Vale S.A.
Form 6-K
August 02, 2010

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

For the quarterly period ended June 30, 2010

July 2010
Vale S.A.

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

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

(Check One) Form 20-F þ Form 40-F o

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

(Check One) Yes o No þ

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

(Check One) Yes o No þ

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

(Check One) Yes o No þ

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

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US GAAP
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Report of Independent Registered
Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheet of Vale S.A. and its subsidiaries as of June 30, 2010, and the related condensed consolidated statements of income, of cash flows, of comprehensive income and of stockholders equity for each of the three-month periods ended June 30 and March 31, 2010 and June 30, 2009 and for the six-month periods ended June 30, 2010 and June 30, 2009. This interim financial information is the responsibility of the Company s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2009, and the related consolidated statements of income, of cash flows, of comprehensive income and of stockholders equity for the year then ended (not presented herein), and in our report dated February 10, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers
Auditores Independentes
Rio de Janeiro, Brazil
July 29, 2010

Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars

	June 30, 2010 (unaudited)	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	6,235	7,293
Short-term investments		3,747
Accounts receivable		
Related parties	89	79
Unrelated parties	5,741	3,041
Loans and advances to related parties	14	107
Inventories	3,806	3,196
Deferred income tax	533	852
Unrealized gains on derivative instruments	21	105
Advances to suppliers	328	498
Recoverable taxes	1,303	1,511
Others	845	865
	18,915	**21,294**
Non-current assets held for sale	**6,124**	
Non-current assets		
Property, plant and equipment, net	**72,616**	**67,637**
Intangible assets	**1,133**	**1,173**
Investments in affiliated companies, joint ventures and others	**4,444**	**4,585**
Other assets		
Goodwill on acquisition of subsidiaries	3,017	2,313
Loans and advances		
Related parties	11	36
Unrelated parties	134	158
Prepaid pension cost	1,464	1,335
Prepaid expenses	230	235
Judicial deposits	1,410	1,143
Advances to suppliers energy		511
Recoverable taxes	474	817
Unrealized gains on derivative instruments	638	865
Others	193	177
	7,571	**7,590**
TOTAL	**110,803**	**102,279**

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

		(Continued)
	June 30, 2010 (unaudited)	**December 31, 2009**
Liabilities and stockholders equity		
Current liabilities		
Suppliers	2,950	2,309
Payroll and related charges	708	864
Current portion of long-term debt	3,958	2,933
Short-term debt	88	30
Loans from related parties	25	19
Provision for income taxes	144	173
Taxes payable and royalties	124	124
Employees postretirement benefits	198	144
Railway sub-concession agreement payable	391	285
Unrealized losses on derivative instruments	48	129
Provisions for asset retirement obligations	80	89
Dividends payable	421	1,464
Other	546	618
	9,681	**9,181**
Liabilities associated with non-current assets held for sale	**2,532**	
Non-current liabilities		
Employees postretirement benefits	2,032	1,970
Long-term debt	19,125	19,898
Provisions for contingencies (Note 17 (b))	1,967	1,763
Unrealized losses on derivative instruments	148	9
Deferred income tax	7,180	5,755
Provisions for asset retirement obligations	1,082	1,027
Debentures	782	752
Other	1,854	1,427
	34,170	**32,601**
Redeemable noncontrolling interest	**724**	**731**
Commitments and contingencies (Note 17)		
Stockholders equity		

Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (2009 - 2,108,579,618) issued	10,370	9,727
Common stock - 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (2009 - 3,256,724,482) issued	16,016	15,262
Treasury stock -51,451,871 (2009 - 77,581,904) preferred and 25,692,694 (2009 - 74,997,899) common shares	(660)	(1,150)
Additional paid-in capital	1,790	411
Mandatorily convertible notes common shares	290	1,578
Mandatorily convertible notes preferred shares	644	1,225
Other cumulative comprehensive loss	(3,559)	(1,808)
Undistributed retained earnings	26,086	28,508
Unappropriated retained earnings	9,234	3,182
Total Company stockholders equity	**60,211**	**56,935**
Noncontrolling interests	**3,485**	**2,831**
Total stockholders equity	**63,696**	**59,766**
TOTAL	**110,803**	**102,279**

