Vale S.A.
Form 6-K
February 16, 2012

United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 6-K

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

For the month of

February, 2012

Vale S.A.

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

(Address of principal executive office)

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

(Check One) Form 20-F x 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 x

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 x

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 x

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

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Financial Statements

December 31, 2011

IFRS

Filed at CVM, SEC and HKEx on

February 15, 2012

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(A free translation of the original in Portuguese)

Independent auditor s report

To the Board of Directors and Stockholders

Vale S.A.

We have audited the accompanying parent company financial statements of Vale S.A. (the Company), which comprise the balance sheet as at December 31, 2011 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Vale S.A. and its subsidiaries (Consolidated), which comprise the consolidated balance sheet as at December 31, 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management s responsibility for

the financial statements

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

Auditors responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the evaluating the overall presentation of the financial statements.

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

Opinion on the parent company

financial statements

In our opinion, the parent company financial statements, present fairly, in all material respects, the financial position of Vale S.A. as at December 31, 2011, and its financial performance and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated

financial statements

In our opinion, the consolidated financial statements, present fairly, in all material respects, the financial position of Vale S.A. and its subsidiaries as at December 31, 2011, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil.

Emphasis of matter

As described in Note 2, the parent company financial statements have been prepared in accordance with the accounting practices adopted in Brazil. In the case of Vale S.A., these practices differ from IFRS, applicable to separate financial statements, only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities, based on the equity method of accounting, while IFRS requires measurement based on cost or fair value. Our opinion is not qualified due to this matter.

Other matters statements of

value added

We have also audited the parent company and consolidated statements of value added, for the year ended December 31, 2011, the presentation of which is required by the Brazilian corporate legislation for listed companies, but is considered supplementary information for IFRS. These statements were subject to the same audit procedures previously described and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Rio de Janeiro,February 15, 2012

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 F RJ

Marcos Donizete Panassol

Contador CRC 1SP55975/O-8 S RJ

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Balance Sheet

In millions of Reais

	Notes	Consolidated December 31, 2011	Consolidated December 31, 2010	Parent Company December 31, 2011	Parent Company December 31, 2010
Assets					
Current assets					
Cash and cash equivalents	7	7,458	13,469	575	4,823
Short-term investments	8	115	2,987		
Derivatives at fair value	24	1,122	87	574	37
Accounts receivable	9	16,236	13,962	15,809	18,378
Related parties	29	69	90	2,561	1,123
Inventories	10	10,351	7,592	3,183	2,317
Recoverable taxes	11	4,317	2,796	2,317	1,961
Advances to suppliers		733	318	382	273
Others		1,694	1,091	183	179
		42,095	**42,392**	**25,584**	**29,091**
Non-current Assets held for sale			11,876		
		42,095	**54,268**	**25,584**	**29,091**
Non-current assets					
Related parties	29	904	8	446	1,936
Loans and financing agreements to receive		399	274	158	164
Prepaid expenses		506	254	17	
Judicial deposits	17	2,920	3,062	2,091	2,312
Deferred income tax and social contribution	19	3,692	2,440	2,109	1,789
Recoverable taxes	11	1,233	612	201	125
Derivatives at fair value	24	112	502	96	284
Reinvestment tax incentive		429	239	429	239
Others		718	697	372	283
		10,913	**8,088**	**5,919**	**7,132**
Investments	12	10,917	3,945	113,150	92,111
Intangible assets	13	19,752	18,274	13,974	13,563
Property, plant and equipment, net	14	158,105	130,087	55,503	44,463
		199,687	**160,394**	**188,546**	**157,269**
Total assets		**241,782**	**214,662**	**214,130**	**186,360**

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(A free translation from the original in Portuguese)

Balance Sheet

In millions of Reais, except number of shares

(Continued)

		Consolidated		Parent Company	
	Notes	**December 31, 2011**	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**
Liabilities and stockholders equity					
Current liabilities					
Suppliers and contractors		9,157	5,804	3,504	2,863
Payroll and related charges		2,527	1,966	1,582	1,270
Derivatives at fair value	24	138	92	117	
Current portion of long-term debt	16	3,212	4,866	892	616
Short-term debt	16	660	1,144		
Related parties	29	32	24	4,959	5,326
Taxes payable and royalties		989	455	330	204
Provision for income taxes		1,048	1,310		414
Employee post retirement benefits obligations	20	316	311	141	176
Provision for asset retirement obligations	18	136	128	21	44
Dividends and interest on capital		2,207	8,104	2,207	8,104
Others		1,803	1,840	400	705
		22,225	**26,044**	**14,153**	**19,722**
Liabilities directly associated with assets held for sale			5,340		
		22,225	**31,384**	**14,153**	**19,722**
Non-current liabilities					
Derivatives at fair value	24	1,239	103	953	
Long-term debt	16	42,753	37,779	18,596	15,908
Related parties	29	230	3	28,654	27,597
Employee post retirement benefits obligations	20	2,846	3,224	406	504
Provisions for contingencies	17	3,438	3,712	1,928	2,108
	19	10,773	12,947		3,574

Deferred income tax and social contribution					
Asset retirement obligations	18	3,468	2,463	1,095	761
Stockholders Debentures	22	2,496	2,140	2,496	2,140
Redeemable noncontrolling interest		943	1,186		
Others		4,680	3,395	2,373	1,929
		72,866	**66,952**	**56,501**	**54,521**
Stockholders equity	23				
Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2010 - 2,108,579,618) issued		29,475	19,650	29,475	19,650
Common stock - 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2010 - 3,256,724,482) issued		45,525	30,350	45,525	30,350
Mandatorily convertible votes - common shares		360	445	360	445
Mandatorily convertible votes - preferred shares		796	996	796	996
Treasury stock - 181,099,814 (2010 - 99,649,571) preferred and 86,911,207 (2010 - 47,375,394) common shares		(9,917)	(4,826)	(9,917)	(4,826)
Results from operations with noncontrolling stockholders		(71)	685	(71)	685
Results in the translation/issuance of shares			1,867		1,867
Valuation adjustment		220	(25)	220	(25)
Cumulative translation adjustments		(1,017)	(9,512)	(1,017)	(9,512)
Retained earnings		78,105	72,487	78,105	72,487
Total company stockholders equity		**143,476**	**112,117**	**143,476**	**112,117**
Noncontrolling interests		**3,215**	**4,209**		
Total stockholders equity		**146,691**	**116,326**	**143,476**	**112,117**
Total liabilities and stockholders equity		**241,782**	**214,662**	**214,130**	**186,360**

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

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Statement of Income Consolidated

