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ALCOA (AA \$38.30, rated Neutral) EARNINGS ESTIMATES CUT SHARPLY DUE TO COSTS, LME PRICE ESTIMATES THE SAME AND 25% REPURCHASE ESTIMATED TO NEED \$3.1 BILLION IN DEBT PLUS CAPITAL SPENDING CUTS

	2007E	2008E	2009E	2010E
Revised EPS October 9 th	\$2.60	\$2.10	\$1.91	\$1.94
Revised EPS July 9 th	\$2.97	\$2.40	\$1.91	\$1.94
Estimated Avg. LME Spot	\$1.19	\$1.12	\$0.95	\$0.93

- EBITDA per pound fell to \$0.375 from \$0.501 in the first-half as revenues fell with prices and costs rose. It is a good thing Alcoa earned \$1.30 or \$1.14 billion net from the Chalco sale, or else it would not have reported \$0.63 per share. Depending on whether an investor excludes one-time items for stock options, three choppy smelter startups, currency and hedging, the September quarter can be reasonably interpreted between \$0.41 and \$0.58 per share.
- Alcoa earned \$0.69 in March 2006 when the LME averaged \$1.08, near today's level, but the euro, A\$, C\$, real and crude oil each are 20%, 23%, 17% , 30% and 25% higher today, respectively. In the first-quarter 2006 Alcoa earned \$0.468 EBITDA per lb. Time lags may permit some of Alcoa's products to command a better pricing basis than the recent \$1.08 per pound LME basis, but we estimate \$0.35 per pound EBITDA in December 2008 owing to crude oil, the C\$, A\$ and euro each are much less favorable.
- We estimate Alcoa's net profit breakeven would be near an LME spot price of \$0.85 with an EBITDA breakeven near \$0.75 per pound. Rising costs and fewer shares outstanding amplify such volatility.
- We estimate the fourth-quarter at \$0.40 per share based on \$0.35 per pound of EBITDA versus \$0.41 EPS last year "as reported" or \$0.84 last year before one-time items. We cut our 2007 earnings estimate to \$2.60 from \$2.97 at \$1.19 average LME ingot, 2008 to \$2.10 from \$2.40 at \$1.12 LME ingot and remain at \$1.91 in 2009 and \$1.94 in 2010.
- The 217 mm share or 25% share repurchase authorization up from 10% is most shareholder friendly. Further, the company bought 43 mm shares or 5% as it appeared to spend the Chalco asset sale proceeds already as debt increased. A \$2.4 billion packaging sale should permit another 63 mm or bring the total up to 12% repurchased, suggesting a high likelihood of 15% bought back by the end of 2008, 20% by the end of 2009 and 25% by the end of 2010.

We estimate Alcoa borrows \$3.1 billion to buy back the shares, cuts annual capital spending to the range of \$1.2 to \$2.0 billion in 2008 to 2013 and makes no acquisitions through 2010.

- The \$845 mm writeoff of less-than-book value expected packaging division, auto castings and AFL auto wire harness writedown probably reflects the inability to recover all of the goodwill associated with packaging and all of the tangible book value of the wire harness unit. Various book losses offset 97% of the gain on the sale of 7% of Chalco from an accounting standpoint.
- The sale of the packaging or wire harness units on less-than-expected terms erodes our prior valuation of Alcoa at \$36 per share, but are offset with benefits stock buy back stock.

TOUGH CLIMATE AS LME SPOT PRICE FALLS AND COST METRICS RISE

The year-to-date aluminum market climate has been an adverse one. The LME price has weakened from \$1.27 in the March, \$1.25 in the June, \$1.16 in September and may fall a couple pennies short of our \$1.10 per pound December quarter estimate or \$1.12 2008 estimate. Our 2009 \$0.95 per pound LME estimate reflects an expectation of global aluminum market oversupply.

Meanwhile, crude oil near \$79, a record euro and long-term C\$, A\$, real or other “production cost currency” highs serve to increase Alcoa’s costs of goods sold while revenues fall in US \$. The end result is that profit margins can only fall. Alcoa’s asset sales and painful cost reduction measures can mitigate only a small part of this.

Table 1: Cost Drivers for Alcoa

	1/6/06	10/9/07	% change
	Ratio USD to 1		
Euro	1.18	1.41	19.5%
A\$	0.73	0.897	22.9%
C\$	0.86	1.01	17.4%
Brazil	0.42735043	0.555556	30.0%
	Price / barrel		
Crude oil	63.45	79.03	24.6%

Source: Reuters

We do not characterize the current climate as a “worst case” scenario. Global aluminum demand appears to have risen at least 9% this year, although Chinese and rest of world smelter outputs consistently exceed expectations. Supply appears to be growing 1%-2% faster than demand.

We worry about a much bleaker demand profile in 2008 or 2009 should portions of the 2007 demand profile reverse. For example, the auto, appliance and housing climate is poor in the U.S. The over \$2.50 per pound premium of copper over aluminum or over

\$0.30 per pound premium of zinc over aluminum remain pleasant indicators of favorable substitution pressures. However, copper now has been at a substantial premium to aluminum for about two years. The pace of substitution to aluminum from copper may not increase too much more if the potential changes already have been made.

Our “worry scenario” is if some of the Chinese drivers for 3.25+ mmt aluminum output and use in 2007 are “illusory.” For example, Chinese extrusion exports to the U.S. are a record, and several smaller U.S. extrusion companies have filed antidumping cases while Alcoa simply merged its extrusion unit. Some Chinese construction may be related to Olympic preparations, and could subside after the Spring of 2008. Some specific Olympic preparations, such as viewing stands, could be dismantled, scrapped and remelted to increase 2009 supply as apparent demand wanes.

The “hope scenario,” expressed in part in Rio Tinto’s \$101 per share Alcan takeover, would be the shutdown of high cost or dirty capacity in China, the EU or the U.S. This is plausible, but history suggests that employees, lenders, utilities and other suppliers volunteer unique concessions to delay shutdown.

EARNINGS ESTIMATE REVISIONS

We kept our average LME ingot estimates to \$1.12 for 2008, \$0.95 for 2009 and \$0.93 for 2010 and \$0.95 for 2011 as rising global capacity has been a concern of ours for several years. We increased our estimates of costs, had already removed the Packaging segment from 2008 and reduced average shares outstanding further in our model.

We estimated 2% fewer average shares for 2007, 13% for 2008, 17% for 2009 and 22% for 2010 assuming Alcoa buys back 15% through 2008, 20% through 2009 and 25% of beginning 2007 shares outstanding by the end of 2010. Average shares outstanding could fall just a bit less than the amount of the repurchase each year if repurchases occur after the middle of each year and a few options grants occur to managers. For 2008, 2009 and 2010 we estimated average shares outstanding were 3% higher than the amount reduced by the shares bought back.

