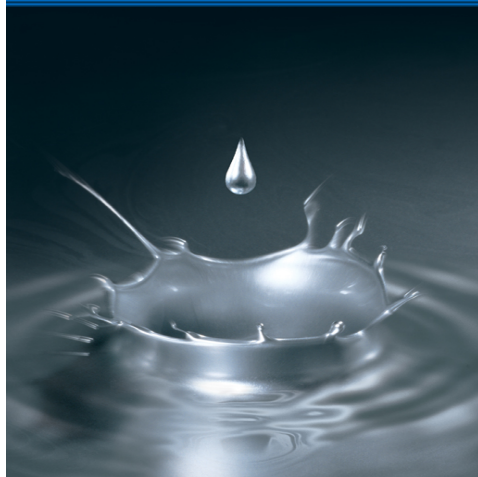




## Alcan Investor Workshop

Toronto, October 3, 2006

Carmine Nappi  
Director - Industry Analysis

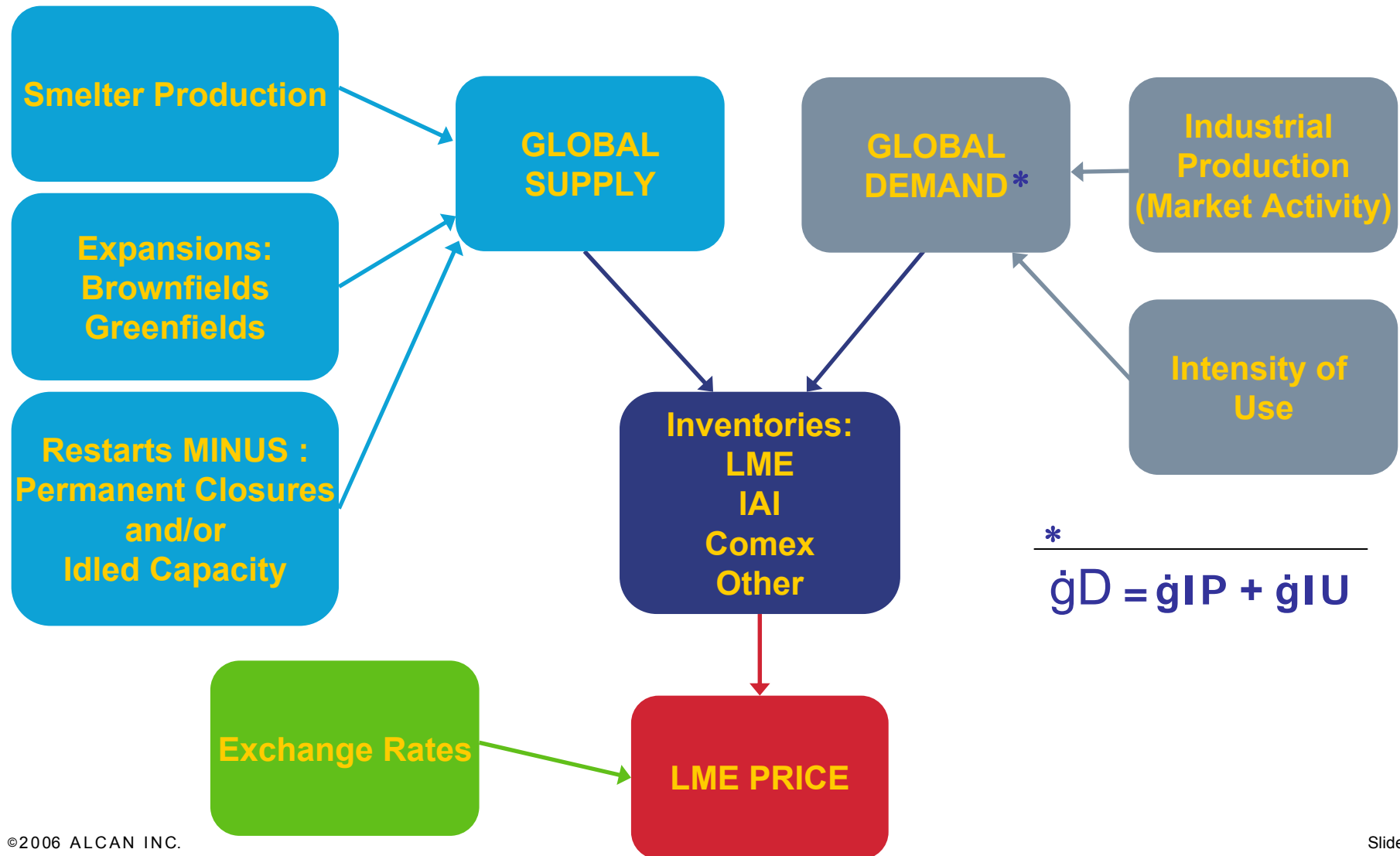


# Forward Looking Statements



*Statements made in the course of this presentation which describe the Company's or management's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of securities laws. All statements that address the Company's expectations or projections about the future including statements about the Company's growth, cost reduction goals, operations reorganization plans, expenditures and financial results are forward-looking statements. The Company cautions that, by their nature, forward-looking statements involve risk and uncertainty and actual actions or results could differ materially. Reference should be made to the most recent Form 10-Q or 10-K for a summary of factors that could cause such differences. In addition, certain non-GAAP measures are used which are reconciled to the comparable GAAP measures herein or on the Company's website at [www.alcan.com](http://www.alcan.com) in the "Investors" section.*

