

Vale S.A.  
Form 6-K  
February 26, 2014  
[Table of Contents](#)

**United States  
Securities and Exchange Commission**

Washington, D.C. 20549

**FORM 6-K**

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

**For the month of**

**February, 2014**

**Vale S.A.**

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

(Address of principal executive office)

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

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

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

(Check One) Yes  No

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

(Check One) Yes  No

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

(Check One) Yes  No

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

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Table of Contents

**Financial Statements**

**December 31, 2013**

**BR GAAP**

Filed with the CVM, SEC and HKEx on

February 26, 2014



Table of Contents

Vale S.A.

**Index to the Financial Statements**

	<b>Página</b>
<u>Report of Independent Auditor's Report</u>	3
<u>Consolidated and Parent Company Balance Sheets as at December 31, 2013, December 31, 2012 and January 1, 2011</u>	5
<u>Consolidated Statements Income for the year ended December 31, 2013, 2012 and 2011 and Parent company Statements Income for the year ended December 31, 2013 and 2012</u>	7
<u>Consolidated of Other Comprehensive Income for the year ended December 31, 2013, 2012 and 2011 and Parent Company of Other Comprehensive Income for the year ended December 31, 2013 and 2012.</u>	8
<u>Statements of Changes in Stockholder's Equity for the year ended December 30, 2013, 2012 and 2011</u>	9
<u>Consolidated Statements of Cash Flow for the year ended December 31, 2013, 2012 and 2011 and Parent Company of Cash flow for the year ended December 31, 2013 and 2012.</u>	10
<u>Consolidated Statements of Added Value for the year ended December 31, 2013, 2012 and 2011 and Parent Company of Added for the year ended December 31, 2013 and 2012.</u>	11
<u>Notes to the Consolidated Financial Statements</u>	12
<u>Additional Information</u>	
<u>Board of Directors, Fiscal Council, Advisory committees and Executive Officers</u>	

Table of Contents

(A free translation of the original in Portuguese)

**Vale S.A.**

**Financial statements at**

**December 31, 2013**

**and independent auditor's report**

Table of Contents

(A free translation of the original in Portuguese)

**Independent auditor's report**

To the Board of Directors and Stockholders

Vale S.A.

We have audited the accompanying financial statements of Vale S.A. ( Parent Company ), which comprise the balance sheet as at December 31, 2013 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Vale S.A. and its subsidiaries ( Consolidated ), which comprise the consolidated balance sheet as at December 31, 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the Parent Company financial statements in accordance with accounting practices adopted in Brazil, and for the Consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Table of Contents

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the Parent Company financial statements**

In our opinion, the Parent Company financial statements referred to above present fairly, in all material respects, the financial position of Vale S.A. as at December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

**Opinion on the Consolidated financial statements**

In our opinion, the Consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vale S.A. and its subsidiaries as at December 31, 2013, and their financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

**Emphasis of matter**

As discussed in Note 2 to these financial statements, the Parent Company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Vale S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities based on equity accounting, while IFRS requires measurement based on cost or fair value. Our opinion is not qualified in respect of this matter.

As discussed in Note 6 to the financial statements, the Company changed the manner in which it accounts for employee benefits in 2013. Our opinion is not qualified in respect of this matter.

**Other matters**

**Supplementary information - statements of value added**

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We have also audited the Parent Company and Consolidated statements of value added for the year ended December 31, 2013, which are the responsibility of the Company's management. The presentation of these statements is required by the Brazilian corporate legislation for listed companies, but they are considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Rio de Janeiro, February 26, 2014

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 F RJ

João César de Oliveira Lima Júnior

Contador CRC 1RJ077431/O-8

Table of Contents**Balance Sheet**

In millions of Brazilian Reais

	Notes	December 31, 2013	Consolidated December 31, 2012	January 1, 2012	December 31, 2013	Parent Company December 31, 2012	January 1, 2012
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	9	12,465	11,918	6,593	3,635	688	575
Short-term investments		8	506		8	43	
Derivatives financial instruments	25	471	575	1,112	378	500	574
Accounts receivable	10	13,360	13,885	15,889	14,167	21,839	15,809
Related parties	32	611	786	154	1,684	1,347	2,561
Inventories	11	9,662	10,320	9,833	3,287	3,283	3,183
Prepaid income taxes		5,563	1,472	868	4,629	168	169
Recoverable taxes	12	3,698	3,148	3,308	2,295	1,903	2,148
Advances to suppliers		292	523	733	130	242	382
Others		2,151	1,973	1,646	898	574	183
		<b>48,281</b>	<b>45,106</b>	<b>40,136</b>	<b>31,111</b>	<b>30,587</b>	<b>25,584</b>
<b>Non-current Assets held for sale and discontinued operation</b>							
	7	8,822	935		7,051		
		<b>57,103</b>	<b>46,041</b>	<b>40,136</b>	<b>38,162</b>	<b>30,587</b>	<b>25,584</b>
<b>Non-current assets</b>							
Related parties	32	253	833	904	864	864	446
Loans and financing agreements receivable		564	502	399	192	188	158
Judicial deposits	19	3,491	3,095	2,735	2,888	2,474	2,091
Recoverable income taxes		899	899	629			
Deferred income taxes	21	10,596	8,282	3,567	7,418	5,706	2,137
Recoverable taxes	12	668	443	483	258	255	201
Derivatives financial instruments	25	329	93	112		3	96
Deposit on incentive and reinvestment		447	327	429	418	302	429
Others		1,730	1,000	1,095	159	223	389
		<b>18,977</b>	<b>15,474</b>	<b>10,353</b>	<b>12,197</b>	<b>10,015</b>	<b>5,947</b>
Investments	13	8,397	13,044	14,984	123,370	121,436	111,908
Intangible assets	14	16,096	18,822	17,789	15,636	14,664	13,974
	15	191,308	173,455	153,855	70,705	61,231	55,503

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Property, plant and equipment, net	234,778	220,795	196,981	221,908	207,346	187,332
<b>Total assets</b>	<b>291,881</b>	<b>266,836</b>	<b>237,117</b>	<b>260,070</b>	<b>237,933</b>	<b>212,916</b>

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(i) Recast according to Note 6.

Table of Contents**Balance Sheet**

In millions of Brazilian Reais

(continued)

	Notes	December 31, 2013	Consolidated December 31, 2012 (i)	January 1, 2012 (i)	December 31, 2013	Parent Company December 31, 2012 (i)	January 1, 2012 (i)
<b>Liabilities</b>							
<b>Current</b>							
Suppliers and contractors		8,837	9,255	8,851	3,640	4,178	3,504
Payroll and related charges		3,247	3,025	2,442	2,228	2,001	1,582
Derivative financial instruments	25	556	710	136	435	558	117
Loans and financing	17	4,158	7,093	2,847	3,181	5,328	892
Related parties	32	479	423	43	6,453	6,434	4,959
Income taxes - Settlement program	20	1,102			1,079		
Taxes and royalties payable		766	664	979	356	333	330
Income taxes		886	1,310	955		370	
Employee post retirement benefits obligations	22	227	420	316	52	220	141
Railway sub-concession agreement payable			133	123			
Asset retirement obligations	18	225	143	136	90		21
Dividends and interest on capital				2,207			2,207
Others		985	2,168	1,650	756	751	400
		<b>21,468</b>	<b>25,344</b>	<b>20,685</b>	<b>18,270</b>	<b>20,173</b>	<b>14,153</b>
Liabilities directly associated non-current with assets held for sale and discontinued operation							
	7	1,050	345				
		<b>22,518</b>	<b>25,689</b>	<b>20,685</b>	<b>18,270</b>	<b>20,173</b>	<b>14,153</b>
<b>Non-current</b>							
Derivative financial instruments	25	3,496	1,601	1,239	3,188	1,410	953
Loans and financing	17	64,819	54,763	40,225	32,896	26,867	18,596
Related parties	32	11	146	171	32,013	29,363	28,654
	22	5,148	6,762	4,577	464	746	489

