

Vale S.A.  
Form 6-K  
February 26, 2014  
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**United States  
Securities and Exchange Commission**

Washington, D.C. 20549

**FORM 6-K**

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

**For the month of**

**February, 2014**

**Vale S.A.**

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

(Address of principal executive office)

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

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(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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**Financial Statements**

**December 31, 2013**

**IFRS**

Filed with the CVM, SEC and HKEx on

February 26, 2014

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**Vale S.A.**

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**Vale S.A.**

**Consolidated financial statements at December 31, 2013 and 2012 and  
report of independent registered public accounting firm**

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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, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Vale S.A. and its subsidiaries (the Company) at December 31, 2013, December 31, 2012 and January 1, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework, 1992 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.

As discussed in Note 6 to the consolidated financial statements, the Company changed the manner in which it accounts for employee benefits in 2013.

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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.

Rio de Janeiro, February 26, 2014

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 F RJ

Ivan Michael Clark

Contador CRC IMG061100/O-3 S RJ



Table of Contents**Consolidated Balance Sheet**

In millions of United States Dollars

	Notes	December 31, 2013	December 31, 2012 (i)	January 1, 2012 (i)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	9	5,321	5,832	3,531
Short-term investments		3	246	
Derivative financial instruments	25	201	281	595
Accounts receivable	10	5,703	6,795	8,505
Related parties	32	261	384	82
Inventories	11	4,125	5,052	5,251
Prepaid income taxes		2,375	720	464
Recoverable taxes	12	1,579	1,540	1,771
Advances to suppliers		125	256	393
Others		918	963	946
		<b>20,611</b>	<b>22,069</b>	<b>21,538</b>
Non-current assets held for sale and discontinued operation	7	3,766	457	
		<b>24,377</b>	<b>22,526</b>	<b>21,538</b>
<b>Non-current assets</b>				
Related parties	32	108	408	509
Loans and financing agreements receivable		241	246	210
Judicial deposits	19	1,490	1,515	1,464
Recoverable income taxes		384	440	336
Deferred income taxes	21	4,523	4,053	1,909
Recoverable taxes	12	285	218	258
Derivative financial instruments	25	140	45	60
Deposit on incentive and reinvestment		191	160	229
Others		738	489	527
		<b>8,100</b>	<b>7,574</b>	<b>5,502</b>
Investments	13	3,584	6,384	8,013
Intangible assets, net	14	6,871	9,211	9,521
Property, plant and equipment, net	15	81,665	84,882	82,342
		<b>100,220</b>	<b>108,051</b>	<b>105,378</b>
<b>Total</b>		<b>124,597</b>	<b>130,577</b>	<b>126,916</b>

(i) Recast according to Note 6.



Table of Contents**Consolidated Balance Sheet**

In millions of United States Dollars

(continued)

	Notes	December 31, 2013	December 31, 2012 (i)	January 1, 2012 (i)
<b>Liabilities</b>				
<b>Current liabilities</b>				
Suppliers and contractors		3,772	4,529	4,814
Payroll and related charges		1,386	1,481	1,307
Derivative financial instruments	25	238	347	73
Loans and financing	17	1,775	3,471	1,517
Related parties	32	205	207	24
Income Taxes Settlement Program	19 and 20	470		
Taxes and royalties payable		327	324	524
Provision for income taxes		378	641	507
Employee postretirement obligations	22	97	205	169
Asset retirement obligations	18	96	70	73
Dividends and interest on capital				1,181
Others		420	1,127	904
		<b>9,164</b>	<b>12,402</b>	<b>11,093</b>
Liabilities directly associated with non-current assets held for sale and discontinued operation				
	7	448	169	
		<b>9,612</b>	<b>12,571</b>	<b>11,093</b>
<b>Non-current liabilities</b>				
Derivative financial instruments	25	1,492	783	663
Loans and financing	17	27,670	26,799	21,538
Related parties	32	5	72	91
Employee postretirement obligations	22	2,198	3,310	2,477
Provisions for litigation	19	1,276	2,065	1,686
Income Taxes Settlement Program	19 and 20	6,507		
Deferred income taxes	21	3,228	3,427	5,465
Asset retirement obligations	18	2,548	2,678	1,849
Stockholders' Debentures	31(d)	1,775	1,653	1,336
Redeemable noncontrolling interest		276	487	505
Goldstream transaction	30	1,497		
Others		1,577	1,905	2,398
		<b>50,049</b>	<b>43,179</b>	<b>38,008</b>
<b>Total liabilities</b>		<b>59,661</b>	<b>55,750</b>	<b>49,101</b>
<b>Stockholders' equity</b>				
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Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2,108,579,618 in 2012 and 2,108,579,618 in 2011) issued	22,907	22,907	22,907
Common stock - 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (3,256,724,482 in 2012 and 3,256,724,482 in 2011) issued	37,671	37,671	37,671
Mandatorily convertible notes - common shares			191
Mandatorily convertible notes - preferred shares			422
Treasury stock - 140,857,692 (140,857,692 in 2012 and 181,099,814 in 2011) preferred and 71,071,482 (71,071,482 in 2012 and 86,911,207 in 2011) common shares	(4,477)	(4,477)	(5,662)
Results from operations with noncontrolling stockholders	(400)	(400)	7
Results on conversion of shares	(152)	(152)	
Unrealized fair value gain (losses)	(1,202)	(2,044)	(753)
Cumulative translation adjustments	(20,588)	(18,663)	(20,411)
Retained earnings and revenue reserves	29,566	38,397	41,728
<b>Total company stockholders equity</b>	<b>63,325</b>	<b>73,239</b>	<b>76,100</b>
Noncontrolling interests	1,611	1,588	1,715
<b>Total stockholders equity</b>	<b>64,936</b>	<b>74,827</b>	<b>77,815</b>
<b>Total liabilities and stockholders equity</b>	<b>124,597</b>	<b>130,577</b>	<b>126,916</b>

(i) Recast according to Note 6.

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

Table of Contents**Consolidated Statement of Income**

In millions of United States Dollars, except as otherwise stated

	Notes	Year ended as at December 31,		
		2013	2012	2011
			(i)	(i)
<b>Continued operations</b>				
Net operating revenue	27	46,767	46,553	60,075
Cost of goods sold and services rendered	28	(24,245)	(25,390)	(24,528)
<b>Gross profit</b>		<b>22,522</b>	<b>21,163</b>	<b>35,547</b>
<b>Operating (expenses) income</b>				
Selling and administrative expenses	28	(1,302)	(2,172)	(2,271)
Research and evaluation expenses		(801)	(1,465)	(1,671)
Pre operating and stoppage operation		(1,859)	(1,592)	(1,293)
Other operating expenses, net	28	(984)	(1,996)	(1,482)
		<b>(4,946)</b>	<b>(7,225)</b>	<b>(6,717)</b>
Impairment of non-current assets	16	(2,298)	(4,023)	
Gain (loss) on measurement or sales of non-current assets	8	(215)	(506)	1,494
<b>Operating income</b>		<b>15,063</b>	<b>9,409</b>	<b>30,324</b>
Financial income	29	2,699	1,595	1,890
Financial expenses	29	(11,031)	(5,617)	(5,439)
Equity results from associates and joint controlled entities	13	469	645	1,138
Results on sale investments from associates and joint controlled entities	8	41		
Impairment of investment	16		(1,941)	
<b>Net income before income taxes</b>		<b>7,241</b>	<b>4,091</b>	<b>27,913</b>
<b>Income taxes</b>				
Current tax	21	(7,786)	(2,503)	(5,539)
Deferred tax		953	3,677	274
		<b>(6,833)</b>	<b>1,174</b>	<b>(5,265)</b>
<b>Income from continuing operations</b>		<b>408</b>	<b>5,265</b>	<b>22,648</b>
Loss attributable to noncontrolling interests		(178)	(257)	(233)
<b>Net income attributable to the Company's stockholders</b>		<b>586</b>	<b>5,522</b>	<b>22,881</b>
<b>Discontinued Operations</b>				
Loss from discontinued operations	7	(2)	(68)	(86)

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<b>Loss attributable to the Company's stockholders</b>	<b>(2)</b>	<b>(68)</b>	<b>(86)</b>
<b>Net income</b>	<b>406</b>	<b>5,197</b>	<b>22,562</b>
Loss attributable to noncontrolling interests	(178)	(257)	(233)
<b>Net income attributable to the Company's stockholders</b>	<b>584</b>	<b>5,454</b>	<b>22,795</b>
<b>Earnings per share attributable to the Company's stockholders:</b>			
	26e)		
<b>Basic and diluted earnings per share:</b>			
Common share	0.11	1.06	4.34
Preferred share	0.11	1.06	4.34

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(i) Recast according to Note 6.

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

Table of Contents**Consolidated Statement of Other Comprehensive Income**

In millions of United States Dollars

	2013	Year ended as at December 31, 2012 (i)	2011 (i)
<b>Net income</b>	<b>406</b>	<b>5,197</b>	<b>22,562</b>
<b>Other comprehensive income</b>			
<b>Item that will not be reclassified subsequently to income</b>			
<b>Cumulative translation adjustments</b>	<b>(9,830)</b>	<b>(7,695)</b>	<b>(9,849)</b>
<b>Retirement benefit obligations</b>			
Gross balance as of the year	914	(929)	(472)
Effect of tax	(284)	274	139
	<b>630</b>	<b>(655)</b>	<b>(333)</b>
<b>Total items that will not be reclassified subsequently to income</b>	<b>(9,200)</b>	<b>(8,350)</b>	<b>(10,182)</b>
<b>Item that will be reclassified subsequently to income</b>			
<b>Cumulative translation adjustments</b>			
Gross balance as of the year	2,822	5,290	5,322
Transfer results realized to the net income	435	117	
	<b>3,257</b>	<b>5,407</b>	<b>5,322</b>
<b>Unrealized results on available-for-sale investments</b>			
Gross balance as of the year	193	(1)	3
Transfer results realized to the net income	(194)		
	<b>(1)</b>	<b>(1)</b>	<b>3</b>
<b>Cash flow hedge</b>			
Gross balance as of the year	(103)	34	216
Effect of tax	12	(8)	11
Transfer results realized to the net income, net of taxes	40	(147)	(98)
	<b>(51)</b>	<b>(121)</b>	<b>129</b>
<b>Total of items that will be reclassified subsequently to income</b>	<b>3,205</b>	<b>5,285</b>	<b>5,454</b>
<b>Total other comprehensive income</b>	<b>(5,589)</b>	<b>2,132</b>	<b>17,834</b>
Other comprehensive income attributable to noncontrolling interests	(175)	(223)	(308)
<b>Other comprehensive income attributable to the Company's stockholders</b>	<b>(5,414)</b>	<b>2,355</b>	<b>18,142</b>
	<b>(5,589)</b>	<b>2,132</b>	<b>17,834</b>

(i) Recast according to Note 6.

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



Table of Contents**Consolidated Statement of Changes in Stockholders' Equity**

In millions of United States Dollars

	Capital	Results on conversion of shares	Mandatorily convertible notes	Results from operation with noncontrolling stockholders	Revenue reserves	Treasury stock	Unrealized fair value gain (losses)	Cumulative translation adjustments	Retained earnings	Total Company stockholders' equity
<b>December 31, 2010</b>	<b>45,266</b>	<b>1,002</b>	<b>764</b>	<b>411</b>	<b>43,504</b>	<b>(2,660)</b>	<b>(15)</b>	<b>(20,963)</b>		<b>67,309</b>
Changes in accounting policies (Note 6)							(642)	263	(93)	(472)
<b>January 1, 2011 (i)</b>	<b>45,266</b>	<b>1,002</b>	<b>764</b>	<b>411</b>	<b>43,504</b>	<b>(2,660)</b>	<b>(657)</b>	<b>(20,700)</b>	<b>(93)</b>	<b>66,837</b>
<b>Net income</b>									<b>22,795</b>	<b>22,795</b>
<b>Other comprehensive income:</b>										
Retirement benefit obligations							(333)			(333)
Cash flow hedge							128			128
Unrealized fair value results							3			3
Translation adjustments					(2,778)		106	289	(2,068)	(4,451)
<b>Contribution and distribution - stockholders:</b>										
Acquisitions and disposal of noncontrolling stockholders				(404)						(404)
Additional remuneration for mandatorily convertible notes			(151)							(151)
Capitalization of noncontrolling stockholders advances										
Capitalization of reserves	15,312	(1,002)			(14,310)					

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Repurchases of stock					(3,002)				(3,002)
Redeemable noncontrolling stockholders interest									
Dividends to noncontrolling stockholders									
Dividends and interest on capital to Company's stockholders								(5,322)	(5,322)
Appropriation to undistributed retained earnings				15,389				(15,389)	
<b>December 31, 2011 (i)</b>	<b>60,578</b>	<b>613</b>	<b>7</b>	<b>41,805</b>	<b>(5,662)</b>	<b>(753)</b>	<b>(20,411)</b>	<b>(77)</b>	<b>76,100</b>
<b>Net income</b>								<b>5,454</b>	<b>5,454</b>
<b>Other comprehensive income:</b>									
Retirement benefit obligations						(655)			(655)
Cash flow hedge						(121)			(121)
Unrealized fair value results						(1)			(1)
Translation adjustments				(3,585)		(26)	1,748	(459)	(2,322)
<b>Contribution and distribution - stockholders:</b>									
Acquisitions and disposal of noncontrolling stockholders				(407)					(407)
Additional remuneration for mandatorily convertible notes		(68)							(68)
Capitalization of noncontrolling stockholders advances									
Realization of reserves				(362)				362	
Results on conversion of shares	(152)	(545)			1,185	(488)			
Redeemable noncontrolling stockholders interest									
Dividends to noncontrolling stockholders								(4,741)	(4,741)

Dividends and interest on capital to Company's stockholders										
Appropriation to undistributed retained earnings				531				(531)		
<b>December 31, 2012 (i)</b>	<b>60,578</b>	<b>(152)</b>	<b>(400)</b>	<b>38,389</b>	<b>(4,477)</b>	<b>(2,044)</b>	<b>(18,663)</b>	<b>8</b>	<b>73,239</b>	<b>584</b>
<b>Net income</b>								<b>584</b>	<b>584</b>	
<b>Other comprehensive income:</b>										
Retirement benefit obligations						630			630	
Cash flow hedge						(51)			(51)	
Unrealized fair value results						(1)			(1)	
Translation adjustments			(4,901)			264	(1,925)	(14)	(6,576)	
<b>Contribution and distribution - stockholders:</b>										
Capitalization of noncontrolling stockholders advances										
Realization of reserves				(3,936)				3,936		
Redeemable noncontrolling stockholders interest										
Dividends to noncontrolling stockholders										
Dividends and interest on capital to Company's stockholders								(4,500)	(4,500)	
Appropriation to undistributed retained earnings				(14)				(14)		
<b>December 31, 2013</b>	<b>60,578</b>	<b>(152)</b>	<b>(400)</b>	<b>29,566</b>	<b>(4,477)</b>	<b>(1,202)</b>	<b>(20,588)</b>		<b>63,325</b>	

(i) Recast according to Note 6.

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



Table of Contents**Consolidated Statement of Cash Flows**

In millions of United States Dollars

	Year ended as at December 31,		
	2013	2012	2011
<b>Cash flow from operating activities:</b>			
Net income from continuing operations	408	5,265	22,648
<b>Adjustments to reconcile net income with cash from continuing operations</b>			
Equity results from associates and joint venture	(469)	(645)	(1,138)
Loss (gain) on measurement or sales of non-current assets	215	506	(1,494)
Results on sale investments from associates and joint controlled entities	(41)		
Loss on disposal of property, plant and equipment	508	197	189
Impairment on non-current assets	2,298	5,964	
Depreciation, amortization and depletion	4,150	4,155	3,836
Deferred income taxes	(953)	(3,677)	(274)
Foreign exchange and indexation, net	724	1,314	3,178
Unrealized derivative losses, net	791	613	490
Stockholders Debentures	368	109	210
Other	74	(452)	(122)
<b>Decrease (increase) in assets:</b>			
Accounts receivable	608	1,951	(768)
Inventories	346	(675)	(1,562)
Recoverable taxes	(2,405)	229	(560)
Other	(132)	537	(288)
<b>Increase (decrease) in liabilities:</b>			
Suppliers and contractors	(124)	(229)	1,068
Payroll and related charges	59	170	263
Taxes and contributions	843	(163)	(2,490)
Gold stream transaction	1,319		
Income taxes - settlement program	7,030		
Other	(1,075)	552	20
<b>Net cash provided by operating activities from continuing operations</b>	<b>14,542</b>	<b>15,721</b>	<b>23,206</b>
Net cash provided by operating activities from discontinued operations	250	414	252
<b>Net cash provided by operating activities</b>	<b>14,792</b>	<b>16,135</b>	<b>23,458</b>
<b>Cash flow from continuing investing activities:</b>			
Short-term investments	357	(246)	1,793
Loans and advances	(14)	293	(178)
Guarantees and deposits	(147)	(135)	(169)
Additions to investments	(378)	(474)	(504)
Additions to property, plant and equipment and intangible	(13,105)	(15,322)	(15,862)

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Dividends and interest on capital received from associates and joint venture	834	460	1,038
Proceeds from disposal of assets\ Investments	2,030	974	1,081
Proceeds from Gold stream transaction	581		
<b>Net cash used in investing activities from continuing operations</b>	<b>(9,842)</b>	<b>(14,450)</b>	<b>(12,801)</b>
Net cash used in investing activities from discontinued operations	(766)	(437)	(230)
<b>Net cash used in investing activities</b>	<b>(10,608)</b>	<b>(14,887)</b>	<b>(13,031)</b>
<b>Cash flow from continuing financing activities:</b>			
<b>Financial institutions - Loans and financing</b>			
Additions	3,310	9,333	2,442
Repayments	(3,347)	(1,712)	(3,577)
<b>Repayments to stockholders:</b>			
Dividends and interest on capital paid to stockholders	(4,500)	(6,000)	(9,000)
Dividends and interest on capital attributed to noncontrolling interest	(20)	(45)	(100)
Transactions with noncontrolling stockholders		(411)	(1,134)
Treasury stock			(3,002)
<b>Net cash provided by (used in) financing activities from continuing operations</b>	<b>(4,557)</b>	<b>1,165</b>	<b>(14,371)</b>
Net cash used in financing activities from discontinued operations	87		
<b>Net cash provided by (used in) used in financing activities</b>	<b>(4,470)</b>	<b>1,165</b>	<b>(14,371)</b>
Increase in cash and cash equivalents	(286)	2,413	(3,944)
Cash and cash equivalents of cash, beginning of the year	5,832	3,531	7,584
Effect of exchange rate changes on cash and cash equivalents	(225)	(112)	(109)
<b>Cash and cash equivalents, end of the year</b>	<b>5,321</b>	<b>5,832</b>	<b>3,531</b>
<b>Cash paid during the year for (ii):</b>			
Interest on Loans and financing	(1,535)	(1,316)	(1,146)
Income taxes	(2,405)	(1,238)	(7,293)
Income taxes - settlement program	(2,594)		
<b>Non-cash transactions:</b>			
Additions to property, plant and equipment - interest capitalization	235	335	234
Additions to property, plant and equipment - Costs of assets retirement obligations	190	299	197
Additions to investments			3,817

(i) Recast according to Note 6.

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

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

Table of Contents**Notes to Consolidated Financial Statements**

Expressed in millions of United States Dollars, unless otherwise stated

**1. Operational Context**

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

Vale S.A. and its direct and indirect subsidiaries ( Vale , Group , Company or we ) are principally engaged in the research, production and sale of iron ore and pellets, nickel, fertilizer, copper, coal, manganese, ferroalloys, cobalt, platinum group metals and precious metals. The Company also operates in the segments of energy and steel. The information by segment is presented in Note 27.