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

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

	Three-month period ended (unaudited)			Six-month period ended (unaudited)	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Operating revenues, net of discounts, returns and allowances					
Sales of ores and metals	8,402	5,693	4,035	14,095	8,539
Aluminum products	655	599	468	1,254	910
Revenues from logistic services	409	314	281	723	480
Fertilizer products	210	65	121	275	186
Other products and services	254	177	179	431	390
	9,930	**6,848**	**5,084**	**16,778**	**10,505**
Taxes on revenues	(272)	(244)	(136)	(516)	(233)
Net operating revenues	**9,658**	**6,604**	**4,948**	**16,262**	**10,272**
Operating costs and expenses					
Cost of ores and metals sold	(2,965)	(2,600)	(2,254)	(565)	(4,400)
Cost of aluminum products	(545)	(507)	(529)	(1,052)	(981)
Cost of logistic services	(262)	(230)	(178)	(492)	(343)
Cost of fertilizer products	(175)	(38)	(41)	(213)	(64)
Other	(175)	(164)	(133)	(339)	(247)
	(4,122)	**(3,539)**	**(3,135)**	**(7,661)**	**(6,035)**
Selling, general and administrative expenses	(343)	(293)	(230)	(636)	(463)
Research and development expenses	(189)	(172)	(265)	(361)	(454)
Other	(374)	(538)	(342)	(912)	(659)
	(5,028)	**(4,542)**	**(3,972)**	**(9,570)**	**(7,611)**
Operating income	**4,630**	**2,062**	**976**	**6,692**	**2,661**
Non-operating income (expenses)					
Financial income	69	48	93	117	218
Financial expenses	(514)	(465)	(293)	(979)	(580)
Gains (losses) on derivatives, net	(112)	(230)	873	(342)	891
Foreign exchange and indexation gains (losses), net	66	(30)	523	36	539
Gain (loss) on sale of investments			157		157

	(491)	**(677)**	**1,353**	**(1,168)**	**1,225**
Income before discontinued operations, income taxes and equity results	**4,139**	**1,385**	**2,329**	**5,524**	**3,886**
Income taxes					
Current	(609)	(249)	(1,494)	(858)	(1,971)
Deferred	(52)	488	(130)	436	41
	(661)	**239**	**(1,624)**	**(422)**	**(1,930)**
Equity in results of affiliates, joint ventures and other investments	283	96	135	379	207
Net income from continuing operations	**3,761**	**1,720**	**840**	**5,481**	**2,163**
Discontinued operations, net of tax	**(6)**	**(145)**		**(151)**	
Net income	3,755	**1,575**	**840**	5,330	**2,163**
Net income (loss) attributable to noncontrolling interests	50	(29)	50	21	10
Net income attributable to the Company s stockholders	**3,705**	**1,604**	**790**	**5,309**	**2,153**
Basic and diluted earnings per share attributable to Company s stockholders					
Earnings per preferred share	0.69	0.29	0.14	0.99	0.39
Earnings per common share	0.69	0.29	0.14	0.99	0.39
Earnings per preferred share linked to convertible mandatorily notes (*)	1.09	0.54	0.63	1.79	1.16
Earnings per common share linked to convertible mandatorily notes (*)	1.95	0.60	0.69	3.48	1.25

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

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

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

	Three-month period ended (unaudited)			Six-month period ended (unaudited)	
	June 30, 2010	**March 31, 2010**	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
Cash flows from operating activities:					
Net income	3,755	1,575	840	5,330	2,163
Adjustments to reconcile net income to cash from operations:					
Depreciation, depletion and amortization	748	743	643	1,491	1,202
Dividends received	199	50	106	249	143
Equity in results of affiliates, joint ventures and other investments	(283)	(96)	(135)	(379)	(207)
Deferred income taxes	52	(488)	130	(436)	(41)
Loss on disposal of property, plant and equipment	48	98	46	146	87
Loss on sale of investments			(157)		(157)
Discontinued operations, net of tax	6	145		151	
Foreign exchange and indexation gains, net	(20)	(59)	(817)	(79)	(874)
Unrealized derivative losses (gains), net	223	243	(809)	466	(805)
Unrealized interest (income) expense, net	(13)	18	(54)	5	(51)
Others	(17)	118	(18)	101	(34)
Decrease (increase) in assets:					
Accounts receivable	(1,608)	(777)	271	(2,385)	662
Inventories	(130)	(258)	98	(388)	217
Recoverable taxes	(78)	48	1,275	(30)	1,171
Others	(60)	125	(8)	65	(85)
Increase (decrease) in liabilities:					
Suppliers	385	112	(227)	497	(330)
Payroll and related charges	127	(277)	62	(150)	(77)
Income taxes	357	(46)	(276)	311	(60)
Others	(15)	132	96	117	307
Net cash provided by operating activities	**3,676**	**1,406**	**1,066**	**5,082**	**3,231**
Cash flows from investing activities:					
Short term investments	12	3,735	217	3,747	(692)
Loans and advances receivable					
Related parties					
Loan proceeds		(28)	(38)	(28)	(61)