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Employee post retirement benefits obligations							
Provisions for litigation	19	2,989	4,218	3,145	2,008	2,867	1,928
Income taxes - Settlement program		15,243			14,930		
Deferred income taxes	21	7,562	7,001	10,210			
Asset retirement obligations	18	5,969	5,472	3,427	1,856	1,625	1,095
Stockholders Debentures	31(d)	4,159	3,379	2,496	4,159	3,379	2,496
Redeemable noncontrolling interest		646	995	943			
Goldstream transaction	30	3,508					
Others		3,692	3,901	4,617	1,940	1,839	2,375
		<b>117,242</b>	<b>88,238</b>	<b>71,050</b>	<b>93,454</b>	<b>68,096</b>	<b>56,586</b>
<b>Total liabilities</b>		<b>139,760</b>	<b>113,927</b>	<b>91,735</b>	<b>111,724</b>	<b>88,269</b>	<b>70,739</b>
<b>Stockholders equity</b>	26						
Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,108,579,618 (in 2012 - 2,108,579,618) issued		29,475	29,475	29,475	29,475	29,475	29,475
Common stock - 3,600,000,000 no-par-value shares authorized and 3,256,724,482 (in 2012 - 3,256,724,482) issued		45,525	45,525	45,525	45,525	45,525	45,525
Mandatorily convertible notes - common shares				360			360
Mandatorily convertible notes - preferred shares				796			796
Treasury stock - 140,857,692 (in 2012 - 140,857,692) preferred and 71,071,482 (in 2012 - 71,071,482) common shares		(7,838)	(7,838)	(9,917)	(7,838)	(7,838)	(9,917)
Results from operations with noncontrolling stockholders		(840)	(840)	(71)	(840)	(840)	(71)
Results on conversion of shares		50	50		50	50	
Unrealized fair value gain (losses)		(2,815)	(4,176)	(1,407)	(2,815)	(4,176)	(1,407)
Cumulative translation adjustments		15,527	9,002	(546)	15,527	9,002	(546)
Retained earnings and revenue reserves		69,262	78,466	77,962	69,262	78,466	77,962
<b>Total company stockholders equity</b>		<b>148,346</b>	<b>149,664</b>	<b>142,177</b>	<b>148,346</b>	<b>149,664</b>	<b>142,177</b>
Noncontrolling interests		3,775	3,245	3,205			
<b>Total stockholders equity</b>		<b>152,121</b>	<b>152,909</b>	<b>145,382</b>	<b>148,346</b>	<b>149,664</b>	<b>142,177</b>
<b>Total liabilities and stockholders equity</b>		<b>291,881</b>	<b>266,836</b>	<b>237,117</b>	<b>260,070</b>	<b>237,933</b>	<b>212,916</b>

(i) Recast according to Note 6.

The accompanying notes are an integral part of these Financial Statements.



Table of Contents**Statement of Income****In millions of Brazilian Reais, except as otherwise stated**

	Notes	Year ended as at December 31,				
		2013	Consolidated 2012	2011	Parent Company 2013 2012	
<b>Continued operation</b>						
Net operating revenue	27	101,490	91,269	100,556	63,731	57,429
Cost of goods solds and services rendered	28	(52,511)	(49,832)	(41,033)	(22,517)	(24,245)
<b>Gross profit</b>		<b>48,979</b>	<b>41,437</b>	<b>59,523</b>	<b>41,214</b>	<b>33,184</b>
<b>Operating (expenses) income</b>						
Selling and administrative expenses	28	(2,804)	(4,249)	(3,894)	(1,678)	(2,339)
Research and development expenses		(1,745)	(2,886)	(2,817)	(1,009)	(1,619)
Pre operation and stoppage operation		(4,035)	(3,145)	(2,253)	(1,040)	(875)
Equity results from subsidiaries	13				(2,995)	(319)
Other operating expenses, net	28	(2,157)	(3,981)	(2,527)	(1,012)	(2,148)
		<b>(10,741)</b>	<b>(14,261)</b>	<b>(11,491)</b>	<b>(7,734)</b>	<b>(7,300)</b>
Impairment of non-current assets	16	(5,390)	(8,211)		(427)	(5,968)
Gain (loss) on measurement or sale of non-current assets (ii)	8	(508)	(1,036)	2,492	(484)	(1,036)
<b>Operating profit</b>		<b>32,340</b>	<b>17,929</b>	<b>50,524</b>	<b>32,569</b>	<b>18,880</b>
Financial income	29	5,795	2,605	4,461	3,981	1,566
Financial expenses	29	(24,237)	(10,844)	(10,779)	(22,179)	(9,893)
Equity results from joint controlled and associates	13	999	1,241	1,857	999	1,241
Results on sale investments from associates and joint controlled entities	8	98			33	
Impairment of investment	16		(4,002)			(1,804)
<b>Income before income taxes</b>		<b>14,995</b>	<b>6,929</b>	<b>46,063</b>	<b>15,403</b>	<b>9,990</b>
<b>Income taxes</b>	21					
Current tax		(17,368)	(4,939)	(9,064)	(16,367)	(3,492)
Deferred tax		2,119	7,534	560	1,079	3,394
		<b>(15,249)</b>	<b>2,595</b>	<b>(8,504)</b>	<b>(15,288)</b>	<b>(98)</b>
<b>Net income for the period from continuing operations</b>		<b>(254)</b>	<b>9,524</b>	<b>37,559</b>	<b>115</b>	<b>9,892</b>
Loss attributable to noncontrolling interests		(373)	(501)	(406)		
<b>Net income from continuing operations attributable to the Company's stockholders</b>		<b>119</b>	<b>10,025</b>	<b>37,965</b>	<b>115</b>	<b>9,892</b>



<b>Discontinued Operations</b>	7					
Loss from discontinued operations		(4)	(133)	(139)		
<b>Net loss from discontinued operations attributable to the Company's stockholders</b>		<b>(4)</b>	<b>(133)</b>	<b>(139)</b>		
<b>Net income for the year</b>		<b>(258)</b>	<b>9,391</b>	<b>37,420</b>	<b>115</b>	<b>9,892</b>
Loss attributable to noncontrolling interests		(373)	(501)	(406)		
<b>Net income attributable to the Company's stockholders</b>		<b>115</b>	<b>9,892</b>	<b>37,826</b>		
<b>Earnings per share attributable to the Company's stockholders:</b>						
<b>Basic and diluted earnings per share:</b>	26(i)					
Common share and (in Brazilian reais)		0.02	1.94	7.21	0.02	1.94
Preferred share (in Brazilian reais)		0.02	1.94	7.21	0.02	1.94

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(i) Recast according to Note 6.

(ii) Except the loss of R\$722 in 2012 related to the sale of coal assets.

The accompanying notes are an integral part of these Financial Statements.

