UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

/ x / ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996
OR
/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-3610

ALUMINUM COMPANY OF AMERICA
(Exact name of registrant as specified in its charter)

Pennsylvania	25-0317820
(State of incorporation)	(I.R.S. Employer Identification No.)

425 Sixth Avenue, Alcoa Building, Pittsburgh, Pennsylvania 15219-1850
(Address of principal executive offices) (Zip code)

Registrant's telephone number--area code 412

Investor Relations------------553-3042
Office of the Secretary------553-4707

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

As of March 3, 1997 there were 172,803,703 shares of common stock, par value $1.00, of the registrant outstanding. The aggregate market value of such shares, other than shares held by persons who may be deemed affiliates of the registrant, was approximately $12,485 million.

Documents incorporated by reference.

Parts I and II of this Form 10-K incorporate by reference certain information from the registrant's 1996 Annual Report to Shareholders. Part III of this Form 10-K incorporates by reference the registrant's Proxy Statement dated March 12, 1997, except for the performance graph and Compensation Committee Report.

ALUMINUM COMPANY OF AMERICA

Aluminum Company of America, with headquarters in Pittsburgh, Pennsylvania, was formed in 1888 under the laws of the Commonwealth of Pennsylvania. In this report, unless the context otherwise requires, Alcoa or the Company means Aluminum Company of America and all subsidiaries consolidated for the purposes of its financial statements.

PART I

Item 1. Business.

Overview

Alcoa is the world's largest integrated aluminum company. It is also the world's largest alumina producer with close proximity of bauxite mines to its refineries in Australia, Jamaica and Suriname, and high quality bauxite in Brazil. Alumina, a white powdery material, is an intermediate step in the production of aluminum from bauxite and is also a valuable chemical on its own. As a growing, worldwide company, Alcoa now has over 170 operating locations in 28 countries, serving a broad range of markets in developing and industrialized economies.

Alcoa's products are used in and on beverage containers, airplanes and automobiles, commercial and residential buildings, chemicals, and a wide array of consumer and industrial applications. These products are sold directly to industrial customers and other end-users or through independent distributors in the U.S., Brazil, Europe and the Far East.

The Company is organized into 21 independently-managed business units. Business unit leaders are assigned clear performance responsibilities that concentrate authority closer to customers-where most of Alcoa's value creation takes place.

The U.S. remains the largest market for aluminum. However, the Pacific Rim, Latin America, Asia and Europe all present opportunities for substantial growth in aluminum use. To take advantage of these growth opportunities, Alcoa has formed joint ventures and strategic alliances in key regional markets and continues to develop new applications for its products.

Market and Geographic Area Information

Alcoa serves a variety of customers in a number of markets. Consolidated revenues from these markets during the past three years were:

(dollars in millions)	1996	1995	1994
Packaging	$3,326	$3,797	$2,830
Transportation	2,655	2,232	1,671
Distributor and Other	2,154	1,988	1,570
Alumina and Chemicals	1,940	1,705	1,494
Building and Construction	1,537	1,531	1,391
Aluminum Ingot	1,449	1,247	948
Total	$13,061	$12,500	$9,904

Close to one-half of Alcoa's consolidated sales now is derived from geographic regions other than the U.S., reflecting the Company's growing global presence.

(dollars in millions)	1996	1995	1994
U.S.	$7,246	$7,043	$5,574
Pacific	2,248	1,986	1,670
Other Americas	1,726	1,780	1,362
Europe	1,841	1,691	1,298
Total	$13,061	$12,500	$9,904

Major Operations

U.S. - The Company has six aluminum smelters with a combined annual rated capacity of 1.285 million metric tons (mt) that mostly support its internal primary aluminum requirements. It has two large rolling facilities for can sheet, and a number of aluminum fabricating facilities that serve the aerospace, automobile, truck, building and construction, packaging and other markets. A substantial majority of 1996 consolidated revenues generated in the U.S. was derived from these major operations.

Alcoa Fujikura Ltd. (AFL), a 51%-owned subsidiary, designs, produces and markets automotive electrical distribution systems. AFL also produces fiber optic products and systems for electric utilities, telecommunications, cable television and datacom markets. AFL's 1996 revenues were about 11% of consolidated revenues. AFL also has operations in Europe, Mexico and Brazil.

Australia - Alcoa of Australia Limited (AofA) is 60%-owned by Alcoa and is the Company's largest subsidiary. AofA's integrated aluminum operations include bauxite mining facilities, three alumina refineries, two aluminum smelters and two alumina-based chemicals plants. AofA is the world's largest, and one of the lowest-cost, producers of alumina. An AofA subsidiary also mines gold in Western Australia. AofA's 1996 revenues were 15% of Alcoa's consolidated revenues.

Brazil - Alcoa Aluminio S.A. (Aluminio), an integrated aluminum producer, is owned 59% by Alcoa. Aluminio operates bauxite mining facilities and two alumina refineries that principally serve its two aluminum smelters. It has several alumina-based chemicals, aluminum fabricating and extrusion plants, plastic closures and container operations, packaging equipment and building and automotive product facilities. Aluminio's revenues in 1996 were 9% of Alcoa's consolidated revenues.

Alcoa's Financial Reporting Segments

Alcoa's integrated operations consist of three segments: Alumina and Chemicals, Aluminum Processing and Nonaluminum

Products. See Note R to the Financial Statements for segment and related geographic area financial information.

Alumina and Chemicals Segment

The Alumina and Chemicals segment includes the production and sale of bauxite, alumina, alumina-based chemicals used principally in industrial applications and transportation services for bauxite and alumina. The segment consists of a group of companies and assets referred to as Alcoa World Alumina and Chemicals (AWAC). Alcoa provides operating management for AWAC which is owned 60% by Alcoa and 40% by WMC Limited of Australia (WMC). See Note C to the Financial Statements.

Bauxite

Bauxite, aluminum's principal raw material, is refined into alumina through a chemical process. Most of the bauxite mined and alumina produced by the Company, except by AofA, is further processed by the Company into aluminum. All of the Company's active bauxite interests are part of AWAC, except for Aluminio's mines in Pocos de Caldas, Brazil and its 8.6% interest in Mineracao Rio do Norte S.A. (MRN), a joint venture described under "Alumina" below.

AofA's bauxite mineral leases expire in 2003. Renewal options allow AofA to extend the leases until 2045.

Suriname Aluminum Company, L.L.C. (Suralco) mines bauxite in Suriname under rights that expire in 2032. Suralco also holds a 26% minority interest in a bauxite mining joint venture managed by the majority owner, an affiliate of Gencor Limited of South Africa. Bauxite from both mining operations serves Suralco's share of a refinery in Suriname. Current mine reserves at both operations are expected to be depleted in 2005.

The Company has long-term contracts to purchase bauxite mined by a partially-owned entity in the Republic of Guinea in Western Africa. The bauxite services most of the requirements of the Point Comfort, Texas alumina refinery. The contracts expire after 2011.

Bauxite mining rights in Jamaica expire after the year 2020. These rights are owned by a joint venture with the Government of Jamaica.

Alumina

Alcoa is the world's leading supplier of alumina. Alumina is sold principally from operations in Australia, Jamaica and Suriname. About 59% of the Company's alumina production in 1996 was sold to third parties. Most alumina supply contracts are negotiated on the basis of agreed volumes over multi-year periods to assure a continuous supply to the smelters that receive the alumina. Prices are negotiated periodically or are based on formulas related to aluminum ingot market prices or to alumina production costs.

In June 1996, AWAC announced a curtailment of 350,000 mt of its annual production of smelter-grade alumina due to an oversupply of alumina in world markets.

Australia. AofA's three alumina refineries, located in Kwinana, Pinjarra and Wagerup, in Western Australia, have an aggregate annual rated capacity of 6.7 million mt. The natural gas requirements of the refineries are supplied primarily under a contract with parties comprising the North West Shelf Gas Joint Venture. This contract expires in 2005 and imposes minimum purchase requirements. Most of AofA's alumina is sold under supply contracts to third party customers worldwide.

In November 1996, AWAC entities and Sino Mining Alumina Limited (SMAL), a subsidiary of China National Nonferrous Metals Industry Corporation (CNNC), entered into a long-term agreement for the purchase of alumina for the CNNC smelter system. The arrangements entitle a subsidiary of SMAL to purchase a minimum of 400,000 mt of alumina per year for 30 years. It also has the option to increase its alumina purchases as CNNC's needs grow. CNNC is a Chinese state-owned enterprise, which operates and controls the state-owned nonferrous industry in China.

Suriname. Suralco owns 55% of a 1.7 million mt per year alumina refinery in Paranam, Suriname and operates the plant. An affiliate of Gencor holds the remaining 45% interest.

Jamaica. An Alcoa subsidiary and a corporation owned by the Government of Jamaica are equal participants in an alumina refinery in Clarendon Parish, Jamaica. The Alcoa subsidiary manages the joint venture. The refinery's annual capacity is expected to increase from 800,000 to about 1 million mt when warranted by market conditions.

Brazil. Aluminio operates the Alumar Consortium (Alumar), a cost-sharing and production-sharing venture that owns a large refining and smelting project near Sao Luis, in the northeastern state of Maranhao. In late 1996, the Alumar refinery was expanded by 260,000 mt per year, bringing total annual capacity to 1.3 million mt. It is owned 35.1% by Aluminio, 36% by an affiliate of Gencor, 18.9% by Abalco S.A. (owned 60% by Alcoa and 40% by WMC) and 10% by an affiliate of Alcan Aluminium Limited (Alcan). Most of this alumina production is consumed at the smelter.

Aluminio holds an 8.6% interest and Abalco S.A. holds a 4.6% interest in MRN, a mining company that is jointly owned by affiliates of Alcan, Companhia Brasileira de Aluminio, Companhia Vale do Rio Doce, Gencor, Norsk Hydro and Reynolds Metals Company. Aluminio and Abalco S.A. purchase bauxite from MRN under a long-term supply contract.

At Pocos de Caldas, Aluminio mines bauxite and operates a refinery. The refinery has an annual capacity of 270,000 mt and primarily supplies Aluminio's nearby smelter.

U.S. Alcoa Alumina & Chemicals, L.L.C., through a majority-owned entity, St. Croix Alumina, L.L.C., owns a 600,000 mt per year alumina refinery located on St. Croix, U.S. Virgin Islands. The refinery is currently inactive due to world alumina market conditions.

Alcoa Alumina & Chemicals, L.L.C. owns an alumina refinery at Point Comfort, Texas. A 365,000 mt per year expansion was recently completed and brought annual capacity to 2.3 million mt. Approximately 20% of the refinery's output supplies industrial chemicals operations at that location.

Industrial Chemicals

Alcoa sells industrial chemicals to customers in a broad spectrum of markets for use in refractories, ceramics, abrasives, chemicals processing and other specialty applications.

Industrial chemicals, principally alumina-based chemicals, are produced or processed at the locations that follow. Except for the plants located in Brazil, all of these facilities are part of AWAC.

Industrial Chemicals Facilities

Mobile, Alabama	Kwinana and Rockingham, Australia
Bauxite, Arkansas	Pocos de Caldas and Salto, Brazil
Ft. Meade, Florida	Ludwigshafen, Germany
Dalton, Georgia	Falta, India*
Lake Charles, Port Allen and Vidalia, Louisiana	Iwakuni and Naoetsu, Japan
	Moerdijk and Rotterdam, The Netherlands
Leetsdale, Pennsylvania	
Nashville, Tennessee	Singapore, Singapore
Point Comfort, Texas	

*Joint venture

Aluminum fluoride, used in aluminum smelting, is produced from fluorspar at Point Comfort and from hydrofluosilicic acid at Ft. Meade.

Aluminum Processing Segment

The Aluminum Processing segment comprises the production and sale of molten metal, ingot and aluminum products that are flat-rolled, engineered or finished. Also included are power, transportation and other services.

Revenues and shipments for the principal classes of products in the Aluminum Processing segment follow.

	(dollars in millions) 1996	1995	1994
Revenues:			
Aluminum ingot	$1,449	$1,197	$ 920
Flat-rolled products	3,920	4,177	3,201
Engineered products	2,269	2,303	1,882
Other aluminum products	338	357	474
Total	$7,976	$8,034	$6,477
	(mt in thousands)		
Shipments:			
Aluminum ingot	901	673	655
Flat-rolled products	1,357	1,380	1,381
Engineered products	495	454	433
Other aluminum products	88	75	82
Total	2,841	2,582	2,551

Aluminum Ingot

The Company smelts primary aluminum from alumina obtained principally from its alumina refineries. Alcoa's consolidated primary aluminum capacity is rated at approximately 2.1 million mt per year. When operating at capacity, Alcoa's smelters more than satisfy the primary aluminum requirements of its fabricating operations. Most of the Company's primary aluminum production in 1996 was delivered to other Alcoa operations for alloying and/or further fabricating. Purchases of aluminum scrap, principally used beverage cans, supplemented by purchases of ingot when necessary, satisfy additional aluminum requirements.

During 1996, Alcoa had 450,000 mt, or 21% of its worldwide smelting capacity, idle because of an oversupply of ingot on world markets.

Aluminum is produced from alumina by an electrolytic process requiring large amounts of electric power. Electric power accounts for about 25% of the Company's primary aluminum costs. Alcoa generates approximately 40% of the power used at its smelters worldwide. Most purchase contracts for firm power tie prices to aluminum prices or to prices based on various indices.

Australia. AofA is a participant in a joint venture smelter at Portland, Victoria, with an annual rated capacity of 320,000 mt. The venture is owned 45% by AofA, 25% by the State of Victoria and 10% each by the First National Resources Trust, the China International Trust and Investment Corporation and Marubeni Aluminium Australia Pty., Ltd.. A subsidiary of AofA operates the smelter. Each participant in this smelter is required to contribute to the cost of operations and construction in proportion to its interest in the venture and is entitled to its proportionate share of the output. Alumina is supplied by AofA. The Portland site can accommodate additional smelting capacity.

Currently, approximately 36% of the power for the 180,000 mt Point Henry smelter is generated by AofA using its extensive brown coal deposits. The balance of the power for this smelter and power for the Portland smelter are provided under contracts with the State Electricity Commission of Victoria. Power prices are tied by formula to aluminum prices. Informal discussions continue with the State Government of Victoria to clarify various aspects of power supply to the smelters.

Brazil. The Alumar smelter at Sao Luis, Brazil has an annual rated capacity of 362,000 mt. Aluminio receives about 54% of the production from this smelter. Electric power is purchased from the government-controlled power grid in Brazil at a small discount from the applicable industrial tariff price and is protected by a cap based on the London Metal Exchange (LME) price of aluminum.

In late 1996, Aluminio contracted with Central Eletricas de Minas Gerais S.A. (CEMIG), the government-controlled electric utility, to supply power to Aluminio's 90,000 mt Pocos de Caldas smelter for a 30-month period, beginning in October 1996. Aluminio purchased the plant's anticipated full power requirements for this 30-month period through a single payment based on the price of energy on the date of the agreement. At the end of this period, Aluminio may be subject to increased power prices for the plant and may decide to negotiate another purchase of power from CEMIG or from another utility.

