Vale S.A.
Form 6-K
February 11, 2010

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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 2010
Vale S.A.

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(Address of principal executive office)

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

(Check One) Form 20-F þ Form 40-F o

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

(Check One) Yes o No þ

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

(Check One) Yes o No þ

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

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Press Release

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US GAAP

BM&F BOVESPA: VALE3, VALE5
NYSE: VALE, VALE.P
EURONEXT PARIS: VALE3, VALE5
LATIBEX: XVALO, XVALP

OVERCOMING CHALLENGES

Performance of Vale in 2009

Rio de Janeiro, February 10, 2010 Vale S.A. (Vale) is reporting a solid operational and financial performance in 2009. It was a year of significant challenges brought by the great recession that caused one of the few episodes of global GDP contraction over the last 140 years of modern economic history.

As a producer of minerals and metals, we have as end consumers of our products primarily the manufacturing and construction industries, two of the most cyclical components of economic activity and thus most severely affected by recessions. In addition, being the only truly global supplier of iron ore, the large fall in capacity utilization of steel mills in the Americas and Europe produced a shock in our sales performance.

If, on the one hand, severe economic downturns usually cause serious negative effects on financial and operational performance, on the other hand they create extraordinary opportunities for companies that embrace change and structural transformation.

Vale has leveraged its competitive advantages low-cost world-class assets, a healthy balance sheet, a large pool of liquidity, discipline in capital allocation, a highly skilled and motivated labor force and entrepreneurship spirit to launch several initiatives to make it stronger in the future, seeking to reduce costs on a permanent basis and raise efficiency. No investment project was cancelled, new growth options were identified and our growth potential was enhanced.

Despite the weaker performance compared to previous years, our response to the recessionary environment was very important for heightening our capacity to create sustainable shareholder value.

The main highlights of Vale s performance in 2009 were:

- Operating revenue of US$6.5 billion in 4Q09, totaling US$23.9 billion in 2009
- Operational profit, as measured by adjusted EBIT[1] (earnings before interest and taxes) of US$1.1 billion in 4Q09 and US$6.1 billion in 2009.
- Operational margin in 2009, as measured by adjusted EBIT margin, of 26.0%. In 4Q09, adjusted EBIT margin of 17.4%.

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Cash generation, as measured by adjusted EBITDA[b] (earnings before interest, taxes, depreciation and amortization), of US$9.2 billion in 2009. Adjusted EBITDA achieved US$2.1 billion in 4Q09.

Organic growth and maintenance capex reached US$9.0 billion in 2009.

Investment of US$796 million in corporate social responsibility in 2009, of which US$580 million was allocated to environmental protection and conservation and US$216 million to social projects.

Total dividend distribution of US$2.75 billion in 2009.

Strong financial position, supported by large cash holdings of US$11.0 billion, availability of significant medium and long-term credit lines and a low-risk debt portfolio.

4Q09

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Table 1 SELECTED FINANCIAL INDICATORS

US$ million	**2005**	**2006**	**2007**	**2008**	**2009**
Operating revenues	13,405	20,363	33,115	38,509	23,939
Adjusted EBIT	5,432	7,637	13,194	15,698	6,057
Adjusted EBIT margin (%)	42.5	38.9	40.9	41.9	26.0
Adjusted EBITDA	6,540	9,150	15,774	19,018	9,165
Net earnings	4,841	6,528	11,825	13,218	5,349
Earnings per share fully diluted basis(US$)	2.10	2.69	2.42	2.61	1.00
Total debt/ adjusted LTM EBITDA (x)	0.8	2.0	1.1	1.0	2.5
Capex (excluding acquisitions)	4,198	4,824	7,625	10,191	9,013

Table 1 SELECTED FINANCIAL INDICATORS

US$ million	**4Q08**	**3Q09**	**4Q09**
Operating revenues	7,442	6,893	6,541
Adjusted EBIT	2,013	2,293	1,103
Adjusted EBIT margin (%)	27.7	34.2	17.4
Adjusted EBITDA	2,697	3,014	2,145
Net earnings	1,367	1,677	1,519
Earnings per share fully diluted basis (US$)	0.26	0.31	0.28
Total debt/ adjusted LTM EBITDA (x)	1.0	2.2	2.5
Capex (excluding acquisitions)	3,466	2,170	3,049

