

**ALBRAS - Alumínio
Brasileiro S.A.**

**Report of Independent Registered
Public Accounting Firm
December 31, 2009**

Report of Independent Registered Public Accounting Firm

To the Directors and Stockholders' of
ALBRAS - Alumínio Brasileiro S.A.
Barcarena - PA

- 1 We have audited the accompanying balance sheet of ALBRAS - Alumínio Brasileiro S.A. ("ALBRAS") as of December 31, 2009 and 2008 and the related statements of income, of changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2009, expressed in United States dollars. This financial information is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial information based on our audit.
- 2 We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial information of the Company is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information of the Company. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial information of the Company. We believe that our audit provides a reasonable basis for our opinion.
- 3 The financial statements were prepared solely to fulfill the needs of the stockholder Vale S.A. and should be not used for any other purpose. It does not include all the disclosures that would be required for the presentation of the US GAAP on a standalone basis and does not intend to report on ALBRAS as a separate entity.
- 4 However, based on our opinion, the accompanying financial information of ALBRAS - Alumínio Brasileiro S.A. as of December 31, 2009 and 2008 and for the two years then ended has been prepared, in all material respects, to give the information required to be shown in accordance with accounting principles generally accepted in the United States of America.

ALBRAS - Alumínio Brasileiro S.A.

- 5 The financial information relating to quarterly statements of income, of changes in stockholders' equity, of cash flows and related explanatory notes presented in the accompanying financial statements have not been subject to audit or review procedures.


PricewaterhouseCoopers
Auditores Independentes

Rio de Janeiro, Brazil
February 26, 2010

ALBRAS - Alumínio Brasileiro S.A.

Balance Sheets as of December 31,

Expressed in thousands of U.S. dollars

	<u>2009</u>	<u>2008</u>
Assets		
Current assets		
Cash and cash equivalents	51,159	37,519
Derivative instruments (Note 16)	15,007	8,216
Restricted cash (Note 6)	6,323	5,335
Accounts receivable (Note 7)		
Related parties (Note 14)	33,022	32,562
Third parties	1,485	1,288
Inventories (Note 8)	99,132	115,363
Recoverable taxes (Note 9)	16,694	13,925
Deferred income taxes (Note 5)	599	1,091
Advances to suppliers		
Energy	36,478	27,178
Other	633	197
Other	3,921	1,758
	<u>264,453</u>	<u>244,432</u>
Property, plant and equipment and intangible - net (Note 10)	<u>508,639</u>	<u>388,976</u>
Other assets		
Restricted cash (Note 6)		434
Deferred income taxes, net (Note 5)	121,262	90,061
Derivative instruments (Note 16)	37,463	
Advances to suppliers - energy	510,698	407,678
Judicial deposits	14,295	9,512
Recoverable taxes (Note 9)	264,151	111,964
Other	801	430
	<u>948,670</u>	<u>620,079</u>
Total assets	<u><u>1,721,762</u></u>	<u><u>1,253,487</u></u>

ALBRAS - Alumínio Brasileiro S.A.

Balance Sheets as of December 31,

Expressed in thousands of U.S. dollars

(continued)

	<u>2009</u>	<u>2008</u>
Liabilities and stockholders' equity		
Current liabilities		
Suppliers		
Related parties (Note 14)	19,288	21,130
Third parties	40,364	45,867
Taxes, payroll and related charges	6,582	9,376
Deferred income taxes	5,103	
Short-term debt - Related parties (Note 11 and 14)	195,245	99,576
Current portion of long-term debt - Third parties (Note 12)	33,519	33,753
Dividends payable (Note 13)		2,445
Unrealized losses on derivative instruments (Note 16)	71,209	
Other	1,598	1,285
	<u>372,908</u>	<u>213,432</u>
Long-term liabilities		
Long-term debt (Note 12)	216,665	249,999
Unrealized losses on derivative instruments (Note 16)	268	
Deferred income taxes	12,737	
Contingencies (Note 17)	9,860	7,819
Other	170	224
	<u>239,700</u>	<u>258,042</u>
Stockholders' equity		
Common stock - class A shares	354,673	354,673
Common stock - class B shares	340,765	340,765
	<u>695,438</u>	<u>695,438</u>
Capital stock (Note 13)	695,438	695,438
Appropriated retained earnings (Note 13)	132,438	53,594
Accumulated losses	(74,019)	(88,209)
Accumulated other comprehensive income	355,297	121,190
	<u>1,109,154</u>	<u>782,013</u>
Total liabilities and stockholders' equity	<u><u>1,721,762</u></u>	<u><u>1,253,487</u></u>

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

ALBRAS - Alumínio Brasileiro S.A.