In 1996, Aluminio participated in a consortium that won a bidding process to build the new Machadinho hydroelectric power plant in Southern Brazil. If all environmental and other approvals that are necessary for the construction of the dam and related facilities are received, Aluminio would be entitled to a share of the output beginning in 2002. Aluminio's share is expected to be sufficient to supply approximately one-half of the power requirements for the Pocos de Caldas smelter.

Europe. In late March 1996, Alcoa completed the acquisition of the principal operating assets of Alumix S.p.A. (Alumix), Italy's state-owned, integrated aluminum producer. Aluminum smelters at Portovesme and Fusina, with combined annual capacity of 180,000 mt, were among the assets purchased. Alumina is supplied under a three-year arrangement by an Italian state-owned company to both the Portovesme and Fusina smelters. Power for these smelters is supplied by ENEL, Italy's state-owned utility.

Alcoa and SEPI, the Spanish State Entity for Industrial Participations, jointly announced in late February 1997 that they signed a letter of intent for Alcoa to acquire the main sectors of the aluminum businesses of Inespal, S.A. of Madrid.

Inespal is an integrated aluminum producer with 1996 revenues of $1.1 billion. The sale includes an alumina refinery, three aluminum smelters, aluminum rolling, foil and extrusion businesses and related facilities. The acquisition is expected to be completed before the end of 1997.

U.S. Approximately 55% of the power requirements for Alcoa's six U.S. smelters is generated by the Company; the remainder is purchased under long-term contracts. Approximately 12% of the self-generated power is obtained from Alcoa's entitlement to a fixed percentage of the output from a hydroelectric power facility located in the northwestern United States.

The Company has generated substantially all of the power used at its Warrick, Indiana smelter using nearby coal reserves. A new coal supply contract has been secured which satisfies 50% of the smelter's fuel requirement through 2006. Existing low-sulfur coal contracts satisfy an additional 35% of the requirement through 1999.

Lignite is used to generate power for the Rockdale, Texas smelter. Company-owned generating units supply about half of the total requirements, and the balance is purchased through a long-term power contract with Texas Utilities expiring in 2013.

Two subsidiaries of the Company own and operate hydroelectric facilities under Federal Energy Regulatory Commission licenses. They provide electric power for the aluminum smelters at Alcoa, Tennessee and Badin, North Carolina. The Tennessee plant also purchases firm and interruptible power from the Tennessee Valley Authority. At the Badin plant, additional power is purchased from Duke Power under an evergreen contract providing for specified periods of notice before termination by either party.

The purchased power (primarily hydroelectric) contract for the Massena, New York smelter expires not earlier than 2003, but may be terminated by Alcoa with one year's notice.

In addition to the power output entitlement contract for its Wenatchee, Washington smelter referred to earlier, Alcoa has a contract with the Bonneville Power Administration (BPA). Several contractual provisions allow restrictions when power is in short supply. Beginning in 1995, a portion of the power supplied under the BPA contract was replaced by power purchased from a local public utility district. Additional power has subsequently been purchased from the district, and currently no BPA power is utilized at Wenatchee Works.

Suriname. Suralco owns and operates a 30,000 mt per year smelter in Paranam, Suriname. Suralco also operates the Afobaka hydro project which supplies power to the smelter.

Norway. Although not included in the revenues and shipment tables above or in the rated primary aluminum capacity figures, the Company reports equity earnings from its interest in two smelters in Norway. Elkem Aluminium ANS, 50%-owned by an Alcoa subsidiary, Norsk Alcoa A/S, is a partnership that owns and operates the smelters.

Flat-Rolled Products

Alcoa's flat-rolled products serve three principal markets: light gauge sheet products mainly serve the packaging market, and sheet and plate products serve the transportation and building and construction markets. Alcoa employs its own sales force for most products sold in the packaging market.

Rigid Container Sheet (RCS). Most of the 1996 revenues in the packaging market were derived from RCS which is sold to can companies for production of beverage and food cans and can ends.

The number of RCS customers in the U.S. is relatively small. Use of aluminum beverage cans continues to increase, particularly in Asia, Europe and South America, where per capita consumption remains relatively low.

Aluminum's diverse characteristics, particularly its light weight and recyclability, are significant factors in packaging markets where alternatives such as steel, plastic and glass are competitive materials. Leadership in the packaging markets is maintained by improving processes and facilities, as well as by providing marketing, research and technical support to customers. RCS is produced at the following locations:

RCS Facilities

Warrick, Indiana	Yennora, Australia*
Alcoa, Tennessee	Moka, Japan*
Point Henry, Australia*	Swansea, Wales

*Joint venture

In May 1996, Kaal Australia Pty. Ltd., 50%-owned by Alcoa, purchased AofA's rolling mill at Point Henry. Kaal Australia had already acquired from Comalco Limited its rolling mill at Yennora. These mills continue to produce RCS for the Australian and Asian markets. AofA continues to supply Kaal Australia with aluminum ingot.

A subsidiary of Alcoa participates in a 50/50 joint venture with Kobe Steel, Ltd. to serve RCS markets in Japan and other Asian countries. In connection with this venture, Alcoa has a long-term contract to supply metal to Kobe.

Used aluminum beverage cans are an important source of metal for RCS. Recycling aluminum conserves raw materials, reduces litter and saves energy - about 95% of the energy needed to produce aluminum from bauxite. In addition, recycling capacity costs much less than new primary aluminum capacity. Can recycling or remelt facilities are located at or near Alcoa's Warrick, Indiana and Alcoa, Tennessee plants.

Foil. This product is produced at Alcoa's Lebanon, Pennsylvania and Hawesville, Kentucky facilities. Light gauge sheet, foil products and laminated evaporator panels are manufactured by Aluminio at Recife, Brazil. Light gauge sheet also is produced at Yennora, Australia.

Alcoa and Shanghai Aluminum Fabrication Plant (SAFP) have a joint venture that operates the former SAFP aluminum foil and foil laminate production facility in Shanghai, China. A venture facility, owned 60% by Alcoa and 40% by SAFP, currently produces approximately 10,000 mt of aluminum foil per year. Through the use of technology and the addition of a second caster, annual output is expected to increase to about 18,000 mt within five years.

Sheet and Plate. Sheet and plate products serve the aerospace, auto and truck, lithographic, railroad, ship-building, building and construction, defense and other industrial and consumer markets. The Company maintains its own sales forces for most of these products.

Differentiation of material properties, price and service are significant competitive factors. Aluminum's diverse characteristics are important in these markets where competitive materials include steel and plastics for automotive and building applications; magnesium, titanium, composites and plastics for aerospace and defense applications; and wood and vinyl in building and construction applications. Alcoa continues to develop alloys and products for aerospace applications, such as those developed for the Boeing 777 aircraft.

Alcoa's largest sheet and plate plant is located at Davenport, Iowa. It produces products requiring special alloying, heat-treating and other processing, some of which are unique or proprietary. In late April 1996, Alcoa announced an increase in the Davenport, Iowa plant's heat-treating capacity for sheet and plate as part of a $75 million investment to meet aerospace and automotive demand. Alcoa also commissioned the largest vertical heat-treat furnace in North America, thus tripling the plant's capacity for wide-width fuselage sheet. In 1996, construction began on a horizontal plate heat-treating furnace that will increase capacity by 50%. The Company expects this capacity to be in production in early 1997.

The Company continues to produce cast aluminum plate at its Vernon, California plant after closing its hard alloy extrusion, tube and forgings facilities there in 1994. Over the past two years, Alcoa has invested approximately $10 million in new machinery and equipment for the plant's cast aluminum plate operation.

Alcoa and Kobe have a joint venture in the U.S. and one in Japan to serve the transportation industry. Initial emphasis of these ventures is focused on expanding the use of aluminum sheet products in passenger cars and light trucks.

The Company's Hungarian subsidiary, Alcoa-Kofem Kft, produces common alloy flat and coiled sheet as well as soft alloy extrusions and end products for the building, construction, food and agricultural markets in central and western Europe. In July 1996, Alcoa acquired the remaining 49.9% interest in Kofem from the Hungarian government.

In 1996, Kofem began delivering aluminum truck bodies to major beverage companies in Russia and Poland. Kofem will deliver additional truck bodies to customers in central and eastern European countries in 1997.

Included in the previously mentioned acquisition of Alumix is the rolling mill at Fusina which produces industrial plate and common alloy flat and coiled sheet for the building and construction, transportation and other industrial markets in Europe.

In April 1996, Alcoa opened a 165,000 square-foot plant in Hutchinson, Kansas for further processing and just-in-time stocking of aluminum sheet products for the U.S. aerospace market. Alcoa serves European sheet and plate markets through a distribution center in Paal, Belgium.

Alcoa has begun construction of a 165,000 square-foot plant in Danville, Illinois for further processing and just-in-time stocking of aluminum sheet products for the North American automotive market. The Company expects this facility to begin production late in 1997.

Engineered Products

Engineered products include extrusions used in the transportation and construction markets; aluminum forgings and castings; aluminum wheels; wire, rod and bar; and automobile bumpers.

Extrusions. Aluminum extrusions and tube are produced principally at five U.S. locations:

- the Chandler, Arizona plant produces hard alloy extrusions, tube and forge stock;
- the Lafayette, Indiana plant produces a broad range of hard alloy extrusions and tube;
- the Baltimore, Maryland plant produces large press extrusions; and
- the Tifton, Georgia and Delhi, Louisiana plants produce common alloy extrusions.

Aluminum extruded products are manufactured by a subsidiary in Argentina and by Aluminio at several locations in Brazil. In March 1996, Aluminio acquired the extrusion assets of an Alcan affiliate in Brazil. The assets included four plants and eight extrusion presses. The transaction has been submitted to Brazilian antitrust authorities for review and approval, and that approval is still pending.

Alcoa Extrusions Hannover GmbH & Co. KG produces and markets high-strength aluminum extrusions and rod and bar to serve European transportation and defense markets. In January 1997, Alcoa acquired the remaining 40% interest and now owns 100% of this company.

The subsidiaries of Alcoa Nederland Holding B.V. produce extrusions, common alloy sheet products and a variety of finished products for the building industry, such as aluminum windows, doors and aluminum ceiling systems. These companies also manufacture products for the agricultural industry such as automated greenhouse systems.

Aluminum East ZAO, through its Building Systems International branch, assembles and sells aluminum windows and doors in Russia.

The acquisition of the Alumix assets mentioned earlier also included the purchase of extrusion plants in Bolzano, Fossanova, Feltre and Iglesias, Italy and an extrusion die shop in Mori, Italy.

Alcoa also has extrusion plants in Hungary, Spain and the United Kingdom.

Mechanical-grade redraw rod, wire and cold-finished rod and bar are produced at Massena, New York and are sold to distributors and customers for applications in the building and transportation markets.

Forgings/Castings. Aluminum forgings, sold principally in the aerospace, automotive and defense markets, are produced at Cleveland, Ohio. The plant also produces forged aluminum wheels for the auto, bus and truck markets.

In 1996 Alcoa began construction of a $20 million wheel production facility at the Cleveland plant. This is the first phase of a multi-phase plan to increase production of forged aluminum wheels to meet market demand for U.S. light trucks.

In March 1996, Alcoa and Superior Industries International Inc. formed a company to produce cast aluminum wheels for commercial trucks and buses. The wheels will be marketed through Alcoa's existing wheel sales organization. The initial manufacturing operations will be located at Superior's Van Nuys, California facility. The parties expect to reach commercial production levels by mid-1997.

Alcoa is constructing a plant in Szekesfehervar, Hungary to manufacture forged aluminum truck wheels for the European market. The plant also may manufacture wheels for export to Asian, South American and other geographic markets where European-style wheels are used. The plant is expected to begin production in April 1997.

Alcoa has a 50/50 partnership, A-CMI, with a subsidiary of CMI International, Inc. to produce cast and forged aluminum automotive parts. In 1996, A-CMI began construction of its first European manufacturing plant in Lista, Norway. It will develop and produce cast aluminum chassis, suspension, brake and powertrain components and systems. The plant represents a total investment of approximately $40 million. It is being built near the 50%-owned Elkem Aluminium ANS smelter, which will deliver molten aluminum to the plant. Production is expected to begin in mid-1997.

In 1996, A-CMI also began activity at its Kentucky Casting Center in Hawesville, Kentucky. This is A-CMI's second North American facility and will produce aluminum chassis and suspension structural components for the automotive market.

Alcoa also designs and builds specialized die-casting machines through a subsidiary in Montreal, Canada.

Automotive Body Structures. Alcoa Automotive Structures GmbH produces aluminum components and sub-assemblies for aluminum automotive spaceframes. Aluminum spaceframes represent a significant departure from the traditional method and material used to manufacture primary auto body structures.

In 1993, Alcoa began operating a unique multi-million dollar plant in Soest, Germany to supply aluminum spaceframe body structures to its first customer, Audi AG. In 1994, Audi began marketing its A8 luxury sedan in Europe-the first production automobile to utilize a complete aluminum spaceframe body structure. The aluminum spaceframe of the A8 is a result of a cooperative effort between Alcoa and Audi that began in 1981 and is constructed from components and sub-assemblies that are produced by Alcoa. The 1997 A8 debuted in U.S. showrooms in the fall of 1996. The Soest plant now is in the process of beginning production of the front end module for the new Mercedes-Benz A Class car.

Alcoa Automotive Structures GmbH also operates a design and engineering office in Esslingen (Stuttgart), Germany where it develops designs for aluminum auto body structures for a variety of European car manufacturers.

Alcoa is working with several other automobile manufacturers in North America and Japan to develop new automotive applications for aluminum products. For example, Chrysler Corporation expects its Plymouth Prowler, a new roadster, to enter initial, low-volume production in 1997. Carrying 900 pounds of aluminum (or approximately one-third of its weight), the Prowler is constructed of an all-aluminum frame and body as well as aluminum for brake rotors and suspension components. Alcoa will provide the car's frame as well as aluminum sheet stock to be stamped into body panels and bumper assemblies.

Alcoa's newly-constructed plant in Northwood, Ohio manufactures the Prowler frame and a variety of aluminum structural assemblies for the U.S. automotive industry.

Other Aluminum Products. Aluminio produces aluminum truck and van bodies and aluminum casting products in Sao Paulo, Brazil and aluminum electrical cable at its Pocos de Caldas plant.

Alcoa Building Products, Inc. (formerly The Stolle Corporation) manufactures and markets residential aluminum siding and other aluminum building products. These products are sold principally to wholesale distributors.

Alcoa produces aluminum closures for bottles at Richmond, Indiana; Worms, Germany; Nogi and Ichikawa, Japan; and Barcelona, Spain. In late February 1997, Alcoa entered into a letter of intent to sell the assets of its Richmond, Indiana works.

In May 1996, Alcoa and Sinter Metals, Inc. of Cleveland, Ohio, formed a strategic alliance to develop and expand the market for aluminum parts produced by powder metallurgy techniques, especially for the automotive, business machine, appliance, lawn care and leisure equipment markets.

Alcoa produces and markets aluminum paste, particles, flakes and atomized powder. It also produces high-purity aluminum.

Nonaluminum Products Segment

The Nonaluminum Products segment includes the production and sale of electrical, plastic and composite materials products, manufacturing and packaging equipment, gold, magnesium products and steel and titanium forgings.

