Vale S.A.
Form 6-K
May 06, 2011

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United States
Securities and Exchange Commission
Washington, D.C. 20549
FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the
Securities Exchange Act of 1934
For the month of

For the quarterly period ended March 31, 2011

May 2011
Vale S.A.
Avenida Graça Aranha, No. 26
20030-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)
(Check One) Form 20-F þ Form 40-F o
(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1))
(Check One) Yes o No þ
(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7))
(Check One) Yes o No þ
(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)
(Check One) Yes o No þ
(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b). 82-___.)

Vale S.A.
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Report of Independent Registered
Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheet of Vale S.A. and its subsidiaries as of March 31, 2011, and the related condensed consolidated statements of income, of cash flows, of comprehensive income and of stockholders equity for the three-month periods ended March 31, 2011, December 31, 2010 and March 31, 2010. This interim financial information is the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2010, and the related consolidated statements of income, of cash flows, of comprehensive income and of stockholders equity for the year then ended (not presented herein), and in our report dated February 24, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2010, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

Rio de Janeiro, May 5, 2011
PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 F RJ
Marcos Donizete Panassol
Contador CRC 1SP155975/O-8 S RJ

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Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars

	March 31, 2011 (unaudited)	December 31, 2010
Assets		
Current assets		
Cash and cash equivalents	11,271	7,584
Short-term investments	540	1,793
Accounts receivable		
Related parties	325	435
Unrelated parties	7,182	7,776
Loans and advances to related parties	194	96
Inventories	4,810	4,298
Deferred income tax	300	386
Unrealized gains on derivative instruments	103	52
Advances to suppliers	386	188
Recoverable taxes	1,700	1,603
Assets held for sale	210	6,987
Others	857	593
	27,878	**31,791**
Non-current assets		
Property, plant and equipment, net	86,498	83,096
Intangible assets	1,297	1,274
Investments in affiliated companies, joint ventures and others investments	8,326	4,497
Other assets:		
Goodwill on acquisition of subsidiaries	3,371	3,317
Loans and advances		
Related parties	36	29
Unrelated parties	307	165
Prepaid pension cost	2,102	1,962
Prepaid expenses	333	222
Judicial deposits	1,814	1,731
Recoverable taxes	445	361
Deferred income tax	428	
Unrealized gains on derivative instruments	468	301
Tax Incentive / reinvestiment	332	144
Account receivable of sale of aluminum	400	
Others	160	249
	10,196	**8,481**
TOTAL	**134,195**	**129,139**

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

	March 31, 2011 (unaudited)	(Continued) December 31, 2010
Liabilities and stockholders equity		
Current liabilities		
Suppliers	4,137	3,558
Payroll and related charges	779	1,134
Minimum annual remuneration attributed to stockholders	3,964	4,842
Current portion of long-term debt	1,558	2,823
Short-term debt	149	139
Loans from related parties	10	9
Provision for income taxes	685	751
Taxes payable and royalties	267	257
Employees postretirement benefits	216	168
Unrealized losses on derivative instruments	6	35
Provisions for asset retirement obligations	71	75
Liabilities associated with assets held for sale	75	3,152
Others	740	969
	12,657	**17,912**
Non-current liabilities		
Employees postretirement benefits	2,466	2,442
Long-term debt	22,027	21,591
Provisions for contingencies (Note 16 (b))	2,102	2,043
Unrealized losses on derivative instruments	61	61
Deferred income tax	9,203	8,085
Provisions for asset retirement obligations	1,297	1,293
Debentures	1,387	1,284
Others	2,433	1,987
	40,976	**38,786**
Redeemable noncontrolling interest	**648**	**712**
Commitments and contingencies (Note 16)		
Stockholders equity		
Preferred class A stock 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2010 2,108,579,618) issued	10,370	10,370
Common stock 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2010 3,256,724,482) issued	16,016	16,016

Treasury stock 99,649,562 (2010 99,649,571) preferred and 47,375,394 (2010 47,375,394) common shares	(2,660)	(2,660)
Additional paid-in capital	2,188	2,188
Mandatorily convertible notes common shares	290	290
Mandatorily convertible notes preferred shares	644	644
Other cumulative comprehensive loss	978	(333)
Undistributed retained earnings	43,189	42,218
Unappropriated retained earnings	5,995	166
Total Company stockholders equity	**77,010**	**68,899**
Noncontrolling interests	**2,904**	**2,830**
Total stockholders equity	**79,914**	**71,729**
TOTAL	**134,195**	**129,139**

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

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

	Three-month period ended (unaudited)		
	March 31, 2011	**December 31, 2010**	**March 31, 2010**
Operating revenues, net of discounts, returns and allowances			
Sales of ores and metals	11,743	13,021	5,693
Aluminum products	383	691	599
Revenues from logistic services	328	334	314
Fertilizer products	787	768	65
Others	307	393	177
	13,548	**15,207**	**6,848**
Taxes on revenues	(335)	(278)	(244)
Net operating revenues	**13,213**	**14,929**	**6,604**
Operating costs and expenses			
Cost of ores and metals sold	(4,101)	(4,258)	(2,600)
Cost of aluminum products	(289)	(565)	(507)
Cost of logistic services	(289)	(285)	(230)
Cost of fertilizer products	(645)	(674)	(38)
Others	(252)	(258)	(164)
	(5,576)	**(6,040)**	**(3,539)**
Selling, general and administrative expenses	(419)	(647)	(293)
Research and development expenses	(342)	(301)	(172)
Gain on sale of assets	1,513		
Others	(420)	(774)	(538)
	(5,244)	**(7,762)**	**(4,542)**
Operating income	**7,969**	**7,167**	**2,062**
Non-operating income (expenses)			
Financial income	165	117	48
Financial expenses	(582)	(926)	(465)
Gains (losses) on derivatives, net	239	473	(230)
Foreign exchange and indexation gains, net	80	51	(30)
	(98)	**(285)**	**(677)**

Income before discontinued operations, income taxes and equity results	**7,871**	**6,882**	**1,385**
Income taxes			
Current	(1,593)	(1,549)	(249)
Deferred	216	412	488
	(1,377)	**(1,137)**	**239**
Equity in results of affiliates, joint ventures and other investments	**280**	**303**	**96**
Net income from continuing operations	**6,774**	**6,048**	**1,720**
Discontinued operations, net of tax			**(145)**
Net income	**6,774**	**6,048**	**1,575**
Net income (loss) attributable to noncontrolling interests	**(52)**	**131**	**(29)**
Net income attributable to the Company s stockholders	**6,826**	**5,917**	**1,604**
Basic and diluted earnings per share attributable to Company s stockholders			
Earnings per preferred share	1.29	1.12	0.29
Earnings per common share	1.29	1.12	0.29
Earnings per preferred share linked to mandatorily convertible notes (*)	1.67	1.61	0.54
Earnings per common share linked to mandatorily convertible notes (*)	1.74	1.68	0.60