Statements of Income

Expressed in thousands of U.S. dollars, except when indicated

	Unaudited				
	Three-month periods ended			Year ended December 31,	
	December 31, 2009	September 30, 2009	December 31, 2008	2009	2008
Operating revenues, net of discounts, returns and allowances					
Sales of aluminum	226,953	178,215	245,878	719,185	1,191,958
Other products and services	1,185	1,135	1,355	5,067	11,248
	<u>228,138</u>	<u>179,350</u>	<u>247,233</u>	<u>724,252</u>	<u>1,203,206</u>
Value-added tax and other sales taxes	(2,096)	(1,240)	(1,945)	(5,742)	(10,354)
Net operating revenues	<u>226,042</u>	<u>178,110</u>	<u>245,288</u>	<u>718,510</u>	<u>1,192,852</u>
Operating cost and expenses					
Cost of aluminum sold and other related products	(215,123)	(172,496)	(193,991)	(716,707)	(891,145)
Selling, general and administrative expenses	(11,011)	(8,749)	(8,136)	(37,835)	(47,198)
Gain (losses) on derivative instruments, net	(2,654)		10,373	(2,654)	(22,699)
Other, net	(7,333)	(2,988)	(7,609)	(14,646)	(24,930)
	<u>(236,121)</u>	<u>(184,233)</u>	<u>(199,363)</u>	<u>(771,842)</u>	<u>(985,972)</u>
Operating Income (Loss)	<u>(10,079)</u>	<u>(6,123)</u>	<u>45,925</u>	<u>(53,332)</u>	<u>206,880</u>
Non-operating Income (expenses)					
Financial income	1,148	387	2,433	2,771	9,023
Financial expenses	(3,308)	(2,916)	(6,481)	(13,725)	(27,371)
Foreign exchange and monetary gains (losses), net	16,998	37,389	(64,109)	118,770	(70,951)
Gain (loss) on derivative instruments, net	(266)	(3,034)	51,644	(266)	38,790
Other, net	131	(2)	(8,100)	141	(8,019)
	<u>14,703</u>	<u>31,824</u>	<u>(24,613)</u>	<u>107,691</u>	<u>(58,528)</u>
Income before income taxes	<u>4,624</u>	<u>25,701</u>	<u>21,312</u>	<u>54,359</u>	<u>148,352</u>
Income taxes					
Current (Note 5)	62,476	(14,384)	7,726	43,582	(34,591)
Deferred (Note 5)	(5,843)	5,641	(490)	(2,360)	(13,511)
	<u>56,633</u>	<u>(8,743)</u>	<u>7,236</u>	<u>41,222</u>	<u>(48,102)</u>
Net income for the year/period	<u>61,257</u>	<u>16,958</u>	<u>28,548</u>	<u>95,581</u>	<u>100,250</u>
Basic and diluted earnings per share	0.05	0.02	0.03	0.08	0.09
Weighted average number of shares (thousands) in the period	1,128,910	1,128,910	1,128,910	1,128,910	1,128,910

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

ALBRAS - Alumínio Brasileiro S.A.

Changes in Stockholders' Equity

Expressed in thousands of U.S. dollars, except when indicated

	Unaudited			Year ended	
	Three-month periods ended			December 31,	
	December 31, 2009	September 30, 2009	December 31, 2008	2009	2008
Capital stock:					
Beginning and end of the year/period	695,438	695,438	695,438	695,438	695,438
Appropriated retained earnings					
Beginning of the period	53,594	53,594	47,136	53,594	47,136
Transfer from unappropriated retained earnings	78,844		6,458	78,844	6,458
End of the period	132,438	53,594	53,594	132,438	53,594
Accumulated losses:					
Beginning of the period	(56,432)	(73,390)	(107,854)	(88,209)	(134,408)
Dividends			(2,445)	(2,547)	(47,593)
Transfer to appropriated retained earnings	(78,844)		(6,458)	(78,844)	(6,458)
Net income for the year/period	61,257	16,958	28,548	95,581	100,250
End of the period	(74,019)	(56,432)	(88,209)	(74,019)	(88,209)
Accumulated other comprehensive income:					
Beginning of the period	387,396	275,570	313,669	121,190	395,551
Hedge Accounting	(55,177)	18,000	(19,975)	(37,177)	(18,454)
Translation adjustments	23,078	93,826	(172,504)	271,284	(255,907)
End of the period	355,297	387,396	121,190	355,297	121,190
Total stockholders' equity	1,109,154	1,079,996	782,013	1,109,154	782,013
Comprehensive income comprised as follows:					
Net income for the year/period	61,257	16,958	28,548	95,581	100,250
Hedge Accounting	(55,177)	18,000	(19,975)	(37,177)	(18,454)
Cumulative translation adjustments	23,078	93,826	(172,504)	271,284	(255,907)
Total comprehensive income for the period	29,158	128,784	(163,931)	329,688	(174,111)
				Thousands of shares fully paid up	
Common shares					
Beginning and end of the year/period	1,128,910	1,128,910	1,128,910	1,128,910	1,128,910

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

ALBRAS - Alumínio Brasileiro S.A.