Alcoa Fujikura Ltd. (AFL)

AFL produces and markets electronic and electrical distribution systems (EDS) for the automotive industry, as well as fiber optic products and systems for selected electric utilities, telecommunications,

cable television and datacom markets. AFL is the only EDS supplier that has been awarded the Total Quality Excellence Award by Ford Motor Company. AFL also supplies EDS to Subaru of America, Inc., Auto Alliance, Inc. (Mazda-Ford joint venture), Kenworth, Peterbilt, Mack and Navistar.

In July 1995, AFL acquired the operations of Electro-Wire Products, Inc. Electro-Wire Products, Inc. manufactured EDS for autos, trucks and farm equipment. Combining these two businesses created a worldwide enterprise that is the largest supplier of EDS to Ford Motor Company's worldwide operations, and sales to Ford represented a significant portion of AFL's 1996 revenues. The combined enterprise also is the largest supplier of EDS to the heavy truck industry.

Michels GmbH & Co. K.G., a manufacturer of EDS for automobiles, appliances and farm equipment, with three plants in

Germany and five plants in Hungary, is 90%-owned by AFL. The Stribel group of companies, European manufacturers of electromechanical and electronic components for the European automotive market, are also owned by AFL.

In August of 1996, AFL and Aluminio began to manufacture and sell EDS in Brazil through a joint venture.

Significant competitive factors in the EDS markets include price, quality and full service supplier capability. Automakers increasingly require support from their selected suppliers on a global basis.

Packaging and Closures

Alcoa Closures Systems International, Inc. (ACSI) is the world's largest producer of plastic closures for beverage containers. Its business is coordinated from Indianapolis, Indiana. The use of plastic closures has surpassed that of aluminum closures for beverage containers in the U.S. and is gaining momentum in other countries. Alcoa has plastic closure, PET (polyethylene terephthalate) plastic bottles or packaging equipment design and assembly facilities at the following locations:

Packaging and Closures Facilities

Crawfordsville, Indiana
Santiago, Chile
Ichikawa, Japan
Olive Branch, Mississippi
Tianjin, China
Nogi, Japan
Buenos Aires, Argentina
Bogota, Colombia
Saltillo, Mexico
Manama, Bahrain
Szekesfehervar, Hungary
Lima, Peru
Barcelona, Spain
Barueri, Itapissuma,
Lages and Queimados,
Brazil

ACSI has announced plans to begin production of plastic closures at Lubuchany, Russia, south of Moscow, in late 1997. The unit will be known as Alcoa CSI Vostok.

The Alcoa Packaging Equipment business unit (APE) designs, manufactures and services bodymakers, decoration equipment, end conversion presses and a variety of testing equipment to the canmaking industry, along with plastic and aluminum closure capping equipment and rapid changeover and quick-change bottle control parts to the beverage industry. In 1996, the Alcoa Advanced Technologies division of APE began supplying advanced material products to the semiconductor equipment industry.

Other Nonaluminum Products

Alcoa Building Products, Inc.'s principal products for building and construction markets are vinyl siding and accessories and plastic injected molded shutters and architectural accessories. Dayton

Technologies, Inc. produces extruded profiles for the vinyl window and patio door markets, and Caradco, Inc. manufactures vinyl and wood windows and patio doors. At the end of February 1997, Alcoa sold Dayton Technologies, Inc. to Deceuninck Plastics Industries, N.V., a Belgian building materials company. In January 1997, Alcoa reached an agreement in principle for the sale of Caradco, Inc. to JELD-WEN inc., a privately-held building products and millwork manufacturer. This sale is expected to be completed by the beginning of the 1997 second quarter.

Northwest Alloys, Inc., in Addy, Washington, produces magnesium from minerals in the area owned by the Company. The magnesium is used by Alcoa for certain aluminum alloys and also sold to third parties.

In November 1996, Aluminio and Alcatel Cable Ameriques (ACA), a subsidiary of Alcatel of France, formed a joint venture to manufacture, in Brazil, and sell telecommunication cables and related accessories in South America. The venture, called Alcatel Cabos Brazil, is owned 40% by Aluminio and 60% by ACA and affiliates.

Aluminio also owns and operates a chain of retail construction materials outlets in Brazil. Aluminio currently is considering the partial or total disposition of its interest in these outlets.

Alcoa Composites, Inc. (ACI) principally designed and manufactured composite parts and structures for aerospace and transportation applications. In October 1996, ACI closed its Fibertek division in Springville, Utah. In January 1997, ACI sold the assets of its last operating division, Composite

Structures, in Monrovia, California to an investment group. ACI plans an orderly transition and/or liquidation of its remaining assets and liabilities.

An AofA subsidiary, Hedges Gold Pty. Ltd., mines gold from its mining leases in Western Australia. Gold production has been declining since 1990.

Large press steel, titanium and special super-alloy forgings are produced at Cleveland, Ohio. These products are sold principally in aerospace and commercial markets.

Norcold, Inc. manufactures refrigeration units used in recreational vehicles, boats and other applications. The major component for these refrigeration units is manufactured by another Alcoa subsidiary, Arctek Corporation. At the end of February 1997, Alcoa sold all of the assets of Norcold and Arctek to The Dyson-Kissner-Moran Corporation.

Alcoa owns a 36% interest in a joint venture established in January 1996, that manufactures auto parts and appliance control panels.

In June 1996, the Company closed Alcoa Electronic Packaging (AEP) located in San Diego, California, which produced ceramic packages used to hold integrated circuits for electronic equipment. In December 1995, AEP was notified by its major customer, Intel, that no new orders would be forthcoming.

Risk Factors

In addition to inherent operating risks, Alcoa is exposed to financial, market, political and economic risks.

Commodity Risks

Alcoa is a leading global producer of aluminum ingot and aluminum fabricated products. Aluminum ingot is an internationally-priced, sourced and traded commodity. The principal trading market for ingot is the LME. Alcoa participates in this market by buying and selling forward portions of its aluminum requirements and output.

The aluminum industry is highly cyclical and the Company's results of operations are influenced by LME-based prices of primary aluminum. This price sensitivity impacts a portion of the Company's alumina sales and many of the Company's aluminum products, with less impact on the more specialized and value-added products.

Alcoa divides its operations into four regions: U.S., Pacific, Other Americas and Europe. AofA in the Pacific region and Aluminio in the Other Americas are generally in net long metal positions. From time to time, they may sell production forward. Operations in the European region are generally net metal short and may purchase forward positions periodically. Forward purchase and sales activity within these three regions has not been material.

In the U.S. and for export, Alcoa enters into long-term contracts with a number of its fabricated products customers. At December 31, 1996 and 1995, such contracts approximated 2.369 million mt and 2.483 million mt, respectively. Alcoa may enter into similar arrangements in the future.

As a hedge against the risk of higher prices for anticipated metal purchases to fulfill long-term customer contracts, Alcoa entered into long positions, principally using futures and options. At December 31, 1996 and 1995, these contracts totaled approximately 872,000 mt and 1.210 million mt, respectively. Alcoa follows a stable pattern of purchasing metal; therefore, it is highly likely that anticipated metal requirements will be met.

The futures and options contracts limit the unfavorable effect of price increases on metal purchases and likewise limit the favorable effect from price declines. The contracts are with creditworthy counterparties and are further supported by cash, treasury bills or irrevocable letters of credit issued by carefully chosen banks.

For financial accounting purposes, the gains and losses on the hedging contracts are reflected in earnings concurrent with the hedged costs. The cash flows from these contracts are classified in a manner consistent with the underlying nature of the transactions.

Alcoa intends to close out the hedging positions at the time it purchases the metal from third parties, thus creating the right economic match both in time and price. The deferred gains on the hedging contracts of $224 million at December 31, 1996 are expected to offset the increase in the price of the purchased metal.

The expiration dates of the call options and the delivery dates of the futures contracts do not always coincide exactly with the dates on which Alcoa is required to purchase metal to meet its contractual commitments with customers. Accordingly, some of the futures and options positions will be rolled forward. This may result in significant cash inflows if the hedging contracts are "in-the-money" at the time they are rolled forward. Conversely, there could be significant cash outflows, as was the case in 1996, if metal prices fall below the price of contracts being rolled forward.

In addition, Alcoa had 205,000 mt of futures and options contracts outstanding at year-end 1996 that cover long-term fixed-price commitments to supply customers with metal from internal sources.

Accounting convention requires that these contracts be marked-to-market, resulting in an after-tax charge to earnings of $57 million in 1996, and $38 million in 1995.

Alcoa also purchases certain other commodities, such as gas and copper, for its operations and enters into futures contracts to eliminate volatility in the prices of such products. None of these contracts are material. For additional information on financial instruments, see Notes A and S to the Financial Statements.

Financial Risk

Alcoa is subject to significant exposure from fluctuations in foreign currencies. As a matter of company policy, foreign currency exchange contracts, including forwards and options, are used to manage transactional exposure to changes in currency exchange rates. The forward contracts principally cover firm commitments. Options are generally used to hedge anticipated transactions.

Alcoa also attempts to maintain a reasonable balance between fixed and floating rate debt, and uses interest rate swaps and caps to keep financing costs as low as possible.

Risk Management

All of the aluminum and other commodity contracts, as well as the various types of financial instruments, are straightforward. They are used primarily to mitigate uncertainty and volatility, and principally cover underlying exposures.

Alcoa's commodity and derivative activities are subject to the management, direction and control of the Strategic Risk Management Committee (SRMC). It is composed of the chief executive officer, the president, the chief financial officer and other officers and employees that the chief executive officer may select from time to time. SRMC reports to the Board of Directors at each of its scheduled meetings on the scope of its derivatives activities.

Employees

Alcoa had approximately 76,800 employees worldwide at year-end 1996. Approximately 38% of the employees are located in the U.S. New six-year labor agreements covering the majority of Alcoa's U.S. production workers were ratified in mid-1996. As part of the agreements, Alcoa and the unions agreed to an unprecedented partnership mandating that they work cooperatively on customer requirements, business objectives and shareholder and union interests. The agreements set broad, new goals for employee safety, job security, influence, control and accountability for the work environment.

Other major provisions include: wage increases over the first five years; enhanced pension benefits; increases in sickness and accident insurance, life insurance and dental benefits and the amount of income a spouse may earn before sharing medical benefit costs. The new agreements have five years of defined provisions. At the end of the fifth year, the entire contract will be reopened. If agreement cannot be reached, the economic provisions will be submitted to arbitration.

In late September 1996, a new five-year labor agreement covering about 1,100 employees at Alcoa's Forged Products business unit in Cleveland, Ohio was ratified. A three-week strike followed the late-August expiration of the previous three-year pact.

Wages for AofA employees are covered by agreements which are negotiated under guidelines established by a national industrial relations authority.

Wages for both hourly and salaried employees of Aluminio are negotiated annually in compliance with government guidelines. Each Aluminio location, however, has established a separate compensation package for its employees.

Research and Development

Alcoa, a technology leader in the aluminum industry, engages in research and development programs which include basic and applied research and process and product development. These activities are conducted principally at Alcoa Technical Center near Pittsburgh, Pennsylvania. Several business units conduct their own R&D programs. Expenditures for R&D activities were $166 million in 1996, $141 million in 1995 and $126 million in 1994. Substantially all R&D is funded by the Company.

Environmental

Alcoa's Environment, Health and Safety Policy confirms its commitment to operate worldwide in a manner which protects the environment and the health and safety of employees and of the citizens of the communities where the Company operates.

Alcoa continues its efforts to develop and implement modern technology, and standards and procedures, to meet its Environment, Health and Safety Policy. Approximately $68 million was spent during 1996 for new or expanded facilities for environmental control. Capital expenditures for such facilities will approximate $113 million in 1997. The costs of operating these facilities are not included in these figures. Remediation expenses are continuing at many of the Company's facilities. See Environmental Matters on page 27 in the Annual Report to Shareholders and "Item 3 - Legal Proceedings" below.

Alcoa's operations worldwide, like those of others in manufacturing industries, have in recent years become subject to increasingly stringent legislation and regulations intended to protect human health and safety and the environment. This trend is expected to continue. Compliance with new laws, regulations or policies could require substantial expenditures by the Company in addition to those referenced above.

Alcoa supports the use of sound scientific research and realistic risk criteria to analyze environmental and human health and safety effects and to develop effective laws and regulations in all countries where it operates. The Company also relies on internal standards that are applied worldwide to ensure that its facilities operate with minimal adverse environmental, health and safety impacts, even where no regulatory requirements exist. Alcoa recognizes that recycling and pollution prevention offer real solutions to many environmental problems, and it continues vigorously to pursue efforts in these areas.

Item 2. Properties.

See "Item 1 - Business." Alcoa believes that its facilities, substantially all of which are owned, are suitable and adequate for its operations.

Item 3. Legal Proceedings.

In the ordinary course of its business, Alcoa is involved in a number of lawsuits and claims, both actual and potential, including some which it has asserted against others. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that exist. It is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies. Management believes, however, that the disposition of

matters that are pending or asserted will not have a material adverse effect on the financial position of the Company.

Environmental Matters

Alcoa is involved in proceedings under the Superfund or analogous state provisions regarding the usage, disposal, storage or treatment of hazardous substances at a number of sites in the U.S. The Company has committed to participate, or is engaged in negotiations with Federal or state authorities relative to its alleged liability for participation, in clean-up efforts at several such sites.

In response to a unilateral order issued under Section 106 of the Comprehensive Environmental Compensation and Liability Act of 1980 (CERCLA) by the U.S. Environmental Protection Agency (EPA) Region II regarding releases of hazardous substances, including polychlorinated biphenyls (PCBs), into the Grasse River near its Massena, New York facility, Alcoa conducted during 1995 certain remedial activities in the Grasse River for the removal and appropriate disposal of certain river sediments. During 1996, the Company submitted an Analysis of Alternatives Report, which is being reviewed by the EPA.

Representatives of various Federal and state agencies and a Native American tribe, acting in their capacities as trustees for natural resources, have asserted that Alcoa may be liable for loss or damage to such resources under Federal and state law based on Alcoa's operations at its Massena, New York facility. While formal proceedings have not been instituted, the Company is actively investigating these claims.

On March 31, 1994, Alcoa and Region VI of the EPA entered into an administrative order on consent, EPA Docket No. 6-11-94, concerning the Alcoa (Point Comfort)/Lavaca Bay National Priorities List site which includes portions of Alcoa's Point Comfort, Texas bauxite refining operations and portions of Lavaca Bay, Texas, adjacent to the Company's plant. The administrative order requires the Company to conduct a remedial investigation and feasibility study at the site overseen by the EPA. Work under the administrative order is proceeding. The Company and certain Federal and state natural resource trustees, who previously served Alcoa with notice of their intent to file suit to recover damages for alleged loss or injury of natural resources in Lavaca Bay, entered into several agreements during 1996 to cooperatively identify restoration alternatives and approaches for Lavaca Bay. Efforts under those agreements are ongoing.

In June 1988, the EPA added Alcoa's Vancouver , Washington Potlining Pile to the National Priorities List under CERCLA. As a result of Alcoa's cleanup efforts, effective September 30, 1996 the site was delisted.