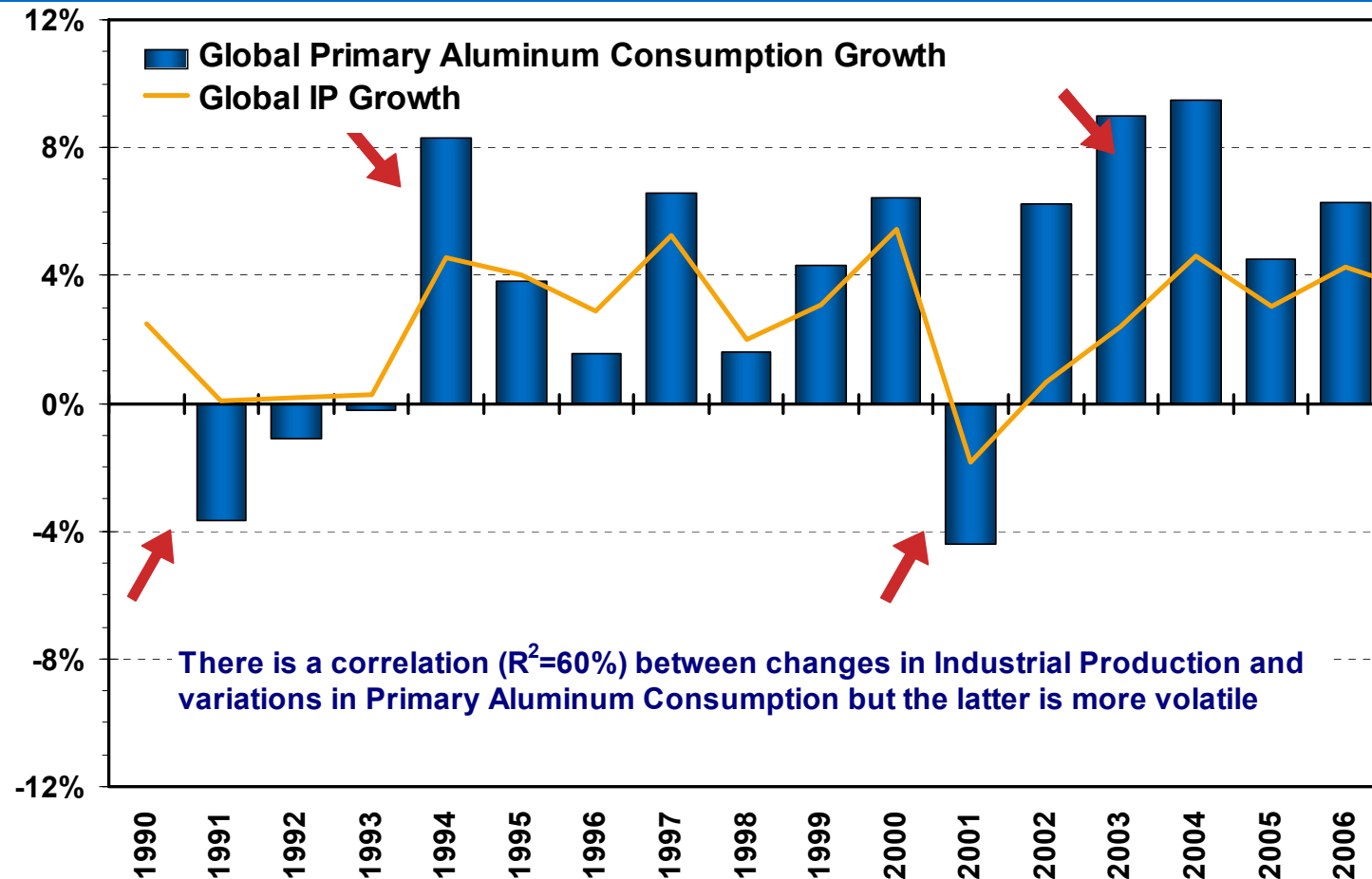
# Building Blocks of Aluminum Industry Analysis