Statements of Cash Flows

Expressed in thousands of U.S. dollars, except when indicated

	Unaudited				
	Three-month periods ended			Year ended December 31,	
	December 31, 2009	September 30, 2009	December 31, 2008	2009	2008
Cash flows from operating activities					
Net income for the period	61,257	16,958	28,548	95,581	100,250
Adjustments to reconcile net income with cash provided by operating activities:					
Depreciation	8,241	7,563	6,275	27,653	30,133
Loss on sale of property, plant and equipment	21	4	8,271	108	8,350
Provision (reversion) for contingencies	(51)	(324)	(6,674)	(564)	(3,819)
Deferred income tax	5,843	(5,641)	490	2,360	13,511
Foreign exchange and monetary losses (gains), net	(22,445)	(78,068)	79,508	(119,254)	72,240
Interest expense	3,008	2,577	1,297	11,962	1,605
Loss (gain) on derivative instruments, net	265	3,034	(62,633)	8,586	(83,514)
Decrease (increase) in assets:					
Accounts receivable	(19,348)	11,191	42,575	3,890	(13,080)
Inventories	30,415	(9,605)	(21,410)	50,565	(28,922)
Recoverable taxes	(68,445)	(8,043)	(23,663)	(91,742)	(32,665)
Advances to suppliers	8,971	8,371	7,303	32,016	35,473
Restricted cash	21,922	(13,469)	4,283	6,449	(8,136)
Other	(388)	(286)	1,430	(1,582)	362
Increase (decrease) in liabilities:					
Suppliers	(936)	3,098	2,216	(23,631)	(2,319)
Taxes, payroll and related charges	(11,187)	7,077	(2,167)	(7,081)	(1,020)
Interest paid	(3,443)	(65)	(8,011)	(9,443)	(18,674)
Other	(826)	906	5,762	(23)	(6,857)
Net cash provided by (used in) operating activities	12,874	(54,722)	63,400	(14,150)	62,918
Cash flows from investing activities					
Additions to property, plant and equipment	(2,958)	(1,990)	(12,669)	(16,158)	(43,689)
Judicial deposits	(51)	(258)	(27)	(534)	(186)
Net cash used in investing activities	(3,009)	(2,248)	(12,696)	(16,692)	(43,875)
Cash flows from financing activities					
Dividends paid to stockholders	(6,426)		(63,692)	(6,426)	(63,692)
Short-term debt, net					
Related parties	99,965		65,156	94,017	67,849
Third parties	(55,562)	28,012	(50,107)	(5,019)	14,219
Long-term debt, net					
Third parties	(22,250)	42,333	(11,663)	(42,144)	1,052
Net cash provided by (used in) financing activities	15,727	70,345	(60,306)	40,428	19,428
Increase (decrease) in cash and cash equivalents	25,592	13,375	(9,602)	9,586	38,471
Effect of exchange rate changes on cash and cash equivalents	(198)	1,565	(14,199)	4,054	(23,949)
Cash and cash equivalents, beginning of the period	25,765	10,825	61,320	37,519	22,997
Cash and cash equivalents, end of the period	51,159	25,765	37,519	51,159	37,519
Supplemental cash flow information					
Non-cash information					
Income taxes offset against taxes recoverable			(8,686)	(11,434)	(58,920)

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

ALBRAS - Alumínio Brasileiro S.A.

Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

1 The Company and its Operations

ALBRAS - Alumínio Brasileiro S.A. ("Albras" or "The Company") was formed in October 1974, having as a principal objective the production and commercialization of aluminum ingots. ALBRAS' project construction began in 1981 and its implementation was done in two phases of 160 thousand tons/year of production. In the first phase, electrolytic cubes started production in July 1985 and reached full (totaling 320 thousand tons/year) capacity in December 1986. The second construction phase started in October 1987, with the electrolytic cubes being activated between May 1990 and February 1991. Due to operating improvements implemented in 1993, the plant's capacity was redefined from 320 to 345 thousand tons/year approximately. In December 2001 the expansion of the Company's aluminum plant was concluded, which resulted in an increase in the production capacity to approximately 406 thousand tons/year, as from 2002.

The Company produced 450 thousands tons during the year ended December 31, 2009, and sold 453 thousand tons during the year.

2 Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which differ in certain aspects from the Accounting practices adapted in Brazil applied by the Company in its statutory financial statements, However such financial information does not include all disclosures required by US GAAP.

The preparation of financial statements in conformity with US GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's financial statements therefore, include various estimates concerning the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, income tax valuation allowances and other similar evaluations. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, actual results may be affected by revision to these prior accounting estimates.

As disclosed in Note 3(k) below, the Company changed its accounting policy, effective January 1, 2009, regarding the presentation of realized derivative fair value gains and losses on effective cash flow hedges, when recorgnized in the income statement.

The Company presents negative working capital as of December 31, 2009. Management has assessed and has concluded that there are no uncertainties or doubts about the Company's ability to continue as a going concern.

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Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

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

The Company has translated all assets and liabilities from its functional currency, the Brazilian real into US dollars, the Company's reporting currency, at the exchange rate in effect or reporting date (R\$ 1,7412 and R\$ 2,337 to US\$ 1 at December 31, 2009 and 2008, respectively or the first available exchange rate if exchange on December 31 was not available) and all amounts in the statements of operations and cash flows (including amounts related to local currency indexation and exchange variations on assets and liabilities denominated in foreign currency) at the monthly averages rates prevailing during the year.

The translation gain or loss resulting from this process is included in the other accumulated comprehensive income (losses), component of stockholders' equity. The effects of foreign currency exchange variations on transactions denominated in foreign currencies are included in results of operations. All statement of income accounts have been translated to US dollars at the average exchange rates prevailing during the respective periods. Capital accounts are recorded at historical exchange rates.

The quarterly financial information for the three-month period ended December 31 and September 30, 2009 and December 31, 2008 is unaudited. However, in management's opinion, such financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation thereof.

3 Summary of Significant Accounting Policies

Significant accounting policies used in the preparation of the financial statements are described in the following paragraphs:

- (a) Revenues are recognized when products are shipped or services are rendered and when significant risks and benefits of ownership are transferred. Expenses, costs and all other transactions are recognized on the accrual basis. Classification of current assets and liabilities is based on one-year period.
- (b) Cash and cash equivalents are defined as cash in banks and investments in interest bearing securities and are carried at cost plus accrued interest. Short-term investments with original maturities of three months or less at the time of purchase are considered to be cash equivalents.
- (c) Inventories are stated at average cost of acquisition or production. A reserve is made, when necessary, to reduce inventories to market value.

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Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

- (d) Property, plant and equipment are stated at cost of purchase or construction, plus interest cost of borrowings incurred during the period of construction. Depreciation is computed by the straight-line method, using global account balances as a basis for calculation, at the annual rates disclosed in Note 10, which are compatible with the useful lives of the assets.

