Vale S.A.
Form 6-K
February 25, 2011

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

For the quarterly period ended December 31, 2010

February 2011
Vale S.A.

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

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

(Check One) Form 20-F þ Form 40-F o

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1))

(Check One) Yes o No þ

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7))

(Check One) Yes o No þ

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

(Check One) Yes o No þ

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

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

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of cash flows and of changes in stockholders equity present fairly, in all material respects, the financial position of Vale S.A. and its subsidiaries (the Company) at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on internal control over financial reporting. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers
Auditores Independentes
Rio de Janeiro, Brazil
February 24, 2011

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Management s Report on Internal Control over Financial Reporting

The management of Vale S.A (Vale) is responsible for establishing and maintaining adequate internal control over financial reporting.

The company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The company s internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate.

Vale s management has assessed the effectiveness of the company s internal control over financial reporting as of December 31, 2010 based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission COSO. Based on such assessment and criteria, Vale s management has concluded that the company s internal control over financial reporting was effective as of December 31, 2010.

The effectiveness of the company s internal control over financial reporting as of December 31, 2010 has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report which appears herein.

February 24, 2011

Roger Agnelli

Chief Executive Officer

Guilherme Cavalcanti

Chief Financial Officer

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Consolidated Balance Sheets
Expressed in millions of United States dollars

	As of December, 31	
	2010	**2009**
Assets		
Current assets		
Cash and cash equivalents	7,584	7,293
Short-term investments	1,793	3,747
Accounts receivable		
Related parties	435	79
Unrelated parties	7,776	3,041
Loans and advances to related parties	96	107
Inventories	4,298	3,196
Deferred income tax	386	852
Unrealized gains on derivative instruments	52	105
Advances to suppliers	188	498
Recoverable taxes	1,603	1,511
Assets held for sale	6,987	
Others	593	865
	31,791	**21,294**
Non-current assets		
Property, plant and equipment, net	83,096	67,637
Intangible assets	1,274	1,173
Investments in affiliated companies, joint ventures and others investments	4,497	4,585
Other assets:		
Goodwill on acquisition of subsidiaries	3,317	2,313
Loans and advances		
Related parties	29	36
Unrelated parties	165	158
Prepaid pension cost	1,962	1,335
Prepaid expenses	222	235
Judicial deposits	1,731	1,143
Recoverable taxes	361	817
Unrealized gains on derivative instruments	301	865
Others	393	688
	8,481	**7,590**
TOTAL	**129,139**	**102,279**

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

	(Continued)	
	As of December, 31	
	2010	**2009**
Liabilities and stockholders equity		
Current liabilities		
Suppliers	3,558	2,309
Payroll and related charges	1,134	864
Minimum annual remuneration attributed to stockholders	4,842	1,464
Current portion of long-term debt	2,823	2,933
Short-term debt	139	30
Loans from related parties	9	19
Provision for income taxes	751	173
Taxes payable and royalties	257	124
Employees postretirement benefits	168	144
Railway sub-concession agreement payable	70	285
Unrealized losses on derivative instruments	35	129
Provisions for asset retirement obligations	75	89
Liabilities associated with assets held for sale	3,152	
Others	899	618
	17,912	**9,181**
Non-current liabilities		
Employees postretirement benefits	2,442	1,970
Long-term debt	21,591	19,898
Provisions for contingencies (Note 21 (b))	2,043	1,763
Unrealized losses on derivative instruments	61	9
Deferred income tax	8,085	5,755
Provisions for asset retirement obligations	1,293	1,027
Debentures	1,284	752
Others	1,987	1,427
	38,786	**32,601**
Redeemable noncontrolling interest	**712**	**731**
Commitments and contingencies (Note 21)		
Stockholders equity		
Preferred class A stock 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2009 2,108,579,618) issued	10,370	9,727
Common stock 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2009 3,256,724,482) issued	16,016	15,262

Treasury stock 99,649,571 (2009 77,581,904) preferred and 45,375,394 (2009 74,997,899) common shares	(2,660)	(1,150)
Additional paid-in capital	2,188	411
Mandatorily convertible notes common shares	290	1,578
Mandatorily convertible notes preferred shares	644	1,225
Other cumulative comprehensive loss	(333)	(1,808)
Undistributed retained earnings	42,218	28,508
Unappropriated retained earnings	166	3,182
Total Company stockholders equity	**68,899**	**56,935**
Noncontrolling interests	**2,830**	**2,831**
Total stockholders equity	**71,729**	**59,766**
TOTAL	**129,139**	**102,279**