# Aluminum Consumption



Consumption is sensitive to variations in industrial production

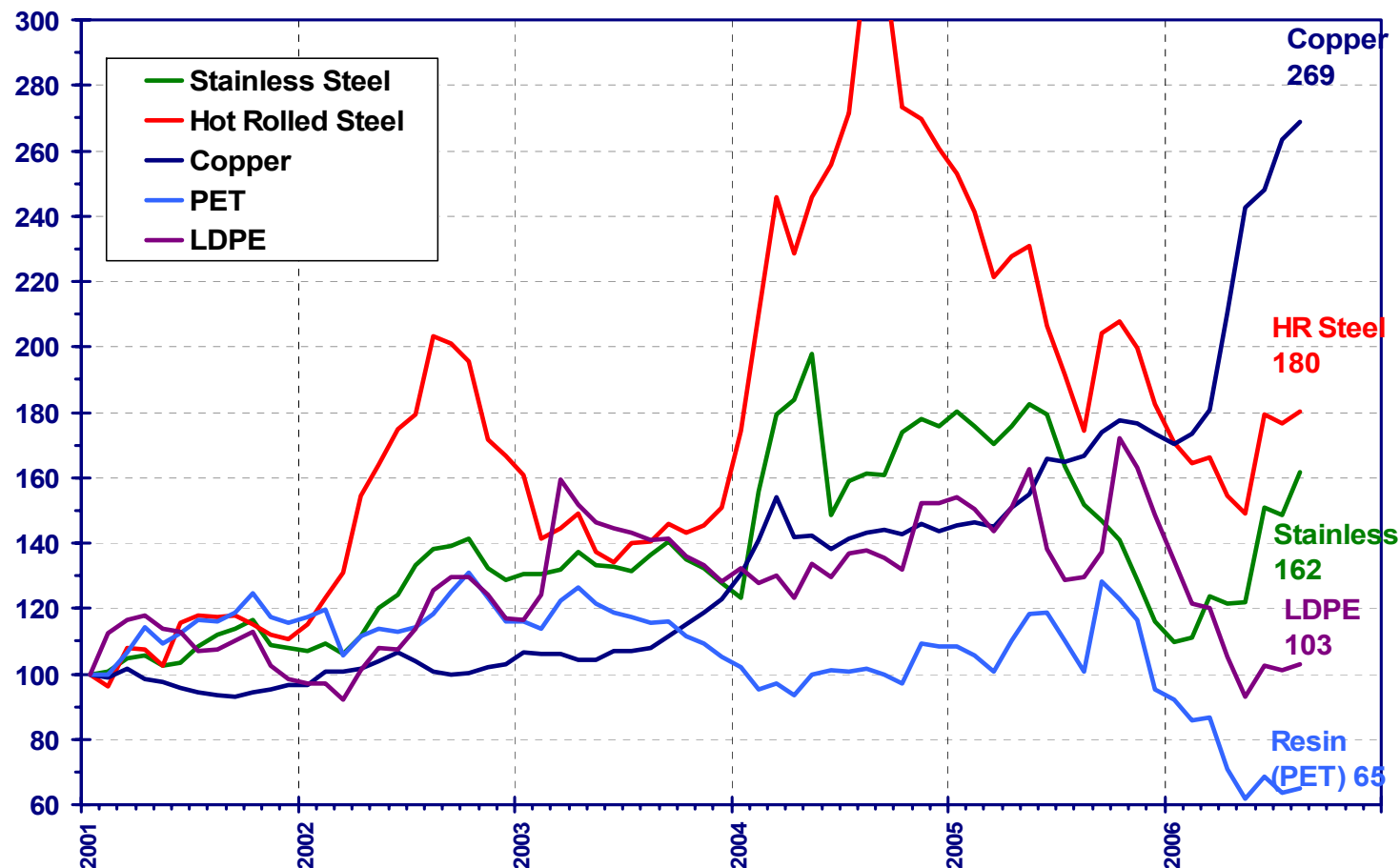


Source: Brook Hunt, Global Insight

# Demand Growth = Growth in IP and IU



## Aluminum's position in many end-use markets boosted by recent prices for competing materials



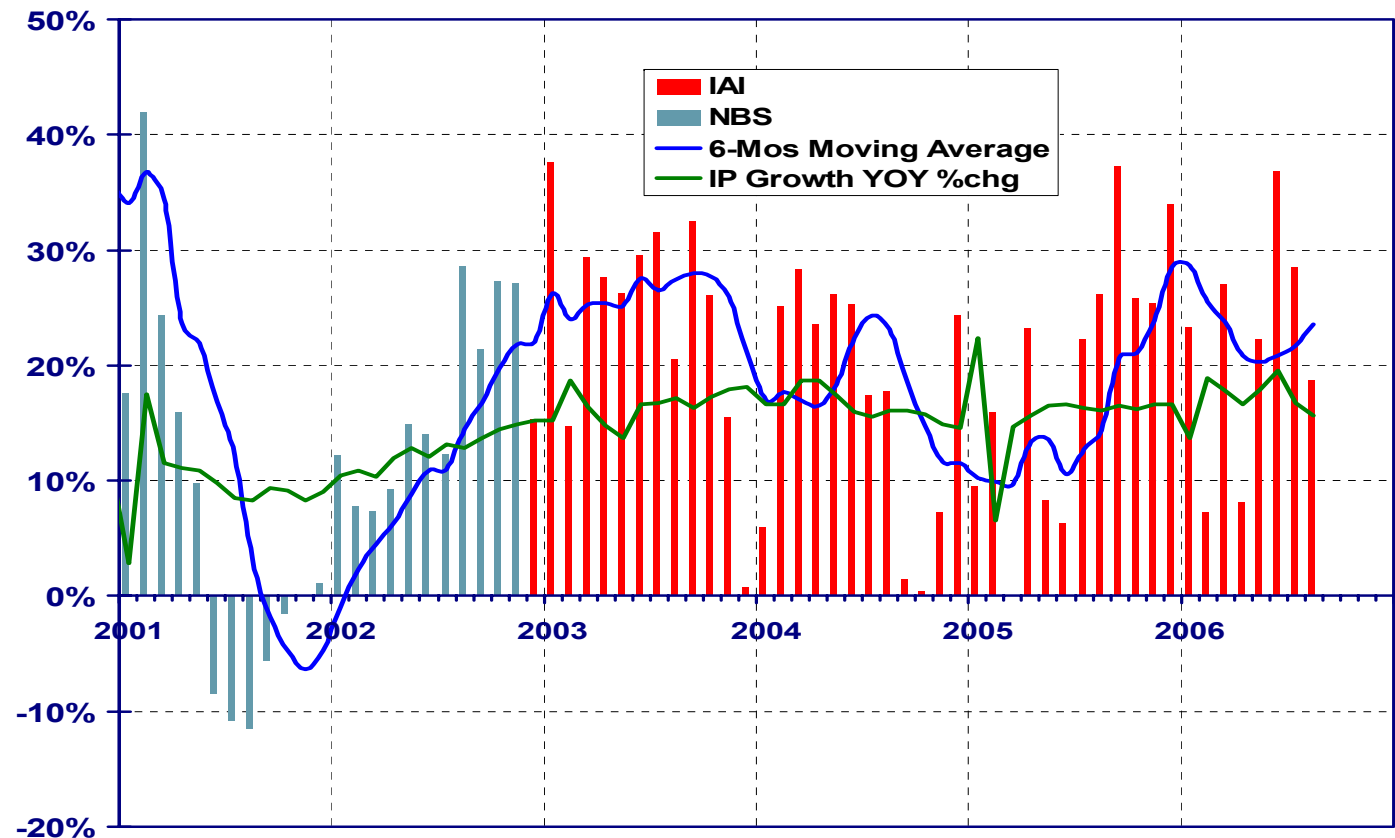
