferred Shares or Common Shares from converting distributions or the proceeds from any sale of such shares, as the case may be, into HK Dollars or U.S. Dollars and remitting such HK Dollars or U.S. Dollars abroad. In the event the Custodian is prevented from converting and remitting amounts to foreign investors, the Custodian will hold the Reais it cannot convert for the account of the holders of HDRs who have not been paid. The HDR Depositary will not invest the Reais and will not be liable for interest on those amounts. Any Reais so held will be subject to devaluation risk against either the HK Dollar or the U.S. Dollar.

Under the Corporations Act a Brazilian company may engage a financial institution authorised by CVM to render share registration services and custody of the company's share register. Due to the nature of such services, our Company does not believe it to be feasible to engage more than one such custodian. Likewise, our Company does not consider it practicable to have such a custodian maintaining its share register in Hong Kong, considering the CVM authorisation requirement and that Brazil is its primary listing venue. In light of the requirement for listing of shares in Hong Kong to have the register of members maintained in Hong Kong, our Company does not believe a direct equity listing in Hong Kong to be the most practicable solution for investors.

TAXATION

The following summary contains a description of the principal Brazilian income tax implications in connection with the ownership and disposition of the Depositary Receipts. **This discussion is of a general nature only and is not exhaustive of all possible Brazilian tax considerations applicable to an investment in the Depositary Receipts. Moreover the income or other tax consequences of acquiring, holding or disposing the Depositary Receipts will vary depending on the holder's particular circumstances, including the jurisdiction or jurisdictions in which the holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Depositary Receipts. Investors should consult their own tax advisers for advice with respect to the tax consequences of an investment in Depositary Receipts based on their particular circumstances.**

Brazilian tax considerations

The following discussion summarises the principal Brazilian tax consequences of the acquisition, ownership and disposition of Class A Preferred Shares, Common Shares or Depositary Receipts by a holder not deemed to be domiciled in Brazil for purposes of Brazilian taxation (**a Non-Brazilian Holder**). It is based on the tax laws of Brazil and regulations thereunder in effect on the date hereof, which are subject to change (possibly with retroactive effect).

Shareholder distributions

For Brazilian corporations, such as our Company, distributions to shareholders are classified, for tax purposes, as either dividend or interest on shareholders' equity.

Dividends

Amounts distributed as dividends, including distributions in kind, will generally not be subject to withholding income tax if the distribution is paid by us from profits of periods beginning on or after 1 January 1996 (1) to the HDR Depositary in respect of our Class A Preferred Shares or Common Shares underlying the Depositary Receipts or (2) to a Non-Brazilian Holder in respect of our Class A

Preferred Shares or Common Shares. Dividends paid from profits generated before 1 January 1996 may be subject to Brazilian withholding income tax at varying rates depending on the year the profits were generated.

Interest on shareholders' equity

Amounts distributed as interest on shareholders' equity are generally subject to withholding income tax at the rate of 15%, except where:

(1) the beneficiary is exempt from tax in Brazil, in which case the distribution will not be subject to withholding income tax;

(2) the beneficiary is located in a jurisdiction that does not impose income tax or where the maximum income tax rate is lower than 20% (a **Low Tax Jurisdiction**) or where internal legislation imposes restrictions on the disclosure of the shareholding structure or the ownership of the investment, in which case the applicable withholding income tax rate is 25%; or

(3) the effective beneficiary is resident in Japan, in which case the applicable withholding income tax rate is 12.5%.

Interest on shareholders' equity is calculated as a percentage of shareholders' equity, as stated in the statutory accounting records. The interest rate applied may not exceed TJLP. In addition, the amount of distributions classified as interest on shareholders' equity may not be more than the greater of (1) 50% of net income (after the deduction of social contribution on net profits but before taking into account such payment of interest and the provision for corporate income tax) for the period in respect of which the payment is made and (2) 50% of the sum of retained earnings and profit reserves as at the first day of the fiscal year in respect of which the payment is made.

Payments of interest on shareholders' equity are deductible for the purposes of corporate income tax and social contribution on net profit, to the extent of the limits described above. The tax benefit to our Company in the case of a distribution by way of interest on shareholders' equity is a reduction in our Company's corporate tax charge by an amount equivalent to 34% of such distribution.

Taxation of capital gains

Taxation of Non-Brazilian Holders on capital gains depends on the status of the holder as either:

(1) not resident or domiciled in a Low Tax Jurisdiction or where internal legislation imposes restrictions on the disclosure of shareholding structure or the ownership of the investment and registered its investment in Brazil in accordance with Resolution No. 2,689 (**a 2,689 Holder**), or a HDR Holder; or

(2) any other Non-Brazilian Holder.

Investors identified in item 1 are subject to favourable tax treatment, as described below.

According to Law No. 10,833, dated 29 December 2003, capital gains realised by a Non-Brazilian Holder from the disposition of "assets located in Brazil" are subject to taxation in Brazil.

Class A Preferred Shares and Common Shares qualify as assets located in Brazil, and the disposition of such assets by a Non-Brazilian Holder may be subject to income tax on the gains assessed, in accordance with the rules described below, regardless of whether the transaction is carried out with another Non-Brazilian resident or with a Brazilian resident.

There is some uncertainty as to whether Depositary Receipts qualify as "assets located in Brazil" for purposes of Law No. 10,833/03. Arguably, Depositary Receipts do not constitute assets located in

Brazil and therefore the gains realised by a Non-Brazilian Holder on the disposition of Depositary Receipts to another Non-Brazilian resident should not be subject to income tax in Brazil. However, it cannot be guaranteed that the Brazilian courts will uphold this interpretation of the definition of "assets located in Brazil" in connection with the taxation of gains realised by a Non-Brazilian Holder on the disposition of Depositary Receipts. Consequently, gains on a disposition of Depositary Receipts by a Non-Brazilian Holder (whether in a transaction carried out with another Non-Brazilian Holder or a person domiciled in Brazil) may be subject to income tax in Brazil in accordance with the rules applicable to a disposition of shares.

Although there are grounds to sustain otherwise, the deposit of Class A Preferred Shares or Common Shares in exchange for Depositary Receipts may be subject to Brazilian income tax if the acquisition cost of the Class A Preferred Shares or Common Shares being deposited is lower than the average price of the Class A Preferred Shares or Common Shares (as the case may be), which is determined as either:

(1) the average price per Class A Preferred Share or Common Share on BM&FBOVESPA in which the greatest number of such shares were sold on the day of deposit; or

(2) if no Class A Preferred Shares or Common Shares were sold on that day, the average price on BM&FBOVESPA in which the greatest number of Class A Preferred Shares or Common Shares were sold in the 15 trading sessions immediately preceding such deposit.

The positive difference between the average price of the Class A Preferred Shares or Common Shares calculated as described above and their acquisition cost will be considered to be a capital gain subject to income tax in Brazil. In some circumstances, there are grounds to sustain that such taxation is not applicable with respect to any 2,689 Holder, provided he is not located in a Low Tax Jurisdiction.

The withdrawal of Depositary Receipts in exchange for Class A Preferred Shares or Common Shares is not subject to Brazilian income tax, subject to compliance with applicable regulations regarding the registration of the investment with the Central Bank of Brazil.

For the purpose of Brazilian taxation, the income tax rules on gains related to disposition of Class A Preferred Shares or Common Shares vary depending on:

- the domicile of the Non-Brazilian Holder;
- the method by which such Non-Brazilian Holder has registered his investment with the Central Bank of Brazil; and/or
- how the disposition is carried out, as described below.

The gain realised as a result of a transaction on a Brazilian stock, future and commodities exchange is the difference between: (i) the amount in Brazilian currency realised on the sale or disposition and (ii) the acquisition cost, without any adjustment for inflation, of the securities that are the subject of the transaction.

Any gain realised by a Non-Brazilian Holder on a sale or disposition of Class A Preferred Shares or Common Shares carried out on BM&FBOVESPA is:

- exempt from income tax where the Non-Brazilian Holder (i) is a 2,689 Holder; and (ii) is not located in a Low Tax Jurisdiction;
- subject to income tax at a rate of 15% where the Non-Brazilian Holder either (A) (i) is not a 2,689 Holder and (ii) is not resident or domiciled in a Low Tax Jurisdiction or (B) (i) is a 2,689 Holder and (ii) is resident or domiciled in a Low Tax Jurisdiction; or
- subject to income tax at a rate of 25% where the Non-Brazilian Holder (i) is not a 2,689 Holder and (ii) is resident or domiciled in a Low Tax Jurisdiction.

The sale or disposition of common shares carried out on BM&FBOVESPA is subject to withholding tax at the rate of 0.005% on the sale value. This withholding tax can be offset against the eventual income tax due on the capital gain. A 2,689 Holder that is not resident or domiciled in a Low Tax Jurisdiction is not required to withhold income tax.

Any gain realised by a Non-Brazilian Holder on a sale or disposition of Class A Preferred Shares or Common Shares that is not carried out on BM&FBOVESPA is subject to income tax at a 15% rate, except for gain realised by a resident in a Low Tax Jurisdiction, which is subject to income tax at the rate of 25%.

With respect to transactions arranged by a broker that are conducted on the Brazilian non-organised over-the-counter market, a withholding income tax at a rate of 0.005% on the sale value is also levied on the transaction and can be offset against the eventual income tax due on the capital gain. There can be no assurance that the current favourable treatment of 2,689 Holders will continue in the future.

In the case of a redemption of Class A Preferred Shares, Common Shares or Depositary Receipts or a capital reduction by a Brazilian corporation, the positive difference between the amount received by any Non-Brazilian Holder and the acquisition cost of the Class A Preferred Shares, Common Shares or Depositary Receipts being redeemed is treated as capital gain and is therefore generally subject to income tax at the rate of 15%, while the 25% rate applies to residents in a Low Tax Jurisdiction.

Any exercise of pre-emptive rights relating to our Class A Preferred Shares or Common Shares will not be subject to Brazilian taxation. Any gain realised by a Non-Brazilian Holder on the disposition of pre-emptive rights relating to Class A Preferred Shares or Common Shares in Brazil will be subject to Brazilian income taxation in accordance with the same rules applicable to the sale or disposition of Class A Preferred Shares or Common Shares.

