Vale S.A.
Form 6-K
October 30, 2014
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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**

**October, 2014**

# 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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**Interim Financial Statements**

**September 30, 2014**

**IFRS**

Filed with the CVM, SEC and HKEx on

October 30, 2014

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**Vale S.A.**

**Index to the Interim Financial Statements**

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**Report of independent registered public accounting firm**

To the Board of Directors and Stockholders of

Vale S.A.

Rio de Janeiro - RJ

We have reviewed the accompanying condensed consolidated balance sheet of Vale S.A. ( the Company ) and its subsidiaries as of September 30, 2014 and the related condensed consolidated statements of income loss of comprehensive income loss and cash flows for the three and nine-month periods ended on September 30, 2014 and the condensed consolidated statement of changes in stockholders equity for the nine-month period then ended. These condensed consolidated financial statements are responsibility of 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 an audit opinion.

Based on our review, we are not aware of any material modification that should be made to the condensed consolidated financial statements referred above for them to be in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements of the Company as of and for the year ended December 31, 2013 and the condensed consolidated financial statement of the Company for the quarter ended September 30, 2013 presented for comparison purposes, were audited and reviewed by other independent auditors, who issued unqualified reports dated February 26, 2014 and November 6, 2013, respectively.

KPMG Auditores Independentes

Rio de Janeiro, Brazil

October 27, 2014

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**Condensed Consolidated Balance Sheet**

**In millions of United States Dollars**

| | Notes | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 7,882 | 5,321 |
| Short-term investments | | 450 | 3 |
| Derivative financial instruments | 24 | 144 | 201 |
| Accounts receivable | 9 | 3,359 | 5,703 |
| Related parties | 31 | 286 | 261 |
| Inventories | 10 | 4,826 | 4,125 |
| Prepaid income taxes | | 1,122 | 2,375 |
| Recoverable taxes | 11 | 1,836 | 1,579 |
| Advances to suppliers | | 148 | 125 |
| Others | | 604 | 918 |
| | | **20,657** | **20,611** |
| | | | |
| Non-current assets held for sale and discontinued operations | 6 | 610 | 3,766 |
| | | **21,267** | **24,377** |
| **Non-current assets** | | | |
| | | | |
| Related parties | 31 | 186 | 108 |
| Loans and financing agreements receivable | | 246 | 241 |
| Judicial deposits | 18 | 1,512 | 1,490 |
| Recoverable income taxes | | 428 | 384 |
| Deferred income taxes | 20 | 4,305 | 4,523 |
| Recoverable taxes | 11 | 392 | 285 |
| Derivative financial instruments | 24 | 116 | 140 |
| Deposit on incentive and reinvestment | | 65 | 191 |
| Others | | 1,403 | 738 |
| | | **8,653** | **8,100** |
| | | | |
| Investments | 12 | 4,659 | 3,584 |
| Intangible assets, net | 13 | 6,902 | 6,871 |
| Property, plant and equipment, net | 14 | 81,366 | 81,665 |
| | | **101,580** | **100,220** |
| **Total** | | **122,847** | **124,597** |

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**Condensed Consolidated Balance Sheet**

**In millions of United States Dollars**

**(continued)**

| | Notes | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Suppliers and contractors | | 4,067 | 3,772 |
| Payroll and related charges | | 1,189 | 1,386 |
| Derivative financial instruments | 24 | 696 | 238 |
| Loans and financing | 16 | 2,041 | 1,775 |
| Related parties | 31 | 130 | 205 |
| Income taxes settlement program | 19 | 483 | 470 |
| Taxes and royalties payable | | 607 | 327 |
| Provision for income taxes | | 354 | 378 |
| Employee postretirement obligations | 21(a) | 97 | 97 |
| Asset retirement obligations | 17 | 143 | 96 |
| Others | | 588 | 420 |
| | | **10,395** | **9,164** |
| | | | |
| Liabilities directly associated with non-current assets held for sale and discontinued operations | 6 | | 448 |
| | | **10,395** | **9,612** |
| **Non-current liabilities** | | | |
| Derivative financial instruments | 24 | 1,308 | 1,492 |
| Loans and financing | 16 | 27,245 | 27,670 |
| Related parties | 31 | 112 | 5 |
| Employee postretirement obligations | 21(a) | 1,980 | 2,198 |
| Provisions for litigation | 18 | 1,362 | 1,276 |
| Income taxes settlement program | 19 | 6,320 | 6,507 |
| Deferred income taxes | 20 | 3,255 | 3,228 |
| Asset retirement obligations | 17 | 2,554 | 2,548 |
| Participative stockholders debentures | 30(b) | 2,013 | 1,775 |
| Redeemable noncontrolling interest | | 255 | 276 |
| Gold stream transaction | 29 | 1,451 | 1,497 |
| Others | | 1,213 | 1,577 |
| | | **49,068** | **50,049** |
| **Total liabilities** | | **59,463** | **59,661** |
| | | | |
| **Stockholders equity** | 25 | | |
| | | 23,089 | 22,907 |

| | | |
|---|---|---|
| Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,027,127,718 (2,108,579,618 in 2013) issued | | |
| Common stock - 3,600,000,000 no-par-value shares authorized and 3,217,188,402 (3,256,724,482 in 2013) issued | 38,525 | 37,671 |
| Treasury stock - 59,405,792 (140,857,692 in 2013) preferred and 31,535,402 (71,071,482 in 2013) common shares | (1,477) | (4,477) |
| Results from operations with noncontrolling stockholders | (400) | (400) |
| Results on conversion of shares | (152) | (152) |
| Unrealized fair value gain (losses) | (1,100) | (1,202) |
| Cumulative translation adjustments | (22,071) | (20,588) |
| Retained earnings and revenue reserves | 25,685 | 29,566 |
| **Total company stockholders equity** | **62,099** | **63,325** |
| Noncontrolling stockholders interests | 1,285 | 1,611 |
| **Total stockholders equity** | **63,384** | **64,936** |
| **Total liabilities and stockholders equity** | **122,847** | **124,597** |

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

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**Condensed Consolidated Statement of Income**

**In millions of United States Dollars, except as otherwise stated**

| | | (unaudited) | | | |
|---|---|---|---|---|---|
| | | Three-month period ended | | Nine-month period ended | |
| | Notes | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| **Continuing operations** | | | | | |
| Net operating revenue | 26 | 9,062 | 12,333 | 28,467 | 33,642 |
| Cost of goods sold and services rendered | 27(a) | (6,501) | (6,266) | (18,172) | (17,587) |
| **Gross profit** | | **2,561** | **6,067** | **10,295** | **16,055** |
| | | | | | |
| **Operating (expenses) income** | | | | | |
| Selling and administrative expenses | 27(b) | (274) | (300) | (793) | (964) |
| Research and evaluation expenses | | (194) | (202) | (499) | (529) |
| Pre operating and stoppage operation | | (284) | (551) | (796) | (1,388) |
| Other operating expenses, net | 27(c) | (184) | (277) | (566) | (644) |
| | | **(936)** | **(1,330)** | **(2,654)** | **(3,525)** |
| Impairment of non-current assets | 15 | | | (774) | |
| **Operating income** | | **1,625** | **4,737** | **6,867** | **12,530** |
| | | | | | |
| Financial income | 28 | 1,121 | 435 | 3,668 | 1,911 |
| Financial expenses | 28 | (4,489) | (936) | (6,946) | (6,087) |
| Equity results from associates and joint ventures | 12 | 35 | 128 | 474 | 353 |
| Results on sale or disposal of investments from associates and joint ventures | | (43) | | (61) | |
| **Net income (loss) before income taxes** | | **(1,751)** | **4,364** | **4,002** | **8,707** |
| | | | | | |
| **Income taxes** | 20 | | | | |
| Current tax | | 65 | (1,410) | (1,414) | (2,759) |
| Deferred tax | | 258 | 510 | (255) | 1,003 |
| | | **323** | **(900)** | **(1,669)** | **(1,756)** |
| **Net income (loss) from continuing operations** | | **(1,428)** | **3,464** | **2,333** | **6,951** |
| Net income (loss) attributable to noncontrolling interests | | 9 | (50) | (173) | (141) |
| **Net income (loss) attributable to the Company s stockholders** | | **(1,437)** | **3,514** | **2,506** | **7,092** |
| | | | | | |
| **Discontinued Operations** | | | | | |
| Loss from discontinued operations | | | (12) | | (57) |
| | | | **(12)** | | **(57)** |

| | | | | | |
|---|---|---|---|---|---|
| **Loss attributable to the Company s stockholders** | | | | | |
| | | | | | |
| **Net income (loss)** | | **(1,428)** | **3,452** | **2,333** | **6,894** |
| Net income (loss) attributable to noncontrolling interests | | 9 | (50) | (173) | (141) |
| **Net income (loss) attributable to the Company s stockholders** | | **(1,437)** | **3,502** | **2,506** | **7,035** |
| | | | | | |
| **Earnings per share attributable to the Company s stockholders:** | 25(c) | | | | |
| **Basic and diluted earnings per share:** | | | | | |
| Preferred share | | (0.28) | 0.68 | 0.49 | 1.37 |
| Common share | | (0.28) | 0.68 | 0.49 | 1.37 |

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

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**Condensed Consolidated Statement of Comprehensive Income**

**In millions of United States Dollars**

| | (unaudited) | | | |
|---|---|---|---|---|
| | Three-month period ended | | Nine-month period ended | |
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| **Net income (loss)** | **(1,428)** | **3,452** | **2,333** | **6,894** |
| **Other comprehensive income** | | | | |
| **Item that will not be reclassified subsequently to income** | | | | |
| **Cumulative translation adjustments** | **(7,093)** | **208** | **(2,895)** | **(6,413)** |
| | | | | |
| **Retirement benefit obligations** | | | | |
| Gross balance for the period | 4 | 102 | 110 | (58) |
| Effect of taxes | (3) | (34) | (24) | 27 |
| Equity results from associates and joint ventures, net taxes | | | 1 | |
| | **1** | **68** | **87** | **(31)** |
| **Total items that will not be reclassified subsequently to income** | **(7,092)** | **276** | **(2,808)** | **(6,444)** |
| | | | | |
| **Item that will be reclassified subsequently to income** | | | | |
| **Cumulative translation adjustments** | | | | |
| Gross balance for the period | **3,591** | **114** | **1,218** | **2,772** |
| | | | | |
| **Unrealized results on available-for-sale investments** | | | | |
| Gross balance for the period | (4) | 50 | (4) | (236) |
| Transfer results realized to the net income | 4 | | 4 | |
| | | **50** | | **(236)** |
| | | | | |
| **Cash flow hedge** | | | | |
| Gross balance for the period | (55) | 63 | 10 | (53) |
| Effect of taxes | 2 | (8) | (2) | 6 |
| Equity results from associates and joint ventures, net taxes | (2) | 1 | 5 | (1) |
| Transfer of realized results to income, net of taxes | (12) | (21) | (43) | (21) |
| | **(67)** | **35** | **(30)** | **(69)** |
| **Total of items that will be reclassified subsequently to income** | **3,524** | **199** | **1,188** | **2,467** |

| | | | | |
|---|---|---|---|---|
| **Total comprehensive income (loss)** | **(4,996)** | **3,927** | **713** | **2,917** |
| Comprehensive income (loss) attributable to noncontrolling interests | 13 | (52) | (161) | (198) |
| **Comprehensive income (loss) attributable to the Company s stockholders** | **(5,009)** | **3,979** | **874** | **3,115** |

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

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**Condensed Consolidated Statement of Changes in Stockholders Equity**

**In millions of United States Dollars**

| | | | | | | Nine-month period ended | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Capital** | **Results on conversion of shares** | **Results from operation with noncontrolling stockholders** | **Revenue reserves** | **Treasury stock** | **Unrealized fair value gain (losses)** | **Cumulative translation adjustments** | **Retained earnings** | **Total Company stockholder s equity** | **Noncontrolling stockholders interests** | **Tota stockhol equit** |
| **December 31, 2012** | **60,578** | **(152)** | **(400)** | **38,389** | **(4,477)** | **(2,044)** | **(18,663)** | **8** | **73,239** | **1,588** | **74** |
| **Net income** | | | | | | | | **7,035** | **7,035** | **(141)** | **6** |
| **Other comprehensive income:** | | | | | | | | | | | |
| Retirement benefit obligations | | | | | | (31) | | | (31) | | |
| Cash flow hedge | | | | | | (69) | | | (69) | | |
| Unrealized fair value results | | | | | | (236) | | | (236) | | |
| Translation adjustments | | | | (3,210) | | 96 | (406) | (64) | (3,584) | (57) | (3 |
| **Contribution and distribution to stockholders:** | | | | | | | | | | | |
| Capitalization of noncontrolling stockholders advances | | | | | | | | | | 10 | |
| Redeemable noncontrolling stockholders interest | | | | | | | | | | 61 | |
| Dividends to noncontrolling stockholders | | | | | | | | | | (55) | |
| Dividends and interest on capital to Company s stockholders | | | | | | | | (2,250) | (2,250) | | (2 |
| | **60,578** | **(152)** | **(400)** | **35,179** | **(4,477)** | **(2,284)** | **(19,069)** | **4,729** | **74,104** | **1,406** | **75** |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **September 30, 2013 (unaudited)** | | | | | | | | | | | |
| | | | | | | | | | | | |
| **December 31, 2013** | **60,578** | **(152)** | **(400)** | **29,566** | **(4,477)** | **(1,202)** | **(20,588)** | | **63,325** | **1,611** | **64** |
| **Net income** | | | | | | | | **2,506** | **2,506** | **(173)** | **2** |
| **Other comprehensive income:** | | | | | | | | | | | |
| Retirement benefit obligations | | | | | | 87 | | | 87 | | |
| Cash flow hedge | | | | | | (30) | | | (30) | | |
| Translation adjustments | | | | (287) | | 45 | (1,483) | 36 | (1,689) | 12 | (1 |
| **Contribution and distribution to stockholders:** | | | | | | | | | | | |
| Acquisitions and disposal of noncontrolling stockholders | | | | | | | | | | (248) | |
| Capitalization of reserves | 1,036 | | | (1,036) | | | | | | | |
| Capitalization of noncontrolling stockholders advances | | | | | | | | | | 90 | |
| Cancellation of treasury stock | | | | (3,000) | 3,000 | | | | | | |
| Dividends to noncontrolling stockholders | | | | | | | | | | (7) | |
| Dividends and interest on capital to Company s stockholders | | | | | | | | (2,100) | (2,100) | | (2 |
| **September 30, 2014 (unaudited)** | **61,614** | **(152)** | **(400)** | **25,243** | **(1,477)** | **(1,100)** | **(22,071)** | **442** | **62,099** | **1,285** | **63** |