BALANCE SHEET IMPLICATIONS

We estimate Alcoa borrows \$3.1 billion to buy back the shares, cuts annual capital spending to the range of \$1.2 to \$2.0 billion in 2008 to 2013 and makes no acquisitions through 2010.

It is likely Alcoa chooses not to buy back the entire 217 mm share or 2% authorization if metals prices fall more than we estimate, costs rise more than we estimate or attractive acquisitions or investment opportunities develop.

Table 2: Alcoa Segment After-Tax Income Statement Before Allocations

	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Alumina	2,785	3,112	2,285	2,249	2,219	2,366	2,482	2,456
Chemicals	0	0	0	0	0	0	0	0
Primary Metals	6,171	7,264	5,891	5,374	5,332	5,540	5,651	5,764
Flat-Rolled Products	8,297	9,151	8,769	8,341	8,559	8,901	9,257	9,628
Engineered Products	5,456	5,865	5,716	5,872	6,049	6,232	6,420	6,614
Packaging & Consumer	3,235	3,867	0	0	0	0	0	0
Other Products	4,435	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Other Revenues	0	0	0	0	0	0	0	0
Total Reported Sales (net inte	30,379	31,260	24,662	23,836	24,159	25,039	25,810	26,462
Alumina & Chemicals	1,779	1,549	1,105	885	782	957	941	923
Primary Metals	2,837	2,443	2,004	1,650	1,557	1,348	1,309	1,341
Flat-Rolled Products	596	707	438	638	655	553	567	582
Engineered Products	626	545	732	882	1,042	1,296	1,561	1,831
Packaging & Consumer	346	349	0	0	0	187	0	0
Other Products	342	347	379	362	366	372	378	383
Unallocated								
Gross Operating Profit by Seg	6,527	5,939	4,658	4,417	4,402	4,712	4,756	5,060
Alumina & Chemicals	1,595	1,360	912	688	582	753	733	711
Primary Metals	2,466	2,025	1,538	1,134	991	731	640	618
Flat-Rolled Products	385	491	218	414	426	319	329	339
Engineered Products	483	398	581	726	881	1,130	1,390	1,655
Packaging & Consumer	177	176	0	0	0	0	0	0
Other Products	40	43	47	47	47	47	47	47
Unallocated								
Operating Profit by Segment	5,146	4,494	3,296	3,010	2,927	2,981	3,139	3,370
Alumina & Chemicals	388	394	257	193	166	215	209	203
Primary Metals	600	587	434	317	282	208	182	176
Flat-Rolled Products	94	143	62	116	121	91	94	97
Engineered Products	117	115	164	203	251	322	396	472
Packaging & Consumer	43	51	0	0	0	0	0	0
Other Products	21	25	32	25	26	26	26	26
Unallocated	(428)	(187)	(164)	(189)	(201)	(200)	(192)	(181)
Income Tax by Segment	835	1,129	784	666	645	661	715	791
Alumina & Chemicals	1,207	966	655	496	416	539	524	508
Primary Metals	1,891	1,462	1,129	841	733	547	482	467
Flat-Rolled Products	301	359	167	308	315	238	245	252
Engineered Products	365	283	417	523	630	808	994	1,183
Packaging & Consumer	134	125	0	0	0	0	0	0
Other Products	76	71	91	75	74	74	74	74
After-Tax Operating Profit	3,974	3,266	2,459	2,244	2,168	2,207	2,320	2,485
Elimination of intersegment (pro	0	0	0	0	0	0	0	0
Interest Income, net of tax	29	56	49	22	23	22	26	33
Interest Expense, net of tax	(288)	(214)	(228)	(286)	(308)	(306)	(283)	(256)
Minority Interest	(436)	(525)	(379)	(326)	(308)	(315)	(341)	(377)
Corporate Expense, net of tax	(325)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Other Income								
Other	(704)	(59)	3	34	35	36	31	22
Unallocated Items, net of tax	(1,724)	(1,042)	(855)	(855)	(857)	(863)	(867)	(877)
Reported Net Income	2,250	2,225	1,604	1,388	1,311	1,344	1,453	1,608
EPS	\$2.57	\$2.60	\$2.10	\$1.91	\$1.94	\$1.99	\$2.15	\$2.38

Note: Corporate expense is included in our ATOI segment forecasts; Other income is included in Alcoa's reported ATOI numbers.

We have adjusted ATOI to include other income allocated to segments while removing corporate expense.

Source: Company reports, JT Very Independent Research, LLC estimates.

Table 3: Alcoa Earnings Model on traditional SEC form 10Q basis (\$ Mil.)

	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Alumina	2,785.0	3,112.2	2,285.3	2,248.9	2,219.3	2,365.6	2,481.7	2,456.1
Chemicals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary Metals	6,171.0	7,263.7	5,891.4	5,374.1	5,332.1	5,540.4	5,651.2	5,764.2
Flat-Rolled Products	8,297.0	9,151.2	8,768.7	8,341.0	8,558.9	8,901.3	9,257.4	9,627.6
Engineered Products	5,456.0	5,865.2	5,716.4	5,871.7	6,049.0	6,231.7	6,419.9	6,613.8
Packaging and Consumer	3,235	3,867	0	0	0	0	0	0
Other	4,435	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Equity, Interest and other								
Total Sales	30,379.0	31,259.6	24,661.7	23,835.6	24,159.3	25,038.9	25,810.2	26,461.8
Alumina & Chemicals	1,524	1,291	826	620	514	685	665	643
Primary Metals	2,324	1,890	1,362	999	858	598	507	485
Flat-Rolled Products	301	411	107	334	347	241	250	260
Engineered Products	328	248	394	576	733	982	1,242	1,507
Unallocated	0	0	0	0	0	0	0	0
Packaging and Consumer	113	114	0	0	0	0	0	0
Extruded and End Products	40	43	47	47	47	47	47	47
Operating Profit (EBIT)	4,630	3,998	2,736	2,576	2,499	2,553	2,712	2,942
Cost of Goods Sold	21,020	21,936	17,130	16,488	16,857	17,423	17,803	18,294
Est. Cost of Purchased Alum.	2,298	2,371	1,764	1,783	1,772	1,947	2,095	1,937
SG & A	1,402	1,480	1,495	1,450	1,465	1,479	1,494	1,509
R & D	213	195	190	191	192	192	192	192
Depreciation	1,280	1,280	1,348	1,348	1,375	1,444	1,515	1,587
Interest Expense	384	285	304	381	410	408	377	341
Special Items	543							
Other (income)	(193)	(180)	(350)	(185)	(175)	(175)	(175)	(175)
Pretax Income	3,432.0	3,892.9	2,781.7	2,380.2	2,263.8	2,320.3	2,509.1	2,776.5
Income Taxes	835.0	1,128.9	784.4	666.5	645.2	661.3	715.1	791.3
Tax Rate	24.3%	29.0%	28.2%	28.0%	28.5%	28.5%	28.5%	28.5%
Net Income	2,597.0	2,763.9	1,997.3	1,713.8	1,618.6	1,659.0	1,794.0	1,985.2
Minority Interest	(436.0)	(525.1)	(379.5)	(325.6)	(307.5)	(315.2)	(340.9)	(377.2)
Extraordinary Items	89.1	(14.0)	(14.0)	0.0	0.0	0.0	0.0	0.0
Preferred Dividend	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)
Net Income to Common	2,248.0	2,222.7	1,601.7	1,386.0	1,309.0	1,341.7	1,451.1	1,605.9
Avg. Shares Outstanding	875.0	855.0	761.2	726.2	673.7	673.7	673.7	673.7
Earnings Per Share	\$2.57	\$2.60	\$2.10	\$1.91	\$1.94	\$1.99	\$2.15	\$2.38
Dividends Per Share	\$0.60	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68
Cash Flow Per Share	\$3.74	\$4.21	\$3.95	\$3.83	\$4.06	\$4.21	\$4.48	\$4.83
Book Value Per Share	\$16.72	\$18.83	\$22.45	\$24.68	\$27.78	\$29.00	\$30.37	\$31.93