Tax on foreign exchange and financial transactions

Foreign exchange transactions

Brazilian law imposes a tax on foreign exchange transactions, or an IOF/Exchange Tax, due on the conversion of Reais into foreign currency and on the conversion of foreign currency into Reais. Currently, for most foreign currency exchange transactions, the rate of IOF/Exchange is 0.38%.

Effective as of 20 October 2010, in respect of foreign exchange agreements entered into since 5 October 2010, the inflow of resources into Brazil for the acquisition or subscription of common shares through public offerings in Brazilian financial and capital markets by a Non-Brazilian Holder are subject to the IOF/Exchange at a rate of 2%, provided that the issuer has registered its shares for trading on the stock exchange.

The outflow of resources from Brazil related to investments carried out by a Non-Brazilian Holder in the Brazilian financial and capital markets is currently subject to IOF/Exchange at a zero percent rate. In any case, the Brazilian government may increase such rates at any time, up to 25%, with no retroactive effect.

Transactions involving bonds and securities

Brazilian law imposes a tax on transactions involving bonds and securities, or an IOF/Bonds Tax, including those carried out on BM&FBOVESPA. The rate of IOF/Bonds Tax applicable to transactions involving public traded shares in Brazil is currently zero. However, the Brazilian Government may increase such rate at any time up to 1.5% of the transaction amount per day, but the tax cannot be applied retroactively. Transfer of shares traded on BM&FBOVESPA in order to back depositary receipts traded abroad are subject to IOF/Bonds Tax at a rate of 1.5% starting 19 November 2009.

Other Brazilian taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of Class A Preferred Shares, Common Shares or the Depositary Receipts by a Non-Brazilian Holder, except for gift and inheritance taxes which are levied by some states of Brazil on gifts made or inheritances bestowed by a Non-Brazilian Holder to individuals or entities resident or domiciled within such states in Brazil. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable by holders of Class A Preferred Shares or Common Shares or Depositary Receipts.

GENERAL

Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, our legal counsel on Brazilian law, has sent to our Company a letter of advice summarising certain provisions of Brazilian corporate law and certain provisions of Brazilian securities and tax regulations. This letter is available for inspection as referred to in Appendix IX to this Listing Document.

Cleary Gottlieb Steen & Hamilton LLP, our legal counsel on U.S. and French law, has sent to our Company a letter of advice summarising certain provisions of U.S. and French securities regulations. This letter is available for inspection as referred to in Appendix IX to this Listing Document.

Our Company is incorporated in Brazil as a Sociedade por Ações with limited liability. The Stock Exchange has resolved to accept Brazil as a recognised jurisdiction under Chapter 19 of the Listing Rules.

The Joint Policy Statement states that for the purpose of determining whether an overseas company demonstrates acceptable shareholder protection standards, the Stock Exchange ordinarily expects such company to demonstrate appropriate shareholder protection standards in the various matters set out in the attachment to the Joint Policy Statement. Not all the shareholder protections afforded to shareholders of companies incorporated in Brazil are at least equivalent to those afforded to shareholders of companies incorporated in Hong Kong. We have set out below each of the requirements of the Joint Policy Statement, as well as certain requirements under the Listing Rules and the disclosure of interests requirements under the SFO, and the measures taken by our Company to address the difference, if any, between the company laws of Hong Kong and Brazil.

Amendment to constitutional documents

Pursuant to Hong Kong law, any change to the constitutional documents of a company requires the approval of shareholders with a three-quarter majority vote in a general meeting. Brazilian law provides that resolutions proposed for the amendment of the by-laws of a company are generally required to be approved by Simple Approval except where the amendment concerns material matters specified in the Corporations Act, in which case Special Approval is required. The standard of shareholders' protection under Brazilian law is similar to or comparable with that under Hong Kong law.

Variation of rights

Pursuant to Hong Kong law, rights attached to any class of shares of a company may only be varied with the approval of shareholders with a three-quarter majority vote in a general meeting. Brazilian law provides that any variation to the rights attached to any class of shares of a company requires the Special Approval of the shareholders of that class of shares at a separate class meeting if such variation would adversely affect the interests of those shareholders. The standard of shareholders' protection under Brazilian law is similar to or comparable with that under Hong Kong law.

Winding up

Pursuant to Hong Kong law, the voluntary winding up of a company must be approved by shareholders with a three-quarter majority vote in a general shareholders' meeting. Brazilian law provides that a resolution to approve the voluntary winding up of a company has to be passed with Special Approval. The standard of shareholders' protection under Brazilian law is similar to or comparable with that under Hong Kong law. In addition, in the case of our Company, the Brazilian Government, as the holder of our Golden Shares, has a veto right over the voluntary winding up of our Company.

Auditors

Pursuant to Hong Kong law, the appointment, removal and remuneration of auditors must be approved by shareholders with a majority vote in a general shareholders' meeting. Brazilian law provides that the appointment, removal and remuneration of independent auditors is required to be approved by the board of directors and, pursuant to the By-laws, our Board decides on such matter upon the recommendation of the Fiscal Council. The standard of shareholders' protection under Brazilian law is similar to or comparable with that under Hong Kong law.

Register of members

Pursuant to Hong Kong law, a company must ensure that its branch register of members in Hong Kong shall be open to inspection by shareholders. Brazilian law provides that shareholders do

not have the right to inspect the register of members of a company except in limited situations. In the case of our Company, the HDR Depositary will keep in Hong Kong and make available for inspection a register of HDR Holders.

Meetings

Pursuant to Hong Kong law, a company is required to hold a general meeting each year at its annual general meeting. Not more than 15 months shall elapse between the date of one annual general meeting of a company and the next. Brazilian law provides that the maximum period of time that may elapse between two annual general meetings of a company is 16 months. The standard of shareholders' protection under Brazilian law is similar to or comparable with that under Hong Kong law.

Right to convene meetings

Pursuant to Hong Kong law, shareholders holding not less than 5% of the paid-up capital of a company may require the company to convene an extraordinary general meeting and may request the company to circulate a resolution proposed by the requisitionists to members entitled to receive notice of that meeting. Brazilian law provides that shareholders together holding at least 5% of the total issued shares of a company have the right to request the board of directors to convene a general shareholders' meeting. The standard of shareholders' protection under Brazilian law is similar to or comparable with that under Hong Kong law.

Notice of meetings

Pursuant to Hong Kong law, a company must ensure that any annual general meeting or any extraordinary general meeting at which a resolution that requires the approval of shareholders by three-quarter majority vote will be proposed shall be convened on at least 21 days' written notice and that any other general meeting shall be convened on at least 14 days' written notice. The notice period for general shareholders' meetings prescribed under the Corporations Act is shorter than that under Hong Kong law, being 15 days. CVM recommends a longer notice period of 30 days for companies listed outside Brazil. We have entered into an undertaking with the Stock Exchange to comply with CVM's recommendation. Please refer to Appendix V of this Listing Document for further details.

Voting

Pursuant to the Joint Policy Statement, an overseas company must adopt general provisions as to meetings and voting on terms that are comparable to those required of a Hong Kong incorporated public company. There is no legal requirement under Brazilian law for a company to send notice of general shareholders' meetings by post to shareholders at their registered address. Notice of Shareholders' meetings will be published on our website as well as the website of the Stock Exchange.

Proxies

Pursuant to Hong Kong law, proxies or corporate representatives may be appointed to attend general meetings and such proxies or corporate representatives should enjoy statutory rights, including the right to speak at such meetings. In addition, Hong Kong companies must insert a prominent statement of each shareholder's right to appoint proxies in the notice of general meeting. Brazilian law provides that a shareholder is entitled to appoint in writing one or more person as proxy to attend and vote in shareholders' meetings, but there is no requirement for a prominent statement of each shareholder's right to appoint proxies to be included in the notice of general shareholders' meeting. We have entered into an undertaking with the Stock Exchange to

comply with certain Hong Kong proxy requirements. Please refer to Appendix V of this Listing Document for further details.

Voting by poll

Pursuant to Hong Kong law, shareholders must be able to demand a poll. There is no equivalent provision under Brazilian law. The Corporations Act provide that the chairman of the general shareholders' meeting has the power to decide how voting on a particular resolution to be considered at the meeting will be counted. We will continue to comply with the Brazilian requirement.

Appointment of directors

Pursuant to Hong Kong law, the appointment of a director is required to be voted on individually. Brazilian law provides that where more than one director is to be appointed at the same time, their appointment may be effected by means of (i) a single resolution, which covers the appointment of all directors; or (ii) a multiple voting system if requested by shareholders representing at least 5% to 10% of a company's voting shares (as determined by reference to the size of the company's share capital), which allows the appointment of each director to be voted on individually. Shareholders representing 5% of our Company's voting Shares will be permitted to request a multiple voting system.

Declaration of interest

Pursuant to Hong Kong law, a director is required to declare any material interest in any contract with a company at the earliest meeting of the board of directors. A company is also required to include in notices of its intention to move a resolution at a general meeting or class meeting particulars of the relevant interests of directors in the matter dealt with by the resolution. Brazilian law provides that directors are required to disclose at the earliest meeting of the board of directors his material interest (direct or indirect) in any contract or any conflicting interest in any matter to be considered at the meeting. It is not a statutory requirement under Brazilian law to include in the notice of a general shareholders' meeting a statement of the material interest of any director in any of the matters to be considered at the meeting. The standard of shareholders' protection under Brazilian law is similar to or comparable with that under Hong Kong law.

Loans to directors

Pursuant to Hong Kong law, a company may only make loans to a director in certain limited circumstances. Brazilian law provides that a company may grant loans to any of its managers (which includes directors and executive officers) if: (i) such transactions are approved by shareholders in the general shareholders' meeting or by the board of directors; (ii) such transactions are on an arm's length basis; and (iii) the relevant director or officer, as the case may be, does not intervene or take any actions to direct a company to undertake an obligation for his benefit. As we are listed on NYSE, we are also subject to the provisions of the Exchange Act, which provides that we are prohibited from, directly or indirectly, including through any subsidiary, (i) extending or maintaining credit; (ii) arranging for the extension of credit; or (iii) renewing an extension of credit in the form of a personal loan to or for any of our Directors or Executive Officers. We have entered into an undertaking with the Stock Exchange in respect of the making of loans to Directors or their related parties. Please refer to Appendix V of this Listing Document for further details.