The Company evaluates recoverability of its long-lived assets for purposes of identifying and measuring impairments, whenever events and circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. Recoverability is determined by comparing the carrying amount of the asset (or asset group) on the date it is being evaluated for recoverability to the sum of the undiscounted cash flows expected to result from its use and eventual disposition. If the carrying amount of an asset (or asset group) exceeds the gross, undiscounted cash flows from use and disposition, an impairment loss is recognized. The impairment loss is measured as the excess of the carrying amount over the asset's (or asset group's) fair value. Fair value is determined using quoted market prices in active markets, when available. Otherwise, the Company estimates fair value based on the best information available such as market prices for similar assets (group of assets), or using valuation techniques such as the expected present value of future cash flows on a discounted basis. The Company has not recognized any impairment write downs on its long-lived assets for any of the years presented.

- (e) The Company fully accrues the liability for future compensation to employees for vacations vested during the period.
- (f) The deferred tax effects of tax losses carryforwards and temporary differences recognized pursuant to accounting for income taxes. A valuation allowance is made when management believes that it is more likely than not that tax assets will not be fully recoverable in the future.
- (g) Expenditures relating to ongoing compliance with environmental regulations are charged against operations in the statements of income or capitalized as appropriate. These ongoing programs are designed to minimize the environmental impact of the Company's activities. There has not been any material loss to be accrued to date.
- (h) Basic and diluted earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period.
- (i) Comprehensive income (loss) consists of net income (loss) and foreign currency translation adjustments and effects of hedge accounting (for the year ended December 31, 2008) and is presented in the statements of changes in stockholders' equity for all periods shown.

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Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

- (j) The Company applies accounting for derivative financial instruments and hedging activities, as amended. According to this standard a derivative must be designated in a hedging relationship in order to qualify for hedge accounting. If a derivative is designated as a cash flow hedge the effective portions of the change are recorded in other comprehensive income and are recognized in earnings when the hedged item affects earnings. Ineffective portions of changes in the fair value of the derivatives designated as hedges are recognized in earnings.
- (k) In 2009, aiming to improve the presentation of its financial statements, the Company changed its accounting policy regarding the income statement line item where it presents the effective portion of realized fair value gains and losses on derivative instruments used in cash flow hedge activities. As a result of that change in the accounting policy, the effective portion when realized and reclassified from other comprehensive income to earnings are now presented as part of operating income (loss). The ineffective portion of changes in the fair values of derivatives designated as hedges and recognized directly in earnings, continue to be presented as part of non-operating income.
- (l) Reclassification of certain financial information previously presented:

As a result of the change in accounting policy described in Notes 2 and 3(k) above, certain amounts previously presented in the financial statements as of and for the year ended December 31, 2008, have been reclassified as follows, in order to enable comparability among the financial periods:

	<u>As reported</u>	<u>Reclassification</u>	<u>Reclassified</u>
Operating cost and income/expenses			
Losses on derivative instruments, net		(22,699)	(22,699)
Non-operating income (expenses)			
Gain on derivative instruments, net	16,091	22,699	38,790
Derivatives, net	16,091		16,091

4 Accounting pronouncements

(a) New accounting standards

A new Accounting Standards Update (ASU) number 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This update provides amendments to Topic 820 that will provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3.

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A new Accounting Standards Update (ASU) number 2010-01 Accounting for Distributions to Shareholders with Components of Stock and Cash - a consensus of the FASB Emerging Issues Task Force. The amendments in this Update clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend for purposes of applying Topics 505 and 260 (Equity and Earnings Per Share).

(b) Accounting standards recently adopted

In June 2009, the FASB issued the FASB Accounting Standards Codification (Codification). The Codification became the single source for all authoritative GAAP recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. The Codification does not change GAAP and does not have an affect on our financial position, results of operations or liquidity.

In 2009, we adopted a newly issued accounting standard for accounting and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this statement sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The standard is effective for interim or annual periods ending after June 15, 2009.

5 Income Taxes

Income taxes in Brazil comprise federal income tax and social contribution. The current statutory rates are 25% for federal income tax and 9% for social contribution, resulting in a composite rate of 34%.

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Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

The amount reported as income tax revenue (expense) in the financial information is reconciled to the statutory rates as follows:

	Unaudited			Year ended	
	Three-month periods ended			December 31,	
	December 31, 2009	September 30, 2009	December 31, 2008	2009	2008
Income before income tax	4,624	25,701	21,312	54,359	148,352
Federal income tax and social contribution expenses at statutory rates	(1,572)	(8,738)	(7,246)	(18,482)	(50,440)
Adjustments to determine effective tax rate					
Tax incentive	59,131		3,977	59,131	3,977
Change in fair value of derivative instruments	(993)		12,563	(993)	605
Other permanent differences	67	(5)	(2,058)	1,566	(2,244)
Federal income tax and social contribution benefit (expense)	56,633	(8,743)	7,236	41,222	(48,102)

Composition of the deferred tax asset:

	December 31, 2009	December 31, 2008
The tax credits are as follows		
Tax loss carryforwards	92,430	68,866
Temporary differences		
Arising from the difference between the Brazilian tax basis and the reporting basis	23,571	17,436
Other	5,860	4,850
Total	121,861	91,152
Current assets	599	1,091
Other assets (long-term)	121,262	90,061
	121,861	91,152

ALBRAS - Alumínio Brasileiro S.A.

Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

Management expects that the Company will generate future taxable income in order to utilize its total tax and social contribution losses to be carryforward.

The Company had a 75% Income Tax exemption for a production from 345,001 to 560,000 tons/year of aluminum since December 2007. The Company has been claiming for the extension of this benefit for its all production. As from December 2009, the exemption was extended to all production until 560,000 ton/year. The benefit had a retroactive effect, corresponding to the period from December 2007 until the date of the benefit extension. As of December 31, 2009, the total tax incentive recognized in the Company's income statement amounted US\$ 59,131.