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

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

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

	Three-month period ended (unaudited)		
	March 31, 2011	**December 31, 2010**	**March 31, 2010**
Cash flows from operating activities:			
Net income	6,774	6,048	1,575
Adjustments to reconcile net income to cash from operations:			
Depreciation, depletion and amortization	957	1,073	743
Dividends received	250	629	50
Equity in results of affiliates, joint ventures and other investments	(280)	(303)	(96)
Deferred income taxes	(216)	(412)	(488)
Loss on disposal of property, plant and equipment	172	248	98
Gain on sale of assets available for sale	(1,513)		
Discontinued operations, net of tax			145
Foreign exchange and indexation gains, net	(104)	(72)	(59)
Unrealized derivative losses (gains), net	(212)	532	243
Unrealized interest (income) expense, net	7	(43)	18
Others	(37)	(27)	118
Decrease (increase) in assets:			
Accounts receivable	111	(639)	(777)
Inventories	(743)	404	(258)
Recoverable taxes	(112)	(70)	48
Others	200	709	125
Increase (decrease) in liabilities:			
Suppliers	157	(445)	112
Payroll and related charges	(356)	204	(277)
Income taxes	476	(93)	(46)
Others	477	(35)	132
Net cash provided by operating activities	**6,008**	**7,708**	**1,406**
Cash flows from investing activities:			
Short term investments	1,253	(1,793)	3,735
Loans and advances receivable			
Related parties			
Loan proceeds			(28)
Others	(143)	(17)	(5)
Judicial deposits	(29)	96	(116)
Investments	(115)	(36)	(28)
Additions to property, plant and equipment	(2,813)	(4,742)	(1,817)
Proceeds from disposal of investments available for sale	1,081		
Net cash provided by (used in) investing activities	**(766)**	**(6,492)**	**1,741**
Cash flows from financing activities:			

Short-term debt			
Additions	767	229	1,632
Repayments	(760)	(147)	(1,649)
Loans			
Related parties			
Proceeds	19	2	10
Repayments	(1)	(22)	(1)
Issuances of long-term debt			
Third parties			
Proceeds	603	891	1,059
Repayments	(1,351)	(958)	(250)
Treasury stock		(1,655)	
Dividends and interest attributed to Company s stockholders	(1,000)	(1,750)	
Dividends and interest attributed to noncontrolling interest		(81)	(1)
Net cash provided by (used in) financing activities	**(1,723)**	**(3,491)**	**800**
Increase (decrease) in cash and cash equivalents	3,519	(2,275)	3,947
Effect of exchange rate changes on cash and cash equivalents	168	136	(116)
Cash and cash equivalents, beginning of period	7,584	9,723	7,293
Cash and cash equivalents, end of period	**11,271**	**7,584**	**11,124**
Cash paid during the period for:			
Interest on short-term debt	(1)	(2)	(1)
Interest on long-term debt	(337)	(314)	(243)
Income tax	(965)	(1,100)	(127)
Non-cash transactions			
Interest capitalized	33	38	46

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

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

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Condensed Consolidated Statements of Changes in Stockholders Equity
Expressed in millions of United States dollars
(Except number of shares)

	Three-month period ended (unaudited)		
	March 31, 2011	**December 31, 2010**	**March 31, 2010**
Preferred class A stock (including twelve golden shares)			
Beginning and end of the period	**10,370**	**10,370**	**9,727**
Common stock			
Beginning and end of the period	**16,016**	**16,016**	**15,262**
Treasury stock			
Beginning of the period	(2,660)	(1,528)	(1,150)
Sales (acquisitions)		(1,132)	
End of the period	**(2,660)**	**(2,660)**	**(1,150)**
Additional paid-in capital			
Beginning and end of the period	**2,188**	**2,188**	**411**
Mandatorily convertible notes common shares			
Beginning and end of the period	**290**	**290**	**1,578**
Mandatorily convertible notes preferred shares			
Beginning and end of the period	**644**	**644**	**1,225**
Other cumulative comprehensive income (deficit)			
Cumulative translation adjustments			
Beginning of the period	(253)	(265)	(1,772)
Change in the period	1,187	12	(390)
End of the period	**934**	**(253)**	**(2,162)**
Unrealized gain (loss) available-for-sale securities, net of tax			
Beginning of the period	3	1	
Change in the period	(1)	2	2
End of the period	**2**	**3**	**2**
Surplus (deficit) accrued pension plan			
Beginning of the period	(59)	154	(38)
Change in the period	120	(213)	138
End of the period	**61**	**(59)**	**100**

Cash flow hedge			
Beginning of the period	(24)	109	2
Change in the period	5	(133)	(23)
End of the period	**(19)**	**(24)**	**(21)**
Total other cumulative comprehensive income (deficit)	**978**	**(333)**	**(2,081)**
Undistributed retained earnings			
Beginning of the period	42,218	27,730	28,508
Transfer from/to unappropriated retained earnings	971	14,488	(633)
Transfer to capitalized earnings			
End of the period	**43,189**	**42,218**	**27,875**
Unappropriated retained earnings			
Beginning of the period	166	13,612	3,182
Net income attributable to the stockholders Company	6,826	5,917	1,604
Interest on mandatorily convertible debt			
Preferred class A stock	(18)	(23)	(19)
Common stock	(8)	(10)	(23)
Dividends and interest attributed to stockholders equity			
Preferred class A stock		(1,863)	
Common stock		(2,979)	
Appropriation from/to undistributed retained earnings	(971)	(14,488)	633
End of the period	**5,995**	**166**	**5,377**
Total Company stockholders equity	**77,010**	**68,899**	**58,224**
Noncontrolling interests			
Beginning of the period	2,830	2,826	2,831
Disposals (acquisitions) of noncontrolling interests	117	27	
Cumulative translation adjustments	14	(85)	(11)
Cash flow hedge	1	5	4
Net income (loss) attributable to noncontrolling interests	(52)	131	(29)
Dividends and interest attributable to noncontrolling interests	(6)	(18)	(11)
Capitalization of stockholders advances			
Assets and liabilities held for sale		(56)	
End of the period	**2,904**	**2,830**	**2,784**
Total stockholders equity	**79,914**	**71,729**	**61,008**
Number of shares issued and outstanding:			
Preferred class A stock (including twelve golden shares)	2,108,579,618	2,108,579,618	2,108,579,618

Common stock	3,256,724,482	3,256,724,482	3,256,724,482
Buy-backs			
Beginning of the period	(147,024,965)	(108,299,565)	(152,579,803)
Acquisitions		(38,725,400)	
Conversions	9		
End of the period	**(147,024,956)**	**(147,024,965)**	**(152,579,803)**
	5,218,279,144	**5,218,279,135**	**5,212,724,297**

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

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Condensed Consolidated Statements of Comprehensive Income (deficit)
Expressed in millions of United States dollars

	Three-month period ended (unaudited)		
	March 31, 2011	**December 31, 2010**	**March 31, 2010**
Comprehensive income is comprised as follows:			
Company s stockholders:			
Net income attributable to Company s stockholders	6,826	5,917	1,604
Cumulative translation adjustments	1,187	12	(390)
Available-for-sale securities			
Gross balance as of the period/year end	(1)	7	6
Tax (expense) benefit		(5)	(4)
	(1)	**2**	**2**
Surplus (deficit) accrued pension plan			
Gross balance as of the period/year end	183	(306)	206
Tax (expense) benefit	(63)	93	(68)
	120	**(213)**	**138**
Cash flow hedge			
Gross balance as of the period	14	(190)	3
Tax (expense) benefit	(9)	57	(26)
	5	**(133)**	**(23)**
Total comprehensive income attributable to Company s stockholders	**8,137**	**5,585**	**1,331**
Noncontrolling interests:			
Net income (loss) attributable to noncontrolling interests	(52)	131	(29)
Cumulative translation adjustments	14	(85)	(11)
Cash flow hedge	1	5	4
Total comprehensive income (deficit) attributable to Noncontrolling interests	**(37)**	**51**	**(36)**
Total comprehensive income	**8,100**	**5,636**	**1,295**

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

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

1 The Company and its operations

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

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

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

2 Basis of consolidation

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Subsidiaries over which control is achieved through other means, such as stockholders agreement, are also consolidated even if we hold less than 51% of voting capital. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are accounted for under the equity method (Note 10).