Our principal consolidated operating subsidiaries at December 31, 2013 were as follow:

Entities	% ownership	% voting capital	Location	Principal activity
Compañía Minera Miski Mayo S.A.C	40.00	51.00	Peru	Fertilizers
Mineração Corumbaense Reunida S.A.	100.00	100.00	Brazil	Iron ore and Manganese
PT Vale Indonesia Tbk	59.20	59.20	Indonesia	Nickel
Salobo Metais S.A.	100.00	100.00	Brazil	Copper
Vale Australia Pty Ltd.	100.00	100.00	Australia	Coal
Vale Canada Limited	100.00	100.00	Canada	Nickel
Vale Fertilizantes S.A	100.00	100.00	Brazil	Fertilizers
Vale International Holdings GmbH	100.00	100.00	Austria	Holding and Research
Vale International S.A	100.00	100.00	Switzerland	Trading
Vale Manganês S.A.	100.00	100.00	Brazil	Manganese and Ferroalloys
Vale Mina do Azul S.A.	100.00	100.00	Brazil	Manganese
Vale Moçambique S.A.	95.00	95.00	Mozambique	Coal
Vale Nouvelle-Calédonie SAS	80.50	80.50	New Caledonia	Nickel
Vale Oman Pelletizing Company LLC	70.00	70.00	Oman	Pellet
Vale Shipping Holding PTE Ltd.	100.00	100.00	Singapore	Logistics of iron ore

As explained in Note 7, the Company is discontinuing its General Cargo Logistic segment, which includes the following entities:

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<b>Entities</b>	<b>% ownership</b>	<b>% voting capital</b>	<b>Location</b>
Ferrovias Centro-Atlântica S. A.	100.00	100.00	Brazil
Ferrovias Norte Sul S.A.	100.00	100.00	Brazil
VLI Multimodal S.A.	100.00	100.00	Brazil
VLI Operações de Terminais S.A.	100.00	100.00	Brazil
VLI Operações Portuárias S.A.	100.00	100.00	Brazil
VLI Participações S.A.	100.00	100.00	Brazil
VLI S.A.	100.00	100.00	Brazil
Ultrafértil S.A.	100.00	100.00	Brazil
TUF Empreendimentos e Participações S.A.	100.00	100.00	Brazil
SL Serviços Logísticos S.A.	100.00	100.00	Brazil



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

**a) Basis of preparation**

Consolidated financial statements of the Company ( Financial Statements ) have been prepared in accordance with the International Financial Reporting Standards ( IFRS ) as issued by the International Accounting Standards Board ( IASB ).

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

We evaluated subsequent events through February 26, 2014, which was the date of the Financial statement were approved by the Board of Directors.

**b) Functional currency and presentation currency**

Financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ( functional currency ), which in the case of the Parent Company is the Brazilian Real ( BRL or R\$ ). For presentation purposes, these financial statements are presented in United States Dollars ( USD or US\$ ) as we understand this is how our international investors are used to analyze our financial statements in order to take their decisions.

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

Statement of Income and Balance Sheet of all Group entities whose functional currency is different from the presentation currency are translated into the presentation currency as follows: (i) Assets, liabilities and Stockholders' equity (except components described in item (iii)) for each

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Balance Sheet presented are translated at the closing rate at the Balance Sheet date; (ii) income and expenses for each Statement of Income are translated at the average exchange rates, except for specific transactions that, considering their significance, are translated at the rate at the dates of the transactions and; (iii) capital, capital reserves and treasury stock are translated at the rate at the dates of each transaction. All resulting exchange differences are recognized in a separate component of the Statement of Comprehensive Income, the Cumulative Translation Adjustment account, and subsequently transferred to the Statement of Income when the assets are realized.

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

	Exchange rates used for conversions in Brazilian Reais		
	Year ended as at December 31,		
	2013	2012	2011
US Dollar - US\$	2.3426	2.0435	1.8683
Canadian Dollar - CAD	2.2031	2.0546	1.8313
Australian Dollar - AUD	2.0941	2.1197	1.9092
Euro - EUR or	3.2265	2.6954	2.4165

### c) Consolidation and investments

Financial statements reflect balances of assets and liabilities and the transactions of the Parent Company and its direct and indirect controlled entities ( Subsidiaries ), eliminating intercompany transactions. Subsidiaries over which control is achieved through other means, such as stockholders agreement, are also consolidated even if the Company does not own a majority of the voting capital.

For entities over which the Company has joint control ( Joint Ventures ) or significant influence, but not control ( Associates ), the investments are measured using the equity method.

The accounting practices of subsidiaries, joint ventures and associated companies are set to ensure consistency with the policies adopted by the Parent Company. Transactions between consolidated companies, as well as balances, unrealized profits and losses on these transactions are eliminated. Unrealized gains on downstream or upstream transactions between the Company and its associates and joint ventures are eliminated fully or proportionately to the extent of the Company.

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We evaluate the carrying values of our equity investments with reference to the publicly quoted market prices when available. If the quoted market price is lower than book value and this decline is considered other than temporary, we will write-down our equity investments to the level of the quoted market value.

For interests in joint arrangements operations ( joint operations ), Vale recognizes its share of assets, liabilities and transactions.

**d) Business combinations**

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

The excess of the consideration transferred plus the fair value of assets acquired the liabilities and contingent liabilities assumed and the noncontrolling stockholders interests recognized is recorded as goodwill, which is allocated to each cash-generating unit acquired.

**e) Noncontrolling stockholders interests**

Investments held by investors in entities controlled by Vale are classified as noncontrolling stockholders interests. The Company treats transactions with noncontrolling stockholders interests as transactions with equity owners of the Group.

For purchases of noncontrolling stockholders interests, the difference between any consideration paid and the portion acquired of the carrying value of net assets of the subsidiary is recorded in stockholders equity. Gains or losses, on disposals of noncontrolling stockholders interest, are also recorded in stockholders equity.

When the Company ceases to hold control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in the carrying amount recognized in the Statement of Income. Any amounts previously recognized in Gain/ (loss) from operations with noncontrolling stockholders interests relating to that entity are accounted for as if the Group had directly sold the related assets or liabilities. This means that the amounts previously recognized in Gain/ (loss) from operations with noncontrolling stockholders interests are reclassified to the Statement of Income.

**f) Segment information and revenues by geographic area**

The Company discloses information by business segment and revenue by geographic unit, in accordance with the principles and concepts used by the chief operating decision makers in evaluating performance and allocating resources. The information is analyzed by operating segment as follows:

**Bulk Material** Includes the extraction of iron ore and pellet production and logistic (including railroads, ports and terminals) linked to bulk material mining operations. The manganese ore, ferroalloys and coal are also included in this segment.

**Base metals** Includes the production of non-ferrous minerals, including nickel operations (co-products and by-products) and copper.

**Fertilizers** Includes three major groups of nutrients: potash, phosphate and nitrogen.

**General Cargo Logistics** comprises the logistics services provided to third parties (including rail, port and shipping service) not linked to the other Vale Operating Segments. Assets and liabilities related to this segment are classified as assets and liabilities held for sale and discontinued operations (Note 7).

**Other** comprises sales and expenses of other products and investments in joint ventures and associate in other businesses.

**g) Current and non-current assets or liabilities**

We classify assets and liabilities as current when it expects to realize the assets or to settle the liabilities, within twelve months from the end of the reporting period. Others assets and liabilities are classified as non-current.

**h) Cash equivalents and short-term investments**

The amounts recorded as cash and cash equivalents correspond to the amount available in cash, bank deposits and short-term investments that have immediate liquidity and original maturities within three months. Other investments with maturities after three months are recognized at fair value through income and presented in short-term investments.



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**i) Accounts receivables**

Account receivables are financial instruments classified in the category Loan and Receivables and represent the total amount due from sale of products and services rendered by the Company. The receivables are initially recognized at fair value and subsequently measured at amortized cost, net of impairment losses, when applicable.

**j) Inventories**

Inventory of products is stated at the lower of the average cost of acquisition or production and the net realizable value. The inventory production cost is determined on the basis of variable and fixed costs, direct and indirect costs of production, using the average cost method. An allowance for losses on obsolete or slow-moving inventory is recognized.

Ore Piles are counted as processed when the ore is extracted from the mine. The cost of the finished product is composed of depreciation and any direct cost required converting ore heaps finished products.

Inventory of maintenance supplies are measured at the lower of cost and net realizable value and, where applicable, an estimate of losses on obsolete or slow-moving inventory is recognized.

**k) Non-current assets and liabilities held for sale**

When the Company is committed to a sale plan of a set of assets and liabilities available for immediate disposal, these assets and liabilities are classified as Non-current Assets and Liabilities held for sale. If this group of assets and liabilities represent a major line of business are classified as discontinued operations.

The non-current assets and liabilities held for sale and discontinued operations are recognized in current, separate from the other assets and liabilities being measured at the lower of carrying amount and fair value less costs to sell.

Discontinued operations transactions are presented separately from the balances of Company's continuing operations in Statement of Income, Statement of Comprehensive Income and Statement of Cash Flows.

**l) Stripping Costs**

The cost associated with the removal of overburden and other waste materials ( stripping costs ) incurred during the development of mines, before production takes place, are capitalized as part of the depreciable cost of developing the mining property. These costs are subsequently amortized over the useful life of the mine.

Post-production stripping costs are included in the cost of inventory, except when a new project is developed to permit access to a significant body of ore. In such cases, the cost is capitalized as a non-current asset and is amortized during the extraction of the body of ore, and amortized during the useful life of the body of ore.

Stripping costs are measured at fixed and variable costs directly and indirectly attributable to its removal and, when applicable, net of any impairment losses measured in same basis adopted for the cash generating unit which he is part.

**m) Intangible assets**

Intangible assets are evaluated at the acquisition cost, less accumulated amortization and impairment losses, when applicable.

Intangible assets with finite useful lives are amortized over their effective use and are tested for impairment whenever there is an indication that the asset may be devalued. Assets with indefinite useful lives are not amortized and are tested for impairment at least annually.

Company holds concessions to exploit railway assets over a certain period of time. Railways are classified as intangible assets and amortized over the shorter of their useful lives and the concession term at the end of which they will be returned to the government.

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

Table of Contents**n) Property, plant and equipment**

Property, plant and equipment are evaluated at cost of acquisition or construction, less accumulated amortization and impairment losses, when applicable.

The cost of mining assets developed internally are determined by direct and indirect costs attributed to building the mining plant, financial charges incurred during the construction period, depreciation of other fixed assets used into building, estimated decommissioning and site restoration expenses and other capitalized expenditures occurred during the development phase (phase when the project proves generator of economic benefit and the Company have ability and intention to complete the project).

The depletion of mineral assets is determined based on the ratio between production and total proven and probable mineral reserves. Property, plant and equipment are depreciated using the straight-line method based on the estimated useful lives, from the date on which the assets become available for their intended use, except for land which is not depreciated. Following estimated useful lives:

<b>Property, plant and equipment</b>	<b>Useful lives</b>
Buildings	between 15 and 50 years
Installations	between 8 and 50 years
Equipment	between 3 and 33 years
Computer Equipment	5 years
Mineral rights	production
Locomotives	between 12.5 and 25 years
Wagon	between 33 and 44 years
Railway equipment	between 5 and 50 years
Ships	between 5 and 20 years
Other	between 2 and 50 years

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

Significant industrial maintenance costs, including spare parts, assembly services, and others, are recorded in property, plant and equipment and depreciated through the next programmed maintenance overhaul.

**o) Research and evaluation**



**i. Expenditures on mining research**

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

**ii. Expenditures on feasibility studies and new technologies and others research**

Vale also conducts feasibility study for many whose business which we operates and researching new technologies to optimize the mining process. After proven to generate future benefits to the Company, the expenditures incurred are capitalized.

**p) Impairment of assets**

The Company assesses, at each reporting date whether there is evidence that the carrying amount of financial assets measured through amortized cost and long-live non-financial asset, should be impaired.

For financial assets measured through amortized cost, Vale compares the carrying amount with the expected cash flows of the asset, and when appropriate, the carrying value is adjusted to reflect the present value of future cash flows.

For long-live non-financial assets (such as intangible or property plant and equipment), when impairment indication are identified, the test is conducted by comparing the recoverable value of these assets grouped at the lowest levels for which there are separately identifiable cash flows of the cash-generating unit to which the asset belongs to their carrying amount. If we identify the need for adjustment, it is consistently appropriate to each asset s cash-generating unit. The recoverable amount is the higher of value in use and fair value less costs to sell.

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The Company determines its cash flows based on approved budgets, considering mineral reserves and mineral resources calculated by internal experts, costs and investments based on the best estimate of past performance, sale prices consistent with the projections used in reports published by industry considering the market price when available and appropriate. Cash flows used are designed based on the life of each cash-generating unit (consumption of reserve units in the case of minerals) and considering discount rates that reflect specific risks relating to the relevant assets in each cash-generating unit, depending on their composition and location.

For investments in affiliated companies with publicly traded stock, Vale assesses recoverability of assets when there is prolonged or significant decline in market value. The balance of their investments is compared in relation to the market value of the shares, when available. If the market value is less than the carrying value of investments, and the decrease is considered prolonged and significant, the Company performs the adjustment of the investment to the realizable value quoted in the market.

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

**q) Accounts payable to suppliers and contractors**

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

**r) Loans and financing**

Loans and Financing are initially measured at fair value, net of transaction costs incurred and are subsequently carried at amortized cost and updated using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Statement of Income over the period of the loan, using the effective interest rate method. The fees paid in obtaining the loan are recognized as transaction costs.

Note mandatory convertible into preferred of common stock are compound financial instruments issued by the Company which include financial liability (debt) components and Stockholders' equity. The liability component of a compound financial instrument is initially recognized at fair value that is determined using discounted cash flow, considering the interest rate market for a non-convertible debt instrument with similar characteristics (period, value, credit risk). After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The Stockholders' equity component is recognized as the difference between the total values received by the Company from the issue of the securities, and the initially recognized amount of the liability component. Following initial recognition, the equity component of a compound financial instrument is not remeasured until its conversion.

s) **Leases**

The Company classifies its contracts as finance leases or operating leases based on the substance of the contract as to whether it is linked to the transfer of substantially all risks and benefits of the assets ownership to the Company during their useful life.

For finance leases, the lower of the fair value of the leased asset and the present value of minimum lease payments is recorded in tangible fixed assets and the corresponding obligation recorded in liabilities. For operating leases, payments are recognized on a straight line basis during the term of the contract as a cost or expense in the Statement of Income.

t) **Provisions**

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

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**i. Provision for asset retirement obligations**

The provision made by the Company refers basically to costs in order to mine closure, with the completion of mining activities and decommissioning of assets related to mine. The provision is set initially recording a liability for long-term return on fixed asset item. The long-term liability is subsequently measured using a long-term discount rate recorded at Statement of income, as financial expenses until start payment or contraction of obligation related to mine closure and decommissioning of assets mining. Assets retirement obligation are depreciated in same basis over assets mining and recorded at Statement of income.

**ii. Provision for litigation**

The provision refers to litigation and fines incurred by the Company. The obligation is recognized when it is considered probable and can be measured with reasonable certainty. The accounting counterpart for the obligation is an expense in Statement of Income. This obligation is updated according to the evolution of the judicial process or interest incurred and can be reversed if the estimate of loss is not probable or settled when the obligation is paid.

**u) Employee benefits**

**i. Current benefits wages, vacations and related taxes**

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

**ii. Current benefits profit sharing**

The Company has an overall corporate performance-based profit sharing policy, based on the achievement of the Company is whole, specific areas as well as employees individual performance goals. The Company recognizes provision based on the recurring measurement of the compliance with goals, using the accrual basis and recognition of present obligation arising from past events in the estimated outflow of resources in the future. The counter entry of the provision is recorded as cost of sales or service rendered or operating expenses in accordance with the activity of each employee.

**iii. Non-current benefits non-current incentive**

The Company has established a procedure for awarding certain eligible executives (Matching Plan and Long-Term Incentive Plan - ILP) with the goal of encouraging employee retention and optimum performance. The Matching Plan establishes that these executives eligible for the plan are entitled to a specific number of preferred class A stocks of the Company, and shall be entitled at the end of three years to a cash sum corresponding to the market value of the shares lot initially linked by the executives, provided that they are under the ownership of executives throughout the entirety of the period. As well as matching, the ILP provides at the end of three years the payment in the amount equivalent to a certain number of shares based on the assessment of the executives' performance and the Company's results in relation to a group of companies of similar size (per group). Plan liabilities are measured at each reporting date, at their fair values, based on market prices. Obligations are measured at each reporting date, at fair values based on market prices. The compensation costs incurred are recognized in income during the three-year vesting period as defined.

**iv. Non-current benefits pension costs and other post-retirement benefits**

The Company operates several retirement plans for its employees.

For defined contribution plans, the Company's obligations are limited to a monthly contribution linked to a pre-defined percentage of the remuneration of employees enrolled in to these plans.

For defined benefit plans, actuarial calculations are periodically obtained for liabilities determined in accordance with the Projected Unit Credit Method in order to estimate the Company's obligation. The liability recognized in the Balance Sheet represents the present value of the defined benefit obligation as at that date, less the fair value of plan assets. The remeasurement gains and losses, and return on plan assets (excluding the amount of interest on return of assets recognized in income) and changes in the effect of the ceiling of the active and onerous liabilities are recognized in comprehensive income and consequently in equity.

For plans presenting a surplus, the Company does not recognize any assets or benefits in the Balance Sheet or Statement of Income until such time as the use of this surplus is clearly defined. For plans presenting a deficit, the Company recognizes actuarial liabilities and results arising from the actuarial valuation.

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v) **Derivative financial instruments and hedge operations**

The Company uses derivative instruments to manage its financial risks as a way of hedging against these risks. The Company does not use derivative instruments for speculative purposes. Derivative financial instruments are recognized as assets or liabilities in the Balance Sheet and are measured at their fair values. Changes in the fair values of derivatives are recorded in each year as gains or losses in the statements of income or in unrealized fair value gain or losses in stockholders' equity when the transaction is eligible to be characterized as an effective cash flow hedge.

The Company documents the relationship between hedging instruments and hedged items with the objective of risk management and strategy for carrying out hedging operations. The Company also documents, both initially and on a continuously basis, that its assessment of whether the derivatives used in hedging transactions are highly effective.

The effective components of changes in the fair values of derivative financial instruments designated as cash flow hedges are recorded as unrealized fair value gain/(losses) and recognized in stockholders' equity; and their non-effective components recorded in income. The amounts recorded in Statement of Comprehensive Income, will only be transferred to Statement of Income (costs, operating expenses or financial expenses) when the hedged item is actually realized.

w) **Financial Assets**

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

**Financial assets measured at fair value through the Statement of Income** Financial assets held for trading acquired for the purpose of selling in the short-term. These instruments are measured at fair value, except for derivative financial instruments not classified as hedge accounting, the fair value is measured considering the inclusion of the credit risk of counterparties the calculation of the instruments.

**Loans and receivables** Non-derivative financial instruments, with fixed or determinable payments, that are not quoted in an active market. They are initially measured at fair value and subsequently at amortized cost using the effective interest method.

**Held to maturity** Are non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Company has the intent and ability to hold them to maturity. They are initially measured at fair value and subsequently at amortized cost.

**Available for sale** Non-derivative financial assets not classified in other category of financial instrument. Financial instruments in this category are measured at fair value, with changes in fair value until the moment of realization then recorded in Statement of Comprehensive Income. On disposal of financial asset, fair value is reclassified to Statement of Income.

x) **Capital**

The Company periodically repurchases shares to hold in treasury for future sale or cancellation. These shares are recorded in a specific account as a reduction of stockholders' equity at their acquisition value and carried at cost. These programs are approved by the Board of Directors with a determined terms and numbers of type of shares.

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

y) **Government grants and support**

Government grants and support are accounted for when Company has reasonably complied with conditions set by the government in relation to the grants. Company recognizes the grants in Statement of Income, as reductions in taxes expenses, according to the nature of the item, and classified through retained earnings in stockholders' equity during allocation of net income.

z) **Revenue recognition**

Revenue is recognized when Vale transfers to its customers all of the significant risks and rewards of ownership of the product sold or when services are rendered. Net revenue excludes any applicable sales taxes and is recognized at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to Vale and the revenues and costs can be reliably measured.

