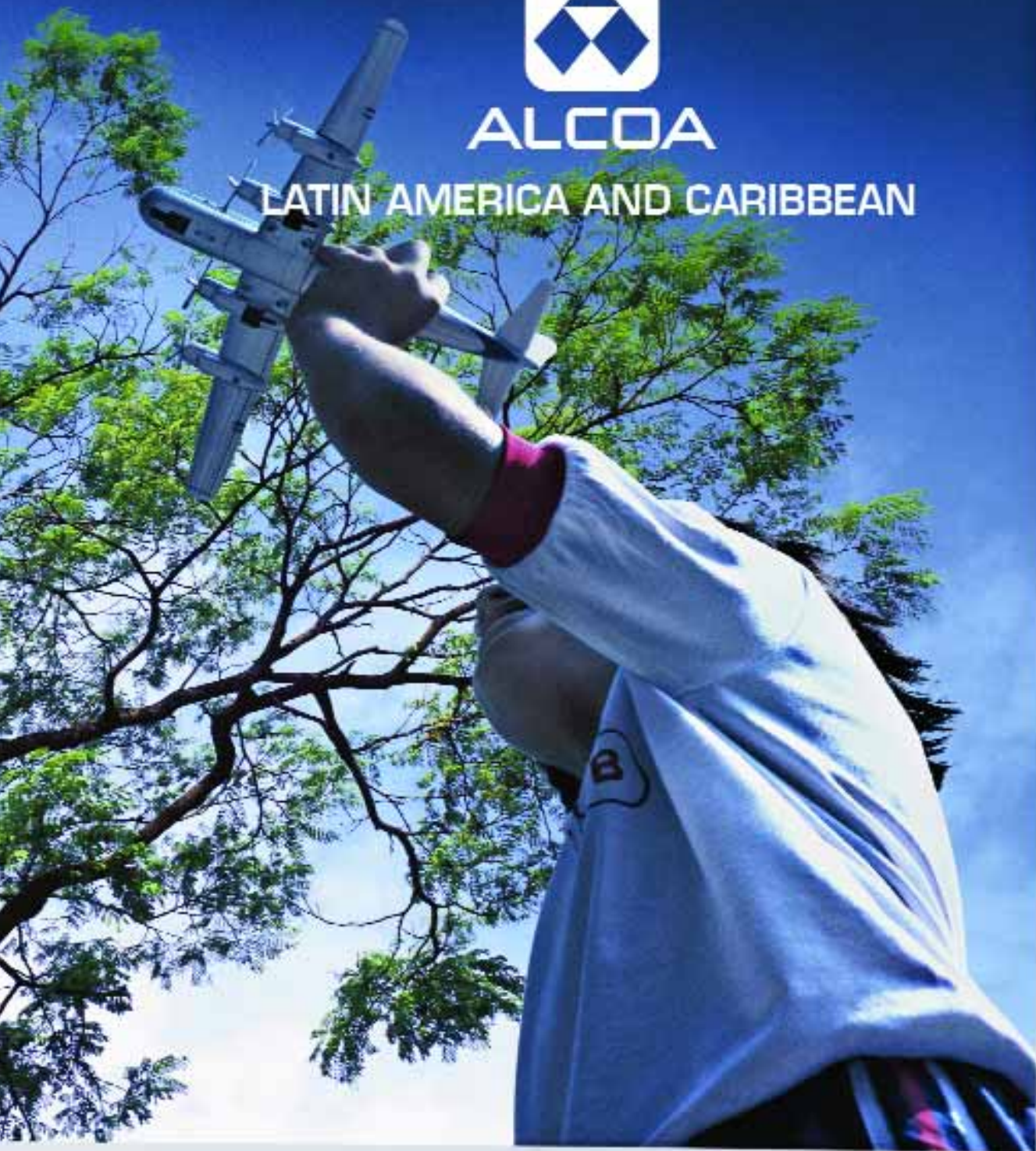




**ALCOA**

**LATIN AMERICA AND CARIBBEAN**



***EVALUATION AND OUTLOOK 2007/2008***



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The "Evaluation and Outlook" session 2007/ 2008 is an integral part of the publication "Gente em Ação" issue 69, dated as of February, 2008.

Published by  
ALCOA ALUMÍNIO S.A.  
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## **Historical results and new challenges ahead**

- **Franklin L. Feder**
- *CEO - Alcoa Latin America and Caribbean*

**W**e are really happy to publish this Evaluation and Outlook 2007/ 08 for Alcoans in Latin America and now in the Caribbean, as well. I will use this opportunity to welcome everybody from Alcoa in Jamaica, Suriname, Trinidad & Tobago and in St. Croix – the most recent members in the Region. You, and those who have been with us for a longer period of time, I invite to read this compilation of our achievements in the last year and our objectives and goals for 2008.

The evaluation of our business and our activities as a sustainable company is based on five points: Values – especially our performance in Safety matters; the financial return that we generate for our shareholders; the Company's future regarding the status of the growth projects; People; and our new organizational responsibilities.

As to the item values, I am proud to report that we reached new records in the Safety area. We ended 2007 without any fatality, with millions of men/hours worked without absence from work and at a frequency of recordable incidents of 0.54 – the lowest in our entire history. Considering the inherent nature of our industry and our projects, this is an absolutely significant result. The challenge is that in 2008, we will have to – since we want to – improve even more and work hard to achieve zero level of incidents. This is really feasible! We are close to it, and we have to concentrate our efforts even more.

We also advanced in the issue of Sustainability, especially in understanding the concept, the main action lines. The engagement of all of our locations with the communities around them continued to reach a remarkable progress. You know that the volunteer work – our program Bravo! – the core of our activities in the area of citizenship, has reached new records in participation. We behaved as citizens in the discussion about outstanding themes in our days, especially with the movie “An Inconvenient Green”, that deals with the global warming issue. Another important landmark was the improvement of our inclusion and diversity indices; in these issues, although we still have a long way to go, we continue to advance in the right and necessary direction.

In 2007 Alcoa celebrated the 10th anniversary of the ABS system implementation. And we are very proud of having in our Region two Plants – São Luís and Poços de Caldas – that are worldwide benchmarks of ABS's application. The challenge that all of us have to face is to extend this operational excellence to all other locations - and this without waiting for ten years, but still in 2008!

The second outstanding point in this Evaluation is the finding that the financial results in 2007 for Alcoa's operation in the Region were the best in the last ten years, if not in our entire history. However, excellent performances were also reached by a high number of companies in the industry in 2007, because of the extremely favorable worldwide context, and this raised the average price of aluminum, among other commodities. Therefore, we should and would celebrate these historical results, but we should also question if we did better than our competitors. This is our challenge for 2008. The Company's future lies also in what we call growth projects. We completed the expansion of the Rolling Mill in Itapissuma; we advanced in the construction of the bauxite mine in Juruti and in the São Luís refinery; we have started, with our partners, the construction of two Hydro-electrical Plants (Serra do Facão and Estreito); and we continue with the modernization of the Poços de Caldas Smelter. These are examples of how much we advanced in 2007, but, our collective challenge is to deliver these growth projects in time, with the authorized quality and costs. This is not a minor challenge, either.

An advance such as the one our Company achieved in 2007 cannot be reached without the total engagement of People. The two major Employees' Satisfaction Surveys in 2007 found out that our personnel's engagement continues to be high and above global average. However, it does not suffice to be better inside the Alcoa system. Our challenge - mine and yours- is to develop People, in addition to attracting and retaining the best talents. We have to maintain our position as the national and global benchmark in 2008.

The fifth striking fact in 2007 was the responsibility entrusted to us of leading the activities of Alcoa's units in the Caribbean. Since October last year, the important operations, especially in Suriname and in Jamaica are now part of our Region. I am sure that we will have many opportunities for mutual learning among businesses, locations and support areas. Let's start doing it!

In summary, this Evaluation shows that we have reached historical results in 2007, but that, in 2008, we have a lot, really a lot to do. And I must tell you that I do not fear this challenge, since, year after year, the Alcoans continue to show their magnificent capacity to overcome problems. I thank you very much for everything achieved in 2007, and want you to count on me for anything you need, so that we can make 2008 another successful year!

**Enjoy your reading! ●**



● **Financial Department**

## **Year of achievements and historical records motivates people for challenges in 2008**

● **Aquilino Paolucci**  
● *Financial Director*

The year of 2007 was exceptional for Alcoa in Latin America and the Caribbean. The Company achieved historical records in business volumes and financial results that were 26% higher than in the previous year. Considering all of the operations, Alcoa sales reached the historical level of US\$ 2.9 billion and its net profit attained US\$ 475 million. Thus, the return on investments achieved the high of 22%, considering the assets in operation.

This result, in addition to the excellent performance of Primary Products and Manufactured Products was benefited by the positive variation of aluminum and alumina prices, as well as by the positive results of the Treasury department and of taxation transactions, that made up for and surpassed the losses caused by the exchange rate with the Real at a high value and high costs of raw materials and other local inputs. "Although we have not reached all of our desired goals, there is not doubt that the year of 2007 will stand out in our region's history", said Aquilino Paolucci, Financial director for Alcoa Latin America and the Caribbean.