Repayments	1			1	7
Others	9	(5)	(14)	4	(10)
Judicial deposits	(47)	(116)	(34)	(163)	(53)
Investments	(23)	(28)	(291)	(51)	(429)
Additions to, property, plant and equipment	(2,236)	(1,817)	(2,008)	(4,053)	(3,696)
Proceeds from disposal of investments/property, plant and equipment			277		277
Acquisition of subsidiaries, net of cash acquired	(5,234)		(300)	(5,234)	(1,150)
Net cash provided by (used in) investing activities	**(7,518)**	**1,741**	**(2,191)**	**(5,777)**	**(5,807)**
Cash flows from financing activities:					
Short-term debt, additions	225	1,632	351	1,857	454
Short-term debt, repayments	(206)	(1,649)	(342)	(1,855)	(416)
Loans					
Related parties					
Loan proceeds	5	10		15	
Repayments	(2)	(1)	(155)	(3)	(223)
Issuances of long-term debt					
Third parties	469	1,059	296	1,528	481
Repayments of long-term debt					
Third parties	(133)	(250)	(52)	(383)	(162)
Treasury stock					(10)
Dividends and interest attributed to Company s stockholders	(1,250)		(1,255)	(1,250)	(1,255)
Dividends and interest attributed to noncontrolling interest	(58)	(1)		(59)	
Net cash provided by (used in) financing activities	**(950)**	**800**	**(1,157)**	**(150)**	**(1,131)**
Increase (decrease) in cash and cash equivalents	(4,792)	3,947	(2,282)	(845)	(3,707)
Effect of exchange rate changes on cash and cash equivalents	(97)	(116)	1,477	(213)	1,568
Cash and cash equivalents, beginning of period	11,124	7,293	8,997	7,293	10,331
Cash and cash equivalents, end of period	**6,235**	**11,124**	**8,192**	**6,235**	**8,192**
Cash paid during the period for:					
Interest on short-term debt		(1)		(1)	
Interest on long-term debt	(298)	(243)	(311)	(541)	(588)
Income tax	(40)	(127)	(85)	(167)	(228)
Non-cash transactions					
Interest capitalized	56	46	50	102	115

Conversion of mandatorily convertible notes using 75,435,238 treasury stock (see note 14).

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

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

	Three-month period ended (unaudited)			Six-month period ended (unaudited)	
	June 30, 2010	**March 31, 2010**	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
Preferred class A stock (including twelve golden shares)					
Beginning of the period	9,727	9,727	9,727	9,727	9,727
Transfer from undistributed retained earnings	643			643	
End of the period	**10,370**	**9,727**	**9,727**	**10,370**	**9,727**
Common stock					
Beginning of the period	15,262	15,262	15,262	15,262	15,262
Transfer from undistributed retained earnings	754			754	
End of the period	**16,016**	**15,262**	**15,262**	**16,016**	**15,262**
Treasury stock					
Beginning of the period	(1,150)	(1,150)	(1,151)	(1,150)	(1,141)
Sales (acquisitions)	490			490	(10)
End of the period	**(660)**	**(1,150)**	**(1,151)**	**(660)**	**(1,151)**
Additional paid-in capital					
Beginning of the period	411	411	393	411	393
Change in the period	1,379			1,379	
End of the period	**1,790**	**411**	**393**	**1,790**	**393**
Mandatorily convertible notes common shares					
Beginning of the period	1,578	1,578	1,288	1,578	1,288
Change in the period	(1,288)			(1,288)	
End of the period	**290**	**1,578**	**1,288**	**290**	**1,288**
Mandatorily convertible notes					