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

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**Condensed Consolidated Statement of Cash Flow**

**In millions of United States Dollars**

| | (unaudited) | | | |
|---|---|---|---|---|
| | Three-month period ended | | Nine-month period ended | |
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| **Cash flow from continuing operating activities:** | | | | |
| Net income (loss) from continuing operations | (1,428) | 3,464 | 2,333 | 6,951 |
| **Adjustments to reconcile net income with cash from continuing operations** | | | | |
| Equity results from associates and joint ventures | (35) | (128) | (474) | (353) |
| Results on sale or disposals of investments from associates and joint controlled entities | 43 | | 61 | |
| Loss on disposal of property, plant and equipment | 39 | 60 | 334 | 207 |
| Impairment on non-current assets | | | 774 | |
| Depreciation, amortization and depletion | 1,119 | 1,007 | 3,046 | 3,056 |
| Deferred income taxes | (258) | (510) | 255 | (1,003) |
| Foreign exchange and indexation, net | 870 | 29 | 396 | 535 |
| Unrealized derivative losses, net | 863 | (134) | 386 | 911 |
| Participative stockholders debentures | 56 | 106 | 346 | 355 |
| Other | 43 | 128 | 373 | 135 |
| **Decrease (increase) in assets:** | | | | |
| Accounts receivable | 645 | (567) | 2,439 | 853 |
| Inventories | 128 | (171) | (472) | (84) |
| Recoverable taxes | (474) | 15 | 704 | (128) |
| Other | 444 | 2 | 560 | 126 |
| **Increase (decrease) in liabilities:** | | | | |
| Suppliers and contractors | 418 | 71 | 510 | (34) |
| Payroll and related charges | 259 | 254 | (130) | (195) |
| Taxes and contributions | (169) | 927 | (190) | 1,003 |
| Gold stream transaction | | | | 1,319 |
| Other | 379 | (475) | 367 | (705) |
| **Net cash provided by operating activities from continuing operations** | **2,942** | **4,078** | **11,618** | **12,949** |
| Net cash provided by operating activities from discontinued operations | | 241 | | 175 |
| **Net cash provided by operating activities** | **2,942** | **4,319** | **11,618** | **13,124** |
| **Cash flow from continuing investing activities:** | | | | |
| Short-term investments | (450) | 447 | (447) | 281 |
| Loans and advances | 295 | 1 | 363 | (60) |
| Guarantees and deposits | (57) | (32) | (105) | (74) |
| Additions to investments | (23) | (146) | (220) | (351) |

| | | | | |
|---|---|---|---|---|
| Additions to property, plant and equipment and intangible assets | (3,269) | (3,006) | (8,364) | (9,469) |
| Dividends and interest on capital received from associates and joint ventures | 260 | 63 | 479 | 335 |
| Proceeds from disposal of assets\ Investments | 929 | | 1,246 | 95 |
| Proceeds from Gold stream transaction | | | | 581 |
| **Net cash used in investing activities from continuing operations** | **(2,315)** | **(2,673)** | **(7,048)** | **(8,662)** |
| Net cash used in investing activities from discontinued operations | | (128) | | (604) |
| **Net cash used in investing activities** | **(2,315)** | **(2,801)** | **(7,048)** | **(9,266)** |
| **Cash flow from continuing financing activities:** | | | | |
| **Loans and financing** | | | | |
| Additions | 718 | 174 | 1,379 | 1,242 |
| Repayments | (563) | (466) | (1,094) | (1,478) |
| **Repayments to stockholders:** | | | | |
| Dividends and interest on capital paid to stockholders | | | (2,100) | (2,250) |
| Dividends and interest on capital attributed to noncontrolling interest | (11) | | (11) | (10) |
| **Net cash provided by (used in) financing activities from continuing operations** | **144** | **(292)** | **(1,826)** | **(2,496)** |
| Net cash provided by financing activities from discontinued operations | | | | 87 |
| **Net cash provided by (used in) used in financing activities** | **144** | **(292)** | **(1,826)** | **(2,409)** |
| Increase in cash and cash equivalents | 771 | 1,226 | 2,744 | 1,449 |
| Cash and cash equivalents in the beginning of the period | 7,065 | 5,887 | 5,321 | 5,832 |
| Effect of exchange rate changes on cash and cash equivalents | 46 | 8 | (183) | (160) |
| **Cash and cash equivalents at end of the period** | **7,882** | **7,121** | **7,882** | **7,121** |
| **Cash paid during the period for (i):** | | | | |
| Interest on loans and financing | (438) | (365) | (1,236) | (1,160) |
| Income taxes | (81) | (416) | (307) | (1,594) |
| Income taxes - settlement program | (136) | | (383) | |
| **Non-cash transactions:** | | | | |
| Additions to property, plant and equipment - interest capitalization | 211 | 48 | 404 | 205 |

(i) Amounts paid are classified as cash flows from operating activities.

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

**Selected Notes to Condensed Consolidated Interim Financial Statements**

**Expressed in millions of United States Dollars, unless otherwise stated**

## 1. Operational Context

Vale S.A. (the Parent Company ) is a public company headquartered at 26, Av. Graça Aranha, Rio de Janeiro, Brazil with securities traded on the Brazilian ( BM&F BOVESPA ), New York ( NYSE ), Paris ( NYSE Euronext ) and Hong Kong ( HKEx ) stock exchanges.

Vale S.A. and its direct and indirect subsidiaries ( Vale , Group , Company or we ) are principally engaged in the research, production and sale of iron ore and pellets, nickel, fertilizer, copper, coal, manganese, ferroalloys, cobalt, platinum group metals and precious metals. The Company also operates in the segments of energy and steel. The information by segment is presented in Note 26.

## 2. Summary of the Main Accounting Practices and Accounting Estimates

### a) Basis of presentation

The condensed consolidated interim financial statements of the Company ( Interim Financial Statements ) have been prepared in accordance with IAS 34 of International Financial Reporting Standards ( IFRS ) as adopted by the International Accounting Standards Board ( IASB ).

The condensed consolidated interim financial statements have been prepared under the historical cost convention as adjusted to reflect: (i) the fair value of held for trade financial instruments measured at fair value through the Statement of Income and also available for sale financial instruments measured at fair value through the Statement of Comprehensive Income; and (ii) the impairment loss.

These condensed consolidated interim financial statements have been reviewed, not audited. However, principles, estimates, accounting practices, measurement methods and standards adopted are consistent with those presented on the financial statements for the year ended December 31, 2013. These condensed consolidated interim financial statements were prepared by Vale to update users about relevant information presented in the period and should be read in conjunction with the financial statements for the year ended December 31, 2013.

We evaluated subsequent events through October 27, 2014, which was the date when the condensed consolidated interim financial statement were approved by the Executive officers.

**b) Functional currency and presentation currency**

The condensed consolidated interim financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates ( functional currency ), which in the case of the Parent Company is the Brazilian Real ( BRL or R$ ). For presentation purposes, these condensed consolidated Interim financial statements are presented in United States Dollars ( USD or US$ ) because in our understanding this is the way international investors analyze our interim financial statements in order to take their decisions.

Operations in other currencies are translated into the functional currency of each entity using the actual exchange rates in force on the respective transactions dates. The foreign exchange gains and losses resulting from the translation at the exchange rates in force at the end of the period are recognized in the Statement of Income as financial expense or income. The exceptions are transactions for which gains and losses are recognized in the Statement of Comprehensive Income.

Statement of Income and Balance Sheet of all Group entities whose functional currency is different from the presentation currency are translated into the presentation currency as follows: (i) Assets, liabilities and Stockholders equity (except components described in item (iii)) for each Balance Sheet presented are translated at the closing rate at the Balance Sheet date; (ii) income and expenses for each Statement of Income are translated at the average exchange rates, except for specific transactions that, considering their significance, are translated at the rate at the transaction date and; (iii) capital, capital reserves and treasury stock are translated at the rate at the date of each transaction. All resulting exchange differences are recognized in a separate component of the Statement of Comprehensive Income, the Cumulative Translation Adjustment account, and subsequently transferred to the Statement of Income when the assets are realized.

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The exchange rates of the major currencies that impact our operations against the functional currency, Brazilian Real, were:

| | Exchange rates used for conversions in Brazilian Reais | | | |
|---|---|---|---|---|
| | Exchange rate as of | | Average rate for the nine-months period ended | |
| | September 30, 2014 (unaudited) | December 31, 2013 | September 30, 2014 (unaudited) | September 30, 2013 (unaudited) |
| US Dollar - US$ | 2.4510 | 2.3426 | 2.2893 | 2.1222 |
| Canadian Dollar - CAD | 2.1870 | 2.2031 | 2.0933 | 2.0715 |
| Australian Dollar - AUD | 2.1409 | 2.0941 | 2.1016 | 2.0733 |
| Euro - EUR or | 3.0954 | 3.2265 | 3.1010 | 2.7956 |

**3. Critical Accounting Estimates**

The critical accounting estimates are the same as those adopted in preparing the financial statements for the year ended December 31, 2013, with the exception of the following standards and interpretations adopted in 2014 (as described in Note 4).

**4. Accounting Standards**

**a) Standards, interpretations or amendments issued by the IASB and effective from January 1, 2014**

**Novation of Derivatives and Continuation of Hedge Accounting** In June 2013 IASB issued an amendment to IAS 39 Financial Instruments: Recognition and Measurement, that document concludes that hedge accounting does not terminate or expire when a derivative financial instrument replaces its original counterparty to become the new counterparty to each of the parties as a consequence of law or regulation. This standard has no material effect on these financial statements.

**IFRIC 21 Levies** In May 2013 IASB issued an interpretation about the recognition of a government imposition (levies). This standard has no material effect on these financial statements.

**Recoverable Amount Disclosures for Non-Financial Assets** In May 2013 IASB issued an amendment to IAS 36 Impairment of Asset that clarifies the IASB intention about the disclosure of non- financial assets impairment. This standard has no material effect on these financial statements.

**b) Standards, interpretations or amendments issued by the IASB in the period and effective after January 1, 2014**

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** In September 2014 the IASB issued narrow-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of the amendment will be required from January 1, 2016 and we are analyzing potential impacts regarding this update on our financial statements.

**Equity Method in Separate Financial Statements** In August 2014 the IASB issued an amendment to IAS 27, which allows an entity to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The IASB clarifies that the changes will help some jurisdictions to register in their separate IFRS financial statements, reducing compliance costs without reducing the information available to investors. The adoption will be required for annual periods beginning from January 1, 2016 with retrospective application. The Vale group already uses in its individual financial statements the equity method of accounting to record investments in subsidiaries, joint ventures and associates.

**Accounting for Acquisitions of Interests in Joint Operations** In May 2014 the IASB issued an amendment to IFRS 11 - Joint Arrangements, to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The adoption of the amendment will be required from January 1, 2016 and we are analyzing potential impacts regarding this update on our financial statements.

**Clarification of Acceptable Methods of Depreciation and Amortization** In May 2014 the IASB issued an amendment to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets, established the pattern of consumption of an asset´s expected future economic benefits as acceptable methods of depreciation and amortization of assets. The IASB clarifies that the use of methods based on revenues to calculate the depreciation of an asset and also to measure the consumption of the economic benefits embodied in an intangible asset, are not appropriate. The adoption of the amendment will be required from January 1, 2016 and we are analyzing potential impacts regarding this update on our financial statements.

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**IFRS 15 Revenue from Contracts with Customers -** In May 2014 the IASB issued IFRS 15 statement - Revenue from Contracts with customers, sets out the requirements for revenue recognition that apply to all contracts with customer (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments), and replaces the current pronouncements IAS 18 - revenue, IAS 11 - Construction contracts and interpretations related to revenue recognition. The principle core in that framework is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The adoption will be required from January 1, 2017 and is worth analyzing potential impacts regarding this pronouncement on our financial statements.

## 5. Risk management

During the period there was no significant change in relation to risk management policies disclosed in the financial statements for the year ended December 31, 2013.