Source: Company reports, JT Very Independent Research, LLC estimates.

Table 4: Alcoa Underlying Dynamics

	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Ingot Shipments (000 metric tonnes)	2,087	2,130	2,173	2,216	2,260	2,306	2,352	2,399
Flat Rolled Ship. (000 mt)	2,273	2,332	2,425	2,522	2,623	2,728	2,837	2,951
Engineered Ship. (000 mt)	139	146	147	149	150	152	153	155
Extruded and End Products (000 mt)	877.0	900.0	900.0	900.0	900.0	900.0	900.0	900.0
Packaging Shipments (000 mt)	169	175	0	0	0	0	0	0
Total Shipments (000 metric tonnes)	5,545	5,683	5,645	5,787	5,934	6,086	6,242	6,404
Primary Alum. Capacity	4,040	4,060	4,480	4,480	4,503	4,525	4,548	4,871
Primary Alum. Production	3,676	3,816	4,211	4,167	4,278	4,299	4,320	4,627
Est. Purchased Aluminum	1,869	1,867	1,434	1,621	1,656	1,787	1,922	1,777
Ingot Realizations (\$/lb)	1.23	1.27	1.23	1.10	1.07	1.09	1.09	1.09
LME Spot Ingot Price (\$/lb)	1.13	1.19	1.12	0.95	0.93	0.95	0.95	0.95
Flat-Rolled Price Real. (\$/lb)	1.68	1.78	1.64	1.50	1.48	1.48	1.48	1.48
Engineered Price Real (\$/lb)	16.80	17.29	17.58	17.88	18.24	18.61	18.98	19.36
Est. EBIT Cost to Produce Ingot (\$/lb)	0.90	1.01	1.03	0.92	0.91	0.96	0.97	0.98
Est. Addtl Fab Cost - Flat Rolled (\$/lt)	0.49	0.51	0.50	0.49	0.49	0.49	0.49	0.49
Est. Addtl Fab Cost - Engr (\$/lb)	14.60	15.33	15.25	15.18	15.10	14.72	14.36	14.00
Corp. Total Sales per pound	2.39	2.50	1.98	1.87	1.85	1.87	1.88	1.87
CGS/Sales	76.8%	77.8%	76.6%	76.7%	77.1%	77.4%	77.1%	76.5%
Sales Growth	16.1%	2.9%	-21.1%	-3.3%	1.4%	3.6%	3.1%	2.5%
Corp. EBITDA/ Lb Shipped	\$0.42	\$0.44	\$0.36	\$0.32	\$0.31	\$0.31	\$0.32	\$0.33
Alumina&Chem. EBIT/ tonne product	\$86	\$73	\$39	\$25	\$18	\$27	\$24	\$22
Ingot EBIT/ lb own production	\$0.29	\$0.22	\$0.15	\$0.11	\$0.09	\$0.06	\$0.05	\$0.05
Flat Rolled EBIT/ lb shipped	\$0.06	\$0.08	\$0.02	\$0.06	\$0.06	\$0.04	\$0.04	\$0.04
Engr Prod EBIT/ lb shipped	\$1.07	\$0.77	\$1.21	\$1.76	\$2.21	\$2.93	\$3.67	\$4.41
Ext. Alumina Shipments ('000 mt)	8,420	7,925	7,995	8,583	8,866	9,324	9,782	9,681
Implied Internal Alumina Use	7,206	7,479	8,255	8,167	8,384	8,426	8,468	9,069
Est. Total Alumina Production	15,626	15,250	16,250	16,750	17,250	17,750	18,250	18,750
Est. Alumina Price Realized (tonne)	\$304	\$311	\$286	\$262	\$250	\$254	\$254	\$254
Cost (EBITDA basis)/tonne Alumina	\$206	\$226	\$235	\$225	\$221	\$215	\$217	\$219

Source: Company reports, JT Very Independent Research, LLC estimates.

Table 5: Alcoa Cash Flows

Sources:	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Net Income	2,248.0	2,222.7	1,601.7	1,386.0	1,309.0	1,341.7	1,451.1	1,605.9
Depreciation, depletion & amort.	1,280.0	1,280.0	1,347.6	1,347.6	1,374.6	1,444.0	1,514.9	1,587.2
Deferred Taxes	(168.0)	120.0	85.5	73.7	71.6	73.2	78.6	86.2
Equity Income net dividends	(89.0)	(25.0)	(25.0)	(24.0)	(23.0)	(23.0)	(23.0)	(23.0)
Minority Interest	436.0	367.6	265.6	227.9	215.3	220.6	238.6	264.0
Common Stock	155.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Debt	715.0		1,250.0	1,250.0	600.0			
Asset Sales	407.0	4,350.0	250.0	100.0	100.0	100.0	100.0	100.0
Other Items	(742.0)							
Total Sources	4,242.0	8,365.3	4,825.5	4,411.3	3,697.4	3,206.6	3,410.2	3,670.4
Uses:								
Capital Expenditures	3,201.0	3,100.0	2,000.0	1,500.0	1,200.0	1,600.0	1,600.0	1,600.0
Acquisitions, investments	(7.0)	100.0	0.0	0.0	50.0	100.0	100.0	100.0
Stock Repurchased	290.0	1,750.0	3,440.0	1,548.0	1,548.0	150.0	150.0	150.0
Reductions in Minority Interest	(342.0)	157.5	113.8	97.7	92.3	94.6	102.3	113.2
Dividends (include to Min. Int.)	923.0	857.1	716.9	664.8	619.6	623.6	637.1	656.2
Debt Repayment	36.0	1,000.0	300.0	300.0	300.0	500.0	600.0	700.0
Post-Retirement Liability	397.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
Increase (decrease) in working cap.	(256.0)	1,340.6	(1,805.2)	240.9	(172.4)	78.4	160.9	291.1
Total Uses	4,242.0	8,365.3	4,825.5	4,411.3	3,697.4	3,206.6	3,410.2	3,670.4

Source: Company reports, JT Very Independent Research, LLC estimates.