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

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

	Three-month period ended (unaudited)			Year ended as of December, 31		
	December 31, 2010	**September 30, 2010**	**December 31, 2009**	**2010**	**2009**	**2008**
Operating revenues, net of discounts, returns and allowances						
Sales of ores and metals	13,021	12,350	5,257	39,422	19,502	32,484
Aluminum products	691	609	611	2,554	2,050	3,042
Revenues from logistic services	334	408	307	1,465	1,104	1,607
Fertilizer products	768	802	109	1,845	413	295
Others	393	327	257	1,195	870	1,081
	15,207	**14,496**	**6,541**	**46,481**	**23,939**	**38,509**
Taxes on revenues	(278)	(394)	(208)	(1,188)	(628)	(1,083)
Net operating revenues	**14,929**	**14,102**	**6,333**	**45,293**	**23,311**	**37,426**
Operating costs and expenses						
Cost of ores and metals sold	(4,258)	(3,503)	(2,839)	(13,326)	(9,853)	(13,938)
Cost of aluminum products	(565)	(491)	(571)	(2,108)	(2,087)	(2,267)
Cost of logistic services	(285)	(263)	(235)	(1,040)	(779)	(930)
Cost of fertilizer products	(674)	(669)	(60)	(1,556)	(173)	(117)
Others	(258)	(187)	(290)	(784)	(729)	(389)
	(6,040)	**(5,113)**	**(3,995)**	**(18,814)**	**(13,621)**	**(17,641)**
Selling, general and administrative expenses	(647)	(418)	(378)	(1,701)	(1,130)	(1,748)
Research and development expenses	(301)	(216)	(296)	(878)	(981)	(1,085)
Impairment of goodwill						(950)
Others	(774)	(519)	(561)	(2,205)	(1,522)	(1,254)
	(7,762)	**(6,266)**	**(5,230)**	**(23,598)**	**(17,254)**	**(22,678)**
Operating income	**7,167**	**7,836**	**1,103**	**21,695**	**6,057**	**14,748**
Non-operating income (expenses)						
Financial income	117	56	65	290	381	602

Financial expenses	(926)	(741)	(548)	(2,646)	(1,558)	(1,765)
Gains (losses) on derivatives, net	473	500	296	631	1,528	(812)
Foreign exchange and indexation gains, net	51	257	17	344	675	364
Gain (loss) on sale of investments			(190)		40	80
	(285)	**72**	**(360)**	**(1,381)**	**1,066**	**(1,531)**
Income before discontinued operations, income taxes and equity results	**6,882**	**7,908**	**743**	**20,314**	**7,123**	**13,217**
Income taxes						
Current	(1,549)	(2,589)	583	(4,996)	(2,084)	(1,338)
Deferred	412	443	173	1,291	(16)	803
	(1,137)	**(2,146)**	**756**	**(3,705)**	**(2,100)**	**(535)**
Equity in results of affiliates, joint ventures and other investments	**303**	**305**	**71**	**987**	**433**	**794**
Net income from continuing operations	**6,048**	**6,067**	**1,570**	**17,596**	**5,456**	**13,476**
Discontinued operations, net of tax		**8**		**(143)**		
Net income	**6,048**	**6,075**	**1,570**	**17,453**	**5,456**	**13,476**
Net income attributable to noncontrolling interests	**131**	**37**	**51**	**189**	**107**	**258**
Net income attributable to the Company s stockholders	**5,917**	**6,038**	**1,519**	**17,264**	**5,349**	**13,218**
Basic and diluted earnings per share attributable to Company s stockholders						
Earnings per preferred share	1.12	1.13	0.28	3.23	0.97	2.58
Earnings per common share	1.12	1.13	0.28	3.23	0.97	2.58

Earnings per preferred share linked to convertible mandatorily notes (*)	1.61	1.35	0.52	4.76	1.71	4.09
Earnings per common share linked to convertible mandatorily notes (*)	1.68	1.41	0.59	6.52	2.21	4.29

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

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

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

	Three-month period ended (unaudited)			Year ended as of December, 31		
	December 31, 2010	September 30, 2010	December 31, 2009	2010	2009	2008
Cash flows from operating activities:						
Net income	6,048	6,075	1,570	17,453	5,456	13,476
Adjustments to reconcile net income to cash from operations:						
Depreciation, depletion and amortization	1,073	696	799	3,260	2,722	2,807
Dividends received	629	283	243	1,161	386	513
Equity in results of affiliates, joint ventures and other investments	(303)	(305)	(71)	(987)	(433)	(794)
Deferred income taxes	(412)	(443)	(173)	(1,291)	16	(803)
Impairment of goodwill						950
(Gain) Loss on disposal of property, plant and equipment	248	229	113	623	293	376
(Gain) Loss on sale of investments			190		(40)	(80)
Discontinued operations, net of tax		(8)		143		
Foreign exchange and indexation gains, net	(72)	(150)	(37)	(301)	(1,095)	451
Unrealized derivative losses (gains), net	532	(403)	(248)	594	(1,382)	809
Unrealized interest (income) expense, net	(43)	225	2	187	(25)	116
Others	(27)	(17)	(5)	58	20	(3)
Decrease (increase) in assets:						
Accounts receivable	(639)	(776)	327	(3,800)	616	(466)
Inventories	404	(441)	(128)	(425)	530	(467)
Recoverable taxes	(70)	142	(791)	42	108	(263)
Others	709	(467)	(277)	307	(455)	21
Increase (decrease) in liabilities:						
Suppliers	(445)	876	559	928	121	703
Payroll and related charges	204	160	108	214	159	1
Income taxes	(93)	1,093	(696)	1,311	(234)	(140)
Others	(35)	110	(74)	192	373	(93)
	7,708	**6,879**	**1,411**	**19,669**	**7,136**	**17,114**