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

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

Our participation in hydroelectric projects in Brazil is made via consortium contracts under which we have undivided interests in the assets, and are liable for our proportionate share of liabilities and expenses, which are

based on our proportionate share of power output. We do not have joint liability for any obligations. No separate legal or tax status is granted to consortia under Brazilian law. Accordingly, we recognize our proportionate share of costs and our undivided interest in assets relating to hydroelectric projects.

3 Basis of presentation

Our condensed consolidated interim financial statements for the three-month periods ended March 31, 2011, December 31, 2010 and March 31, 2010, prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), are unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods. The results of operations for the three-month periods ended March 31, 2011, are not necessarily indicative of the actual results expected for the full fiscal year ending December 31, 2011.

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

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

Since December 2007, significant modifications have been made to (Brazilian GAAP) as part of a convergence project with International Financial Reporting Standards (IFRS) and as from December 31, 2010, the convergence was completed and therefore the (IFRS) is the accounting practice adopted in Brazil. The Company does not expect to discontinue the (US GAAP) reporting during 2011.

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

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

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

The exchange rates used to translate the assets and liabilities of the Brazilian operations at March 31, 2011 and December 31, 2010, were R$1.6287 and R$1.6662, respectively.

The Company has assessed subsequent events through May 5, 2011 which is the date the financial statements were issued.

4 Accounting pronouncements

a) Newly issued accounting pronouncements

The Company understands that the recently issued accounting pronouncements that are not effective as of and for the year ending December 31, 2011, are not expected to be relevant for its consolidated financial statements.

b) Accounting standards adopted in 2011

Accounting Standards Update (ASU) number 2010-29 Disclosure of Supplementary Pro Forma Information for Business Combinations a consensus of the FASB Emerging Issues Task Force. The objective of this Update is to address diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in this Update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma

disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The Company fully adopted this standard in 2011. This codification does not impact our financial position, results of operations or liquidity.

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5 Major acquisitions and disposals

a) Sale of aluminum assets

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

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

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

b) Fertilizers Businesses

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

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

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

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

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6 Income taxes

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

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

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

	Three-month period ended (unaudited)								
	March 31, 2011			December 31, 2010			March 31, 2010		
	Brazil	Foreign	Total	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before discontinued operations, income taxes, equity results and noncontrolling interests	4,518	3,353	7,871	5,581	1,301	6,882	220	1,165	1,385
Exchange variation (not taxable) or not deductible		47	47		114	114		(416)	(416)
	4,518	**3,400**	**7,918**	**5,581**	**1,415**	**6,996**	**220**	**749**	**969**
Tax at Brazilian composite rate	(1,536)	(1,156)	(2,692)	(1,898)	(481)	(2,379)	(75)	(254)	(329)
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	436		436	369		369	209		209
Difference on tax rates of foreign income		748	748		699	699		324	324
Tax incentives	171		171	198		198	17		17
Valuation allowance reversal (provision)									
Other non-taxable, income/non deductible expenses	13	(53)	(40)	82	(106)	(24)	(4)	22	18

Income tax per consolidated statements of income	**(916)**	**(461)**	**(1,377)**	**(1,249)**	**112**	**(1,137)**	**147**	**92**	**239**

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

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

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

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

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Tax loss carry forwards in Brazil and in most of the jurisdictions where we have tax loss carry forwards have no expiration date, though in Brazil, offset is restricted to 30% of annual taxable income.
On January 1, 2007, Company adopted the provision accounting for Uncertainty in Income Taxes.
The reconciliation of the beginning and ending amounts is as follows: (see note 16(b)) tax related actions)

	Three-month period ended (unaudited)		
	March 31, 2011	**December 31, 2010**	**March, 2010**
Beginning of the period	**2,555**	**392**	**396**
Increase resulting from tax positions taken	9	2,121	4
Decrease resulting from tax positions taken	(2)	(2)	
Cumulative translation adjustments	61	44	9
End of the period	**2,623**	**2,555**	**409**

7 Cash and cash equivalents

	March 31, 2011 (unaudited)	**December 31, 2010**
Cash	923	560
Short-term investments	10,348	7,024
	11,271	**7,584**

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

8 Short-term investments

	March 31, 2011 (Unaudited)	**December 31, 2010**
Time deposit	540	1,793

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

9 Inventories

	March 31, 2011 (Unaudited)	**December 31, 2010**
Products		
Nickel (co-products and by-products)	2,161	1,310

Iron ore and pellets	794	825
Manganese and ferroalloys	204	203
Fertilizer	237	171
Copper concentrate	93	28
Coal	61	74
Others	116	143
Spare parts and maintenance supplies	1,144	1,544
	4,810	**4,298**

In March 31, 2011 and December 31, 2010, there were no adjustments to reduce inventories to market values.

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10 Investments in affiliated companies and joint ventures

	March 31, 2011 (Unaudited)				Investments		Equity in earnings (losses) of investee adjustments Three-month period ended (unaudited)			Dividends Received Three-month period ended (unaudited)		
	Participation in capital (%)		Net equity	Net Income (loss) of the period (Unaudited)	March 31, 2011 (Unaudited)	December 31, 2010	March 31, 2011 (Unaudited)	December 31, 2010 (Unaudited)	March 31, 2010 (Unaudited)	March 31, 2011 (Unaudited)	December 31, 2010	March 31, 2010 (Unaudited)
	Voting	Total										
Bulk Material												
Iron ore and pellets												
Companhia Nipo-Brasileira de Pelotização - NIBRASCO (1)	51.11	51.00	336	16	171	171	8	12	5			
Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS (1)	51.00	50.89	243	6	124	128	3	35	8			
Companhia Coreano-Brasileira de Pelotização KOBRASCO (1)	50.00	50.00	177	20	89	87	10	9	6			
Companhia Ítalo-Brasileira de Pelotização - ITABRASCO (1)	51.00	50.90	184	19	94	86	10	14	2			
Minas da Serra Geral SA MSG	50.00	50.00	73	2	38	36	1	4	(1)			
SAMARCO Mineração SA SAMARCO (2)	50.00	50.00	932	413	531	561	207	261	44	250	575	50
Baovale Mineração SA BAOVALE	50.00	50.00	62	4	33	31	2	2	1			
Zhuhai YPM Pellet e Co,Ltd ZHUHAI	25.00	25.00	103	(3)	26	25	(1)	4	3			
Tecnored Desenvolvimento Tecnológico SA	37.40	37.40	139	(2)	54	40	(1)		(10)			
					1,160	**1,165**	**239**	**341**	**58**	**250**	**575**	**50**
Coal												
Henan Longyu Resources Co Ltd	25.00	25.00	1,104	94	276	250	24	64	20			
Shandong Yankuang International Company Ltd	25.00	25.00	(127)	(20)	(32)	(27)	(5)	(7)	(2)			
					244	**223**	**19**	**57**	**18**			
Base Metals												
Bauxite												
Mineração Rio do Norte SA MRN	40.00	40.00	393	5	158	152	2	(8)	1		10	
Copper												
Teal Minerals Incorporated	50.00	50.00	219	(9)	110	90	(5)	3	5			
Nickel												
Heron Resources Inc (3)					7	7						
Korea Nickel Corp	25.00	25.00	24		6	11		2				
Others (3)					3	5						

					16	**23**		**2**				
Aluminium												
Norsk Hydro ASA	22.00	22.00			3,531							
Logistic												
LOG-IN Logística Intermodal SA	31.33	31.33	407		137	135		4	(1)			
MRS Logística SA	37.86	41.50	1,284	88	534	511	36	28	13		37	
					671	**646**	**36**	**32**	**12**		**37**	
Others												
Steel												
California Steel Industries Inc CSI	50.00	50.00	321	11	160	155	6	(1)	6		7	
THYSSENKRUPP CSA Companhia Siderúrgica	26.87	26.87	7,037	(32)	1,891	1,840	(8)	(75)	(4)			
					2,051	**1,995**	**(2)**	**(76)**	**2**		**7**	
Other affiliates and joint ventures												
Vale Soluções em Energia (1)	51.00	51.00	276	(17)	146	115	(9)	(33)				
Others					239	88		(15)				
					385	**203**	**(9)**	**(48)**				
Total					**8,326**	**4,497**	**280**	**303**	**96**	**250**	**629**	**50**

(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$66 in March, 2011 and US$64 in December, 2010.

