

Vale S.A.  
Form 6-K  
February 26, 2015  
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**United States  
Securities and Exchange Commission**

Washington, D.C. 20549

**FORM 6-K**

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

**For the month of**

**February, 2015**

**Vale S.A.**

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

(Address of principal executive office)

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

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

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

(Check One) Yes  No

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

(Check One) Yes  No

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

(Check One) Yes  No

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

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**Financial Statements**

**December 31, 2014**

**BR GAAP**

Filed with the CVM, SEC and HKEx on

February 26, 2015



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Vale S.A.

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**Independent auditor's report on the financial statements**

(A free translation of the original report in Portuguese as published in Brazil containing financial statement prepared in accordance with accounting practices adopted in Brazil and rules of the International Financial Reporting Standards - IFRS)

To

The Board of Directors and Stockholders of

Vale S.A.

Rio de Janeiro - RJ

1. We have examined the accompanying individual and consolidated financial statements of Vale S.A. ( Company ), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2014 and the respective statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other notes to the financial statements.

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

2. The Company's management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and in accordance with accounting practices adopted in Brazil, as well as for the internal control as it considers necessary to enable the preparation of financial statements free of material misstatements, regardless of whether due to fraud or error.

**Independent auditor's responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with the Brazilian and International Standards on Auditing. These standards require compliance with ethical requirements by the auditor and that the audit is planned and performed for the purpose of obtaining reasonable assurance that the financial statements are free from material misstatement.

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4. An audit involves performing selected procedures to obtain evidence with respect to the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's judgment, and include the assessment of the risks of material misstatements of the financial statements, regardless of whether due to fraud or error. In the assessment of these risks, the auditor considers the relevant internal controls for the preparation and fair presentation of the Company's financial statements, in order to plan audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the adequacy of the accounting practices used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements taken as a whole.

5. We believe that the audit evidence obtained is sufficient and appropriate for expressing our opinion.

**Opinion on the individual financial statements**

6. In our opinion, the aforementioned individual financial statements present fairly, in all material respects, the financial position of Vale S.A. as of December 31, 2014, and of 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**

7. In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Vale S.A. and its subsidiaries as of December 31, 2014, its consolidated financial performance and its consolidated 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.

**Other matters**

***Previous year accounting information***

8. The individual and consolidated financial statements corresponding to the years ended December 31, 2013 and 2012 presented for comparison purposes, were previously audited by other independent auditors who issued reports dated February 26, 2014 and February 27, 2013, respectively, without any change.



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**Statements of added value**

9. We have also examined the individual and consolidated statements of added value for the year ended December 31, 2014, the presentation of which is required by Brazilian Corporation Law for public companies, which is the responsibility of the Company's management, considered as supplementary information by IFRS, which does not require the presentation of the statements of added value. These statements were submitted to the same audit procedures described previously and, in our opinion, are presented adequately, in all material respects, in relation to the financial statements, taken as a whole.

Rio de Janeiro, February 25, 2015

/s/ KPMG Auditores Independentes

CRC SP-014428/O-6 F-RJ

/s/ Manuel Fernandes Rodrigues de Sousa

Accountant CRC-RJ-052428/O-2

Table of Contents**Balance Sheet**

In millions of Brazilian Reais

	Notes	Consolidated December 31, 2014	December 31, 2013	Parent Company December 31, 2014	December 31, 2013
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	10,555	12,465	685	3,635
Financial investments		392	8	392	8
Derivative financial instruments	24	441	471	370	378
Accounts receivable	9	8,700	13,360	30,599	14,167
Related parties	31	1,537	611	2,227	1,684
Inventories	10	11,956	9,662	3,655	3,287
Prepaid income taxes		4,200	5,563	3,782	4,629
Recoverable taxes	11	4,515	3,698	2,687	2,295
Advances to suppliers		256	292	102	130
Others		1,524	2,151	1,067	898
		<b>44,076</b>	<b>48,281</b>	<b>45,566</b>	<b>31,111</b>
<b>Non-current assets held for sale and discontinued operation</b>					
	6	9,669	8,822	1,501	7,051
		<b>53,745</b>	<b>57,103</b>	<b>47,067</b>	<b>38,162</b>
<b>Non-current assets</b>					
Related parties	31	93	253	902	864
Loans and financing agreements receivable		609	564	104	192
Judicial deposits	18	3,370	3,491	2,721	2,888
Recoverable income taxes		1,271	899		
Deferred income taxes	20	10,560	10,596	6,430	7,418
Recoverable taxes	11	1,064	668	566	258
Derivative financial instruments	24	231	329	29	
Deposit on incentive and reinvestment		180	447	151	418
Others		1,693	1,730	198	159
		<b>19,071</b>	<b>18,977</b>	<b>11,101</b>	<b>12,197</b>
Investments	12	10,978	8,397	118,628	123,370
Intangible assets, net	13	18,114	16,096	17,454	15,636
Property, plant and equipment, net	14	207,507	191,308	87,321	70,705
		<b>255,670</b>	<b>234,778</b>	<b>234,504</b>	<b>221,908</b>
<b>Total</b>		<b>309,415</b>	<b>291,881</b>	<b>281,571</b>	<b>260,070</b>



Table of Contents**Balance Sheet**

In millions of Brazilian Reais

(continued)

	Notes	Consolidated December 31, 2014	December 31, 2013	Parent Company December 31, 2014	December 31, 2013
<b>Liabilities</b>					
<b>Current liabilities</b>					
Suppliers and contractors		11,566	8,837	6,818	3,640
Payroll and related charges		3,089	3,247	2,017	2,228
Derivative financial instruments	24	3,760	556	948	435
Loans and financing	16	3,768	4,158	2,853	3,181
Related parties	31	813	479	5,622	6,453
Income taxes settlement program	19	1,213	1,102	1,189	1,079
Taxes payable and royalties		1,461	766	376	356
Provision for income taxes		937	886		
Employee postretirement obligations	21(a)	177	227	66	52
Asset retirement obligations	17	361	225	89	90
Others		1,074	985	690	756
		<b>28,219</b>	<b>21,468</b>	<b>20,668</b>	<b>18,270</b>
Liabilities directly associated with non-current assets held for sale and discontinued operation	6	294	1,050		
		<b>28,513</b>	<b>22,518</b>	<b>20,668</b>	<b>18,270</b>
<b>Non-current liabilities</b>					
Derivative financial instruments	24	4,276	3,496	3,866	3,188
Loans and financing	16	72,749	64,819	38,542	32,896
Related parties	31	288	11	43,606	32,013
Employee postretirement obligations	21(a)	5,941	5,148	466	464
Provisions for litigation	18	3,405	2,989	2,448	2,008
Income taxes settlement program	19	15,572	15,243	15,254	14,930
Deferred income taxes	20	8,874	7,562		
Asset retirement obligations	17	8,588	5,969	3,106	1,856
Participative stockholders debentures	30(c)	4,584	4,159	4,584	4,159
Redeemable noncontrolling interest		645	646		

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Gold stream transaction	29	3,516	3,250		
Others		2,863	3,950	2,617	1,940
		<b>131,301</b>	<b>117,242</b>	<b>114,489</b>	<b>93,454</b>
<b>Total liabilities</b>		<b>159,814</b>	<b>139,760</b>	<b>135,157</b>	<b>111,724</b>
<b>Stockholders equity</b>	25				
Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 2,027,127,718 (2,108,579,618 in 2013) shares issued		47,421	29,475	47,421	29,475
Common stock - 3,600,000,000 no-par-value shares authorized and 3,217,188,402 (3,256,724,482 in 2013) shares issued		29,879	45,525	29,879	45,525
Treasury stock - 59,405,792 (140,857,692 in 2013) preferred and 31,535,402 (71,071,482 in 2013) common shares		(2,746)	(7,838)	(2,746)	(7,838)
Results from operations with noncontrolling stockholders		(970)	(840)	(970)	(840)
Results on conversion of shares		50	50	50	50
Unrealized fair value gain (losses)		(4,553)	(2,815)	(4,553)	(2,815)
Cumulative translation adjustments		24,248	15,527	24,248	15,527
Profit reserves		53,085	69,262	53,085	69,262
<b>Total company stockholders equity</b>		<b>146,414</b>	<b>148,346</b>	<b>146,414</b>	<b>148,346</b>
Noncontrolling stockholders interests	12	3,187	3,775		
<b>Total stockholders equity</b>		<b>149,601</b>	<b>152,121</b>	<b>146,414</b>	<b>148,346</b>
<b>Total liabilities and stockholders equity</b>		<b>309,415</b>	<b>291,881</b>	<b>281,571</b>	<b>260,070</b>