Except where otherwise indicated the operational and financial information in this release is based on the consolidated figures in accordance with US GAAP and, with the exception of information on investments and behavior of markets, quarterly financial statements are reviewed by the company s independent auditors. The main subsidiaries that are consolidated are the following: Vale Inco, MBR, Cadam, PPSA, Alunorte, Albras, Valesul, Vale Manganês S.A., Vale Manganèse France, Vale Manganese Norway AS, Urucum Mineração S.A., Ferrovia Centro-Atlântica (FCA), Vale Australia, Vale International and Vale Overseas.

IFRS RECONCILIATION WITH USGAAP

The financial results presented in this press release were prepared in accordance with USGAAP, which differ in certain respects from the general accounting practices adopted in Brazil (BRGAAP) which are the basis for our statutory financial statements.

Since December 2007, significant modifications have been made to BRGAAP as part of a convergence project with the International Financial Reporting Standards (IFRS). Starting with the 2010 full year financial statements, the convergence will be completed and the IFRS will be the accounting standards in Brazil.

During 2010 in order to provide a better understanding of the applicable differences between the IFRS and USGAAP in our financial performance, we will show a reconciliation of our results under USGAAP and IFRS beginning with the disclosure of the 1Q10 results.

4Q09

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BUSINESS OUTLOOK

The global economy is returning to synchronous growth, albeit proceeding at different speeds among the various regions. The recovery has been supported by a rebound in confidence, as suggested by the behavior of long-term financial asset prices and the improvement in sentiment shown by consumer confidence surveys.

Emerging economies are driving the recovery, with China, India, other emerging Asian countries and Brazil experiencing high growth rates. Economic activity in the majority of the emerging countries is expected to stay vigorous, largely driven by the expansion of domestic demand. The resurgence of their exports since 3Q09 is adding strength and sustainability to the recovery.

Among developed economies, the US and Australia are the best performers, whereas growth is expected to remain sluggish in Japan and the European Union.

The expansion is gaining momentum and we expect the global economy to grow at an above-trend rate during 2010. As is typical of the early stages of a cyclical recovery, it has relied on the manufacturing industry, which rebounded strongly in 2H09, contributing to boost the demand for minerals and metals. As industrial production growth has had a large influence on emerging economies, in which the consumption intensity of minerals and metals is bigger, it has led to a strong price recovery, stronger than any price recovery from global recessions over at least the last 40 years.

Manufacturing output, the most volatile and cyclical component of GDP, usually starts to recover in response to a slowdown in inventory liquidation. At the same time, it plays an important role in fostering the resumption of economic growth. The surge in manufacturing output contributes to stabilize employment and labor income, as the manufacturing industry, being more sensitive to recessions, usually accounts for a disproportionate share of job losses.

We expect industrial production growth to remain solid for the next quarters, reflecting the interaction of strong final demand and inventory dynamics, and continuing to pressure the demand for minerals and metals. Past experience shows that inventory dynamics is not a short lived phenomenon, lasting as long as one year. Final sales are growing, and although at a slower rate, inventories are still falling, requiring production increases in order to normalize inventory-to-sales ratios. The PMI reports are still unveiling relatively high new orders-to-inventory ratios, a good leading indicator of future industrial production increases.

The JP Morgan global manufacturing PMI, which performs the roles of both coincident and leading indicator of industrial production, rose in January this year to its highest level since July 2004, influenced by hectic manufacturing activity in the US and emerging economies.

Among the several segments of manufacturing, the auto industry was the most negatively affected by the global recession, especially in the US and Europe. Sharp output cutbacks in late 2008 and first half of last year drove the level of production far below the level of sales. Thus, in the context of a rising demand in 2010, we expect automobile production to keep showing a firm growth following the recovery in 2H09. This is an important driving force for the demand for minerals and metals, as the production of cars is metal intensive, being an important consumer of steel and of course iron ore as well as copper, aluminum, nickel, zinc, platinum and palladium.

