



The Outlook for Aluminum Platts Metals Week Conference

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January 17, 2011



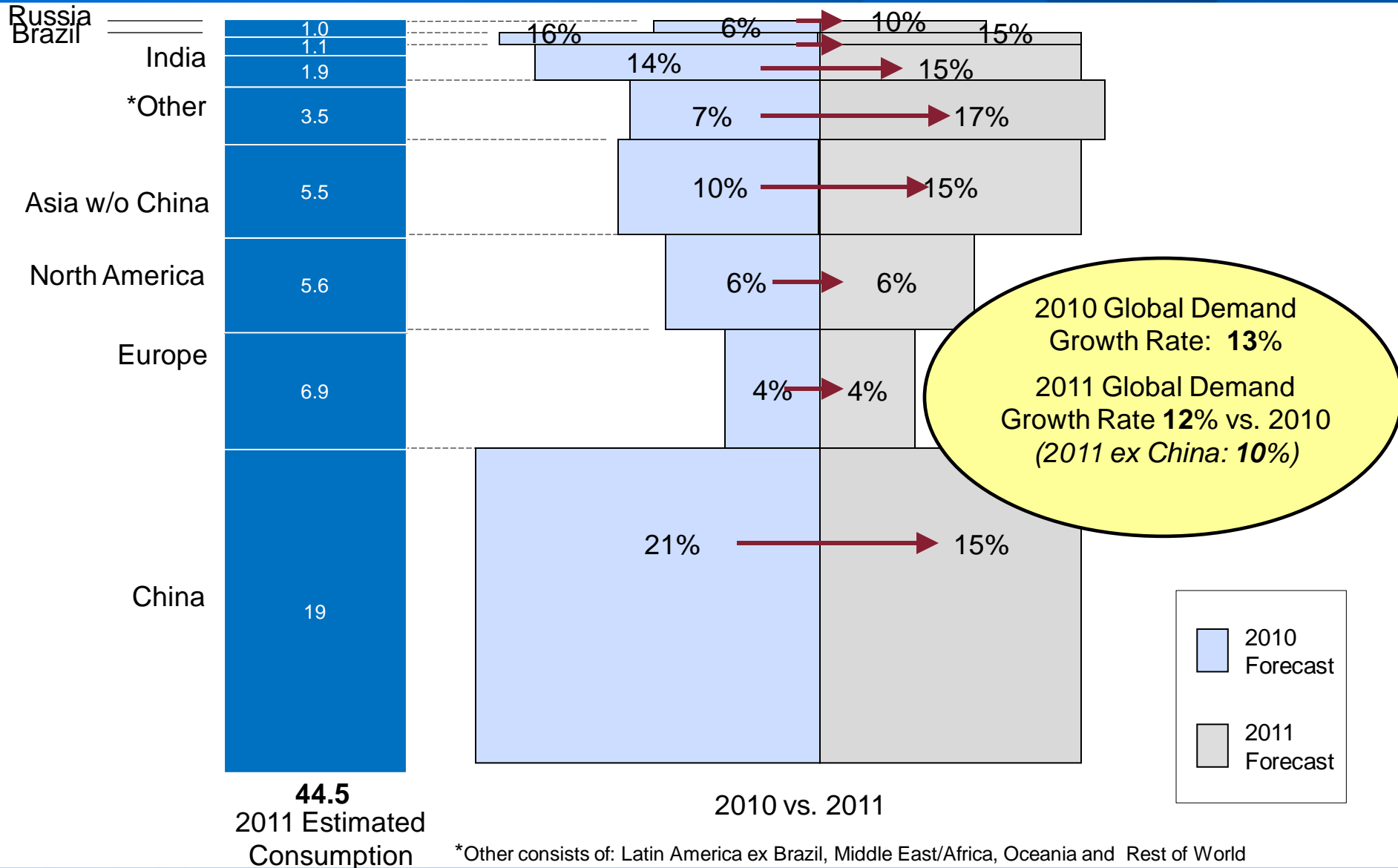
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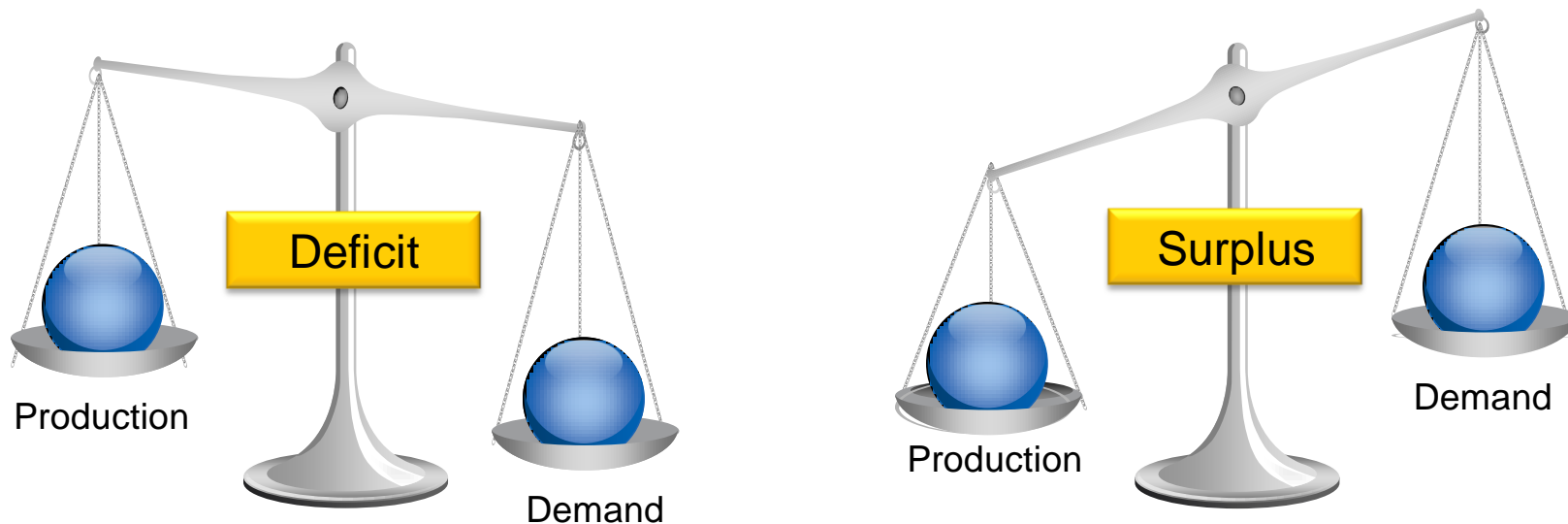


2011 growth maintains 2010 momentum with 12% increase

2011 Projected Primary Aluminum Consumption by Region (in mmt)



Primary aluminum moving toward balance in 2011



China

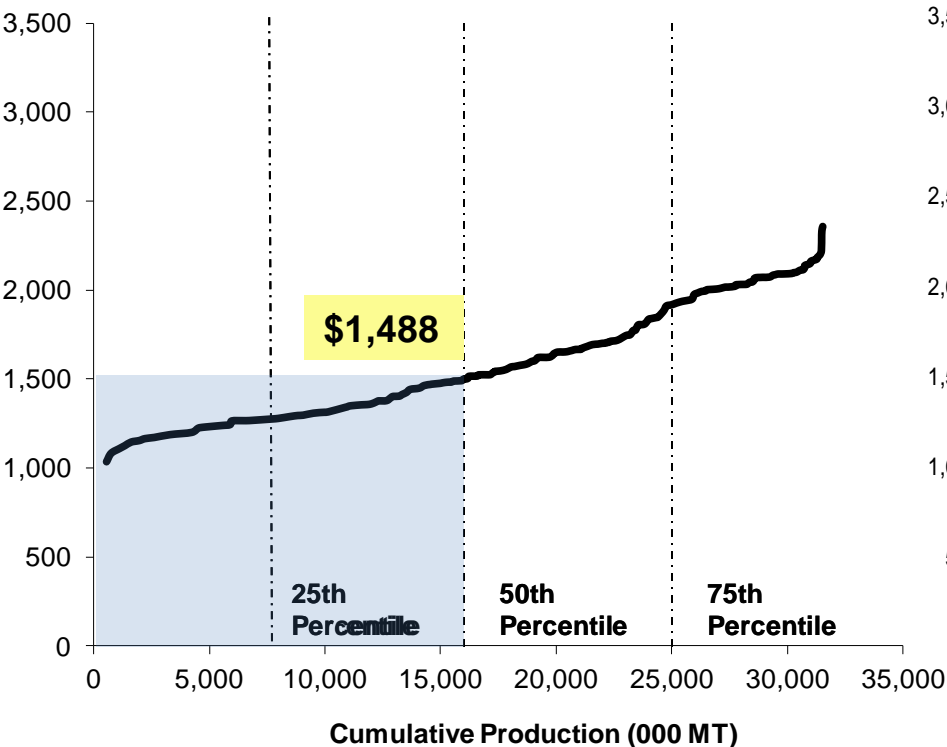
Annualized Production (Nov 2010)	14,575
Restarted and Expanded Capacity	3,700
Total Supply	18,275
Consumption	(18,975)
(Deficit) Surplus	(700)

