

Vale S.A.  
Form 6-K  
July 30, 2009

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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  
July 2009  
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  Form 40-F

(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  No

(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  No

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

(Check One) Yes  No

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

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**PricewaterhouseCoopers**

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**Report of Independent Registered  
Public Accounting Firm**

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

We have reviewed the accompanying condensed consolidated balance sheet of Vale S.A. (formerly Companhia Vale do Rio Doce) and its subsidiaries as of June 30, 2009, and the related condensed consolidated statements of income, of cash flows and of stockholders' equity for each of the three-month periods ended June 30, 2009, and March 31, 2009 and June 30, 2008 and for the six-month periods ended June 30, 2009 and June 30, 2008. This interim financial information is the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, of cash flows and of stockholders' equity for the year then ended (not presented herein), and in our report dated February 19, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2008, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

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Vale S.A.

As discussed in Note 4(b) to the condensed consolidated interim financial information, the Company changed the manner in which it reports non-controlling interest in 2009. The accompanying December 31, 2008 condensed consolidated financial information reflects this change.

PricewaterhouseCoopers  
Auditores Independentes  
Rio de Janeiro, Brazil  
July 29, 2009

**Table of Contents****Condensed Consolidated Balance Sheets  
Expressed in millions of United States Dollars**

|   | <b>June 30, 2009<br/>(unaudited)</b> | <b>December 31, 2008</b> |
|---|--------------------------------------|--------------------------|
| Assets  |                                      |                          |
| Current assets  |                                      |                          |
| Cash and cash equivalents   | 8,192                                | 10,331                   |
| Short-term investments  | 3,000                                | 2,308                    |
| Accounts receivable   |                                      |                          |
| Related parties   | 75                                   | 137                      |
| Unrelated parties   | 2,674                                | 3,067                    |
| Loans and advances to related parties                                     | 65                                   | 53                       |
| Inventories   | 4,035                                | 3,896                    |
| Deferred income tax   | 587                                  | 583                      |
| Advances to suppliers   | 423                                  | 405                      |
| Recoverable taxes   | 838                                  | 1,993                    |
| Other   | 639                                  | 465                      |
|   | <b>20,528</b>                        | <b>23,238</b>            |
| Property, plant and equipment, net, and intangible assets                 | <b>59,296</b>                        | <b>49,329</b>            |
| Investments in affiliated companies, joint ventures and other investments | <b>2,968</b>                         | <b>2,408</b>             |
| Other assets  |                                      |                          |
| Goodwill on acquisition of subsidiaries                                   | 2,095                                | 1,898                    |
| Loans and advances  |                                      |                          |
| Related parties   | 26                                   |                          |
| Unrelated parties   | 95                                   | 77                       |
| Prepaid pension cost  | 1,064                                | 622                      |
| Prepaid expenses  | 187                                  | 223                      |
| Judicial deposits   | 1,363                                | 1,141                    |
| Advances to suppliers energy  | 472                                  | 408                      |
| Recoverable taxes   | 610                                  | 394                      |
| Unrealized gains on derivative instruments                                | 246                                  | 32                       |
| Other   | 106                                  | 161                      |
|   | <b>6,264</b>                         | <b>4,956</b>             |
| <b>TOTAL</b>  | <b>89,056</b>                        | <b>79,931</b>            |

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

|  | (Continued)                     |                   |
|--|---------------------------------|-------------------|
|  | June 30,<br>2009<br>(unaudited) | December 31, 2008 |
| Liabilities and stockholders' equity   |                                 |                   |
| Current liabilities  |                                 |                   |
| Suppliers  | 2,142                           | 2,261             |
| Payroll and related charges  | 604                             | 591               |
| Current portion of long-term debt  | 610                             | 633               |
| Short-term debt  | 38                              |                   |
| Loans from related parties   | 19                              | 77                |
| Provision for income taxes   | 220                             | 502               |
| Taxes payable and royalties  | 115                             | 55                |
| Employees postretirement benefits  | 116                             | 102               |
| Railway sub-concession agreement payable   | 243                             | 400               |
| Unrealized losses on derivative instruments  | 60                              |                   |
| Provisions for asset retirement obligations  | 31                              | 48                |
| Minimum mandatory dividends payable  | 1,080                           | 2,068             |
| Other  | 510                             | 500               |
|  | <b>5,788</b>                    | <b>7,237</b>      |
| Long-term liabilities  |                                 |                   |
| Employees postretirement benefits  | 1,608                           | 1,485             |
| Long-term debt   | 18,826                          | 17,535            |
| Provisions for contingencies (Note 17 (c))   | 1,938                           | 1,685             |
| Unrealized losses on derivative instruments  | 11                              | 573               |
| Deferred income tax  | 5,234                           | 4,005             |
| Provisions for asset retirement obligations  | 968                             | 839               |
| Other  | 1,681                           | 1,525             |
|  | <b>30,266</b>                   | <b>27,647</b>     |
| Redeemable noncontrolling interest (Note 4 (b))  | <b>648</b>                      | <b>599</b>        |
| Commitments and contingencies (Note 17)  |                                 |                   |
| Stockholders' equity   |                                 |                   |
| Preferred class A stock 7,200,000,000<br>no-par-value shares authorized and 2,108,590,250 (2008 2,108,579,618)<br>issued | 9,727                           | 9,727             |
| Common stock 3,600,000,000<br>no-par-value shares authorized and 3,256,724,482 (2008 3,256,724,482)                      | 15,262                          | 15,262            |



|  |               |               |
|--|---------------|---------------|
| issued   |               |               |
| Treasury stock 77,625,704 (2008 76,854,304) preferred and 74,997,899 (2008 74,937,899) common shares | (1,151)       | (1,141)       |
| Additional paid-in capital   | 393           | 393           |
| Mandatorily convertible notes common shares  | 1,288         | 1,288         |
| Mandatorily convertible notes preferred shares   | 581           | 581           |
| Other cumulative comprehensive loss  | (6,260)       | (11,510)      |
| Undistributed retained earnings  | 21,930        | 18,340        |
| Unappropriated retained earnings   | 8,107         | 9,616         |
| Total Company stockholders equity  | <b>49,877</b> | <b>42,556</b> |
| Noncontrolling interests   | <b>2,477</b>  | <b>1,892</b>  |
| Total stockholders equity  | <b>52,354</b> | <b>44,448</b> |
| TOTAL  | <b>89,056</b> | <b>79,931</b> |

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

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

|   | Three-month period ended<br>(unaudited) |                |                | Six-month period ended<br>(unaudited) |                 |
|---|---|----------------|----------------|---------------------------------------|-----------------|
|   | June 30,<br>2009                        | March 31, 2009 | June 30, 2008  | June 30,<br>2009                      | June 30, 2008   |
| Operating revenues, net of discounts, freight, returns and allowances |   |                |                |                                       |                 |
| Sales of ores and metals  | 4,156                                   | 4,569          | 9,445          | 8,725                                 | 16,302          |
| Aluminum products   | 468                                     | 442            | 728            | 910                                   | 1,374           |
| Revenues from logistic services                                       | 281                                     | 199            | 462            | 480                                   | 824             |
| Other products and services   | 179                                     | 211            | 262            | 390                                   | 445             |
|   | <b>5,084</b>                            | <b>5,421</b>   | <b>10,897</b>  | <b>10,505</b>                         | <b>18,945</b>   |
| Taxes on revenues   | (136)                                   | (97)           | (297)          | (233)                                 | (513)           |
| Net operating revenues  | <b>4,948</b>                            | <b>5,324</b>   | <b>10,600</b>  | <b>10,272</b>                         | <b>18,432</b>   |
| Operating costs and expenses  |   |                |                |                                       |                 |
| Cost of ores and metals sold  | (2,295)                                 | (2,169)        | (3,834)        | (4,464)                               | (7,274)         |
| Cost of aluminum products   | (529)                                   | (452)          | (561)          | (981)                                 | (1,054)         |
| Cost of logistic services   | (178)                                   | (165)          | (256)          | (343)                                 | (468)           |
| Other   | (133)                                   | (114)          | (112)          | (247)                                 | (209)           |
|   | <b>(3,135)</b>                          | <b>(2,900)</b> | <b>(4,763)</b> | <b>(6,035)</b>                        | <b>(9,005)</b>  |
| Selling, general and administrative expenses                          | (230)                                   | (233)          | (344)          | (463)                                 | (666)           |
| Research and development expenses                                     | (265)                                   | (189)          | (269)          | (454)                                 | (459)           |
| Other   | (342)                                   | (317)          | 11             | (659)                                 | (152)           |
|   | <b>(3,972)</b>                          | <b>(3,639)</b> | <b>(5,365)</b> | <b>(7,611)</b>                        | <b>(10,282)</b> |
| Operating income  | <b>976</b>                              | <b>1,685</b>   | <b>5,235</b>   | <b>2,661</b>                          | <b>8,150</b>    |
| Non-operating income (expenses)                                       |   |                |                |                                       |                 |
| Financial income  | 93                                      | 125            | 23             | 218                                   | 78              |
| Financial expenses  | (293)                                   | (287)          | (349)          | (580)                                 | (909)           |
| Gains (losses) on derivatives, net                                    | 873                                     | 18             | 655            | 891                                   | 361             |
| Foreign exchange and indexation gains (losses), net                   | 523                                     | 16             | 838            | 539                                   | 926             |
| Gain on sale of investments   | 157                                     |                |                | 157                                   | 80              |
|   | <b>1,353</b>                            | <b>(128)</b>   | <b>1,167</b>   | <b>1,225</b>                          | <b>536</b>      |
| Income before income taxes and equity results                         | <b>2,329</b>                            | <b>1,557</b>   | <b>6,402</b>   | <b>3,886</b>                          | <b>8,686</b>    |

|   |                |              |                |                |                |
|---|----------------|--------------|----------------|----------------|----------------|
| Income taxes  |                |              |                |                |                |
| Current   | (1,494)        | (477)        | (1,173)        | (1,971)        | (1,827)        |
| Deferred  | (130)          | 171          | (333)          | 41             | (37)           |
|   | <b>(1,624)</b> | <b>(306)</b> | <b>(1,506)</b> | <b>(1,930)</b> | <b>(1,864)</b> |
| Equity in results of affiliates, joint ventures and other investments       | 135            | 72           | 260            | 207            | 379            |
| Net income  | <b>840</b>     | <b>1,323</b> | <b>5,156</b>   | <b>2,163</b>   | <b>7,201</b>   |
| Net income (loss) attributable to noncontrolling interests                  | 50             | (40)         | 147            | 10             | 171            |
| Net income attributable to Company's stockholders                           | <b>790</b>     | <b>1,363</b> | <b>5,009</b>   | <b>2,153</b>   | <b>7,030</b>   |
| Basic and diluted earnings per share attributable to Company's stockholders |                |              |                |                |                |
| Earnings per preferred share  | 0.14           | 0.25         | 1.01           | 0.39           | 1.41           |
| Earnings per common share   | 0.14           | 0.25         | 1.01           | 0.39           | 1.41           |
| Earnings per preferred share linked to convertible mandatorily notes (*)    | 0.63           | 0.53         | 1.52           | 1.16           | 2.18           |
| Earnings per common share linked to convertible mandatorily notes (*)       | 0.69           | 0.57         | 1.54           | 1.25           | 2.28           |

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

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

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

|   | Three-month period ended (unaudited) |                   |                  | Six-month period ended (unaudited) |                  |
|---|--------------------------------------|-------------------|------------------|------------------------------------|------------------|
|   | June 30,<br>2009                     | March 31,<br>2009 | June 30,<br>2008 | June 30,<br>2009                   | June 30,<br>2008 |
| Cash flows from operating activities:                                 |                                      |                   |                  |                                    |                  |
| Net income  | 840                                  | 1,323             | 5,156            | 2,163                              | 7,201            |
| Adjustments to reconcile net income to cash from operations:          |                                      |                   |                  |                                    |                  |
| Depreciation, depletion and amortization                              | 643                                  | 559               | 760              | 1,202                              | 1,526            |
| Dividends received  | 106                                  | 37                | 223              | 143                                | 271              |
| Equity in results of affiliates, joint ventures and other investments | (135)                                | (72)              | (260)            | (207)                              | (379)            |
| Deferred income taxes   | 130                                  | (171)             | 333              | (41)                               | 37               |
| Loss on disposal of property, plant and equipment                     | 46                                   | 41                | 86               | 87                                 | 123              |
| Gain on sale of investments   | (157)                                |                   |                  | (157)                              | (80)             |
| Foreign exchange and indexation losses (gains), net                   | (817)                                | (57)              | (1,300)          | (874)                              | (1,422)          |
| Unrealized derivative losses (gains), net                             | (873)                                | (18)              | (655)            | (891)                              | (361)            |
| Unrealized interest (income) expense, net                             | (54)                                 | 3                 | (45)             | (51)                               | 36               |
| Others  | (18)                                 | (16)              | (3)              | (34)                               | (21)             |
| Decrease (increase) in assets:  |                                      |                   |                  |                                    |                  |
| Accounts receivable   | 271                                  | 391               | (802)            | 662                                | (600)            |
| Inventories   | 98                                   | 119               | (283)            | 217                                | (347)            |
| Recoverable taxes   | 1,275                                | (104)             | 32               | 1,171                              | (119)            |
| Others  | (8)                                  | (77)              | 47               | (85)                               | 43               |
| Increase (decrease) in liabilities:                                   |                                      |                   |                  |                                    |                  |
| Suppliers   | (227)                                | (103)             | 320              | (330)                              | 266              |
| Payroll and related charges   | 62                                   | (139)             | 177              | (77)                               | (71)             |
| Income taxes  | (276)                                | 216               | 750              | (60)                               | 32               |
| Others  | 160                                  | 233               | (455)            | 393                                | (646)            |
| <b>Net cash provided by operating activities</b>                      | <b>1,066</b>                         | <b>2,165</b>      | <b>4,081</b>     | <b>3,231</b>                       | <b>5,489</b>     |
| Cash flows from investing activities:                                 |                                      |                   |                  |                                    |                  |
| Short-term investments  | 217                                  | (909)             |                  | (692)                              |                  |
| Loans and advances receivable   |                                      |                   |                  |                                    |                  |
| Related parties   |                                      |                   |                  |                                    |                  |
| Loan proceeds   | (38)                                 | (23)              | (34)             | (61)                               | (34)             |

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|  |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|
| Repayments   |                | 7              |                | 7              | 25             |
| Others   | (14)           | 4              | 1              | (10)           | 1              |
| Judicial deposits  | (34)           | (19)           | (2)            | (53)           | (36)           |
| Investments  | (291)          | (138)          | (11)           | (429)          | (24)           |
| Additions to, property, plant and equipment                  | (2,008)        | (1,688)        | (2,105)        | (3,696)        | (3,730)        |
| Proceeds from disposal of investments                        | 277            |                |                | 277            | 134            |
| Acquisition of subsidiaries, net of cash acquired            | (300)          | (850)          |                | (1,150)        |                |
| Net cash used in investing activities                        | <b>(2,191)</b> | <b>(3,616)</b> | <b>(2,151)</b> | <b>(5,807)</b> | <b>(3,664)</b> |
| Cash flows from financing activities:                        |                |                |                |                |                |
| Short-term debt, additions                                   | 351            | 103            | 209            | 454            | 1,010          |
| Short-term debt, repayments                                  | (342)          | (74)           | (449)          | (416)          | (1,121)        |
| Loans  |                |                |                |                |                |
| Related parties  |                |                |                |                |                |
| Loan proceeds  |                |                | 3              |                | 21             |
| Repayments   | (155)          | (68)           | (2)            | (223)          | (4)            |
| Issuances of long-term debt                                  |                |                |                |                |                |
| Third parties  | 296            | 185            | 236            | 481            | 1,566          |
| Repayments of long-term debt                                 |                |                |                |                |                |
| Third parties  | (52)           | (110)          | (647)          | (162)          | (752)          |
| Treasury stock   |                | (10)           |                |                |                |
| Dividends and interest attributed to Company's stockholders  | (1,255)        |                | (1,250)        | (1,255)        | (1,250)        |
| Dividends and interest attributed to noncontrolling interest |                |                | (87)           | (10)           | (87)           |
| Net cash provided by (used in) financing activities          | <b>(1,157)</b> | <b>26</b>      | <b>(1,987)</b> | <b>(1,131)</b> | <b>(617)</b>   |
| Increase (decrease) in cash and cash equivalents             | (2,282)        | (1,425)        | (57)           | (3,707)        | 1,208          |
| Effect of exchange rate changes on cash and cash equivalents | 1,477          | 91             | (53)           | 1,568          | (100)          |
| Cash and cash equivalents, beginning of period               | 8,997          | 10,331         | 2,264          | 10,331         | 1,046          |
| Cash and cash equivalents, end of period                     | <b>8,192</b>   | <b>8,997</b>   | <b>2,154</b>   | <b>8,192</b>   | <b>2,154</b>   |
| Cash paid during the period for:                             |                |                |                |                |                |
| Interest on short-term debt                                  |                |                | (5)            |                | (10)           |
| Interest on long-term debt                                   | (311)          | (277)          | (357)          | (588)          | (636)          |
| Income tax   | (85)           | (143)          | (320)          | (228)          | (1,992)        |

|                       |    |    |    |     |    |
|-----------------------|----|----|----|-----|----|
| Non-cash transactions |    |    |    |     |    |
| Interest capitalized  | 50 | 65 | 14 | 115 | 31 |