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,				
		2014	Consolidated 2013	2012	Parent Company 2014	2013
<b>Continuing operations</b>						
Net operating revenue	26	88,275	101,490	91,269	54,346	63,731
Cost of goods sold and services rendered	27(a)	(59,087)	(52,511)	(49,832)	(26,093)	(22,517)
<b>Gross profit</b>		<b>29,188</b>	<b>48,979</b>	<b>41,437</b>	<b>28,253</b>	<b>41,214</b>
<b>Operating (expenses) income</b>						
Selling and administrative expenses	27(b)	(2,603)	(2,804)	(4,249)	(1,441)	(1,678)
Research and evaluation expenses		(1,738)	(1,745)	(2,886)	(1,017)	(1,009)
Pre operating and stoppage operation		(2,563)	(4,035)	(3,145)	(426)	(1,040)
Equity results from subsidiaries	12				(14,167)	(2,995)
Other operating expenses, net	27(c)	(2,560)	(2,157)	(3,981)	(1,996)	(1,012)
		<b>(9,464)</b>	<b>(10,741)</b>	<b>(14,261)</b>	<b>(19,047)</b>	<b>(7,734)</b>
Impairment of non-current assets	15	(2,713)	(5,390)	(8,211)	4,295	(427)
Loss on measurement or sale of non-current assets (i)	7	(441)	(508)	(1,036)		(484)
<b>Operating income</b>		<b>16,570</b>	<b>32,340</b>	<b>17,929</b>	<b>13,501</b>	<b>32,569</b>
Financial income	28	8,667	5,795	2,605	7,379	3,981
Financial expenses	28	(23,420)	(24,237)	(10,844)	(18,495)	(22,179)
Equity results from joint ventures and associates	12	1,141	999	1,241	1,141	999
Results on sale or disposal of investments from joint ventures and associates	7	(68)	98		(68)	33
Impairment of investment from joint ventures and associates	15	(71)		(4,002)	(71)	
<b>Net income before income taxes</b>		<b>2,819</b>	<b>14,995</b>	<b>6,929</b>	<b>3,387</b>	<b>15,403</b>
<b>Income taxes</b>						
Current tax	20	(2,352)	(17,368)	(4,939)	(1,344)	(16,367)
Deferred tax		(248)	2,119	7,534	(1,089)	1,079
		<b>(2,600)</b>	<b>(15,249)</b>	<b>2,595</b>	<b>(2,433)</b>	<b>(15,288)</b>
<b>Net Income (loss) from continuing operations</b>		<b>219</b>	<b>(254)</b>	<b>9,524</b>	<b>954</b>	<b>115</b>
Loss attributable to noncontrolling interests		(735)	(373)	(501)		

<b>Net income from continuing operations attributable to the Company's stockholders</b>	<b>954</b>	<b>119</b>	<b>10,025</b>	<b>954</b>	<b>115</b>
<b>Discontinued operation</b>					
Loss from discontinued operations		(4)	(133)		
<b>Loss from discontinued operations attributable to the Company's stockholders</b>		<b>(4)</b>	<b>(133)</b>		
<b>Net income (loss)</b>	<b>219</b>	<b>(258)</b>	<b>9,391</b>	<b>954</b>	<b>115</b>
Loss attributable to noncontrolling interests	(735)	(373)	(501)		
<b>Net income attributable to the Company's stockholders</b>	<b>954</b>	<b>115</b>	<b>9,892</b>		
<b>Earnings per share attributable to the Company's stockholders:</b>					
<b>Basic and diluted earnings per share:</b>	25(e)				
Preferred share (R\$)	0.19	0.02	1.94	0.19	0.02
Common share (R\$)	0.19	0.02	1.94	0.19	0.02

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(i) Except for 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.

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## Statement of Comprehensive Income

In millions of Brazilian Reais

	Year ended as at December 31,				
	2014	Consolidated 2013	2012	Parent Company 2014	2013
<b>Net income (loss)</b>	<b>219</b>	<b>(258)</b>	<b>9,391</b>	<b>954</b>	<b>115</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified subsequently to income</b>					
<b>Retirement benefit obligations</b>					
Gross balance for the year	(661)	1,976	(1,814)	(261)	1,976
Effect of taxes	204	(614)	533	89	(614)
Equity results from entities, net taxes	4			(281)	
	<b>(453)</b>	<b>1,362</b>	<b>(1,281)</b>	<b>(453)</b>	<b>1,362</b>
<b>Total of items that will not be reclassified subsequently to income</b>	<b>(453)</b>	<b>1,362</b>	<b>(1,281)</b>	<b>(453)</b>	<b>1,362</b>
<b>Items that will be reclassified subsequently to income</b>					
<b>Cumulative translation adjustments</b>					
Gross balance for the year	8,771	6,283	9,556	8,480	5,681
Transfer results realized to the net income		939	214		939
	<b>8,771</b>	<b>7,222</b>	<b>9,770</b>	<b>8,480</b>	<b>6,620</b>
<b>Available-for-sale financial instruments</b>					
Gross balance for the year	(8)	368	(3)		
Equity results from entities, net taxes					(2)
Transfer results realized to the net income	8	(370)			
		<b>(2)</b>	<b>(3)</b>		<b>(2)</b>
<b>Cash flow hedge</b>					
Gross balance for the year	(731)	(25)	(539)		
Effect of taxes	(6)	24	(12)		
Equity results from entities, net taxes	(4)		24	(1,044)	(106)
Transfer of realized results to income, net of taxes	(303)	(93)	285		12
	<b>(1,044)</b>	<b>(94)</b>	<b>(242)</b>	<b>(1,044)</b>	<b>(94)</b>
<b>Total of items that will be reclassified subsequently to income</b>	<b>7,727</b>	<b>7,126</b>	<b>9,525</b>	<b>7,436</b>	<b>6,524</b>
<b>Total comprehensive income</b>	<b>7,493</b>	<b>8,230</b>	<b>17,635</b>	<b>7,937</b>	<b>8,001</b>
Comprehensive income (loss) attributable to noncontrolling interests	(444)	229	(137)		



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<b>Comprehensive income attributable to the Company's stockholders</b>	<b>7,937</b>	<b>8,001</b>	<b>17,772</b>
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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	Profit reserves	Treasury stock	Unrealized fair value gain (losses)	Cumulative translation adjustments	Retained earnings	Total Con stockho equi
<b>December 31, 2011</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>1</b>
<b>Net income</b>									<b>9,892</b>	
<b>Other comprehensive income:</b>										
Retirement benefit obligations							(1,281)			
Cash flow hedge							(242)			
Available-for-sale financial instruments							(3)			
Translation adjustments							(142)	9,548		
<b>Contribution and distribution to stockholders:</b>										
Acquisitions and disposal of noncontrolling stockholders				(769)						
Capitalization of noncontrolling stockholders advances										
Realization of reserves					(740)				740	
Additional remuneration to notes			(128)							
Result on conversion of shares		50	(1,028)			2,079	(1,101)			
Redeemable noncontrolling stockholders interest										
Dividends to noncontrolling stockholders										