Table 6: Alcoa Balance Sheet (\$ Mil.)

	2,006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Cash and Equivalents	506	1,511	158	338	209	268	388	607
Receivables, net	3,435	3,986	3,144	3,039	3,080	3,192	3,291	3,374
Total Inventories & Supplies	3,805	3,595	2,836	2,741	2,778	2,879	2,968	3,043
Other Current Assets	1,497	1,507	1,517	1,527	1,537	1,547	1,557	1,567
Total Current Assets	9,243	10,599	7,655	7,645	7,605	7,887	8,204	8,591
Gross Property, Plant and Equipment	29,348	31,268	32,468	33,368	34,118	35,138	36,158	37,178
Less Accumulated Depreciation	14,535	15,803	17,139	18,474	19,837	21,269	22,772	24,347
Net Property, Plant and Equip.	14,813	15,465	15,329	14,894	14,281	13,869	13,386	12,831
Net Intangible Assets	6,166	4,166	4,266	4,366	4,466	4,566	4,666	4,766
Investments and Other Assets	7,052	8,332	9,132	9,732	10,232	10,912	11,592	12,272
Total Assets	37,274	38,562	36,382	36,637	36,584	37,234	37,849	38,460
Short-Term Debt	1,947	1,447	1,447	1,447	1,447	1,447	1,447	1,447
Accounts Payable and Other Current L	7,090	8,957	8,168	8,118	8,450	8,854	9,209	9,503
Total Current Liabilities	9,037	10,404	9,615	9,565	9,897	10,301	10,656	10,950
Long-Term Debt	4,445	4,445	5,395	6,345	6,645	6,145	5,545	4,845
Deferred Credits & Other Liab.	3,652	3,637	3,621	3,606	3,590	3,574	3,557	3,541
Accrued Post-Retirement Benefits	2,956	2,897	2,839	2,782	2,727	2,672	2,619	2,566
Deferred Taxes	753	873	959	1,032	1,104	1,177	1,256	1,342
Minority Interest	1,800	2,010	2,162	2,292	2,415	2,541	2,678	2,828
Common and Preferred Equity	14,631	14,297	11,791	11,015	10,206	10,824	11,538	12,388
Total Liabilities and Equity	37,274	38,562	36,382	36,637	36,584	37,234	37,849	38,460
Accts Rec / Sales	13.00%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%
Inventory / Sales	12.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%
AP & Other CL / Sales	23.34%	28.65%	33.12%	34.06%	34.98%	35.36%	35.68%	35.91%

Notes: Intangible assets include Intangibles (net of accumulated amortization) and net deferred tax assets.

Source: Company reports, JT Very Independent Research, LLC estimates.

RESTRUCTURING UPDATE OCTOBER 4TH

Most of this charge appears to be \$600 mm related to the inability to recover goodwill or past acquisition premiums of packaging businesses which suggests its proceeds might be closer to \$2.4 billion than the \$3.0 billion we predicted. Alcoa will also sell auto castings plants, both wheels and other components, and restructure rather than sell auto electronics AFL units. All three groups of businesses could not command Alcoa's prior carrying values.

Alcoa described its strategy and \$845 mm in net charges in its October 4th press release that we excerpt here:

After completing the strategic review of its portfolio, the Company intends to proceed with the sale of its Packaging and Consumer business. The company has received strong indications from strategic buyers for that business, and plans to complete the transaction by late 2007 or early 2008. The company is also near a definitive agreement to sell its Automotive Castings business and should close that transaction by the end of the year.

In addition, the company plans to significantly restructure its Electrical and Electronic Solutions (formerly the Alcoa Fujikura Limited wireharness business) business in the Americas and Europe to improve returns and profitability.

These portfolio actions will be carried out in consultation with the unions and works councils as required by applicable U.S., European and local rules and regulations

As a result Alcoa expects to record after-tax restructuring and impairment charges in the third quarter of 2007 of approximately \$195 million related to the Electrical and Electronic Solutions business; approximately \$50 million for charges related to the automotive castings business; and approximately \$600 million related to the planned sale of the packaging and consumer business, the majority of which is associated with income taxes.

UPDATED ASSET VALUATION AT \$38 DOWN FROM \$41, KEEPING OUR \$36 PRICE TARGET

In general, the asset sales and estimated \$3.1 billion to fund the 217 mm share buyback and other adjustments we made to valuations caused our valuation to drop down slightly to \$38 from \$41 per share cutting the shares outstanding to 658 mm. We had previously used 800 mm shares anticipating part of the repurchases previously announced.

We increased our valuation of alumina 10% owing to market values of Alumina Ltd. Rising in the stock market. We reduced our estimates of severance, restructuring or unbooked environmental liabilities as Alcoa shrinks its "footprint" divesting and restructuring the units.

We did not change our prior \$3,000 per tonne valuation of smelters or separate valuation of electricity generating assets. The nearly \$0.20 per pound drop in ingot prices was anticipated in a sense in our failure to estimate "Full Value" to Alcoa smelting. Our reasoning was that so many of Alcoa's power contracts expire and will be repriced in 7 years or less that one cannot presume a profit margin or full operations.

