

Vale S.A.
Form 6-K
July 25, 2018
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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

July 2018

Vale S.A.

**Avenida das Américas, No. 700 Bloco 8, Sala 218
22640-100 Rio de Janeiro, RJ, Brazil**

(Address of principal executive office)

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

(Check One) Form 20-F 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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Interim Financial Statements

June 30, 2018

BRGAAP in R\$ (English)

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Vale S.A. Interim Financial Statements

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Report on the review of quarterly information ITR

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities and Exchange Commission (CVM), prepared in accordance with the accounting practices adopted in Brazil, rules of the CVM and of the International Financial Reporting Standards - IFRS)

To the Board of Directors and Stockholders of

Vale S.A.

Rio de Janeiro - RJ

Introduction

1. We have reviewed the interim financial information, individual and consolidated, of Vale S.A. (the Company), identified as Parent Company and Consolidated, respectively, included in the quarterly information form - ITR for the quarter ended June 30, 2018, which comprises the individual and consolidated statement of financial position as of June 30, 2018 and the respective statements of income and comprehensive income for the three and six months periods ended on June 30, 2018, the statements of changes in equity for the six-month period then ended and of the individual statement of cash flows for the six-month period and the consolidated statements of cash flows for the three and six months periods then ended, including the explanatory notes.

2. The Company's Management is responsible for the preparation of these interim financial information in accordance with the CPC 21(R1) Demonstração Intermediária and the IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board IASB, as well as the presentation of these information in accordance with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of quarterly information - ITR. Our responsibility is to express our conclusion on this interim financial information based on our review.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative (KPMG International), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity.

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Scope of the review

3. We conducted our review in accordance with Brazilian and International Interim Information Review Standards (NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries primarily of the management responsible for financial and accounting matters and applying analytical procedures and other review procedures. The scope of a review is significantly less than an audit conducted in accordance with auditing standards and, accordingly, it did not enable us to obtain assurance that we were aware of all the material matters that would have been identified in an audit. Therefore, we do not express an audit opinion.

Conclusion on the interim financial information

4. Based on our review, we are not aware of any fact that might lead us to believe that the individual and consolidated interim financial information included in the aforementioned quarterly information was not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, issued by the IASB, applicable to the preparation of the quarterly review - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other matters

Statements of added value

5. The individual and consolidated interim financial information related to the statement of value added for the six-month period ended June 30, 2018, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IAS 34, was submitted to the same review procedures followed together with the review of the Company's interim financial information. In order to form our conclusion, we evaluated whether this statement was reconciliated to the interim financial information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that the accompanying statement of value added was not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Rio de Janeiro, July 25, 2018

KPMG Auditores Independentes

CRC SP-014428/O-6 F-RJ

(Original report in Portuguese signed by)

Manuel Fernandes Rodrigues de Sousa

Accountant CRC RJ-052428/O-2

Table of Contents**Income Statement**

In millions of Brazilian reais, except earnings per share data

	Notes	Consolidated			
		Three-month period ended June 30,		Six-month period ended June 30,	
		2018	2017	2018	2017
Continuing operations					
Net operating revenue	3(c)	31,234	23,363	59,166	50,105
Cost of goods sold and services rendered	5(a)	(19,463)	(16,462)	(36,433)	(31,327)
Gross profit		11,771	6,901	22,733	18,778
Operating expenses					
Selling and administrative expenses	5(b)	(440)	(426)	(842)	(814)
Research and evaluation expenses		(330)	(257)	(553)	(463)
Pre operating and operational stoppage		(242)	(286)	(495)	(650)
Other operating expenses, net	5(c)	(392)	(271)	(798)	(518)
		(1,404)	(1,240)	(2,688)	(2,445)
Impairment and other results on non-current assets	4	10	(726)	(42)	877
Operating income		10,377	4,935	20,003	17,210
Financial income	6	608	600	1,367	1,803
Financial expenses	6	(4,153)	(2,835)	(6,355)	(6,444)
Other financial items	6	(7,385)	(2,106)	(8,013)	(1,594)
Equity results in associates and joint ventures	13	177	(83)	450	142
Impairment and other results in associates and joint ventures	17	(1,547)	(110)	(1,591)	(301)
Income (loss) before income taxes		(1,923)	401	5,861	10,816
Income taxes					
	7				
Current tax		(460)	(222)	(755)	(1,807)
Deferred tax		2,753	378	709	(253)
		2,293	156	(46)	(2,060)
Net income from continuing operations		370	557	5,815	8,756
Net income attributable to noncontrolling interests		25	99	87	147
Net income from continuing operations attributable to Vale's stockholders		345	458	5,728	8,609
Discontinued operations					
	12				
Loss from discontinued operations		(39)	(388)	(310)	(645)
Net income attributable to noncontrolling interests			10		13
		(39)	(398)	(310)	(658)

**Loss from discontinued operations
attributable to Vale's stockholders**

Net income	331	169	5,505	8,111
Net income attributable to noncontrolling interests	25	109	87	160
Net income attributable to Vale's stockholders	306	60	5,418	7,951

Earnings per share attributable to Vale's stockholders:

Basic and diluted earnings per share (restated):	8				
Common share (R\$)	0.06	0.01	1.04	1.54	

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

Table of Contents**Income Statement**

In millions of Brazilian reais, except earnings per share data

	Notes	Parent company		Six-month period ended	
		Three-month period ended June 30,	June 30,	2018	2017
		2018	2017	2018	2017
Continuing operations					
Net operating revenue	3(c)	18,427	15,502	34,132	32,664
Cost of goods sold and services rendered	5(a)	(9,605)	(8,338)	(17,981)	(16,089)
Gross profit		8,822	7,164	16,151	16,575
Operating (expenses) income					
Selling and administrative expenses	5(b)	(226)	(235)	(452)	(461)
Research and evaluation expenses		(192)	(152)	(339)	(273)
Pre operating and operational stoppage		(182)	(212)	(383)	(404)
Equity results from subsidiaries		1,346	(1,449)	3,573	1,616
Other operating expenses, net	5(c)	(287)	(257)	(550)	(85)
		459	(2,305)	1,849	393
Impairment and other results on non-current assets	4	(144)	(27)	(224)	(68)
Operating income		9,137	4,832	17,776	16,900
Financial income	6	122	252	441	1,097
Financial expenses	6	(3,872)	(2,563)	(5,796)	(5,844)
Other financial items	6	(7,162)	(1,945)	(7,722)	(1,417)
Equity results in associates and joint ventures	13	177	(83)	450	142
Impairment and other results in associates and joint ventures	17	(1,547)	(101)	(1,591)	(292)
Income (loss) before income taxes		(3,145)	392	3,558	10,586
Income taxes					
	7				
Current tax		1	166		(1,066)
Deferred tax		3,489	(100)	2,170	(911)
		3,490	66	2,170	(1,977)
Net income from continuing operations		345	458	5,728	8,609
Discontinued operations					
	12				
Loss from discontinued operations		(39)	(398)	(310)	(658)
Net income		306	60	5,418	7,951
Earnings per share attributable to Vale's stockholders:					
Basic and diluted earnings per share (restated):					
Common share (R\$)		0.06	0.01	1.04	1.54

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

Table of Contents**Statement of Comprehensive Income**

In millions of Brazilian reais

	Consolidated				
	Three-month period ended		Six-month period ended		
	2018	June 30, 2017	2018	June 30, 2017	2017
Net income	331	169	5,505		8,111
Other comprehensive income:					
Items that will not be reclassified subsequently to the income statement					
Retirement benefit obligations	(208)	(644)	(32)		(715)
Fair value adjustment to investment in equity securities	285		171		
Transfer to retained earnings	16		(51)		
Total items that will not be reclassified subsequently to the income statement, net of tax	93	(644)	88		(715)
Items that may be reclassified subsequently to the income statement					
Translation adjustments	14,908	4,345	14,969		2,109
Net investments hedge	(1,934)	(836)	(2,030)		(277)
Transfer of realized results to net income			(257)		
Total of items that may be reclassified subsequently to the income statement, net of tax	12,974	3,509	12,682		1,832
Total comprehensive income	13,398	3,034	18,275		9,228
Comprehensive income attributable to noncontrolling interests	240	275	318		192
Comprehensive income attributable to Vale's stockholders	13,158	2,759	17,957		9,036
From continuing operations	13,158	2,731	17,941		9,036
From discontinued operations		28	16		
	13,158	2,759	17,957		9,036

	Parent company				
	Three-month period ended		Six-month period ended		
	2018	June 30, 2017	2018	June 30, 2017	2017
Net income	306	60	5,418		7,951
Other comprehensive income:					
Items that will not be reclassified subsequently to the income statement					
Retirement benefit obligations	(28)	(14)	(37)		(27)
Fair value adjustment to investment in equity securities	235		149		
Equity results in associates and joint ventures	(130)	(630)	27		(688)
Transfer to retained earnings	16		(51)		
	93	(644)	88		(715)

Total items that will not be reclassified subsequently to the income statement, net of tax**Items that may be reclassified subsequently to the income statement**

Translation adjustments	14,693	4,179	14,593	2,077
Net investments hedge	(1,934)	(836)	(2,030)	(277)
Transfer of realized results to net income			(112)	
Total of items that may be reclassified subsequently to the income statement, net of tax	12,759	3,343	12,451	1,800
Total comprehensive income	13,158	2,759	17,957	9,036

Items above are stated net of tax and the related taxes are disclosed in note 7.