## 6. Non-current assets and liabilities held for sale and discontinued operations

Described below assets and liabilities held for sale and discontinued operations reclassified during the period:

| | September 30, 2014 (unaudited) | December 31, 2013 | | |
|---|---|---|---|---|
| | Energy | General Cargo - Logistic | Energy | Total |
| **Assets held for sale and discontinued operation** | | | | |
| Accounts receivable | | 141 | | 141 |
| Other current assets | | 271 | | 271 |
| Investments | 87 | | 79 | 79 |
| Intangible, net | | 1,687 | | 1,687 |
| Property, plant and equipment, net | 523 | 1,027 | 561 | 1,588 |
| **Total assets** | **610** | **3,126** | **640** | **3,766** |
| | | | | |
| **Liabilities associated with assets held for sale and discontinued operation** | | | | |
| Suppliers and contractors | | 85 | | 85 |
| Payroll and related charges | | 61 | | 61 |
| Other current liabilities | | 112 | | 112 |
| Other non-current liabilities | | 190 | | 190 |
| **Total liabilities** | | **448** | | **448** |

| | | | | |
|---|---|---|---|---|
| **Assets and liabilities from discontinued operation** | **610** | **2,678** | **640** | **3,318** |

**Energy generation assets**

In December 2013, the company signed agreements with CEMIG Geração e Transmissão S.A. ( CEMIG GT ), as follow : (i) to sell 49% of its stake of 9% in Norte Energia S.A.( Norte Energia ), the company in charge of the construction, operation and exploration of the Belo Monte Hydroelectric ( Belo Monte ) facility , and (ii) to create a joint venture named Aliança Geração de Energia S/A ( Aliança ) to be constituted by Vale and CEMIG GT through contribution of the holdings to the following power generation assets: Porto Estrela, Igarapava, Funil, Capim Branco I and II, Aimorés and Candonga. No cash will be disbursed as part of the transaction. Vale and CEMIG GT will hold respectively 55% and 45% of the new company, which will supply energy to Vale operations, previously guaranteed by its own generation plant, ensured by a long-term contract.

The operation above is still pending approval from Brazilian Electricity Regulatory Agency ( Agência Nacional de Energia Elétrica or ANEEL ). The assets were transferred to assets held for sale with no impact in the Statement of Income.

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**7. Acquisitions and divestitures**

**a) Vale Florestar**

Vale signed an agreement with a subsidiary of Suzano Papel e Celulose S.A ( Suzano ), a Company that produces eucalyptus pulp, for the sale of this entire stake in Vale Florestar Fundo de Investimento em Participações ( FIP Vale Florestar ) for US$93 (R$205). The approval of this transaction by the Conselho Administrativo de Defesa Econômica ( CADE ) was in July, 2014.

The loss of this transaction, of US$30 (R$68) was recorded in the Statement of income in the line Results on sale or disposal of investments from associates and joint ventures .

**b) General Cargo Logistic**

At the end of 2013, Vale entered to an agreement to dispose of control over its subsidiary VLI S.A. ( VLI ), which aggregates all operations of the General Cargo logistic segment. As a consequence, on beginning of January 1, 2014, the investment in VLI has been accounted as an investment in associate (Note 12).

In April 2014, Vale finalized the sale of 35.9% of its stake in VLI capital to Mitsui & Co., Ltd and to Fundo de Investimento do Fundo de Garantia de Tempo de Serviço ( FGTS ) for the amount of US$1,197 of, which US$896 was settled through capital contribution directly in VLI.

In August 2014, Vale completed the transaction of sale of 26.5% of its stake in VLI to a fund of Brookfield Asset Management Inc. ( Brookfield ) for US$908 (R$2,000). As a result of the completion of this transaction, Vale now holds 37.6% of VLI s total stockholder s equity.

**8. Cash and cash equivalents**

| | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| Cash and bank deposits | 2,865 | 1,558 |
| Short-term investments | 5,017 | 3,763 |
| | **7,882** | **5,321** |

Cash and cash equivalents includes cash, immediately redeemable deposits and short-term investments with an insignificant risk of changes in value and readily convertible to cash, part in Brazilian Real, indexed to the Brazilian Interbank Interest rate ( DI Rate or CDI ) and part denominated in US Dollar, mainly time deposits.

## 9. Accounts receivable

| | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| Denominated in BRL | 757 | 509 |
| Denominated in other currencies, mainly US$ | 2,697 | 5,283 |
| | **3,454** | **5,792** |
| | | |
| Allowance for credit losses | (95) | (89) |
| | **3,359** | **5,703** |

Accounts receivable related to the steel sector represented 62.80% and 79.70% of total receivables on September 30, 2014 and December 31, 2013, respectively.

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

The estimated losses related to accounts receivable recorded in the Statement of Income for the three-month period ended September 30, 2014 and 2013 totaled US$2 and US$18 and nine-month period ended totaled US$(21) and US$27, respectively. Disposals in three-month period ended at September 30, 2014 and September 30, 2013 totaled US$5 and US$9 and nine-month period ended totaled US$24 and US$28.

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**10. Inventories**

Inventories are comprised as follows:

| | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| **Inventories of products** | | |
| **Bulk Material** | | |
| Iron ore | 1,247 | 646 |
| Pellets | 126 | 88 |
| Manganese and ferroalloys | 88 | 75 |
| | **1,461** | **809** |
| Coal | 241 | 318 |
| | **1,702** | **1,127** |
| **Base Metals** | | |
| Nickel and other products | 1,486 | 1,398 |
| Copper | 50 | 23 |
| | **1,536** | **1,421** |
| **Fertilizers** | | |
| Potash | 7 | 8 |
| Phosphates | 258 | 313 |
| Nitrogen | 18 | 19 |
| | **283** | **340** |
| **Others products** | **9** | **8** |
| **Total of inventories of products** | **3,530** | **2,896** |
| | | |
| **Inventories of material supplies** | **1,296** | **1,229** |
| **Total** | **4,826** | **4,125** |

On September 30, 2014 and December 31, 2013 the balances included a provision to adjust inventories at market value for nickel in the amount of US$0 and US$14, respectively; manganese in the amount of US$1 and US$1, respectively; and coal in the amount of US$169 and US$117, respectively.

| | (unaudited) | | | |
|---|---|---|---|---|
| | Three-month period ended | | Nine-month period ended | |
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| **Inventories of products** | | | | |
| **Balance at beginning of the period** | **3,586** | **3,742** | **2,896** | **3,597** |
| Production/acquisition | 6,052 | 4,759 | 16,734 | 14,799 |

| | | | | |
|---|---|---|---|---|
| Transfer from inventory of materials supplies | 799 | 1,055 | 2,424 | 2,971 |
| Cost of goods sold | (6,501) | (6,266) | (18,172) | (17,587) |
| Provision/ reversal of the disposals of lower cost or market value adjustment (a) | (19) | | (170) | (124) |
| Translation adjustments | (387) | (13) | (182) | (379) |
| **Balance at end of the period** | **3,530** | **3,277** | **3,530** | **3,277** |

(a) Includes provision for market value adjustments

| | (unaudited) | | | |
|---|---|---|---|---|
| | Three-month period ended | | Nine-month period ended | |
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| **Inventory of materials supplies** | | | | |
| **Balance at beginning of the period** | **1,400** | **1,278** | **1,229** | **1,455** |
| Acquisition | 829 | 1,062 | 2,550 | 2,935 |
| Transfer to inventories of products | (799) | (1,055) | (2,424) | (2,971) |
| Translation adjustments | (134) | (1) | (59) | (135) |
| **Balance at end of the period** | **1,296** | **1,284** | **1,296** | **1,284** |

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## 11. Recoverable Taxes

| | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| Value-added tax | 1,339 | 1,129 |
| Brazilian federal contributions | 840 | 680 |
| Others | 49 | 55 |
| **Total** | **2,228** | **1,864** |
| | | |
| Current | 1,836 | 1,579 |
| Non-current | 392 | 285 |
| **Total** | **2,228** | **1,864** |

## 12. Investments

The changes of investments in associates and joint ventures are as follow:

| | (unaudited) | | | |
|---|---|---|---|---|
| | Three-month period ended | | Nine-month period ended | |
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| **Balance at beginning of the period** | **5,108** | **3,775** | **3,584** | **6,384** |
| Additions | 19 | 78 | 208 | 351 |
| Disposals | (31) | | (31) | |
| Transfer - Control acquisition | | | 79 | |
| Translation adjustment for the period | (448) | 20 | (212) | (399) |
| Equity results | 35 | 128 | 474 | 353 |
| Equity on other comprehensive income | | 1 | 2 | (205) |
| Dividends declared | (12) | (40) | (590) | (585) |
| Transfers to held for sale/ financial instruments - investments (a) | (12) | | (110) | (1,937) |
| Transfers from held for sale (b) | | | 1,255 | |
| **Balance at end of the period** | **4,659** | **3,962** | **4,659** | **3,962** |

(a) The transfers to held for sale refers to investments in Vale Florestar of US$110 in 2014 and to investments in Hydro of US$1,937 in 2013.

(b) The transfers from held for sale refers to investments in VLI of US$1,255.

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**Investments (Continued)**

| Entities | Location | Relationship | % ownership | % voting capital | Investments As of September 30, 2014 | Investments As of December 31, 2013 | Equity results (unaudited) Three-month period ended September 30, 2014 | Equity results (unaudited) Three-month period ended September 30, 2013 | Equity results (unaudited) Nine-month period ended September 30, 2014 | Equity results (unaudited) Nine-month period ended September 30, 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bulk Material** | | | | | | | | | | |
| **Iron Ore and pellets** | | | | | | | | | | |
| Baovale Mineração S.A. - BAOVALE | Brazil | Joint venture | 50.00 | 50.00 | 22 | 24 | 2 | | 3 | 3 |
| Companhia Nipo-Brasileira de Pelotização - NIBRASCO (c) | Brazil | Joint Venture | 51.00 | 51.11 | 171 | 159 | 22 | 2 | 56 | 7 |
| Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS (c) | Brazil | Joint Venture | 50.89 | 51.00 | 81 | 83 | 5 | | 13 | (2) |
| Companhia Coreano-Brasileira de Pelotização - KOBRASCO | Brazil | Joint Venture | 50.00 | 50.00 | 91 | 91 | 6 | 5 | 22 | 9 |
| Companhia Ítalo-Brasileira de Pelotização - ITABRASCO (c) | Brazil | Joint Venture | 50.90 | 51.00 | 67 | 62 | 6 | 3 | 14 | 3 |
| MRS Logística S.A. (f) | Brazil | Joint Venture | 47.59 | 46.75 | 551 | 564 | 20 | 32 | 55 | 68 |
| Minas da Serra Geral S.A. - MSG | Brazil | Joint Venture | 50.00 | 50.00 | 21 | 22 | 1 | 1 | | 2 |
| Samarco Mineração S.A. (d) | Brazil | Joint Venture | 50.00 | 50.00 | 357 | 437 | 34 | 144 | 385 | 376 |
| Tecnored Desenvolvimento Tecnológico S.A. (b), (h) | Brazil | | | | | 38 | | (2) | (1) | (7) |
| Zhuhai YPM Pellet Co | China | Associate | 25.00 | 25.00 | 23 | 25 | | | | |
| | | | | | **1,384** | **1,505** | **96** | **185** | **547** | **459** |
| **Coal** | | | | | | | | | | |
| Henan Longyu Energy Resources Co., Ltd | China | Associate | 25.00 | 25.00 | 382 | 357 | 7 | 15 | 27 | 36 |
| **Base Metals** | | | | | | | | | | |
| **Copper** | | | | | | | | | | |
| Teal Minerals Incorporated | Zambia | Associate | 50.00 | 50.00 | 204 | 228 | (13) | (9) | (25) | (15) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Nickel** | | | | | | | | | | |
| Korea Nickel Corp | Korea | Associate | 25.00 | 25.00 | 22 | 22 | | (1) | | (2) |
| | | | | | | | | | | |
| **Others** | | | | | | | | | | |
| **General Cargo Logistic** | | | | | | | | | | |
| VLI S.A. (e) | Brazil | Associate | 37.61 | 37.61 | 1,187 | | 13 | | 32 | |
| | | | | | | | | | | |
| **Bauxite** | | | | | | | | | | |
| Mineração Rio Grande do Norte S.A. - MRN | Brazil | Associate | 40.00 | 40.00 | 101 | 111 | (3) | 4 | 5 | 7 |
| | | | | | | | | | | |
| **Steel** | | | | | | | | | | |
| California Steel Industries, Inc | USA | Joint Venture | 50.00 | 50.00 | 190 | 181 | 3 | 4 | 11 | 14 |
| Companhia Siderúrgica do Pecém - CSP (g) | Brazil | Joint Venture | 50.00 | 50.00 | 779 | 686 | (42) | (1) | (51) | (4) |
| Thyssenkrupp Companhia Siderúrgica do Atlântico Ltd - CSA | Brazil | Associate | 26.87 | 26.87 | 263 | 321 | (21) | (59) | (49) | (112) |
| | | | | | **1,232** | **1,188** | **(60)** | **(56)** | **(89)** | **(102)** |
| **Other associates and joint ventures** | | | | | | | | | | |
| Norte Energia S.A. | Brazil | Joint Venture | 4.59 | 4.59 | 91 | 83 | | (1) | (1) | (1) |
| Vale Soluções em Energia S.A. (i) | Brazil | Joint Venture | 53.13 | 53.13 | | 45 | (3) | (2) | (14) | (13) |
| Logística Intermodal S.A. - LOG-IN (a) | Brazil | Associate | | | | | | (5) | | (1) |
| Others | | | | | 56 | 45 | (2) | (2) | (8) | (15) |
| | | | | | **147** | **173** | **(5)** | **(10)** | **(23)** | **(30)** |
| | | | | | **4,659** | **3,584** | **35** | **128** | **474** | **353** |

(a) Company sold in December 2013;

(b) Investment balance includes the amounts of advances for future capital increase;

(c) Although Vale held majority of the voting interest of investees accounted for under the equity method, we do not consolidate due to existing veto rights held by noncontrolling stockholders;

(d) Main data of Samarco in 2014: total Assets US$6,322, Liabilities US$5,608, Operational Result US$1,184, Financial Result US$(240), Income tax US$(179);

(e) Considering the updated interest after the transaction conclusion and the respective shareholders agreement, as described in Note 7b).

(f) Main data of MRS in 2014: Total Assets US$2,895, Liabilities US$1,737, Operational Result US$237, Financial Result US$(51), Income tax US$(64);

(g) Pre-operational stage;

(h) Consolidated since March 2014; and

(i) Includes provision for disposals of US$31.