Payments to directors

Pursuant to Hong Kong law, any payment to a director or past director of a company as compensation for loss of office or retirement from office is required to be approved by shareholders with a majority vote at a general meeting. Brazilian law provides that the aggregate amount of the compensation payable to directors and other senior management (that is, executive officers and

members of any advisory or technical committees) of a company in any financial year has to be approved in advance by the shareholders at the annual shareholders' meeting and payments made to directors and senior management must not exceed this aggregate figure. The standard of shareholders' protection under Brazilian law is similar to or comparable with that under Hong Kong law.

Alteration of share capital

Pursuant to Hong Kong law, any alteration of share capital in the company must be approved by shareholders with a majority vote in a general meeting. Brazilian law provides that a Simple Approval is required for an increase in the share capital of a company. If the authorisation to issue shares has been given in the by-laws, a resolution from the board of directors may increase the share capital within the limit specified in the authorisation. The standard of shareholders' protection under Brazilian law is similar to or comparable with that under Hong Kong law.

Reduction of share capital

Pursuant to Hong Kong law, any reduction of share capital in a company must be subject to confirmation by the court and be approved by shareholders with a three-quarter majority vote in a general meeting. Brazilian law provides that a Simple Approval is required to approve any reduction in a share capital of a company. We will continue to comply with the Brazilian requirement.

Redemption of shares

Pursuant to Hong Kong law, a company may only redeem its shares out of distributable profits or fresh proceeds from a new issue of shares. Brazilian law provides that a redemption of shares can be made out of profits, profit reserves (except for the legal reserve — *reserva legal*) and capital reserves. The standard of shareholders' protection under Brazilian law is similar to or comparable with that under Hong Kong law.

Distribution of assets

Pursuant to Hong Kong law, a company may only distribute its assets to the shareholders out of realised profits and if out of assets, the remaining net assets must not be less than the share capital plus undistributable reserves. Brazilian law provides that a company may only pay dividends or make other distributions to shareholders out of its net profits, retained earnings, profit reserves (except for the legal reserve — *reserva legal*) and, in specific circumstances (where the company is authorised by its by-laws to do so), capital reserves. We will continue to comply with the Brazilian requirement. Our Company is not authorised under the By-laws to pay dividends or make other distributions to our Shareholders out of its capital reserves.

Disclosure of information

Rules 13.11 to 13.19 of the Listing Rules require disclosure of information in relation to specific matters relevant to a company's business, including advances to an entity, financial assistance and guarantees to affiliated companies, pledging of shares by the controlling shareholder, loan agreements with covenants relating to specific performance of the controlling shareholder, and breach of loan agreement by an issuer. Brazilian law provides that a company is required to keep CVM and the market informed immediately after the occurrence of any Material Fact. Under certain circumstances, the management of a listed company may decide not to disclose a Material Fact to protect its best interest. However, such Material Fact must be immediately disclosed in the event that there is any partial or full leakage to the market. Please refer to Appendix V of this Listing Document for further details. We have received a waiver from compliance with the Hong Kong requirement. Please refer to the section in this Listing Document headed "Waivers" for further details.

Notifiable transactions

Chapter 14 of the Listing Rules contains provisions dealing with notifiable transactions. In particular, where a listed company enters into a "notifiable transaction", then depending on the size of the transaction, it will have to: (i) notify the Stock Exchange; (ii) make an announcement of the transaction; and/or (iii) obtain prior shareholders' approval of the transaction. Brazilian law provides that a major acquisition has to be approved or ratified by our Shareholders by Simple Approval. Please refer to Appendix V of this Listing Document for further details. We have received a waiver from compliance with the Hong Kong requirement. Please refer to the section in this Listing Document headed "Waivers" for further details.

Connected transactions

Chapter 14A of the Listing Rules contains provisions dealing with connected transactions. In particular, where a listed company enters into a "connected transaction", then depending on the size of the transaction, it will have to: (i) make an announcement of the transaction; (ii) report on the transaction in its next annual report; and/or (iii) obtain prior approval of the transaction of the shareholders independent of the transaction. Brazilian regulations provides that if a company enters into a transaction with a related party, a company is required, (i) if the transaction constitutes a Material Fact, to publish notice immediately after such transaction has been entered into; (ii) to include annually a summary in its Annual Disclosure Document of all related party transactions that have been entered into by the company during the three years preceding the date of the Annual Disclosure Document; and (iii) report on all related party transactions involving an amount greater than (1) R$200,000; or (2) 1% of the shareholders' equity of the company, whichever is higher, to BM&FBOVESPA. There are no equivalent requirements under Brazilian law as those under the Listing Rules for connected transactions that exceed certain thresholds to be subject to approval by independent shareholders or for an independent financial adviser and independent non-executive directors to opine on the fairness and reasonableness of such transactions. Brazilian regulations do not distinguish between the regulation of "one-off" connected transactions and continuing connected transactions. Please refer to Appendix V of this Listing Document for further details. We have received a waiver from compliance with the Hong Kong requirement. Please refer to the section in this Listing Document headed "Waivers" for further details.

Disclosure of interests

Part XV of the SFO provides that (i) the directors and chief executives of a listed company must disclose their interests and short positions in the shares, underlying shares and debentures of the listed company and its associated corporations within a specified time period after the interest arise or change; and (ii) shareholders interested in 5% or more of any class of shares in a listed company (other than directors and chief executives of the listed company) must disclose their interests and short positions in the shares and underlying shares of the listed company within a specified time period after the interests arise or change. Brazilian law provides that any shareholder, or a group of shareholders acting in concert, that acquires or sells an interest or short position of 5% or more in any class of shares, depositary receipts, securities convertible into or exchange for shares of a company must send a notice to the company informing it of such acquisition or disposal. Each director, executive officer and member of the fiscal council must disclose to the company, on a monthly basis, his, or his Relevant Person's, interests and short positions in the securities of the company or any of its listed Controlling Shareholders and subsidiaries. Please refer to Appendix V of this Listing Document for further details. We have received a partial exemption from the SFC in respect of compliance with Part XV of the SFO. Please refer to the section in this Listing Document headed "Waivers" for further details.

We are subject to a wide range of governmental regulations in all the jurisdictions in which we operate worldwide. Set out below is a summary of the types of regulations that have the most significant impact on our operations.

Regulation of mining activities

We are subject to numerous regulations, which differ according to the jurisdiction in which we operate. Our operations depend on legislation and regulations that apply to mining activities, which include in many countries, state and local laws, and federal laws. Moreover, most of our concessions, especially for large operations, impose additional obligations on the concessionaire.

The jurisdictions in which we operate generally have government agencies responsible for granting mining licences and supervising compliance with mining laws and regulations. For example, in Brazil, the exploration activities are supervised by the National Mineral Production Department (Departamento Nacional de Produção Mineral) (**DNPM**) an agency of the federal Ministry of Mines and Energy (**MME**).

The DNPM grants exploration permits (*alvará de pesquisa*) to a requesting party, after submission of an application, which grants to the requesting party the priority to develop activities in a given area, for an initial period of a maximum of three years. Exploration permits can be granted for a period of one to three years, which can, at the DNPM's discretion, be extended upon request of the licence holder, provided that the requesting party is able to show that renewal is necessary for proper conclusion of exploration activities. On-site exploration activities must start within 60 days as of the official publication of the issuance of the corresponding exploration permit.

Upon completion of the geological exploration at the site, the grantee must submit an exploration final report (**EFR**) to the DNPM. If the geological exploration reveals the existence of a mineral deposit that is economically exploitable, the grantee will have one year (which the DNPM may agree to extend) from approval of the EFR by the DNPM to apply for a mining concession.

When a mining concession is granted, the holder of the concession must begin on-site mining activities within six months. Mining concessions are granted for an indeterminate period of time lasting until the exhaustion of the mineral deposit. Extracted minerals that are specified in the concession belong to the holder of the concession.

Subject to prior approval of the DNPM, the holder of a mining concession can transfer it to a third party that is qualified to own concessions.

Before issuance of the mining concession, the mining right holder will lose priority to explore and exploit the area in the following cases: (i) the EFR is not sufficient to demonstrate the existence of economically exploitable reserves; (ii) the EFR or the mining concession request and the corresponding economic exploitation plan (**EEP**) are not filed before the due date; (iii) the exploration activities are not commenced when due or are not performed in accordance with the exploration permit, despite previous notification and penalty; and (iv) the corresponding annual tax per hectare is not paid when due, despite previous notification and penalty.

Once granted, a mining concession is subject to forfeiture in case (i) exploitation activities are not commenced or recommenced before the due date despite previous notification and penalty; (ii) three repeated failures to address observations made by inspections occur within a one-year period; (iii) exploitation of mineral substances not permitted by the corresponding mining rights or exploitation activities carried out in discordance with the EEP approved by the DNPM, irrespective of any prior notification or (iv) the mine is formally declared as abandoned.

Under Brazilian law, if a discovery of radioactive mineral substance is found, the holder of the mining title must notify the National Commission of Nuclear Energy (Comissão Nacional de Energia Nuclear) (**CNEN**). In this case, the mining concession will only prevail if the value of the mineral deposit covered by such mining concession is higher than the economic or strategic value of the

radioactive mineral substance existing in the area. If the mining concession is revoked, its holder is entitled to fair compensation for investments made in the area.