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

In millions of Brazilian Reais

	Year ended as at December 31,				
	2013	Consolidated 2012 (i)	2011 (i)	Parent Company 2013	2012 (i)
<b>Net income (loss)</b>	<b>(258)</b>	<b>9,391</b>	<b>37,420</b>	<b>115</b>	<b>9,892</b>
<b>Other comprehensive income</b>					
<b>Item that will not be reclassified subsequently to income</b>					
<b>Retirement benefit obligations</b>					
Gross balance as of the year	1,976	(1,814)	(790)	1,976	(1,817)
Effect of tax	(614)	533	233	(614)	536
	<b>1,362</b>	<b>(1,281)</b>	<b>(557)</b>	<b>1,362</b>	<b>(1,281)</b>
<b>Total items that will not be reclassified subsequently to income</b>	<b>1,362</b>	<b>(1,281)</b>	<b>(557)</b>	<b>1,362</b>	<b>(1,281)</b>
<b>Item that will be reclassified subsequently to income</b>					
<b>Cumulative translation adjustments of the year</b>					
Gross balance as of the year	6,283	9,556	8,827	5,681	9,192
Transfer results realized to the net income	939	214		939	214
	<b>7,222</b>	<b>9,770</b>	<b>8,827</b>	<b>6,620</b>	<b>9,406</b>
<b>Unrealized loss on available-for-sale investments</b>					
Gross balance as of the year	368	(3)	6	368	(3)
Transfer results realized to the net income	(370)			(370)	
	<b>(2)</b>	<b>(3)</b>	<b>6</b>	<b>(2)</b>	<b>(3)</b>
<b>Cash flow hedge</b>					
Gross balance as of the year	(211)	55	388	(211)	55
Effect of tax	24	(12)	21	24	(12)
Transfer results realized to the net income, net of taxes	93	(285)	(169)	93	(285)
	<b>(94)</b>	<b>(242)</b>	<b>240</b>	<b>(94)</b>	<b>(242)</b>
<b>Total items that will be reclassified subsequently to income</b>	<b>7,126</b>	<b>9,525</b>	<b>9,073</b>	<b>6,524</b>	<b>9,161</b>
<b>Total comprehensive income of the year</b>	<b>8,230</b>	<b>17,635</b>	<b>45,936</b>	<b>8,001</b>	<b>17,772</b>
Comprehensive income attributable to noncontrolling interests	229	(137)	(72)		
<b>Comprehensive income attributable to the Company's stockholders</b>	<b>8,001</b>	<b>17,772</b>	<b>46,008</b>		

8,230	17,635	45,936
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(i) Recast according to Note 6.

The accompanying notes are an integral part of these Financial Statements.

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

In millions of Brazilian Reais

	Capital	Results on conversion of shares	Mandatorily convertible notes	Results from operation with noncontrolling stockholders	Revenue reserves	Treasury stock	Unrealized fair value gain (losses)	Cumulative translation adjustments	Retained earnings	Total Company stockholders equity
<b>December 31, 2010</b>	<b>50,000</b>	<b>1,867</b>	<b>1,441</b>	<b>685</b>	<b>72,487</b>	<b>(4,826)</b>	<b>(25)</b>	<b>(9,512)</b>		<b>112,117</b>
Changes in accounting policies (Note 6)							(1,070)	472	(155)	(753)
<b>January 1, 2011 (i)</b>	<b>50,000</b>	<b>1,867</b>	<b>1,441</b>	<b>685</b>	<b>72,487</b>	<b>(4,826)</b>	<b>(1,095)</b>	<b>(9,040)</b>	<b>(155)</b>	<b>111,364</b>
<b>Net income of the year</b>									<b>37,826</b>	<b>37,826</b>
<b>Other comprehensive income:</b>										
Retirement benefit obligations							(557)			(557)
Cash flow hedge							239			239
Unrealized fair value results							6			6
Translation adjustments								8,494		8,494
<b>Contribution and distribution - stockholders:</b>										
Acquisitions and disposal of noncontrolling stockholders				(756)						(756)
Additional remuneration for mandatorily convertible notes			(285)							(285)
Capitalization of noncontrolling stockholders advances										

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Capitalization of reserves	25,000	(1,867)		(23,133)					
Repurchases of stock					(5,091)				(5,091)
Redeemable noncontrolling stockholders interest									
Dividends to noncontrolling stockholders									
Dividends and interest on capital to Company's stockholders								(9,063)	(9,063)
Appropriation to undistributed retained earnings				28,751				(28,751)	
<b>December 31, 2011 (i)</b>	<b>75,000</b>	<b>1,156</b>	<b>(71)</b>	<b>78,105</b>	<b>(9,917)</b>	<b>(1,407)</b>	<b>(546)</b>	<b>(143)</b>	<b>142,177</b>
<b>Net income of the year</b>								<b>9,892</b>	<b>9,892</b>
<b>Other comprehensive income:</b>									
Retirement benefit obligations						(1,281)			(1,281)
Cash flow hedge						(242)			(242)
Unrealized fair value results						(3)			(3)
Translation adjustments						(142)	9,548		9,406
<b>Contribution and distribution - stockholders:</b>									
Acquisitions and disposal of noncontrolling stockholders				(769)					(769)
Additional remuneration for mandatorily convertible notes								(128)	(128)
Capitalization of noncontrolling stockholders advances									
Realization of reserves				(740)				740	
Results on conversion of shares	50	(1,028)			2,079	(1,101)			
Redeemable noncontrolling stockholders interest									

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Dividends to noncontrolling stockholders										
Dividends and interest on capital to Company's stockholders									(9,388)	(9,388)
Appropriation to undistributed retained earnings				1,085					(1,085)	
<b>December 31, 2012 (i)</b>	<b>75,000</b>	<b>50</b>	<b>(840)</b>	<b>78,450</b>	<b>(7,838)</b>	<b>(4,176)</b>	<b>9,002</b>	<b>16</b>		<b>149,664</b>
<b>Net income of the year</b>									<b>115</b>	<b>115</b>
<b>Other comprehensive income:</b>										
Retirement benefit obligations						1,362				1,362
Cash flow hedge						(94)				(94)
Unrealized fair value results						(2)				(2)
Translation adjustments						95	6,525			6,620
<b>Contribution and distribution - stockholders:</b>										
Capitalization of noncontrolling stockholders advances										
Realization of reserves				(9,220)					9,220	
Redeemable noncontrolling stockholders interest										
Dividends to noncontrolling stockholders										
Dividends and interest on capital to Company's stockholders									(9,319)	(9,319)
Appropriation to undistributed retained earnings				32					(32)	
<b>December 31, 2013</b>	<b>75,000</b>	<b>50</b>	<b>(840)</b>	<b>69,262</b>	<b>(7,838)</b>	<b>(2,815)</b>	<b>15,527</b>			<b>148,346</b>

(i) Recast according to Note 6.

The accompanying notes are an integral part of these Financial Statements.