preferred shares					
Beginning of the period	1,225	1,225	581	1,225	581
Change in the period	(581)			(581)	
End of the period	**644**	**1,225**	**581**	**644**	**581**
Other cumulative comprehensive income (deficit)					
Cumulative translation adjustments					
Beginning of the period	(2,162)	(1,772)	(11,597)	(1,772)	(11,493)
Change in the period	(1,455)	(390)	5,212	(1,845)	5,108
End of the period	**(3,617)**	**(2,162)**	**(6,385)**	**(3,617)**	**(6,385)**
Unrealized gain (loss) available-for-sale securities, net of tax					
Beginning of the period	2		113		17
Change in the period	(2)	2	(64)		32
End of the period		**2**	**49**		**49**
Surplus (deficit) accrued pension plan					
Beginning of the period	100	(38)	(82)	(38)	(34)
Change in the period	(164)	138	157	(26)	109
End of the period	**(64)**	**100**	**75**	**(64)**	**75**
Cash flow hedge					
Beginning of the period	(21)	2		2	
Change in the period	143	(23)	1	120	1
End of the period	**122**	**(21)**	**1**	**122**	**1**
Total other cumulative comprehensive income (deficit)	**(3,559)**	**(2,081)**	**(6,260)**	**(3,559)**	**(6,260)**
Undistributed retained earnings					
Beginning of the period	27,875	28,508	18,513	28,508	18,340
Transfer from/to unappropriated retained earnings	(392)	(633)	3,417	(1,025)	3,590
Transfer to capitalized earnings	(1,397)			(1,397)	

End of the period	**26,086**	**27,875**	**21,930**	**26,086**	**21,930**
Unappropriated retained earnings					
Beginning of the period	5,377	3,182	10,780	3,182	9,616
Net income attributable to the stockholders Company	3,705	1,604	790	5,309	2,153
Interest on mandatorily convertible debt					
Preferred class A stock	(19)	(19)	(15)	(38)	(23)
Common stock	(23)	(23)	(31)	(46)	(49)
Dividends and interest attributed to stockholders equity					
Preferred class A stock	(77)			(77)	
Common stock	(121)			(121)	
Appropriation from/to undistributed retained earnings	392	633	(3,417)	1,025	(3,590)
End of the period	**9,234**	**5,377**	**8,107**	**9,234**	**8,107**
Total Company stockholders equity	**60,211**	**58,224**	**49,877**	**60,211**	**49,877**
Noncontrolling interests					
Beginning of the period	2,784	2,831	2,085	2,831	1,892
Disposals of noncontrolling interests	2,309		29	2,309	29
Cumulative translation adjustments	(11)	(11)	313	(22)	535
Cash flow hedge	31	4		35	
Net income (loss) attributable to noncontrolling interests	50	(29)	50	21	10
Dividends and interest attributable to noncontrolling interests	5	(11)		(6)	(1)
Capitalization of stockholders advances					12
Assets and liabilities held for sale	(1,683)			(1,683)	
End of the period	**3,485**	**2,784**	**2,477**	**3,485**	**2,477**
Total stockholders equity	**63,696**	**61,008**	**52,354**	**63,696**	**52,354**

Number of shares issued and outstanding:					
Preferred class A stock (including twelve golden shares)	2,108,579,618	2,108,579,618	2,108,590,250	2,108,579,618	2,108,590,250
Common stock	3,256,724,482	3,256,724,482	3,256,724,482	3,256,724,482	3,256,724,482
Buy-backs					
Beginning of the period	(152,579,803)	(152,579,803)	(152,623,603)	(152,579,803)	(151,792,203)
Acquisitions					(831,400)
Conversions	75,435,238			75,435,238	
End of the period	**(77,144,565)**	**(152,579,803)**	**(152,623,603)**	**(77,144,565)**	**(152,623,603)**
	5,288,159,535	**5,212,724,297**	**5,212,691,129**	**5,288,159,535**	**5,212,691,129**

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

Consolidated Statements of Comprehensive Income (deficit)
Expressed in millions of United States dollars