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Dividends and interest on capital to Company's stockholders									(9,388)	
Appropriation to undistributed retained earnings				1,085					(1,085)	
<b>December 31, 2012</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>115</b>	<b>1</b>
<b>Net income</b>										
<b>Other comprehensive income:</b>										
Retirement benefit obligations						1,362				
Cash flow hedge						(94)				
Available-for-sale financial instruments						(2)				
Translation adjustments						95	6,525			
<b>Contribution and distribution to stockholders:</b>										
Capitalization of noncontrolling stockholders advances										
Realization of reserves				(9,220)					9,220	
Additional remuneration to notes										
Result on conversion of shares										
Redeemable noncontrolling stockholders interest										
Dividends to noncontrolling stockholders										
Dividends and interest on capital to Company's stockholders									(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>954</b>	<b>954</b>	<b>1</b>
<b>Net income</b>										
<b>Other comprehensive income:</b>										
Retirement benefit obligations						(453)				
Cash flow hedge						(1,044)				
Translation adjustments						(241)	8,721			
<b>Contribution and distribution to stockholders:</b>										
Acquisitions and disposal of noncontrolling stockholders				(130)						

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Cancellation of treasury stock			(5,092)	5,092				
Capitalization of noncontrolling stockholders advances								
Capitalization of reserves	2,300		(2,300)					
Realization of reserves			(8,994)				8,994	
Dividends to noncontrolling stockholders								
Dividends and interest on capital to Company's stockholders								(9,739)
Appropriation to undistributed retained earnings				209				(209)
<b>December 31, 2014</b>	<b>77,300</b>	<b>50</b>	<b>(970)</b>	<b>53,085</b>	<b>(2,746)</b>	<b>(4,553)</b>	<b>24,248</b>	<b>1</b>

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

Table of Contents**Statement of Cash Flow**

In millions of Brazilian Reais

	Year ended as at December 31,				
	2014	Consolidated 2013	2012	Parent Company 2014	2013
<b>Cash flow from continuing operating activities:</b>					
Net income (loss) from continuing operations	219	(254)	9,524	954	115
<b>Adjustments to reconcile net income with cash from continuing operations</b>					
Equity results from entities	(1,141)	(999)	(1,241)	13,026	1,996
Loss on measurement or sales of non-current assets	441	508	1,036		484
Results on sale or disposals of investments from joint ventures and associates	68	(98)		68	(33)
Loss on disposal of property, plant and equipment	232	184	84	198	154
Impairment of non-current assets	2,784	5,390	12,213	(4,224)	427
Depreciation, amortization and depletion	10,108	8,953	8,129	3,649	2,801
Deferred income taxes	248	(2,119)	(7,534)	1,089	(1,079)
Foreign exchange and indexation, net	3,208	1,565	3,590	8,101	6,599
Unrealized derivative losses, net	2,903	1,616	1,236	1,169	1,781
Dividends and interest on capital received from subsidiaries				560	1,036
Participative stockholders debentures	665	780	212	665	780
Other	554	(138)	(35)	2,031	(22)
<b>Decrease (increase) in assets:</b>					
Accounts receivable	5,296	932	3,781	(16,286)	7,672
Inventories	(1,661)	929	(1,264)	502	632
Recoverable taxes	(37)	(5,081)	531	156	(4,842)
Other	716	(396)	456	622	(287)
<b>Increase (decrease) in liabilities:</b>					
Suppliers and contractors	2,301	(219)	(72)	3,167	(539)
Payroll and related charges	(230)	261	516	(213)	226
Taxes and contributions	154	1,459	(336)	18	99
Gold stream transaction		2,899			
Income taxes - Settlement program	442	16,345		433	16,010
Other	522	(641)	1,317	(2,346)	(937)
<b>Net cash provided by operating activities from continuing operations</b>	<b>27,792</b>	<b>31,876</b>	<b>32,143</b>	<b>13,339</b>	<b>33,073</b>
Net cash provided by operating activities from discontinued operations		357	938		
<b>Net cash provided by operating activities</b>	<b>27,792</b>	<b>32,233</b>	<b>33,081</b>	<b>13,339</b>	<b>33,073</b>

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**Cash flow from continuing investing activities:**

Financial investments redeemed (invested)	(392)	498	(506)	(384)	36
Loans and advances received (granted)	781	(44)	646	730	(432)
Guarantees and deposits received (granted)	156	(324)	(269)	112	(566)
Additions to investments	(570)	(784)	(892)	(2,618)	(5,479)
Additions to property, plant and equipment and intangible assets	(26,346)	(28,549)	(31,070)	(16,714)	(15,244)
Dividends and interest on capital received from associates and joint ventures	1,302	1,836	932	1,142	1,514
Proceeds from disposal of assets and investments	2,709	4,699	1,989	2,709	233
Proceeds from gold stream transaction		1,161			
<b>Net cash used in investing activities from continuing operations</b>	<b>(22,360)</b>	<b>(21,507)</b>	<b>(29,170)</b>	<b>(15,023)</b>	<b>(19,938)</b>
Net cash used in investing activities from discontinued operations		(1,643)	(923)		
<b>Net cash used in investing activities</b>	<b>(22,360)</b>	<b>(23,150)</b>	<b>(30,093)</b>	<b>(15,023)</b>	<b>(19,938)</b>

**Cash flow from continuing financing activities:**

**Loans and financing**

Additions	5,947	7,267	17,879	16,523	8,198
Repayments	(4,678)	(7,480)	(3,160)	(8,058)	(9,067)

**Repayments to stockholders:**

Dividends and interest on capital paid to stockholders	(9,739)	(9,319)	(11,596)	(9,739)	(9,319)
Dividends and interest on capital attributed to noncontrolling interest	(164)	(46)	(90)		
Transactions with noncontrolling stockholders			(793)		

**Net cash provided by (used in) financing activities from continuing operations**

<b>Net cash provided by (used in) financing activities from continuing operations</b>	<b>(8,634)</b>	<b>(9,578)</b>	<b>2,240</b>	<b>(1,274)</b>	<b>(10,188)</b>
Net cash provided by financing activities from discontinued operations		182			
<b>Net cash provided by (used in) financing activities</b>	<b>(8,634)</b>	<b>(9,396)</b>	<b>2,240</b>	<b>(1,274)</b>	<b>(10,188)</b>

Increase (decrease) in cash and cash equivalents	(3,202)	(313)	5,228	(2,958)	2,947
Cash and cash equivalents in the beginning of the year	12,465	11,918	6,593	3,635	688
Effect of exchange rate changes on cash and cash equivalents	1,292	860	97		
Cash and cash equivalents from incorporated subsidiary				8	
<b>Cash and cash equivalents at end of the year</b>	<b>10,555</b>	<b>12,465</b>	<b>11,918</b>	<b>685</b>	<b>3,635</b>

**Cash paid during the year for (i):**

Interest on loans and financing	(3,561)	(3,290)	(2,588)	(3,163)	(3,005)
Income taxes	(1,199)	(5,183)	(2,320)	(60)	(4,316)
Income taxes - Settlement program	(1,161)	(6,032)		(1,137)	(5,946)

**Non-cash transactions:**

Additions to property, plant and equipment - interest capitalization	1,387	519	684	738	24
Additions to property, plant and equipment - Cost of assets retirement obligations	2,217	445	622	973	306