(3) Available for sale.

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11 Short-term debt

Short-term borrowings outstanding on March 31, 2011 are from commercial banks for import financing denominated in US dollars with average annual interest rates of 1.99%.

12 Long-term debt

	Current liabilities		Non-current liabilities	
	March 31, 2011 (unaudited)	**December 31, 2010**	**March 31, 2011 (unaudited)**	**December 31, 2010**
Foreign debt				
Loans and financing denominated in the following currencies:				
US dollars	1,078	2,384	2,580	2,530
Others	22	18	278	217
Fixed Rate Notes				
US dollars			10,236	10,242
EUR			1,055	1,003
Perpetual notes			78	78
Accrued charges	189	233		
	1,289	**2,635**	**14,227**	**14,070**
Brazilian debt				
Brazilian reais indexed to Long-term Interest Rate TJLP/CDI	86		3,991	
Brazilian reais indexed to General Price Index-Market (IGP-M)		76		3,891
Basket of currencies	5	1	142	125
Non-convertible debentures			2,844	2,767
US dollars denominated	3	1	823	738
Accrued charges	175	110		
	269	**188**	**7,800**	**7,521**
Total	**1,558**	**2,823**	**22,027**	**21,591**

The long-term portion at March 31, 2011 was as follows (Unaudited):

2012	1,023
2013	3,382
2014	1,085
2015	771
2016	15,299
No due date	467
	22,027

At March 31, 2011 annual interest rates on long-term debt were as follows (Unaudited):

Up to 3%	4,514
3.1% to 5% (*)	2,213
5.1% to 7%	8,697
7.1% to 9% (**)	3,484
9.1% to 11% (**)	151
Over 11% (**)	4,446
Variable	80
	23,585

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

(**) Includes non-convertible debentures and other Brazilian Real denominated debt that bear interest at the Brazilian Interbank Certificate of Deposit (CDI) and Brazilian Government Long-term Interest Rates (TJLP) plus a spread. For these operations we, have entered into derivative transactions to mitigate our exposure to the floating rate debt denominated in Brazilian Real, totaling US$ 6,596 of which US$ 5,756 has an original interest rate above 7.1% per year. The average cost after taking into account the derivative transactions is 3.04% per year in US dollars.

The average cost of all derivative transactions is 3.27% per year in US dollars.

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

	Quantity as of March 31, 2011				Balance	
					March 31, 2011	December 31,
Non Convertible Debentures	Issued	Outstanding	Maturity	Interest	(Unaudited)	2010
2nd Series	150,000	150,000	November 20, 2010	101.75% CDI	2,553	2,429
Tranche B	400,000	400,000	November 20, 2013	100% CDI + 0.25%	388	367
					2,941	**2,796**
Long-term portion					2,844	2,767
Accrued chages					97	29
					2,941	**2,796**

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

	Three-month period ended (unaudited)		
	March 31, 2011	December 31, 2010	March 31, 2010
TJLP Long-Term Interest Rate (effective rate)	(4.5)	1.5	1.5
IGP-M General Price Index Market	2.4	3.2	2.8
Appreciation (devaluation) of Real against US dollar	2.3	1.7	(2.2)

In September 2010, Vale also entered into agreements with The Export-Import Bank of China and the Bank of China Limited for the financing to build 12 very large ore carriers with 400,000 dwt, comprising a facility in an amount up to US$ 1,229. The financing has a 13-year total term to be repaid, and the funds will be disbursed during the next 3 years according to the construction schedule. As of March 31, 2011, we had drawn US$ 291 under the facility.

In September 2010, we issued US$ 1 billion notes due 2020 and US$ 750 notes due 2039. The 2020 notes were sold at a price of 99.030% of the principal amount and will bear a coupon of 4.625% per year, payable semi-annually. The 2039 notes that were sold at a price of 110.872% of the principal amount will be consolidated with and form a single series with Vale Overseas US$ 1 billion 6.875% Guaranteed Notes due 2039 issued on November 10, 2009.

In June 2010, Vale established some facilities in the total amount of R$774 or US$ 430 with Banco Nacional de Desenvolvimento Economico Social BNDES to finance the acquisition of certain equipment. In March 2011, Vale increased this kind of facility through a new agreement with BNDES in an amount of R$103 (US$ 62). As of March 31, 2011, we had drawn the equivalent of US$ 155 under these facilities.

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

Credit Lines

We have revolving credit lines available under which amounts can be drawn down and repaid at the option of the borrower. At March 31, 2011, the total amount available under revolving credit lines was US$ 1,600, of which US$ 850 was granted to Vale International and the balance to Vale Canada Limited. As of March 31, 2011, neither Vale International nor Vale Canada Limited had drawn any amounts under these facilities, but US$ 118 of letters of credit were issued and remained outstanding pursuant Vale Canada Limited s facility. In April 2011 we entered into a new revolving credit agreement with a syndicate of banks that will add US$ 3 billion to the total amount available under those facilities.

In January 2011, we entered into an agreement with some commercial banks with the guarantee of the Italian credit agency, Servizi Assicurativi Del Commercio Estero S.p.A (SACE), to provide us with a US$ 300 facility with a final tenor of 10 years. As of March 31, 2011 we had drawn US$ 300 under this facility.

In October 2010, we entered into agreement with Export Development Canada (EDC), for the financing of our capital expenditure program. Pursuant to the agreement, EDC will provide a facility in an amount up to US$ 1 billion. US$ 500 will be available for investments in Canada and the remaining US$ 500 will be related to existing and future Canadian purchases of goods and services. As of March 2011, Vale had drawn US$ 250 under the facility.

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In May 2008, we entered into framework agreements with the Japan Bank for International Cooperation in the amount of US$3 billion and Nippon Export and Investment Insurance in the amount of US$2 billion for the financing of mining, logistics and power generation projects. In November, 2009, Vale signed a US$300 export facility agreement, through its subsidiary, PT International Nickel Indonesia Tbk (PTI), with Japanese financial institutions using credit insurance provided by Nippon Export and Investment Insurance NEXI, to finance the construction of the Karebbe hydroelectric power plant on the Larona river, island of Sulawesi, Indonesia. Through March 31, 2011, PT International had drawn down US$300 on this facility.

In 2008, we established a credit line for R$7,300, or US$4 billion, with Banco Nacional de Desenvolvimento Econômico e Social BNDES (the Brazilian National Development Bank) to support our investment program. As of March 31, 2011, we had drawn the equivalent of US$1,212 under this facility.

Guarantee

On March 31, 2011, US$2 (December 31, 2010 US$2) of the total aggregate outstanding debt were secured by receivables. The remaining outstanding debt in the amount of US$23,583 (December 31, 2010 US$24,412) were unsecured.

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

13 Stockholders equity

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

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

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

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

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

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

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

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

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

	Date		Value		
Headings	Emission	Expiration	Gross	Net of charges	Coupon
Tranches Vale and Vale P - 2012	July/2009	June/2012	942	934	6,75% p.a.