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

Table of Contents**Statement of Cash Flows**

In millions of Brazilian reais

	Consolidated			
	Three-month period ended June 30, 2018	2017	Six-month period ended June 30, 2018	2017
Cash flow from operating activities:				
Income (loss) before income taxes from continuing operations	(1,923)	401	5,861	10,816
Continuing operations adjustments for:				
Equity results in associates and joint ventures	(177)	83	(450)	(142)
Impairment and other results on non-current assets and associates and joint ventures	1,537	836	1,633	(576)
Depreciation, amortization and depletion	3,112	2,907	5,946	5,758
Financial results, net	10,930	4,341	13,001	6,235
Changes in assets and liabilities:				
Accounts receivable	589	4,377	630	5,347
Inventories	(885)	(787)	(732)	(1,495)
Suppliers and contractors	(205)	791	(1,377)	1,101
Provision - Payroll, related charges and others remunerations	626	568	(1,027)	(153)
Proceeds from cobalt stream transaction	2,603		2,603	
Other assets and liabilities, net	(1,512)	(360)	(1,815)	(964)
	14,695	13,157	24,273	25,927
Interest on loans and borrowings paid	(994)	(1,351)	(2,231)	(2,946)
Derivatives paid, net	37	(15)	(43)	(353)
Interest on participative stockholders debentures paid	(245)	(221)	(245)	(221)
Income taxes	(168)	(101)	(941)	(1,257)
Income taxes - Settlement program	(409)	(387)	(813)	(766)
Net cash provided by operating activities from continuing operations	12,916	11,082	20,000	20,384
Cash flow from investing activities:				
Financial investments redeemed (invested)	(28)	115	(80)	(52)
Loans and advances - net receipts (payments) (note 25)	(355)	(314)	8,296	(769)
Additions to property, plant and equipment, intangibles and investments	(2,558)	(3,933)	(5,501)	(7,449)
Proceeds from disposal of assets and investments (note 12)	925	28	4,461	1,642
Dividends and interest on capital received from associates and joint ventures	505	266	538	266
Others investments activities	(59)	(64)	(8)	(68)
Net cash provided by (used in) investing activities from continuing operations	(1,570)	(3,902)	7,706	(6,430)
Cash flow from financing activities:				

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Loans and borrowings				
Additions	2,814	963	2,814	4,539
Repayments	(9,365)	(5,899)	(16,813)	(9,432)
Transactions with stockholders:				
Dividends and interest on capital paid to stockholders		(4,660)	(4,721)	(4,660)
Dividends and interest on capital paid to noncontrolling interest	(20)	(14)	(310)	(23)
Transactions with noncontrolling stockholders			(56)	799
Net cash used in financing activities from continuing operations	(6,571)	(9,610)	(19,086)	(8,777)
Net cash used in discontinued operations (note 12)	(7)	(152)	(157)	(167)
Increase (decrease) in cash and cash equivalents	4,768	(2,582)	8,463	5,010
Cash and cash equivalents in the beginning of the period	17,841	21,279	14,318	13,891
Effect of exchange rate changes on cash and cash equivalents	2,002	225	2,161	65
Effects of disposals of subsidiaries and merger, net on cash and cash equivalents	(54)		(385)	(44)
Cash and cash equivalents at end of the period	24,557	18,922	24,557	18,922
Non-cash transactions:				
Additions to property, plant and equipment - capitalized loans and borrowing costs	160	265	354	587

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

Table of Contents**Statement of Cash Flows**

In millions of Brazilian reais

	Parent company	
	Six-month period ended June 30,	
	2018	2017
	(Restated)	
Cash flow from operating activities:		
Income before income taxes from continuing operations	3,558	10,586
Continuing operations adjustments for:		
Equity results in subsidiaries, associates and joint ventures	(4,023)	(1,758)
Impairment and other results on non-current assets and associates and joint ventures	1,815	360
Depreciation, amortization and depletion	2,903	2,693
Financial results, net	13,077	6,164
Changes in assets and liabilities:		
Accounts receivable	1,547	12,695
Inventories	(60)	(373)
Suppliers and contractors	698	28
Provision - Payroll, related charges and others remunerations	(577)	(54)
Other assets and liabilities, net	151	(779)
	19,089	29,562
Interest on loans and borrowings paid	(1,028)	(2,978)
Derivatives paid, net	(112)	(132)
Interest on participative stockholders debentures paid	(245)	(221)
Income taxes	(30)	(678)
Income taxes - Settlement program	(796)	(750)
Net cash provided by operating activities	16,878	24,803
Cash flow from investing activities:		
Financial investments redeemed (invested)	(74)	(97)
Loans and advances - net receipts (payments)	(1,752)	(4,528)
Additions to property, plant and equipment, intangibles and investments	(4,527)	(4,650)
Proceeds from disposal of assets and investments (note 12)	414	15
Dividends and interest on capital received from subsidiaries, associates and joint ventures	1,998	424
Others investments activities	(55)	(54)
Net cash used in investing activities	(3,996)	(8,890)
Cash flow from financing activities:		
Loans and borrowings		
Additions	2,814	321
Repayments	(8,433)	(8,897)
Transactions with stockholders:		
Dividends and interest on capital paid to stockholders	(4,721)	(4,660)
Net cash used in financing activities	(10,340)	(13,236)
Increase in cash and cash equivalents	2,542	2,677

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Cash and cash equivalents in the beginning of the period	1,876	1,203
Cash and cash equivalents at end of the period	4,418	3,880

Non-cash transactions:

Additions to property, plant and equipment - capitalized loans and borrowing costs	353	585
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The accompanying notes are an integral part of these interim financial statements.

Table of Contents**Statement of Financial Position**

In millions of Brazilian reais

	Notes	Consolidated June 30, 2018	Consolidated December 31, 2017	Parent company June 30, 2018	Parent company December 31, 2017
Assets					
Current assets					
Cash and cash equivalents	16	24,557	14,318	4,418	1,876
Accounts receivable	9	9,052	8,602	10,207	9,560
Other financial assets	11	1,850	6,689	368	409
Inventories	10	15,418	12,987	4,807	4,601
Prepaid income taxes		2,534	2,584	2,159	2,378
Recoverable taxes		3,944	3,876	2,065	2,091
Others		2,284	1,780	1,252	1,542
		59,639	50,836	25,276	22,457
Non-current assets held for sale	12		11,865		7,082
		59,639	62,701	25,276	29,539
Non-current assets					
Judicial deposits	22(c)	6,726	6,571	6,313	6,110
Other financial assets	11	11,728	10,690	4,988	1,865
Prepaid income taxes		1,948	1,754		
Recoverable taxes		2,174	2,109	2,128	2,062
Deferred income taxes	7(a)	25,199	21,959	17,454	14,200
Others		1,170	882	1,420	810
		48,945	43,965	32,303	25,047
Investments	13	12,441	11,802	138,699	117,387
Intangibles	14	30,805	28,094	15,201	13,471
Property, plant and equipment	15	187,816	181,535	101,335	102,978
		280,007	265,396	287,538	258,883
Total assets		339,646	328,097	312,814	288,422
Liabilities					
Current liabilities					
Suppliers and contractors		13,832	13,367	7,826	7,503
Loans and borrowings	16	7,027	5,633	5,655	4,378
Other financial liabilities	11	3,070	3,260	5,073	4,413
Taxes payable	7(c)	2,469	2,307	2,081	1,991
Provision for income taxes		982	1,175		
Liabilities related to associates and joint ventures	17	1,051	1,080	1,051	1,080
Provisions	21	3,875	4,610	2,203	2,904
Dividends and interest on capital			4,742		4,439
Others		3,115	3,284	2,881	2,552

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		35,421	39,458	26,770	29,260
Liabilities associated with non-current assets held for sale	12		3,899		
		35,421	43,357	26,770	29,260
Non-current liabilities					
Loans and borrowings	16	62,016	68,759	25,076	28,966
Other financial liabilities	11	11,539	9,575	65,406	54,955
Taxes payable	7(c)	15,696	16,176	15,383	15,853
Deferred income taxes	7(a)	6,472	5,687		
Provisions	21	25,317	23,243	7,798	6,900
Liabilities related to associates and joint ventures	17	3,449	2,216	3,449	2,216
Deferred revenue - Gold stream		6,649	6,117		
Others		7,749	4,861	7,217	6,514
		138,887	136,634	124,329	115,404
Total liabilities		174,308	179,991	151,099	144,664
Stockholders equity					
	24				
Equity attributable to Vale's stockholders		161,715	143,758	161,715	143,758
Equity attributable to noncontrolling interests		3,623	4,348		
Total stockholders equity		165,338	148,106	161,715	143,758
Total liabilities and stockholders equity		339,646	328,097	312,814	288,422

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

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

In millions of Brazilian reais

	Share capital	Results on conversion of shares	Capital reserve	Results from operation with noncontrolling interest	Profit reserves	Treasury stocks	Unrealized fair value gain (losses)	Cumulative translation adjustments	Retained earnings	Equity attributable to Vale s stockholders	Equity attributable to noncontrolling interest
Balance at December 31, 2017	77,300	50	3,634	(2,663)	24,539	(2,746)	(3,912)	47,556	5,418	143,758	4
Net income									5,418	5,418	
Other comprehensive income:											
Retirement benefit obligations							(32)		(51)	(83)	
Net investments hedge (note 20c)								(2,030)		(2,030)	
Translation adjustments							(257)	14,738		14,481	
Fair value adjustment to investment in equity securities							171			171	
Transactions with stockholders:											
Dividends of noncontrolling interest											
Acquisitions and disposal of noncontrolling interest											
Capitalization of noncontrolling interest advances											
Balance at June 30, 2018	77,300	50	3,634	(2,663)	24,539	(2,746)	(4,030)	60,264	5,367	161,715	3
	Share capital	Results on conversion of shares	Capital reserve	Results from operation with	Profit reserves	Treasury stocks	Unrealized fair value gain (losses)	Cumulative translation adjustments	Retained earnings	Equity attributable to Vale s	Equity attributable to noncontrolling interest

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			noncontrolling interest				stockholders		interest	
Balance at December 31, 2016	77,300	50	(1,870)	13,698	(2,746)	(3,739)	44,548	7,951	127,241	6
Net income								7,951	7,951	
Other comprehensive income:										
Retirement benefit obligations						(715)			(715)	
Net investments hedge (note 20c)							(277)		(277)	
Translation adjustments						(30)	2,107		2,077	
Transactions with stockholders:										
Dividends and interest on capital of Vale's stockholders									(2,065)	(2,065)
Dividends of noncontrolling interest										
Acquisitions and disposal of noncontrolling interest						(329)			(329)	(1)
Capitalization of noncontrolling interest advances										
Balance at June 30, 2017	77,300	50	(2,199)	11,633	(2,746)	(4,484)	46,378	7,951	133,883	4