Rest of World

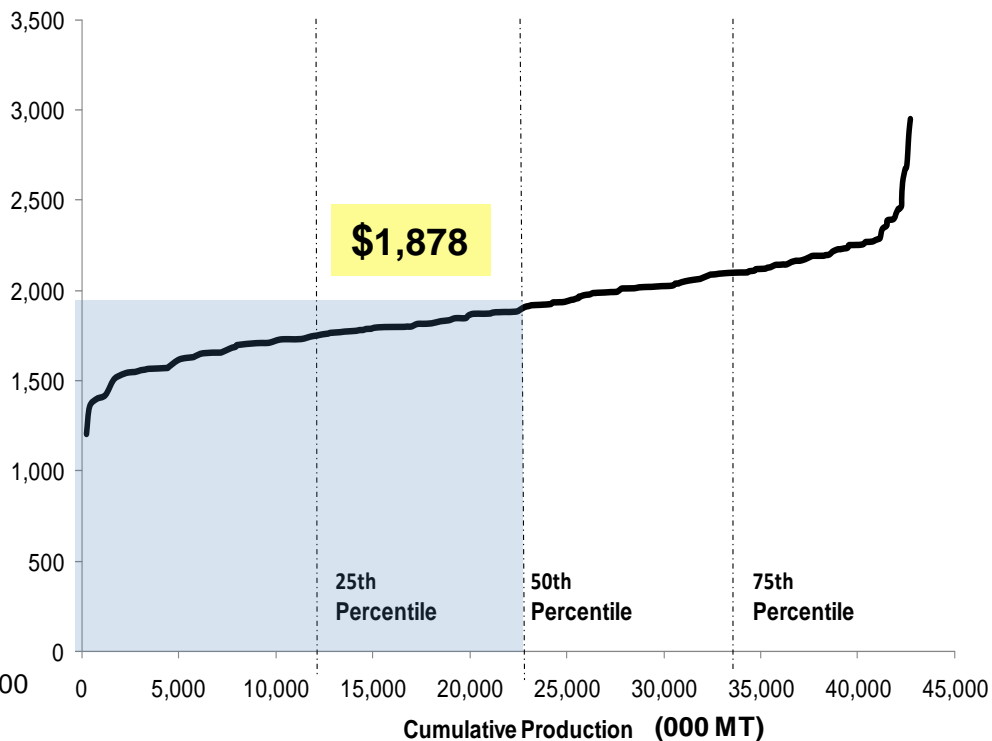
Annualized Production (Nov 2010)	25,225
Restarts and Expanded Capacity	1,260
Total Supply	26,485
Western World Consumption	(25,540)
(Deficit) Surplus	945

Smelting cost curve moving higher

2005 Cost Curve



2010 Cost Curve

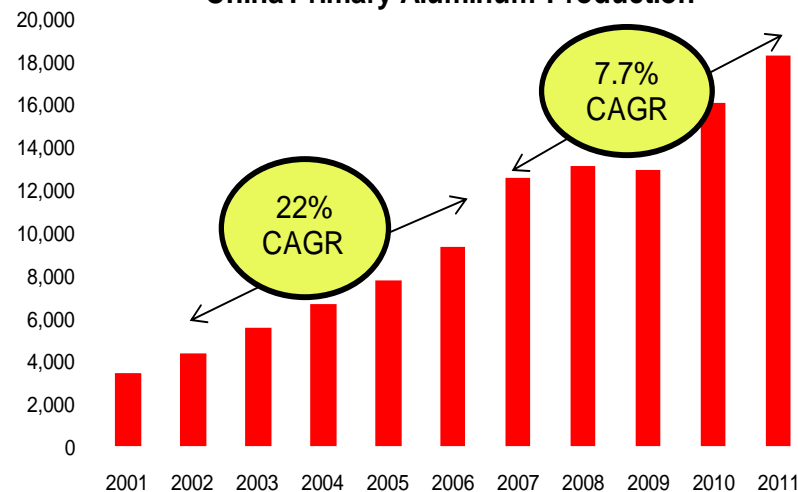


- Increased production costs are supporting higher aluminum prices
- In 2010, Chinese smelters are predominantly high cost, comprising >80% of the 4th quartile and >60% of the 3rd quartile

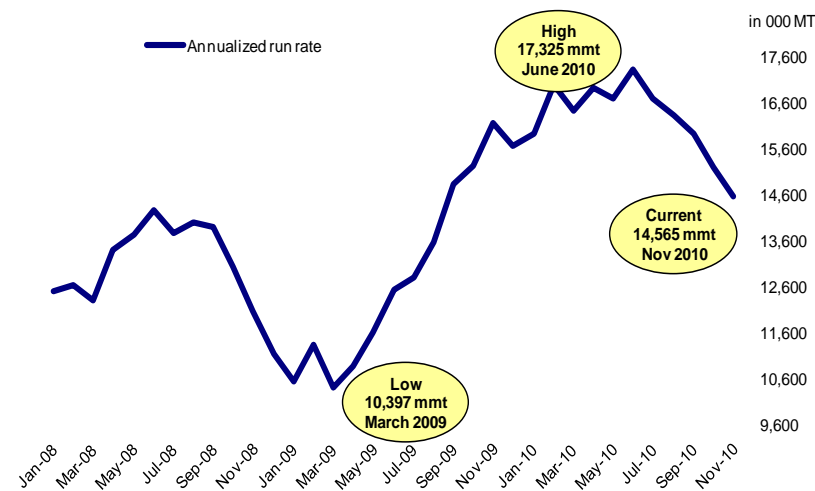
Central government continues to take steps to address energy and environmental issues

- Macro economic policy beginning to re-allocate energy to value-added sectors
- Tariff for grid-supplied energy being steadily raised
- Environmental goals forced smelter curtailments