# China's Aluminum Demand Growth



IP and IU explain China's robust aluminum demand growth rate

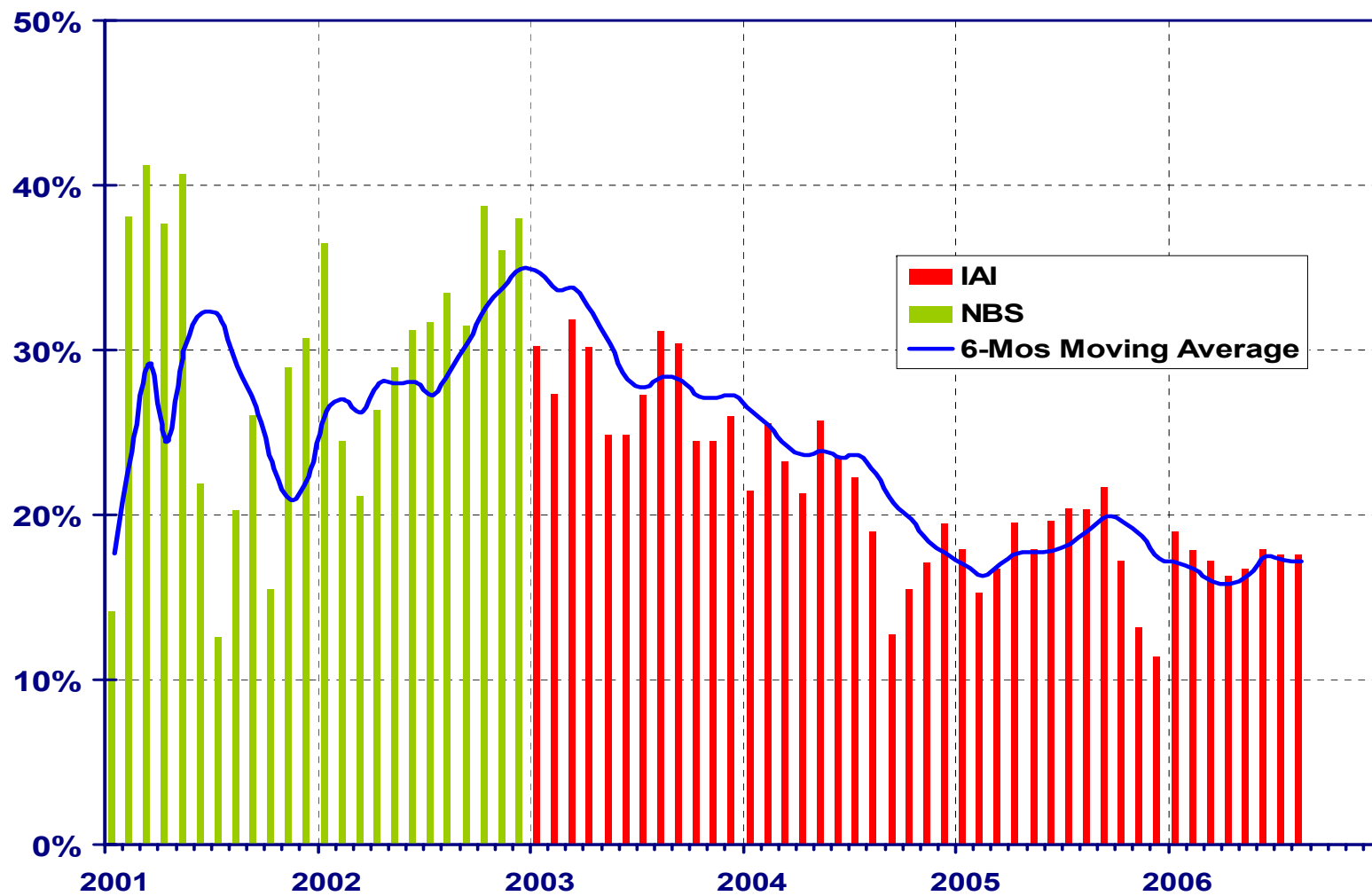
## CHINA Aluminum Apparent Consumption\* Growth Rate

- For the record, if a region representing 24% of global consumption grows at around 20%/year, this adds +1.6Mty to global demand.