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

Table of Contents**Value Added Statement**

In millions of Brazilian Reais

	Consolidated		Parent company	
	Six-month period ended June 30,			
	2018	2017	2018	2017
Generation of value added from continuing operations				
Gross revenue				
Revenue from products and services	59,952	50,800	34,678	33,172
Impairment and other results on non-current assets	(42)	877	(224)	(68)
Revenue from the construction of own assets	5,023	3,144	3,422	2,875
Allowance for doubtful accounts	(17)	(14)	(4)	6
Other revenues	7,057	264	3,107	195
Less:				
Acquisition of products	(781)	(1,027)	(356)	(343)
Material, service and maintenance	(15,474)	(12,423)	(8,917)	(8,165)
Oil and gas	(2,523)	(1,967)	(1,652)	(1,348)
Energy	(1,661)	(1,434)	(839)	(674)
Freight	(6,353)	(4,566)	(75)	(42)
Impairment and other results in associates and joint ventures	(1,591)	(301)	(1,591)	(292)
Other costs and expenses	(8,430)	(3,051)	(4,980)	(1,085)
Gross value added	35,160	30,302	22,569	24,231
Depreciation, amortization and depletion	(5,946)	(5,758)	(2,903)	(2,693)
Net value added	29,214	24,544	19,666	21,538
Received from third parties				
Equity results from entities	450	142	4,023	1,758
Financial income	669	571	105	212
Monetary and exchange variation of assets	2,276	156	2,623	18
Total value added from continuing operations to be distributed	32,609	25,413	26,417	23,526
Value added from discontinued operations to be distributed	63	251		
Total value added to be distributed	32,672	25,664	26,417	23,526
Personnel	4,385	3,651	2,289	1,720
Taxes and contributions	5,142	4,247	2,688	3,045
Current income tax	755	1,807		1,066
Deferred income tax	(709)	253	(2,170)	911
Financial expense (excludes capitalized interest)	5,614	5,138	5,397	6,165
Monetary and exchange variation of liabilities	10,289	1,750	10,344	1,009
Other remunerations of third party funds	1,628	469	2,451	1,659
Reinvested net income	5,418	7,951	5,418	7,951
Net income attributable to noncontrolling interest	87	147		
Distributed value added from continuing operations	32,609	25,413	26,417	23,526
Distributed value added from discontinued operations	63	251		
Distributed value added	32,672	25,664	26,417	23,526

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

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Selected Notes to the Interim Financial Statements

Expressed in millions of Brazilian reais, unless otherwise stated

1. Corporate information

Vale S.A. (the Parent Company) is a public company headquartered in the city of Rio de Janeiro, Brazil with securities traded on the stock exchanges of São Paulo B3 S.A. (Vale3), New York - NYSE (VALE), Paris - NYSE Euronext (Vale3) and Madrid LATIBEX (XVALO).

Vale S.A. and its direct and indirect subsidiaries (Vale or Company) are global producers of iron ore and iron ore pellets, key raw materials for steelmaking, and producers of nickel, which is used to produce stainless steel and metal alloys employed in the production of several products. The Company also produces copper, metallurgical and thermal coal, manganese ore, ferroalloys, platinum group metals, gold, silver and cobalt. The information by segment is presented in note 3.

2. Basis for preparation of the interim financial statements

a) Statement of compliance

The condensed consolidated and individual interim financial statements of the Company (interim financial statements) have been prepared and are being presented in accordance with IAS 34 Interim Financial Reporting (CPC 21) of the International Financial Reporting Standards (IFRS) as implemented in Brazil by the Brazilian Accountant Pronouncements Committee (CPC), approved by the Brazilian Securities Exchange Commission (CVM) and by the Brazilian Federal Accounting Council (CFC). All relevant information from its own interim financial statements, and only this information, are being presented and correspond to those used by the Company's Management.

The selected notes of the Parent Company are presented in a summarized form in note 26.

b) Basis of presentation

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The interim financial statements have been prepared to update users about relevant events and transactions occurred in the period and should be read in conjunction with the financial statements for the year ended December 31, 2017. The accounting policies, accounting estimates and judgments, risk management and measurement methods are the same as those applied when preparing the last annual financial statements, except for new accounting policies related to the application of IFRS 9 Financial instrument (CPC 48) and IFRS 15 Revenue from contracts with customers (CPC 47), which are adopted by the Company from January 1, 2018. The accounting policy for recognizing and measuring income taxes in the interim period is described in note 7.

The interim financial statements of the Company and its associates and joint ventures 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 (R\$). For presentation purposes, these interim financial statements are presented in Brazilian Reais.

The exchange rates used by the Company to translate its foreign operations are as follows:

	Closing rate		Average rate		Average rate	
	June 30, 2018	December 31, 2017	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
US Dollar (US\$)	3.8558	3.3080	3.6056	3.2174	3.4274	3.1807
Canadian dollar (CAD)	2.9344	2.6344	2.7928	2.3937	2.6807	2.3847
Australian dollar (AUD)	2.8529	2.5849	2.7280	2.4154	2.6407	2.3986
Euro (EUR or)	4.5032	3.9693	4.2944	3.5480	4.1430	3.4479

The issue of these interim financial statements was authorized by the Board of Directors on July 25, 2018.

Table of Contents**c) Accounting standards issued but not yet effective**

The standards and interpretations issued by IASB relevant to the Company but not yet effective are the same as those applicable when preparing the financial statements for the year ended December 31, 2017.

d) Restatement of corresponding figures

The amounts corresponding to the Parent Company's statements of cash flows, for the six-month period ended June 30, 2017, originally presented in the interim financial statements for that period, have been restated for reclassification from financing activities in the amount of R\$4,096 to investing activities. This amount relates to intercompany loans between the Parent Company and its subsidiary and was presented as cash flows from financing activities in the aforementioned period. This reclassification aligns the Company's accounting practice with its cash management policy, which aims to manage at the Parent Company the cash generated by its subsidiaries, including sale of investments and planning for future investments.

The effects of these restatements are as follows:

	Parent company		
	Original balance	Six-month period ended June 30, 2017 Reclassification	Restated
Statement of cash flows			
Net cash provided by operating activities	24,803		24,803
Cash flow from investing activities			
Loans and advances - net receipts (payments)	(432)	(4,096)	(4,528)
Net cash used in investing activities	(4,794)	(4,096)	(8,890)
Cash flow from financing activities			
Loans and borrowings			
Additions	6,742	(6,421)	321
Repayments	(19,414)	10,517	(8,897)
Net cash used in financing activities	(17,332)	4,096	(13,236)
Increase in cash and cash equivalents	2,677		2,677

Table of Contents**3. Information by business segment and by geographic area**

The information presented to the Executive Board on the performance of each segment is derived from the accounting records, adjusted for reclassifications between segments.

a) Adjusted LAJIDA (EBITDA)

Management uses adjusted *LAJIDA* (EBITDA) to assess each segment's contribution to the Company's performance and to support the decision making process. Adjusted *LAJIDA* (EBITDA) is calculated for each segment using operating income or loss plus dividends received and interest from associates and joint ventures, and adding back the amounts charged as (i) depreciation, depletion and amortization and (ii) special events (additional information can be found in note 4).

In 2018, the Company has allocated general and corporate expenses to *Others* as these expenses are not directly related to the performance of each business segment. Therefore, *Others* includes unallocated corporate expenses. The comparative period was restated in order to reflect this change in the criteria for allocation.

	Consolidated						Adjusted LAJIDA (EBITDA)
	Three-month period ended June 30, 2018						
	Net operating revenue	Cost of goods sold and services rendered	Sales, administrative and other operating expenses (i)	Research and evaluation	Pre operating and operational stoppage	Dividends received and interest from associates and joint ventures	
Ferrous minerals							
Iron ore	16,608	(7,785)	(96)	(91)	(98)	2	8,540
Iron ore Pellets	5,469	(2,910)	(21)	(20)	(21)	391	2,888
Ferroalloys and manganese	415	(237)	(5)	(2)			171
Other ferrous products and services	428	(304)	4	(2)	(1)		125
	22,920	(11,236)	(118)	(115)	(120)	393	11,724
Coal	1,287	(1,186)	(25)	(21)		105	160
Base metals							
Nickel and other products	4,858	(2,923)	(62)	(33)	(25)		1,815
Copper	1,916	(883)	(2)	(14)			1,017
	6,774	(3,806)	(64)	(47)	(25)		2,832

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Others	253	(247)	(480)	(147)	(20)	112	(529)
Total of continuing operations	31,234	(16,475)	(687)	(330)	(165)	610	14,187
Discontinued operations (Fertilizers)	109	(121)	(11)				(23)
Total	31,343	(16,596)	(698)	(330)	(165)	610	14,164

(i) Adjusted for the special events occurred in the period, which represents a loss of R\$98.