Other Matters

Alcoa was named as one of several defendants in a number of lawsuits filed as a result of the Sioux City, Iowa DC-10 plane crash in 1989. The plaintiffs claim that Alcoa fabricated the titanium fan disk involved in the alleged engine failure of the plane from a titanium forging supplied by a third party. Two of the 117 cases are still pending.

On December 21, 1992, Alcoa was named as a defendant in KML Leasing v. Rockwell Standard Corporation filed in the District Court of Oklahoma County, Oklahoma on behalf of 7,317 Aero Commander, Rockwell Commander and Gulfstream Commander aircraft owners. The complaint alleges defects in certain wingspars manufactured by Alcoa. Alcoa's aircraft builders products liability insurance carrier has assumed defense of the matter. In May 1993, Alcoa received a reservation of rights letter from its insurance carrier which purports to reserve its rights with respect to a majority of the types of damages claimed. In May 1995, the court granted Alcoa's motion for summary judgment to dismiss

the action. The summary judgment was reversed, on plaintiff's appeal, in February 1996, and the case was remanded to the trial court. The Company and co-defendants filed a petition in March 1996 for rehearing before the Oklahoma intermediate appellate court. In November 1996, plaintiffs dismissed Alcoa as a defendant in this matter, but have a right to refile for one year.

In August 1994, the U.S. Department of Justice (DOJ) issued a Civil Investigative Demand (CID) to Alcoa regarding activities undertaken by Alcoa in response to a multinational Memorandum of Understanding negotiated by the U.S. government and other sovereign nations. Alcoa complied with the request in November 1994 and is waiting for a response from the DOJ.

On March 27, 1995, the DOJ issued a CID requesting information regarding pricing policies on aluminum rigid container sheet in 1994 and 1995. Alcoa complied with the document request and provided interrogatory answers in June 1995. On November 21, 1996, the DOJ closed its review without taking any action.

On June 13, 1995, the Company was served with a class action complaint in the matter of John P. Cooper, et al. v. Aluminum Company of America, Case Number 3-95-CV-10074, pending in the United States District Court for the Southern District of Iowa. The named plaintiffs allege violation of Federal and state civil rights laws prohibiting discrimination on the basis of race and gender. Plaintiffs seek class action status for five classes of employees or prospective employees of Alcoa at its Davenport, Iowa facility and also a permanent injunction against allegedly discriminatory practices, restitution of claimed benefits and income, and unspecified compensatory and punitive damages. Alcoa answered the Complaint and denied all alleged violations of Federal or state law. Alcoa also filed a motion to dismiss certain of the plaintiffs' claims.

Alcoa initiated a lawsuit in King County, Washington in December 1992 against nearly one hundred insurance companies that provided insurance coverage for environmental property damage at Alcoa plant sites between the years 1956 and 1985. The trial for the first three sites concluded in October 1996 with a jury verdict partially in Alcoa's favor and an award of damages to Alcoa. Post-trial motions continue to determine the effect of the verdict on remaining aspects of the case.

On March 5, 1996, a class action complaint was filed in Los Angeles County (California) Superior Court against U.S. producers of primary aluminum, including Alcoa, claiming conspiracy and collusive action in violation of state antitrust laws. The suit alleged that the defendants colluded to raise prices of aluminum products by cutting production. The defendants removed the case to Federal court in April 1996. On July 1, 1996, the U.S. District Court for the Central District of California granted the defendants' motion for summary judgment and the complaint was dismissed. Plaintiff has filed a notice of appeal with the Ninth Circuit Court of Appeals. The appeal is pending.

On March 20, 1996, Alcoa received a subpoena from the U.S. Department of Commerce in connection with the export of potassium fluoride by a subsidiary for use at its alumina refineries in Jamaica and Suriname. The Company is cooperating with the investigation.

On December 20, 1996, JMB Realty Corporation (JMB) filed a complaint for declaratory relief and damages against Alcoa and two subsidiaries, Alcoa Properties, Inc. and Alcoa Securities Corporation, in the Circuit Court of Cook County, Illinois. JMB claims that it is entitled to a rebate of approximately $71 million from Alcoa Properties, Inc., arising from a stock transaction that occurred in 1986 in which a subsidiary of JMB purchased the outstanding stock of substantially all of Alcoa Properties, Inc.'s real estate holding subsidiaries. JMB also is seeking an order canceling three promissory notes that it made and delivered to Alcoa Securities Corporation. JMB owes Alcoa Securities Corporation approximately $53 million on the notes, which matured on December 31, 1996. On January 3, 1997, Alcoa Securities Corporation filed suit against JMB in the Superior Court of Chittenden County, Vermont seeking to collect

the approximately $53 million that JMB owes Alcoa Securities Corporation. Both cases are in a preliminary pleading stage.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of the Company's security holders during the fourth quarter of 1996.

Item 4A. Executive Officers of the Registrant.

The names, ages, positions and areas of responsibility of the executive officers of the Registrant as of March 1, 1997 are listed below.

Paul H. O'Neill, 61, Chairman of the Board and Chief Executive Officer. Mr. O'Neill was elected a director of Alcoa in 1986 and became Chairman of the Board and Chief Executive Officer in June 1987. Before joining Alcoa, Mr. O'Neill had been an officer since 1977 and President and a director since 1985 of International Paper Company.

Alain J. P. Belda, 53, President and Chief Operating Officer. Mr. Belda was elected President and Chief Operating Officer in January 1997. He was President of Alcoa Aluminio S.A. in Brazil from 1979 to March 1994. Mr. Belda was elected Vice President of Alcoa in 1982 and, in 1989, was given responsibility for all of Alcoa's interests in Latin America (other than Suriname). In August 1991 he was named President - Latin America for the Company. Mr. Belda was elected Executive Vice President in 1994 and Vice Chairman in 1995.

George E. Bergeron, 55, Vice President and President - Rigid Packaging Division. Mr. Bergeron was named President - Alcoa Closure Systems International in 1982 and was elected Vice President and General Manager - Rigid Packaging Division in July 1990. He assumed his current responsibilities in 1991.

Peter R. Bridenbaugh, 56, Executive Vice President. Dr. Bridenbaugh became Director, Alcoa Laboratories in 1983. He was elected Vice President - Research and Development in 1984 and Executive Vice President in 1991. He was the Company's Chief Technical Officer from 1991 to 1995. Dr. Bridenbaugh currently is responsible for Alcoa's automotive groups.

Richard L. Fischer, 60, Executive Vice President - Chairman's Counsel. Mr. Fischer was elected Vice President and General Counsel in 1983 and became Senior Vice President in 1984. He was given the additional responsibility for Corporate Development in 1986 and in 1991 named to his present position. In his current assignment, Mr. Fischer is responsible for Corporate Development and the expansion and integration of Alcoa's international business activities.

Patricia L. Higgins, 47, Vice President and Chief Information Officer. Ms. Higgins joined Alcoa in January 1997 and is responsible for the integration and implementation of the Company's computer initiatives. She began her career at American Telephone & Telegraph Co. in 1977 and was Vice President of International Sales Operations in Network Systems before joining Nynex Corporation in 1991 as Group Vice President, Manhattan Market Area. In 1995, Ms. Higgins moved to Unisys Corporation where she was President, Communications Market Sector Group.

Ronald R. Hoffman, 62, Executive Vice President - Human Resources and Communications. Mr. Hoffman, an officer since 1975, was named Vice President - Flat Rolled Products in 1979. He was elected a Group Vice President in 1984 and was given responsibility for the Company's Packaging Systems group in 1986. He assumed his current responsibilities in 1991.

Jan H. M. Hommen, 53, Executive Vice President and Chief Financial Officer. Mr. Hommen was Financial Director of Alcoa Nederland until 1979 when he was elected Assistant Treasurer - Corporate Finance of Alcoa. He was elected Treasurer in August 1986 and Vice President and Treasurer in December 1986. He was elected to his current position in 1991. Mr. Hommen has announced his resignation from Alcoa effective April 1, 1997. He will be joining Philips Electronics, N.V. in the Netherlands as Executive Vice President - Chief Financial Officer.

Richard B. Kelson, 50, Executive Vice President - Environment, Health and Safety, and General Counsel. Mr. Kelson was appointed Assistant Secretary and Managing General Attorney in 1984 and Assistant General Counsel in 1989. He was elected Senior Vice President - Environment, Health and Safety in 1991 and Executive Vice President and General Counsel in May 1994.

Frank L. Lederman, 47, Vice President and Chief Technical Officer. Mr. Lederman was Senior Vice President and Chief Technical Officer for Noranda, Inc., a company he joined in 1988. Mr. Lederman joined Alcoa as a Vice President in May 1995 and became Chief Technical Officer in December 1995. In his current position Mr. Lederman directs operations of the Alcoa Technical Center.

L. Richard Milner, 50, Vice President - Corporate Development. Mr. Milner was named General Manager - Castings Division in 1984 and General Manager - Primary Products, Marketing in 1986. In 1987 he assumed responsibility as Director - - Corporate Development. He was elected to his current position in 1991.

Robert F. Slagle, 56, Vice President and President - Alcoa World Alumina. Mr. Slagle was elected Treasurer in 1982 and Vice President in 1984. In 1986, he was named Vice President - Industrial Chemicals and, in 1987, was named Vice President - Industrial Chemicals and U.S. Alumina Operations. Mr. Slagle was named Vice President - Raw Materials, Alumina and Industrial Chemicals in 1989, and Vice President of Alcoa and Managing Director - Alcoa of Australia Limited in 1991. He was named to his current position, with responsibility for Alcoa's global bauxite and alumina activities, in January 1996.

G. Keith Turnbull, 61, Executive Vice President - Alcoa Business System. Dr. Turnbull was appointed Assistant Director of Alcoa Laboratories in 1980. He was named Director - Technology Planning in 1982, Vice President - Technology Planning in 1986 and Executive Vice President - Strategic Analysis/Planning and Information in 1991. In January 1997 he was named to his current position, with responsibility for company-wide implementation of Alcoa Business System.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

Dividend per share data, high and low prices per share and the principal exchanges on which the Company's common stock is traded are set forth on pages 56-57 of the 1996 Annual Report to Shareholders (the Annual Report) and are incorporated herein by reference.

At February 10, 1997 (the record date for the Company's 1997 annual shareholders meeting), there were approximately 88,300 Alcoa shareholders, including both record holders and an estimate of the number of individual participants in security position listings.

Item 6. Selected Financial Data.

The comparative columnar table showing selected financial data for the Company is set forth on page 21 of the Annual Report and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Management's review and comments on the consolidated financial statements are set forth on pages 22 through 29 of the Annual Report and are incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The Company's consolidated financial statements, the notes thereto and the report of the independent public accountants are set forth on pages 30 through 44 of the Annual Report and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information regarding Directors is contained under the caption "Board of Directors" on pages 4 through 8 of the Registrant's definitive Proxy Statement dated March 12, 1997 (the Proxy Statement) and is incorporated herein by reference.

The information regarding executive officers is set forth in Part I, Item 4A under "Executive Officers of the Registrant."

The information required by Item 405 of Regulation S-K contained under the caption "Section 16(a) beneficial ownership reporting compliance" on page 9 of the Registrant's Proxy Statement is incorporated herein by reference.

Item 11. Executive Compensation.

This information is contained under the caption "Compensation of executive officers" on pages 10 through 16 of the Proxy Statement and is incorporated herein by reference. The performance graph and Compensation Committee Report shall not be deemed to be "filed."

Item 12. Security Ownership of Certain Beneficial Owners and Management.

This information is contained under the caption "Security ownership" on pages 8 through 9 of the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

This information is contained under the caption "Certain relationships and related transactions" on page 8 of the Proxy Statement and is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K.

(a) The consolidated financial statements, financial statement schedule and exhibits listed below are filed as part of this report.

(1) The Company's consolidated financial statements, the notes thereto and the report of the independent public accountants are set forth on pages 30 through 44 of the Annual Report and are incorporated herein by reference.

(2) The following report and schedule should be read in conjunction with the Company's consolidated financial statements in the Annual Report:

Independent Accountant's Report of Coopers & Lybrand L.L.P. dated January 8, 1997 on the Company's financial statement schedule filed as a part hereof for the fiscal years ended December 31, 1996, 1995 and 1994.

Schedule II - Valuation and Qualifying Accounts - for the fiscal years ended December 31, 1996, 1995 and 1994.

(3) Exhibits

Exhibit Number	Description *
3(a).	Articles of the Registrant as amended, incorporated by reference to exhibit 3(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993.
3(b).	By-Laws of the Registrant, incorporated by reference to exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991.
10(a)	Long Term Stock Incentive Plan (restated) effective January 1, 1997 (filed herewith).
10(b).	Employees' Excess Benefit Plan, Plan A, incorporated by reference to exhibit 10(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1980.
10(c).	Incentive Compensation Plan, as amended effective January 1, 1993, incorporated by reference to exhibit 10(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.
10(d).	Employees' Excess Benefit Plan, Plan C, as amended and restated in 1994, effective January 1, 1989, incorporated by reference to exhibit 10(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

10(e). Employees' Excess Benefit Plan, Plan D, as amended effective October 30, 1992, incorporated by reference to exhibit 10(e) to the Company's Annual Report on Form 10-K for the year ended December 31, 1992 and exhibit 10(e)(1) the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

10(f). Employment Agreement of Paul H. O'Neill, as amended through February 25, 1993, incorporated by reference to exhibit 10(h) to the Company's Annual Report on Form 10-K for the year ended December 31, 1987, exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1990 and exhibit 10(f)(2) to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.

10(g). Deferred Fee Plan for Directors, as amended effective November 10, 1995, incorporated by reference to exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

10(h). Restricted Stock Plan for Non-Employee Directors, as amended effective March 10, 1995, incorporated by reference to exhibit 10(h) to the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

10(h)(1).Amendment to Restricted Stock Plan for Non-Employee Directors, effective November 10, 1995, incorporated by reference to exhibit 10(h)(1) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

10(i). Fee Continuation Plan for Non-Employee Directors, incorporated by reference to exhibit 10(k) to the Company's Annual Report on Form 10-K for the year ended December 31, 1989.

10(i)(1).Amendment to Fee Continuation Plan for Non-Employee Directors, effective November 10, 1995, incorporated by reference to exhibit 10(i)(1) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

10(j). Deferred Compensation Plan, as amended effective October 30, 1992, incorporated by reference to exhibit 10(k) to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.

10(j)(1).Amendments to Deferred Compensation Plan, effective January 1, 1993, February 1, 1994 and January 1, 1995, incorporated by reference to exhibit 10(j)(1) to the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

10(j)(2).Amendment to Deferred Compensation Plan, effective June 1, 1995, incorporated by reference to exhibit 10(j)(2) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

10(k). Summary of the Executive Split Dollar Life Insurance Plan, dated November 1990, incorporated by reference to exhibit 10(m) to the Company's Annual Report on Form 10-K for the year ended December 31, 1990.

10(l). Dividend Equivalent Compensation Plan, effective February 3, 1997 (filed herewith).

10(m). Form of Indemnity Agreement between the Company and individual directors or officers, incorporated by reference to exhibit 10(j) to the Company's Annual Report on Form 10-K for the year ended December 31, 1987.