Net cash provided by operating activities						
Cash flows from investing activities:						
Short term investments	(1,793)		815	1,954	(1,439)	(2,308)
Loans and advances receivable						
Related parties						
Loan proceeds			(14)	(28)	(181)	(37)
Repayments		(1)			7	58
Others	(17)	(17)	(4)	(30)	(25)	(15)
Judicial deposits	96	(27)	(55)	(94)	(132)	(133)
Investments	(36)		(806)	(87)	(1,947)	(128)
Additions to property, plant and equipment	(4,742)	(3,852)	(2,755)	(12,647)	(8,096)	(8,972)
Proceeds from disposal of investments/property, plant and equipment			158		606	134
Acquisition of subsidiaries, net of cash acquired		(1,018)		(6,252)	(1,952)	
Net cash used in investing activities	**(6,492)**	**(4,915)**	**(2,661)**	**(17,184)**	**(13,159)**	**(11,401)**
Cash flows from financing activities:						
Short-term debt, additions	229	147	323	2,233	1,285	1,076
Short-term debt, repayments	(147)	(130)	(379)	(2,132)	(1,254)	(1,311)
Loans						
Related parties						
Loan proceeds	2	7	16	24	16	54
Repayments	(22)		(15)	(25)	(373)	(20)
Issuances of long-term debt						
Third parties	891	2,017	1,537	4,436	3,104	1,890
Repayments of long-term debt						
Third parties	(958)	(1,288)	(48)	(2,629)	(307)	(1,130)
Treasury stock	(1,655)	(341)		(1,996)	(9)	(752)
Mandatorily convertible notes					934	
Transactions of noncontrolling interest		660		660		
Capital increase						12,190
Dividends and interest attributed to Company s stockholders	(1,750)		(1,469)	(3,000)	(2,724)	(2,850)
Dividends and interest attributed to noncontrolling interest	(81)		(47)	(140)	(47)	(143)

Net cash provided by (used in) financing activities	**(3,491)**	**1,072**	**(82)**	**(2,569)**	**625**	**9,004**
Increase (decrease) in cash and cash equivalents	(2,275)	3,036	(1,332)	(84)	(5,398)	14,717
Effect of exchange rate changes on cash and cash equivalents	136	452	167	375	2,360	(5,432)
Cash and cash equivalents, beginning of period	9,723	6,235	8,458	7,293	10,331	1,046
Cash and cash equivalents, end of period	**7,584**	**9,723**	**7,293**	**7,584**	**7,293**	**10,331**
Cash paid during the period for:						
Interest on short-term debt	(2)	(2)		(5)	(1)	(11)
Interest on long-term debt	(314)	(242)	(289)	(1,097)	(1,113)	(1,255)
Income tax	(1,100)	(705)	(973)	(1,972)	(1,331)	(2,867)
Non-cash transactions						
Interest capitalized	38	24	77	164	266	230

Conversion of mandatorily convertible notes using 75,435,238 treasury stock (see note 18).

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

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

	Three-month period ended (unaudited)			Year ended as of December, 31		
	December 31, 2010	September 30, 2010	December 31, 2009	2010	2009	2008
Preferred class A stock (including twelve golden shares)						
Beginning of the period	10,370	10,370	9,727	9,727	9,727	4,953
Capital increase						4,774
Transfer from undistributed retained earnings				643		
End of the period	**10,370**	**10,370**	**9,727**	**10,370**	**9,727**	**9,727**
Common stock						
Beginning of the period	16,016	16,016	15,262	15,262	15,262	7,742
Capital increase						7,520
Transfer from undistributed retained earnings				754		
End of the period	**16,016**	**16,016**	**15,262**	**16,016**	**15,262**	**15,262**
Treasury stock						
Beginning of the period	(1,528)	(660)	(1,150)	(1,150)	(1,141)	(389)
Sales (acquisitions)	(1,132)	(868)		(1,510)	(9)	(752)
End of the period	**(2,660)**	**(1,528)**	**(1,150)**	**(2,660)**	**(1,150)**	**(1,141)**
Additional paid-in capital						
Beginning of the period	2,188	1,790	411	411	393	498
Change in the period		398		1,777	18	(105)
End of the period	**2,188**	**2,188**	**411**	**2,188**	**411**	**393**
Mandatorily convertible notes						

common shares						
Beginning of the period	290	290	1,578	1,578	1,288	1,288
Change in the period				(1,288)	290	
End of the period	**290**	**290**	**1,578**	**290**	**1,578**	**1,288**
Mandatorily convertible notes preferred shares						
Beginning of the period	644	644	1,225	1,225	581	581
Change in the period				(581)	644	
End of the period	**644**	**644**	**1,225**	**644**	**1,225**	**581**
Other cumulative comprehensive income (deficit) Cumulative translation adjustments						
Beginning of the period	(265)	(3,617)	(2,542)	(1,772)	(11,493)	1,340
Change in the period	12	3,352	770	1,519	9,721	(12,833)
End of the period	**(253)**	**(265)**	**(1,772)**	**(253)**	**(1,772)**	**(11,493)**
Unrealized gain (loss) available-for-sale securities, net of tax						
Beginning of the period	1		(1)		17	211
Change in the period	2	1	1	3	(17)	(194)
End of the period	**3**	**1**		**3**		**17**
Surplus (deficit) accrued pension plan						
Beginning of the period	154	(64)	346	(38)	(34)	75
Change in the period	(213)	218	(384)	(21)	(4)	(109)