6 Restricted Cash

	<u>2009</u>	<u>2008</u>
Judicial blockings		434
Energy contracts	1,423	
Guarantee on payment interest Japan Bank for International Corporation - JBIC	4,542	5,335
Other	<u>358</u>	
	<u>6,323</u>	<u>5,769</u>
Short-term	6,323	5,335
Long-term		<u>434</u>
	<u>6,323</u>	<u>5,769</u>

7 Accounts Receivable

	<u>2009</u>	<u>2008</u>
Customers		
Domestic	1,485	1,288
Export, all denominated in U.S. dollars	<u>33,022</u>	<u>32,562</u>
	<u>34,507</u>	<u>33,850</u>

ALBRAS - Alumínio Brasileiro S.A.

Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

8 Inventories

	<u>2009</u>	<u>2008</u>
Finished goods - Aluminum	30,866	29,301
Work-in-process	28,180	28,627
Raw materials	16,161	19,106
Spare parts and maintenance supplies	20,067	13,234
Raw materials and others in transit	<u>3,858</u>	<u>25,095</u>
	<u>99,132</u>	<u>115,363</u>

9 Recoverable Taxes

	<u>2009</u>	<u>2008</u>
Recoverable excise tax (i)	167,719	83,686
Withholding tax	5,665	3,582
Income tax (ii)	<u>107,461</u>	<u>38,621</u>
	<u>280,845</u>	<u>125,889</u>
Current assets	16,694	13,925
Other assets (long-term)	<u>264,151</u>	<u>111,964</u>
	<u>280,845</u>	<u>125,889</u>

- (i) This balance refers mainly to federal sales tax credits obtained from purchase of raw materials, which can be offset against any other federal taxes payable.
- (ii) The increase of the income tax balance refers mainly to the income tax exemption (see note 5).

ALBRAS - Alumínio Brasileiro S.A.

Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

10 Property, Plant, Equipment and Intangible

(a) Property, Plant and Equipment

	Rate	2009			2008		
		Cost	Depreciation	Net	Cost	Depreciation	Net
Buildings/Land	2,5%	240,922	(125,910)	115,012	168,817	(89,374)	79,443
Installations	2,86%	625,361	(349,005)	276,356	406,690	(248,182)	158,508
Equipment	10%	44,442	(26,387)	18,055	40,875	(12,603)	28,272
Vehicles	20%	8,637	(7,475)	1,162	6,186	(5,248)	938
Furniture and utensils and instruments of analyses and measurements	10%	9,612	(6,449)	3,163	6,680	(4,194)	2,486
Equipment/It applications	20%	12,653	(10,954)	1,699	9,048	(7,456)	1,592
Capitalized interest	2,86%	74,028	(61,681)	12,347	55,155	(44,379)	10,776
Other fixed assets	10%	99,314	(53,347)	45,967	71,893	(44,750)	27,143
Construction in progress		30,938		30,938	75,666		75,666
		<u>1,145,907</u>	<u>(641,208)</u>	<u>504,699</u>	<u>841,010</u>	<u>(456,186)</u>	<u>384,824</u>

(b) Intangible

	Rate	2009			2008		
		Cost	Depreciation	Net	Cost	Depreciation	Net
Software	20%	13,246	(9,306)	3,940	9,569	(5,417)	4,152
		<u>13,246</u>	<u>(9,306)</u>	<u>3,940</u>	<u>9,569</u>	<u>(5,417)</u>	<u>4,152</u>

All property, plant and equipment are located in Brazil and are employed in the aluminum business. Company management believes that the carrying amounts of such property, plant and equipment and of intangible assets are recoverable through future cash flows from operations.

11 Short term Debt

The short-term debt of US\$ 195,245 (US\$ 99,576 in 2008) borrowings is from related parties and relates to export financing denominated in United States dollars.

Annual interest rates on short-term borrowings were from 2,02% and 5,27% in December 2009.

ALBRAS - Alumínio Brasileiro S.A.

Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

12 Long-term Debt

	2009		2008	
	Current	Long-term	Current	Long-term
Foreign				
Japan Bank for International Corporation - JBIC				
Loans maturing from June 2010 to June 2017	33,334	216,665	33,334	249,999
Accrued interest	185		419	
	<u>33,519</u>	<u>216,665</u>	<u>33,753</u>	<u>249,999</u>

The aforementioned loans and financing are subject to inflation indexation or foreign currency or exchange adjustments, plus interest.

The long-term portion at December 31, 2009 and 2008 becomes due in the following years:

	2009	2008
2010		33,334
2011	33,333	33,334
2012	33,333	33,334
2013	33,333	33,334
2014	33,333	33,334
2015	33,333	33,334
2016	33,333	33,334
2017	16,667	16,661
	<u>216,665</u>	<u>249,999</u>

As of December 31, 2009 annual interest rates on short and long-term debt were as follows:

Up to 1,78%	250,184
Up to 2,02%	99,772
Up to 5,27%	95,473
	<u>445,429</u>

Guarantees:

JBIC: Corporate Guarantee of Vale S.A. (up to 51% of the outstanding principal amount of Facility) and ALBRAS Export Receivables related to Nipon Amazon Aluminium Company - NAAC (49% of the principal amount of Facility). Our long-term debt instrument with Japan Bank for International Corporation - JBIC contain financial covenants. Our principal covenants require us to maintain certain ratios, such as debt to equity and interest coverage. There are no events of default as of December 31, 2009.

ALBRAS - Alumínio Brasileiro S.A.

Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

13 Capital Stock

The capital stock is composed by 575,744 thousand and 553,166 thousand of subscribed and issued non-redeemable Class A and B common shares, respectively, with par value of R\$ 1,00 each. Each holder of common has equal voting rights on all matters that come before a stockholders' meeting.

All stockholders are entitled to receive minimum annual dividends of 25% of the adjusted net income for the year as stated in the statutory accounting records, after the accumulated losses have been fully offset, upon approval at the annual stockholders' meeting, Dividends are declared and distributed in local currency, Brazilian reais and in accordance with Brazilian statutory law.

Brazilian companies must register foreign invested capital and reinvested earnings with the Brazilian Central Bank in order to remit dividends on such capital and for the capital to be repatriated. At December 31, 2009, the registered foreign capital, represented by Class B common shares, amounts to US\$ 229,745 thousand and ¥ 6,394,733 thousand.

Brazilian laws and our By-laws require that certain appropriations be made from retained earnings to equity reserve accounts on an annual basis, herein denominated appropriated retained earnings, all determined in accordance with amounts stated in the statutory accounting records which are restricted to increase capital or offset statutory accumulated losses. The purpose and basis of appropriation to such reserves are described below:

- **Legal reserve**

This reserve is a requirement for all Brazilian corporations and represents the appropriation of 5% of annual net income based on statutory accounts up to a limit of 20% of capital stock all determined under Brazilian GAAP.

- **Reserve for future capital expenditures
(investments reserve)**

Management has decided to allocate the retained earnings to a specific reserve for future capital expenditures in accordance with the Company's capital expenditures projections.

- **Dividends and interest attributed to stockholders**

Brazilian law permits the payment of cash dividends only from retained earnings as stated in the Brazilian GAAP statutory records and such payments are made in Brazilian Reais.

ALBRAS - Alumínio Brasileiro S.A.

Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

The stockholders are entitled to minimum dividend of 25% of net income for the year, calculated in accordance with Brazilian corporate law.

The remittance of dividends is based on the retained earnings in local currency at the rate in effect at the remittance date. Therefore, a portion of the translated retained earnings is restricted for distribution.

14 Related Parties Transactions

Transactions with related parties resulted in the following balances:

	2009		2008	
	Asset	Liability	Asset	Liability
Nippon Amazon Aluminium Company Ltd. NAAC		30,076	20	2,397
Vale S.A.		8,076		10,105
Vale do Rio Doce Energia S.A.		3		2
Alumina do Norte do Brasil S.A. - ALUNORTE	241	12,599	289	12,811
Valesul Alumínio S.A.				1,887
VALE International S.A.	33,022	165,169	32,562	99,576
Rio Doce International Finance - RDIF	287		288	
	<u>33,550</u>	<u>215,923</u>	<u>33,159</u>	<u>126,778</u>

These balances are included in the following balance sheet accounts:

	2009		2008	
	Asset	Liability	Asset	Liability
Current assets				
Cash and equivalents				
Accounts receivable	33,022		32,562	
Other	241		309	
Others assets	287		288	
Current liabilities				
Suppliers		19,288		21,130
Current portion of current-term debt		195,245		99,576
Dividends payable				4,891
Other		1,390		1,181
	<u>33,550</u>	<u>215,923</u>	<u>33,159</u>	<u>126,778</u>

ALBRAS - Alumínio Brasileiro S.A.

Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

The amounts of business and financial operations carried out with related parties are as follows:

	Unaudited					
	Three-month periods ended			Year ended December 31,		
	December 31, 2009	September 30, 2009	December 31, 2008	2009	2008	2008
	Income	Expense	Income	Expense	Income	Expense
Sales of aluminum, service and products						
Nippon Amazon Alumínio Company Ltd. - NAAC	101,730	96,642	122,020		352,666	579,855
VALE International S.A.	111,353	74,015	110,222		329,580	541,604
Valesul Alumínio S.A.		1,302			1,302	325
Alumina do Norte do Brasil S.A. - ALUNORTE	139	412	749		1,575	3,583
Purchases of raw material						
Alumina do Norte do Brasil S.A. - ALUNORTE		(45,487)	(27,398)	(57,525)	(127,731)	(271,377)
Vale S.A.		(17,084)	(17,063)	(5,695)	(53,696)	(5,695)
Vale do Rio Doce Energia S.A.		(9)	(9)	(7)	(32)	(35)
Others cost		(616)	(886)	(4,176)	(3,355)	(4,176)
Selling expenses				3,195		
Vale S.A.						
Financial expenses and income, foreign						
Vale S.A.		(577)	(285)	(281)	(1,452)	(1,421)
Alumina do Norte do Brasil S.A. - ALUNORTE	214	198	(266)	401	1,322	2,263
Nippon Amazon Alumínio Company - NAAC		(241)	(3,290)	(8,082)	(5,958)	5,197
VALE International S.A.		(1,508)	7,943	(170)	13,428	13,272
RDIF - Rio Doce International Finance		(8)	(27)	55	(87)	(76)
Vale S.A.						(303)
	213,436	(65,530)	177,951	(48,958)	240,723	(72,340)
			(48,958)	(192,311)	699,873	1,143,912
					(295,928)	

ALBRAS - Alumínio Brasileiro S.A.

Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

These amounts are included in the following statement of operations accounts:

	Three-months periods ended			Year ended December 31,	
	December 31, 2009	September 30, 2009	December 31, 2008	2009	2008
Sales of aluminum, service and products	213,222	172,371	232,991	685,123	1,125,367
Cost of aluminum sold	(63,196)	(45,356)	(67,403)	(184,814)	(281,283)
Selling expenses			3,195		
administrative expenses	(363)	(87)	120	(130)	842
Financial expenses, net	(1,387)	(915)	(812)	(4,353)	(1,863)
Financial income, net					
Foreign exchange and monetary gains (losses), net	(370)	2,980	292	11,736	4,921
	<u>147,906</u>	<u>128,993</u>	<u>168,383</u>	<u>507,562</u>	<u>847,984</u>

15 Fair Value of Financial Instruments

The carrying amount of the Company's current financial instruments generally approximates their fair value. Regarding derivative financial instruments, refers to Note 16.

16 Derivative Financial Instruments

The Company is subject to market risks associated with changes in the world prices of aluminum. The Company seeks to manage this risk by entering into derivative transactions for a portion of its future production, which allows the Company to establish a minimum average profitability targets for its future aluminum production and consequently to manage the Company's cash flow.

However, such derivative contracts also have the effect of reducing potential gains from price increases in the spot market for aluminum. The Company monitors and evaluates its overall position daily in order to evaluate financial results and the impact in the Company's cash flows. The Company also reviews periodically the credit limits and creditworthiness of its hedges counter-parties. All the results of the hedging activity are reported to the Company's management on a monthly basis so that the Company periodically adjusts the goals and strategies of the program in response to market conditions. All aluminum derivative contracts are settled through cash payments and/or receipts, without the physical delivery of aluminum.

In view of the policies and practices established by the Company for operations with derivatives, management considers the occurrence of non-measurable risk situations as unlikely. At December 31, 2009, the fair value of the Company's derivative instruments totals were: assets of US\$ 52,470 and liabilities of US\$ 71,477.

ALBRAS - Alumínio Brasileiro S.A.

Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

On December 31, 2009 the Company has hedged prices for 260,000 tons of aluminum through a number of derivative contracts. The fair value of these derivatives is a current liability of US\$ 71,209 as current liabilities, considering that the derivative contracts expire by December 2010.

With the intention to protect its operations against the risks associated to variations in the tax conversion of dollar for reals, the Company contracted operations of swap (US\$ x DI), guaranteeing steady flow of box and rude edges.

The Company has entered into a contract on May 11, 2004 to purchase power from Eletronorte to provide electrical energy for its industrial activities which became effective as from June 1, 2004. The contract includes a price adjustment related to LME aluminum prices. If the LME price of aluminum is greater than US\$ 1,450 per metric ton, ALBRAS must pay a higher price for power. Conversely, ALBRAS does not get a lower price if the LME is below US\$ 1,450 per metric ton. ALBRAS can terminate the contract with two years notice if it elects to discontinue production or start using its own resources for power generation. ALBRAS does not have to pay any amounts related to the termination, including any payment related to settling the LME price adjuster. The total term of the contract is 20 years and an energy prepayment of R\$ 1,200,000 (equivalent to US\$ 689,180) was made in connection with such contract.

The price adjustment related to LME is an embedded derivative as defined by "Accounting for Derivative Instruments" which is valued at fair value with variations recorded in the income statement. The fair value variation for the year ended to December 31, 2009 was US\$ 268 as other long-term liabilities

Under US GAAP, all derivatives, whether designated in hedging relationships or not, are required to be recorded in the balance sheet at fair value. A derivative must be designated in a hedging relationship in order to qualify for hedge accounting. These standards include a determination of what portions of hedges are deemed to be effective versus ineffective. In general, a hedging relationship is effective when a change in the fair value of the derivative is offset by an equal and opposite change in the fair value of the underlying hedged item. In accordance with these standards, effectiveness tests are performed in order to assess effectiveness and quantify ineffectiveness for all designated hedges. A cash flow hedge is a hedge of the exposure to variability in expected future cash flows that is attributable to a particular risk such as a forecasted purchase or sale.

Over-the-counter (OTC) forward and zero-cost collar aluminum contracts are used to smooth the effect of fluctuations in the price of aluminum with respect to forecasted sales of aluminum. These contracts have been designated as a hedge to our exposure to variability in future cash flows associated with our aluminum sales. There was no hedge ineffectiveness regarding these contracts since the inception of our cash flow hedge accounting program.

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Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

For the periods ended December 31, 2009 and 2008, the movement of unrealized gain (loss) on derivative is as follows:

	Unaudited				
	Three-month period ended			Year ended December 31,	
	December 31, 2009	September 30, 2009	December 31, 2008	2009	2008
Initial unrealized losses at beginning of the period	26,066	3,044	(34,658)	8,216	(56,329)
Gain (loss) on derivative instruments	(65,299)	23,022	62,633	(47,449)	83,514
Hedge accounting	2,654		(20,663)	2,654	(20,092)
Exchange variance	(314)	(758)	(6,977)	(1,041)	(2,972)
Translation adjustment	314	(758)	7,881	1,041	4,095
Gain (losses) on derivative Instruments at the end of the year/period	<u>(36,579)</u>	<u>26,066</u>	<u>8,216</u>	<u>(36,579)</u>	<u>8,216</u>

17 Commitments and Contingencies

- (a) ALBRAS entered into a contract on May 11, 2004 to purchase power from Centrais Elétricas do Norte do Brasil ("Eletronorte") to provide power for its industrial activities which became effective as from June 1, 2004. See Note 16 for additional information.
- (b) The Company is committed under a take-or-pay agreement to take purchase of approximately 4,595 thousands metric tons of alumina from ALUNORTE - Alumina do Norte do Brasil S.A. (related party) at a formula price, which is calculated based on the London Metal Exchange (LME) quotation for aluminum. At a market price of US\$ 297,29 per metric ton as of December 31, 2009, this represents the following total commitment:

Years	US\$
2010	234,000
2011	234,000
2012	234,000
2013	234,000
2014 and thereafter	430,000
	<u>1,366,000</u>

ALBRAS - Alumínio Brasileiro S.A.