As central banks become more confident on the robustness of the economic expansion, there is a trend towards the normalization of monetary policies around the world, shifting from an expansionary stance to a more accommodative one. These changes tend to cause clusters of temporary higher volatility in financial asset prices but at the moment we see very low risks of a negative material impact on the economic growth path.

On the fiscal policy front, high and rising budget deficits and debt-to-GDP ratios of smaller European countries are adding tension to debt and currency markets, in particular weighing against sovereign debt spreads and the Euro. These fiscal disequilibria had been persistent over the last decade and we see them as part of the current and future slow-growth scenario for Europe.

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The need for overall fiscal adjustment poses a challenge to global growth over the medium term, given the large increase in real terms of government deficits arising from the global financial crisis and the political constraints to deficit reduction.

The US economy, the largest in the world and the epicenter of the global financial shock, delivered a strong performance in 4Q09. Real GDP growth accelerated to a 5.7% annual rate mostly influenced by the slowdown in inventory consumption. However, it was a broad-based expansion as real final sales increased by 2.2% against 1.5% in 3Q09 and 0.7% in 2Q09, real personal consumption expenditures went up by 2.0%, real residential fixed investment increased 5.7% business expenditures on equipment and software expanded by 13.3% and exports of goods and services rose 18.1%.

The outlook for the performance of consumer spending is a key issue for the perspectives of the US economic recovery.

On the one hand, the sharp increase in unemployment, the plunge in equity and housing prices and credit tightness are reasons for pessimistic expectations. On the other hand, the recent performance of consumer spending, rising by 2.4% in the second half of 2009, even in the face of job losses, suggests that the deep fall in the second half of 2008 could have been influenced by the highly negative expectations triggered by the intensification of the financial crisis.

The ongoing partial recovery in asset prices has been contributing to soften wealth losses, while steady increases in corporate earnings and soaring labor productivity are laying the ground for employment gains and the stabilization of the unemployment rate in the following months, leading to a rise in labor income. These developments jointly with the improvement in consumer confidence raise the prospects for a steady performance of US consumer expenditures in 2010.

In Japan and the Euro zone the rebound in exports and industrial production was not sufficient to produce a spillover into domestic demand as consumer spending remains weak.

Brazil s GDP is growing above-trend, driven by the higher commodity prices, the resumption of large FDI and portfolio investment flows, and fiscal and credit expansion. Given the rapid pace of growth, the output gap is narrowing and it is likely that the Central Bank of Brazil will change its monetary policy stance in the near future, raising interest rates.

The last batch of data from China shows the continuity of a fast economic expansion, with real GDP rising at a 10.0% annual rate in 4Q09 and at 8.7% in 2009 as against 2008 primarily driven by the strong domestic investment demand growth. The strength of the recovery and concerns of inflation led the Chinese government to impose a lower bank loan growth target for 2010 to 18% from 32% in 2009 and to raise bank reserve requirement ratios (RRR).

Although we expect further increases in RRR and interest rate hikes during the year, we maintain our expectation of steady and strong growth of the Chinese economy in 2010, supporting a continuous expansion of the demand for minerals and metals, particularly for iron ore.

The tightening measures are meant to prevent an explosion in credit and money supply growth rather than representing a significant change in policy stance towards a restrictive one. A significant part of funds lent last year still remains in deposit accounts and will be spent as infrastructure projects are executed. And an 18% increase still represents a sizable expansion in credit supply.

Public investment growth will level off, but the development of the large infrastructure projects approved and started last year will continue to require a larger consumption of metals. The investment in private housing is likely to stabilize as well, but the continued push for urbanization and the government pledge to increase the supply of low-income housing are expected to support a firm demand for steel.

The moderation in investment growth and the global recovery are expected to produce a more balanced overall expansion of the Chinese economy in 2010. Due to the sharp decline of exports caused by the global recession, net exports were a significant drag on growth in 2009, contributing to reduce aggregate demand by an estimated 3.5%. For 2010, we expect the contribution of domestic investment to aggregate demand to soften, being more than offset by the effects of export expansion.

Chinese iron ore imports in 2009 reached an all-time high figure of 627.8 million metric tons, up 41.6% on a year-on-year basis, driven by steel production growth and the increasing reliance on imported iron ore.