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## 13. Intangible assets

| | September 30, 2014 (unaudited) | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Cost | Amortization | Net | Cost | Amortization | Net |
| **Indefinite useful life** | | | | | | |
| Goodwill | 3,955 | | 3,955 | 4,140 | | 4,140 |
| | | | | | | |
| **Finite useful life** | | | | | | |
| Concessions and subconcessions | 3,353 | (1,260) | 2,093 | 3,099 | (1,192) | 1,907 |
| Right of use | 481 | (255) | 226 | 328 | (75) | 253 |
| Others | 1,454 | (826) | 628 | 1,295 | (724) | 571 |
| | **5,288** | **(2,341)** | **2,947** | **4,722** | **(1,991)** | **2,731** |
| **Total** | **9,243** | **(2,341)** | **6,902** | **8,862** | **(1,991)** | **6,871** |

Rights of use refers basically to the usufruct contract entered into with noncontrolling stockholders to use the shares of Empreendimentos Brasileiros de Mineração S.A. (owner of Minerações Brasileiras Reunidas S.A. shares) and intangible assets identified in business combination of Vale Canada Limited ( Vale Canada ). The amortization of the right of use will expire in 2037 and Vale Canada s intangible will end in September 2046. The concessions and sub-concessions refer to the agreements with the Brazilian government for the exploration and the development of ports and railways.

The table below shows the changes of intangible assets during the period:

| | Three-month period ended (unaudited) | | | | |
|---|---|---|---|---|---|
| | Goodwill | Concessions and Sub-concessions | Right of use | Others | Total |
| **Balance on June 30, 2013** | **4,296** | **3,608** | **274** | **513** | **8,691** |
| Additions | | 52 | | 131 | 183 |
| Disposals | | (5) | | | (5) |
| Amortization | | (43) | (8) | (33) | (84) |
| Transfer to non-current assets held for sale | | (1,669) | | | (1,669) |
| Translation adjustments | 19 | (43) | 5 | 3 | (16) |
| Net effect of discontinued operation in the period | | 32 | | | 32 |
| **Balance on September 30, 2013** | **4,315** | **1,932** | **271** | **614** | **7,132** |
| | | | | | |
| **Balance on June 30, 2014** | **4,285** | **2,144** | **241** | **543** | **7,213** |
| Additions | | 228 | | 229 | 457 |
| Disposals | | | | | |
| Amortization | | (1) | (8) | (77) | (86) |
| Translation adjustments | (330) | (278) | (7) | (67) | (682) |

| | | | | | |
|---|---|---|---|---|---|
| **Balance on September 30, 2014** | **3,955** | **2,093** | **226** | **628** | **6,902** |

| | Nine-month period ended | | | | |
|---|---|---|---|---|---|
| | **Goodwill** | **Concessions and Sub-concessions** | **Right of use** | **Others** | **Total** |
| **Balance on December 31, 2012** | **4,603** | **3,757** | **302** | **549** | **9,211** |
| Additions | | 297 | | 208 | 505 |
| Disposals | | (10) | | (2) | (12) |
| Amortization | | (135) | (19) | (99) | (253) |
| Transfer to non-current assets held for sale | | (1,669) | | | (1,669) |
| Translation adjustments | (288) | (372) | (12) | (42) | (714) |
| Net effect of discontinued operation in the period | | 64 | | | 64 |
| **Balance on September 30, 2013 (unaudited)** | **4,315** | **1,932** | **271** | **614** | **7,132** |
| | | | | | |
| **Balance on December 31, 2013** | **4,140** | **1,907** | **253** | **571** | **6,871** |
| Additions | | 489 | | 235 | 724 |
| Disposals | | (4) | | | (4) |
| Amortization | | (151) | (16) | (126) | (293) |
| Translation adjustments | (185) | (148) | (11) | (52) | (396) |
| **Balance on September 30, 2014 (unaudited)** | **3,955** | **2,093** | **226** | **628** | **6,902** |

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## 14. Property, plant and equipment

| | September 30, 2014 (unaudited) | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Net | Cost | Accumulated Depreciation | Net |
| Land | 1,088 | | 1,088 | 945 | | 945 |
| Buildings | 11,088 | (2,472) | 8,616 | 9,916 | (2,131) | 7,785 |
| Facilities | 16,957 | (5,126) | 11,831 | 15,659 | (4,722) | 10,937 |
| Computer equipment | 547 | (370) | 177 | 679 | (496) | 183 |
| Mineral properties | 20,255 | (5,760) | 14,495 | 21,603 | (5,327) | 16,276 |
| Others | 28,645 | (8,947) | 19,698 | 27,149 | (8,409) | 18,740 |
| Construction in progress | 25,461 | | 25,461 | 26,799 | | 26,799 |
| | **104,041** | **(22,675)** | **81,366** | **102,750** | **(21,085)** | **81,665** |

| | Three-month period ended (unaudited) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Building | Facilities | Computer equipment | Mineral properties | Others | Constructions in progress | Total |
| **Balance on June 30, 2013** | **916** | **6,295** | **10,938** | **201** | **16,817** | **17,943** | **30,427** | **83,537** |
| Additions (i) | | | | | | | 2,871 | 2,871 |
| Disposals | | | (4) | | | (4) | (13) | (21) |
| Depreciation and amortization | | (63) | (71) | (19) | (129) | (162) | | (444) |
| Translation adjustments | (1) | 6 | 28 | | 279 | 16 | (209) | 119 |
| Transfers | (10) | 695 | 1,193 | 16 | (92) | 859 | (2,661) | |
| Net effect of discontinued operation in the period | | 9 | | 1 | | 36 | (33) | 13 |
| Transfer to held for sale | | (45) | (8) | (6) | (3) | (862) | (94) | (1,018) |
| **Balance on September 30, 2013** | **905** | **6,897** | **12,076** | **193** | **16,872** | **17,826** | **30,288** | **85,057** |
| | | | | | | | | |
| **Balance on June 30, 2014** | **1,163** | **8,267** | **12,392** | **208** | **16,348** | **19,777** | **27,354** | **85,509** |
| Additions (i) | | | | | | | 3,023 | 3,023 |
| Disposals | | | (1) | | (9) | | (29) | (39) |
| Depreciation and amortization | | (82) | (273) | (16) | (317) | (456) | | (1,144) |
| Translation adjustments | (133) | (666) | (1,431) | (29) | (530) | (918) | (2,276) | (5,983) |
| Transfers | 58 | 1,097 | 1,144 | 14 | (997) | 1,295 | (2,611) | |
| **Balance on September 30, 2014** | **1,088** | **8,616** | **11,831** | **177** | **14,495** | **19,698** | **25,461** | **81,366** |

| | Nine-month period ended | | | | | |
|---|---|---|---|---|---|---|
| | Land | Building | Facilities | | Others | Total |

| | | | | **Computer equipment** | **Mineral properties** | | **Constructions in progress** | |
|---|---|---|---|---|---|---|---|---|
| **Balance on December 31, 2012** | **676** | **6,093** | **11,756** | **376** | **18,867** | **18,178** | **28,936** | **84,882** |
| Additions (i) | | | | | | | 9,169 | 9,169 |
| Disposals | | | (53) | (1) | (31) | (22) | (62) | (169) |
| Depreciation and amortization | | (186) | (520) | (58) | (573) | (1,091) | | (2,428) |
| Translation adjustments | (107) | (501) | (792) | (177) | (769) | (903) | (2,173) | (5,422) |
| Transfers | 336 | 1,527 | 1,693 | 59 | (619) | 2,241 | (5,237) | |
| Net effect of discontinued operation in the period | | 9 | | | | 285 | (251) | 43 |
| Transfer to held for sale | | (45) | (8) | (6) | (3) | (862) | (94) | (1,018) |
| **Balance on September 30, 2013 (unaudited)** | **905** | **6,897** | **12,076** | **193** | **16,872** | **17,826** | **30,288** | **85,057** |
| | | | | | | | | |
| **Balance on December 31, 2013** | **945** | **7,785** | **10,937** | **183** | **16,276** | **18,740** | **26,799** | **81,665** |
| Additions (i) | | | | | | | 8,044 | 8,044 |
| Disposals | | (48) | (3) | (3) | (99) | (33) | (145) | (331) |
| Depreciation and amortization | | (365) | (587) | (45) | (710) | (1,310) | | (3,017) |
| Impairment | | | (1) | | (767) | (2) | (4) | (774) |
| Translation adjustments | (6) | (420) | (1,808) | (31) | (491) | (419) | (1,046) | (4,221) |
| Transfers | 149 | 1,664 | 3,293 | 73 | 286 | 2,722 | (8,187) | |
| **Balance on September 30, 2014 (unaudited)** | **1,088** | **8,616** | **11,831** | **177** | **14,495** | **19,698** | **25,461** | **81,366** |

(i) Total amount of Capital Expenditures recognized as addition to construction in progress for the three-month period ended on September 30, 2014 and September 30, 2013 corresponds to US$2,240 and US$2,137 and nine-month period ended on September 30, 2014 and September 30, 2013 corresponds to US$5,559 and US$7,200, respectively.

Property, plant and equipment (net book value) pledged as guarantees for judicial claims on September 30, 2014 and December 31, 2013 corresponds to US$78 and US$77, respectively.

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**15. Impairment**

During the second quarter of 2014, the Company has identified evidence and recognized impairment in relation to certain operations as follows:

**Coal mine Australia**

In May 2014, the Company announced that is taking the necessary steps to place its Integra Mine and Isaac Plains Complex, both in Australia, into care and maintenance since the operation is not economically feasible under current market conditions. As a consequence we recognized an impairment of US$274.

**Guinea Iron ore projects**

Our 51%-owned subsidiary VBG-Vale BSGR Limited ( VBG ) holds iron ore concession rights in Simandou South (Zogota) and iron ore exploration permits in Simandou North (Blocks 1 & 2) in Guinea. On April 25, 2014 the government of Guinea revoked VBG S mining concessions, based on the recommendation of a technical committee established pursuant to Guinean legislation. The decision is based on the allegations of fraudulent conduct in connection with the acquisition of licenses by BSGR (Vale´s current partner in VBG) more than one year before Vale had made any investment in VBG. The decision does not indicate any involvement by Vale and therefore does not prohibit Vale to participate in any reallocation of the mining titles.

Vale is actively considering its legal rights towards the Guinean Government and its partner at VBG and addressing options to guarantee the value of both the investments made in Guinea project development as well as the initial investment made in the VBG. Considering the uncertainties in this process for the recoverable of the initial payment related to the acquisition of our participation in VBG, in the amount of US$500, the company recognized an impairment of this initial payment. The Company will continue to reassess the net value of the assets, in the amount of US$635 depending on the development of the negotiations with Guinea Government.

**16. Loans and financing**

**a) Total debt**

| | Current liabilities | | Non-current liabilities | |
|---|---|---|---|---|
| | September 30, 2014 (unaudited) | December 31, 2013 | September 30, 2014 (unaudited) | December 31, 2013 |
| **Debt contracts abroad** | | | | |
| **Loans and financing in:** | | | | |
| United States Dollars | 556 | 334 | 5,237 | 4,662 |
| Others currencies | | 2 | 3 | 3 |
| **Fixed rates:** | | | | |
| Notes indexed in United Stated Dollars | 109 | 12 | 13,135 | 13,808 |
| Euro | | | 1,894 | 2,066 |
| Accrued charges | 262 | 350 | | |
| | **927** | **698** | **20,269** | **20,539** |
| **Debt contracts in Brazil** | | | | |
| **Loans and financing in:** | | | | |
| Indexed to TJLP, TR, IGP-M and CDI | 729 | 750 | 4,561 | 5,000 |
| Basket of currencies, LIBOR | 194 | 175 | 1,326 | 1,365 |
| Non-convertible debentures | | | 804 | 372 |
| **Fixed rates:** | | | | |
| Loans in United States Dollars | | 6 | | 80 |
| Loans in Reais | 48 | 47 | 285 | 314 |
| Accrued charges | 143 | 99 | | |
| | **1,114** | **1,077** | **6,976** | **7,131** |
| | **2,041** | **1,775** | **27,245** | **27,670** |

All securities issued through our 100% finance subsidiary Vale Overseas Limited, are fully and unconditionally guaranteed by Vale.

In October the Company decided to redeem the bonds issued by Vale Canada with maturity in 2015. As a result, we reclassified the principal debt amount of US$300 to current liability.

The long-term portion at September 30, 2014 has maturities as follows:

| | (unaudited) |
|---|---|
| 2015 | 202 |
| 2016 | 1,968 |
| 2017 | 2,406 |
| 2018 | 3,980 |
| 2019 onwards | 18,689 |
| | **27,245** |

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At September 30, 2014, the annual interest rates on the long-term debts are as follows:

| | (unaudited) |
|---|---|
| Up to 3% | 7,021 |
| 3,1% to 5% (a) | 5,609 |
| 5,1% to 7% (b) | 11,948 |
| 7,1% to 9% (b) | 1,089 |
| 9,1% to 11% (b) | 78 |
| Over 11% (b) | 3,436 |
| Variable | 105 |
| | **29,286** |

(a) Includes Eurobonds. For this we have entered into derivative transactions at a coupon of 4.42% per year in US dollars.