	Three-month period ended (unaudited)			Six-month period ended (unaudited)	
	June 30, 2010	**March 31, 2010**	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
Comprehensive income (deficit) is comprised as follows:					
Company s stockholders:					
Net income attributable to Company s stockholders	3,705	1,604	790	5,309	2,153
Cumulative translation adjustments	(1,455)	(390)	5,212	(1,845)	5,108
Unrealized gain (loss) available-for-sale securities					
Gross balance as of the period/year end	(2)	6	(109)	4	22
Tax (expense) benefit		(4)	45	(4)	10
	(2)	**2**	**(64)**		**32**
Surplus (deficit) accrued pension plan					
Gross balance as of the period/year end	(297)	206	236	(91)	208
Tax (expense) benefit	133	(68)	(79)	65	(99)
	(164)	**138**	**157**	**(26)**	**109**
Cash flow hedge					
Gross balance as of the period/year end	151	3	1	154	1
Tax expense	(8)	(26)		(34)	
	143	**(23)**	**1**	**120**	**1**
Total comprehensive income attributable to Company s stockholders	**2,227**	**1,331**	**6,096**	**3,558**	**7,403**
Noncontrolling interests:					
Net income (loss) attributable to noncontrolling interests	50	(29)	50	21	10
Cumulative translation adjustments	(11)	(11)	313	(22)	535
Cash flow hedge	31	4		35	
	70	**(36)**	**363**	**34**	**545**

Total comprehensive income (deficit) attributable to Noncontrolling interests					
Total comprehensive income (deficit)	**2,297**	**1,295**	**6,459**	**3,592**	**7,948**

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

Notes to the Condensed Consolidated Interim Financial Information
Expressed in millions of United States dollars, unless otherwise stated
1 The Company and its operations

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

At June 30, 2010, our principal consolidated operating subsidiaries are the following:

Subsidiary	% ownership	% voting capital	Location	Principal activity
Alumina do Norte do Brasil S.A. Alunorte (*)	57.03	59.02	Brazil	Alumina
Alumínio Brasileiro S.A. Albras (*)	51.00	51.00	Brazil	Aluminum
CVRD Overseas Ltd	100.00	100.00	Cayman Islands	Trading
Ferrovia Centro-Atlântica S. A	99.99	99.99	Brazil	Logistic
Ferrovia Norte Sul S.A	100.00	100.00	Brazil	Logistic
Fertilizantes Fosfatados S.A Fosfértil	58.60	72.60	Brazil	Fertilizers
Mineração Corumbaense Reunidas S.A.	100.00	100.00	Brazil	Iron ore
PT International Nickel Indonesia Tbk	59.09	59.09	Indonesia	Nickel
Vale Australia Pty Ltd.	100.00	100.00	Australia	Coal
Vale Colombia Ltd	100.00	100.00	Colombia	Coal
Vale Fosfatados S.A	100.00	100.00	Brazil	Fertilizers
Vale Inco Limited	100.00	100.00	Canada	Nickel
Vale International S.A	100.00	100.00	Switzerland	Trading
Vale Manganése Norway	100.00	100.00	Norway	Ferroalloys
Vale Manganês S.A.	100.00	100.00	Brazil	Manganese and Ferroalloys
Vale Manganèse France	100.00	100.00	France	Ferroalloys
Vale Nouvelle-Caledonie SAS	74.00	74.00	New Caledonia	Nickel

(*) assets held for sale

2 Basis of consolidation

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are accounted for under the equity method (Note 11).

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

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

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

3 Basis of presentation

Our condensed consolidated interim financial information for the three-month periods ended June 30, 2010, March 31, 2010 and June 30, 2009 and for the six-month periods ended June 30, 2010 and 2009, prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), are unaudited. However, in our opinion, such condensed consolidated interim financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for interim periods. The results of operations for the three-month and six-month periods ended June 30, 2010, are not necessarily indicative of the actual results expected for the full fiscal year ending December 31, 2010.

This condensed consolidated interim financial information should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2009, prepared in accordance with US GAAP.

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

Since December 2007, significant modifications have been made to the accounting practices adopted in Brazil (Brazilian GAAP) as part of a convergence project with International Financial Reporting Standards (IFRS). The convergence project is expected to be completed by the end of 2010 and therefore our annual consolidated financial statements for 2010 prepared under Brazilian GAAP will be IFRS compliant. The Company does not expect to discontinue the US GAAP reporting during 2010.

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

All assets and liabilities have been translated to US dollars at the closing exchange rate 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 June 30, 2010 and December 31, 2009, were R$1.8015 and R$1.7412, respectively.

The Company has assessed subsequent events through July 29, 2010 which is the date the financial statements were issued.