In millions of Reais, except as otherwise stated

		THREE-MONTH PERIOD ENDED (UNAUDITED)			YEAR ENDED	
	NOTES	**DECEMBER 31, 2011**	**SEPTEMBER 30, 2011**	**DECEMBER 31, 2010**	**DECEMBER 31, 2011**	**DECEMBER 31, 2010**
NET OPERATING REVENUE	25	27,138	28,009	26,493	103,195	83,225
COST OF GOODS SOLDS AND SERVICES RENDERED	26	(11,135)	(10,443)	(10,385)	(40,489)	(33,756)
GROSS PROFIT		**16,003**	**17,566**	**16,108**	**62,706**	**49,469**
OPERATING (EXPENSES) INCOME						
SELLING AND ADMINISTRATIVE EXPENSES	26	(1,571)	(1,139)	(1,190)	(4,211)	(3,201)
RESEARCH AND DEVELOPMENT EXPENSES	26	(975)	(728)	(506)	(2,862)	(1,567)
OTHER OPERATING EXPENSES, NET	26	(1,845)	(1,255)	(1,570)	(4,986)	(4,211)
REALIZED GAIN ON ASSETS AVAILABLE FOR SALES					2,492	
		(4,391)	**(3,122)**	**(3,266)**	**(9,567)**	**(8,979)**
OPERATING PROFIT		**11,612**	**14,444**	**12,842**	**53,139**	**40,490**
FINANCIAL INCOME	27	552	1,006	1,845	4,650	5,154
FINANCIAL EXPENSES	27	(1,703)	(7,135)	(2,320)	(11,273)	(7,917)
EQUITY RESULTS FROM ASSOCIATES	12	(179)	28	(36)	(51)	(48)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		**10,282**	**8,343**	**12,331**	**46,465**	**37,679**
CURRENT		(1,977)	(1,990)	(2,828)	(9,577)	(9,286)
DEFERRED		(136)	1,497	708	512	2,251
INCOME TAX AND SOCIAL CONTRIBUTION	19	**(2,113)**	**(493)**	**(2,120)**	**(9,065)**	**(7,035)**
INCOME FROM CONTINUING		**8,169**	**7,850**	**10,211**	**37,400**	**30,644**

OPERATIONS						
RESULTS ON DISCONTINUED OPERATIONS						(222)
NET INCOME OF THE PERIOD		**8,169**	**7,850**	**10,211**	**37,400**	**30,422**
NET GAIN (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(185)	(43)	209	(414)	**352**
NET INCOME ATTRIBUTABLE TO THE COMPANY S STOCKHOLDERS	25	**8,354**	**7,893**	**10,002**	**37,814**	**30,070**
EARNINGS PER SHARE ATTRIBUTABLE TO THE COMPANY S STOCKHOLDERS:						
BASIC EARNINGS PER SHARE:						
CONTINUING OPERATIONS						
PREFERRED SHARE AND COMMON		1.61	1.50	1.90	7.21	5.70
DISCONTINUED OPERATIONS						
PREFERRED SHARE AND COMMON						(0.04)
DILUTED EARNINGS PER SHARE:						
CONTINUING OPERATIONS						
PREFERRED SHARE AND COMMON		1.61	1.50	1.90	7.21	5.70
DISCONTINUED OPERATIONS						
PREFERRED SHARE AND COMMON						(0.04)

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

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(A free translation from the original in Portuguese)

Statement of Income Parent Company

In millions of Reais, except as otherwise stated

		Year ended	
	Notes	**December 31, 2011**	**December 31, 2010**
Net operating revenue		66,082	51,386
Cost of goods solds and services rendered	26	(20,958)	(17,892)
Gross profit		45,124	33,494
Operating (expenses) income			
Selling and administrative expenses	26	(2,176)	(1,748)
Research and development expenses	26	(1,460)	(1,003)
Other operating expenses, net	26	(1,704)	(759)
Equity results from subsidiaries	12	7,555	8,709
Realized gain on assets available for sale		2,492	
		4,707	5,199
Operating profit		49,831	38,693
Financial income	27	2,958	3,954
Financial expenses	27	(8,552)	(5,575)
Equity results from associates	12	(51)	(48)
Income before income tax and social contribution		44,186	37,024
Current		(6,671)	(7,356)
Deferred		299	624
Income tax and social contribution	19	(6,372)	(6,732)
Income from continuing operations		37,814	30,292
Results for discontinued operations			(222)
Net income of the period		37,814	30,070
Earnings per share attributable to the company s stockholders:			
Basic earnings per share:			
Continuing operations			
Preferred share and common		7.21	5.70
Discontinued operations			
Preferred share and common			(0.04)

Diluted earnings per share:		
Continuing operations		
Preferred share and common	7.21	5.70
Discontinued operations		
Preferred share and common		(0.04)

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

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Statement of Comprehensive Income

In millions of Reais

	Consolidated				
	Three-month period ended (unaudited)			Year ended	
	December 31, 2011	September 30, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Net income	8,169	7,850	10,211	37,400	30,422
Other comprehensive income					
Cumulative translation adjustments	1,284	11,212	88	8,828	(859)
Unrealized gain (loss) on available-for-sale investments					
Gross balance as of the period/year ended	2	(1)	104	6	37
Tax benefit (expense)			(10)		(16)
	2	(1)	94	6	21
Cash flow hedge					
Gross balance as of the period/year ended	(262)	214	(316)	219	60
Tax benefit (expense)	9	44	101	21	(19)
	(253)	258	(215)	240	41
Total comprehensive income of the period	9,202	19,319	10,178	46,474	29,625
Net income attributable to noncontrolling interests	(118)	460	60	(80)	186
Net income attributable to the Company s stockholders	9,320	18,859	10,118	46,554	29,439
	9,202	19,319	10,178	46,474	29,625

	Parent Company	
	Year ended	
	December 31, 2011	December 31, 2010
Net income	37,814	30,070
Other comprehensive income		
Cumulative translation adjustments	8,495	(626)

Unrealized gain (loss) on available-for-sale investments		
Gross balance as of the period/year ended	6	37
Tax benefit (expense)		(16)
	6	21
Comprehensive Equity results from associates		
Cash flow hedge		
Gross balance as of the period/year ended	218	(6)
Tax benefit (expense)	21	(20)
	239	(26)
Total comprehensive income of the period	46,554	29,439

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

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Statement of Changes in Stockholders Equity

In millions of Reais

	Capital	Results in the translation/ issuance of shares	Mandatorily convertible notes	Revenue reserves	Treasury stock	Valuation adjustment	Year ended Income from operations with non-controlling stockholders	Cumulative translation adjustment	Retained earnings	Parent company stockholders´equity	Non- stoc i
January 01, 2010	47,434	(161)	4,587	49,272	(2,470)	(21)		(8,886)	6,003	95,758	
Net income of the period									30,070	30,070	
Capitalization of reserves	2,566			(2,566)							
Capitalization of noncontrolling stockholders advances											
Gain on conversion of shares		2,028	(3,064)		1,036						
Repurchase of stock					(3,392)					(3,392)	
Additional remuneration for mandatorily convertible notes			(82)							(82)	
Unrealized results on valuation at market						(4)				(4)	
Translation adjustments for the period								(626)		(626)	
Dividends to noncontrolling stockholders											
Acquisitions and disposal of non controlling shareholdings							685			685	

Transfer to assets held for sale of noncontrolling stockholders										
Additional Remuneration				(513)						(513)
Interim interest on capital and dividends									(1,675)	(1,675)
Destination of earnings:										
Additional remuneration proposed to stockholders									(8,104)	(8,104)
Appropriation to undistributed retained earnings				26,294					(26,294)	
December 30. 2010	50,000	1,867	1,441	72,487	(4,826)	(25)	685	(9,512)		112,117
January 01, 2011										
Net income of the period									37,814	37,814
Capitalization of reserves	25,000	(1,867)		(23,133)						
Capitalization of noncontrolling stockholders advances										
Repurcharse of shares					(5,091)					(5,091)
Remuneration for mandatorily convertible notes			(285)							(285)
Cash flow hedge, net of taxes						239				239
Unrealized results on valuation at market						6				6
Translation adjustments for the period								8,495		8,495
Dividends to noncontrolling stockholders										
Redeemable noncontrolling stockholders interest										
Acquisitions and disposal of noncontrolling							(756)			(756)

shareholdings									
Interim dividends								(2,207)	(2,207)
Destination of earnings:									
Additional remuneration								(6,856)	(6,856)
Appropriation to undistributed retained earnings			28,751					(28,751)	
December 30. 2011	75,000	1,156	78,105	(9,917)	220	(71)	(1,017)		143,476