(b) Includes Brazilian Real denominated debt that bears interest at the CDI or TJLP, plus spread. For these we have entered into derivative transactions to mitigate our exposure to the floating rate debt denominated in Brazilian Real, totaling US$6,163 of which US$5,886 has an original interest rate above 5.1% per year. After entering derivatives transactions the average cost of other than denominated U.S. Dollars debt is 2.37% per year.

| | September 30, 2014 (unaudited) | | | | Balance | |
|---|---|---|---|---|---|---|
| **Non-convertible Debentures** | **Issued** | **Outstanding** | **Maturity** | **Interest** | **September 30, 2014 (unaudited)** | **December 31, 2013** |
| Tranche B - Salobo | | | No date | 6,5%p.a+IGP-DI | 380 | 372 |
| Infrastructure Debenture 1st serie | Feb/14 | 600 | Jan/21 | 6,46%p.a+IPCA | 254 | |
| Infrastructure Debenture 2nd serie | Feb/14 | 150 | Jan/24 | 6,57%p.a+IPCA | 64 | |
| Infrastructure Debenture 3rd serie | Feb/14 | 100 | Jan/26 | 6,71%p.a+IPCA | 42 | |
| Infrastructure Debenture 4th serie | Feb/14 | 150 | Jan/29 | 6,78%p.a+IPCA | 64 | |
| | | | | | **804** | **372** |
| | | | | | | |
| Long-term portion | | | | | 804 | 372 |
| **Total** | | | | | **804** | **372** |

**b) Revolving credit lines**

| | Total amount | Amounts drawn on |
|---|---|---|

| Type | Contractual Currency | Date of agreement | Available until | available to be drawn | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|---|---|---|---|
| **Revolving Credit Lines** | | | | | | |
| Revolving Credit Facility - Vale/ Vale International/ Vale Canada | US$ | April 2011 | 5 years | 3,000 | | |
| Revolving Credit Facility - Vale/ Vale International/ Vale Canada | US$ | July 2013 | 5 years | 2,000 | | |
| **Credit Lines** | | | | | | |
| Export-Import Bank of China and Bank of China Limited | US$ | September 2010**(a)** | 13 years | 1,229 | 1,010 | 985 |
| BNDES | R$ | April 2008**(b)** | 10 years | 2,978 | 1,984 | 1,975 |
| **Financing** | | | | | | |
| BNDES - CLN 150 | R$ | September 2012**(c)** | 10 years | 1,584 | 1,256 | 1,314 |
| BNDES - Investment Sustaining Program ( PSI ) 3.0% | R$ | June 2013**(d)** | 10 years | 45 | 36 | 37 |
| BNDES - Tecnored 3.5% | R$ | December 2013**(e)** | 8 years | 56 | 21 | |
| BNDES S11D / CLN Logística | R$ | May 2014**(f)** | 10 years | 2,514 | | |
| Canadian agency Export Development Canada ( EDC ) | US$ | January 2014**(g)** | 5 and 7 years | 775 | 775 | |

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**(a)** Acquisition of twelve large ore carriers from chinese shipyards.

**(b)** Memorandum of understanding signature date, however projects financing term is considered from the signature date of each projects contract amendment.

**(c)** Capacitação Logística Norte 150 Project ( CLN 150 ).

**(d)** Acquisition of domestic equipment.

**(e)** Support to Tecnored s investment plan from 2013 to 2015.

**(f)** Implementation the iron ore project S11D and S11D Logística.

**(g)** General corporate purpose.

Total amounts available and disbursed, different from reporting currency, are affected by exchange rate variation among periods.

**c) Guarantees**

As at September 30, 2014, US$1,259 of the total aggregate outstanding debt was secured by property, plant and equipment and receivables.

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## 17. Asset retirement obligations

The Company applies judgments and assumptions when measuring its obligations related to asset retirement. The accrued amounts of these obligations are not deducted from the potential costs covered by insurance or indemnities.

Long term interest rate used to discount these obligations to present values and to update the provisions on September 30, 2014 and December 31, 2013 was 6,39% p.a. The liability is periodically updated based on this discount rate plus the inflation index (IGPM) for the period.

Changes in the provision for asset retirement obligation are as follows:

| | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| **Balance at beginning of the period** | **2,644** | **2,748** |
| Increase expense (i) | 134 | 201 |
| Settlement in the current period | (25) | (40) |
| Revisions in estimated cash flows | 27 | 15 |
| Translation adjustments | (83) | (276) |
| Transfer to held for sale | | (4) |
| **Balance at end of the period** | **2,697** | **2,644** |
| | | |
| Current | 143 | 96 |
| Non-current | 2,554 | 2,548 |
| | **2,697** | **2,644** |

(i) In Nine-month ended of 2013, US$153.

## 18. Provision for litigation

Vale is party to labor, civil, tax and other ongoing lawsuits and is discussing these issues both administratively and on court. When applicable, these lawsuits are supported by judicial deposits. Provisions for losses resulting from these processes are estimated and updated by the Company, supported by legal advice of the legal board of the Company and by its legal consultants.

| | Three-month period ended (unaudited) | | | | |
|---|---|---|---|---|---|
| | Tax litigation | Civil litigation | Labor litigation | Environmental litigation | Total of litigation provision |
| **Balance on June 30, 2013** | **678** | **234** | **704** | **41** | **1,657** |
| Additions | 2 | 45 | 56 | | 103 |
| Reversals | (11) | (5) | (44) | (1) | (61) |
| Payments | (54) | (12) | (17) | | (83) |
| Indexation and interest | (15) | 12 | 21 | 1 | 19 |
| Translation adjustment | 3 | 5 | (5) | | 3 |
| Net movements of the period | | 1 | 1 | | 2 |
| Transfer to held for sale | | (11) | (27) | 1 | (37) |
| **Balance on September 30, 2013** | **603** | **269** | **689** | **42** | **1,603** |
| | | | | | |
| **Balance on June 30, 2014** | **406** | **225** | **829** | **41** | **1,501** |
| Additions | 60 | 20 | 62 | 5 | 147 |
| Reversals | (25) | (103) | (38) | | (166) |
| Payments | (4) | | (19) | (1) | (24) |
| Indexation and interest | (53) | 24 | 30 | 40 | 41 |
| Translation adjustment | (27) | (17) | (88) | (5) | (137) |
| **Balance on September 30, 2014** | **357** | **149** | **776** | **80** | **1,362** |

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| | Nine-month period ended | | | | |
|---|---|---|---|---|---|
| | Tax litigation | Civil litigation | Labor litigation | Environmental litigation | Total of litigation provision |
| **Balance on December 31, 2012** | **996** | **287** | **748** | **34** | **2,065** |
| Additions | 94 | 87 | 205 | 13 | 399 |
| Reversals | (58) | (53) | (158) | (6) | (275) |
| Payments | (437) | (17) | (63) | (2) | (519) |
| Indexation and interest | (61) | 11 | 48 | 5 | 3 |
| Translation adjustment | | (10) | (26) | 1 | (35) |
| Net movements of the period | | 2 | (1) | | 1 |
| Transfer to held for sale | | (12) | (25) | 1 | (36) |
| **Balance on September 30, 2013 (unaudited)** | **534** | **295** | **728** | **46** | **1,603** |
| | | | | | |
| **Balance on December 31, 2013** | **330** | **209** | **709** | **28** | **1,276** |
| Additions | 106 | 28 | 174 | 23 | 331 |
| Reversals | (41) | (97) | (83) | (4) | (225) |
| Payments | (11) | (7) | (33) | (3) | (54) |
| Indexation and interest | (15) | 22 | 48 | 38 | 93 |
| Translation adjustment | (12) | (6) | (39) | (2) | (59) |
| **Balance on September 30, 2014 (unaudited)** | **357** | **149** | **776** | **80** | **1,362** |

**Provisions for tax litigation** - The nature of tax contingencies balances refer basically to discussions on the basis of calculation of the Financial Compensation for Exploiting Mineral Resources ( CFEM ) as well as denials of compensation claims of credits in the settlement of federal taxes in Brazil, and mining taxes at our foreign subsidiaries. The other causes refer to the charges of Additional Port Workers Compensation ( AITP ) and questioning about the location for the purpose of assessment of Service Tax ( ISS ).

**Provisions for civil litigation -** Relates to the demands concerning contracts between Vale and unrelated service suppliers companies, requiring differences in amounts due to alleged losses that have occurred due to various economic plans, while other demands are related to accidents, actions damages and other demands.

**Provisions for labor and social security litigation** - Consist of lawsuits filed by employees and service suppliers, from employment relationships. The most recurring claims are related to payment of overtime, hours in intinere, and health and safety. The social security ( INSS ) contingencies are related to legal and administrative disputes between INSS and Vale due to applicability of compulsory social security charges.

In addition to those provisions and contingent liabilities, there are also judicial deposits. These court-ordered deposits are legally required and are monetarily updated and reported in non-current assets until a judicial decision to draw the deposit occurs, in case of a non-favorable decision to Vale. Judicial deposits are as follows:

| | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| Tax litigations | 397 | 433 |
| Civil litigations | 240 | 176 |
| Labor litigations | 874 | 870 |
| Environmental litigations | 1 | 11 |
| **Total** | **1,512** | **1,490** |

The Company discusses, at administrative and judicial levels, claims where the expectation of loss is classified as possible and considers that there is no need to recognize a provision, based on legal support. These possible contingent liabilities are as follows:

| | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| Tax litigation | 4,974 | 3,789 |
| Civil litigation | 1,451 | 1,219 |
| Labor litigation | 2,088 | 2,271 |
| Environmental litigation | 1,197 | 1,343 |
| **Total** | **9,710** | **8,622** |

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The categories of contingent liabilities in the table above, include the following:

**Tax litigation** The most significant claims relate to pending challenges by the Brazilian federal tax authority concerning the deductibility of Brazilian social contribution payments for income tax purposes (approximately US$2,067) and demands by Brazilian state tax authorities for additional payments of the value-added tax on services and circulation of goods ( ICMS ) in relation to our use of ICMS credits from sales and energy transmission.

**Civil litigation** Most of these claim have been filed by suppliers for indemnification under construction contracts, primarily relating to certain alleged damages, payments and contractual penalties. A number of other claims involve disputed contractual terms for inflation indexation.

**Labor litigation** These claims represent a very large number of individual claims by (i) employees and service providers, primarily involving demands for additional compensation for overtime work, time spent commuting or health and safety conditions; and (ii) the Brazilian federal social security administration ( INSS ) regarding contributions on compensation programs based on our profits.

**Environmental litigation** The most significant claims concern alleged procedural deficiencies in licensing processes, non-compliance with existing environmental licenses or damage to the environment.

The proceedings referred to above are subject to significant uncertainty in relation to the amount in dispute and the timing for resolution.

**19. Income taxes settlement program ( REFIS )**

In November 2013, The Company elected to participate in a corporate Income Tax Settlement Program ( REFIS ) for payment of amounts relating to income tax and social contribution on the net income of its non-Brazilian subsidiaries and affiliates from 2003 to 2012.

During 2014, we paid US$383, and on September 30, 2014, the balance of US$6,803 (US$483 in current and US$6,320 in non-current) is due in 169 monthly installments, bearing interest at the Selic rate.

## 20. Income taxes

We analyze the potential tax impact associated with undistributed earnings of each of our subsidiaries and affiliates. As described in Note 19, in 2013 we entered into the Brazilian REFIS program to pay the amounts related to the collection of income taxes on equity gain on foreign subsidiaries and affiliates from 2003 to 2012 and therefore, the repatriation of these earnings would have no Brazilian tax consequences. In 2013, we recognized an equity loss on foreign subsidiaries.

The income of the Company is subject to the common system of taxation applicable to companies in general. The net deferred balances were as follows:

| | Three-month period ended (unaudited) | | |
|---|---|---|---|
| | **Assets** | **Liabilities** | **Total** |
| **Balance on June 30, 2013** | **4,246** | **3,214** | **1,032** |
| Net income effect | 459 | (51) | 510 |
| Translation adjustment for the period | (16) | (17) | 1 |
| Other comprehensive income | 3 | 45 | (42) |
| Net effect of discontinued operations of the period | | (84) | 84 |
| **Balance on September 30, 2013** | **4,692** | **3,107** | **1,585** |
| | | | |
| **Balance on June 30, 2014** | **4,390** | **3,363** | **1,027** |
| Net income effect | 244 | (14) | 258 |
| Translation adjustment for the period | (338) | (104) | (234) |
| Other comprehensive income | 9 | 10 | (1) |
| **Balance on September 30, 2014** | **4,305** | **3,255** | **1,050** |

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| | Nine-month period ended | | |
|---|---|---|---|
| | Assets | Liabilities | Total |
| **Balance on December 31, 2012** | **4,058** | **3,386** | **672** |
| Net income effect | 872 | (131) | 1,003 |
| Translation adjustment for the period | (315) | (106) | (209) |
| Other comprehensive income | 77 | 44 | 33 |
| Net effect of discontinued operations of the period | | (86) | 86 |
| **Balance on September 30, 2013 (unaudited)** | **4,692** | **3,107** | **1,585** |
| | | | |
| **Balance on December 31, 2013** | **4,523** | **3,228** | **1,295** |
| Net income effect | (181) | 74 | (255) |
| Transfer from held for sale | 63 | | 63 |
| Translation adjustment for the period | (128) | (101) | (27) |
| Other comprehensive income | 28 | 54 | (26) |
| **Balance on September 30, 2014 (unaudited)** | **4,305** | **3,255** | **1,050** |

Deferred tax assets arising from tax losses, negative social contribution basis and temporary differences are registered taking into consideration the analysis of future performance, based on economic and financial projections, prepared based on internal assumptions and macroeconomic, trade and tax scenarios that may suffer changes in future.

The income tax in Brazil comprises the taxation on income and social contribution on profit. The statutory rate applicable in the period presented is 34%. In other countries where we have operations we are subject to various rates, depending on jurisdiction.