In addition to the negative effect of falling iron ore spot prices in 2H08/1Q09 on domestic output, the performance of imports was also influenced in a significant way by the trend towards a growing reliance on imported iron ore. In light of the increasing deterioration in quality of internally produced iron ore and the modernization of the Chinese steel industry, requiring higher quality raw materials, the share of imported iron ore in apparent domestic consumption rose from 15% in 1985 to 25% in 1995, and to 50% in 2005, reaching 72% in 2009.

While Brazil and Australia managed to achieve slight market share gains in the supply of iron ore to China, the Indian share has decreased in 2009. Although the volumes of Indian iron ore shipments to China have been increasing over the last few years, they were not able to follow the rapid growth in Chinese seaborne imports, their share dropping continuously from the peak level of 25.5% in 2005 to 17.4% last year. Given the planned expansion of the Indian carbon steel industry to meet the needs from industrialization and a large investment program in infrastructure, this declining trend highlights the likelihood of a continuous weakening of a major source of iron ore supply to the largest consumer in the world.

We expect Chinese imports to remain at a high level in 2010 primarily due to strength in the final demand for carbon steel. The increase in capacity utilization rates of the steel industry in Japan, Korea, Brazil and Europe, although somewhat below pre-crisis levels, coupled with very large Chinese import volumes, has produced a dramatic change in the global iron ore market from surplus to excess demand and a surge in spot prices.

In 2010, Vale faces a tight situation, as even running its iron ore mines and pellet plants at full capacity we will struggle to satisfy client demand. Our largest projects are scheduled to come on stream from 2012 onwards, with a very small capacity increase in the near term: 10 Mtpy arising from a brownfield expansion at Carajás in 2H10 and nothing scheduled for 2011.

In 4Q09 global stainless steel output dropped at an annual rate of 12%, on a seasonally adjusted basis, due to a destocking process in Asia, although it was 40% higher than in 4Q08, a low cyclical point. As a consequence, 2009 was the third year in a row of decline in global stainless steel production, totaling an accumulated decrease of 11.2% from the 2006 level. The last time we have seen such a sequential drop was in 1991-93, when output accumulated a loss of 1.7%, much smaller than in 2007-09.

Chinese stainless steel production is picking up in 2010, while activity in other major Asian producers, such as Japan, Korea and Taiwan, remains at the same level as 4Q09. In North America and Europe utilization rates are increasing slightly while the scrap market has tightened again with nickel prices reaching 95% of the LME nickel price. Nickel demand for plating is expanding as a consequence of the recovery of the automobile industry. At the same time, there is also demand growth for non-stainless steel applications originating from turbines for power generation, and the electronics and rechargeable batteries industries.

We expect a strong demand for nickel during 2010. In order to exploit the favorable market environment, Vale is partially resuming the Sudbury operations, running the Copper Cliff smelter to feed the production of plating powder and pellets of our Clydach refinery, in Wales. These products, which are traded at a premium to LME prices, are in short supply as a result of the shutdown of our Copper Cliff Nickel Refinery, a major producer, since July last year.

As the global economic recovery is broadening and strengthening, copper consumption is expanding at a brisk pace. In face of the structural limitations to the supply growth of concentrates, there is fundamental support for the persistence of a relatively high price level.

US GAAP ***4Q09***

China became the world s largest importer of coal in 2009. Last year its total coal imports reached 104 Mt[1] against net exports of 4.6 Mt in 2008.

Given the increasing demand from China and India for thermal coal, the Pacific market has been increasingly tight, with prices hovering around US$100 per metric ton against a still weak Atlantic market.

The market scenario for Chinese coking coal is similar to iron ore. There is robust demand growth derived from a continued steel production increase. On the supply side, coal fields are moving inland while steel mills are increasingly concentrated in coastal areas and requiring high quality coking coal in the face of a decline in the quality of limited coal reserves. As other countries are running steel mills at increasing rates of utilization, the market for coking coal is expected to become tighter in 2010.