\* Does not take into account changes in Chinese producers' inventories

# China Aluminum Production Growth

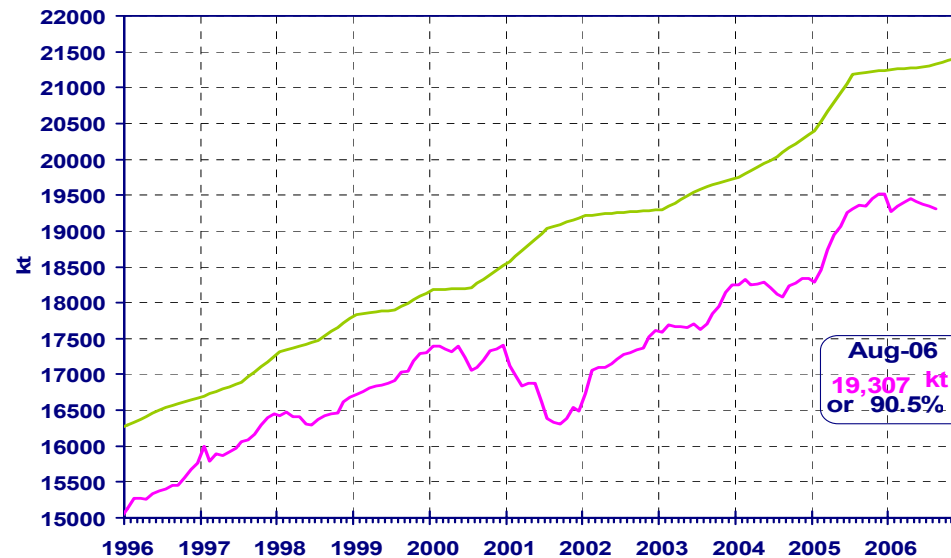




# Comparative Capacity and Production



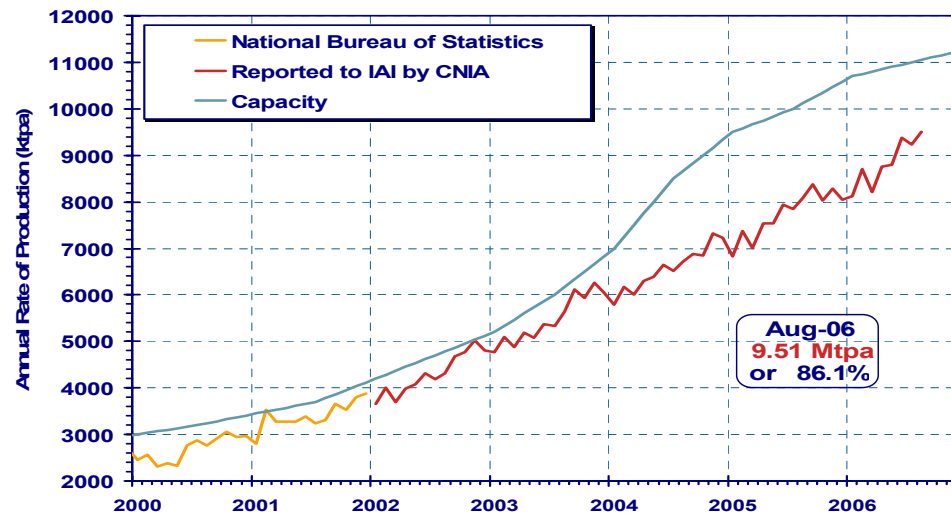
## Western World



## China

➤ Y/Y: +17.6%

➤ YTD: +17.5%

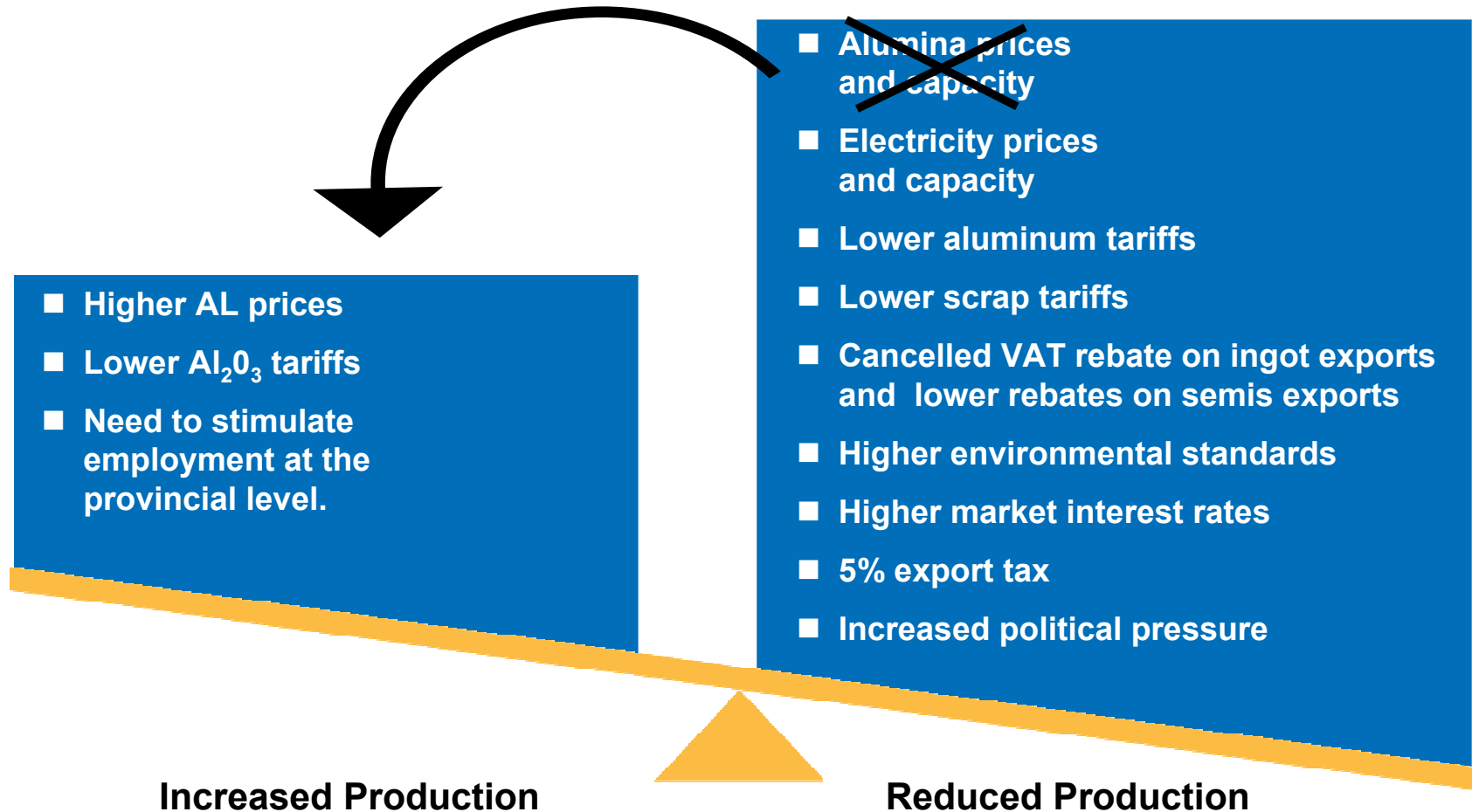




# China's Production Drivers and Constraints



Our view has not changed



# Increased Political Pressure

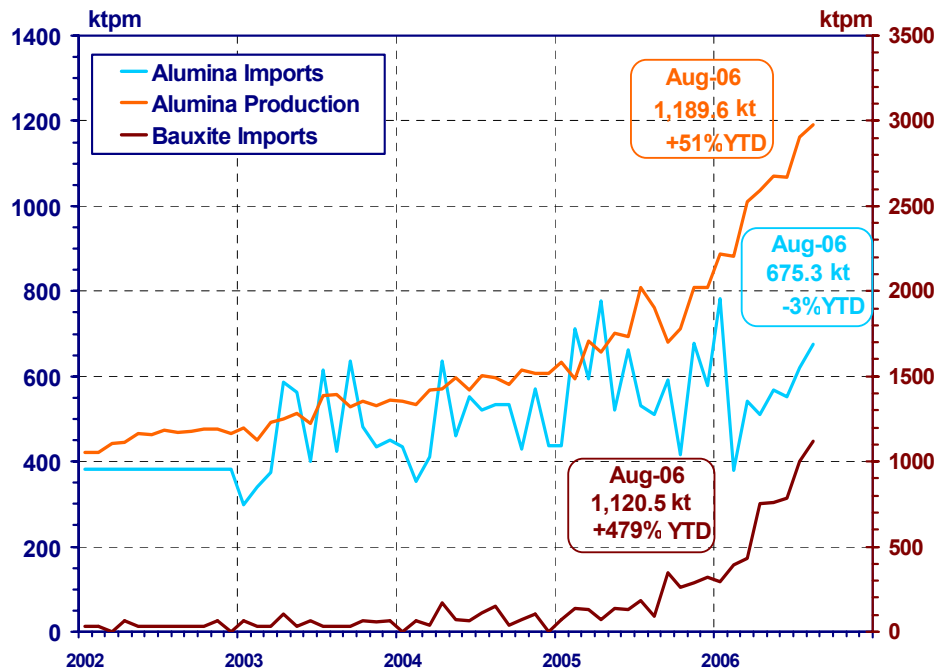


- **Additional political pressure from the central government now threatening to remove any provincial officials for approving unauthorized projects.**
- **The governor of Inner Mongolia and his two deputies have been publicly criticized for failing to stop billions of Yuan of investment into unauthorized power stations, another sector controlled by Beijing.**

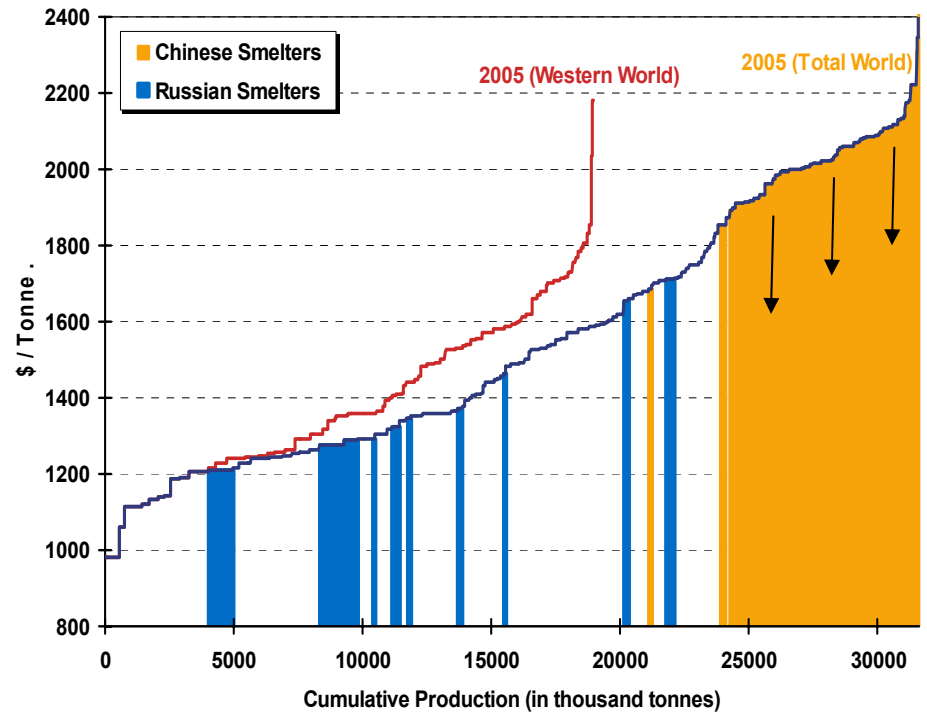
# Major Change in Bauxite/Alumina Sector



