United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 6-K

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

For the month of

July 2009

Vale S.A.

Avenida Graça Aranha, No. 26
20005-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

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

(Check One) Form 20-F ☑ Form 40-F ☐

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

(Check One) Yes ☐ No ☑

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

INCORPORATION BY REFERENCE

This report is incorporated by reference into our registration statements on Form F-3 filed with the U.S. Securities and Exchange Commission on November 13, 2006 (SEC File Nos. 333-138617 and 333-138617-01) and on June 18, 2007 (SEC File Nos. 333-143857 and 333-143857-01).

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RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

Overview

We are still facing the most severe global economic downturn since the Second World War. The slowdown of the global economy has resulted in lower demand for minerals and metals, which in turn has resulted in weaker operational and financial performance in the last two quarters.

We have been very proactive in responding to the deterioration of the economic environment. Production cutbacks, involving primarily shutdowns of higher-cost operational units, and the implementation of new strategic priorities are the main components of our fast reaction to the global recession. Cost minimization, operational and financial flexibility and the reconciliation of cash preservation with the pursuit of profitable growth options have assumed great importance for the management of the current scenario. Nevertheless, the decline in revenues, driven by lower sales volumes and sales prices, more than offset our cost savings from these initiatives.

We generated net income of US$1,363 million in the first quarter of 2009, a decrease of US$658 million, or 32.6%, compared to the first quarter of 2008. The decline in net income was driven primarily by a US$1,230 million decline in operating income, reflecting lower sales volumes and sales prices as a result of the global economic slowdown. Although our cost-cutting efforts resulted in a US$1,342 million reduction in costs, the decline in net revenues of US$2,508 million more than offset the operational savings. The decline in operating income was partially offset by an improvement in non-operating income of US$503 million, mainly as a result of better derivative results and lower financial expenses.

Given powerful cash generation, large cash holdings and a low-risk debt portfolio, we are confident in our ability to develop projects based on the merits of each growth opportunity without being constrained by short-term cash restrictions.

Recent Developments

In June 2009, we concluded negotiations with Nippon Steel Corporation and other Japanese steelmakers, POSCO and ArcelorMittal on iron ore and iron ore pellet prices. As a result of these negotiations, the reference prices for iron ore fines decreased by 28.2% compared to the 2008 reference prices, and the reference prices for iron ore lumps decreased by 44.5%. Reference prices for blast furnace and direct reduction iron ore pellets decreased by 48.3% compared to the 2008 reference prices. In the second and third quarters, as we conclude price negotiations, we will begin to make sales at the new lower prices, and we will also recognize adjustments to sales we previously made at higher temporary prices in the first quarter of 2009, both of which will adversely affect our revenues from customers with which we have agreed, or will agree, to lower prices.

In light of changing market conditions, we have been adopting a more flexible stance with regard to the sales terms of our iron ore contracts, employing different options in our marketing efforts. Going forward, iron ore products will be priced according to a variety of alternatives, ultimately reflecting the preferences of our clients.

Revenues

Our operating revenues, net of discounts, freight, returns and allowances, were US$5,421 million in the first quarter of 2009, 32.6% lower than in the first quarter of 2008, as a result of a decline in both sales volumes and sales prices. The proportion of our total operating revenues attributable to ferrous minerals increased to 64.7% in the first quarter of 2009 from 51.6% in the first quarter of 2008, while the proportion of our total operating revenues attributable to non-ferrous minerals decreased to 28.0% from 42.0% in the same period last year. The distribution of our revenue by geographical destination also underwent a major change due to a relative increase in Chinese demand for minerals and metals. In the first quarter of 2009, sales to Asia increased to 63% of our total revenue from 40.4% in the first quarter of 2008, while sales to the Americas declined to 20% from 34% and sales to Europe declined to 15% from 24%. The following table presents our gross operating revenues by product and our net operating revenues for the periods indicated.

	Three months ended March 31,		
	2008	2009	% Change
	(US$ million) (Unaudited)		
Ferrous minerals:			
Iron ore	US$ 3,116	US$ 3,129	0.4%
Iron ore pellets	679	273	(59.8)
Manganese	40	15	(62.5)
Ferroalloys	290	78	(73.1)
Pig iron	29	11	(62.1)
Subtotal	4,154	3,506	(15.6)
Non-ferrous minerals:			
Nickel and other products (1)	2,391	863	(63.9)
Potash	64	65	1.6
Kaolin	53	39	(26.4)
Copper concentrate (2)	223	107	(52.0)
Aluminum products	646	442	(31.6)
Subtotal	3,377	1,516	(55.1)
Logistics services:			
Railroads	296	157	(47.0)
Ports	66	42	(36.4)
Subtotal	362	199	(45.0)
Other products and services (3)	155	200	29.0
Gross revenues	**8,048**	**5,421**	**(32.6)**
Value added tax	(216)	(97)	55.1
Net operating revenues	US$ 7,832	US$ 5,324	(32.0)%

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

(2) Does not include copper produced as a nickel co-product.

(3) Includes coal.

Iron ore. Gross revenues from sales of iron ore remained stable in the first quarter of 2009 compared to the first quarter of 2008, as a result of a higher average sales price combined with a 27% decline in volume sold. The average sales price for iron ore in the first quarter of 2009 was higher than in the first quarter of 2008, because the reference prices for iron ore fines in effect during the first quarter of 2009 were higher than during the first quarter of 2008. Out of 49.9 million metric tons of iron ore sales during the quarter, we sold 27.3 million metric tons at temporary prices (subject to price adjustments when we conclude negotiations on 2009 pricing) equal to 80% of the 2008 reference price.

Iron ore pellets. Gross revenues from sales of iron ore pellets decreased 59.8%, driven by a 72.6% reduction in volume sold due to weakened demand. The higher average selling price reflects the factors described above in relation to iron ore. Out of 2.3 million metric tons of iron ore pellets sold during the first quarter, we sold 1.5 million metric tons at temporary prices, as described above.

Manganese ore. Gross revenues from sales of manganese ore decreased 62.5%, driven by a 57.2% decline in the average sale price and a 12.3% decline in volume sold due to lower demand and built-up inventories.

Ferroalloys. Gross revenues from sales of ferroalloys decreased 73.1%, due to a 56.9% decline in volume sold and a 31.0% decline in the average sale price.

Nickel and other products. Gross revenues from this segment decreased 63.9%, mainly due to the following factors:

- Gross revenues from nickel sales decreased 66.2%, primarily due to a 62.4% decline in the average sale price.
- Gross revenues from copper sales decreased 54.4%, primarily due to a 55.7% decline in the average sale price.

Potash. Gross revenues from sales of potash remained stable, given the offsetting effects of a 52.8% increase in the average sale price and a 33.5% decrease in volume sold.

Kaolin. Gross revenues from sales of kaolin decreased 26.4%, reflecting a 31.9% decrease in volume sold, which was partially offset by a 6.1% increase in the average sale price.

Copper concentrate. Gross revenues from sales of copper concentrate decreased 52.0%, reflecting a 59.4% decrease in the average selling price.

Aluminum products. Gross revenues from sales of aluminum-related products decreased by 31.6%, primarily reflecting a 46.4% decline in revenue from sales of aluminum due to a 42.7% decline in the average sale price.

Logistics services. Gross revenues from sales of logistics services decreased 45.0% as a result of the following factors:

- Revenues from railroad transportation decreased 47.0%, primarily reflecting the significant drop in Brazilian steel output in the first quarter of 2009, which caused a sharp decline in the volume of steel inputs and products transported.

- Revenues from port operations decreased by 36.4%, primarily reflecting weaker demand.

Other products and services. Gross revenues from sales of other products and services, which includes sales of coal, increased 29.0% as a result of the increase in the average sale prices of coal because of the higher reference prices in effect during the first quarter of 2009 compared to the first quarter of 2008.

Operating costs and expenses

The following table summarizes our operating costs and expenses for the periods indicated.

	Three months ended March 31,		
	2008	**2009**	**% Change**
	(US$ million) (Unaudited)		
Cost of ores and metals sold	US$ 3,440	US$ 2,169	(36.9)%
Cost of aluminum products	212	452	113.2
Cost of logistic services	493	165	(66.5)
Cost of other products and services	97	114	17.5
Cost of goods sold	4,242	2,900	(31.6)
Selling, general and administrative expenses	322	233	(27.6)
Research and development expenses	190	189	(0.5)
Other operating costs and expenses	163	317	94.5
Total operating costs and expenses	US$ 4,917	US$ 3,639	(26.0)%

The following table summarizes the components of our cost of goods sold for the periods indicated.

	Three months ended March 31,		
	2008	2009	% Change
	(US$ million) (Unaudited)		
Outsourced services	US$ 690	US$ 424	(38.6)%
Materials costs	710	560	(21.1)
Energy:			
Fuel	427	238	(44.3)
Electric energy	247	171	(30.8)
Subtotal	674	409	(39.3)
Acquisition of products:			
Iron ore and iron ore pellets	272	43	(84.2)
Aluminum products	68	71	4.4
Nickel	177	83	(53.1)
Other	38	3	(92.1)
Subtotal	555	200	(64.0)
Personnel	522	443	(15.1)
Depreciation and depletion	724	523	(27.8)
Other costs of goods sold	367	341	(7.1)
Total	US$ 4,242	US$ 2,900	(31.6)%

The reduction in operating costs and expenses by US$1,278 million in the first quarter of 2009 is attributable to the decline in volumes sold and to our efforts to reduce costs by shutting-down higher-cost operating units, optimizing flow of materials, optimizing plant and labor utilization, cutting administrative costs and other measures.

Our total cost of goods sold was US$2,900 million in the first quarter of 2009, 31.6% lower than in the first quarter of 2008. Lower sales volumes were responsible for US$714 million of the US$1,342 million decline in cost of goods sold relative to the first quarter of 2008. Our efforts to reduce costs and the lower value of the Brazilian real against the U.S. dollar also contributed to the decline.

- Outsourced services costs (primarily for operations services such as waste removal, cargo freight and maintenance of equipment and facilities) decreased 38.6%, driven primarily by lower volumes sold and the lower value of the Brazilian real against the U.S. dollar.
- Materials costs, the largest component of costs of goods sold at 19.3% of the total, decreased 21.1%, driven primarily by lower volume sold and the lower value of the Brazilian real against the U.S. dollar, the effects of which were partially offset by increased maintenance expenses due to the acceleration of scheduled maintenance for some operations.
- Energy costs decreased 39.3%, representing the largest contributor to the decline in costs of goods sold, driven primarily by lower volumes sold and by exchange rate changes.
- Costs for acquisition of products from third parties declined 64.0%, driven primarily by a decline in purchased volumes of iron ore and iron ore pellets and the lower average sale prices of nickel products.
- Personnel costs decreased 15.1%, due primarily to lower volumes sold and the lower value of the Brazilian real against the U.S. dollar, the effects of which were partially offset by a 7% wage increase for Brazilian employees that took effect in November 2008.
- Depreciation and depletion expense decreased 27.8%, driven primarily by the lower value of the Brazilian real against the U.S. dollar.
- Other costs of goods sold decreased 7.1%, primarily reflecting lower expenditures on the lease of the Tubarão pellet plants, mining royalties and demurrage costs, as a result of the more moderate pace of our activities during the first quarter of 2009.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased by 27.6%, due primarily to reduced expenses with respect to personnel, sales, services and advertising.

Research and development expenses

Research and development expenses remained stable at US$189 million in the first quarter of 2009, compared to US$190 million in the first quarter of 2008.

Other operating expenses

Other operating expenses increased by US$154 million, or 94.5%, in the first quarter of 2009 compared to the same period in 2008, mainly due to the accounting for maintenance expenses attributable to idle facilities, which amounted to US$149 million.

Operating income by segment

The following table shows our operating income by segment and as a percentage of revenues for the periods indicated.

	Three months ended March 31,			
	2008		2009	
	Segment operating income (loss)			
	(US$ million) (Unaudited)	% of segment net operating revenues	(US$ million) (Unaudited)	% of segment net operating revenues
Ferrous minerals:				
Iron ore	US$ 1,331	43.7%	US$ 1,918	61.9%
Iron ore pellets	140	21.9	36	13.6
Manganese ore	17	44.7	(5)	—
Ferroalloys	132	50.4	9	12.7
Pig iron	13	44.8	(2)	—
Subtotal	1,633	40.7	1,956	56.5
Non-ferrous minerals:				
Nickel and other products (1)	1,039	43.5	(223)	—
Potash	24	40.0	32	50.8
Kaolin	(12)	—	(3)	—
Copper concentrate (2)	100	44.8	(22)	—
Aluminum products	77	12.2	(42)	—
Subtotal	1,228	36.6	(258)	—
Logistics services:				
Railroads	62	23.9	(11)	—
Ports	10	16.4	(3)	—
Ships	—	—	—	—
	72	22.5	(14)	—
Other (3)	(18)	—	1	—
Total	US$ 2,915	37.2%	US$ 1,685	31.6%

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

(2) Does not include copper produced as a nickel co-product.

(3) Includes coal.

Our operating income decreased as a percentage of net operating revenues, from 37.2% in the first quarter of 2008 to 31.6% in the first quarter of 2009. Except for iron ore and potash revenues, which benefited mainly from higher prices, the other segments suffered from lower price levels and lower volumes sold.

Non-operating income (expenses)

The following table details our non-operating income (expenses) for the periods indicated.

	Three months ended March 31,			
	2008		2009	
	(US$ million) (Unaudited)			
Financial income	US$	55	US$	125
Financial expenses		(560)		(287)
Gains (losses) on derivatives, net		(294)		18
Foreign exchange and indexation gains (losses), net		88		16
Gain on sale of investments		80		—
Total	US$	(631)	US$	(128)

We had net non-operating expenses of US$128 million in the first quarter of 2009, compared to net non-operating expenses of US$631 million in the first quarter of 2008. This change primarily reflects the following factors:

- Gains on derivatives of US$18 million in the first quarter of 2009 compared to a loss of US$294 million in the first quarter of 2008, principally due to the settlement or expiration at the end of 2008 of contracts linked to aluminum, copper, gold and platinum prices. Nickel futures, which we use to maintain exposure to nickel price variations for volumes that we sell under fixed-price contracts, were the only major commodity price derivative in effect during the first quarter of 2009. Our position in nickel futures resulted in a charge of US$16 million, which was offset by a gain of US$29 million from our positions in currency and interest rate swaps that convert our real-denominated debt into US dollars.

- A decline in financial expenses of US$273 million, principally due to lower floating interest rates.

- An increase in financial income of US$70 million, principally due to a higher average cash balance.

- Lower foreign exchange and indexation gains, because the U.S. dollar depreciated against the Brazilian real during the first quarter of 2009 by less than it depreciated against the real in the first quarter of 2008 (0.9% versus 1.3%).

- A US$80 million gain on the sale of our minority interest in Jubilee Mines N.L. in the first quarter of 2008, compared to no asset sales in the first quarter of 2009.