(i) 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,				
	2014	Consolidated 2013	2012	Parent Company 2014	2013
<b>Generation of added value from continued operations</b>					
<b>Gross revenue</b>					
Revenue from products and services	89,911	103,026	92,935	55,198	64,869
Loss on measurement or sales of non-current assets		(508)	(1,036)		(484)
Other revenue	1,153	1,307	339	525	871
Revenue from the construction of own assets	27,733	20,792	29,673	17,453	10,667
Allowance for doubtful accounts	(34)	(22)	19	15	(4)
<b>Less:</b>					
Acquisition of products	(3,800)	(3,329)	(2,718)	(1,071)	(1,041)
Material, service and maintenance	(42,133)	(35,050)	(45,405)	(26,684)	(17,873)
Oil and gas	(4,022)	(3,954)	(3,806)	(2,520)	(2,381)
Energy	(1,430)	(1,546)	(1,684)	(689)	(831)
Freight	(8,502)	(6,979)	(5,660)		
Impairment of non-current assets (includes joint ventures and associates)	(2,784)	(5,390)	(12,213)	4,224	(427)
Other costs and expenses	(10,565)	(9,344)	(11,238)	(2,365)	(3,652)
<b>Gross added value</b>	<b>45,527</b>	<b>59,003</b>	<b>39,206</b>	<b>44,086</b>	<b>49,714</b>
Depreciation, amortization and depletion	(10,108)	(8,953)	(8,129)	(3,649)	(2,801)
<b>Net added value</b>	<b>35,419</b>	<b>50,050</b>	<b>31,077</b>	<b>40,437</b>	<b>46,913</b>
<b>Received from third parties</b>					
Equity results from entities	1,141	999	1,241	(13,026)	(1,996)
Financial income	2,343	1,439	1,746	1,780	449
Monetary and exchange variation of assets	3,301	1,802	1,094	4,018	1,717
<b>Total added value to be distributed from continued operations</b>	<b>42,204</b>	<b>54,290</b>	<b>35,158</b>	<b>33,209</b>	<b>47,083</b>
Added value to be distributed from discontinued operations		611	848		
<b>Total added value to be distributed</b>	<b>42,204</b>	<b>54,901</b>	<b>36,006</b>	<b>33,209</b>	<b>47,083</b>
Personnel	9,485	9,496	8,765	4,986	4,664
Taxes, rates and contribution	8,379	6,242	6,980	6,926	5,286
Current income tax	2,352	17,368	4,939	1,344	16,367
Deferred income tax	248	(2,119)	(7,534)	1,088	(1,079)



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Financial expense (includes capitalized interest)	11,465	14,397	6,681	7,941	12,348
Monetary and exchange variation of liabilities	8,670	8,299	5,083	8,130	8,035
Other remunerations of third party funds	1,386	861	722	1,840	1,347
Dividends and interest attributed to Company's stockholders	745	83	9,388	745	83
Net income from continued operations attributable to controlling interest	209	36	635	209	32
Net loss attributable to noncontrolling interest	(735)	(373)	(501)		
<b>Distribution of added value from continued operations</b>	<b>42,204</b>	<b>54,290</b>	<b>35,158</b>	<b>33,209</b>	<b>47,083</b>
Distribution of added value from discontinued operations		611	848		
<b>Distribution of added value</b>	<b>42,204</b>	<b>54,901</b>	<b>36,006</b>	<b>33,209</b>	<b>47,083</b>

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 company headquartered at 26, Av. Graça Aranha, Rio de Janeiro, Brazil with securities traded on the stock exchanges of São Paulo ( BM&F BOVESPA ), New York ( NYSE ), Paris ( NYSE Euronext ) and Hong Kong ( HKEx ).

Vale S.A. and its direct and indirect subsidiaries ( Vale , Group or Company ) 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 26.

The principal consolidated operating subsidiaries of the Company at December 31, 2014 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 Moçambique S.A.	95.00	95.00	Mozambique	Coal
Vale Nouvelle-Calédonie S.A.S.	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

**2. Summary of the main accounting practices and accounting estimates**

**a) Basis of presentation**

The 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 ).

The 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.

The financial statements have been prepared under the historical cost convention as adjusted to reflect: (i) the fair value of held for trading financial instruments measured at fair value through the statement of income or available-for-sale financial instruments measured at fair value through the statement of comprehensive income; and (ii) impairment of assets.

All numbers of the comparative financial statements of 2012 have been adjusted as a result of a change in accounting practices, disclosed in note 6 of the financial statements of 2013.

The Company evaluated subsequent events through February 25, 2015, which was the date the financial statement was approved by the Board of Directors.

**b) Functional currency and presentation currency**

The 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.

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Operations in other currencies are translated into the functional currency 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 financial income. The exceptions are transactions for which gains and losses are recognized in the statement of comprehensive income.

The statement of income and balance sheet of the Group's 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 transaction date and; (iii) capital, capital reserves and treasury stock are translated at the rate at the date of each transaction. All resulting exchange differences are recognized in a separate component of the statement of comprehensive income as cumulative translation adjustment, and subsequently transferred to the statement of income when the operations are realized.

The exchange rates of the major currencies that impact the operations are:

	Exchange rates used for conversions in Brazilian Reals					
	2014	Closing rate as of 2013	2012	2014	Average rate for the year ended	
					2013	2012
US dollar ( US\$ )	2.6562	2.3426	2.0435	2.3547	2.1605	1.9546
Canadian dollar ( CAD )	2.2920	2.2031	2.0546	2.1308	2.0954	1.9558
Australian dollar ( AUD )	2.1765	2.0941	2.1197	2.1205	2.0821	2.0233
Euro ( EUR or )	3.2270	3.2265	2.6954	3.1205	2.8716	2.5114

**c) Consolidation and investments**

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

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

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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.

The Company compares the carrying values of its 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, the Company accounts an impairment of the equity investments to the level of the quoted market value.

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

### **d) Business combinations**

When the Company 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 and the liabilities assumed 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.

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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 information by geographic area**

The Company discloses information by business segment and assets 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** Comprises (i) the production and extraction of ferrous minerals, as iron ore, pellets and its logistic services (railroads, ports and terminals), manganese, ferroalloys and others ferrous products and services; and (ii) the extraction of coal and its logistic services (railroads, ports and terminals).

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

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

**Other** Comprises sales and expenses of other products, services and investments in joint ventures and associate in other businesses.

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

The Company classifies assets and liabilities as current when the expectation to realize the assets or to settle the liabilities is twelve months from the end of the reporting period. Others assets and liabilities are classified as non-current.

**h) Cash equivalents and financial 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 and insignificant risk of variation on its fair value. Other investments with maturities after three months are recognized at fair value through income and presented in financial 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**

Inventories are 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 piles to 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.

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

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 balance of Company's continuing operations in the 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, over 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 of which it is part.

**m) Intangible assets**



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

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

The Company holds concessions to exploit railway assets over a certain period of time. Those assets 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 the 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 and 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 demonstrates its economic benefit to the Company and the Company has ability and intention to complete the project).

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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 are the estimated useful lives:

<b>Property, plant and equipment</b>	<b>Useful lives</b>
Buildings	between 15 and 50 years
Facilities	between 8 and 50 years
Equipment	between 3 and 33 years
Mineral properties	Unit of production
Others:	
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
Others	between 2 and 50 years

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

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. Exploration and evaluation expenditures**

Expenditures on mining research are accounted for as operating expenses until the effective proof of economic feasibility and commercial operation of a given field can be demonstrated. From then on, the expenditures incurred are capitalized as mine development costs.

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

The Company also conducts feasibility studies for many businesses which it operates including researching new technologies to optimize the mining process. After these costs are 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-lived non-financial asset, should be impaired.

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

For long-lived non-financial assets (such as intangible or property plant and equipment), when impairment indications are identified, a 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 (CGU) to which the asset belongs to their carrying amount. If the Company identifies the need for impairment, it is consistently applied 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 and approved budgets, 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, the Company assesses the recoverability of its 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.

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

Non-current assets (excluding goodwill) which the Company recognized an impairment are reviewed whenever events or changes in circumstances indicate that the impairment may no longer be applicable. In such cases, an impairment reversal will be recognized.

**q) Suppliers and contractors**

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

**r) Loans and financing**

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

Compound financial instruments include financial liability (debt) components and stockholders' equity. The liability component 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.

**i. Provision for asset retirement obligations**

The provision made by the Company refers to costs related to mine closure and reclamation, with the completion of mining activities and decommissioning of assets related to mine. When the provision is recognized, the corresponding cost is capitalized as part of property plant and equipment and is depreciated on the same basis over the related asset and recorded in the statement of income.

