Vale S.A.
Form 6-K
February 28, 2013

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, 2013

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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Consolidated Financial Statements

December 31, 2012

US GAAP

Filed with the CVM, SEC and HKEx on

February 27, 2013

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Vale S.A.

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Report of independent registered

public accounting firm

To the Board of Directors and Stockholders

Vale S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of cash flows and of changes in stockholders equity present fairly, in all material respects, the financial position of Vale S.A. and its subsidiaries (the Company) at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

PricewaterhouseCoopers

Auditores Independentes

Rio de Janeiro, Brazil

February 27, 2013

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Consolidated Balance Sheets

Expressed in millions of United States dollars

	As of December 31, 2012	2011
Assets		
Current assets		
Cash and cash equivalents	5,832	3,531
Short-term investments	246	
Accounts receivable		
Related parties	134	288
Third parties	6,661	8,217
Loans and advances to related parties	384	82
Inventories	5,052	5,251
Deferred income tax	356	203
Unrealized gains on derivative instruments	281	595
Advances to suppliers	256	393
Recoverable taxes	2,260	2,230
Assets held for sale	479	
Others	956	946
	22,897	**21,736**
Non-current assets		
Property, plant and equipment, net	90,744	88,895
Intangible assets	1,022	1,135
Investments in affiliated companies, joint ventures and others investments	6,492	8,093
Other assets		
Goodwill on acquisition of subsidiaries	2,947	3,026
Loans and advances		
Related parties	408	509
Third parties	246	210
Prepaid pension cost	844	1,666
Judicial deposits	1,515	1,464
Recoverable taxes	658	587
Deferred income tax	2,886	594
Unrealized gains on derivative instruments	45	60
Deposit on incentive / reinvestment	160	229
Others	614	524
	108,581	**106,992**
Total	**131,478**	**128,728**

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Consolidated Balance Sheets

Expressed in millions of United States dollars

(Except number of shares)

	(Continued) As of December 31, 2012	2011
Liabilities and stockholders equity		
Current liabilities		
Suppliers	4,529	4,814
Payroll and related charges	1,481	1,307
Minimum annual remuneration attributed to stockholders		1,181
Current portion of long-term debt	3,468	1,495
Short-term debt		22
Loans from related parties	207	24
Provision for income taxes	641	507
Taxes payable and royalties	324	524
Employee postretirement benefits	205	147
Railway sub-concession agreement payable	65	66
Unrealized losses on derivative instruments	347	73
Provisions for asset retirement obligations	70	73
Liabilities associated with assets held for sale	181	
Others	1,067	810
	12,585	**11,043**
Non-current liabilities		
Employee postretirement benefits	3,256	2,446
Loans from related parties	72	91
Long-term debt	26,799	21,538
Provisions for contingencies (Note 21 (b))	2,065	1,686
Unrealized losses on derivative instruments	783	663
Deferred income tax	3,538	5,654
Provisions for asset retirement obligations	2,333	1,697
Stockholders debentures	1,653	1,336
Others	2,031	2,460
	42,530	**37,571**
Redeemable noncontrolling interest	**487**	**505**
Commitments and contingencies (Note 21)		
Stockholders equity		
Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2011 - 2,108,579,618) issued	16,728	16,728

Common stock - 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2011 - 3,256,724,482) issued	25,837	25,837
Treasury stock - 140,857,692 (2011 - 181,099,814) preferred and 71,071,482 (2011 - 86,911,207) common shares	(4,477)	(5,662)
Additional paid-in capital	(529)	(61)
Mandatorily convertible notes - common shares		290
Mandatorily convertible notes - preferred shares		644
Other cumulative comprehensive deficit	(9,613)	(5,673)
Undistributed retained earnings	38,997	41,130
Unappropriated retained earnings	7,298	4,482
Total Company stockholders equity	**74,241**	**77,715**
Noncontrolling interests	1,635	1,894
Total stockholders equity	**75,876**	**79,609**
Total	**131,478**	**128,728**

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

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Consolidated Statements of Income

Expressed in millions of United States dollars

(Except per share amounts)