11. Computation of Earnings per Common Share.

12. Computation of Ratio of Earnings to Fixed Charges.

13. Portions of Alcoa's 1996 Annual Report to Shareholders.

21. Subsidiaries and Equity Entities of the Registrant.

23. Consent of Independent Certified Public Accountants.

24. Power of Attorney for certain directors.

27. Financial data schedule.

*Exhibit Nos. 10(a) through 10(l) are management contracts or compensatory plans required to be filed as Exhibits to this Form 10-K.

Amendments and modifications to other Exhibits previously filed have been omitted when in the opinion of the Registrant such Exhibits as amended or modified are no longer material or, in certain instances, are no longer required to be filed as Exhibits.

No other instruments defining the rights of holders of long-term debt of the Registrant or its subsidiaries have been filed as Exhibits because no such instruments met the threshold materiality requirements under Regulation S-K. The Registrant agrees, however, to furnish a copy of any such instruments to the Commission upon request.

(b) Reports on Form 8-K. None was filed in the fourth quarter of 1996.

Independent Accountant's Report

To the Shareholders and Board of Directors
Aluminum Company of America

Our report on the consolidated financial statements of Aluminum Company of America has been incorporated by reference in this Form 10-K from page 30 of the 1996 Annual Report to Shareholders of Aluminum Company of America. In connection with our audits of such financial statements, we have also audited the related financial statement schedule listed under Item 14 of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ Coopers & Lybrand L.L.P.
COOPERS & LYBRAND L.L.P.

600 Grant Street
Pittsburgh, Pennsylvania
January 8, 1997

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 and 1994
(in millions)

Col. A	Col. B	Col. C		Col. D	Col. E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period
Allowance for doubtful accounts:					
1996	$ 45.8	$24.0	$ 1.5(A)	$22.9(B)	$ 48.4
1995	$ 37.4	$17.4	$(1.8)(A)	$ 7.2(B)	$ 45.8
1994	$ 33.2	$13.4	$(2.0)(A)	$ 7.2(B)	$ 37.4
Income tax valuation allowance:					
1996	$112.1	$23.9	-	$26.0(C)	$110.0
1995	$170.0	$16.2	-	$74.1(C)	$112.1
1994	$171.4	$19.9	-	$21.3(C)	$170.0

Notes: (A) Collections on accounts previously written off, acquisition of subsidiaries and foreign currency translation adjustments.
(B) Uncollectible accounts written off
(C) Related primarily to reductions in the valuation reserve based on a change in circumstances.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALUMINUM COMPANY OF AMERICA

March 11, 1997 By /s/Earnest J. Edwards

Earnest J. Edwards
Vice President and Controller
(Also signing as Principal
Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/Paul H. O'Neill Paul H. O'Neill	Chairman of the Board and Chief Executive Officer (Principal Executive Officer and Director)	March 11, 1997
/s/Jan H. M. Hommen Jan H. M. Hommen	Executive Vice President Chief Financial Officer (Principal Financial Officer)	March 11, 1997

Kenneth W. Dam, John P. Diesel, Joseph T. Gorman, Judith M. Gueron, Sir Ronald Hampel, John P. Mulroney, Sir Arvi Parbo, Henry B. Schacht, Forrest N. Shumway, Franklin A. Thomas and Marina v.N. Whitman, each as a Director, on March 11, 1997, by Barbara Jeremiah, their Attorney-in-Fact.*

*By /s/Barbara Jeremiah
Barbara Jeremiah
Attorney-in-Fact

Exhibit 10(a)

LONG TERM STOCK INCENTIVE PLAN

OF

ALUMINUM COMPANY OF AMERICA

(Revised, Effective January 1, 1997)

ARTICLE I
DEFINITIONS

The following words as used herein shall have the following meanings unless the context otherwise requires.

PLAN means the Long Term Stock Incentive Plan of Aluminum Company of America, as amended from time to time, which is a continuation of the Employees' Stock Option Plan.

COMPANY means Aluminum Company of America.

SUBSIDIARY means any corporation in which the Company owns, directly or indirectly, stock possessing 50% or more of the total combined voting power of all classes of stock in such other corporation, and any corporation, partnership, joint venture or other business entity as to which the company possesses a direct or indirect ownership interest where either (a) such interest equals 50% or more or (b) the Company directly or indirectly has power to exercise management control.

BOARD means the Board of Directors of the Company and includes any duly authorized Committee when acting in lieu thereof.

EMPLOYEE means any employee of the Company or a Subsidiary.

AWARD means any stock option award granted or delivered under the Plan.

OPTIONEE means any person who has been granted a stock option under the Plan.

COMMITTEE means the Committee established under Section 1 of Article V to administer the Plan.

COMPANY STOCK means common stock of the Company and such other stock and securities, described in Section 2 of Article IV, as shall be substituted therefor.

FAIR MARKET VALUE means, with respect to Company Stock, (1) the mean of the high and low sales prices of such stock (a) as reported on the composite tape (or other appropriate reporting vehicle as determined by the Committee) for a specified date or, if no such report of such price shall be available for such date, as reported for the New York Stock Exchange for such date or (b) if the New York Stock Exchange is closed on such date, the mean of the high and low sales prices of such stock as reported in accordance with (a) above for the next preceding day on which such stock was traded on the New York Stock Exchange, or (2) at the option of and as determined by the Committee, the average of the mean of the high and low sales prices of such stock as reported in accordance with (1) above for a period of up to ten consecutive business days.

OPTION PERIOD means the period of time provided pursuant to Section 4 of Article III within which a stock option may be exercised, without regard to the limitations on exercise imposed pursuant to Section 5 of Article III.

ARTICLE II
PARTICIPATION

SECTION 1. Purpose. The purposes of the Plan are to motivate key employees, to permit them to share in the long-term growth and financial success of the Company and its Subsidiaries while giving them an increased incentive to promote the well-being of those companies, and to link the interests of key employees to the long-term interests of the Company's shareholders.

SECTION 2. Eligibility. Employees who, in the sole opinion of the Committee, play a key role in the management, operation, growth or protection of some part or all of the business of the Company and its Subsidiaries (including officers and employees who are members of the Board) shall be eligible to be granted Awards under the Plan. The Committee shall select from time to time the Employees to whom Awards shall be granted. No Employee shall have any right whatsoever to receive any Award unless selected therefor by the Committee.

SECTION 3. Limitation on Optioned Shares. In no event may any stock option be granted to any Employee who owns stock possessing more than five percent of the total combined voting power or value of all classes of stock of the Company. The maximum number of shares subject to options awarded to any one individual in any calendar year may not exceed one million shares.

SECTION 4. No Employment Rights. The Plan shall not be construed as conferring any rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Company or any Subsidiary to terminate the employment of any person and/or take any personnel action affecting such person without regard to the effect which such action might have upon such person as an Optionee or prospective Optionee.

ARTICLE III
TERMS OF OPTIONS

SECTION 1. General. The Committee from time to time shall select the Employees to whom stock options shall be granted, the type of stock options and the number of shares of Company Stock to be included in each such option. Each option granted under the Plan shall be subject to the terms and conditions required by this Article III, and such other terms and conditions not inconsistent therewith as the Committee may deem appropriate in each case.

SECTION 2. Option Price. The price at which each share of Company Stock covered by an option may be purchased shall be determined by the Committee. In no event shall such price be less than one hundred percent of the Fair Market Value of Company Stock either on the date the option is granted or over a period of up to ten business days as specified by the Committee. The option price of each share purchased pursuant to an option shall be paid in full at the time of such purchase. The purchase price of an option shall be paid in cash, provided however that, to the extent permitted by and subject to any limitations contained in any stock option agreement or in rules adopted by the Committee, such option purchase price may be paid by the delivery to the Company of shares of Company Stock having an aggregate Fair Market Value on the date of exercise which, together with any cash payment by the Optionee, equals or exceeds such option purchase price. The Committee shall determine whether and if so the extent to which actual delivery of share certificates to the Company shall be required. The foregoing provisions relating to the delivery of Company Stock in lieu of payment of cash upon exercise of an option apply to all outstanding options.

SECTION 3. Types of Options. The Committee shall have the authority, in its sole discretion, to grant to Employees from time to time non-qualified stock options and such other types of options as are permitted by law or the provisions of the Plan.

SECTION 4. Period for Exercise. The Committee shall determine the period or periods of time within which the option may be exercised by the Optionee, in whole or in part, provided that the Option Period shall not exceed ten years from the date the option is granted.

SECTION 5. Special Limitations. Notwithstanding the Option Period provided in Section 4 of this Article III, a stock option (other than a reload stock option) shall not be exercisable until one year after the date the option is granted.

SECTION 6. Termination of Employment.

(a) Subject to the provisions of Section 4 and 5 of this Article III, the Committee shall specify in administrative rules or otherwise, the rules that shall apply to stock options with respect to the exercise of any stock options upon termination of the Optionee's employment.

(b) Following the Optionee's death, the option may be exercised by the Optionee's legal representative or representatives, or by the person or persons entitled to do so under the Optionee's last will and testament, or, if the Optionee shall fail to make testamentary disposition of the option or shall die intestate, by the person or persons entitled to receive said option under the intestate laws.

(c) The Committee in its sole discretion may shorten the period of exercise of any such stock option in the event that the Optionee takes any action which in the judgment of the Committee is not in the best interests of the Company and its Subsidiaries.

SECTION 7. Transferability; Beneficiaries; Etc. Each stock option shall be nontransferable by the Optionee except by last will and testament or the laws of descent and distribution and is exercisable during the Optionee's lifetime only by the Optionee or a legal representative. Notwithstanding the foregoing and the preceding Section 6, at the discretion of the Committee,

(a) some or all Optionees may be permitted to transfer some or all of their options to one or more immediate family members, and/or

(b) some or all Optionees may be permitted to designate one or more beneficiaries to receive some or all of their Awards and stock appreciation rights in the event of death prior to exercise thereof, in which event a permitted beneficiary or beneficiaries shall then have the right to exercise or receive payment for each affected Award or stock appreciation right in accordance with its other terms and conditions.

SECTION 8. Employment Obligation. In consideration for the granting of each stock option, except options delivered under

Section 11 of this Article III, the Optionee shall agree to remain in the employment of the Company or one or more of its Subsidiaries, at the pleasure of the Company or such Subsidiary, for a continuous period of at least one year after the date of grant of such stock option or until retirement, on a date which is at least six months after the date of such grant, under any retirement plan of the Company or a Subsidiary, whichever may be earlier, at the salary rate in effect on the grant date or at such changed rate as may be fixed from time to time by the Company or such Subsidiary. At the discretion of the Committee, this obligation may be deemed to have been fulfilled under specified circumstances, such as if the Optionee enters government service.

SECTION 9. Date Option Granted. For the purposes of the Plan, a stock option shall be considered as having been granted on the date on which the Committee authorized the grant of such stock option, except where the Committee has designated a later date, in which event such designated date shall constitute the date of grant of such stock option, provided, however, that in either case notice of the grant of the option shall be given to the Employee within a reasonable time.

SECTION 10. Alternative Settlement Methods. Where local law may interfere with the normal exercise of an option, the Committee in its discretion may approve stock appreciation rights or other alternative methods of settlement for stock options.

SECTION 11. Reload Stock Options. The Committee shall have the authority to specify, either at the time of grant of a stock option or at a later date, that upon exercise of all or a portion of that stock option (except an option referred to in the next section, Section 12) a reload stock option shall be granted under specified conditions. A reload stock option may entitle the Optionee to purchase shares (i) which are covered by the exercised option or portion thereof at the time of exercise of such option or portion but are not issued upon such exercise, or (ii) whose value (on the date of grant) equals the purchase price of the exercised option or portion thereof and any related tax withholdings. The exercise price of the reload stock option shall be the Fair Market Value at the time of grant, determined in accordance with Section 2 of this Article III. The duration of a reload stock option shall not extend beyond the expiration date of the option it replaces. The specific terms and conditions applicable for reload stock options shall be determined by the Committee and shall be set forth in rules adopted by the Committee and/or in agreements or other documentation evidencing reload stock options.

SECTION 12. Dividend Equivalents. Stock options delivered in payment of contingent awards of performance shares (effective January 1993, these types of awards are no longer granted) may provide the Optionee with dividend equivalents payable in cash, shares, additional discount options or other consideration prior to exercise.

ARTICLE IV
COMPANY STOCK

SECTION 1. Number of Shares. The shares of Company Stock that may be issued under the Plan, out of authorized but heretofore unissued Company Stock, or out of Company Stock held as treasury stock, or partly out of each, shall not exceed 8.6 million shares plus an additional number of share equal to the number of shares which at January 1, 1997 were reserved for issuance under the Plan as then in effect. Except as otherwise determined by the Committee, the number of shares of Company Stock so reserved shall be reduced by the number of shares issued upon an Option exercise, less (i) the shares, if any, used to pay withholding taxes and/or (ii) the shares, if any, delivered by the Optionee in full or partial payment of the option purchase price. Unless the Committee otherwise determines, shares not purchased under any option granted under the Plan which are no longer available for purchase thereunder by virtue of the total or partial expiration, termination or voluntary surrender of the option and which were not issued upon exercise of a related stock appreciation right and shares referred to in clauses (i) or (ii) of the preceding sentence shall continue to be otherwise available for the purposes of the Plan. Payments for Awards in cash shall reduce the number of shares available for issuance by such number of shares as has a Fair Market Value at the time of such payment equal to such cash.

SECTION 2. Adjustments in Stock.

(a) Stock Dividends. If a dividend shall be declared upon Company Stock payable in shares of said stock, (i) the number of shares of Company Stock subject to outstanding Awards and (ii) the number of shares reserved for issuance pursuant to the Plan shall be adjusted by adding to each such share the number of shares which would be distributable thereon if such share had been outstanding on the date fixed for determining the shareholders entitled to receive such stock dividend.

(b) Reorganization, Etc. In the event that the outstanding shares of Company Stock shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, or otherwise, then there shall be substituted for each share of Company Stock subject to outstanding Awards and for each share of Company Stock reserved for issuance pursuant to the Plan, the number and kind of shares of stock or other securities which would have been substituted therefor if such share had been outstanding on the date fixed for determining the shareholders entitled to receive such substituted stock or other securities.

(c) Other Changes in Stock. In the event there shall be any change, other than as specified in subsections (a) and (b) of this Section 2, in the number or kind of outstanding shares of Company Stock or of any stock or other securities into which such Company Stock shall be changed or for which it shall have been exchanged, then and if the Committee shall at its discretion determine that such change equitably requires an adjustment in the number or kind of shares subject to outstanding Awards or which have been reserved for issuance pursuant to the Plan, such adjustments shall be made by the Committee and shall be effective and binding for all purposes of the Plan and each outstanding stock option and other Award.

(d) General Adjustment Rules. No adjustment or substitution provided for in this Section 2 shall require the Company to sell or deliver a fractional share under any stock option or other Award and the total substitution or adjustment with respect to each Award shall be handled in the discretion of the Committee either by deleting any fractional shares or by appropriate rounding up to the next whole share. In the case of any such substitution or adjustment, the option price per share for each stock option shall be equitably adjusted by the Committee to reflect the greater or lesser number of shares of stock or other securities into which the stock subject to the option may have been changed.

