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.

(Check One) Form 20-F x Form 40-F o

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

(Check One) Yes o No x

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

(Check One) Yes o No x

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

(Check One) Yes o No x

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

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Financial Statements

December 31, 2013

IFRS

Filed with the CVM, SEC and HKEx on

February 26, 2014

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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.

PricewaterhouseCoopers, Av. José Silva de Azevedo Neto 200, 1º e 2º, Torre Evolution IV, Barra da Tijuca, Rio de Janeiro, RJ, Brasil 22775-056

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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 1MG061100/O-3 S RJ

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Consolidated Balance Sheet

In millions of United States Dollars

	Notes	December 31, 2013	December 31, 2012 (i)	January 1, 2012 (i)
Assets				
Current assets				
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
		20,611	**22,069**	**21,538**
Non-current assets held for sale and discontinued operation	7	3,766	457	
		24,377	**22,526**	**21,538**
Non-current assets				
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
		8,100	**7,574**	**5,502**
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
		100,220	**108,051**	**105,378**
Total		**124,597**	**130,577**	**126,916**

(i) Recast according to Note 6.

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Consolidated Balance Sheet

In millions of United States Dollars

(continued)

	Notes	December 31, 2013	December 31, 2012 (i)	January 1, 2012 (i)
Liabilities				
Current liabilities				
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
		9,164	**12,402**	**11,093**
Liabilities directly associated with non-current assets held for sale and discontinued operation	7	448	169	
		9,612	**12,571**	**11,093**
Non-current liabilities				
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
		50,049	**43,179**	**38,008**
Total liabilities		**59,661**	**55,750**	**49,101**
Stockholders equity	26			

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
Total company stockholders equity	**63,325**	**73,239**	**76,100**
Noncontrolling interests	1,611	1,588	1,715
Total stockholders equity	**64,936**	**74,827**	**77,815**
Total liabilities and stockholders equity	**124,597**	**130,577**	**126,916**

(i) Recast according to Note 6.

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

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Consolidated Statement of Income

In millions of United States Dollars, except as otherwise stated

	Notes	Year ended as at December 31, 2013	2012 (i)	2011 (i)
Continued operations				
Net operating revenue	27	46,767	46,553	60,075
Cost of goods sold and services rendered	28	(24,245)	(25,390)	(24,528)
Gross profit		**22,522**	**21,163**	**35,547**
Operating (expenses) income				
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)
		(4,946)	**(7,225)**	**(6,717)**
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
Operating income		**15,063**	**9,409**	**30,324**
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)	
Net income before income taxes		**7,241**	**4,091**	**27,913**
Income taxes	21			
Current tax		(7,786)	(2,503)	(5,539)
Deferred tax		953	3,677	274
		(6,833)	**1,174**	**(5,265)**
Income from continuing operations		**408**	**5,265**	**22,648**
Loss attributable to noncontrolling interests		(178)	(257)	(233)
Net income attributable to the Company s stockholders		**586**	**5,522**	**22,881**
Discontinued Operations	7			
Loss from discontinued operations		(2)	(68)	(86)

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

(i) Recast according to Note 6.

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

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Consolidated Statement of Other Comprehensive Income

In millions of United States Dollars

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

(i) Recast according to Note 6.

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

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Consolidated Statement of Changes in Stockholder s 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 stockholder s equity	N
December 31, 2010	**45,266**	**1,002**	**764**	**411**	**43,504**	**(2,660)**	**(15)**	**(20,963)**		**67,309**	
Changes in accounting policies (Note 6)							(642)	263	(93)	(472)	
January 1, 2011 (i)	**45,266**	**1,002**	**764**	**411**	**43,504**	**(2,660)**	**(657)**	**(20,700)**	**(93)**	**66,837**	
Net income									**22,795**	**22,795**	
Other comprehensive income:											
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)	
Contribution and distribution - stockholders:											
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)						

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)	
December 31, 2011 (i)	**60,578**		**613**	**7**	**41,805**	**(5,662)**	**(753)**	**(20,411)**	**(77)**	**76,100**
Net income									**5,454**	**5,454**
Other comprehensive income:										
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)
Contribution and distribution - stockholders:										
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)	
December 31, 2012 (i)	**60,578**	**(152)**	**(400)**	**38,389**	**(4,477)**	**(2,044)**	**(18,663)**	**8**	**73,239**
Net income								**584**	**584**
Other comprehensive income:									
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)
Contribution and distribution - stockholders:									
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)	
December 31, 2013	**60,578**	**(152)**	**(400)**	**29,566**	**(4,477)**	**(1,202)**	**(20,588)**		**63,325**

(i) Recast according to Note 6.