Income taxes

In the first quarter of 2009, we recorded income tax expense of US$306 million, compared to US$358 million in the same period of 2008. The effective tax rate on our pretax income was 19.7% in the first quarter of 2009, compared to 15.7% in the first quarter of 2008. Our effective tax rate is lower than the statutory rate because (i) income of some non-Brazilian subsidiaries is subject to lower rates of tax, (ii) we are entitled under Brazilian law to deduct the amount of our distributions to shareholders that we classify as interest on shareholders' equity, and (iii) we benefit from tax incentives applicable to our earnings on production in certain regions of Brazil.

Affiliates and joint ventures

Our equity in the results of affiliates and joint ventures decreased to US$72 million in the first quarter of 2009 from US$119 million in the same period of 2008. Non-consolidated affiliates in the ferrous minerals business contributed to 70.8% of the total, followed by logistics (29.2%) and coal (15.3%).

Liquidity and Capital Resources

Overview

In the ordinary course of business, our principal uses of funds are capital expenditures, dividend payments and repayment of debt. We have historically met these funding requirements by using cash generated from operating activities and through short-term and long-term borrowings. For 2009, we have budgeted US$9 billion for capital expenditures and announced minimum dividend payments of US$2.5 billion. We expect our operating cash flow and cash holdings to be sufficient to meet these anticipated requirements.

We regularly review acquisition and investment opportunities and, when suitable opportunities arise, we make selected acquisitions and investments to implement our business strategy. We may fund these investments with internally generated funds or with borrowings, supplemented in some cases by dispositions.

Sources of funds

Our principal sources of funds are operating cash flow and borrowings. Our operating activities generated positive cash flow of US$2,165 million in the first quarter of 2009. In April 2009, we sold our remaining shares of Usiminas for approximately US$273 million.

At March 31, 2009, we had available committed revolving credit lines totaling US$1.9 billion, of which US$1.15 billion was granted to Vale International and the balance to Vale Inco. As of March 31, 2009, neither Vale International nor Vale Inco had drawn any amounts under these facilities, and US$99 million of letters of credit were issued and outstanding pursuant Vale Inco's facility.

In April 2008, we entered into a contract for a committed credit facility of R$7.3 billion with Banco Nacional de Desenvolvimento Econômico e Social (BNDES), the Brazilian national development bank, of which we have drawn US$212 million as of March 31, 2009. In April 2009, we drew an additional US$293 million under this facility.

During 2008, we signed framework agreements with the Japan Bank for International Cooperation ("JBIC") and Nippon Export and Investment Insurance ("NEXI") for the financing of mining, logistics and power-generation projects, representing US$5 billion of long-term financing. We are also negotiating similar agreements with other agencies and have already signed a memorandum of understanding with the Export-Import Bank of Korea ("KEXIM"), the Korean official credit agency for export and import financing.

Uses of funds

Acquisitions

In the first quarter of 2009, we acquired Green Mineral Resources that owns Regina Project and Colorado Project, potash assets, from Rio Tinto, for US$850 million, net of acquired cash.

In the first quarter of 2009, we also acquired 50% of Teal Minerals Incorporated, a joint venture with African Rainbow Minerals Limited, for US$65 million, in order to enhance our growth options in the copper business.

At the end of March 2009, we acquired 100% of Diamond Coal Ltd, a company that owns coal assets in Colombia, for US$300 million. The cash payment occurred at the beginning of April.

Capital expenditures

For 2009, we have budgeted US$9 billion for capital expenditures. This amount includes expenditures on project development as well as maintenance of existing operations, and research and development, which are treated as current expenses for accounting purposes. Our actual capital expenditures may differ from the budgeted amount for a variety of reasons, including changes in exchange rates. In the first quarter of 2009, we spent US$1,714 million on capital expenditures, excluding acquisitions.

Distributions

The minimum dividend announced for 2009 is US$2,500 million. The first installment of this minimum dividend, of US$1,250 million, was paid on April 30, 2009. In May 2009, we also paid US$20 million of additional interest (the amount of which is based on the amount of cash distributions in respect of the ADSs) on our mandatorily convertible notes.

Debt

We are currently rated BBB+ (Standard & Poor's), Baa2 (Moody's), BBB high (Dominion) and BBB (Fitch).

At March 31, 2009, we had aggregate outstanding debt of US$18.414 billion. Our outstanding long-term debt (including the current portion of long-term debt and accrued charges) was US$18.298 billion, compared with US$18.168 billion at the end of 2008. At March 31, 2009, US$492 million of our debt was secured by liens on some of our assets. At March 31, 2009, our average debt maturity was 9.03 years.

In general, our short-term debt consists primarily of U.S. dollar-denominated trade financing, mainly in the form of export prepayments and export sales advances with financial institutions. At March 31, 2009 we had US$48 million of outstanding short-term debt.

Our major categories of long-term indebtedness are as follows. The amounts given below include the current portion of long-term debt and exclude accrued charges.

- *U.S. dollar-denominated loans and financing (US$6.038 billion at March 31, 2009).* These loans include export financing lines, import finance from export credit agencies, and loans from commercial banks and multilateral organizations. The largest facility is a pre-export financing facility, linked to future receivables from export sales, that was originally entered into in the amount of US$6.0 billion as part of the refinancing of the Inco acquisition debt. The outstanding amount at March 31, 2009 was US$3.9 billion.

- *U.S. dollar-denominated fixed rate notes (US$6.507 billion at March 31, 2009).* We have issued through public offerings several series of fixed rate debt securities through our finance subsidiary Vale Overseas Limited with a Vale guarantee in the amount of US$5.385 billion. Our subsidiary Vale Inco has issued fixed rate debt in the amount of US$1.125 billion.

- *U.S. dollar-denominated loans secured by future export receivables (US$192 million at March 31, 2009).* We have a US$400 million securitization program based on existing and future receivables generated by our subsidiary CVRD Finance from exports of iron ore and iron ore pellets to six of our customers in Europe, Asia and the United States.

- Real-*denominated non-convertible debentures (US$2.589 billion at March 31, 2009).* In November 2006, we issued non-convertible debentures in the amount of approximately US$2.6 billion, in two series, with four- and seven-year maturities. The first series, approximately US$700 million at issuance, matures in 2010 and bears interest at 101.75% of the accumulated variation of the Brazilian CDI (interbank certificate of deposit) interest rate. The second series, approximately US$1.9 billion at issuance, matures in 2013 and bears interest at the Brazilian CDI interest rate plus 0.25% per year. At March 31, 2009, the total amount of these two series was US$2.375 billion.

- *Perpetual notes (US$83 million at March 31, 2009).* We have issued perpetual notes that are exchangeable for 48 billion preferred shares of the Brazilian bauxite producer Mineração Rio do Norte S.A. ("MRN"). Interest is payable on the notes in an amount equal to dividends paid on the underlying preferred shares.

- *Other debt (US$2.567 billion at March 31, 2009).* We have outstanding debt, principally owed to BNDES and Brazilian commercial banks, and loans and financing in other currencies.

Some of our long-term debt instruments contain financial covenants. Our principal covenants require us to maintain certain ratios, such as debt to equity, debt to EBITDA and interest coverage. We were in full compliance with our financial covenants as of March 31, 2009, and we believe that our existing covenants will not significantly restrict our ability to borrow additional funds as needed to meet our capital requirements. We believe we will be able to operate within the terms of our financial covenants for the foreseeable future. None of these covenants directly restricts our ability to pay dividends on equity securities at the parent-company level.

EXPLANATORY NOTE REGARDING REVISED FINANCIAL INFORMATION

Exhibit C hereto contains revised selected financial data for each of the years ended December 31, 2004, 2005, 2006, 2007 and 2008, and Exhibit D contains our revised audited consolidated financial statements for each of the years ended December 31, 2008, 2007 and 2006. The selected financial data and our consolidated financial statements in these exhibits supersede the selected financial data contained in Item 3 of our Annual Report on Form 20-F for the year ended December 31, 2008, filed on April 28, 2009 (our "2008 Form 20-F"), and the audited consolidated financial statements in our 2008 Form 20-F.

The revisions relate to the adoption of SFAS 160, Noncontrolling Interests in Consolidated Financial Statements, and amendment of ARB No. 51 ("SFAS 160"). SFAS No. 160 requires a noncontrolling interest in a subsidiary to be reported as stockholders' equity within the consolidated financial statements separate from the parent's stockholders' equity. The standard also requires transactions that do not affect a parent's controlling ownership and do not result in the deconsolidation of the subsidiary to be recorded as equity transactions, with those transactions that do result in a change in ownership and a deconsolidation of the subsidiary to be recorded in net income (loss) with the gain or loss measured at fair value. Noncontrolling interests that could be redeemed upon the occurrence of certain events outside of our control have been classified as redeemable noncontrolling interests using the mezzanine presentation on the balance sheet between liabilities and stockholders' equity, retroactively to all periods presented. The requirements of SFAS 160 have been retrospectively applied to all periods presented as appropriate.

The revised information in Exhibits C and D reflects the retroactive application of SFAS No. 160. The revisions to the financial information presented in our 2008 Form 20-F consist of changing the presentation of noncontrolling interests in our statements of income and our balance sheets and conforming changes in the other statements. The adoption of SFAS No. 160 had no effect on our net income attributable to controlling interests, earnings per share, cash flow or any asset or liability account.

Other than those identified above, no items of our 2008 Form 20-F are being revised by this filing. Information in our 2008 Form 20-F is generally stated as of December 31, 2008, and this filing does not reflect any subsequent information or events other than the adoption of SFAS No. 160. The financial information in Exhibits C and D should be read in conjunction with our 2008 Form 20-F and our first quarter financial information included herein, which contain important information regarding events, developments and updates to certain expectations of our management that have occurred since the filing of our 2008 Form 20-F.

EXHIBIT INDEX

Exhibit A	Ratio of Earnings to Combined Fixed Charges and Preferred Dividends
Exhibit B	Unaudited condensed consolidated interim financial information as of March 31, 2009 and for the three-month period ended March 31, 2009 and 2008
Exhibit C	Revised Selected Financial Data
Exhibit D	Revised audited consolidated financial statements as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006
Exhibit E	Consent of PricewaterhouseCoopers

SIGNATURES

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

VALE S.A.

Date: July 6, 2009

By: /s/ Fabio de Oliveira Barbosa
Fabio de Oliveira Barbosa
Chief Financial Officer

EXHIBIT INDEX

Exhibit A	Ratio of Earnings to Combined Fixed Charges and Preferred Dividends
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Exhibit E	Consent of PricewaterhouseCoopers

Exhibit A

Ratio of Earnings to Combined Fixed Charges and Preferred Dividends

	Year ended December 31,					Three months ended March 31,	
	2004	2005	2006	2007	2008	2008	2009
				(US$ million) (Unaudited)			
Income before income taxes, equity results and minority interests	3,003	5,420	7,829	15,233	13,217	2,284	1,557
Fixed charges:							
Interest costs — capitalized	31	86	126	78	230	17	65
Interest costs — expensed	671	560	1,222	2,517	1,765	560	287
Guaranteed preferred stock dividend	59	129	213	370	475	375	479
	761	775	1,561	2,965	2,470	952	831
Amortization of capitalized interest	6	8	13	18	26	5	5
Distributed income of equity investees	200	489	516	394	513	48	37
	3,970	6,692	9,919	18,610	16,226	3,289	2,430
Less: Interest capitalized	(31)	(86)	(126)	(78)	(230)	(17)	(65)
	3,939	6,606	9,793	18,532	15,996	3,272	2,365
Ratio of earnings to combined fixed charges and preferred dividends	5.18	8.52	6.27	6.25	6.48	3.44	2.85

Exhibit B

VALE S.A.
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Condensed Consolidated Balance Sheets
Expressed in millions of United States Dollars

	March 31, 2009 (unaudited)	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	8,997	10,331
Short-term investments	3,217	2,308
Accounts receivable		
Related parties	53	137
Unrelated parties	2,715	3,067
Loans and advances to related parties	53	53
Inventories	3,752	3,896
Deferred income tax	597	583
Recoverable taxes	1,657	1,993
Other	992	870
	22,033	**23,238**
Property, plant and equipment, net, and intangible assets	**51,774**	**49,329**
Investments in affiliated companies, joint ventures and other investments	**2,734**	**2,408**
Other assets		
Goodwill on acquisition of subsidiaries	1,888	1,898
Loans and advances		
Related parties	11	—
Unrelated parties	88	77
Prepaid pension cost	687	622
Prepaid expenses	192	223
Judicial deposits	1,183	1,141
Advances to suppliers — energy	405	408
Recoverable taxes	516	394
Unrealized gains on derivative instruments	66	32
Other	153	161
	5,189	**4,956**
TOTAL	**81,730**	**79,931**

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

(Continued)

	March 31, 2009 (unaudited)	December 31, 2008
Liabilities and stockholders' equity		
Current liabilities		
Suppliers	1,829	2,261
Payroll and related charges	456	591
Current portion of long-term debt	650	633
Short-term debt	48	—
Loans from related parties	68	77
Provision for income taxes	304	502
Taxes payable and royalties	86	55
Employees postretirement benefits	104	102
Railway sub-concession agreement payable	412	400
Unrealized losses on derivative instruments	3	—
Provisions for asset retirement obligations	38	48
Minimum mandatory dividends payable	2,088	2,068
Other	838	500
	6,924	**7,237**
Long-term liabilities		
Employees postretirement benefits	1,485	1,485
Long-term debt	17,648	17,535
Provisions for contingencies (Note 17 (c))	1,709	1,685
Unrealized losses on derivative instruments	615	573
Deferred income tax	4,197	4,005
Provisions for asset retirement obligations	839	839
Other	1,773	1,525
	28,266	**27,647**
Redeemable noncontrolling interest (Note 4 (b))	**628**	**599**
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 (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 — 77,625,704 (2008 — 76,854,304) preferred and 74,997,899 (2008 — 74,937,899) common shares	(1,151)	(1,141)
Additional paid-in capital	393	393
Mandatorily convertible notes — common shares	1,288	1,288
Mandatorily convertible notes — preferred shares	581	581
Other cumulative comprehensive loss	(11,566)	(11,510)
Undistributed retained earnings	18,513	18,340
Unappropriated retained earnings	10,780	9,616
Total Company stockholders' equity	**43,827**	**42,556**
Noncontrolling interests	**2,085**	**1,892**
Total stockholders' equity	**45,912**	**44,448**
TOTAL	**81,730**	**79,931**