	Year ended as of December 31, 2012	2011	2010
Operating revenues, net of discounts, returns and allowances			
Sales of ores and metals	41,730	55,156	41,158
Aluminum products		383	2,554
Revenues from logistic services	1,644	1,726	1,465
Fertilizer products	3,777	3,547	1,845
Others	1,602	1,533	1,195
	48,753	**62,345**	**48,217**
Taxes on revenues	(1,059)	(1,399)	(1,188)
Net operating revenues	**47,694**	**60,946**	**47,029**
Operating costs and expenses			
Cost of ores and metals sold	(20,581)	(19,854)	(15,062)
Cost of aluminum products		(289)	(2,108)
Cost of logistic services	(1,399)	(1,402)	(1,040)
Cost of fertilizer products	(2,984)	(2,701)	(1,556)
Others	(1,627)	(1,283)	(784)
	(26,591)	**(25,529)**	**(20,550)**
Selling and administrative expenses	(2,240)	(2,334)	(1,701)
Research and development expenses	(1,478)	(1,674)	(878)
Impairment on assets	(4,023)		
Gain (loss) on sale of assets	(491)	1,513	
Others	(3,648)	(2,810)	(2,205)
	(38,471)	**(30,834)**	**(25,334)**
Operating income	**9,223**	**30,112**	**21,695**
Non-operating income (expenses)			
Financial income	401	718	290
Financial expenses	(2,414)	(2,465)	(2,646)
Gains (losses) on derivatives, net	(120)	75	631
Foreign exchange gains (losses), net	(1,915)	(1,492)	301
Indexation gains (losses), net	247	(149)	43
	(3,801)	**(3,313)**	**(1,381)**
Income before discontinued operations, income taxes and equity results	**5,422**	**26,799**	**20,314**
Income taxes			
Current	(2,529)	(5,547)	(4,996)
Deferred			
In the year	799	265	1,291
On impairment	1,327		
Reversal of liabilities (Note 5b.)	1,236		

	833	**(5,282)**	**(3,705)**
Equity in results of affiliates, joint ventures and other investments	640	1,135	987
Impairment on investments	(1,641)		
Net income (loss) from continuing operations	**5,254**	**22,652**	**17,596**
Discontinued operations, net of tax			(143)
Net income	**5,254**	**22,652**	**17,453**
Net income attributable to noncontrolling interests	**(257)**	**(233)**	**189**
Net income attributable to the Company s stockholders	**5,511**	**22,885**	**17,264**
Earnings per share attributable to Company s stockholders:			
Earnings per preferred share	1.07	4.33	3.23
Earnings per common share	1.07	4.33	3.23
Earnings per convertible note linked to preferred share		6.39	4.76
Earnings per convertible note linked to common share		8.15	6.52

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

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Consolidated Statements of Comprehensive Income

Expressed in millions of United States dollars

	Year ended as of December 31,		
	2012	**2011**	**2010**
Comprehensive income is comprised as follows:			
Company s stockholders:			
Net income attributable to Company s stockholders	5,511	22,885	17,264
Cumulative translation adjustments	(2,882)	(4,985)	1,519
Unrealized gain (loss) on available-for-sale securities			
Gross balance as of the year end		(13)	12
Tax (expense) benefit	(1)	11	(9)
	(1)	**(2)**	**3**
Surplus (deficit) accrued pension plan			
Gross balance as of the year end	(1,322)	(740)	(53)
Tax (expense) benefit	386	232	32
	(936)	**(508)**	**(21)**
Cash flow hedge			
Gross balance as of the year end	(113)	130	(16)
Tax (expense) benefit	(8)	25	(10)
	(121)	**155**	**(26)**
Total comprehensive income attributable to Company s stockholders	**1,571**	**17,545**	**18,739**
Noncontrolling interests:			
Income (losses) attributable to noncontrolling interests	(257)	(233)	189
Cumulative translation adjustments	46	(210)	104
Pension plan		4	
Cash flow hedge		1	40
Total comprehensive income (deficit) attributable to Noncontrolling interests	**(211)**	**(438)**	**333**
Total comprehensive income	**1,360**	**17,107**	**19,072**

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

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Consolidated Statements of Cash Flows