In most instances sales revenue is recognized when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises. Revenue from services is recognized in the amount by which the services are rendered and accepted by the customer's.

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In some cases, the sale price is determined on a provisional basis at the date of sale as the final selling price is subject to escalation clauses through date of final pricing. Revenue from the sale of provisionally priced products is recognized when the risks and rewards of ownership are transferred to the customer and the revenue can be measured reliably. At this date, the amount of revenue to be recognized are estimated based on the forward price of the product sold.

Amounts billed to customers for shipping corresponds to products sold by the Company are recognized as revenue when that is responsible for shipping. Shipping costs are recognized as operating costs.

**aa) Current and deferred income taxes**

The amount of income taxes are recognized in the Statement of Income, except for items recognized directly in stockholders' equity, in which cases the tax is also recognized in stockholders' equity.

The provision for income taxes are calculated individually for each entity in the Group based on tax rates and tax rules in force in the location of the entity. The recognition of deferred taxes are based on temporary differences between carrying value and the tax basis of assets and liabilities as well as taxes losses carry forwards. Deferred tax liabilities are fully recognized. The deferred income taxes assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against fiscal current liabilities and when the deferred income taxes assets and liabilities are related to income taxes recorded by the same taxation authority on the same taxable entity.

**bb) Basic and diluted earnings per share**

Basic earnings per share are calculated by dividing the income attributable to the stockholders of the Company, after accounting for the remuneration to the holders of equity securities, by the weighted average number of shares outstanding (total shares less treasury shares).

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding for the conversion of all dilutive potential shares. Vale does not have mandatory convertible securities that could result in the dilution of the earning per share.

**cc) Stockholder's remuneration**



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The stockholder's remuneration is paid on dividends and interest on capital. This remuneration is recognized as a liability in the financial statements of the Company, based on bylaws. Any amount above the minimum compulsory remuneration approved by the bylaws shall only be recognized in current liabilities on the date it is approved by stockholder.

Vale is 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 Brazilian Government Long-term Interest Rate ( TJLP ) determined by the Central Bank of Brazil. Also, such interest may not exceed 50% of net income for the year or 50% of retained earnings plus revenue reserves as determined by Brazilian corporate law.

The benefit to Vale, as opposed to making a dividend payment, is a reduction in our income tax burden because this interest charge is tax deductible in Brazil. 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 24-f). 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.

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**3. Critical Accounting Estimates and Assumptions**

The preparation of financial statements requires the use of certain critical accounting estimates and also the exercise of judgment by the management of the Company.

These estimates are based on the best knowledge and information existing in the Balance Sheet date. Changes in facts and circumstances may lead to the revision of these estimates. Actual future results may differ from the estimates.

The significant estimates and assumptions used by Company in these financial statements are as follow:

**a) Mineral reserves and mine useful life**

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

The estimated volume of mineral reserves is used as basis for the calculation of depletion of the mines, and also for the estimated useful life which is a major factor to quantify the provision for asset retirement obligation and environmental recovery of mines. Any changes to the estimates of the volume of mine reserves and the useful lives of assets may have a significant impact on the depreciation, depletion and amortization charges included in cost of goods sold. Changes in the estimated useful life of the mine have a significant impact on the estimates of environmental provision and impairment analysis.

**b) Asset Retirement**

The Company recognizes an obligation under the fair value for asset retirement obligations in the period in which they occur, as Note 2t-i. The Company considers the accounting estimates related to closure costs of a mine as a critical accounting policy because they involve significant values for the provision and are estimated using several assumptions, such as interest rate, inflation, useful life of the asset considering the current state of closure and the projected date of depletion of each mine. The estimates are reviewed annually.

**c) Impairment**

The Company annually tests impairment of tangible and intangible assets segregated by cash-generating units, usually using discounted cash flow that depends on several estimates, which are influenced by market conditions prevailing at the time the impairment test, is performed.

**d) Litigation losses**

Provisions are recorded when the possibility of loss relating to legal proceedings or contingent liabilities is considered probable by the Company's legal department and legal advisors.

The provisions are recorded when the amount of loss can be reasonably estimated. By their nature, litigations will be resolved when one or more future event occurs or fails to occur. Typically, the occurrence or not of such events is outside the Company's control. Because of the legal uncertainties inherent in the environments, involves the exercise of significant estimates and judgments of management regarding the results of future events.

**e) Post-retirement benefits for employees**

The amount recognized and disclosed depend on a number of factors that are determined based on actuarial calculations using various assumptions in order to determine costs and, liabilities. One of these assumptions is selection and use of the discount rate. Any changes to these assumptions will affect the amount recognized.

At the end of each year the Company and external actuaries reviews the assumptions that should be used for the following year. These assumptions are used in determining the fair values of assets and liabilities, costs and expenses and to the future values of estimated cash outflows, which are recorded in the plan obligations.

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**f) Fair values of derivatives and others financial instruments**

The fair values of financial instruments not traded in active markets are determined using valuation techniques. Vale uses its own judgment to choose between the various methods and assumptions are based on the market conditions, at the end of the year.

A sensitivity analysis present potential impact on results from different from management s estimates. (Note 25)

**g) Deferred income taxes**

The Company recognizes the effects of deferred taxes arising from tax losses and temporary differences. It recognizes impairment where it believes that tax credits recoverable are not probable.

The determination of the provision for income tax or deferred income tax, assets and liabilities, and any impairment of tax credits amount require the use of estimates. For each tax asset, the Company assesses the probability that some or all of the tax assets may not be recoverable. The impairment recorded in relation to the accumulated tax losses depends on the assessment of the probability of the generation of future taxable profits based on production and sales planning, commodity prices, operational costs, restructuring plans, reclamation costs and planned capital costs.

**4. Accounting Standards**

Company prepared its financial statements under IFRS. Pronouncements issued by the IASB, with adoption required for years ending after December 31, 2013.

**Standards, interpretations or amendments issued by the IASB and effective in 2013**

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There are new standards, interpretations and amendments to the IFRS effective in 2013. The impacts retrospective of the new standards are limited to the effects of the revised IAS 19 employee benefits - IAS 19, described in Note 6.

### Standards, interpretations or amendments issued by the IASB for adoption after December 31, 2013

**Annual Improvements to IFRSs: 2010-2012 Cycle** In December 2013 the IASB issued a series of non-urgent updates to some statements, with application prospective or for periods after July 1, 2014. Vale is reviewing possible impacts related to this update on its financial statements.

**Defined Benefit Plans: Employee Contributions** In November 2013 the IASB issued an update statement to IAS 19 - Employee Benefit which aims to simplify the accounting treatment of contributions made by employees and third parties, in defined benefit plans. The adoption of the updates will be applied from July 1, 2014 and we are analyzing potential impacts regarding this update on our financial statements.

**Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39** In June 2013 o IASB issued an amendment to IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments* that brings a comprehensive review of hedge accounting, aligning the accounting aspects to the management of risk, to bring more useful information to the financial statements. These updates cancel IFRIC 9 - Reassessment of Embedded Derivative. The adoption of the updates will be applied immediately to those who have already adopted IFRS 9. Whose adoption is mandatory from January 1, 2015. We are analyzing potential impacts regarding IFRS 9 and this update on our financial statements.

**Novation of Derivatives and Continuation of Hedge Accounting** In June 2013 IASB issued an amendment to IAS 39 *Financial Instruments: Recognition and Measurement*, that document conclude that hedge accounting do not terminate or expire when as consequence of law or regulation, a derivative financial instrument replace their original counterparty to become the new counterparty to each of the parties. The adoption of the amendment will be required from January 1, 2014 and we are analyzing potential impacts regarding this update on our financial statements.

**IFRIC 21 Levies** In May 2013 IASB issued an interpretation about the recognition of a government imposition (levies). The adoption of the interpretation will be required from January 1, 2014 and we are analyzing potential impacts regarding this update on our financial statements.

**Recoverable Amount Disclosures for Non-Financial Assets** In May 2013 IASB issued an amendment to IAS 36 *Impairment of Asset* that clarifies the IASB intention about the disclosure of non- financial assets impairment. The adoption of the amendment will be required from January 1, 2014 and we are analyzing potential impacts regarding this update on our financial statements.

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**5. Risk Management**

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

**a) Risk management policy**

The Board of Directors has established a risk management policy in order to support the company's growth plan, strategic planning and Company's business continuity, besides to improve its capital structure and management of Vale Group, ensure adequate degree of flexibility in financial management while maintaining the level of robustness required for investment grade and to strengthen its corporate governance practices.

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

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

The Executive Board is responsible for the approval of the adoption of norms, rules and responsibilities and for reporting to the Board of Directors.

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

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The Company may, where necessary, allocate specific risks limits to management activities, including but not limited to, market risk limit, corporate and sovereign credit limits, in accordance with the acceptable corporate risk limit.

### b) **Liquidity risk management**

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

To mitigate this risk, Vale has a revolving credit facility in order to assist the short term liquidity management and to enable more efficient cash management, this is consistent with the strategic focus on cost of capital. The revolving current credit facilities were obtained from a syndicate of several global commercial banks.

### c) **Credit risk management**

Vale's credit risk arises from potential negative impacts on its cash flow due to uncertainty regarding the ability of counterparties to meet their contractual obligations. Vale has various procedures and processes to manage this risk, such as the control of credit limits, the obligation to diversity exposure diversification across several counterparties and the monitoring of the portfolio's credit risk.

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

- **Commercial Credit Risk Management**

For commercial credit exposure, which arises from sales to final customers, the risk management department approves or requests the approval of credit risk limits for each counterpart. Further, the Executive Board sets annually global commercial credit risk limits for the customer's portfolio.

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

As at 31 December 2013, 65% of accounts receivable due to Vale commercial sales had low or insignificant risk, 31% had moderate risk and only 4% high risk.

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

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

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

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

- **Treasury Credit Risk Management**

The management of exposure arising from cash investments and derivatives instruments is realized through the following procedures: annual approval by the Executive Board of the credit limits per counterparty, controls of portfolio diversification, counterparties` credit spread variations and the treasury portfolio overall credit risk. There s also a monitoring of all positions, exposure versus limit control and periodic report to the Executive Risk Management Committee.



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The calculation of the exposure to a counterparty that has several derivative transactions with Vale, the sum of exposure of each derivative contracted with this counterparty is considered. The exposure for each derivative is defined as the future value calculated within the life of the derivative, considering the variation of the market risk factors that affect the value of the derivative instrument.

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

Depending on the counterparty's nature (banks, insurance companies, countries or corporations), different inputs will be considered: (i) expected default probability given by KMV; (ii) Credit Default Swaps ( CDS ) and bond market spreads; (iii) credit ratings defined by the main international rating agencies; and (iv) financial statements data and indicators analysis.

### **d) Market risk management**

Vale is exposed to various market risk factors that could impact its cash flows. The assessment of this potential impact arising from the volatility of risk factors and their correlations is performed periodically to support the decision making process and the growth strategy of the Company, ensure its financial flexibility and monitor the volatility of future cash flows.

When necessary, market risk mitigation strategies are evaluated and implemented in line with these objectives. Some strategies may incorporate financial instruments, including derivatives. The portfolios of the financial instruments are monitored on a monthly basis, enabling the monitoring of financial results and their impact on cash flow.

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

- Foreign exchange and Interest rates;
- Product prices and input costs.

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**e) Foreign exchange and interest rate risk**

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

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

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

Vale implemented hedge transactions to protect its cash flow against the market risks arising from its debt obligations - mainly currency volatility. We use swap transactions to convert debt linked to Brazilian Real and Euros into US Dollar that have similar - or sometimes shorter - settlement periods than the final maturities of the debt instruments. Their notional amounts are similar to the principal and interest payments, subjected to liquidity market conditions.

Swaps with shorter settlement dates are renegotiated over time so that their final maturity matches - or becomes closer - to the debts' final maturity. At each settlement date, the results of the swap transactions partially offset the impact of the foreign exchange rate in Vale's obligations, to mitigate the effects of the cash disbursements in US Dollar.

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

Vale has also exposure to interest rates risks over loans and financings. The US Dollar floating rate debt in the portfolio consists mainly of loans including export pre-payments, commercial banks and multilateral organizations loans. In general, such debt instruments are indexed to the London Interbank Offer Rate in US dollar ( LIBOR ). Considering the impact of interest rate volatility on the cash flow, Vale observes the potential natural hedges effects between US Dollar floating rates and commodities prices in the decision process of acquiring financial instruments. Sensitivity analysis is disclosed in Note 25.

**f) Risk of product and Input prices**

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

**g) Operational risk management**

Operational risk management is the structured approach that Vale uses to manage uncertainty related to possibly inadequate or failure in internal processes, people and systems and to external events, in accordance with the principles and guidelines of ISO31000.

Operational risks are periodically monitored, ensuring the effectiveness of prevention / mitigation key controls in operation and execution of the risk treatment strategy (creation of new controls, changes in the risk environment, transfer part of the risk by contracting insurance, provisioning of resources, etc.).

Therefore, the Company seeks to have a clear view of its major risks, of the best cost-benefit mitigation plans and of the controls in place, monitoring the potential impact of operational risk and allocating capital efficiently.

**h) Capital Management**

The Company's aim, its capital, to seek a structure that will ensure the continuity of your business in the long term, as well as, delivering value to stockholders through dividend payments and capital gain, and at the same time maintain a debt profile suitable to its activities, with amortization well distributed over years, on average 10 years, thus avoiding a concentration in one specific period.

Table of Contents**i) Insurance**

Vale has taken out several types of insurance, such as operating risk insurance, civil responsibility, engineering risks insurance (projects) and life insurance policies for employees, among others. The coverage of these policies is similar those commonly used by the mining industry and was contract in line with the objectives defined by the Company, with the corporate risk management policy and the limitation imposed by the insurance and reinsurance global market.

Insurance management is carried out with the support of the existing insurance committees in the various operational areas of the Company. Among its management instruments, Vale uses captive reinsurance companies that allow it to contract insurances on a competitive basis as well as giving it direct access to key international insurance and reinsurance markets.

**6. Changes in accounting policies**

From 2013 Vale adopted the revised IAS 19 Employee benefits IAS 19 to account employment benefits. The Company has applied the standard retrospectively in accordance with the transition provisions of the standard which eliminated the method of the corridor ; simplified the changes between the assets and liabilities of plans, recognizing in the statement of income, service cost, interest expense on benefit obligation and interest income on plan assets; and recognizing in comprehensive income, the remeasurements of actuarial gains and losses, return on plan assets (net of interest income on assets) and changes in the effect of the asset ceiling and onerous liabilities.

The impact on the Company has been as follow:

	Original balance (i)	December 31, 2012 Effect of changes	Adjusted balance	Original balance (i)	January 1, 2012 Effect of changes	Adjusted balance
<b>Balance Sheet</b>						
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	5,832		5,832	3,531		3,531
Others	16,694		16,694	18,007		18,007
	<b>22,526</b>		<b>22,526</b>	<b>21,538</b>		<b>21,538</b>
<b>Non-current</b>						
Deferred income tax and social contribution	3,981	72	4,053	1,893	16	1,909
Others	104,113	(115)	103,998	103,469		103,469
	<b>108,094</b>	<b>(43)</b>	<b>108,051</b>	<b>105,362</b>	<b>16</b>	<b>105,378</b>
<b>Total assets</b>	<b>130,620</b>	<b>(43)</b>	<b>130,577</b>	<b>126,900</b>	<b>16</b>	<b>126,916</b>
<b>Liabilities and stockholders equity</b>						

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<b>Current</b>						
Employee post-retirement benefits obligations	205		205	169		169
Liabilities directly associated with non-current assets held for sale	160	9	169			
Others	12,197		12,197	10,924		10,924
	<b>12,562</b>	<b>9</b>	<b>12,571</b>	<b>11,093</b>		<b>11,093</b>
<b>Non-current</b>						
Employee post-retirement benefits obligations	1,660	1,650	3,310	1,550	927	2,477
Deferred income tax and social contribution	3,795	(368)	3,427	5,681	(216)	5,465
Others	36,442		36,442	30,066		30,066
	<b>41,897</b>	<b>1,282</b>	<b>43,179</b>	<b>37,297</b>	<b>711</b>	<b>38,008</b>
<b>Stockholders equity</b>						
Capital	60,578		60,578	60,578		60,578
Unrealized fair value gain (losses)	(696)	(1,348)	(2,044)	(40)	(713)	(753)
Cumulative translation adjustments	(18,683)	20	(18,663)	(20,520)	109	(20,411)
Retained earnings	38,403	(6)	38,397	41,819	(91)	41,728
Others	(5,029)		(5,029)	(5,042)		(5,042)
<b>Total Company stockholders equity</b>	<b>74,573</b>	<b>(1,334)</b>	<b>73,239</b>	<b>76,795</b>	<b>(695)</b>	<b>76,100</b>
Noncontrolling interests	1,588		1,588	1,715		1,715
<b>Total of stockholders equity</b>	<b>76,161</b>	<b>(1,334)</b>	<b>74,827</b>	<b>78,510</b>	<b>(695)</b>	<b>77,815</b>
<b>Total liabilities and stockholders equity</b>	<b>130,620</b>	<b>(43)</b>	<b>130,577</b>	<b>126,900</b>	<b>16</b>	<b>126,916</b>

(i) Recast according to note 7.

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Statement of income	Year ended as at December 31, 2012		
	Original balance (i)	Effect of changes	Adjusted balance
Net operating revenue	46,553		46,553
Cost of goods sold and services rendered	(25,424)	34	(25,390)
<b>Gross operating profit</b>	<b>21,129</b>	<b>34</b>	<b>21,163</b>
Operational expenses	(13,695)		(13,695)
Financial expenses, net	(4,106)	84	(4,022)
Equity results	645		645
<b>Earnings before income taxes</b>	<b>3,973</b>	<b>118</b>	<b>4,091</b>
Current and deferred Income taxes, net	1,211	(37)	1,174
<b>Net income from continued operations</b>	<b>5,184</b>	<b>81</b>	<b>5,265</b>
Loss attributable to noncontrolling interests	(257)		(257)
<b>Net income attributable to stockholders</b>	<b>5,441</b>	<b>81</b>	<b>5,522</b>
Discontinued Operations (note 7)	(68)		(68)
<b>Net income</b>	<b>5,116</b>	<b>81</b>	<b>5,197</b>
Net loss attributable to noncontrolling interests	(257)		(257)
<b>Net income attributable to stockholders</b>	<b>5,373</b>	<b>81</b>	<b>5,454</b>

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(i) Recast according to Note 7.

Statement of income	Year ended as at December 31, 2011		
	Original balance (i)	Effect of changes	Adjusted balance
Net operating revenue	60,075		60,075
Cost of goods sold and services rendered	(24,509)	(19)	(24,528)
<b>Gross operating profit</b>	<b>35,566</b>	<b>(19)</b>	<b>35,547</b>
Operational expenses	(5,223)		(5,223)
Financial expenses, net	(3,581)	32	(3,549)
Equity results	1,138		1,138
<b>Earnings before income taxes</b>	<b>27,900</b>	<b>13</b>	<b>27,913</b>
Current and deferred income taxes, net	(5,259)	(6)	(5,265)
<b>Net income from continued operations</b>	<b>22,641</b>	<b>7</b>	<b>22,648</b>
Loss attributable to noncontrolling interests	(233)		(233)
<b>Net income attributable to stockholders</b>	<b>22,874</b>	<b>7</b>	<b>22,881</b>
Discontinued Operations (note 7)	(86)		(86)
<b>Net income</b>	<b>22,555</b>	<b>7</b>	<b>22,562</b>
Net loss attributable to noncontrolling interests	(233)		(233)
<b>Net income attributable to stockholders</b>	<b>22,788</b>	<b>7</b>	<b>22,795</b>

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(i) Recast according to Note 7.