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

VALE

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

	Three-month period ended (unaudited)		
	March 31, 2009	December 31, 2008	March 31, 2008
Operating revenues, net of discounts, freight, returns and allowances			
Sales of ores and metals	4,569	6,052	6,857
Aluminum products	442	779	362
Revenues from logistic services	199	310	646
Other products and services	211	301	183
	5,421	**7,442**	**8,048**
Taxes on revenues	(97)	(187)	(216)
Net operating revenues	**5,324**	**7,255**	**7,832**
Operating costs and expenses			
Cost of ores and metals sold	(2,169)	(2,730)	(3,440)
Cost of aluminum products	(452)	(529)	(212)
Cost of logistic services	(165)	(190)	(493)
Other	(114)	(71)	(97)
	(2,900)	**(3,520)**	**(4,242)**
Selling, general and administrative expenses	(233)	(708)	(322)
Research and development expenses	(189)	(295)	(190)
Impairment of goodwill	—	(950)	—
Other	(317)	(719)	(163)
	(3,639)	**(6,192)**	**(4,917)**
Operating income	**1,685**	**1,063**	**2,915**
Non-operating income (expenses)			
Financial income	125	247	55
Financial expenses	(287)	(399)	(560)
Gains (losses) on derivatives, net	18	(586)	(294)
Foreign exchange and indexation gains (losses), net	16	(241)	88
Gain on sale of investments	—	—	80
	(128)	**(979)**	**(631)**
Income before income taxes and equity results	**1,557**	**84**	**2,284**
Income taxes			
Current	(477)	966	(654)
Deferred	171	219	296
	(306)	**1,185**	**(358)**
Equity in results of affiliates, joint ventures and other investments	72	125	119
Net income	**1,323**	**1,394**	**2,045**
Net (income) loss attributable to noncontrolling interests	40	(27)	(24)
Net income attributable to Company's stockholders	**1,363**	**1,367**	**2,021**
Basic and diluted earnings per share attributable to Company's stockholders			
Earnings per preferred share	0.25	0.25	0.41
Earnings per common share	0.25	0.25	0.41
Earnings per preferred share linked to mandatorily convertible notes (*)	0.53	0.76	0.66
Earnings per common share linked to mandatorily convertible notes (*)	0.57	0.81	0.74

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

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

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

	Three-month period ended (unaudited)		
	March 31, 2009	**December 31, 2008**	**March 31, 2008**
Cash flows from operating activities:			
Net income attributable to Company's stockholders	1,363	1,367	2,021
Net income (loss) attributable to noncontrolling interests	(40)	27	24
Net income	1,323	1,394	2,045
Adjustments to reconcile net income to cash from operations:			
Depreciation, depletion and amortization	559	568	766
Dividends received	37	116	48
Equity in results of affiliates, joint ventures and other investments	(72)	(125)	(119)
Deferred income taxes	(171)	(219)	(296)
Impairment of goodwill	—	950	—
Loss on disposal of property, plant and equipment	41	10	37
Gain on sale of investments	—	—	(80)
Foreign exchange and indexation losses (gains), net	(57)	740	(122)
Unrealized derivative losses (gains), net	(18)	586	294
Unrealized interest (income) expense, net	3	(3)	81
Others	(16)	17	(18)
Decrease (increase) in assets:			
Accounts receivable	391	1,615	202
Inventories	119	(43)	(64)
Others	(181)	(171)	(155)
Increase (decrease) in liabilities:			
Suppliers	(103)	200	(54)
Payroll and related charges	(139)	(25)	(248)
Income taxes	216	119	(718)
Others	233	564	(191)
Net cash provided by operating activities	**2,165**	**6,293**	**1,408**
Cash flows from investing activities:			
Short-term investments	(909)	(1,674)	—
Loans and advances receivable			
Related parties			
Loan proceeds	(23)	(3)	—
Repayments	7	18	25
Others	4	24	—
Judicial deposits	(19)	(71)	(34)
Investments	(138)	(19)	(13)
Additions to, property, plant and equipment	(1,688)	(3,689)	(1,625)
Proceeds from disposal of investments	—	—	134
Acquisition of subsidiaries, net of cash acquired	(850)	—	—
Net cash used in investing activities	**(3,616)**	**(5,414)**	**(1,513)**
Cash flows from financing activities:			
Short-term debt, additions	103	1	801
Short-term debt, repayments	(74)	(125)	(672)
Loans			
Related parties			
Loan proceeds	—	33	18
Repayments	(68)	—	(2)
Issuances of long-term debt			
Third parties	185	253	1,330
Repayments of long-term debt			

Third parties	(110)	(65)	(105)
Treasury stock	(10)	(752)	—
Dividends and interest attributed to Company's stockholders	—	(1,600)	—
Dividends to noncontrolling interest	—	(56)	—
Net cash provided by (used in) financing activities	**26**	**(2,311)**	**1,370**
Increase (decrease) in cash and cash equivalents	(1,425)	(1,432)	1,265
Effect of exchange rate changes on cash and cash equivalents	91	(2,863)	(47)
Cash and cash equivalents, beginning of period	10,331	14,626	1,046
Cash and cash equivalents, end of period	**8,997**	**10,331**	**2,264**
Cash paid during the period for:			
Interest on short-term debt	—	—	(5)
Interest on long-term debt	(277)	(314)	(279)
Income tax	(143)	(149)	(1,672)
Non-cash transactions			
Interest capitalized	65	185	17

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

Condensed Consolidated Statements of Changes in Stockholders' Equity
Expressed in millions of United States Dollars (Except number of shares and per-share amounts)

	Three-month period ended (unaudited)		
	March 31, 2009	December 31, 2008	March 31, 2008
Preferred class A stock (including twelve special shares)			
Beginning and end of the period	**9,727**	**9,727**	**4,953**
Common stock			
Beginning and end of the period	**15,262**	**15,262**	**7,742**
Treasury stock			
Beginning of the period	(1,141)	(389)	(389)
Acquisitions	(10)	(752)	—
End of the period	**(1,151)**	**(1,141)**	**(389)**
Additional paid-in capital			
Beginning and end of the period	**393**	**393**	**498**
Mandatorily convertible notes — common shares			
Beginning and end of the period	**1,288**	**1,288**	**1,288**
Mandatorily convertible notes — preferred shares			
Beginning and end of the period	**581**	**581**	**581**
Other cumulative comprehensive (deficit) income			
Cumulative translation adjustments			
Beginning of the period	(11,493)	(3,993)	1,340
Change in the period	(104)	(7,500)	(205)
End of the period	**(11,597)**	**(11,493)**	**1,135**
Unrealized gain (loss) — available-for-sale securities, net of tax			
Beginning of the period	17	(79)	211
Change in the period	96	96	(6)
End of the period	**113**	**17**	**205**
Surplus (deficit) accrued pension plan			
Beginning of the period	(34)	(304)	75
Change in the period	(48)	270	(15)
End of the period	**(82)**	**(34)**	**60**
Cash flow hedge			
Beginning of the period	—	28	29
Change in the period	—	(28)	(27)
End of the period	**—**	**—**	**2**
Total other cumulative comprehensive (deficit) income	**(11,566)**	**(11,510)**	**1,402**
Undistributed retained earnings			
Beginning of the period	18,340	14,183	15,317
Transfer from unappropriated retained earnings	173	4,157	191
End of the period	**18,513**	**18,340**	**15,508**
Unappropriated retained earnings			
Beginning of the period	9,616	14,521	1,631
Net income attributable to Company's stockholders	1,363	1,367	2,021
Interest on mandatorily convertible debt			
Preferred class A stock	(8)	(15)	(8)
Common stock	(18)	(32)	(18)
Dividends and interest attributed to Company's stockholders			
Preferred class A stock	—	(806)	—
Common stock	—	(1,262)	—
Appropriation to undistributed retained earnings	(173)	(4,157)	(191)
End of the period	**10,780**	**9,616**	**3,435**

Total Company stockholders' equity	**43,827**	**42,556**	**35,018**
Noncontrolling interests			
Beginning of the period	1,892	2,211	2,180
Cumulative translation adjustments	222	(343)	(51)
Cash flow hedge	—	(26)	(22)
Net income (loss) attributable to noncontrolling interests	(40)	27	24
Dividends and interest attributable to noncontrolling interests	(1)	(1)	—
Capitalization of stockholders advances	12	24	9
End of the period	**2,085**	**1,892**	**2,140**
Total stockholders' equity	**45,912**	**44,448**	**37,158**
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)	(86,922,944)	(86,923,184)
Acquisitions	(831,400)	(64,869,259)	—
Sales	—	—	132
End of the period	(152,623,603)	(151,792,203)	(86,923,052)
	5,212,680,497	5,213,511,897	4,832,391,064

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

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

1 The Company and its operation

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, non-ferrous metal production, logistics and steel activities.

At March 31, 2009, our principal consolidated operating subsidiaries were 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.	100.00	100.00	Brazil	Logistics
Pará Pigmentos S.A. ("PPSA")	86.17	85.57	Brazil	Kaolin
PT International Nickel Indonesia Tbk ("PT Inco")	61.16	61.16	Indonesia	Nickel
Rio Doce Manganése Norway — RDMN	100.00	100.00	Norway	Ferroalloys
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
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

2 Basis of consolidation

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

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

We define joint ventures as businesses in which we and a small group of other partners each participate actively in the overall entity management, based on a shareholders agreement. We define affiliates as businesses in which we participate as a noncontrolling stockholder 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.

3 Basis of presentation

Our condensed consolidated interim financial information for the three-month periods ended March 31, 2009, December 31, 2008 and March 31, 2008, prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), are unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods. The results of operations for the three-month periods ended March 31, 2009, are not necessarily indicative of the actual results expected for the full fiscal year ending December 31, 2009.

This condensed consolidated financial information should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2008, prepared in accordance with U.S. GAAP.

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

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 ("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 March 31, 2009 and December 31, 2008, were R$2.3152 and R$2.3370, respectively.

4 Accounting pronouncements

(a) New accounting standards

In April 2009, The FASB issued FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. This FSP shall be effective for interim reporting periods ending after June 15, 2009, we have not early adopted this pronouncement for the three-month period ended March 31, 2009. The application of FSP FAS 107 — 1 and APB 28 — 1 will expand the Company's disclosures regarding the use of fair value in interim periods.

(b) Accounting standards recently adopted

From 2009, we fully adopted the accounting standards addressed by the following pronouncements.

FAS 141(R) — 1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies". The FSP applies to all assets acquired and liabilities assumed in a business combination that arise from contingencies that would be within the scope of Statement 5 if not acquired or assumed in a business combination, except for assets or liabilities arising from contingencies that are subject to specific guidance in Statement 141(R).

SFAS 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement 133 ("SFAS 161"). SFAS 161 expands the current disclosure requirements of SFAS 133, Accounting for Derivative Instruments and Hedging Activities, such that 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 SFAS 133 and how derivatives and related hedged items affect the entity's financial position, performance and cash flow. The required information is disclosed in Note 20.

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 showed on Note 14 and condensed 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, retroactively to all periods presented.

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.

5 Major acquisitions and dispositions

(a) Diamond Coal Ltd

In March 2009, we acquired 100% of the company Diamond Coal Ltd that owns coal assets in Colombia for US$300, from Cement Argos.

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.

Due to the recent conclusion of the transaction, we are still in the process of identifying assets acquired and liabilities assumed.

As a result, the condensed information presented below reflects our preliminary analysis of the expected purchase price allocation:

	Preliminary Valuation
Purchase price	300
Book value of assets acquired	(113)
Adjustment to fair value of property, plant and equipment	**187**

The final accounting is pending conclusion of all identified assets and liabilities which is being internally carried out by us.

Such purchase price allocation will be finalized during next periods, and accordingly the preliminary information presented above is subject to revisions, which may be material.

(b) Green Mineral Resources

In February 2009, we concluded the acquisition of Green Mineral Resources that owns Regina Project (Canada) and Colorado Project (Argentina), 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.

Also due to the recent closure 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 next periods, and accordingly, the preliminary purchase price allocation information set forth below are subject to revision, which may be material.

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

	Preliminary Valuation
Total disbursements	857
Cash acquired	(7)
Purchase price	850
Book value of assets acquired, net of cash acquired	(105)
Book value of liabilities assumed	8
Adjustment to fair value of property, plant and equipment	**753**

The final accounting is pending conclusion of all identified assets and liabilities which is being internally carried out by us.

(c) Other transactions

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

In January 2009, we entered into a purchase and sale agreement with Rio Tinto Plc to acquire iron ore (in Brazil) assets, for an amount of US$750, this acquisition has not been finalized yet, and it subject to the approval of Administrative Council for Economic Defense.

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%.

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

	Three-month period ended (unaudited)								
	March 31, 2009			December 31, 2008			March 31, 2008		
	Brazil	Foreign	Total	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before income taxes, equity results and noncontrolling interests	1,409	148	1,557	(2,489)	2,573	84	522	1,762	2,284
Tax at Brazilian composite rate	(479)	(50)	(529)	846	(875)	(29)	(177)	(599)	(776)
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	—	—	—	238	—	238	169	—	169
Difference on tax rates of foreign income	—	154	154	—	347	347	—	258	258
Exchange gains/losses — not taxable	—	(9)	(9)	—	667	667	—	(20)	(20)
Tax incentives	18	—	18	(48)	—	(48)	15	—	15
Tax deductible amortization of goodwill	20		20	26	—	26	27	—	27
Other non-taxable, income/non deductible expenses	(3)	43	40	(94)	78	(16)	(86)	55	(31)
Income taxes per consolidated statements of income	(444)	138	(306)	968	217	1,185	(52)	(306)	(358)

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.

VALE

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 48, "Accounting for Uncertainty in Income Taxes".

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

	March 31, 2009 (unaudited)	December 31, 2008
Beginning of the period	**657**	**1.046**
Increase resulting from tax positions taken	14	103
Decrease resulting from tax positions taken	—	(261)
Changes in tax legislation	—	2
Cumulative translation adjustments	(5)	(233)
End of the period	**666**	**657**

7 Cash and cash equivalents

	March 31, 2009 (unaudited)	December 31, 2008
Cash	583	767
Short-term investments denominated in Brazilian Reais	7,610	7,548
Short-term investments denominated in other currencies, mainly U.S. dollars	804	2,016
	8,997	**10,331**

8 Short-term investments

	March 31, 2009 (unaudited)	December 31, 2008
Time deposit (*)	3,217	2,308

(*) Represent investments with due date over 90 days.

9 Inventories

Finished products	March 31, 2009 (unaudited)	December 31, 2008
Nickel (co-products and by-products)	1,423	1,514
Iron ore and pellets	677	728
Manganese and ferroalloys	204	199
Aluminum products	145	150
Kaolin	36	40
Copper concentrate	19	26
Coal	37	43
Others	86	80
Spare parts and maintenance supplies	1,125	1,116
	3,752	**3,896**

At March 31, 2009, we recorded an adjustment of US$26, to reduce nickel inventory to its market value.