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

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

|  | Three-month period ended (unaudited) |                 |               | Six-month period ended (unaudited) |               |
|--|--------------------------------------|-----------------|---------------|------------------------------------|---------------|
|  | June 30, 2009                        | March 31, 2009  | June 30, 2008 | June 30, 2009                      | June 30, 2008 |
| Preferred class A stock<br>(including twelve special shares) |                                      |                 |               |                                    |               |
| Beginning and end of the period                              | <b>9,727</b>                         | <b>9,727</b>    | <b>4,953</b>  | <b>9,727</b>                       | <b>4,953</b>  |
| Common stock   |                                      |                 |               |                                    |               |
| Beginning and end of the period                              | <b>15,262</b>                        | <b>15,262</b>   | <b>7,742</b>  | <b>15,262</b>                      | <b>7,742</b>  |
| Treasury stock   |                                      |                 |               |                                    |               |
| Beginning of the period                                      | (1,151)                              | (1,141)         | (389)         | (1,141)                            | (389)         |
| Acquisitions   |                                      | (10)            |               | (10)                               |               |
| End of the period  | <b>(1,151)</b>                       | <b>(1,151)</b>  | <b>(389)</b>  | <b>(1,151)</b>                     | <b>(389)</b>  |
| Additional paid-in capital                                   |                                      |                 |               |                                    |               |
| Beginning and end of the period                              | <b>393</b>                           | <b>393</b>      | <b>498</b>    | <b>393</b>                         | <b>498</b>    |
| Mandatorily convertible notes - common shares                |                                      |                 |               |                                    |               |
| Beginning and end of the period                              | <b>1,288</b>                         | <b>1,288</b>    | <b>1,288</b>  | <b>1,288</b>                       | <b>1,288</b>  |
| Mandatorily convertible notes - preferred shares             |                                      |                 |               |                                    |               |
| Beginning and end of the period                              | <b>581</b>                           | <b>581</b>      | <b>581</b>    | <b>581</b>                         | <b>581</b>    |
| Other cumulative comprehensive (deficit) income              |                                      |                 |               |                                    |               |
| Cumulative translation adjustments                           |                                      |                 |               |                                    |               |
| Beginning of the period                                      | (11,597)                             | (11,493)        | 1,135         | (11,493)                           | 1,340         |
| Change in the period   | 5,212                                | (104)           | 1,707         | 5,108                              | 1,502         |
| End of the period  | <b>(6,385)</b>                       | <b>(11,597)</b> | <b>2,842</b>  | <b>(6,385)</b>                     | <b>2,842</b>  |

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|  |                |                 |               |                |               |
|--|----------------|-----------------|---------------|----------------|---------------|
| Unrealized gain (loss)<br>available-for-sale<br>securities, net of tax |                |                 |               |                |               |
| Beginning of the period  | 113            | 17              | 205           | 17             | 211           |
| Change in the period   | (64)           | 96              | (94)          | 32             | (100)         |
| End of the period  | <b>49</b>      | <b>113</b>      | <b>111</b>    | <b>49</b>      | <b>111</b>    |
| Surplus (deficit) accrued<br>pension plan                              |                |                 |               |                |               |
| Beginning of the period  | (82)           | (34)            | 60            | (34)           | 75            |
| Change in the period   | 157            | (48)            | 104           | 109            | 89            |
| End of the period  | <b>75</b>      | <b>(82)</b>     | <b>164</b>    | <b>75</b>      | <b>164</b>    |
| Cash flow hedge  |                |                 |               |                |               |
| Beginning of the period  |                |                 | 2             |                | 29            |
| Change in the period   | 1              |                 | 6             | 1              | (21)          |
| End of the period  | <b>1</b>       |                 | <b>8</b>      | <b>1</b>       | <b>8</b>      |
| Total other cumulative<br>comprehensive<br>(deficit) income            | <b>(6,260)</b> | <b>(11,566)</b> | <b>3,125</b>  | <b>(6,260)</b> | <b>3,125</b>  |
| Undistributed retained<br>earnings                                     |                |                 |               |                |               |
| Beginning of the period  | 18,513         | 18,340          | 15,508        | 18,340         | 15,317        |
| Transfer from<br>unappropriated retained<br>earnings                   | 3,417          | 173             | 1,513         | 3,590          | 1,704         |
| End of the period  | <b>21,930</b>  | <b>18,513</b>   | <b>17,021</b> | <b>21,930</b>  | <b>17,021</b> |
| Unappropriated retained<br>earnings                                    |                |                 |               |                |               |
| Beginning of the period  | 10,780         | 9,616           | 3,435         | 9,616          | 1,631         |
| Net income attributable to<br>Company's stockholders                   | 790            | 1,363           | 5,009         | 2,153          | 7,030         |
| Interest on mandatorily<br>convertible debt                            |                |                 |               |                |               |
| Preferred class A stock  | (15)           | (8)             | (15)          | (23)           | (23)          |
| Common stock   | (31)           | (18)            | (30)          | (49)           | (48)          |
| Appropriation to<br>undistributed retained<br>earnings                 | (3,417)        | (173)           | (1,513)       | (3,590)        | (1,704)       |
| End of the period  | <b>8,107</b>   | <b>10,780</b>   | <b>6,886</b>  | <b>8,107</b>   | <b>6,886</b>  |
| Total Company<br>stockholders' equity                                  | <b>49,877</b>  | <b>43,827</b>   | <b>41,705</b> | <b>49,877</b>  | <b>41,705</b> |



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|                           |               |               |               |               |               |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Noncontrolling interests  |               |               |               |               |               |
| Beginning of the period   | 2,085         | 1,892         | 2,140         | <b>1,892</b>  | <b>2,180</b>  |
| Disposals and             |               |               |               |               |               |
| (acquisitions) of         |               |               |               |               |               |
| noncontrolling interests  | 29            |               |               | 29            |               |
| Cumulative translation    |               |               |               |               |               |
| adjustments               | 313           | 222           | 286           | <b>535</b>    | <b>235</b>    |
| Cash flow hedge           |               |               | 6             |               | <b>(16)</b>   |
| Net income                |               |               |               |               |               |
| (loss) attributable to    |               |               |               |               |               |
| noncontrolling interests  | 50            | (40)          | 147           | <b>10</b>     | <b>171</b>    |
| Dividends and interest    |               |               |               |               |               |
| attributable to           |               |               |               |               |               |
| noncontrolling interests  |               | (1)           | (110)         | <b>(1)</b>    | <b>(110)</b>  |
| Capitalization of         |               |               |               |               |               |
| stockholders advances     |               | 12            | 23            | <b>12</b>     | <b>32</b>     |
| End of the period         | <b>2,477</b>  | <b>2,085</b>  | <b>2,492</b>  | <b>2,477</b>  | <b>2,492</b>  |
| Total stockholders equity | <b>52,354</b> | <b>45,912</b> | <b>44,197</b> | <b>52,354</b> | <b>44,197</b> |

|                           |               |               |               |               |               |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Number of shares:         |               |               |               |               |               |
| Preferred class A stock   |               |               |               |               |               |
| (including twelve special |               |               |               |               |               |
| shares)                   | 2,108,590,250 | 2,108,579,618 | 1,919,516,400 | 2,108,590,250 | 1,919,516,400 |
| Common stock              | 3,256,724,482 | 3,256,724,482 | 2,999,797,716 | 3,256,724,482 | 2,999,797,716 |
| Buy-backs                 |               |               |               |               |               |
| Beginning of the period   | (152,623,603) | (151,792,203) | (86,923,052)  | (151,792,203) | (86,923,184)  |
| Acquisitions              |               | (831,400)     |               | (831,400)     |               |
| Sales                     |               |               |               |               | 132           |
| End of the period         | (152,623,603) | (152,623,603) | (86,923,052)  | (152,623,603) | (86,923,052)  |
|                           | 5,212,691,129 | 5,212,680,497 | 4,832,391,064 | 5,212,691,129 | 4,832,391,064 |

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

**Table of Contents****Notes to the Condensed Consolidated Financial Information**

Expressed in millions of United States Dollars, unless otherwise stated

**1 The Company and its operation**

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

At June 30, 2009, our principal consolidated operating subsidiaries are the following:

| <b>Subsidiary</b>  | <b>%<br/>ownership</b> | <b>%<br/>voting<br/>capital</b> | <b>Head office<br/>location</b> | <b>Principal activity</b> |
|--|------------------------|---------------------------------|---------------------------------|---------------------------|
| Alumina do Norte do Brasil S.A. ( Alunorte )                     | 57.03                  | 59.02                           | Brazil                          | Alumina                   |
| Alumínio Brasileiro S.A. ( Albras )                              | 51.00                  | 51.00                           | Brazil                          | Aluminum                  |
| CADAM S.A (CADAM)  | 61.48                  | 100.00                          | Brazil                          | Kaolin                    |
| CVRD Overseas Ltd.   | 100.00                 | 100.00                          | Cayman Islands                  | Trading                   |
| Diamond Coal Ltd.  | 100.00                 | 100.00                          | Colombia                        | Coal                      |
| Ferrovias Centro-Atlântica S. A.                                 | 100.00                 | 100.00                          | Brazil                          | Logistics                 |
| Pará Pigmentos S.A. ( PPSA )                                     | 86.17                  | 85.57                           | Brazil                          | Kaolin                    |
| PT International Nickel Indonesia Tbk ( PT Inco )                | 61.16                  | 61.16                           | Indonesia                       | Nickel                    |
| Rio Doce Manganês Norway ( RDMN )                                | 100.00                 | 100.00                          | Norway                          | Ferroalloys               |
| Vale Manganês S.A. (formerly Rio Doce Manganês S.A.)             | 100.00                 | 100.00                          | Brazil                          | Manganese and Ferroalloys |
| Vale Manganês France (formerly Rio Doce Manganês Europe ( RDME ) | 100.00                 | 100.00                          | France                          | Ferroalloys               |
| Vale Australia Pty Ltd.  | 100.00                 | 100.00                          | Australia                       | Coal                      |
| Vale Inco Limited  | 100.00                 | 100.00                          | Canada                          | Nickel                    |
| Vale International S.A (formerly CVRD International S.A)         | 100.00                 | 100.00                          | Switzerland                     | Trading                   |

**2 Basis of consolidation**

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

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

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

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

**3 Basis of presentation**

Our condensed consolidated interim financial information for the three-month periods ended June 30, 2009, March 31, 2009 and June 30, 2008 and for the six-month periods ended June 30, 2009 and 2008, prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ), are unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods. The results of operations for the three-month and six-month periods ended June 30, 2009, are not necessarily indicative of the actual results expected for the full fiscal year ending December 31, 2009.

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

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

The Brazilian Real is the parent Company's functional currency. We have selected the U.S. Dollar as our reporting currency. The financial statements have been translated in accordance with the criteria set forth in Statement of Financial Accounting Standards (SFAS) 52 - Foreign Currency Translation.

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

The exchange rates used to translate the assets and liabilities of the Brazilian operations at June 30, 2009 and December 31, 2008, were R\$1.9516 and R\$2.3370, respectively.

The Company has performed an evaluation of subsequent events through July 29, 2009 which is the date the financial statements were issued.

**4 Accounting pronouncements**

**(a) New accounting standards**

In June 2009, the FASB issued SFAS 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167 changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009. Early application is not permitted. We are currently studying the effects of this pronouncement.

In June 2009, the FASB issued SFAS 166, Accounting for Transfers of Financial Assets, the Board's objective in issuing this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets. This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. We are currently assessing the potential impact, if any, on our condensed financial statements.

**Table of Contents****(b) Accounting standards recently adopted**

From 2009, we fully adopted the accounting standards addressed by the following pronouncements: SFAS 165, Subsequent Events (SFAS 165). This statement establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this statement sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 is effective for interim or annual periods ending after June 15, 2009. The Company already adopts this statement.

FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. This FSP shall be effective for interim reporting periods ending after June 15, 2009, we have not early adopted this pronouncement for the three-month period ended March 31, 2009. The application of FSP FAS 107-1 and APB 28-1 will expand the Company's disclosures regarding the use of fair value in interim periods. The required information is disclosed in Note 18 (d).

SFAS 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement 133 ( SFAS 161 ). SFAS 161 expands the current disclosure requirements of SFAS 133, Accounting for Derivative Instruments and Hedging Activities, such that entities must now provide qualitative disclosure about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gain and losses on derivative instruments and disclosures about credit-risk related contingent features in derivative agreements on a quarterly basis regarding how and why the entity uses derivatives, how derivatives and related hedged items are accounted for under SFAS 133 and how derivatives and related hedged items affect the entity's financial position, performance and cash flow. The required information is disclosed in Note 20.

SFAS 160, which clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements, as showed on Note 14 and condensed consolidated statements of changes in stockholders' equity. Noncontrolling interests that could be redeemed upon the occurrence of certain events outside the Company's control have been classified as redeemable noncontrolling interest using the mezzanine presentation on the balance sheet between liabilities and stockholders' equity, retroactive to all periods presented.

SFAS 141(R), that applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

**5 Major acquisitions and disposals****(a) Diamond Coal Ltd**

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

The primary reason for the acquisition was that the coal assets are an important part of our growth strategy. Therefore, Vale is seeking to build a coal asset platform in Colombia, as it is the world's third largest exporter of

high-quality thermal coal, given its low level of sulfur and high calorific value.

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

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

|   | <b>Preliminary<br/>Valuation</b> |
|---|----------------------------------|
| Purchase price  | 300                              |
| Book value of assets acquired                             | (112)                            |
| Adjustment to fair value of property, plant and equipment | <b>188</b>                       |

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

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

**(b) Green Mineral Resources**

In February 2009, we concluded the acquisition of Green Mineral Resources that owns Regina Project (Canada) and Colorado Project (Argentina), from Rio Tinto, for US\$850.

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

Also due to the recent closing of this transaction, information about the purchase price allocation presented below based on the fair values of identified assets acquired and liabilities assumed is preliminary. Such allocation, currently being performed internally by the Company, will be finalized during next periods, and accordingly, the preliminary purchase price allocation information set forth below are subject to revision, which may be material.