Expressed in millions of United States dollars

	Year ended as of December 31,		
	2012	**2011**	**2010**
Cash flows from operating activities:			
Net income	**5,254**	**22,652**	**17,453**
Adjustments to reconcile net income to cash from operations:			
Depreciation, depletion and amortization	4,396	4,122	3,260
Dividends received	460	1,038	1,161
Equity in results of affiliates, joint ventures and other investments	(640)	(1,135)	(987)
Deferred income taxes	(799)	(265)	(1,291)
Reversal of deferred tax liability (Note 5a.)	(1,236)		
Deferred taxes on assets Impairment	(1,327)		
Asset and investment impairment charge	5,664		
Loss on disposal of property, plant and equipment	216	223	623
Loss (gain) on sale of assets held for sale	491	(1,513)	
Discontinued operations, net of tax			143
Unrealized foreign exchange and indexation	1,012	2,879	(787)
Unrealized derivative losses (gains), net	613	490	594
Unrealized interest (income) expense, net	(24)	194	187
Stockholders debentures	109	246	449
Others	(310)	(183)	58
Decrease (increase) in assets:			
Accounts receivable	1,900	(821)	(3,800)
Inventories	(296)	(1,343)	(425)
Recoverable taxes	177	(563)	42
Others	530	(315)	307
Increase (decrease) in liabilities:			
Suppliers	(168)	1,076	928
Payroll and related charges	185	285	214
Income taxes	(143)	(2,478)	1,311
Others	531	(93)	(257)
Net cash provided by operating activities	**16,595**	**24,496**	**19,183**
Cash flows from investing activities:			
Short term investments	(246)	1,793	1,954
Loans and advances receivable			
Related parties			
Loan proceeds			(28)
Others	292	(178)	(30)
Judicial deposits	(116)	(186)	(94)
Investments	(474)	(504)	(87)
Additions to property, plant and equipment	(15,777)	(16,075)	(12,647)
Proceeds from disposal of investments	974	1,081	
Acquisition (sale) of subsidiaries			(6,252)

Net cash used in investing activities	**(15,347)**	**(14,069)**	**(17,184)**
Cash flows from financing activities:			
Short-term debt			
Additions	593	859	2,233
Repayments	(526)	(955)	(2,132)
Loans			
Related parties			
Proceeds		19	24
Repayments		(1)	(25)
Issuances of long-term debt			
Third parties			
Proceeds	8,740	1,564	4,436
Repayments	(1,186)	(2,621)	(2,629)
Treasury stock		(3,002)	(1,510)
Transactions with noncontrolling interest	(411)	(1,134)	660
Dividends and interest attributed to Company s stockholders	(6,000)	(9,000)	(3,000)
Dividends and interest attributed to noncontrolling interest	(45)	(100)	(140)
Net cash provided by (used in) financing activities	**1,165**	**(14,371)**	**(2,083)**
Increase (decrease) in cash and cash equivalents	2,413	(3,944)	(84)
Effect of exchange rate changes on cash and cash equivalents	(112)	(109)	375
Cash and cash equivalents, beginning of year	3,531	7,584	7,293
Cash and cash equivalents, end of year	**5,832**	**3,531**	**7,584**
Cash paid during the year for:			
Interest on short-term debt	(8)	(3)	(5)
Interest on long-term debt	(1,308)	(1,143)	(1,097)
Income tax	(1,238)	(7,293)	(1,972)
Non-cash transactions			
Income tax paid with credits	(1,129)	(681)	301
Interest capitalized	335	234	164
Conversion of mandatorily convertible notes using 56,081,560 treasury stock (Note 18)			

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

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Consolidated Statements of Changes in Stockholders Equity

Expressed in millions of United States dollars

(Except number of shares)