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	Consolidated Three-month period ended June 30, 2017						Adjusted LAJIDA (EBITDA)
	Net operating revenue	Cost of goods sold and services rendered	Sales, administrative and other operating expenses	Research and evaluation	Pre operating and operational stoppage	Dividends received and interest from associates and joint ventures	
Ferrous minerals							
Iron ore	11,484	(6,104)	(79)	(72)	(130)		5,099
Iron ore Pellets	4,285	(2,293)	10	(16)	(4)	119	2,101
Ferroalloys and manganese	373	(258)	(4)		(3)		108
Other ferrous products and services	394	(246)	43	(2)	(1)		188
	16,536	(8,901)	(30)	(90)	(138)	119	7,496
Coal	1,544	(980)	(7)	(11)	(15)		531
Base metals							
Nickel and other products	3,251	(2,640)	(27)	(36)	(36)		512
Copper	1,622	(794)	(4)	(7)			817
	4,873	(3,434)	(31)	(43)	(36)		1,329
Others	410	(407)	(558)	(111)	(3)	147	(522)
Total of continuing operations	23,363	(13,722)	(626)	(255)	(192)	266	8,834
Discontinued operations (Fertilizers)	1,291	(1,194)	(62)	(11)	(34)		(10)
Total	24,654	(14,916)	(688)	(266)	(226)	266	8,824

	Consolidated Six-month period ended June 30, 2018						Adjusted LAJIDA (EBITDA)
	Net operating revenue	Cost of goods sold and services rendered	Sales, administrative and other operating expenses (i)	Research and evaluation	Pre operating and operational stoppage	Dividends received and interest from associates and joint ventures	
Ferrous minerals							
Iron ore	31,886	(14,541)	(137)	(156)	(211)	2	16,843
Iron ore Pellets	10,611	(5,548)	(26)	(36)	(31)	391	5,361
Ferroalloys and manganese	821	(479)	(8)	(3)			331
Other ferrous products and services	800	(541)	(5)	(2)	(1)		251
	44,118	(21,109)	(176)	(197)	(243)	393	22,786
Coal	2,521	(2,272)	(19)	(32)		298	496
Base metals							
Nickel and other products	8,533	(5,214)	(110)	(62)	(52)		3,095

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Copper	3,543	(1,687)	(5)	(26)			1,825
	12,076	(6,901)	(115)	(88)	(52)		4,920
Others	451	(472)	(981)	(236)	(38)	145	(1,131)
Total of continuing operations	59,166	(30,754)	(1,291)	(553)	(333)	836	27,071
Discontinued operations (Fertilizers)	397	(393)	(15)				(11)
Total	59,563	(31,147)	(1,306)	(553)	(333)	836	27,060

(i) Adjusted for the special events occurred in the period, which represents a loss of R\$244.

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	Consolidated						Adjusted LAJIDA (EBITDA)
	Six-month period ended June 30, 2017						
	Net operating revenue	Cost of goods sold and services rendered	Sales, administrative and other operating expenses	Research and evaluation	Pre operating and operational stoppage	Dividends received and interest from associates and joint ventures	
Ferrous minerals							
Iron ore	26,629	(11,361)	133	(123)	(257)		15,021
Iron ore Pellets	8,870	(4,343)	10	(26)	(8)	119	4,622
Ferrous alloys and manganese	646	(397)	(7)		(12)		230
Other ferrous products and services	789	(485)	33	(3)	(1)		333
	36,934	(16,586)	169	(152)	(278)	119	20,206
Coal	2,564	(1,759)	(19)	(21)	(15)		750
Base metals							
Nickel and other products	6,809	(5,352)	(68)	(65)	(157)		1,167
Copper	3,086	(1,515)	(6)	(12)			1,553
	9,895	(6,867)	(74)	(77)	(157)		2,720
Others	712	(714)	(1,247)	(211)	(6)	147	(1,319)
Total of continuing operations	50,105	(25,926)	(1,171)	(461)	(456)	266	22,357
Discontinued operations (Fertilizers)	2,453	(2,260)	(111)	(16)	(67)		(1)
Total	52,558	(28,186)	(1,282)	(477)	(523)	266	22,356

Adjusted LAJIDA (EBITDA) is reconciled to net income (loss) as follows:

From continuing operations

	Consolidated			
	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
Net income from continuing operations	370	557	5,815	8,756
Depreciation, depletion and amortization	3,112	2,907	5,946	5,758
Income taxes	(2,293)	(156)	46	2,060
Financial results, net	10,930	4,341	13,001	6,235
LAJIDA (EBITDA)	12,119	7,649	24,808	22,809

Items to reconciled adjusted LAJIDA (EBITDA)				
Special events (note 4)	88	726	286	(877)
Equity results in associates and joint ventures	(177)	83	(450)	(142)
Impairment and other results in associates and joint ventures	1,547	110	1,591	301
Dividends received and interest from associates and joint ventures	610	266	836	266
Adjusted LAJIDA (EBITDA) from continuing operations	14,187	8,834	27,071	22,357

From discontinued operations

	Consolidated			
	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
Loss from discontinued operations	(39)	(388)	(310)	(645)
Depreciation, depletion and amortization		3		3
Income taxes	(30)	(493)	(134)	(588)
Financial results, net	6	12	18	26
LAJIDA (EBITDA)	(63)	(866)	(426)	(1,204)

Items to reconciled underlying LAJIDA (EBITDA)				
Equity results in associates and joint ventures		(1)		(2)
Impairment of non-current assets	40	857	415	1,205
Underlying LAJIDA (EBITDA) from discontinued operations	(23)	(10)	(11)	(1)

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b) Assets by segment

	Consolidated					
	Product inventory	June 30, 2018 Investments in associates and joint ventures	Property, plant and equipment and intangible (i)	Product inventory	December 31, 2017 Investments in associates and joint ventures	Property, plant and equipment and intangible (i)
Ferrous minerals	6,860	6,617	121,084	5,859	6,357	119,429
Coal	526	1,264	7,079	271	1,048	5,686
Base metals	4,391	54	84,550	3,336	43	78,080
Others	55	4,506	5,908	20	4,354	6,434
Total	11,832	12,441	218,621	9,486	11,802	209,629

	Three-month period ended			Six-month period ended		
	June 30, 2018			June 30, 2018		
	Additions to property, plant and equipment and intangible (ii)			Additions to property, plant and equipment and intangible (ii)		
	Sustaining investments	Capital expenditures	Depreciation, depletion and amortization (iii)	Sustaining investments	Capital expenditures	Depreciation, depletion and amortization (iii)
Ferrous minerals	1,050	612	1,532	2,095	1,689	2,938
Coal	67	53	200	146	81	412
Base metals	682	69	1,328	1,271	118	2,465
Others	7		52	10	15	131
Total	1,806	734	3,112	3,522	1,903	5,946

	Three-month period ended			Six-month period ended		
	June 30, 2017			June 30, 2017		
	Additions to property, plant and equipment and intangible (ii)			Additions to property, plant and equipment and intangible (ii)		
	Sustaining investments	Capital expenditures	Depreciation, depletion and amortization (iii)	Sustaining investments	Capital expenditures	Depreciation, depletion and amortization (iii)
Ferrous minerals	790	1,188	1,376	1,744	2,849	2,684
Coal	26	21	238	104	120	567
Base metals	796	16	1,279	1,430	46	2,477
Others	5	10	14	7	39	30
Total	1,617	1,235	2,907	3,285	3,054	5,758

(i) Goodwill is allocated mainly to ferrous minerals and base metals segments in the amount of R\$7,133 and R\$7,316 in June 30, 2018 and R\$7,133 and R\$6,460 in December 31, 2017, respectively.

(ii) Includes only cash outflows.

(iii) Refers to amounts recognized in the income statement.

Base Metals

(i) Onça Puma

In September 2017, the Federal Court granted an injunction suspending certain of nickel mining operations at Onça Puma. The Company has appealed this decision to seek a suspension of this injunction, but it is not possible to anticipate when Onça Puma activities will resume. In December 31, 2017, the Company has calculated the recoverable amount and no losses were identified. The Company has assessed the impairment risk related to this specific cash-generating unit and concluded that no significant changes occurred that could lead to a loss that should be recognized in the income statement for the period ended June 30, 2018.

Table of Contents**(ii) Cobalt streaming transactions**

In June 2018, the Company entered into two different agreements, one with Wheaton Precious Metals Corp (Wheaton) and other with Cobalt 27 Capital Corp. (Cobalt 27), to sell a stream equivalent to 75% of the cobalt extracted as a by-product from the Voisey s Bay mine, in Canada, starting on January 1, 2021. Furthermore, the Company restarted the Voisey s Bay underground mine expansion project, which is going to increase the expected useful life of Voisey s Bay mine from 2023 to 2034. The first year of underground production is expected to be 2021, when the current operations on the open pit mine begins to ramp down.

Upon completion of the transaction, the Company received an upfront payment of R\$2,603 (US\$690 millions) in cash, R\$1,471 (US\$390 millions) from Wheaton and R\$1,132 (US\$300 millions) from Cobalt 27, has been recorded as others non-current liabilities. Vale will receive additional payments of 20%, on average, of the market reference price for cobalt, for each pound of finished cobalt delivered.

Thus, from January 1, 2021 onwards, Wheaton and Cobalt 27 will be entitled to receive 42.4% and 32.6%, respectively, of cobalt equivalent to the production from the Voisey s Bay mine, while Vale remains exposed to approximately 40% of the cobalt economic exposure, as Vale retains the rights to 25% of the future cobalt production and will receive 20% additional payments for the cobalt stream. The result of the sale of the mineral rights will be accounted for once certain production thresholds have been met at Voisey s Bay mine and is not expected to be significant.

c) Net operating revenue by geographic area

	Consolidated				
	Three-month period ended June 30, 2018				
	Ferrous minerals	Coal	Base metals	Others	Total
Americas, except United States and Brazil	702		659		1,361
United States of America	315		957	1	1,273
Germany	1,028		519		1,547
Europe, except Germany	2,078	322	1,665		4,065
Middle East/Africa/Oceania	1,814	119	21		1,954
Japan	2,225		524		2,749
China	11,131		755		11,886
Asia, except Japan and China	1,523	797	1,420		3,740
Brazil	2,104	49	254	252	2,659
Net operating revenue	22,920	1,287	6,774	253	31,234

Consolidated
Three-month period ended June 30, 2017

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	Ferrous minerals	Coal	Base metals	Others	Total
Americas, except United States and Brazil	445		609	174	1,228
United States of America	392		609	42	1,043
Germany	625		279		904
Europe, except Germany	1,578	360	1,392	45	3,375
Middle East/Africa/Oceania	1,142	118	9		1,269
Japan	1,412	142	289		1,843
China	8,044		278		8,322
Asia, except Japan and China	960	790	1,265		3,015
Brazil	1,938	134	143	149	2,364
Net operating revenue	16,536	1,544	4,873	410	23,363