Table 7: DETAILED ALCOA ASSET BREAKUP ANALYSIS GENEROUSLY AT \$38 PER SHARE

Asset	Estimated Value	Remarks
Corp. Unallocated at half book value	250	Treated \$2.6 bil = \$0.762 cash, \$1.3 "to be sold" and \$0.5 "other"
Misc. real estate or old plant sites	250	Lots of "stuff" like 64 auto parts plants, 2 HQ, etc.
Assets held for sale, net liabilities	0	Assumed sold
Alumina	11,197	1.5x Alumina Ltd. Market cap
20% Western Aust. Gas pipeline	17	
Power Generation	2,662	15.2 bil kwh @ 2 cents per kwh profit & 12.5 times net earnings
Smelting	12,000	4 mmt @ \$3000/t as much older or 5x net inc.2007E \$2.4 bil.
Beverage Can Sheet Rolling	1,911	12x 35% of segment \$455 mm net income excl.\$200 mm cap los
Aerospace Rolling USA/UK	4,095	18x half of segment \$455 mm net income excl. \$200 mm Russia
Diverse Distn.& Industrial	764	12x 15% of segment \$455 mm net income excl. \$200 mm specific
Russian Rolling	600	Qualification with Airbus, heat treating and other improvements
Chinese Rolling	400	Segment assets \$5,031 mm at Sept 2006 10Q
Packaging	0	Treated as sold to fund 217 mm fewer shares
Howmet Castings	4,500	18x \$250 mm est. 2007 net income
Forged Truck Wheels	600	12x \$ 50 mm est. 2007 net income
Aerospace fasteners	900	18x \$ 50 mm est. 2007 net income
Aerospace forgings	300	
AFL auto wire harnesses (29 sites)	300	
Diverse auto mfg (23 locations)	100	assume \$5 mm inventory per site after shutdown
tubing	50	
cold-finished bar	50	
wire rod	50	
Auto wheels (8 sites)	200	
auto fasteners	75	
auto castings (4 sites)	0	Sold to fund share buybacks
Aerospace hard alloy extrusions	500	
49% Soft alloy extrusion with Orkla	1,000	22 of 40 locations and \$2.1 of \$3.4 bil sales in jt vt
Nonres construction/ AlumaxKawne	375	
Door, curtain wall, stairs, other res	375	
Total Debt 9/2007	-7,451	
New Debt to finish repurchase	-3,100	
Pensions	-1,311	
Postretirement medical, life, etc.	-2,840	
Other Long-term Liabilities	-1,614	
Reclamation liabilities booked	-345	
Est. Reclamation liabilities unbooked		
Upper limit Massena, Sherwin, E S	-305	AA estimates \$675 mm upper range of costs to these 3 sites
36 oper., 34 past or 65 waste sites	-900	GAAP acctg does not require recognition until cost well known
Est. Severance for restructuring	-500	Whether AA or a buyer does it, streamlining costs money.
Assets less Liabilities	25,155	
SharesOutg=874.6 -217 +new optic	658	Full 217 mm net share repurchase done by 2010

Asset Value per share \$38.23

Source: JT Very Independent Research, LLC estimates

Table 8: AA FUNCTIONAL VALUATION BREAKDOWN (\$

Alumina	\$ 11,214
Electricity	\$ 2,662
Ingot smelting	\$ 12,000
Flat-Rolled	\$ 7,770
Howmet Castings	\$ 4,500
Engineered others	\$ 2,625
Packaging	\$ -
Extrusions & End Prod.	\$ 2,250
Corporate	\$ 500
Less Net Debt	\$ (7,451)
Less Other Liabilities	\$ (7,815)
Net Assets or Equity	\$ 25,155

Source: JT Very Independent Research, LLC estimates

OUR BREAKUP ANALYSIS VALUATION METHODOLOGY IS HIGHLY GENEROUS IN FIVE REGARDS

We make five legitimate criticisms of our valuation technique herein. In other words, we had to stretch the numbers pretty far to arrive at \$41 per share in our Alcoa asset break up analysis.

First, we did not provide any 15% “liquidation discount” in this report as we did in a past February 12th Weyerhaeuser research note in which we raised our target to \$102 from \$92 for WY. Second, we did not consider income taxes, which might trigger cash outlays if Alcoa or someone else sold assets for above year-end 2006 carrying values on the balance sheet. Third, we aggressively valued the functional segment net income of each of six reporting segments, and added back the business losses of perhaps \$400 mm of individual manufacturing businesses not doing so well these days to put aggressive P/E valuations on the units generating profits to cover those losses. However, we did not value as a deduction the \$317 mm net “corporate expense” for HQ, research and related overheads that is a \$3-\$4 billion drag on valuation. Fourth, we treated the October 9th 25% share repurchase announcement as though it already has been completed. We erased the assets to be sold, added \$3.1 billion in debt, cut capital spending and other debt repayment and assumed some operating cash flow would be applied. We did not otherwise deduct \$8+ billion costs. Fifth, we valued captive electricity generating capacity separate from the smelting system at \$2.66 billion.

We are aware that Hindalco agreed to pay \$44.93 on February 11th for Novelis and Rio Tinto \$101 on July 12th, whose high prices we did not anticipate. We do not want to present an overly conservative valuation analysis as the broad stock market sets record valuations and basic industrial companies disappear at increasing frequency at valuations near twice replacement cost, as is the case in the steel industry recently.

Some controversy or uncertainty legitimately exists given the post-July 19th credit crunch, and now shift to interest rate cuts and liquidity injection in the world financial system.

SEVERAL OF OUR BREAKUP ANALYSIS VALUATION METRICS DEBATABLE

Reasonable observers might argue with our valuation of Alcoa’s smelters at \$3,000 per tonne of capacity or five times net income (separately valuing power generation), the valuation of

aerospace sheet and plate at 18x estimated net income, the valuation of Howmet Castings at 18x estimated net income or the valuation of the Packaging business segment at \$3 billion or 30x last year's earnings. These constituents were \$12 billion, \$4.1 billion, \$4.5 billion and \$3 billion, respectively, or \$23.6 of the \$33.3 billion estimated \$41 per share asset valuation.

In recent years construction costs for new aluminum smelters has ranged from \$1,500 per tonne of annual capacity in China to \$5,000 per tonne for Alcoa's Alma smelter in Quebec in 1999 or \$4,500 for Alcoa's recent proposed refurbishment/expansion of its Kitimat smelter in British Columbia. Recently the government-owned CITIC company in China won a contract to build a new smelter for Egyptalum, another state company, for about \$2,700 per tonne illustrating the cost-effectiveness of Chinese techniques in a different region of the world. Generally new smelters have been located in places in which long-term power supplies can be contracted for \$0.01 to \$0.02 per kwh for twenty years.

Over 80 % of Alcoa's smelters are over 25 years old. Its Iceland smelter will operate later this year. Deschambault in Quebec was built about 15 years ago, Becancour in Quebec phase 1 about 20 years ago, Portland in Australia about 24 years ago and Mt. Holly in South Carolina 27 years ago. The remainder of Alcoa's system ranges between 1940 and 1975 probably averaging almost 50 years old. Such older smelters could sell for as little as \$1,000 to \$2,000 per tonne of capacity in an auction.

Alcoa is splendid in its efficient operation of mature smelting assets. Alcoa is superb in the optimization of its core production processes --- power generation, bauxite mining, alumina refineries, smelters, rolling mills, extrusion plants, etc. In this manner it earns similar or superior margins as competitors with newer or larger or lower wage cost smelters.