The total amount presented as income taxes in the Statement of Income is reconciled to the rate established by law, as follows:

| | (unaudited) | | | |
|---|---|---|---|---|
| | Three-month period ended | | Nine-month period ended | |
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| **Net income before income taxes** | **(1,751)** | **4,364** | **4,002** | **8,707** |
| **Income taxes at statutory rates - 34%** | **595** | **(1,484)** | **(1,361)** | **(2,960)** |
| **Adjustments that affect the basis of taxes:** | | | | |
| Income tax benefit from interest on stockholders equity | 290 | 274 | 865 | 891 |
| Tax incentives | (42) | 94 | 137 | 206 |
| Results of overseas companies taxed by different rates which differs from the parent company rate | (421) | 132 | (839) | 46 |
| Results of equity investments | 12 | 44 | 161 | 120 |
| Undeductible impairment | | | (171) | |

| | | | | |
|---|---|---|---|---|
| Constitution/reversal for tax loss carryforward | | (46) | (113) | 119 |
| Other | (111) | 86 | (348) | (178) |
| **Income taxes on the profit for the period** | **323** | **(900)** | **(1,669)** | **(1,756)** |

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## 21. Employee benefits obligations

The Company had announced on its year end 2013 financial statements that it expects to contribute US$354 to its pension plan during 2014. As of September 30, 2014 it had contributed US$277. No significant changes are expected in relation to the estimate disclosed in the financial statements for the year ended December 31, 2013.

### a) Employee postretirements obligations

**Reconciliation of assets and liabilities in Balance Sheet**

| | Consolidated September 30, 2014 (unaudited) | | | Total Consolidated December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | **Overfunded pension plans** | **Underfunded pension plans** | **Others underfunded pension plans** | **Overfunded pension plans** | **Underfunded pension plans** | **Others underfunded pension plans** |
| **Ceiling recognition of an asset (ceiling) / onerous liability** | | | | | | |
| **Beginning of the period** | **1,191** | | | **844** | | |
| Interest income | | | | 71 | | |
| Changes in asset ceiling/ onerous liability | 286 | | | 422 | | |
| Effect of exchange rate changes | (72) | | | (146) | | |
| **Ended of the period** | **1,405** | | | **1,191** | | |
| | | | | | | |
| **Amount recognized in the balance sheet** | | | | | | |
| Present value of actuarial liabilities | (4,059) | (4,186) | (1,643) | (4,080) | (4,406) | (1,693) |
| Fair value of assets | 5,464 | 3,752 | | 5,271 | 3,804 | |
| Effect of the asset ceiling | (1,405) | | | (1,191) | | |
| **Assets (liabilities) to be provisioned** | | **(434)** | **(1,643)** | | **(602)** | **(1,693)** |
| | | | | | | |
| Current liabilities | | (7) | (90) | | (9) | (88) |
| Non-current liabilities | | (427) | (1,553) | | (593) | (1,605) |
| | | **(434)** | **(1,643)** | | **(602)** | **(1,693)** |

**Assets (liabilities) to be provisioned**

**Costs recognized in the Income Statements for the period:**

| | Three-month period ended (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | **September 30, 2014** | | | **September 30, 2013** | | |
| | **Overfunded pension plans** | **Underfunded pension plans** | **Others underfunded pension plans** | **Overfunded pension plans** | **Underfunded pension plans** | **Others underfunded pension plans** |
| Current service cost | 7 | 20 | 8 | | 30 | 10 |
| Interest on actuarial liabilities | 123 | 30 | 25 | 68 | 94 | 24 |
| Interest income on plan assets | (162) | (39) | | (84) | (81) | |
| Effect of the asset ceiling | 37 | | | 16 | | |
| **Total cost, net** | **5** | **11** | **33** | | **43** | **34** |

| | Nine-month period ended (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | **September 30, 2014** | | | **September 30, 2013** | | |
| | **Overfunded pension plans** | **Underfunded pension plans** | **Others underfunded pension plans** | **Overfunded pension plans** | **Underfunded pension plans** | **Others underfunded pension plans** |
| Current service cost | 22 | 51 | 23 | | 95 | 33 |
| Interest on actuarial liabilities | 366 | 134 | 75 | 222 | 310 | 75 |
| Interest income on plan assets | (446) | (116) | | (276) | (253) | |
| Effect of the asset ceiling | 75 | | | 54 | | |
| **Total cost, net** | **17** | **69** | **98** | | **152** | **108** |

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**Costs recognized in the Statement of Comprehensive Income for the period**

| | Three-month period ended (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2014 | | | September 30, 2013 | | |
| | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans |
| **Beginning of the period** | **(124)** | **(284)** | **(199)** | **(3)** | **(1,044)** | **(367)** |
| Return on plan assets (excluding interest income) | (10) | 14 | 12 | 51 | 97 | 5 |
| Change of asset ceiling / costly liabilities (excluding interest income) | 1 | (13) | | (51) | | |
| | **(9)** | **1** | **12** | | **97** | **5** |
| Deferred income tax | 3 | (3) | (3) | | (30) | (4) |
| **Others comprehensive income** | **(6)** | **(2)** | **9** | | **67** | **1** |
| Conversion effect | 13 | | 4 | | | |
| Transfers/ disposal | | | | | | 2 |
| **Accumulated other comprehensive income** | **(117)** | **(286)** | **(186)** | **(3)** | **(977)** | **(364)** |

| | Nine-month period ended (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2014 | | | September 30, 2013 | | |
| | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans | Overfunded pension plans | Underfunded pension plans | Others underfunded pension plans |
| **Beginning of the period** | **(94)** | **(395)** | **(196)** | **(3)** | **(964)** | **(381)** |
| Return on plan assets (excluding interest income) | 7 | 194 | 12 | 195 | (68) | 10 |
| Change of asset ceiling / costly liabilities (excluding interest income) | (50) | (53) | | (195) | | |
| | **(43)** | **141** | **12** | | **(68)** | **10** |
| Deferred income tax | 15 | (36) | (3) | | 33 | (6) |
| **Others comprehensive income** | **(28)** | **105** | **9** | | **(35)** | **4** |
| Conversion effect | 5 | 4 | 1 | | | |
| Transfers/ disposal | | | | | 22 | 13 |
| **Accumulated other comprehensive income** | **(117)** | **(286)** | **(186)** | **(3)** | **(977)** | **(364)** |

**b) Incentive plan in results**

The Company has a Participation in Results Program ( PPR ) measured on the evaluation of individual and collective performance of its employees.

The PPR is calculated individually according to the achievement of goals previously established using indicators for the: performances of the Company, business unit, team and individual. The contribution of each performance unit to the performance scores of the employees is discussed and agreed each year, between the Company and the unions.

The Company accrued expenses/costs related to participation in the results as follow:

| | (unaudited) | | | |
|---|---|---|---|---|
| | **Three-month period ended** | | **Nine-month period ended** | |
| | **September 30, 2014** | **September 30, 2013** | **September 30, 2014** | **September 30, 2013** |
| Operational expenses | 66 | 66 | 114 | 151 |
| Cost of goods sold and services rendered | 107 | 123 | 315 | 309 |
| **Total** | **173** | **189** | **429** | **460** |

**c) Long-term stock option compensation plan**

The terms, assumptions, calculation methods and the accounting treatment applied to the Long-term Incentive Plan ( ILP ) is the same as presented in financial statements for the year end December 31, 2013. The total number of shares subject to the Long Term Compensation Plan on September 30, 2014 and December 31, 2013 are 7.379.058 and 6,214,288, and total expense/cost recorded of US$104 and US$84, respectively on result.

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## 22. Classification of financial instruments

The classification of financial assets and liabilities is as follows:

| | September 30, 2014 (unaudited) | | | |
|---|---|---|---|---|
| | **Loans and receivables (a)** | **At fair value through profit or loss (b)** | **Derivatives designated as hedge (c)** | **Total** |
| **Financial assets** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | 7,882 | | | 7,882 |
| Short-term investments | 450 | | | 450 |
| Derivative financial instruments | | 144 | | 144 |
| Accounts receivable | 3,359 | | | 3,359 |
| Related parties | 286 | | | 286 |
| | **11,977** | **144** | | **12,121** |
| **Non-current** | | | | |
| Related parties | 186 | | | 186 |
| Loans and financing agreements | 246 | | | 246 |
| Derivative financial instruments | | 116 | | 116 |
| | **432** | **116** | | **548** |
| **Total of Assets** | **12,409** | **260** | | **12,669** |
| | | | | |
| **Financial liabilities** | | | | |
| **Current** | | | | |
| Suppliers and contractors | 4,067 | | | 4,067 |
| Derivative financial instruments | | 622 | 74 | 696 |
| Loans and financing | 2,041 | | | 2,041 |
| Related parties | 130 | | | 130 |
| | **6,238** | **622** | **74** | **6,934** |
| **Non-current** | | | | |
| Derivative financial instruments | | 1,304 | 4 | 1,308 |
| Loans and financing | 27,245 | | | 27,245 |
| Related parties | 112 | | | 112 |
| Participative stockholders debentures | | 2,013 | | 2,013 |
| Others (d) | | 132 | | 132 |
| | **27,357** | **3,449** | **4** | **30,810** |
| **Total of Liabilities** | **33,595** | **4,071** | **78** | **37,744** |

(a) Non-derivative financial instruments with identifiable cash flow.

(b) Financial instruments for trading in short-term.

(c) See Note 24a.

(d) See Note 23a.

| | December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | **Loans and receivables (a)** | **At fair value through profit or loss (b)** | **Derivatives designated as hedge (c)** | **Available for sale** | **Total** |
| **Financial assets** | | | | | |
| **Current** | | | | | |
| Cash and cash equivalents | 5,321 | | | | 5,321 |
| Short-term investments | 3 | | | | 3 |
| Derivative financial instruments | | 196 | 5 | | 201 |
| Accounts receivable | 5,703 | | | | 5,703 |
| Related parties | 261 | | | | 261 |
| | **11,288** | **196** | **5** | | **11,489** |
| **Non-current** | | | | | |
| Related parties | 108 | | | | 108 |
| Loans and financing agreements | 241 | | | | 241 |
| Derivative financial instruments | | 140 | | | 140 |
| Others | | | | 5 | 5 |
| | **349** | **140** | | **5** | **494** |
| **Total of Assets** | **11,637** | **336** | **5** | **5** | **11,983** |
| | | | | | |
| **Financial liabilities** | | | | | |
| **Current** | | | | | |
| Suppliers and contractors | 3,772 | | | | 3,772 |
| Derivative financial instruments | | 199 | 39 | | 238 |
| Loans and financing | 1,775 | | | | 1,775 |
| Related parties | 205 | | | | 205 |
| | **5,752** | **199** | **39** | | **5,990** |
| **Non-current** | | | | | |
| Derivative financial instruments | | 1,480 | 12 | | 1,492 |
| Loans and financing | 27,670 | | | | 27,670 |
| Related parties | 5 | | | | 5 |
| Participative stockholders debentures | | 1,775 | | | 1,775 |
| | **27,675** | **3,255** | **12** | | **30,942** |
| **Total of Liabilities** | **33,427** | **3,454** | **51** | | **36,932** |

(a) Non-derivative financial instruments with identifiable cash flow.

(b) Financial instruments for trading in short-term.

(c) See Note 24a.

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## 23. Fair Value Estimate

The Company considered the same assumptions and calculation methods as presented on the financial statements for the year ended December 31, 2013, to measure the fair value of assets and liabilities for the period.

### a) Assets and liabilities measured and recognized at fair value:

| | September 30, 2014 (unaudited) Level 2 (i) | December 31, 2013 Level 2 (i) |
|---|---|---|
| **Financial Assets** | | |
| **Current** | | |
| Derivatives at fair value through profit or loss | 144 | 196 |
| Derivatives designated as hedge | | 5 |
| | **144** | **201** |
| **Non-Current** | | |
| Derivatives at fair value through profit or loss | 116 | 140 |
| | **116** | **140** |
| **Total of Assets** | **260** | **341** |
| | | |
| **Financial Liabilities** | | |
| **Current** | | |
| Derivatives at fair value through profit or loss | 622 | 199 |
| Derivatives designated as hedge | 74 | 39 |
| | **696** | **238** |
| **Non-Current** | | |
| Derivatives at fair value through profit or loss | 1,304 | 1,480 |
| Derivatives designated as hedge | 4 | 12 |
| Participative stockholders debentures | 2,013 | 1,775 |
| Others (ii) | 132 | |
| | **3,453** | **3,267** |
| **Total of Liabilities** | **4,149** | **3,505** |

(i) No classification according to levels 1 and 3.

(ii) Refers to the minimum return instrument held by Brookfield that under certain conditions, can generate a disbursement obligation to Vale at the end of the sixth year of the completion of the acquisition of interest in VLI (Note 7b).

**b) Fair value measurement compared to book value**

For loans allocated to Level 1 market approach to the contracts listed on the secondary market is the evaluation method used to estimate debt fair value. For loans allocated Level 2, the fair value for both fixed-indexed rate debt and floating rate debt is determined by the discounted cash flow using the future values of the LIBOR and the curve of Vale s Bonds (income approach).

The fair values and carrying amounts of non-current loans (net of interest) are shown in the table below:

| | September 30, 2014 (unaudited) | | | |
|---|---|---|---|---|
| | **Balance** | **Fair value (ii)** | **Level 1** | **Level 2** |
| **Financial liabilities** | | | | |
| Loans (long term) (i) | 28,881 | 31,205 | 16,967 | 14,238 |

(i) Net interest of US$405

(ii) No classification according to level 3.

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | **Balance** | **Fair value (ii)** | **Level 1** | **Level 2** |
| **Financial liabilities** | | | | |
| Loans (long term) (i) | 28,996 | 30,005 | 15,964 | 14,041 |

(i) Net interest of US$449

(ii) No classification according to level 3.