We are continuing to build our growth and value creation platform from the exploitation of the multiple availability of organic growth opportunities. This year Vale will invest US$12.9 billion, out of which US$8.6 billion is allocated to finance project development. Simultaneously to the execution of the capex budget, we are negotiating the acquisition of Brazilian fertilizer assets in order to proceed the build-up of a strong asset base, aiming to achieve a global leadership position in a few years time.

Fertilizers have a solid demand growth potential, anchored on market fundamentals similar to those underlying the global demand for minerals, metals and energy. We already have an attractive pipeline of projects in South America, North America and Africa for potash and phosphate rock, which beget an advantageous positioning in terms of cost, quality and geography.

Although the world still faces challenges raised by the global financial crisis and the policies employed to deal with its negative effects, we are confident in the expansionary trend of the demand for minerals and metals and see 2010 as a very promising year for our operational and financial performance.

REVENUES

While in most recent quarters we experienced limitations on the demand side for some of our products, especially iron ore and pellets, this quarter was marked by supply constraints which contributed to a decrease of the top line. Operating revenues totaled US$6.541 billion, falling 5.1% from the level of US$6.893 billion in 3Q09.

Lower sales volumes contributed to reduce revenues by US$469 million, which was only partially offset by the effect of higher prices, US$117 million. The contraction in revenues determined by the performance of shipments was more significant in iron ore, US$278 million, nickel, US$200 million, and copper, US$28 million. Price increases affected positively the sales revenues of pellets, US$43 million, copper, US$67 million and aluminum products, US$58 million.

Sales of ferrous minerals represented 63.5% of this quarter s operating revenue, as against 28.2% for non-ferrous minerals. Logistics services reached 4.6%, coal 2.1% and other products 1.6%.

Sales to Europe increased their share to 20.4% of total revenues in 4Q09 from 17.7% in 3Q09, which is explained by the rise of iron ore and pellet shipments to the region. Asia continued to be the main destination of our sales, although its share declined to 51.4% in 4Q09 from 56.4% in the previous quarter. The Americas were responsible for 25.1% of total revenues and the rest of the world 3.1%.

On a country basis, China was the leading market in 4Q09, responsible for 30.4% of our revenues, Brazil 18.0%, Japan 13.4%, Germany 7.0%, South Korea 3.1% and the USA 2.5%.

[1] Mt = million metric tons

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In 2009, the Asian market was responsible for 56.9% of our revenues, followed by the Americas at 24.0%, Europe 16.9% and the rest of the world with 2.2%.

Table 2 OPERATING REVENUE BREAKDOWN

US$ million	**4Q08**	**3Q09**	**4Q09**	**2008**	**%**	**2009**	**%**
Ferrous minerals	**4,763**	**4,370**	**4,154**	**23,699**	**61.5**	**14,745**	**61.6**
Iron ore	3,537	3,821	3,458	17,775	46.2	12,831	53.6
Pellets	1,024	412	476	4,245	11.0	1,334	5.6
Manganese ore	24	23	64	266	0.7	145	0.6
Ferroalloys	138	93	114	1,073	2.8	353	1.5
Pellet plant operation services	4	5	7	56	0.1	19	0.1
Others	37	16	36	284	0.7	64	0.3
Non-ferrous minerals	**2,068**	**1,991**	**1,847**	**12,268**	**31.9**	**7,265**	**30.3**
Nickel	851	963	741	5,970	15.5	3,260	13.6
Copper	272	295	328	2,029	5.3	1,131	4.7
Kaolin	45	43	48	209	0.5	173	0.7
Potash	23	118	108	295	0.8	413	1.7
PGMs	39	28	1	401	1.0	135	0.6
Precious metals	22	4	3	112	0.3	62	0.3
Cobalt	37	10	6	211	0.5	41	0.2
Aluminum	332	207	261	1,545	4.0	855	3.6
Alumina	438	322	347	1,470	3.8	1,188	5.0
Bauxite	9	1	4	27	0.1	7	
Coal	**199**	**138**	**137**	**577**	**1.5**	**505**	**2.1**
Logistics services	**310**	**318**	**304**	**1,607**	**4.2**	**1,102**	**4.6**
Railroads	240	239	218	1,303	3.4	838	3.5
Ports	70	79	86	304	0.8	264	1.1
Others	**102**	**76**	**99**	**358**	**0.9**	**322**	**1.3**
Total	**7,442**	**6,893**	**6,541**	**38,509**	**100.0**	**23,939**	**100.0**