4 Accounting pronouncements

a) Newly issued accounting pronouncements

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

Accounting Standards Update (ASU) number 2010-18 Receivables (Topic 310) clarifies that modifications of loans that are accounted for within a pool under Subtopic 310-30, which provides guidance on accounting for acquired loans that have evidence of credit deterioration upon acquisition, do not result in the removal of those loans from the pool even if the modification would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. The amendments do not affect the accounting for loans under the scope of Subtopic 310-30 that are not accounted for within pools. Loans accounted for individually under Subtopic 310-30 continue to be subject to the troubled debt restructuring accounting provisions within Subtopic 310-40. This Codification does not impact our financial position, results of operations or liquidity.

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

b) Accounting standards adopted in 2010

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

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

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

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

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

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for transfers of financial assets. Subsequently, in December 2009, the Accounting Standards Update (ASU) number 2009-16 Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 was issued. The amendments improve financial reporting requiring greater transparency and additional disclosures for transfers of financial assets and the entity s continuing involvement with them and also change the requirements for derecognizing financial assets. In addition, the amendments eliminate the exceptions for QSPE from the consolidation guidance and the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. The Company adopted these amendments in 2010, with no impact on our financial position, results of operations or liquidity.

Accounting Standards Update (ASU) number 2009-08 Earning per share issued by the FASB provides additional guidance related to calculation of earnings per share. In particular, the effect on income available to common stockholders of a redemption or induced conversion of preferred stock This guidance amends ASC 260. This codification does not impact our financial position, results of operations or liquidity.

5 Major acquisitions and disposals

a) Fertilizers Businesses

In line with our strategy to become a leading global player in the fertilizer business, on May 27, 2010 we acquired 58.6% of the equity capital of Fertilizantes Fosfatados S.A. Fosfertil (Fosfertil) and the Brazilian fertilizer assets of Bunge Participações e Investimentos S.A. (BPI), currently renamed Vale Fosfatados S.A for a total of US$ 4.7 billion in cash. As part of this acquisition, we have an option contract to acquire additional 20,27% stake in Fosfertil, for US$ 1.0 billion, which is expected to be exercised in the near future. Also, we will launch a mandatory offer to acquire the 0.19% of the common shares held by the noncontrolling stockholders.

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

Purchase price	4,710
Noncontrolling interests consideration (*)	1,793
Book value of assets acquired and liabilities assumed, net	(2,382)
Adjustment to fair value of property, plant and equipment and mineral properties	(5,043)
Adjustment to fair value of inventories	(98)
Deferred taxes on the above adjustments	1,748
Goodwill	**728**

(*) Noncontrolling interests consideration is calculated based on the option contract and market prices for the remaining noncontrolling interest.

If the acquisition of these assets had been completed on January 1, 2010, our net income would increased by US$44 and our net revenues would increase by US$461.

The goodwill balance arises primarily due to the synergies between the acquired assets and the potash operations in Taquari-Vassouras, Caranalita, Rio Colorado and Neuquém and phosphates in is Bayóvar I and II, in Peru, and Evate, in Mozambique. The future development of our projects combined with the acquisition of the portfolio of fertilizer assets will allow Vale to be one of the top players in the world fertilizer business.

b) Other transactions

As part of our efforts to meet our future production targets, we acquired 51% interest on iron ore concession rights in Simandou South (Zogota), Guinea and iron ore exploration permits in Simandou North. From this amount, US$500 is payable immediately and the remaining US$2 billion upon achievement of specific milestones. This joint venture is also committed to renovate 660 km of the Trans-Guinea railway for passenger transportation and light commercial use.

In June 2010, we acquired an additional 24.5% stake in the Belvedere coal project (Belvedere) for US$92 (R$168) from AMCI Investments Pty Ltd (AMCI). As an outcome of this transaction, Vale increased its participation in Belvedere to 75.5% from 51.0%.

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

On July 7, 2010, we concluded the sale of minority stakes in the Bayóvar project in Peru through the newly-formed company MVM Resources International B.V. (MVM). We sold 35% of the total capital of MVM to Mosaic for US$385 and 25% to Mitsui for US$275. Vale retains control of the Bayóvar project, holding 40% stake of the total capital of the newly-formed company. The capital amount invested as at June 30, 2010 was approximately US$400.

The gain on this transaction will be accounted for in equity in accordance with the accounting rules related to the gains/losses when control is retained.

We have entered into negotiations and agreements to sell our Kaolin, aluminum and alumina assets. For further details see note 10.