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Year ended as at December 31, 2012

Net income	5,116	81	5,197
Translation adjustment	(2,226)	(62)	(2,288)
Unrealized results on valuation at market	(1)		(1)
Retirement benefit obligations, net		(655)	(655)
Cash flow hedge, net	(121)		(121)
<b>Total other comprehensive income</b>	<b>2,768</b>	<b>(636)</b>	<b>2,132</b>
Attributable to noncontrolling interests	(223)		(223)
<b>Attributable to the Company's stockholders</b>	<b>2,991</b>	<b>(636)</b>	<b>2,355</b>

(i) Recast according to note 7.

Other comprehensive income	Year ended as at December 31, 2011		
	Original balance (i)	Effect of changes	Adjusted balance
Net income	22,555	7	22,562
Translation adjustment	(4,626)	99	(4,527)
Unrealized results on valuation at market	3		3
Retirement benefit obligations, net		(333)	(333)
Cash flow hedge, net	129		129
<b>Total other comprehensive income</b>	<b>18,061</b>	<b>(227)</b>	<b>17,834</b>
Attributable to noncontrolling interests	(308)		(308)
<b>Attributable to the Company's stockholders</b>	<b>18,369</b>	<b>(227)</b>	<b>18,142</b>

(i) Recast according to note 7.

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Below shows the amounts of assets and liabilities held for sale and discontinued operations reclassified during the year:

	December 31, 2013			December 31, 2012	
	General Cargo - Logistic (a)	Energy (b)	Total	Araucária (b)	Total
<b>Assets held for sale and discontinued operations</b>					
Accounts receivable	141		141	14	14
Other current assets	271		271	54	54
Investment		79	79		
Intangible, net	1,687		1,687		
Property, plant and equipment, net	1,027	561	1,588	389	389
<b>Total assets</b>	<b>3,126</b>	<b>640</b>	<b>3,766</b>	<b>457</b>	<b>457</b>
<b>Liabilities associated with assets held for sale and discontinued operations</b>					
Suppliers and contractors	85		85	12	12
Payroll and related charges	61		61		
Other current liabilities	112		112	51	51
Other non-current Liabilities	190		190	106	106
<b>Total Liabilities</b>	<b>448</b>		<b>448</b>	<b>169</b>	<b>169</b>
<b>Assets and liabilities with discontinued operation</b>	<b>2,678</b>	<b>640</b>	<b>3,318</b>	<b>288</b>	<b>288</b>

**a) Discontinued operations**

In September 2013, Vale announced its intention to dispose the control over its subsidiary VLI S.A. ( VLI ), which aggregates all operations of General cargo logistic segment. As consequence, the General Cargo logistic segment has been treated as discontinued operations and assets and liabilities were reclassified to non-current asset / liabilities held for sale.

As part of the disposal process, we entered into agreements to transfer its 20% stock on VLI capital to Mitsui & Co. in the amount of US\$677; 15.9% for Fundo de Garantia de Tempo de Serviço ( FGTS ) by amount US\$538; and 26.5% to investment fund managed by Brookfield Asset Management by an amount of US\$853. The operation is subject to revision by the Brazilian Administrative Council for Economic Defense agency ( Conselho Administrativo de Defesa Econômica or CADE ).



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The net income, cash flows and added value for the year of discontinued operations represent the General Cargo Logistic segments results, which differ from the results generated by VLI in such year and are presented as follow:

	2013	Year ended as at December 31, 2012	2011
<b>Net income of Discontinued operations</b>			
Net revenue of services	1,283	1,141	871
Cost of services rendered	(1,232)	(1,059)	(862)
Operating expense	(90)	(132)	(91)
<b>Operating profit</b>	<b>(39)</b>	<b>(50)</b>	<b>(82)</b>
Financial Results	(2)	(1)	8
<b>Income (loss) before income taxes</b>	<b>(41)</b>	<b>(51)</b>	<b>(74)</b>
Income taxes	182	(17)	(12)
<b>Income (loss) after income taxes</b>	<b>141</b>	<b>(68)</b>	<b>(86)</b>
Gross income from fair value measurement	(209)		
Income taxes of fair value measurement	66		
<b>Net income (loss) from discontinued operations</b>	<b>(2)</b>	<b>(68)</b>	<b>(86)</b>

	2013	Year ended as at December 31, 2012	2011
<b>Cash flow from discontinued operations</b>			
<b>Operating activities</b>			
Net (loss) income from discontinued operation	(2)	(68)	(86)
Adjustments for Conciliation			
Depreciation and amortization	157	133	108
Deferred income taxes	(286)	(9)	4
Fair value adjustments	209		
Others	123	14	(5)
Decrease (increase) in assets	(45)	270	156
Increase (decrease) in liabilities	94	74	75
<b>Net cash provided by operating activities</b>	<b>250</b>	<b>414</b>	<b>252</b>
<b>Investing activities</b>			
Additions to property, plant and equipment	(763)	(455)	(213)
Others	(3)	18	(17)
<b>Net cash used in investing activities</b>	<b>(766)</b>	<b>(437)</b>	<b>(230)</b>
<b>Financing activities</b>			
Additions	87		
<b>Net cash provided by financing activities</b>	<b>87</b>		
<b>Net cash provided (used) by discontinued operations</b>	<b>(429)</b>	<b>(23)</b>	<b>22</b>

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**b) Assets and liabilities held for sale**

• **Energy Generation Assets**

In December 2013, the company signed agreements with CEMIG Geração e Transmissão S.A. (CEMIG GT), as follow : (i) to sell 49% of it stakes of 9% over Norte Energia S.A.( Norte Energia ), company responsible for construction, operation and exploration of Hydroelectric facility of Belo Monte ( Belo Monte ), and (ii) Creation of a Joint venture (Aliança Geração de Energia S/A) to be constituted by Vale and CEMIG through contribution of their holdings within following power generation assets: Porto Estrela, Igarapava, Funil, Capim Branco I e II, Aimorés and Candonga. No cash will be disbursed as part of the transaction. Vale and CEMIG GT will hold respectively 55% and 45% of this new company and the supply of electricity to Vale operations, previously guaranteed by their own generation, will be secured by long-term contract.

The operation above is still pending approval from regulatory agencies (ANEEL). The assets were transferred to assets held for sale with no impact in the Statement Income.

• **Araucária Assets**

In December 2012, we executed an agreement with Petróleo Brasileiro S.A. ( Petrobras ) to sell Araucária, operation for production of nitrogens based fertilizes, located in Araucária, in the Brazilian state of Paraná, for US\$234 and recognized a loss of US\$129 recorded within Gain (loss) on measurement or sales of non-current assets in Statement of Income. The purchase price will be paid by Petrobras through installments accrued quarterly, adjusted by 100% of the Brazilian Interbank Interest rate ( CDI ), in amounts equivalent to the royalties due by Vale related to the operation of potash assets and mining of Taquari-Vassouras and of the Carnalita project.

The sale was concluded in June 2013 and no additional effects occurred in the Statement of Income for the year.

**8. Acquisitions and Divestitures**

The results on divestitures are presented as follow:

	Year ended as at December 31,		
	2013	2012	2011
<b>Gain (loss) on measurement or sales of non-current assets</b>			
Tres Valles	(215)		
Manganese and Ferroalloys		(22)	
Coal		(355)	
Araucária		(129)	
Aluminum Assets			(1,494)
	<b>(215)</b>	<b>(506)</b>	<b>(1,494)</b>
<b>Financial income</b>			
Hydro	214		
	<b>214</b>		
<b>Results on sale investments from associates and joint controlled entities</b>			
Log-In	14		
Fosbrasil	27		
	<b>41</b>		

- **2013**

- a) **Divestitures of Hydro**

As part of Vale's strategy of reducing its exposure to non-core assets, in November 2013, we sold Norsk Hydro common shares for US\$1,811. Since February 2013 when the lock-up period for trading Hydro shares ended, the investment could be traded in the market and therefore we had started classifying this investment as a financial asset available for sale. As result of this operation we recognized a gain calculated as bellow of US\$214 that is presented in our Statement of Income as Financial Income :

<b>Hydro</b>	
Balance in the date of sale	1,845
Cumulative translation adjustment recycling	(442)
Results on available for sale investments recycling	194
	<b>1,597</b>
Amount received	1,811
Gain on sale	<b>214</b>

Table of Contents

**b) Divestitures of Tres Valles**

In December 2013, we sold our *total* participation in Sociedade Contractual Mineraria Tres Valles ( Tres Vales ) for US\$25. This transaction is consistent with Vale’s strategy of focusing on world-class assets, with scale compatible with its existing operations. In this transaction, Vale recognized a loss of US\$215 presented in our Statement of Income as Gain (loss) on measurement or sale of non-current assets . The total loss includes an amount of US\$7 transferred from Cumulative translation adjustments .

**c) Divestitures of Fosbrasil**

In December 2013, we entered into an agreement to sale of Vale’s minority participation in the associate Fosbrasil, producer of purified phosphoric acid, for US\$45. In this transaction Vale recognized a gain of US\$27 presented in our Statement of Income as Result on sale investments from associates and joint controlled entities .

**d) Divestitures of Log-In**

In December 2013, Vale promoted an auction to sell its common shares of Log-in Logística Intermodal S.A. ( Log-in ). All the shares were sold US\$94 and the gain of US\$14 on this transaction was recorded in our Statement of Income as Result on sale investments from associates and joint controlled entities .

• **2012**

**a) Acquisition of additional participation in the Belvedere**

During 2012, we concluded the purchase option on additional 24.5% participation in the Belvedere Coal Project owned by Aquila Resources Limited ( Aquila ) in the amount of AUD150 million (US\$156). In 2013, after the approval of the local government, Vale has 100% of Belvedere and paid the total amount of US\$ 338 for wholly participation.

**b) Sales of Coal**

In June 2012, we have concluded the sale of our thermal coal operations in Colombia to CPC S.A.S., an affiliate of Colombian Natural Resources S.A.S. ( CNR ).

The loss on this transaction, of US\$355 was recorded in the income statement in the line Gain (loss) on measurement or sales of non-current assets .

**c) Acquisition of EBM stocks**

At 2012, we acquired additional 10.46% of Empreendimentos Brasileiros de Mineração ( EBM ). As result of the acquisition, we increased our share in EBM to 96.7% and we recorded US\$62 as result from operation with non-controlling interest in Stockholders Equity.

**d) Divestitures of manganese and ferroalloys**

In October 2012, we concluded the sale of manganese and ferroalloys operations in Europe for US\$160. In this transactions Vale recognized a loss of US\$22 presented in our Statement of Income as Gain (loss) on measurement or sales of non-current assets .

**e) Divestitures of participation on Vale Oman Pelletizing**

In October 2012, we sold 30% of participation in Vale Oman Pelletizing LLC for US\$71. In this transactions Vale recognized a gain of US\$63 in Stockholders Equity.

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• **2011**

a) **Divestitures of aluminum assets**

In February 2011, we concluded the sale of Albras-Alumínio Brasileiro ( Albras ), Alunorte-Alumina do Norte do Brasil ( Alunorte ), Companhia de Alumina do Pará ( CAP ), 60% of Mineração Paragominas S.A. ( Paragominas ) and other Brazilian bauxite mineral rights. In these transactions we received US\$1,081 in cash and 22% of Hydro s outstanding common shares. The gain of US\$1,494 was recorded in Statement of Income as Gain (loss) on measurement or sales of non-current assets .

b) **Acquisition of NESA**

In 2011, we acquired 9% of participation in Norte Energia S.A. ( NESA ) for US\$70.

9. **Cash and Cash Equivalents**

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and bank deposits	1,558	1,194	945
Short-term investments	3,763	4,638	2,586
	<b>5,321</b>	<b>5,832</b>	<b>3,531</b>

Cash and cash equivalents includes cash, demand deposits, and financial investments with an insignificant risk of changes in value, being in part Brazilian Reais indexed to the Brazilian Interbank Interest rate ( DI Rate or CDI ) and those denominated in US Dollars are mainly in time deposits, with the original maturities of less than three months.

10. **Accounts Receivables**

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	December 31, 2013	December 31, 2012	January 1, 2012
Denominated in BRL	509	849	1,228
Denominated in other currencies, mainly US\$	5,283	6,060	7,382
	<b>5,792</b>	<b>6,909</b>	<b>8,610</b>
Allowance for doubtful accounts	(89)	(114)	(105)
	<b>5,703</b>	<b>6,795</b>	<b>8,505</b>

Accounts receivables related to the steel sector represented 79.70%, 71.26% and 67.90% of total receivable as at December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

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

The estimated losses for accounts receivable recorded in the Statement of Income as at December 31, 2013, 2012 and 2011 totaled US\$4, US\$22 and US\$2, respectively. Write offs as at December 31, 2013, 2012 and 2011, totaled US\$15, US\$16 and US\$1, respectively.

Table of Contents**11. Inventory**

Inventories are comprised as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
<b>Inventories of products</b>			
<b>Bulk Material</b>			
Iron ore	646	854	819
Pellets	88	95	164
Manganese and ferroalloys	75	92	236
Coal	318	248	268
	<b>1,127</b>	<b>1,289</b>	<b>1,487</b>
<b>Base Metals</b>			
Nickel and other products	1,398	1,894	1,973
Copper	23	29	38
	<b>1,421</b>	<b>1,923</b>	<b>2,011</b>
<b>Fertilizers</b>			
Potash	8	20	
Phosphates	313	332	322
Nitrogen	19	22	63
	<b>340</b>	<b>374</b>	<b>385</b>
<b>Others products</b>	<b>8</b>	<b>11</b>	<b>92</b>
	<b>2,896</b>	<b>3,597</b>	<b>3,975</b>
<b>Materials supplies</b>	<b>1,229</b>	<b>1,455</b>	<b>1,276</b>
<b>Total of inventories</b>	<b>4,125</b>	<b>5,052</b>	<b>5,251</b>

As at December 31, 2013, December 31, 2012 and January 1, 2012 inventory balances included a provision to adjust at market value of nickel, amounting to US\$14 , US\$0 and US\$14, respectively, manganese in the amount of US\$1 , US\$3 and US\$9, respectively, copper in the amounts of US\$0 , US\$3 and US\$0 , respectively, and coal in the amount of US\$117 , US\$0 and US\$0 , respectively.

Inventories of product	Year ended as at December 31,		
	2013	2012	2011
<b>Balance at beginning of the year</b>	<b>3,597</b>	<b>3,975</b>	<b>2,754</b>
Production/acquisition	18,936	19,935	21,749
Transfer from materials supplies inventory	4,112	4,262	3,758
Sales	(22,991)	(24,197)	(23,383)
Provision/ reversal of the write-off by inventory adjustment (a)	(221)	(38)	(604)
Translation adjustments	(537)	(340)	(299)



<b>Balance at end of year</b>	<b>2,896</b>	<b>3,597</b>	<b>3,975</b>
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(a) Include provision for adjustments to market value

Materials supplies	Year ended as at December 31,		
	2013	2012	2011
<b>Balance at beginning of year</b>	<b>1,455</b>	<b>1,276</b>	<b>1,544</b>
Acquisition	4,083	4,550	3,635
Transfer to use	(4,112)	(4,262)	(3,758)
Translation adjustments	(197)	(109)	(145)
<b>Balance at end of year</b>	<b>1,229</b>	<b>1,455</b>	<b>1,276</b>

Table of Contents**12. Recoverable Taxes**

	December 31, 2013	December 31, 2012	January 1, 2012
Value-added tax	1,129	1,023	1,024
Brazilian Federal Contributions	680	670	946
Others	55	65	59
<b>Total</b>	<b>1,864</b>	<b>1,758</b>	<b>2,029</b>
Current	1,579	1,540	1,771
Non-current	285	218	258
<b>Total</b>	<b>1,864</b>	<b>1,758</b>	<b>2,029</b>

**13. Investments**

The movement of investments in associate and joint ventures are as follow:

	2013	Year ended as at December 31, 2012 (i)	2011 (i)
<b>Balance at beginning of year</b>	<b>6,384</b>	<b>8,013</b>	<b>4,394</b>
Additions	378	474	4,321
Disposals (a)	(98)	(32)	(17)
Translation adjustment for the period	(582)	(223)	(686)
Equity results	469	645	1,138
Equity other comprehensive income	(204)	35	(1)
Dividends declared	(747)	(587)	(1,136)
Impairment		(1,941)	
Transfers to held for sale and available for sale (b)	(2,016)		
<b>Balance at end of year</b>	<b>3,584</b>	<b>6,384</b>	<b>8,013</b>

(i) Recast according to note 6.

(a) The 2013 disposals refers to investments in Log-in US\$80 and Fosbrasil US\$18. (Note 8)

(b) The transfers to available for sale refers to investments in Hydro US\$1,937 (Note 8-a) and transfers to held for sale. Norte Energia US\$79. (Note 7-b)



Table of Contents**Investments (Continued)**

Location	Relationship	% ownership	% voting capital	Investments			Equity results			Received dividends			
				December 31, 2013	As of December 31, 2012 (i)	January 1, 2012 (i)	Year ended as at December 2013 (i)	Year ended as at December 2012 (i)	2013	2012	2013	2012	
<b>Bulk Material</b>													
<b>Iron Ore and pellets</b>													
Baovale Mineração S.A. - BAOVALE	Brazil	Joint venture	50.00	50.00	24	28	35	(7)	6	8	1	1	
Companhia Nipo-Brasileira de Pelotização - NIBRASCO (c)	Brazil	Joint Venture	51.00	51.11	159	178	199	19	22	45	24	26	
Companhia Hispano-Brasileira de Pelotização - HISPANOBRÁS (c)	Brazil	Joint Venture	50.89	51.00	83	104	115	1	38	19	10	36	
Companhia Coreano-Brasileira de Pelotização - KOBRASCO (c)	Brazil	Joint Venture	50.00	50.00	91	107	112	18	26	32	22	20	
Companhia Ítalo-Brasileira de Pelotização - ITABRASCO (c)	Brazil	Joint Venture	50.90	51.00	62	64	80	7	8	47		18	
MRS Logística S.A. (f)	Brazil	Joint Venture	47.59	46.75	564	586	551	101	122	132	63	57	
Minas da Serra Geral S.A. - MSG	Brazil	Joint Venture	50.00	50.00	22	26	29		2	3			
Samarco Mineração S.A. (d)	Brazil	Joint Venture	50.00	50.00	437	630	399	499	645	881	595	179	
Tecnored Desenvolvimento Tecnológico S.A. (b)	Brazil	Associate	49.21	49.21	38	38	48	(11)	(20)	(7)			
Zhuhai YPM Pellet Co	China	Associate	25.00	25.00	25	23	23		1				
					<b>1,505</b>	<b>1,784</b>	<b>1,591</b>	<b>627</b>	<b>850</b>	<b>1,160</b>	<b>715</b>	<b>337</b>	<b>9</b>
<b>Coal</b>													
Henan Longyu Energy Resources CO., LTD.	China	Associate	25.00	25.00	357	341	282	42	59	85	40	60	
					<b>357</b>	<b>341</b>	<b>282</b>	<b>42</b>	<b>59</b>	<b>85</b>	<b>40</b>	<b>60</b>	

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**Base Metals**

**Copper**

Teal Minerals Incorporated	Zambia	Associate	50.00	50.00	228	252	234	(24)	(5)	(6)
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**Nickel**

Korea Nickel Corp	Korea	Associate	25.00	25.00	22	24	4	(2)
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**Others**

**Aluminium**

Norsk Hydro ASA(e)	Norway	Associate				2,237	3,227	(35)	99	56	47
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**Bauxite**

Mineração Rio Grande do Norte S.A. - MRN	Brazil	Associate	40.00	40.00	111	136	133	10	20	8	17	7
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**Steel**

California Steel Industries, INC	USA	Joint Venture	50.00	50.00	181	167	161	20	16	14	6	9
CSP- Companhia Siderúrgica do PECEM (g)	Brazil	Joint Venture	50.00	50.00	686	499	267	(10)	(7)	(3)		
Thyssenkrupp CSA Companhia Siderúrgica do Atlântico	Brazil	Associate	26.87	26.87	321	534	1,607	(158)	(169)	(177)		
					<b>1,188</b>	<b>1,200</b>	<b>2,035</b>	<b>(148)</b>	<b>(160)</b>	<b>(166)</b>	<b>6</b>	<b>9</b>

**Other affiliates and joint ventures**

Norte Energia S.A.	Brazil	Joint Venture	4.59	4.59	83	120	75	(2)	(2)				
LOG-IN - Logística Intermodal S/A (a)	Brazil	Associate				94	114	(1)	(10)	(7)			
Others					90	196	318	(33)	(72)	(35)			
					<b>173</b>	<b>410</b>	<b>507</b>	<b>(36)</b>	<b>(84)</b>	<b>(42)</b>			
					<b>3,584</b>	<b>6,384</b>	<b>8,013</b>	<b>469</b>	<b>645</b>	<b>1,138</b>	<b>834</b>	<b>460</b>	<b>1,000</b>

(i) Recast according to Note 6.