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

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Statement of Cash Flow Consolidated

In millions of Reais

	Three-month period ended (unaudited)			Year ended	
	December 31, 2011	September 30, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Cash flow from operating activities:					
Net income	8,169	7,850	10,211	37,400	30,422
Adjustments to reconcile net income to cash from operations					
Results of equity investments	179	(28)	36	51	48
Realized gain on assets held for sale				(2,492)	
Results from discontinued operations					222
Depreciation, amortization and depletion	2,114	1,666	1,794	6,932	5,741
Deferred income tax and social contribution	136	(1,497)	(708)	(512)	(2,251)
Monetary and exchange rate changes, net	1,916	3,495	(797)	4,995	24
Loss on disposal of property, plant and equipment	42	65	491	483	1,195
Net unrealized losses (gains) on derivatives	543	1,095	909	915	1,024
Others	(68)	111	(96)	(202)	450
Decrease (increase) in assets:					
Accounts receivable from customers	362	(1,371)	2,063	(1,675)	(5,302)
Inventories	(464)	(538)	(14)	(2,473)	(1,579)
Recoverable taxes	(400)	(230)	(57)	(943)	153
Others	(226)	(231)	744	(635)	750
Increase (decrease) in liabilities:					
	284	1,314	(553)	2,484	1,653

Suppliers and contractors					
Payroll and related charges	**373**	**435**	**353**	**514**	**363**
Taxes and contributions	**828**	**(4,393)**	**(313)**	**(3,087)**	**2,182**
Others	**680**	**(710)**	**(332)**	**307**	**280**
Net cash provided by operating activities	**14,468**	**7,033**	**13,731**	**42,062**	**35,375**
Cash flow from investing activities:					
Short-term investments	**(115)**		**(2,987)**	**2,872**	**3,537**
Loans and advances receivable	**(356)**	**395**	**(65)**	**(303)**	**(161)**
Guarantees and deposits	**(106)**	**(280)**	**291**	**(144)**	**(64)**
Additions to investments	**(582)**	**(31)**	**(15)**	**(716)**	**(120)**
Additions to property, plant and equipment	**(11,682)**	**(5,830)**	**(9,196)**	**(28,292)**	**(23,546)**
Dividends/interest on capital received				**84**	**147**
Acquisitions/sales of subsidiaries				**1,795**	**(11,378)**
Net cash provided by (used in) investing activities	**(12,841)**	**(5,746)**	**(11,972)**	**(24,704)**	**(31,585)**
Cash flow from financing activities:					
Short-term debt					
Additions	**701**	**44**	**735**	**2,678**	**4,776**
Repayments	**(746)**	**(324)**	**(473)**	**(3,027)**	**(4,466)**
Long-term debt					
Additions	**612**	**1,351**	**1,966**	**3,480**	**8,375**
Repayments:					
Financial institutions	**(185)**	**(1,241)**	**(1,596)**	**(4,434)**	**(4,546)**
Dividends and interest on capital paid to stockholders	**(5,261)**	**(4,855)**	**(2,897)**	**(14,960)**	**(5,095)**
Dividends and interest on capital attributed to noncontrolling interest	**(72)**		**(137)**	**(166)**	**(243)**
Transactions with non controlling stockholders	**(2,083)**			**(2,083)**	**1,118**
Treasury stock	**(1,772)**	**(3,320)**	**(2,806)**	**(5,092)**	**(3,392)**
Net cash provided by (used in) financing activities	**(8,806)**	**(8,345)**	**(5,208)**	**(23,604)**	**(3,473)**
Increase (decrease) in cash and cash equivalents	**(7,179)**	**(7,058)**	**(3,449)**	**(6,246)**	**317**
Cash and cash equivalents of cash, beginning of the	**14,674**	**21,323**	**16,949**	**13,469**	**13,221**

period					
Effect of exchange rate changes on cash and cash equivalents	**(37)**	**409**	**(31)**	**235**	**(69)**
Cash and cash equivalents, end of the period	**7,458**	**14,674**	**13,469**	**7,458**	**13,469**
Cash paid during the period for:					
Short-term interest	**(12)**	**(6)**	**(17)**	**(34)**	**(46)**
Long-term interest	**(368)**	**(390)**	**(547)**	**(1,957)**	**(1,983)**
Income tax and social contribution	**(1,860)**	**(6,496)**	**(2,008)**	**(11,986)**	**(3,694)**
Inflows during the period:					
Non-cash transactions:					
Additions to property, plant and equipment - interest capitalization	**(35)**	**(90)**	**(49)**	**(289)**	**(310)**

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

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Statement of Cash Flow Parent Company

In millions of Reais

	Year ended	
	December 31, 2011	**December 31, 2010**
Cash flow from operating activities:		
Net income	37,814	30,070
Adjustments to reconcile net income to cash from operations		
Results of equity investments	(7,504)	(8,661)
Realized gain on assets held for sale	(2,492)	
Results from descontinued operations		222
Depreciation, amortization and depletion	1,964	1,983
Deferred income tax and social contribution	(299)	(624)
Monetary and exchange rate changes, net	7,003	(640)
Loss on disposal of property, plant and equipment	383	3,056
Net unrealized losses (gains) on derivatives	661	776
Others	(26)	251
Decrease (increase) in assets:		
Accounts receivable from customers	2,569	(14,546)
Inventories	(630)	(91)
Recoverable taxes	(433)	180
Others	(43)	895
Increase (decrease) in liabilities:		
Suppliers and contractors	640	480
Payroll and related charges	311	260
Taxes and contributions	(4,583)	1,305
Others	(52)	652
Net cash provided by operating activities	35,283	15,568
Cash flow from investing activities:		
Loans and advances receivable	(33)	3,098
Guarantees and deposits	(72)	(112)
Additions to investments	(5,985)	(3,684)
Additions to property, plant and equipment	(14,615)	(10,472)
Dividends/interest on capital received	2,196	2,060
Proceeds from disposal of investments held for sale		4,433
Net cash provided by (used in) investing activities	(18,509)	(4,677)
Cash flow from financing activities:		
Short-term debt		
Additions	1,092	3,969
Repayments	(5,064)	(8,354)
Long-term debt		
Additions	3,891	7,469

Repayments:		
Financial institutions	(891)	(1,915)
Dividends and interest on capital paid to stockholders	(14,960)	(5,095)
Treasury stock	(5,091)	(3,392)
Net cash provided by (used in) financing activities	(21,023)	(7,318)
Increase (decrease) in cash and cash equivalents	(4,248)	3,573
Cash and cash equivalents, beginning of the period	4,823	1,250
Cash and cash equivalents, end of the period	575	4,823
Cash paid during the period for:		
Short-term interest	(1)	(69)
Long-term interest	(1,904)	(1,862)
Income tax and social contribution	(9,638)	(3,103)
Inflows during the period:		
Non-cash transactions:		
Additions to property, plant and equipment - interest capitalization	(73)	(98)