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

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

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

**(c) Other transactions**

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

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

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

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



**Table of Contents****6 Income taxes**

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

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

|   | Three-month period ended (unaudited) |         |         |                |         |       |               |         |         |
|---|--------------------------------------|---------|---------|----------------|---------|-------|---------------|---------|---------|
|   | June 30, 2009                        |         |         | March 31, 2009 |         |       | June 30, 2008 |         |         |
|   | Brazil                               | Foreign | Total   | Brazil         | Foreign | Total | Brazil        | Foreign | Total   |
| Income before income taxes, equity results and noncontrolling interests | 5,302                                | (2,973) | 2,329   | 1,409          | 148     | 1,557 | 4,067         | 2,335   | 6,402   |
| Tax at Brazilian composite rate   | (1,803)                              | 1,011   | (792)   | (479)          | (50)    | (529) | (1,383)       | (794)   | (2,177) |
| Adjustments to derive effective tax rate:                               |                                      |         |         |                |         |       |               |         |         |
| Tax benefit on interest attributed to stockholders                      |                                      |         |         |                |         |       | 7             |         | 7       |
| Difference on tax rates of foreign income                               |                                      | 338     | 338     |                | 154     | 154   |               | 602     | 602     |
| Exchange gains/losses not taxable                                       |                                      | (1,279) | (1,279) |                | (9)     | (9)   |               | (287)   | (287)   |
| Tax incentives  | 59                                   |         | 59      | 18             |         | 18    | 72            |         | 72      |
| Tax deductible amortization of goodwill                                 | 23                                   |         | 23      | 20             |         | 20    |               |         |         |
| Other non-taxable, income/non deductible expenses                       | 62                                   | (35)    | 27      | (3)            | 43      | 40    | 358           | (81)    | 277     |
| Income taxes per consolidated statements of income                      | (1,659)                              | 35      | (1,624) | (444)          | 138     | (306) | (946)         | (560)   | (1,506) |

|   | Six-month period ended (unaudited) |         |         |               |         |         |
|---|------------------------------------|---------|---------|---------------|---------|---------|
|   | June 30, 2009                      |         |         | June 30, 2008 |         |         |
|   | Brazil                             | Foreign | Total   | Brazil        | Foreign | Total   |
| Income before income taxes, equity results and noncontrolling interests | 6,711                              | (2,825) | 3,886   | 4,589         | 4,097   | 8,686   |
| Tax at Brazilian composite rate   | (2,282)                            | 961     | (1,321) | (1,560)       | (1,393) | (2,953) |
| Adjustments to derive effective tax rate:                               |                                    |         |         |               |         |         |
| Tax benefit on interest attributed to stockholders                      |                                    |         |         |               | 176     | 176     |
| Difference on tax rates of foreign income                               |                                    | 492     | 492     |               | 860     | 860     |
| Exchange gains/losses not taxable                                       |                                    | (1,288) | (1,288) |               | (307)   | (307)   |

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|  |         |     |         |       |       |         |
|--|---------|-----|---------|-------|-------|---------|
| Tax incentives                                     | 77      |     | 77      | 87    |       | 87      |
| Tax deductible amortization of goodwill            | 43      |     | 43      | 53    |       | 53      |
| Other non-taxable, income/non deductible expenses  | 59      | 8   | 67      | 246   | (26)  | 220     |
| Income taxes per consolidated statements of income | (2,103) | 173 | (1,930) | (998) | (866) | (1,864) |

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

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

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

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

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation 48, Accounting for Uncertainty in Income Taxes .

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

|   | <b>June 30, 2009</b><br><b>(unaudited)</b> | <b>December 31,</b><br><b>2008</b> |
|---|--|------------------------------------|
| <b>Beginning of the period</b>              | <b>657</b>                                 | <b>1,046</b>                       |
| Increase resulting from tax positions taken | 21   | 103                                |
| Decrease resulting from tax positions taken | (1)  | (261)                              |
| Changes in tax legislation                  |  | 2                                  |
| Cumulative translation adjustments          | 84   | (233)                              |
| <b>End of the period</b>                    | <b>761</b>                                 | <b>657</b>                         |

**7 Cash and cash equivalents**

|                        | <b>June 30, 2009</b><br><b>(unaudited)</b> | <b>December 31,</b><br><b>2008</b> |
|------------------------|--|------------------------------------|
| Cash                   | 503  | 767                                |
| Short-term investments | 7,689                                      | 9,564                              |
|                        | <b>8,192</b>                               | <b>10,331</b>                      |

All the above mentioned short term investments are done through the use of low risk fixed income securities, in a way that: the ones denominated in Brazilian Reais are concentrated on investments indexed to CDI, and the ones denominated in US dollars are mainly time deposits.

**8 Short-term investments**

|                  | <b>June 30, 2009</b><br><b>(unaudited)</b> | <b>December 31,</b><br><b>2008</b> |
|------------------|--|------------------------------------|
| Time deposit (*) | 3,000                                      | 2,308                              |

(\*) Also represent low risk investments with original due date over 90 days.

**9 Inventories**

|                                      | <b>June 30, 2009</b><br><b>(unaudited)</b> | <b>December 31,</b><br><b>2008</b> |
|--------------------------------------|--|------------------------------------|
| <b>Finished products</b>             |  |                                    |
| Nickel (co-products and by-products) | 1,448                                      | 1,514                              |
| Iron ore and pellets                 | 838  | 728                                |
| Manganese and ferroalloys            | 158  | 199                                |
| Aluminum products                    | 129  | 150                                |
| Kaolin                               | 35   | 40                                 |
| Copper concentrate                   | 18   | 26                                 |
| Coal                                 | 57   | 43                                 |
| Others                               | 146  | 80                                 |
| Spare parts and maintenance supplies | 1,206                                      | 1,116                              |
|                                      | <b>4,035</b>                               | <b>3,896</b>                       |

At June 30, 2009, no adjustments were required, to reduce inventories to its market values (US\$77 were adjusted in December 31, 2008).

Table of Contents**10 Investments in affiliated companies and joint ventures**

|   | June 30, 2009                |            | Investments                      |                                   | Equity in earnings (losses) of investee adjustments |               |                |               |               |               | Dividends received                   |                                      |           |            |
|---|------------------------------|------------|----------------------------------|-----------------------------------|---|---------------|----------------|---------------|---------------|---------------|--------------------------------------|--------------------------------------|-----------|------------|
|   | Participation in capital (%) | Net equity | Net income (loss) for the period | for the June 30, 2009 (unaudited) | December 31, 2008                                   | June 30, 2009 | March 31, 2009 | June 30, 2008 | June 30, 2009 | June 30, 2008 | Three-month period ended (unaudited) | Three-month period ended (unaudited) |           |            |
|   | Voting                       | Total      |                                  |                                   |   |               |                |               |               |               |                                      |                                      |           |            |
| Nipo-Brasileira de Pelotização (1)        | 51.11                        | 51.00      | 273                              | 15                                | 139   | 110           | 3              | 5             | 34            | 8             | 30                                   | 20                                   |           |            |
| Hispano Brasileira de Pelotização RÁS (1) | 51.00                        | 50.89      | 104                              | (15)                              | 53  | 73            | (5)            | (3)           | 33            | (8)           | 35                                   |                                      |           |            |
| Coreano-Brasileira de Pelotização (1)     | 50.00                        | 50.00      | 162                              | 29                                | 81  | 55            | 3              | 11            | 19            | 14            | 21                                   |                                      |           |            |
| atalo Brasileira de Pelotização (1)       | 51.00                        | 50.90      | 143                              | 6                                 | 73  | 58            |                | 3             | 1             | 3             | 2                                    |                                      |           |            |
| ra Geral S.A. MSG                         | 50.00                        | 50.00      | 53                               | 2                                 | 26  | 21            | 1              |               |               | 1             | 1                                    |                                      |           |            |
| Mineração S.A. SAMARCO (2)                | 50.00                        | 50.00      | 1,076                            | 264                               | 593   | 412           | 90             | 42            | 148           | 132           | 196                                  | 50                                   | 138       |            |
| eração S.A. BAOVALE                       | 50.00                        | 50.00      | 53                               |                                   | 26  | 26            | (1)            | (3)           | 1             | (4)           | 3                                    |                                      |           |            |
| Pellet e Co.,Ltd. ZHUHAI                  | 25.00                        | 25.00      | 42                               | (6)                               | 11  | 13            | 2              | (4)           |               | (2)           |                                      |                                      |           |            |
|   |                              |            |                                  |                                   | <b>1,002</b>  | <b>768</b>    | <b>93</b>      | <b>51</b>     | <b>236</b>    | <b>144</b>    | <b>288</b>                           | <b>50</b>                            | <b>20</b> | <b>138</b> |
| ística Intermodal S.A.                    | 31.33                        | 31.33      | 333                              | 5                                 | 112   | 94            |                | 2             | 6             | 2             | 11                                   | 3                                    | 3         |            |
| ca S.A.                                   | 37.86                        | 41.50      | 898                              | 104                               | 372   | 326           | 24             | 19            | (47)          | 43            | (18)                                 | 33                                   | 34        |            |
|   |                              |            |                                  |                                   | <b>484</b>  | <b>420</b>    | <b>24</b>      | <b>21</b>     | <b>(41)</b>   | <b>45</b>     | <b>(7)</b>                           | <b>36</b>                            | <b>37</b> |            |
| eel Industries Inc. CSI                   | 50.00                        | 50.00      | 296                              | (24)                              | 148   | 160           | (1)            | (11)          | 22            | (12)          | 28                                   |                                      |           |            |
| RUPP CSA Companhia Cost \$595) (5)        | 10.53                        | 10.53      |                                  |                                   | 682   | 443           |                |               |               |               |                                      |                                      |           |            |
| úrgicas de Minas Gerais S.A. (4)          |                              |            |                                  |                                   |   | 164           | 7              |               | 10            | 7             | 10                                   | 7                                    | 10        |            |
|   |                              |            |                                  |                                   | <b>830</b>  | <b>767</b>    | <b>6</b>       | <b>(11)</b>   | <b>32</b>     | <b>(5)</b>    | <b>38</b>                            | <b>7</b>                             | <b>10</b> |            |

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|                                      |       |       |     |      |              |              |            |            |            |            |            |            |           |            |
|--------------------------------------|-------|-------|-----|------|--------------|--------------|------------|------------|------------|------------|------------|------------|-----------|------------|
| do Norte S.A. MRN                    | 40.00 | 40.00 | 362 | 31   | 146          | 140          | 13         | (1)        | 8          | 12         | 22         | 13         | 17        | 38         |
|                                      |       |       |     |      | <b>146</b>   | <b>140</b>   | <b>13</b>  | <b>(1)</b> | <b>8</b>   | <b>12</b>  | <b>22</b>  | <b>13</b>  | <b>17</b> | <b>38</b>  |
| yu Resources Co. Ltd                 | 25.00 | 25.00 | 829 | 125  | 207          | 176          | 13         | 18         | 19         | 31         | 36         |            |           |            |
| Bankuang International Company       | 25.00 | 25.00 | (2) | (46) | (1)          | 11           | (5)        | (7)        | 1          | (12)       |            |            |           |            |
|                                      |       |       |     |      | <b>206</b>   | <b>187</b>   | <b>8</b>   | <b>11</b>  | <b>20</b>  | <b>19</b>  | <b>36</b>  |            |           |            |
| s Incorporated (3)                   | 50.00 | 50.00 | 177 | (18) | 88           |              | (9)        |            |            | (9)        |            |            |           |            |
|                                      |       |       |     |      | <b>88</b>    |              | <b>(9)</b> |            |            | <b>(9)</b> |            |            |           |            |
| rces Inc (cost \$24)                 |       |       |     |      | 3            | 2            |            |            |            |            |            |            |           |            |
| -sale                                |       |       |     |      |              |              |            |            |            |            |            |            |           |            |
| kel Ltd (cost \$25)                  |       |       |     |      | 24           | 8            |            |            |            |            |            |            |           |            |
| -sale                                |       |       |     |      | 23           | 9            |            |            |            |            |            |            |           |            |
| erals (cost \$17) available for sale |       |       |     |      | 21           | 21           |            | 1          |            | 1          |            |            |           |            |
| l Corp                               |       |       |     |      | 17           | 13           |            |            |            |            |            |            |           |            |
| iable-for-sale                       |       |       |     |      | <b>88</b>    | <b>53</b>    |            | <b>1</b>   |            | <b>1</b>   |            |            |           |            |
| <b>ates and joint ventures</b>       |       |       |     |      | <b>124</b>   | <b>73</b>    |            |            | <b>5</b>   |            | <b>2</b>   |            |           |            |
|                                      |       |       |     |      | <b>124</b>   | <b>73</b>    |            |            | <b>5</b>   |            | <b>2</b>   |            |           |            |
|                                      |       |       |     |      | <b>1,482</b> | <b>1,220</b> | <b>18</b>  |            | <b>65</b>  | <b>18</b>  | <b>98</b>  | <b>20</b>  | <b>17</b> | <b>48</b>  |
|                                      |       |       |     |      | <b>2,968</b> | <b>2,408</b> | <b>135</b> | <b>72</b>  | <b>260</b> | <b>207</b> | <b>379</b> | <b>106</b> | <b>37</b> | <b>223</b> |

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

shareholder  
agreements  
preclude  
consolidation;

- (2) Investment includes goodwill of US\$55 in June, 2009 and US\$46 in December, 2008;
- (3) Acquired in March, 2009 (Note 5);
- (4) Sold in April, 2009, equity refers to dividends received;
- (5) See Note 21

**Table of Contents****11 Short-term debt**

Short-term borrowings outstanding on June 30, 2009 are from commercial banks for export financing denominated in U.S. Dollars, with average annual interest rates of 0.81%.

**12 Long-term debt**

|  | Current liabilities             |                         | Long-term liabilities           |                         |
|--|---------------------------------|-------------------------|---------------------------------|-------------------------|
|  | June 30,<br>2009<br>(unaudited) | December<br>31,<br>2008 | June 30,<br>2009<br>(unaudited) | December<br>31,<br>2008 |
| Foreign debt   |                                 |                         |                                 |                         |
| Loans and financing denominated in the following<br>currencies:                                      |                                 |                         |                                 |                         |
| U.S. Dollars   | 204                             | 210                     | 5,809                           | 5,905                   |
| Others   | 25                              | 23                      | 185                             | 167                     |
| Fixed Rate Notes U.S. Dollar denominated   |                                 |                         | 6,501                           | 6,510                   |
| Debt securities export sales (*) U.S. Dollar denominated   | 56                              | 55                      | 122                             | 149                     |
| Perpetual notes  |                                 |                         | 83                              | 83                      |
| Accrued charges  | 180                             | 217                     |                                 |                         |
|  | <b>465</b>                      | <b>505</b>              | <b>12,700</b>                   | <b>12,814</b>           |
| <br>   |                                 |                         |                                 |                         |
| Brazilian debt   |                                 |                         |                                 |                         |
| Brazilian Reais indexed to Long-Term Interest Rate<br>TJLP/CDI and General Price Index-Market (IGPM) | 52                              | 33                      | 2,653                           | 1,990                   |
| Basket of currencies   | 2                               | 1                       | 4                               | 4                       |
| Non-convertible debentures   |                                 |                         | 3,075                           | 2,562                   |
| U.S. Dollars Denominated   |                                 |                         | 394                             | 165                     |
| Accrued charges  | 91                              | 94                      |                                 |                         |
|  | <b>145</b>                      | <b>128</b>              | <b>6,126</b>                    | <b>4,721</b>            |
| <br>   |                                 |                         |                                 |                         |
| Total  | <b>610</b>                      | <b>633</b>              | <b>18,826</b>                   | <b>17,535</b>           |

(\*) Secured by  
receivables from  
future export  
sales.

The long-term portion at June 30, 2009 falls due as follows:

|  |       |
|--|-------|
| 2010   | 2,280 |
| 2011   | 2,636 |
| 2012   | 1,175 |
| 2013   | 2,957 |
| 2014 and thereafter  | 9,438 |
| No due date (Perpetual notes and non-convertible debentures) | 340   |



**18,826**

At June 30, 2009 annual interest rates on long-term debt were as follows:

|                            |               |
|----------------------------|---------------|
| Up to 3%                   | 6,125         |
| 3.1% to 5%                 | 353           |
| 5.1% to 7% (*)             | 5,816         |
| 7.1% to 9% (*)             | 2,520         |
| 9.1% to 11%                | 3,466         |
| Over 11% (*)               | 1,072         |
| Variable (Perpetual notes) | 84            |
|                            | <b>19,436</b> |

(\*) Includes non-convertible debentures and other Brazilian Real-denominated debt that bear interest at CDI (Brazilian interbank certificate of deposit) and TJLP (Brazilian government long-term interest) rates plus a spread. For these operations we have entered into derivative transactions to mitigate our exposure to the floating rate debt denominated in Brazilian Real, totaling US\$5,406 of which US\$4,363 has original interest rate above 9%. The average cost after taking into account the derivative

transactions is  
4.72%.