Other important financial highlights were the significant advances in all growth projects, implementation of the bauxite mine in Juruti, located in the West of the state of Pará, à the expansion of Alumar's Refinery in São Luís, Maranhão, as well as in the electrical power and rolled products' projects. In total, these investments reached US\$ 958 million in 2007, taking the Company's asset base in Latin America and the Caribbean to near US\$ 3 billion. "These figures translate the total commitment of Alcoa Inc. with the development and the future of the operations in Brazil and in our entire Region", defines Paolucci.

In order to face such substantial investments, the Company counted on a strong operational cash generation – in the order of US\$608 million – supplemented by the head office's contribution and

also by the inflow of financial partners, such as BNB-Banco do Nordeste do Brasil and BNDES-Banco Nacional de Desenvolvimento Econômico e Social, showing the support from the Brazilian government and its interest in Alcoa's development and growth in the Country.

The Financial Department also reached important achievements both regarding financial management and internal control environment. The improvement of the forecasting system and results' follow-up, as well as the excellent effects resulting from the Treasury's internal controls, checked by the annual audit, illustrate this progress and improvement.

According to Aquilino Paolucci, for 2008, opposite to the favorable macroeconomic environment of 2007, the challenges will be intensive and will require attention as of the very first days of the year. Reduction in the

international aluminum price, exchange volatility, escalation of electrical power and raw material prices, in addition to the alert signs in the Brazilian energy balance, make up for a challenging scenario, substantially different from what we experienced in the past year. "The international economic situation in 2008 is expected to go through, especially during the first semester, an important impact due to the crisis in the North American real estate market, and this points out to economic activity decrease in the United States, with possible impacts on Japan, China, and consequently, on Latin America as a whole", he says. Considering this scenario that leads us to so many concerns, the Financial Department's goals continue to be: complete successfully the Primary Products expansion projects; reach, and, if possible, surpass the financial and business' financial goals; and maintain or even raise the current operational excellence and internal control levels, all of this always maintaining and experiencing our Company's Values. ●

● **Considering all operations, Alcoa's sales reached the historical high of US\$ 2.9 billion and its net profit attained US\$ 475 million**





## ● Juruti

# 2008 - A year of reinforced relationships and optimism

- Nilson Pereira Souza
- Vice-President of Primary Products

The possibility of 2007 being a year with positive energy was already seen in the beginning of the year. And the forecast became true: The first “Sustainable Juruti” meeting, conducted in January, with a massive presence of the Juruti people, opened space for a bubbling environment of dialogue and approximation of the community and stakeholders.

In this universe of partnerships, Alcoa strengthened its relationship with local entrepreneurs, by means of the PDF – Suppliers Development Program, from FIEPA = Federation of the Industries of the state of Pará; completed negotiations in the Positive Agenda with local public authorities; had the right to exploit mines published in the Official Gazette; participated in two extraordinary public meetings led by the State Public Attorney’s Office and devoted itself to make progress in the development of actions of the 35 PCAs (Environmental Control Plans) to secure the Installation License’s renewal. “There were times of important adjustments where dialogue and partnership were crucial. Moments that were right for the establishment of the bases for the construction of what we believe to be the true sustainable development of Juruti, converging with all expectations of the local society”, stated Nilson P. Souza, Primary Products’ vice-president. An example here was the First Integration Workshop, held in September, where public authorities, social movements and private initiative spoke, unanimously, about the installation of the Sustainable Juruti Council, planned for 2008. In parallel with the Positive Agenda social actions and with the PCA’s- Environmental Control Plans, the Mine construction works gained momentum, closing the year with 61% completion. The performance could have been even better if the rainy season in the Amazon region had not began in Decem-

ber, before the forecast time.

In spite of such a challenging year, the spirit of the team, with over five thousand people, has never despaired. Thus, the Juruti Mine:

- Reached 10 million worked hours without any incident with absence from work.
  - Obtained the Installation License renewal, in force until December 2008, covering the port terminal, road and railway, infrastructure for the mining work and ore processing.
  - Confirmed with the State Environment Department, the commitment to invest R\$ 25 million in the National System of Conservation Units (SNUC, in Portuguese), as the first company in the country to apply the gradual environment compensation methodology.
    - Implemented 100% of the PCAs, a legal requirement to be awarded the future Operation License.
      - Paid, to the Local Authorities, a total of R\$ 19 million in ISS-Tax on Services.
      - Committed the amount of R\$ 331 million to contracts with local suppliers.
      - Negotiated R\$ 25 million in pieces of land required for the facilities of the Mine works.
    - Fostered local vocations with the development of community projects for the raising and management of fish and chelonia; use of non-wood forest resources and valuation of arts and crafts, in addition to promoting new income generation opportunities, by introducing labor training courses, especially the pioneer offer of technical-professional courses in Juruti, family vegetable gardens planting guidance, and training of local entrepreneurs.
- According to Nilson, the Company will continue in the path of conquering, every day, the right to operate the mine. “It is a long way, but we are unwavering and we are fully committed to the Company’s values and the ideas of the Juruti people for better quality of life, promoted in a sustainable and perpetual environment. We worked hard to close 2008 with the first ship anchored at Alcoa’s port in Juruti and disclose the plaque of the 70th anniversary of Alcoa’s Bauxite Mine”, he completed. ●

● We are unwavering and fully committed with the Company’s values and with the ideas of the Juruti people for better quality of life.



## ● Primary Products

# We surpassed the goals of production volume and profitability

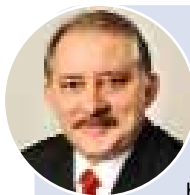
## ● Nilson Pereira Souza

### ● Primary Products' Vice-President

One of the major achievements of the Primary Products BU in 2006 was the completion of the expansion of Alumar's Smelter Line III. As a result of this, 2007 marked a new page in Alumar's history. Goals were not only met, but also surpassed, both in production volume and in profitability. In the Safety and Environment area, the results were the best in the history of the Refinery's operation. According to Nilson P. Souza, Primary Products Vice-president for Alcoa Latin America and the Caribbean, the major consequence, however, is not related to figures. "It was the impact caused on every one that contributed for the Project's success", he stated.

Regarding businesses, the addition of one hundred pots in operation generated increase in volume, producing around 6,300 additional tons. Thus, production achieved a record of 1.47 million ton, the best in the Refinery's history. In addition to this record, other records were also achieved, such as: amperage record, reaching 231 kA in Line I and 230 kA in Line III; primary metal production record, at 447.155 ton; and alloy production record in the ingot casting plant at 153.008 ton.

The favorable results achieved in 2007 were possible only because of people and of a strong management system. "At the Refinery, the system consolidation process continued steadily and the implemented improvements confirmed the robustness and efficacy of a set of tools for the operations'



## ● Nilson Ferraz

### ● Director of Alumar

Even with adversities such as the devaluation of the Dollar, 2007 was one of the best years in our History. We have plenty to celebrate. We reached production records at the Refinery and Smelter, we had the best Safety result with Alumar and Contractors' employees, we were able to reduce by 50% the consumption of drinking water at the Plant, we invested around R\$ 7 million in community projects, and, in addition to all of this, we had the highest number of Bravo members among all Alcoa units worldwide. Stability, competitiveness and productivity are key words to ensure our success. We will continue to excel in the Sustainability of our operations, as well as in the development of an incident-free environment. 2008 will be a decisive year for the Refinery's Expansion Project and beginning of construction of the Bauxite by-products area. To reach these objectives, we will work in the development of people, since they are the basis to ensure our results.



success. Besides, our employees, are increasingly integrated to the system, and with strong enthusiasm, they are always in search of surpassing their goals. An evidence of this were the Unit's recognitions in the SARM", said Nilson P. Souza.

Safety was another outstanding item at Alumar. For the first time, since start-up in 1984, there was not a single recordable incident with contractor employees.

In incidents with full injuries, 24 events were recorded, one half of incidents compared to 2006, that had already been a record year. Regarding Alumar employees, the BU achieved the lowest number of recordable incidents ever, at seven events. Adding up Alumar's and Contractors' employees, there was 23% reduction in incidents. "We eliminated in the entire Plant, 55 fatality risk conditions: 37 at the Smelter and 18 at the Refinery", explained Nilson P. Souza.