Table 3 OPERATING REVENUE BY DESTINATION

US$ million	**4Q08**	**3Q09**	**4Q09**	**2008**	**%**	**2009**	**%**
North America	**685**	**451**	**345**	**4,236**	**11.0**	**1,742**	**7.3**
USA	349	253	161	2,466	6.4	832	3.5
Canada	280	193	165	1,517	3.9	886	3.7
Others	56	5	19	253	0.7	24	0.1
South America	**1,300**	**1,215**	**1,298**	**7,725**	**20.1**	**3,997**	**16.7**
Brazil	1,108	1,068	1,174	6,675	17.3	3,655	15.3
Others	192	147	124	1,050	2.7	342	1.4
Asia	**3,215**	**3,885**	**3,362**	**15,761**	**40.9**	**13,633**	**56.9**
China	955	2,574	1,987	6,706	17.4	9,003	37.6
Japan	1,352	674	876	4,737	12.3	2,412	10.1
South Korea	456	261	203	1,474	3.8	883	3.7
Taiwan	120	191	163	954	2.5	681	2.8
Others	332	185	133	1,890	4.9	654	2.7
Europe	**1,891**	**1,222**	**1,335**	**9,450**	**24.5**	**4,036**	**16.9**
Germany	523	292	457	2,511	6.5	1,085	4.5

Belgium	177	74	104	910	2.4	336	1.4
France	126	129	127	815	2.1	336	1.4
UK	184	84	83	1,261	3.3	492	2.1
Italy	254	68	146	821	2.1	335	1.4
Others	627	575	418	3,132	8.1	1,452	6.1
Rest of the World	**351**	**120**	**201**	**1,337**	**3.5**	**531**	**2.2**
Total	**7,442**	**6,893**	**6,541**	**38,509**	**100.0**	**23,939**	**100.0**

COSTS

Cost of goods sold (COGS) totaled US$ 13.621 billion in 2009, showing a 22.8% decrease relatively to 2008.

In 4Q09, COGS went up 11.3% to US$ 3.995 billion from US$ 3.591 billion in 3Q09.

Almost half of the COGS increase of US$ 404 million, amounting to US$ 186 million, was determined by the depreciation of the US dollar[2].

At the same time, part of the cost rise was explained by expenses related to the preparation for operating at full capacity. This has been reflected, for instance, in an increase of US$ 141 million in outsourced services and the expansion of our labor force by approximately 1,000 employees in 4Q09.

Costs for outsourced services, making up 18.3% of COGS and being its largest contributor, totaled US$ 732 million in 4Q09, compared to US$ 591 million in 3Q09. The cost increase was caused by the higher amount of services (US$ 129 million), mainly related to maintenance and equipment, and the US dollar depreciation (US$ 31 million). On the other hand, lower sales volumes reduced expenses by US$ 19 million.

The main outsourced services were: (a) operational services, US$ 250 million (vs. US$ 143 million in 3Q09), which includes US$ 54 million for ore and waste removal; (b) cargo freight, which accounted for US$ 184 million (vs. US$ 195 million in 3Q09); and (c) maintenance of equipment and facilities, US$ 153 million (vs. US$ 125 million in 3Q09).

Expenses with railroad freight were US$ 138 million, similar to 3Q09, due to iron ore shipments from the Southern System mines. Differently than the Northern and Southeastern Systems where Vale owns and operates an integrated mine-railroad-port structure, in the Southern System iron ore and pellets are carried to our wholly-owned and operated maritime terminals of Guaíba Island and Itaguaí by MRS, a non-consolidated affiliated logistics company. On the other hand, MRS contributed with US$ 65 million to our net earnings via equity income.

Costs with maritime freight services mainly involving the shipping of bauxite from Trombetas to Barcarena totaled US$ 30 million and expenses with truck transportation services amounted to US$ 15 million. It is worthwhile noting that these costs do not include freight expenses with iron ore shipping to Asia, which are deducted from gross revenues.