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

|  | <b>Three-month period ended</b> |                           |                          |
|--|---------------------------------|---------------------------|--------------------------|
|  | <b>June 30,<br/>2009</b>        | <b>March 31,<br/>2009</b> | <b>June 30,<br/>2008</b> |
| TJLP Long-Term Interest Rate (effective rate)          | 1.6                             | 1.5                       | 1.5                      |
| IGP-M General Price Index Market                       | (0.3)                           | (0.9)                     | 4.3                      |
| Appreciation (Devaluation) of Real against U.S. Dollar | 18.6                            | 0.9                       | 9.9                      |

In January 2008 we entered into a trade finance agreement with a Brazilian bank in the amount of US\$1,024 with final maturity in 2018.

During 2008, we entered into agreements with *Banco Nacional de Desenvolvimento Econômico e Social BNDES*, (the Brazilian National Development Bank) and with long-term Japanese financing agencies, Japan Bank for International Cooperation JBIC and Nippon Export and Investment Insurance NEXI related to future lines of credit to finance mining, logistics and power generation projects as part of our investment program for 2008-2012. Through June 30, 2009, Vale had drawn down US\$587 of the committed credit facility with *BNDES*.

Additionally, we have revolving credit lines available under which amounts can be drawn down and repaid at the option of the borrower. At June 30, 2009, the total amount available under revolving credit lines was US\$1,900, of which US\$1,150 was granted to Vale International and the balance to Vale Inco. As of June 30, 2009, neither Vale International nor Vale Inco had drawn any amounts under these facilities.

Through June 30, 2009, Vale Inco had drawn down US\$91 of letters of credit.

At June 30, 2009 the U.S. Dollar denominated fixed rate notes of US\$6,501 (December 31, 2008 US\$6,510) and other debt of US\$12,436 (December 31, 2008 US\$11,102) are unsecured. The export securitization of US\$180 (December 31, 2008 US\$204) represents debt securities collateralized by receivables from future export sales of CVRD Overseas Ltd. Loans from international lenders of US\$46 (December 31, 2008 US\$57) are guaranteed by the Brazilian Federal Government, to which we have provided like counter guarantees. The remaining long-term debt of US\$273 (December 31, 2008 US\$295) is collateralized mainly by receivables.

Our principal covenants require us to maintain certain ratios, such as debt to EBITDA and interest coverage. We were in full compliance with our financial covenants as of June 30, 2009 and December 31, 2008.

**13 Stockholders equity**

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

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

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

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

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

In April 2009, we announced that the ticker symbols of its ADR will change from Rio and Rio PR to Vale and Vale P. The new ticker symbols were effective at the starting of trading on Monday, May 4, 2009.

In April 2009 we paid to holders of the mandatorily convertible notes of series Vale (formely RIO) and of series Vale (formely RIO P), the U.S. Dollar equivalent of US\$0.490922 and US\$0.582658, respectively.

**Table of Contents****Basic and diluted earnings per share**

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

|  | Three-month period ended<br>(unaudited) |                   |                  | Six-month period ended<br>(unaudited) |                  |
|--|---|-------------------|------------------|---------------------------------------|------------------|
|  | June 30,<br>2009                        | March 31,<br>2009 | June 30,<br>2008 | June 30,<br>2009                      | June 30,<br>2008 |
| <b>Net income attributable to Company's stockholders</b>                             | <b>790</b>                              | <b>1,363</b>      | <b>5,009</b>     | <b>2,153</b>                          | <b>7,030</b>     |
| <b>Interest attributed to preferred convertible notes</b>                            | (15)                                    | (8)               | (15)             | (23)                                  | (23)             |
| <b>Interest attributed to common convertible notes</b>                               | (31)                                    | (18)              | (30)             | (49)                                  | (48)             |
| <b>Net income for the period adjusted</b>  | <b>744</b>                              | <b>1,337</b>      | <b>4,964</b>     | <b>2,081</b>                          | <b>6,959</b>     |
| <b>Basic and diluted earnings per share</b>  |   |                   |                  |                                       |                  |
| Income available to preferred stockholders   | 285                                     | 512               | 1,906            | 797                                   | 2,672            |
| Income available to common stockholders  | 447                                     | 803               | 2,970            | 1,250                                 | 4,163            |
| Income available to convertible notes linked to preferred shares                     | 4                                       | 8                 | 31               | 12                                    | 43               |
| Income available to convertible notes linked to common shares                        | 8                                       | 14                | 57               | 22                                    | 81               |
| Weighted average number of shares outstanding (thousands of shares) preferred shares | 2,030,954                               | 2,031,027         | 1,889,175        | 2,030,805                             | 1,889,173        |
| Weighted average number of shares outstanding (thousands of shares) common shares    | 3,181,727                               | 3,181,732         | 2,943,216        | 3,181,715                             | 2,943,216        |
| Treasury preferred shares linked to mandatorily convertible notes                    | 30,295                                  | 30,295            | 30,295           | 30,295                                | 30,295           |
| Treasury common shares linked to mandatorily convertible notes                       | 56,582                                  | 56,582            | 56,582           | 56,582                                | 56,582           |
| <b>Total</b>   | <b>5,299,558</b>                        | <b>5,299,636</b>  | <b>4,919,268</b> | <b>5,299,397</b>                      | <b>4,919,266</b> |
| Earnings per preferred share   | 0.14                                    | 0.25              | 1.01             | 0.39                                  | 1.41             |
| Earnings per common share  | 0.14                                    | 0.25              | 1.01             | 0.39                                  | 1.41             |
| Earnings per convertible notes linked to preferred share (*)                         | 0.63                                    | 0.53              | 1.52             | 1.16                                  | 2.18             |
| Earnings per convertible notes linked to common share (*)                            | 0.69                                    | 0.57              | 1.54             | 1.25                                  | 2.28             |

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

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

|   | Three-month period ended<br>(unaudited) |                   |                  | Six-month period ended<br>(unaudited) |                  |
|---|---|-------------------|------------------|---------------------------------------|------------------|
|   | June 30,<br>2009                        | March 31,<br>2009 | June 30,<br>2008 | June 30,<br>2009                      | June 30,<br>2008 |
| Income available to preferred stockholders                          | 304                                     | 528               | 1,952            | 832                                   | 2,738            |
| Income available to common stockholders                             | 486                                     | 835               | 3,057            | 1,321                                 | 4,292            |
| Weighted average number of shares outstanding (thousands of shares) |   |                   |                  |                                       |                  |
| preferred shares  | 2,061,249                               | 2,061,322         | 1,919,470        | 2,061,100                             | 1,919,468        |
| common shares   | 3,238,309                               | 3,238,314         | 2,999,798        | 3,238,297                             | 2,999,798        |
| Earnings per preferred share  | 0.15                                    | 0.26              | 1.02             | 0.40                                  | 1.43             |
| Earnings per common share   | 0.15                                    | 0.26              | 1.02             | 0.40                                  | 1.43             |

**Table of Contents****14 Other cumulative comprehensive income (deficit)**

|  | Three-month period ended<br>(unaudited) |                   |                  | Six-month period ended<br>(unaudited) |                  |
|--|---|-------------------|------------------|---------------------------------------|------------------|
|  | June 30,<br>2009                        | March 31,<br>2009 | June 30,<br>2008 | June 30,<br>2009                      | June 30,<br>2008 |
| Comprehensive income (deficit) is comprised as follows:              |   |                   |                  |                                       |                  |
| Net income attributable to Company's stockholders                    | 790                                     | 1,363             | 5,009            | 2,153                                 | 7,030            |
| Cumulative translation adjustments                                   | 5,212                                   | (104)             | 1,707            | 5,108                                 | 1,502            |
| Unrealized gain (loss) available-for-sale securities, net of tax     | (64)                                    | 96                | (94)             | 32                                    | (100)            |
| Surplus (deficit) accrued pension plan                               | 157                                     | (48)              | 104              | 109                                   | 89               |
| Cash flow hedge  | 1                                       |                   | 6                | 1                                     | (21)             |
| Noncontrolling interests:  |   |                   |                  |                                       |                  |
| Disposals and (acquisitions) of noncontrolling interests             | 29                                      |                   |                  | 29                                    |                  |
| Cumulative translation adjustments                                   | 313                                     | 222               | 286              | 535                                   | 235              |
| Cash flow hedge  |   |                   | 6                |                                       | (16)             |
| Net income (loss) attributable to noncontrolling interests           | 50                                      | (40)              | 147              | 10                                    | 171              |
| Dividends and interest attributable to noncontrolling interests      |   | (1)               | (110)            | (1)                                   | (110)            |
| Capitalization of stockholders advances                              |   | 12                | 23               | 12                                    | 32               |
| <b>Total comprehensive income (deficit)</b>                          | <b>6,488</b>                            | <b>1,500</b>      | <b>7,084</b>     | <b>7,988</b>                          | <b>8,812</b>     |
| Tax effect on other comprehensive income allocated to each component |   |                   |                  |                                       |                  |
| Unrealized gain (loss) available-for-sale securities, net of tax     |   |                   |                  |                                       |                  |
| Gross balance as of the period end                                   | 64                                      | 173               | 152              | 64                                    | 152              |
| Tax (expense) benefit  | (15)                                    | (60)              | (41)             | (15)                                  | (41)             |
| Net balance as of the period end                                     | 49                                      | 113               | 111              | 49                                    | 111              |
| Surplus accrued pension plan   |   |                   |                  |                                       |                  |
| Gross balance as of the period end                                   | 143                                     | (93)              | 289              | 143                                   | 289              |
| Tax (expense) benefit  | (68)                                    | 11                | (125)            | (68)                                  | (125)            |
| Net balance as of the period end                                     | 75                                      | (82)              | 164              | 75                                    | 164              |

**15 Pension cost**



We previously disclosed in our consolidated financial statements for the year ended December 31, 2008, that we expected to contribute US\$338 to our defined benefit pension plan in 2009. As of June 30, 2009, total contributions of US\$153 had been made. We do not expect any significant change in our previous estimate.

**Three-month period ended (unaudited)  
June 30, 2009**

|  | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> |
|--|---|--|---|
| Service cost – benefits earned during the period | 3                                       | 11                                       | 4   |
| Interest cost on projected benefit obligation    | 71                                      | 60                                       | 20  |
| Expected return on assets                        | (98)                                    | (49)                                     |   |
| Amortization of initial transition obligation    | 3                                       |  |   |
| Net deferral                                     |   | 1  | (6)                                       |
| <b>Net periodic pension cost</b>                 | <b>(21)</b>                             | <b>23</b>                                | <b>18</b>                                 |

**Three-month period ended (unaudited)  
March 31, 2009**

|  | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> |
|--|---|--|---|
| Service cost – benefits earned during the period | 1                                       | 11                                       | 4   |
| Interest cost on projected benefit obligation    | 44                                      | 54                                       | 18  |
| Expected return on assets                        | (60)                                    | (43)                                     |   |
| Amortization of initial transition obligation    | 2                                       | 7  |   |
| Net deferral                                     |   | 1  | (7)                                       |
| <b>Net periodic pension cost</b>                 | <b>(13)</b>                             | <b>30</b>                                | <b>15</b>                                 |

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|  | <b>Three-month period ended (unaudited)<br/>June 30, 2008</b> |  |   |
|--|---|--|---|
|  | <b>Overfunded<br/>pension<br/>plans</b>                       | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> |
| Service cost benefits earned during the period | 3   | 16                                       | 8   |
| Interest cost on projected benefit obligation  | 82  | 66                                       | 20  |
| Expected return on assets                      | (137)   | (68)                                     |   |
| Amortization of initial transition obligation  | 4   |  | (3)                                       |
| Net deferral                                   | (1)   |  |   |
| <b>Net periodic pension cost</b>               | <b>(49)</b>   | <b>14</b>                                | <b>25</b>                                 |

|  | <b>Six-month period ended (unaudited)</b> |  |   |   |  |   |
|--|---|--|---|---|--|---|
|  | <b>June 30, 2009</b>                      |  |   | <b>June 30, 2008</b>                    |  |   |
|  | <b>Overfunded<br/>pension<br/>plans</b>   | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> |
| Service cost benefits earned during the period | 4   | 22                                       | 8   | 5                                       | 32                                       | 14  |
| Interest cost on projected benefit obligation  | 115                                       | 114                                      | 38  | 136                                     | 128                                      | 43  |
| Expected return on assets                      | (158)                                     | (92)                                     |   | (227)                                   | (133)                                    |   |
| Amortization of initial transition obligation  | 5   | 1  |   | 7                                       |  | (4)                                       |
| Net deferral                                   |   | 8  | (13)                                      | (2)                                     |  |   |
| <b>Net periodic pension cost</b>               | <b>(34)</b>                               | <b>53</b>                                | <b>33</b>                                 | <b>(81)</b>                             | <b>27</b>                                | <b>53</b>                                 |

**16 Long-term incentive compensation plan**

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

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

The shares purchased by each executive are unrestricted and may, at the participant's discretion, be sold at any time. However, the shares must be held for a three-year period and the executive must be continually employed by Vale during that period. The participant then becomes entitled to receive from Vale a cash payment equivalent to the total amount of shares held, based on their market rates. The total shares linked to the plan at June 30, 2009 and December 31, 2008, is 1,809,117 and 711,005, respectively.

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

factors measured as an indicator of total return to stockholders.

We account for the compensation cost provided to our executives under this long-term incentive compensation plan, following the requirements of FAS 123(R) Accounting for Stock-Based Compensation . Liabilities are measured at each reporting date at fair value, based on market rates. Compensation costs incurred are recognized, over the defined three-year vesting period. At June 30, 2009 and December 31, 2008, we recognized a liability of US\$35 and US\$7, respectively, through the Statement of Income.

**Table of Contents****17 Commitments and contingencies**

- (a) We provided guarantees related to revolving agreement to our affiliate TEAL, in the amount of US\$43, the denominated currency U.S. Dollar with final maturity at August 31, 2009.
- (b) We provided certain guarantees on behalf of The *Goro* Project (*Goro*) pursuant to which we guaranteed payments due from *Goro* of up to a maximum amount of US\$100 ( *Maximum Amount* ) in connection with an indemnity. We also provided additional guarantees covering the amounts payable by *Goro* regarding (a) amounts exceeding the *Maximum Amount* in connection with the indemnity and (b) certain other amounts under lease agreements.

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

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

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

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

|                                  | <b>June 30, 2009 (unaudited)</b> |                          | <b>December 31, 2008</b> |                          |
|----------------------------------|----------------------------------|--------------------------|--------------------------|--------------------------|
|                                  | <b>Provision</b>                 |                          | <b>Provision</b>         |                          |
|                                  | <b>for</b>                       |                          | <b>for</b>               |                          |
|                                  | <b>contingencies</b>             | <b>Judicial deposits</b> | <b>contingencies</b>     | <b>Judicial deposits</b> |
| Labor and social security claims | 558                              | 500                      | 458                      | 378                      |
| Civil claims                     | 474                              | 279                      | 386                      | 242                      |
| Tax related actions              | 888                              | 580                      | 828                      | 518                      |
| Others                           | 18                               | 4                        | 13                       | 3                        |
|                                  | <b>1,938</b>                     | <b>1,363</b>             | <b>1,685</b>             | <b>1,141</b>             |

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

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

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

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Judicial deposits are made by us following the court requirements, in order to be entitled to either initiate or continue a legal action. These amounts are released to us, upon receipt of a final favorable outcome from the legal action; in the case of an unfavorable outcome, the deposits are transferred to the prevailing party.

Contingencies settled during the three-month periods ended June 30, 2009, March 31, 2009 and June 30, 2008 totaled US\$39, US\$18, US\$569, respectively. Provisions recognized in the three-month periods ended June 30, 2009, March 31, 2009 and June 30, 2008, totaled US\$73, US\$49, US\$73, respectively, classified as other operating expenses.

In addition to the contingencies for which we have made provisions we are defendants in claims where in our opinion, and based on the advice of our legal counsel, the likelihood of loss is possible but not probable, in the total amount of US\$3,241 at June 30, 2009, and for which no provision has been made (December 31, 2008 US\$2,476).

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

In April 2009 we paid remuneration on these debentures of US\$3.