	Year ended as of December 31, 2012	2011	2010
Preferred class A stock (including 12 golden shares)			
Beginning of the year	**16,728**	**10,370**	**9,727**
Capital increase		6,358	
Transfer from undistributed retained earnings			643
End of the year	**16,728**	**16,728**	**10,370**
Common stock			
Beginning of the year	25,837	16,016	15,262
Capital increase		9,821	
Transfer from undistributed retained earnings			754
End of the year	**25,837**	**25,837**	**16,016**
Treasury stock			
Beginning of the year	(5,662)	(2,660)	(1,150)
Sales (acquisitions)	1,185	(3,002)	(1,510)
End of the year	**(4,477)**	**(5,662)**	**(2,660)**
Additional paid-in capital			
Beginning of the year	(61)	2,188	411
Change in the year	(468)	(2,249)	1,777
End of the year	**(529)**	**(61)**	**2,188**
Mandatorily convertible notes - common shares			
Beginning of the year	290	290	1,578
Change in the year	(290)		(1,288)
End of the year		**290**	**290**
Mandatorily convertible notes - preferred shares			
Beginning of the year	644	644	1,225
Change in the year	(644)		(581)
End of the year		**644**	**644**
Other cumulative comprehensive income (deficit)			
Cumulative translation adjustments			
Beginning of the year	(5,238)	(253)	(1,772)
Change in the year	(2,882)	(4,985)	1,519
End of the year	**(8,120)**	**(5,238)**	**(253)**
Unrealized gain (loss) - available-for-sale securities, net of tax			
Beginning of the year	1	3	
Change in the year	(1)	(2)	3
End of the year		**1**	**3**
Surplus (deficit) of accrued pension plan			
Beginning of the year	(567)	(59)	(38)
Change in the year	(936)	(508)	(21)

End of the year	**(1,503)**	**(567)**	**(59)**
Cash flow hedge			
Beginning of the year	131	(24)	2
Change in the year	(121)	155	(26)
End of the year	**10**	**131**	**(24)**
Total other cumulative comprehensive income (deficit)	**(9,613)**	**(5,673)**	**(333)**
Undistributed retained earnings			
Beginning of the year	41,130	42,218	28,508
Transfer from unappropriated retained earnings	(2,133)	13,221	15,107
Transfer to capitalized earnings		(14,309)	(1,397)
End of the year	**38,997**	**41,130**	**42,218**
Unappropriated retained earnings			
Beginning of the year	4,482	166	3,182
Net income attributable to the Company s stockholders	5,511	22,885	17,264
Remuneration of mandatorily convertible notes			
Preferred class A stock	(44)	(97)	(72)
Common stock	(19)	(70)	(61)
Dividends and interest attributed to stockholders equity			
Preferred class A stock	(1,929)	(2,143)	(1,940)
Common stock	(2,836)	(3,038)	(3,100)
Appropriation to undistributed retained earnings	2,133	(13,221)	(15,107)
End of the year	**7,298**	**4,482**	**166**
Total Company stockholders equity	**74,241**	**77,715**	**68,899**
Noncontrolling interests			
Beginning of the year	**1,894**	**2,830**	**2,831**
Disposals (acquisitions) of noncontrolling interests	(198)	(631)	1,629
Cumulative translation adjustments	46	(210)	104
Cash flow hedge		1	40
Losses attributable to noncontrolling interests	(257)	(233)	189
Net income attributable to redeemable noncontrolling interests	181	207	
Dividends and interest attributable to noncontrolling interests	(74)	(105)	(104)
Capitalization of stockholders advances	43	31	27
Pension plan		4	
Assets and liabilities held for sale			(1,886)
End of the year	**1,635**	**1,894**	**2,830**
Total stockholders equity	**75,876**	**79,609**	**71,729**
Number of shares issued and outstanding:			
Preferred class A stock (including 12 golden shares)	2,108,579,618	2,108,579,618	2,108,579,618
Common stock	3,256,724,482	3,256,724,482	3,256,724,482
Buy-backs			
Beginning of the year	(211,929,174)	(147,024,965)	(152,579,803)
Acquisitions		(120,987,980)	(69,880,400)
Conversions	56,081,847	1,924	75,435,238
End of the year	**(155,847,327)**	**(268,011,021)**	**(147,024,965)**
	5,209,456,773	**5,097,293,079**	**5,218,279,135**

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

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Notes to the Consolidated Financial Statements

Expressed in millions of United States dollars, unless otherwise stated

1 The Company and its operations

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

Our principal consolidated operating subsidiaries at December 31, 2012 are the following:

Subsidiaries	% ownership	% voting capital	Location	Principal activity
Compañia Minera Miski Mayo S.A.C.	40.00	51.00	Peru	Fertilizer
Ferrovia Centro-Atlântica S.A.	99.99	99.99	Brazil	Logistics
Ferrovia Norte Sul S.A.	100.00	100.00	Brazil	Logistics
Mineração Corumbaense Reunida S.A.	100.00	100.00	Brazil	Iron Ore and Manganese
PT Vale Indonesia Tbk	59.20	59.20	Indonesia	Nickel
Sociedad Contractual Minera Tres Valles	90.00	90.00	Chile	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	Fertilizer
Vale International Holdings GMBH	100.00	100.00	Austria	Holding and Exploration
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	Pellets
Vale Shipping Holding PTE Ltd.	100.00	100.00	Singapore	Logistics

2 Basis of consolidation

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

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

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

Our participation in hydroelectric projects in Brazil is made via consortium contracts under which we have undivided interests in the assets, and are liable for our proportionate share of liabilities and expenses, which are based on our proportionate share of power output. We do not have joint liability for any obligations. No separate legal or tax status is granted to unincorporated consortia under Brazilian law. Accordingly, we recognize our proportionate share of costs and our undivided interest in assets relating to hydroelectric projects (Note 13).

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3 Summary of significant accounting policies

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

a) Basis of presentation

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

The Brazilian Real (R$) is the Parent Company s functional currency. We have selected the US dollar (US$) a convenience to facilitate analysis by our international investor.

In 2011, based on entity business assessment, Vale International changed its functional currency from the Brazilian Real to the US dollar. This change did not cause significant effects in the financial statements presented.

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

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

The exchange rates used to translate the assets and liabilities of the Brazilian operations at December 31, 2012 and 2011, were R$ 2.0435 and R$1.8683, respectively.

b) Revision of prior year revenue presentation

For certain contracts, we carry the risks concerning the transportation of the products and determine the freight price directly to our customer. However, for these contracts in 2011 and 2010 the major part of the freight related to CFR (Incoterm for cost and freight) for iron ore and pellets sales, was recorded as if Vale was acting as an agent, resulting in the net presentation of freight revenues. We revised the 2011 and 2010 income statement presentation to appropriately reflect the revenue of such sales by the total amount billed to customers and as a consequence present the related freight costs as cost of product sold and therefore we increase the 2011 sales of ore and metals in amount of US$ 1,955 (US$1,735 in 2010) with the corresponding increase in cost of ores and metals sold. The revision did not result in any other changes in the income statement presentation.

c) Information by Segment and Geographic Area

The Company discloses information by consolidated operational business segment and revenues by consolidated geographic area, in accordance with the principles and concepts used by decision makers in evaluating performance. The information is analyzed by segment as follows:

Bulk Material - includes the extraction of iron ore and pellet production and the transport systems of Brazil, including railroads, ports and terminals, linked to 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), copper and investment in aluminum affiliate.

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

Logistical services includes our system of cargo transportation for third parties divided into rail transport, port and shipping services.

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

d) Current and non-current assets and liabilities

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

e) Cash equivalents and short-term investments

The amounts recorded as cash and cash equivalents correspond to the values available in cash, bank deposits and investments in the short-term that have immediate liquidity and original maturity within 90 days. Other investments with between 91 and 360 day maturities are recognized at fair value through income and presented in short-term investments.

f) Accounts Receivable

Represent receivables from sales of products and services. Receivables are initially recorded at fair value and subsequently measured at amortized cost, net of impairment losses, when applicable.

g) Inventory

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

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

We periodically assess our inventories to identify obsolete or slow-moving inventories and, if needed, we record allowances as considered necessary.

h) Stripping costs

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

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

i) Property, plant and equipment and intangible assets

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

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

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

j) Business combinations

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

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

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

k) Impairment

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 expected cash flows for the asset, and if there when appropriate, the carrying value is adjusted to the cash flow value.

Vale reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Long-lived assets, other than indefinite-lived intangible assets, are evaluated for impairment under the two-step model. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. Once it is determined that an impairment exists, an impairment loss is measured as the amount by which the asset carrying value exceeds its fair value. Fair value is generally determined using valuation techniques, such as estimated future cash flows.

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 reporting 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 reporting unit, depending on their composition and location.

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

l) Available-for-sale equity securities

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

m) Compensated absences

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

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n) Derivatives and hedging activities

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

o) Asset retirement obligations

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

p) Revenues and expenses

Revenue is recognized when Vale transfers to its customers all significant risks and rewards of ownership of the product sold and services rendered. 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. However, when the model negotiated with the customer is transferring risks and benefits of the product in shipment, revenue is recognized at the time.