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

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Statement of Added Value Consolidated

In millions of Reais

	Consolidated				
	Three-month period ended (unaudited)			Year ended	
	December 31, 2011	September 30, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Generation of added value					
Gross revenue					
Revenue from products and services	27,816	28,517	26,959	105,520	85,345
Gain on realization of assets available for sale				2,492	
Other revenue	(25)	11		(14)	
Revenue from the construction of own assets	10,242	10,039	7,253	30,268	20,607
Allowance for doubtful accounts	27	(19)	(22)	11	(40)
Less:					
Acquisition of products	(835)	(863)	(592)	(2,951)	(1,912)
Outsourced services	(5,369)	(5,130)	(3,960)	(16,946)	(11,722)
Materials	(8,885)	(9,301)	(7,067)	(28,899)	(20,843)
Fuel oil and gas	(1,020)	(989)	(983)	(3,857)	(3,701)
Energy	(394)	(413)	(759)	(1,695)	(2,349)
Other costs (expenses)	(3,963)	(2,933)	(3,488)	(11,678)	(10,274)
Gross added value	17,594	18,919	17,341	72,251	55,111
Depreciation, amortization and depletion	(2,114)	(1,666)	(1,794)	(6,932)	(5,741)
Net added value	15,480	17,253	15,547	65,319	49,370
Received from third parties					
Financial income	524	705	1,148	3,010	2,038
Equity results	(179)	28	(36)	(51)	(48)
Total added value to be distributed	15,825	17,987	16,659	68,278	51,360

Personnel	2,383	1,765	1,929	7,639	5,706
Taxes, rates and contribution	1,485	1,045	775	4,542	3,397
Current income tax	1,977	1,990	2,828	9,577	9,286
Deferred income tax	136	(1,497)	(708)	(512)	(2,251)
Remuneration of debt capital	1,217	2,764	1,716	6,004	5,095
Monetary and exchange changes, net	458	4,070	(92)	3,628	(295)
Net income attributable to the Company s stockholders	8,354	7,893	(10,289)	37,814	9,779
Reinvested			20,291		20,291
Loss (Net income) attributable to noncontrolling interest	(185)	(43)	209	(414)	352
Distribution of added value	15,825	17,987	16,659	68,278	51,360

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Statement of Added Value Parent Company

In millions of Reais

	Parent Company Year ended December 31, 2011	December 31, 2010
Generation of added value		
Gross revenue		
Revenue from products and services	67,618	52,905
Gain on realization of available-for-sale assets	2,492	
Revenue from the construction of own assets	14,824	10,516
Allowance for doubtful accounts	7	(36)
Less:		
Acquisition of products	(2,547)	(1,741)
Outsourced services	(9,222)	(7,251)
Materials	(13,602)	(10,344)
Fuel oil and gas	(1,964)	(1,597)
Energy	(862)	(1,121)
Other costs (expenses)	(5,289)	(3,918)
Gross added value	51,455	37,413
Depreciation, amortization and depletion	(1,964)	(1,983)
Net added value	49,491	35,430
Received from third parties:		
Financial income	1,825	1,929
Equity results	7,504	8,661
Total added value to be distributed	58,820	46,020
Personnel	3,989	3,132
Taxes, rates and contribution	3,226	2,535
Current income tax	6,671	7,356
Deferred income tax	(299)	(624)
Remuneration of debt capital	4,351	3,742
Monetary and exchange changes, net	3,068	(191)
Net income attributable to the Company s stockholders	37,814	9,779
Reinvested		20,291
Distribution of added value	58,820	46,020

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

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Notes to Financial Statements

Expressed in millions of Brazilian Reais, unless otherwise stated

1- Operational Context

Vale S.A. (Vale or the Company) is a Public Limited Liability Company with its headquarters in the city of Rio de Janeiro, Graça Aranha Avenue, 26, Downtown, State of Rio de Janeiro, Brazil and has its securities traded on the stock exchanges in Sao Paulo (BM&F and BOVESPA), New York (NYSE), Paris (NYSE Euronext) and Hong Kong (HKEx).

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

As at December 31, 2011, the main consolidated operating subsidiaries and jointly controlled entities proportionately consolidated are:

Entities	% ownership	% voting capital	Location	Principal activity
Subsidiaries				
Compañia Minera Miski Mayo S.A.C	40.00	51.00	Peru	Fertilizers
Ferrovia Centro-Atlântica S. A.	99.99	99.99	Brazil	Logistics
Ferrovia Norte Sul S.A.	100.00	100.00	Brazil	Logistics
Mineração Corumbaense Reunida S.A.	100.00	100.00	Brazil	Iron ore and Manganese
PT International Nickel Indonesia Tbk	59.20	59.20	Indonesia	Nickel
Sociedad Contractual Minera Tres Valles	90.00	90.00	Chile	Copper
Vale Australia Pty Ltd.	100.00	100.00	Australia	Coal
Vale Austria Holdings GMBH	100.00	100.00	Austria	Holding and Research
Vale Canada Limited	100.00	100.00	Canada	Nickel
Vale Coal Colombia Ltd.	100.00	100.00	Colombia	Coal
Vale Fertilizantes S.A	99.05	99.98	Brazil	Fertilizers
Vale International S.A	100.00	100.00	Switzerland	Trading
Vale Manganês S.A.	100.00	100.00	Brazil	Manganese and Ferroalloys
Vale Mina do Azul S.A.	100.00	100.00	Brazil	Manganese
Vale Moçambique S.A.	100.00	100.00	Mozambique	Coal
Vale Nouvelle-Calédonie SAS	74.00	74.00	New Caledonia	Nickel
Vale Oman Pelletizing Company LLC	100.00	100.00	Oman	Pellet
Vale Shipping Holding PTE Ltd.	100.00	100.00	Singapura	Logistics
Jointly-controlled entities				
California Steel Industries, Inc.	50.00	50.00	United States	Steel industry
MRS Logística S.A	45.84	45.68	Brazil	Logistics

Samarco Mineração S.A.	50.00	50.00	Brazil	Pellet

The Board of Directors authorized these financial statements for issue on Februay 15, 2012.

2) Summary of the Main Accounting Practices and Accounting Estimates

a) Basis of Presentation

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

Consolidated financial statements

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

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Financial statements of the parent company

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

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

Functional currency and presentation currency

The financial statements of each Group s entities are presented using the currency of the primary economic environment in which the entity operates (functional currency), which in the case of the parent company is Real (R$). For presentation purposes in Brazil, the consolidated financial statements are presented in Brazillian Reais.

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

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

The quotations of major currencies that impact our operations against the currency of presentation were:

	Exchange rates used for conversions in reais	
	2011	**2010**
US dollar - US$	1.8683	1.6662
US canadian dollar - CAD	1.8313	1.6700

US australian dollar - AUD	1.9092	1.6959
Euro - EUR or	2.4165	2.2280

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

The results and financial position of all Group entities whose functional currency is different from the presentation currency are translated into the presentation currency, the assets and liabilities for each balance sheet presented are translated by the closing rate at the balance sheet date, income and expenses for each statement of income are translated by the average exchange rates, except in specific transactions that, considering their relevance, are translated by the rate at the dates of transactions. All resulting exchange differences are recognized in a separated component of the Stockholder s equity, named currency translation adjustment

b) Principles of Consolidation

The consolidated financial statements reflect the balances of assets and liabilities and transactions of the parent company and its direct and indirect subsidiaries and of its jointly controlled entities, in proportion to the interests maintained. For associates, entities over which the company has significant influence but not control, the investments are accounted for under the equity method.