- (e) Asset retirement obligations

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

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

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

|   | Three-month period ended (unaudited) |                   |                  | Six-month period ended (unaudited) |                  |
|---|--------------------------------------|-------------------|------------------|------------------------------------|------------------|
|   | June 30,<br>2009                     | March 31,<br>2009 | June 30,<br>2008 | June 30,<br>2009                   | June 30,<br>2008 |
| <b>Beginning of period</b>                | <b>877</b>                           | <b>887</b>        | <b>975</b>       | <b>887</b>                         | <b>975</b>       |
| Accretion expense                         | 15                                   | 6                 | 53               | 21                                 | 69               |
| Liabilities settled in the current period | (15)                                 | (3)               | (2)              | (18)                               | (5)              |
| Revisions in estimated cash flows         |                                      | (9)               | 9                | (9)                                | (2)              |
| Cumulative translation adjustment         | 122                                  | (4)               | 66               | 118                                | 64               |
| <b>End of period</b>                      | <b>999</b>                           | <b>877</b>        | <b>1,101</b>     | <b>999</b>                         | <b>1,101</b>     |

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|                       |            |            |              |            |              |
|-----------------------|------------|------------|--------------|------------|--------------|
| Current liabilities   | 31         | 38         | 68           | 31         | 68           |
| Long-term liabilities | 968        | 839        | 1,033        | 968        | 1,033        |
| <b>Total</b>          | <b>999</b> | <b>877</b> | <b>1,101</b> | <b>999</b> | <b>1,101</b> |

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**18 Fair value disclosure of financial assets and liabilities**

In September 2006, the Financial Accounting Standards Board ( FASB ), issued SFAS 157, Fair Value Measurements, which changes the current practice used to measure the fair value, establishing a framework for measuring according to the generally accepted accounting principles, and expands disclosures about fair value measurements.

SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. SFAS 159 permits the choice of measuring financial instruments and certain other items at fair value.

SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. On January 1, 2008, the Company adopted SFAS 159 and elected not to apply the provisions of SFAS 159 to its eligible financial assets and financial liabilities on the date of adoption. As of June 30, 2009, the Company has not made any fair value elections with respect to that statement.

**(a) Measurements**

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique.

These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Under SFAS 157, those inputs used to measure the fair value are required to be classified on three levels. Based on the characteristics of the inputs used in valuation techniques the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed as follows:

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

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

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



**Table of Contents****(b) Measurements on a recurring basis**

The description of the valuation methodologies used for recurring assets and liabilities measured at fair value in the Company's Consolidated Balance Sheet at June 30, 2009 and December 31, 2008 are summarized below:

**Available-for-sale securities**

They are securities neither classified as held-for-trading nor held-to-maturity for strategic reasons and have a readily available market price. We evaluate the carrying value of some of our investments in relation to publicly quoted market prices when available. When there is no market value, we use inputs other than quoted prices.

**Derivatives**

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

**Other Financial Liabilities**

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

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2009 and December 31, 2008.

|                                  | Carrying<br>amount | As of June 30, 2009 |         |         |
|----------------------------------|--------------------|---------------------|---------|---------|
|                                  |                    | Fair value          | Level 1 | Level 2 |
| Available-for-sale securities    | 749                | 749                 | 67      | 682     |
| Unrealized losses on derivatives | 213                | 213                 |         | 213     |
| Other financial liabilities      | (417)              | (417)               |         | (417)   |

  

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

**(c) Measurements on a non-recurring basis**

The company also has assets under certain conditions are subject to measurement at fair value on a non-recurring basis. These assets include goodwill and intangible assets. As of June 30, 2009 we have no impairment for those items.

**Table of Contents****(d) Financial Instruments (SFAS 107 Disclosures)**

Issued in December 1991, the SFAS 107, Disclosures about Fair Value Measurements ( SFAS 107 ), requires quantitative and qualitative disclosures which comprise the valuation techniques, methods, changes in methods and significant assumptions used to estimate the fair value of financial instruments for which is practicable to estimate that value.

**Long-term debt**

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

**Time deposits**

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

Our long-term debt are reported at amortized cost, and the income of time deposits are accrued monthly according to the contract rate, however its estimated fair value measurement at June 30, 2009 and December 31, 2008 are disclosed as follows:

|                                     | Carrying<br>amount | As of June 30, 2009 |         |         |
|-------------------------------------|--------------------|---------------------|---------|---------|
|                                     |                    | Fair value          | Level 1 | Level 2 |
| Time deposits                       | 3,000              | 3,022               |         | 3,022   |
| Long-term debt (less interests) (*) | (19,165)           | (18,477)            | (9,088) | (9,389) |

(\*) Less accrued  
charges US\$271

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

(\*) Less accrued  
charges US\$311

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**19 Segment and geographical information**

We adopt SFAS 131 Disclosures about Segments of an Enterprise and Related Information with respect to the information we present about our operating segments. SFAS 131 introduced a management approach concept for reporting segment information, whereby such information is required to be reported on the basis that the chief decision-maker uses internally for evaluating segment performance and deciding how to allocate resources to segments. We analyze our segment information on aggregated and disaggregated basis as follows:

**Results by segment before eliminations (aggregated)**

|             | Three-month period ended (unaudited) |           |              |              |              |                |              |             |             |             |              |               |              |              |            |  |
|-------------|--------------------------------------|-----------|--------------|--------------|--------------|----------------|--------------|-------------|-------------|-------------|--------------|---------------|--------------|--------------|------------|--|
|             | June 30, 2009                        |           |              |              |              | March 31, 2009 |              |             |             |             |              | June 30, 2008 |              |              |            |  |
|             | Aluminum                             | Logistic  | Other        | Eliminations | Consolidated | Ferrous        | ferrous (*)  | Aluminum    | Logistic    | Other       | Eliminations | Consolidated  | Ferrous      | ferrous (*)  | Aluminum   |  |
| 4,224       | 664                                  | 11        | 115          | (3,028)      | 4,282        | 5,988          | 1,051        | 599         | 5           | 154         | (2,987)      | 4,810         | 8,674        | 2,939        | 934        |  |
| 146         | 141                                  | 278       | 45           | (152)        | 802          | 252            | 107          | 129         | 201         | 58          | (136)        | 611           | 1,176        | 196          | 217        |  |
| (130)       | (844)                                | (201)     | (140)        | 3,180        | (3,200)      | (4,048)        | (1,028)      | (720)       | (177)       | (138)       | 3,123        | (2,988)       | (5,677)      | (1,454)      | (951)      |  |
| (67)        |                                      | (11)      | (136)        |              | (265)        | (42)           | (68)         |             | (16)        | (63)        |              | (189)         | (89)         | (76)         |            |  |
| (279)       | (59)                                 | (29)      | (12)         |              | (643)        | (197)          | (280)        | (49)        | (24)        | (9)         |              | (559)         | (292)        | (382)        | (44)       |  |
| <b>94</b>   | <b>(98)</b>                          | <b>48</b> | <b>(128)</b> |              | <b>976</b>   | <b>1,953</b>   | <b>(218)</b> | <b>(41)</b> | <b>(11)</b> | <b>2</b>    |              | <b>1,685</b>  | <b>3,792</b> | <b>1,223</b> | <b>156</b> |  |
| 167         | 1                                    | 1         | 3            | (680)        | 93           | 660            | 163          | 3           | 1           | 1           | (703)        | 125           | 577          | 196          | 5          |  |
| (314)       | (8)                                  | 6         | (14)         | 680          | (293)        | (664)          | (298)        | (14)        | (6)         | (8)         | 703          | (287)         | (712)        | (383)        | (10)       |  |
| (66)        |                                      |           |              |              | 873          | 34             | (16)         |             |             |             |              | 18            | 600          | 51           | 4          |  |
| 43          | 210                                  | (9)       | 71           |              | 523          | 29             | (16)         | 10          | (1)         | (6)         |              | 16            | 723          | 9            | 97         |  |
|             |                                      |           |              |              | 157          |                |              |             |             |             |              |               |              |              |            |  |
| 55          | 13                                   | 23        | 9            |              | 135          | 54             |              | (1)         | 21          | (2)         |              | 72            | 236          |              | 8          |  |
|             | (49)                                 | (10)      | (5)          |              | (1,624)      | (466)          | 154          | 19          | (4)         | (9)         |              | (306)         | (1,007)      | (424)        | (75)       |  |
| (13)        | (43)                                 |           | (6)          |              | (50)         | 10             | 18           | 15          |             | (3)         |              | 40            | 10           | (61)         | (85)       |  |
| <b>(34)</b> | <b>26</b>                            | <b>59</b> | <b>(70)</b>  |              | <b>790</b>   | <b>1,610</b>   | <b>(213)</b> | <b>(9)</b>  |             | <b>(25)</b> |              | <b>1,363</b>  | <b>4,219</b> | <b>611</b>   | <b>100</b> |  |

|              |            |            |            |                |              |              |              |            |            |            |                |              |              |              |              |
|--------------|------------|------------|------------|----------------|--------------|--------------|--------------|------------|------------|------------|----------------|--------------|--------------|--------------|--------------|
| 194          | 237        |            | 5          | (149)          | 352          | 44           | 120          | 159        |            | 9          | (84)           | 248          | 546          | 378          | 302          |
| 166          | 32         |            | 11         | (24)           | 198          | 11           | 182          | 37         |            | 8          | (18)           | 220          | 211          | 541          | 107          |
| 321          | 258        |            | 8          | (1,291)        | 665          | 1,169        | 246          | 279        |            | 4          | (884)          | 814          | 2,903        | 710          | 330          |
| 6            | 47         |            | 14         | (153)          | 115          | 281          | 38           | 34         |            |            | (229)          | 124          | 516          | 91           | 22           |
| 89           | 77         |            | 30         | (162)          | 378          | 511          | 73           | 77         |            | 81         | (258)          | 484          | 985          | 399          | 164          |
| 254          | 13         | 11         | 15         | (1,009)        | 2,018        | 3,483        | 186          | 13         | 5          | 4          | (1,268)        | 2,423        | 2,703        | 218          |              |
| 394          |            |            | 32         | (240)          | 556          | 489          | 206          |            |            | 48         | (246)          | 497          | 810          | 602          | 9            |
| <b>4,424</b> | <b>664</b> | <b>11</b>  | <b>115</b> | <b>(3,028)</b> | <b>4,282</b> | <b>5,988</b> | <b>1,051</b> | <b>599</b> | <b>5</b>   | <b>154</b> | <b>(2,987)</b> | <b>4,810</b> | <b>8,674</b> | <b>2,939</b> | <b>934</b>   |
| 146          | 141        | 278        | 45         | (152)          | 802          | 252          | 107          | 129        | 201        | 58         | (136)          | 611          | 1,176        | 196          | 217          |
| <b>5,570</b> | <b>805</b> | <b>289</b> | <b>160</b> | <b>(3,180)</b> | <b>5,084</b> | <b>6,240</b> | <b>1,158</b> | <b>728</b> | <b>206</b> | <b>212</b> | <b>(3,123)</b> | <b>5,421</b> | <b>9,850</b> | <b>3,135</b> | <b>1,151</b> |

(\*) Other than  
Aluminum.

**Table of Contents****Operating segment after eliminations (disaggregated)**

As of and for the three-month period ended (unaudited)

June 30, 2009

|                               | Revenues     |            |              | Value added tax | Net revenues | Cost and expenses | Depreciation, depletion and amortization | Operating income | Addition Property, to plant and property, plant equipment, and net intangible investments |               |              |              |
|-------------------------------|--------------|------------|--------------|-----------------|--------------|-------------------|--|------------------|---|---------------|--------------|--------------|
|                               | Foreign      | Domestic   | Total        |                 |              |                   | Net                                      |                  | assets  | intangible    |              |              |
| <b>Ferrous</b>                |              |            |              |                 |              |                   |  |                  |   |               |              |              |
| Iron ore                      | 2,261        | 161        | 2,422        | (30)            | 2,392        | (1,014)           | 1,378                                    | (243)            | 1,135   | 18,466        | 597          | 62           |
| Pellets                       | 112          | 67         | 179          | (21)            | 158          | (213)             | (55)                                     | (19)             | (74)  | 645           | 57           | 940          |
| Manganese                     | 39           | 4          | 43           | (1)             | 42           | (23)              | 19                                       | (2)              | 17  | 21            | 1            |              |
| Ferroalloys                   | 38           | 32         | 70           | (8)             | 62           | (82)              | (20)                                     | (2)              | (22)  | 231           | 17           |              |
| Pig iron                      |              |            |              |                 |              |                   |  |                  |   | 144           | 32           |              |
|                               | <b>2,450</b> | <b>264</b> | <b>2,714</b> | <b>(60)</b>     | <b>2,654</b> | <b>(1,332)</b>    | <b>1,322</b>                             | <b>(266)</b>     | <b>1,056</b>  | <b>19,507</b> | <b>704</b>   | <b>1,002</b> |
| <b>Non ferrous</b>            |              |            |              |                 |              |                   |  |                  |   |               |              |              |
| Nickel and other products (*) | 1,106        | 3          | 1,109        |                 | 1,109        | (884)             | 225                                      | (243)            | (18)  | 22,504        | 279          | 88           |
| Potash                        |              | 121        | 121          | (2)             | 119          | (37)              | 82                                       | (7)              | 75  | 159           |              |              |
| Kaolin                        | 32           | 10         | 42           | (2)             | 40           | (36)              | 4  | (13)             | (9)   | 188           | 27           |              |
| Copper concentrate            | 161          | 9          | 170          |                 | 170          | (105)             | 65                                       | (17)             | 48  | 3,831         | 185          |              |
| Aluminum products             | 414          | 54         | 468          | (9)             | 459          | (494)             | (35)                                     | (58)             | (93)  | 4,356         | 58           | 146          |
|                               | <b>1,713</b> | <b>197</b> | <b>1,910</b> | <b>(13)</b>     | <b>1,897</b> | <b>(1,556)</b>    | <b>341</b>                               | <b>(338)</b>     | <b>3</b>  | <b>31,038</b> | <b>549</b>   | <b>234</b>   |
| <b>Logistics</b>              |              |            |              |                 |              |                   |  |                  |   |               |              |              |
| Railroads                     |              | 224        | 224          | (38)            | 186          | (136)             | 50                                       | (22)             | 28  | 1,733         | 20           | 372          |
| Ports                         |              | 57         | 57           | (8)             | 49           | (36)              | 13                                       | (5)              | 8   | 1,441         | 69           |              |
| Ships                         |              |            |              |                 |              |                   |  |                  |   | 638           | 267          | 112          |
|                               |              | <b>281</b> | <b>281</b>   | <b>(46)</b>     | <b>235</b>   | <b>(172)</b>      | <b>63</b>                                | <b>(27)</b>      | <b>36</b>   | <b>3,812</b>  | <b>356</b>   | <b>484</b>   |
| Others                        | 119          | 60         | 179          | (17)            | 162          | (269)             | (107)                                    | (12)             | (119)   | 4,939         | 399          | 1,248        |
|                               | <b>4,282</b> | <b>802</b> | <b>5,084</b> | <b>(136)</b>    | <b>4,948</b> | <b>(3,329)</b>    | <b>1,619</b>                             | <b>(643)</b>     | <b>976</b>  | <b>59,296</b> | <b>2,008</b> | <b>2,968</b> |

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

Table of Contents**Operating segment after eliminations (disaggregated)**

As of and for the three-month period ended (unaudited)

March 31, 2009

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

(\*)

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



**Table of Contents****Operating segment after eliminations (disaggregated)**

As of and for the three-month period ended (unaudited)