According to the director, 2008 will be different. The BU will have, definitely, started the process of receiving new pieces of equipment for the Expansion work, the largest already built in the world, which will make the Refinery one of the largest in the planet, and Alcoa's second largest. "This year we will continue steadily to pursue an incident-free environment, we will strive for new production levels without impacting or being impacted by the expansion activities and we will make a strong effort to surpass the profitability expected by the shareholders", added Nilson. ●



## ● João Batista Menezes

### ● Operations Manager - Poços de Caldas

Several challenges will have to be met by Poços de Caldas in 2008. As important as achieving financial results, will be to repeat and improve the safety performance we had in 2007, taking this culture to the expansion of the New Soderberg Project in Line II. In addition, to ensure, concurrently, operational stability, zero incidents and high quality environment. In 2008 we will reinforce the integration of Sustainability in the business strategy, participating decisively in the development of the Poços de Caldas city, by means of tangible actions such as: mapping of stakeholders, creation and dissemination of the RPPNs - Private Reserve of Natural Assets (Retiro Branco and Morro das Árvores) and the launching of the Alcoa Poços Sustainable Award for the region's community. Last, consolidate round powder customers and develop the market niche for high purity atomized aluminum whose profitability is higher than the profitability of the current aluminum powder.

● **Primary Products Commercial Department**

## **Leadership in Chemicals and Metal determines an excellent year for the Area**

- **Enzo Compatangelo**
- **Primary Products Commercial Manager**

**W**ith the strategy of showing the customers the advantages of being a partner to Alcoa, the Primary Products Commercial Area regained, in 2007, the market share leadership for Primary Metals, kept its leadership in Chemicals and increased the sales volume of added value products. "We made strong efforts to deliver to our customers, in addition to metal, services such as technical services, delivery performance of almost 100%, ABS training and other concepts", explained Enzo Compatangelo, Primary products commercial manager.

According to him, another important challenge was to supply the high demand for aluminum alloys in the European market. For this purpose, the exceptional work performed by the Plants in Poços de Caldas and Alumar was decisive, since they allied the increase of alloy production capacity and improvements in the quality and safety conditions, reaching a new operational level with low financial investments.

Regarding Chemicals, even with a small decline in volume, which took place due to the reduction of sales to low profitability customers and operational problems in manufacturing, invoicing grew by 3%. "We closed the year of 2007 in a better situation than we expected, even with prices above our fore-

● **We closed 2007 better than we expected, including with prices above our forecast.**

cast. We reached the target of reducing trader volumes, dropping from 71 thousand to 24 thousand ton. This is the result of a daring market repositioning policy, focused on the most profitable customers", stated the manager.

Another factor that also influenced the Area's growth was the strategy of penetration in strong development markets. Segments such as packaging, automotive and civil construction were the major reasons for the increase, at 12% each. Alcoa's primary aluminum sales in 2007 reached 378 thousand ton, out of which 40% were designed for exports (European Union, Colombia and USA), 36% for customers in the domestic market and 24% for the Rolled and Extruded Products' Units in Brazil. "

The stability of alumina prices worldwide in 2007 contributed for sales increase, since customers were able to prepare a better schedule in terms of costs. On the other hand, exchange rate, with 17% devaluation, made margins fall substantially, compelling us to reposition prices in certain segments", said Enzo Compatangelo.

In 2007, one of the highlights was the increase of profitability and sales volume of by-products. The Applications and Development Team, located in Poços de Caldas, started to focus effectively on the by-products marketing. Under this new view, integrating research and commercial management, the First Alcoa By-Products Marketing Global Forum, where one of the results was to create work groups to deal with each one of Alcoa's major residues in a global context. IN addition to the growth of sales of by-products from 17 thousand ton in 2006 to 37 thousand ton in 2007, such initiatives contributed for the development of the Cryolite Coal Project, changing waste into raw material that started to be used by cement companies (case awarded in the HSE category at SARM 2007), generating financial gains and reducing the size of areas needed to dump this material.

For 2008, the challenges are already in the agenda: raise the perception of quality of the commercial relationship before customers; improve the customers' understanding of value in the Primary Products Organization; reduce even more the volumes available for traders; reach zero delivery problems; create a long term business case for Powder Aluminum. "The achievement of our goals depends basically on the performance of the Primary Products Commercial team, whose motivation and efforts have been total in the last years", finishes Enzo. ●



## ● Extruded Products

# Success in yield and stable profitability in 2007 increase optimistic view for 2008

- Luís Augusto Barbosa
- Director of Extruded Products

2006 was a difficult year for the Extruded Products Division due to the end of the Cold Finish Project and to the restructuring of Alcoa's participation in the world market of aluminum profiles; however, the year of 2007 represented a period of achievements. The improvement of Safety and Human Resources indicators corresponded to important achievements for the Extruded Products Division. However, the most significant evolution was attained by the financial results. "The Unit had not reached such positive results in a long time. Two reasons contributed for it: a very favorable market, with significant growth, above 12%, and the work of internal restructuring and selective activities in the different market segments" explained Luís Augusto Barbosa, director of Extruded Products - Alcoa Latin America.

With the completion of the reorganization, the Division reviewed its way of operating in various markets, and kept, working more intensively, only the most profitable segments, which appreciate the quality of Alcoa's products. Civil construction was one of these segments. "We strengthened our distribution network with the Alumínio & Cia. chain; we increased the sale of exclusive lines - with the strategy of differentiating our products from the most commonly seen profiles in the market: the Inova Line, for instance, launched in 2006, surpassed its sales goals last year, a fact that contributed for us to reach 32% market share in civil construction", said Luís Barbosa.

Other strategic sectors also proved successful. A significant increase in sales and profitability also took place in the industrial market, especially in the automotive parts segment.

Exports, considering the new exchange rate reality,

were reduced for regions such as North America and Europe and strengthened for South American countries and new markets. The Division advanced intensively in sales and knowledge of markets such as Uruguay, Paraguay, Chile, Argentina and some African countries. Although these locations generate a slightly lower volume than the USA and Europe, they brought higher profitability in exports, because of best prices.

In addition, internal efforts carried out in our plants were also crucial for the good results achieved by the Extruded Products Division. Among them, the improvement in production processes and the use of several ABS tools, which reduced both costs and inventories.

Several challenges are expected for 2008. Among them, the conquest of a larger market share in the target segments, a strong increase in sales volume, and, therefore, reduction of idle time in plants and stabilization of the BU's profitability. "We foresee a very competitive market in 2008, with the installation of high production capacity by our competitors. Therefore, we have to be increasingly competitive if we want to reach the goals and have a year as good as 2007", said the Extruded Products' director. ●

● The Unit had not reached such positive results for a long time, with a significant growth, above 12%.



● **Human Resources**



## **Standardization of HR processes triggered improvements in 2007**

- **Silvia Dias**
- **Human Resources Director**

As the second year of implementation of the new Human Resources model, 2007 focused on consolidation, alignment and standardization of the operating processes, in addition to giving special attention to the day-to-day work, viewing to correct and to advance in methods and systems practiced in the previous year. One of them is related to significant improvements in the automation of the HR department, with more interconnected processes, in search of increasingly better services, based on continuous measurements of the work. Improvements in the portal also resulted in 99% availability. At "RH Atende" (electronic service center in kiosks) the Area reached 84% satisfaction level. The voice channel generated 50% savings in telephony. According to Silvia Dias, Human Resources director, these systems contribute, basically, for the continuity of Alcoa's success. "We still have a lot to progress, and, for that, we always count on the feedback from all. In 2007 the opinion channels were quite used, but, the more participations, the higher the return. We are always available and we feel very happy to listen to how we can improve HR services" said the director.

As important as the opinion surveys to identify the development of communication channels, were the Employees' Satisfaction Surveys. Two of them were carried out in 2007, one Regional and one Global, for which around five thousand employees were surveyed, and they made comments on several aspects of the work environments. "We achieved an average of 70% satisfaction level and we are already starting action plans to do even better in 2008", said Silvia Dias.

As a tool for process improvement, the Human Resources Department is now using ABS first implemented at GBS HR, where indicators were defined to follow-up activities, show advances and evaluate locations that need more attention.

Other initiatives were also relevant for the progress of the Human Resources area in 2007. One of them was the benefit package's improvement, offering to employees of all levels, a dental plan, subsidy for health management

● **2007 focused on consolidation, alignment and standardization of the operating processes, in addition to giving special attention to the day-to-day work, viewing to improve methods and systems.**



means of pharmaceutical benefit, and adaptation of the pension plan to market practices. Also relevant were the standardization of contracts with suppliers of Recruitment and Selection throughout the country, in order to align practices and Alcoa's policy values; investments in the order of R\$ 5 million in technical leadership trainings and another R\$ 5 million in refunding under graduation, graduation and language courses; the institutional internship program for a more robust development of young professionals, and hiring around 700 Alcoans in 2007. "These experiences and learning of the new model have been so important that they were examples even for Alcoa Units abroad", reports Silvia.

With the reviews and improvements implemented in 2007, the area has been preparing the Company for a new cycle, to expand the Human Resources qualifications, starting new projects that will add more value to Alcoa. "Knowledge management, structured projects of Human Resources strategy, Sustainability and projects that view to increase our organizational efficiency are some of our subjects for 2008", completed the Human Resources Director. ●

● **Laminados**



## **Safety, stability and market are the targets in 2008**

- **Michael Humpert**
- *Rolled Products Director*

**F**ollowing the strategy of the Rolled Products' area of achieving a concentration of more sophisticated products, with higher added value, during 2007, Alcoa Latin America and Caribbean specialized in the production of fine foil and increased the products' variety. The share of foil in the Company's production portfolio has increased year after year. One of the main reasons was the start-up of the new fine foil rolling mill. The equipment, which started operating in the fourth quarter of 2007, increased the material's production capacity by six thousand ton/year.