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Consolidated
Six-month period ended June 30, 2018

	Ferrous minerals	Coal	Base metals	Others	Total
Americas, except United States and Brazil	1,413		1,168		2,581
United States of America	582		1,749	25	2,356
Germany	2,081		748		2,829
Europe, except Germany	3,606	653	3,285		7,544
Middle East/Africa/Oceania	3,738	259	35		4,032
Japan	3,708	107	897		4,712
China	22,137		1,432		23,569
Asia, except Japan and China	2,647	1,284	2,226		6,157
Brazil	4,206	218	536	426	5,386
Net operating revenue	44,118	2,521	12,076	451	59,166

Consolidated
Six-month period ended June 30, 2017

	Ferrous minerals	Coal	Base metals	Others	Total
Americas, except United States and Brazil	887		1,565	174	2,626
United States of America	558		1,193	182	1,933
Germany	1,593		443	51	2,087
Europe, except Germany	3,405	642	2,818	45	6,910
Middle East/Africa/Oceania	2,486	280	18		2,784
Japan	2,639	246	566		3,451
China	19,526		781		20,307
Asia, except Japan and China	1,759	1,106	2,242		5,107
Brazil	4,081	290	269	260	4,900
Net operating revenue	36,934	2,564	9,895	712	50,105

Provisionally priced commodities sales As at June 30, 2018, there were 21 million metric tons of iron ore (2017: 26 million metric tons) and 71 thousand metric tons of copper (2017: 106 thousand metric tons) provisionally priced based on forward prices. The final price of these sales will be determined during the third quarter of 2018. A 10% change in the realized prices compared to the provisionally priced sales, all other factors held constant, would increase or reduce iron ore net income by R\$544 and copper net income by R\$204.

4. Special events occurred during the period

The special events occurred during the period are those that, in the Company's judgment, have non-operational effect on the performance of the period due to their size and nature. To determine whether an event or transaction should be disclosed as special events, the Company considers quantitative and qualitative factors, such as frequency and magnitude.

The special events identified by the Company are as follows:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
Gain (loss) with disposals of assets	10	(298)	(42)	(305)
Provision for litigation	(98)		(244)	
Nacala Logistic Corridor				1,610
Impairment of non-current assets		(428)		(428)
Total	(88)	(726)	(286)	877

Result in disposals of assets - The Company recognized a gain of R\$10 and a loss of R\$42 in the income statement during the three and six-month periods ended June 30, 2018, respectively, as Impairment and other results on noncurrent assets due to non-viable projects and operating assets written off through sale or obsolescence.

Provision for litigation During the three and six month-periods ended June 30, 2018, the Company's assessment of the likelihood of loss for various litigations have been updated and a net impact of R\$98 and R\$244, respectively, was charged to the income statement.

Nacala Logistic Corridor In March 2017, the Company concluded the transaction with Mitsui to sell 15% of its stake in Vale Moçambique and 50% of its stake in the Nacala Logistics Corridor and recognized a gain in the income statement of R\$1,610.

Impairment of non-current assets In the second quarter of 2017, the Company placed an underground mine in Sudbury in care and maintenance and an impairment of R\$428 was recognized in the income statement.

Table of Contents5. **Costs and expenses by nature**a) **Cost of goods sold and services rendered**

	Consolidated			
	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
Personnel	2,076	1,791	3,870	3,512
Materials and services	3,500	2,894	6,369	5,350
Fuel oil and gas	1,362	997	2,509	1,966
Maintenance	2,438	2,430	4,831	4,700
Energy	865	747	1,639	1,423
Acquisition of products	364	512	763	1,027
Depreciation and depletion	2,988	2,740	5,679	5,401
Freight	3,422	2,500	6,353	4,566
Others	2,448	1,851	4,420	3,382
Total	19,463	16,462	36,433	31,327
Cost of goods sold	18,877	15,960	35,368	30,387
Cost of services rendered	586	502	1,065	940
Total	19,463	16,462	36,433	31,327

b) **Selling and administrative expenses**

	Consolidated			
	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
Personnel	145	199	347	367
Services	63	60	126	99
Depreciation and amortization	57	72	114	162
Others	175	95	255	186
Total	440	426	842	814

c) **Other operating expenses, net**

	Consolidated	
	Three-month period ended June 30,	Six-month period ended June 30,

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	2018	2017	2018	2017
Provision for litigation	98	55	244	93
Profit sharing program	216	98	370	221
Others	78	118	184	204
Total	392	271	798	518

6. Financial result

	Consolidated			
	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
Financial income				
Short-term investments	182	166	264	277
Derivative financial instruments	321	229	698	1,232
Others	105	205	405	294
	608	600	1,367	1,803
Financial expenses				
Loans and borrowings gross interest	(1,059)	(1,447)	(2,149)	(3,026)
Capitalized loans and borrowing costs	160	265	354	587
Derivative financial instruments	(1,422)	(513)	(1,514)	(852)
Participative stockholders debentures	(1,032)	(285)	(1,622)	(1,581)
Expenses of REFIS	(185)	(347)	(372)	(742)
Others	(615)	(508)	(1,052)	(830)
	(4,153)	(2,835)	(6,355)	(6,444)
Other financial items				
Net foreign exchange losses on loans and borrowings	(8,522)	(2,387)	(8,938)	(790)
Other net foreign exchange gains (losses)	1,532	420	1,714	(410)
Net indexation losses	(395)	(139)	(789)	(394)
	(7,385)	(2,106)	(8,013)	(1,594)
Financial results, net	(10,930)	(4,341)	(13,001)	(6,235)

Table of Contents7. **Income taxes**a) **Deferred income tax assets and liabilities**

Changes in deferred tax are as follows:

	Assets	Consolidated Liabilities	Deferred taxes, net
Balance at March 31, 2018	20,298	5,665	14,633
Effect in income statement	2,813	60	2,753
Transfers between asset and liabilities	2	2	
Translation adjustment	1,033	795	238
Other comprehensive income	1,044	(50)	1,094
Effect of discontinued operations			
Effect in income statement	30		30
Transfer to net assets held for sale	(21)		(21)
Balance at June 30, 2018	25,199	6,472	18,727

	Assets	Consolidated Liabilities	Deferred taxes, net
Balance at March 31, 2017	22,582	5,314	17,268
Effect in income statement	202	(176)	378
Translation adjustment	438	323	115
Other comprehensive income	251	(282)	533
Effect of discontinued operations			
Effect in income statement	493		493
Transfer to net assets held for sale	(493)		(493)
Balance at June 30, 2017	23,473	5,179	18,294

	Assets	Consolidated Liabilities	Deferred taxes, net
Balance at December 31, 2017	21,959	5,687	16,272
Effect in income statement	768	59	709
Transfers between asset and liabilities	29	29	
Translation adjustment	1,016	718	298
Other comprehensive income	1,333	(21)	1,354
Effect of discontinued operations			
Effect in income statement	134		134
Transfer to net assets held for sale	(40)		(40)
Balance at June 30, 2018	25,199	6,472	18,727

	Assets	Consolidated Liabilities	Deferred taxes, net
Balance at December 31, 2016	23,931	5,540	18,391
Effect in income statement	(517)	(264)	(253)
Translation adjustment	145	196	(51)
Other comprehensive income	(86)	(293)	207
Effect of discontinued operations			
Effect in income statement	588		588
Transfer to net assets held for sale	(588)		(588)
Balance at June 30, 2017	23,473	5,179	18,294

Table of Contents**b) Income tax reconciliation Income statement**

The total amount presented as income taxes in the income statement is reconciled to the rate established by law, as follows:

	Consolidated			
	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
Income (loss) before income taxes	(1,923)	401	5,861	10,816
Income taxes at statutory rates - 34%	654	(136)	(1,993)	(3,677)
Adjustments that affect the basis of taxes:				
Income tax benefit from interest on stockholders equity	1,372	396	1,588	793
Tax incentives	563	3	651	561
Equity results	60	(28)	153	49
Unrecognized tax losses of the period	(398)	(297)	(875)	(852)
Gain on sale of subsidiaries (note 4)				548
Others	42	218	430	518
Income taxes	2,293	156	(46)	(2,060)

Income tax expense is recognized based on the estimate of the weighted average effective tax rate expected for the full year, adjusted for the tax effect of certain items recognized in full in the interim period. Therefore, the effective tax rate in the interim financial statement may differ from management's estimate of the effective tax rate for the annual financial statement.

c) Income taxes - Settlement program (REFIS)

The balance mainly relates to REFIS to settle most of the claims related to the collection of income tax and social contribution on equity gains of foreign subsidiaries and affiliates from 2003 to 2012. As at June 30, 2018, the balance of R\$17,335 (R\$1,638 as current and R\$15,696 as non-current) is due in 124 remaining monthly installments, bearing interest at the SELIC rate (Special System for Settlement and Custody).

8. Basic and diluted earnings (loss) per share

The basic and diluted earnings (loss) per share are presented below:

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	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017 (i)	2018	2017 (i)
Net income (loss) attributable to Vale's stockholders:				
Net income from continuing operations	345	458	5,728	8,609
Loss from discontinued operations	(39)	(398)	(310)	(658)
Net income	306	60	5,418	7,951
Thousands of shares				
Weighted average number of shares outstanding common shares	5,197,432	5,197,432	5,197,432	5,197,432
Basic and diluted earnings per share from continuing operations:				
Common share (R\$)	0.07	0.09	1.10	1.67
Basic and diluted loss per share from discontinued operations:				
Common share (R\$)	(0.01)	(0.08)	(0.06)	(0.13)
Basic and diluted earnings per share:				
Common share (R\$)	0.06	0.01	1.04	1.54

(i) Restated to reflect the conversion of the class A preferred shares into common shares.

The Company does not have potential outstanding shares or other instruments with dilutive effect on the earnings per share.