China Primary Aluminum Production



China Primary Production



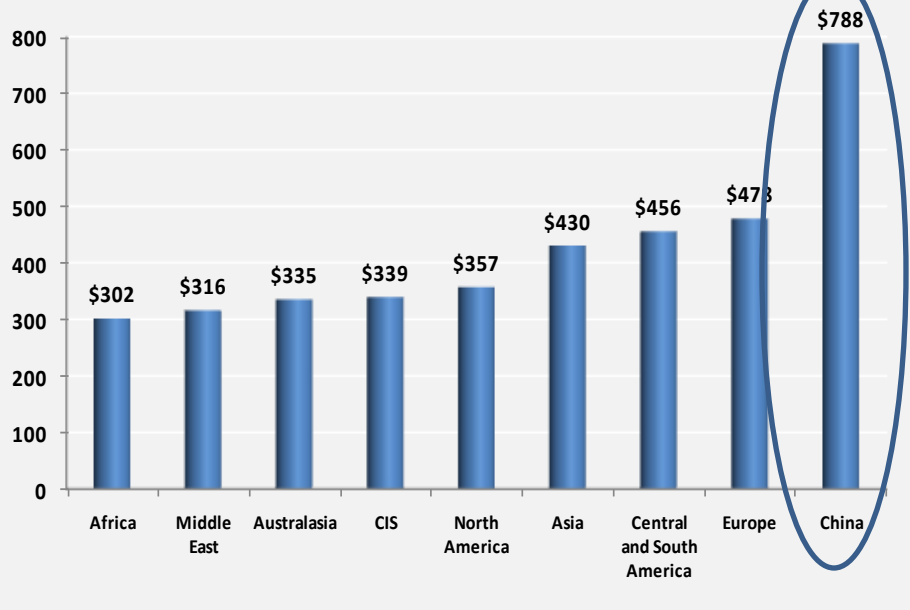


Grid power in China is expensive

35% of China production is supplied from the national Grid

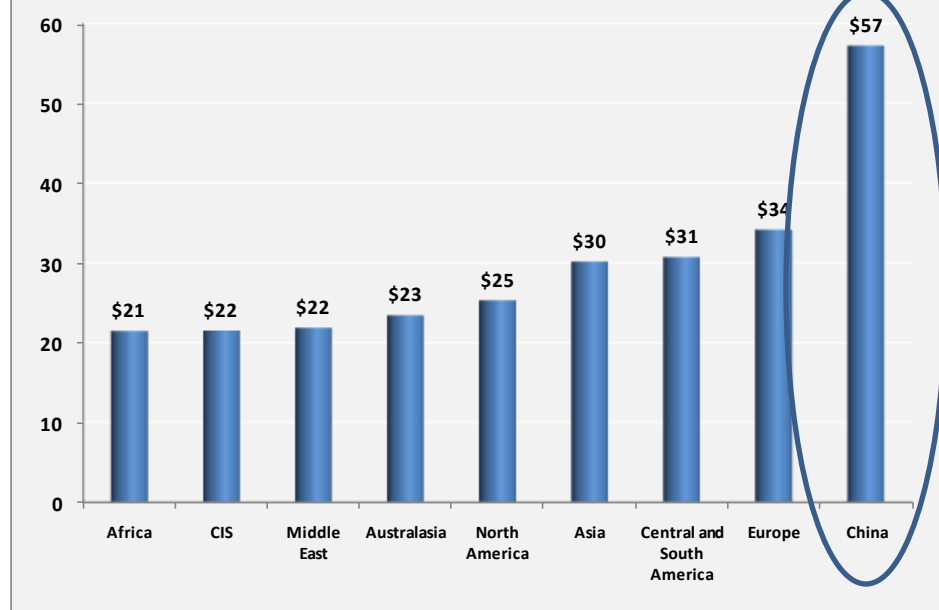
Regional Power Costs per MT

Average Power Cost (US\$/Tonne)



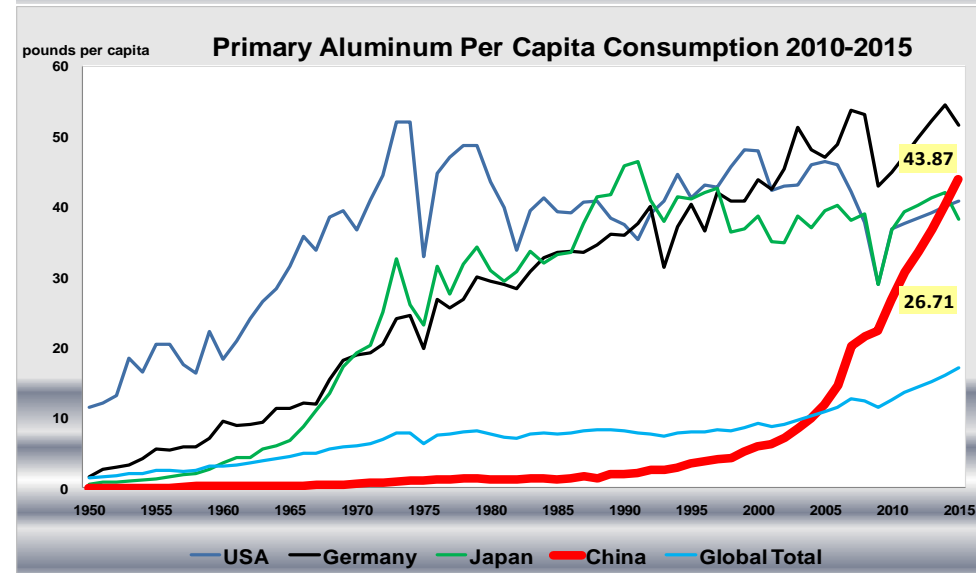
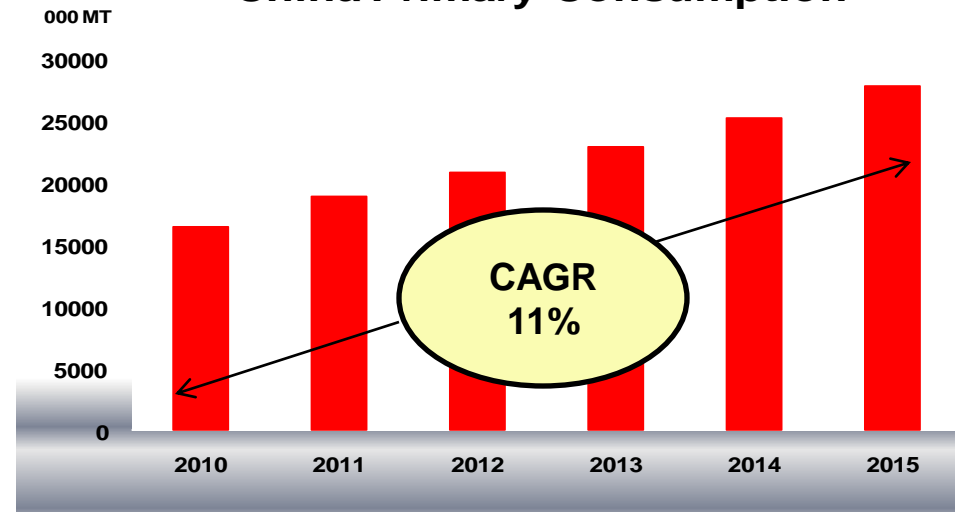
Regional Power Costs per KWH

Average Power Cost (US\$/kWh Nominal)



- China will add more than 10 million metric tons of primary aluminum demand by 2015
- Economy shifting to consumer driven demand
- Implied growth rate for primary aluminum will decline due to:
 - Decline in export driven growth
 - Increase in domestic scrap generation

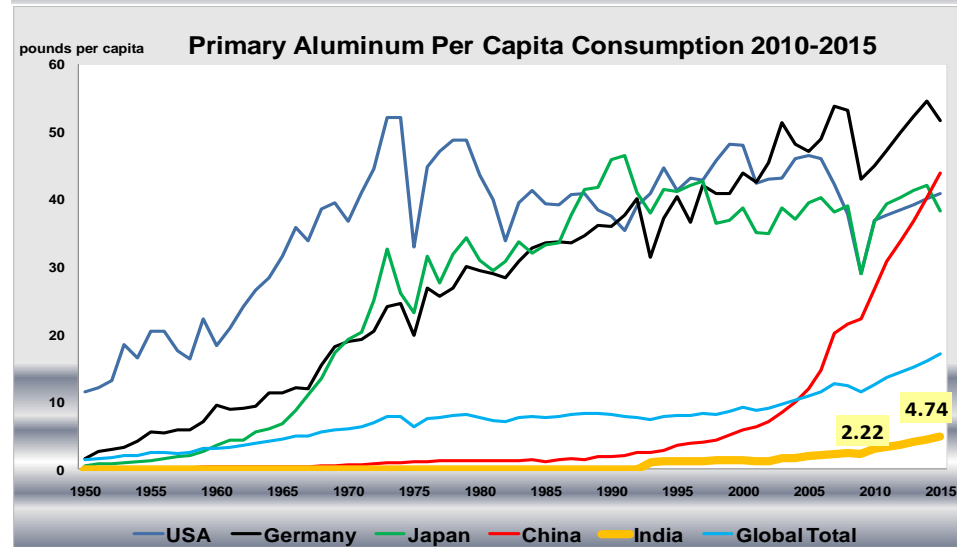
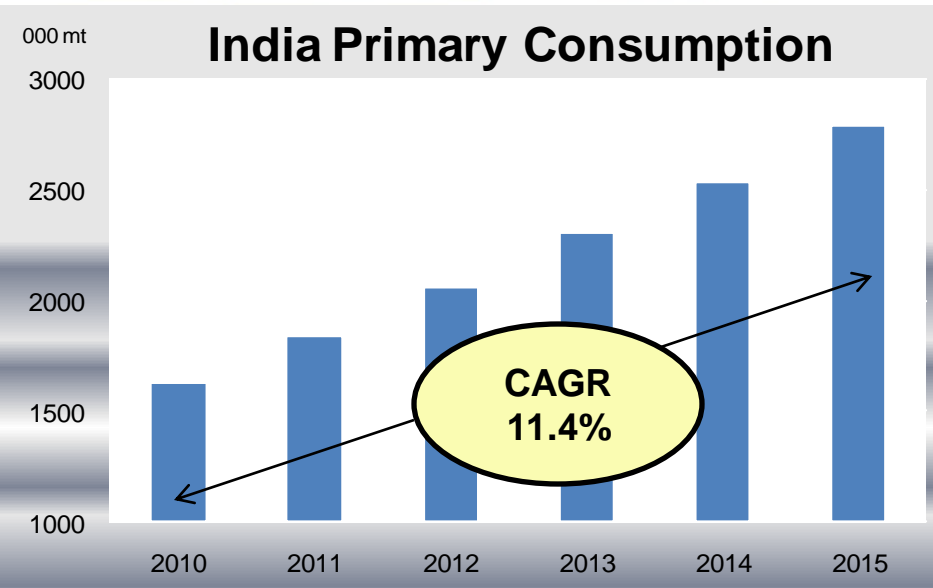
China Primary Consumption