The long-term liability is subsequently measured using a long-term discount rate and recorded in the statement of income, as a financial expenses until the Company makes payments related to mine closure and decommissioning of assets mining.

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**ii. Provision for litigation**

The provision refers to litigation and fines incurred by the Company. A provision is recognized when the obligation is considered probable and can be measured. 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 considered 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 program**

The Company has a profit sharing program based on the performance goals achievement of the Company and its employees. The Company recognizes the provision based on the recurring measurement of the compliance with goals and results, 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 goods sold and services rendered or operating expenses in accordance with the activity of each employee.

**iii. Non-current benefits long-term incentive programs**

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 vesting period as defined.

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

The Company has 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 of that date, less the fair value of plan assets. The Company recognized in the statement of income the costs of services, the interest expense of the obligations and the interest income of the plan assets. The remeasurement of gains and losses, return on plan assets (excluding the amount of interest on return of assets, which is recognized in income for the year) and changes in the effect of the ceiling of the active and onerous liabilities are recognized in comprehensive income for the year.

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.

**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 stockholders' equity when the transaction is eligible to be characterized as an effective cash flow hedge.

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On the beginning of the hedge operations, 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 the 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 instrument classification**

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

**i. 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, considering the inclusion of the credit risk of counterparties on the calculation of the instruments.

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

**Held to maturity** 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, are initially measured at fair value and subsequently at amortized cost.

**Available for sale** Non-derivative financial assets not classified in another 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 realization of the financial asset, its fair value is reclassified to statement of income.



**ii. Financial liabilities**

**Measured at fair value through the statement of income** Financial liabilities with the purpose of trading (repurchase) or which are initially measured at fair value by the Company, being irreversibly this method of classification.

**Measured at amortized cost** Non-derivative financial liabilities with fixed and determinable payments and fixed maturities, which were not classified as measured at fair value through the statement of income.

**x) Capital**

The Company periodically repurchases its 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. The Company recognizes the grants in the statement of income, as a reduction in tax expense, according to the nature of the item, and classified through retained earnings in stockholders' equity during allocation of net income.

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**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.

Depending on the contract, sales can be recognized when the product is available at the loading port, loaded on the ship or delivered to the destination. Service revenues are recognized in the amount by which the services are rendered and accepted by the customer.

In some cases the sale price is determined on a provisional basis at the date of sale and 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 is estimated based on the forward price of the product sold.

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

**aa) Current and deferred income taxes**

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

The provision for income tax is 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. 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. The Company does not have mandatory convertible securities that could result in the dilution of the earning per share.

**cc) Stockholder's remuneration**

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

The Company 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 profit reserves as determined by Brazilian corporate law.

The benefit to the Company, as opposed to making a dividend payment, is a reduction in the 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 25-f). This notional interest distribution is treated for accounting purposes as a deduction from stockholders' equity in a manner similar to a dividend and the tax credit recorded in income.

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**dd) Statements of Added Value**

The Company prepares its consolidated and 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.

**3. Critical accounting estimates and judgment**

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 on 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 and probable reserves are regularly evaluated and updated. These reserves are determined using generally accepted geological estimates. The calculation of reserves requires the Company to take positions on expected future conditions that are 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 of the Company.

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 obligation**

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 tests impairment of tangible (whether there is evidence of impairment) and intangible (annually) assets segregated by cash-generating units, using discounted cash flow model 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 its 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. Legal uncertainties involve 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.

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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.

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

The fair values of financial instruments that are 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.

An analysis of the impact if actual results are different from management's estimates is present on note 24 (sensitivity analysis).

**g) Deferred income taxes**

The Company recognizes the effects of deferred taxes arising from tax losses and temporary differences and derecognizes when believes that tax credits recoverable are not probable. Deferred tax liabilities are fully recognized.

The determination of the recognition of income tax or deferred income tax, assets and liabilities, and any derecognition of tax credits requires 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 issued but not yet effective**

The standards and interpretations those are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective, provided that issued, on the Brasil, by CPC and approved by CVM and CFC.

**Sale or contribution of assets between an investor and its associate or joint venture** In September 2014 the IASB issued narrow-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of the amendment will be required from January 1, 2016 and the Company is analyzing potential impacts regarding this update on the financial statements.

**Equity method in separate financial statements** In August 2014 the IASB issued an amendment to IAS 27, which allows an entity to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The IASB clarifies that the changes will help some jurisdictions to register in their separate IFRS financial statements, reducing compliance costs without reducing the information available to investors. The adoption will be required for annual periods beginning from January 1, 2016 with retrospective application. The Group already uses in its individual financial statements the equity method of accounting to record investments in subsidiaries, joint ventures and associates.

**IFRS 9 Financial instruments** - In July 2014 the IASB issued IFRS 9 Financial instruments, sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This Standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption will be required from January 1, 2018 and the Company is currently analyzing potential impacts regarding this pronouncement on the financial statements.

**Accounting for acquisitions of interests in joint operations** In May 2014 the IASB issued an amendment to IFRS 11 - Joint Arrangements, to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The adoption of the amendment will be required from January 1, 2016 and the Company is analyzing potential impacts regarding this update on the financial statements.

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**Clarification of acceptable methods of depreciation and amortization** In May 2014 the IASB issued an amendment to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets, established the pattern of consumption of an asset's expected future economic benefits as acceptable methods of depreciation and amortization of assets. The IASB clarifies that the use of methods based on revenues to calculate the depreciation of an asset and also to measure the consumption of the economic benefits embodied in an intangible asset, are not appropriate. The adoption of the amendment will be required from January 1, 2016 and the Company is currently analyzing potential impacts regarding this update on the financial statements.

**IFRS 15 Revenue from contracts with customers** - In May 2014 the IASB issued IFRS 15 statement - Revenue from Contracts with customers, sets out the requirements for revenue recognition that apply to all contracts with customer (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments), and replaces the current pronouncements IAS 18 - revenue, IAS 11 - Construction contracts and interpretations related to revenue recognition. The principle core in that framework is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The adoption will be required from January 1, 2017 and the Company is currently analyzing potential impacts regarding this pronouncement on the financial statements.

**5. Risk management**

The Company considers that an effective risk management is a key objective to support its growth plan, strategic planning and financial flexibility. Therefore, Vale has developed its risk management strategy in order to provide an integrated approach of the risks the company is exposed to. To do that, 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 established a risk management policy in order to (i) support the Company's growth plan, strategic planning and Company's business continuity; (ii) improve its capital structure and asset management of the Group; (iii) ensure adequate degree of flexibility in financial management while maintaining the level of robustness required for investment grade; and (iv) improve corporate governance practices.

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



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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 opinion regarding the Company's risk management. 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 policy deployment into norms, rules and responsibilities and for reporting to the Board of Directors about such procedures.

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

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

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

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

To mitigate such risk, Vale has a revolving credit facility to assist the short term liquidity management and to enable more efficiency in cash management, being consistent with the strategic focus on cost of capital reduction. The revolving credit facilities available today were acquired from a syndicate of several global commercial banks.

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**c) Credit risk management**

Vale's credit risk arises from potential negative impacts in its cash flows due to uncertainty in the ability of counterparties to meet their contractual obligations. To manage that risk, Vale has procedures and processes, such as the controlling of credit limits, the obligation of exposure diversification through several counterparties and the monitoring of the portfolio's credit risk.

Vale's counterparties can be divided into three main categories: the 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.

**d) Commercial credit risk management**

For the commercial credit exposure, which arises from sales to final customers, the risk management department, in accordance with the current delegation level, approves or request the approval of credit risk limits for each counterpart. Besides that, the Executive Board sets annually global commercial credit risk limits for the customer's portfolio.

The Company 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 credit agencies; iii) customer's financial statements for economic and financial evaluation based on financial indicators.

On 31 December 2014, 82% of accounts receivable due to Vale commercial sales had insignificant or low risk, 16% had moderate risk and 2% 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 include non-recourse discount of receivables, insurance instruments, letters of credit, corporate and bank guarantees, mortgages, among others.