Table of Contents**Statement of Cash Flows**

In millions of Brazilian Reais

	Consolidated			Parent Company	
	2013	2012	2011	2013	2012
<b>Cash flow from continuing operating activities:</b>					
Net income from continuing operations for the year	(254)	9,524	37,559	115	9,892
<b>Adjustments to reconcile net income with cash from continuing operations</b>					
Equity results from associates and joint venture	(999)	(1,241)	(1,857)	1,996	(922)
Loss (gain) on measurement or sales of non-current assets	508	1,036	(2,492)	484	1,036
Results on sale investments from associates and joint controlled entities	(98)			(33)	
Loss on disposal of property, plant and equipment	867	384	377	326	372
Impairment on non-current assets	5,390	12,213		427	7,772
Depreciation, amortization and depletion	8,953	8,129	6,453	2,801	2,563
Deferred income taxes	(2,119)	(7,534)	(560)	(1,079)	(3,394)
Foreign exchange and indexation, net	1,565	3,590	5,123	6,599	4,962
Unrealized derivative losses, net	1,616	1,236	957	1,781	1,089
Dividends and interest on capital received from subsidiaries				1,036	497
Stockholders' Debentures	780	212	412	780	212
Other	(138)	(35)	(237)	(22)	(331)
<b>Decrease (increase) in assets:</b>					
Accounts receivable	932	3,781	(1,851)	7,672	(6,030)
Inventories	929	(1,264)	(2,741)	632	267
Recoverable taxes	(5,081)	531	(895)	(4,842)	927
Other	(396)	456	(851)	(287)	618
<b>Increase (decrease) in liabilities:</b>					
Suppliers and contractors	(219)	(72)	2,282	(539)	675
Payroll and related charges	261	516	466	226	419
Taxes and contributions	1,459	(336)	(3,043)	99	349
Gold stream transaction	2,899				
Income taxes - Settlement program	16,345			16,010	
Other	(1,324)	1,017	81	(1,415)	963
<b>Net Cash provided by operating activities from continuing operations</b>	<b>31,876</b>	<b>32,143</b>	<b>39,183</b>	<b>32,767</b>	<b>21,936</b>
Net Cash provided by operating activities from discontinued operations	357	938	506		
<b>Net cash provided by operating activities</b>	<b>32,233</b>	<b>33,081</b>	<b>39,689</b>	<b>32,767</b>	<b>21,936</b>
<b>Cash flow from continuing investing activities:</b>					



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Short-term investments	498	(506)	2,987	36	(43)
Loans and advances	(38)	609	(177)	(432)	1,141
Guarantees and deposits	(769)	(891)	(697)	(566)	(635)
Additions to investments	(784)	(892)	(1,362)	(5,479)	(7,334)
Additions to property, plant and equipment and intangible	(28,104)	(30,448)	(25,601)	(14,938)	(15,565)
Dividends and interest on capital received from Joint controlled entities and associates	1,836	932	1,766	1,514	693
Proceeds from disposals of fixed assets	4,699	1,989	1,795	233	745
Proceeds from Gold stream	1,161				
<b>Net cash provided by (used in) investing activities from continuing operations</b>	<b>(21,501)</b>	<b>(29,207)</b>	<b>(21,289)</b>	<b>(19,632)</b>	<b>(20,998)</b>
Net cash used in investing activities from discontinued operations	(1,649)	(886)	(376)		
<b>Net cash provided by (used in) investing activities</b>	<b>(23,150)</b>	<b>(30,093)</b>	<b>(21,665)</b>	<b>(19,632)</b>	<b>(20,998)</b>
<b>Cash flow from continuing financing activities:</b>					
<b>Financial institutions - Loans and financing</b>					
Additions	7,267	17,879	4,720	8,198	16,030
Repayments	(7,480)	(3,160)	(6,113)	(9,067)	(5,259)
<b>Repayments to stockholders:</b>					
Dividends and interest on capital paid to stockholders	(9,319)	(11,596)	(14,960)	(9,319)	(11,596)
Dividends and interest on capital attributed to noncontrolling interest	(46)	(90)	(72)		
Transactions with noncontrolling stockholders		(793)	(2,084)		
Repurchase of treasury stock			(5,092)		
<b>Net cash provided by (used in) financing activities from continuing operations</b>	<b>(9,578)</b>	<b>2,240</b>	<b>(23,601)</b>	<b>(10,188)</b>	<b>(825)</b>
Net cash used in financing activities from discontinued operations	182				
<b>Net cash provided by (used in) financing activities</b>	<b>(9,396)</b>	<b>2,240</b>	<b>(23,601)</b>	<b>(10,188)</b>	<b>(825)</b>
Increase (decrease) in cash and cash equivalents	(313)	5,228	(5,577)	2,947	113
Cash and cash equivalents of cash, beginning of the year	11,918	6,593	12,636	688	575
Effect of exchange rate changes on cash and cash equivalents	860	97	(466)		
<b>Cash and cash equivalents, end of the year</b>	<b>12,465</b>	<b>11,918</b>	<b>6,593</b>	<b>3,635</b>	<b>688</b>
<b>Cash paid during the year for (ii):</b>					
Interest on loans and financing	(3,290)	(2,588)	(1,898)	(3,005)	(1,894)
Income taxes	(5,183)	(2,320)	(11,662)	(4,316)	(312)
Income taxes - Settlement program	(6,032)			(5,946)	
<b>Non-cash transactions:</b>					
Additions to property, plant and equipment - interest capitalization	519	684	289	24	28
Additions to property, plant and equipment - Cost of assets retirement obligations	445	622	361	306	419
Additions to investments			5,995		

(i) Recast according to Note 6.

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

The accompanying notes are an integral part of these Financial Statements.

Table of Contents**Statement of Added Value**

In millions of Brazilian Reais

	Year ended as at December 31,				
	2013	Consolidated 2012 (i)	2011 (i)	Parent Company 2013	2012 (i)
<b>Generation of added value from continued operations</b>					
<b>Gross revenue</b>					
Revenue from products and services	103,026	92,935	102,618	64,869	58,551
Gain (loss) on sale of assets	(508)	(1,036)	2,492	(484)	(1,036)
Other revenue	1,307	339	152	871	
Revenue from the construction of own assets	20,792	29,673	28,389	10,667	16,166
Allowance for doubtful accounts	(22)	19	13	(4)	13
<b>Less:</b>					
Acquisition of products	(3,329)	(2,718)	(3,887)	(1,041)	(1,384)
Outsourced services	(26,493)	(18,974)	(16,399)	(10,871)	(11,313)
Materials	(15,536)	(26,431)	(26,737)	(7,002)	(13,054)
Oil and gas	(3,954)	(3,806)	(3,453)	(2,381)	(2,381)
Energy	(1,546)	(1,684)	(1,536)	(831)	(1,207)
Freight	(68)	(5,660)	(3,772)	(34)	
Impairment of non-current assets	(5,389)	(12,213)		(427)	(7,772)
Other costs and expenses	(9,277)	(11,236)	(8,999)	(3,618)	(4,943)
<b>Gross added value</b>	<b>59,003</b>	<b>39,208</b>	<b>68,881</b>	<b>49,714</b>	<b>31,640</b>
Depreciation, amortization and depletion	(8,953)	(8,130)	(6,453)	(2,801)	(2,563)
<b>Net added value</b>	<b>50,050</b>	<b>31,078</b>	<b>62,428</b>	<b>46,913</b>	<b>29,077</b>
<b>Received from third parties</b>					
Equity results	999	1,241	1,857	(1,996)	609
Financial income	1,439	1,746	2,927	449	799
Monetary and exchange changes of assets	1,802	1,094	1,923	1,717	904
<b>Total added value to be distributed from continued operations</b>	<b>54,290</b>	<b>35,159</b>	<b>69,135</b>	<b>47,083</b>	<b>31,389</b>
Added value to be distributed from discontinued operations	611	848	589		
<b>Total added value to be distributed</b>	<b>54,901</b>	<b>36,007</b>	<b>69,724</b>	<b>47,083</b>	<b>31,389</b>
Personnel	9,496	8,765	7,059	4,664	4,674
Taxes, rates and contribution	6,242	6,980	3,555	5,286	5,339
Current income tax	17,368	4,939	9,064	16,367	3,492
Deferred income tax	(2,119)	(7,534)	(560)	(1,079)	(3,394)
	14,397	6,681	6,110	12,348	5,208

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Financial expense (includes capitalized interest)					
Monetary and exchange changes of liabilities	8,299	5,083	5,347	8,035	4,850
Others remuneration of third party capital	861	722	1,001	1,347	1,328
Dividends and interest attributed to Company's stockholders	92	9,389	9,063	92	9,389
Net income reinvested	27	635	28,902	23	503
Loss attributable to noncontrolling interest	(373)	(501)	(406)		
<b>Distribution of added value from continued operations</b>	<b>54,290</b>	<b>35,159</b>	<b>69,135</b>	<b>47,083</b>	<b>31,389</b>
Distribution of added value from discontinued operations	611	848	589		
<b>Distribution of added value</b>	<b>54,901</b>	<b>36,007</b>	<b>69,724</b>	<b>47,083</b>	<b>31,389</b>

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(i) Recast according to Note 6.