Accounting practices of subsidiaries and associated companies are set to ensure consistency with the policies adopted by the parent company. Transactions between consolidated companies, as well as balances, profits and unrealized losses on these transactions are eliminated.

For interests in joint projects (e.g.: consortium agreements), the assets, liabilities and transactions of these enterprises are recognized in the proportion held by Vale.

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Interests in joint ventures were consolidated using the Proportionate Consolidation method, since the date of joint control is acquired. According to this method, assets, liabilities, revenues, costs and expenses of these entities were integrated in the consolidated financial statements proportionally to the control attributable to the stockholders.

Considering the option given by pronouncement CPC 19 (R1), issued on August 4, 2011, and anticipating the consequences of adoption of IFRS 11 in Brazil, the company will choose from 2013 to calculate its investments in joint ventures using the equity method. If this method would be applicable in these statements, the effects in the Consolidated Balance sheet and statement of income would be:

	December 31, 2011		
	Balance with proportional consolidation	**Effect of shared control firms**	**Balance without proportional consolidation**
Assets			
Current			
Cash and Cash equivalents	7,458	(866)	6,592
Other	34,637	(1,078)	33,559
	42,095	**(1,944)**	**40,151**
Non-current			
Investments	10,917	4,067	14,984
Property, plant and equipment, and Intangible Assets	177,857	(6,214)	171,643
Other	10,913	(603)	10,310
	199,687	**(2,750)**	**196,937**
Total Asset	**241,782**	**(4,694)**	**237,088**
Liabilities and Stockholders equity			
Current			
Accounts Payable	9,157	(306)	8,851
Loans and finances	3,872	(1,025)	2,847
Other	9,196	(208)	8,988
	22,225	**(1,539)**	**20,686**
Non-current			
Loans and finances	42,753	(2,528)	40,225
Deferred income tax and social contribution	10,773	(159)	10,614
Other	19,340	(458)	18,882
	72,866	**(3,145)**	**69,721**
Stockholders equity			
Capital stock	75,000		75,000
Noncontrolling interests	3,215	(10)	3,205
Other	68,476		68,476
	146,691	**(10)**	**146,681**
Total Liabilities and Stockholders equity	**241,782**	**(4,694)**	**237,088**

	December 31, 2011		
	Balance with proportional consolidation	Effect of shared control firms	Balance without proportional consolidation
Net revenue	103,195	(4,451)	98,744
Cost	(40,489)	1,313	(39,176)
Gross operating profit	**62,706**	**(3,138)**	**59,568**
Operational expenses	(9,567)	416	(9,151)
Financial expenses	(6,623)	271	(6,352)
Equity results	(51)	1,908	1,857
Earnings before taxes	**46,465**	**(543)**	**45,922**
Current and deferred Income tax and social contribution, net	(9,065)	551	(8,514)
Net income of the year	**37,400**	**8**	**37,408**
Income (loss) attributable to noncontrolling interests	414	(8)	406
Net income attributable to shareholders	**37,814**		**37,814**

c) Business Combinations

When Vale acquires control over an entity, the identifiable assets acquired, the liabilities and contingent liabilities assumed and the noncontrolling stockholders interests recognized are measured initially at fair value at the acquisition date.

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The excess of consideration transferred and of the fair value at the acquisition date of any previous equity interests in the acquiree, against the fair value of group interests in the identifiable net assets acquired, is recorded as goodwill, which is allocated to each cash-generating unit (CGU) acquired.

d) Information by Segment and Geographic Area

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

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

Basic metals comprises the production of non-ferrous minerals, including nickel operations (co-products and byproducts), copper and aluminum.

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

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

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

e) Cash and Cash Equivalents and Short-term Investments

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

f) Accounts Receivables

Represent receivables from the sale of products and services made by the company. The receivables are initially recorded at fair value and subsequently measured by amortized cost, net of estimated losses, to cover potential losses in their realization, based on historical experience of defaults.

g) Financial Assets

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

- Measured at fair value through the statement of income recorded in this category are held for trading financial assets acquired for the purpose of selling in the short term.

- Loans and receivables non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently at cost amortized using theeffective interest method.

- Available for sale - investments in equity instruments that are not listed.

Investments in equity instruments that are not listed and for which it is not possible to estimate with certainty their fair value, are held at acquisition cost less any losses not recoverable.

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h) Inventories

Inventories are stated at the lower of average cost of acquisition or production and replacement or realization values. The inventories production cost is determined by variable and fixed costs, and direct and indirect costs of production, using the average cost method. When applicable an estimate of losses with obsolete or slow-moving inventories is constituted.

Inventories of ore are recognized at the moment of the physical extraction of the ore.

i) Discontinued Operations

Net assets held for sale linked to discontinued operations are recorded as current assets, separated from other current assets, evaluated at the lower of carrying amount and fair value, less cost of sales.

j) Non-Current Assets

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

k) Intangible Assets

Intangible asset generators of future economic benefits are evaluated by the acquisition cost, less accumulated amortization and losses by reducing the recoverable amount, when applicable.

Intangible assets that have finite useful lives are amortized considering their effective use, while those with indefinite useful lives are not amortized but tested at least annually as to their recoverability (impairment test).

In the case of railways, on which the company is a concessionaire, the acquired assets, linked to the concession activities of public services rendered (returned goods) up to the end of the concession period will be returned to the licensor.

Intangible assets acquired in a business combination are recognized separately from goodwill.

l) Property, Plant and Equipment

Fixed assets are carried at acquisition or production cost. The assets include financial charges, incurred during the construction period, expenses attributable to acquisition and impairment losses of the asset.

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

Depreciation and depletion of assets of the company are represented in accordance with the following estimated useful lives:

Buildings	between 20 and 50 years
Installations	between 20 and 33 years
Equipment	between 10 and 33 years
Computer Equipment	between 5
Mineral rights	between 2 and 33 years
Locomotives	25 years
Wagon	33 years
Railway equipment	25 years
Ships	between 5 and 20 years
Other	between 2 and 50 years

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at the end of each fiscal year.

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The relevant expenditures for maintenance of industrial areas and relevant assets (for example, ships), including spare parts, assembly services, and others, are recorded in fixed assets and depreciated over the benefits of this maintenance period until the next stop.

m) Non-controlling stockholders interests

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

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

n) Impairment

Annually the company assesses whether there is evidence that the carrying amount of long-term financial and non-financial asset, is not impaired.

For the long-term non-financial assets, the analysis is conducted of the recoverable value of these assets grouped at the lowest levels for which there are separately identifiable cash flows of the cash-generating unit to which the asset belongs.

For financial assets, a comparative analysis is carried out - if the book value exceeds the present value of expected cash flows for the asset.

Regardless the indication of impairment of its carrying amount, goodwill balances arising from business combinations and intangible assets with indefinite useful lives are tested for impairment at least once a year.

o) Expenditures on ore research and development

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

During the development phase of a mine before production begins and in the stripping campaigns scheduled in the plan of mining, the costs of waste removal are recorded as part of the asset in development cost of the mine. Subsequently, these costs are amortized over the useful life of the mine based on proven and probable reserves. After the start of the production phase from the mine, the stripping removal expenditures are treated as production costs.

p) *Leases*

The Company classifies its contracts as financial leases or operational leases based on the substance of the operation contracted may be or not linked to the substantial acquisition of risks and benefits from assets during their useful life.