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

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

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

In April 2011 (subsequent event), Vale will pay additional remuneration to holders of mandatorily convertible notes, series VALE-2012 and VALE P-2012, in the amount of R$ 1.627851 e R$ 1.882788 per note, respectively. These amounts in reais will be converted in US$ by the exchange rate prevaling in April 29, 2011.

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

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

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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, 2011	**December 31, 2010**	**March 31, 2010**
Net income from continuing operations attributable to Company s stockholders	**6,826**	**5,917**	**1,749**
Discontinued operations, net of tax			**(145)**
Net income attributable to Company s stockholders	**6,826**	**5,917**	**1,604**
Interest attributed to preferred convertible notes	(18)	(23)	(19)
Interest attributed to common convertible notes	(8)	(10)	(23)
Net income for the period adjusted	**6,800**	**5,884**	**1,562**
Basic and diluted earnings per share			
Income available to preferred stockholders	2,585	2,231	591
Income available to common stockholders	4,130	3,579	926
Income available to convertible notes linked to preferred shares	61	53	23
Income available to convertible notes linked to common shares	24	21	22
Weighted average number of shares outstanding (thousands of shares) preferred shares	2,008,930	1,997,276	2,030,998
Weighted average number of shares outstanding (thousands of shares) common shares	3,209,349	3,204,203	3,181,727
Treasury preferred shares linked to mandatorily convertible notes	47,285	47,285	77,580
Treasury common shares linked to mandatorily convertible notes	18,416	18,416	74,998
Total	**5,283,980**	**5,267,180**	**5,365,303**
Earnings per preferred share	1.29	1.12	0.29
Earnings per common share	1.29	1.12	0.29
Earnings per convertible notes linked to preferred share (*)	1.67	1.61	0.54
Earnings per convertible notes linked to common share (*)	1.74	1.68	0.60
Continuous operations			
Earnings per preferred share	1.29	1.12	0.32
Earnings per common share	1.29	1.12	0.32
Earnings per convertible notes linked to preferred share (*)	1.67	1.61	0.57

Earnings per convertible notes linked to common share (*)	1.74	1.68	0.63
Discontinued operations			
Earnings per preferred share			(0.03)
Earnings per common share			(0.03)
Earnings per convertible notes linked to preferred share (*)			(0.03)
Earnings per convertible notes linked to common share (*)			(0.03)

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

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

	Three-month period ended (unaudited)		
	March 31, 2011	December 31, 2010	March 31, 2010
Income available to preferred stockholders	2,664	2,307	633
Income available to common stockholders	4,162	3,610	971
Weighted average number of shares outstanding (thousands of shares) preferred shares	2,056,215	2,044,561	2,108,578
Weighted average number of shares outstanding (thousands of shares) common shares	3,227,765	3,222,619	3,256,725
Earnings per preferred share	1.29	1.13	0.30
Earnings per common share	1.29	1.12	0.30
Continuous operations			
Earnings per preferred share	1.29	1.13	(0.33)
Earnings per common share	1.29	1.12	(0.33)
Discontinued operations			
Earnings per preferred share			(0.03)
Earnings per common share			(0.03)

14 Pension plans

We previously disclosed in our consolidated financial statements for the year ended December 31, 2010, that we expected to contribute US$310 to our defined benefit pension plan in 2011. As of March 31, 2011, total contributions of US$90 had been made. We do not expect any significant change in our previous estimate.

	Three-month period ended (unaudited)		
			March 31, 2011
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost benefits earned during the period		20	8
Interest cost on projected benefit obligation	98	104	25
Expected return on assets	(166)	(93)	
Amortizations and (gain) / loss		9	(2)
Net periodic pension cost (credit)	**(68)**	**40**	**31**

	Three-month period ended (unaudited)		
			December 31, 2010
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost benefits earned during the period	1	8	7
Interest cost on projected benefit obligation	85	91	23

Expected return on assets	(139)	(76)	
Amortizations and (gain) / loss		6	(7)
Net periodic pension cost (credit)	**(53)**	**29**	**23**

	Three-month period ended (unaudited) March 31, 2010		
	Overfunded pension plans	**Underfunded pension plans**	**Underfunded other benefits**
Service cost benefits earned during the period		17	6
Interest cost on projected benefit obligation	69	88	24
Expected return on assets	(115)	(81)	
Net periodic pension cost (credit)	**(46)**	**24**	**30**

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15 Long-term incentive compensation plan

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

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

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

We account for the compensation cost provided to our executives under this long-term incentive compensation plan, following the requirements for Accounting for Stock-Based Compensation. Liabilities are measured at each reporting date at fair value, based on market rates. Compensation costs incurred are recognized, over the defined three-year vesting period. At March 31, 2011, December 31, 2010, we recognized a liability of US$127, US$120, respectively, through the Statement of Income.

16 Commitments and contingencies

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

Another commitment incorporated in the tax advantaged lease financing arrangement was that the Girardin Assets would be substantially complete by December 31, 2010. In light of the delay in the start up of VNC processing facilities, the December 31, 2010 substantially complete date was not met. Management proposed an extension to the substantially complete date from December 31, 2010 to December 31, 2011. Both the French government authorities and the tax investors have formally agreed to this extension. Both the French tax authorities and the tax investors issued their signed extension in March 2011. Accordingly the benefits of the financing structure are fully expected to be maintained and we anticipate that there will be no recapture of the tax advantages provided under this financing structure.

There are two bank guarantees totaling US$61 (43 million) as at March 31, 2011 that were established by us on behalf of VNC in favor of the South Province of New Caledonia in order to guarantee the performance of VNC with respect to certain environmental obligations in relation to the metallurgical plant and the Kwe West residue storage facility.

Sumic Nickel Netherlands B.V. (Sumic), a 21% stockholder of VNC, has a put option to sell to us 25%, 50%, or 100% of the shares they own of VNC. The put option can be exercised if the defined cost of the initial nickel-cobalt development project, as measured by funding provided to VNC, in natural currencies and converted to U.S. dollars at specified rates of exchange, in the form of Girardin funding, shareholder loans and equity

contributions by stockholders to VNC, exceeded US$4.2 billion and an agreement cannot be reached on how to proceed with the project. On February 15, 2010, we formally amended our agreement with Sumic to increase the threshold to approximately US$4.6 billion at specified rates of exchange. On May 27, 2010 the threshold was reached and on October 22, 2010, we have signed an agreement to extend the put option date into the first half of 2011. On January 25, 2011 a further extension to the agreement was signed extending the put option date into the second half of 2011. In April 2011, we, along with Sumic, have verbally agreed to a further extension of the put option into 2012 and are currently formalizing this agreement.

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We provided a guarantee covering certain termination payments due from VNC to the supplier under an electricity supply agreement (ESA) entered into in October 2004 for the VNC project. The amount of the termination payments guaranteed depends upon a number of factors, including whether any termination of the ESA is a result of a default by VNC and the date on which an early termination of the ESA were to occur. During the first quarter of 2010, the supply of electricity under the ESA to the project began and the guaranteed amount now decreases over the life of the ESA from its maximum amount. As at March 31, 2011 the guarantee was US$177 (125 million).