Table of Contents**9. Accounts receivable**

	Consolidated	
	June 30, 2018	December 31, 2017
Accounts receivable	9,278	8,802
Impairment of accounts receivable	(226)	(200)
	9,052	8,602
Accounts receivable related to the steel sector - %	75.20%	82.90%

	Consolidated			
	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
Impairment of trade receivables recorded in the income statement	(17)	(14)	(17)	(14)

There is no customer that individually represents over 10% of accounts receivable or revenues.

10. Inventories

	Consolidated	
	June 30, 2018	December 31, 2017
Finished products	9,283	7,324
Work in progress	2,549	2,162
Consumable inventory	3,586	3,501
Total	15,418	12,987

	Consolidated			
	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
Reversal (Provision) for net realizable value	(61)	50	(67)	186

Finished and work in progress product inventory by segments is presented in note 3(b).

11. Other financial assets and liabilities

	Consolidated			
	June 30, 2018	Current December 31, 2017	June 30, 2018	Non-Current December 31, 2017
Other financial assets				
Financial investments	68	61		
Loans			593	498
Derivative financial instruments (note 20)	484	351	1,368	1,497
Investments in equity securities (note 12)			3,689	
Related parties - Loans (note 25)	1,298	6,277	6,078	8,695
	1,850	6,689	11,728	10,690
Other financial liabilities				
Derivative financial instruments (note 20)	967	344	2,382	2,269
Related parties - Loans (note 25)	2,103	2,916	3,713	3,226
Participative stockholders debentures			5,444	4,080
	3,070	3,260	11,539	9,575

Table of Contents**12. Non-current assets and liabilities held for sale and discontinued operations**

	Consolidated December 31, 2017 Fertilizers
Assets	
Accounts receivable	297
Inventories	1,522
Other current assets	363
Investments in associates and joint ventures	274
Property, plant and equipment and Intangible	7,110
Other non-current assets	2,299
Total assets	11,865
Liabilities	
Suppliers and contractors	1,070
Other current liabilities	711
Other non-current liabilities	2,118
Total liabilities	3,899
Net non-current assets held for sale	7,966

a) Fertilizers (discontinued operations)

In December 2016, the Company entered into an agreement with The Mosaic Company (Mosaic) to sell (i) the phosphate assets located in Brazil, except for the assets located in Cubatão, Brazil; (ii) the control of Compañia Minera Miski Mayo S.A.C., in Peru; (iii) the potassium assets located in Brazil; and (iv) the potash projects in Canada.

In January 2018, the Company and Mosaic concluded the transaction and the Company received R\$3,495 (US\$1,080 million) in cash and 34.2 million common shares, corresponding to 8.9% of Mosaic 's equity after the issuance of these shares (R\$2,907 (US\$899 million), based on the Mosaic 's quotation at closing date of the transaction) and a loss of R\$184 was recognized in the income statement from discontinued operations.

Mosaic shares received was accounted for an equity investment measured at fair value through other comprehensive income. For the three and six-month period ended June 30, 2018, the Company recognized a gain of R\$285 and R\$171 in other comprehensive income as Fair value adjustment to investment in equity securities .

b) Cubatão (part of the fertilizer segment)

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In November 2017, the Company entered into an agreement with Yara International ASA (Yara) to sell its assets located in Cubatão, Brazil. In May 2018, the transaction was concluded and the Company received R\$882 (US\$255 million) in cash and a loss of R\$231 was recognized for the six-month period ended June 30, 2018, in the income statement from discontinued operations.

The results and cash flows of discontinued operations of the Fertilizer segment for the three and six-month period ended June 30, 2018 and 2017 are presented as follows:

Income statement

	Consolidated			
	Three-month period ended June 30, 2018	2017	Six-month period ended June 30, 2018	2017
Discontinued operations				
Net operating revenue	109	1,291	397	2,453
Cost of goods sold and services rendered	(121)	(1,194)	(393)	(2,260)
Operating expenses	(11)	(110)	(15)	(197)
Impairment of non-current assets	(40)	(857)	(415)	(1,205)
Operating loss	(63)	(870)	(426)	(1,209)
Financial Results, net	(6)	(12)	(18)	(26)
Equity results in associates and joint ventures		1		2
Loss before income taxes	(69)	(881)	(444)	(1,233)
Income taxes	30	493	134	588
Loss from discontinued operations	(39)	(388)	(310)	(645)
Net income attributable to noncontrolling interests		10		13
Loss attributable to Vale s stockholders	(39)	(398)	(310)	(658)

Table of Contents**Statement of cash flow**

	Consolidated			
	Three-month period ended June 30, 2018	2017	Six-month period ended June 30, 2018	2017
Discontinued operations				
Cash flow from operating activities				
Loss before income taxes	(69)	(881)	(444)	(1,233)
Adjustments:				
Equity results in associates and joint ventures		(1)		(2)
Depreciation, amortization and depletion		3		3
Impairment of non-current assets	40	857	415	1,205
Others	18		18	
Increase (decrease) in assets and liabilities	4	26	(110)	321
Net cash provided by (used in) operating activities	(7)	4	(121)	294
Cash flow from investing activities				
Additions to property, plant and equipment		(263)	(36)	(460)
Net cash used in investing activities		(263)	(36)	(460)
Cash flow from financing activities				
Loans and borrowings				
Additions (Repayments)		107		(1)
Net cash provided by (used in) financing activities		107		(1)
Net cash used in discontinued operations	(7)	(152)	(157)	(167)

13. Investments in associates and joint ventures**a) Changes during the period**

Changes in investments in associates and joint ventures are as follows:

	Associates	Consolidated Joint ventures	Total
Balance at December 31, 2017	4,774	7,028	11,802
Additions		76	76
Translation adjustment	219	124	343
Equity results in income statement	10	440	450
Dividends declared		(525)	(525)

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Transfer from non-current assets held for sale (i)	280		280
Others	21	(6)	15
Balance at June 30, 2018	5,304	7,137	12,441

(i) Refers to 18% interest held by Vale Fertilizantes at Ultrafertil which was transferred to Vale as part of the final settlement in January 2018 (note 12).

	Associates	Consolidated Joint ventures	Total
Balance at December 31, 2016	4,683	7,363	12,046
Additions		103	103
Translation adjustment	17	14	31
Equity results in income statement	63	79	142
Dividends declared	(134)	(265)	(399)
Others	3		3
Balance at June 30, 2017	4,632	7,294	11,926

b) Guarantees provided

As of June 30, 2018, corporate guarantees provided by Vale (within the limit of its direct or indirect interest) for the companies Norte Energia S.A. and Companhia Siderúrgica do Pecém S.A. were R\$1,272 and R\$5,603, respectively.

The investments by segments are presented in note 3(b).

Table of Contents**Investments in associates and joint ventures (continued)**

Associates and joint ventures	% ownership	% voting capital	Consolidated										
			Investments in associates and joint ventures		Equity results in the income statement				Dividends received				
			June 30, 2018	December 31, 2017	Three-month period ended		Six-month period ended		Three-month period ended		Six-month period ended		
					June 30,	June 30,	June 30,	June 30,	June 30,	June 30,			
Ferrous minerals													
Baovale Mineração S.A. Companhia Coreano-Brasileira de Pelotização	50.00	50.00	97	87	5	6	10	12	2		2		
Companhia Hispano-Brasileira de Pelotização (i)	50.89	51.00	261	270	30	35	78	68	87	18	87	18	
Companhia Ítalo-Brasileira de Pelotização (i)	50.90	51.00	308	263	54	42	106	63	122	54	122	54	
Companhia Nipo-Brasileira de Pelotização (i)	51.00	51.11	556	453	113	76	211	145	127	47	127	47	
MRS Logística S.A.	48.16	46.75	1,764	1,711	67	70	105	118					
VLI S.A.	37.60	37.60	3,207	3,202	48	61	5	21					
Zhuhai YPM Pellet Co.	25.00	25.00	89	76	1		1						
			6,617	6,357	381	331	629	505	394	119	394	119	
Coal													
Henan Longyu Energy Resources Co., Ltd.	25.00	25.00	1,264	1,048	28	20	41	51					
			1,264	1,048	28	20	41	51					
Base metals													
Korea Nickel Corp.	25.00	25.00	54	43	1	(1)	4	1					
			54	43	1	(1)	4	1					
Others													
Aliança Geração de Energia S.A. (i)	55.00	55.00	1,882	1,889	19	26	81	47	55	36	88	36	
Aliança Norte Energia Participações S.A. (i)	51.00	51.00	605	529	11	1	33	11					
California Steel Industries, Inc.	50.00	50.00	868	663	74	52	141	79	56	43	56	43	
Companhia Siderúrgica do Pecém	50.00	50.00	461	867	(267)	(423)	(407)	(456)					
Mineração Rio do Norte S.A.	40.00	40.00	334	333	(31)	4	(21)	2		68		68	
Others			356	73	(39)	(93)	(51)	(98)					
			4,506	4,354	(233)	(433)	(224)	(415)	111	147	144	147	
Total			12,441	11,802	177	(83)	450	142	505	266	538	266	

(i) Although the Company held a majority of the voting capital, the entities are accounted under equity method due to the stockholders agreement where relevant decisions are shared with other parties.