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

q) Accounts payable to suppliers and contractors

Accounts payable to suppliers and contractors are obligations to pay for goods and services that were acquired in the ordinary course of business, and are initially recognized at fair value and subsequently measured at amortized cost using effective interest rate method.

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r) Loans and Financing

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

Compound financial instruments issued by the company which have financial liability (debt) components and Stockholders equity components, comprise notes mandatorily convertible into preferred or common stock.

The liability component of a compound financial instrument is initially recognized at fair value that is determined using discounted cash flow, considering the interest rate market for a debt instrument with similar characteristics (period, value, credit risk), but not convertible. After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method.

The Stockholders equity component is recognized by the difference between the total values received by the company with the issuance of the securities, net of transaction costs directly attributable to the issuance of the securities. After initial recognition, the stockholders equity component of a compound financial instrument is not measured again until the moment of his conversion.

s) Provision

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

t) Provision for asset retirement obligations

The provision made by the company refers basically to the cost of mine closure, by the completion of mining activities and disabling of assets related to mine. The provision is set up initially by recording long-term liabilities with a counterpart an item of main property, plant and equipment. The long-term liabilities are financially updated by the discount rate to date and registered against the income of the period, on the interest expenses. The asset is depreciated on a straight line by useful life rate of the main asset, and recorded against income.

u) Employee benefits

i. Current benefits wages, vacations and related taxes

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

ii. Current benefits profit sharing

The company has a policy of profit sharing, based on the achievement of individual performance goals, performance of the area and company. The company makes provision based on the periodic measurement of the compliance with goals, using the accrual basis and recognition of present obligation arising from past events in the estimated outflow of resources in the future. The counterpart of the provision is recorded as cost of sales or service rendered or operating expenses in accordance with the activity of the employee.

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

The company maintains several retirement plans for its employees.

For defined contribution plans, the company s obligation is limited to a monthly contribution linked to a pre-defined percentage over remuneration of employees related to these plans.

For defined benefit plans in which the company has the responsibility for or has some kind of risk, actuarial calculations are periodically obtained of liabilities determined in accordance with the Projected Unit Credit Method in order to estimate the liability for payment of those installments. The liability recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets, with adjustments for past service cost not recognized. Actuarial gain and loss are appointed and controlled by corridor method. This method separates the amounts which exceeds the limits of 10% of amounts of assets or liabilities, whichever is greater, amortizing it based on the remaining life expectancy active participants of plan. For plans without active participants, the excess amount is recognized fully in the income. Past service costs that arise with changes in plans are released immediately in income.

For plans with a surplus position, the company does not make any record in the balance sheet or statement of income, in the absence of a clear position on the use of this surplus. For plans with a deficit position, the company recognizes liabilities and results arising from the actuarial valuation and actuarial gains and losses generated by the evaluation of these plans in income, according to the corridor method.

iv. Non-current benefits non-current incentive

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

v) Derivative financial instruments and hedging operations

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

The company documents the relationship between hedging instruments and hedged items with the objective of risk management and strategy for carrying out hedging operations. The company also documents its assessment, both initially and continuously, that the derivatives used in hedging transactions are highly effective in their changes in fair value or cash flows of hedged items.

The variations in fair value of derivative financial instruments designated as cash flow hedges have their effective component recorded in other comprehensive income and recognized as stockholders equity; and their ineffective component recorded in income. The amounts recorded in other comprehensive income, will only be transferred to the income in an appropriate account (cost, operating expense or financial expense) when the hedged item is actually performed.

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w) Current and Deferred Income Tax and Social Contribution

The costs of income tax and social contribution are recognized in the statement of income, except for items recognized directly in other comprehensive income, in which cases the tax is also recognized in other comprehensive income.

The provision for income tax is calculated individually for each entity in the Group based on tax rates and tax rules in force in the location of the entity. The recognition of deferred taxes is based on temporary differences between carrying value and the value for tax basis of assets and liabilities and the tax losses and the basis for calculating social contribution, as it was considered likely their achievement against future taxable income. The deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against fiscal current liabilities and when the deferred income tax assets and liabilities are related to income taxes recorded by the same taxation authority on the same taxable entity.

x) Capital

The Company periodically practices the repurchase of shares to remain in treasury for future sale or cancellation. These shares are recorded in a specific account as reduction of stockholders´ equity at acquisition value and kept at cost value. These programs are approved by the Board with a term and quantities by determined type of shares.

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

y) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable by the trading of products and services in the ordinary course of business of the company. Revenue is presented net of taxes, repayment of rebates and discounts.

Revenues with product sales are recognized at the moment the transfer to the buyer of the significant risks and benefits related to the product occurs.

z) Government Grants and Support

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

aa) Basic and Diluted earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the company, deducted from the remuneration of holders of equity securities, the weighted average number of shares outstanding (total shares less treasury shares).

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all diluted potential shares. The Company has in its records, securities mandatorily convertible into shares, which will be converted using treasury shares held by the Company. These securities were recorded as an equity instrument, mainly because there is no option, both for the Company and for the holders to liquidate all or part of the transactions with financial resources and is therefore recognized in the accounts net of finance charges, such a specific component of the Stockholders Equity.

bb) Statement of Added Value DVA

The company publishes its consolidated and the parent company statements of added value (DVA) in accordance with the accounting practices adopted in Brazil applicable to public companies which are submitted as part of the financial statements in accordance with Brazilian accounting practices. For IFRS, this statement is presented as additional information, without prejudice to the set of financial statements.

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3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the use of certain critical accounting estimates and also the exercise of judgments by part of the Board of Directors of the company in the process for implementing of the accounting policies of the Group.

These estimates are based on the best knowledge existing in each period. Changes in facts and circumstances may lead to the revision of the estimates, because those actual future results may differ from estimates.

The significant estimates and assumptions used by management in preparing these financial statements are presented as such:

a) Mineral reserves and mine useful life

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

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

b) Asset Retirement

The company recognizes an obligation under the market value for asset retirement during the period in which they are incurred in accordance with Note 2(n). The company considers the accounting estimates related to reclamation and closure costs of a mine as a critical accounting policy because they involve significant values for the provision and it is estimated using several assumptions, such as interest rate, inflation, useful life of the asset considering the current state of depletion and the projected date of depletion of each mine. The estimates are revised each year.

c) Deferred income tax and social contribution

The company recognizes the effects of deferred taxes arising from tax losses and temporary differences on its consolidated and parent company s financial statements. It registers a provision for loss where it believes that tax credits are not fully recoverable in the future.

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

d) Contingencies

Contingent liabilities are recorded when the possibility of loss is considered probable by our legal department and their legal advisors.

The contingencies are recorded when the amount of loss can be reasonably estimated. By their nature, contingencies will be resolved when one or more future event occurs or fails to occur. Typically, the occurrence of such events does not depend on our performance, which complicates the realization of precise estimates about the date on which such events are verified.