Changes in mining legislation may significantly affect our operations. Among the jurisdictions in which we currently operate, there are certain proposals to change the legislation (some of them have recently been adopted), which can affect us significantly. These include:

- The Brazilian Government is planning to propose changes to the Brazilian Mining Code. The MME has sent to the Civil House (Executive Office) of the Presidency of the Federative Republic of Brazil a proposal for the text of a new Mining Law. The Civil House is examining this text and also collecting comments from other ministerial areas. After completing its evaluation, the Presidency may then submit to the National Congress of Brazil a bill of law whose text may contain marginal or substantial changes compared to the MME proposal. The National Congress of Brazil may then make further changes. One of the most important changes contained in the proposal submitted by the MME is the limitation of the exploitation concession, which is currently valid until the exhaustion of the mineral deposit, to a 35-year period, renewable to an additional 35-year period.
- In Indonesia, a new Mining Law came into effect in January 2009 that introduces a new licensing regime. In 2010, certain government regulations implementing the Mining Law were promulgated, but some remain outstanding. PTI, in collaboration with its Indonesian legal advisers, is investigating the impact that the new Mining Law and regulations may have on PTI's current operations and its future prospects in Indonesia. PTI is in discussion with the Department of Energy and Mineral Resources of the Republic of Indonesia as to the effect of the new Mining Law on its existing rights, but until all of the implementing regulations are promulgated, we will be unable to assess how and to what extent PTI's Contract of Work and operations will be affected.
- In New Caledonia, a new mining law was passed in March 2009 requiring new mining projects to obtain formal authorisation rather than a declaration. On 30 October 2009, Vale Nouvelle-Calédonie S.A.S. obtained from the Southern Province of New Caledonia renewal of its personal mining authorisation, which remains valid until 31 March 2014. It does not have the personal mining authorisation issued by the Northern Province of New Caledonia. Therefore, Vale Nouvelle-Calédonie S.A.S. will not have the possibility of applying for new prospecting permits or new concessions in the Northern Province of New Caledonia until it obtains this authorisation. However, this lack of authorisation does not affect the rights conferred by the concessions it holds.

Environmental regulations

We are also subject to environmental regulations that apply to the specific types of mining and processing activities we conduct. We require approvals, licences or permits from governmental authorities to operate, and in most jurisdictions the development of new facilities requires us to submit environmental impact statements for approval and often to make additional investments to mitigate environmental impacts. These environmental impact statements involve the holding of public hearings, when community activist groups and other stakeholders might interfere and express their opinion about our projects. We must also operate our facilities in compliance with the terms of the approvals, licences or permits.

Environmental regulations affecting our operations relate, among other matters, to emissions into the air, soil and water; recycling and waste management; protection and preservation of forests, coastlines, natural caverns, watersheds and other features of the ecosystem; water use; and decommissioning and reclamation. In many cases, the mining concessions or environmental permits under which we operate impose specific environmental requirements on our operations. Environmental regulations can sometimes change and ongoing compliance can require significant

costs for capital expenditures, operating costs, reclamation costs and compliance. For example, in Brazil, a suit challenging a Brazilian environmental decree that permits mining in certain subterraneous areas may adversely affect our ability to conduct our mining operations or even prevent access to our reserves.

In Brazil, the federal constitution assigns to the federal government, the states, the federal district and the municipalities the responsibility for environmental protection and preservation of Brazilian fauna and flora. The authority to enact laws and issue regulations with respect to environmental protection is exercised concurrently by the federal government, the states and the municipalities. The municipalities have authority to enact laws and issue regulations only with respect to matters of local interests or to supplement federal and state laws.

The National Environmental Policy provides that the conduct of any activities on a regular basis that cause actual or potential pollutants or involve the exploitation of natural resources, or in any manner, result or may result in environmental degradation, is subject to environmental licensing procedure. This procedure is necessary both for the initial installation of the facility or the project and for any expansion implemented thereon, and the licences issued must be renewed periodically.

For activities with regional environmental impact or those regulated by the federal government, the *Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis* (the Brazilian Environment and Renewable Natural Resources Institute) (**IBAMA**) is responsible for issuing the environmental permit. In other cases, state or municipal environmental agencies are responsible for the analysis of the activities and issuance of environmental permits, as well as for the imposition of pertinent control conditions, restrictions and measures.

The process for environmental licensing normally comprises the issuance of three licences, all of which have established terms of validity: the preliminary licence, the installation licence and the operating licence. Each of the licences is issued according to the stage of implementation of the project, and their ongoing validity is contingent on compliance with conditions prescribed by the licensing authority. When an environmental licence permit is required but not obtained, then irrespective of whether any damage is caused to the environment, it would still constitute an offence under Brazilian law if the Company continues to perform the activity without the environmental licence, which could result in the imposition of administrative penalties, such as monetary penalty and closure or suspension of a facility for which the permit was not obtained.

The preparation of an environmental impact study and its corresponding environmental impact report is required for the purposes of the licensing of activities with significant environmental impact. In any such event, investments are required in order to compensate for the environmental impact. Any application for the licensing of projects causing significant environmental impact after July 2000 is subject to the requirement that not more than 0.5% of the total cost estimated for implementation of the project has to be allocated for the establishment and maintenance of a preservation unit, as required under the *Sistema Nacional de Unidades de Conservação* (or National System of Preservation Units).

Any delay or refusal by environmental licensing agencies in issuing or renewing licences, as well as any inability on our part to comply with the requirements established by environmental agencies in the process of environmental licensing, can jeopardize or hinder the implementation and ongoing operation of our projects.

Environmental legislation is becoming stricter worldwide, which could lead to greater costs for environmental compliance. For instance, if we are required to modify installations, develop new operational procedures or purchase new equipment, our environmental compliance costs could increase. In particular, we expect increased attention from various government bodies at federal

and state levels on reducing greenhouse gases emissions (**GHG**) as a result of concern over climate change. Some of the recent legal developments are described below:

- Brazilian Federal Congress recently enacted the National Policy on Climate Change (Federal Law No. 12,187, of 29 December 2009). One of the most relevant provisions of the National Policy is the reduction goals to be followed within Brazil. Pursuant to Article 12 of this Law, Brazil is adopting some mitigation actions to reduce its GHG emissions projected for 2020. Mining activities are ranked tenth in terms of GHG emissions in Brazil and mining companies are expected to be subject to measures for reducing emissions pursuant to the National Policy on Climate Change. The expected reductions may be attained through improvements on industrial processes or taking part in the emissions trading market to be established in Brazil.

- Our operations in Canada and Indonesia are subject to air emission regulations that address, among other things, sulphur dioxide, particles and metals. We will be required to make significant capital expenditures to ensure compliance with these emission standards. The imposition of more stringent standards in the future, especially for sulphur dioxide and nickel, could further increase our costs.

- In 2007, the Canadian Government launched its "Turning the Corner" plan. The plan proposed "greenhouse gases" emissions reduction targets for each industrial sector. The final targets are expected to align with the United States' objective of reducing emissions by 17%, below 2005 levels, by 2020. In addition, several provinces, including Ontario, have introduced mandatory emission reduction targets and compliance mechanisms including emissions trading. Although the Government of Manitoba has made a commitment, as a province, to achieve compliance with the emissions reduction targets established under the Kyoto Protocol, it has not yet imposed mandatory emission reduction targets on emitters (expected to apply to annual emitters of 25,000 tons or more of carbon dioxide equivalent) nor has it yet adopted specific compliance mechanisms. Industry consultation on the subject is expected to begin soon. Compliance with the targets will require investment in our Canadian operations or the purchase of carbon allowances or offsets. At this stage in the legislative process, however, it is unclear whether additional operating or capital expenditures will be required to comply with enacted amendments or what effect these regulations will have on our business, financial results or cash flow from operations.

- In Canada, a number of studies have been completed or are in progress in Sudbury and Port Colborne related to contamination of soil and water from past and continuing activities. We are taking steps, in partnership with other stakeholders, to remediate the ecological impact of our activities.

- The Australian Government is seeking to introduce a Carbon Pollution Reduction Scheme (**CPRS**) as part of an overall strategy to address climate change and its impact, both within Australia and globally. The Australian Government has committed to certain reductions in greenhouse gas emissions by 2020, and draft legislation was released in the first quarter of 2009. However, it was rejected by the Australian Parliament. The draft legislation was re-introduced to the Australian Parliament in February 2010. Currently, it is under review by the Australian Senate. The scheme proposes to put a price on carbon in a systematic way throughout the economy by employing a "cap and trade" mechanism. Under the proposed CPRS, we will be required to acquire a permit for every metric ton of greenhouse gas emitted per year. The number of permits issued by the Australian Government each year will be limited and will decrease every year. We will be required to compete in the market to purchase the number of permits required, either through an auction process or on a secondary trading market. We are taking steps to manage our greenhouse gas emission exposure, including improving systems to monitor, measure and report greenhouse gas

emissions, including the cost of emissions in modeling for decision-making purposes and identifying opportunities to reduce our carbon emissions.

- In October 2009, Indonesia adopted new legislation on environmental protection and management. It sets out a broad regulatory structure and provides that many important details will be clarified in later implementing regulations, which the law provides should be issued within one year of its effective date.

Environmental Liability

Our operations are subject to various environmental laws and regulations, including those relating to air emissions, effluent discharges, solid waste, odor and reforestation. In Brazil, individuals or legal entities that violate environmental laws may be punished by criminal sanctions that range from fines, imprisonment and confinement, in the case of individuals, or dissolution, in the case of legal entities, in addition to the obligation to remedy the environmental damages caused. Administrative sanctions may also be imposed, which include, among others:

- imposition of penalty fines of up to R$50 million, depending on the economic capacity and criminal record of the violating party, as well as on the gravity of the offence and any record of previous offences, which may result in the penalty fine being doubled or tripled in the case of repeated offence;
- partial or total suspension or closure of facilities;
- forfeiture or restriction of tax incentives or benefits; and
- forfeiture or suspension of credit lines with official credit establishments.

In addition to criminal and administrative sanctions, pursuant to Brazilian environmental laws, the offending party must also provide compensation and reimbursement for the damage that was caused to the environment and third parties. At the civil level, there is joint and strict liability for environmental damages. This means that the obligation to compensate for the damage caused to the environment may affect each and every individual or legal entity directly or indirectly involved, regardless of the extent of their fault. As a consequence, the engagement by any party of any contractor to carry out any operations, such as the disposal of waste, would not absolve such party from damages to the environment caused by the contractor. In addition, environmental laws provide for the possibility of "piercing the corporate veil", in relation to any Controlling Shareholder, whenever such corporate veil is an obstacle for the reparation or indemnification of damages caused to the environment.