June 30, 2008

|                               | Revenues     |              |               | Value added tax | Net revenues  | Cost and expenses | Depreciation, depletion and amortization | Operating income | Addition Property, to plant and property, plant equipment, and net intangible and investments |               |              |              |
|-------------------------------|--------------|--------------|---------------|-----------------|---------------|-------------------|--|------------------|---|---------------|--------------|--------------|
|                               | Foreign      | Domestic     | Total         |                 |               |                   |  |                  | assets  | intangible    | investments  |              |
| <b>Ferrous</b>                |              |              |               |                 |               |                   |  |                  |   |               |              |              |
| Iron ore                      | 4,242        | 706          | 4,948         | (85)            | 4,863         | (1,508)           | 3,355                                    | (245)            | 3,110   | 18,825        | 913          | 69           |
| Pellets                       | 966          | 216          | 1,182         | (49)            | 1,133         | (656)             | 477                                      | (39)             | 438   | 1,455         | 41           | 982          |
| Manganese                     | 70           | 13           | 83            | (3)             | 80            | (20)              | 60                                       | (3)              | 57  | 84            |              |              |
| Ferroalloys                   | 223          | 159          | 382           | (40)            | 342           | (123)             | 219                                      | (9)              | 210   | 171           | 1            |              |
| Pig iron                      | 57           |              | 57            |                 | 57            | (32)              | 25                                       | (1)              | 24  | 209           | 1            |              |
|                               | <b>5,558</b> | <b>1,094</b> | <b>6,652</b>  | <b>(177)</b>    | <b>6,475</b>  | <b>(2,339)</b>    | <b>4,136</b>                             | <b>(297)</b>     | <b>3,839</b>  | <b>20,744</b> | <b>956</b>   | <b>1,051</b> |
| <b>Non ferrous</b>            |              |              |               |                 |               |                   |  |                  |   |               |              |              |
| Nickel and other products (*) | 2,363        | 12           | 2,375         |                 | 2,375         | (1,040)           | 1,335                                    | (342)            | 993   | 23,733        | 544          | 151          |
| Potash                        |              | 105          | 105           | (5)             | 100           | (40)              | 60                                       | (6)              | 54  | 162           | 3            |              |
| Kaolin                        | 44           | 10           | 54            | (3)             | 51            | (61)              | (10)                                     | (9)              | (19)  | 286           | 2            |              |
| Copper concentrate            | 248          | 69           | 317           | (15)            | 302           | (139)             | 163                                      | (21)             | 142   | 2,204         | 69           |              |
| Aluminum products             | 640          | 88           | 728           | (21)            | 707           | (560)             | 147                                      | (43)             | 104   | 5,294         | 197          | 107          |
|                               | <b>3,295</b> | <b>284</b>   | <b>3,579</b>  | <b>(44)</b>     | <b>3,535</b>  | <b>(1,840)</b>    | <b>1,695</b>                             | <b>(421)</b>     | <b>1,274</b>  | <b>31,679</b> | <b>815</b>   | <b>258</b>   |
| <b>Logistics</b>              |              |              |               |                 |               |                   |  |                  |   |               |              |              |
| Railroads                     |              | 381          | 381           | (64)            | 317           | (218)             | 99                                       | (30)             | 69  | 2,012         | 23           | 297          |
| Ports                         |              | 81           | 81            | (10)            | 71            | (47)              | 24                                       | (7)              | 17  | 1,912         | 41           |              |
| Ships                         |              |              |               |                 |               |                   |  |                  |   | 33            |              | 127          |
|                               |              | <b>462</b>   | <b>462</b>    | <b>(74)</b>     | <b>388</b>    | <b>(265)</b>      | <b>123</b>                               | <b>(37)</b>      | <b>86</b>   | <b>3,957</b>  | <b>64</b>    | <b>424</b>   |
| Others                        | 153          | 51           | 204           | (2)             | 202           | (161)             | 41                                       | (5)              | 36  | 3,602         | 270          | 1,391        |
|                               | <b>9,006</b> | <b>1,891</b> | <b>10,897</b> | <b>(297)</b>    | <b>10,600</b> | <b>(4,605)</b>    | <b>5,995</b>                             | <b>(760)</b>     | <b>5,235</b>  | <b>59,982</b> | <b>2,105</b> | <b>3,124</b> |

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

**Table of Contents****Results by segment before eliminations (aggregated)**

|                         | Six-month period ended (unaudited) |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
|-------------------------|------------------------------------|-----------------------|--------------|-----------|--------------|--------------|--------------|---------------|-----------------------|------------|------------|--------------|--------------|--------------|
|                         | June 30, 2009                      |                       |              |           |              |              |              | June 30, 2008 |                       |            |            |              |              |              |
|                         |                                    | (*)<br>Non<br>Ferrous | Aluminum     | Logistic  | Other        | Eliminations | Consolidated |               | (*)<br>Non<br>Ferrous | Aluminum   | Logistic   | Other        | Eliminations | Consolidated |
| LTS                     |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| revenues                |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| in                      | 11,084                             | 2,475                 | 1,263        | 16        | 269          | (6,015)      | 9,092        | 14,252        | 5,800                 | 1,793      | 31         | 173          | (6,379)      | 1            |
| revenues                |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| stic                    | 596                                | 253                   | 270          | 479       | 103          | (288)        | 1,413        | 2,056         | 287                   | 410        | 846        | 115          | (439)        |              |
| nd expenses             | (8,113)                            | (2,158)               | (1,564)      | (378)     | (278)        | 6,303        | (6,188)      | (10,177)      | (2,756)               | (1,876)    | (552)      | (267)        | 6,818        | (            |
| ch and                  |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| pment                   | (93)                               | (135)                 |              | (27)      | (199)        |              | (454)        | (139)         | (146)                 |            | (53)       | (121)        |              |              |
| ciation,                |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| on and                  |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| zation                  | (461)                              | (559)                 | (108)        | (53)      | (21)         |              | (1,202)      | (580)         | (781)                 | (86)       | (68)       | (11)         |              | (            |
| <b>Operating income</b> | <b>3,013</b>                       | <b>(124)</b>          | <b>(139)</b> | <b>37</b> | <b>(126)</b> |              | <b>2,661</b> | <b>5,412</b>  | <b>2,404</b>          | <b>241</b> | <b>204</b> | <b>(111)</b> |              |              |
| cial income             | 1,261                              | 330                   | 4            | 2         | 4            | (1,383)      | 218          | 1,242         | 413                   | 8          | 4          |              | (1,589)      |              |
| cial expenses           | (1,307)                            | (612)                 | (22)         |           | (22)         | 1,383        | (580)        | (1,700)       | (762)                 | (30)       | (4)        | (2)          | 1,589        |              |
| (losses) on             |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| ives, net               | 973                                | (82)                  |              |           |              |              | 891          | 554           | (72)                  | (121)      |            |              |              |              |
| n exchange              |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| dexation gains          |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| ), net                  | 237                                | 27                    | 220          | (10)      | 65           |              | 539          | 835           | (19)                  | 115        | (3)        | (2)          |              |              |
| n sale of               |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| ments                   | 157                                |                       |              |           |              |              | 157          |               | 80                    |            |            |              |              |              |
| n results of            |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| es and joint            |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| es and change           |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| vision for              |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| on equity               |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| ments                   | 144                                |                       | 12           | 44        | 7            |              | 207          | 288           |                       | 22         | (7)        | 76           |              |              |
| e taxes                 | (2,081)                            | 209                   | (30)         | (14)      | (14)         |              | (1,930)      | (1,028)       | (755)                 | (92)       |            | 11           |              | (            |
| come                    |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| attributable to         |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| ntrolling               |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| ts                      | 22                                 | 5                     | (28)         |           | (9)          |              | (10)         | 12            | (107)                 | (65)       |            | (11)         |              |              |
| come                    |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| table to                |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| any s                   |                                    |                       |              |           |              |              |              |               |                       |            |            |              |              |              |
| olders                  | <b>2,419</b>                       | <b>(247)</b>          | <b>17</b>    | <b>59</b> | <b>(95)</b>  |              | <b>2,153</b> | <b>5,615</b>  | <b>1,182</b>          | <b>78</b>  | <b>194</b> | <b>(39)</b>  |              |              |

classified by  
graphic

|               |               |              |              |            |            |                |               |               |              |              |            |            |                |
|---------------|---------------|--------------|--------------|------------|------------|----------------|---------------|---------------|--------------|--------------|------------|------------|----------------|
| ation:        |               |              |              |            |            |                |               |               |              |              |            |            |                |
| n market      |               |              |              |            |            |                |               |               |              |              |            |            |                |
| ca, except    |               |              |              |            |            |                |               |               |              |              |            |            |                |
| States        | 109           | 314          | 396          |            | 14         | (233)          | 600           | 869           | 719          | 494          | 1          |            | (498)          |
| States        | 24            | 348          | 69           |            | 19         | (42)           | 418           | 291           | 1,124        | 211          | 1          |            | (167)          |
| e             | 2,538         | 567          | 537          |            | 12         | (2,175)        | 1,479         | 4,786         | 1,399        | 703          | 16         | 1          | (2,361)        |
| e             |               |              |              |            |            |                |               |               |              |              |            |            |                |
| frica/Oceania | 482           | 44           | 81           |            | 14         | (382)          | 239           | 756           | 149          | 66           |            | 39         | (345)          |
|               | 855           | 162          | 154          |            | 111        | (420)          | 862           | 1,603         | 740          | 300          | 1          | 73         | (642)          |
|               | 6,217         | 440          | 26           | 16         | 19         | (2,277)        | 4,441         | 4,577         | 514          | 10           | 11         |            | (1,843)        |
| other than    |               |              |              |            |            |                |               |               |              |              |            |            |                |
| and China     | 859           | 600          |              |            | 80         | (486)          | 1,053         | 1,370         | 1,155        | 9            | 1          | 60         | (523)          |
|               | <b>11,084</b> | <b>2,475</b> | <b>1,263</b> | <b>16</b>  | <b>269</b> | <b>(6,015)</b> | <b>9,092</b>  | <b>14,252</b> | <b>5,800</b> | <b>1,793</b> | <b>31</b>  | <b>173</b> | <b>(6,379)</b> |
| stic market   | 596           | 253          | 270          | 479        | 103        | (288)          | 1,413         | 2,056         | 287          | 410          | 846        | 115        | (439)          |
|               | <b>11,680</b> | <b>2,728</b> | <b>1,533</b> | <b>495</b> | <b>372</b> | <b>(6,303)</b> | <b>10,505</b> | <b>16,308</b> | <b>6,087</b> | <b>2,203</b> | <b>877</b> | <b>288</b> | <b>(6,818)</b> |

**Table of Contents****Operating segment after eliminations (disaggregated)**

**Six-month period ended (unaudited)  
June 30, 2009**

|                               | Revenues     |              |               | Value added tax | Net revenues  | Cost and expenses | Depreciation, depletion and amortization | Operating income | Addition Property, to plant and property, plant equipment, and net and equipment intangible and investments |               |              |              |
|-------------------------------|--------------|--------------|---------------|-----------------|---------------|-------------------|--|------------------|---|---------------|--------------|--------------|
|                               | Foreign      | Domestic     | Total         |                 |               |                   |  |                  | assets  | intangible    | investments  |              |
| <b>Ferrous</b>                |              |              |               |                 |               |                   |  |                  |   |               |              |              |
| Iron ore                      | 5,225        | 326          | 5,551         | (62)            | 5,489         | (2,012)           | 3,477                                    | (424)            | 3,053   | 18,466        | 1,333        | 62           |
| Pellets                       | 353          | 99           | 452           | (29)            | 423           | (432)             | (9)                                      | (29)             | (38)  | 645           | 84           | 940          |
| Manganese                     | 52           | 6            | 58            | (1)             | 57            | (41)              | 16                                       | (4)              | 12  | 21            | 2            |              |
| Ferroalloys                   | 89           | 59           | 148           | (15)            | 133           | (142)             | (9)                                      | (4)              | (13)  | 231           | 35           |              |
| Pig iron                      | 11           |              | 11            |                 | 11            | (13)              | (2)                                      |                  | (2)   | 144           | 48           |              |
|                               | <b>5,730</b> | <b>490</b>   | <b>6,220</b>  | <b>(107)</b>    | <b>6,113</b>  | <b>(2,640)</b>    | <b>3,473</b>                             | <b>(461)</b>     | <b>3,012</b>  | <b>19,507</b> | <b>1,502</b> | <b>1,002</b> |
| <b>Non ferrous</b>            |              |              |               |                 |               |                   |  |                  |   |               |              |              |
| Nickel and other products (*) | 1,966        | 6            | 1,972         |                 | 1,972         | (1,717)           | 255                                      | (496)            | (241)   | 22,504        | 704          | 88           |
| Potash                        |              | 186          | 186           | (5)             | 181           | (65)              | 116                                      | (10)             | 106   | 159           |              |              |
| Kaolin                        | 62           | 19           | 81            | (4)             | 77            | (70)              | 7  | (19)             | (12)  | 188           | 27           |              |
| Copper concentrate            | 240          | 37           | 277           | (5)             | 272           | (211)             | 61                                       | (34)             | 27  | 3,831         | 374          |              |
| Aluminum products             | 822          | 88           | 910           | (17)            | 893           | (920)             | (27)                                     | (108)            | (135)   | 4,356         | 99           | 146          |
|                               | <b>3,090</b> | <b>336</b>   | <b>3,426</b>  | <b>(31)</b>     | <b>3,395</b>  | <b>(2,983)</b>    | <b>412</b>                               | <b>(667)</b>     | <b>(255)</b>  | <b>31,038</b> | <b>1,204</b> | <b>234</b>   |
| <b>Logistics</b>              |              |              |               |                 |               |                   |  |                  |   |               |              |              |
| Railroads                     |              | 381          | 381           | (60)            | 321           | (261)             | 60                                       | (43)             | 17  | 1,733         | 41           | 372          |
| Ports                         |              | 99           | 99            | (14)            | 85            | (70)              | 15                                       | (10)             | 5   | 1,441         | 106          |              |
| Ships                         |              |              |               |                 |               |                   |  |                  |   | 638           | 267          | 112          |
|                               |              | <b>480</b>   | <b>480</b>    | <b>(74)</b>     | <b>406</b>    | <b>(331)</b>      | <b>75</b>                                | <b>(53)</b>      | <b>22</b>   | <b>3,812</b>  | <b>414</b>   | <b>484</b>   |
| Others                        | 272          | 107          | 379           | (21)            | 358           | (455)             | (97)                                     | (21)             | (118)   | 4,939         | 576          | 1,248        |
|                               | <b>9,092</b> | <b>1,413</b> | <b>10,505</b> | <b>(233)</b>    | <b>10,272</b> | <b>(6,409)</b>    | <b>3,863</b>                             | <b>(1,202)</b>   | <b>2,661</b>  | <b>59,296</b> | <b>3,696</b> | <b>2,968</b> |