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

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Consolidated Statement of Cash Flows

In millions of United States Dollars

	Year ended as at December 31, 2013	2012	2011
Cash flow from operating activities:			
Net income from continuing operations	408	5,265	22,648
Adjustments to reconcile net income with cash from continuing operations			
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)
Decrease (increase) in assets:			
Accounts receivable	608	1,951	(768)
Inventories	346	(675)	(1,562)
Recoverable taxes	(2,405)	229	(560)
Other	(132)	537	(288)
Increase (decrease) in liabilities:			
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
Net cash provided by operating activities from continuing operations	**14,542**	**15,721**	**23,206**
Net cash provided by operating activities from discontinued operations	250	414	252
Net cash provided by operating activities	**14,792**	**16,135**	**23,458**
Cash flow from continuing investing activities:			
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)

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		
Net cash used in investing activities from continuing operations	**(9,842)**	**(14,450)**	**(12,801)**
Net cash used in investing activities from discontinued operations	(766)	(437)	(230)
Net cash used in investing activities	**(10,608)**	**(14,887)**	**(13,031)**
Cash flow from continuing financing activities:			
Financial institutions - Loans and financing			
Additions	3,310	9,333	2,442
Repayments	(3,347)	(1,712)	(3,577)
Repayments to stockholders:			
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)
Net cash provided by (used in) financing activities from continuing operations	**(4,557)**	**1,165**	**(14,371)**
Net cash used in financing activities from discontinued operations	87		
Net cash provided by (used in) used in financing activities	**(4,470)**	**1,165**	**(14,371)**
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)
Cash and cash equivalents, end of the year	**5,321**	**5,832**	**3,531**
Cash paid during the year for (ii):			
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)		
Non-cash transactions:			
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.

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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
Compañia 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:

Entities	% ownership	% voting capital	Location
Ferrovia Centro-Atlântica S. A.	100.00	100.00	Brazil
Ferrovia 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

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.

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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:

Property, plant and equipment	Useful lives
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 cam 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 stockholder s 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

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 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

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 s 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.

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.

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.

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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:

	December 31, 2012			January 1, 2012		
Balance Sheet	**Original balance (i)**	**Effect of changes**	**Adjusted balance**	**Original balance (i)**	**Effect of changes**	**Adjusted balance**
Assets						
Current assets						
Cash and cash equivalents	5,832		5,832	3,531		3,531
Others	16,694		16,694	18,007		18,007
	22,526		**22,526**	**21,538**		**21,538**
Non-current						
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
	108,094	**(43)**	**108,051**	**105,362**	**16**	**105,378**
Total assets	**130,620**	**(43)**	**130,577**	**126,900**	**16**	**126,916**
Liabilities and stockholders equity						

Current						
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
	12,562	**9**	**12,571**	**11,093**		**11,093**
Non-current						
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
	41,897	**1,282**	**43,179**	**37,297**	**711**	**38,008**
Stockholders equity						
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)
Total Company stockholders equity	**74,573**	**(1,334)**	**73,239**	**76,795**	**(695)**	**76,100**
Noncontrolling interests	1,588		1,588	1,715		1,715
Total of stockholders equity	**76,161**	**(1,334)**	**74,827**	**78,510**	**(695)**	**77,815**
Total liabilities and stockholders equity	**130,620**	**(43)**	**130,577**	**126,900**	**16**	**126,916**

(i) Recast according to note 7.

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

(i) Recast according to Note 7.

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

(i) Recast according to Note 7.

	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)
Total other comprehensive income	**2,768**	**(636)**	**2,132**
Attributable to noncontrolling interests	(223)		(223)
Attributable to the Company s stockholders	**2,991**	**(636)**	**2,355**

(i) Recast according to note 7.

	Year ended as at December 31, 2011		
Other comprehensive income	**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
Total other comprehensive income	**18,061**	**(227)**	**17,834**
Attributable to noncontrolling interests	(308)		(308)
Attributable to the Company s stockholders	**18,369**	**(227)**	**18,142**

(i) Recast according to note 7.

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7. Discontinued operations and assets and liabilities held for sale

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
Assets held for sale and discontinued operations					
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
Total assets	**3,126**	**640**	**3,766**	**457**	**457**
Liabilities associated with assets held for sale and discontinued operations					
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
Total Liabilities	**448**		**448**	**169**	**169**
Assets and liabilities with discontinued operation	**2,678**	**640**	**3,318**	**288**	**288**

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).