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

The Company controls its account receivables portfolio through Credit and Cash Collection committees, in which representatives from risk management, cash collection and commercial departments monitor periodically each counterparty's exposure. Finally, Vale has an automatic control that blocks additional sales to customers in default with Vale.

e) **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 by counterparty, controls of portfolio diversification, counterparties' credit spread variations and the treasury portfolio overall credit risk. There is also a monitoring of all positions, exposure versus limit control and periodic report to the Executive Risk Management Committee.

The calculation of the exposure to a counterparty that has several derivative transactions with Vale is considered the sum of exposures of each derivative acquired with this counterparty. 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.

The Company also assesses 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) CDS (Credit Default Swaps) and bond market spreads; iii) credit ratings defined by the main international rating agencies; iv) financial statements data and indicators analysis.

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**f) Market risk management**

The Company is exposed to the behavior of several market risk factors that can impact its cash flow. 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 financial results surveillance and its 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.

**g) 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.

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The Company implemented hedge transactions to protect its cash flow against the market risks that arises from its debt obligations – mainly currency volatility. The hedges cover most of the debts in reais and euros. The Company uses swap transactions to convert debt linked to Brazilian real and Euros into US dollar that have similar - or sometimes shorter - settlement dates than the final maturity 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 through 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, contributing to stabilize 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 LIBOR (London Interbank Offer Rate in US dollar). 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.

### **h) Risk of product and input prices**

The Company is also exposed to market risks regarding commodities prices 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.

### **i) Operational risk management**

The operational risk management is the structured approach that Vale uses to manage uncertainty related to possible inadequate or failure in internal processes, people, systems and external events, in accordance with the principles and guidelines of ISO 31000.

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The main 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.

**j) Capital management**

The Company's policy aims, to manage its capital, to seek a structure that will ensure the continuity of your business in the long term. Within this perspective, the Company has been able to deliver value to stockholders through dividend payments and capital gain, and at the same time maintain a debt profile suitable for its activities, with an amortization well distributed over the years, on average 9 years, thus avoiding a concentration in one specific period.

**k) Insurance**

The Company hires several types of insurance, such as operational risks insurance, engineering risks insurance (projects), civil responsibility, life insurance policy for their employees, among others. The coverage of these policies is similar to the ones used in general by the mining industry and is contracted 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. In general, the company's assets directly related with its operations are included in the coverage of insurance policies.

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

**6. Non-current assets and liabilities held for sale and discontinued operation**

Described below are the assets and liabilities held for sale and discontinued operation reclassified during the year:

	December 31, 2014		Consolidated		December 31, 2013	
	Energy (i)	Nacala (i)	Total	General Cargo - Logistic (ii)	Energy (i)	Total
<b>Assets held for sale and discontinued operation</b>						
Accounts receivable		21	21	330		330
Other current assets		417	417	634		634
Investments	233		233		186	186
Intangible, net				3,951		3,951
Property, plant and equipment, net	1,268	7,730	8,998	2,406	1,315	3,721
<b>Total assets</b>	<b>1,501</b>	<b>8,168</b>	<b>9,669</b>	<b>7,321</b>	<b>1,501</b>	<b>8,822</b>
<b>Liabilities associated with assets held for sale and discontinued operation</b>						
Suppliers and contractors		143	143	198		198
Payroll and related charges				144		144
Other current liabilities		151	151	262		262
Other non-current liabilities				446		446
<b>Total liabilities</b>		<b>294</b>	<b>294</b>	<b>1,050</b>		<b>1,050</b>
<b>Net assets held for sale and discontinued operation</b>	<b>1,501</b>	<b>7,874</b>	<b>9,375</b>	<b>6,271</b>	<b>1,501</b>	<b>7,772</b>

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(i) Assets and liabilities held for sale

(ii) Discontinued operation

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

**Nacala logistic corridor ( Nacala )**

In December 2014, the Company signed an agreement with Mitsui & Co., Ltd. ( Mitsui ) to sell 50% of its stake of 70% in Nacala, which comprises entities which holds a railroad and port concession under construction located in Mozambique and Malawi and are related to coal segment.

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The investment in Nacala was funded by Vale through an equity and equity equivalent instrument of R\$831, with the remaining balance funded through Vale's bridge shareholder loans. With the transaction, a new company will be incorporated to which Vale will contribute their investment in Nacala. Mitsui will then contribute to the new company the amount of R\$831 in equity instruments and will therefore hold 50% of the participation of the new company. Vale and Mitsui are in negotiations to fund the remaining investment required and to take-out part of Vale's bridge shareholder loans.

After completion of the transaction, Vale will share control of Nalaca with Mitsui and therefore will not consolidate the assets and liabilities of these entities. The assets were transferred to assets held for sale with no impact in the statement of income.

**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 its stake of 9% in Norte Energia S.A. ( Norte Energia ), the company in charge of the construction, operation and exploration of the Belo Monte Hydroelectric facility , and (ii) to create a joint venture named Aliança Geração de Energia S.A. to be established by Vale and CEMIG GT through contribution of its shares on the following power generation assets: Porto Estrela, Igarapava, Funil, Capim Branco I and II, Aimorés and Candonga. No cash will be disbursed as part of the transaction. Vale and CEMIG GT will hold respectively 55% and 45% and will share control of the new company, which will supply energy to Vale operations, previously guaranteed by its own generation plant, ensured by a long-term contract.

The transaction above has been approved by the Brazilian Electricity Regulatory Agency ( Agência Nacional de Energia Elétrica or ANEEL ), but is pending of a minor precedent condition. The conclusion of the transaction is expected to occur in the first quarter of 2015. The assets were transferred to assets held for sale with no impact in the statement of income. Once the transaction is completed, the Company will recognize a gain on sale of assets in the statement of income in the amount of approximately R\$518 (based on balance sheet as of December 31, 2014).

**b) Discontinued operations**

**General cargo - Logistic**

At the end of 2013, Vale entered to an agreement to dispose of control over its subsidiary VLI S.A. ( VLI ), which aggregates all operations of the general cargo segment. As a consequence, at the beginning of January 1, 2014, the investment in VLI has been accounted as an investment in associate (note 12).



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In April 2014, Vale finalized the sale of 35.9% of its stake in VLI capital to Mitsui and to Fundo de Investimento do Fundo de Garantia de Tempo de Serviço ( FGTS ) for the amount of R\$2,709, which R\$2,000 was settled through a capital contribution directly in VLI.

In August 2014, Vale completed the sale of 26.5% of its stake in VLI to a fund of Brookfield Asset Management Inc. ( Brookfield ) for R\$2,000. At the completion of the transaction, Vale now holds 37.6% of VLI s total stockholder s equity.

**7. Acquisitions and divestitures**

The results on divestitures are presented as follow:

	Year ended as at December 31,			
	2014	Consolidated 2013	2012	Parent Company 2013
<b>Loss on measurement or sales of non-current assets</b>				
Sociedad Contractual Minera Tres Valles		(508)		
Manganese and ferroalloys assets			(45)	
Coal assets			(722)	
Araucária Nitrogenados S.A.			(269)	
Mineral rights - CoW Indonesia (note 30a)	(441)			
General cargo				(484)
	<b>(441)</b>	<b>(508)</b>	<b>(1,036)</b>	<b>(484)</b>
<b>Financial income</b>				
Norsk Hydro ASA		491		491
		491		491
<b>Results on sale or disposal of investments from joint ventures and associates</b>				
Vale Florestar Fundo de Investimento em Participações	(68)			(68)
Log-in Logística Intermodal S.A.		33		33
Fosbrasil S.A.		65		
	<b>(68)</b>	<b>98</b>		<b>(68)</b>

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• **2014**

a) **Divestitures of Vale Florestar Fundo de Investimento em Participações ( Vale Florestar )**

Vale signed an agreement with a subsidiary of Suzano Papel e Celulose S.A ( Suzano ), a company that produces eucalyptus pulp, for the sale of its entire stake in Vale Florestar for R\$205. The approval of this transaction by the Conselho Administrativo de Defesa Econômica ( CADE ) has been obtained in July, 2014.