## Chinese Monthly Bauxite Imports\*, Alumina Imports and Production



## Impact on Operating Cost Curve

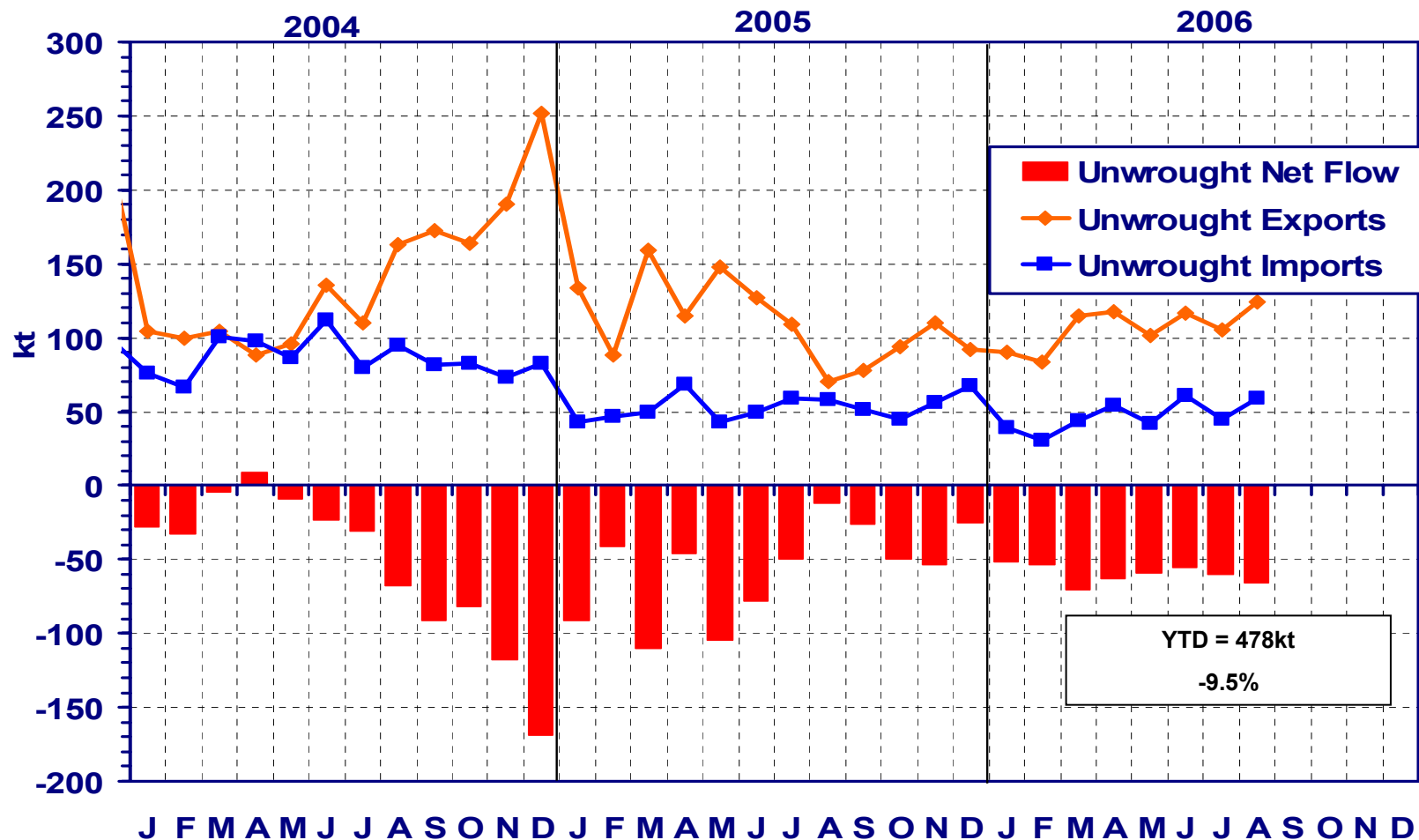


\* The increase in alumina production has pushed up bauxite imports to 5.5Mt during the first 8 months of 2006. In August, bauxite imports totaled 1.1Mt, more than the whole of 2004.

# Primary Aluminum Exports Down 10% Y/Y



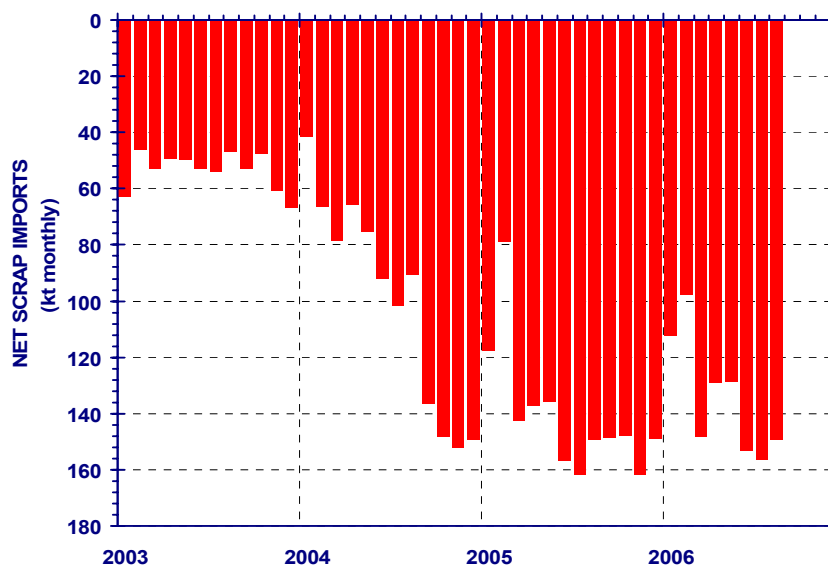
## Net unwrought aluminum exports



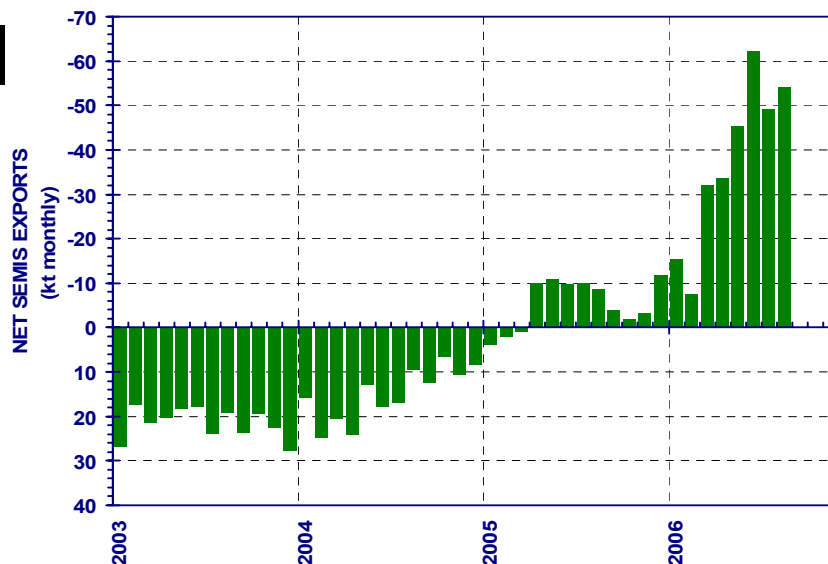
# China - Scrap Imports and Semi-fabricated Aluminum Exports



## Net Scrap Imports



## Net Exports of Semis



# Looking Forward . . .



- There is still a potential for smelter closures during the next 2-3 years, mainly in Europe and USA, due to the renegotiation of power contracts.

## ■ Expansions:

### World Excluding China

B = Brownfield

G = Greenfield

			2006	2007	2008	2009
<b>FIRM EXPANSIONS (kt)</b>						
Argentina	Puerto Madryn	B		90	33	
Brazil	Sao Luis/Alcoa	B	63			
Canada	Kitimat	B				30
Dubai	Jebel Ali	B		100	60	
Iceland	Alcoa	G			320	
"	Grundartangi	B		130	40	
India	Hirakud	B		97		
"	Korba	B	120	120		
Iran	Arak II	G			110	
Oman	Sohar	G			350	
Russia	Khakassia	B		300		
Capacity Creep (estimated)			120	120	120	120
<b>Sub-total</b>			<b>303</b>	<b>957</b>	<b>1033</b>	<b>150</b>

- Depending on the right input-output prices combination, some of the idle capacity in China, US Pacific Northwest or Africa could be restarted.