ARTICLE V
GENERAL MATTERS

SECTION 1. Administration. The Plan shall be administered by a Committee of not less than three Directors appointed by the Board, none of whom shall have been eligible to receive an Award under the Plan within the twelve months preceding their appointment.

SECTION 2. Authority of Committee. Subject to the provisions of the Plan, the Committee shall have full and final authority to determine the Employees to whom Awards shall be granted, the type of Awards to be granted, the number of shares to be included in each Award, and the other terms and conditions of the Awards. Nothing contained in this Plan shall be construed to give any Employee the right to be granted an Award or, if granted, to any terms and conditions therein except such as may be authorized by the Committee. The Committee is empowered, in its discretion, to (i) modify, amend, extend or renew any Award theretofore granted, subject to the limitations set forth in Article III and with the proviso that no modification or amendment shall impair without the Optionees' consent any option theretofore granted under the Plan, (ii) adopt such rules and regulations and take such other action as it shall deem necessary or proper for the administration of the Plan and (iii) delegate any or all of its authority (including the authority to select eligible employees and to grant stock options) to one or more senior officers of the Company, except with respect to Awards for officers or any performance share awards, and except in the event that any such delegation would cause this Plan not to comply with Securities and Exchange Commission Rule 16b-3 (or any successor rule). The Committee shall have full power and authority to construe, interpret and administer the Plan, and the decisions of the Committee shall be final and binding upon all parties.

SECTION 3. Withholding. The Company or any Subsidiary shall have the right to deduct from all amounts paid in cash under this Plan any taxes required by law to be withheld therefrom. In the case of payments of Awards in the form of Company Stock, at the Committee's discretion, (a) the Optionee may be required to pay over the amount of any withholding taxes, (b) the Optionee may be permitted to deliver to the Company the number of shares of Company Stock whose Fair Market Value is equal to or less than the withholding taxes due or (c) the Company may retain the number of shares calculated under (b) above.

SECTION 4. Nonalienation. No Award shall be assignable or transferable, except by will or the laws of descent and distribution, and except that in its discretion the Committee may authorize exercise by or payment to a beneficiary designated by an Optionee. No right or interest of any Optionee in any Award shall be subject to any lien, obligation or liability.

SECTION 5. General Restriction. Each Award shall be subject to the requirement that if at any time the Board or the Committee shall determine in its discretion that the listing, registration or qualification of shares upon any securities exchange or under any state or Federal law, rule, regulation or decision, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Award or the issue, purchase or delivery of shares or payment thereunder, such Award may not be exercised in whole or in part and no payment therefor shall be delivered unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board or Committee.

SECTION 6. Effective Date and Duration of Plan. The Plan initially became effective May 1, 1965. The Plan as amended herein shall become effective January 1, 1997. No Awards shall be granted under the Plan after January 1, 2002 although shares thereafter may be delivered in payment of Awards granted prior thereto.

SECTION 7. Amendments. The Board may from time to time amend, modify, suspend or terminate the Plan, provided, however, that no such action shall (a) impair without an Optionee's consent any option theretofore granted under the Plan or deprive any Awardee of any shares of Company Stock which that person may have acquired through or as a result of the Plan or (b) be made without the approval of the shareholders of the Company where such change would materially increase the benefits accruing to Optionees, materially increase the maximum number of shares which may be issued under the Plan or materially modify the Plan's eligibility requirements.

SECTION 8. Construction. The Plan shall be interpreted and administered under the laws of the Commonwealth of Pennsylvania without application of its rules on conflict of laws.

ARTICLE VI

[DELETED, Effective January 1997]

Exhibit 10(l)

ALUMINUM COMPANY OF AMERICA
DIVIDEND EQUIVALENT COMPENSATION PLAN

1. PURPOSE.

The purpose of the Aluminum Company of America Dividend Equivalent Compensation Plan (the "Plan") is to attract and retain outstanding individuals as officers and key employees of Aluminum Company of America (the "Company") and its subsidiaries and to furnish additional incentives to such individuals through cash awards related to the performance of the Company and its common stock. To this end, the Board of Directors of the Company or the Committee hereinafter designated may determine that compensation shall be awarded and paid periodically to officers and other key employees of the Company and its subsidiaries, in amounts based upon cash dividends paid to holders of common stock of the Company, on the terms and subject to the conditions set forth in this Plan.

2. PARTICIPANTS.

Participants in the Plan shall consist of such officers and other key employees of the Company and its subsidiaries as the Committee in its sole discretion may select from time to time to receive dividend equivalent payments. Participants who are no longer active employees of the Company or one of its subsidiaries may continue to have Plan accounts, but no new dividend equivalent units may be credited to the participant's account once active employment ceases, except for adjustments required by Section 6 of this Plan.

3. ADMINISTRATION OF THE PLAN.

(a) Committee. The Plan shall be administered by a committee (the "Committee") consisting of at least two members designated by the Board of Directors of the Company from among those of its members who are not officers or employees of the Company or a parent or subsidiary of the Company and who otherwise satisfy the definition of a "Non-Employee Director" in Rule 16b-3(b)(3) promulgated under Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"). In the absence of specific rules to the contrary, action by the Committee shall require the consent of a majority of the members of the Committee, expressed either orally at a meeting of the Committee or in writing in the absence of a meeting.

(b) Committee Authority. Subject to the provisions of the Plan, the Committee shall have authority (a) to determine which employees of the Company and its subsidiaries shall be eligible for participation in the Plan; (b) to select employees to receive compensation payments under the Plan; (c) to determine the number of share units on which dividend equivalent payments will be made and all other terms and conditions of any payment; and (d) to determine the amount of the dividend equivalent payment per share unit which may be a percentage, not exceeding 100%, of the amount of the cash dividend per share of common stock payable to holders of the Company's common stock. The Committee also shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons; provided, however, that the Committee shall not exercise such authority in a manner adversely and significantly affecting dividend equivalent payments previously made unless the action taken is required to comply with any applicable law or regulation.

4. EFFECTIVE DATE AND TERM OF PLAN.

The Plan shall become effective on January 1, 1997. The Plan shall remain in effect until terminated by action of the Board of Directors.

5. DIVIDEND EQUIVALENT PAYMENTS.

(a) Dividend Equivalent Units and Dividend Equivalent Payments. The Board of Directors or the Committee shall have discretion to make dividend equivalent payments on hypothetical share units ("Dividend Equivalent Units" or "DE Units") determined from time to time for participants in the Plan. The amount of such payments shall be determined by the Board of Directors or the Committee. The record and payment dates for dividend equivalent payments will be the same as the record and payment dates for dividends on shares of common stock of the Company, except that payment may be made in the employee's regular pay check next being delivered after the dividend payment date to shareholders.

(b) Participant Accounts. The Company shall maintain a dividend equivalent unit account for each participant in the Plan. Dividend Equivalent Units shall be credited to or debited from such account as determined by the Committee. The number of DE Units in any individual participant's account may not exceed the number of shares subject to stock options granted under the Company's Long Term Stock

Incentive Plan (or any successor plan) and held by such participant. DE Units shall not be awarded or credited on any discount options held by any participant nor shall any additional DE Units be awarded or credited to any participant who is not an active employee on the date the award or credit is made, except as required by operation of section 6 of this Plan. The Committee shall prescribe in administrative rules or otherwise the method and timing of determining the number of DE Units to be credited to or debited from Plan participant accounts.

(c) Account Value and Activity. Dividend Equivalent Units shall have no value and shall not entitle the participant to receive any benefit or payment other than a cash dividend equivalent payment if, when and in such amount as determined by the Board of Directors or the Committee in its discretion. No person other than a current or former active employee of the Company or one of its subsidiaries may have a Plan account or any interest therein.

(d) Additional Terms and Conditions. The agreement or instrument, if any, evidencing an individual's participation in the Plan may contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Committee in its sole discretion. The Committee may at any time impose such additional terms and conditions on dividend equivalent payments as it deems necessary or desirable for compliance with Section 16(a) or 16(b) of the Securities Exchange Act of 1934 and the rules and regulations thereunder or to preserve or qualify for deductibility of compensation payable hereunder under applicable U.S. federal tax law or regulations.

6. ADJUSTMENTS FOR CHANGES IN CAPITALIZATION, ETC.

The number of DE Units in a participant's Plan account shall be subject to adjustment by the Committee in its sole discretion in the event of changes in the outstanding common stock of the Company by reason of stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in corporate structure or capitalization occurring after the credit thereof, provided that if the Company shall change its common stock into a greater or lesser number of shares through a stock dividend, stock split-up or combination of shares, outstanding Dividend Equivalent Units shall be adjusted proportionately to prevent inequitable results.

7. AMENDMENT AND TERMINATION OF PLAN.

The Plan may be amended in any respect or terminated by the Board of Directors of the Company. In the event of termination, no participant shall be entitled to receive any payment or benefit for any DE Units standing in his or her account prior to termination.

8. MISCELLANEOUS.

(a) No Right to a Payment. Neither the adoption of the Plan nor any action of the Board of Directors or of the Committee shall be deemed to give any employee any right to be selected as a participant or to be paid a dividend equivalent payment.

(b) Rights as Shareholder. No person shall have any rights as a shareholder of the Company with respect to any Dividend Equivalent Units.

(c) Employment. Nothing contained in this Plan shall be deemed to confer upon any employee any right of continued employment with the Company or any of its subsidiaries or to limit or diminish in any way the right of the Company or any such subsidiary to terminate his or her employment at any time with or without cause.

(d) Taxes. The Company or a subsidiary shall be entitled to deduct from any payment under the Plan the amount of any tax required by law to be withheld with respect to such payment or may require any participant to pay such amount to the Company prior to and as a condition of making such payment.

(e) Nontransferability. No Dividend Equivalent Unit shall be transferable.

(f) Governing Law. This Plan shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania, excluding any choice of law provisions which may indicate the application of the laws of another jurisdiction. Any provision of this Plan which is determined to be illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be severed and stricken herefrom, and, in that event, the remaining provisions hereof shall continue in effect, subject in all cases to the right of the Board of Directors or the Committee to terminate or modify the Plan at any time.

Exhibit 11

COMPUTATION OF EARNINGS PER COMMON SHARE
FOR THE YEAR ENDED DECEMBER 31
(In millions, except share and per share amounts)

	1996	1995	1994
1. Income applicable to common stock before extraordinary loss and accounting changes*	$512.8	$788.4	$441.0
2. Net income applicable to common stock*	$512.8	$788.4	$373.1
3. Average number of common shares outstanding at the beginning of the year and the end of each month during the year	174,333,524	178,018,083	177,881,428
4. Primary earnings per common share before extraordinary loss and accounting changes (1 divided by 3)	$ 2.94	$ 4.43	$ 2.48
5. Primary earnings per common share (shares for extraordinary loss and accounting change calculations = 177,247,646 in 1994)	$ 2.94	$ 4.43	$ 2.10
6. Fully diluted earnings before extra-ordinary loss and accounting changes (1)	$512.8	$788.4	$441.0
7. Fully diluted earnings (2)	$512.8	$788.4	$373.1
8. Shares issuable under stock incentive plans (treasury stock method)	34,359	35,664	22,930
9. Shares issuable upon exercise of dilutive outstanding stock options (treasury stock method)	1,846,215	1,642,922	1,232,914
10. Fully diluted shares (3 + 8 + 9)	176,214,098	179,696,669	179,137,27
11. Fully diluted earnings per common share before extraordinary loss and accounting changes (6 divided by 10)	$2.91	$4.39	$2.46
12. Fully diluted earnings per common share (shares for extraordinary loss and accounting change 177,908,286 in 1994)	$2.91	$4.39	$2.08

* After preferred dividend requirement

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
FOR THE YEAR ENDED DECEMBER 31
(in millions, except ratios)

	1996	1995	1994	1993	1992
Earnings:					
Income before taxes on income, and before extraordinary loss and accounting changes	$1,081.7	$1,470.2	$822.5	$191.1	$298.6
Minority interests' share of earnings of majority-owned subsidiaries without fixed charges	4.1	2.0	-	(5.9)	(5.7)
Less equity (earnings) losses	(29.6)	(59.5)	(.3)	13.0	12.2
Fixed charges added to net income	170.7	150.7	138.4	110.1	133.5
Proportionate share of income (loss) of 50%-owned persons	25.3	58.2	1.9	(11.5)	(11.2)
Distributed income of less than 50%-owned persons	-	-	-	-	-
Amortization of capitalized interest:					
Consolidated	21.9	23.1	25.5	20.6	20.0
Proportionate share of 50%-owned persons	1.2	.8	1.2	.8	1.0
Total earnings	$1,275.3	$1,645.5	$989.2	$318.2	$448.4
Fixed Charges:					
Interest expense:					
Consolidated	$133.7	$119.8	$106.7	$ 87.8	$105.4
Proportionate share of 50%-owned person	4.9	6.7	7.4	5.5	7.0
	138.6	126.5	114.1	93.3	112.4
Amount representative of the interest factor in rents:					
Consolidated	31.8	24.0	23.9	16.4	20.7
Proportionate share of 50%-owned persons	.3	.2	.4	.4	.4
	32.1	24.2	24.3	16.8	21.1
Fixed charges added to earnings	170.7	150.7	138.4	110.1	133.5
Interest capitalized:					
Consolidated	5.3	1.9	1.5	3.5	11.1
Proportionate share of 50%-owned persons	-	-	-	-	-
	5.3	1.9	1.5	3.5	11.1
Preferred stock dividend requirements of majority-owned subsidiaries	-	4.9	13.1	29.6	62.4
Total fixed charges	$176.0	$157.5	$153.0	$143.2	$207.0
Ratio of earnings to fixed charges	7.25	10.45	6.47	2.22	2.17

SELECTED FINANCIAL DATA
(dollars in millions, except per-share amounts and ingot prices)

	1996	1995	1994	1993	1992
Sales and operating revenues	$ 13,061.0	$ 12,499.7	$ 9,904.3	$ 9,055.9	$ 9,491.5
Income before extraordinary loss and accounting changes*	514.9	790.5	443.1	4.8	22.4
Extraordinary loss and accounting changes	--	--	(67.9)	--	(1,161.6)
Net income (loss)*	514.9	790.5	375.2	4.8	(1,139.2)
Per common share Before extraordinary loss and accounting changes	2.94	4.43	2.48	.02	.12
Net income (loss)	2.94	4.43	2.10	.02	(6.70)
Alcoa's average realized price per pound for aluminum ingot	.73	.81	.64	.56	.59
Average U.S. market price per pound for aluminum ingot (Metals Week)	.71	.86	.71	.53	.58
Cash dividends paid per common share	1.33	.90	.80	.80	.80
Total assets	13,449.9	13,643.4	12,353.2	11,596.9	11,023.1
Long-term debt (noncurrent)	1,689.8	1,215.5	1,029.8	1,432.5	855.3

* Includes net charges of $122.3, or 70 cents per common share, in 1996; $10.1, or six cents, in 1995; $50.0, or 28 cents, in 1994; $74.5, or 43 cents, in 1993; and $173.9, or $1.02, in 1992. Also included in 1994 is a gain of $300.2, or $1.69 per share.