End of the period	**(59)**	**154**	**(38)**	**(59)**	**(38)**	**(34)**
Cash flow hedge						
Beginning of the period	109	122	13	2		29
Change in the period	(133)	(13)	(11)	(26)	2	(29)
End of the period	**(24)**	**109**	**2**	**(24)**	**2**	
Total other cumulative comprehensive income (deficit)	**(333)**	**(1)**	**(1,808)**	**(333)**	**(1,808)**	**(11,510)**
Undistributed retained earnings						
Beginning of the period	27,730	26,086	24,053	28,508	18,340	15,317
Transfer from/to unappropriated retained earnings	14,488	1,644	4,455	15,107	10,168	3,023
Transfer to capitalized earnings				(1,397)		
End of the period	**42,218**	**27,730**	**28,508**	**42,218**	**28,508**	**18,340**
Unappropriated retained earnings						
Beginning of the period	13,612	9,234	7,624	3,182	9,616	1,631
Net income attributable to the stockholders Company	5,917	6,038	1,519	17,264	5,349	13,218
Interest on mandatorily convertible debt						
Preferred class A stock	(23)	(11)	(19)	(72)	(58)	(46)
Common stock	(10)	(5)	(23)	(61)	(93)	(96)
Dividends and interest attributed to stockholders equity						
Preferred class A stock	(1,863)		(570)	(1,940)	(570)	(806)
Common stock	(2,979)		(894)	(3,100)	(894)	(1,262)
Appropriation from/to	(14,488)	(1,644)	(4,455)	(15,107)	(10,168)	(3,023)

undistributed retained earnings						
End of the period	**166**	**13,612**	**3,182**	**166**	**3,182**	**9,616**
Total Company stockholders equity	**68,899**	**69,321**	**56,935**	**68,899**	**56,935**	**42,556**
Noncontrolling interests						
Beginning of the period	2,826	3,485	2,798	2,831	1,892	2,180
Disposals (acquisitions) of noncontrolling interests		(680)	(15)	1,629	83	
Cumulative translation adjustments	(85)	211	79	104	823	(445)
Cash flow hedge	5		(30)	40	(18)	(21)
Net income attributable to noncontrolling interests	131	37	51	189	107	258
Dividends and interest attributable to noncontrolling interests	(18)	(80)	(52)	(104)	(56)	(137)
Capitalization of stockholders advances	27			27		57
Assets and liabilities held for sale	(56)	(147)		(1,886)		
End of the period	**2,830**	**2,826**	**2,831**	**2,830**	**2,831**	**1,892**
Total stockholders equity	**71,729**	**72,147**	**59,766**	**71,729**	**59,766**	**44,448**
Number of shares issued and outstanding:						
Preferred class A stock (including twelve golden shares)	2,108,579,618	2,108,579,618	2,108,579,618	2,108,579,618	2,108,579,618	2,108,579,618

Common stock	3,256,724,482	3,256,724,482	3,256,724,482	3,256,724,482	3,256,724,482	3,256,724,482
Buy-backs						
Beginning of the period	(108,299,565)	(77,144,565)	(152,579,803)	(152,579,803)	(151,792,203)	(86,923,184)
Acquisitions	(38,725,400)	(31,155,000)		(69,880,400)	(831,400)	(64,869,259)
Conversions				75,435,238	43,800	240
End of the period	**(147,024,965)**	**(108,299,565)**	**(152,579,803)**	**(147,024,965)**	**(152,579,803)**	**(151,792,203)**
	5,218,279,135	**5,257,004,535**	**5,212,724,297**	**5,218,279,135**	**5,212,724,297**	**5,213,511,897**

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

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Consolidated Statements of Comprehensive Income
Expressed in millions of United States dollars

	Three-month period ended (unaudited)			Year ended as of December, 31		
	December 31, 2010	September 30, 2010	December 31, 2009	2010	2009	2008
Comprehensive income is comprised as follows:						
Company s stockholders:						
Net income attributable to Company s stockholders	5,917	6,038	1,519	17,264	5,349	13,218
Cumulative translation adjustments	12	3,352	770	1,519	9,721	(12,833)
Unrealized gain (loss) available-for-sale securities						
Gross balance as of the period/year end	7	1	1	12	(47)	(230)
Tax (expense) benefit	(5)			(9)	30	36
	2	**1**	**1**	**3**	**(17)**	**(194)**
Surplus (deficit) accrued pension plan						
Gross balance as of the period/year end	(306)	344	(578)	(53)	10	(194)
Tax (expense) benefit	93	(126)	194	32	(14)	85
	(213)	**218**	**(384)**	**(21)**	**(4)**	**(109)**
Cash flow hedge						
Gross balance as of the period	(190)	20	(2)	(16)	11	(29)
Tax expense	57	(33)	(9)	(10)	(9)	
	(133)	**(13)**	**(11)**	**(26)**	**2**	**(29)**
Total comprehensive income attributable to Company s stockholders	**5,585**	**9,596**	**1,895**	**18,739**	**15,051**	**53**
Noncontrolling interests:						
Net income attributable to noncontrolling interests	131	37	51	189	107	258
Cumulative translation adjustments	(85)	211	79	104	823	(445)
Cash flow hedge	5		(30)	40	(18)	(21)
	51	**248**	**100**	**333**	**912**	**(208)**

Total comprehensive income attributable to Noncontrolling interests						
Total comprehensive income	**5,636**	**9,844**	**1,995**	**19,072**	**15,963**	**(155)**

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

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

1 The Company and its operations

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

At December 31, 2010, our principal consolidated operating subsidiaries are the following:

Subsidiary	% ownership	% voting capital	Location	Principal activity
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
Compañia Minera Misky Mayo S.A.C.	40.00	51.00	Peru	Fertilizer
Ferrovia Centro-Atlântica S. A.	99.99	99.99	Brazil	Logistics
Ferrovia Norte Sul S.A.	100.00	100.00	Brazil	Logistics
Mineração Corumbá Reunidas S.A.	100.00	100.00	Brazil	Iron ore
PT International Nickel Indonesia Tbk	59.14	59.14	Indonesia	Nickel
Sociedad Contractual Minera Tres Valles	90.00	90.00	Chile	Copper
Urucum Mineração S.A.	100.00	100.00	Brazil	Iron Ore and Manganese
Vale Australia Pty Ltd.	100.00	100.00	Australia	Coal
Vale Austria Holdings GMBH	100.00	100.00	Austria	Holding and Exploration
Vale Canada Limited	100.00	100.00	Canada	Nickel
Vale Colombia Ltd.	100.00	100.00	Colombia	Coal
Vale Fertilizantes S.A	78.92	99.83	Brazil	Fertilizer
Vale Fosfatados S.A	100.00	100.00	Brazil	Fertilizer
Vale International S.A	100.00	100.00	Switzerland	Trading
Vale Manganês S.A.	100.00	100.00	Brazil	Manganese and Ferroalloys
Vale Nouvelle Caledonie SAS	74.00	74.00	New Caledonia	Nickel

(*) Classified as current assets held for sale.

2 Basis of consolidation

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Subsidiaries over which control is achieved through other means, such as stockholders agreement, are also consolidated even if we hold less than 51% of voting capital. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are accounted for under the equity method (Note 15).

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

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

investee.

Our participation in hydroelectric projects in Brazil is made via consortium contracts under which we have undivided interests in the assets, and are liable for our proportionate share of liabilities and expenses, which are based on our proportionate share of power output. We do not have joint liability for any obligations. No separate legal or tax status is granted to consortia under Brazilian law. Accordingly, we recognize our proportionate share of costs and our undivided interest in assets relating to hydroelectric projects (Note 12).

3 Summary of significant accounting policies

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, the selection of useful lives of property, plant and equipment, impairment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired in business combinations, income tax valuation allowances, employee post retirement benefits and other similar evaluations. Actual results could differ from those estimated.

a) Basis of presentation

We have prepared our consolidated financial statements in accordance with United States generally accepted accounting principles (US GAAP), which differ in certain respects from the accounting practices adopted in Brazil (Brazilian GAAP), compliant with International Financial Reporting Standards (IFRS) as issued by the IASB, which are the basis for our statutory financial statements.

These financial statements reflect the retrospective adoption of the new segment information as of December 31, 2010 and the three years then ended as shown in Note 24. The new segment information was set up during 2010 based on new acquisitions and project developments. The information disclosed under Notes 15 and 24 retroactively reflects these changes for all periods covered by those Financial Statements.

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

Our consolidated interim financial statements for the three-month periods ended December 31, 2010, September 30, 2010 and December 31, 2009 presented herein are unaudited. However, in our opinion, such consolidated financial statements include all adjustments necessary for a fair statement of the results for these periods.

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

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

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

The exchange rates used to translate the assets and liabilities of the Brazilian operations at December 31, 2010 and 2009, were R$1.6662 and R$1.7412, respectively.

The net transaction gain (loss) included in our statement of income (Foreign exchange and indexation gains (losses), net) was US$102, US$665 and US$(1,011) in the years ended December 31, 2010, 2009 and 2008, respectively.

The Company has performed an evaluation of subsequent events through February 24, 2011 which is the date the financial statements were issued.

b) Cash equivalents and short-term investments

Cash flows from overnight investments and fundings are reported net. Short-term investments that have a ready market and original maturities of 90 days or less are classified as Cash equivalents . The remaining investments, between 91 day and 360 day maturities are stated at fair value and presented as Short-term investments .

c) Long-term

Assets and liabilities that are realizable or due more than 12 months after the balance sheet date are classified as long-term.

d) Inventories

Inventories are recorded at the average cost of purchase or production, reduced to market value (net realizable value less a reasonable margin) when lower. Stockpiled inventories are accounted for as processed when they are removed from the mine. The cost of finished goods of comprises depreciation and all direct costs necessary to convert stockpiled inventories into finished goods.

We classify proven and probable reserve quantities attributable to stockpiled inventories as inventories. These reserve quantities are not included in the total proven and probable reserve quantities used in the units of production, depreciation, depletion and amortization calculations.

We periodically assess our inventories to identify obsolete or slow-moving inventories, and if needed we recognize definitive allowances for them.

e) Removal of waste materials to access mineral deposits

Stripping costs (the costs associated with the removal of overburdened and other waste materials) incurred during the development of a mine, before production commences, are capitalized as part of the depreciable cost of developing the property. Such costs are subsequently amortized over the useful life of the mine based on proven and probable reserves.

Post-production stripping costs are included in the cost of the inventory produced (that is extracted), at each mine individually during the period that stripping costs are incurred.

f) Property, plant and equipment and intangible assets

Property, plant and equipment are recorded at cost, including interest cost incurred during the construction of major new facilities. We compute depreciation on the straight-line method at annual average rates which take into consideration the useful lives of the assets, as follows: 3.73% for railroads, 1.5% for buildings, 4.23% for installations and 7.73% for other equipment. Expenditures for maintenance and repairs are charged to operating costs and expenses as incurred.

We capitalize the costs of developing major new ore bodies or expanding the capacity of operating mines and amortize these to operations on the unit-of-production method based on the total probable and proven quantity of ore to be recovered. Exploration costs are expensed. Once the economic viability of mining activities is established, subsequent development costs are capitalized.