A loss on this transaction, of R\$68 was recorded in the statement of income as results on sale or disposals of investments from joint ventures and associates.

b) **Incorporation of Vale Mina do Azul S.A. ( VMA )**

In December 2014, Vale incorporated its wholly-owned subsidiary VMA, with no impact in the consolidated financial statements.

• **2013**

c) **Divestitures of Norsk Hydro ASA ( Hydro )**

As part of Vale's strategy of reducing its exposure to non-core assets, in November 2013, the Company sold its 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 the Company started classifying this investment as a financial asset available for sale. As result of this operation, the Company recognized a gain of R\$491 in the statement of income as financial income for the year ended as at December 31, 2013, as below:

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
<b>Gain on sale</b>	<b>491</b>

**d) Divestitures of Sociedad Contractual Minera Tres Valles ( Tres Valles )**

In December 2013, the Company sold its total participation in Tres Valles 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 the statement of income as loss on measurement or sale of non-current assets of the year ended as at December 31, 2013. The total loss includes an amount of R\$13 transferred from cumulative translation adjustments.

**e) Divestitures of Fosbrasil S.A. ( Fosbrasil )**

In December 2013, the Company entered into an agreement to sale its minority participation in the associate Fosbrasil, producer of purified phosphoric acid, for R\$105. On this transaction, Vale recognized a gain of R\$65 presented in the statement of income as result on sale or disposal of investments from joint ventures and associates for the year ended as at December 31, 2013.

**f) Divestitures of Log-In Logística Intermodal S.A. ( Log-in )**

In December 2013, Vale conducted an auction to sell its common shares of Log-in. All the shares were sold by R\$233 and the gain of R\$33 on this transaction was recorded in the statement of income as result on sale or disposal of investments from associates and joint ventures for the year ended as at December 31, 2013.

**• 2012**

**g) Acquisition of additional participation in Belvedere Coal Project**

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

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**h) Sales of coal assets**

In June 2012, Vale completed the sale of its thermal coal operations in Colombia to CPC S.A.S., an affiliate of Colombian Natural Resources S.A.S. The loss on this transaction, of R\$722 was recorded in the income statement as loss on measurement or sales of non-current assets for the year ended as at December 31, 2012.

**i) Acquisition of Empreendimentos Brasileiros de Mineração ( EBM ) shares**

At 2012, the Company acquired an additional of 10.46% of EBM. As result of the acquisition, Vale increased its share in EBM to 96.7% and recognized R\$500 as result from operation with non-controlling interest in stockholders equity.

**j) Divestitures of manganese and ferroalloys assets**

In October 2012, the Company completed the sale of its manganese and ferroalloys operations in Europe for R\$318. On this transactions Vale recognized R\$45 presented in statement of income as loss on measurement or sales of non-current assets for the year ended as at December 31, 2012.

**k) Divestitures of participation in Vale Oman Pelletizing LLC ( Vale Oman )**

In October 2012, the Company sold 30% of its participation in Vale Oman for R\$145. In this transactions, the Company recognized a gain of R\$129 result from operation with non-controlling interest in stockholders equity.

**l) Divestitures of Araucária Nitrogenados S.A. ( Araucária )**

In December 2012, the Company finalized an agreement with Petróleo Brasileiro S.A. ( Petrobras ) to sell Araucária, an operation for production of basic nitrogen for fertilizer, located in Araucária, in the Brazilian state of Paraná, for the amount of R\$478 and recognized a loss of R\$269

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recorded on loss on measurement or sales of non-current assets in statement of income for the year ended as at December 31, 2012.

### 8. Cash and cash equivalents

	Consolidated		Parent Company	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cash and bank deposits	5,601	3,649	41	28
Short-term investments	4,954	8,816	644	3,607
	<b>10,555</b>	<b>12,465</b>	<b>685</b>	<b>3,635</b>

Cash and cash equivalents includes cash, immediately redeemable deposits and short-term investments with an insignificant risk of changes in value and readily convertible to cash, part in Brazilian Real, indexed to the Brazilian Interbank Interest rate ( DI Rate or CDI ) and part denominated in US dollar, mainly time deposits.

### 9. Accounts receivable

	Consolidated		Parent Company	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Ferrous minerals	5,724	10,347	28,809	13,638
Coal	324	295		
Base metals	2,064	2,254	1,790	482
Fertilizers	361	430	18	30
Others	457	242	58	109
	<b>8,930</b>	<b>13,568</b>	<b>30,675</b>	<b>14,259</b>
Provision for doubtful debts	(230)	(208)	(76)	(92)
	<b>8,700</b>	<b>13,360</b>	<b>30,599</b>	<b>14,167</b>

Accounts receivable related to the steel sector represented 77.97% and 79.70%, of total receivables on December 31, 2014 and 2013, respectively, for the consolidated financial statements. In the parent company the steel sector represents on December 31, 2014 and December 31, 2013, 93.98% and 91.77% of the accounts receivable, respectively.

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

The provision for doubtful debts recorded in the statement of income as at December 31, 2014, 2013 and 2012 totaled R\$34 R\$8 and R\$45, respectively. The Company recognized write-off as at December 31, 2014, 2013 and 2012 in the amount of R\$14, R\$34 and R\$34, respectively.

Accounts receivable presented by currency are shown in note 22.

## 10. Inventories

Inventories are comprised as follows:

	Consolidated		Parent Company	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<b>Inventories of products</b>				
<b>Bulk Material</b>				
<b>Ferrous minerals</b>				
Iron ore	2,949	1,513	1,842	1,574
Pellets	498	206	183	162
Manganese and ferroalloys	183	177	51	
	<b>3,630</b>	<b>1,896</b>	<b>2,076</b>	<b>1,736</b>
<b>Coal</b>	<b>411</b>	<b>746</b>		
<b>Base Metals</b>				
Nickel and other products	3,811	3,276	334	351
Copper	70	53	26	23
	<b>3,881</b>	<b>3,329</b>	<b>360</b>	<b>374</b>
<b>Fertilizers</b>				
Potash	31	19		
Phosphates	822	734		
Nitrogen	62	45		
	<b>915</b>	<b>798</b>		
<b>Other products</b>	<b>8</b>	<b>15</b>		<b>4</b>
<b>Total of inventories of products</b>	<b>8,845</b>	<b>6,784</b>	<b>2,436</b>	<b>2,114</b>

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<b>Inventory of consumables</b>	<b>3,111</b>	<b>2,878</b>	<b>1,219</b>	<b>1,173</b>
<b>Total</b>	<b>11,956</b>	<b>9,662</b>	<b>3,655</b>	<b>3,287</b>

As at December 31, 2014 and 2013 the Company had provisions to adjust inventories to market value for nickel in the amount of R\$0 and R\$28, respectively; manganese in the amount of R\$0 and R\$2; and coal in the amount of R\$757 and R\$228, respectively.