In 4Q09, the cost of materials accounted for 17.7% of COGS. These expenses amounted to US$ 709 million, against US$ 769 million in 3Q09. Lower input prices and sales volumes contributed with a decrease of US$ 87 million and US$ 23 million, respectively. On the other hand, currency price changes contributed to increase costs by US$ 50 million.

The main items were: spare parts and maintenance equipment, US$ 325 million (vs. US$ 282 million in 3Q09), inputs, US$ 240 million (vs. US$ 285 million in 3Q09), tires and conveyor belts, US$ 44 million (vs. US$ 46 million in 3Q09).

Expenses with energy consumption reached US$ 655 million, accounting for 16.4% of COGS. These expenses increased by US$ 59 million compared to 3Q09.

Fuel and gases costs reached US$ 389 million, a US$ 18 million increase compared to 3Q09. US$ 23 million was due to higher fuel and gases prices and additional US$ 23 million to the depreciation of the US dollar, which were partially offset by the level of our activities, US$ 28 million.

[2] COGS currency exposure in 4Q09 was made up as follows: 72% in Brazilian reais, 10% in Canadian dollars, 14% in

US dollars, 1% in Indonesian rupiah and 3% in other currencies.

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The cost of electricity was US$ 266 million against US$ 225 million in 3Q09, representing a 18.2% quarter-on-quarter increase. Higher consumption contributed with US$ 16 million, currency price changes with US$ 12 million, and higher tariffs with US$ 13 million.

Depreciation and amortization 16.0% of COGS amounted to US$ 639 million, against US$ 598 million in 3Q09, being negatively impacted by the effect of exchange rate variations.

Personnel expenses reached US$ 550 million, representing 13.8% of COGS, and increasing by US$ 53 million on a quarter-on-quarter basis.

In November 2009 we settled a two-year agreement with a group of 14 labor unions in Brazil, representing 76% of our total employees. Under the agreement, there was a 7% wage increase in November 2009, which will be followed by another hike of 7% in November 2010. The 7% rise in wages added US$ 13 million to the personnel costs in 4Q09, a bonus granted at the agreement with the unions produced an one-off effect of US$ 35 million, the hiring of new employees contributed with US$ 6 million and other factors, such as promotions and payment for extra working hours, with US$ 17 million.

The cost of purchasing products from third parties amounted to US$ 238 million 6.0% of COGS against US$ 152 million in 3Q09.

The cost of purchasing iron ore and pellets was US$ 75 million, against US$ 32 million in 3Q09. The volume of iron ore bought from smaller miners came to 1.2 Mt in 4Q09, the highest quarterly volume in 2009, compared with 620,000 metric tons in 3Q09. Purchases of iron ore peaked in 2005, when they reached 15.3 Mt, starting to decline thereafter to achieve a low in 2009, when they totaled 3.1 Mt.

The acquisition of pellets from joint ventures amounted to 740,000 metric tons in this quarter against 240,000 in 3Q09.

The purchase of nickel products reached US$ 78 million, against US$ 31 million in 3Q09. Due to the stoppage of the Sudbury and Voisey Bay operations, we have increased the purchases of both intermediate and finished nickel products.

Purchases of aluminum totaled US$ 22 million in 4Q09, against US$ 15 million in the 3Q09, involving ingots and scrap used as inputs to feed the Valesul production of billets for extrusion.

The cost with shared services which reflects the cost of our shared services organization to provide services to the rest of the company reached US$ 70 million, in line with the 3Q09 level of US$ 68 million. The decrease due to the lower level of activities was more than offset by the depreciation of the US dollar.

Other operational costs reached US$ 402 million, compared to US$ 320 million in 3Q09. Among other items, the main sources of increase were demurrage charges and the provision for profit sharing.

In 4Q09, demurrage costs fines paid for delays in loading ships at our maritime terminals - totaled US$ 40 million, equivalent to US$ 0.68 per metric ton of iron ore shipped, against US$ 22 million in the previous quarter, or US$ 0.33 per metric ton.

Sales, general and administrative expenses (SG&A) came to US$ 378 million, against US$ 289 million in the previous quarter. The quarter-over-quarter increase is mainly explained by higher personnel costs and the effect of the US dollar depreciation in our administrative costs.