RESULTS OF OPERATIONS
(dollars in millions, except share amounts and ingot prices)

EARNINGS SUMMARY

Alcoa's 1996 net income was $514.9 compared with $790.5 in 1995 and $375.2 in 1994.

Income before unusual items in 1996 was $637.2 compared with $800.6 in 1995 and $192.9 in 1994. Revenues were a record $13,061, an increase of 4% over 1995. Most of the increase came from an acquisition by Alcoa Fujikura (AFL), Alcoa's automotive electrical components business. Alumina revenues rose on the strength of higher prices. Aluminum revenues were unchanged, with higher shipments offsetting lower prices.

The drop in earnings from 1995 was primarily due to a 6% decline in Alcoa's realized price per pound for aluminum products, partially offset by higher alumina prices. The company's aluminum smelters operated at 81% of rated capacity during 1996 in response to high levels of aluminum inventories worldwide.

Before unusual items, return on shareholders' equity for 1996 was 14.4% compared with 18.8% in 1995 and 5.2% in 1994.

The following table summarizes Alcoa's results adjusted for unusual items described in more detail later in this section.

	1996	1995	1994
Net income	$ 514.9	$ 790.5	$ 375.2
Unusual items: Special items, net	122.3	10.1	50.0
Gain from Alcoa/WMC transaction	--	--	(300.2)
Extraordinary loss	--	--	67.9
Adjusted net income	$ 637.2	$ 800.6	$ 192.9

GEOGRAPHIC AND SEGMENT INFORMATION

Operating profit before unusual items in 1996 was $1,350 compared with $1,435 in 1995 and $513 in 1994. Operating profit, for geographic and segment purposes, consists of sales and operating revenues less operating expenses. It excludes interest expense, nonoperating income, income taxes, minority interests and unusual items. See Note R to the financial statements for additional information.

OPERATIONS BY GEOGRAPHIC AREA

USA -- Revenues of $7,246 were up 3% from 1995, due mostly to higher shipments of nonaluminum products, reflecting the AFL acquisition. These gains were partially offset by lower shipments of fabricated aluminum products and by the shutdown of the company's electronic packaging operations (AEP). Revenues in 1995 were $7,043, up $1,469 from 1994, reflecting higher prices for fabricated aluminum products and ingot.

Operating profit in 1996 was $640 compared with $594 in 1995 and a loss of $65 in 1994. Improved profits in 1996 for building

products, automotive electrical components and alumina operations were partially offset by lower earnings in aluminum operations and the plastic closures business, and by the AEP shutdown.

Exports from the U.S. in 1996 were $1,015 compared with $1,206 in 1995 and $988 in 1994.

Pacific -- Revenues totaled $2,248 in 1996 versus $1,986 in 1995 and $1,670 in 1994. Operating profit was $505 in 1996, $415 in 1995 and $291 in 1994. The principal operations in this region are those of Alcoa of Australia (AofA). The 22% increase in operating profit from 1995 was due to a 13% rise in alumina prices while costs increased at a much lower rate. Alumina volumes were even with those in 1995. Operating profit in 1995 rose 43% from 1994, as prices of alumina, ingot and fabricated products increased substantially. Shipments of alumina fell 3%, while shipments of ingot and fabricated products were about even with 1994.

Other Americas -- Revenues in 1996 were $1,726 compared with $1,780 in 1995 and $1,362 in 1994. Operating profit was $151 in 1996, $333 in 1995 and $239 in 1994. The decrease in operating profit from 1995 relates principally to higher costs and lower metal prices at Alcoa Aluminio's aluminum operations in Brazil. Lower earnings from Aluminio's packaging business, along with lower sales of rigid container sheet (RCS) by an international selling company, also negatively affected operating profit. Most of the 39% increase in operating profit in 1995 from 1994 was related to Aluminio's nonaluminum operations.

Europe -- Revenues were $1,841 in 1996 compared with $1,691 in 1995 and $1,298 in 1994. Operating profit was $55 in 1996, $92 in 1995 and $48 in 1994. Most Alcoa locations in this region were hurt by weak economic conditions in Europe in 1996. The lower operating profit in 1996 was mitigated slightly by earnings from the acquisition in Italy. Aluminum operations in Great Britain and Hungary, and chemical operations in the Netherlands, were the major contributors to the higher operating profit in 1995 versus 1994.

OPERATIONS BY SEGMENT

Alcoa's integrated operations consist of three segments: Alumina and Chemicals, Aluminum Processing and Nonaluminum Products.

I. ALUMINA AND CHEMICALS SEGMENT

	1996	1995	1994
Revenues	$ 1,940	$ 1,758	$ 1,508
Operating profit	459	307	277

Approximately two-thirds of the revenues from this segment are derived from sales of alumina. Revenues from alumina in 1996 rose 13% from 1995 with a similar increase in 1995 from 1994. Price was the driving factor, rising 13% in 1996 after a 16% increase in 1995 from 1994. Shipments in 1996 remained unchanged from 1995, while 1995 shipments were slightly lower than those in 1994.

Revenues from alumina-based chemical products rose 3% in 1996 on higher volumes, as a strengthening U.S. market more than offset weaker sales in Europe. Revenues in 1995 were up 24% from 1994, reflecting strong European demand.

Operating profit in 1996 for this segment was $459, up 50% from 1995. The increase came from alumina operations, which benefited from higher prices and good cost control. In 1995, operating profit of $307 was up 11% from 1994. That increase was due to higher prices for alumina, partially offset by lower chemicals margins.

In November 1996, Alcoa World Alumina and Chemicals (AWAC) entered into a long-term alumina supply agreement with China

National Nonferrous Metals Industry Corporation (CNNC). The agreement entitles Sino Mining Alumina Ltd. (SMAL), a wholly-owned subsidiary of CNNC, to 400,000 metric tons (mt) of alumina per year for 30 years. SMAL has the option to increase its alumina purchases as CNNC's needs grow. As part of the agreement, SMAL will make an advance lump-sum payment of $240 to AWAC in 1997. The payment will be deferred and amortized to income over the life of the contract. Per-ton payments will also be made as shipments occur.

II. ALUMINUM PROCESSING SEGMENT

	1996	1995	1994
Total aluminum shipments (000 mt)	2,841	2,582	2,551
Revenues	$ 7,976	$ 8,034	$ 6,477
Operating profit	774	1,015	145

Total aluminum shipments increased 10% from 1995, aided by the acquisitions of Alumix in Italy and Alcan's extrusion operations in Brazil. Revenues fell 1%, reflecting lower prices for ingot and most fabricated products. Revenues in 1995 for this segment rose 24% from 1994, reflecting higher prices for most products while shipments were relatively stable.

Operating profit of $774 in 1996 was $241 lower than in 1995. In addition to lower prices, other factors contributing to the decline in operating profit included a lower-value product mix and higher raw material costs that were partially offset by better cost performance. Operating profit in 1995 increased $870 over 1994, primarily due to higher prices, a higher-value product mix and cost reductions, partially offset by higher purchased metal and raw material costs. The major contributors to the 1995 increase were the packaging, aerospace products and aluminum ingot operations.

This segment's shipments and revenues are made up of the following product classes.

	1996	1995	1994
Shipments (000 mt) Flat-rolled products	1,357	1,380	1,381
Engineered products	495	454	433
Aluminum ingot	901	673	655
Other aluminum products	88	75	82
Total shipments	2,841	2,582	2,551
Revenues Flat-rolled products	$ 3,920	$ 4,177	$ 3,201
Engineered products	2,269	2,303	1,882
Aluminum ingot	1,449	1,197	920
Other aluminum products	338	357	474
Total revenues	$ 7,976	$ 8,034	$ 6,477

Flat-Rolled Products -- More than half of the shipments and revenues in this product class are derived from the sale of RCS. Revenues from RCS in 1996 declined 16% from 1995 as prices fell 6% and shipments dropped 10%. Weaker U.S. export sales and the sale of AofA's rolled products division to Kaal Australia, an unconsolidated 50%-owned affiliate, were the primary reasons for the lower shipments. The Kaal sale had the effect of reducing AofA's RCS shipments, while at the same time increasing its ingot shipments. Revenues in 1995 from RCS increased 40% from 1994 on the strength of higher prices as shipments fell 2%.

Alumix, an Italian government-owned subsidiary that was acquired by Alcoa Italia in the 1996 first quarter, contributed $153 in revenues from flat-rolled products on shipments of 76,000 mt.

Revenues from sheet and plate, serving principally the aerospace and commercial products markets, increased 4% from 1995. Shipments of sheet products were unchanged from 1995 while plate shipments fell 10%. Prices for both sheet and plate rose a combined 7%.

Engineered Products -- The products in this class include extrusions used principally in the transportation and construction markets, forgings, wheels, wire, rod and bar. Total shipments were up 9% from 1995 but revenues fell 2%. Compared with 1994, shipments in 1995 were up 5% and revenues increased 22%.

Revenues from extruded products, which serve several markets, were up 15% from 1995 as shipments rose 26%, reflecting the Italian and Brazilian acquisitions. Extruded products revenues in 1995 were up 29% from 1994 on the strength of higher prices.

Revenues from forged wheels fell for the first time since 1991 due to an 18% decline in shipments. Lower worldwide production of heavy-duty trucks, the end of the Ford F-150 wheel program, and a strike at one of Alcoa's wheel production facilities contributed to the decline. Revenues in 1995 were up 20% from 1994, reflecting a 13% increase in shipments.

Aluminum Ingot -- Alcoa's smelters operated at approximately 81% of worldwide rated capacity during 1996. Since early 1994, 450,000 mt of capacity has been idle, due to the high levels of worldwide aluminum inventories. Shipments of ingot were 34% higher than those in 1995, generating a 21% increase in revenues. The sale of AofA's rolled products division to Kaal accounted for the majority of the increase. AofA now sells ingot to Kaal instead of fabricating the ingot into RCS. Also, Aluminio had higher third-party ingot sales due to lower internal demand. Alcoa's average realized price for ingot in 1996 was 73 cents per pound compared with 81 cents in 1995 and 64 cents in 1994.

Other Aluminum Products -- Shipments of these products, consisting primarily of scrap and aluminum closures, were up 17% from 1995. Scrap shipments were up 38%, resulting in an 18% increase in revenues. Shipments of aluminum closures rose 7% but prices declined 19%. In 1995, shipments of other aluminum products were down 8% from 1994 and prices fell 18%.

III. NONALUMINUM PRODUCTS SEGMENT

	1996	1995	1994
Revenues	$ 3,146	$ 2,708	$ 1,919
Operating profit	117	113	91

Revenues from this segment were up 16% from 1995. The majority of the increase was due to the inclusion of a full year's results for Electro-Wire Products (EWP), acquired by AFL in July 1995. This was partially offset by the closing of AEP in 1996. Sales of plastic closures were essentially unchanged from 1995 levels. Revenues from this segment in 1995 were up 41% from 1994 as both the automotive electrical components and plastic closures businesses expanded.

Operating profit was up 4% from 1995. Increased profits by AFL were partially offset by a 43% price-related reduction in earnings for magnesium products, strong competition in the closures business and the shutdown of AEP. Operating profit in 1995 rose 24% from 1994 as higher earnings from magnesium products were partially offset by higher costs to launch expansions, competition in the closures business and a sluggish building products market.

UNUSUAL AND EXTRAORDINARY ITEMS

Special Items -- Included in 1996 income from operations was a charge of $198.9 ($122.3 after tax and minority interests) consisting of several items. Incentive costs for employees who voluntarily left the company and permanent layoff costs resulted in a charge of $95.5, net of pension and other postemployment benefits (OPEB) curtailment credits of $75.0. This charge was part of Alcoa's initiative to reduce administrative expenses by $300 annually and affected 2,900 salaried employees. Cash payments in 1996 for these incentive and layoff costs totaled approximately $31. In addition, the shutdown of AEP resulted in a charge of $65.4, related primarily to asset writedowns. Impairments at various manufacturing locations added another $38.0 to special items in 1996.

The 1995 special charge of $16.2 ($10.1 after tax and minority interests) consisted of a $43.5 charge for severance costs, partially offset by a net credit of $27.3 related to environmental matters.

Special items of $79.7 ($50.0 after tax) in 1994 related to the closing of the forgings and extrusion operations in Vernon, California. The charge reflected provisions of $46.9, mostly for severance costs, and $32.8 for asset writeoffs.

Gain from Alcoa/WMC Transaction -- In December 1994, Alcoa recorded a gain of $400.2 ($300.2 after tax) from the acquisition by WMC Limited of a 40% interest in Alcoa's worldwide bauxite, alumina and inorganic chemicals businesses (AWAC). As part of the agreement, Alcoa acquired an additional 9% interest in AofA, bringing its total interest in that company to 60%. See Note

C for additional information about this transaction.

Extraordinary Loss -- The extraordinary loss in 1994 of $67.9 relates to the early retirement of 7% discount debentures that carried an effective interest rate through maturity in 2011 of 14.7%. The loss was the unamortized portion of the original discount that would have been paid at the time the debt matured.

COSTS AND OTHER INCOME

Cost of Goods Sold -- Cost of goods rose 6% to $9,966 in 1996, following a 19% increase in 1995 from 1994. Contributing to the 1996 increase was $450 of operating costs related to new companies and higher volume of $350. These increases were partially offset by a lower-cost product mix and cost improvements. Cost of goods sold in 1995 was $1,514 higher than in 1994. Higher purchased metal and raw material costs of $660, higher volume of $550 and operating costs related to new companies of $300 were partially offset by better operating performance and efficiencies.

New six-year labor agreements covering the majority of Alcoa's U.S. production workers were ratified during 1996.

The parties agreed to an unprecedented partnership providing that Alcoa and the unions work cooperatively on customer requirements, business objectives and shareholder and union interests. Broad new goals were set for employee safety, job security and accountability for the work environment.

Selling and General Administrative Expenses -- These expenses totaled $709 in 1996, unchanged from 1995. New companies in 1996 added over $36 in new costs that were offset by lower administrative expenses. Expenses in 1995 were up $75 from 1994 due to higher compensation costs.

Research and Development Expenses -- R&D expenses rose 17% to $166 in 1996, with higher activity in casting technology and in closures, automotive and environmental research.

Interest Expense -- Interest expense was up $14 from 1995, mostly due to the higher level of debt carried by AFL related to its EWP acquisition and Aluminio's debt refinancing in the 1996 fourth quarter.

Income Taxes -- Alcoa's effective tax rate in 1996 was 33.3%. This rate differed from the statutory rate of 35%, primarily because of the recognition of a tax benefit resulting from reversal of the valuation allowance on deferred tax assets at Suriname Aluminum Company, partially offset by state taxes on income.
The 1995 effective tax rate was 30.3%, and differs from the statutory rate primarily because of taxes on foreign income, partially offset by a higher tax rate in Australia.
For 1994, Alcoa's effective tax rate was 26.7%. The difference from the statutory rate was mostly because a portion of the gain on the Alcoa/WMC transaction was nontaxable.