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognized at fair value at the acquisition date. All our intangible assets have definite useful lives and are carried at cost less accumulated amortization, which is calculated using the straight-line method over their estimated useful lives.

g) Business combinations

We apply accounting for business combinations to record acquisitions of interests in other companies. This purchase method , requires that we reasonably determine the fair value of the identifiable tangible and intangible assets and liabilities of acquired companies and segregate goodwill as an intangible asset.

We assign goodwill to reporting units and test each reporting unit s goodwill for impairment at least annually, and whenever circumstance indicating that recognized goodwill may not be fully recovered are identified. We perform the annual goodwill impairment tests during the last quarter of the year.

Goodwill is reviewed for impairment utilizing a two step process. In the first step, we compare a reporting unit s fair value with its carrying amount to identify any potential goodwill impairment loss. If the carrying amount of a reporting unit exceeds the unit s fair value, based on a discounted cash flow analysis, we carry out the second step of the impairment test, measuring and recording the amount, if any, of the unit s goodwill impairment loss.

h) Impairment of long-lived assets

All long-lived assets, are tested to determine if they are recoverable from operating earnings on an undiscounted cash flow basis over their useful lives whenever events or changes in circumstance indicate that the carrying value may not be recoverable.

When we determine that the carrying value of long-lived assets and definite-life intangible assets may not be recoverable, we measure any impairment loss based on a projected discounted cash flow method using a discount rate determined to be commensurate with the risk inherent in our current business model.

i) Available-for-sale equity securities

Equity securities classified as available-for-sale are recorded pursuant to accounting for certain investments in debt and equity securities. Accordingly, we classify unrealized holding gains and losses, net of taxes, as a separate component of stockholders equity until realized.

j) Compensated absences

The liability for future compensation for employee vacations is fully accrued as earned.

k) Derivatives and hedging activities

We apply accounting for derivative financial instruments and hedging activities, as amended. This standard requires that we recognize all derivative financial instruments as either assets or liabilities on our balance sheet and measure such instruments at fair value. Changes in the fair value of derivatives are recorded in each period in current earnings or in other comprehensive income, in the latter case depending on whether a transaction is designated as an effective hedge and has been effective during the period.

l) Asset retirement obligations

Our retirement obligations consist primarily of estimated closure costs, the initial measurement of which is recognized as a liability discounted to present value and subsequently accreted through earnings. An asset retirement cost equal to the initial liability is capitalized as part of the related asset s carrying value and depreciated over the asset s useful life.

m) Revenues and expenses

Revenues are recognized when title is transferred to the customer or services are rendered. Revenue from exported products is recognized when such products are loaded on board the ship. Revenue from products sold in the domestic market is recognized when delivery is made to the customer. Revenue from logistic services is recognized when the service order has been fulfilled. Expenses and costs are recognized on the accrual basis.

n) Income taxes

The deferred tax effects of tax loss carryforwards and temporary differences are recognized pursuant to accounting for income taxes. A valuation allowance is made when we believe that it is more likely than not that tax assets will not be fully recovered in the future.

o) Earnings per share

Earnings per share are computed by dividing net income by the weighted average number of common and preferred shares outstanding during the period.

p) Interest attributed to stockholders equity (dividend)

Brazilian corporations are permitted to distribute interest attributable to stockholders equity. The calculation is based on the stockholders equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long-term interest rate (TJLP) determined by the Brazilian Central Bank. Also, such interest may not exceed 50% of net income for the year nor 50% of retained earnings plus revenue reserves as determined by Brazilian GAAP .

As the notional interest charge is tax deductible in Brazil, the benefit to us, as opposed to making a dividend payment is a reduction in our income tax charge. Income tax of 15% is withheld on behalf of the stockholders relative to the interest distribution. Under Brazilian law, interest attributed to stockholders equity is considered as part of the annual minimum mandatory dividend (Note 18). This notional interest distribution is treated for accounting purposes as a deduction from stockholders equity in a manner similar to a dividend and the tax credit recorded in income.

q) Pension and other post retirement benefits

We sponsor private pensions and other post retirement benefits for our employees which are actuarially determined and recognized as an asset or liability or both depending on the funded or unfunded status of each plan in accordance with employees ´ accounting for defined benefit pension and other post retirement plans . The cost of our defined benefit and prior service costs or credits that arise during the period and are not components of net periodic benefit costs are recorded in other cumulative comprehensive income (deficit).

4 Accounting pronouncements

a) Newly issued accounting pronouncements

Accounting Standards Update (ASU) number 2010-29 Disclosure of Supplementary Pro Forma Information for Business Combinations a consensus of the FASB Emerging Issues Task Force. The objective of this Update is to address diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in this Update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The impact of this statement will occur for business combinations for which the acquisition date is on or after January 1, 2011.

The Company understands that the other recently issued accounting pronouncements that are not effective as of and for the year ending December 31, 2010, are not expected to be relevant for its consolidated financial statements.

b) Accounting standards adopted in 2010

Accounting Standards Update (ASU) number 2010-25 Plan Accounting Defined Contribution Pension Plan (Topic 962) amendments in this update require that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. This codification does not impact our financial position, results of operations or liquidity.

Accounting Standards Update (ASU) number 2010-20 Receivables (Topic 310) improves the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. We adopted the disclosure in our financial statements.