The accompanying notes are an integral part of these Financial Statements.

Table of Contents**Notes to Financial Statements**

Expressed in millions of Brazilian Reais, unless otherwise stated

**1. Operational Context**

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

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

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

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

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

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

Table of Contents

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

**a) Basis of preparation**

Consolidated financial statements of the Company ( Financial Statements ) have been prepared in accordance with the International Financial Reporting Standards ( IFRS ) as issued by the Brazilian Accountant Pronouncements Committee ( CPC ) and approved by the Brazilian Securities Exchange Commission ( CVM ) and Brazilian Federal Accounting Council ( CFC ).

Individual financial statements of the Parent Company ( individual financial statements ) has been prepared in accordance with accounting practices adopted in Brazil issued by CPC and approved by CVM and CFC, and they are disclosed with the consolidated interim financial statements.

In the Group, the accounting practices adopted in Brazil applicable to individual financial statements differ from IFRS applicable to separate financial statements, only for the measurement of investments at equity method in subsidiaries, joint controlled entities and affiliates, as under the rules of IFRS would be the cost or fair value.

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

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

**b) Functional currency and presentation currency**

Financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ( functional currency ), which in the case of the Parent Company is the Brazilian Real (BRL or R\$ ). For presentation purposes, these financial statements are presented in Brazilian Real.

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

Statement of Income and Balance Sheet of all Group entities whose functional currency is different from the presentation currency are translated into the presentation currency as follows: (i) Assets, liabilities and Stockholders' equity (except components described in item (iii)) for each Balance Sheet presented are translated at the closing rate at the Balance Sheet date; (ii) income and expenses for each Statement of Income are translated at the average exchange rates, except for specific transactions that, considering their significance, are translated at the rate at the dates of the transactions and; (iii) capital, capital reserves and treasury stock are translated at the rate at the dates of each transaction. All resulting exchange differences are recognized in a separate component of the Statement of Comprehensive Income, the Cumulative Translation Adjustment account, and subsequently transferred to the Statement of Income when the assets are realized.

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

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

Table of Contents

**c) Consolidation and investments**

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

For entities over which the Company has joint control ( Joint Ventures ) or significant influence, but not control ( Associates ), the investments are measured under the equity method. In the individual financial statements, investments in subsidiaries are also measured using the equity method.

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

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

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

**d) Business combinations**

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

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



e) **Noncontrolling stockholders' interests**

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

**i) Accounts receivables**

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

**j) Inventories**

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

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

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

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

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

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

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

**l) Stripping Costs**

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

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

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

**m) Intangible assets**

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



Table of Contents

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

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

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

**n) Property, plant and equipment**

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

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

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

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

Other

between 2 and 50 years

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

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

**o) Research and evaluation**

**i. Expenditures on mining research**

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

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

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

**p) Impairment of assets**

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

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

Table of Contents

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

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

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

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

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

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

**r) Loans and financing**

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

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

### s) **Leases**

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

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

### t) **Provision**

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



Table of Contents

**i. Provision for asset retirement obligations**

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

**ii. Provision for litigation**

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

**u) Employee benefits**

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

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

**ii. Current benefits profit sharing**

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

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

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

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

The Company operates several retirement plans for its employees.

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

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

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

Table of Contents

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

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

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

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

w) **Financial Assets**

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

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

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

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

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

x) **Capital**

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

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

y) **Government grants and support**

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

z) **Revenue recognition**

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

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

Table of Contents

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

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

Table of Contents

**aa) Current and deferred income taxes**

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

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

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

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

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

**cc) Stockholder's remuneration**

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

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

The benefit to Vale, as opposed to making a dividend payment, is a reduction in our income tax burden because this interest charge is tax deductible in Brazil. Income tax of 15% is withheld on behalf of the stockholders relative to the interest distribution. Under Brazilian law, interest attributed to stockholders' equity is considered as part of the annual minimum mandatory dividend (Note 26-e). 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.

**dd) Statements of Added Value**

The Company prepares its consolidated and the parent company Statements of Added Value in accordance with the accounting practices adopted in Brazil applicable to public companies which are submitted as part of the financial statements in accordance with Brazilian accounting practices. For IFRS purposes, this statement is presented as additional information, without prejudice to the set of financial statements.

Table of Contents

**3. Critical Accounting Estimates and Assumptions**

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

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

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

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

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

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

**b) Asset Retirement**

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



**c) Impairment**

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

**d) Litigation losses**

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

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

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

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

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

Table of Contents

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

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

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

**g) Deferred income taxes**

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

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

**4. Accounting Standards**

Company prepared its financial statements under IFRS, based on the pronouncements issued by CPC and approved by CVM and CFC. Pronouncements issued by the IASB, with adoption required for years ending after December 31, 2013 and has not yet issued by the CPC will not be early adopted.

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

## Edgar Filing: Vale S.A. - Form 6-K

There are new standards, interpretations and amendments to the IFRS effective in 2013. The impacts retrospective of the new standards are limited to the effects of the revised CPC 33 (R1) Employee benefits, described in Note 6.

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

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

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

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

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

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

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

Table of Contents

**5. Risk Management**

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

**a) Risk management policy**

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

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

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

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

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

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

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

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

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

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

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

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

- **Commercial Credit Risk Management**

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

Table of Contents

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

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

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

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

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

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

- **Treasury Credit Risk Management**

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

## Edgar Filing: Vale S.A. - Form 6-K

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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



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

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

**g) Operational risk management**

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

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

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

**h) Capital Management**

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

Table of Contents**i) Insurance**

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

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

**6. Changes in accounting policies**

From 2013 Vale adopted the revised IAS 19 Employee benefits – IAS 19 to account employment benefits, correlate to CPC 33(R1). The Company has applied the standard retrospectively in accordance with the transition provisions of the standard which eliminated the method of corridor ; simplified the changes between the assets and liabilities of plans, recognizing in the statement of income, service cost, interest expense on benefit obligation and interest income on plan assets; and recognizing in comprehensive income, the remeasurements of actuarial gains and losses, return on plan assets(net of interest income on assets) and changes in the effect of the asset ceiling and onerous liabilities.