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 in contracts up to the date of final pricing. Revenue from the sale of provisionally priced is recognized when risks and rewards of ownership are transferred to the customer and revenue can be measured reliably. At this date, the amount of revenue to be recognized are estimated based on the forward price of product sold.

Expenses and costs are recognized on the accrual basis.

q) Income taxes

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

r) Earnings per share

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

s) Interest attributed to stockholders equity (dividend)

Brazilian corporations are permitted to distribute interest attributable to stockholders equity. The calculation is based on the stockholders equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long-term interest rate (TJLP) determined by the Brazilian Central Bank. Also, such interest may not exceed 50% of net income for the year or 50% of retained earnings plus revenue reserves as determined by Brazilian corporate law.

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

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t) Pension and other post retirement benefits

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

4 Accounting pronouncements

a) Newly issued accounting pronouncements

Accounting Standards Update (ASU) number 2013-02: Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income: The objective of this Update is to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendments in this Update seek to attain that objective by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under US GAAP. The amendments in this ASU are effective for public entities for fiscal years beginning after December 15, 2012.

ASU number 2013-01: Balance Sheet (Topic 210): The main objective in developing this Update is to address implementation issues about the scope of Accounting Standards Update No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments clarify that the scope of Update 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The effective date is the same as the effective date of Update 2011-11.

ASU number 2012-02: Intangibles Goodwill and Other (Topic 350). The objective of this ASU is to reduce the cost and complexity of performing an impairment test for indefinite-lived intangible assets by simplifying how an entity tests those assets for impairment and to improve consistency in impairment testing guidance among long-lived asset categories. The amendments in this ASU are effective for annual and interim impairment tests performed for public entities for fiscal years and interim periods beginning after September 15, 2012.

The Company does not expect these updates to have a significant impact on its financial statements.

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5 Major acquisitions and divestitures

a) Belvedere Coal Project

In 2012, Vale 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).

The acquisition is subject to approvals from the government of Queensland, Australia. As a result of this transaction, Vale will increase its participation in Belvedere to 100%. Additionally, Vale agreed to pay AUD20 million (US$21) to end litigations and disputes relating to the Belvedere with Aquila.

The project is still in stage of development and, consequently, subject to approval of the Board of Directors of Vale. At the end of transaction, Vale will have paid US$338 for 100% of Belvedere.

b) Fertilizer Business

In 2010, through our wholly owned subsidiary Mineração Naque S.A. (Naque), we acquired 78.92% of the total capital (being 99.83% of the voting capital) of Vale Fertilizantes S.A. (Vale Fertilizantes) and 100% of the total capital of Vale Fosfatados S.A.. In 2011 and beginning of 2012, we concluded several transactions including a public tender to acquire the free float of Vale Fertilizantes shares, and the subsequent delisting of its shares which resulted in the Company owning of 100% of the its capital.

The purchase consideration of the business combination effected in 2010, when control was obtained, amounted to US$5,795. The purchase price allocation exercise was concluded in 2011 and generated a deferred tax liability on the fair value adjustments, determined based on the temporary differences between the accounting basis of those assets and liabilities at fair values, substantially represented by Property Plant and Equipment, and their tax basis represented by the historical carrying values at the acquired entity. Pursuant to current Brazilian tax regulations, goodwill generated in connection with a business combination as well as the fair values of assets and liabilities acquired are only tax deductible post a legal merger between the acquirer and the acquiree.

In June 2012, we have decided to legally merge Naque and Vale Fertilizantes. As a result, the carrying amounts of acquired assets and liabilities accounted for in Naque s consolidated financial statements, represented by their amortized fair values from acquisition date, became their tax basis.

Therefore, upon concluding the merger, there are no longer differences between tax basis and carrying amounts of the net assets acquired, and consequently there is no longer deferred tax liability amount to be recognized. The outstanding balance of the initially recognized deferred tax liability (accounted for in connection with the purchase accounting) totaling US$1,236 was entirely recycled through P&L for the year ended December 31, 2012, in connection with the legal merger of Vale Fertilizantes into Naque. In addition, Naque was then renamed as Vale Fertilizantes.

c) Sale of coal

In June 2012, we 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 thermal coal operations in Colombia constitute a fully-integrated mine-railway-port system consisting of a coal mine and a coal deposit; a coal port facility; and an equity participation in a railway connecting the coal mines to the port.