Another highlight in the Rolled Products area in 2007 was the continuation of the efforts of knowledge and application of the seven stability tools of ABS-Alcoa Business System, especially the Daily Management and TPM-Total Productive Maintenance. In the Plant area, many efforts of the Rolled Products' team were focused on the equipment basic conditions, using TPM. According to Michael Humpert, Rolled Products Director for Alcoa Latin America and the Caribbean, this evolution of stability tools will continue in 2008, since it helps to educate employees with a higher level of information, improving the plants' performance and the self-esteem of Alcoans. "It was clear that we had significant improvement in the plants performance in terms of production volume and reliability of equipment, in addition to creating a safer and more pleasant work environment, providing higher satisfaction to employees", he said.

● **The work of evolution of the stability tools will continue in 2008, since it helps to improve the plants' performance and the self-esteem of Alcoans.**



In addition to process improvement, the Rolled Products Department achieved good results by reducing production costs, a necessity, due to inflationary pressures of the price of some raw materials, and especially, of tariffs. "We continue to pursue goals of reducing costs in 2008, since this is one of the major items that may keep the business competitive and ensure its Sustainability", added Michael.

Safety in the Rolled Products Area, however, remains as one of the major challenges to be overcome in 2008. The reason is that in 2007 the same number of incidents as in 2006 was recorded, in spite of high investments in training and awareness of employees in order to foster a proactive behavior of each and every employee regarding safety. "We are in the right path for an incident-free work environment. In 2007 we implemented several actions that improved safety for our employees, regarding machine protection, segregation of pedestrians and mobile equipment, in addition to having eliminated 100% of the identified fatality risks", stated Michael Humpert.

In addition to Safety goals and of the evolution of application of stability tools, leveraging the use of the new fine foil rolling mill is also one of the major challenges for this year. "We expect in 2008 to increase considerably our market share in fine foil, and make the Rolled Products Area the safest area to work, with satisfied employees", completed Michael. ●

## ● *Legal Department and Ethical Conduct*



### *Plans favor the Company's legal safety and ethical conduct*

- *Carlos Eduardo Mahfuz*
- *Legal Department Director*

One of the Legal Department's features is the evolution of its plans and the conservation of processes that always ensure the best negotiation conditions for customers, communities and the Company itself. In 2007 the Department continued with a strong coverage for the Alumar Refinery Expansions, the renewal of the installation licenses for the Juruti Mine, the active participation in the sale of ETAU-Empresa de Transmissão do Alto Uruguai S.A. (An Alcoa company in the South Region, that carries electrical power) and the modernization and feasibility process of the Poços de Caldas Plant with the New Soderberg Project.

With the high number of projects that demanded several contracts, Alcoa's Legal Department worked with a plan where it created models for drafts, in order to secure uniformity in writing contracts and reducing negotiation time, adding higher legal safety for the Company and lesser response time for the customer. "In Juruti, for instance, the standardized contracts and training courses, gave to those in charge of relationship with the community the safety required for them to act correctly, without needing the presence of lawyers or of the Legal Department at all times. It is a prevention and education effort", said Carlos Eduardo Mahfuz, Alcoa's Legal Department Director.

The workshop on mining in the Atlantic Forest, conducted by the Legal Department, presented the laws concerned with these regions, defined the places and areas not restricted for mining, in accordance with environmental regulations, which are always undergoing amendments. Another important subject discussed at the Unit were the terms and general conditions for hiring services and supply of products addressed to professionals of acquisitions and logistics. In addition to these seminars, several other seminars were conducted in other Locations.

Last year, Alcoa, under the responsibility of the Legal Department, created the Assets Security Area, whose goal is to ensure safety of facilities and people, protecting the Units against robbery, vandalism, or any other type of violence.

Organized in 2006, the Ethics and Law Enforcement Committee, another important tool for the Legal Department, started operating in 2007. "Even with the good ethi-

cal principles and full compliance with the laws and conduct standards of the Company's, the subject is so important that we decided to strengthen even more our evaluation and control structure in this sector in Latin America. Thus, we created the Committee, in order to discuss issues, exchange experiences focused on governance, and act preventively", said Mahfuz.

In order to help the identification of situations where the Company's Ethical Conduct Manual is breached, two important tools were implemented in 2007: The Annual Business Conduct Survey and the Compliance Line. The first is a questionnaire addressed to managers, directors and supervisors, that respond about any type of knowledge of infringement of ethics. The second is an open channel for all employees, using anonymous telephone calls, and thus denouncing any suspicious behavior.

● *Alcoa's Legal Department created models of drafts in order to ensure uniformity in drawing contracts and reduce negotiation time.*



According to Carlos Mahfuz, Brazil will have a legal environment in continuous evolution and change, which will have an impact on the Company's business. Therefore, the challenge for Alcoa's Legal Department in 2008 is to meet the continuous conformities, as well as to supply the required legal security, measuring risks at each operation., "Acting ethically is also part of Sustainability", he added. ●

● **Alcoa CSI**



## **Unit about to say good-bye with a year full of good results**

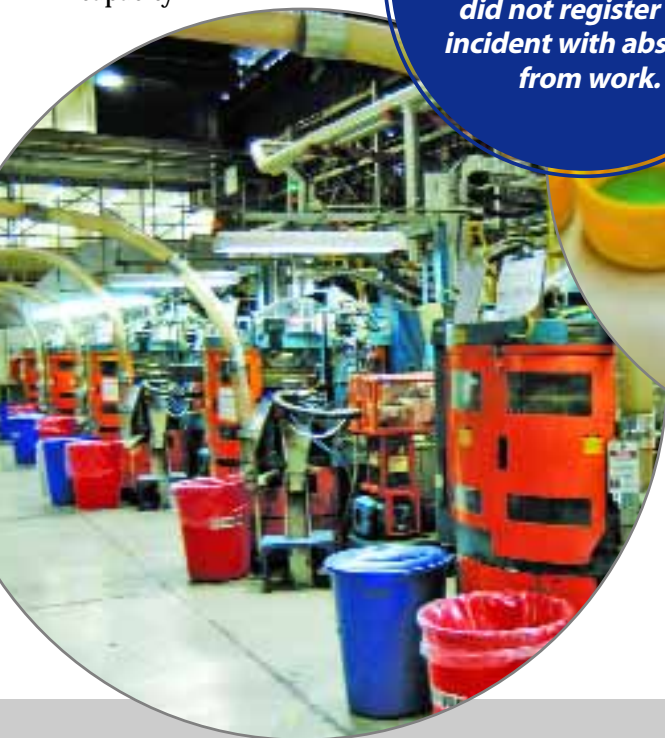
- **Guilherme Miranda**
- *General Manager Alcoa CSI South America*

**A**t the end of 2007, Alcoa CSI closes the year with a series of good results, but with the belief that there is a lot to be done in terms of improvement. One of the most significant facts is related to Health, Safety and Environment, since the BU did not register any incident with absence from work. In Colombia, it completed over 500 thousand hours free of incidents; and in Argentina it reached over one million hours. However, it had three recordable incidents, not achieving the zero incidents goal. "We are aware that these targets are not easily reached, but they are feasible and we have in our hands all tools required for that purpose, where the most important one is the commitment of all employees to HSE, regardless of their hierarchical level", said Guilherme Miranda, general manager of Alcoa CSI South America.

In the financial and production range, the Unit had a year full of records and achievements.

Sales volume was the highest in history, helped by a favorable economic situation in the region and also by the actions adopted to increase the production capacity

● **One of the most significant facts is related to Health, Safety and Environment, since the BU did not register any incident with absence from work.**



based on an aggressive and effective commercial position in the markets where it operates. "Our billing showed a growth above the growth in previous years, since, in addition to higher volumes, we were able to maintain the prices of our products consistent with higher costs of raw materials that have affected us during most of the year, driven, mainly, by the growing prices of oil by-products", stated Guilherme Miranda.

Another record achieved in 2007 was related to return on capital, which showed the efficient management of operational costs, in addition of maintaining profit margins required for the business. Alcoa CSI reached productivity rates above those in the two previous years, reflected mainly in the growth of its MPI-Manufacturing Productivity Index, that reached 97.1%, ranking among the highest in the Unit. In addition, it increased the production capacity of the region by one billion caps/year, through the inclusion of four Molders (cap forming machines). "All this was possible only thanks to the correct and effective application of ABS concepts in our operations", explained the manager.

In 2008, with the confirmation that the Company accepted to sell the businesses of Packaging & Consumer, including CSI, to the Rank Group Limited, from New Zealand - a transaction that is expected to be completed by the end of the first quarter of 2008 - the Division is no longer part of Alcoa's businesses.