VALE

10 Investments in affiliated companies and joint ventures

	March 31, 2009				Investments		Equity in earnings (losses) of investee adjustments			Dividends received		
							Three-month period ended (unaudited)			Three-month period ended (unaudited)		
	Participation in capital (%)		Net equity	Net income (loss) for the year	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008	March 31, 2008	March 31, 2009	December 31, 2008	March 31, 2008
	Voting	Total			(unaudited)							
Ferrous												
Companhia Nipo-Brasileira de Pelotização – NIBRASCO (1)	51.11	51.00	225	10	115	110	5	18	(4)	20	—	—
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS (1)	51.00	50.89	96	(6)	48	73	(3)	7	2	—	—	—
Companhia Coreano-Brasileira de Pelotização — KOBRASCO (1)	50.00	50.00	131	22	66	55	11	4	2	—	13	—
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO (1)	51.00	50.90	121	6	61	58	3	14	1	—	—	—
Minas da Serra Geral S.A. — MSG	50.00	50.00	43	1	21	21	—	(1)	1	—	—	—
SAMARCO Mineração S.A. — SAMARCO (2)	50.00	50.00	822	93	457	412	42	37	48	—	50	—
Baovale Mineração S.A. — BAOVALE	50.00	50.00	47	3	23	26	(3)	1	2	—	—	—
Zhuhai YPM Pellet e Co.,Ltd. — ZHUHAI	25.00	25.00	35	(17)	9	13	(4)	3	—	—	—	—
					800	**768**	**51**	**83**	**52**	**20**	**63**	**—**
Logistics												
LOG-IN Logística Intermodal S.A.	31.33	31.33	290	6	97	94	2	6	5	—	—	—
MRS Logística S.A	37.86	41.50	836	45	347	326	19	87	29	—	—	—
					444	**420**	**21**	**93**	**34**	**—**	**—**	**—**
Holdings												
Steel												
California Steel Industries Inc. — CSI	50.00	50.00	298	(22)	149	160	(11)	(35)	6	—	13	—
THYSSENKRUPP CSA Companhia Siderúrgica (Cost $431) — available-for-sale	10.58	10.58	—	—	517	443	—	—	—	—	—	—
Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS (cost $120) — available-for-sale (5)												
	—	—	—	—	257	164	—	—	—	—	—	—
					923	**767**	**(11)**	**(35)**	**6**	**—**	**13**	**—**
Bauxite												
Mineração Rio do Norte S.A. — MRN	40.00	40.00	276	(2)	110	140	(1)	22	14	17	13	48
					110	**140**	**(1)**	**22**	**14**	**17**	**13**	**48**
Coal												
Henan Longyu Resources Co. Ltd	25.00	25.00	777	73	194	176	18	15	17	—	27	—
Shandong Yankuang International Company Ltd	25.00	25.00	16	(27)	4	11	(7)	(17)	(1)	—	—	—
Teal Minerals Incorpored (4)	50.00	50.00	194	—	97	—	—	—	—	—	—	—
					295	**187**	**11**	**(2)**	**16**	**—**	**27**	**—**
Nickel												
Heron Resources Inc (cost $25) — available-for-sale	—	—	—	—	3	2	—	—	—	—	—	—
Mirabela Nickel Ltd (cost $24) — available-for-sale	—	—	—	—	13	8	—	—	—	—	—	—
Hudbay Minerals (cost $31) available for sale	—	—	—	—	16	9	—	—	—	—	—	—
Korea Nickel Corp	—	—	—	—	24	21	1	—	—	—	—	—
Skye Resources (3)	—	—	—	—	—	—	—	(38)	—	—	—	—
Others	—	—	—	—	15	13	—	4	—	—	—	—
					71	**53**	**1**	**(34)**	**—**	**—**	**—**	**—**
Other affiliates and joint ventures												
Others	—	—	—	—	91	73	—	(2)	(3)	—	—	—
					91	73	—	(2)	(3)	—	—	—
					1,490	1,220	—	(51)	33	17	53	48
Total					2,734	2,408	72	125	119	37	116	48

(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$46 in March 2009 and December 2008;

(3) Sold in 2008;

(4) Acquired in March 2009 (Note 5);

(5) Sold in April, 2009 (subsequent period) for US$254, generating a gain US$134.

11 Short-term debt

Short-term borrowings outstanding on March 31, 2009 are from commercial banks for export financing denominated in U.S. Dollars, with average annual interest rates of 2.24%.

12 Long-term debt

	Current liabilities		Long-term liabilities	
	March 31, 2009 (unaudited)	December 31, 2008	March 31, 2009 (unaudited)	December 31, 2008
Foreign debt				
Loans and financing denominated in the following currencies:				
U.S. Dollars	211	210	5,827	5,905
Others	16	23	164	167
Fixed Rate Notes — U.S. Dollar denominated	—	—	6,507	6,510
Debt securities — export sales (*) — U.S. Dollar denominated	56	55	136	149
Perpetual notes	—	—	83	83
Accrued charges	169	217	—	—
	452	**505**	**12,717**	**12,814**
Brazilian debt				
Brazilian Reais indexed to Long-Term Interest Rate — TJLP/CDI	44	33	2,172	1,989
Brazilian Reais indexed to General Price Index-Market (IGPM)	—	—	1	1
Basket of currencies	1	1	4	4
Non-convertible debentures	—	—	2,589	2,562
U.S. Dollars Denominated	—	—	165	165
Accrued charges	153	94	—	—
	198	**128**	**4,931**	**4,721**
Total	**650**	**633**	**17,648**	**17,535**

(*) Secured by receivables from future export sales.

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

2010	2,212
2011	2,630
2012	1,146
2013	2,590
2014 and thereafter	8,773
No due date (Perpetual notes and non-convertible debentures)	297
	17,648

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

Up to 3%	5,077
3.1% to 5%	1,174
5.1% to 7% (*)	5,764
7.1% to 9% (*)	2,289
9.1% to 11%	91
Over 11% (*)	3,816
Variable (Perpetual notes)	87
	18,298

(*) Includes non-convertible debentures and other Brazilian Real-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 to the floating rate debt denominated in Brazilian Real, totaling US$4,608 of which US$3,739 has original interest rate above 11%. The average cost after taking into account the derivative transactions is 4.97%.

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

	Three-month period ended		
	March 31, 2009	December 31, 2008	March 31, 2008
TJLP — Long-Term Interest Rate (effective rate)	1.5	1.5	1.5
IGP-M — General Price Index — Market	(0.9)	1.2	2.4
Appreciation (Devaluation) of Real against U.S. Dollar	0.9	(18.1)	1.3

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. Through March 31, 2009, Vale had drawn down US$212 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 March 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 March 31, 2009, neither Vale International nor Vale Inco had drawn any amounts under these facilities. Through March 31, 2009, Vale Inco had drawn down US$99 of letters of credit.

At March 31, 2009 the U.S. Dollar denominated fixed rate notes of US$6,507 (December 31, 2008 – US$6,510) and other debt of US$11,254 (December 31, 2008 – US$11,102) are unsecured. The export securitization of US$194 (December 31, 2008 – US$204) represents debt securities collateralized by receivables from future export sales of CVRD Overseas Ltd. loans from international lenders of US$45 (December 31, 2008 – US$57) are guaranteed by the Brazilian Federal Government, to which we have provided like counter guarantees. The remaining long-term debt of US$298 (December 31, 2008 – US$295) 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 March 31, 2009 and December 31, 2008.

13 Stockholders' equity

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

Both common and preferred stockholders are entitled to receive a mandatory minimum dividend of 25% of annual adjusted net income under Brazilian GAAP, once declared at the annual stockholders' meeting. In the case of preferred stockholders, this dividend cannot be less than 6% of the preferred capital as stated in the statutory accounting records or, if greater, 3% of the Brazilian GAAP equity value per share. For the year ended December 31, 2008, this dividend corresponds to US$2,068, provided against stockholders' equity.

In April 2009 (subsequent period) 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 ADSs, 176,847,543 common shares, 63,506,751 preferred ADSs 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 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 the Notes do not have voting rights. We will pay to the holders of our Series RIO Notes or RIO.P Notes additional interest in the event that we make cash distributions to all holders of common ADSs or preferred 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 common ADSs at the minimum conversion rate of 0.8664 common ADSs per Series RIO Note, and in the case of Series RIO.P Notes, into preferred ADSs at the minimum conversion rate of 1.0283 preferred ADSs per Series RIO.P Note.

In April 2009, we announced that the ticker symbols of our ADSs changed from Rio and Rio P to Vale and Vale P. The new ticker symbols became effective at the start of trading on Monday, May 4, 2009.

In April 2009 (subsequent period) we paid to holders of the Series Vale Notes (formerly called the Series RIO Notes) and the Series Vale.P Notes (formerly called the Series RIO P Notes), the U.S. Dollar equivalent of US$0.490922 and US$0.582658, respectively.

Basic and diluted earnings per share

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

	Three-month period ended (unaudited)		
	March 31, 2009	December 31, 2008	March 31, 2008
Net income attributable to Company's stockholders	**1,363**	**1,367**	**2,021**
Interest attributed to preferred convertible notes	(8)	(15)	(8)
Interest attributed to common convertible notes	(18)	(32)	(18)
Net income for the period adjusted	1,337	1,320	1,995
Basic and diluted earnings per share			
Income available to preferred stockholders	512	507	766
Income available to common stockholders	803	791	1,193
Income available to holders of convertible notes linked to preferred shares	8	8	12
Income available to holders of convertible notes linked to common shares	14	14	24
Weighted average number of shares outstanding (thousands of shares) — preferred shares	2,031,027	2,042,341	1,889,173
Weighted average number of shares outstanding (thousands of shares) — common shares	3,181,732	3,185,750	2,943,216
Treasury preferred shares linked to mandatorily convertible notes	30,295	30,295	30,295
Treasury common shares linked to mandatorily convertible notes	56,582	56,582	56,582
Total	**5,299,636**	**5,314,968**	**4,919,266**
Earnings per preferred share	0.25	0.25	0.41
Earnings per common share	0.25	0.25	0.41
Earnings per preferred share linked to convertible notes (*)	0.53	0.76	0.66
Earnings per common share linked to convertible notes (*)	0.57	0.81	0.74

(*) 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:

	Three-month period ended (unaudited)		
	March 31, 2009	December 31, 2008	March 31, 2008
Income available to preferred stockholders	528	530	786
Income available to common stockholders	835	837	1,235
Weighted average number of shares outstanding (thousands of shares) — preferred shares	2,061,322	2,072,636	1,919,468
Weighted average number of shares outstanding (thousands of shares) — common shares	3,238,314	3,242,332	2,999,798
Earnings per preferred share	0.26	0.26	0.41
Earnings per common share	0.26	0.26	0.41

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14 Other cumulative comprehensive income (deficit)

	Three-month period ended (unaudited)		
	March 31, 2009	December 31, 2008	March 31, 2008
Comprehensive income (deficit) is comprised as follows:			
Net income attributable to Company's stockholders	1,363	1,367	2,021
Cumulative translation adjustments	(104)	(7,500)	(205)
Unrealized gain (loss) — available-for-sale securities, net of tax	96	96	(6)
Surplus (deficit) accrued pension plan	(48)	270	(15)
Cash flow hedge	—	(28)	(27)
Noncontrolling interests:			
Cumulative translation adjustments	222	(343)	(51)
Cash flow hedge	—	(26)	(22)
Net income (loss) attributable to noncontrolling interests	(40)	27	24
Dividends and interest attributable to noncontrolling interests	(1)	(1)	—
Capitalization of stockholders advances	12	24	9
Total comprehensive income (deficit)	**1,500**	**(6,114)**	**1,728**

Tax effect on other comprehensive income allocated to each component

	March 31, 2009	December 31, 2008	March 31, 2008
Unrealized gain (loss) — available-for-sale securities, net of tax			
Gross balance as of the period end	173	42	294
Tax (expense) benefit	(60)	(25)	(89)
Net balance as of the period end	113	17	205
Surplus accrued pension plan			
Gross balance as of the period end	(93)	(63)	108
Tax (expense) benefit	11	29	(48)
Net balance as of the period end	(82)	(34)	60

15 Pension cost

We previously disclosed in our consolidated financial statements for the year ended December 31, 2008, that we expected to contribute US$338 to our defined benefit pension plan in 2009. As of March 31, 2009, total contributions of US$81 had been made. We do not expect any significant change in our previous estimate.

	Three-month period ended March 31, 2009 (unaudited)		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost — benefits earned during the period	1	11	4
Interest cost on projected benefit obligation	44	54	18
Expected return on assets	(60)	(43)	—
Amortization of initial transition obligation	2	7	—
Net deferral	—	1	(7)
Net periodic pension cost	**(13)**	**30**	**15**

	Three-month period ended December 31, 2008 (unaudited)		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost — benefits earned during the period	3	13	5
Interest cost on projected benefit obligation	86	53	21
Expected return on assets	(143)	(57)	(5)
Amortization of initial transition obligation	4	(2)	6
Net deferral	(1)	11	(2)
Net periodic pension cost	**(51)**	**18**	**25**

	Three-month period ended March 31, 2008 (unaudited)		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost — benefits earned during the period	2	16	6
Interest cost on projected benefit obligation	54	62	23
Expected return on assets	(90)	(65)	—
Amortization of initial transition obligation	3	—	(1)
Net deferral	(1)	—	—
Net periodic pension cost	**(32)**	**13**	**28**

16 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. The total shares linked to the plan at March 31, 2009 and December 31, 2008, is 2,029,585 and 711,005, respectively.

Additionally, as 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 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 March 31, 2009 and December 31, 2008, we recognized a liability of US$18 and US$7, respectively, through the Statement of Income.

17 Commitments and contingencies

(a) At March 31, 2009, we had extended guarantees related to revolving agreement to our affiliate TEAL, in the amount of US$43, the denominated currency U.S. Dollar with final maturity at August 31, 2009.

(b) We provided certain guarantees on behalf of The *Goro* Project (*Goro*) 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.

(c) 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:

	March 31, 2009 (unaudited)		**December 31, 2008**	
	Provision for contingencies	**Judicial deposits**	**Provision for contingencies**	**Judicial deposits**
Labor and social security claims	474	398	458	378
Civil claims	400	247	386	242
Tax — related actions	820	534	828	518
Others	15	4	13	3
	1,709	**1,183**	**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 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 during the three-month periods ended March 31, 2009, December 31, 2008 and March 31, 2008 totaled US$18, US$7, US$128, respectively. Provisions recognized in the three-month periods ended March 31, 2009, December 31, 2008 and March 31, 2008, totaled US$49, US$100, US$331, 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$2,419 at March 31, 2009, and for which no provision has been made (December 31, 2008 – US$2,476).

(d) 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 April 2009 (subsequent period) we paid remuneration on these debentures of US$3.

(e) Asset retirement obligations:

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

Changes in circumstances, law or technology may affect our 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)	
	March 31, 2009	**December 31, 2008**
Beginning of period	**887**	**1,000**
Accretion expense	6	50
Liabilities settled in the current period	(3)	(2)
Revisions in estimated cash flows	(9)	(45)
Cumulative translation adjustment	(4)	(116)
End of period	**877**	**887**
Current liabilities	38	48
Long-term liabilities	839	839
Total	**877**	**887**

18 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.

At 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 March 31, 2009 is summarized below (unaudited):

		Fair value measurements		
	Carrying amount	Quoted prices in active markets for identical assets or liabilities, (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available-for-sale securities	2,714	2,714	—	—
Unrealized losses on derivatives	(548)	—	(548)	—
Other financial liabilities	(361)	—	(361)	—

During the three-month period ended March 31, 2009, except for the accounting of the purchase of Diamond Coal and Green Mineral Resources, whose are still in process (Note 5), there was no other assets or liabilities measured at fair value on a nonrecurring basis.