The loss on this transaction, of US$355 was recorded in the income statement in the line Gain (loss) on sale of assets

d) Acquisition of EBM shares

As part of its strategy to optimize its corporate structure, Vale acquired additional 10.46% of Empreendimentos Brasileiros de Mineração S.A. (EBM) in 2012, whose main asset is an interest in Minerações Brasileiras Reunidas S.A. (MBR), which owns the Itabirito, Vargem Grande and Paraopeba mining properties. As a result of the acquisition, we increased our share in EBM to 96.7% and in MBR to 98.3%. We recorded US$62 as result from operations with noncontrolling interest in Stockholders Equity .

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e) Manganese and ferroalloys

In October 2012, we concluded the sale of the manganese ferroalloys operations in Europe to subsidiaries of Glencore International Plc., a company listed on the London and Hong Kong Stock Exchanges, for US$160 in cash, subject to the fulfillment of certain precedent conditions. We recognized a loss of US$22 presented in our statement of income as gain (loss) on sale of assets .

The manganese ferroalloys operations in Europe consist of: (a) 100% of Vale Manganèse France SAS, located in Dunkirk France; and (b) 100% of Vale Manganese Norway AS, located in Mo I Rana, Norway.

f) Participation of Vale Oman Pelletizing

In October 2012, Vale sold 30% of participation in Vale Oman Pelletizing LLC for the Oman Oil Company, wholly owned subsidiary of the Government of the Sultanate of Oman, for US$71. We recognized a gain of US$63 recorded in equity.

6 Income taxes

We analyze the potential tax impact associated with undistributed earnings of each of our subsidiaries and affiliates. For those subsidiaries in which undistributed earnings are intended to be reinvested indefinitely, no deferred tax is recognized. Undistributed earnings of foreign consolidated subsidiaries and affiliates for which no deferred income tax has been recognized for possible future remittances to the parent company totaled approximately US$26,800 on December 31, 2012 and US$26,300 on December 31, 2011. These amounts are considered to be permanently reinvested in the Company s international business. It is not practicable to determine the amount of the unrecognized deferred tax liability associated with these amounts. If we did determine to repatriate these earnings, there would be various methods available to us, each with different tax consequences. There would also be uncertainty as to the timing and amount, if any, of foreign tax credits that would be available, as the calculation of the available foreign tax credit is dependent upon the timing of the repatriation and projections of significant future uncertain events. The wide range of potential outcomes that could result due to these factors, among others, makes it impracticable to calculate the amount of tax that hypothetically would be recognized on these earnings if they were repatriated.

There were no changes in the rates of taxes in the countries where we operate in the years reported. The income tax expense in the statement of income is reconciled with the Brazilian nominal statutory composite rate, as follows:

	Year ended as of December 31,								
	2012			2011			2010		
	Brazil	Foreign	Total	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before discontinued operations, income taxes, equity results and noncontrolling interests	6,210	(788)	5,422	21,267	5,532	26,799	16,586	3,728	20,314
	6,210	**(632)**	**5,578**	**21,267**	**5,558**	**26,825**	**16,586**	**3,993**	**20,579**
Tax at Brazilian composite rate	(2,111)	268	(1,843)	(7,231)	(1,881)	(9,112)	(5,639)	(1,268)	(6,907)
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	1,337		1,337	1,655		1,655	995		995
Difference on foreign tax jurisdiction rates		221	221		1,415	1,415		1,673	1,673
Tax incentives	204		204	704		704	642		642
Social contribution contingency payment				506		506			
Reversal/Constitution of allowance for tax loss carryfoward		(228)	(228)	129	(426)	(297)			
Reversal of deferred tax liability (Note 5a.)	1,236		1,236						
Other non-taxable, income/non deductible expenses	(41)		(41)	48	(192)	(144)	13	(31)	(18)
Income taxes per consolidated statements of income	**625**	**208**	**833**	**(4,189)**	**(1,093)**	**(5,282)**	**(3,989)**	**284**	**(3,705)**