India's growth potential is large

- There are 3000+ applications for aluminum in the world compared to less than 300 in India today
- Very rapid increase in incomes and development of large urban middle class

A 1 kg increase in per capita consumption would translate into 1 million tons of new demand

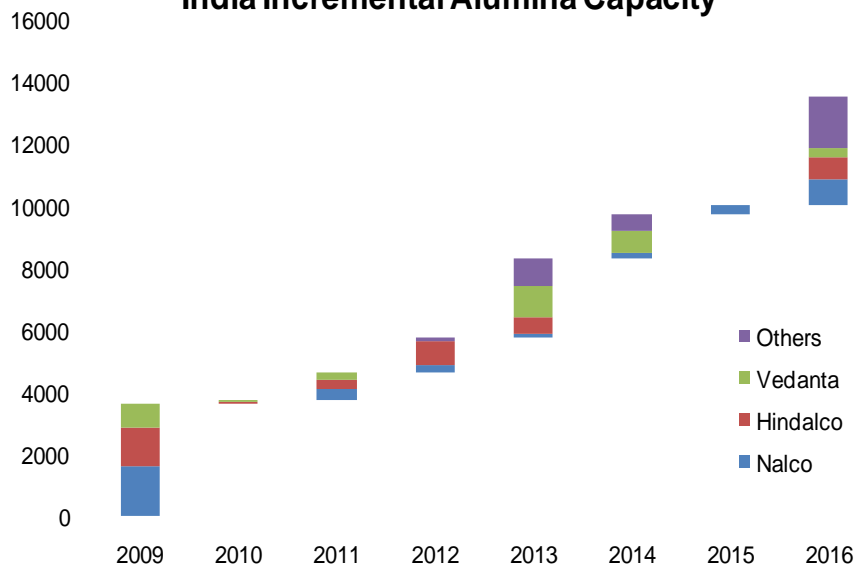


India “Big 3” have ambitious growth plans

Indian producers have major ambitions to raise refining capacity 2011-2016

Announced
10 million tons of
alumina capacity
by 2016

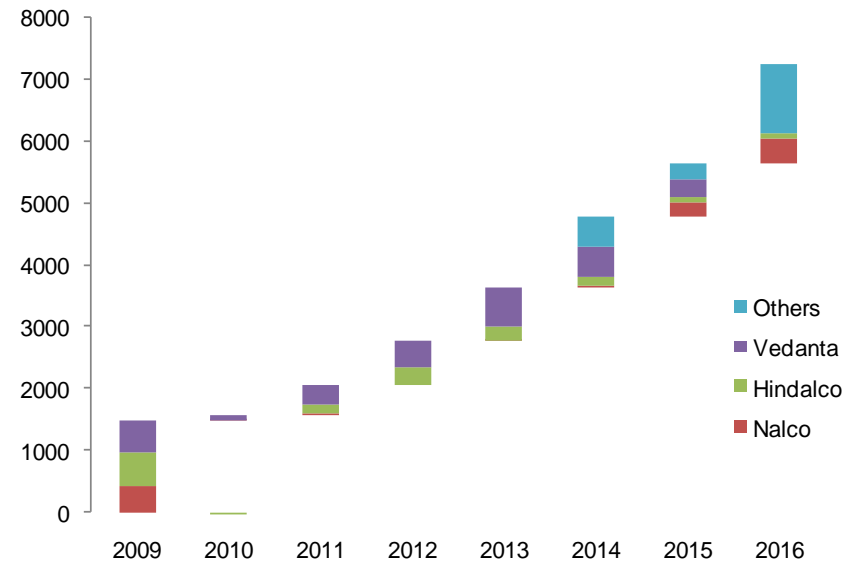
India Incremental Alumina Capacity



Matched by equally ambitious plan to expand smelting capacity 2011-2016

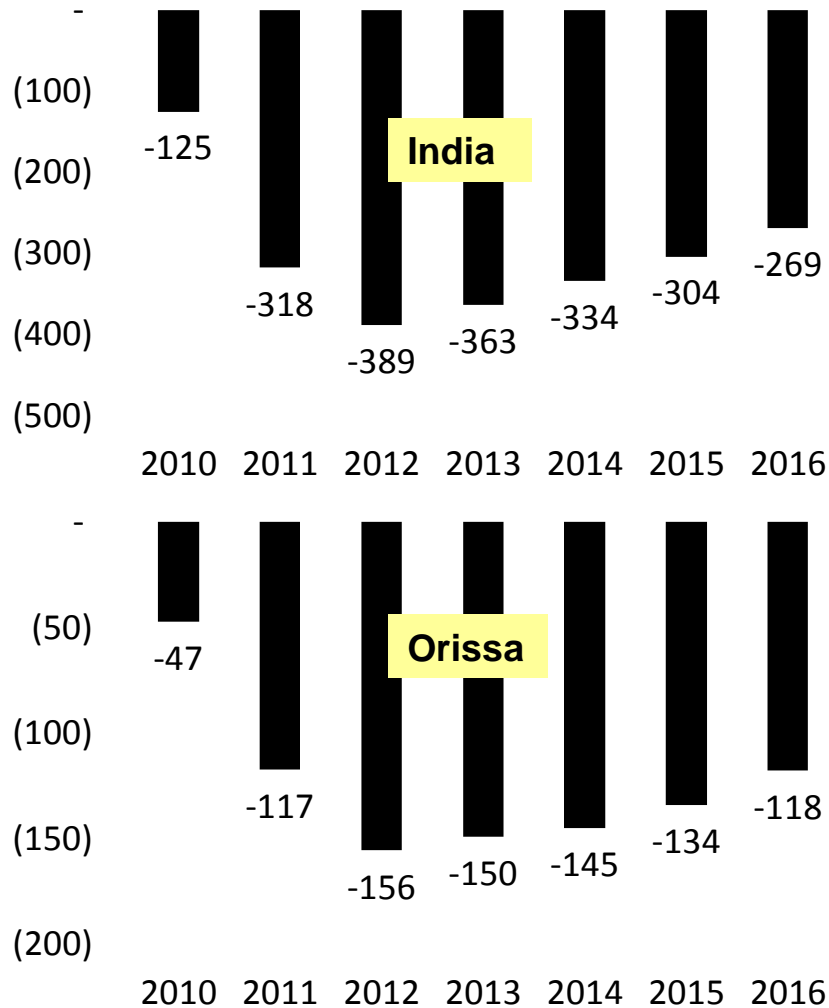
Announced
6 million tons of
smelting capacity
by 2016

India Incremental Aluminum Capacity



What could “derail” Indian smelter growth? COAL !