Our long-term debt is measured and reported at amortized cost, however its fair value measurement at March 31, 2009 is as follows (unaudited):

	Carrying amount (*)	Fair value	Level 1	Level 2
Long-term debt	17,976	17,355	8,521	8,834

(*) Less accrued charges US$322

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

The market value of our listed long-term investments, where available, is disclosed in Note 10.

19 Segment and geographical information

We adopt SFAS 131 “Disclosures about Segments of an Enterprise and Related Information” with respect to the information we present about our operating segments. SFAS 131 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 aggregated and disaggregated basis as follows:

Consolidated net income and principal assets are reconciled as follows:

Results by segment — before eliminations (aggregated)

Three-month period ended (unaudited)

March 31, 2009	Ferrous	(*) Non ferrous	Aluminum	Logistics	Others	Eliminations	Consolidated
RESULTS							
Gross revenues — Foreign	5,988	1,051	599	5	154	(2,987)	4,810
Gross revenues — Domestic	252	107	129	201	58	(136)	611
Cost and expenses	(4,048)	(1,028)	(720)	(177)	(138)	3,123	(2,988)
Research and development	(42)	(68)	—	(16)	(63)	—	(189)
Depreciation, depletion and amortization	(197)	(280)	(49)	(24)	(9)	—	(559)
Impairment of goodwill	—	—	—	—	—	—	—
Operating income	**1,953**	**(218)**	**(41)**	**(11)**	**2**	**—**	**1,685**
Financial income	660	163	3	1	1	(703)	125
Financial expenses	(664)	(298)	(14)	(6)	(8)	703	(287)
Gains (losses) on derivatives, net	34	(16)	—	—	—	—	18
Foreign exchange and indexation gains (losses), net	29	(16)	10	(1)	(6)	—	16
Gain on sale of investments	—	—	—	—	—	—	—
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	54	—	(1)	21	(2)	—	72
Income taxes	(466)	154	19	(4)	(9)	—	(306)
Net income (loss) attributable to noncontrolling interests	10	18	15	—	(3)	—	40
Net income attributable to Company’s stockholders	**1,610**	**(213)**	**(9)**	**—**	**(25)**	**—**	**1,363**
Sales classified by geographic destination:							
Foreign market							
America, except United States	44	120	159	—	9	(84)	248
United States	11	182	37	—	8	(18)	220
Europe	1,169	246	279	—	4	(884)	814
Middle East/Africa/Oceania	281	38	34	—	—	(229)	124
Japan	511	73	77	—	81	(258)	484
China	3,483	186	13	5	4	(1,268)	2,423
Asia, other than Japan and China	489	206	—	—	48	(246)	497
	5,988	**1,051**	**599**	**5**	**154**	**(2,987)**	**4,810**
Domestic market	252	107	129	201	58	(136)	611
	6,240	**1,158**	**728**	**206**	**212**	**(3,123)**	**5,421**

December 31, 2008	Ferrous	(*) Non ferrous	Aluminum	Logistics	Others	Eliminations	Consolidated
RESULTS							
Gross revenues — Foreign	7,540	1,416	1,001	6	212	(3,848)	6,327
Gross revenues — Domestic	685	71	179	303	53	(176)	1,115
Cost and expenses	(5,764)	(1,515)	(929)	(217)	(165)	4,024	(4,566)
Research and development	(107)	(112)	—	(17)	(59)	—	(295)
Depreciation, depletion and amortization	(171)	(318)	(38)	(26)	(15)	—	(568)
Impairment of goodwill	—	(950)	—	—	—	—	(950)
Operating income	**2,183**	**(1,408)**	**213**	**49**	**26**	**—**	**1,063**
Financial income	883	154	10	3	1	(804)	247
Financial expenses	(825)	(309)	(18)	(10)	(41)	804	(399)
Gains (losses) on derivatives, net	(635)	(15)	64	—	—	—	(586)
Foreign exchange and indexation gains (losses), net	35	25	(206)	12	(107)	—	(241)
Gain on sale of investments	—	—	—	—	—	—	—
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	80	(38)	22	93	(32)	—	125
Income taxes	968	203	12	4	(2)	—	1,185
Net income (loss) attributable to noncontrolling interests	(6)	(6)	(20)	—	5	—	(27)
Net income attributable to Company’s stockholders	**2,683**	**(1,394)**	**77**	**151**	**(150)**	**—**	**1,367**
Sales classified by geographic destination:							
Foreign market							
America, except United States	335	116	348	—	—	(271)	528
United States	44	259	108	—	9	(70)	350
Europe	2,715	464	353	(2)	—	(1,639)	1,891
Middle East/Africa/Oceania	543	15	50	—	54	(304)	358
Japan	1,609	230	142	—	74	(703)	1,352
China	1,240	127	—	8	—	(420)	955
Asia, other than Japan and China	1,054	205	—	—	75	(441)	893
	7,540	**1,416**	**1,001**	**6**	**212**	**(3,848)**	**6,327**
Domestic market	685	71	179	303	53	(176)	1,115
	8,225	**1,487**	**1,180**	**309**	**265**	**(4,024)**	**7,442**

March 31, 2008	Ferrous	(*) Non ferrous	Aluminum	Logistics	Others	Eliminations	Consolidated
RESULTS							
Gross revenues — Foreign	5,578	2,861	859	21	72	(2,727)	6,664
Gross revenues — Domestic	880	91	193	365	56	(201)	1,384
Cost and expenses	(4,500)	(1,302)	(925)	(244)	(134)	2,928	(4,177)
Research and development	(50)	(70)	—	(20)	(50)	—	(190)
Depreciation, depletion and amortization	(288)	(399)	(42)	(30)	(7)	—	(766)
Impairment of goodwill	—	—	—	—	—	—	—
Operating income	**1,620**	**1,181**	**85**	**92**	**(63)**	**—**	**2,915**
Financial income	665	217	3	2	—	(832)	55
Financial expenses	(988)	(379)	(20)	(3)	(2)	832	(560)
Gains (losses) on derivatives, net	(46)	(123)	(125)	—	—	—	(294)
Foreign exchange and indexation gains (losses), net	112	(28)	18	(2)	(12)	—	88
Gain on sale of investments	—	80	—	—	—	—	80
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	52	—	14	34	19	—	119
Income taxes	(21)	(331)	(17)	—	11	—	(358)
Net income (loss) attributable to noncontrolling interests	2	(46)	20	—	—	—	(24)
Net income attributable to Company’s stockholders	**1,396**	**571**	**(22)**	**123**	**(47)**	**—**	**2,021**
Sales classified by geographic destination:							
Foreign market							
America, except United States	323	341	192	1	—	(203)	654
United States	80	583	104	1	—	(75)	693
Europe	1,883	689	373	16	1	(1,067)	1,895
Middle East/Africa/Oceania	240	58	44	—	—	(130)	212
Japan	618	341	136	1	39	(260)	875
China	1,874	296	10	1	—	(796)	1,385
Asia, other than Japan and China	560	553	—	1	32	(196)	950
	5,578	**2,861**	**859**	**21**	**72**	**(2,727)**	**6,664**
Domestic market	880	91	193	365	56	(201)	1,384
	6,458	**2,952**	**1,052**	**386**	**128**	**(2,928)**	**8,048**

(*) Other than Aluminum.

Operating segment — after eliminations (disaggregated)

As of and for the three-month period ended March 31, 2009 (unaudited)

	Revenues											
	Foreign	Domestic	Total	Value added tax	Net revenues	Cost and expenses	Net	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
Ferrous												
Iron ore	2,964	165	3,129	(32)	3,097	(998)	2,099	(181)	1,918	15,044	736	44
Pellets	241	32	273	(8)	265	(219)	46	(10)	36	645	27	756
Manganese	13	2	15	—	15	(18)	(3)	(2)	(5)	18	1	—
Ferroalloys	51	27	78	(7)	71	(60)	11	(2)	9	189	18	—
Pig iron	11	—	11	—	11	(13)	(2)	—	(2)	144	16	—
	3,280	**226**	**3,506**	**(47)**	**3,459**	**(1,308)**	**2,151**	**(195)**	**1,956**	**16,040**	**798**	**800**
Non ferrous												
Nickel and other products (*)	860	3	863	—	863	(833)	30	(253)	(223)	21,420	425	71
Potash	—	65	65	(2)	63	(28)	35	(3)	32	159	—	—
Kaolin	30	9	39	(2)	37	(34)	3	(6)	(3)	209	—	—
Copper concentrate	79	28	107	(6)	101	(106)	(5)	(17)	(22)	3,609	189	—
Aluminum products	408	34	442	(8)	434	(426)	8	(50)	(42)	3,837	41	110
	1,377	**139**	**1,516**	**(18)**	**1,498**	**(1,427)**	**71**	**(329)**	**(258)**	**29,234**	**655**	**181**
Logistics												
Railroads	—	157	157	(22)	135	(125)	10	(21)	(11)	1,457	21	347
Ports	—	42	42	(6)	36	(34)	2	(5)	(3)	1,441	37	—
Ships	—	—	—	—	—	—	—	—	—	373	—	97
	—	**199**	**199**	**(28)**	**171**	**(159)**	**12**	**(26)**	**(14)**	**3,271**	**58**	**444**
Others	153	47	200	(4)	196	(186)	10	(9)	1	3,229	177	1,309
	4,810	**611**	**5,421**	**(97)**	**5,324**	**(3,080)**	**2,244**	**(559)**	**1,685**	**51,774**	**1,688**	**2,734**

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

Operating segment — after eliminations (disaggregated)

As of and for the three-month period ended December 31, 2008 (unaudited)

	Revenues			Value	Net	Cost and		Depreciation, depletion and		Operating	Property, plant and equipment, net and intangible	Addition to property, plant and equipment and	
	Foreign	Domestic	Total	added tax	revenues	expenses	Net	amortization	Impairment	income	assets	intangible	Investments
Ferrous													
Iron ore	3,105	431	3,536	(64)	3,472	(1,497)	1,975	(147)	—	1,828	14,595	1,360	47
Pellets	914	114	1,028	(25)	1,003	(522)	481	(19)	—	462	645	76	708
Manganese	19	5	24	(4)	20	(17)	3	—	—	3	18	1	—
Ferroalloys	92	83	175	(21)	154	(69)	85	(3)	—	82	166	18	—
Pig iron	—	—	—	—	—	—	—	—	—	—	144	116	—
	4,130	**633**	**4,763**	**(114)**	**4,649**	**(2,105)**	**2,544**	**(169)**	**—**	**2,375**	**15,568**	**1,571**	**755**
Non ferrous													
Nickel and other products (*)	1,111	7	1,118	—	1,118	(1,298)	(180)	(295)	(950)	(1,425)	21,729	1,233	53
Potash	—	23	23	(2)	21	(15)	6	(1)	—	5	159	35	—
Kaolin	35	10	45	(2)	43	(40)	3	(5)	—	(2)	199	2	—
Copper concentrate	73	30	103	(6)	97	(285)	(188)	(17)	—	(205)	3,543	89	—
Aluminum products	713	66	779	(3)	776	(543)	233	(38)	—	195	3,831	115	140
	1,932	**136**	**2,068**	**(13)**	**2,055**	**(2,181)**	**(126)**	**(356)**	**(950)**	**(1,432)**	**29,461**	**1,474**	**193**
Logistics													
Railroads	—	240	240	(40)	200	(152)	48	(22)	—	26	1,431	10	326
Ports	—	70	70	(10)	60	(41)	19	(4)	—	15	1,441	113	—
Ships	—	—	—	—	—	—	—	—	—	—	374	342	94
	—	**310**	**310**	**(50)**	**260**	**(193)**	**67**	**(26)**	**—**	**41**	**3,246**	**465**	**420**
Others	265	36	301	(10)	291	(195)	96	(17)	—	79	1,054	179	1,040
	6,327	**1,115**	**7,442**	**(187)**	**7,255**	**(4,674)**	**2,581**	**(568)**	**(950)**	**1,063**	**49,329**	**3,689**	**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 three-month period ended March 31, 2008 (unaudited)											
	Revenues											
	Foreign	Domestic	Total	Value added tax	Net revenues	Cost and expenses	Net	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net and intangible assets	Addition to property, plant and equipment and intangible	Investments
Ferrous												
Iron ore	2,606	510	3,116	(73)	3,043	(1,467)	1,576	(245)	1,331	17,304	664	61
Pellets	506	173	679	(40)	639	(470)	169	(29)	140	766	12	798
Manganese	31	9	40	(2)	38	(20)	18	(1)	17	82	1	—
Ferroalloys	177	113	290	(28)	262	(124)	138	(6)	132	160	2	—
Pig iron	29	—	29	—	29	(14)	15	(2)	13	198	—	—
	3,349	**805**	**4,154**	**(143)**	**4,011**	**(2,095)**	**1,916**	**(283)**	**1,633**	**18,510**	**679**	**859**
Non ferrous												
Nickel and other products (*)	2,378	13	2,391	—	2,391	(980)	1,411	(372)	1,039	23,376	481	148
Potash	—	64	64	(4)	60	(29)	31	(7)	24	218	3	—
Kaolin	42	11	53	(2)	51	(56)	(5)	(7)	(12)	264	7	—
Copper concentrate	222	1	223	—	223	(106)	117	(17)	100	1,898	52	—
Aluminum products	561	85	646	(17)	629	(510)	119	(42)	77	4,703	104	99
	3,203	**174**	**3,377**	**(23)**	**3,354**	**(1,681)**	**1,673**	**(445)**	**1,228**	**30,459**	**647**	**247**
Logistics												
Railroads	—	296	296	(37)	259	(172)	87	(25)	62	1,748	13	375
Ports	11	55	66	(5)	61	(45)	16	(6)	10	1,677	44	—
Ships	—	—	—	—	—	—	—	—	—	34	—	110
	11	**351**	**362**	**(42)**	**320**	**(217)**	**103**	**(31)**	**72**	**3,459**	**57**	**485**
Others	101	54	155	(8)	147	(158)	(11)	(7)	(18)	2,951	242	1,351
	6,664	**1,384**	**8,048**	**(216)**	**7,832**	**(4,151)**	**3,681**	**(766)**	**2,915**	**55,379**	**1,625**	**2,942**

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

20 Derivative financial instruments

Risk management policy

Vale 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), is not sufficient to evaluate the group exposures once our main goal is to avoid a possible lack of cash to fulfill our future obligations and needs.

We also consider, when evaluating our exposures, the correlations between different market risk factors. By doing so we are able to evaluate the net impact in cash flows from our corporate strategy, considering the natural economic hedges presented in the Company's portfolio. Using this framework we identify a natural diversification of our portfolio due to the mix of products and currencies. This diversification benefit implies in a natural reduction of the overall risk of the Company. Any risk mitigation strategy is only implemented, whenever necessary, if it contributes significantly for the reduction of 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 flow 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 must regularly evaluate its cash flow risks and, risk mitigation strategies. Whenever 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 and 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 in cash flows.

The risk management policy and the risk management norms, 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 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 it's wholly owned subsidiaries corporate strategy. It is the responsibility of the finance department the execution of the risk mitigation strategies though 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 is monthly measured and monitored in order to evaluate the financial results and possible market risk impacts in our cash flow, and guarantee that the initial goals will be achieved. The mark-to-market on the derivatives portfolio is reported weekly to management.