# Global Primary Aluminum Metal Balance



	2006	2007	
		Bear Case	Bull Case
<b>Demand</b> (excl. China)	25,500 +3.0%	25,900 +1.5%	26,150 +2.5%
<b>Supply</b> (excl. China)	24,600 +1.9%	25,400 + 3.3%	25,400 +3.3%
<b>Net Imports from China</b>	600	700	500
<b>Inventory Change</b>	-300	+200	-250



# APPENDIX

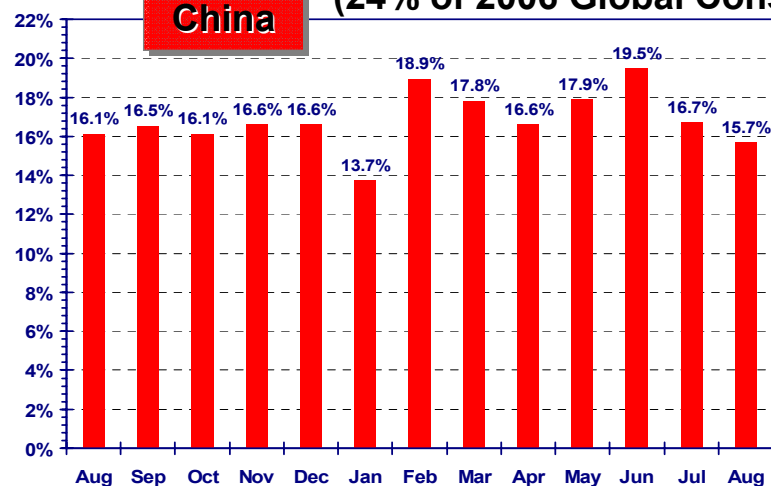
# Industrial Production

## Main Aluminum Consuming Regions



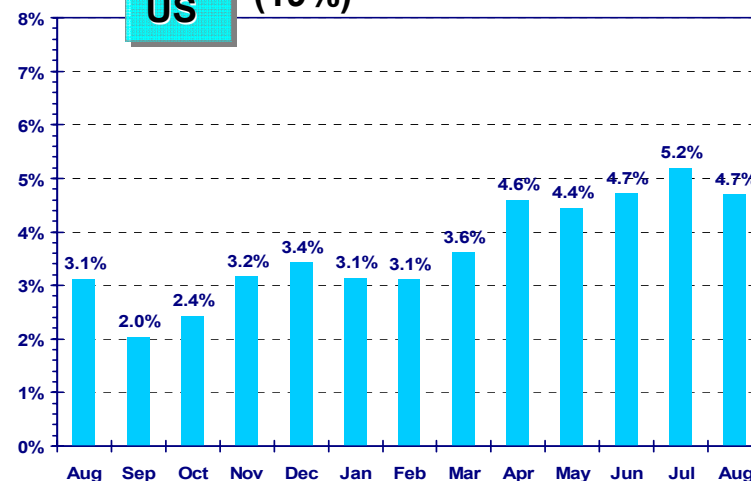
**China**

(24% of 2006 Global Consumption)



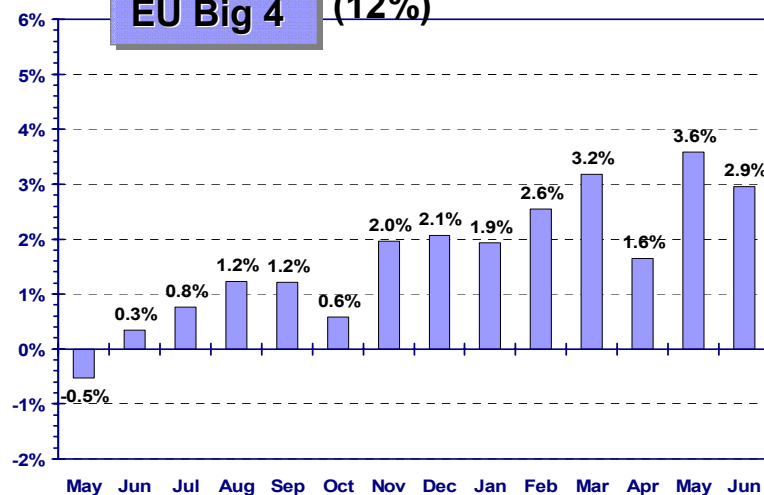
**US**

(19%)



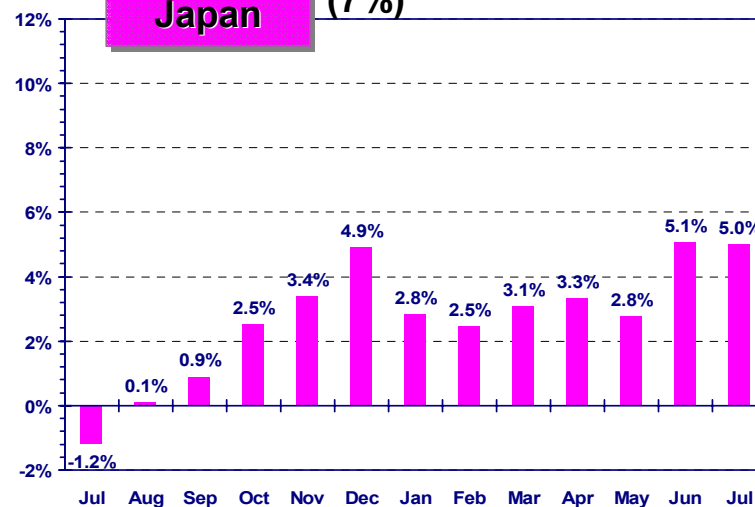
**EU Big 4**

(12%)