Areas of Permanent Preservation and Legal Forestry Reserve

The Código Florestal Brasileiro, or Brazilian Forestry Code, does not permit any type of land use in certain permanently protected rural areas, including areas bordering streams and rivers and areas surrounding water springs and reservoirs. However, activities may be performed in these areas, known as permanent preservation areas, or APP, if they are determined to be in the social interest, public utility or not to adversely affect the environment. In addition, the Brazilian Forestry Code obligates us to maintain and register a forestry reserve in each of our rural landholdings covering from 20% to 80%, depending on the natural environment, of the total area of such land, excluding APPs. This legal forest reserve must be registered under the enrollment number of the relevant land, and its use cannot be changed.

In those properties where the legal forest reserve does not meet the legal minimum, the Brazilian Forestry Code establishes the gradual reforestation of at least one-tenth of the total legal forestry reserve area every three years until 100% of the legal forestry reserve (20% to 80% of the whole property) is restored. In addition, we may offset non-contiguous land against the reserve

requirement, including land that is collectively-owned (*condominio*), other land owned in the same hydrological region of the state, leased land that is subject to a preservation easement or servitude or ownership interests (quotas) purchased in specific preservation areas. However, these alternatives may be adopted only if pre-approved by the competent agency.

Deforestation Permits

Any interference or removal of native vegetation is subject to authorisation issued by the competent governmental environmental agency. This authorisation is known as a Deforestation Permit and must be obtained before any deforestation takes place.

Conservation Units

Federal Law No. 9.985, dated June 18, 2000 (Law No. 9.985/00), authorises the federal, state and municipal government of Brazil to establish any area of natural resources for environmental conservation, known as unidades de conservação, (environmental conservation Units or UCs). UCs may be of Unidades de Proteção Integral, (Full Protection or UPI), where no human interference is allowed, or of Unidades de Uso Sustentável, (Sustainable Use or UUS), in which sustainable use of natural resources is authorised. Our operations may be subject to certain restrictions if they are developed or undertaken within or in the vicinity of some UCs.

Residues and Hazardous Substances

Final disposal of residues is a subject that directly affects both the environment and public health. Brazilian legislation determines that transportation, management and final disposal of residues must neither cause any damage to the environment, nor any adverse impact on public health and welfare. Brazilian legislation regulates the segregation, collection, storage, transportation, treatment and final disposal of residues and also states that parties outsourcing such activities are jointly and severally liable with any contracted third parties.

Specific kinds of residues, such as industrial by-products, require special designation. The improper designation of residues may subject the offending party to environmental liability of a civil, criminal or administrative nature.

The Brazilian Congress recently enacted the Solid Waste National Policy (Federal Law No. 12,305/10), which establishes principles and mechanisms concerning solid waste management. One of the main guidelines of the Policy is shared responsibility over residues management. Parties involved in the product and residues chain are required to bear respective liability for implementing measures to communicate risks, minimise residues and avoid damages to the environment.

According to Resolution CONAMA No. 237/1997, activities related to the final disposal and management of industrial residues are subject to environmental licensing procedures. Only entities that hold environmental licences may undertake the transport, disposal and treatment of specific kinds of residues.

The Environmental Crime Act (Law No. 9.605/98) provides that causing any kind of pollution that results or may result in harm to public health is a crime, which is to be punished by penalties ranging from fines to imprisonment.

Use of Water Resources

According to the Water Resources National Policy (as outlined by Federal Law No. 9.433/1997), it is mandatory to obtain permits for the use of water resources for activities such as water drilling and impounding (including the impounding of water of private artesian wells for industrial purposes), or for the discharge of effluents. The failure to obtain permits may result in the imposition of fines and prohibition of activity.

Cultural Heritage

Article 216 of the Federal Constitution of Brazil contains a definition of cultural heritage, which includes both artistic and technological inventions, as well as general cultural, historical and archeological areas, documents, and other aspects. Interferences in areas of cultural and historical relevance require authorisations issued by the Instituto do Patrimônio Histórico e Artístico Nacional, the National Historical and Artistic Heritage Institute, or IPHAN.

Royalties and other taxes on mining activities

We are required in many jurisdictions to pay royalties or taxes on our revenues or profits from mineral extractions and sales. These payments are an important element of the economic performance of a mining operation. The following royalties and taxes apply in some of the jurisdictions in which we have our largest operations:

- In Brazil, we pay a royalty known as the CFEM (Compensação Financeira pela Exploração de Recursos Minerais) on the revenues from the sale of minerals we extract, net of taxes, insurance costs and costs of transportation. The current rates on our products are: 2% for iron ore, copper, nickel, fertilizers and other materials; 3% on potash and manganese ore; and 1% on gold. The Brazilian Government is considering changes in the CFEM regime and rates. These changes will only be enforceable once a final proposal is issued by the MME and approved by the National Congress. We are currently engaged in several administrative and legal proceedings alleging that we have failed to pay the proper amount of CFEM. Please refer to the section in this Listing Document headed "Business — Legal proceedings" for more details. In the case of mining in private lands, mining companies must also pay, pursuant to the applicable law, an amount equivalent to 50% of the CFEM to landowners, in case there is no agreement with such landowner determining a different value.

- The Canadian provinces in which we operate charge us a tax on profit from mining operations. Profit from mining operations is generally determined by reference to gross revenue from the sale of mine output and deducting certain costs, such as mining and processing costs and investment in processing assets. The statutory mining tax rates are 10% in Ontario; 17% in Manitoba; and 15% in Newfoundland and Labrador.

- In Indonesia, our subsidiary PTI pays a royalty fee on, among other items, its nickel production on the concession area and has made certain other commitments. As of April 2008, the royalty payment has been an amount based on sales volume (up to US$78 per metric ton).

Regulation of other activities

In addition to mining and environmental regulation, we are subject to comprehensive regulatory regimes for some of our other activities, including rail transport, electricity generation, and oil and gas. We are also subject to more general legislation on workers' health and safety, safety and support of communities near mines, and other matters.

Our Brazilian railroad business is subject to regulation and supervision by the Brazilian Ministry of Transportation and the transportation regulatory agency (Agência Nacional de Transportes Terrestres), or ANTT, and operates pursuant to concession and subconcession contracts granted by the federal government. Such contracts impose certain shareholder ownership limitations. The notice to bid (*edital de licitação)* for the FCA concession contract limits shareholder ownership to 20% of the voting capital of the concessionaire, unless such limit is waived by ANTT. We own 99.9% of FCA, which ANTT has authorised. The 20% ownership limitation does not apply to our EFVM, EFC and FNS railroads. ANTT also sets different tariff limits for railroad services for each of the

concessionaires and each of the different products transported. So long as these limits are observed, the actual prices charged can be negotiated directly with the users of such services.

The MRS concession contract provides that each shareholder can only own up to 20% of the voting capital of the concessionaire, unless otherwise permitted by ANTT. As a result of our acquisitions of Mineração e Metalurgia S.A. and Ferteco Mineração S.A., our share in the voting capital of MRS surpassed this threshold. As a result, our Company waived our voting and veto rights with respect to MRS shares in accordance with ANTT resolution no. 1,394 of 11 April 2006. We continue to have some voting rights through the shareholdings of a subsidiary.

Our railroad concession contracts have a duration of 30 years; the FCA, MRS, EFC and EFVM concessions contracts are renewable for an additional 30-year period at the discretion of the grantor of the concession, pursuant to express contractual provisions. The FNS subconcession contract provides that it can be renewed in accordance with applicable legislation. The FCA and MRS concessions expire in 2026, and the concessions for EFC and EFVM expire in 2027. We also own the subconcession for commercial operation for 30 years of a 720-kilometre segment of the FNS railroad, in Brazil. This concession expires in 2037.

Our oil and natural gas exploration and production business in Brazil is subject to regulation, control and supervision of the Brazilian Petroleum National Agency (*Agência Nacional do Petróleo, Gás Natural e Biocombustíveis* — ANP) linked Ministry of Mines and Energy — MME, an independent regulatory body, whose function consists of granting concession rights for the exploration, development and production of oil and natural gas in Brazil's sedimentary basins through a transparent and competitive bidding process, among others. Our concession agreements regarding the exploration of oil and natural gas reserves were preceded by a competitive bidding procedure in accordance to Federal Law No. 9,478/1997 (Oil Law).

The electric energy generation activities in Brazil carried on by us is under regulation of the National Electric Energy Agency (*Agência Nacional de Energia Elétrica* — ANEEL), an independent federal agency linked to the MME whose function consists of regulating, controlling and supervising the activities of generation, transmission and distribution of electricity.

In connection with the approval in 2006 of our acquisition of Vale Canada, we made a number of undertakings to the Canadian Minister of Industry under the Investment Canada Act. We believe we are substantially in compliance with these undertakings, which include locating our global nickel business in Toronto, Canada; accelerating the Voisey's Bay development project; enhancing investments in a number of areas in Canada; and honouring agreements with provincial governments, local governments, labour unions and aboriginal groups.

Some of our products are subject to regulations applicable to the marketing and distribution of chemicals and other substances. For example, the European Commission has adopted a European Chemicals Policy, known as REACH (Registration, Evaluation, and Authorisation of Chemicals). Under REACH, manufacturers and importers will be required to register new substances prior to their entry into the European market and, in some cases may be subject to an authorisation process. A company that does not meet the REACH standards could face restrictions to commercialise its products in Europe. We have complied with registration requirements for the substances we import into or manufacture in the European Union and continue to take measures to manage our exposure to the authorisation process.