"Although this transaction means that we are leaving Alcoa, a Company that all of us learned to like and respect, it is important to emphasize that the significant price paid by the Rank Group to acquire our business, shows the high level of interest of the new owners in continuing to invest in promoting its continuous growth, and this makes us very optimistic regarding the future", concluded Guilherme Miranda. ●



● **Instituto Alcoa**

## ***New projects and volunteer work ensure excellent performance in Community Relations***

- **Suzana Bernard Sheffield**
- *Vice-President of Instituto Alcoa*

2007 results showed Brazil as one of the most active countries in the Community area inside Alcoa's worldwide network. The high number of people engaged in activities during the Alcoa World Month of Community Services evidenced the fact above. According to Meg McDonald, president of Alcoa Foundation, who participated in events in São Paulo, São Luís and Itapissuma and saw personally the performance of the Brazilian team, Brazil has embraced Action and Bravo! from the inception of these programs in 2002 and, since then, has engaged the highest percentage of involved employees worldwide. "Brazilian employees are a great example for the rest of world of the use of technology, communications and personal integration to ensure that the volunteer work becomes an important and integral part of the commitment with the community", states the president.

Donations in 2007 added up to R\$ 8,913,673, which comprise community projects, the ACTION program and donations made by Alcoa units in Brazil. Of the donations' total, over R\$ 5.501.977 were directed to community projects. Out of the 115 projects, 94 were executed by the Alcoa Institute (R\$ 2.515.671) and 21 by Alcoa Foundation (R\$ 2.986.305), benefiting over 1.6 million people in 22 Brazilian cities.

These numbers do not include the results of the Bravo! Program. Even with the excellent performance of units in Brazil in volunteer activities, in May, with the purpose of fostering and promoting even more the devotion to communities, Alcoa's "Rede do Bem" was created. This is an integration and relationship network - using the V2V (volunteer to volunteer) tool - that gives Alcoa employees and contractor's employees, all over Brazil, the chance to exchange practices and opportunities to experience volunteer work. In 2007, 409 people enrolled for the program. "It is very important to have a website where employees are able to exchange experiences and ideas, develop actions, organize presentations, search for volunteers and keep the programs alive. It is an excellent way to unite all volunteers", defined Meg McDonald.

According to Suzana Sheffield, vice-president of Instituto Alcoa, one of the major challenges for the Community Relations Area was the development of the first pro-

jects in communities neighboring hydro-electrical plants. With other consortium members, Alcoa conducted one single project in the Barra Grande region, and started the construction of CEA - Environmental Education Center, with resources received from Alcoa Foundation. "The opportunities that came out in 2007 demanded hard work on the part of all of those people focused on improving the quality of life of river bank communities and other

community people in the dams' areas.", explained the vice-president of Instituto Alcoa. "However, this did not prevent us from closing the year with nine new projects approved, in eight towns, in the areas of education, health, and income generation", she completed.



● ***The high number of people engaged in activities during the Alcoa World Month of Community Services evidenced that Brazil was one of the most active countries in the community area.***

Other outstanding practices that show the depth of Alcoa's understanding of the potential of communities, as well as of the importance of listening, dialoguing and responding to expectations, were also performed along the year.

Among them the event "Sustainable Juruti", (event with the participation of the local authorities, state government, NGOs, and the community to discuss what is being done in Juruti); Dialogue with the Community, in São Luís; Exhibition of the Arts and Crafts in Dead Wood (pieces made by the participants of the Pajiroba Project, in the community of S. José do Curumucuri, in Juruti); meetings conducted by the "Knowing and Growing" project, in São Paulo' "Transformar" award in São Luís and the opening of the Poços de Caldas Botanical Gardens. "In 2008 there will be a lot of work and challenges ahead of us. With the arrival of the new COO for Alcoa, there will be a new scenario for the Company. With it, new colleagues for the team and the hope of success, always focusing on communities and volunteer work", foresees Suzana Sheffield. ●



## ● Institutional Matters

# Communication of Sustainability, the “soul” of the Alcoa brand

- **Nemércio Nogueira**
- *Institutional Matters Director*

To leaf through past issues of a newspaper may be boring, but, in the case of “Gente em Ação”, the issues of 2007 show a parade of facts and achievements that simply outflow the limits of this space for evaluation. The institutional progress of Alcoa in our Region, viewing to stress the positive image of the brand in the minds and hearts of national opinion makers, as well as of the communities where we operate, was, by any measure, extremely massive, with tangible and substantial results, that are due to numerous Alcoans, in all of our locations.

From the Support to Biodiversity Conservation Program and of the implementation of PARNA- National Park of the Amazon, in order to protect an area larger than 10 million hectares, covering Juruti, until the launching of Alcoa’s “Rede do Bem”, to motivate even more the volunteer work, whose rates already place us at the world leadership of the system- we have developed several institutional actions of all types.

Juruti and São Luís were, undoubtedly, the main focus, due to the complexity and magnitude of the projects in which we are involved, in these two locations. After ten years, Alcoa Inc.’s Board of Directors visited Alumar and, in addition to appreciating the business management results, were able to see the intensive activity of community relationship that is developed in São Luis, with a renewed emphasis on the populations that live around the Plant. And, after starting the year with the event named “Sustainable Juruti”, opened by Governor Ana Julia Carepa, in January, we intensified even more the dialogue with the local society, by means of agreements and partnerships with the Public Authorities, Getulio Vargas Foundation, FUNBIO- Brazilian Fund for Biodiversity, Health and Joy, and others, always with intensive presence in the media- which, in November, reached its peak, with 80% of positive news, 20% neutral news, and none with negative content in the media.

A great and important milestone in this dialogue was reached with the I Integration Workshop, joining the Alcoans, City Hall, and community leaders of Juruti, which listed and prioritized the main initiatives designed

to improve the sustainable quality of life of the local population. And the renewal of the mine’s Installation Licenses, by the State Government, at the time when we reached the extraordinary amount of ten million worked hours without incidents with absence from work, crowned the success of the project in 2007.

Governors Aécio Neves, from Minas Gerais and Jackson Lago, from Maranhão, visited our plants in Poços de Caldas and São Luís. Still in Poços, Alcoa Foundation helped sponsor the infrastructure of the city’s Botanical Garden, while in Juruti, in the port region, a Botanical Park was created.

In the Energy area, while we started successfully the construction of the Estreito and Serra do Facão hydro-electrical plants, the public perception in Barra Grande also got significantly improved, with the deepening of the dialogue with the community, intensification of communication and receiving of awards granted by entities in the region.

In the field of Community Relations – detailed in the previous page – we reached, in 2007, the value accrued since 1995, of R\$ 85 million invested by Alcoa Alumínio, Alcoa Foundation and Instituto Alcoa in over 1,700 projects, benefiting 25 Brazilian towns and amounting to over 850 thousand hours of volunteer work. This

entire effort was crowned by the granting of the title of Citizen of Maranhão to Renata Camargo Nascimento, Chairperson of the Board of Instituto Alcoa and member of the Board of Alcoa Foundation, in a ceremony at the Legislative House of Maranhão, with the presence of Alain Belda.

This unceasing march, where Communication has the content of Sustainability as part of our business strategy and as the “soul” of Alcoa’s brand, reached its synthesis at the Plenary Session, where, during two days, 71 leaders of the Company dialogued with several stakeholders – journalists, representatives of NGOs and Unions, of customers, and of other companies – with a view to internalize even further the concept in all Alcoans.

**On the Institutional Matters page of the MyAlcoa Portal, some the highlights of our area in 2007 are recorded. ●**

● **Alcoa’s institutional progress in our Region was, by any measure, extremely massive, with tangible and substantial results.**

● GBS



● José Carlos Danza  
● GBS General Manager

## GBS advances in all areas and faces challenges for 2008



2007 was a period of consolidation for GBS-Global Business Services. The Shared Services Center, about to reach three years of existence in South America, has made progress in relation to achieving high levels of customer satisfaction and continues in search of more challenges, especially in the construction of a global service supply platform for Alcoa Units in other regions.

In line with the Company's management, in 2008, GBS will strive to develop Sustainability regarding supplied services. With this purpose, the GBS's Operational Plan contemplates an external view, based on the issues of competitiveness and productivity – a world trend in this area. "Simultaneously, in the realm of the internal view, our Company searches the creation of for our Business Units, by improving and by the quality of the supplied services. This is our major challenge for 2008", reports José Carlos Danza, GBS manager. "In this direction, we will work with main goals: intensify our connection with customers; promote cost reduction and productivity increase; work in maintaining and improving the employees' satisfaction, especially in the issues of communication and engagement", added Danza.

One of the outstanding works of GBS in 2007 was the full review of systems, processes and procedures of accounting and financial services. By comparing to the major market benchmarks, especially with the companies that use the Oracle system, opportunities were found in the areas of Exchange, Foreign Trade and Financial Services (BackOffice).