6 Income taxes

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

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

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

	Three-month period ended (unaudited)								
	June 30, 2010			**March 31, 2010**			**June 30, 2009**		
	Brazil	**Foreign**	**Total**	**Brazil**	**Foreign**	**Total**	**Brazil**	**Foreign**	**Total**
Income before income taxes, equity results and noncontrolling interests	3,407	732	4,139	220	1,165	1,385	5,302	(2,973)	2,329
Exchange variation (not taxable) or not deductible		(184)	(184)		(416)	(416)		3,762	3,762
	3,407	**548**	**3,955**	**220**	**749**	**969**	**5,302**	**789**	**6,091**
Tax at Brazilian composite rate	(1,158)	(187)	(1,345)	(75)	(254)	(329)	(1,803)	(268)	(2,071)
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	209		209	209		209			
Difference on tax rates of foreign income		239	239		324	324		338	338
Tax incentives	212		212	17		17	59		59
Other non-taxable, income/non deductible expenses	(25)	49	24	(4)	22	18	85	(35)	50
Income tax per consolidated statements of income	**(762)**	**101**	**(661)**	**147**	**92**	**239**	**(1,659)**	**35**	**(1,624)**

	Six-month period ended (unaudited)					
	June 30, 2010			**June 30, 2009**		
	Brazil	**Foreign**	**Total**	**Brazil**	**Foreign**	**Total**
Income before income taxes, equity results and noncontrolling interests	**3,627**	**1,897**	**5,524**	6,711	(2,825)	3,886
		(600)	**(600)**		3,788	3,788

Exchange variation (not taxable) or not deductible						
	3,627	**1,297**	**4,924**	**6,711**	**963**	**7,674**
Tax at Brazilian composite rate	(1,233)	(441)	(1,674)	(2,282)	(327)	(2,609)
Adjustments to derive effective tax rate:						
Tax benefit on interest attributed to stockholders	418		418			
Difference on tax rates of foreign income		563	563		492	492
Tax incentives	229		229	77		77
Other non-taxable, income/non deductible expenses	(29)	71	42	102	8	110
Income taxes per consolidated statements of income	**(615)**	**193**	**(422)**	**(2,103)**	**173**	**(1,930)**

Vale and some related companies in Brazil were granted with a tax incentive that provides 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. In general, such tax incentives expire in 2018. Part of the northern railroad and iron ore operations have been granted with tax incentives for a period of 10 years starting as from 2009. The tax saving must be registered in a special capital (profit) reserve in the net equity of the entity that benefits from the tax incentive and cannot be distributed as dividends to the stockholders.

We are also allowed to reinvest part of the tax savings in the acquisition of new equipment to be used in the operations that enjoy the tax benefit subject to subsequent approval from the Brazilian regulatory agencies Superintendência de Desenvolvimento da Amazônia SUDAM and Superintendência de Desenvolvimento do Nordeste SUDENE. When the reinvestment is approved, the corresponding tax benefit must also be accounted in a special profit reserve and is also subject to the same restrictions with respect to future dividend distributions to the stockholders.

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 its projects in Mozambique, Oman and Malaysia, that will take effects when those projects start their commercial operation.

We are subject to examination by the tax authorities for up to five years regarding our operations in Brazil, up to ten years for Indonesia, and up to seven years for Canada for income taxes.

Brazilian tax loss carryforwards have no expiration date, though offset is restricted to 30% of annual taxable income.
On January 1, 2007, Company adopted the provision Accounting for Uncertainty in Income Taxes.
The reconciliation of the beginning and ending amounts is as follows: (see note 17(b)) tax related actions)

	Three-month period ended (unaudited)			Six-month period ended (unaudited)	
	June 30, 2010	**March 31, 2010**	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
Beginning and end of the period	**409**	**396**	**666**	**396**	**666**
Increase resulting from tax positions taken		4	7	4	21
Decrease resulting from tax positions taken	(25)		(1)	(25)	(1)
Cumulative translation adjustments	(15)	9	89	(6)	84
End of the period	**369**	**409**	**761**	**369**	**770**

7 Cash and cash equivalents

	June 30, 2010 (unaudited)	December 31, 2009
Cash	1,423	728
Short-term investments	4,812	6,565
	6,235	**7,293**

All the above mentioned short-term investments are made through the use of low risk fixed income securities, in a way that: those denominated in Brazilian reais are concentrated in investments indexed to the CDI, and those denominated in US dollars are mainly time deposits, with the original due date less than three-months.

8 Short-term investments

	June 30, 2010 (unaudited)	December 31, 2009
Time deposit		3,747

Represent low risk investments with original due date over three-month.