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Assessing such liabilities, particularly in the uncertain Brazilian legal environment and other jurisdictions, involves the exercise of significant estimates and judgments of management regarding the results of future events.

e) Post-retirement benefits for employees

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

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

f) Impairment

The company annually tests the impairment of tangible and intangible assets segregated by cash-generating unit, usually using the criterion of discounted cash flow that depends on several estimates, which are influenced by market conditions prevailing at the time that this impairment is tested. Although the tests conducted in 2011 and 2010 have not generated recognition of loss, management believes it is not possible to determine whether new impairment losses will occur or not in the future.

g) Fair Value of the derivatives and others financial instruments

Fair value of not traded financial instruments in active market is determined by using valuation techniques. Vale uses its own judgment to choose the various methods and assumptions and set which are based on market conditions, at the end of the year.

The analysis of the impacts, if actual results were different from management s estimate, is presented in note 23 on the topic of sensitivity analysis.

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4. Accounting Pronouncements

The company prepared its consolidated financial statements in IFRS based on pronouncements already issued by the CPC and approved by CVM. The statements issued by the IASB, and not yet endorsed by the CVM will not be early adopted by the company.

a) Pronouncements, interpretations and guidelines issued and/or updated by the CPC during the year 2011

CPC 15 (R1) - Business combinations

CPC 19 (R1) - Investments in joint venture

CPC 20 (R1) - Borrowing costs - correlation to international accounting standards

CPC 21 (R1) - Interim financial statements - correlation to International accounting standards

CPC 26 (R1) - Presentation of Financial Statements

CPC 35 (R1) - Separate financial statements - correlation to international accounting standards

CPC 36 (R2) - Consolidated financial statements

ICPC 01 (R1) - Service concession arrangements

ICPC 17 - Service concession arrangements - disclosures

b) Statements and interpretations issued and / or updated by the IASB and not yet endorsed by the CVM, consequently not adopted by the company

IAS 01 - Presentation of financial statements
IAS 19 - Employee benefits
IAS 27 - Consolidated and separate financial statements
IAS 28 - Investments in associates and joint ventures
IFRS 09 - Financial instrument

IFRS 10 - Consolidated financial statements
IFRS 11 - Joint arrangements
IFRS 12 - Disclosure of interests in other entities

IFRS 13 - Fair value measurement
IFRIC 20 - Stripping costs in the production phase of a surface mine

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5 Risk Management

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

a) Risk management policy

The Board of Directors established a risk management policy in order to support the company s growth plan, strategic planning and business continuity, to improve its capital structure and assets management, to ensure flexibility and strength in financial management and to strengthen its corporate governance practices.

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

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

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

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

The Company might, whenever considered necessary, allocate limits for specific risks regarding management activities, including - but not limited to - market risk limits, corporate and sovereign credit, in accordance with the acceptable level of corporate risk limit.

b) Liquidity risk management

The liquidity risk arises from the possibility that Vale might not perform its obligations on due dates, as well as face difficulties to meet its cash requirements due to market liquidity constraints.

To mitigate such risk, Vale has a revolving credit facility to increase short term liquidity and to enable more efficiency in cash management, being consistent with the strategic focus on cost of capital reduction. The revolving credit facility available today was acquired from a syndicate of several global commercial banks.

c) Credit risk management

Vale s credit risk arises from potential negative impacts in its cash flows due to uncertainty in the ability of counterparties to meet their contractual obligations. To manage that risk, Vale has procedures and processes, such as the controlling of credit limits, the obligation of exposure diversification through several counterparties and the monitoring of the portfolio s credit risk.

Vale s counterparties can be divided into three main categories: the customers, responsible by obligations regarding receivables from payment term sales; financial institutions with whom Vale keeps its cash investments or negotiates derivatives transactions; and suppliers of equipment, products and services in the case of payments in advance.

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- **Commercial Credit Risk Management**

For the commercial credit exposure, which arises from sales to final customers, the risk management department, in accordance with the current delegation level, approves or request the approval of credit risk limits for each counterpart. Besides that, the Executive Board sets annually global credit risk limits and working capital limits, both monitored on a monthly basis.

Vale attributes an internal credit risk rating for each counterparty using its own quantitative methodology for credit risk analysis, based on three main sources of information: i) Expected Default Frequency (EDF) provided by KMV (Moody s); ii) credit ratings from the main international credit agencies; iii) customer financial statements from which financial ratios are built.

On December 31, 2011, 75% of the trade receivables have low or insignificant risk and 25% have moderate risk.

Whenever considered necessary, the quantitative credit risk analysis is complemented by a qualitative analysis which takes into consideration the payment history of that counterparty, its commercial relationship with Vale and the customer s strategic position in its economic sector, among others variables.

Based on the counterparty s credit risk or based on Vale´s consolidated credit risk profile, risk mitigation strategies are used to minimize the Company`s credit risk in order to meet the acceptable level of risk approved by the Executive Board. The main credit risk mitigation strategies used by the Company are credit insurance, mortgage, letter of credit and corporate guarantees, among others.

Vale has a well-diversified accounts receivable portfolio from a geographical standpoint, being China, Europe, Brazil and Japan the regions with more significant exposures. According to each region, different guarantees can be used to enhance the credit quality of the receivables.

Vale controls its account receivables portfolio through Credit and Cash Collection committees, in which representatives from risk management, cash collection and commercial departments monitor periodically each counterparty`s position. Finally, Vale has an automatic control that blocks additional sales to customers in default.

- **Treasury Credit Risk Management**

To manage the exposure arising from cash investments and derivatives instruments, the Executive Board approves annually credit limits by counterparty. Furthermore, the risk management department controls the portfolio diversification, the exposure due to counterparties` spread variations and the treasury portfolio overall credit risk. There s also a daily monitoring of all positions and monthly reporting to the Executive Risk Management Committee.

To calculate the exposure to a counterparty that has several derivative transactions with Vale, it`s considered the sum of exposures of each derivative acquired with this counterparty. The exposure for each derivative is defined as the potential future value calculated within the life of the derivative, considering a joint distribution of the market risk factors that affect the value of the derivative instrument.

Vale also assess the creditworthiness of its counterparties in treasury operations following an internal methodology similar to commercial credit risk management that aims to define a default probability for each counterparty.

Depending on the counterparty s nature (banks, insurance companies, countries or corporations), different inputs will be considered: i) expected default probability given by KMV; ii) CDS (Credit Default Swaps) and bond market spreads; iii) credit ratings defined by the main international rating agencies; iv) financial statements data and indicators analysis; v) country s debt ratios, fiscal and monetary policies and other useful measures for country s risk assessment.

d) Market risk management

Vale is exposed to the behavior of several market risk factors that might impact its cash flow. The evaluation of this potential impact, given the volatility of these factors and their correlations, is performed periodically to support the decision making process and the Company`s growth strategy, to ensure its financial flexibility and to monitor volatility on future cash flows.

Thus, whenever considered necessary, market risk mitigation strategies are evaluated and implemented to meet these objectives. Some of those strategies may incorporate financial instruments, including derivatives. The financial instruments

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portfolios are monthly monitored in a consolidated view in order to allow the financial results follow-up and the impact on cash flows, as well as to ensure the strategies adherence with the established goals.

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

- Interest rates;
- Foreign exchange;
- Products prices and input and other costs;

- **Foreign exchange and interest rate risk**

The company s cash flow is subjected to volatility of several currencies, once its product prices are predominantly indexed to US dollar, while most of the costs, disbursements and investments are indexed to other currencies, mainly Brazilian real and Canadian dollar.

In order to reduce the potential impact that arises from this currency mismatch, derivatives instruments can be used as a risk mitigation strategy.