A. OUR COMPANY AND THE MAJOR SUBSIDIARIES

1 Incorporation

Our Company was founded by the Brazilian Government on 1 June 1942 and duly incorporated on 11 January 1943 as a Brazilian corporation under the name Companhia Vale do Rio Doce. We changed our name to Vale S.A. on 22 May 2009. The registration numbers of our Company are 33.592.510/0001-54 with the Brazilian Corporate Taxpayers' Registry of the Ministry of Finance, 33.300.019.766 with the Commercial Registry of Rio de Janeiro and 00417-0 with CVM as a listed company. Our Company operates under the Corporations Act. Our Company's head office and place of central management are both located at Avenida Graça Aranha, No. 26 20030-900, Rio de Janeiro, RJ, Brazil with telephone number +55 21 3814 4477.

Our Company has established a principal place of business in Hong Kong at 7/F., Hong Kong Trade Centre, 161-167 Des Voeux Road, Central, Hong Kong with telephone number +852 2541 6632 and has applied for registration as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance. Mr. Yu Leung Fai of 7/F., Hong Kong Trade Centre, 161-167 Des Voeux Road, Central, Hong Kong has been appointed as our agent for the acceptance of service of process and notices at the same address.

As we are incorporated in Brazil, our corporate structure and the By-Laws are subject to the relevant laws of Brazil. A summary of the provisions of the By-Laws and certain provisions of Brazilian corporate law, and certain provisions of Brazilian, US and other securities and tax regulations is set out in Appendix V to this Listing Document.

2 Changes in share capital of our Company

As at the Latest Practicable Date, the allotted, called-up and fully-paid share capital of our Company amounts to R$50,000,000,000.00 corresponding to 5,365,304,100 Shares (including Shares in treasury), being R$30,349,859,218.60 divided into 3,256,724,482 Common Shares and R$19,650,140,781.40, divided into 2,108,579,618 Preferred Shares comprising 2,108,579,606 Class A Preferred Shares and 12 Golden Shares all without nominal value.

The following table sets out the changes in the share capital of our Company during the Track Record Period:

	2007			
	Number of Golden Shares	Number of Class A Preferred Shares	Number of Common Shares	Share Capital US$ million
Issued shares of no par value:				
At the beginning of the year	6	959,758,194	1,499,898,858	8,508
Shares issued under Share Option Schemes	0	0	0	n/a
Shares subject to share split	6	959,758,194	1,499,898,858	4,187
At end of the year	12	1,919,516,388	2,999,797,716	12,695

	2008			
	Number of Golden Shares	Number of Class A Preferred Shares	Number of Common Shares	Share Capital US$ million
Issued shares of no par value:				
At the beginning of the year	12	1,919,516,388	2,999,797,716	12,695
Shares issued under Share Option Schemes	0	0	0	n/a
Shares issued pursuant to a global offering	0	189,063,218	256,926,766	12,294
At end of the year	12	2,108,579,606	3,256,724,482	24,989

	2009			
	Number of Golden Shares	Number of Class A Preferred Shares	Number of Common Shares	Share Capital US$ million
Issued shares of no par value:				
At the beginning of the year	12	2,108,579,606	3,256,724,482	24,989
Shares issued under Share Option Schemes	0	0	0	n/a
At end of the year	12	2,108,579,606	3,256,724,482	24,989

	Six Months Ended 30 June 2010			
	Number of Golden Shares	Number of Class A Preferred Shares	Number of Common Shares	Share Capital US$ million
Issued shares of no par value:				
At the beginning of the six-month period:.	12	2,108,579,606	3,256,724,482	24,989
Shares issued under share option schemes	0	0	0	0
Transfer from undistributed retained earnings	0	0	0	1,397
At the end of the six-month period	12	2,108,579,606	3,256,724,482	26,386

The issuance of new Shares by our Company as set out above were for cash.

3 Major Subsidiaries

Set out below are brief particulars of our Major Subsidiaries:

(a) Mineração Corumbaense Reunidas S.A.

1	Date of incorporation	14 February 1973
2	Place of incorporation	Brazil
3	Corporate form	Brazilian Sociedade por Ações
4	Registered number	54300000027 - Board of Trade Registration (NIRE)
5	Location of principal place of business and registered office	Rua Cabral 1555, Corumbá, Mato Grosso do Sul, Brazil
6	Details of any name changes	No name changes have occurred since incorporation
7	Details of authorised share capital	No approved authorised share capital
8	Date of acquisition by the Group	September 2009

(b) Ferrovia Centro-Atlântica S.A.

1	Date of incorporation	8 August 1996
2	Place of incorporation	Brazil
3	Corporate form	Brazilian Sociedade por Ações
4	Registered number	3130001187-9 (NIRE)
5	Location of principal place of business and registered office	Sapucaí Street, 383, Belo Horizonte, Minas Gerais, Brazil
6	Details of any name changes	Name on incorporation: Vassouras Participações S.A., changed to present name on 28 June 1996
7	Details of authorised share capital	R$1.600,000,000.00 divided into common and preferred shares with no par value

(c) Ferrovia Norte Sul S.A.

1	Date of incorporation	14 December 2007
2	Place of incorporation	Brazil
3	Corporate form	Brazilian Sociedade por Ações
4	Registered number	NIRE 21300009540
5	Location of principal place of business and registered office	City of São Luiz, Maranhão State, Avenida dos Portugueses s/nº, DILN Building, first floor, Room 1, Itaqui Pedrinhas, Retorno de Itaqui, Brazil
6	Details of any name changes	No name changes have occurred since incorporation
7	Details of authorised share capital	R$2,000,000,000.00 in common shares with no par value

(d) Vale Canada Limited

1	Date of amalgamation	8 January 2007*
2	Place of amalgamation	Canada
3	Corporate form	Canadian corporation (limited liability company)
4	Registered number	440635-4
5	Location of principal place of business and registered office	200 Bay Street, Royal Bank Plaza, Suite 1600, South Tower, P.O. Box 70, Toronto, Ontario, Canada M5J 2K2
6	Details of any name changes	Name on amalgamation: CVRD Inco Limited (to 29 November 2007) To Vale Inco Limited (29 November 2007 to 31 August 2010) Changed to present name on 31 August 2010
7	Details of authorised share capital	Unlimited number of common shares, unlimited number of preference shares, unlimited number of series 1 preference shares, unlimited number of class A redeemable preferred shares

(e) Vale International SA

1	Date of incorporation	18 December 1996
2	Place of incorporation	Switzerland
3	Corporate form	Swiss Societe Anonyme
4	Registered number	CH-550-1046256-7, according to the *Registre Du Commerce Du Canton de Vaud*
5	Location of principal place of business and registered office	Route de Pallatex 29, 1162 Saint Prex, Switzerland
6	Details of any name changes	Name on incorporation: Itabira Rio Doce Company Limited (to 3 March 2006) CVRD International S.A. (3 March 2006 to 20 June 2008) Changed to present name on 20 June 2008
7	Details of authorised share capital	83,636,500 shares with a nominal value of CHF 1 (one Swiss Franc) each

* The amalgamated predecessor to Vale Canada, Inco Limited, had been operating for a considerable period in advance of amalgamation.

(f) PT International Nickel Indonesia Tbk

1	Date of establishment	25 July 1968
2	Place of establishment	Indonesia
3	Corporate form	Indonesian public limited liability company (PT Terbuka)
4	Registered number	09.03.1.13.29245
5	Location of principal place of business and registered domicile	Principal place of business: Plaza Bapindo — Citibank Tower, 22nd Floor; Jl. Jend. Sudirman Kav 54-55; Jakarta 12190; Indonesia Registered Domicile: South Jakarta, Indonesia
6	Details of any name changes	Name on incorporation: PT International Nickel Indonesia, changed to present name on 28 September 1998
7	Details of authorised share capital	993,633,872,000 Indonesian Rupiah

(g) Vale Nouvelle-Calédonie S.A.S.

1	Date of incorporation	21 September 1978
2	Place of incorporation	France
3	Corporate form	French société par actions simplifiée
4	Registered number	313 954 570 RCS Paris
5	Location of principal place of business and registered office	38, rue du Colisée, 75008 Paris, France
6	Details of any name changes	Name on incorporation: Société de Promotion des Mines (to 30 October 1992) Compagnie des Mines de Xéré (30 October 1992 to 26 December 2001) Goro Nickel S.A.S. (26 December 2001 to 2 December 2008) Vale Inco Nouvelle — Calédonie S.A.S. (2 December 2008 to 21 June 2010) Changed to present name on 21 June 2010
7	Share Capital	€252,359,618 divided into 3,625,543,776 shares

(h) Vale Fosfatados S.A.

1	Date of incorporation	23 September 2006
2	Place of incorporation	Brazil
3	Corporate form	Brazilian Sociedade por Ações
4	Registered number	CNPJ 08.404.776/0001-89 NIRE 35.300.335.805
5	Location of principal place of business and registered office	Av. das Nações Unidas, 12.551, Novo Brooklin, São Paulo, São Paulo, Brazil
6	Details of any name changes	Name on incorporation: Bunge Participações e Investimentos S.A., changed to present name on 27 May 2010
7	Details of authorised share capital	No approved authorised share capital
8	Date of acquisition by the Group	27 May 2010

(i) Vale Fertilizantes S.A.

1	Date of incorporation	10 March 1977
2	Place of incorporation	Brazil
3	Corporate form	Brazilian Sociedade por Ações
4	Registered number	CNPJ 19.443.985/0001-58 NIRE 31.300.035.476
5	Location of principal place of business and registered office	Estrada da Cana, Km11, Distrito Industrial Delta, Uberaba, Minas Gerais, Brazil
6	Details of any name changes	Name on incorporation: Bunge Fertilizantes S.A. (to 3 April 2007) Fertilizantes Fosfatados-Fosfertil S.A. (3 April 2007 to 10 September 2010) Changed to present name on 10 September 2010
7	Details of authorised share capital	No approved authorised share capital
8	Date of acquisition by the Group	27 May 2010

(j) Vale Moçambique, Limitada

1	Date of incorporation	18 April 2005
2	Place of incorporation	Mozambique
3	Corporate form	Mozambican Sociedade por Quotas
4	Registered number	18.133
5	Location of principal place of business and registered office	Avenida 24 de Julho, Prédio Centro Cimpor, 8 Floor, Door No 7, Maputo, Mozambique
6	Details of any name changes	Name on incorporation: Rio Doce Moçambique, Limitada, changed to present name on 24 June 2008
7	Share capital	18,000,000 Mozambican Meticais

The following sets out the changes in share capital of the Major Subsidiaries which have taken place within the two years preceding the date of this Listing Document:

(a) Mineração Corumbaense Reunidas S.A.