Another important event in 2007 in the financial area was the transfer to Brazil of the GIS-Global Information Services – that provides support to the financial areas of Information Services and HSE of the Global GBS. "In the past, these activities were carried out in India and in the United States and now they are conducted by the GBS in our Region", explained Danza. The GBS South America transferred the treasury activities from the USA to Brazil, including the calculation of the tax returns of the Alcoa Group. "We had a definite and successful migration, result of a process of preparation and training of approximately one year", celebrated Danza.

It is estimated that in the last two years, the centralization of GBS services caused a reduction of 20% of the general costs in the Company's IT services. The transfer of part

of the DataCenter to North America, that, since 2006 has been causing cost reduction, allying state of the art technology and adaptation of global standards for auditing, had one more base included in its operational environment in 2007. In addition to the continuity of these process, in 2008 there are several other plans for the Information Services area, such as the implementation of the IT infrastructure and applications in the Juruti operation; improvement of the MyAlcoa Portal and HR EBS; and intensification of the Customer Connection practice for the Business Units.

### OTHER ACHIEVEMENTS

During these almost three years of existence, GBS has already absorbed a major part of Alcoa's Human Resources transactional activities. One example is that today all of the 6,300 Alcoa employees in Brazil are able to check details of their vacations and benefits in the terminals installed at the Plants or through the Intranet, via the RH.com.Você Portal. With an average of one hundred thousand hits per month, the service is used by almost 90% of the employees.

Another area that also stood out in GBS for its positive results was Acquisition & Logistics. Achievements such as a considerable cost reduction in negotiations, success in audits that were carried out, and approximation of internal customers are some of the examples. Highlights in this area in 2007 are as follows: implementation of the tool Vini-maya, an internal system of suppliers' catalogues that gives internal users access to detailed information about suppliers and products; and beginning of use of BPA-Blanket Purchasing Agreement, a global application specifically designed for the creation and amendment of purchasing agreements in our EBS system.

In the HSE Area, - the most recent participant of GBS – is one of the areas that have been adding higher service volume to GBS. Among its major attributions, the following stand out: regionalization of contracts, standardization of activities and processes, and PPE- Personal Protection Equipment.

Finally, GBS's major goal is to ensure full use of the ABS-Alcoa Business System methodologies in its functional areas. In addition, the ABS problem solving methodology helps to improve the services from GBS and from suppliers. The result of this continuous improvement is translated into reliability in service supply. ●

● **AFL do Brasil**

## **Unit celebrates new businesses and improvements in HSE**

- **Giancarlo Tasso**
- **AFL do Brasil General Manager**

**I**n 2007 AFL do Brasil was able to take advantage of a good moment of the automotive industry and surpassed the market expectations. "Once completed the negotiations of economic indices in the beginning of 2007, we focused even more in the organic growth of our business", stated Giancarlo Tasso, AFL do Brasil General Manager.

Giancarlo mentioned the launching, at the end of 2007, of the new Ford's Ka, as one of the successes in the Unit's challenge of making the full engineering of the car's electrical distribution system in Brazil, from the initial design to the launching and production of the vehicle. "The customer's feedback has been positive, especially with the excellent quality scores given to design and product, in addition to 100% delivery performance", celebrated Giancarlo.

During the same period, the work on the second strategic target of AFL's customers - Fiat - is starting to produce results. Focused on understanding the customer's reality and

● **After completion of negotiations of the economic indices in the beginning of 2007, we focused even more on the organic growth of our business.**

needs for the development of competitive solutions, AFL was chosen for the production of 70% of the volume of items for electrical distribution of the engine for the Palio, models 1.0 and 1.4 L. With its start expected for July, 2008, this new business will represent 30% increase in the Unit's sales, without taking into consideration other new projects that are being quoted for 2008, with strong chances of success. Not by chance, the inclusion of Fiat in the AFL customer portfolio, gave the Unit the first place in the Regional SARM 2007, in the Customers category.

In HSE, AFL stood out in the goal of maintaining the work environment free of incidents. By the end of 2007, the Unit surpassed the landmark of 4,400,000 worked hours without incidents with absence from work. "However, we had three recordable incidents that could have been prevented", emphasized Giancarlo.

AFL has also developed actions focused on health, with campaigns and awareness for the prevention of diseases. During the operation, ergonomic risks and how to reduce them were discussed. Also, they carried out an effort to reduce risks associated to the used chemicals. "We

can say with 99% of certainty that AFL is a Location without any significant chemical risk in the work environment", said Giancarlo. Still in HSE, in the environmental area, AFL was awarded the renewal of its operation license and reduced by over 50% the wastes disposed in landfills.

"If 2007 was a year with quality and safety indices, we expect that 2008 will have much better results", foresees Giancarlo. ●



● **ABS**

## ***In the year of its 10<sup>th</sup> anniversary, ABS has challenges ahead***

● **João Alberto Bayma**

● *Functional Director of ABS, TPM and Strategic Analysis for the Primary Metal Global System*

“The results achieved in 2007 were better than in 2006, with an increasing number of people leading projects of tool applications and with significantly higher financial results” discloses João Bayma, ABS director for the Primary Products Global Group.



Many are the examples of success of the ABS tools consolidation in Alcoa's Plants in 2007: , at Alumar's Smelter, the Daily Management and the application of Problem Solving in the Potroom helped to increase the gross revenue by over US\$ 23 million, in a year with a record production of 1,225 ton of metal per month.

Also, at Alumar's Refinery, using the same tools, there was a reduction in energy consumption without impairing production, with a financial impact of US\$ 10 million. The Smelter, in Poços, had the ranking of Excellent in the OpEx ASAT, audit for the assessment of the excellence of ABS operation. Using kaizen events, the Extrusion in Utinga reduced its scrap inventory from 2,067 ton/month to 936 ton/month, reducing the capital base by US\$ 792 thousand. Rolled Products were able to reduce gas consumption from 219.1 m3/ton per month to 198.1 m3/ton. Around 29 major projects developed in Latin America locations have reached significant results with the ABS application, involving several leaders in the Organization as well as professionals from various areas. In 2007 56 training courses were conducted, qualifying 5,055 attendees in different ABS tools for the improvement of specific businesses. “During the celebration of the 10th anniversary of ABS at Alcoa Brazil, it is gratifying to find these results”, comments João Bayma.

At the completion of two years after its creation, the Leaders Education Program will help in the consolidation of the application of tools of Alcoa busi-

ness system in the Units. One of the participants – Paulo Ferreira – even before completing the Program, was hired by the Portland – Alcoa Australia Plant – as ABS manager. The two other professionals that continue in training – Carolina Kuba and João Sandoval – are in Brazil with the mission of disseminating the knowledge of ABS in the organization.

The year of the 10th. anniversary of ABS in Brazil reserves challenges for the Company as a whole. In 2008, ABS will be crucial for the scenario that is ahead of Alcoa. According to Bayma, there will be the need to search for all internal and manageable business opportunities to face up to the new market scenario, such as the raise in raw materials' prices and oscillation in the sales price of aluminum. “It is in this context that ABS is important. The need of the business system before a scenario full of challenges will demand from us the maximum effort and discipline in its application” completes Bayma. ●

● ***In 2007, 56 training courses were conducted, qualifying 5,055 attendees in various ABS tools for the improvement of specific businesses.***



## ● Electrical power

# Towards self-sufficiency



● **Ricardo Sayão**  
● *Electrical Power Director*

The year of 2007 was intensive in activities in the Electrical Power area. Aligned with the purpose of increasing Alcoa's electrical power self-sufficiency, we point out to the beginning of the construction of the Hydro-electrical plants of Estreito and Serra do Facão and the acquisition of an additional part of the Machadinho Consortium. These initiatives will increase self-sufficiency from 38% in the beginning of 2007 to 70% in 2010.

Also outstanding are the sale of our 42% of shareholding at ETAU-Empresa de Transmissão do Alto Uruguai and the contracting of thermal energy supply for the Juru-ti Project. The Sustainability and social responsibility actions were representative in 2007, such as in BAESA-Barra Grande Energética, under the new leadership of Edson Schiavotelo, with the delivery of all houses and reallocation of all the families that live in the project's area.

### MORE PLANTS

At the Tocantins river, between the states of Maranhão and Tocantins, it was started in July 2007, with the ambitious goal of completing the work in 2010, the construction of the Hydro-electrical Plant of Estreito. "This year, a strong and experienced team was formed, to carry out this project, under the leadership of José Renato Ponte", said Ricardo Sayão, Energy director for Alcoa Latin America and the Caribbean, about the largest hydro-electrical project being built in Brazil, which will have 1,087 MW capacity. The first stage of the civil construction will be completed soon, but it has already reached the goal of completing the spillway's cofferdams and the powerhouse in December 2007. Also, the negotiations for the second and last stage of the project were completed. The social and community actions were intensified and the town of Estreito-MA, has already received two actions from Instituto Alcoa.