(a) Company sold in December 2013;

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

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

(d) Main data of Samarco in 2013: total Assets US\$5,581, Liabilities US\$4,707, Operational Result US\$1.724, Financial Result US\$(513), Income tax US\$(221);

(e) Investment classified as financial assets available for sale during 2013 and sold in November 2013 (Note 8).

(f) Main data of MRS in 2013: Total Assets US\$2,871, Liabilities US\$1,685, Operational Result US\$386, Financial Result US\$(52), Income tax US\$(114); and

(g)Pre-operational stage.

Table of Contents**14. Intangible Assets**

	December 31, 2013			December 31, 2012			January 1, 2012		
	Cost	Amortization	Net	Cost	Amortization	Net	Cost	Amortization	Net
<b>Indefinite useful life</b>									
Goodwill	4,140		4,140	4,603		4,603	4,812		4,812
<b>Finite useful life</b>									
Concession and subconcession	3,099	(1,192)	1,907	5,375	(1,618)	3,757	5,351	(1,506)	3,845
Right of use	328	(75)	253	358	(56)	302	606	(43)	563
Others	1,295	(724)	571	1,225	(676)	549	900	(599)	301
	<b>4,722</b>	<b>(1,991)</b>	<b>2,731</b>	<b>6,958</b>	<b>(2,350)</b>	<b>4,608</b>	<b>6,857</b>	<b>(2,148)</b>	<b>4,709</b>
<b>Total</b>	<b>8,862</b>	<b>(1,991)</b>	<b>6,871</b>	<b>11,561</b>	<b>(2,350)</b>	<b>9,211</b>	<b>11,669</b>	<b>(2,148)</b>	<b>9,521</b>

The rights of use refers basically to the usufruct contract entered into with noncontrolling stockholders to use the Empreendimentos Brasileiros de Mineração S.A. shares (owner of the shares of MBR) and intangible identified in business combination of Vale Canada. The amortization of the right of use will expires in 2037 and Vale Canada's intangible will end in September 2046. The concessions and subconcessions are the agreements with the Brazilian government for the exploration and the development the ports and rails. (Note 31-f)

The table below shows the movement of intangible assets during the year:

	Goodwill	Concessions and Subconcessions	Right to use	Others	Total
<b>Balance as at January 1, 2011</b>	<b>5,194</b>	<b>3,909</b>	<b>632</b>	<b>365</b>	<b>10,100</b>
Addition		178		179	357
Disposals		(19)		(1)	(20)
Amortization		(193)	(15)	(111)	(319)
Translation adjustments	(382)	(472)	(54)	15	(893)
Others		146		(146)	
<b>Effect of discontinued operations</b>					
Net movements of the year		296			296
Transfer to held for sale					
<b>Balance as at December 31, 2011</b>	<b>4,812</b>	<b>3,845</b>	<b>563</b>	<b>301</b>	<b>9,521</b>
Addition		275		420	695
Disposals		(8)	(232)		(240)
Amortization		(175)	(10)	(134)	(319)
Translation adjustments	(209)	(348)	(19)	(38)	(614)
<b>Effect of discontinued operations</b>					
Net movements of the year		168			168
Transfer to held for sale					

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<b>Balance as at December 31, 2012</b>	<b>4,603</b>	<b>3,757</b>	<b>302</b>	<b>549</b>	<b>9,211</b>
Addition		412		229	641
Disposals		(13)		(2)	(15)
Amortization		(181)	(27)	(133)	(341)
Transfer to non-current assets held for sale					
Translation adjustments	(463)	(508)	(22)	(72)	(1,065)
Others					
<b>Effect of discontinued operations</b>					
Net movements of the year		126			126
Transfer to held for sale		(1,686)			(1,686)
<b>Balance as at December 31, 2013</b>	<b>4,140</b>	<b>1,907</b>	<b>253</b>	<b>571</b>	<b>6,871</b>



Table of Contents**15. Property, plant and equipment**

	December 31, 2013			December 31, 2012			January 1, 2012		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land	945		945	676		676	695		695
Buildings	9,916	(2,131)	7,785	7,710	(1,617)	6,093	8,058	(1,925)	6,133
Facilities	15,659	(4,722)	10,937	16,320	(4,564)	11,756	14,835	(3,695)	11,140
Computer equipment	679	(496)	183	985	(609)	376	1,208	(842)	366
Mineral properties	21,603	(5,327)	16,276	23,705	(4,838)	18,867	22,949	(4,410)	18,539
Others	27,149	(8,409)	18,740	26,754	(8,576)	18,178	27,471	(7,839)	19,632
Construction in progress	26,799		26,799	28,936		28,936	25,837		25,837
	<b>102,750</b>	<b>(21,085)</b>	<b>81,665</b>	<b>105,086</b>	<b>(20,204)</b>	<b>84,882</b>	<b>101,053</b>	<b>(18,711)</b>	<b>82,342</b>

	Land	Building	Facilities	Computer equipment	Mineral properties	Others	Constructions in progress	Total
<b>Balance as at January 1, 2011</b>	<b>356</b>	<b>4,872</b>	<b>15,062</b>	<b>263</b>	<b>24,403</b>	<b>9,300</b>	<b>21,759</b>	<b>76,015</b>
Addition (i)							15,936	15,936
Disposals		(38)	(13)	(1)	(22)	(38)	(114)	(226)
Depreciation and amortization		(118)	(492)	(70)	(150)	(1,752)		(2,582)
Translation adjustments	(83)	(733)	(2,777)	(39)	(1,697)	1,953	(3,447)	(6,823)
Transfers	416	2,131	(640)	217	(3,995)	10,176	(8,305)	
<b>Effect of discontinued operations</b>								
Net movements of the year	6	19		(4)		(7)	8	22
<b>Balance as at December 31, 2011</b>	<b>695</b>	<b>6,133</b>	<b>11,140</b>	<b>366</b>	<b>18,539</b>	<b>19,632</b>	<b>25,837</b>	<b>82,342</b>
Addition (i)							15,261	15,261
Disposals	(1)	(63)	(49)	(9)	(57)	(348)	(549)	(1,076)
Depreciation and amortization		(319)	(921)	(90)	(808)	(1,898)		(4,036)
Transfer to non-current assets held for sale		(25)	(33)		(2)	(940)	(12)	(1,012)
Impairment		(1,083)	(269)	(1)	(522)	(1,330)	(818)	(4,023)
Translation adjustments	(161)	(237)	(1,090)	136	(177)	(950)	(289)	(2,768)
Transfers	143	1,677	2,977	(28)	1,894	3,953	(10,616)	
<b>Effect of discontinued operations</b>								
Net movements of the year		10	1	2		59	122	194
<b>Balance as at December 31, 2012</b>	<b>676</b>	<b>6,093</b>	<b>11,756</b>	<b>376</b>	<b>18,867</b>	<b>18,178</b>	<b>28,936</b>	<b>84,882</b>

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Addition (i)							12,889	12,889
Disposals	(1)	(3)	(74)	(2)	(33)	(68)	(312)	(493)
Depreciation and amortization		(289)	(756)	(74)	(799)	(1,757)		(3,675)
Impairment		(13)	(172)			(3)	(2,110)	(2,298)
Translation adjustments	(143)	(768)	(1,305)	(182)	(1,163)	(623)	(4,518)	(8,702)
Transfers	413	2,802	2,068	72	(592)	3,592	(8,355)	
<b>Effect of discontinued operations</b>								
Net movements of the year		9	7	(1)	(4)	252	431	694
Transfer to held for sale		(46)	(587)	(6)		(831)	(162)	(1,632)
<b>Balance as at</b>								
<b>December 31, 2013</b>	<b>945</b>	<b>7,785</b>	<b>10,937</b>	<b>183</b>	<b>16,276</b>	<b>18,740</b>	<b>26,799</b>	<b>81,665</b>

(i) The total amount of Capital Expenditures recognized as additions of construction in progress in December 31, 2013, 2012 and 2011 correspond to US\$9,645, US\$11,580 and US\$11,684, respectively.

The property, plant and equipment (net book value) given as guarantees for judicial claims at December 31, 2013, 2012 and 2011 correspond to US\$77, US\$96 and US\$97, respectively.

In December 2013, US\$ 1.4 billion refers to iron ore Project Guinea (Note 31 d).

Table of Contents**16. Impairment**

We identified evidence of impairment in relation to certain investments and property, plant and equipment. The following impairment charges were recorded:

Assets	Cash-generating unit	December 31, 2013			December 31, 2012		
		Net carrying amount	Recoverable amount	Impairment adjustment	Net carrying amount	Recoverable amount	Impairment adjustment
<b>Property, plant and equipment</b>							
Fertilizers	PRC	2,767	651	2,116			
Nickel	Onça Puma				3,779	930	2,849
Coal	Australia assets				1,619	590	1,029
Pellets	Pelletizing asset	225	43	182			
Other					185	40	145
		<b>2,992</b>	<b>694</b>	<b>2,298</b>	<b>5,583</b>	<b>1,560</b>	<b>4,023</b>
<b>Investment</b>							
Aluminum	Norsk Hydro ASA				3,212	2,237	975
Steel	Thyssenkrupp				1,418	535	883
Energy	VSE				100	17	83
					<b>4,730</b>	<b>2,789</b>	<b>1,941</b>

a) **Property plant and equipment**• **2013**• **Fertilizer of PRC**

In 2013, the Company suspended the implementation of the Rio Colorado project in Argentina ( PRC ). The underlying project parameters were not sufficiently favorable to the project meets the Company's capital allocation and the value creations targets. The company will continue honoring its commitments related to the concessions and reviewing alternatives to enhance the project outcome in order to determine prospects for future project development.

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In the current situation, we calculated the fair value less cost to sell method to recognize the impairment.

- **Pellets**

The Company analyzed the temporary stoppage of pelletizing plants in Brazil and the uncertainty resumption of operations resulted in the revaluations of these assets with the respectively impairment.

- **2012**

- **Onça Puma nickel assets**

Problems with the two furnaces in the Onça Puma project have led to the total stoppage of its iron-nickel operations since June 2012. After reviewing the case, Vale decided to rebuild one of the furnaces. Given this event, the carrying value of Onça Puma's assets required an adjustment for impairment to reflect its fair value.

The recoverable amount of Onça Puma's assets, once we determined these would not be recovered through undiscounted cash flows, was ascertained by determining their value from discounted cash flow projections based on financial budgets approved by management for the life of the mine. The projected cash flow was adjusted to reflect the effects of the quantities sold at the commodity futures prices and on the expected demand for the product.

The key assumptions used by management to calculate the impairment are the sales values of the commodities and the discount rate, reflecting the volatile nature of the business.

The discount rates applied to the future cash flow forecasts represent an estimate of the rate the market would apply to comply with the risk of the assets under valuation, Vale weighted average cost of capital is used as a basic point for determining the discount rates, with appropriate adjustments for the risk profile of the countries in which the individual reporting unit operate.

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- **Coal assets in Australia**

Increasing costs, falling market prices, reduced production levels and financially unfavorable regulatory changes were identified in the coal sector, leading us to carry out impairment tests.

The recoverable amount for the Australian assets was ascertained by determining through the calculation of value from discounted cash flow projections based on financial budgets approved by management for the life of the mine. The projected cash flow was adjusted to reflect the effects of the quantities sold at the commodity futures prices and on the expected demand for the product.

The key assumptions used by management to calculate the impairment of coal assets in Australia are the commodities prices and the discount rate, reflecting the volatile nature of the business.

- **Other**

In 2012 changes in the Company's strategy have altered the expected cash flows from some of our other operations, such as of oil and gas and other projects.

The recoverable amount of these assets was ascertained from the new cash flow projections from financial budgets recently revised and approved by management.

- b) **Investment**

- **2012**

- **Investment in Norsk Hydro ASA**

The Company held 22% stake in the affiliated Norsk Hydro ASA ( Norsk Hydro ), which is accounted for the equity method.

The volatility of aluminum prices and uncertainties about the European economy contributed to a reduction in the traded market value of Norsk Hydro.

The Company assessed that the reduction of the market value of Norsk Hydro as other than temporary and thus recognized an impairment charge in this affiliated, adjusting the book value for its fair value.

At December 31, 2012 Norsk Hydro s shares at the close of trading were quoted at US\$ 4.99 per share resulting in a value of US\$ 2,237.

- **Investment in Thyssenkrupp CSA**

We recorded an impairment charge against the carrying value of our 26.87% interest in Thyssenkrupp CSA to reflect a reduction in the investment recoverable amount. The fair value based on future cash flow and does not take into account the inherent value of our rights as the exclusive suppliers of ore to the mill which comprise an integral component of our investment strategy.

- **Investment in Vale Soluções de Energia**

Changes in the investment strategy of the Company have altered the expected cash flows from operations of our joint venture Vale Soluções de Energia.

The carrying value for VSE was ascertained from the new cash flow projections from financial budgets recently approved by management for the joint venture.

- c) **Goodwill and intangible assets of indefinite life**

The goodwill arose from the process of acquisition of part of our business mainly represented by of iron ore and pellets (US\$1,829), nickel (US\$1,744) and fertilizer (US\$567).

The annual impairment review resulted in no impairment charge both for 2013 and 2012. For impairment testing purpose, we used a specific discount rate by asset, which consider a premium for country and business segment risk.



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The key assumption to which the discounted cash flow is more sensitive is the sales prices and production cost.

**17. Loans and Financing****a) Total debt**

	Current liabilities			Noncurrent liabilities		
	December 31, 2013	December 31, 2012	January 1, 2012	December 31, 2013	December 31, 2012	January 1, 2012
<b>Debt contracts abroad</b>						
Working capital			22			
<b>Loans and financing in:</b>						
United States Dollars	334	604	897	4,662	3,379	2,345
Others currencies	2	14	18	3	261	242
<b>Fixed rates:</b>						
Notes indexed in						
United States Dollars	12	124		13,808	13,458	10,231
Euro				2,066	1,979	970
Accrued charges	350	324	221			
	<b>698</b>	<b>1,066</b>	<b>1,158</b>	<b>20,539</b>	<b>19,077</b>	<b>13,788</b>
<b>Debt contracts in Brazil</b>						
<b>Loans and financing in:</b>						
Indexed to TJLP, TR, IGP-M and CDI	750	140	138	5,000	5,679	4,136
Basket of currencies, Libor	175	165		1,365	1,192	
Non-convertible debentures		1,958		372	379	2,505
<b>Fixed rates:</b>						
Loans in United States Dollars	6	6		80	86	1,109
Loans in Reais	47	35	109	314	386	
Accrued charges	99	101	112			
	<b>1,077</b>	<b>2,405</b>	<b>359</b>	<b>7,131</b>	<b>7,722</b>	<b>7,750</b>
	<b>1,775</b>	<b>3,471</b>	<b>1,517</b>	<b>27,670</b>	<b>26,799</b>	<b>21,538</b>

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



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The long-term portion as at December 31, 2013 has maturities as follows:

2015	1,245
2016	1,981
2017	2,407
2018	4,029
2019 onwards	<b>18,008</b>
	<b>27,670</b>

As at December 31, 2013, the annual interest rates on the long-term debts were as follows:

Up to 3%	6,616
3,1% to 5% (a)	5,873
5,1% to 7% (b)	12,463
7,1% to 9% (b)	1,166
9,1% to 11% (b)	572
Over 11% (b)	2,636
Variable	119
	<b>29,445</b>

(a) Includes Eurobonds. For this operation we have entered into derivative transactions at a coupon of 4.51% per year in US dollars.

(b) Includes Brazilian Real denominated debt that bears interest at the CDI and TJLP, plus spread. For these operations, we have entered into derivative transactions to mitigate our exposure to the floating rate debt denominated in Brazilian Real, totaling US\$6,102 of which US\$5,785 has an original interest rate above 5.1% per year. The average cost of debts not denominated in U.S. Dollars after entering derivatives transactions is 2.29% per year.

Non-convertible Debentures	Quantity as at December 31, 2013			Interest	December 31, 2013	Balance sheet	
	Issued	Outstanding	Maturity			December 31, 2012	January 1, 2012
2nd Series	400,000	400,000	November 20, 2013	100% CDI + 0.25%		1,973	2,167
Tranche B - Salobo	5	5	No date	6.5% p.a + IGP-DI	372	379	364
					<b>372</b>	<b>2,352</b>	<b>2,531</b>
Short-term portion						1,958	
Long-term portion					372	379	2,505
Accrued charges						15	26
					<b>372</b>	<b>2,352</b>	<b>2,531</b>

Table of Contents**b) Funding**

In November and December 2013, Vale issued five and seven years pre-export financing facilities linked to future receivables from export sales totaling US\$1,380 billion. The amounts related to these contracts were fully disbursed.

In December 2013, Vale issued US\$277 in export credit notes to Brazilians commercial banks that will mature in 2023.

On January 15, 2014 (subsequent event), Vale issued infrastructure debentures in the total amount of US\$427. In last quarter of 2013 Vale paid approximately US\$1,708 of its total debt.

**c) Revolving credit lines**

In June 2013 Vale entered into a new facility with Banco Nacional de Desenvolvimento Econômico Social ( BNDES ) for a total amount of US\$47, to finance the acquisition of domestic equipment in Brazil.

In July 2013, Vale entered into a five-year revolving credit facility with a syndicate of 16 commercial banks that added US\$2 billion to the total amount available under our revolving credit facilities. Considering the existing US\$3 billion facility that will mature in 2016, the total amount Vale has available under revolving credit lines is currently US\$5 billion.

Type	Contractual Currency	Date of agreement	Available until	Total amount available to be drawn	December 31, 2013	Amounts drawn on December 31, 2012	January 1, 2012
<b>Revolving Credit Lines</b>							
Revolving Credit Facility - Vale/ Vale International/ Vale Canada	US\$	April 2011	5 years	3,000			
Revolving Credit Facility - Vale/ Vale International/ Vale Canada	US\$	July 2013	5 years	2,000			
<b>Credit Lines</b>							
Export-Import Bank of China and Bank of China Limited	US\$	September 2010(a)	13 years	1,229	985	837	467
BNDES	R\$	April 2008(b)	10 years	3,116	1,975	1,529	1,193
BNDES - CLN 150	R\$	September 2012(c)	10 years	1,658	1,314	900	

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BNDES - Investment					
Sustenance Program ( PSI ) 3.0%	R\$	June 2013(d)	10 years	47	37
BNDES - Tecnores 3.5%	R\$	December 2013(e)	8 years	58	

- 
- (a) Acquisition of twelve large ore carriers from Chinese shipyards.
  - (b) Memorandum of understanding signature date, however projects financing term is considered from the signature date of each projects contract amendment.
  - (c) CLN 150 project.
  - (d) Acquisition of domestic equipment.
  - (e) Support to Tecnores investment plan from 2013 to 2015.

The currency of total amount available and disbursed different from reporting currency is affected by exchange rate variation among periods.

These credit lines from Nexi, JBIC, K-Sure, EDC, BNDES: Vale Fertilizantes, PSI 4.50% and 5.50% were taken off this note, because they have been used in its entirety.

On January 30, 2014 (subsequent event) Vale entered into a new facility with the Canadian agency EDC for a total amount of US\$775. No withdrawn occurred.

### d) **Guarantee**

On December 31, 2013, US\$1,456 of the total aggregate outstanding debt was secured by property, plant and equipment and receivables.