- This company's issued share capital was increased on 26 February 2009 from R$18,226,386.20 to R$36,886,386.20 with the issue of 1,962,145 common shares in the amount of R$18.660.000,00.

(b) Ferrovia Centro-Atlântica S.A.

- This company's issued share capital was reduced on 20 July 2010 from R$2,920,040,150.65 to R$1,722,965,684.34 in the amount of R$1,197,074,466.31.

- This company's issued share capital was increased on 29 April 2010 from R$1,130,198,953.76 to R$2,920,040,150.65, by the issue of 109,873,615,524,248 common shares in the amount of R$1,789,841,196.89.

(c) Ferrovia Norte Sul S.A.

- This company's issued share capital was increased on 30 December 2008 from R$743,202,786.38 to R$797,202,786.38 by the issue of common shares in the amount of R$54,000,000.00.

- This company's issued share capital was increased on 25 June 2009 from R$797,202,786.38 to R$1,259,018,008.32 by the issue of common shares in the amount of R$461,815,221.94.

(d) Vale Canada Limited

- This company's issued series 1 preference share capital was increased on 30 December 2009 from CAD 0 to CAD 789,943,000 with the issue of 789,943 series 1 preference shares subscribed in the amount of CAD 1,000 each.
- This company's issued common share capital was increased on 7 June 2010 from CAD 6,442,830,000 to CAD 6,600,930,000 with the issue of 15,810 common shares subscribed in the amount of CAD 10,000 each.
- This company's issued common share capital was increased on 16 August 2010 from CAD 6,600,930,000 to CAD 6,757,410,000 with the issue of 15,648 common shares subscribed in the amount of CAD 10,000 each.

(e) Vale International SA

- This company's share capital was increased on 27 November 2008 from CHF 65,136,500 to CHF 83,636,500 by the issue of 18,500,000 common shares of CHF 1 each.

(f) PT International Nickel Indonesia Tbk

- There has been no change in this company's authorised or issued share capital within the two years preceding the date of this Listing Document.

(g) Vale Nouvelle-Calédonie S.A.S.

- This company's share capital was increased on 19 December 2008 from €143,009,668 to €222,783,345 by the issue of shares in the amount of €79,773,677.
- This company's share capital was increased on 10 December 2009 from €222,783,345 to €252,359,618 by the issue of shares in the amount of €29,576,273.

(h) Vale Fosfatados S.A.

- This company's share capital was increased on 31 December 2009, from R$524,045,427.38 to R$774,045,000.00, without the issuance of new shares, through the capitalization of reserves.
- This company's share capital was increased on 31 December 2009, from R$774,045,000.00 to R$3,267,132,092.56, by the issue of common shares in the amount of R$2,193,087,092.56.

(i) Vale Fertilizantes S.A.

- This company's share capital was increased on 25 April 2008, from R$720,000,000.00 to R$810,000,000.00, without the issuance of new shares, through the capitalization of reserves.
- This company's share capital was increased on 28 April 2009, from R$810,000,000.00 to R$1,000,000,000.00, without the issuance of new shares, through the capitalization of reserves.

(j) Vale Moçambique, Limitada

- There has been no change in this company's subscribed and paid up share capital within the two years preceding the date of this Listing Document.

The issuance of new shares by Major Subsidiaries as set out above were for cash or the capitalisation of liabilities and the shares were fully paid-up.

4 Share purchases

On 23 September 2010 we announced the Board of Directors' approval of a proposal from the Board of Executive Officers to establish a programme of own share purchases. The purchased Shares are to be held in treasury for subsequent sale or cancellation, amounting to up to US$2 billion in aggregate purchase price and involving up to 64,810,513 Common Shares and up to 98,367,748 Class A Preferred Shares. The programme is to be executed in the period from 23 September 2010 to 22 March 2011.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1 Material Contracts

(a) The Group has entered into the following Material Contracts in relation to the Introduction:

(i) the Sponsor Agreement; and

(ii) the Depositary Agreements and the Deeds Poll (for a summary of the principal contents of these contracts, please see the section in this Listing Document headed "Listings, terms of Depositary Receipts and Depositary Agreements, registration, dealings and settlement").

(b) In relation to other Material Contracts, please see the below:

(i) the agreement between Companhia Siderúrgica Nacional and our Company dated 24 April 2009, which became effective on 26 May 2009, relating to (1) the grant of an option exercisable until the end of 2009, to enable us to suspend or definitively cancel a contract entered into on 21 March 2005 in respect of the supply of iron ore from the Casa de Pedra mine; (2) the termination of all pending legal issues regarding our right of first refusal for the purchase of iron ore produced by the Casa de Pedra mine; and (3) the supply of up to three million metric tons of iron ore pellets from 2009 to 2014 by our Company to Companhia Siderúrgica Nacional;

(ii) the purchase agreement made between our subsidiary, Mineração Naque S.A. and Bunge Brasil Holdings B.V. and Bunge Fertilizantes S.A. dated 26 January 2010 to acquire 100% of the outstanding shares of Bunge Participações e Investimentos S.A. (now known as Vale Fosfatados S.A.), a company with assets and investments in the fertilizer business in Brazil, including an equity interest in Fertilizantes Fosfatados S.A. — Fosfertil (now known as Vale Fertilizantes), and controlled by Bunge Ltd., a company listed on NYSE. The purchase price for the acquisition of 100% of Vale Fosfatados S.A. was US$3.8 billion (with US$1.65 billion being attributed to Vale Fosfatados S.A.'s phosphate rock and phosphates assets and the remaining US$2.15 billion for the shares of Vale Fertilizantes held directly and indirectly by Vale Fosfatados S.A.). The purchase agreement was conditional upon the customary conditions precedent such as approvals of governmental regulatory agencies;

(iii) the option agreements made between our subsidiary, Mineração Naque S.A. and Fertilizantes Heringer S.A. (Heringer), Fertilizantes do Paraná Ltda. (Fertipar) and Yara Brasil Fertilizantes S.A. (Yara) dated 15 and 28 January 2010 respectively pursuant to which we acquired shares in Fertilizantes Fosfatados S.A. — Fosfertil (now known as Vale Fertilizantes) for the same price paid in respect of the stake held by Bunge Participações e Investimentos S.A. (now known as Vale Fosfatados S.A.), being US$12.0185 per share. The exercise of the option was subject to certain conditions, including the effective acquisition of the fertilizer assets of the Bunge Group in Brazil as described in further detail in paragraph (ii) above. The strike price of the option agreements with Yara, Fertipar and Heringer was US$785,121,943.00, US$39,553,130.99 and US$2,390,396.79 respectively;

(iv) the option agreement made between our subsidiary, Mineração Naque S.A. and The Mosaic Company, a company listed on NYSE, dated 10 February 2010, which granted our subsidiary the right to buy shares of Fertifos Administração e Participações S.A. and Fertilizantes Fosfatados S.A. — Fosfertil (now know as Vale Fertilizantes), owned by The Mosaic Company. The exercise of the option was subject to certain conditions, including the effective acquisition of the fertilizer assets of the Bunge Group in Brazil as described in further detail in paragraph (ii) above. The strike price of the option agreement was US$1,029,811,129.77,

Announcements in relation to the Material Contracts identified in sub-paragraph (b) above are available for inspection (see Appendix IX to this Listing Document). We have obtained a waiver in respect of making the full terms of those Material Contracts available for inspection. For further details, please see the section in this Listing Document headed "Waivers".

2 Material intellectual properties of our Group

As at the Latest Practicable Date, the Group had:

(a) a total of 119 registered patent rights either in force, in the public domain or pending of examination by the Brazilian patent office;

(b) a total of 316 registered patent rights either in force, in the public domain or pending of decision outside Brazil;

(c) a total of 217 registered trade marks in force in Brazil, including the key "Vale" device and mark;

(d) a total of 642 registered trade marks in force worldwide outside Brazil, including 14 in China and 3 in Hong Kong; and

(e) the rights to the following key domain name registrations:

www.vale.com

www.pt-inco.co.id

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, EXECUTIVE OFFICERS AND MEMBERS OF THE FISCAL COUNCIL

1 Disclosure of interests

Pursuant to Rule 358/02 issued by CVM, Directors and Executive Officers are required to disclose to our Company, on a monthly basis, the interests and short positions in the Securities of our Company within the meaning of the CVM Rules (see definition in Appendix V to this Listing Document) and/or any of our listed Controlling Shareholders or listed subsidiaries, if any, held by them or their respective Relevant Persons (as defined in Appendix V to this Listing Document). Interests and short positions in derivatives and other securities with our Company's Securities as the underlying assets are also required to be disclosed.

We have applied for, and the SFC has granted, a partial exemption under section 309(2) of the SFO from the provisions of Part XV of the SFO (other than Divisions 5, 11 and 12) for our Shareholders, Directors and Executive Officers to notify their interests in our securities and for us to prepare registers and maintain records, on condition, among others, that we will file with the Stock Exchange all disclosures of interests made public in Brazil and the United States as soon as practicable on the basis that the Stock Exchange will publish these disclosures in the same way as those it receives from other listed corporations pursuant to Part XV of the SFO. Please refer to the section in this Listing Document headed "Waivers" for more details.