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:

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

	Year ended as at December 31,		
	2013	2012	2011
Cash flow from discontinued operations			
Operating activities			
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
Net cash provided by operating activities	**250**	**414**	**252**
Investing activities			
Additions to property, plant and equipment	(763)	(455)	(213)
Others	(3)	18	(17)
Net cash used in investing activities	**(766)**	**(437)**	**(230)**
Financing activities			
Additions	87		
Net cash provided by financing activities	**87**		
Net cash provided (used) by discontinued operations	**(429)**	**(23)**	**22**

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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
Gain (loss) on measurement or sales of non-current assets			
Tres Valles	(215)		
Manganese and Ferroalloys		(22)	
Coal		(355)	
Araucária		(129)	
Aluminum Assets			(1,494)
	(215)	**(506)**	**(1,494)**
Financial income			
Hydro	214		
	214		
Results on sale investments from associates and joint controlled entities			
Log-In	14		
Fosbrasil	27		
	41		

- **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 :

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

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b) Divestitures of Tres Valles

In December 2013, we sold our *tota*l participation in Sociedade Contractual Minera 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. For 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
	5,321	**5,832**	**3,531**

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

	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
	5,792	**6,909**	**8,610**
Allowance for doubtful accounts	(89)	(114)	(105)
	5,703	**6,795**	**8,505**

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.

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11. Inventory

Inventories are comprised as follows:

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

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.

	Year ended as at December 31,		
Inventories of product	**2013**	**2012**	**2011**
Balance at beginning of the year	**3,597**	**3,975**	**2,754**
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)

Balance at end of year	**2,896**	**3,597**	**3,975**

(a) Include provision for adjustments to market value

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

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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
Total	**1,864**	**1,758**	**2,029**
Current	1,579	1,540	1,771
Non-current	285	218	258
Total	**1,864**	**1,758**	**2,029**

13. Investments

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

	Year ended as at December 31,		
	2013	2012 (i)	2011 (i)
Balance at beginning of year	**6,384**	**8,013**	**4,394**
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)		
Balance at end of year	**3,584**	**6,384**	**8,013**

(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)

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Investments (Continued)

	Location	Relationship	% ownership	% voting capital	Investments As of December 31, 2013	December 31, 2012 (i)	January 1, 2012 (i)	Equity results Year ended as at December 31, 2013	2012 (i)	2011 (i)	Received divide Year ended as at Dece 2013	2012	201
Bulk Material													
Iron Ore and pellets													
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	8
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				
					1,505	**1,784**	**1,591**	**627**	**850**	**1,160**	**715**	**337**	**9**
Coal													
Henan Longyu Energy Resources CO., LTD.	China	Associate	25.00	25.00	357	341	282	42	59	85	40	60	
					357	**341**	**282**	**42**	**59**	**85**	**40**	**60**	

Base Metals													
Copper													
Teal Minerals Incorporated	Zambia	Associate	50.00	50.00	228	252	234	(24)	(5)	(6)			
Nickel													
Korea Nickel Corp	Korea	Associate	25.00	25.00	22	24	4	(2)					
Others													
Aluminium													
Norsk Hydro ASA(e)	Norway	Associate				2,237	3,227		(35)	99	56	47	
Bauxite													
Mineração Rio Grande do Norte S.A. - MRN	Brazil	Associate	40.00	40.00	111	136	133	10	20	8	17	7	
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)			
					1,188	**1,200**	**2,035**	**(148)**	**(160)**	**(166)**	**6**	**9**	
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)			
					173	**410**	**507**	**(36)**	**(84)**	**(42)**			
					3,584	**6,384**	**8,013**	**469**	**645**	**1,138**	**834**	**460**	**1,0**

(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.

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14. Intangible Assets

	December 31, 2013			December 31, 2012			January 1, 2012		
	Cost	Amortization	Net	Cost	Amortization	Net	Cost	Amortization	Net
Indefinite useful life									
Goodwill	4,140		4,140	4,603		4,603	4,812		4,812
Finite useful life									
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
	4,722	**(1,991)**	**2,731**	**6,958**	**(2,350)**	**4,608**	**6,857**	**(2,148)**	**4,709**
Total	**8,862**	**(1,991)**	**6,871**	**11,561**	**(2,350)**	**9,211**	**11,669**	**(2,148)**	**9,521**

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
Balance as at January 1, 2011	**5,194**				