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

**Table of Contents****Operating segment after eliminations (disaggregated)**

**Six-month period ended (unaudited)  
June 30, 2008**

|                                     | Revenues      |              | Value<br>added<br>tax | Net<br>revenues | Cost<br>and<br>expenses | Depreciation,<br>depletion<br>and amortization | Operating<br>income | Intangible<br>assets | Addition<br>Property, to<br>plant<br>and property,<br>plant<br>equipment, and<br>net<br>and equipment<br>intangible and<br>investments |               |              |              |
|-------------------------------------|---------------|--------------|-----------------------|-----------------|-------------------------|--|---------------------|----------------------|--|---------------|--------------|--------------|
|                                     | Foreign       | Domestic     |                       |                 |                         |  |                     |                      | Total  | Net           | Net          | Intangible   |
| <b>Ferrous</b>                      |               |              |                       |                 |                         |  |                     |                      |  |               |              |              |
| Iron ore                            | 6,848         | 1,216        | 8,064                 | (158)           | 7,906                   | (2,975)  | 4,931               | (490)                | 4,441  | 18,825        | 1,577        | 69           |
| Pellets                             | 1,472         | 389          | 1,861                 | (89)            | 1,772                   | (1,126)  | 646                 | (68)                 | 578  | 1,455         | 53           | 982          |
| Manganese                           | 101           | 22           | 123                   | (5)             | 118                     | (40)   | 78                  | (4)                  | 74   | 84            | 1            |              |
| Ferroalloys                         | 400           | 272          | 672                   | (68)            | 604                     | (247)  | 357                 | (15)                 | 342  | 171           | 3            |              |
| Pig iron                            | 86            |              | 86                    |                 | 86                      | (46)   | 40                  | (3)                  | 37   | 209           | 1            |              |
|                                     | <b>8,907</b>  | <b>1,899</b> | <b>10,806</b>         | <b>(320)</b>    | <b>10,486</b>           | <b>(4,434)</b>                                 | <b>6,052</b>        | <b>(580)</b>         | <b>5,472</b>   | <b>20,744</b> | <b>1,635</b> | <b>1,051</b> |
| <b>Non<br/>ferrous</b>              |               |              |                       |                 |                         |  |                     |                      |  |               |              |              |
| Nickel and<br>other<br>products (*) | 4,741         | 25           | 4,766                 |                 | 4,766                   | (2,020)  | 2,746               | (714)                | 2,032  | 23,733        | 1,025        | 151          |
| Potash                              |               | 169          | 169                   | (9)             | 160                     | (69)   | 91                  | (13)                 | 78   | 162           | 6            |              |
| Kaolin                              | 86            | 21           | 107                   | (5)             | 102                     | (117)  | (15)                | (16)                 | (31)   | 286           | 9            |              |
| Copper<br>concentrate               | 470           | 70           | 540                   | (15)            | 525                     | (245)  | 280                 | (38)                 | 242  | 2,204         | 121          |              |
| Aluminum<br>products                | 1,201         | 173          | 1,374                 | (38)            | 1,336                   | (1,070)  | 266                 | (85)                 | 181  | 5,294         | 301          | 107          |
|                                     | <b>6,498</b>  | <b>458</b>   | <b>6,956</b>          | <b>(67)</b>     | <b>6,889</b>            | <b>(3,521)</b>                                 | <b>3,368</b>        | <b>(866)</b>         | <b>2,502</b>   | <b>31,679</b> | <b>1,462</b> | <b>258</b>   |
| <b>Logistics</b>                    |               |              |                       |                 |                         |  |                     |                      |  |               |              |              |
| Railroads                           |               | 677          | 677                   | (101)           | 576                     | (390)  | 186                 | (55)                 | 131  | 2,012         | 36           | 297          |
| Ports                               | 11            | 136          | 147                   | (15)            | 132                     | (92)   | 40                  | (13)                 | 27   | 1,912         | 85           |              |
| Ships                               |               |              |                       |                 |                         |  |                     |                      |  | 33            |              | 127          |
|                                     | <b>11</b>     | <b>813</b>   | <b>824</b>            | <b>(116)</b>    | <b>708</b>              | <b>(482)</b>                                   | <b>226</b>          | <b>(68)</b>          | <b>158</b>   | <b>3,957</b>  | <b>121</b>   | <b>424</b>   |
| Others                              | 254           | 105          | 359                   | (10)            | 349                     | (319)  | 30                  | (12)                 | 18   | 3,602         | 512          | 1,391        |
|                                     | <b>15,670</b> | <b>3,275</b> | <b>18,945</b>         | <b>(513)</b>    | <b>18,432</b>           | <b>(8,756)</b>                                 | <b>9,676</b>        | <b>(1,526)</b>       | <b>8,150</b>   | <b>59,982</b> | <b>3,730</b> | <b>3,124</b> |

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



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**20 Derivative financial instruments**

**Risk management policy**

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

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

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

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

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

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

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

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

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

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

Interest rates;

Foreign exchange;

Products prices and input costs

**Foreign exchange and interest rate risk**

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

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

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

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

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

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

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

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

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**Product price risk**

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

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

**Nickel** The Company has the following derivatives instruments in this category:

Strategic derivative program in order to protect our cash flow in 2009, we entered into derivatives transactions where we fixed the prices of some of our revenues during the year.

Fixed price sales program we use to enter into nickel future contracts in the London Metal Exchange (LME) with the purpose of maintaining our exposure to nickel price variation, regarding the fact that, in some cases, the commodity is sold at a fixed price to some customers. This program was interrupted for the year 2009 after the decision of the strategic derivative program for the year.

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

**Copper** Vale Inco Ltd., Vale's wholly-owned subsidiary, makes use of derivatives to reduce the cash flow volatility due to the quotation period mismatch between the pricing period of copper scrap purchase and the pricing period of final products sale to the clients.

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

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

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

**Embedded derivatives** In addition to the contracts mentioned above, Vale Inco Ltd., Vale's wholly-owned subsidiary, has nickel concentrate and raw materials purchase agreements, where there are provisions based on nickel and copper prices behavior. These provisions are considered embedded derivatives. There is also an embedded derivative related to energy in our subsidiary *Albras* on which we have no unrealized gain or loss as of June 30, 2009 and December 31, 2008.

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

| <b>Outstanding Balances</b>                               | <b>Assets</b>                                 | <b>June 30, 2009 (unaudited)</b> |                   | <b>December 31, 2008</b> |                   |
|---|---|----------------------------------|-------------------|--------------------------|-------------------|
|   |   | <b>Balance Sheet</b>             | <b>Fair Value</b> | <b>Balance Sheet</b>     | <b>Fair Value</b> |
|   |   | <b>Location</b>                  |                   | <b>Location</b>          |                   |
| <b>Derivatives not designated as hedge under SFAS 133</b> |   |                                  |                   |                          |                   |
| <b>Foreign exchange and interest rate risk</b>            |   |                                  |                   |                          |                   |
|   | CDI vs. USD fixed rate swap                   | long-term                        | 153               |                          |                   |
|   | CDI vs. USD floating rate swap                | long-term                        | 15                |                          |                   |
|   | TJLP vs. USD fixed rate swap                  | long-term                        | 39                |                          |                   |
|   | TJLP vs. USD floating rate swap               | long-term                        | 12                |                          |                   |
|   | EURO floating rate vs. USD floating rate swap | long-term                        | 2                 | long-term                | 2                 |
|   | AUD floating rate vs. fixed USD rate swap     | long-term                        | 8                 |                          |                   |
|   |   |                                  | <b>229</b>        |                          | <b>2</b>          |
| <b>Commodities price risk</b>                             |   |                                  |                   |                          |                   |
| Nickel  |   |                                  |                   |                          |                   |
|   | Fixed price program                           | short-term                       | 2                 |                          |                   |
|   | Fixed price program                           | long-term                        | 2                 |                          |                   |
|   | Bunker Oil Hedge                              | long-term                        | 12                |                          |                   |
|   | Maritime Freight Hiring Protection Program    | short-term                       | 30                |                          |                   |
|   |   |                                  | <b>46</b>         |                          |                   |
| <b>Embedded derivatives:</b>                              |   |                                  |                   |                          |                   |
|   | For nickel concentrate costumer sales         | short-term                       | 5                 | long-term                | 69                |
|   | Customer raw material contracts               |                                  |                   | long-term                | 22                |
|   |   |                                  | <b>5</b>          |                          | <b>91</b>         |
| <b>Derivatives designated as hedge under SFAS 133</b>     |   |                                  |                   |                          |                   |
|   | Foreign cash flow hedge                       | long-term                        | 3                 |                          |                   |
|   |   |                                  | <b>3</b>          |                          |                   |
| <b>Total Assets</b>                                       |   |                                  | <b>283</b>        |                          | <b>93</b>         |

| <b>Outstanding Balances</b> | <b>Liabilities</b> | <b>June 30, 2009 (unaudited)</b> |                   | <b>December 31, 2008</b> |                   |
|-----------------------------|--------------------|----------------------------------|-------------------|--------------------------|-------------------|
|                             |                    | <b>Balance Sheet</b>             | <b>Fair Value</b> | <b>Balance Sheet</b>     | <b>Fair Value</b> |
|                             |                    | <b>Location</b>                  |                   | <b>Location</b>          |                   |

**Derivatives not designated as hedge under SFAS 133**

**Foreign exchange and interest rate risk**

|   |           |             |           |              |
|---|-----------|-------------|-----------|--------------|
| CDI vs. USD fixed rate swap               |           |             | long-term | (373)        |
| CDI vs. USD floating rate swap            |           |             | long-term | (95)         |
| TJLP vs. USD fixed rate swap              |           |             | long-term | (62)         |
| TJLP vs. USD floating rate swap           |           |             | long-term | (30)         |
| USD floating rate vs. USD fixed rate swap | long-term | (11)        | long-term | (14)         |
|   |           | <b>(11)</b> |           | <b>(574)</b> |

**Commodities price risk**

|                     |            |             |           |             |
|---------------------|------------|-------------|-----------|-------------|
| Nickel              |            |             |           |             |
| Fixed price program |            |             | long-term | (50)        |
| Purchase program    | short-term | (4)         | long-term | (7)         |
| Strategic program   | short-term | (42)        |           |             |
|                     |            | <b>(46)</b> |           | <b>(57)</b> |

**Embedded derivatives:**

|                                 |            |             |           |            |
|---------------------------------|------------|-------------|-----------|------------|
| Customer raw material contracts | short-term | (12)        |           |            |
| Natural gas hedge               | short-term | (2)         | long-term | (2)        |
|                                 |            | <b>(14)</b> |           | <b>(2)</b> |

|                          |  |             |  |              |
|--------------------------|--|-------------|--|--------------|
| <b>Total Liabilities</b> |  | <b>(71)</b> |  | <b>(633)</b> |
|--------------------------|--|-------------|--|--------------|

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

|   | Amount of gain or (loss) recognized in financial income (expense) |                |               |                        |               |               | Financial Settlement     |               |                        |               | Amount of gain or (loss) recognized in OCI |                        |
|---|---|----------------|---------------|------------------------|---------------|---------------|--------------------------|---------------|------------------------|---------------|--|------------------------|
|   | Three-month period ended  |                |               | Six-month period ended |               |               | Three-month period ended |               | Six-month period ended |               | Three-month period ended                   | Six-month period ended |
|   | (unaudited)   | (unaudited)    | (unaudited)   | (unaudited)            | (unaudited)   | (unaudited)   | (unaudited)              | (unaudited)   | (unaudited)            | (unaudited)   | (unaudited)                                |                        |
|   | June 30, 2009   | March 31, 2009 | June 30, 2008 | June 30, 2009          | June 30, 2008 | June 30, 2009 | March 31, 2009           | June 30, 2008 | June 30, 2009          | June 30, 2008 | June 30, 2009                              | June 30, 2008          |
| <b>Derivatives not designated as hedge under SFAS 133</b> |   |                |               |                        |               |               |                          |               |                        |               |  |                        |
| <b>Foreign exchange and interest rate risk</b>            |   |                |               |                        |               |               |                          |               |                        |               |  |                        |
| Swap BRL denominated Brazilian payroll into USD           |   |                | 50            |                        | 64            |               |                          | (34)          |                        | (62)          |  |                        |
| CDI & TJLP vs. USD fixed and floating rate swap           | 927   | 32             | 591           | 959                    | 563           | (101)         | (20)                     | (102)         | (121)                  | (102)         |  |                        |
| EURO floating rate vs. USD floating rate swap             |   | (1)            | (1)           | (1)                    |               | (1)           |                          |               | (1)                    |               |  |                        |
| USD floating rate vs. USD fixed rate swap                 |   | (1)            | 5             | (1)                    | (2)           | 2             |                          |               | 2                      |               |  |                        |
| AUD floating rate vs. fixed USD rate swap                 | 7   | 3              |               | 10                     |               | (1)           |                          |               | (1)                    |               |  |                        |
|   | <b>934</b>  | <b>33</b>      | <b>645</b>    | <b>967</b>             | <b>625</b>    | <b>(101)</b>  | <b>(20)</b>              | <b>(136)</b>  | <b>(121)</b>           | <b>(164)</b>  |  |                        |
| <b>Commodities price risk</b>                             |   |                |               |                        |               |               |                          |               |                        |               |  |                        |
| <b>Nickel</b>   |   |                |               |                        |               |               |                          |               |                        |               |  |                        |
| Fixed price program                                       | 42  | (18)           | (50)          | 24                     | (24)          | 9             | 21                       | 12            | 30                     | 20            |  |                        |
| Purchase program  | (32)  | 10             | 22            | (22)                   | 12            | 27            | (2)                      | (20)          | 25                     | (24)          |  |                        |
| Strategic program   | (42)  |                |               | (42)                   |               |               |                          |               |                        |               |  |                        |
| <b>Copper</b>   |   |                |               |                        |               |               |                          |               |                        |               |  |                        |
| Purchased scrap protection program                        |   |                | 6             |                        | (66)          |               |                          | 69            |                        | 130           |  |                        |
| Strategic hedging program                                 |   |                |               |                        | (45)          |               |                          | 7             |                        | 7             |  |                        |
| Platinum  |   |                | (1)           |                        | (17)          |               |                          | 11            |                        | 20            |  |                        |
| Gold  |   |                | 4             |                        | (4)           |               |                          | 10            |                        | 21            |  |                        |
| Natural gas   | (1)   | (3)            | 9             | (4)                    | 19            | 2             | 2                        | (1)           | 4                      |               |  |                        |
| Aluminum  |   |                | (68)          |                        | (147)         |               |                          | 63            |                        | 88            |  |                        |
| Maritime Freight Hiring Protection Program                | 34  |                |               | 34                     |               | (5)           |                          |               | (5)                    |               |  |                        |
|   | <b>1</b>  | <b>(11)</b>    | <b>(78)</b>   | <b>(10)</b>            | <b>(272)</b>  | <b>33</b>     | <b>21</b>                | <b>151</b>    | <b>54</b>              | <b>262</b>    |  |                        |
| <b>Embedded derivatives:</b>                              |   |                |               |                        |               |               |                          |               |                        |               |  |                        |
| For nickel concentrate customer sales                     | (18)  | 2              | 36            | (16)                   |               | 5             | (23)                     |               | (18)                   |               |  |                        |
| Customer raw material contracts                           | (57)  | (6)            | 37            | (63)                   | 21            |               |                          | (7)           |                        | (11)          |  |                        |
| Energy Aluminum options                                   |   |                | 15            |                        | (13)          |               |                          |               |                        |               |  |                        |

|   | (75)       | (4)       | 88         | (79)       | 8          | 5           | (23)        | (7)      | (18)        | (11)      |          |          |          |             |
|---|------------|-----------|------------|------------|------------|-------------|-------------|----------|-------------|-----------|----------|----------|----------|-------------|
| <b>Derivatives designated as hedge under SFAS 133</b> |            |           |            |            |            |             |             |          |             |           |          |          |          |             |
| Aluminum  |            |           |            |            |            |             |             |          |             |           |          |          | 6        | (21)        |
| Bunker Oil Hedge                                      | 13         |           |            | 13         |            | (1)         |             |          | (1)         |           |          |          |          |             |
| Foreign exchange cash flow hedge                      |            |           |            |            |            |             |             |          |             |           | 1        |          | 1        |             |
|   | <b>13</b>  |           |            | <b>13</b>  |            | <b>(1)</b>  |             |          | <b>(1)</b>  |           | <b>1</b> | <b>6</b> | <b>1</b> | <b>(21)</b> |
|   | <b>873</b> | <b>18</b> | <b>655</b> | <b>891</b> | <b>361</b> | <b>(64)</b> | <b>(22)</b> | <b>8</b> | <b>(86)</b> | <b>87</b> | <b>1</b> | <b>6</b> | <b>1</b> | <b>(21)</b> |

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

Final maturity dates for the above instruments are as follows:

|                            |                               |
|----------------------------|-------------------------------|
| Interest rates/ Currencies | December<br>2019              |
| Bunker Oil                 | April 2010<br>October<br>2009 |
| Natural Gas                | September<br>2009             |
| Freight                    | July 2009                     |
| Copper                     | May 2011                      |
| Nickel                     |                               |

Under SFAS 133 Accounting for Derivative Financial Instruments and Hedging Activities, all derivatives, whether designated in hedging relationships or not, are required to be recorded in the balance sheet at fair value and the gain or loss in fair value is included in current earnings, unless if qualified as hedge accounting. A derivative must be designated in a hedging relationship in order to qualify for hedge accounting. These requirements include a determination of what portions of hedges are deemed to be effective versus ineffective. In general, a hedging relationship is effective when a change in the fair value of the derivative is offset by an equal and opposite change in the fair value of the underlying hedged item. In accordance with these requirements, effectiveness tests are performed in order to assess effectiveness and quantify ineffectiveness for all designated hedges.

At June 30, 2009, we had outstanding cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in expected future cash flows that is attributable to a particular risk such as a forecasted purchase or sale. If a derivative is designated as a cash flow hedge, the effective portions of the changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in earnings when the hedged item affects earnings. Ineffective portions of changes in the fair value of the derivatives designated as hedges are recognized in earnings. If a portion of a derivative contract is excluded for purposes of effectiveness testing, such as time value, the value of such excluded portion is included in earnings. On the three-month period ended at June 30, 2009, March 31, 2009 and June 30, 2008 and on the six-month period ended at June 30, 2009 and 2008, the unrealized net gains in respect of derivative instruments which were not qualified for hedge accounting amounted to US\$860, US\$18, US\$655, US\$878 and US\$361 respectively.