In February 2009, we and our subsidiary, Vale Newfoundland and Labrador Limited (VNL), entered into a fourth amendment to the Voisey s Bay Development agreement with the Government of Newfoundland and Labrador, Canada, that permitted VNL to ship up to 55,000 metric tonnes of nickel concentrate from the Voisey s Bay area mines. As part of the agreement, VNL agreed to provide the Government of Newfoundland and Labrador financial assurance in the form of letters of credit, each in the amount of US$16 (CAD$16 million) for each shipment of nickel concentrate shipped out of the province from January 1, 2009 to August 31, 2009. The amount of this financial assurance was US$110 (CAD$112 million) based on seven shipments of nickel concentrate and as of March 31, 2011, US$12 (CAD$11 million) remains outstanding.

As at March 31, 2011, there was an additional US$118 in letters of credit issued and outstanding pursuant to our syndicate revolving credit facility, as well as an additional US$84 of letters of credit and US$68 in bank guarantees that were issued and outstanding. These are associated with environmental reclamation and other operating associated items such as insurance, electricity commitments and import and export duties.

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

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

	March 31, 2011 (unaudited)		**December 31, 2010**	
	Provision for contingencies	**Judicial deposits**	**Provision for contingencies**	**Judicial deposits**
Labor and social security claims	790	931	748	874
Civil claims	488	425	510	410
Tax related actions	785	452	746	442
Others	39	6	39	5
	2,102	**1,814**	**2,043**	**1,731**

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

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

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

Judicial deposits are made by us following court requirements in order to be entitled to either initiate or continue a legal action. These amounts are released to us upon receipt of a final favorable outcome from the legal action, and 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, 2011, December 31, 2010 and March 31, 2010, totaled US$431, US$224 and US$55, respectively. Provisions recognized in the three-month periods ended March 31, 2011, December 31, 2010 and March 31, 2010, totaled US$54, US$41 and US$70, respectively, classified as other operating expenses.

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In addition to the contingencies for which we have made provisions, we are defendants in claims where in our opinion, and based on the advice of our legal counsel, the likelihood of loss is reasonably possible but not probable, in the total amount of US$5,110 at March 31, 2011, and for which no provision has been made (December 31, 2010 US$4,787).

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

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

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

In April 2011 (subsequent period) we paid remuneration on these debentures of US$8.

d) Asset retirement obligations

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

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

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

	Three-month period ended (unaudited)		
	March 31, 2011	**December 31, 2010**	**March 31, 2010**
Beginning of period	**1,368**	**1,230**	**1,116**
Accretion expense	41	34	27
Liabilities settled in the current period	(10)	(33)	(8)
Revisions in estimated cash flows (*)	(63)	110	(2)
Cumulative translation adjustment	32	27	(4)
End of period	**1,368**	**1,368**	**1,129**
Current liabilities	71	75	79
Non-current liabilities	1,297	1,293	1,050
Total	**1,368**	**1,368**	**1,129**

17 Other expenses

The line Other operating expenses totaled US$ 420 in March 31, 2011 (US$ 774 in December 31, 2010 and US$ 538 in March 31, 2010) most due to pre operational expenses, idle capacity and stoppage operations US$ 132 (US$ 471 in December 31, 2010 and US$ 228 in March 31, 2010).

18 Fair value disclosure of financial assets and liabilities

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

a) Measurements

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

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

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

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

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

b) Measurements on a recurring basis

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

Available-for-sale securities

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

Derivatives

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

Debentures

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

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

		As of March 31, 2011 (Unaudited)		
	Carrying amount	**Fair value**	**Level 1**	**Level 2**
Available for sale	10	10	10	
Unrealized gain on derivatives	504	504	16	488
Debentures	(1,387)	(1,387)		(1,387)

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

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c) Measurements on a non-recurring basis

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

d) Financial Instruments

Long-term debt

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

Time deposits

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

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

		As of March 31, 2011 (Unaudited)		
	Carrying amount	**Fair value**	**Level 1**	**Level 2**
Time deposits	540	540		540
Long-term debt (*)	(23,221)	(23,967)	(17,211)	(6,756)

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

(*) Less accrued charges of US$364 and US$343 as of March 31, 2011 and December 31, 2010, respectively.

19 Segment and geographical information

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

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

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

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

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

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

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

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Consolidated net income and principal assets are reconciled as follows:

Results by segment before eliminations (aggregated)

																Three-m
					March 31, 2011								December 31, 2010			
Base Metals	Fertilizers	Logistic	Others	Eliminations	Consolidated	Bulk Material	Base Metals	Fertilizers	Logistic	Others	Eliminations	Consolidated	Bulk Material	Base Metals	Fertilizers	L
3,088	831	389	185	(7,433)	13,548	18,687	3,760	862	456	333	(8,891)	15,207	7,703	2,133	65	
(1,873)	(688)	(351)	(311)	7,433	(5,793)	(11,334)	(2,792)	(776)	(400)	(255)	8,891	(6,666)	(5,093)	(1,860)	(39)	
(74)	(18)	(21)	(117)		(342)	(103)	(109)	(39)	(30)	(20)		(301)	(44)	(42)	(7)	
1,513					1,513											
(357)	(117)	(44)	(5)		(957)	(424)	(480)	(128)	(41)			(1,073)	(376)	(325)	(7)	
2,297	**8**	**(27)**	**(248)**		**7,969**	**6,826**	**379**	**(81)**	**(15)**	**58**		**7,167**	**2,190**	**(94)**	**12**	
2	16	3	2	(696)	165	696	198	17	3	9	(806)	117	566	(2)		
(230)	(9)	(15)	(2)	696	(582)	(1,160)	(503)	(7)	(2)	(60)	806	(926)	(757)	(199)		
(12)					239	486	(13)					473	(199)	(31)		
13	56	(7)			80	(46)	80	45	(21)	(7)		51	(53)	26		
														(145)		
(3)		36	(11)		280	403	9		32	(141)		303	58	6		
(401)	3	2			(1,377)	(1,268)	125	(9)	9	6		(1,137)	147	67		
14	4		32		52	(2)	(144)	19		(4)		(131)		29		
1,680	**78**	**(8)**	**(227)**		**6,826**	**5,935**	**131**	**(16)**	**6**	**(139)**		**5,917**	**1,952**	**(343)**	**12**	
540	19	2	2	(308)	727	459	550	28			(263)	774	193	271		
479			2	(12)	475	53	294				(14)	333	1	148		

677	32	2	12	(1,767)	2,636	3,555	1,152	6		14	(2,046)	2,681	2,151	665	
16				(413)	456	739	120	18			(247)	630	193	49	
377				(847)	1,509	2,113	453			8	(912)	1,662	1,206	272	
397			41	(3,239)	4,024	8,939	380			22	(4,074)	5,267	2,675	201	
406	14			(601)	1,184	1,604	603	13			(856)	1,364	451	326	
196	766	385	128	(246)	2,537	1,225	208	797	456	289	(479)	2,496	833	201	65
3,088	**831**	**389**	**185**	**(7,433)**	**13,548**	**18,687**	**3,760**	**862**	**456**	**333**	**(8,891)**	**15,207**	**7,703**	**2,133**	**65**

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Operating segment after eliminations (disaggregated)