Statement of the effects of these adjustments in the comparative periods presented is as follows:

	Consolidated			Parent Company		
	Original balance (i)	Effect of changes	Adjusted balance	December 31, 2012 Original balance	Effect of changes	Adjusted balance
<b>Balance Sheet</b>						
<b>Assets</b>						
<b>Current</b>						
Cash and cash equivalents	11,918		11,918	688		688
Others	34,123		34,123	29,899		29,899
	<b>46,041</b>		<b>46,041</b>	<b>30,587</b>		<b>30,587</b>
<b>Non-current</b>						
Deferred income tax and social contribution	8,134	148	8,282	5,558	148	5,706
Others	212,748	(235)	212,513	204,311	(2,671)	201,640
	<b>220,882</b>	<b>(87)</b>	<b>220,795</b>	<b>209,869</b>	<b>(2,523)</b>	<b>207,346</b>

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<b>Total Assets</b>	<b>266,923</b>	<b>(87)</b>	<b>266,836</b>	<b>240,456</b>	<b>(2,523)</b>	<b>237,933</b>
<b>Liabilities and Stockholders equity</b>						
<b>Current</b>						
Employee post retirement benefits obligations	420		420	220		220
Liabilities directly associated with assets held for sale	327	18	345			
Others	24,924		24,924	19,953		19,953
	<b>25,671</b>	<b>18</b>	<b>25,689</b>	<b>20,173</b>		<b>20,173</b>
<b>Non-current</b>						
Employee post retirement benefits obligations	3,390	3,372	6,762	545	201	746
Deferred income tax and social contribution	7,754	(753)	7,001			
Others	74,475		74,475	67,350		67,350
	<b>85,619</b>	<b>2,619</b>	<b>88,238</b>	<b>67,895</b>	<b>201</b>	<b>68,096</b>
<b>Stockholders equity</b>						
Capital	75,000		75,000	75,000		75,000
Unrealized fair value gain (losses)	(1,422)	(2,754)	(4,176)	1,914	(2,754)	(840)
Pension plan				50		50
Cumulative translation adjustments	8,960	42	9,002	(4,218)	42	(4,176)
Retained earnings	78,466		78,466			
Noncontrolling interests	3,257	(12)	3,245	78,478	(12)	78,466
Others	(8,628)		(8,628)	1,164		1,164
	<b>155,633</b>	<b>(2,724)</b>	<b>152,909</b>	<b>152,388</b>	<b>(2,724)</b>	<b>149,664</b>
<b>Total Liabilities and Stockholders equity</b>	<b>266,923</b>	<b>(87)</b>	<b>266,836</b>	<b>240,456</b>	<b>(2,523)</b>	<b>237,933</b>

(i) Year adjusted according to Note 7.

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

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

Table of Contents**6. Changes in accounting policies**

On 2013 Vale starts to apply the revised IAS 19 Employee benefits IAS 19 to account employment benefits, correlate to CPC 33(R1). The Company has applied the standard retrospectively in accordance with the transition provisions of the standard which eliminated the method of corridor ; simplified the changes between the assets and liabilities of plans, recognizing : the financial cost and the expected return on plan assets in the income statement; and the remeasurement of gains and losses, the effect of changes on the ceiling of the plan, and return on assets (excluding the amount of interest on return of assets recognized in statement of income) in comprehensive Income.

Statement of the effects of these adjustments in the comparative periods presented is as follows:

	Consolidated			Parent Company		
	Original balance (i)	Effect of changes	Adjusted balance	Original balance	Effect of changes	Adjusted balance
<b>Balance Sheet</b>						
<b>Assets</b>						
<b>Current</b>						
Cash and cash equivalents	6,593		6,593	575		575
Others	33,543		33,543	25,009		25,009
	<b>40,136</b>		<b>40,136</b>	<b>25,584</b>		<b>25,584</b>
<b>Non-current</b>						
Deferred income tax and social contribution	3,538	29	3,567	2,108	29	2,137
Others	193,414		193,414	186,438	(1,243)	185,195
	<b>196,952</b>	<b>29</b>	<b>196,981</b>	<b>188,546</b>	<b>(1,214)</b>	<b>187,332</b>
<b>Total Asset</b>	<b>237,088</b>	<b>29</b>	<b>237,117</b>	<b>214,130</b>	<b>(1,214)</b>	<b>212,916</b>
<b>Liabilities and Stockholders equity</b>						
<b>Current</b>						
Employee post retirement benefits obligations	316		316	141		141
Others	20,369		20,369	14,012		14,012
	<b>20,685</b>		<b>20,685</b>	<b>14,153</b>		<b>14,153</b>
<b>Non-current</b>						
Employee post retirement benefits obligations	2,846	1,731	4,577	405	84	489
Deferred income tax and social contribution	10,614	(404)	10,210			
Others	56,263		56,263	56,097		56,097
	<b>69,723</b>	<b>1,327</b>	<b>71,050</b>	<b>56,502</b>	<b>84</b>	<b>56,586</b>
<b>Stockholders equity</b>						
Capital	75,000		75,000	75,000		75,000
Unrealized fair value gain (losses)	(75)	(1,332)	(1,407)	(75)	(1,332)	(1,407)

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Cumulative translation adjustments	(750)	204	(546)	(750)	204	(546)
Retained earnings	78,132	(170)	77,962	78,132	(170)	77,962
Noncontrolling interests	53		53	53		53
Others	(5,680)		(5,680)	(8,885)		(8,885)
	<b>146,680</b>	<b>(1,298)</b>	<b>145,382</b>	<b>143,475</b>	<b>(1,298)</b>	<b>142,177</b>
<b>Total Liabilities and Stockholders equity</b>	<b>237,088</b>	<b>29</b>	<b>237,117</b>	<b>214,130</b>	<b>(1,214)</b>	<b>212,916</b>

(i) Recast according to note 7.

Statement of income	Consolidated			Parent Company		
	Original balance (i)	Effect of changes	December 31, 2012 Adjusted balance	Original balance	Effect of changes	Adjusted balance
Net revenue	91,269		91,269	57,429		57,429
Cost of goods sold and services rendered	(49,899)	67	(49,832)	(24,245)		(24,245)
<b>Gross operating profit</b>	<b>41,370</b>	<b>67</b>	<b>41,437</b>	<b>33,184</b>		<b>33,184</b>
Operational expenses	(23,508)		(23,508)	(14,336)	32	(14,304)
Financial expenses	(8,404)	165	(8,239)	(8,518)	191	(8,327)
Equity results	1,241		1,241	1,241		1,241
Impairment	(4,002)		(4,002)	(1,804)		(1,804)
<b>Earnings before income taxes</b>	<b>6,697</b>	<b>232</b>	<b>6,929</b>	<b>9,767</b>	<b>223</b>	<b>9,990</b>
Current and deferred Income taxes	2,669	(74)	2,595	(33)	(65)	(98)
<b>Net income of the year</b>	<b>9,366</b>	<b>158</b>	<b>9,524</b>	<b>9,734</b>	<b>158</b>	<b>9,892</b>
Loss attributable to noncontrolling interests	(501)		(501)			
<b>Net income attributable to stockholders</b>	<b>9,867</b>	<b>158</b>	<b>10,025</b>	<b>9,734</b>	<b>158</b>	<b>9,892</b>
Discontinued operations (note12)			(133)			
<b>Net income of the year</b>	<b>9,867</b>	<b>158</b>	<b>9,892</b>			

(i) Recast according to Note 7.

Table of Contents

Statement of income	Original balance (i)	Consolidated December 31, 2011	
		Effect of changes	Adjusted balance
Net revenue	100,556		100,556
Cost of goods sold and services rendered	(41,002)	(31)	(41,033)
<b>Gross operating profit</b>	<b>59,554</b>	<b>(31)</b>	<b>59,523</b>
Operational expenses	(8,999)		(8,999)
Financial expenses	(6,371)	53	(6,318)
Equity results	1,857		1,857
<b>Earnings before income taxes</b>	<b>46,041</b>	<b>22</b>	<b>46,063</b>
Current and deferred Income taxes	(8,494)	(10)	(8,504)
<b>Net income of the year</b>	<b>37,547</b>	<b>12</b>	<b>37,559</b>
Loss attributable to noncontrolling interests	(406)		(406)
<b>Net income attributable to stockholders</b>	<b>37,953</b>	<b>12</b>	<b>37,965</b>
Discontinued operations (note12)	(139)		(139)
Net income from discontinued operations attributable to stockholders			
<b>Net income of the year</b>	<b>37,814</b>	<b>12</b>	<b>37,826</b>

(i) Recast according to Note 7.