**21 Subsequent events**

On July 07, 2009, we issued US\$942 Mandatorily Convertible Notes due 2012 for total proceeds of US\$936, net of commissions. The Notes bear interest at 6.75% per year payable quarterly and additional interest which will be payable based on the net amount of cash distribution paid to ADS holders.

In July, 2009 we signed a definitive agreement with Suzano Papel e Celulose to sale part of our forest assets to Suzano, a total area of 84.7 thousand hectares, including preservation areas and eucalyptus plantation in Maranhão (Brazil), for approximately US\$120.

In July 2009, we signed an agreement with ThyssenKrupp Steel AG to increase its stake in ThyssenKrupp CSA Siderúrgica do Atlântico Ltda. (CSA) to 26.87%, from its current 10% interest, through a capital infusion of EUR\$965 (approximately US\$1.4 billion). This investment decision is still subject to, among other conditions, the approval of the Board of Directors of both Vale and ThyssenKrupp.



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**Supplemental Financial Information (unaudited)**

The following unaudited information provides additional details in relation to certain financial ratios.

EBITDA Earnings Before Financial Income (Expenses), Noncontrolling Interests, Gain on Sale of Investments, Foreign Exchange and Indexation Gains (Losses), Equity in Results of Affiliates and Joint Ventures and Change in Provision for Losses on Equity Investments, Income Taxes, Depreciation and Amortization

- (a) EBITDA represents operating income plus depreciation, amortization and depletion plus impairment plus dividends received from equity investees.
- (b) EBITDA is not a U.S. GAAP measure and does not represent cash flow for the periods presented and should not be considered as an alternative to net income (loss), as an indicator of our operating performance or as an alternative to cash flow as a source of liquidity.
- (c) Our definition of EBITDA may not be comparable with EBITDA as defined by other companies.
- (d) Although EBITDA, as defined above, does not provide a U.S. GAAP measure of operating cash flows, our management uses it to measure our operating performance and financial analysts in evaluating our business commonly use it.

Selected financial indicators for the main affiliates and joint ventures are available on our website, [www.vale.com](http://www.vale.com), under investor relations

**Table of Contents****Indexes on Vale's Consolidated Debt (Supplemental information unaudited)**

|   | Three-month period ended |                   |                  | Six-month period ended |                  |
|---|--------------------------|-------------------|------------------|------------------------|------------------|
|   | June 30,<br>2009         | March 31,<br>2009 | June 30,<br>2008 | June 30,<br>2009       | June 30,<br>2008 |
| <b>Current debt</b>                                   |                          |                   |                  |                        |                  |
| Current portion of long-term debt - unrelated parties | 610                      | 650               | 730              | 610                    | 730              |
| Short-term debt                                       | 38                       | 48                | 46               | 38                     | 46               |
| Loans from related parties                            | 19                       | 68                | 36               | 19                     | 36               |
|   | <b>667</b>               | <b>766</b>        | <b>812</b>       | <b>667</b>             | <b>812</b>       |
| <b>Long-term debt</b>                                 |                          |                   |                  |                        |                  |
| Long-term debt - unrelated parties                    | 18,826                   | 17,648            | 19,560           | 18,826                 | 19,560           |
| <b>Gross debt (current plus long-term debt)</b>       | <b>19,493</b>            | <b>18,414</b>     | <b>20,372</b>    | <b>19,493</b>          | <b>20,372</b>    |
| <b>Interest paid over:</b>                            |                          |                   |                  |                        |                  |
| Short-term debt                                       |                          |                   | (5)              |                        | (10)             |
| Long-term debt  | (311)                    | (277)             | (357)            | (588)                  | (636)            |
| <b>Interest paid</b>                                  | <b>(311)</b>             | <b>(277)</b>      | <b>(362)</b>     | <b>(588)</b>           | <b>(646)</b>     |
| <b>EBITDA</b>   | <b>1,725</b>             | <b>2,281</b>      | <b>6,218</b>     | <b>4,006</b>           | <b>9,947</b>     |
| <b>Company stockholders' equity</b>                   | <b>49,877</b>            | <b>43,827</b>     | <b>41,705</b>    | <b>49,877</b>          | <b>41,705</b>    |
| <b>LTM (1) EBITDA / LTM (1) Interest paid</b>         | <b>10.83</b>             | <b>13.96</b>      | <b>13.04</b>     | <b>10.83</b>           | <b>13.04</b>     |
| <b>Gross Debt / LTM (1) EBITDA</b>                    | <b>1.49</b>              | <b>1.05</b>       | <b>1.17</b>      | <b>1.49</b>            | <b>1.17</b>      |
| <b>Gross debt / Equity Capitalization (%)</b>         | <b>28</b>                | <b>30</b>         | <b>33</b>        | <b>28</b>              | <b>33</b>        |
| <b>Financial expenses</b>                             |                          |                   |                  |                        |                  |
| Interest expense                                      | (213)                    | (239)             | (254)            | (452)                  | (567)            |
| Labor and civil claims and tax-related actions        | (14)                     | (16)              | (8)              | (30)                   | (53)             |
| Tax on financial transactions                         |                          |                   |                  |                        | (3)              |
| CPMF  |                          |                   |                  |                        | (3)              |
| Others  | (66)                     | (32)              | (87)             | (98)                   | (286)            |
|   | <b>(293)</b>             | <b>(287)</b>      | <b>(349)</b>     | <b>(580)</b>           | <b>(909)</b>     |
| <b>Financial income</b>                               |                          |                   |                  |                        |                  |
| Cash and cash equivalents                             | 91                       | 114               | 22               | 205                    | 51               |
| Others  | 2                        | 11                | 1                | 13                     | 27               |

|   |                |              |              |                |              |
|---|----------------|--------------|--------------|----------------|--------------|
|   | <b>93</b>      | <b>125</b>   | <b>23</b>    | <b>218</b>     | <b>78</b>    |
| <b>Derivatives</b>  | <b>873</b>     | <b>18</b>    | <b>655</b>   | <b>891</b>     | <b>361</b>   |
| <b>Financial income (expenses), net</b>                   | <b>673</b>     | <b>(144)</b> | <b>329</b>   | <b>529</b>     | <b>(470)</b> |
| <b>Foreign exchange and indexation gain (losses), net</b> |                |              |              |                |              |
| Cash and cash equivalents                                 | <b>(1,026)</b> | <b>(69)</b>  | <b>(67)</b>  | <b>(1,095)</b> | <b>(74)</b>  |
| Loans   | <b>2,105</b>   | <b>113</b>   | <b>1,169</b> | <b>2,218</b>   | <b>1,333</b> |
| Others  | <b>(556)</b>   | <b>(28)</b>  | <b>(264)</b> | <b>(584)</b>   | <b>(333)</b> |
|   | <b>523</b>     | <b>16</b>    | <b>838</b>   | <b>539</b>     | <b>926</b>   |
| <b>Financial result, net</b>                              | <b>1,196</b>   | <b>(128)</b> | <b>1,167</b> | <b>1,068</b>   | <b>456</b>   |

**(1) Last twelve months**

**Table of Contents****Calculation of EBITDA (Supplemental information unaudited)**

|                        | Three-month period ended |                   |                  | Six-month period ended |                  |
|------------------------|--------------------------|-------------------|------------------|------------------------|------------------|
|                        | June 30,<br>2009         | March 31,<br>2009 | June 30,<br>2008 | June 30,<br>2009       | June 30,<br>2008 |
| Operating income       | 976                      | 1,685             | 5,235            | 2,661                  | 8,150            |
| Depreciation           | 643                      | 559               | 760              | 1,202                  | 1,526            |
|                        | <b>1,619</b>             | <b>2,244</b>      | <b>5,995</b>     | <b>3,863</b>           | <b>9,676</b>     |
| Dividends received     | 106                      | 37                | 223              | 143                    | 271              |
| <b>EBITDA</b>          | <b>1,725</b>             | <b>2,281</b>      | <b>6,218</b>     | <b>4,006</b>           | <b>9,947</b>     |
| Net operating revenues | 4,948                    | 5,324             | 10,600           | 10,272                 | 18,432           |
| <b>Margin EBITDA</b>   | <b>34.9%</b>             | <b>42.8%</b>      | <b>58.7%</b>     | <b>39.0%</b>           | <b>54.0%</b>     |

**Adjusted EBITDA x Operating Cash Flows (Supplemental information unaudited)**

|  | Three-month period ended |                      |                |                      |               |                      |              |
|--|--------------------------|----------------------|----------------|----------------------|---------------|----------------------|--------------|
|  | June 30, 2009            |                      | March 31, 2009 |                      | June 30, 2008 |                      |              |
|  | EBITDA                   | Operating cash flows | EBITDA         | Operating cash flows | EBITDA        | Operating cash flows |              |
| Net income attributable to Company's stockholders                        |                          | 790                  | 790            | 1,363                | 1,363         | 5,009                | 5,009        |
| Income tax deferred  |                          | 130                  | 130            | (171)                | (171)         | 333                  | 333          |
| Income tax current   |                          | 1,494                |                | 477                  |               | 1,173                |              |
| Equity in results of affiliates and joint ventures and other investments |                          | (135)                | (135)          | (72)                 | (72)          | (260)                | (260)        |
| Foreign exchange and indexation gains, net                               |                          | (523)                | (817)          | (16)                 | (57)          | (838)                | (1,300)      |
| Financial expenses, net  |                          | (673)                | (54)           | 144                  | 3             | (329)                | (45)         |
| Noncontrolling interests   |                          | 50                   | 50             | (40)                 | (40)          | 147                  | 147          |
| Gain on sale of investments  |                          | (157)                | (157)          |                      |               |                      |              |
| Net working capital  |                          |                      | 1,355          |                      | 536           |                      | (214)        |
| Others   |                          |                      | (845)          |                      | 7             |                      | (572)        |
| <b>Operating income</b>  |                          | <b>976</b>           | <b>317</b>     | <b>1,685</b>         | <b>1,569</b>  | <b>5,235</b>         | <b>3,098</b> |
| Depreciation, depletion and amortization                                 |                          | 643                  | 643            | 559                  | 559           | 760                  | 760          |
| Dividends received   |                          | 106                  | 106            | 37                   | 37            | 223                  | 223          |
|  |                          | <b>1,725</b>         | <b>1,066</b>   | <b>2,281</b>         | <b>2,165</b>  | <b>6,218</b>         | <b>4,081</b> |
| <b>Operating cash flows</b>  |                          |                      | <b>1,066</b>   |                      | <b>2,165</b>  |                      | <b>4,081</b> |
| Income tax   |                          |                      | 1,494          |                      | 477           |                      | 1,173        |

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|  |              |              |              |
|--|--------------|--------------|--------------|
| Foreign exchange and indexation gains (losses) | 294          | 41           | 462          |
| Financial expenses                             | (619)        | 141          | (284)        |
| Net working capital                            | (1,355)      | (536)        | 214          |
| Others   | 845          | (7)          | 572          |
| <b>EBITDA</b>                                  | <b>1,725</b> | <b>2,281</b> | <b>6,218</b> |

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|  | <b>Six-month period ended</b> |                             |                      |                             |
|--|-------------------------------|-----------------------------|----------------------|-----------------------------|
|  | <b>June 30, 2009</b>          |                             | <b>June 30, 2008</b> |                             |
|  | <b>EBITDA</b>                 | <b>Operating cash flows</b> | <b>EBITDA</b>        | <b>Operating cash flows</b> |
| Net income attributable to Company's stockholders                        | 2,153                         | 2,153                       | 7,030                | 7,030                       |
| Income tax - deferred  | (41)                          | (41)                        | 37                   | 37                          |
| Income tax - current   | 1,971                         |                             | 1,827                |                             |
| Equity in results of affiliates and joint ventures and other investments | (207)                         | (207)                       | (379)                | (379)                       |
| Foreign exchange and indexation gains, net                               | (539)                         | (874)                       | (881)                | (1,377)                     |
| Financial expenses, net  | (529)                         | (51)                        | 425                  | 36                          |
| Noncontrolling interests   | 10                            | 10                          | 171                  | 171                         |
| Gain on sale of investments  | (157)                         | (157)                       | (80)                 | (80)                        |
| Net working capital  |                               | 1,891                       |                      | (1,442)                     |
| Others   |                               | (838)                       |                      | (304)                       |
| <b>Operating income</b>  | <b>2,661</b>                  | <b>1,886</b>                | <b>8,150</b>         | <b>3,692</b>                |
| Depreciation, depletion and amortization                                 | 1,202                         | 1,202                       | 1,526                | 1,526                       |
| Dividends received   | 143                           | 143                         | 271                  | 271                         |
|  | <b>4,006</b>                  | <b>3,231</b>                | <b>9,947</b>         | <b>5,489</b>                |
| <b>Operating cash flows</b>  |                               | <b>3,231</b>                |                      | <b>5,489</b>                |
| Income tax   |                               | 1,971                       |                      | 1,827                       |
| Foreign exchange and indexation gains (losses)                           |                               | 335                         |                      | 496                         |
| Financial expenses   |                               | (478)                       |                      | 389                         |
| Net working capital  |                               | (1,891)                     |                      | 1,442                       |
| Others   |                               | 838                         |                      | 304                         |
| <b>EBITDA</b>  |                               | <b>4,006</b>                |                      | <b>9,947</b>                |

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

**Board of Directors**

Sérgio Ricardo Silva Rosa  
**Chairman**

Mário da Silveira Teixeira Júnior  
**Vice-President**

Eduardo Fernando Jardim Pinto  
Francisco Augusto da Costa e Silva  
Jorge Luiz Pacheco  
José Ricardo Sasseron  
Ken Abe  
Luciano Galvão Coutinho  
Oscar Augusto de Camargo Filho  
Renato da Cruz Gomes  
Sandro Kohler Marcondes

**Alternate**

Deli Soares Pereira  
Hidehiro Takahashi  
João Moisés de Oliveira  
Luiz Augusto Ckless Silva  
Luiz Carlos de Freitas  
Luiz Felix Freitas  
Paulo Sérgio Moreira da Fonseca  
Raimundo Nonato Alves Amorim  
Rita de Cássia Paz Andrade Robles  
Wanderlei Viçoso Fagundes

**Advisory Committees of the Board of Directors**

**Controlling Committee**

Luiz Carlos de Freitas  
Paulo Ricardo Ultra Soares  
Paulo Roberto Ferreira de Medeiros

**Executive Development Committee**

João Moisés de Oliveira  
José Ricardo Sasseron  
Oscar Augusto de Camargo Filho

**Strategic Committee**

Roger Agnelli  
Luciano Galvão Coutinho

**Governance and Sustainability Committee**

Jorge Luiz Pacheco  
Renato da Cruz Gomes  
Ricardo Simonsen

**Fiscal Council**

Marcelo Amaral Moraes  
**Chairman**

Aníbal Moreira dos Santos  
Antônio José de Figueiredo Ferreira  
Bernard Appy

**Alternate**

Cícero da Silva  
Marcus Pereira Aucélio  
Oswaldo Mário Pêgo de Amorim Azevedo

**Executive Officers**

Roger Agnelli  
**Chief Executive Officer**

Carla Grasso  
**Executive Officer for Human Resources and Corporate Services**

Eduardo de Salles Bartolomeo  
**Executive Officer for Logistics, Project Management and Sustainability**

Fabio de Oliveira Barbosa  
**Chief Financial Officer and Investor Relations**

José Carlos Martins  
**Executive Officer for Ferrous Minerals**

Tito Botelho Martins  
**Executive Officer for Non Ferrous**

Marcus Vinícius Dias Severini  
**Chief Officer of Accounting and Control Department**

Mário da Silveira Teixeira Júnior  
Oscar Augusto de Camargo Filho  
Sérgio Ricardo Silva Rosa

Vera Lúcia de Almeida Pereira Elias  
**Chief Accountant**

**CRC-RJ 043059/O-8**

**Finance Committee**

Fabio de Oliveira Barbosa  
Ivan Luiz Modesto Schara  
Luiz Maurício Leuzinger  
Wanderlei Viçoso Fagundes



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**Signatures**

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

Vale S.A.  
(Registrant)

Date: July 29, 2009

By: /s/ Roberto Castello Branco

Roberto Castello Branco  
Director of Investor Relations