Vale and some subsidiaries in Brazil were granted tax incentives that provide for a partial reduction of the income tax due related to certain regional operations of iron ore, railroad, manganese, copper, bauxite, alumina, aluminum, kaolin and potash. The tax benefit is calculated based on taxable profit adjusted by the tax incentive (so-called exploration profit) taking into consideration the operational profit of the projects that benefit from the tax incentive during a fixed period. Generally these tax incentives last for 10 years. The Company´s tax incentives will expire in 2020. The tax savings must be recorded in a non distributable capital (profit) reserve in the Stockholders equity.

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We can also reinvest part of the tax savings from the acquisition of new equipment to be used in the operations, once approved, and covered by the Brazilian regulatory agencies Superintendência de Desenvolvimento da Amazônia - SUDAM and Superintendência de Desenvolvimento do Nordeste - SUDENE. When the reinvestment is approved, the tax benefit must also be accounted for in a non distributable profit reserve.

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

The Company s income taxes are subject to audit by the tax authorities for up to five years in Brazil, up to ten years in Indonesia and up to seven years in Canada.

Tax loss carry forwards in Brazil and in most of the jurisdictions where we have tax loss carry forwards have no expiration date, though in Brazil, offset is restricted to 30% of annual taxable income.

The Company s uncertain income tax positions were as follows: (Note 21(b)) tax related actions).

	Year ended as of December 31,		
	2012	**2011**	**2010**
Beginning of the year	**263**	**2,555**	**396**
Increase resulting from tax positions taken	20	1,076	2,130
Decrease resulting from tax positions taken (a)	(26)	(3,409)	(24)
Cumulative translation adjustments	7	41	53
End of the year	**264**	**263**	**2,555**

(a) The decrease in the tax positions taken in 2011, was a consequence of the payment we made as a consequence of a Brazilian court decision in a case related to the exemption of the Social Contribution (Contribuição Social sobre o Lucro Líquido).

For the year ended December 31, 2012 and December 31, 2011 there were US$11 and US$12, respectively, of unrecognized tax benefits that, if recognized, would affect the Company s annual effective tax rate.

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The Company recognizes interest accrued related to unrecognized tax benefits in financial expense and penalties in other operating expenses. The interest and penalties recognized in the statement of income for the year ended December 31, 2012 and December 31, 2011 there were US$9 and US$(17), respectively. The Company accrued US$84 at December 31, 2012 and US$73 at December 31, 2011 for the payment of interest and penalties.

	Year ended as of	
	December 31, 2012	**December 31, 2011**
Current deferred tax assets		
Accrued expenses deductible only when disbursed	356	203
Assets		
Employee postretirement benefits provision	855	640
Tax loss carryforwards	2,610	1,709
Fair value of financial instruments	796	610
Impairment	1,269	
Assets retirement obligation	450	389
Other temporary differences (mainly contingencies provisions)	686	794
	6,666	**4,142**
Liabilities		
Prepaid retirement benefit	(226)	(509)
Fair value adjustments in business combinations	(5,622)	(7,311)
Other temporary differences	(326)	(463)
	(6,174)	**(8,283)**
Valuation allowance		
Beginning balance	(126)	(110)
Translation adjustments	10	
Change in allowance	(1,328)	(809)
Ending balance	**(1,444)**	**(919)**
Net non-current deferred tax liabilities	**(952)**	**(5,060)**
Assets	2,586	594
Liabilities	(3,538)	(5,654)
Total	**(952)**	**(5,060)**

7 Cash and cash equivalents

	As of December 31,	
	2012	**2011**
Cash	1,194	945
Short-term investments	4,638	2,586
	5,832	**3,531**

All the above mentioned short-term investments are made through the use of low risk fixed income securities with highly-rated institutions. The investments denominated in Brazilian Reais are mostly investments indexed to the Brazilian Interbank Interest rate (CDI), and those denominated in US dollars are mainly time deposits, with the original maturities of less than three months.

The increase in cash equivalents during the 2012, is mainly related to the cash provided by operating activities and the notes issued during 2012 (Note 17).

8 Short-term investment

	As of December 31,	
	2012	**2011**
Time Deposits	246	
	246	