	Year ended as at December 31,				
	2014	Consolidated 2013	2012	Parent Company 2014	2013
<b>Inventories of products</b>					
<b>Balance at beginning of the year</b>	<b>6,784</b>	<b>7,351</b>	<b>7,450</b>	<b>2,114</b>	<b>2,080</b>
Production/acquisition	53,613	42,558	41,076	24,337	19,003
Transfer from inventory of consumables	7,531	8,925	8,264	1,996	3,548
Cost of goods sold	(59,087)	(52,511)	(49,832)	(26,093)	(22,517)
Provision for market value adjustment	(757)	(258)	(78)		
Translation adjustments	761	719	471	82	
<b>Balance at end of the year</b>	<b>8,845</b>	<b>6,784</b>	<b>7,351</b>	<b>2,436</b>	<b>2,114</b>

	Year ended as at December 31,				
	2014	Consolidated 2013	2012	Parent Company 2014	2013
<b>Inventories of consumables</b>					
<b>Balance at beginning of the year</b>	<b>2,878</b>	<b>2,969</b>	<b>2,383</b>	<b>1,173</b>	<b>1,203</b>
Acquisition	7,542	8,585	8,723	1,987	3,518
Transfer to inventories of products	(7,531)	(8,925)	(8,264)	(1,996)	(3,548)
Transfer to held for sale	(2)				
Translation adjustments	224	249	127	55	
<b>Balance at end of the year</b>	<b>3,111</b>	<b>2,878</b>	<b>2,969</b>	<b>1,219</b>	<b>1,173</b>

Table of Contents**11. Recoverable Taxes**

The recoverable taxes, net of provision for losses of tax credits, are as follows:

	Consolidated		Parent Company	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Value-added tax	2,806	2,643	1,189	1,348
Brazilian federal contributions (PIS - COFINS)	2,682	1,594	2,006	1,156
Others	91	129	58	49
<b>Total</b>	<b>5,579</b>	<b>4,366</b>	<b>3,253</b>	<b>2,553</b>
Current	4,515	3,698	2,687	2,295
Non-current	1,064	668	566	258
<b>Total</b>	<b>5,579</b>	<b>4,366</b>	<b>3,253</b>	<b>2,553</b>

**12. Investments**

The changes of investments in subsidiaries, associates and joint ventures are as follow:

	Year ended as at December 31,			Parent Company	
	2014	2013	2012	2014	2013
<b>Balance at beginning of the year</b>	<b>8,397</b>	<b>13,044</b>	<b>14,984</b>	<b>123,370</b>	<b>121,436</b>
Additions	509	784	892	2,565	5,479
Disposals		(229)	(62)		(188)
Translation adjustment	189	(50)	1,087	8,302	6,274
Equity results	1,141	999	1,241	(13,026)	(1,996)
Equity on other comprehensive income	(5)	(406)	66	(1,537)	1,104
Dividends declared	(1,959)	(1,649)	(1,162)	(3,095)	(2,519)
Impairment (note 15)	(71)		(4,002)	(71)	
Transfer- Control acquisition	181				
Transfer to held for sale/ financial instruments - investments (i)	(244)	(4,096)		(244)	(6,220)
Transfers from held for sale (ii)	2,840			2,840	
Upstream merger (iii)				(396)	
Others transfers				(80)	
<b>Balance on ended of the year</b>	<b>10,978</b>	<b>8,397</b>	<b>13,044</b>	<b>118,628</b>	<b>123,370</b>



(i) In 2014, the Consolidated transfers to held for sale refers to investments in Vale Florestar R\$244 and refers to investments in Hydro R\$3,910 and Norte Energia R\$186 in 2013, the Parent Company transfers to held for sale refers to investments in Vale Florestar R\$244 in 2014 and refers to investments in VLI R\$6,034 and Norte Energia R\$186 in 2013.

(ii) Consolidated transfers from held for sale refers to investments in VLI R\$2,840

(iii) The Upstream merger in 2014 refers to Vale Mina do Azul R\$396.

Table of Contents**Investments (Continued)**

Companies	% ownership	% voting capital	Investments			Equity results		Received dividends		
			As of December 31, 2014	December 31, 2013	2014	Year ended as at December 31, 2013 2012		2014	2013	2012
<b>Direct and indirect subsidiaries</b>										
Aços Laminados do Pará S.A.	100.00	100.00	332	321		(5)	(7)			
Biopalma da Amazônia S.A. (i)	87.70	87.70	646	559	(267)	(219)	(115)			
Companhia Portuária da Baía de Sepetiba	100.00	100.00	385	377	349	259	231	341	263	126
Compañia Minera Miski Mayo S.A.C. (i)	40.00	51.00	563	493	10	20	66		81	
Mineração Corumbaense Reunida S.A.	100.00	100.00	1,150	1,306	394	351	266	456	279	93
Minerações Brasileiras Reunidas S.A. (ii)	98.32	98.32	5,201	4,500	225	(211)	224		341	258
Potasio Rio Colorado S.A. (i)	100.00	100.00	1,474	1,530	(78)	(5,883)	(31)			
Salobo Metais S.A. (i)	100.00	100.00	7,591	7,120	142	(68)	(208)			
Tecnored Desenvolvimento Tecnológico S.A. (i) (iv)	100.00	100.00	86		(66)					
Vale International Holdings GmbH (ii)	100.00	100.00	7,283	14,026	(4,238)	(126)	(2,254)			
Vale Canada Holdings Inc.	100.00	100.00	5,127	1,075	(20)	(16)	(22)			
Vale Canada Limited (ii)	100.00	100.00	16,182	19,312	(566)	(1,798)	(2,553)			
Vale Colombia Holding Ltd.	100.00	100.00					(64)			
Vale Fertilizantes S.A.	100.00	100.00					(53)			
Vale Fertilizantes S.A. (antiga Mineração Naque S.A.) (i) (ii)	100.00	100.00	13,236	13,751	(2,042)	(189)	2,399			
Vale International S.A. (ii)	100.00	100.00	20,978	29,347	(8,248)	3,921	1,732			

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Vale Malaysia Minerals Sdn. Bhd.	100.00	100.00	3,251	2,321	(100)	70					
Vale Manganês S.A.	100.00	100.00	721	665	57	(22)	(29)				1
Vale Mina do Azul S.A.	100.00	100.00		351	88	163	49	19			
Vale Moçambique S.A.	100.00	100.00	14,480	10,060	(378)	(73)	(257)				
Vale Shipping Holding Pte. Ltd.	100.00	100.00	7,432	6,482	528	379	226				
VLI S.A. (v)						279	(159)				
Others			1,532	1,377	43	250	21	93	72	96	
			<b>107,650</b>	<b>114,973</b>	<b>(14,167)</b>	<b>(2,918)</b>	<b>(538)</b>	<b>909</b>	<b>1,036</b>	<b>574</b>	
<b>Joint Ventures</b>											
California Steel Industries, Inc.	50.00	50.00	489	425	27	44	29				19
Companhia Coreano-Brasileira de Pelotização	50.00	50.00	228	213	72	42	50	39	47	40	
Companhia Hispano-Brasileira de Pelotização (iii)	50.89	51.00	213	196	60	3	73	25	20	74	
Companhia Ítalo-Brasileira de Pelotização (iii)	50.90	51.00	162	145	60	15	16	13		36	
Companhia Nipo-Brasileira de Pelotização (iii)	51.00	51.11	378	372	152	40	42	114	51	51	
Companhia Siderúrgica do Pecém (vi)	50.00	50.00	1,925	1,608	(101)	(24)	(13)				
MRS Logística S.A.	47.59	46.75	1,355	1,322	179	222	236	108	149	119	
Norte Energia S.A.	4.59	4.59	241	193	(28)	(4)	(5)				
Samarco Mineração S.A.	50.00	50.00	533	1,023	884	1,069	1,247	906	1,323	373	
Others			96	109	13	(23)	14	1	2	4	
			<b>5,620</b>	<b>5,606</b>	<b>1,318</b>	<b>1,384</b>	<b>1,689</b>	<b>1,206</b>	<b>1,592</b>	<b>716</b>	
<b>Direct and indirect associate</b>											
Henan Longyu Energy Resources Co., Ltd.	25.00	25.00	943	835	76	91	113	75	90	107	
Mineração Rio Grande do Norte S.A.	40.00	40.00	243	259	17	21	42	21	39	14	
Teal Minerals Inc.	50.00	50.00	514	535	(81)	(53)	(9)				
Tecnored Desenvolvimento Tecnológico S.A. (i) (iv)				91	(3)	(23)	(42)				
Thyssenkrupp Companhia Siderúrgica do Atlântico Ltd.	26.87	26.87	545	752	(142)	(351)	(327)				
VLI S.A. (v)	37.61	37.61	2,945		114						
Zhuhai YPM Pellet Co.	25.00	25.00	64	58	1	1	1				