In the case of cash flow foreign exchange protection regarding revenues, costs, disbursements and investments, the main risk mitigation strategies used are forwards and swaps.

The foreign exchange swaps used to mitigate risks considering debt instruments have similar or, in some cases, shorter settlement dates than the final maturity of the debt. Their amounts are similar to the principal and interest payments, subject to liquidity market conditions.

The swaps with shorter settlement dates considering the debt s final maturity are renegotiated through time so that their final maturity matches - or become closer - to the debt s final maturity. Therefore, at each settlement date, the swap results will partially offset the impact of the foreign exchange rate in Vale s obligations, contributing to reduce volatility of the cash flow.

In the case of debt instruments denominated in Brazilian real, in the event of an appreciation (or depreciation) of the Brazilian Real against the US Dollar, the negative (or positive) impact on Vale`s debt service (interest and/or principal payment) measured in US dollars will be partially offset by the positive (or negative) effect from the swaps, regardless of the US$/R$ exchange rate on the payment date. The same rationale is applicable to debts denominated in other currencies and their respective swaps.

Vale has also exposure to interest rates risks over loans and financings. The US Dollar floating rate debt in the portfolio consists mainly of loans including export pre-payments, commercial banks and multilateral organizations loans. In general, such debt instruments are indexed to the London Interbank Offered Rate - Libor. Considering the impact of interest rate volatility on the cash flow, Vale observes the potential natural hedges effects between US Dollar floating rates and commodities prices in the decision process of acquiring financial instruments.

- **Risk of product and Input prices**

Vale is also exposed to market risks regarding commodities prices and input volatilities. In accordance with risk management policy, risk mitigation strategies involving commodities can be used to adjust the cash flow risk profile and reduce Vale s cash flow volatility. For this kind of risk mitigation strategy, Vale uses predominantly forwards, futures or zero-cost collars.

e) Operational risk management

The operational risk management is the structured approach that Vale uses to manage uncertainty related to possible inadequate or failure in internal processes, people, systems and external events.

Thus, the operational risk mitigation is performed by creating new controls and improving the existing ones, by establishing financial provisions as well as the risk transferring through insurance. Therefore, the Company seeks to have a clear view of its major risks, of the best cost-benefit mitigation plans and of the controls in place, monitoring the potential impact of operational risk and allocating capital efficiently.

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f) Capital Management

The Company s policy aims, to manage its capital, to seek a structure that will ensure the continuity of your business in the long term. Within this perspective, the Company has been able to deliver value to stockholders through dividend payments, and at the same time maintain a debt profile suitable for its activities, with an amortization well distributed over the years, on average 9.81 years, thus avoiding a concentration in one specific year.

g) Insurance

Vale hires several types of insurance, such as operational risks insurance, civil responsibility, engineering risks insurance (projects), life insurance policy for their employees, among others. The coverage of these policies is similar to the ones used in general by the mining industry and is contracted in line with the objectives defined by the Company, in accordance with the corporate risk management policy.

Insurance management is performed with the support of existing insurance committees in the various operational areas of the Company. Among the management instruments, Vale uses a captive reinsurance company that allows to contract insurances on a competitive basis as well as direct access to key international markets of insurance and reinsurance.

6. Acquisitions and Disposals

a) Sales of aluminium assets

In February, 2011, Vale concluded the transaction announced in May 2010 with Norsk Hydro ASA (Hydro), to transfer all of its interests in ALBRAS - Alumínio Brasileiro S.A. (Albrás), ALUNORTE - Alumina do Norte do Brasil S.A. (Alunorte) and Companhia de Alumina do Pará (CAP), along with their respective off-take rights, outstanding commercial contracts, 60% of Mineração Paragominas S.A., and all of its other Brazilian bauxite mineral rights. In December 31,2010 theses assets were recognized in statement of financial position as of noncurrent assets held for sale.

For these transactions, Vale received R$ 1,802 in cash, and 22% equivalent to 447.834.465 of Hidro s outstanding common shares (approximately R$ 5,866 in accordance with Hidros s quotation of closing price on the date of the transaction). In three and five years after the conclusion of the transaction Vale will receive two equal tranches of R$ 374 (equivalent to US$ 200) in cash, related to the remaining payment of 40% of the Mineração Paragominas S.A. After the transaction date, the Hydro s investment is accounted for equity method.

The gain on this transaction, in the amount of R$2,492 was recorded in income as realized gain on assets available for sale.

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b) Fertilizers Businesses

In 2010, we acquired 78.92% of the total capital and 99.83% of the voting capital of Vale Fertilizantes and 100% of the total capital of Vale Fosfatados. In 2011 we concluded several transactions including a public offer to acquire the free floating shares of Vale Fertilizantes S.A. During this offer both the common and preferred shares were acquired for R$ 25.00 per share, amounting to a total of R$ 2.078 billion at the date the financial settlement of the transaction. After the public offering, we hold 99,05% of the total capital and 99,98% of voting capital of Vale Fertilizantes.

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

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

Purchase Price	**10,696**
Portion attributed to noncontrolling interest	1,416
Cost Value of proprerty, plant and equipment and mining assets	(3,665)
Cost value of the assets and liabilities assumed, net	(730)
Adjustment to fair value of property, plant and equipment	(9,499)
Adjustment to fair value of inventory	(181)
Deferred income taxes on above adjustments	3,291
Goodwill	**1,328**

c) Acquisition of NESA

In July 2011, we acquired 9% of Norte Energia S.A. (NESA) from Gaia Energia e Participações S.A. (Gaia) for R$ 110 (US$ 70). NESA was established with the sole purpose of implementing, operating and exploring the Belo Monte hydroelectric plant, which is still in the early development stage. Vale estimated an investment of R$ 2.300 (equivalent to US$ 1.2 billion) of future capital contributions arising from the acquired stake. Until December 31, 2011 the total capital contribution was R$ 137.

7. Cash and Cash Equivalents

	Consolidated		Parent Company	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Cash and bank accounts	2,031	1,212	177	59
Short-term investments	5,427	12,257	398	4,764
	7,458	**13,469**	**575**	**4,823**

Cash and cash equivalents includes cash values, demand deposits, and financial investments with insignificant risk of changes in value, being part Brazillian reais indexed the rate of interbank certificates of deposit (DI Rate our CDI) and part in US dollars in Time deposits with maturity less than three months.

8. Short-term investments

	Consolidated		Parent Company	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Time deposits	115	2,987		

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

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9. Accounts Receivables

	Consolidated		Parent Company	
	December 31, 2011	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**
Denominated in reais brazilian reals	2,158	1,861	2,238	1,595
Denominated in other currencies, mainly US$	14,275	12,297	13,699	16,904
	16,433	**14,158**	**15,937**	**18,499**
Allowance for doubtful accounts	(197)	(196)	(128)	(121)
	16,236	**13,962**	**15,809**	**18,378**

Accounts receivables related to steel industry market represent 67,9% and 75,9%, of receivables on December 31, 2011 and 2010, respectively

No customer alone represents over 10% of receivables or revenues.

The loss estimates for credit losses recorded in income as at December 31, 2011, and December 31, 2010 totaled R$3, R$40, respectively. We wrote off on December 31, 2011, and December 31, 2010, the total of R$2, R$66, respectively.

10. Inventories

	Consolidated		Parent Company	
	December 31, 2011	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**
Inventories of products				
Finished	4,964	3,101	2,170	1,535