However, we hesitate to assign a value larger than \$3,000 per tonne for a smelting system whose average plant age nears 40 years old or for which two-thirds nears 50 years old. In this sense the asset base is fully depreciated. It is also noteworthy that we have separately valued the raw materials business at \$10 billion based on the Alumina Ltd publicly traded share price and the power generating assets at \$2.66 billion assuming a two cent per kwh or \$0.03 per pound of aluminum systemwide average profit contribution from power generation. Alternatively, one might say that we valued the smelters integrated with 25% self-generated power at \$3,650 per tonne of combined capacity and separately valued the bauxite-alumina system based on the public comparable.

An aggressive or "liberal" maximum valuation metric would be to value Alcoa's smelting system at \$5,000 per ton or 8.3x estimated \$2.4 billion 2007 smelting net income while continuing to separately value the power generation at \$2.66 billion. This maximum valuation format would permit a \$10 per Alcoa share increase to a valuation analysis. We believe that BHP Billiton would build new smelters in Congo, South Africa, Mozambique, Brazil or the Mideast and Rio Tinto would build new smelters in Abu Dhabi or elsewhere rather than pay such a price, and wind up with lower capital costs, lower power costs, lower wage levels and brand new rather than 40 year old or so assets. Thus, we reject the aggressive, liberal or "maximum" smelter valuation approach.

A more conservative investor might discount the valuation of Alumina Ltd by 10% or more reasoning that Alumina Ltd's shares command a valuation premium in anticipation of Alcoa taking it over. Further, a tax provision could be provided as well since Alumina Ltd trades near three times book value.

Our valuations of aerospace flat-rolled and Howmet Castings near 18x net income or packaging near 30x net income may seem generous or excessive as well. A 10%-15% "IPO discount" could be applied to these three businesses since some discount may need to be applied to sell them, which collectively might add up to almost \$2 billion or \$2.50 per Alcoa share before considering tax obligations triggered from sale. Alcoa paid a lot to acquire Howmet Castings and its packaging businesses, and may not trigger very much tax obligations from their sales. We estimate the book value of the Davenport, Iowa or Kits Green, UK aerospace aluminum plants may be under \$1 billion or under 25% our estimated valuations suggesting a larger tax issue if those units were sold.

MINORITY INTERESTS AND UNALLOCATED CORPORATE COSTS

Alcoa had a \$436 mm minority interest charge in 2006. We estimate that \$420 mm involved the earnings of Alumina Ltd, and the remaining \$16 mm stemmed from Alcoa's other segments. We believe the minority interest related to smelting was larger than \$16 mm, no packaging assets had minority stakes and that certain rolling, extrusion or other fabricating assets in which minority stakes were held had losses providing small minority interest credits to net income. For simplicity we ignored the minority interest item as our valuation metric correctly valued the alumina segment from the valuation of its publicly traded partner.

We also ignored the \$317 mm after tax corporate overhead expense. We believe this stems from the corporate offices on Park Avenue, Pittsburgh's North Side and other administrative hubs, the New Kensington, PA research center, Barberton, Ohio research center, Farmington Hills, MI auto center, corporate insurance, shared services and other centralized items. Small "country offices" exist in key locations like Sao Paulo or other key places abroad as well.

Some investors may place a \$3 to \$4 billion or \$4 per share negative value to the central overhead expense. Much of it could disappear if another company took Alcoa over or if Alcoa made draconian cuts to fend off a hostile raider. We chose to ignore it, but it is one of the five methodology judgment calls for which we expressed our own self-doubts on page seven above.

PLEASE SEE OUR PRIOR JULY 8TH ALUMINUM INDUSTRY OR JULY 9TH AND AUGUST 19TH ALCOA REPORTS AT www.veryindependentresearch.com

The following eight exhibits and explanations largely repeat our two prior reports earlier this month. We repeated them for your convenience, and because aluminum market, corporate financial models, asset value liquidation estimates or explanations remain relevant and our estimates have not changed with the ebb and flow of market "moods."

Table 1
WORLD TOTAL ALUMINUM SUPPLY/DEMAND BALANCE
(Thous. Metric Tonnes)