Table of Contents**14. Intangibles**

Changes in intangibles are as follows:

	Goodwill	Concessions	Consolidated Right of use	Software	Total
Balance at December 31, 2017	13,593	13,236	506	759	28,094
Additions		2,167		15	2,182
Disposals		(35)			(35)
Amortization		(224)	(12)	(205)	(441)
Translation adjustment	856	77	53	19	1,005
Balance at June 30, 2018	14,449	15,221	547	588	30,805
Cost	14,449	18,920	827	5,250	39,446
Accumulated amortization		(3,699)	(280)	(4,662)	(8,641)
Balance at June 30, 2018	14,449	15,221	547	588	30,805

	Goodwill	Concessions	Consolidated Right of use	Software	Total
Balance at December 31, 2016	10,041	10,759	480	1,115	22,395
Additions		1,614		58	1,672
Disposals		(7)			(7)
Amortization		(284)	(3)	(233)	(520)
Translation adjustment	286	3	18	9	316
Balance at June 30, 2017	10,327	12,085	495	949	23,856
Cost	10,327	16,110	762	5,119	32,318
Accumulated amortization		(4,025)	(267)	(4,170)	(8,462)
Balance at June 30, 2017	10,327	12,085	495	949	23,856

15. Property, plant and equipment

Changes in property, plant and equipment are as follows:

	Land	Building	Facilities	Equipment	Consolidated Mineral properties	Others	Constructions in progress	Total
Balance at December 31, 2017	2,375	40,028	38,986	22,803	29,999	27,104	20,240	181,535
Additions (i)							3,443	3,443

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Disposals	(1)	(121)	(125)	(52)	(15)	(185)	(26)	(525)
Assets retirement obligation					(50)			(50)
Depreciation, amortization and depletion		(1,035)	(1,210)	(1,490)	(993)	(1,177)		(5,905)
Translation adjustment	87	1,707	1,372	1,795	2,660	993	704	9,318
Transfers	24	1,372	3,837	1,999	913	2,177	(10,322)	
Balance at June 30, 2018	2,485	41,951	42,860	25,055	32,514	28,912	14,039	187,816
Cost	2,485	68,696	66,957	47,677	61,175	42,264	14,039	303,293
Accumulated depreciation		(26,745)	(24,097)	(22,622)	(28,661)	(13,352)		(115,477)
Balance at June 30, 2018	2,485	41,951	42,860	25,055	32,514	28,912	14,039	187,816

	Land	Building	Facilities	Equipment	Consolidated Mineral properties	Others	Constructions in progress	Total
Balance at December 31, 2016	2,360	34,790	30,866	22,141	27,312	24,494	38,653	180,616
Additions (i)							4,098	4,098
Disposals	(1)	(2)	(112)	(22)	(401)	(247)	(50)	(835)
Assets retirement obligation					4			4
Depreciation, amortization and depletion		(846)	(1,099)	(1,259)	(990)	(1,104)		(5,298)
Translation adjustment	12	357	270	238	931	405	23	2,236
Transfers	54	3,788	5,269	2,258	2,074	3,410	(16,853)	
Balance at June 30, 2017	2,425	38,087	35,194	23,356	28,930	26,958	25,871	180,821
Cost	2,425	59,442	56,072	41,700	55,342	40,159	25,871	281,011
Accumulated depreciation		(21,355)	(20,878)	(18,344)	(26,412)	(13,201)		(100,190)
Balance at June 30, 2017	2,425	38,087	35,194	23,356	28,930	26,958	25,871	180,821

(i) Includes capitalized borrowing costs.

There are no material changes to the net book value of consolidated property, plant and equipment pledged to secure judicial claims and loans and borrowings (note 16(c)) compared to those disclosed in the financial statements as at December 31, 2017.

Table of Contents**16. Loans, borrowings, cash and cash equivalents and financial investments****a) Net debt**

The Company evaluates the net debt with the objective of ensuring the continuity of its business in the long term.

	June 30, 2018	Consolidated	December 31, 2017
Debt contracts in the international markets	53,410		57,187
Debt contracts in Brazil	15,633		17,205
Total of loans and borrowings	69,043		74,392
(-) Cash and cash equivalents	24,557		14,318
(-) Financial investments (note 11)	68		61
Net debt	44,418		60,013

b) Cash and cash equivalents

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

c) Loans and borrowings**i) Total debt**

	Consolidated		Non-current liabilities	
	Current liabilities		Current liabilities	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Debt contracts in the international markets				
Floating rates in:				

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US\$	2,355	1,027	9,198	9,142
EUR			900	794
Fixed rates in:				
US\$	24		36,011	41,642
EUR			3,377	2,977
Other currencies	130	57	639	682
Accrued charges	776	866		
	3,285	1,950	50,125	55,237
Debt contracts in Brazil				
Floating rates in:				
R\$, indexed to TJLP, TR, IPCA, IGP-M and CDI	1,464	1,478	9,196	10,570
Basket of currencies and US\$ indexed to LIBOR	1,186	1,121	2,196	2,341
Fixed rates in:				
R\$	222	225	462	572
Accrued charges	870	859	37	39
	3,742	3,683	11,891	13,522
	7,027	5,633	62,016	68,759

The future flows of debt payments principal, per nature of funding and interest are as follows:

	Bank loans	Capital markets	Consolidated		Total	Estimated future interest payments (i)
			Principal	Development agencies		
2018	360			1,510	1,870	4,491
2019	2,285			2,721	5,006	3,715
2020	2,223	1,100		2,826	6,149	3,552
2021	1,470	1,383		2,844	5,697	3,212
Between 2022 and 2026	5,285	17,628		3,944	26,857	11,376
2027 onwards	306	21,163		312	21,781	16,182
	11,929	41,274		14,157	67,360	42,528

(i) Estimated future payments of interest, calculated based on interest rate curves and foreign exchange rates applicable as at June 30, 2018 and considering that all amortization payments and payments at maturity on loans and borrowings will be made on their contracted payments dates. The amount includes the estimated values of future interest payments (not yet accrued), in addition to interest already recognized in the financial statements.

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At June 30, 2018, the average annual interest rates by currency are as follows:

	Consolidated Average interest rate (i)	Total debt
Loans and borrowings		
US\$	5.58%	51,699
R\$ (ii)	8.12%	12,219
EUR (iii)	3.34%	4,346
Other currencies	2.93%	779
		69,043

(i) In order to determine the average interest rate for debt contracts with floating rates, the Company used the rate applicable at June 30, 2018.

(ii) R\$ denominated debt that bears interest at IPCA, CDI, TR or TJLP, plus spread. For a total of R\$5,795 the Company entered into derivative transactions to mitigate the exposure to the cash flow variations of the floating rate debt denominated in R\$, resulting in an average cost of 2,548% per year in US\$.

(iii) Eurobonds, for which the Company entered into derivatives to mitigate the exposure to the cash flow variations of the debt denominated in EUR, resulting in an average cost of 4,291% per year in US\$.

ii) Reconciliation of debt to cash flows arising from financing activities

	December 31, 2017	Additions	Cash flow Repayments	Interest paid	Consolidated Transferences	Non-cash changes Effect of exchange rate	Interest accretion	June 30, 2018
Loans and borrowings								
Current	5,633		(16,813)	(2,231)	17,111	522	2,805	7,027
Non-current	68,759	2,814			(17,111)	7,543	11	62,016
Total	74,392	2,814	(16,813)	(2,231)		8,065	2,816	69,043

iii) Credit and financing lines

Type	Contractual currency	Date of agreement	Period of the agreement	Total amount	Available amount June 30, 2018
Credit lines					
Revolving credit facilities	US\$	May 2015	5 years	11,567	11,567

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Revolving credit facilities	US\$	June 2017	5 years	7,712	7,712
Financing lines					
BNDES - CLN 150	R\$	September 2012	10 years	3,883	
BNDES - S11D e S11D Logística	R\$	May 2014	10 years	6,163	1,008

iv) Repayments

During the first half of 2018, the Company conducted a cash tender offer for Vale Overseas 5.875% guaranteed notes due 2021, 4.375% guaranteed notes due 2022 and a cash tender offer for Vale S.A. 5.625% guaranteed notes due 2042 and repurchased a total of R\$9,431 (US\$2,730 million). The Company also redeemed all of Vale Overseas 4.625% guaranteed notes due 2020 totaling R\$1,698 (US\$499 million).

v) Guarantees

As at June 30, 2018 and December 31, 2017, loans and borrowings are secured by property, plant and equipment in the amount of R\$868 and R\$910, respectively.

The securities issued through Vale's 100%-owned finance subsidiary Vale Overseas Limited are fully and unconditionally guaranteed by Vale.

vi) Covenants

Some of the Company's debt agreements with lenders contain financial covenants. The primary financial covenants in those agreements require maintaining certain ratios, such as debt to EBITDA (Earnings before Interest Taxes, Depreciation and Amortization) and interest coverage. The Company has not identified any instances of noncompliance as at June 30, 2018.

Table of Contents**17. Liabilities related to associates and joint ventures**

The movements of the provision to comply with the obligations under the agreement related to the dam failure of Samarco Mineração S.A. (Samarco), which is a Brazilian joint venture between Vale S.A. and BHP Billiton Brasil Ltda. (BHPB), in the six-month periods ended June 30, 2018 and 2017 are as follows:

	2018	2017
Balance at January 01,	3,296	3,511
Payments	(431)	(441)
Present value valuation	159	299
Provision increase	1,476	
Balance at June 30,	4,500	3,369
Current liabilities	1,051	975
Non-current liabilities	3,449	2,394
Liabilities	4,500	3,369

During the second quarter of 2018, the Fundação Renova reviewed the estimates for the expenditures required to mitigate and compensate for the impacts of the disruption from Samarco's tailing dam. As a result of this revision, Vale S.A. recognized an additional provision of R\$1,476, which amounts to the present value of Vale's new estimated secondary responsibility to support the Renova Foundation works and is equivalent to 50% of Samarco's additional obligations over the next 12 years.

In addition to the provision above, Vale S.A. made available in the three and six-month period ended June 30, 2018 the amount of R\$71 and R\$115, respectively, which was fully used to fund Samarco's working capital and was recognized in Vale's income statement as Impairment and other results in associates and joint ventures. Vale S.A. intends to make available until December 31, 2018 up to R\$204 to support Samarco's working capital requirements, without any binding obligation to Samarco in this regard. Such amounts will be released by the shareholders, simultaneously and pursuant to the same terms and conditions, subject to the fulfillment of certain milestones.

Under Brazilian legislation and the terms of the joint venture agreement, Vale does not have an obligation to provide funding to Samarco. Therefore, Vale's investment in Samarco was impaired in full and no provision was recognized in relation to the Samarco's negative reserves.

The contingencies related to the Samarco dam failure are disclosed in note 22.