Notes to the Financial Information

Expressed in thousands of U.S. dollars, unless otherwise stated

The Company is also committed to annually deliver 450,000 metric tons of aluminum to its stockholders under a take-and-pay formula through an agreement between the parties without expiration date. At a market price of US\$ 1,906,65 per metric ton, also based on the LME quotation as of December, 2009, this represents an annual commitment of approximately US\$ 858,000.

- (c) Legal contingencies exist for which the Company and its legal advisors understand the amount accrued by the Company in the amount of US\$ 9,860 (US\$ 7,819 in 2008) is sufficient to cover probable losses.
- (d) The Company has US\$ 17,327 (US\$ 24,640 in 2008) relating to Tax, Labor and Civil claims which, according to the Company and its legal advisors, were classified as a possible losses and therefore did not require provision recognition.

ALBRAS - Alumínio Brasileiro S.A.

Supplemental Information (Unaudited)

1 Geographic Information

The Company's exports from Brazil through related companies, classified by geographic destination, are as follows:

	Unaudited				
	Three-month period ended			Year ended December 31,	
	December 31, 2009	September 30, 2009	December 31, 2008	2009	2008
Foreign market					
Asia	149,214	143,935	122,020	460,198	579,855
Europe	63,870	26,724	76,146	222,048	439,539
North America			34,075		101,746
	<u>213,084</u>	<u>170,659</u>	<u>232,241</u>	<u>682,246</u>	<u>1,121,140</u>
Domestic	<u>13,869</u>	<u>7,556</u>	<u>13,637</u>	<u>36,939</u>	<u>70,818</u>
	<u>226,953</u>	<u>178,215</u>	<u>245,878</u>	<u>719,185</u>	<u>1,191,958</u>
Related parties	213,084	170,659	232,241	682,246	1,121,140
Third parties	<u>13,869</u>	<u>7,556</u>	<u>13,637</u>	<u>36,939</u>	<u>70,818</u>
	<u>226,953</u>	<u>178,215</u>	<u>245,878</u>	<u>719,185</u>	<u>1,191,958</u>

ALBRAS - Alumínio Brasileiro S.A.

Supplemental Information (Unaudited)

2 EBITDA

The EBITDA (earnings before interest, tax, depreciation and amortization) and EBIT (earnings before interest and tax) and ROCE (return on capital employed) are shown as follows:

	Three-month period ended			Year ended December 31,	
	December 31, 2009	September 30, 2009	December 31, 2008	2009	2008
EBITDA					
Net operating revenues	226,042	178,110	245,288	718,510	1,192,852
Cost of goods sold	(215,123)	(172,496)	(193,991)	(716,707)	(891,145)
Others operating income/expenses	(20,998)	(11,737)	(5,372)	(55,135)	(94,827)
Operating income	(10,079)	(6,123)	45,925	(53,332)	206,880
Depreciation	8,241	7,563	6,275	27,653	30,133
EBITDA	(1,838)	1,440	52,200	(25,679)	237,013
EBITDA Margin	(0,81%)	0,81%	21,28%	(3,57%)	19,87%
EBIT					
EBITDA	(1,838)	1,440	52,200	(25,679)	237,013
Depreciation	(8,241)	(7,563)	(6,275)	(27,653)	(30,133)
EBIT	(10,079)	(6,123)	45,925	(53,332)	206,880
Non-operating income (expenses), net - Others	131	(2)	(8,100)	141	(8,019)
Financial expenses, net	14,572	31,826	(16,513)	107,550	(50,509)
Income taxes	56,633	(8,743)	7,236	41,222	(48,102)
Net income for the year/period	61,257	16,958	28,548	95,581	100,250
Capital employed					
Property, plant and equipment in operation				407,362	309,158
Inventories				99,132	115,363
Accounts receivable				34,507	33,850
Payable to suppliers and contractors				(59,652)	(66,997)
Salaries and social charges				(5,650)	(5,024)
Total capital employed				475,699	386,350
Return on capital employed - ROCE				(2,55%)	46,97%

* * *

Report of Independent Registered Public Accounting Firm

To the Directors and Stockholders' of
ALBRAS - Alumínio Brasileiro S.A.
Barcarena - PA

- 1 We have audited the accompanying balance sheet of ALBRAS - Alumínio Brasileiro S.A. ("ALBRAS") as of December 31, 2009 and 2008 and the related statements of income, of changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2009, expressed in United States dollars. This financial information is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial information based on our audit.
- 2 We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial information of the Company is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information of the Company. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial information of the Company. We believe that our audit provides a reasonable basis for our opinion.
- 3 The financial statements were prepared solely to fulfill the needs of the stockholder Vale S.A. and should be not used for any other purpose. It does not include all the disclosures that would be required for the presentation of the US GAAP on a standalone basis and does not intend to report on ALBRAS as a separate entity.
- 4 However, based on our opinion, the accompanying financial information of ALBRAS - Alumínio Brasileiro S.A. as of December 31, 2009 and 2008 and for the two years then ended has been prepared, in all material respects, to give the information required to be shown in accordance with accounting principles generally accepted in the United States of America.

ALBRAS - Alumínio Brasileiro S.A.

- 5 The financial information relating to quarterly statements of income, of changes in stockholders' equity, of cash flows and related explanatory notes presented in the accompanying financial statements have not been subject to audit or review procedures.


PricewaterhouseCoopers
Auditores Independentes

Rio de Janeiro, Brazil
February 26, 2010

COPY OF THE ORIGINAL