All derivatives positions were recognized in our balance sheet at fair value, and gains or losses in fair value were accrued in Vale's current earnings.

VALE

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

- Interest rates;
- Foreign exchange;
- Products 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 U.S. Dollars, representing around 94% of the total revenue, most of our costs, disbursements and investments are indexed to currencies other than the U.S. Dollar, mainly Brazilian Real and Canadian Dollars.

Derivatives instruments may be used in order to reduce Vale's potential cash flow volatility arising from the currencies mismatch between the currencies witch the debt is denominated and revenues are generated. 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 U.S. Dollar cash flows, without any leverage.

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

Our 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 entered into have settlement dates similar to the 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 U.S. Dollar / Brazilian Real exchange rate in our obligations, contributing to a stable flow of cash disbursements in U.S. Dollars for interest and/or principal payment of our Real denominated debt.

In the event of an appreciation (depreciation) of the Brazilian Real against U.S. Dollar, the negative (positive) impact on our Real denominated debt obligations (interest and/or principal payment) measured in U.S. Dollars will be almost totally offset by a positive (negative) effect from any existing swap transaction, regardless of the U.S. 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 U.S. Dollars.

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

VALE

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, copper, natural gas and bunker oil 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.

Copper — Vale Inco Ltd., Vale's wholly-owned subsidiary, makes use of hedging 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.

Natural gas — Vale uses natural gas swap contracts to minimize the impact of price fluctuation of this input cost in the cash flow.

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 hedge program that consists of forward purchases and swaps.

Embedded derivatives — In addition to the contracts mentioned above, Vale Inco Ltd., Vale's wholly-owned subsidiary, has nickel concentrate and raw materials purchase agreements, where there are provisions based on nickel and copper 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 March 31, 2009 and December 31, 2008.

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

	March 31, 2009 (unaudited)		December 31, 2008	
Outstanding Balances - Assets	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Derivatives not designated as hedge under SFAS 133				
Foreign exchange and interest rate risk				
EURO floating rate vs. USD floating rate swap	long-term	1	long-term	2
AUD floating rate vs. fixed USD rate swap	long-term	3		
Commodities price risk				
Nickel				
Purchase program	short-term	2		
Embedded derivatives:				
For nickel concentrate costumer sales	long-term	62	long-term	69
Customer raw material contracts	short-term	2	long-term	22
Total Assets		**70**		**93**

	March 31, 2009 (unaudited)		December 31, 2008	
Outstanding Balances - Liabilities	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Derivatives not designated as hedge under SFAS 133				
Foreign exchange and interest rate risk				
CDI vs. USD fixed rate swap	long-term	(406)	long-term	(373)
CDI vs. USD floating rate swap	long-term	(40)	long-term	(95)
TJLP vs. USD fixed rate swap	long-term	(70)	long-term	(62)
TJLP vs. USD floating rate swap	long-term	(39)	long-term	(30)
USD floating rate vs. USD fixed rate swap	long-term	(12)	long-term	(14)
Commodities price risk				
Nickel				
Fixed price program	long-term	(48)	long-term	(50)
Purchase program			long-term	(7)
Natural gas hedge	short-term	(3)	long-term	(2)
Total Liabilities		**(618)**		**(633)**

The following table presents the unaudited effects of derivatives for the three-month period ended:

	Amount of gain or (loss) recognized in financial income (expense)			Amount of gain or (loss) recognized in OCI			Location of gain or (loss) reclassified from accumulated OCI into earnings	Amount of gain or (loss) reclassified from accumulated OCI into earnings		
	March 31, 2009	December 31, 2008	March 31, 2008	March 31, 2009	December 31, 2008	March 31, 2008		March 31, 2009	December 31, 2008	March 31, 2008
Derivatives not designated as hedge under SFAS 133										
Foreign exchange and interest rate risk										
CDI vs. USD fixed rate swap	—	16	—							
Swap BRL denominated Brazilian payrol into USD	—	—	14							
CDI & TJLP vs. USD fixed and floating rate swap	32	(656)	(28)							
EURO floating rate vs. USD floating rate swap	(1)	2	1							
USD floating rate vs. USD fixed rate swap	(1)	(10)	(7)							
AUD floating rate vs. fixed USD rate swap	3	—	—							
Commodities price risk										
Nickel										
Fixed price program	(18)	(39)	26							
Purchase program	10	7	(10)							
Copper										
Purchased scrap protection program	—	10	(72)							
Strategic hedging program	—	39	(45)							
Platinum	—	(2)	(16)							
Gold	—	(12)	(8)							
Natural gas	(3)	(1)	10							
Embedded derivatives:										
For nickel concentrate costumer sales	2	(1)	(36)							
Customer raw material contracts	(6)	(3)	(16)							
Energy — Aluminum options	—	21	(28)							
Derivatives designated as hedge under SFAS 133										
Aluminum	—	43	(79)	—	1	(43)	Cost of sales	—	51	—
	18	**(586)**	**(294)**	**—**	**1**	**(43)**	**Cost of sales**	**—**	**51**	**—**

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:

Interest rates/ Currencies	December 2019
Bunker Oil	April 2010
Natural Gas	October 2009
Copper	July 2009
Nickel	May 2011

Under SFAS 133 "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 March 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. At March 31, 2009, December 31, 2008 and March 31, 2008, the unrealized net gain and (losses) in respect of derivative instruments which were not qualified for hedge accounting amounted to US$18, US$(586) and US$(294), respectively.

Exhibit C

Revised Selected Financial Data

The tables below present revised selected consolidated financial information as of and for the periods indicated. You should read this information together with our revised consolidated financial statements appearing in Exhibit B to this report.

Statement of income data

	For the year ended December 31,				
	2004	2005	2006	2007	2008
	(US$ million)				
Net operating revenues	8,066	12,792	19,651	32,242	37,426
Cost of products and services	(4,081)	(6,229)	(10,147)	(16,463)	(17,641)
Selling, general and administrative expenses	(452)	(583)	(816)	(1,245)	(1,748)
Research and development	(153)	(277)	(481)	(733)	(1,085)
Impairment of goodwill	—	—	—	—	(950)
Other expenses	(257)	(271)	(570)	(607)	(1,254)
Operating income	3,123	5,432	7,637	13,194	14,748
Non-operating income (expenses):					
Financial income (expenses), net	(589)	(437)	(1,011)	(1,291)	(1,975)
Foreign exchange and indexation gains, net	65	299	529	2,553	364
Gain on sale of investments	404	126	674	777	80
Subtotal	(120)	(12)	192	2,039	(1,531)
Income before income taxes and equity results	3,003	5,420	7,829	15,233	13,217
Income taxes charge	(749)	(880)	(1,432)	(3,201)	(535)
Equity in results of affiliates and joint ventures and equity investments	542	760	710	595	794
Net income	2,796	5,300	7,107	12,627	13,476
Net (income) attributable to non-controlling interests	(223)	(459)	(579)	(802)	(258)
Net income attributable to Company's stockholders	2,573	4,841	6,528	11,825	13,218
Total cash paid to shareholders(1)	787	1,300	1,300	1,875	2,850

(1) Consists of total cash paid to shareholders, whether classified as dividends or interest on shareholders' equity, during the period.

Basic and diluted earnings per share

	For the year ended December 31,(1)				
	2004	2005	2006	2007	2008(5)
	(US$, except as noted)				
Earnings per share(2):					
Basic					
Per common share	0.56	1.05	1.35	2.41	2.58
Per preferred share	0.56	1.05	1.35	2.41	2.58
Diluted					
Per common share	—	—	—	2.42	2.61
Per preferred share	—	—	—	2.42	2.61
Weighted average number of shares outstanding (in thousands)(3):					
Common shares	2,943,216	2,943,216	2,943,216	2,943,216	3,028,817
Preferred shares	1,662,864	1,662,864	1,908,852	1,889,171	1,946,454
Treasury common shares underlying convertible notes	—	—	—	34,510	56,582
Treasury preferred shares underlying convertible notes	—	—	—	18,478	30,295
Total	4,606,080	4,606,080	4,852,068	4,885,375	5,062,148
Distributions to shareholders per share(4):					
In US$	0.17	0.28	0.27	0.39	0.56

In *reais*	R$	0.49	R$	0.67	R$	0.58	R$	0.74	R$	1.09

(1) We carried out two-for-one forward stock splits in September 2007 and in May 2006 and a three-for-one forward stock split in August 2004. Share and per-share amounts for all periods give retroactive effect to all forward stock splits.

(2) Diluted earnings per share for 2007 and 2008 include preferred shares and common shares underlying the mandatorily convertible notes due in 2010, which were issued in June 2007.

(3) Each common ADS represents one common share and each preferred ADS represents one preferred share.

(4) Our distributions to shareholders may be classified as either dividends or interest on shareholders' equity. Since 2004, part of each distribution has been classified as interest on shareholders' equity and part as dividends. For information about distributions paid to shareholders, see *Item 8. Financial information—Distributions* in our report on Form 20-F for the year ended December 31, 2008.

(5) In July 2008, we issued 80,079,223 common ADSs, 176,847,543 common shares, 63,506,751 preferred ADSs and 100,896,048 preferred shares in a global equity offering. In August 2008, we issued an additional 24,660,419 preferred shares. In October 2008, our Board of Directors approved a share buy-back program. As of December 31, 2008, we had acquired 18,355,859 common shares and 46,513,400 preferred shares, which are held in treasury. For more information see *Item 16E. Purchases of equity securities by the issuer and affiliated purchasers* in our report on Form 20-F for the year ended December 31, 2008.

Balance sheet data

	At December 31,				
	2004	2005	2006	2007	2008
			(US$ million)		
Current assets	3,890	4,775	12,940	11,380	23,238
Property, plant and equipment, net	9,063	14,166	38,007	54,625	49,329
Investments in affiliated companies and joint ventures and other investments	1,159	1,672	2,353	2,922	2,408
Other assets	1,603	2,031	7,626	7,790	4,956
Total assets	15,715	22,644	60,926	76,717	79,931
Current liabilities	2,455	3,325	7,312	10,083	7,237
Long-term liabilities(1)	1,867	2,410	10,008	13,195	10,112
Long-term debt(2)	3,214	3,714	21,122	17,608	17,535
Total liabilities	7,536	9,449	38,442	40,886	34,884
Redeemable non-controlling interests	—	—	346	375	599
Stockholders' equity:					
Capital stock	3,209	5,868	8,119	12,306	23,848
Additional paid-in capital	498	498	498	498	393
Mandatorily convertible notes — common ADSs	—	—	—	1,288	1,288
Mandatorily convertible notes — preferred ADSs	—	—	—	581	581
Reserves and retained earnings	3,684	5,611	11,056	18,603	16,446
Total Company shareholders' equity	7,391	11,977	19,673	33,276	42,556
Noncontrolling interests	788	1,218	2,465	2,180	1,892
Total shareholders' equity	8,179	13,195	22,138	35,456	44,448
Total liabilities and shareholders' equity	15,715	22,644	60,926	76,717	79,931

(1) Excludes long-term debt.

(2) Excludes current portion of long-term debt.

Exhibit D

VALE S.A.
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VALE

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of 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 each of the three years in the period ended December 31, 2008 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 each of the three years than ended.

/s/ PricewaterhouseCoopers
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 to the retrospective application of SFAS No.160, as to which the date is June 26, 2009).

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**

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

(Continued)

	As of December 31,	
	2008	**2007**
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**
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 December 31,		
	2008	**2007**	**2006**
Operating revenues, net of discounts, returns and allowances			
Sales of ores and metals	32,779	28,441	16,511
Aluminum products	3,042	2,722	2,381
Revenues from logistic services	1,607	1,525	1,376
Other products and services	1,081	427	95
	38,509	**33,115**	**20,363**
Taxes on revenues	(1,083)	(873)	(712)
Net operating revenues	**37,426**	**32,242**	**19,651**
Operating costs and expenses			
Cost of ores and metals sold	(14,055)	(13,628)	(7,946)
Cost of aluminum products	(2,267)	(1,705)	(1,355)
Cost of logistic services	(930)	(853)	(777)
Other	(389)	(277)	(69)
	(17,641)	**(16,463)**	**(10,147)**
Selling, general and administrative expenses	(1,748)	(1,245)	(816)
Research and development expenses	(1,085)	(733)	(481)
Impairment of goodwill	(950)	—	—
Other	(1,254)	(607)	(570)
	(22,678)	**(19,048)**	**(12,014)**
Operating income	**14,748**	**13,194**	**7,637**
Non-operating income (expenses)			
Financial income	602	295	327
Financial expenses	(1,765)	(2,517)	(1,222)
Gains (losses) on derivatives, net	(812)	931	(116)
Foreign exchange and indexation gains, net	364	2,553	529
Gain on sale of investments	80	777	674
	(1,531)	**2,039**	**192**
Income before income taxes and equity results	**13,217**	**15,233**	**7,829**
Income taxes			
Current	(1,338)	(3,901)	(1,134)
Deferred	803	700	(298)
	(535)	**(3,201)**	**(1,432)**
Equity in results of affiliates, joint ventures and other investments	794	595	710
Net income	**13,476**	**12,627**	**7,107**
Net income attributable to noncontrolling interests	(258)	(802)	(579)
Net income attributable to Company's stockholders	**13,218**	**11,825**	**6,528**
Basic and diluted earmings per share			
Earnings per preferred share	2.58	2.41	1.35
Earnings per common share	2.58	2.41	1.35
Earnings per preferred share linked to mandatorily convertible notes (*)	4.09	3.30	—
Earnings per common share linked to mandatorily convertible 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 December 31,		
	2008	**2007**	**2006**
Cash flows from operating activities:			
Net income	13,476	12,627	7,107
Adjustments to reconcile net income to cash from operations:			
Depreciation, depletion and amortization	2,807	2,186	997
Dividends received	513	394	516
Equity in results of affiliates, joint ventures and other investments	(794)	(595)	(710)
Deferred income taxes	(803)	(700)	298
Impairment of goodwill	950	—	—
Loss on disposal of property, plant and equipment	376	168	106
Gain on sale of investments	(80)	(777)	(674)
Foreign exchange and indexation losses (gains), net	451	(2,827)	(917)
Unrealized derivative losses (gains), net	812	(917)	116
Unrealized interest expense, net	116	102	36
Others	(3)	115	(93)
Decrease (increase) in assets:			
Accounts receivable	(466)	235	(438)
Inventories	(467)	(343)	859
Others	(242)	(292)	(12)
Increase (decrease) in liabilities:			
Suppliers	703	998	(47)
Payroll and related charges	1	170	(86)
Income taxes	(140)	393	84
Others	(96)	75	90
Net cash provided by operating activities	**17,114**	**11,012**	**7,232**
Cash flows from investing activities:			
Short term investments	(2,308)	—	—
Loans and advances receivable			
Related parties			
Loan proceeds	(37)	(33)	(18)
Repayments	58	10	11
Others	(15)	1	(16)
Judicial deposits	(133)	(125)	(78)
Investments	(128)	(324)	(107)
Additions to property, plant and equipment	(8,972)	(6,651)	(4,431)
Proceeds from disposal of investments	134	1,042	837
Proceeds from disposals of property, plant and equipment	—	—	49
Acquisition of subsidiaries, net of cash acquired	—	(2,926)	(13,201)
Net cash used in investing activities	**(11,401)**	**(9,006)**	**(16,954)**
Cash flows from financing activities:			
Short-term debt, additions	1,076	4,483	4,912
Short-term debt, repayments	(1,311)	(5,040)	(4,233)
Short-term debt, additions	1,076	4,483	4,912
Short-term debt, repayments	(1,311)	(5,040)	(4,233)
Loans			
Related parties			
Loan proceeds	54	259	10
Repayments	(20)	(273)	(50)
Issuances of long-term debt			
Related parties	—	—	14
Others	1,890	7,212	21,993