9 Inventories

	June 30, 2010 (unaudited)	December 31, 2009
Finished products		
Nickel (co-products and by-products)	1,545	1,083
Iron ore and pellets	635	677

Manganese and ferroalloys	163	164
Fertilizer	430	
Aluminum products		135
Kaolin		42
Copper concentrate	28	35
Coal	66	51
Others	81	51
Spare parts and maintenance supplies	858	958
	3,806	**3,196**

In June 30, 2010 and December 31, 2009, there were no adjustments to reduce inventories to market values.

10 Assets and liabilities held for sale

Aluminium

In connection with our strategy of active portfolio asset management, On May 2, 2010, we entered into an agreement with Norsk Hydro ASA (Hydro), to sell all our stakes in Albras Alumínio Brasileiro S.A. (Albras), Alunorte Alumina do Norte do Brasil S.A. (Alunorte) and Companhia de Alumina do Pará (CAP), 60% of our Paragominas bauxite mine and all our other Brazilian bauxite mineral rights (Aluminum Business).

For these transactions we will receive US$ 1 billion in cash, and 22% of Hydro s share capital. In addition, Hydro will assume a net debt of US$700. In 2013 and 2015, we will sell the remaining 40% of Paragominas bauxite mine and other Brazilian bauxite mineral rights, for US$400. The sale is expected to be concluded in the near future.

The company has assessed that the expected fair value of the transaction is higher than the net asset carrying value and accordingly has maintained the original amounts. Also, because of the significant influence the company will hold on Hydro, aluminum was not considered a discontinued operation.

Kaolin

As part of our portfolio management, we have entered into negotiations with the intention to sell our net assets linked to kaolin activities. We have measured these assets at fair value less costs to sell and recognized in 1Q10, estimated losses in the amount of US$ 133.

As at June 30, 2010, detailed amounts of these assets and liabilities classified as held for sale are included in the table below:

Non-current assets held for sale	
Inventories	375
Property, plant and equipment	4,353
Advances to suppliers energy	476
Recoverable taxes	538
Other assets	382
Total	**6,124**
Liabilities associated with non-current assets held for sale	
Short term debt	141
Long term debt	624
Noncontrolling interests	1,695
Other	72
Total	**2,532**

11 Investments in affiliated companies and joint ventures

	Participation in capital (%)		June 30, 2010		Investments		Equity in earnings (losses) of investee adjustments					Dividends Received				
							Three-month period ended			Six-month period ended		Three-month period ended			Six-month period ended	
							(unaudited)			(unaudited)		(unaudited)			(unaudited)	
	Voting	Total	Net equity (unaudited)	Net income (loss) of the period (unaudited)	June 30, 2010	December 31, 2009	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Bulk Material																
Iron ore and pellets																
Companhia Nipo-Brasileira de Pelotização NIBRASCO (1)	51.11	51.00	258	12	131	132	1	5	3	6	8					20
Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS (1)	51.00	50.89	168	10	86	83	(4)	8	(5)	5	(8)	25			25	
Companhia Coreano-Brasileira de Pelotização KOBRASCO (1)	50.00	50.00	114	19	57	59	3	6	3	9	14					
Companhia Ítalo-Brasileira de Pelotização ITABRASCO (1)	51.00	50.90	130	6	66	90	2	2		3	3					
Minas da Serra Geral SA MSG	50.00	50.00	58	2	30	31	1	(1)	1	1	1					
SAMARCO Mineração SA SAMARCO (2)	50.00	50.00	1,665	582	892	673	245	44	90	291	132	100	50	50	150	50
Baovale Mineração SA BAOVALE	50.00	50.00	47	3	23	30		1	(1)	1	(4)					
Zhuhai YPM Pellet e Co,Ltd ZHUHAI	25.00	25.00	90	20	22	13	1	3	2	5	(2)					
Tecnored Desenvolvimento	37.40	37.40	94	(27)	35			(10)		(10)						

Tecnológico SA																
					1,342	**1,111**	**249**	**58**	**93**	**311**	**144**	**125**	**50**	**50**	**175**	**70**
Coal																
Henan Longyu Resources Co Ltd	25.00	25.00	801	155	200	250	19	20	13	39	31	39			39	
Shandong Yankuang International Company Ltd	25.00	25.00	(55)	(28)	(14)	(7)	(5)	(2)	(5)							