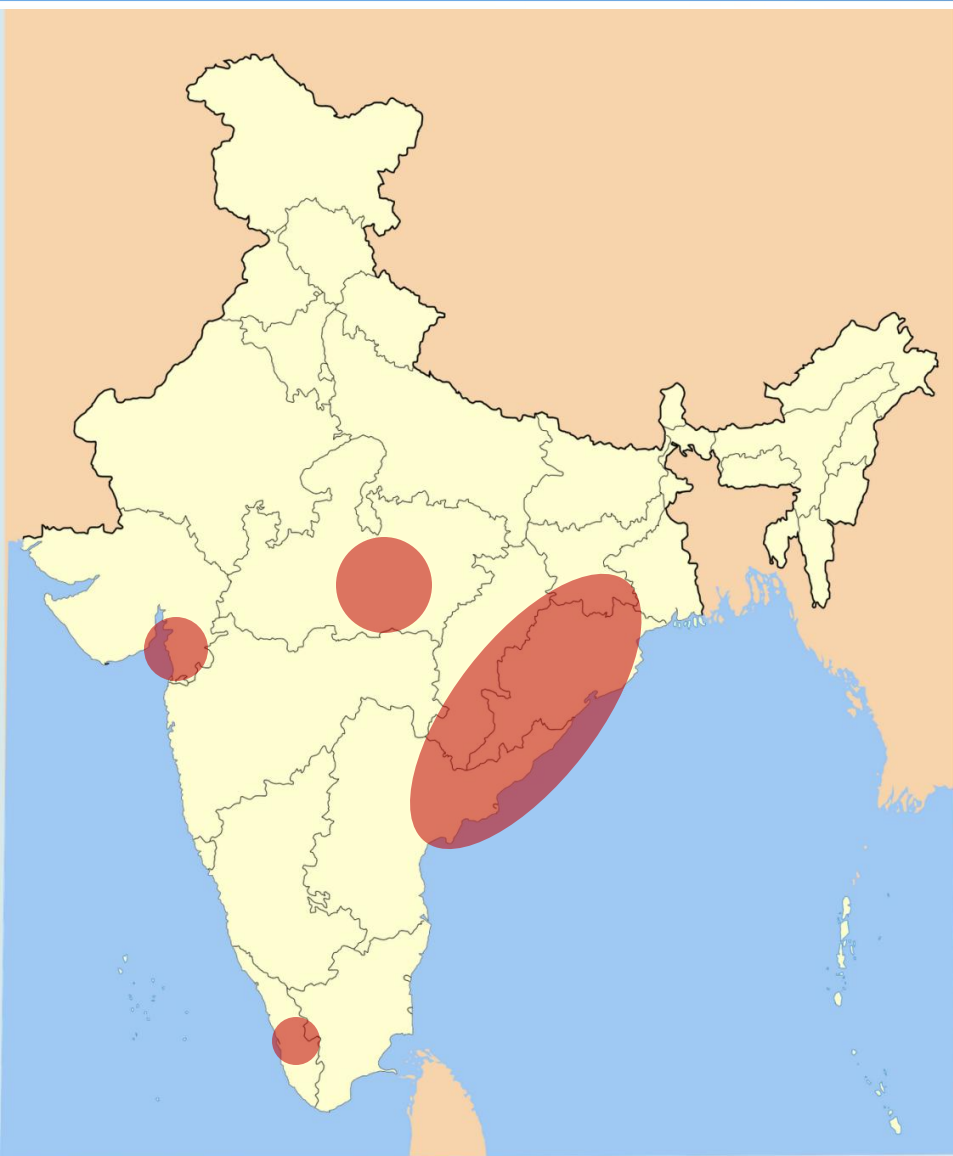
India & Orissa State have large coal deficits



Deficit will grow over the next 15 years

India in coal deficit every year since 1981

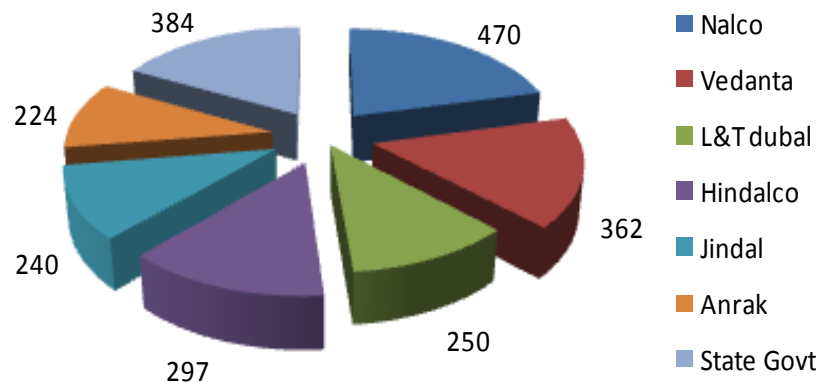
- Deficit has tripled since 2000
- Energy demand is expected to grow 6.6% /year next 20 years
- 2010 imports of 51 million tons
- 100 million ton imports by 2015
- 250 million ton imports by 2025



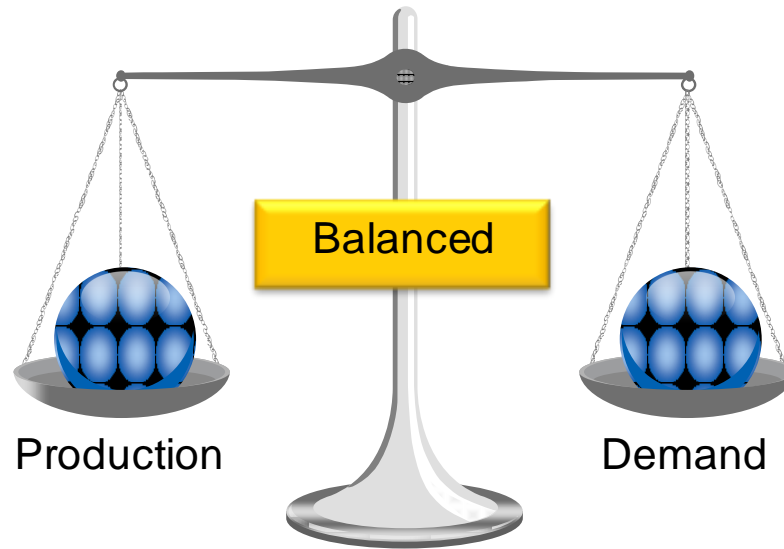
Large deposits highly concentrated

- Nearly 80% of India's 3.3 million tons reserves are concentrated in Orissa and Andhra Pradesh
- State controls 100% of mining
- Exports of bauxite are restricted to refine bauxite into alumina

Orissa and Andhra Pradesh allocation



Alumina remains in balance in 2011



China		Rest of World	
2011 Annualized Production	32,600	2011 Annualized Production	56,400
Imports from Western World	4,000	Exports to China	(4,000)
Supply	36,600	Supply	52,400
Demand	(36,600)	Demand	(52,400)
(Deficit) / Surplus	0	(Deficit) / Surplus	0



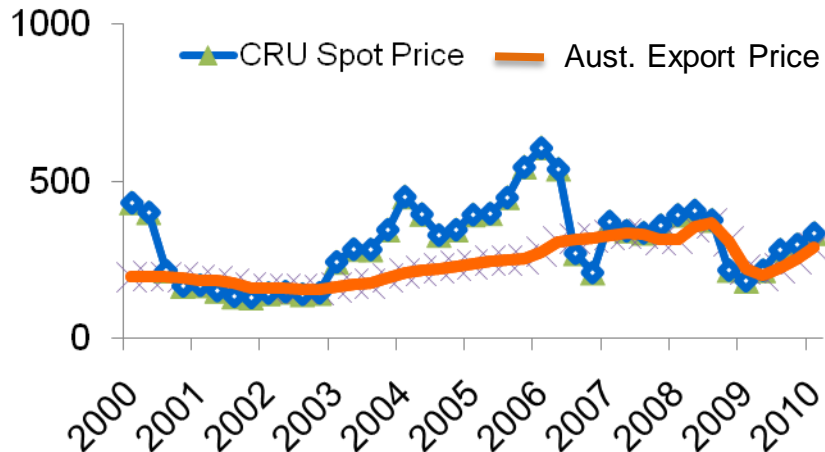
Alcoa believes SGA pricing should reflect fundamentals

Long-term, fixed percentage of LME pricing has not reflected fundamentals

Creating value for our customers

- LME-linked pricing has resulted in underinvestment in low cost refinery expansion
- High cost refineries operate today to balance supply/demand