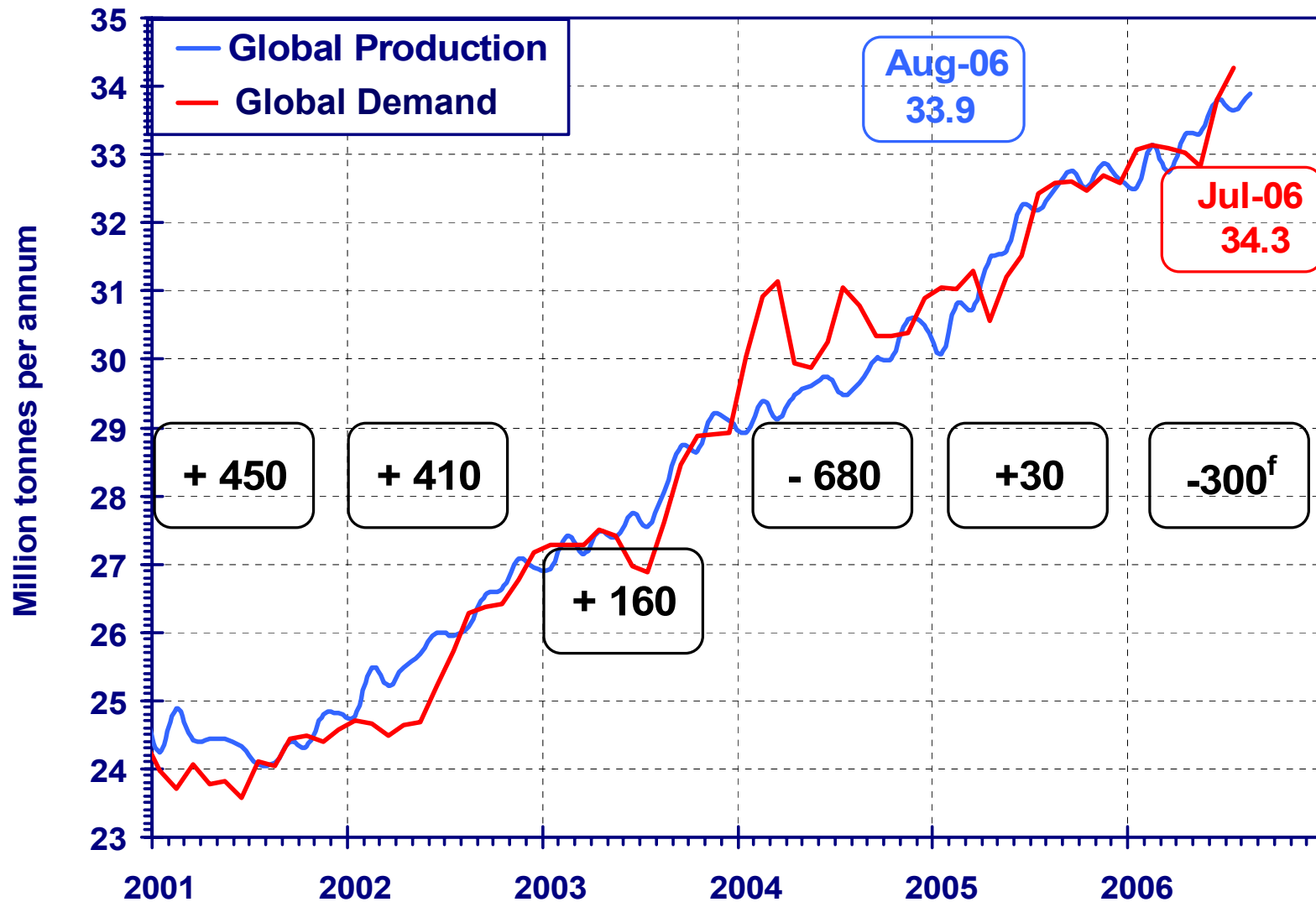


**Japan**

(7%)



# World Supply & Demand



# Inventories



## Total Reported Unwrought Inventories

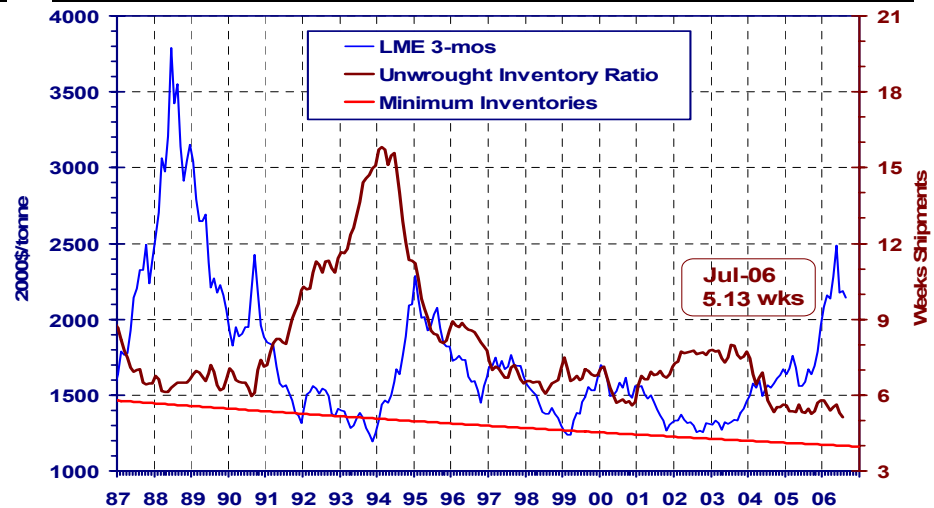
End of Month	IAI Unwrought	LME	Comex (on warrant)	Total Reported Unwrought Stocks
December-05	1797	644	62	2503
January-06	1840	710	59	2609
February-06	1708	776	58	2542
March-06	1590	776	58	2425
April-06	1660	740	50	2451
May-06	1650	771	38	2459
June-06	1591	774	37	2402
July-06	1604	712	35	2351
August-06	1614	717	20	2351
26-Sep-2006		692	21	

YTD: -152kt

## LME Inventories



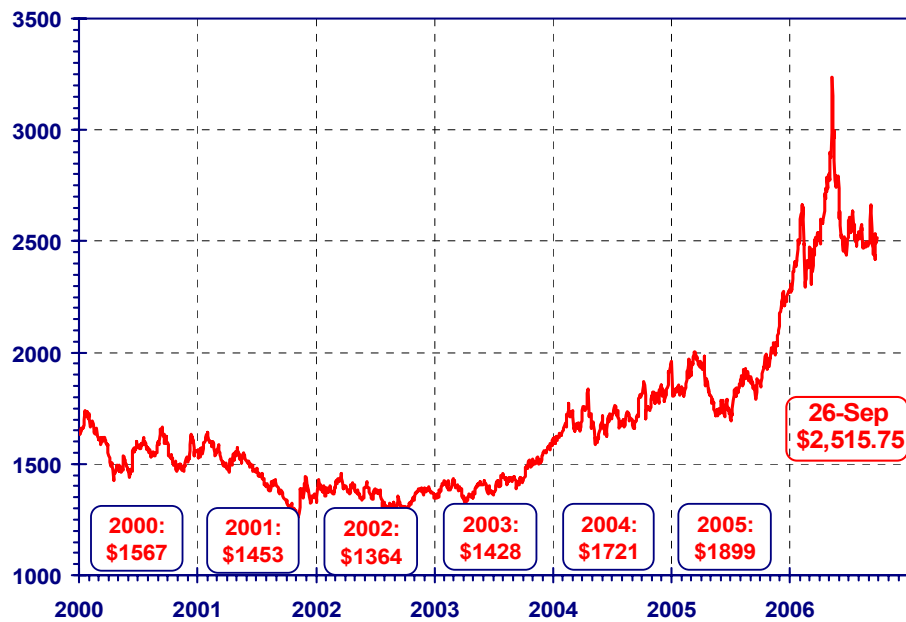
## Inventories as Weeks of Shipments



# Prices and Premiums



## LME 3-Mos Daily Price



## Local Market Premiums