### e) **Covenants**

Our principal covenants require us to maintain certain ratios, such as debt to EBITDA (Earnings before Interest Taxes, Depreciation and Amortization) and interest coverage. We have not identified any instances of noncompliance as at December 31, 2013.

Table of Contents**18. Asset retirement obligation**

The Company uses various judgments and assumptions when measuring its obligations related to the retirement of assets. The accrued amounts of these obligations are not deducted from the potential costs covered by insurance or indemnities, because their recovery is considered uncertain.

Long term interest rates used to discount these obligations to their present values and to update the provisions as at December 31, 2013, 2012 and 2011 were 6.39%, 5.03% p.a. and 5.82% p.a. respectively. The liability is periodically updated based on these discount rates plus the inflation index (IGPM) for the period.

The changes in the provision for asset retirement obligation are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
<b>Balance at beginning of year</b>	<b>2,748</b>	<b>1,922</b>	<b>1,518</b>
Increase expense	201	170	127
Settlement in the current year	(40)	(14)	(57)
Revisions in estimated cash flows	15	782	420
Translation adjustments for the year	(276)	(112)	(86)
<b>Effect of discontinued operations</b>			
Transfer to held for sale	(4)		
<b>Balance at end of year</b>	<b>2,644</b>	<b>2,748</b>	<b>1,922</b>
Current	96	70	73
Non-current	2,548	2,678	1,849
	<b>2,644</b>	<b>2,748</b>	<b>1,922</b>

Table of Contents**19. Provision for litigation**

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

	Tax litigation	Civil litigation	Labor litigation	Environmental litigation	Total of litigation provision
<b>Balance as of January 1, 2011</b>	<b>746</b>	<b>510</b>	<b>748</b>	<b>39</b>	<b>2,043</b>
Additions	154	72	397	7	630
Reversals	(82)	(202)	(57)	(10)	(351)
Payments	(67)	(79)	(242)	(4)	(392)
Monetary adjustment	64	(10)	(10)	4	48
Translation adjustment	(162)	(43)	(89)	(3)	(297)
<b>Effect of discontinued operations</b>					
Net movements of the year	1		4		5
<b>Balance as of December 31, 2011</b>	<b>654</b>	<b>248</b>	<b>751</b>	<b>33</b>	<b>1,686</b>
Additions	626	78	307	11	1,022
Reversals	(76)	(28)	(208)	(6)	(318)
Payments	(155)	(3)	(22)	(2)	(182)
Monetary adjustment	34	16	(7)	2	45
Translation adjustment	(87)	(18)	(62)	(4)	(171)
<b>Effect of discontinued operations</b>					
Net movements of the year		(6)	(9)		(15)
Transfer to held for sale			(2)		(2)
<b>Balance as of December 31, 2012</b>	<b>996</b>	<b>287</b>	<b>748</b>	<b>34</b>	<b>2,065</b>
Additions	19,459	79	252	7	19,797
Reversals	(10,083)	(72)	(160)	(12)	(10,327)
Payments	(2,924)	(154)	(82)		(3,160)
Indexation and interest	(30)	121	75	3	169
Translation adjustment	(110)	(43)	(95)	(5)	(253)
Transfer to income taxes - settlement program	(6,977)				(6,977)
<b>Effect of discontinued operations</b>					
Net movements of the year	(1)	(3)	(2)		(6)
Transfer to held for sale		(6)	(27)	1	(32)
<b>Balance as of December 31, 2013</b>	<b>330</b>	<b>209</b>	<b>709</b>	<b>28</b>	<b>1,276</b>

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

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In November 2013 we elected to participate in the REFIS, a federal tax settlement program with respect to most of the claims related to the collection of income tax and social contribution on equity gain of foreign subsidiaries and affiliates which the expectation of loss was classified as possible (Note 20). See below the REFIS changes initially recognized as provisions for tax litigation.

	<b>REFIS changes in tax litigation</b>
<b>Balance as at December 31, 2012</b>	
Additions	19,356
Reversals REFIS benefit acquired	(9,798)
Payments:	(2,594)
Indexation and interest	66
Translation adjustment	(53)
Transfer to income taxes - settlement program:	
Current liabilities	(470)
Non-current liabilities	(6,507)
<b>Balance as at December 31, 2013</b>	

As a consequence the amount of possible tax contingent liabilities has been reduced in 2013.

On September 2012, we have considered as probable the loss related to the deductibility of transportation expenditures in arriving at the amount upon which the CFEM is calculated, increasing the provision of US\$542. Since then we paid US\$410 of CFEM. As at December 31, 2013, December 31, 2012 and January 1, 2012 the total liability to CFEM recognized was US\$60, US\$519 and US\$151, respectively.

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**Provisions for civil litigation** - They are related to the demands that involve contracts between Vale and unrelated companies with their service providers, requiring differences in values due to alleged losses that have occurred due to various economic plans, other demands are related to accidents, actions damages and still others related to monetary compensation in action vindicatory.

**Provisions for labor and social security litigation** - Consist of lawsuits filed by employees and service providers, from employment relationship. The most recurring claims are payment of overtime, hours *in itinere*, and health and safety. The social security contingencies are from legal and administrative disputes between the INSS and the Vale companies, relating to compulsory social security or not.

In addition to those provisions, there are judicial deposits. These court-ordered deposits are accruing interest and are reported in noncurrent assets. Judicial deposits are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Tax litigations	433	435	413
Civil litigations	176	172	151
Labor litigations	870	903	895
Environmental litigations	11	5	5
<b>Total</b>	<b>1,490</b>	<b>1,515</b>	<b>1,464</b>

The Company is challenging at administrative and judicial levels, claims where the expectation of loss is classified as possible and considers that there is no need to recognize a provision.

These possible contingent liabilities are split between tax, civil, labor and social security, and are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Tax litigation	3,789	16,492	17,967
Civil litigation	768	1,124	1,483
Labor litigation	2,900	1,728	1,923
Environmental litigation	1,165	1,672	1,076
<b>Total</b>	<b>8,622</b>	<b>21,016</b>	<b>22,449</b>

The most significant possible loss tax risk relates to the deductibility of social contribution payments on the Income Tax Bases.

**20. Income Tax Settlement Program ( REFIS )**

In October 2013 the Brazilian tax authority established a corporate Income Tax Settlement Program ( REFIS ), related to the collection of Income tax and Social Contribution on equity earning of foreign subsidiaries of Brazilian companies. Under the terms of this REFIS, the amounts due through December 31, 2012 may be paid as follows: (i) upfront payment with 100% reduction of penalty, interest and other legal charges or (ii) in 180 monthly installments, with 20% down payment at the time of joining the program, with 80% reduction of penalty, 50% reduction of interest and 100% reduction of legal charges.

As mentioned in Note 19, Vale is subject to claim by the Brazilian tax authorities related to the collection of Income taxes on equity gain on foreign subsidiaries and affiliates. The classification of those claims as of possible loss remains unchanged, and as a consequence, no provision had been recorded.

In November 2013, The Company elected to participate in the REFIS for payment of amounts relating to income tax and social contribution on the net income of its non-Brazilian subsidiaries and affiliates from 2003 to 2012. Our participation in the REFIS resulted in a substantial reduction in the amounts in dispute and is consistent with our goal of eliminating uncertainties and focusing on our core businesses while preserving potential benefits from legal challenges to the tax regime for foreign subsidiaries.

Among the options offered by the REFIS legislation, we elected to settle the 2003, 2004 and 2006 obligation, and pay in monthly installments with penalties and interest the remaining years 2005 and 2007 to 2012.



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As detailed in Note 19, following the REFIS, Vale's total obligation is US\$9.6 billion. Including the upfront payments and the first installment, Vale paid US\$2.6 billion in 2013 and the remaining US\$7 billion will be paid in 178 monthly installments, bearing interest at the SELIC rate.

The effects of the Statement of Income as at December 31, 2013 are summarized as follows:

<b>Finance expense</b>	
Initial recognition of interest/finances	(12,162)
Reversal of interest/finances - benefit from electing to join the program	9,525
<b>Net increase on financial expenses</b>	<b>(2,637)</b>
<b>Income tax expense</b>	
Recognition of obligation	(7,460)
Tax effect of deductibility of interest/finances	2,841
Other effects	786
	<b>(3,832)</b>
Amount related to discontinued operation	(216)
<b>Net effect on income tax expense - continued operations</b>	<b>(4,048)</b>
<b>Total effect on Statement of Income</b>	<b>(6,685)</b>

**21. Deferred Income Taxes**

We analyze the potential tax impact associated with undistributed earnings of each our subsidiaries and affiliates. For those subsidiaries in which undistributed earnings are intended to be reinvested indefinitely, no deferred tax is recognized. Undistributed earnings of foreign consolidated subsidiaries and affiliates totaled approximately US\$25,086 on December 31, 2013 based on international accounting Standards (IFRS). As described in Note 20, in 2013 we entered in the Brazilian REFIS program to pay the amounts relating to the collection of income taxes on equity gain on foreign subsidiaries and affiliates from 2003 to 2012 and therefore, the repatriation of these earnings would have no Brazilian tax consequences.

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

	December 31, 2013	December 31, 2012 (i)	January 1, 2012 (i)
<b>Taxes losses carryforward</b>	<b>2,053</b>	<b>1,274</b>	<b>915</b>
<b>Temporary differences:</b>			
Pension plan	643	867	708

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Provision for litigation	341	574	467
Impairment of Assets	962	845	791
Fair value of financial instruments	1,075	806	530
Allocated Goodwill	(4,774)	(5,030)	(6,578)
Impairment	1,222	1,569	
Others	(227)	(279)	(389)
	(758)	(648)	(4,471)
<b>Total</b>	<b>1,295</b>	<b>626</b>	<b>(3,556)</b>
Assets	4,523	4,053	1,909
Liabilities	(3,228)	(3,427)	(5,465)
	<b>1,295</b>	<b>626</b>	<b>(3,556)</b>

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(i) Recast according to Note 6.

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	Assets	Liabilities	Total
<b>Balance as at January 1, 2011 (i)</b>	<b>1,358</b>	<b>7,587</b>	<b>(6,229)</b>
Net income effect	648	374	274
Subsidiary acquisition (sale)		76	(76)
Translation adjustment for the year	(146)	(333)	187
Deferred social contribution		(2,134)	2,134
Other comprehensive income	49	(101)	150
<b>Effect of discontinued operations</b>			
Net movements of the year		(4)	4
<b>Balance as at December 31, 2011 (i)</b>	<b>1,909</b>	<b>5,465</b>	<b>(3,556)</b>
Net income effect	2,216	(1,461)	3,677
Subsidiary acquisition (sale)	(18)	(105)	87
Translation adjustment for the year	(146)	(198)	52
Other comprehensive income	92	(174)	266
<b>Effect of discontinued operations</b>			
Net movements of the year		(9)	9
Transfer to held for sale		(91)	91
<b>Balance as at December 31, 2012 (i)</b>	<b>4,053</b>	<b>3,427</b>	<b>626</b>
Net income effect	791	(162)	953
Translation adjustment for the year	(463)	(182)	(281)
Constitution/Reversal of Tax Carryforward	187		187
Other comprehensive income	(45)	227	(272)
<b>Effect of discontinued operations</b>			
Net movements of the year	283	(3)	286
Transfer to held for sale	(283)	(79)	(204)
<b>Balance as at December 31, 2013</b>	<b>4,523</b>	<b>3,228</b>	<b>1,295</b>

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(i) Recast according to Note 6.

The deferred assets liabilities of income taxes arising from tax losses, negative social contribution and temporary differences are recognized in the accounts, taking into consideration the analysis of future performance, based on economic and financial projections, prepared based on assumptions internal and macroeconomic, trade and tax scenarios that may suffer changes in the future.

These temporary differences that will be performed upon the occurrence of the corresponding relevant facts generators have the following expectations:

	December 31, 2013	December 31, 2012 (i)	January 1, 2012 (i)
<b>Deferred income taxes</b>			
To be recovered after than 12 months	535	270	(3,823)
To be recovered within 12 months	760	356	267
<b>Total</b>	<b>1,295</b>	<b>626</b>	<b>(3,556)</b>

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(i) Recast according to Note 6.

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

The total amount presented as income taxes results in the financial statements is reconciled with the rates established by law, as follows:

	2013	Year ended as at December 31, 2012 (i)	2011 (i)
<b>Net income before income taxes</b>	7,241	4,091	27,913
<b>Income taxes at statutory rates - 34%</b>	<b>(2,462)</b>	<b>(1,391)</b>	<b>(9,490)</b>
<b>Adjustments that affects the basis of taxes:</b>			
Income tax benefit from interest on stockholders equity	1,167	1,337	1,655
Tax incentive		204	704
Results of overseas companies taxed by different rates which differs from the parent company rate	146	208	1,356
Results of equity investments	173	219	386
Undeductible impairment	(719)	(359)	
Reversal of deferred tax liabilities		1,236	
Constitution/reversal for tax loss carryforward	180	(228)	(297)
Income taxes statement program - REFIS (Note 20)	(4,954)		
Other (ii)	(364)	(52)	421
<b>Income taxes on the profit for the year</b>	<b>(6,833)</b>	<b>1,174</b>	<b>(5,265)</b>

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(i) Recast according to Note 6.

(ii) Include mainly provisional tax on export sale.

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• **Tax Incentives**

In Brazil, Vale has a tax incentive for the partial reduction of income tax due to the amount equivalent to the portion allocated by tax law to transactions in the North and Northeast regions with iron, pellets, railroad, manganese, copper and potash. The incentive is calculated based on the tax profit of the activity (called operating income), takes into consideration the allocation of operating profit by incentive production levels during the periods specified for each product as grantees, and generally, for 10 years and are in the case of Company expire until 2020. An amount equal to that obtained with the tax saving must be appropriated in a retained earnings reserve account in Stockholders' equity, and may not be distributed as dividends to Stockholders.

Vale benefits from the allocation of part of income tax due to be reinvested in the purchase of equipment in incentive operation, subject to subsequent approval by the regulatory agency in the incentive area of Superintendence for the Development of Amazonia (SUDAM) and the Superintendence for the Development of Northeast (SUDENE). When the reinvestment approved, the tax benefit is also appropriate in retained earnings reserve, which impaired is the distribution as dividends to Stockholders

Vale also has tax incentives related to the production of nickel from Vale New Caledonia (VNC). These incentives include temporary exemptions of the total income tax during the construction phase of the project, and also for a period of 15 years beginning in the first year of commercial production as defined by applicable law, followed by 5 years with refund of 50% of temporary. In addition, VNC is eligible for certain exemptions from indirect taxes such as import tax during the construction phase and throughout the commercial life of the project. Some of these tax benefits, including temporary tax incentives, are subject to an earlier interruption if the project achieves a specified cumulative rate of return. VNC is taxable for a portion of profits starting in the first year that commercial production is reached, as defined by applicable law. So far, there has been no taxable income realized in New Caledonia. Vale also received tax incentives for projects in Mozambique, Oman and Malaysia.

Vale is subject to the revision of income tax by local tax authorities for up to five years in companies operating in Brazil, ten years for operations in Indonesia and up to seven years for companies with operations in Canada.

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**22. Employee Benefits Obligations**

**a) Retirement Benefits Obligations**

In Brazil, the management of the pension plans of the Company is the responsibility of the Fundação Vale do Rio Doce de Seguridade Social ( Valia ) a nonprofit private entity with administrative and financial autonomy.

Certain of the Company's employees are, participants in variable contribution defined benefit plans ( Plano de Benefício Vale Mais e Plano de Benefício VALIAPREV or the New Plan ), specific coverage for death, pensions and disability allowances and other defined contributions for programmable benefits. The defined benefits plan is subject to actuarial evaluations. The defined contribution plan represents a fixed amount held on behalf of the participants.

The Company also maintains sponsor a pension plan with defined benefit characteristics, covering almost exclusively retirees and their beneficiaries, the plan is in surplus and contributions by the Company are not expressive.

Due to the migration of assets to Vale Mais Plan in May 2000 the Company employees maintained a defined benefit plan (proportional benefit) for these employees and beneficiaries. This plan is funded by monthly contributions made by the Company, calculated based on periodic actuarial valuations.

Additionally, the Company sponsors a specific group of former employees entitled to receive additional benefits from Valia normal payments, through the so called Complementation Bonus plus post-retirement benefit that covers medical, dental and pharmaceutical assistance.

The Company also has defined benefit plans and other post-employment benefits administered by other foundations and social security entities benefit all employees.

Employers' disclosure about pensions and other post-retirement benefits on the status of the defined benefit elements of all plans is provided.

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We use a measurement date December 31, 2013 for our pension and post-retirement benefit plans.

**i. Change in benefit obligation:**

	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans
<b>Benefit obligation as at January 1, 2011 (i)</b>	<b>3,623</b>	<b>5,662</b>	<b>1,595</b>
Service Costs	18	78	18
Interest Costs	513	272	98
Benefits paid	(344)	(363)	(83)
Participant contributions	3		
Plan amendments		5	
Transfers	1,126	(1,126)	
Effects of change in financial assumptions	157	26	11
Effects of setting the experiment	67	307	131
Effect of business combinations		8	2
Effect of exchange rate changes	(552)	(277)	(54)
<b>Benefit obligation as at December 31, 2011 (i)</b>	<b>4,611</b>	<b>4,592</b>	<b>1,718</b>
Service Costs		114	35
Interest Costs	309	403	99
Benefits paid	(237)	(439)	(76)
Participant contributions		2	
Plan amendments		(35)	23
Plan settlements		(30)	
Transfers	(1,434)	1,495	16
Effects of change in financial assumptions	452	501	75
Effects of setting the experiment	232	618	253
Effect of business combinations		2	(27)
Effect of exchange rate changes	(366)	(67)	(71)
<b>Benefit obligation as at December 31, 2012 (i)</b>	<b>3,567</b>	<b>7,156</b>	<b>2,045</b>
Service Costs	49	97	42
Interest Costs	461	220	131
Benefits paid	(312)	(334)	(76)
Participant contributions	1		
Plan amendments			(16)
Transfers	1,910	(1,907)	
Effects of change in demographic assumptions	(6)	145	21
Effects of change in financial assumptions	(659)	(446)	(227)
Effects of setting the experiment	(394)	32	(43)
Effect of business combinations		2	
Effect of exchange rate changes	(537)	(559)	(184)
<b>Benefit obligation as at December 31, 2013</b>	<b>4,080</b>	<b>4,406</b>	<b>1,693</b>

(i) Recast according to Note 6.

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## ii. Evolution of the fair value of assets

	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans
<b>Fair value of plan assets as at January 1, 2011 (i)</b>	<b>5,586</b>	<b>4,637</b>	<b>13</b>
Interest income	731	107	
Employer contributions	65	512	83
Participant contributions	3		
Benefits paid	(344)	(363)	(83)
Transfers	1,099	(1,099)	
Plan settlements		(14)	(11)
Return on plan assets (excluding interest income)	(109)	22	
Effect of exchange rate changes	(754)	(139)	(1)
<b>Fair value of plan assets as at December 31, 2011 (i)</b>	<b>6,277</b>	<b>3,663</b>	<b>1</b>
Transfers	(1,541)	1,541	
Interest income	469	384	
Employer contributions	1	223	76
Participant contributions		2	
Benefits paid	(237)	(439)	(76)
Plan settlements		(44)	
Return on plan assets (excluding interest income)	(79)	412	
Effect of exchange rate changes	(478)	(57)	
<b>Fair value of plan assets as at December 31, 2012 (i)</b>	<b>4,412</b>	<b>5,685</b>	<b>1</b>
Transfers	1,765	(1,763)	
Interest income	523	168	
Employer contributions	141	190	76
Participant contributions	1		
Benefits paid	(312)	(334)	(76)
Plan settlements		(91)	
Return on plan assets (excluding interest income)	(576)	315	
Effect of exchange rate changes	(683)	(366)	(1)
<b>Fair value of plan assets as at December 31, 2013</b>	<b>5,271</b>	<b>3,804</b>	

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(i) Recast according to Note 6.