The Hydro-electrical plant of Serra do Facão, in the state of Goiás, started its works in February, 2007, with the purpose of being able to generate by May, 2010. "The works are at full speed, and have already surpassed the landmark of 30% of their total. The river deviation is expected to take place in the first quarter of 2008, making feasible the starting of concrete pouring in the dam", reported Ricardo Sayão. A seedling nursery was created at the worksite, and it will be extended to produce species to be used in the planting of trees around the lake.

At the Barra Grande project, located in the border bet-



● *Aligned with the purpose of increasing Alcoa's energy self-sufficiency, the efforts of the Area are centered on the feasibility of the Paiquerê Project, Uruguay River Plant.*

ween the states of Santa Catarina and Rio Grande do Sul, in addition to building houses to settle the involved families, the works of the asphalted road that will connect the Plant to the municipality of Anita Garibaldi-RS. The Location's Environmental Education Center is prepared to operate, and its official opening took place in the beginning of 2008. The Regional Development Plan, managed by IBENS-Instituto Brasileiro de Educação em Negócios Sustentáveis, (Brazilian Institute of Education in Sustainable Businesses) had a strong activity in 2007, already causing positive impacts on the local communities.

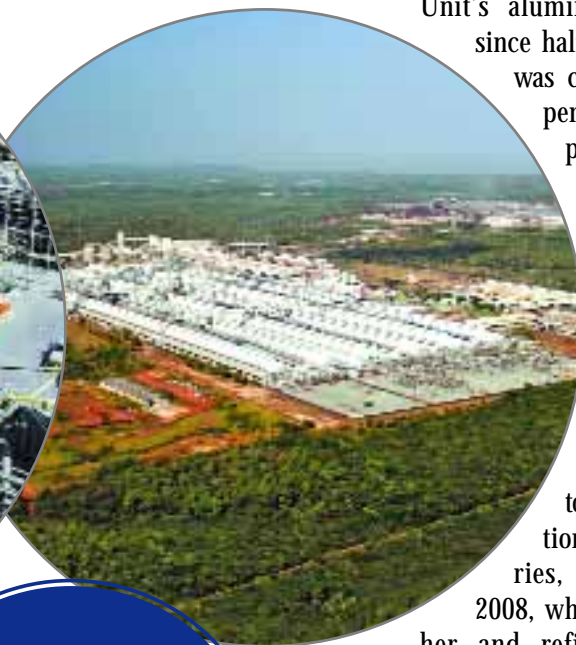
One of the old partners to the Hydro-electrical Plant of Machadinho left- CELESC- Centrais Elétricas de Santa Catarina - after the public auction for the sale of its participation. This created an opportunity for the other partners to acquire an additional share. "For Alcoa, the additional share was of 15 MW, expanding its own generation to 265 MW, taking us to 40% self-sufficiency in energy consumption", explained Sayão.

Finally, for 2008, the efforts of the Energy area are centered on the feasibility of Paiquerê Project, a Plant on the Uruguay River, that already has a granted concession, but it is still pending a PL- Previous License. "The expansion plan will always view to self-sufficiency, and the creation of bases for the growth of Primary Products. In this direction, in addition to Paiquerê, we will study several other energy projects with the purpose of making feasible a new aluminum plant in the region", he told us. ●

● **Alumina**

## **Cost reduction and restructuring are priorities in 2008**

- **Laurence Christopher Stonehouse**
- *Alcoa World Alumina Vice-President – Operations*



**A**s a supplement to the move, conducted in 2006, of the AWA – Alcoa World Alumina central Office from Pittsburgh to São Paulo, in 2007, the management of sustainable assets was also transferred to Brazil. According to Laurence (“Laurie”) Christopher Stonehouse, AWA Operations vice-president, this transfer permitted the alignment of AWA Atlantic sustainable resources management with the management of Primary Products Division – Latin America and Caribbean, resulting in substantial savings. “The major advantage of these changes is to provide higher control over result analyses, since the proximity with Poços de Caldas made easier the use of the GBS there”, said Laurie.

Another highlight in 2007 was the performance of Suralco-Suriname and Alumar Refineries, which achieved a record production in the year. In addition, other AWA Refineries (San Ciprián, in Spain; Point Comfort, in Texas-EUA; and Poços de Caldas) have met their goals. The only exception was Jamalco-Jamaica, which was directly affected by the Dean hurricane, in August. The strong winds and storms that hit the Caribbean island destroyed the transportation system for ship loading, impairing the

● **Price of raw materials soared in 2007. Due to this, in 2008, the focus will be stronger on the search for better results and leverage of the refining system.**

Unit’s alumina distribution, since half of the Refinery was closed for a long period. The transportation system was repaired and production went back to normal only by the end of 2007.

In Laurie’s opinion, there is always a need to reduce production costs in Refineries, even more in 2008, when goals are higher and refineries will be demanded to produce more. In alumina refining, the items related to cost that may be managed are as follows: maintenance costs; raw material use and personnel cost; Every refinery is investing on a better use of these elements, with the application of ABS tools (kaizen, daily management and independent maintenance) and the exchange of best practices. Unfortunately, the prices of raw materials – such as oil, bauxite and caustic soda – have soared dramatically along 2007. Therefore, in 2008, there will be a stronger focus on the search for better results and leverage of the refining system.

Due to a restructuring at AWA Atlantic, two refineries will leave the group in 2008 – Point Comfort and San Ciprián. “For the four remaining refineries, there will be more continuous information exchange, sure, but we will have to ensure that the two refineries that will leave the group will continue to be benefited from the best practices of the worldwide refining system” explained Laurie.

In terms of Safety, all AWA Atlantic refineries in 2007 were at least equal to the excellent results achieved in 2006. The highlight was San Ciprián, which did not have any recordable incidents during the year, neither with employees or contracted company’s employees. ●

● **Aerospatial**

## **A more demanding market creates growth opportunities**

- **Fernando Santos**
- *Account Superintendent - Aeroespacial*

**T**he Aerospatial area (Mill Products) celebrates another year of important achievements, intensive activities and new challenges. The segment is undergoing a very special moment: Boeing has launched the 787 Dreamliner for transportation of 210 to 340 passengers and the Airbus is aligned with the production in series of the aircraft A-380 – a superairplane that is able to carry over 500 passengers for long distances.

And EMBRAER-Empresa Brasileira de Aeronáutica, third largest aircraft manufacturer in the world, has consolidated its success with the program Phenom 100 and Phenom 300, jets in the very lightweight and lightweight categories, and signals the possibility of launching two new programs still in 2008: MSL-MSJ, of executive aircrafts, and C-390, military aircraft for the transportation of up to 19 ton of cargo.

So many new launches have in common the commitment to reduce weight and cost, in addition to the concern with the environment. “The market becomes more demanding and passengers have become more aware”, says Fernando Santos, Account

● **2008 is the right time to grow, establish new commercial partnerships and conquer new customers in Brazil and in the world.**

ger- Aerospatial. According to Fernando, ATC-Alcoa Technical Center maintains the commitment to technological leadership in this segment, sharing solutions that result in innovative metallic concepts, combining new aluminum alloys to new designs and new manufacturing processes.

The year of 2007 was marked by several commercial meetings in Brazil, United States and Europe – such as the Paris Air Show, strengthening and consolidating our partnership with EMBRAER.

Another highlight that deserved our attention was the performance of the Supply Chain area, which reached one of the best delivery indices of the last years. “Even with the market so bullish, the Alcoa Davenport Plant made a remarkable work in this direction”, said Fernando.

To close this very special year, EMBRAER was chosen to receive a tribute from Alcoa in the 6th Innovation in Aluminum Award. The award was delivered by Franklin L. Feder, CEO of Alcoa Latin America and Caribbean, and by directors from Alcoa United States and Alcoa Europa, to Artur Coutinho - EMBRAER Industrial Operations vice-president.

2008 is the right time to grow, establish new commercial partnerships and conquer new customers in Brazil and in the world. The representatives of the Mill Products area worldwide continue to be aligned with the global objectives and goals of the Aerospatial segment. As a result, more agility and synergy for the capture of new opportunities. ●



mana-

● HSE&S

## Continuous challenges provide improvements year after year

- **Maurício Born**
- *Health, Safety Environment and Sustainability Manager*

Once again, the highlight in HSE&S at Alcoa Latin America and Caribbean, in 2007, was Safety. Among the 18 Units and four Projects in the Region (Suriname, Jamaica, Juruti and Expansion of the Alumar Refinery), 17 closed the year of 2007 without incidents with absence from work. With 0.54 frequency rate of recordable incidents in the year, an improvement of around 15% compared to 2006, the rates achieved in 2007 represent the best performance in incident prevention of Alcoa's history in the Region.