	IAI		Average Operating Rate (%)	Scrap Recovery	China Output		Apparent Consumption	Annual Demand Growth	Days Supply Inventory	Avg. LME Ingot	
	Year-end Primary Capacity	IAI Primary Production			After 1995 (Imports from CIS)	Producers' Inventory					
					Total	Change					
1973	11,349	10,050	88.6%	2,698	134	3,005	-411	13,293	13.4%	80	\$0.31
1974	11,848	10,932	92.3%	2,759	174	3,691	687	13,178	-0.9%	99	\$0.43
1975	12,057	9,716	80.6%	2,430	-134	4,792	1,100	10,912	-17.2%	160	\$0.33
1976	12,410	10,034	80.9%	2,903	87	4,082	-709	13,733	25.9%	109	\$0.40
1977	12,810	11,122	86.8%	3,151	145	4,376	294	14,124	2.8%	113	\$0.46
1978	13,060	11,440	87.6%	3,326	123	3,950	-426	15,315	8.4%	94	\$0.48
1979	13,372	11,794	88.2%	3,571	128	3,419	-531	16,024	4.6%	78	\$0.73
1980	13,708	12,610	92.0%	3,638	113	4,134	650	15,711	-2.0%	97	\$0.81
1981	13,980	12,293	87.9%	3,778	164	5,370	1,149	15,086	-4.0%	129	\$0.57
1982	13,971	10,523	75.3%	3,749	103	5,013	-450	14,825	-1.7%	128	\$0.45
1983	14,268	10,805	75.7%	3,973	-68	3,853	-1,135	15,845	6.9%	97	\$0.66
1984	14,179	12,464	87.9%	3,961	36	4,570	759	15,702	-0.9%	77	\$0.57
1985	13,644	11,990	87.9%	4,013	-64	4,222	-425	16,364	4.2%	99	\$0.47
1986	13,390	11,990	89.5%	4,199	155	3,717	-368	16,712	2.1%	85	\$0.52
1987	13,595	12,608	92.7%	4,495	279	3,138	-548	17,930	7.3%	68	\$0.71
1988	13,819	13,501	97.7%	5,156	419	3,223	35	19,041	6.2%	62	\$1.16
1989	14,277	14,062	98.5%	4,943	299	3,265	42	19,262	1.2%	62	\$0.89
1990	14,731	14,186	96.3%	5,062	403	3,470	205	19,446	1.0%	65	\$0.75
1991	14,929	14,778	99.0%	5,392	1,150	4,337	867	20,453	5.2%	77	\$0.59
1992	15,767	14,763	93.6%	5,470	1,180	4,794	457	20,957	2.5%	83	\$0.57
1993	16,005	14,984	93.6%	6,051	1,750	6,072	1,279	21,507	2.6%	103	\$0.52
1994	16,015	14,368	89.7%	6,439	1,900	5,285	-787	23,494	9.2%	82	\$0.67
1995	19,496	17,342	89.0%	6,868	1,676	4,214	-1,071	26,957	7.6%	57	\$0.82
1996	20,254	18,639	92.0%	6,914	1,771	4,164	-50	27,374	1.5%	56	\$0.68
1997	20,862	19,479	93.4%	7,594	2,035	3,831	-333	29,441	7.6%	47	\$0.72
1998	21,390	19,949	93.3%	7,572	2,336	3,893	62	29,795	1.2%	48	\$0.62
1999	21,822	20,646	94.6%	8,132	2,599	4,070	177	31,400	5.4%	47	\$0.62
2000	22,299	21,191	95.0%	8,197	2,794	3,627	-443	32,625	3.9%	41	\$0.70
2001	22,993	20,551	89.4%	7,624	3,371	4,011	384	31,162	-4.5%	47	\$0.66
2002	23,429	21,199	90.5%	7,649	4,321	4,361	350	32,819	5.3%	49	\$0.61
2003	23,819	21,937	92.1%	7,656	5,547	4,713	352	34,787	6.0%	49	\$0.65
2004	24,644	22,591	91.7%	7,560	6,689	4,122	-591	37,432	7.6%	40	\$0.78
1Q05		5,628	89.2%	1,924	1,741	4,080	-42	9,335	1.8%	40	\$0.87
2Q05		5,844	91.6%	1,940	1,912	3,954	-125	9,821	4.2%	37	\$0.82
3Q05		5,972	92.6%	1,885	2,043	4,268	314	9,586	1.9%	41	\$0.84
4Q05		6,019	93.4%	1,943	2,047	4,115	-153	10,162	8.4%	37	\$0.93
2005	25,578	23,463	91.7%	7,692	7,806	4,115	-7	38,968	4.1%	39	\$0.86
1Q06		5,860	91.5%	1,955	2,060	4,172	57	9,818	5.2%	39	\$1.09
2Q06		5,941	92.8%	1,950	2,250	4,097	-76	10,216	4.0%	37	\$1.21
3Q06		5,990	93.6%	1,986	2,420	3,834	-263	10,659	11.2%	33	\$1.13
4Q06		6,075	94.9%	1,951	2,619	3,917	84	10,561	3.9%	34	\$1.24
2006	25,961	23,866	91.9%	7,841	9,349	3,917	-198	41,254	5.9%	35	\$1.17
1Q07		6,027	90.8%	1,985	2,859	4,031	114	10,757	9.6%	34	\$1.27
2Q07		6,200	93.4%	2,025	2,985	4,003	-28	11,238	10.0%	33	\$1.25
3Q07		6,275	94.6%	2,010	3,200	4,075	72	11,413	7.1%	33	\$1.21
4Q07		6,400	96.4%	2,000	3,400	4,150	75	11,725	11.0%	32	\$1.20
2007E	26,913	24,902	92.5%	8,020	12,444	4,150	233	45,133	9.4%	34	\$1.23
2008E	27,706	25,700	92.8%	8,220	13,444	4,400	250	47,114	4.4%	34	\$1.12
2009E	28,045	26,500	94.5%	8,420	14,444	4,600	200	49,164	4.4%	34	\$0.95
2010E	29,485	27,500	93.3%	8,620	15,444	4,750	150	51,414	4.6%	34	\$0.93
2011E	31,035	28,750	92.6%	8,820	16,444	5,000	250	53,764	4.6%	34	\$0.95
2012E	32,374	30,000	92.7%	9,020	17,444	5,250	250	56,214	4.6%	34	\$0.95
2013E	34,359	31,500	91.7%	9,220	18,444	5,600	350	58,814	4.6%	35	\$0.95

Sources: JF Very Independent Research, LLC Est.; Int'l Alum. Institute; World Bureau of Metal Statistics; Alum. Asso.; China & CIS from

INVESTMENT OVERVIEW AND PRICE OBJECTIVE

We lowered our investment rating to Neutral Weight from Overweight on March 20 because (a) we increased our estimate of Chinese output for 2007 by 1.4 mmt to 12.4 mmt from our prior 11 mmt estimate up from 9.35 mmt in 2006, (b) we increased our estimate of Chinese aluminum use in 2007 by 0.5 mmt since their industrial production recently rose faster than expected, (c) we cut our estimate of U.S. aluminum use in 2007 by 0.25 mmt as most manufacturing activity measures in the U.S. are falling fast, (d) we raised our estimate of year-end 2007 aluminum inventories by 1 mmt and (e) we cut our earnings estimates both for Alcan and Alcoa to reflect a 2% higher than previously estimated cost structure for each owing to euro appreciation and the failure to obtain caustic soda, carbon anode, resin, transportation, and other cost reductions in proportion to the drop from peak \$77 crude oil spot prices.

Our price target of \$36 per share was a P/E ratio of about 12 times our 2007 earnings estimate of \$2.97 per share as of tonight July 30th. It equates to 15 times our 2008 estimate of \$2.40 per share. The current share price is near our price target, but the general stock market retreat from records and reduced takeover expectations have caused many stocks to be valued less generously based on long-term historic measures.

The shares anticipate more business restructuring or share repurchases, and would fall should Alcoa fail to sell its Packaging or auto wire harness units or buy back shares as intended.

Large upside opportunities exist if the late-July selloff proves overdone. Future takeover or business restructuring potential exists for Alcoa. Such a pleasant outcome could be more feasible after the recent selloff than at record share prices.

RISKS FOR ALCOA

The biggest risks to Alcoa involve potential global aluminum and alumina overexpansions, overcapacity or demand declines from higher interest rates or oil prices. We estimate Saudi and Dubal 1.4 mmt each megasmelters in 2014 will have operating costs \$0.30 per pound lower than Alcoa's. We believe Alcoa's primary motive in seeking a combination with Alcan involves the \$0.06 per pound (across both companies' total output) of synergies to make both more competitive.

Risks include various higher costs, a lower aluminum price, possibly driven by weak demand conditions here in the United States and abroad; higher interest rates, which could also crimp demand; energy cost inputs; a dollar rebound, high production cost currencies, excess industry smelting, alumina refining, rolling, or other capacities that would depress margins. Contractual sales price caps for ingot, alumina, and finished products could subdue earnings gains, and investors using public disclosures could easily overestimate earnings as such contract terms are not disclosed.