Plan assets managed by Valia on December 31, 2013, December 31, 2012 and January 1, 2012 include investments in a portfolio of our own stock amounting to US\$206, US\$300 and US\$340, investments in debentures amounting to US\$66, US\$57 and US\$63 and equity investments from related parties amounting to US\$6, US\$2 and US\$84, respectively. They also include at December 31, 2013, December 31, 2012 and January 1, 2012, US\$3,110, US\$3,882 and US\$3,552 of Brazilian Federal Government Securities. The Vale Canada Limited pension plan assets as at December 31, 2013, December 31, 2012 and January 1, 2012 included Canadian Government securities amounting to US\$789, US\$483 and US\$653, respectively. The Vale Fertilizantes and Ultrafétil at December 31, 2013, December 31, 2012 and January 1, 2012 include Brazilian Federal Government in securities of US\$183, US\$191 and US\$149, respectively.



iii. Reconciliation of assets and liabilities recognized in the Balance Sheet

	December 31, 2013			Plans in Brazil Consolidated December 31, 2012			January 1, 2012		
	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans
<b>Ceiling recognition of an asset (ceiling) / onerous liability</b>									
<b>Beginning of the year</b>	<b>844</b>			<b>1,596</b>			<b>1,931</b>		
Transfers				(40)	40				
Interest income	71			160	5		217		
Changes in asset ceiling/ onerous liability	422			(762)	(45)		(357)		
Effect of exchange rate changes	(146)			(109)			(194)		
<b>Ended of the year</b>	<b>1,191</b>			<b>845</b>			<b>1,597</b>		
<b>Amount recognized in the balance sheet</b>									
Present value of actuarial liabilities	(4,080)	(442)	(276)	(3,567)	(2,622)	(461)	(4,611)	(547)	(346)
Fair value of assets	5,271	423		4,412	2,381		6,277	427	
Effect of the asset ceiling	(1,191)			(845)			(1,666)		
<b>Assets (liabilities) to be provisioned</b>		<b>(19)</b>	<b>(276)</b>		<b>(241)</b>	<b>(461)</b>		<b>(120)</b>	<b>(346)</b>
Current liabilities			(23)		(86)	(20)		(11)	(64)
Non-current liabilities		(19)	(253)		(155)	(441)		(109)	(282)
<b>Assets (liabilities) to be provisioned</b>		<b>(19)</b>	<b>(276)</b>		<b>(241)</b>	<b>(461)</b>		<b>(120)</b>	<b>(346)</b>

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	December 31, 2013			Foreign plan Consolidated December 31, 2012			January 1, 2012		
	Overfunded pension plans	Underfunded pension plans	Others	Overfunded pension plans	Underfunded pension plans	Others	Overfunded pension plans	Underfunded pension plans	Others
			underfunded pension plans			underfunded pension plans			underfunded pension plans
<b>Amount recognized in the balance sheet</b>									
Present value of actuarial liabilities		(3,964)	(1,417)		(4,534)	(1,584)		(4,045)	(1,372)
Fair value of assets		3,381			3,304	1		3,236	1
<b>Assets (liabilities) to be provisioned</b>		<b>(583)</b>	<b>(1,417)</b>		<b>(1,230)</b>	<b>(1,583)</b>		<b>(809)</b>	<b>(1,371)</b>
Current liabilities		(9)	(65)		(29)	(70)		(28)	(66)
Non-current liabilities		(574)	(1,352)		(1,201)	(1,513)		(781)	(1,305)
<b>Assets (liabilities) to be provisioned</b>		<b>(583)</b>	<b>(1,417)</b>		<b>(1,230)</b>	<b>(1,583)</b>		<b>(809)</b>	<b>(1,371)</b>
	December 31, 2013			Total December 31, 2012			January 1, 2012		
	Overfunded pension plans	Underfunded pension plans	Others	Overfunded pension plans	Underfunded pension plans	Others	Overfunded pension plans	Underfunded pension plans	Others
			underfunded pension plans			underfunded pension plans			underfunded pension plans
<b>Ceiling recognition of an asset (ceiling) / onerous liability</b>									
<b>Beginning of the year</b>	<b>844</b>			<b>1,596</b>			<b>1,931</b>		
Transfers				(40)	40				
Interest income	71			160	5		217		
Changes in asset ceiling/ onerous liability	422			(762)	(45)		(357)		
Effect of exchange rate	(146)			(109)			(194)		

changes

Ended of the year	1,191		845				1,597		
<b>Amount recognized in the balance sheet</b>									
Present value of actuarial liabilities	(4,080)	(4,406)	(1,693)	(3,567)	(7,156)	(2,045)	(4,611)	(4,592)	(1,718)
Fair value of assets	5,271	3,804		4,412	5,685	1	6,277	3,663	1
Effect of the asset ceiling	(1,191)			(845)			(1,666)		
<b>Assets (liabilities) to be provisioned</b>									
		(602)	(1,693)		(1,471)	(2,044)		(929)	(1,717)
Current liabilities		(9)	(88)		(115)	(90)		(39)	(130)
Non-current liabilities		(593)	(1,605)		(1,356)	(1,954)		(890)	(1,587)
<b>Assets (liabilities) to be provisioned</b>									
		(602)	(1,693)		(1,471)	(2,044)		(929)	(1,717)

(i) Recast according to Note 6.

**iv. Recorded costs in the Statement of Income**

	December 31, 2013			December 31, 2012 (i)			December 31, 2011 (i)		
	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans
Current service cost	49	97	42		114	35	18	78	18
Interest on expense on liabilities	461	220	131	309	403	99	513	272	98
Interest income on plan assets	(523)	(169)		(469)	(384)		(731)	(107)	
Interest expense on effect of (asset ceiling)/onerous liability	13			160	12		200		
<b>Total of cost, net</b>		<b>148</b>	<b>173</b>		<b>145</b>	<b>134</b>		<b>243</b>	<b>116</b>

(i) Recast according to note 6.

v. **Costs recognized in the statement of other comprehensive income for the year**

	December 31, 2013			Consolidated December 31, 2012 (i)			December 31, 2011 (i)		
	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans
<b>beginning of the year</b>	(3)	(964)	(381)	(4)	(529)	(180)	7	(309)	(91)
Effect of changes in financial assumptions	666	301	206	(452)	(501)	(75)	(157)	(26)	(18)
Effect of experience adjustments	394	(34)	43	(232)	(620)	(226)	(67)	(315)	(133)
Return on plan assets (excluding interest income)	(576)	315		(79)	412		(109)	22	
Change of asset ceiling / costly liabilities (excluding interest income)	(424)			763	83		327		
	<b>60</b>	<b>582</b>	<b>249</b>		<b>(626)</b>	<b>(301)</b>	<b>(6)</b>	<b>(319)</b>	<b>(151)</b>
Income tax	(19)	(167)	(75)		182	90	6	92	45
<b>Others comprehensive income</b>	<b>41</b>	<b>415</b>	<b>174</b>		<b>(444)</b>	<b>(211)</b>		<b>(227)</b>	<b>(106)</b>
Effect of conversion	10	11	12	1	(21)	10	(11)	7	17
Transfers/ low	(142)	143	(1)						
Accumulated other comprehensive income	<b>(94)</b>	<b>(395)</b>	<b>(196)</b>	<b>(3)</b>	<b>(994)</b>	<b>(381)</b>	<b>(4)</b>	<b>(529)</b>	<b>(180)</b>

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(i) Recast according to Note 6.

v. **Actuarial and economic assumptions**

All calculations involve future actuarial projections about some parameters, such as: salaries, interest, inflation, the behavior of INSS benefits, mortality, disability, etc.

The economic actuarial assumptions adopted were formulated considering the long-term period for maturity and should therefore be examined in that light. So, in the short term, they may not necessarily be realized.

In the evaluations were adopted the following economic assumptions:

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	December 31, 2013			Brazil December 31, 2012			December 31, 2011		
	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans
Discount rate to determine benefit obligation	12.13%	12.46%	12.57%	8.90%	9.04%	9.05%	10.91%	10.78%	10.90%
Discount rate to determine net cost	9.98%	8.12%	8.12%	8.90%	9.45%	9.40%	10.78%	11.30%	10.30%
Rate of compensation increase - up to 47 years	6.00%	6.00%	N/A	8.15%	8.15%	N/A	8.15%	N/A	N/A
Rate of compensation increase - over 47 years	6.00%	6.00%	N/A	5.00%	5.00%	N/A	5.00%	5.00%	N/A
Inflation	6.00%	6.00%	6.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Health care cost trend rate	N/A	N/A	9.18%	N/A	N/A	8.15%	N/A	8.15%	8.15%

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	December 31, 2013		Foreign December 31, 2012		December 31, 2011	
	Underfunded pension plans	Others underfunded pension plans	Underfunded pension plans	Others underfunded pension plans	Underfunded pension plans	Others underfunded pension plans
Discount rate to determine benefit obligation	4.80%	5.40%	4.16%	4.20%	5.08%	5.10%
Discount rate to determine net cost	4.80%	5.40%	5.08%	4.20%	5.43%	5.43%
Rate of compensation increase - up to 47 years	4.00%	3.00%	4.10%	3.00%	4.10%	3.00%
Rate of compensation increase - over 47 years	4.00%	3.00%	4.10%	3.00%	4.10%	3.00%
Inflation	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Health care cost trend rate	N/A	7.00%	N/A	7.22%	N/A	7.22%
Ultimate health care cost trend rate	N/A	4.45%	N/A	4.49%	N/A	4.49%

vi. **Data from participants:**

	December 31, 2013			December 31, 2012			December 31, 2011		
	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans
<b>Active participants</b>									
Number	61,216	20,236	9,852	14	81,324	11,727	54,367	17,616	9,688
Average age - years	35.2	37.4	41.7	52.0	35.5	40.2	34.70	39.00	41.0
Average service - years	6.9	7.4	7.8	27.7	7.00	6.6	6.50	12.10	7.9
<b>Terminated vested participants (i)</b>									
Number	6,829	1,573			6,519		4,141	1,674	
Average age - years	36.9	49.5			47.1		35.1	49.1	
<b>Retirees and beneficiaries</b>									
Number	21,714	16,556	32,426	16,740	19,253	31,737	19,538	17,019	32,633
Average age - years	66.9	71.4	66.4	67.4	70.3	67.7	65.5	72.1	63

(i) Off employees of the Company retaining the right to the plane.

**vii. Assets of pension plans**

**Brazilian Plans**

The Investment Policy Statements of pension plans sponsored for Brazilian employees are based on a long term macroeconomic scenario and expected returns. An Investment Policy Statement was established for each obligation by following results of a strategic asset allocation (ALM Asset Liability Management) study.

Plan asset allocations comply with pension funds local regulation (CMN Resolution 3,792/09). The plans are allowed to invest in six different asset classes, defined as Segments by the law, as follows: Fixed Income, Equity, Structured Investments (Alternative Investments and Infra-Structure Projects), International Investments, Real Estate and Loans to Participants in compliance with pre approved policies.

The investment policy aims to achieve the adequate diversification, income and long-term appreciation, by combining all classes of assets to meet the obligations of the various plans with appropriate level of risk.

The pension fund has a risk management process with established policies aimed to identify measure and control all kinds of risk they are exposed benefit plans, such as market risk, liquidity, credit, operational, systemic and legal.

**Foreign plans**

The strategy for each of the pension plans sponsored by Vale Canada is based upon a combination of local practices and the specific characteristics of the pension plans in each country, including the structure of the liabilities, the risk versus reward trade-off between different asset classes and the liquidity required to meet benefit payments obligations.

Table of Contents**viii. Overfunded pension plans****Brazilian Plans**

The Defined Benefit Plan (the Old Plan) has most of its assets allocated to fixed income, mainly in Brazilian government bonds (such as TIPS) and long term inflation linked corporate bonds with the objective of reducing the asset-liability volatility. This Liability Driven Investments strategy, together with the Loans to Participants segment, aims to hedge the plan's liabilities against inflation risk and volatility, with allocation limited to 70% of the plans' assets. This plan had an average nominal income of 19% per annum, over the past 12 years. The target allocations for each investment segment or asset class are as follow:

	Year ended as at December 31,		
	2013	2012	2011
Fixed income investments	63.18%	59.86%	59.84%
Variable income investments	18.24%	24.25%	27.42%
Structures investments	4.21%	3.66%	2.85%
Foreign investments	0.19%	0.25%	0.20%
Real Estate	9.71%	8.34%	6.97%
Operations with participants (loans)	4.68%	3.56%	3.26%

The Vale Mais plan has obligations with the characteristics of defined benefit plans and defined contribution plans. Most investments are in fixed income. To reduce the volatility of assets and liabilities from the components with defined benefit's characteristics, we used Brazilian government bonds indexed to inflation. The following table shows the target allocations for each investment segment or asset class:

	Year ended as at December 31,		
	2013	2012	2011
Fixed income investments	64.96%	61.71%	65.52%
Variable income investments	16.52%	20.73%	22.73%
Structures investments	2.21%	2.08%	1.00%
Foreign investments	0.07%	0.10%	0.10%
Real Estate	5.20%	5.40%	4.60%
Operations with participants (loans)	11.09%	9.88%	9.07%

The Defined Contribution Vale Mais component offers four asset class mix options that can be chosen by participants. The options are: 100% Fixed Income; 80% Fixed Income and 20% Equities, 65% Fixed Income and 35% Equities or 60% Fixed Income and 40% Equities. Equities management is done through investment funds with Ibovespa (IBRX-50) index.



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Assets by category are as follows:

	December 31, 2013				December 31, 2012				January 1, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets by category</b>												
Cash and cash equivalents									2			2
Accounts Receivable	3			3	5			5	16			16
Equity securities	870			870	1,128			1,128	1,425	83		1,508
Debt securities - Corporate bonds		197		197		273		273		559		559
Debt securities - Government bonds	1,730			1,730	1,976			1,976	2,133			2,133
Investments funds - Fixed Income	2,702			2,702	1,678			1,678	2,292			2,292
Investments funds - Equity	340			340	252			252	539			539
International investments	10			10	15			15	13			13
Structured investments - Private Equity funds			227	227			192	192			194	194
Structured investments - Real estate funds			8	8			8	8			21	21
Real estate			547	547			458	458			482	482
Loans to participants			431	431			195	195			345	345
<b>Total</b>	<b>5,655</b>	<b>197</b>	<b>1,213</b>	<b>7,065</b>	<b>5,054</b>	<b>273</b>	<b>853</b>	<b>6,180</b>	<b>6,420</b>	<b>642</b>	<b>1,042</b>	<b>8,104</b>
Funds not related to risk plans				(1,794)				(1,768)				(1,827)
Fair value of plan assets at end of year				<b>5,271</b>				<b>4,412</b>				<b>6,277</b>

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Measurement of overfunded plan assets at fair value with no observable market variables - level 3

	Private Equity Funds	Real State Funds	Real State	Loans to Participants	Total
<b>Balance as of January 1, 2011</b>	<b>128</b>	<b>19</b>	<b>288</b>	<b>182</b>	<b>617</b>
Actual return on plan assets	(9)		88	55	134
Assets purchases, sales and settlements	41		149	130	320
Assets sold during the period	(1)		(23)	(130)	(154)
Cumulative translation adjustment	(23)	(1)	(57)	(42)	(123)
Transfers in and/ out of Level 3	58	3	37	150	248
<b>Balance as of December 31, 2011</b>	<b>194</b>	<b>21</b>	<b>482</b>	<b>345</b>	<b>1,042</b>
Actual return on plan assets	13	(8)	120	26	151
Assets purchases, sales and settlements	75		27	92	194
Assets sold during the period	(19)		(31)	(84)	(134)
Cumulative translation adjustment	(18)	(1)	(41)	(25)	(85)
Transfers in and/ out of Level 3	(53)	(4)	(99)	(159)	(315)
<b>Balance as of December 31, 2012</b>	<b>192</b>	<b>8</b>	<b>458</b>	<b>195</b>	<b>853</b>
Actual return on plan assets	13		95	48	156
Assets purchases, sales and settlements	29			236	265
Assets sold during the period	(18)		(42)	(196)	(256)
Cumulative translation adjustment	(30)		(71)	(47)	(148)
Transfers in and/ out of Level 3	41		107	195	343
<b>Balance as of December 31, 2013</b>	<b>227</b>	<b>8</b>	<b>547</b>	<b>431</b>	<b>1,213</b>

The targeted return on private equity assets in 2014 is 10.83% p.a. for the Old Plan and 11.06% p.a. for the New Plan. The targeted allocation is 5% for the Old Plan and 2.2% for the New Plan, ranging between 3% and 5% for the Old Plan and ranging between 1% and 2.5% for the New Plan. These investments have a longer investment horizon and lower liquidity that aim to profit from economic growth, especially in the infrastructure sector of the Brazilian economy. Usually the fair value of non-liquid assets is similar to their acquisition cost or book value. Some private equity funds, alternatively, apply the following methodologies: discounted cash flow analysis or analysis based on multiples.

The targeted return on loans to participants in 2014 is 10.83% p.a. for the Old Plan and 11.06% p.a. for the New Plan. The fair values pricing of these assets include provisions for non-paid loans, according to the local pension fund regulation.

The targeted return on real estate assets in 2014 is 10.83% p.a. for the Old Plan and 11.06% p.a. for the New Plan. The fair values of these assets are near to their carrying values. The pension fund hires companies specialized in real estate valuation that do not act in the market as brokers. All valuation techniques follow the local regulations.

#### ix. Underfunded pension plans

**Foreign plans**

For all pension plans except that of PT Vale Indonesia Tbk, a target asset allocation was 60% in equity investments and 40% in fixed income investments, with all securities being traded in the public markets. Fixed income investments are in domestic bonds for each plan's market and represent a mixture of government and corporate bonds. Equity investments are primarily global in nature and involve a mixture of large, mid and small capitalization companies with a modest explicit investment in domestic equities for each plan. The Canadian plans also use a currency hedging strategy (each currency exposure is 50% hedged) due to the large exposure to foreign securities. For PT Vale Indonesia Tbk, the target allocation is 20% equity investment and the remainder fixed income.

Assets by category are shown below:

	December 31, 2013				December 31, 2012				January 1, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets by category</b>												
Cash and cash equivalents	105	(32)		73	131	(34)		97	65	(24)		41
Accounts Receivable					4			4	11			11
Equity securities	1,527	8		1,535	1,565	19		1,584	1,231	2		1,233
Debt securities - Corporate bonds		370		370		510		510		259		259
Debt securities - Government bonds	182	790		972	545	484		1,029	33	627		660
Investments funds - Fixed Income	112			112	1,594	426		2,020	440	568		1,008
Investments funds - Equity	249	469		718	543	413		956	73	375		448
International investments					4			4		3		3
Structured investments - Private Equity funds							43	43				
Structured investments - Real estate funds	24			24								
Real estate							142	142				
Loans to participants							207	207				
<b>Total</b>	<b>2,199</b>	<b>1,605</b>		<b>3,804</b>	<b>4,386</b>	<b>1,818</b>	<b>392</b>	<b>6,596</b>	<b>1,853</b>	<b>1,810</b>		<b>3,663</b>
Funds not related to risk plans								(911)				
<b>Fair value of plan assets at the end of the year</b>				<b>3,804</b>				<b>5,685</b>				<b>3,663</b>

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Measurement of overfunded plan assets at fair value with no observable market variables - Level 3

	Private Equity Funds	Real State Funds	Real State	Loans to Participants	Total
<b>Balance as at January 1, 2011</b>	<b>14</b>	<b>1</b>	<b>37</b>	<b>151</b>	<b>203</b>
Transfers in and/ out of Level 3	(14)	(1)	(37)	(151)	(203)
<b>Balance as at December 31, 2011</b>					
Actual return on plan assets	1	(1)	35	28	63
Assets purchases, sales and settlements	34		13	105	152
Assets sold during the year	(6)		(3)	(71)	(80)
Cumulative translation adjustments	(2)		(1)	(9)	(12)
Transfers in and/ out of Level 3	16	1	98	154	269
<b>Balance as at December 31, 2012</b>	<b>43</b>		<b>142</b>	<b>207</b>	<b>392</b>
Cumulative translation adjustments	(2)		(35)	(12)	(49)
Transfers in and/ out of Level 3	(41)		(107)	(195)	(343)
<b>Balance as at December 31, 2013</b>					

**Assets of underfunded benefits plans**

Underfunded other benefits by asset category:

	December 31, 2013				December 31, 2012				January 1, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets by category</b>												
Cash and cash equivalents					1			1	1			1

**xi. Disbursement of future cash flow**

Vale expects to disburse US\$354 in 2014 in relation to pension plans and other benefits.