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## 24. Derivative financial instruments

### a) Derivatives effects on Balance Sheet

| | Assets | | | |
|---|---|---|---|---|
| | September 30, 2014 (unaudited) | | December 31, 2013 | |
| | Current | Non-current | Current | Non-current |
| **Derivatives not designated as hedge** | | | | |
| **Foreign exchange and interest rate risk** | | | | |
| CDI & TJLP vs. US$ fixed and floating rate swap | 121 | 7 | 174 | |
| IPCA swap | 9 | 1 | | |
| Eurobonds swap | | 78 | 13 | 101 |
| Pre dollar swap | 3 | | 5 | |
| | **133** | **86** | **192** | **101** |
| **Commodities price risk** | | | | |
| **Nickel:** | | | | |
| Nickel fixed price program | 11 | 2 | 4 | |
| | **11** | **2** | **4** | |
| **Warrants** | | | | |
| SLW options (Note 29) | | 28 | | 39 |
| | | **28** | | **39** |
| **Derivatives designated as hedge (cash flow hedge)** | | | | |
| Bunker Oil | | | 5 | |
| | | | **5** | |
| **Total** | **144** | **116** | **201** | **140** |

| | Liabilities | | | |
|---|---|---|---|---|
| | September 30, 2014 (unaudited) | | December 31, 2013 | |
| | Current | Non-current | Current | Non-current |
| **Derivatives not designated as hedge** | | | | |
| **Foreign exchange and interest rate risk** | | | | |
| CDI & TJLP vs. US$ fixed and floating rate swap | 551 | 1,099 | 185 | 1,369 |
| IPCA swap | | 33 | | |
| Eurobonds swap | 7 | 61 | 1 | |
| Pre dollar swap | 4 | 110 | 1 | 110 |
| | **562** | **1,303** | **187** | **1,479** |
| **Commodities price risk** | | | | |
| **Nickel:** | | | | |
| Nickel fixed price program | 14 | 1 | 3 | |
| Bunker oil | 46 | | 9 | |

| | | | | |
|---|---|---|---|---|
| | **60** | **1** | **12** | |
| **Embedded derivatives** | | | | |
| Gas Oman | | | | 1 |
| | | | | **1** |
| **Derivatives designated as hedge (cash flow hedge)** | | | | |
| Bunker oil | 48 | | 12 | |
| Foreign exchange | 26 | 4 | 27 | 12 |
| | **74** | **4** | **39** | **12** |
| **Total** | **696** | **1,308** | **238** | **1,492** |

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**b) Derivatives effects in the Statement of Income, Cash Flow and Other Comprehensive Income**

| | Three-month period ended (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Amount of gain or(loss) recognized as financial income (expense) | | Financial settlement inflows/ (Outflows) | | Amount of gain (loss) recognized in OCI | |
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| **Derivatives not designated as hedge** | | | | | | |
| **Foreign exchange and interest rate risk** | | | | | | |
| CDI & TJLP vs. US$ fixed and floating rate swap | (565) | 12 | 37 | 27 | | |
| IPCA swap | (40) | | | | | |
| Eurobonds swap | (99) | 57 | | 4 | | |
| Pre dollar swap | (36) | | 2 | | | |
| | **(740)** | **69** | **39** | **31** | | |
| **Commodities price risk** | | | | | | |
| Nickel: | | | | | | |
| Nickel fixed price program | 8 | (2) | 3 | (1) | | |
| Bunker oil | (58) | 48 | 6 | (26) | | |
| | **(50)** | **46** | **9** | **(27)** | | |
| **Warrants** | | | | | | |
| SLW options (Note 29) | (25) | 20 | | | | |
| | **(25)** | **20** | | | | |
| **Embedded derivatives** | | | | | | |
| Gas Oman | | 3 | | | | |
| | | **3** | | | | |
| **Derivatives designated as hedge (cash flow hedge)** | | | | | | |
| Bunker Oil | (2) | (17) | (2) | (17) | (60) | 12 |
| Foreign exchange | (10) | (4) | (10) | (4) | (5) | 22 |
| | **(12)** | **(21)** | **(12)** | **(21)** | **(65)** | **34** |
| **Total** | **(827)** | **117** | **36** | **(17)** | **(65)** | **34** |

| | Nine-month period ended (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Amount of gain or(loss) recognized as financial income (expense) | | Financial settlement inflows/ (Outflows) | | Amount of gain or (loss) recognized in OCI | |
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| **Derivatives not designated as hedge** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Foreign exchange and interest rate risk** | | | | | | |
| CDI & TJLP vs. US$ fixed and floating rate swap | (40) | (655) | 160 | 202 | | |
| IPCA swap | (24) | | | | | |
| Eurobonds swap | (92) | 58 | 10 | (5) | | |
| Pre dollar swap | (3) | (38) | 7 | 14 | | |
| | **(159)** | **(635)** | **177** | **211** | | |
| **Commodities price risk** | | | | | | |
| Nickel: | | | | | | |
| Nickel fixed price program | 4 | | 7 | (3) | | |
| Bunker oil | (40) | (72) | (2) | (36) | | |
| | **(36)** | **(72)** | **5** | **(39)** | | |
| **Warrants** | | | | | | |
| SLW options (Note 29) | (10) | (35) | | | | |
| | **(10)** | **(35)** | | | | |
| **Embedded derivatives** | | | | | | |
| Gas Oman | 1 | 3 | | | | |
| | **1** | **3** | | | | |
| **Derivatives designated as hedge (cash flow hedge)** | | | | | | |
| Bunker Oil | (11) | (30) | (11) | (30) | (41) | (36) |
| Strategic nickel | | 13 | | 13 | | (13) |
| Foreign exchange | (32) | (4) | (32) | (4) | 6 | (19) |
| | **(43)** | **(21)** | **(43)** | **(21)** | **(35)** | **(68)** |
| **Total** | **(247)** | **(760)** | **139** | **151** | **(35)** | **(68)** |

The maturities dates of the consolidated financial instruments are as follows:

| | **Maturities dates** |
|---|---|
| Currencies/ Interest Rates | July 2023 |
| Gas Oman | April 2016 |
| Nickel | June 2016 |
| Copper | December 2014 |
| Warrants | February 2023 |
| Bunker Oil | September 2015 |

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**Additional information about derivative financial instruments**

**Value at risk computation methodology**

The value at risk of the positions was measured using a delta-Normal parametric approach, which considers that the future distribution of the risk factors - and its correlations - tends to present the same statistic properties verified in the historical data. The value at risk of Vale s derivatives current positions was estimated considering one business day time horizon and a 95% confidence level.

**Contracts subjected to margin calls**

Vale has contracts subject to margin calls only for part of nickel trades executed by its wholly-owned subsidiary Vale Canada. There was not cash amount deposited for margin call on September 30, 2014.

**Initial cost of contracts**

The financial derivatives negotiated by Vale and its controlled companies described in this document didn t have initial costs (initial cash flow) associated.

The following tables show as of September 30, 2014, the derivatives positions for Vale and controlled companies with the following information: notional amount, fair value (considering counterparty credit risk)(1), gains or losses in the period, value at risk and the fair value for the remaining years of the operations per each group of instruments.

**Foreign exchange and interest rates derivative positions**

**Protection program for the Real denominated debt indexed to CDI**

- **CDI vs. US$ fixed rate swap** In order to reduce the cash flow volatility, Vale entered into swap transactions to convert the cash flows from debt instruments denominated in BRL linked to CDI to US$. In those swaps, Vale pays fixed rates in US$ and receives payments linked to CDI.

- **CDI vs. US$ floating rate swap** In order to reduce the cash flow volatility, Vale entered into swap transactions to convert the cash flows from debt instruments denominated in BRL linked to CDI to US$. In those swaps, Vale pays floating rates in US$ (Libor London Interbank Offered Rate) and receives payments linked to CDI.

**US$ Million**

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CDI vs. fixed rate swap** | | | | | | | | | | | |
| Payable | US$ 2,768 | US$ 2,603 | **US$+** | 3.71% | (2,853) | (2,799) | (111) | | | | |
| **Adjusted Net for credit risk** | | | | | **(483)** | **(411)** | | **(22)** | **(125)** | **(277)** | **(59)** |
| **CDI vs. floating rate swap** | | | | | | | | | | | |
| Payable | US$ 250 | US$ 250 | **Libor +** | 0.99% | (251) | (254) | (3) | | | | |
| **Adjusted Net for credit risk** | | | | | **(73)** | **(64)** | | | **(73)** | | |

**Type of contracts:** OTC Contracts

**Protected item:** Debts linked to BRL

The protected items are the debt instruments linked to BRL once the objective of this protection is to transform the obligations linked to BRL into obligations linked to US$ so as to achieve a currency offset by matching Vale s receivables (mainly linked to US$) with Vale s payables.

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(1) The Adjusted net/total for credit risk considers the adjustments for credit (counterparty) risk calculated for the instruments, in accordance with International Financial Reporting Standard 13 (CPC 46).

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**Protection program for the real denominated debt indexed to TJLP**

- **TJLP vs. US$ fixed rate swap** In order to reduce the cash flow volatility, Vale entered into swap transactions to convert the cash flows of the loans with Banco Nacional de Desenvolvimento Econômico e Social (BNDES) from TJLP(2) to US$. In those swaps, Vale pays fixed rates in US$ and receives payments linked to TJLP.

- **TJLP vs. US$ floating rate swap** In order to reduce the cash flow volatility, Vale entered into swap transactions to convert the cash flows of the loans with BNDES from TJLP to US$. In those swaps, Vale pays floating rates in US$ and receives payments linked to TJLP.

**US$ Million**

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Swap TJLP vs. fixed rate swap** | | | | | | | | | | | |
| Payable | US$ 3,089 | US$ 3,310 | **USD +** | 1.98% | (3,027) | (3,172) | (243) | | | | |
| **Adjusted Net for credit risk** | | | | | **(859)** | **(803)** | | **(58)** | **(71)** | **(128)** | **(602)** |
| **Swap TJLP vs. floating rate swap** | | | | | | | | | | | |
| Payable | US$ 346 | US$ 350 | **Libor +** | -1.15% | (319) | (324) | (12) | | | | |
| **Adjusted Net for credit risk** | | | | | **(105)** | **(102)** | | **(44)** | **2** | **(2)** | **(61)** |

**Type of contracts:** OTC Contracts

**Protected item:** Debts linked to BRL

The protected items are the debt instruments linked to BRL once the objective of this protection is to transform the obligations linked to BRL into obligations linked to US$ so as to achieve a currency offset by matching Vale s receivables (mainly linked to US$) with Vale s payables.

**Protection program for the Real denominated fixed rate debt**

- **BRL fixed rate vs. US$ fixed rate swap**: In order to reduce the cash flow volatility, Vale entered into a swap transactions to convert the cash flows from loans rate with Banco Nacional de Desenvolvimento Econômico e Social (BNDES) in BRL linked to fixed rate to US$ linked to fixed. In those swaps, Vale pays fixed rates in US$ and receives fixed rates in BRL.

**US$ Million**

| | Notional ($ million) | | | | Fair value | | Realized Gain/Loss | Value at Risk | Fair value by year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Flow** | **September 30, 2014** | **December 31, 2013** | **Index** | **Average rate** | **September 30, 2014** | **December 31, 2013** | **September 30, 2014** | **September 30, 2014** | **2014** | **2015** | **2016** | **2017 - 2023** |
| **R$ fixed rate vs. US$ fixed rate swap** | | | | | | | | | | | | |
| Receivable | R$ 764 | R$ 824 | **Fix** | 4.48% | 274 | 309 | 44 | | | | | |
| Payable | US$ 411 | US$ 446 | **US$-** | -1.15% | (382) | (411) | (38) | | | | | |
| **Net** | | | | | **(108)** | **(102)** | **6** | **9** | **0** | **(23)** | **(63)** | **(22)** |
| **Adjusted Net for credit risk** | | | | | **(111)** | **(106)** | | | **0** | **(23)** | **(64)** | **(24)** |

**Type of contracts:** OTC Contracts

**Protected item:** Debts linked to BRL

The protected items are the debt instruments linked to BRL once the objective of this protection is to transform the obligations linked to BRL into obligations linked to US$ so as to achieve a currency offset by matching Vale s receivables (mainly linked to US$) with Vale s payables.

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(2) Due to TJLP derivatives market liquidity constraints, some swap trades were done through CDI equivalency.

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**Protection program for the Real denominated debt indexed to IPCA**

- **IPCA vs. US$ fixed rate swap** In order to reduce the cash flow volatility, Vale entered into swap transactions to convert the cash flows from debt instruments denominated in BRL linked to IPCA into US$ on the debenture contracts issued by Vale in 2014 with a notional amount of BRL 1 billion. In those swaps, Vale pays fixed rates in US$ and receives payments linked to IPCA.

**US$ Million**

| Flow | Notional ($ million) September 30, 2014 | Notional ($ million) December 31, 2013 | Index | Average rate | Fair value September 30, 2014 | Fair value December 31, 2013 | Realized Gain/Loss September 30, 2014 | Value at Risk September 30, 2014 | Fair value by year 2014 | 2015 | 2016 | 2017 - 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **IPCA vs. US$ fixed rate swap** | | | | | | | | | | | | |
| Receivable | R$ 1,000 | | **IPCA +** | 6.55% | 447 | | | | | | | |
| Payable | US$ 434 | | **US$+** | 3.98% | (470) | | | | | | | |
| **Net** | | | | | **(23)** | | | **97** | | **8** | **8** | **(** |
| **Adjusted Net for credit risk** | | | | | **(24)** | | | | | **8** | **8** | **(** |

**Type of contracts:** OTC Contracts

**Protected item:** Debts linked to BRL

The protected items are the debt instruments linked to BRL once the objective of this protection is to transform the obligations linked to BRL into obligations linked to US$ so as to achieve a currency offset by matching Vale s receivables (mainly linked to US$) with Vale s payables.