As far as we are aware, as at 31 October 2010, the aggregate interests of all the Directors, Executive Officers and members of the Fiscal Council and their respective Relevant Persons in the Securities of our Company and in any of our Controlling Shareholders and subsidiaries which are required to be disclosed by our Company pursuant to the CVM Rules were as follows:

Our Company

	Common shares	Preferred shares
Board of Directors	1,051	54,399
Board of Executive Officers	256,244(note)	1,090,938(note)
Fiscal Council	0	0
Total	**257,295**	**1,145,337**

Note: *includes ADRs listed on NYSE.*

Controlling Shareholder

Valepar

	Common shares	Preferred shares
Board of Directors	13	0
Board of Executive Officers	0	0
Fiscal Council	0	0
Total	**13**	**0**

Bradespar S.A.(note)

	Common shares	Preferred shares
Board of Directors	510	0
Board of Executive Officers	0	0
Fiscal Council	0	0
Total	**510**	**0**

Note: *it did not constitute the Controlling Shareholder of our Company under the Corporations Act. Disclosure is made on a voluntary basis.*

BNDESPAR(note)

	Non-convertible debentures	Convertible debentures
Board of Directors	0	0
Board of Executive Officers	0	0
Fiscal Council	0	0
Total	**0**	**0**

Note: *it did not constitute the Controlling Shareholder of our Company under the Corporations Act. Disclosure is made on a voluntary basis.*

Mitsui & Co., Ltd.(note)

	Common shares	Preferred shares
Board of Directors	41,600	0
Board of Executive Officers	0	0
Fiscal Council	0	0
Total	**41,600**	**0**

Note: *it did not constitute the Controlling Shareholder of our Company under the Corporations Act. Disclosure is made on a voluntary basis.*

Subsidiaries

FCA

	Common shares	Preferred shares
Board of Directors	0	0
Board of Executive Officers	0	0
Fiscal Council	0	0
Total	**0**	**0**

FNS

	Common shares	Preferred shares
Board of Directors	0	0
Board of Executive Officers	1	0
Fiscal Council	0	0
Total	**1**	**0**

PTI

	Common shares	Preferred shares
Board of Directors	0	0
Board of Executive Officers	0	0
Fiscal Council	0	0
Total	**0**	**0**

Log-in[(note)]

	Common shares	Preferred shares
Board of Directors	2	0
Board of Executive Officers	0	0
Fiscal Council	0	0
Total	**2**	**0**

Note: *it did not constitute our subsidiary under US GAAP. Disclosure is made on a voluntary basis.*

MRS[(note)]

	Common shares	Preferred shares
Board of Directors	0	0
Board of Executive Officers	0	0
Fiscal Council	0	0
Total	**0**	**0**

Note: *it did not constitute our subsidiary under US GAAP. Disclosure is made on a voluntary basis.*

Vale Fertilizantes

	Common shares	Preferred shares
Board of Directors	0	0
Board of Executive Officers	7	0
Fiscal Council	0	0
Total	**7**	**0**

2 Remuneration of Directors, Board of Executive Officers and members of the Fiscal Council

The aggregate amount of remuneration paid to Directors for the financial years ended 31 December 2007, 2008 and 2009 was US$0.8 million, US$0.9 million and US$1 million, respectively, all of which was fixed compensation.

The aggregate amount of remuneration paid to the Board of Executive Officers for the financial years ended 31 December 2007, 2008 and 2009 was US$24.2 million, US$33 million and US$19 million, respectively, of which US$8.3 million, US$9 million and US$7 million was fixed compensation; and US$15.9 million, US$24 million and US$12 million was variable compensation and benefits-in-kind. The amounts accrued to provide the Board of Executive Officers pension, retirement or similar benefits was US$0.7 million, US$0.8 million and US$0.6 million. The Directors received no similar benefits.

The aggregate amount of remuneration paid to members of the Fiscal Council for the financial years ended 31 December 2007, 2008 and 2009 was US$346,000, US$475,400 and US$413,000, respectively, all of which was fixed compensation.

Under the arrangements currently in force, the aggregate remuneration payable to and the value of the benefits-in-kind provided to our Directors in respect of the year ending 31 December 2010 are estimated to be approximately US$2.7 million.

None of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

There has been no arrangement under which any Director has waived or agreed to waive any emoluments during the Track Record Period.

We have obtained a waiver in respect of the inclusion of other details of executives' remuneration in this Listing Document. For further details, see the section in this Listing Document headed "Waivers".

D. OTHER INFORMATION

1 Tax

Our Directors have been advised that no material liability for estate duty in Hong Kong is likely to fall on our Company or any of our subsidiaries in Hong Kong or any other relevant jurisdiction in which one or more of the companies comprising the Group are incorporated.

2 Litigation

Please refer to the section in this Listing Document headed "Business — Legal proceedings" for details of material litigation of the Group.

Save as disclosed in this Listing Document, as at 18 November 2010, neither our Company nor other members of the Group were engaged in any litigation, arbitration or claim of material

importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Company or any other member of the Group, that would have a material adverse effect on its results of operations or financial condition.

3 Application for Listing

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Depositary Receipts. All necessary arrangements have been made enabling the Depositary Receipts to be admitted into CCASS.

4 Preliminary expenses

The estimated preliminary expenses in relation to the Introduction are approximately US$11 million and are payable by our Company.

5 Sponsor

The Sponsor and its affiliates (the **JPMorgan Group**) have business relationships with the Group in Europe, the Middle East, Africa, Latin America and the United States. In the ordinary course of business of the JPMorgan Group, the JPMorgan Group trades securities of the Company, enters into derivatives transactions where the Company's securities are underlying securities, and has granted certain facilities to the Group. The JPMorgan Group also received service fees and commissions from the Group by providing various services including advisory services in mergers and acquisitions and issuances of debt and equity in the local and international capital markets, commercial banking, treasury and securities services, foreign exchange, derivatives and serving as the depositary of the ADRs.

Notwithstanding the aforementioned business relationships of the Sponsor and its affiliates with our Company, the Sponsor does not believe that such relationships affect its independence from our Company for the purposes of Rule 3A.07 of the Listing Rules.

6 Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this Listing Document, no cash, securities or other benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to, any promoter in connection with the Introduction or the related transactions described in this Listing Document.

7 Qualifications of experts

The qualifications of the experts (as defined in the Listing Rules) who have given opinions or advice in this Listing Document are as follows:

Name	Qualifications
PricewaterhouseCoopers Auditores Independentes	Reporting Accountants
Mattos Filho, Veiga Filho, Marrey Jr e Quiroga Advogados	Legal adviser to our Company as to Brazilian law
Cleary Gottlieb Steen & Hamilton LLP	Legal adviser to our Company as to US and French law
Pincock, Allen & Holt — Brasil	Competent Person in respect of iron ore reserves
Golder Associates Ltd.	Competent Person in respect of nickel and copper reserves
Golder Associates Africa (Pty) Ltd.	Competent Person in respect of coal reserves

8 Consents

Each of the experts set out above has given and has not withdrawn its respective written consent to the issue of this Listing Document with the inclusion of its reports and/or letters and/or the references to its name included in this Listing Document in the form and context in which they are respectively included.

Each of the experts set out above has confirmed that it does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9 Compliance Adviser

Our Company has appointed J.P. Morgan Securities (Asia Pacific) Limited as compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

10 Miscellaneous

Save as disclosed in this Listing Document:

(a) neither Valepar nor any Director has any interest in any business (apart from our Company's business) which competes or is likely to compete, either directly or indirectly, with our Group's business;

(b) none of our Directors nor any of the parties listed in the section headed "Qualifications of experts" in this appendix has any direct or indirect interest in the promotion of our Company or any of the Major Subsidiaries, or in any assets which, within the two years immediately preceding the issue of this Listing Document, have been or proposed to be acquired or disposed of by or leased to our Company or any of the Major Subsidiaries;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this Listing Document which is significant in relation to our business;

(d) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being, or proposed to be, sought from any other stock exchange;

(e) no share or loan capital of our Company or any of the Major Subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(f) we have no outstanding convertible debt securities;

(g) within the two years preceding the date of this Listing Document and save for commissions including funding fees paid to underwriters or advisers on then prevailing market terms in connection with the issue of those debt securities or convertible securities disclosed in the sections of this Listing Document headed "Financial information — Sources of funds" and "Financial information — Debt", no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of the Major Subsidiaries;

(h) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this Listing Document to any of our promoters nor is any such securities or amount or benefit intended to be paid or allotted or given;

(i) since 30 June 2010, there has been no material adverse change in the financial or trading position or prospects of our Group; and

(j) there has not been any interruption in the business of our Company and the Major Subsidiaries which may have or has had a significant effect on the financial position of our Company and the Major Subsidiaries in the 12 months preceding the date of this Listing Document.

Copies of the following documents will be available for inspection at the offices of Norton Rose Hong Kong at 38th Floor, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including 15 December 2010:

(1) the By-Laws;

(2) the audited consolidated financial statements of our Company for the years ended 31 December 2007, 2008 and 2009, and the six months ended 30 June 2010;

(3) the interim consolidated financial statements of our Company for the nine months ended 30 September 2010;

(4) the letter prepared by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, our Company's legal counsel on Brazilian law, summarising certain aspects of Brazilian corporate law and certain Brazilian securities and tax regulations referred to in Appendix V to this Listing Document;

(5) the letter prepared by Cleary Gottlieb Steen & Hamilton LLP, our Company's legal counsel on US and French law, summarising certain US and French securities regulations referred to in Appendix V to this Listing Document;

(6) copies of the Material Contracts referred to in sub-paragraph (a) of the paragraph B.1 headed "Material Contracts" of Appendix VIII to this Listing Document;

(7) copies of the announcements referred to in sub-paragraph (b) of the paragraph B.1 headed "Material Contracts" of Appendix VIII to this Listing Document;

(8) the full text of all reports of the Competent Persons, summarised in Appendix III to this Listing Document; and

(9) the written consents referred to in paragraph D.8 headed "Consents" of Appendix VIII to this Listing Document.

In addition:

(1) the Corporations Act can be accessed via the internet at www.cvm.gov.br;

(2) the CVM Rules can be accessed via the internet at www.cvm.gov.br;

(3) rules and regulations applied by the SEC can be accessed via the internet at www.sec.gov;

(4) the NYSE Listed Companies Manual can be accessed via the internet at www.nyse.com; and

(5) the full text of all reports of the Competent Persons can be accessed via the internet at the Stock Exchange's website at www.hkex.com.hk and our website at www.vale.com.

[This page is intentionally left blank]