	Consolidated				Parent Company	
	December 31, 2012					
Net income of the year	9,233	158	9,391	9,734	158	9,892
Cumulative translation adjustments	10,072	(302)	9,770	9,708	(302)	9,406
	<b>19,305</b>	<b>(144)</b>	<b>19,161</b>	<b>19,442</b>	<b>(144)</b>	<b>19,298</b>
Unrealized loss on available-for-sale investments, net	(3)		(3)	(3)		(3)
Retirement benefit obligations, net		(1,281)	(1,281)		(1,281)	(1,281)
Cash flow hedge, net	(242)		(242)	(242)		(242)
<b>Total comprehensive income of the year, net</b>	<b>19,060</b>	<b>(1,425)</b>	<b>17,635</b>	<b>19,197</b>	<b>(1,425)</b>	<b>17,772</b>
Comprehensive income attributable to noncontrolling interests, net	(137)		(137)			
<b>Comprehensive income attributable to the Company's stockholders, net</b>	<b>19,197</b>	<b>(1,425)</b>	<b>17,772</b>	<b>19,197</b>	<b>(1,425)</b>	<b>17,772</b>

Consolidated  
December 31, 2011

Statement of comprehensive income

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	Original balance	Effect of changes	Adjusted balance
Net income of the year	37,408	12	37,420
Cumulative translation adjustments	8,828	(1)	8,827
	<b>46,236</b>	<b>11</b>	<b>46,247</b>
Unrealized loss on available-for-sale investments, net	6		6
Retirement benefit obligations, net		(557)	(557)
Cash flow hedge, net	240		240
<b>Total comprehensive income of the year, net</b>	<b>46,482</b>	<b>(546)</b>	<b>45,936</b>
Comprehensive income attributable to noncontrolling interests, net	(72)		(72)
<b>Comprehensive income attributable to the Company's stockholders, net</b>	<b>46,554</b>	<b>(546)</b>	<b>46,008</b>

Table of Contents**7. Discontinued operations and assets and liabilities held for sale**

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

	December 31, 2013			December 31, 2012	
	General Cargo - Logistic (a)	Energy (b)	Consolidated Total	Araucária (b)	Total
<b>Assets held for sale and discontinued operations</b>					
Accounts receivable	330		330	29	29
Other current assets	634		634	112	112
Investment		186	186		
Intangible, net	3,951		3,951		
Property, plant and equipment, net	2,406	1,315	3,721	794	794
<b>Total assets</b>	<b>7,321</b>	<b>1,501</b>	<b>8,822</b>	<b>935</b>	<b>935</b>
<b>Liabilities associated if assets held for sale and discontinued operations</b>					
Suppliers and contractors	198		198	24	24
Payroll and related charges	144		144		
Other current liabilities	262		262	105	105
Other non-current Liabilities	446		446	216	216
<b>Total Liabilities</b>	<b>1,050</b>		<b>1,050</b>	<b>345</b>	<b>345</b>
<b>Assets and liabilities with discontinued operation</b>	<b>6,271</b>	<b>1,501</b>	<b>7,772</b>	<b>590</b>	<b>590</b>

**a) Discontinued operations**

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

As part of the disposal process, we entered into agreements to transfer its 20% stock on VLI capital to Mitsui & Co. in the amount of R\$1,509 (US\$677); 15,9% for Fundo de Garantia de Tempo de Serviço ( FGTS ) by amount R\$1.200 (US\$538); and 26,5% to investment fund managed by Brookfield Asset Management by an amount of R\$2.000 (US\$853). The operation is subject to revision by the Brazilian Administrative Council for Economic Defense agency ( Conselho Administrativo de Defesa Econômica or CADE ).



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

	Consolidated		
	Year ended as at December 31,		
	2013	2012	2011
<b>Discontinued operations</b>			
Net revenue of service	2,762	2,242	1,463
Cost of services rendered	(2,657)	(2,098)	(1,449)
Operating expense	(193)	(248)	(152)
<b>Operating profit</b>	<b>(88)</b>	<b>(104)</b>	<b>(138)</b>
Financial Results	(6)	(1)	19
<b>Income before income taxes</b>	<b>(94)</b>	<b>(105)</b>	<b>(119)</b>
Income taxes	420	(28)	(20)
<b>Profit after income taxes</b>	<b>326</b>	<b>(133)</b>	<b>(139)</b>
Gross income from fair value measurement	(484)		
Income taxes of fair value measurement	154		
<b>Net income for the year from discontinued operations</b>	<b>(4)</b>	<b>(133)</b>	<b>(139)</b>

Table of Contents

	Consolidated Year ended as at December 31,		
	2013	2012	2011
<b>Cash flow from discontinued operations</b>			
<b>Operating activities</b>			
Net (loss) income from discontinued operation	(4)	(133)	(139)
<b>Adjustments for Conciliation</b>			
Depreciation and amortization	339	268	185
Deferred income tax	(659)	(20)	7
Fair value adjustments	484		
Others	244	58	91
Decrease (increase) in assets	(112)	615	272
Increase (decrease) in liabilities	65	150	90
<b>Net cash provided by operating activities</b>	<b>357</b>	<b>938</b>	<b>506</b>
<b>Investing activities</b>			
Additions to property, plant and equipment	(1,643)	(923)	(349)
Others	(6)	37	(27)
<b>Net cash used in investing activities</b>	<b>(1,649)</b>	<b>(886)</b>	<b>(376)</b>
<b>Financing activities</b>			
Long-term debt			
Additions	182		
<b>Net cash provided by financing activities</b>	<b>182</b>		
<b>Net cash provided (used) by discontinued operations</b>	<b>(1,110)</b>	<b>52</b>	<b>130</b>

	Consolidated Year ended as at December 31,		
	2013	2012	2011
<b>Added value from discontinued operations</b>			
<b>Generation of added value</b>			
Renevues	4,243	2,746	1,826
Inputs acquired from third parties	(3,335)	(1,654)	(1,074)
Depreciation and amortization	(339)	(268)	(185)
Financial income	28	14	17
Monetary and exchange changes of assets	14	10	5
<b>Total value added to distribute</b>	<b>611</b>	<b>848</b>	<b>589</b>
<b>Distribution of value added</b>			
Personnel	454	355	283
Taxes and contributions	510	416	274
Income tax	(574)	28	20
Remuneration of third party capital	225	182	151
Remuneration of capital	(4)	(133)	(139)
<b>Distribution of value added</b>	<b>611</b>	<b>848</b>	<b>589</b>

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

- **Energy Generation Assets**

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

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

Table of Contents

- **Araucária Assets**

In December 2012, we executed an agreement with Petróleo Brasileiro S.A. ( Petrobras ) to sell Araucária, operation for production of nitrogens based fertilizes, located in Araucária, in the Brazilian state of Paraná, for R\$478 and recognized a loss of R\$269 recorded within Gain (loss) on measurement or sales of non-current assets in Statement of Income. The purchase price will be paid by Petrobras through installments accrued quarterly, adjusted by 100% of the Brazilian Interbank Interest rate ( CDI ), in amounts equivalent to the royalties due by Vale related to the operation of potash assets and mining of Taquari-Vassouras and of the Carnalita project.