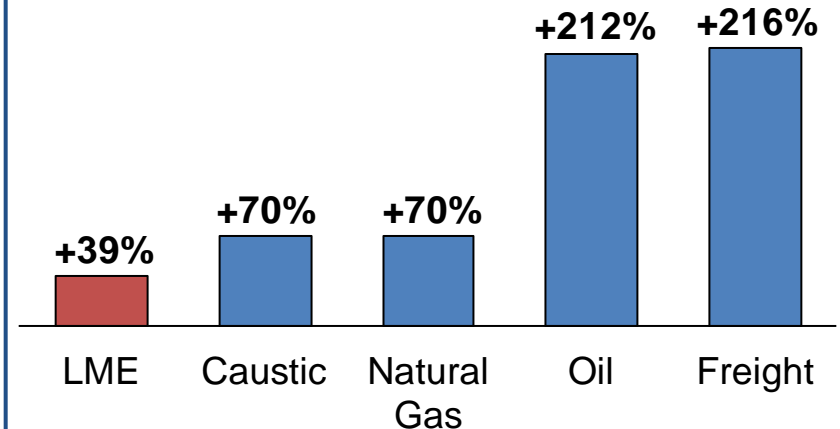
Alumina Spot and Contract Prices \$/MT



Creating value for our shareholders

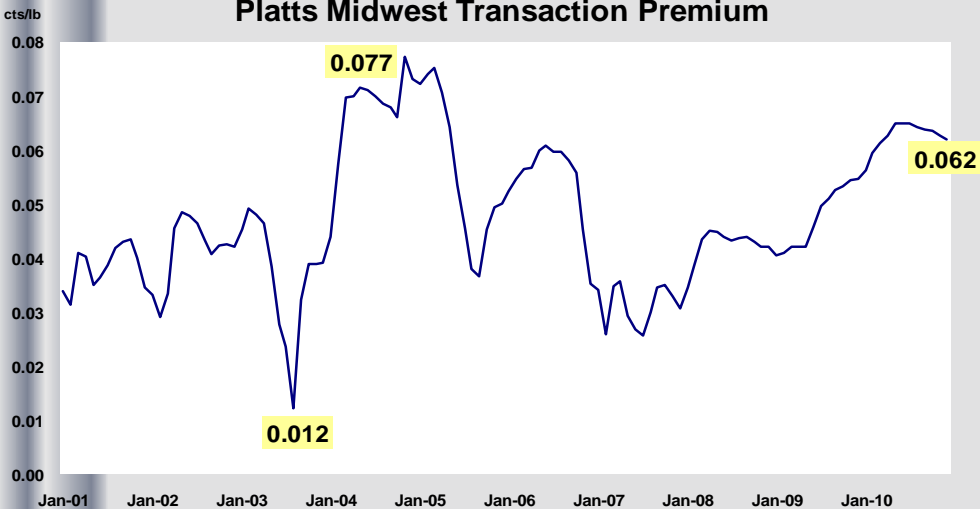
- Fundamentals-based pricing will reduce cost volatility impact
- Low cost position on the cost curve will be rewarded

Refining Input Costs vs. LME 2000-2010 YTD



Premiums also being driven by cost pressure

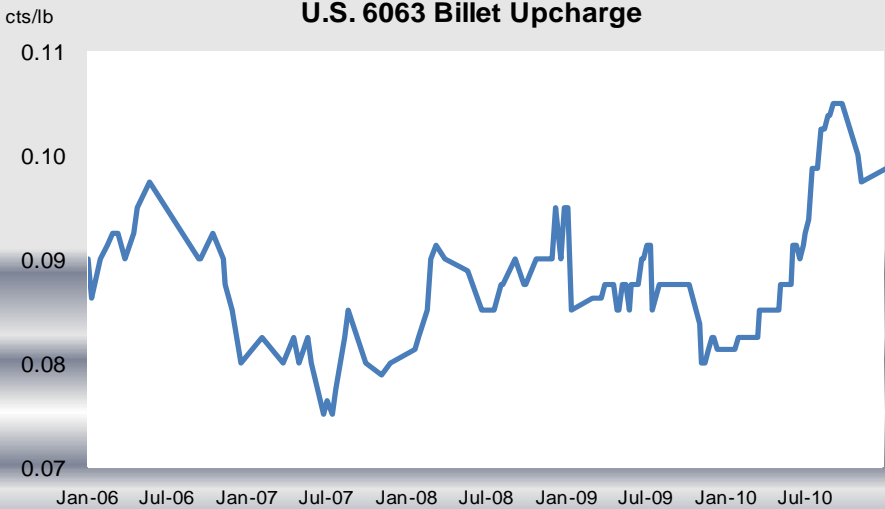
Platts Midwest Transaction Premium



**Platts Midwest
Premium Average
2001-2010
4.76 cents/lb**

**Platts U.S.
Billet Upcharge
2006-2010
8.87 cents/lb**

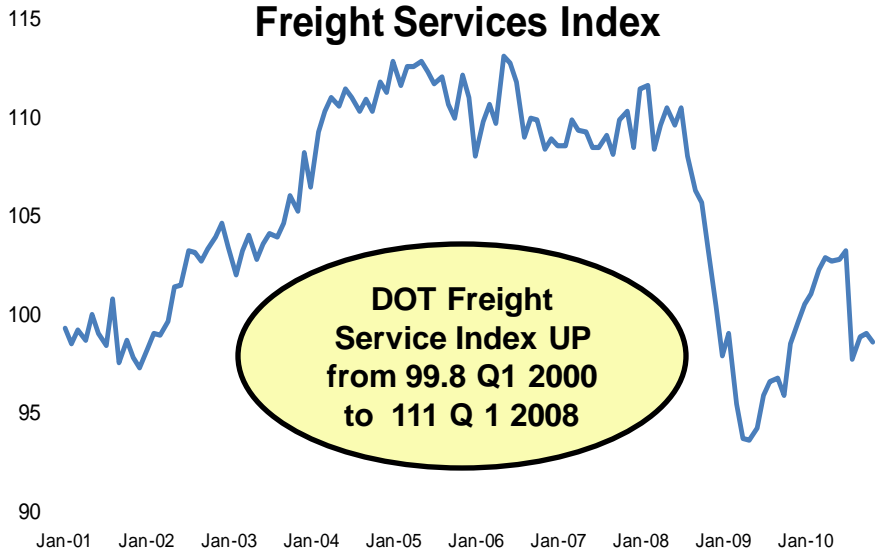
U.S. 6063 Billet Upcharge



Freight markets and prices have recovered

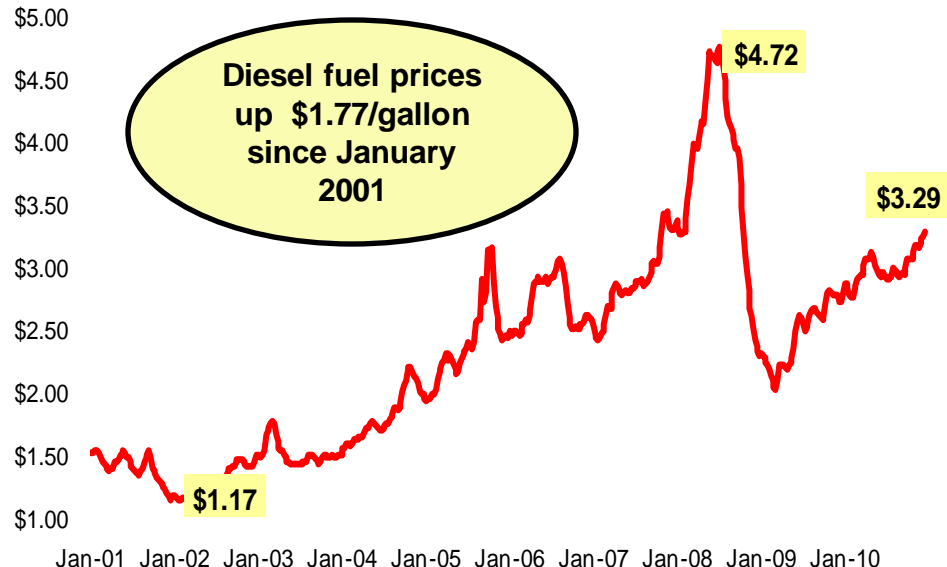
U.S. DOT Services Index

U.S. Dept of Transportation
Freight Services Index



Diesel Fuel Prices

U.S. EIA On-Highway Diesel Prices



Rail line haul rates + fuel surcharges inflation has had dramatic upward on delivery to Midwest:

In 2002, Quebec to Detroit rail = 1 cents/lb

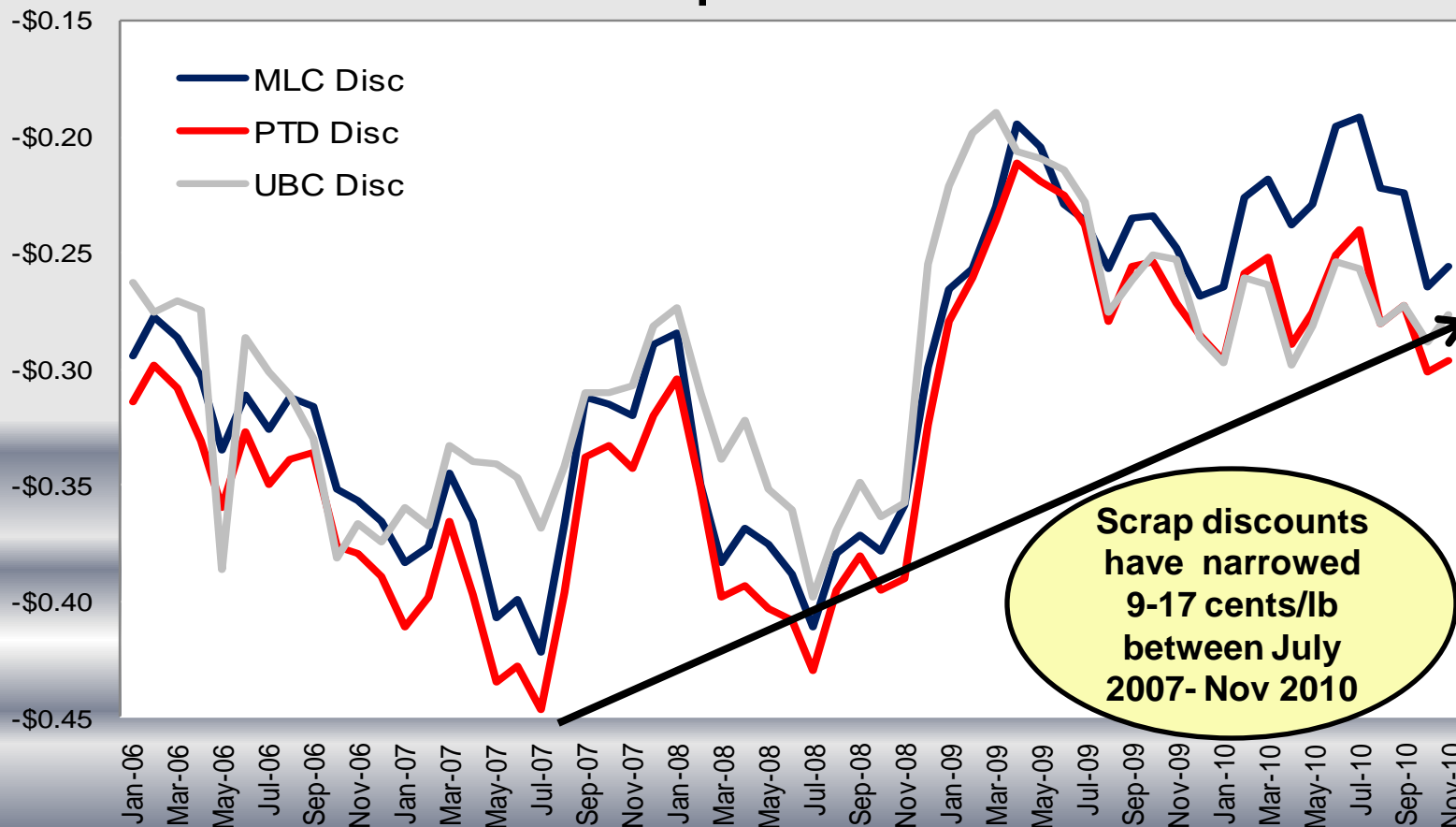


in 2010 = 1.75 cents/lb

+ 75%

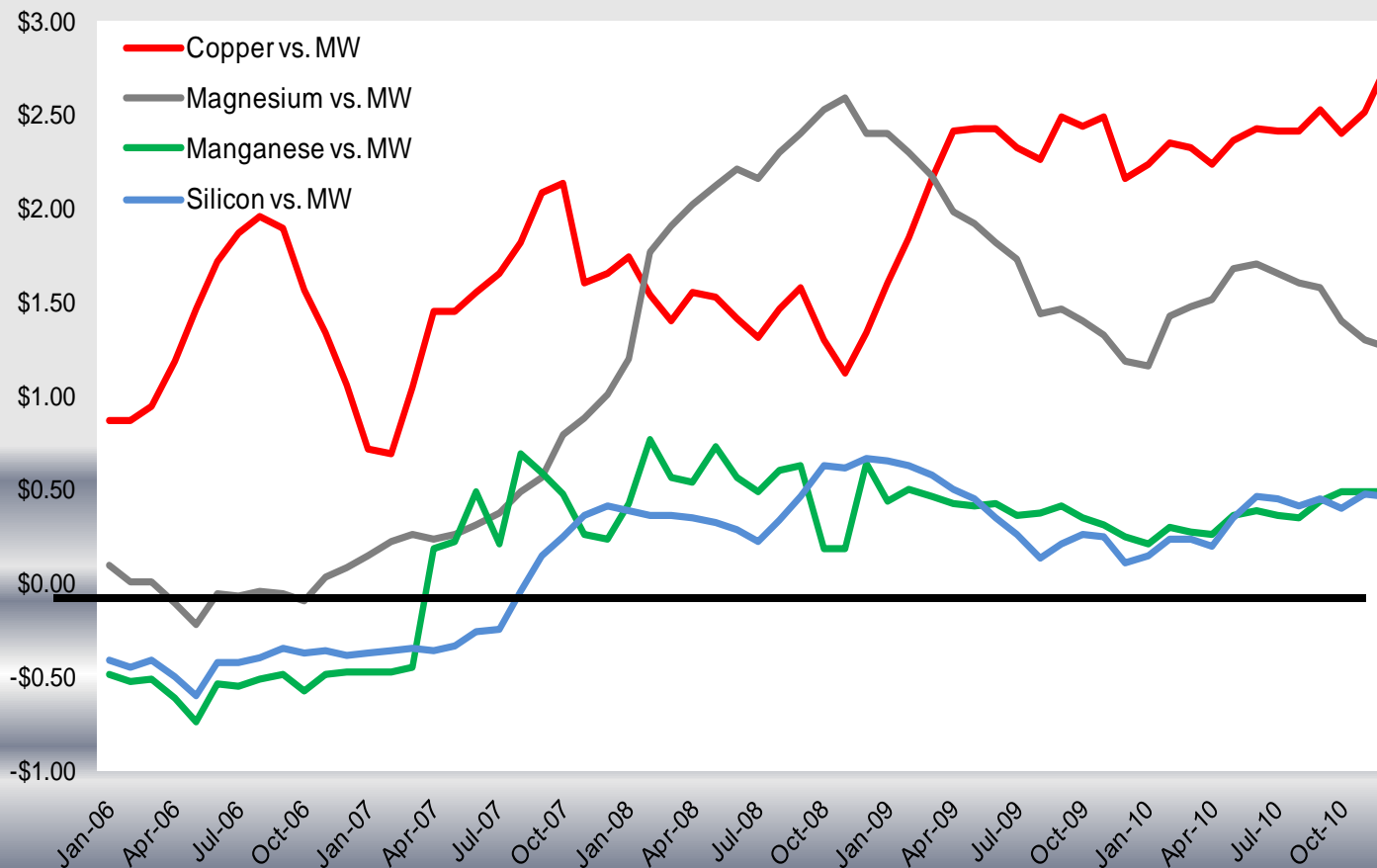
Scrap availability suffered during the industrial recession and discounts have shrunk