**Protection program for Euro denominated debt**

- **EUR fixed rate vs. US$ fixed rate swap**: In order to hedge the cash flow volatility, Vale entered into a swap transaction to convert the cash flows from debts in Euros linked to fixed rate to US$ linked to fixed rate. This trade was used to convert the cash flows of part of debts in Euros, each one with a notional amount of 750 million, issued in 2010 and 2012 by Vale. Vale receives fixed rates in Euros and pays fixed rates in US$.

**US$ Million**

| Flow | Notional ($ million) September 30, 2014 | December 31, 2013 | Index | Average rate | Fair value September 30, 2014 | December 31, 2013 | Realized Gain/Loss September 30, 2014 | Value at Risk September 30, 2014 | Fair value by year 2014 | 2015 | 2016 - 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Receivable | 1,000 | 1,000 | **EUR** | 4.063% | 1,475 | 1,530 | 706 | | | | |
| Payable | US$ 1,302 | US$ 1,288 | **US$** | 4.511% | (1,460) | (1,411) | (696) | | | | |
| **Net** | | | | | **15** | **119** | **10** | **22** | | **(7)** | **22** |
| **Adjusted Net for credit risk** | | | | | **10** | **113** | | | | **(7)** | **17** |

**Type of contracts:** OTC Contracts

**Protected item:** Vale s Debt linked to EUR

The P&L shown in the table above is offset by the hedged items P&L due to EUR/US$ exchange rate.

**Foreign exchange hedging program for disbursements in Canadian dollars**

- **Canadian Dollar Forward** In order to reduce the cash flow volatility, Vale entered into forward transactions to mitigate the foreign exchange exposure that arises from the currency mismatch between the revenues denominated in US$ and the disbursements denominated in Canadian Dollars.

**US$ Million**

| Flow | Notional ($ million) September 30, 2014 | December 31, 2013 | Buy/ Sell | Average rate (CAD/USD) | Fair value September 30, 2014 | December 31, 2013 | Realized Gain/Loss September 30, 2014 | Value at Risk September 30, 2014 | Fair value by year 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Forward | CAD 327 | CAD 786 | **B** | 1.022 | **(30)** | **(38)** | | **2** | **(9)** | **(20)** | **(1)** |
| **Adjusted total for credit risk** | | | | | **(30)** | **(39)** | | | **(9)** | **(20)** | **(1)** |

**Type of contracts:** OTC Contracts

**Hedged item:** part of disbursements in Canadian Dollars

The P&L shown in the table above is offset by the hedged items P&L due to CAD/US$ exchange rate.

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**Commodity derivative positions**

The Company s cash flow is also exposed to several market risks associated to global commodities price volatilities. To offset these volatilities, Vale contracted the following derivatives transactions:

**Nickel purchase protection program**

In order to reduce the cash flow volatility and eliminate the mismatch between the pricing of the purchased nickel (concentrate, cathode, sinter and others) and the pricing of the final or original product sold to our clients, hedging transactions were implemented. The trades are usually implemented by the sale and/or buy of nickel forward or future contracts at LME or over-the-counter operations.

**US$ Million**

| | Notional (ton) | | | Average Strike | Fair value | | Realized Gain/Loss | Value at Risk | Fair value |
|---|---|---|---|---|---|---|---|---|---|
| **Flow** | **September 30, 2014** | **December 31, 2013** | **Buy/ Sell** | **(US$/ton)** | **September 30, 2014** | **December 31, 2013** | **September 30, 2014** | **September 30, 2014** | **2014** |
| Nickel Futures | 132 | 168 | **S** | 18,582 | 0.30 | 0.03 | (1.18) | 0.05 | 0.30 |
| **Adjusted total for credit risk** | | | | | **0.30** | **0.03** | | | **0.30** |

**Type of contracts:** LME contracts and OTC contracts

**Protected item:** part of Vale s revenues linked to nickel price.

The P&L shown in the table above is offset by the protected items P&L due to nickel price.

**Nickel fixed price program**

In order to maintain the revenues exposure to nickel price fluctuations, we entered into derivatives to convert to floating prices all contracts with clients that required a fixed price. These trades aim to guarantee that the prices of these operations would be the same of the average prices negotiated in LME in the date the product is delivered to the client. It normally involves buying nickel forwards (over-the-counter) or futures (exchange negotiated). Those operations are usually reverted before the maturity in order to match the settlement dates of the commercial contracts in which the prices are fixed.

**US$ Million**

| | **Notional (ton)** | | | | **Fair value** | | **Realized Gain/Loss** | **Value at Risk** | **Fair value by year** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Flow** | **September 30, 2014** | **December 31, 2013** | **Buy/ Sell** | **Average Strike (US$/ton)** | **September 30, 2014** | **December 31, 2013** | **September 30, 2014** | **September 30, 2014** | **2014** | **2015** | **2016** |
| Nickel Futures | 9,506 | 6,317 | **B** | 17,920 | (15) | (2) | 10 | 4 | (2) | (12) | (1) |
| **Adjusted total for credit risk** | | | | | **(15)** | **(2)** | | | **(2)** | **(12)** | **(1)** |

**Type of contracts:** LME contracts and OTC contracts

**Protected item:** part of Vale s revenues linked to fixed price sales of nickel.

The P&L shown in the table above is offset by the protected items P&L due to nickel price.

**Copper scrap purchase protection program**

This program was implemented 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, as the copper scrap combined with other raw materials or inputs to produce copper for the final clients. This program usually is implemented by the sale of forwards or futures at LME or over-the-counter operations.

**US$ Million**

| | **Notional (lbs)** | | | | **Fair value** | | **Realized Gain/Loss** | **Value at Risk** | **Fair value by year** |
|---|---|---|---|---|---|---|---|---|---|
| **Flow** | **September 30, 2014** | **December 31, 2013** | **Buy/ Sell** | **Average Strike (US$/lbs)** | **September 30, 2014** | **December 31, 2013** | **September 30, 2014** | **September 30, 2014** | **2014** |
| Forward | 601,200 | 1,101,029 | **S** | 3.16 | **0.09** | **(0.14)** | **0.04** | **0.03** | **0.09** |
| **Adjusted total for** | | | | | **0.09** | **(0.14)** | | | **0.09** |

**credit**
**risk**

**Type of contracts:** OTC contracts

**Protected item:** of Vale s revenues linked to copper price.

The P&L shown in the table above is offset by the protected items P&L due to copper price.

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**Bunker Oil purchase protection program**

In order to reduce the impact of bunker oil price fluctuation on Vale s maritime freight hiring/supply and consequently reducing the company s cash flow volatility, bunker oil derivatives were implemented. These transactions are usually executed through forward purchases and *zero cost-collars*.

**US$ Million**

| Flow | Notional (ton) September 30, 2014 | Notional (ton) December 31, 2013 | Buy/ Sell | Average Strike (US$/ton) | Fair value September 30, 2014 | Fair value December 31, 2013 | Realized Gain/Loss September 30, 2014 | Value at Risk September 30, 2014 | Fair value by year 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Forward | 1,287,500 | | **B** | 586 | (43) | | 2 | 6 | (43) |
| **Adjusted total for credit risk** | | | | | **(43)** | | | | **(43)** |

**Type of contracts:** OTC Contracts

**Protected item:** part of Vale s costs linked to bunker oil price

The P&L shown in the table above is offset by the protected items P&L due to bunker oil price.

**Bunker Oil purchase hedging program**

In order to reduce the impact of bunker oil price fluctuation on Vale s maritime freight hiring/supply and consequently reducing the company s cash flow volatility, bunker oil derivatives were implemented. These transactions are usually executed through forward purchases and *zero cost-collars*.

**US$ Million**

| Flow | Notional (ton) September 30, 2014 | Notional (ton) December 31, 2013 | Buy/ Sell | Average Strike (US$/ton) | Fair value September 30, 2014 | Fair value December 31, 2013 | Realized Gain/Loss September 30, 2014 | Value at Risk September 30, 2014 | Fair value by year 2014 | Fair value by year 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Forward | 1,276,500 | 1,590,000 | **B** | 588 | **(41)** | **(3)** | **(12)** | **6** | **(38)** | **(3)** |
| **Adjusted total for credit risk** | | | | | **(41)** | **(3)** | | | **(38)** | **(3)** |

**Type of contracts:** OTC contracts

**Protected item:** part of Vale s costs linked to bunker oil price

The P&L shown in the table above is offset by the protected items P&L due to bunker oil price.

**Sale of part of future gold production (copper subproduct)**

The company has definitive contracts with Silver Wheaton Corp. (SLW), a Canadian company with stocks negotiated in Toronto Stock Exchange and New York Stock Exchange, to sell 25% of gold payable flows produced as a sub product from Salobo copper mine during its life and 70% of gold payable flows produced as a sub product from some nickel mines in Sudbury during 20 years. For this transaction the payment was realized part in cash (US$ 1.9 billion) and part as 10 million of SLW warrants, where this last part configures an American call option.

**US$ Million**

| Flow | Notional (quantity) September 30, 2014 | Notional (quantity) December 31, 2013 | Buy/ Sell | Average Strike (US$/stock) | Fair value September 30, 2014 | Fair value December 31, 2013 | Realized Gain/Loss September 30, 2014 | Value at Risk September 30, 2014 | Fair valu[...] 20[...] |
|---|---|---|---|---|---|---|---|---|---|
| Call Option | 10,000,000 | 10,000,000 | **B** | 65 | **29** | **40** | | **3** | |
| **Adjusted total for credit risk** | | | | | **28** | **40** | | | |

**Embedded derivative positions**

The Company s cash flow is also exposed to several market risks associated to contracts that contain embedded derivatives or derivative-like features. From Vale s perspective, it may include, but is not limited to, commercial contracts, procurement contracts, rental contracts, bonds, insurance policies and loans. The following embedded derivatives were observed in September 30, 2014:

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**Raw material and intermediate products purchase**

Nickel concentrate and raw materials purchase agreements, in which there are provisions based on nickel and copper future prices behavior. These provisions are considered as embedded derivatives.

**US$ Million**

| Flow | Notional (ton) September 30, 2014 | Notional (ton) December 31, 2013 | Buy/ Sell | Average Strike (US$/ton) | Fair value September 30, 2014 | Fair value December 31, 2013 | Realized Gain/Loss September 30, 2014 | Value at Risk September 30, 2014 | Fair valu 20 |
|---|---|---|---|---|---|---|---|---|---|
| Nickel Forwards | 3,356 | 2,111 | | 18,564 | (1.6) | 0.04 | 10.7 | | |
| | | | S | | | | | | |
| Copper Forwards | 5,449 | 6,277 | | 6,974 | (0.7) | 0.35 | 0.3 | | |
| **Total** | | | | | **(2.4)** | **0.39** | **11.0** | **2** | |

**Gas purchase for pelletizing company in Oman**

Our subsidiary Vale Oman Pelletizing Company LLC has a natural gas purchase agreement in which there´s a clause that defines that a premium can be charged if pellet prices trades above a pre-defined level. This clause is considered as an embedded derivative.

**US$ Million**

| Flow | Notional (volume/month) September 30, 2014 | Notional (volume/month) December 31, 2013 | Buy/ Sell | Average Strike (US$/ton) | Fair value September 30, 2014 | Fair value December 31, 2013 | Realized Gain/Loss September 30, 2014 | Value at Risk September 30, 2014 | Fair value 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Call Options | 746,667 | 746,667 | **S** | 179.36 | **(0.2)** | **(1.5)** | | **0.3** | **0** | **(0.** |

a) **Market curves**

To build the curves used on the pricing of the derivatives, public data from BM&F, Central Bank of Brazil, London Metals Exchange (LME) and proprietary data from Thomson Reuters and Bloomberg were used.

**1. Commodities**

**Nickel**

| Maturity | Price (US$/ton) | Maturity | Price (US$/ton) | Maturity | Price (US$/ton) |
|---|---|---|---|---|---|
| SPOT | 16,505.00 | MAR15 | 16,384.78 | SEP15 | 16,459.80 |
| OCT14 | 16,266.11 | APR15 | 16,406.65 | SEP16 | 16,410.92 |
| NOV14 | 16,291.46 | MAY15 | 16,424.57 | SEP17 | 16,299.97 |
| DEC14 | 16,315.97 | JUN15 | 16,436.36 | SEP18 | 16,237.79 |
| JAN15 | 16,340.42 | JUL15 | 16,446.14 | | |
| FEB15 | 16,361.57 | AUG15 | 16,456.00 | | |
| | | SEP15 | | | |

**Copper**

| Maturity | Price (US$/lb) | Maturity | Price (US$/lb) | Maturity | Price (US$/lb) |
|---|---|---|---|---|---|
| SPOT | 3.01 | MAR15 | 3.02 | SEP15 | 3.01 |
| OCT14 | 3.04 | APR15 | 3.02 | SEP16 | 2.99 |
| NOV14 | 3.03 | MAY15 | 3.01 | SEP17 | 2.97 |
| DEC14 | 3.03 | JUN15 | 3.01 | SEP18 | 2.95 |
| JAN15 | 3.02 | JUL15 | 3.01 | | |
| FEB15 | 3.02 | AUG15 | 3.01 | | |

**Bunker Oil**

| Maturity | Price (US$/ton) | Maturity | Price (US$/ton) | Maturity | Price (US$/ton) |
|---|---|---|---|---|---|
| SPOT | 560.89 | MAR15 | 544.29 | SEP15 | 546.34 |
| OCT14 | 550.97 | APR15 | 544.51 | SEP16 | 547.49 |
| NOV14 | 542.10 | MAY15 | 544.75 | SEP17 | 546.14 |
| DEC14 | 540.79 | JUN15 | 545.19 | SEP18 | 549.78 |
| JAN15 | 542.74 | JUL15 | 545.65 | | |
| FEB15 | 543.53 | AUG15 | 546.11 | | |

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**2. Rates**

**US**