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

- **8. Acquisitions and Divestitures**

The results on divestitures are presented as follow:

	Consolidated			Parent Company	
	Year ended as at December 31,				
	2013	2012	2011	2013	2012
<b>Gain (loss) on measurement or sales of non-current assets</b>					
Tres Vales	(508)				
Manganese and Ferroalloys		(45)			(45)
Coal assets		(722)			(722)
Araucária		(269)			(269)
Aluminum Assets			2,492		
General Cargo Logistic				(484)	
	<b>(508)</b>	<b>(1,036)</b>	<b>2,492</b>	<b>(484)</b>	<b>(1,036)</b>
<b>Financial income</b>					
Hydro	491			491	
	<b>491</b>			<b>491</b>	
<b>Results on sale investments from associates and joint controlled entities</b>					
Log-in	33			33	
Fosbrasil	65				
	<b>98</b>			<b>33</b>	

- **2013**

a) **Divestitures of Hydro**

As part of Vale's strategy of reducing its exposure to non-core assets, in November 2013, we sold Norsk Hydro common shares for R\$4,218. Since February 2013 when the lock-up period for trading Hydro shares ended, the investment could be traded in the market and therefore we had started classifying this investment as a financial asset available for sale. As result of this operation we recognized a gain calculated as bellow of R\$491 that is presented in our Statement of Income as Financial Income :

<b>Hydro</b>	
Balance in the date of sale	4,309
Cumulative translation adjustment recycling	(952)
Results on available for sale investments recycling	370
	<b>3,727</b>
Amount received	4,218
Gain on sale	<b>491</b>

b) **Divestitures of Tres Valles**

In December 2013, we sold our *total* participation in Sociedade Contractual Mineradora Tres Valles ( Tres Vales ) for R\$58. This transaction is consistent with Vale's strategy of focusing on world-class assets, with scale compatible with its existing operations. In this transaction, Vale recognized a loss of R\$508 presented in our Statement of Income as Gain (loss) on measurement or sale of non-current assets . The total loss includes an amount of R\$13 transferred from Cumulative translation adjustments .

Table of Contents

c) **Divestitures of Fosbrasil**

In December 2013, we entered into an agreement to sale of Vale s minority participation in the associate Fosbrasil, producer of purified phosphoric acid, for R\$105. In this transaction Vale recognized a gain of R\$65 presented in our Statement of Income as Result on sale investments from associates and joint controlled entities .

d) **Divestitures of Log-In**

In December 2013, Vale promoted an auction to sell its common shares of Log-in Logística Intermodal S.A. (Log-in). All the shares were sold for R\$ 233 and the gain of R\$33 on this transaction was recorded in our Statement of Income as Result on sale investments from associates and joint controlled entities .

• **2012**

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

During 2012, we concluded the purchase option on additional 24.5% participation in the Belvedere Coal Project owned by Aquila Resources Limited ( Aquila ) in the amount of R\$318 (AUD150). In 2013, after the approval of the local government, Vale has 100% of Belvedere and paid the total amount of R\$682 for wholly participation.

f) **Sales of Coal**

In June 2012, we have concluded the sale of our thermal coal operations in Colombia to CPC S.A.S., an affiliate of Colombian Natural Resources S.A.S. ( CNR ). The loss on this transaction, of R\$722 was recorded in the income statement in the line Gain (loss) on measurement or sales of non-current assets .

**g) Acquisition of EBM stocks**

At 2012, we acquired additional 10.46% of Empreendimentos Brasileiros de Mineração ( EBM ). As result of the acquisition, we increased our share in EBM to 96.7% and we recorded R\$500 as result from operation with non-controlling interest in Stockholders Equity.

**h) Divestitures of manganese and ferroalloys**

In October 2012, we concluded the sale of manganese and ferroalloys operations in Europe for R\$318. In this transactions Vale recognized a loss of R\$45 presented in our Statement of Income as Gain (loss) on measurement or sales of non-current assets .

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

In October 2012, we sold 30% of participation in Vale Oman Pelletizing LLC for R\$145. In this transactions Vale recognized a gain of R\$129 in Stockholders Equity.

• **2011**

**j) Divestitures of aluminum assets**

In February 2011, we concluded the sale of Albras-Alumínio Brasileiro ( Albras ), Alunorte-Alumina do Norte do Brasil ( Alunorte ), Companhia de Alumina do Pará ( CAP ), 60% of Mineração Paragominas S.A. ( Paragominas ) and other Brazilian bauxite mineral rights. In these transactions we received US\$1,081 (R\$1,802) in cash and 22% of Hydro s outstanding common shares. The gain of R\$ 2,492 was recorded in Statement of Income as Gain (loss) on measurement or sales of non-current assets .

**k) Acquisition of NESA**

In 2011, we acquired 9% of participation in Norte Energia S.A. ( NESA ) for R\$137.

Table of Contents**9. Cash and Cash Equivalents**

	December 31, 2013	Consolidated December 31, 2012	January 1, 2012	December 31, 2013	Parent Company December 31, 2012	January 1, 2012
Cash and bank accounts	3,649	2,440	1,770	28	36	177
Short-term investments (maturity until 3 months)	8,816	9,478	4,823	3,607	652	398
	<b>12,465</b>	<b>11,918</b>	<b>6,593</b>	<b>3,635</b>	<b>688</b>	<b>575</b>

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

**10. Accounts Receivables**

	December 31, 2013	Consolidated December 31, 2012	January 1, 2012	December 31, 2013	Parent Company December 31, 2012	January 1, 2012
Denominated in Reais						
Brazilian Reais	1,193	1,734	2,295	1,275	1,519	2,238
Denominated in other currencies, mainly US\$	12,375	12,384	13,791	12,984	20,434	13,698
	<b>13,568</b>	<b>14,118</b>	<b>16,086</b>	<b>14,259</b>	<b>21,953</b>	<b>15,936</b>
Allowance for doubtful accounts	(208)	(233)	(197)	(92)	(114)	(127)
	<b>13,360</b>	<b>13,885</b>	<b>15,889</b>	<b>14,167</b>	<b>21,839</b>	<b>15,809</b>

In consolidated the accounts receivables related to the steel sector represented 79.70%, 71.26% and 67.90%, of total receivable as at December 31, 2013, December 31, 2012 and January 1, 2012, respectively. To the parent company the steel sector represent as at December 31, 2013, December 31, 2012 and January 1, 2012, 91.77%, 89.15% and 88.66% of the accounts receivables, respectively.

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



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The estimated losses for accounts receivable recorded in the Statements of Income as at December 31, 2013, 2012 and 2011 totaled R\$8, R\$45 and R\$3, respectively. Write offs as at December 31, 2013, 2012 and 2011 totaled R\$34, R\$34 and R\$2, respectively.

### 11. Inventory

The inventories of products are comprised as follows:

	December 31, 2013	Consolidated December 31, 2012	January 1, 2012	December 31, 2013	Parent Company December 31, 2012	January 1, 2012
<b>Inventories of products</b>						
<b>Bulk Material</b>						
Iron ore	1,513	1,746	1,538	1,574	1,571	1,602
Pellets	206	195	309	162	210	241
Manganese and ferroalloys	177	188	444			
Coal	746	506	503			
	<b>2,642</b>	<b>2,635</b>	<b>2,794</b>	<b>1,736</b>	<b>1,781</b>	<b>1,843</b>
<b>Base Metals</b>						
Nickel and other products	3,276	3,870	3,691	351	259	202
Copper	53	60	71	23	37	47
	<b>3,329</b>	<b>3,930</b>	<b>3,762</b>	<b>374</b>	<b>296</b>	<b>249</b>
<b>Fertilizers</b>						
Potash	19	41				
Phosphates	734	679	604			