Accounting Standards Update (ASU) number 2010-18 Receivables (Topic 310) clarifies that modifications of loans that are accounted for within a pool under Subtopic 310-30, which provides guidance on accounting for acquired loans that have evidence of credit deterioration upon acquisition, do not result in the removal of those loans from the pool even if the modification would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for

the pool change. The amendments do not affect the accounting for loans under the scope of Subtopic 310-30 that are not accounted for within pools. Loans accounted for individually under Subtopic 310-30 continue to be subject to the troubled debt restructuring accounting provisions within Subtopic 310-40. We adopted the change in the disclosure of our financial statements

Accounting Standards Update (ASU) number 2010-11 Derivatives and Hedging (Topic 815) clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Only one form of embedded credit derivative qualifies for the exemption one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. This Codification does not impact our financial position, results of operations or liquidity.

Accounting Standards Update (ASU) number 2010-10 Consolidation (Topic 810) defers the effective date of the amendments to the consolidation requirements made by FASB Statement 167 to a reporting entity s interest in certain types of entities and clarifies other aspects of the Statement 167 amendments. As a result of the deferral, a reporting entity will not be required to apply the Statement 167 amendments to the Subtopic 810-10 consolidation requirements to its interest in an entity that meets the criteria to qualify for the deferral. This Update also clarifies how a related party s interests in an entity should be considered when evaluating the criteria for determining whether a decision maker or service provider fee represents a variable interest. In addition, the Update also clarifies that a quantitative calculation should not be the sole basis for evaluating whether a decision maker s or service provider s fee is a variable interest. This Codification does not impact our financial position, results of operations or liquidity.

Accounting Standards Update No. 2010-09 Subsequent Events (Topic 855) addresses both the interaction of the requirements of Topic 855, Subsequent Events, with the SEC s reporting requirements and the intended breadth of the reissuance disclosures provision related to subsequent events (paragraph 855-10-50-4). The amendments in this Update have the potential to change reporting by both private and public entities, however, the nature of the change may vary depending on facts and circumstances. This Codification does not impact our financial position, results of operations or liquidity.

Accounting Standards Update (ASU) number 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 and are expected to provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The Company fully adopted this standard in 2010 with no impact on our financial position, results of operations or liquidity.

In June 2009, the Financial Accounting Standards Board (FASB) issued an amendment to Interpretation No. 46(R) on the accounting and disclosure requirements for the consolidation of variable interest entities (VIEs). Subsequently, in December 2009, the Accounting Standards Update (ASU) number 2009-17 Amendments to FASB Interpretation No. 46(R) was issued. The amendments replace the quantitative-based risks and rewards calculation, for determining which reporting entity has a controlling financial interest in a VIE, with a qualitative analysis when determining whether or not it must consolidate a VIE. The newly required approach is focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. The amendments also require an enterprise to continuously reassess whether it must consolidate a VIE. Additionally, the amendments eliminated the scope exception on qualifying special-purpose entities (QSPE) and require enhanced disclosures about: involvement with VIEs, significant changes in risk exposures, impacts on the financial statements, and, significant judgments and assumptions used to determine whether or not to consolidate a VIE. The Company adopted these amendments in 2010, with no impact on our financial position, results of operations or liquidity.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for transfers of financial assets. Subsequently, in December 2009, the Accounting Standards Update (ASU) number 2009-16 Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 was issued. The amendments improve

financial reporting requiring greater transparency and additional disclosures for transfers of financial assets and the entity s continuing involvement with them and also change the requirements for derecognizing financial assets. In addition, the amendments eliminate the exceptions for QSPE from the

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consolidation guidance and the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. The Company adopted these amendments in 2010, with no impact on our financial position, results of operations or liquidity.
Accounting Standards Update (ASU) number 2009-08 Earning Per Share issued by the FASB provides additional guidance related to calculation of earnings per share. In particular, the effect on income available to common stockholders of a redemption or induced conversion of preferred stock. This guidance amends ASC 260. This codification does not impact our financial position, results of operations or liquidity.

5 Major acquisitions and disposals

a) Fertilizers Businesses

In line with our strategy to become a leading global player in the fertilizer business, we acquired in May 2010, 58.6% of the equity capital of Fertilizantes Fosfatados S.A. (Fosfertil), currently Vale Fertilizantes S.A., and the Brazilian fertilizer assets of Bunge Participações e Investimentos S.A. (BPI), currently named Vale Fosfatados S.A. for a total of US$4.7 billion in cash. An additional payment of US$55 was made in July, as a complement of the purchase price of Vale Fosfatados.
As part of this acquisition, we exercised in September an option contract to acquire additional 20.27% stake in Vale Fertilizantes S.A., for US$1.0 billion. Also, we launched a mandatory offer to acquire the common shares held by the noncontrolling stockholders.
As at December 31, 2010, we have 78.92% of the total capital and 99.83% of the voting capital of Vale Fertilizantes and 100% of the capital of Vale Fosfatados.
As this transaction occurred within the previous twelve months, 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, with the assistance of specialists will be finalized during future periods, and accordingly, the preliminary purchase price allocation information set forth below is subject to revision, which may be material.

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

The acquired business contributed net revenues of US$1,507 and to reduce net income of US$10 to the group for the period from June to December, 2010. If this acquisition had been completed on January 1, 2010, our net revenues would increase by US$770 and our net income would decrease by US$12. These amounts have been calculated using our accounting policies and by adjustment the results of the subsidiaries to reflect additional depreciation and amortization that would have been charged assuming the fair value adjustments to property plant and equipment and intangible assets had been applied from January 1, 2010, together with consequential tax effects.
The goodwill balance arises primarily due to the synergies between the acquired assets and the potash operations in Taquari-Vassouras, Carnalita, Rio Colorado and Neuquém and phosphates in Bayóvar I and II, in Peru, and Evate, in Mozambique. The future development of our projects combined with the acquisition of the portfolio of fertilizer assets will allow Vale to be one of the top players in the world s fertilizer business.

b) Other transactions 2010

In September 2010, we acquired 51% stake in Sociedade de Desenvolvimento do Corredor Norte S.A (SDCN) for US$21. The SDCN has a concession to create a logistic infrastructure necessary for the production flow resulting from

the second phase at our Moatize Coal Project.