	Three-month period ended (unaudited) March 31, 2011									
	Revenue	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net	Addition to property, plant and equipment	Investments
Bulk Material										
Iron ore	7,287	(110)	7,177	(1,736)	5,441	(357)	5,084	29,377	1,177	125
Pellets	1,878	(61)	1,817	(840)	977	(36)	941	2,551	353	1,035
Manganese	43	(2)	41	(21)	20	(5)	15	20		
Ferroalloys	157	(12)	145	(111)	34	(11)	23	308	11	
Coal	154		154	(253)	(99)	(25)	(124)	3,409	388	244
	9,519	(185)	9,334	(2,961)	6,373	(434)	5,939	35,665	1,929	1,404
Base Metals										
Nickel and other products (*)	2,115		2,115	(1,150)	965	(338)	627	29,409	371	16
Copper concentrate	251	(17)	234	(132)	102	(18)	84	3,519	170	110
Aluminum products	383	(5)	378	(304)	74	(1)	73		16	3,689
	2,749	**(22)**	**2,727**	**(1,586)**	**1,141**	**(357)**	**784**	**32,928**	**557**	**3,815**
Fertilizers										
Potash	62	(4)	58	(69)	(11)	(7)	(18)	1,764	7	
Phosphates	536	(28)	508	(408)	100	(87)	13	7,811	127	
Nitrogen	172	(23)	149	(127)	22	(23)	(1)	839		
Others fertilizers products	17	(3)	14		14		14			
	787	**(58)**	**729**	**(604)**	**125**	**(117)**	**8**	**10,414**	**134**	
Logistics										
Railroads	250	(45)	205	(197)	8	(37)	(29)	1,383	36	534
Ports	78	(9)	69	(60)	9	(7)	2	469	37	
Ships								770	23	137
	328	**(54)**	**274**	**(257)**	**17**	**(44)**	**(27)**	**2,622**	**96**	**671**
Others	165	(16)	149	(392)	(243)	(5)	(248)	4,869	97	2,436
Gain on sale of assets				1,513	1,513		1,513			

13,548	**(335)**	**13,213**	**(4,287)**	**8,926**	**(957)**	**7,969**	**86,498**	**2,813**	**8,326**

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

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Operating segment after eliminations (disaggregated)

	Three-month period ended (unaudited) December 31, 2010									
	Revenue	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net	Addition to property, plant and equipment	Investments
Bulk Material										
Iron ore	8,477	(101)	8,376	(2,275)	6,101	(360)	5,741	30,412	831	107
Pellets	1,927	(55)	1,872	(785)	1,087	(29)	1,058	1,445	87	1,058
Manganese	44	(2)	42	(33)	9	(4)	5	24	2	
Ferroalloys	186	(14)	172	(81)	91	(7)	84	292	16	
Coal	241		241	(279)	(38)	(24)	(62)	3,020	289	223
	10,875	(172)	10,703	(3,453)	7,250	(424)	6,826	35,193	1,225	1,388
Base Metals										
Nickel and other products (*)	2,017		2,017	(1,346)	671	(454)	217	28,623	724	23
Copper concentrate	311	(11)	300	(201)	99	(25)	74	3,579	(25)	90
Aluminum products	691	(4)	687	(598)	89	(1)	88	395	216	152
	3,019	**(15)**	**3,004**	**(2,145)**	**859**	**(480)**	**379**	**32,597**	**915**	**265**
Fertilizers										
Potash	73		73	(131)	(58)	(7)	(65)	474	348	
Phosphates	541	(12)	529	(443)	86	(79)	7	7,560	188	
Nitrogen	151	(19)	132	(115)	17	(42)	(25)	809	1	
Others fertilizers products	4	(2)	2		2		2	146	3	
	769	**(33)**	**736**	**(689)**	**47**	**(128)**	**(81)**	**8,989**	**540**	
Logistics										
Railroads	262	(39)	223	(190)	33	(37)	(4)	1,278	71	511
Ports	72	(8)	64	(71)	(7)	(7)	(14)	297	22	
Ships						3	3	747	747	135
	334	**(47)**	**287**	**(261)**	**26**	**(41)**	**(15)**	**2,322**	**840**	**646**
Others	210	(11)	199	(141)	58		58	3,995	1,222	2,198
	15,207	**(278)**	**14,929**	**(6,689)**	**8,240**	**(1,073)**	**7,167**	**83,096**	**4,742**	**4,497**

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

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Operating segment after eliminations (disaggregated)

	Three-month period ended (unaudited) March 31, 2010									
	Revenue	Value added tax	Net revenues	Cost and expenses	Operating profit	Depreciation, depletion and amortization	Operating income	Property, plant and equipment, net	Addition to property, plant and equipment	Investments
Bulk Material										
Iron ore	3,747	(70)	3,677	(1,449)	2,228	(325)	1,903	24,664	554	98
Pellets	775	(68)	707	(432)	275	(24)	251	1,581	52	1,033
Manganese	58		58	(15)	43	(1)	42	24		
Ferroalloys	142	(16)	126	(72)	54	(11)	43	251	5	
Coal	127		127	(161)	(34)	(15)	(49)	1,735	29	219
Pig iron										
	4,849	(154)	4,695	(2,129)	2,566	(376)	2,190	28,255	640	1,350
Base Metals										
Nickel and other products (*)	747		747	(658)	89	(239)	(150)	27,801	322	27
Kaolin										
Copper concentrate	180	(7)	173	(123)	50	(18)	32	2,483	224	85
Aluminum products	599	(10)	589	(497)	92	(60)	32	4,536	61	141
	1,526	**(17)**	**1,509**	**(1,278)**	**231**	**(317)**	**(86)**	**34,820**	**607**	**253**
Fertilizers										
Potash	65	(3)	62	(43)	19	(7)	12	1,792	5	
	65	**(3)**	**62**	**(43)**	**19**	**(7)**	**12**	**1,792**	**5**	
Logistics										
Railroads	236	(42)	194	(152)	42	(27)	15	1,044	21	470
Ports	75	(10)	65	(55)	10	(6)	4	239	2	
Ships	3		3	(6)	(3)	(2)	(5)			122
	314	**(52)**	**262**	**(213)**	**49**	**(35)**	**14**	**1,283**	**23**	**592**
Others	94	(18)	76	(136)	(60)	(8)	(68)	1,940	542	2,321
	6,848	**(244)**	**6,604**	**(3,799)**	**2,805**	**(743)**	**2,062**	**68,090**	**1,817**	**4,516**

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

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20 Derivative financial instruments

Risk management policy

Vale has developed its risk management strategy in order to provide an integrated approach of the risks the Company is exposed to. To do that, Vale evaluate not only the impact of market risk factors in the business results (market risk), but also the risk arising from third party obligations with Vale (credit risk) and those risks inherent in Vale s operational processes (operational risk).

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

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

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

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

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

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

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

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

Interest rates;

Foreign exchange;

Product prices and input costs

Foreign exchange and interest rate risk

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

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

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Vale s foreign exchange and interest rate derivative portfolio consists, basically, of interest rate swaps to convert floating cash flows in Brazilian real to fixed or floating US dollar cash flows, without any leverage.

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

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

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

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

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

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

In order to reduce the cash flows volatility associated with the foreign exchange exposure from some coal fixed price sales, Vale purchased forward Australian dollars. These trades matured in January 2011.

Product price risk

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

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

Sales Hedging Program in order to protect our cash flows in 2011 and 2012, we entered into derivative transactions where we fixed the prices of some of our nickel sales during the period.

Fixed price sales program we use to enter into nickel future contracts on the London Metal Exchange (LME) with the purpose of maintaining our exposure to nickel price variation, regarding the fact that, in some cases, the commodity is sold at a fixed price to some customers. Whenever the Strategic derivative program is executed, the Fixed price sales program is interrupted.

Nickel purchase program Vale has also sold nickel futures on the LME, in order to minimize the risk of mismatch between the pricing on the costs of intermediate products and finished goods.