Table of Contents**18. Financial instruments classification**

	Consolidated						
	June 30, 2018			December 31, 2017			
	Amortized cost	At fair value through OCI	At fair value through profit or loss	Total	Amortized cost	At fair value through profit or loss	Total
Financial assets							
Current							
Cash and cash equivalents	24,557			24,557	14,318		14,318
Financial investments	68			68	61		61
Derivative financial instruments			484	484		351	351
Accounts receivable	9,680		(628)	9,052	8,025	577	8,602
Related parties	1,298			1,298	6,277		6,277
	35,603		(144)	35,459	28,681	928	29,609
Non-current							
Derivative financial instruments			1,368	1,368		1,497	1,497
Investments in equity securities		3,689		3,689			
Loans	593			593	498		498
Related parties	6,078			6,078	8,695		8,695
	6,671	3,689	1,368	11,728	9,193	1,497	10,690
Total of financial assets	42,274	3,689	1,224	47,187	37,874	2,425	40,299
Financial liabilities							
Current							
Suppliers and contractors	13,832			13,832	13,367		13,367
Derivative financial instruments			967	967		344	344
Loans and borrowings	7,027			7,027	5,633		5,633
Related parties	2,103			2,103	2,916		2,916
	22,962		967	23,929	21,916	344	22,260
Non-current							
Derivative financial instruments			2,382	2,382		2,269	2,269
Loans and borrowings	62,016			62,016	68,759		68,759
Related parties	3,713			3,713	3,226		3,226
Participative stockholders debentures			5,444	5,444		4,080	4,080
	65,729		7,826	73,555	71,985	6,349	78,334
Total of financial liabilities	88,691		8,793	97,484	93,901	6,693	100,594

19. Fair value estimate

a) **Assets and liabilities measured and recognized at fair value:**

	June 30, 2018			Consolidated	December 31, 2017		
	Level 1	Level 2	Level 3	Total	Level 2	Level 3	Total
Financial assets							
Derivative financial instruments		950	902	1,852	954	894	1,848
Investments in equity securities	3,689			3,689			
Total	3,689	950	902	5,541	954	894	1,848
Financial liabilities							
Derivative financial instruments		2,679	670	3,349	1,923	690	2,613
Participative stockholders debentures		5,444		5,444	4,080		4,080
Total		8,123	670	8,793	6,003	690	6,693

The Company changed its accounting estimate on the calculation of the participative stockholders debentures from January 1, 2018. The Company has replaced on the calculation the assumption of spot price at the reporting date used to the weighted average price traded on the market within the last month of the quarter.

There were no transfers between Level 1 and Level 2, or between Level 2 and Level 3 for the six-month period ended in June 30, 2018.

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The following table presents the changes in Level 3 assets and liabilities for the six-month period ended in June 30, 2018:

	Consolidated	
	Derivative financial instruments	
	Financial assets	Financial liabilities
Balance at December 31, 2017	894	690
Gain and losses recognized in income statement	8	(20)
Balance at June 30, 2018	902	670

Methods and techniques of evaluation**Derivative financial instruments**

Financial instruments are evaluated by calculating their present value through the use of instrument yield curves at the closing dates. The curves and prices used in the calculation for each group of instruments are detailed in the market curves .

The pricing method used for European options is the Black & Scholes model. In this model, the fair value of the derivative is a function of the volatility in the price of the underlying asset, the exercise price of the option, the interest rate and period to maturity. In the case of options which income is a function of the average price of the underlying asset over the period of the option, the Company uses Turnbull & Wakeman model. In this model, in addition to the factors that influence the option price in the Black-Scholes model, the formation period of the average price is also considered.

In the case of swaps, both the present value of the assets and liability are estimated by discounting the cash flow by the interest rate of the currency in which the swap is denominated. The difference between the present value of assets and liability of the swap generates its fair value.

For the TJLP swaps, the calculation of the fair value assumes that TJLP is constant, that is the projections of future cash flow in Brazilian Reais are made on the basis of the last TJLP disclosed.

Contracts for the purchase or sale of products, inputs and costs of selling with future settlement are priced using the forward yield curves for each product. Typically, these curves are obtained on the stock exchanges where the products are traded, such as the London Metals Exchange (LME), the Commodity Exchange (COMEX) or other providers of market prices. When there is no price for the desired maturity, Vale uses an interpolation between the available maturities.

The fair value for derivatives are within level 3 are measured using discounted cash flows and option model valuation techniques with main unobservable inputs discount rates, stock prices and commodities prices.

b) Fair value of financial instruments not measured at fair value

The fair values and carrying amounts of loans and borrowings (net of interest) are as follows:

	Balance	Fair value	Consolidated Level 1	Level 2
Financial liabilities				
June 30, 2018				
Debt principal	67,360	68,158	42,436	25,722
December 31, 2017				
Debt principal	72,628	76,377	49,406	26,971

Due to the short-term cycle, the fair value of cash and cash equivalents balances, financial investments, accounts receivable and accounts payable approximate their book values.

Table of Contents**20. Derivative financial instruments****a) Derivatives effects on statement of financial position**

	June 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Consolidated Assets				
Derivatives not designated as hedge accounting				
Foreign exchange and interest rate risk				
CDI & TJLP vs. US\$ fixed and floating rate swap	43		125	
IPCA swap	18	267	30	271
Eurobonds swap		94		89
Pré-dolar swap	67	9	73	106
	128	370	228	466
Commodities price risk				
Nickel	71	3	73	10
Bunker oil	285		50	
	356	3	123	10
Others		995		1,021
		995		1,021
Total	484	1,368	351	1,497

	June 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Consolidated Liabilities				
Derivatives not designated as hedge accounting				
Foreign exchange and interest rate risk				
CDI & TJLP vs. US\$ fixed and floating rate swap	746	1,373	314	1,356
IPCA swap	140	194		136
Eurobonds swap	19		13	
Pré-dolar swap	35	139	17	79
	940	1,706	344	1,571
Commodities price risk				
Nickel	22			
Bunker oil	5			
	27			

Others		676		698
		676		698
Total	967	2,382	344	2,269

b) Effects of derivatives on the income statement and cash flow

	Consolidated			
	Gain (loss) recognized in the income statement			
	Three-month period ended June 30,	2017	Six-month period ended June 30,	2017
	2018		2018	
Derivatives not designated as hedge accounting				
Foreign exchange and interest rate risk				
CDI & TJLP vs. US\$ fixed and floating rate swap	(824)	(303)	(717)	277
IPCA swap	(237)	(60)	(180)	16
Eurobonds swap	(141)	97	(40)	14
Euro forward				144
Pré-dolar swap	(190)	(42)	(129)	33
	(1,392)	(308)	(1,066)	484
Commodities price risk				
Nickel	19	(11)	32	(11)
Bunker oil	239	(53)	239	(290)
	258	(64)	271	(301)
Others	33	88	(21)	197
Total	(1,101)	(284)	(816)	380

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	Consolidated			
	Financial settlement inflows		(outflows)	
	Three-month period ended June 30, 2018	2017	Six-month period ended June 30, 2018	2017
Derivatives not designated as hedge accounting				
Foreign exchange and interest rate risk				
CDI & TJLP vs. US\$ fixed and floating rate swap	(55)	5	(199)	(133)
IPCA swap	22		22	
Eurobonds swap	(13)		(13)	(121)
Pré-dolar swap	52	(4)	49	(4)
	6	1	(141)	(258)
Commodities price risk				
Nickel	35	(16)	73	(20)
Bunker oil	(4)		25	(75)
	31	(16)	98	(95)
Total	37	(15)	(43)	(353)

The maturity dates of the derivative financial instruments are as follows:

	Last maturity dates
Currencies and interest rates	January 2024
Bunker oil	September 2018
Nickel	December 2019
Others	December 2027

c) Hedge in foreign operations

As at June 30, 2018 the carrying value of the debts designated as instrument hedge of the Company's investment in foreign operations (Vale International S.A. and Vale International Holding GmbH; hedging objects) are R\$15,903 (US\$4,124 million) and R\$3,777 (EUR750 million), respectively. The foreign exchange loss of R\$3,075 (R\$2,030, net of taxes), was recognized in the Cumulative translation adjustments in stockholders' equity for the six-month period ended June 30, 2018. This hedge was highly effective throughout the period ended June 30, 2018.

Additional information about derivatives financial instruments

In millions of Brazilian reais, except as otherwise stated

The risk of the derivatives portfolio is measured using the delta-Normal parametric approach, and considers that the future distribution of the risk factors and its correlations tends to present the same statistic properties verified in the historical data. The value at risk estimate considers a 95% confidence level for a one-business day time horizon.

The following tables detail the derivatives positions for Vale and its controlled companies as of June 30, 2018, with the following information: notional amount, fair value including credit risk, gains or losses in the period, value at risk and the fair value breakdown by year of maturity.

a) **Foreign exchange and interest rates derivative positions**

(i) **Protection programs for the R\$ denominated debt instruments**

In order to reduce cash flow volatility, swap transactions were implemented to convert into US\$ the cash flows from certain debt instruments denominated in R\$ with interest rates linked mainly to CDI, TJLP and IPCA. In those swaps, Vale pays fixed or floating rates in US\$ and receives payments in R\$ linked to the interest rates of the protected debt instruments.

The swap transactions were negotiated over-the-counter and the protected items are the cash flows from debt instruments linked to R\$. These programs transform into US\$ the obligations linked to R\$ to achieve a currency offset in the company's cash flows, by matching its receivables - mainly linked to US\$ - with its payables.

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Flow	Notional		Index	Average rate	Fair value		Financial settlement Inflows (Outflows) June 30, 2018	Value at Risk June 30, 2018	Fair value by year			
	June 30, 2018	December 31, 2017			June 30, 2018	December 31, 2017			2018	2019	2020+	
CDI vs. US\$ fixed rate swap												
Receivable	R\$ 1,690	R\$ 3,540	CDI	101.33%	(211)	(108)	(58)	27	(48)	(35)	(128)	
Payable	US\$ 509	US\$										