"We evolved a lot, but there is always opportunity to improve. With these ideas, we surpassed the record of 2006, showing that we are surpassing ourselves year after year, in safety performance", said Maurício Born, HSE&S manager, responsible for the Company's Sustainability area. In his opinion, this continuous surpassing of records is due to the focus on preventing human errors, the trainings on risk identification, and, especially, to the commitment of the Company's leadership. Another factor pointed out by Maurício was the establishment of a continuous dialogue with the employees - by means of roundtables - to exchange information on safety measures, need for safe behavior and other issues related to the work environment improvement.

Regarding the Sustainability Area, Maurício also comments on an evolution in the Region. For the fifth consecutive year, Alcoa's Sustainability Report was published, focusing on the challenges faced by the Company in all of its strategic operation areas.

The Plenary meeting, for the second consecutive year, also represented the strengthe-

ning of Sustainability in the Company, since it clarified this Alcoa Value to the stakeholders. The creation of an area with expertise in Sustainability, contracting a professional that manages, from CENU, the projects in the area, was one of the steps that were part of the restructuring of the organizational design of the HSE&S area, started at the end of 2006 and consolidated in 2007. Another step was the creation of a group of HSE&S services in Poços de Caldas, connected to the GBS, focusing on standardization of projects, training courses and contracts, in order to reduce the bureaucratic load of operations and systematize the Area's projects. Today, the HSE&S personnel in the Plants, the group that stays at the GBS, in Poços and the HSE&S expertise group that is located at CENU have systematized the HSE&S Area in Alcoa and established defined roles for the functions.

### A LOT TO DO FROM NOW ON

In Maurício Born's opinion, the major challenge in 2008 is the integration of the new Locations of Jamaica and Suriname. The Units have operated for quite a long time and they have their challenges, but we intend to export our experience in HSE&S, that we developed in the last years, as part of the chain of help to the Locations."

One of Alcoa's features in HSE&S that is expected to consolidate in the near future, is the dialogue with stakeholders, especially because of the Plenary Meeting. In addition, to increase the percentage of utilization of renewable energy, with higher adhesion to biomass (renewable fuel made of organic matter such as, for instance, sugar-cane bagasse) and biodiesel, and obtain carbon credits in certain projects, especially in the Primary Products area, are crucial goals for 2008.

Finally, two subjects that are continuous goals, and, in 2008 will be priorities, as they always are: prevention of fatalities and legal conformity. ●

● *One of Alcoa's features in HSE&S that is expected to consolidate in the near future, is the dialogue with stakeholders, especially because of the Plenary Meeting.*



## ● *Wheels*



# *The Wheels Division follows market high and has an outstanding year*

- **Eduardo Lacerda**
- *Wheels Commercial Superintendent for South America*

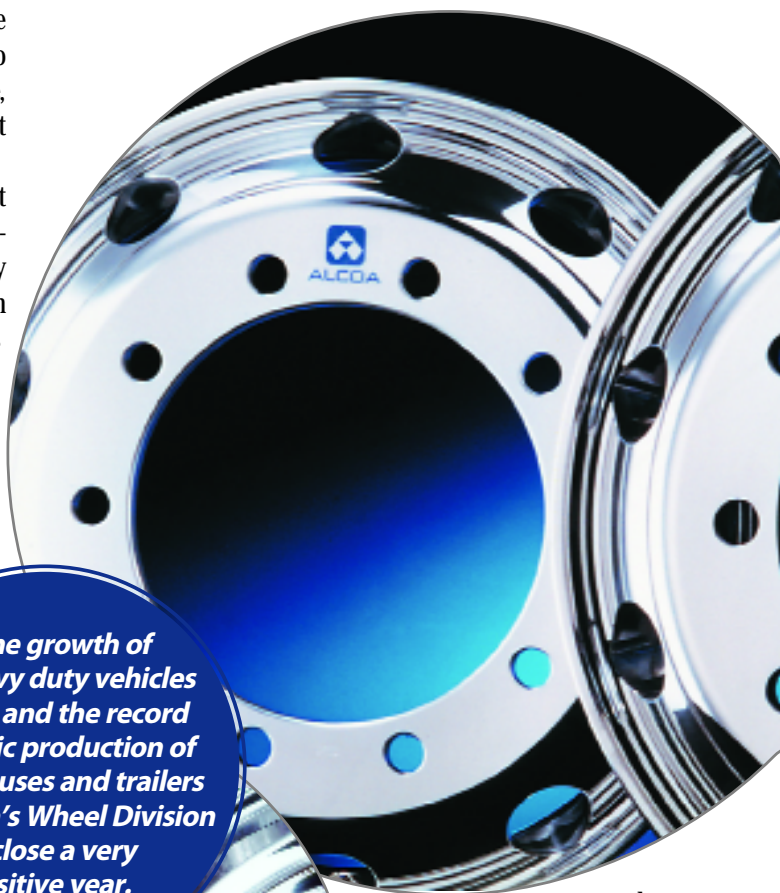
**D**o well the basic. This was the theme with which the Wheels Area motivated its members to continue to serve well their customers, make deliveries on time, and overcome challenges, thus achieving the significant results that it reached in 2007.

Last year, the growth of the heavy duty vehicles market and the Record domestic production of trucks, buses and trailers made Alcoa's Wheel Division close the year in a very positive manner, especially when compared to 2006, when the industry had a significant drop. One of the main reasons why the truck sales grew by 36%, bus sales by 13,4% and of trailers by 42% was the success of the agricultural harvest. "the recovery of the agricultural industry was crucial for the economic growth and positive results in our area, considering that if agriculture is doing well, transportation will follow the growth. With this we expanded our supply of wheels for the new fleets", explained Eduardo Lacerda, commercial superintendent of the Wheels Division for South America.

However, the favorable industry performance was leveraged by the economy's expansion, by the reduction of interest rates and by better loan conditions in the credit policy. South America data point out to growth of 71% in the spare parts market, while in Brazil the increase was 77%. "We started with an aluminum penetration rate of 3% in 2004 and reached 8.7% in 2007. This means that today, at every one hundred new vehicles, nine leave the plant with Alcoa's forged wheels", reports Lacerda.

Another outstanding point along the year was the expansion and consolidation of the aluminum forged wheels business in South America. The Division started to market its products and stress its presence in Paraguay, Bolivia and Uruguay. By the end of 2007, it completed an agreement in Argentina - which appointment will be made in the first quarter of 2008 - and reinforced its activities in Chile with a new distributor.

For this year, the Wheels Division intends to motivate its



● *The growth of the heavy duty vehicles market and the record domestic production of trucks, buses and trailers led Alcoa's Wheel Division to close a very positive year.*

employees with a new theme: conquering new customers. One of the first initiatives is the continuation of trainings conducted in Brazil and South America. Last year, they were 82, representing around 200 trained people. According to Eduardo Lacerda, the idea is to conduct 250 more trainings in 2008.

Regarding the market, the expectation is to follow the production increase and surpass the 13% growth. The goal is to retain over 280 customers and convert around 110 - that use traditional wheels - into using aluminum wheels. "One cannot obtain different results by doing the same things. We will have to innovate the approach and sensitize people regarding the benefits of using aluminum in forged wheels", said Lacerda. ●

## ● Alumar Refinery

# The largest expansion in History reaches the last leg

- John Quirk
- Alumar Refinery Expansion Director

**A**lumar Refinery's Expansion team was very much demanded in 2007 due to the forces of a highly competitive market and of the dynamics of change of direction that are characteristic of every large project. This is the opinion of John Quirk, Alumar Refinery Expansion's director "This is the largest project in the history of an alumina refinery, which ended 2007 with a strong base and having achieved its main objectives: engineering and procurement basically finished and the work center transferred from São Paulo to São Luís", he commented.

In spite of the change in the work center, the number of employees in the Expansion Project was kept stable, as in 2006. It is common, in projects of this magnitude, to see an increase in the labor force in some areas of the project - for instance, electro-mechanics work - when the number of workers in another area - for instance, civil works - is reduced.

The results of HSE&S and of relations with the community in the Expansion Project have reached international benchmarking levels, due to a large set of best practices and reinforcement programs that were developed and implemented. Some examples were the training courses with the direct leaders of the construction labor, the Workers Olympic Games Program, and the awarding of monthly prizes to the contractors with the best performance. "We experienced a difficult year, since we competed in the global market, historically oscillating, and in the equally heated Brazilian market. But, the Refinery Expansion team - with their professional strength, devotion, persistence and commitment - ended the year with a good basis for 2008", said John Quirk.

Among the goals and objectives for 2008, John emp-

● The Expansion of Alumar Refinery ended 2007 with a strong base and having achieved its main objectives.



hasizes the need to continue to develop the best practices policy and concentrate strategies and actions in a single team, located in São Luís, to reach the end of this year and start 2009 with a sound platform for the completion of the Expansion. "The current forecast is to end this year with 98% of construction completed and end the Project's electromechanical part in April, 2009", he reports.

The director of Alumar Refinery's Expansion praised the alliance with the construction partners - which set up a world level integrated organization - the investors and the continuous support of the officials in charge of the Project. "Certainly, the single team of São Luis is consolidated and has shown its capacity to face up to and overcome any challenge", says John. ●