Repayments of long-term debt			
Others	(1,130)	(11,130)	(7,635)
Treasury stock	(752)	—	(301)
Mandatorily convertible notes	—	1,869	—
Capital increase	12,190	—	—
Dividends and interest attributed to Company's stockholders	(2,850)	(1,875)	(1,300)
Dividends to noncontrolling interest	(143)	(714)	(65)
Net cash provided by (used in) financing activities	**9,004**	**(5,209)**	**13,345**
Increase (decrease) in cash and cash equivalents	14,717	(3,203)	3,623
Effect of exchange rate changes on cash and cash equivalents	(5,432)	(199)	(216)
Cash and cash equivalents, beginning of period	1,046	4,448	1,041
Cash and cash equivalents, end of period	**10,331**	**1,046**	**4,448**
Cash paid during the period for:			
Interest on short-term debt	(11)	(49)	(9)
Interest on long-term debt	(1,255)	(1,289)	(565)
Income tax	(2,867)	(3,284)	(586)
Non-cash transactions			
Interest capitalized	230	78	126
Issuance of preferred stock for the acquisition of Caemi, net of cash acquired	—	—	2,552

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 December 31,		
	2008	**2007**	**2006**
Preferred class A stock (including twelve special shares)			
Beginning of the period	4,953	4,702	2,150
Capital increase	4,774	—	2,552
Transfer from undistributed retained earnings	—	251	—
End of the period	**9,727**	**4,953**	**4,702**
Common stock			
Beginning of the period	7,742	3,806	3,806
Capital increase	7,520	—	—
Transfer from undistributed retained earnings	—	3,936	—
End of the period	**15,262**	**7,742**	**3,806**
Treasury stock			
Beginning of the period	(389)	(389)	(301)
Acquisitions	(752)	—	(88)
End of the period	**(1,141)**	**(389)**	**(389)**
Additional paid-in capital			
Beginning of the period	498	498	498
Change in the period	(105)	—	—
End of the period	**393**	**498**	**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)	(2,856)
Change in the period	(12,833)	2,968	1,228
End of the period	**(11,493)**	**1,340**	**(1,628)**
Unrealized gain (loss) — available-for-sale securities, net of tax			
Beginning of the period	211	271	127
Change in the period	(194)	(60)	144
End of the period	**17**	**211**	**271**
Surplus (deficit) accrued pension plan			
Beginning of the period	75	353	460
Change in the period	(109)	(278)	(107)
End of the period	**(34)**	**75**	**353**
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**	**(1,004)**
Undistributed retained earnings			
Beginning of the period	15,317	9,555	4,357
Transfer from/to unappropriated retained earnings	3,023	9,949	5,198
Capitalized earnings	—	(4,187)	—
End of the period	**18,340**	**15,317**	**9,555**
Unappropriated retained earnings			
Beginning of the period	1,631	2,505	3,983
Net income attributable to Company's stockholders	13,218	11,825	6,528
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)	(1,098)
Common stock	(1,262)	(1,634)	(1,710)
Appropriation from/to undistributed retained earnings	(3,023)	(9,949)	(5,198)
End of the period	**9,616**	**1,631**	**2,505**
Total Company stockholders' equity	**42,556**	**33,276**	**19,673**
Noncontrolling interests			
Beginning of the period	2,180	2,465	1,218
Increase due to business combinations	—	4	1,026
Acquisitions of noncontrolling interests	—	(821)	(545)
Cumulative translation adjustments	(463)	320	158
Cash flow hedge	(21)	21	—
Net income attributable to noncontrolling interests	276	815	579
Dividends and interest attributable to noncontrolling interests	(137)	(700)	(90)
Capitalization of stockholders advances	57	76	119
End of the period	**1,892**	**2,180**	**2,465**
Total stockholders' equity	**44,448**	**35,456**	**22,138**
Number of shares:			
Preferred class A stock (including twelve special shares)	2,108,579,618	1,919,516,400	1,919,516,400
Common stock	3,256,724,482	2,999,797,716	2,999,797,716
Buy-backs			
Beginning of the period	(86,923,184)	(86,927,072)	(56,627,872)
Acquisitions	(64,869,259)	—	(30,299,200)
Sales	240	3,888	—
End of the period	(151,792,203)	(86,923,184)	(86,927,072)
	5,213,511,897	4,832,390,932	4,832,387,044

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 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, non-ferrous metal production, 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 three years them 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), US$1,639 and US$452 in the year ended December 31, 2008, 2007 and 2006, 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 obsolete or slow-moving inventories, and if needed we recognize definitive allowances for them.

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(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 is 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.

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(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 dispositions

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, the applicable tax rates vary from 1.67% to 40%.

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

	Year ended December 31,						
	2008			2007			2006
	Brazil	Foreign	Total	Brazil	Foreign	Total	Total
Income before income taxes, equity results and noncontrolling interests	2,434	10,783	13,217	7,769	7,464	15,233	7,829
Tax at Brazilian composite rate	(828)	(3,667)	(4,495)	(2,641)	(2,538)	(5,179)	(2,662)
Adjustments to derive effective tax rate:							
Tax benefit on interest attributed to stockholders	692	—	692	474	—	474	343
Difference on tax rates of foreign income	—	1,728	1,728	—	1,729	1,729	1,129
Exchange variation — not taxable	—	982	982	—	(290)	(290)	(125)
Tax incentives	53	—	53	173	—	173	194
Valuation allowance reversal (provision)	—	—	—	16	—	16	(21)
Other non-taxable gains (losses)	287	218	505	64	(188)	(124)	(290)
Income taxes per consolidated statements of income	204	(739)	(535)	(1,914)	(1,287)	(3,201)	(1,432)

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).

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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 and 2006).

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, US$168 and US$106 in 2008, 2007 and 2006, respectively. These losses 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. 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

	2008				Investments		Equity in earnings (losses) of investee adjustments			Dividends received		
	Participation in capital (%)		Net equity	Net income (loss) for the year			Year ended December 31,			Year ended December 31,		
	Voting	Total			2008	2007	2008	2007	2006	2008	2007	2006
Ferrous												
Companhia Nipo-Brasileira de Pelotização — NIBRASCO (1)	51.11	51.00	215	166	110	61	84	12	18	—	—	22
Companhia Hispano — Brasileira de Pelotização — HISPANOBRÁS (1)	51.00	50.89	143	117	73	43	59	9	15	6	16	13
Companhia Coreano — Brasileira de Pelotização — KOBRASCO (1)	50.00	50.00	109	88	55	45	44	19	17	13	21	21
Companhia Ítalo — Brasileira de Pelotização — ITABRASCO (1)	51.00	50.90	114	66	58	46	34	10	12	—	8	12
Minas da Serra Geral S.A. — MSG	50.00	50.00	42	3	21	30	1	3	2	—	—	1
SAMARCO Mineração S.A. — SAMARCO (2)	50.00	50.00	732	629	412	546	315	242	229	300	150	225
Others	—	—	—	—	26	30	6	6	19	—	—	1
					755	**801**	**543**	**301**	**312**	**319**	**195**	**295**
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	95	34	51	41
					420	**449**	**133**	**125**	**95**	**37**	**51**	**41**
Holdings												
Steel												
California Steel Industries Inc. — CSI	50.00	50.00	320	21	160	163	11	(1)	54	13	11	40
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	147	18	31	48
					767	**1,016**	**29**	**30**	**201**	**31**	**42**	**88**
Bauxite												
Mineração Rio do Norte S.A. — MRN	40.00	40.00	347	156	140	184	62	84	64	99	64	77
Valesul Alumínio S.A. — VALESUL (5)	100.00	100.00	—	—	—	—	—	—	12	—	—	—
					140	**184**	**62**	**84**	**76**	**99**	**64**	**77**
Coal												
Henan Longyu Resources Co. Ltd.	25.00	25.00	703	315	176	115	79	46	31	27	42	15
Shandong Yankuang International Company Ltd.	25.00	25.00	44	(66)	11	23	(17)	—	(5)	—	—	—
					187	**138**	**62**	**46**	**26**	**27**	**42**	**15**
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**	**—**	**—**	**—**	**—**
Other affiliates and joint ventures												
Others	—	—	—	—	**86**	**35**	**(1)**	**—**	**—**	**—**	**—**	**—**
					86	**35**	**(1)**	**—**	**—**	**—**	**—**	**—**
					1,233	**1,672**	**118**	**169**	**303**	**157**	**148**	**180**
Total					**2,408**	**2,922**	**794**	**595**	**710**	**513**	**394**	**516**

(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 "Non-ferrous — 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 December 31,		
	2008	**2007**	**2006**
TJLP — Long-Term Interest Rate (effective rate)	6.3	6.4	7.9
IGP-M — General Price Index — Market	9.8	7.8	3.8
Appreciation (Devaluation) of Real against U.S. Dollar	(24.2)	20.7	(8.7)

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.

VALE

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 December 31,		
	2008	**2007**	**2006**
Undistributed retained earnings			
Unrealized income reserve			
Beginning of the period	73	57	101
Transfer from (to) retained earnings	(28)	16	(44)
End of the period	**45**	**73**	**57**
Expansion reserve			
Beginning of the period	13,881	8,485	3,621
Transfer to capital stock	—	(3,776)	—
Transfer from (to) retained earnings	2,928	9,172	4,864
End of the period	**16,809**	**13,881**	**8,485**
Legal reserve			
Beginning of the period	1,310	970	599
Transfer to capital stock	—	(370)	—
Transfer from (to) retained earnings	138	710	371
End of the period	**1,448**	**1,310**	**970**
Fiscal incentive investment reserve			
Beginning of the period	53	43	36
Transfer to capital stock	—	(41)	—
Transfer from (to) retained earnings	(15)	51	7
End of the period	**38**	**53**	**43**
Total undistributed retained earnings	**18,340**	**15,317**	**9,555**

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. Since 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	2006
Net income attributable to Company's stockholders	**13,218**	**11,825**	**6,528**
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	6,528
Basic and diluted earnings per share			
Income available to preferred stockholders	5,027	4,552	2,568
Income available to common stockholders	7,823	7,092	3,960
Income available to holders of convertible notes linked to preferred shares	78	45	—
Income available to holders of 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	1,908,852
Weighted average number of shares outstanding (thousands of shares) — common shares	3,028,817	2,943,216	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**	**4,852,068**
Earnings per preferred share	2.58	2.41	1.35
Earnings per common share	2.58	2.41	1.35
Earnings per preferred share linked to convertible notes (*)	4.09	3.30	—
Earnings per common share linked to convertible notes (*)	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	2006
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	2006
Comprehensive income (deficit) is comprised as follows:			
Net income attributable to Company's stockholders	13,218	11,825	6,528
Cumulative translation adjustments	(12,833)	2,968	1,228
Unrealized gain (loss) — available-for-sale securities, net of tax	(194)	(60)	144
Deficit accrued pension plan	(109)	(278)	(107)
Cash flow hedge	(29)	29	—
Noncontrolling interests:			
Increase due to business combinations	—	4	1,026
Acquisitions of noncontrolling interests	—	(821)	(545)
Cumulative translation adjustments	(463)	320	158
Cash flow hedge	(21)	21	—
Net income attributable to noncontrolling interests	276	815	579
Dividends and interest attributable to noncontrolling interests	(137)	(700)	(90)
Capitalization of stockholders advances	57	76	119
Total comprehensive income (deficit)	**(235)**	**14,199**	**9,040**

	2008	2007	2006
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	395
Tax (expense) benefit	(25)	(60)	(124)
Net balance as of the period end	17	211	271
Surplus (deficit) accrued pension plan			
Gross balance as of the period end	(63)	134	540
Tax (expense) benefit	29	(59)	(187)
Net balance as of the period end	(34)	75	353

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 (Unaudited)	At December 31, 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 (Unaudited)	At December 31, 2008	At December 31, 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	At December 31, 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 (Unaudited)	At December 31, 2008	At December 31, 2007
Equity securities			
Fixed Income	61%	61%	61%
Total	39%	39%	39%
	100%	**100%**	**100%**

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

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(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**

VALE

(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 transion obligation / (asset) amortization	12	—	—
Net prior service cost / (credit) amortization	—	3	—
Net actuarial loss / (gain) amortation	—	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, 2007 and 2006 totaled US$148, US$331, US$424, respectively. Provisions recognized in the years ended December 31, 2008, 2007 and 2006, totaled US$213, US$364, US$439, 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 Vale
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, 2007 and 2006 was US$53, US$62 and US$48, respectively.

During 2008, we leased four pelletizing plants that were previously operated by the joint ventures that own them, Nibrasco, Itabrasco and Kobrasco. 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**

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(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		
	Fair value December 31, 2008	Quoted prices in active markets for identical assets or liabilities, (Level 1)	Significant Other Observable Inputs (Level 2)	Significant unobservable inputs (Level 3)
Available-for-sale securities	2,408	2,408	—	—
Unrealized losses on derivatives	(539)	—	(539)	—
Other financial liabilities	(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	Level 3
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 SFAS 131 "Disclosures about Segments of an Enterprise and Related Information" with respect to the information we present about our operating segments. SFAS 131 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 aggregated and disaggregated basis as follows:

Ferrous products — comprises 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.