Mill Grade Scrap Discounts vs. MW P1020

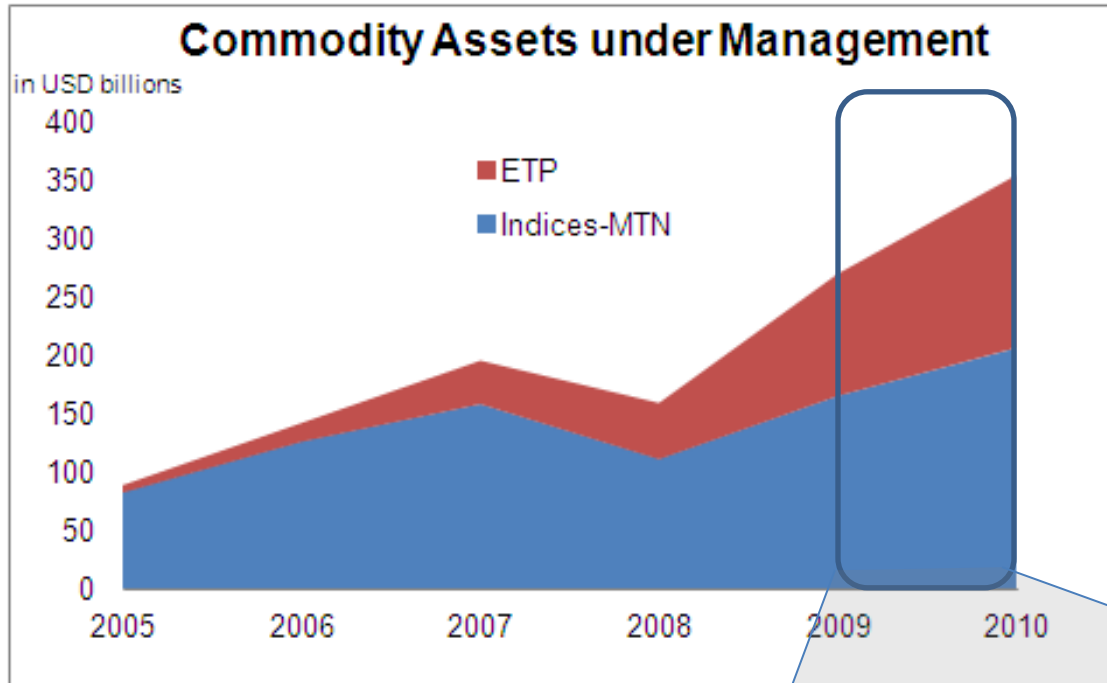


All Alloy Materials Trading at Premium to P1020 Since September 2007

Alloy Price Differentials to MW P1020

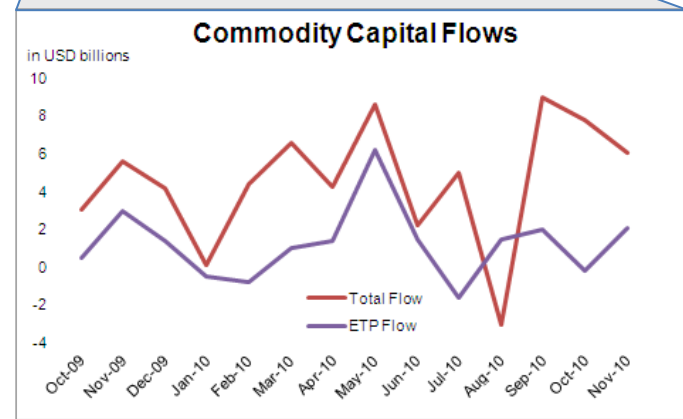


Commodities continue to be attractive to investors

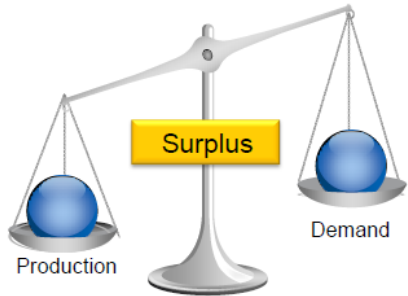


Exchange Traded Products (ETP) are growing at an exponential rate.

The average monthly inflow into commodity assets under management during 2010 was \$4.5 billion.



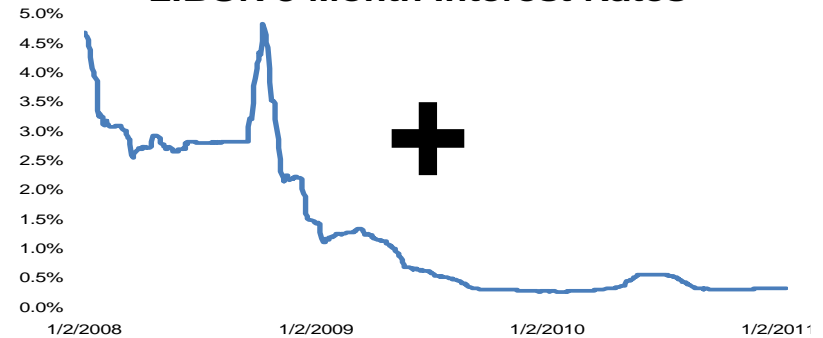
Global Surplus Product of 2008-2009 Recession



Decline in demand generated a surplus of up to 3.5 million tons

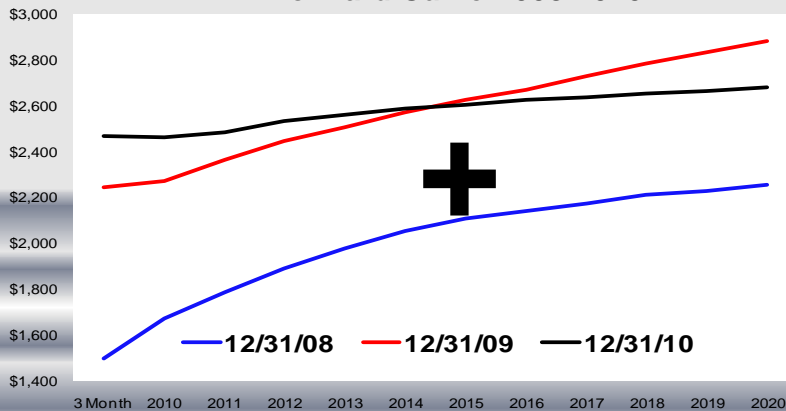
Low Interest Rates September 2007 to Present

LIBOR 3 Month Interest Rates



Attractive Forward Contangos

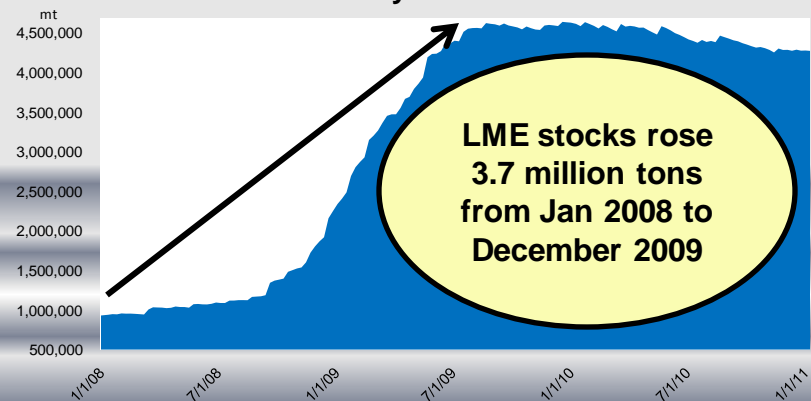
LME Forward Curve 2008-2010



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The Outcome: Higher Warehouse Stocks

LME Primary Aluminum Stocks



Cradle to Cradle Promotes Aluminum

- **Changing Legislative and Social Mores** demand aluminum be accountable for its production and life cycle attributes
- **Cradle to Cradle achieves this** by placing the proper emphasis on aluminum's superior use phase characteristics and recyclability
- This is critically important to all players in aluminum to **preserve and expand aluminum's market share against competing materials**
- The industry needs alignment on promotion of the **TOTAL LIFE CYCLE attributes of our product**

Alcoa's Sustainability Leadership



*Alcoa Primary
Aluminum
Certified*



FORTUNE
WORLD'S MOST
ADMIRED
COMPANIES²⁰¹⁰

- Global demand is being powered by China, other emerging markets, and overall economic recovery
- India is set to develop more quickly
- Cost-side recovery is impacting commodity prices...again
- Financial demand for commodities is strong
- The sustainability of aluminum throughout the supply chain will play a key role in future product development