As part of our efforts to meet our future production targets, we acquired in April 2010, 51% interest on iron ore concession rights in Simandou South (Zogota), Guinea, and iron ore exploration permits in Simandou North. From this amount, US$500 is payable immediately and the remaining US$2 billion upon achievement of specific milestones.

This joint venture is also committed to renovate 660km of the Trans-Guinea railway for passenger transportation and light commercial use.

In July 2010, we concluded the sale of minority stakes in the Bayóvar project in Peru through the newly-formed company MVM Resources International B.V. (MVM). We sold 35% of the total capital of MVM to Mosaic for US$385 and 25% to Mitsui for US$275. Vale retains control of the Bayóvar project, holding a 40% stake of the total capital and 51% of voting shares of the newly-formed company. The capital amount invested as at June 30, 2010 was approximately US$550. The difference between the fair value and carrying amount of US$321 on this transaction was accounted for in equity in accordance with the accounting rules related to the gains/losses when control is retained.

In June 2010, we acquired an additional 24.5% stake in the Belvedere coal project (Belvedere) for US$92 from AMCI Investments Pty Ltd (AMCI). As an outcome of this transaction, Vale increased its participation in Belvedere from 51.0% to 75.5%.

In May 2010, we entered into an agreement with Oman Oil Company S.A.O.C. (OOC), a company wholly-owned by the Government of the Sultanate of Oman, to sell 30% of Vale Oman Pelletizing Company LLC (VOPC), for US$125. The transaction remains subject to the terms set forth in the definitive share purchase agreement to be signed after the fulfillment of precedent conditions.

We have entered into negotiations and agreements to sell our Kaolin, aluminum and alumina assets. For further details see Note 13.

c) Other transactions 2009

In September 2009, we acquired from Rio Tinto Plc, Mineração Corumbá Reunidas S.A. (MCR) for US$802. MCR is the owner of an iron ore mining operations with high iron content and a strategic importance to our product portfolio, adding a substantial volume of lump ore to our reserves. The purchase price allocation mainly adjustments refers to fair value of inventories, property plant and equipment and intangible and there was no goodwill recorded on this transaction.

In September 2009, we concluded an agreement with ThyssenKrupp Steel AG signed in July, to increase our stake in ThyssenKrupp CSA Siderúrgica do Atlântico Ltda. (CSA) to 26.87% through a capital subscripton of US$1,424.

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 100% of 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. The purchase price allocation mainly adjustments refers to fair value of, property plant and equipment and there was no goodwill recorded on this transaction.

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

In February 2009, acquired Green Mineral Resources that owns the Regina Project (Canada) and Colorado Project (Argentina) which are in development stage, 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. The purchase price allocation mainly adjustments refers to fair value of, property plant and equipment and there was no goodwill recorded on this transaction.

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6 Income taxes

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

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

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

	Three-month period ended (unaudited)								
	December 31, 2010			September 30, 2010			December 31, 2009		
	Brazil	**Foreign**	**Total**	**Brazil**	**Foreign**	**Total**	**Brazil**	**Foreign**	**Total**
Income before discontinued operations, income taxes, equity results and noncontrolling interests	5,581	1,301	6,882	7,378	530	7,908	419	324	743
Exchange variation (not taxable) or not deductible		114	114		751	751		446	446
	5,581	**1,415**	**6,996**	**7,378**	**1,281**	**8,659**	**419**	**770**	**1,189**
Tax at Brazilian composite rate	(1,898)	(481)	(2,379)	(2,509)	(436)	(2,945)	(142)	(262)	(404)
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	369		369	208		208	502		502
Difference on tax rates of foreign income		699	699		411	411		418	418
Tax incentives	198		198	215		215	66		66
Other non-taxable, income/non deductible expenses	82	(106)	(24)	(38)	3	(35)	17	157	174
Income tax per consolidated statements of income	**(1,249)**	**112**	**(1,137)**	**(2,124)**	**(22)**	**(2,146)**	**443**	**313**	**756**

									Year ended as of December, 31
			2010			2009			2008
	Brazil	Foreign	Total	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before discontinued operations, income taxes, equity results and noncontrolling interests	16,586	3,728	20,314	10,024	(2,901)	7,123	2,434	10,783	13,217
Exchange variation (not taxable) or not deductible		265	265		5,162	5,162		(2,887)	(2,887)
	16,586	**3,993**	**20,579**	**10,024**	**2,261**	**12,285**	**2,434**	**7,896**	**10,330**
Tax at Brazilian composite rate	(5,639)	(1,358)	(6,997)	(3,408)	(769)	(4,177)	(828)	(2,685)	(3,513)
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	995		995	502		502	692		692
Difference on tax rates of foreign income		1,673	1,673		1,079	1,079		1,728	1,728
Tax incentives	642		642	148		148	53		53
Other non-taxable, income/non deductible expenses	13	(31)	(18)	100	248	348	287	218	505