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

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

Others — comprises 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

	Ferrous	(*) Non ferrous	Aluminum	Logistics	Others	Eliminations	Consolidated
RESULTS							
Gross revenues — Foreign	33,369	9,752	3,916	51	588	(15,842)	31,834
Gross revenues — Domestic	4,342	491	850	1,640	234	(882)	6,675
Cost and expenses	(24,143)	(5,838)	(3,948)	(1,097)	(617)	16,724	(18,919)
Research and development	(338)	(380)	—	(101)	(266)	—	(1,085)
Depreciation, depletion and amortization	(1,021)	(1,452)	(171)	(128)	(35)	—	(2,807)
Impairment	—	(950)	—	—	—	—	(950)
Operating income	**12,209**	**1,623**	**647**	**365**	**(96)**	**—**	**14,748**
Financial income	3,048	768	30	10	1	(3,255)	602
Financial expenses	(3,479)	(1,431)	(59)	(15)	(36)	3,255	(1,765)
Gains (losses) on derivatives, net	(719)	(71)	(22)	—	—	—	(812)
Foreign exchange and monetary gains (losses), net	767	10	(275)	(32)	(106)	—	364
Gain on sale of investments	—	80	—	—	—	—	80
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	543	(38)	62	133	94	—	794
Income taxes	130	(626)	(71)	23	9	—	(535)
Noncontrolling interests	(8)	(151)	(105)	—	6	—	(258)
Net income	12,491	164	207	484	(128)	—	13,218
Sales classified by geographic destination:							
Foreign market							
America, except United States	1,805	1,051	1,164	1	—	(1,201)	2,820
United States	648	1,789	412	1	9	(392)	2,467
Europe	11,215	2,598	1,534	26	9	(5,933)	9,449
Middle East/Africa/Oceania	1,904	220	174	—	154	(952)	1,500
Japan	4,516	1,293	600	1	245	(1,918)	4,737
China	9,743	864	23	21	4	(3,949)	6,706
Asia, other than Japan and China	3,538	1,937	9	1	167	(1,497)	4,155
	33,369	**9,752**	**3,916**	**51**	**588**	**(15,842)**	**31,834**
Domestic market	4,342	491	850	1,640	234	(882)	6,675
	37,711	**10,243**	**4,766**	**1,691**	**822**	**(16,724)**	**38,509**

2007

	Ferrous	(*) Non ferrous	Aluminum	Logistics	Others	Eliminations	Consolidated
RESULTS							
Gross revenues — Foreign	21,126	13,338	3,506	61	242	(10,437)	27,836
Gross revenues — Domestic	3,865	487	751	1,519	1	(1,344)	5,279
Cost and expenses	(16,882)	(7,301)	(3,307)	(983)	(310)	11,781	(17,002)
Research and development	(175)	(329)	—	(39)	(190)	—	(733)
Depreciation, depletion and amortization	(917)	(1,039)	(110)	(103)	(17)	—	(2,186)
Impairment	—	—	—	—	—	—	—
Operating income	**7,017**	**5,156**	**840**	**455**	**(274)**	**—**	**13,194**
Financial income	2,514	578	17	9	25	(2,848)	295
Financial expenses	(4,008)	(1,152)	(166)	(17)	(14)	2,848	(2,509)
Gains (losses) on derivatives, net	854	(90)	153	—	—	—	917
Foreign exchange and monetary gains (losses), net	2,302	93	181	(15)	(2)	—	2,559
Gain on sale of investments	—	81	—	237	459	—	777
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	301	9	84	125	76	—	595
Income taxes	(1,959)	(1,005)	(231)	(16)	10	—	(3,201)
Noncontrolling interests	(31)	(444)	(326)	(1)	—	—	(802)
Net income	6,990	3,226	552	777	280	—	11,825
Sales classified by geographic destination:							
Foreign market							
America, except United States	1,449	1,555	850	23	—	(1,026)	2,851
United States	432	2,462	308	—	81	(318)	2,965
Europe	6,823	2,589	1,606	33	—	(3,716)	7,335
Middle East/Africa/Oceania	827	396	142	—	161	(412)	1,114
Japan	2,131	2,041	584	—	—	(929)	3,827
China	7,570	1,457	—	4	—	(3,168)	5,863
Asia, other than Japan and China	1,894	2,838	16	1	—	(868)	3,881
	21,126	**13,338**	**3,506**	**61**	**242**	**(10,437)**	**27,836**
Domestic market	3,865	487	751	1,519	1	(1,344)	5,279
	24,991	**13,825**	**4,257**	**1,580**	**243**	**(11,781)**	**33,115**

2006

	Ferrous	(*)Non ferrous	Aluminum	Logistics	Others	Eliminations	Consolidated
RESULTS							
Gross revenues — Foreign	15,729	4,199	3,125	67	54	(7,029)	16,145
Gross revenues — Domestic	2,738	277	474	1,373	7	(651)	4,218
Cost and expenses	(12,004)	(3,301)	(2,597)	(970)	(56)	7,680	(11,248)
Research and development	(123)	(166)	—	(10)	(182)	—	(481)
Depreciation, depletion and amortization	(632)	(219)	(66)	(76)	(4)	—	(997)
Impairment	—	—	—	—	—	—	—
Operating income	**5,708**	**790**	**936**	**384**	**(181)**	**—**	**7,637**
Financial income	789	97	20	28	2	(609)	327
Financial expenses	(1,526)	(172)	(107)	(8)	(18)	609	(1,222)
Gains (losses) on derivatives, net	(15)	86	(187)	—	—	—	(116)
Foreign exchange and monetary gains (losses), net	206	214	119	(11)	1	—	529
Gain on sale of investments	443	—	—	—	231	—	674
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	312	—	76	96	226	—	710
Income taxes	(976)	(250)	(187)	(18)	(1)	—	(1,432)
Noncontrolling interests	(157)	(190)	(232)	—	—	—	(579)
Net income	4,784	575	438	471	260	—	6,528
Sales classified by geographic destination:							
Foreign market							
America, except United States	1,249	438	726	30	—	(823)	1,620
United States	506	450	95	—	54	(237)	868
Europe	5,465	1,020	1,346	19	—	(2,667)	5,183
Middle East/Africa/Oceania	767	218	263	1	—	(239)	1,010
Japan	1,779	523	548	—	—	(662)	2,188
China	4,781	499	126	16	—	(1,716)	3,706
Asia, other than Japan and China	1,182	1,050	21	1	—	(684)	1,570
	15,729	**4,198**	**3,125**	**67**	**54**	**(7,028)**	**16,145**
Domestic market	2,738	277	474	1,373	7	(651)	4,218
	18,467	**4,475**	**3,599**	**1,440**	**61**	**(7,679)**	**20,363**

(*) Other than Aluminum.

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	Net	Depreciation, depletion and amortization	Impairment	Operating income	Property, Plant and Equipment, Net and Intangible Assets	Addition to Property, Plant and Equipment and Intangible	Investments
Ferrous													
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	708
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	—
Pig iron	146	—	146	—	146	(67)	79	(3)	—	76	144	122	—
	19,654	**4,045**	**23,699**	**(696)**	**23,003**	**(9,542)**	**13,461**	**(1,018)**	**—**	**12,443**	**15,568**	**3,929**	**755**
Non ferrous													
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
Potash	—	295	295	(16)	279	(120)	159	(19)	—	140	159	43	—
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	**848**	**12,268**	**(113)**	**12,155**	**(7,729)**	**4,426**	**(1,623)**	**(950)**	**1,853**	**29,461**	**3,585**	**193**
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	749	186	935	(30)	905	(703)	202	(37)	—	165	1,054	752	1,040
	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	Net	Depreciation, depletion and amortization	Operating income	Property, Plant and Equipment, Net and Intangible Assets	Addition to Property, Plant and Equipment and Intangible	Investments
Ferrous												
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	—
Pig iron	81	—	81	—	81	(57)	24	(5)	19	198	34	—
	12,598	**2,917**	**15,515**	**(493)**	**15,022**	**(6,945)**	**8,077**	**(901)**	**7,176**	**18,230**	**2,646**	**801**
Non ferrous												
Nickel and other products (*)	11,664	125	11,789	—	11,789	(6,077)	5,712	(927)	4,785	23,668	2,088	299
Potash	—	178	178	(10)	168	(108)	60	(23)	37	218	19	—
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	**782**	**15,729**	**(115)**	**15,614**	**(8,586)**	**7,028**	**(1,158)**	**5,870**	**30,470**	**3,193**	**483**
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	261	85	346	(17)	329	(474)	(145)	(14)	(159)	2,783	207	1,189
	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).

Operating segment — after eliminations (Disaggregated)

	As of and for the year ended December 31, 2006											
	Revenues											
	Foreign	Domestic	Total	Value added tax	Net revenues	Cost and expenses	Net	Depreciation, depletion and amortization	Operating income	Property, Plant and Equipment, Net	Addition to Property, Plant and Equipment	Investments
Ferrous												
Iron ore	8,167	1,860	10,027	(271)	9,756	(4,060)	5,696	(528)	5,168	13,235	2,616	48
Pellets	1,590	389	1,979	(86)	1,893	(1,210)	683	(53)	630	593	110	529
Manganese	39	16	55	(3)	52	(97)	(45)	(4)	(49)	65	19	—
Ferroalloys	342	166	508	(43)	465	(443)	22	(19)	3	186	34	—
	10,138	**2,431**	**12,569**	**(403)**	**12,166**	**(5,810)**	**6,356**	**(604)**	**5,752**	**14,079**	**2,779**	**577**
Non ferrous												
Nickel and other products (*)	2,786	16	2,802	—	2,802	(2,267)	535	(124)	411	17,193	483	222
Potash	—	143	143	(8)	135	(84)	51	(23)	28	178	16	—
Kaolin	188	30	218	(9)	209	(182)	27	(27)	—	249	19	—
Copper concentrate	690	89	779	(20)	759	(246)	513	(49)	464	1,386	150	—
Aluminum products	2,220	161	2,381	(37)	2,344	(1,354)	990	(65)	925	2,829	749	164
	5,884	**439**	**6,323**	**(74)**	**6,249**	**(4,133)**	**2,116**	**(288)**	**1,828**	**21,835**	**1,417**	**386**
Logistics												
Railroads	—	1,011	1,011	(177)	834	(488)	346	(72)	274	720	95	222
Ports	15	246	261	(44)	217	(137)	80	(16)	64	222	12	—
Ships	52	52	104	(8)	96	(97)	(1)	(5)	(6)	45	2	—
	67	**1,309**	**1,376**	**(229)**	**1,147**	**(722)**	**425**	**(93)**	**332**	**987**	**109**	**222**
Others	56	39	95	(6)	89	(352)	(263)	(12)	(275)	1,106	126	1,168
	16,145	**4,218**	**20,363**	**(712)**	**19,651**	**(11,017)**	**8,634**	**(997)**	**7,637**	**38,007**	**4,431**	**2,353**

(*) 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	—
Other assets				
Loans and advances to related parties	—	—	3	—
Current liabilities				
Suppliers	—	302	—	281
Loans from related parties	—	112	—	6
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		2006	
	Income	Expense	Income	Expense	Income	Expense
AFFILIATED COMPANIES AND JOINT VENTURES						
Companhia Nipo-Brasileira de Pelotização — NIBRASCO	105	393	386	328	363	292
Samarco Mineração S.A.	259	—	117	—	79	—
Companhia Ítalo-Brasileira de Pelotização — ITABRASCO	240	163	233	163	204	58
Companhia Hispano-Brasileira de Pelotização — HISPANOBRÁS	342	378	247	195	224	159
Companhia Coreano-Brasileira de Pelotização — KOBRASCO	101	234	220	270	226	191
Usinas Siderúrgicas de Minas Gerais S.A. — USIMINAS	651	—	442	—	410	—
Valesul Alumínio S.A	—	—	—	—	11	—
Mineração Rio Norte S.A	—	249	—	232	—	234
Gulf Industrial Investment Company — GIIC	—	—	—	—	56	2
MRS Logística S.A	9	829	17	593	14	516
Others	34	34	30	29	3	39
	1,741	2,280	1,692	1,810	1,590	1,491

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

	Year ended of December 31,					
	2008		2007		2006	
	Income	Expense	Income	Expense	Income	Expense
Sales / Cost of iron ore and pellets	1,698	1,369	1,649	960	1,553	712
Revenues / expense from logistic services	25	624	17	593	13	516
Sales / Cost of aluminum products	—	249	—	232	11	234
Financial income/expenses	18	38	26	24	13	16
Others	—	—	—	1	—	13
	1,741	2,280	1,692	1,810	1,590	1,491

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

We consider the effective management of risk a key objective to support our growth strategy and financial flexibility. In furtherance of this objective, the Board of Directors has established an enterprise risk management policy and a risk management committee. Under the policy, we measure, monitor, and manage risk at the portfolio level, using a single framework, and consider the natural diversification of our portfolio.

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

Any risk mitigation strategy will only be implemented, whenever necessary, to support our corporate strategy or to maintain our target level of financial flexibility. The risk management policy and the risk management norms, that complement the normatives of risk management governance model, explicitly prohibit speculative transactions with derivatives and require the diversification of operations and counterparties.

Under SFAS 133 "Accounting for Derivative Financial Instruments and Hedging Activities," as amended by SFAS 137 and SFAS 138, we recognize all derivatives on our balance sheet at fair value, and the gain or loss in fair value is included in current earnings, unless designated as a cash flow hedge.

The main market risks we face are interest rate risk, exchange rate risk and product price risk. We manage some of these risks through the use of derivative instruments. Our risk management activities follow the risk management policy, which requires diversification of transactions and counter-parties. We monitor and evaluate our overall position regularly in order to evaluate financial results and impact on our cash flow. We also periodically review the credit limits and creditworthiness of our hedging counter-parties.

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 U.S. dollars, representing around 94% of the total revenue, most of our costs, disbursements and investments are indexed to currencies other than the U.S. dollar, mainly Brazilian Real and Canadian dollars.

Derivatives instruments may be used in order to reduce Vale's potential cash flow volatility arising from the currencies mismatch between the currencies witch the debt is denominated and revenues are generated. 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 U.S. dollar cash flows, without any leverage.

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

Our 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 entered into have settlement dates similar to the 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 U.S. dollar / Brazilian Real exchange rate in our obligations, contributing to a stable flow of cash disbursements in U.S. dollars for interest and/or principal payment of our Real denominated debt.

In the event of an appreciation (depreciation) of the Brazilian Real against U.S. dollar, the negative (positive) impact on our Real denominated debt obligations (interest and/or principal payment) measured in U.S. dollars will be almost totally offset by a positive (negative) effect from any existing swap transaction, regardless of the U.S. 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 U.S. 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 Inco Ltd., 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**
Unrealized gains (losses) at January 1, 2006	(3)	(46)	(210)	—	—	—	(259)
Gain (Loss) recognized upon consolidation of Inco	13	—	—	(364)	62	(22)	(311)
Financial settlement	(4)	19	102	—	(87)	—	30
Unrealized gains (losses) in the period	(15)	(23)	(187)	65	42	2	(116)
Effect of exchange rate changes	—	(4)	(23)	—	—	—	(27)
Unrealized gains (losses) at December 31, 2006	**(9)**	**(54)**	**(318)**	**(299)**	**17**	**(20)**	**(683)**

(*) 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.

Exhibit E

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (File Nos. 333-143857 and 333-138617) of: Vale S.A. (formerly Companhia Vale do Rio Doce), Vale Capital Ltd. (File No. 333-143857-01) and Vale Overseas Ltd. (File No. 333-138617-01) of our report dated February 19, 2009 (except with respect to our opinion on Vale's consolidated financial statements insofar as it relates to the retrospective application of SFAS No 160, as to which the date is June 26, 2009) relating to the financial statements of Vale and the effectiveness of internal control over financial reporting, for the year ended December 31, 2008, which is included in Vale's current report on Form 6-K furnished to the Securities and Exchange Commission on July 6, 2009.

PricewaterhouseCoopers
Auditores Independentes

Rio de Janeiro, Brazil
July 6, 2009