CHANGE IN THIS RESEARCH OPERATION

This report reflects research coverage by JTVIR, LLC. In no way shape or form should it be misconstrued as involving Prudential Equities Group (PEG), which shut down on June 6, 2007 as noted. The continuation of that same quarterly or full year earnings estimate for 2007 as JTVIR, LLC should not be construed or mistaken to involve PEG, which shut down on June 6, 2007. Certain data, such as the logic of the earnings model, are similar

owing to the same primary author, but this coverage initiation herein involves a different entity and no employment or affiliation with the former Prudential Equity Group, LLC.

DISCLOSURES

“John Tumazos Very Independent Research, LLC” (JTVIR) is a Delaware Corporation with registration effective on August 27, 2007 as an investment advisor in the state of New Jersey owing to our place of business in New Jersey.

JTVIR is not a broker-dealer, and conducts no trades. Its primary business is to provide “unbundled” metals and paper industry securities and market research to institutions or corporations in a zero commission, electronic execution, electronic dissemination, unbundled format for a specified annual fee structure.

Our investment rating system for securities recommendations is Overweight, Neutral Weight or Underweight. Overweight or Underweight recommendations are estimated to vary from the relative performance of the S&P 500 by more than 10% annually, and the intended time horizon is up to 24 months. Our securities research is intended for institutional investors that might buy up to 10% of a given company, and as such focuses more towards longer-term dynamics impacting the net present value of future cash flows rather than “day trading” sorts of near-term issues.

Neither JTVIR, its members or its employees own or have a financial interest in any securities discussed in this report. Our policy is full disclosure.

Our policy permits personal trading in the metals or paper industries, though no positions were taken in companies within regular research coverage after July 2001 after joining Prudential Financial and until after one month of completed New Jersey registration of JTVIR. Our policy is that any personal trading must be consistent with our recommendation, made two business days or more AFTER a recommendation or change in recommendation and held for a minimum of 30 days or one month. We believe it is virtuous for a securities analyst to “put his or her money where his mouth is” to invest consistent with the recommendation to clients after such recommendation has been made, and we disagree with some restrictions made upon broker-dealer employees after 2000 era scandals.

Our policy permits up to three directorships and up to five consulting projects, advisory assignments or financial advice to corporations that might supplement, backcheck or substitute for certain services of a large investment banking firm. For example, we would accept an engagement to evaluate investment banking advice on behalf of a manufacturing company concerned whether advice is sincere or intended to maximize fees. Currently no such relationships exist.

Our policy is full disclosure of any advisory relationship or conflict going back three years. None currently exist.

Numerous prior investment banking relationships existed prior to three years history to the pre-1997 time frame under the employment of Donaldson, Lufkin and Jenrette or Oppenheimer & Co., Inc. Some of these we can recollect included 14 different gold mine valuations or sales for Barrick Gold, LAC Minerals (later acquired by Barrick), Addington Resources (gold assets in Montana acquired by Canyon Resources), Westworld Industries (Bolivian assets acquired by Battle Mountain Gold later acquired by Newmont Mining), Coeur d'Alene Mines, Crown Resources (acquired by Kinross Gold), Freeport-McMoRan Gold (acquired by Minorco later AngloGold later Queenstake Resources), FMC Gold (later renamed Meridian Gold) and others. Sole managed initial public offerings included Reliance Steel & Aluminum and Huntco. Lead-managed initial public offerings included American Steel & Wire (later acquired by Birmingham Steel) and lead-managed underwritings included Quanex. Co-managed underwritings included the IPO of Century Aluminum and offerings for AK Steel, Kaiser Aluminum, Agnico-Eagle Mines, Cameco and others. Asset sales or purchase advisories, fairness opinion or trusteeships were done for Thypin Steel (sold to Ryerson Tull), Cyclops Corp. (sold to Armco later sold to AK Steel), Allegheny Corp., Bethlehem Steel, the U.S. Dept. of Justice pursuant to the June 1984 merger of LTV and Republic Steel to sell the Gadsden, AL integrated flat-rolled mill, Cobre Copper, and others. Typically more than five investment banking assignments were evaluated, partly executed or "due diligenced" for any completed transaction. Some examples we can recall for which a prospectus was either drafted or partly drafted indicating much work included stock underwritings not completed for Wheeling-Pittsburgh Steel, Steel Dynamics, Atlas Corp., Webco, Sharon Steel, IPSCO, Co-Steel Inc., and others.

ANALYST UNIVERSE COVERAGE:

John C. Tumazos, CFA: Rio Tinto, Louisiana-Pacific, Nucor Corp., Newmont Mining, U.S. Steel, International Paper, BHP Billiton, MeadWestvaco Corp., Antofagasta PLC, Allegheny Technologies, Alcoa Inc., Inco Limited, Bowater, Inc., Temple-Inland, Barrick Gold, Abitibi-Consolidated, Weyerhaeuser Co., Alcan Inc., Smurfit-Stone Container, Plum Creek Timber, Worthington Industries, Goldcorp Inc., AngloGold Ashanti, Freeport McMoRan Copper & Gold, Novelis Inc., FNX Mining.

Dynatec is a company not continued in the research coverage of JTVIR, LLC that was previously included in the prior June 6, 2007 Prudential Equities Group universe owing to a pending takeover by Sherritt International. Alcan, which Rio Tinto soon will acquire, also will be discontinued from coverage.

Subsequently, since September 2007 JTVIR, LLC has initiated coverage of new companies not previously covered in the former universe. These new companies include General Moly, Inc., Duluth Metals, Polymet Mining and Century Aluminum.

In accordance with applicable rules and regulations, we note above parenthetically that our stock ratings of "Overweight," "Neutral Weight," and "Underweight" most closely correspond with the more traditional ratings of "Buy," "Hold," and "Sell," respectively; however, please note that their meanings are not the same. (See the definitions above.) We believe that an investor's decision to buy or sell a security should always take into account, among other things, that the investor's particular investment objectives and experience, risk tolerance, and financial circumstances. Rather than being based on an expected deviation from a given benchmark (as

buy, hold and sell recommendations often are), our stock ratings are determined on a relative basis (see the foregoing definitions).

There is no intention to “balance” the number of Overweight or Underweight ratings, as instances of broad over- or under-performance among basic industrials may occur. JTVIR makes each investment judgment in a “bottoms up” manner based on the assets of each individual company.

Price Target – Methods/Risks

The methods used to determine the price target generally are based on future earning estimates, product performance expectations, cash flow methodology, historical and/or relative valuation multiples. The risks associated with achieving the price target generally include customer spending, industry competition and overall market conditions.

Additional risk factors as they pertain to the analyst's specific investment thesis can be found within the report.

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