**xii. Sensitivity analysis**

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December 31, 2013

	Overfunded pension plans	Underfunded pension plans	Others underfunded pension plans
<b>Nominal discount rate</b>			
1% increase	8,611	8,242	3,543
Assumptions made	13.10%	5.84%	7.48%
Average duration of the obligation - (Years)	10.43	16.98	15.78
<b>1 % Reduction</b>			
1 % Reduction	10,700	10,529	4,533
Assumptions made	11.12%	3.84%	5.44%
Average duration of the obligation - (Years)	11.29	15.99	15.18

xiii. **Estimated future benefit payments**

The following table presents the expected benefit payments, which reflect future services:

	Overfunded pension plans	December 31, 2013 Underfunded pension plans	Others underfunded pension plans
2014	287	247	79
2015	305	244	81
2016	323	240	84
2017	341	237	86
2018	360	551	88
2019 and thereafter	2,097	2,722	176

Table of Contents**b) Incentive Plan in Results**

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

The Participation in the Results of the Company for each employee is calculated individually according to the achievement of goals previously established using of indicators for the, performance of the Company, Business Unit, Team and individual. The contribution of each performance unit to the performance scores of employees is discussed and agreed each year, between the Company and the unions representing the employees.

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

	Year ended as at December 31,		
	2013	2012	2011
Operational expenses	215	414	384
Cost of goods sold and services rendered	423	488	494
<b>Total</b>	<b>638</b>	<b>902</b>	<b>878</b>

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

In order to promote stockholder cultures, in addition to increasing the ability to retain executives and to strengthen the culture of sustainability performance, Vale has a Long-term Compensation Plan, for some executives of the Company, covering 3-year cycles.

Under the terms of the plan, the participants may allocate a portion of their annual bonus to the plan. Part of the bonus allocated to the plan is used by the executive to purchase preferred stock of Vale, through a prescribed financial institution under market conditions and without any benefit being provided by Vale.

The shares purchased by executive have no restrictions and can be sold at any time. However, the shares need to be held for a period of three years, and the executives need to maintained their employment relationship with the Vale during this period the participant shall be entitled, as long as the shares are not sold and employment relationship is maintained, to receive from the Vale, a payment in cash equivalent to the value of their stock holdings based under this scheme on market quotations. The total number of stocks linked to the plan as at December 31, 2013, December 31, 2012 and January 1, 2012 was 6,214,288, 4,426,046 and 3,012,538, respectively.

Additionally, certain executives eligible for long-term incentives have the opportunity to receive at the end of a three years cycle a monetary value equivalent to market value of a determined number of stocks based on an assessment of their careers and performance factors measured as an indicator of total return to the Stockholders.

Liabilities are measured at fair value on the date of each issuance of the report, based on market rates. Compensation costs incurred are recognized by the defined vesting period of three years. On December 31, 2013, 2012, 2011 we recorded a liability of US\$84, US\$87 and US\$109 respectively, in the Statement of Income.

Table of Contents**23. Classification of financial instruments**

The classification of financial assets and liabilities is shown in the following tables:

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



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

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

(c) See Note 25-a.

	December 31, 2012				
	Loans and receivables (a)	At fair value through profit or loss (b)	Derivatives designated as hedge (c)	Available for sale	Total
<b>Financial assets</b>					
<b>Current</b>					
Cash and cash equivalents	5,832				5,832
Short-term investments		246			246
Derivative financial instruments		265	16		281
Accounts receivable	6,795				6,795
Related parties	384				384
	<b>13,011</b>	<b>511</b>	<b>16</b>		<b>13,538</b>
<b>Non-current</b>					
Related parties	408				408
Loans and financing agreements	246				246
Derivative financial instruments		40	5		45
Others				7	7
	<b>654</b>	<b>40</b>	<b>5</b>	<b>7</b>	<b>706</b>
<b>Total of Assets</b>	<b>13,665</b>	<b>551</b>	<b>21</b>	<b>7</b>	<b>14,244</b>
<b>Financial liabilities</b>					
<b>Current</b>					
Suppliers and contractors	4,529				4,529
Derivative financial instruments		346	1		347
Loans and financing	3,471				3,471
Related parties	207				207
	<b>8,207</b>	<b>346</b>	<b>1</b>		<b>8,554</b>
<b>Non-current</b>					
Derivative financial instruments		783			783
Loans and financing	26,799				26,799
Related parties	72				72
Stockholders					
Debentures		1,653			1,653
	<b>26,871</b>	<b>2,436</b>			<b>29,307</b>
<b>Total of Liabilities</b>	<b>35,078</b>	<b>2,782</b>	<b>1</b>		<b>37,861</b>

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

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

(c) See Note 25-a.



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	Loans and receivables (a)	At fair value through profit or loss (b)	January 1, 2012 Derivatives designated as hedge (c)	Available for sale	Total
<b>Financial assets</b>					
<b>Current</b>					
Cash and cash equivalents	3,531				3,531
Derivative financial instruments		434	161		595
Accounts receivable	8,505				8,505
Related parties	82				82
	<b>12,118</b>	<b>434</b>	<b>161</b>		<b>12,713</b>
<b>Non-current</b>					
Related parties	509				509
Loans and financing agreements	210				210
Derivative financial instruments		60			60
Others				7	7
	<b>719</b>	<b>60</b>		<b>7</b>	<b>786</b>
<b>Total of Assets</b>	<b>12,837</b>	<b>494</b>	<b>161</b>	<b>7</b>	<b>13,499</b>
<b>Financial liabilities</b>					
<b>Current</b>					
Suppliers and contractors	4,814				4,814
Derivative financial instruments		59	14		73
Loans and financing	1,517				1,517
Related parties	24				24
	<b>6,355</b>	<b>59</b>	<b>14</b>		<b>6,428</b>
<b>Non-current</b>					
Derivative financial instruments		663			663
Loans and financing	21,538				21,538
Related parties	91				91
Stockholders					
Debentures		1,336			1,336
	<b>21,629</b>	<b>1,999</b>			<b>23,628</b>
<b>Total of Liabilities</b>	<b>27,984</b>	<b>2,058</b>	<b>14</b>		<b>30,056</b>

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

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

(c) See Note 25-a.

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The classification of financial assets and liabilities of currencies following tables:

Financial assets	December 31, 2013						Total
	R\$	US\$	CAD	AUD	EUR	Others currencies	
<b>Current</b>							
Cash and cash equivalents	1,856	3,243	47	92	34	49	5,321
Short-term investments	3						3
Derivative financial instruments	161	40					201
Accounts receivable	465	5,107	11	56	1	63	5,703
Related parties	182	79					261
	<b>2,667</b>	<b>8,469</b>	<b>58</b>	<b>148</b>	<b>35</b>	<b>112</b>	<b>11,489</b>
<b>Non-current</b>							
Related parties	9	99					108
Loans and financing agreements	82	159					241
Derivative financial instruments		140					140
Others		5					5
	<b>91</b>	<b>403</b>					<b>494</b>
<b>Total of Assets</b>	<b>2,758</b>	<b>8,872</b>	<b>58</b>	<b>148</b>	<b>35</b>	<b>112</b>	<b>11,983</b>
<b>Financial liabilities</b>							
<b>Current</b>							
Suppliers and contractors	1,880	1,030	607	118	99	38	3,772
Derivative financial instruments	186	52					238
Loans and financing	890	800		2	83		1,775
Related parties	204	1					205
	<b>3,160</b>	<b>1,883</b>	<b>607</b>	<b>120</b>	<b>182</b>	<b>38</b>	<b>5,990</b>
<b>Non-current</b>							
Derivative financial instruments	1,361	131					1,492
Loans and financing	5,686	19,915		3	2,066		27,670
Related parties		5					5
Stockholders Debentures	1,775						1,775
	<b>8,822</b>	<b>20,051</b>		<b>3</b>	<b>2,066</b>		<b>30,942</b>
<b>Total of Liabilities</b>	<b>11,982</b>	<b>21,934</b>	<b>607</b>	<b>123</b>	<b>2,248</b>	<b>38</b>	<b>36,932</b>

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December 31, 2012

Financial assets	R\$	US\$	CAD	AUD	EUR	Others currencies	Total
<b>Current</b>							
Cash and cash equivalents	963	4,680		139	2	48	5,832
Short-term investments		246					246
Derivative financial instruments	245	36					281
Accounts receivable	785	5,772	8	112	55	63	6,795
Related parties	209	166			9		384
	<b>2,202</b>	<b>10,900</b>	<b>8</b>	<b>251</b>	<b>66</b>	<b>111</b>	<b>13,538</b>
<b>Non-current</b>							
Related parties	6	141			261		408
Loans and financing agreements	92	154					246
Derivative financial instruments	2	43					45
Others		7					7
	<b>100</b>	<b>345</b>			<b>261</b>		<b>706</b>
<b>Total of Assets</b>	<b>2,302</b>	<b>11,245</b>	<b>8</b>	<b>251</b>	<b>327</b>	<b>111</b>	<b>14,244</b>
<b>Financial liabilities</b>							
<b>Current</b>							
Suppliers and contractors	2,185	711	1,109	361	115	48	4,529
Derivative financial instruments	273	74					347
Loans and financing	2,231	1,160	11	4	65		3,471
Related parties	207						207
	<b>4,896</b>	<b>1,945</b>	<b>1,120</b>	<b>365</b>	<b>180</b>	<b>48</b>	<b>8,554</b>
<b>Non-current</b>							
Derivative financial instruments	690	93					783
Loans and financing	6,444	18,115	256	5	1,979		26,799
Related parties		72					72
Stockholders Debentures	1,653						1,653
	<b>8,787</b>	<b>18,280</b>	<b>256</b>	<b>5</b>	<b>1,979</b>		<b>29,307</b>
<b>Total of Liabilities</b>	<b>13,683</b>	<b>20,225</b>	<b>1,376</b>	<b>370</b>	<b>2,159</b>	<b>48</b>	<b>37,861</b>

January 1, 2012

Financial assets	R\$	US\$	CAD	AUD	EUR	Others currencies	Total
<b>Current</b>							
Cash and cash equivalents	1,026	2,322	3	48		132	3,531
Derivative financial instruments	307	288					595
Accounts receivable	1,159	7,095	33	145		73	8,505
Related parties	57	25					82
	<b>2,549</b>	<b>9,730</b>	<b>36</b>	<b>193</b>		<b>205</b>	<b>12,713</b>
<b>Non-current</b>							
Related parties	20	135			354		509
Loans and financing agreements	87	123					210
Derivative financial instruments	52	8					60
Others		7					7
	<b>159</b>	<b>273</b>			<b>354</b>		<b>786</b>

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<b>Total of Assets</b>	<b>2,708</b>	<b>10,003</b>	<b>36</b>	<b>193</b>	<b>354</b>	<b>205</b>	<b>13,499</b>
<b>Financial liabilities</b>							
<b>Current</b>							
Suppliers and contractors	2,384	1,097	702	393	116	122	4,814
Derivative financial instruments	63	10					73
Loans and financing	255	1,244	14	4			1,517
Related parties	7	17					24
	<b>2,709</b>	<b>2,368</b>	<b>716</b>	<b>397</b>	<b>116</b>	<b>122</b>	<b>6,428</b>
<b>Non-current</b>							
Derivative financial instruments	510	153					663
Loans and financing	6,641	13,685	234	8	970		21,538
Related parties		91					91
Stockholders Debentures	1,336						1,336
	<b>8,487</b>	<b>13,929</b>	<b>234</b>	<b>8</b>	<b>970</b>		<b>23,628</b>
<b>Total of Liabilities</b>	<b>11,196</b>	<b>16,297</b>	<b>950</b>	<b>405</b>	<b>1,086</b>	<b>122</b>	<b>30,056</b>

Table of Contents**24. Fair Value Estimative**

Due to the short-term cycle, it is assumed that the fair value of cash and cash equivalents balances, short-term investments, accounts receivable and accounts payable are close to their book values. For the measurement and determination of fair value, the Company uses various methods including market, income or cost approaches, in order to estimate the value that market participants would use when pricing the asset or liability. The financial assets and liabilities recorded at fair value classified and disclosed in accordance with the following levels:

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

**Level 2** - Quoted prices (adjusted or unadjusted) for identical or similar assets or liabilities on active markets; and

**Level 3** - Assets and liabilities, for which quoted prices, do not exist, or where prices or valuation techniques are supported by little or no market activity, unobservable or illiquid.

The tables below present the assets and liabilities of measured at fair value as follow:

	December 31, 2013 Level 2 (i)	Level 1	December 31, 2012 Level 2	Total (ii)	January 1, 2012 Level 2 (i)
<b>Financial Assets</b>					
<b>Current</b>					
Derivatives:					
Derivatives at fair value through profit or loss	196		265	265	434
Derivatives designated as hedges	5		16	16	161
	<b>201</b>		<b>281</b>	<b>281</b>	<b>595</b>
<b>Non-Current</b>					
Derivatives:					
Derivatives at fair value through profit or loss	140		40	40	60
Derivatives designated as hedges			5	5	
	<b>140</b>		<b>45</b>	<b>45</b>	<b>60</b>
<b>Total of Assets</b>	<b>341</b>		<b>326</b>	<b>326</b>	<b>655</b>

**Financial Liabilities****Current**

Derivatives:

Derivatives at fair value through profit or loss	199	2	344	346	59
Derivatives designated as hedges	39		1	1	14
	<b>238</b>	<b>2</b>	<b>345</b>	<b>347</b>	<b>73</b>

**Non-Current**

Derivatives:

Derivatives at fair value through profit or loss	1,480		783	783	663
Derivatives designated as hedges	12				
Stockholders debentures	1,775		1,653	1,653	1,336
	<b>3,267</b>		<b>2,436</b>	<b>2,436</b>	<b>1,999</b>
<b>Total of Liabilities</b>	<b>3,505</b>	<b>2</b>	<b>2,781</b>	<b>2,783</b>	<b>2,072</b>

(i) No classification according to levels 1 and 3 at December 31, 2013 and January 1, 2012.

(ii) No classification according to level 3.

a) **Methods and Techniques of Evaluation**

i. **Assets and liabilities at fair value through profits or loss**

Comprise derivatives not designated as hedges and stockholders debentures.

• **Derivatives designated or not as hedge**

The financial instruments were evaluated by calculating their present value through the use of instrument yield curves at the verification dates. The curves and prices used in the calculation for each group of instruments are detailed in the market curves .

The pricing method used for European options is the Black & Scholes model. In this model, the fair value of the derivative is a function of the volatility in the price of the underlying asset, the exercise price of the option, the interest rate and period to maturity. In the case of options when the income is a function of the average price of the underlying asset over the period of the option, we use Turnbull & Wakeman model. In this model, besides the factors that influence the option price in the Black-Scholes model, the formation period of the average price is also considered.



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In the case of swaps, both the present value of the assets and liability tip are estimated by discounting the cash flow by the interest rate of the currency in which the swap is denominated. The difference between the present value of assets and liability of the swap generates its fair value.

In the case of swaps tied to the TJLP, the calculation of the fair value considers the TJLP are constant, that is the projections of future cash flow in Brazilian Reais are made on the basis of the last TJLP disclosed.

Contracts for the purchase or sale of products, inputs and costs of selling with future settlement are priced using the forward yield curves for each product. Typically, these curves are obtained on the stock exchanges where the products are traded, such as the London Metals Exchange ( LME ), the Commodity Exchange ( COMEX ) or other providers of market prices. When there is no price for the desired maturity, Vale uses an interpolation between the available maturities.

- **Stockholders Debentures**

Comprise the debentures issued during the privatization process (Note 31d), whose fair values are measured based on the market approach. Reference prices are available on the secondary market.

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

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

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

	<b>December 31, 2013</b>			
	<b>Balance</b>	<b>Fair value (ii)</b>	<b>Level 1</b>	<b>Level 2</b>
<b>Financial liabilities</b>				
Loans and Financing (i)	28,996	30,005	15,964	14,041

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(i) Net interest of US\$449

(ii) No classification according to level 3.

	December 31, 2012			
	Balance	Fair value (ii)	Level 1	Level 2
<b>Financial liabilities</b>				
Loans and Financing (i)	29,845	32,724	25,817	6,907
Perpetual notes (iii)	72	72		72

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(i) Net interest of US\$425

(ii) No classification according to level 3.

(iii) classified as Related parties (Non-current liabilities)

	January 1, 2012			
	Balance	Fair value (ii)	Level 1	Level 2
<b>Financial liabilities</b>				
Loans and Financing (i)	22,722	24,312	18,181	6,131
Perpetual notes (iii)	80	80		80

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(i) Net interest of US\$333

(ii) No classification according to level 3.

(iii) classified as Related parties (Non-current liabilities)

Table of Contents**25. Derivatives financial instruments****a) Derivatives effects on balance sheet**

	December 31, 2013		Assets December 31, 2012		January 1, 2012	
	Current	Non-current	Current	Non-current	Current	Non-current
<b>Derivatives not designated as hedge</b>						
<b>Foreign exchange and interest rate risk</b>						
CDI & TJLP vs. US\$ fixed and floating rate swap	174		249	1	410	60
Eurobonds Swap	13	101		39		
Treasury future					19	
Pre dollar swap	5		16			
	<b>192</b>	<b>101</b>	<b>265</b>	<b>40</b>	<b>429</b>	<b>60</b>
<b>Commodities price risk</b>						
<b>Nickel:</b>						
Nickel fixed price program	4				1	
Bunker oil					4	
	<b>4</b>				<b>5</b>	
<b>Warrants</b>						
SLW options (Note 30)		39				
		<b>39</b>				
<b>Derivatives designated as hedge</b>						
Bunker Oil Hedge	5					
Strategic nickel			13		161	
Foreign exchange cash flow hedge			3	5		
	<b>5</b>		<b>16</b>	<b>5</b>	<b>161</b>	
<b>Total</b>	<b>201</b>	<b>140</b>	<b>281</b>	<b>45</b>	<b>595</b>	<b>60</b>

	December 31, 2013		Liabilities December 31, 2012		January 1, 2012	
	Current	Non-current	Current	Non-current	Current	Non-current
<b>Derivatives not designated as hedge</b>						
<b>Foreign exchange and interest rate risk</b>						
CDI & TJLP vs. US\$ fixed and floating rate swap	185	1,369	340	700	49	590

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Eurobonds Swap	1		4	18	4	32
Treasury future					5	
Pre dollar swap	1	110		63		41
	<b>187</b>	<b>1,479</b>	<b>344</b>	<b>781</b>	<b>58</b>	<b>663</b>
<b>Commodities price risk</b>						
<b>Nickel:</b>						
Nickel fixed price program	3		2		1	
Bunker oil	9					
	<b>12</b>		<b>2</b>		<b>1</b>	
<b>Embedded derivatives</b>						
Gas		1		2		
		<b>1</b>		<b>2</b>		
<b>Derivatives designated as hedge</b>						
Bunker oil hedge	12		1			
Foreign exchange cash flow hedge	27	12			14	
	<b>39</b>	<b>12</b>	<b>1</b>		<b>14</b>	
<b>Total</b>	<b>238</b>	<b>1,492</b>	<b>347</b>	<b>783</b>	<b>73</b>	<b>663</b>

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b) **Effects of derivatives in the statement of income, cash flow and other comprehensive income**

	Amount of gain or(loss) recognized as			Year ended as at December 31,			Amount of gain or (loss) recognized in		
	financial income (expense)			Financial settlement (inflows)/ Outflows			OCI		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
<b>Derivatives not designated as hedge</b>									
<b>Foreign exchange and interest rate risk</b>									