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

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

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

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

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

	Assets				Liabilities			
	As of March 31 (Unaudited) 2011		As of December 31 2010		As of March 31 (Unaudited) 2011		As of December 31 2010	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Derivatives not designated as hedge								
Foreign exchange and interest rate risk								
CDI & TJLP vs. floating & fixed swap		431		300				
EURO floating rate vs. USD floating rate swap	1		1					
USD floating rate vs. fixed USD rate swap					3		4	
EuroBond Swap		34						8
Pre Dollar Swap		3		1				
AUD floating rate vs. fixed USD rate swap			2					
	1	**468**	**3**	**301**	**3**		**4**	**8**
Commodities price risk								
Fixed price program	16		13		3		12	
Strategic program							15	
Bunker Oil Hedge	40		16					
Coal							2	
							2	

Maritime Freight Hiring Protection Program								
	56		**29**		**3**		**31**	
Derivatives designated as hedge								
Foreign exchange cash flow hedge	46		20					
Strategic Nickel						61		53
	46		20			61		53
Total	**103**	**468**	**52**	**301**	**6**	**61**	**35**	**61**

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

	Amount of gain or (loss) recognized as financial income (expense) Three-month period ended (unaudited)			Financial settlement Three-month period ended (unaudited)			Amount of gain or (loss) recognized in OCI Three-month period ended (unaudited)		
	March 31, 2011	**December 31, 2010**	**March 31, 2010**	**March 31, 2011**	**December 31, 2010**	**March 31, 2010**	**March 31, 2011**	**December 31, 2010**	**March 31, 2010**
Derivatives not designated as hedge									
Foreign exchange and interest rate risk									
CDI & TJLP vs. USD fixed and floating rate swap	175	259	(50)	(48)	(819)	(29)			
EURO floating rate vs. USD floating rate swap					1				
USD floating rate vs. USD fixed rate swap			(1)	1	(2)	2			
Swap Convertibles									
Swap NDF									
EuroBond Swap	42	1							
Pre Dollar Swap	2								
AUD floating rate vs. fixed USD rate swap		1	2	(2)	(1)	(1)			
	219	**261**	**(49)**	**(49)**	**(821)**	**(28)**			
Commodities price risk									
Nickel Fixed price program	13		(9)	(1)		(1)			
Purchase program	15	(2)	(139)		39	14			

Strategic program									
Natural gas Aluminum				7		16			
Maritime Freight Hiring Protection Program		5	(3)	2	(11)	(10)			
Coal		(2)	(1)	2	2				
Bunker Oil Hedge	32	13	(6)	(8)	(7)	(13)			
	60	**14**	**(158)**	**2**	**23**	**6**			
Embedded derivatives:									
For nickel concentrate costumer sales									
Customer raw material contracts									
Energy Aluminum options	(7)	(7)	(23)						
	(7)	**(7)**	**(23)**						
Derivatives designated as hedge									
Bunker Oil Hedge									
Aluminum					18	13		7	2
Strategic Nickel	(33)	1		33			(9)	(25)	(53)
Foreign exchange cash flow hedge		204		(13)	(225)	(4)	14	(115)	28
	(33)	**205**		**20**	**(207)**	**9**	**5**	**(133)**	**(23)**
Total	**239**	**473**	**(230)**	**(27)**	**(1,005)**	**(13)**	**5**	**(133)**	**(23)**

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

Final maturity dates for the above instruments are as follows:

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

21 Subsequent Event

In April 29, 2011, the Board of Directors has approved Samarco s fourth pellet plant project. The project encompasses the construction of a fourth pellet plant with capacity of 8.3 Million ton per year - Mtpy. The start-up is scheduled for the first half of 2014 and the total investment is estimated at US$3.0 billion (Vale has a 50% interest in Samarco), which is not part of Vale s own capital expenditures program.

On April 28, 2011, the Board of Directors has approved the acquisition of up to 9% of Northern Energy S.A. (NESA), which is currently held by Gaia Energia e Participações S.A. (Gaia), subject to certain conditions. NESA was established with the sole purpose of implementing, operating and exploring of the Belo Monte hydroelectric plant. Vale estimated an investment of US$1.4 billion to repay Gaia by capital contributions made in NESA and commitments of future capital contributions arising from the acquired stake.

In April 8, 2011, we announced that we had agreed the terms of an offer to acquire, through a wholly-owned subsidiary, the total share capital of Metorex Limited (Metorex) a copper and cobalt producer, with operations in the African copperbelt, listed on the Johannesburg Stock Exchange (JSE), for the amount of 7.35 South African rands (ZAR) per share totaling ZAR 7,524 million on a fully diluted basis, and equivalent to US$-1,125 at lost closing s US$/ZAR exchange rate, to be paid in cash. The acquisition is conditional on the applicable government and regulatory approvals, consents and waivers in South Africa, Zambia and the DRC, and approval by minority holders in the subsidiary companies, as well as to customary closing conditions. In addition, the sale or transfer of Sable Zinc Kabwe Limited, a processing operation in Zambia that produces copper cathodes and cobalt, by Metorex to a third party is also a condition.

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22 Board of Directors, Fiscal Council, Advisory committees and Executive Officers

Board of Directors
Ricardo José da Costa Flores
Chairman
Mário da Silveira Teixeira Júnior
Vice-President
Fuminobu Kawashima
José Mauro Mettrau Carneiro da Cunha
José Ricardo Sasseron
Luciano Galvão Coutinho
Nelson Henrique Barbosa Filho
Oscar Augusto de Camargo Filho
Paulo Soares de Souza
Robson Rocha
Renato da Cruz Gomes
Alternate
Deli Soares Pereira
Eustáquio Wagner Guimarães Gomes
Eduardo de Oliveira Rodrigues Filho
Hajime Tonoki
João Moisés de Oliveira
Luiz Carlos de Freitas
Marco Geovanne Tobias da Silva
Paulo Sergio Moreira da Fonseca
Raimundo Nonato Alves Amorim
Sandro Kohler Marcondes
Advisory Committees of the Board of Directors Controlling Committee
Luiz Carlos de Freitas
Paulo Ricardo Ultra Soares
Paulo Roberto Ferreira de Medeiros
Executive Development Committee
João Moisés de Oliveira
José Ricardo Sasseron
Oscar Augusto de Camargo Filho
Strategic Committee
Roger Agnelli
Luciano Galvão Coutinho
Mário da Silveira Teixeira Júnior
Oscar Augusto de Camargo Filho
Ricardo José da Costa Flores
Finance Committee
Guilherme Perboyre Cavalcanti
Eduardo de Oliveira Rodrigues Filho
Luiz Maurício Leuzinger
Luciana Freitas Rodrigues
Governance and Sustainability Committee
Gilmar Dalilo Cezar Wanderley
Renato da Cruz Gomes
Ricardo Simonsen

Fiscal Council
Marcelo Amaral Moraes
Chairman
Aníbal Moreira dos Santos
Antônio Henrique Pinheiro Silveira
Arnaldo José Vollet
Alternate
Cícero da Silva
Marcus Pereira Aucélio
Oswaldo Mário Pêgo de Amorim Azevedo
Executive Officers
Roger Agnelli
Chief Executive Officer
Carla Grasso
Executive Officer for Human Resources and Corporate
Eduardo de Salles Bartolomeo
Executive Officer for Integrated Bulk Operations
Eduardo Jorge Ledsham
Executive Office for Exploration, Energy and Projects
Guilherme Perboyre Cavalcanti
Chief Financial Officer and Investor Relations
José Carlos Martins
Executive Officer for Marketing, Sales and Strategy
Mario Alves Barbosa Neto
Executive Officer for Fertilizers
Tito Botelho Martins
Executive Officer for Base Metals Operations
Marcus Vinícius Dias Severini
Chief Officer of Accounting and Control Department
Vera Lúcia de Almeida Pereira Elias
Chief Accountant
CRC-RJ -043059/O-8

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Signatures

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

Vale S.A.
(Registrant)

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

Date: May 5, 2011