Other Income/Foreign Currency -- Other income fell $88 or 57% in 1996. The decline was principally due to increased losses from marking-to-market aluminum commodity contracts and lower equity and interest income, partially offset by a swing in translation adjustments. Other income in 1995 was $155 compared with $87 in 1994. The increase primarily reflects higher equity earnings and interest income, partially offset by losses from marking-to-market metal contracts.

Translation and exchange gains (losses) included in other income were $3.1 in 1996, $(16.5) in 1995 and $(10.3) in 1994. The effect on net income, after taxes and minority interests, was $(0.3) in 1996, $(10.2) in 1995 and $(9.6) in 1994.

RISK FACTORS

In addition to inherent operating risks, Alcoa is exposed to financial, market, political and economic risks.

Commodity Risks -- Alcoa is a leading global producer of aluminum ingot and aluminum fabricated products. Aluminum ingot is an internationally priced, sourced and traded commodity. The principal trading market for ingot is the LME. Alcoa participates in this market by buying and selling forward portions of its aluminum requirements and output.

Alcoa divides its operations into four regions: U.S., Pacific, Other Americas and Europe. AofA in the Pacific region and Aluminio in the Other Americas are generally in net long metal positions. From time to time, they may sell production forward. Operations in the European region are generally net metal short and may purchase forward positions periodically. Forward purchase and sales activity within these three regions has not been material.

In the U.S., and for export, Alcoa enters into long-term contracts with a number of its fabricated products customers. At December 31, 1996 and 1995, such contracts approximated 2,369,000 mt and 2,483,000 mt, respectively. Alcoa may enter into similar arrangements in the future.

As a hedge against the risk of higher prices for anticipated metal purchases to fulfill long-term customer contracts, Alcoa entered into long positions, principally using futures and options. At December 31, 1996 and 1995, these contracts totaled approximately 872,000 mt and 1,210,000 mt, respectively. Alcoa follows a stable pattern of purchasing metal; therefore, it is highly likely that anticipated metal requirements will be met.

The futures and options contracts limit the unfavorable effect of price increases on metal purchases and likewise limit the favorable effect from price declines. The contracts are with creditworthy counterparties and are further supported by cash, treasury bills or irrevocable letters of credit issued by carefully chosen banks.

For financial accounting purposes, the gains and losses on the hedging contracts are reflected in earnings concurrent with the hedged costs. The cash flows from these contracts are classified in a manner consistent with the underlying nature of the transactions.

Alcoa intends to close out the hedging positions at the time it purchases the metal from third parties, thus creating the right economic match both in time and price. The deferred gains on the hedging contracts of $224 at December 31, 1996 are expected to offset the increase in the price of the purchased metal.

The expiration dates of the call options and the delivery dates of the futures contracts do not always coincide exactly with the dates on which Alcoa is required to purchase metal to meet its contractual commitments with customers. Accordingly, some of the futures and options positions will be rolled forward. This may result in significant cash inflows if the hedging contracts are "in-the-money" at the time they are rolled forward. Conversely, there could be significant cash outflows, as was the case in 1996, if metal prices fall below the price of contracts being rolled forward.

In addition, Alcoa had 205,000 mt of futures and options contracts outstanding at year-end 1996 that cover long-term fixed-price commitments to supply customers with metal from internal sources. Accounting convention requires that these contracts be marked-to-market, which resulted in after-tax charges to earnings of $57 in 1996 and $38 in 1995.

Alcoa also purchases certain other commodities, such as gas and copper, for its operations and enters into futures contracts to eliminate volatility in the prices of such products. None of these contracts are material. For additional information on financial instruments, see Notes A and S.

Financial Risk -- Alcoa is subject to significant exposure from fluctuations in foreign currencies. As a matter of company policy, foreign currency exchange contracts, including forwards and options, are used to manage transactional exposure to changes in currency exchange rates. The forward contracts principally cover firm commitments. Options are generally used to hedge anticipated transactions.

Alcoa also attempts to maintain a reasonable balance between fixed- and floating-rate debt and uses interest rate swaps and caps to keep financing costs as low as possible.

Risk Management -- All of the aluminum and other commodity contracts, as well as the various types of financial instruments, are straightforward. They are used primarily to mitigate uncertainty and volatility, and principally cover underlying exposures.

Alcoa's commodity and derivative activities are subject to the management, direction and control of the Strategic Risk Management Committee (SRMC). It is composed of the chief executive officer, the president, the chief financial officer and other officers and employees that the chief executive officer may select from time to time. SRMC reports to the board of directors at each of its scheduled meetings on the scope of its derivatives activities.

ENVIRONMENTAL MATTERS

Alcoa continues to participate in environmental assessments and cleanups at a number of locations, including at operating facilities and adjoining properties, at previously owned or operated facilities and at Superfund and other waste sites. A liability is recorded for environmental remediation costs or damages when a cleanup program becomes probable and the costs or damages can be reasonably estimated. See Note A for additional information.

As assessments and cleanups proceed, the liability is adjusted based on progress in determining the extent of remedial actions and related costs and damages. The liability can change substantially due to factors such as the nature and extent of contamination, changes in remedial requirements and technological changes.

For example, there are certain matters, including several related to alleged natural resource damage or alleged off-site contaminated sediments, where investigations are ongoing. It is not possible to determine the outcomes or to estimate with any degree of certainty the ranges of potential costs for these matters.

Alcoa's remediation reserve balance at the end of 1996 was $271 and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. About 27% of this balance relates to Alcoa's Massena, N.Y. plant site and 14% relates to Alcoa's Pt. Comfort, Texas plant site. Remediation expenses charged to the reserve were $72 in 1996, $62 in 1995 and $79 in 1994. They include expenditures currently mandated as well as those not required by any regulatory authority or third party.

Included in annual operating expenses are the recurring costs of managing hazardous substances and environmental programs. These costs are estimated to be about 2% of cost of goods sold.

LIQUIDITY AND CAPITAL RESOURCES
(dollars in millions, except share amounts)

CASH FROM OPERATIONS

Cash from operations was $1,279 in 1996 compared with $1,713 in 1995. Contributing to the decline from 1995 were lower earnings in 1996, a reduction in deferred hedging gains and a drop in noncurrent liabilities resulting from a $179 payment to fund Alcoa's pension plans. These factors were partially offset by lower working capital requirements. Working capital in 1996 required net cash outlays of $64, mostly to fund reductions in accounts payable and accrued expenses, partially offset by lower inventories and accounts receivable. Working capital components in the cash flow statement were adjusted for assets and liabilities related to acquisitions.

Cash outlays for 1996 special items related to severance costs were approximately $31. These costs consist of salary continuation payments for up to two years and pension supplements and medical costs to be paid over the lives of the employees. The latter represents about 45% of total severance costs.

FINANCING ACTIVITIES

Financing activities during 1996 resulted in cash outflows of $535 compared with $199 in 1995. Alcoa had net long-term borrowings of $289 in 1996. Of this amount, $400 relates to secured export notes issued by Aluminio. The proceeds were used to prepay Aluminio's 1995 secured export notes and for its general corporate purposes. Alcoa paid $175 on its 4.625% notes that came due in 1996. U.S. commercial paper borrowings reached $174 by year-end 1996. There were no such borrowings outstanding at year-end 1995 or 1994. Short-term borrowings decreased by $141.

Debt as a percentage of invested capital was 21.8% at the end of 1996 compared with 16.7% for 1995 and 15.3% for 1994.

Alcoa used $317 in 1996 to repurchase 5,402,500 shares of its common stock at an average price of $58.72 a share. In May 1996, the board of directors authorized the purchase of up to 20 million shares of Alcoa common stock, replenishing a similar authorization issued in July 1989. More than 15 million shares were purchased under the 1989 authorization. In 1995, 4,575,400 shares were purchased at an average price of $49.14 a share. Alcoa used $200 in 1995 and $50 in 1994 to redeem all of the preferred stock of its subsidiary, Alcoa International Holdings Company.

Dividends paid to shareholders were $234 in 1996 compared with $163 in 1995. The increase is due to Alcoa's bonus dividend program. The plan provides for the distribution of 30% of Alcoa's annual earnings in excess of $3.00 per share in the following year. Based on 1995 earnings, a bonus dividend of 43 cents per share was paid in 1996. Shareholders will not receive a bonus dividend in 1997 since 1996 earnings did not exceed $3.00 per share.

Dividends paid to minority interests in 1996 were $173 and included $158 paid by AofA. In 1995, such dividends were $122, including $101 paid by AofA.

During the 1996 second quarter, Alcoa entered into a $1.3 billion, five-year revolving-credit facility. The new facility will be used as a backup for Alcoa's and AofA's commercial paper programs and for general corporate purposes.

INVESTING ACTIVITIES

Cash used for investing activities during 1996 totaled $1,208 compared with $1,072 in 1995 and $375 in 1994. Capital expenditures for 1996 were $996 compared with $887 in 1995 and $612 during 1994. Of the total expenditures in 1996, 41% relate to capacity expansion, including alumina and chemicals production in the U.S., Australia and Brazil; automotive parts production in the U.S., Brazil and Europe; and sheet and plate production at the Davenport, Iowa plant. Also included are costs of new and expanded facilities for environmental control in ongoing operations totaling $68 in 1996, $54 in 1995 and $45 in 1994.

Acquisitions accounted for $302 of investing cash outflows during 1996 and included the purchase of Alumix in Italy and Alcan's extrusion operations in Brazil. The company also purchased the remaining 49.9% interest in Alcoa-Kofem in Hungary.

In 1996, Alcoa received $83 from the sale of AofA's rolled products division to Kaal. In 1995, Alcoa received $367 from WMC related to WMC's acquisition of 40% of Alcoa's alumina and chemicals businesses. Alcoa, in turn, loaned $122 to WMC, which was repaid in 1996.

ACCOUNTING RULE CHANGE

A new AICPA Statement of Position related to environmental liabilities was issued in October 1996. Management estimates that implementation, which will occur in 1997, will not have a material effect on its financial statements.

SUBSEQUENT EVENT

Alcoa and SEPI, the Spanish State Entity for Industrial Participations, jointly announced in late February that they signed a Letter of Intent for Alcoa to acquire the main sectors of the aluminum businesses of Inespal, S.A. of Madrid.

Inespal is an integrated aluminum producer with 1996 revenues of $1.1 billion. The sale includes an alumina refinery, three aluminum smelters, aluminum rolling, foil and extrusion businesses and related facilities.

The acquisition is expected to be final before the end of 1997.

MANAGEMENT'S REPORT TO ALCOA SHAREHOLDERS

The accompanying financial statements of Alcoa and consolidated subsidiaries were prepared by management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's best judgments and estimates. The other financial information included in this annual report is consistent with that in the financial statements.

The company maintains a system of internal controls, including accounting controls, and a strong program of internal auditing. The system of controls provides for appropriate procedures that are consistent with high standards of accounting and administration. The company believes that its system of internal controls provides reasonable assurance that assets are safeguarded against losses from unauthorized use or disposition and that financial records are reliable for use in preparing financial statements.

Management also recognizes its responsibility for conducting the company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities within the laws of the host countries in which the company operates and potentially conflicting outside business interests of its employees. The company maintains a systematic program to assess compliance with these policies.

Paul H. O'Neill
Chairman of the Board and Chief Executive Officer

Jan H.M. Hommen
Executive Vice President and Chief Financial Officer

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors, which is composed of six independent directors, met eight times in 1996.

The Audit Committee oversees Alcoa's financial reporting process on behalf of the board of directors. In fulfilling its responsibility, the committee recommended to the Board the reappointment of Coopers & Lybrand L.L.P. as the company's independent public accountants. The Audit Committee reviewed with the Director of Internal Audit and the independent accountants the overall scope and specific plans for their respective audits. The committee reviewed with management Alcoa's annual and quarterly reporting process, and the adequacy of the company's internal controls. Without management present, the committee met separately with the Director of Internal Audit and the independent accountants to review the results of their examinations, their evaluations of the company's internal controls, and the overall quality of Alcoa's financial reporting.

Franklin A. Thomas
Chairman, Audit Committee

INDEPENDENT ACCOUNTANT'S REPORT

To the Shareholders and Board of Directors Aluminum Company of America (Alcoa)

We have audited the accompanying consolidated balance sheet of Alcoa as of December 31, 1996 and 1995, and the related statements of consolidated income, shareholders' equity and consolidated cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of Alcoa's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alcoa at December 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

600 Grant St., Pittsburgh, Pa.
January 8, 1997

STATEMENT OF CONSOLIDATED INCOME Alcoa and subsidiaries
(in millions, except per-share amounts)

For the year ended December 31	1996	1995	1994
REVENUES			
Sales and operating revenues (R)	$ 13,061.0	$ 12,499.7	$ 9,904.3
Gain from Alcoa/WMC transaction (C)	--	--	400.2
Other income, principally interest	67.4	155.2	87.0
	13,128.4	12,654.9	10,391.5
COSTS AND EXPENSES			
Cost of goods sold and operating expenses	9,966.0	9,360.1	7,845.7
Selling, general administrative and other expenses	708.8	707.6	632.7
Research and development expenses	165.5	141.3	125.8
Provision for depreciation, depletion and amortization	747.2	712.9	671.3
Interest expense (Q)	133.7	119.8	106.7
Taxes other than payroll and severance taxes	126.6	126.8	107.1
Special items (D)	198.9	16.2	79.7
	12,046.7	11,184.7	9,569.0
EARNINGS			
Income before taxes on income	1,081.7	1,470.2	822.5
Provision for taxes on income (V)	360.7	445.9	219.2
Income from operations	721.0	1,024.3	603.3
Minority interests	(206.1)	(233.8)	(160.2)
Income before extraordinary loss	514.9	790.5	443.1
Extraordinary loss on debt prepayments, net of tax benefit of $40.5 (D)	--	--	(67.9)
NET INCOME	$ 514.9	$ 790.5	$ 375.2
EARNINGS PER COMMON SHARE: (B and N)			
Before extraordinary loss	$ 2.94	$ 4.43	$ 2.48
Extraordinary loss	--	--	(.38)
EARNINGS PER COMMON SHARE	$ 2.94	$ 4.43	$ 2.10

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET   Alcoa and subsidiaries
(in millions)

December 31	1996	1995
ASSETS		
Current assets:		
Cash and cash equivalents (includes cash of $93.4 in 1996 and $120.5 in 1995) (S)	$ 598.1	$ 1,055.6
Short-term investments (S)	18.5	6.8
Receivables from customers, less allowances: 1996-$48.4; 1995-$45.8	1,674.7	1,546.3
Other receivables	154.2	297.0
Inventories (E)	1,461.4	1,418.4
Deferred income taxes	159.9	244.8
Prepaid expenses and other current assets	214.4	172.8
Total current assets	4,281.2	4,741.7
Properties, plants and equipment (F)	7,077.5	6,929.7
Other assets (G and S)	2,091.2	1,972.0
TOTAL ASSETS	$ 13,449.9	$ 13,643.4
LIABILITIES		
Current liabilities:		
Short-term borrowings (weighted average rate of 6.5% in 1996 and 7.6% in 1995) (S)	$ 206.5	$ 345.0
Accounts payable, trade	799.2	861.7
Accrued compensation and retirement costs	404.3	384.3
Taxes, including taxes on income	407.9	304.7
Provision for layoffs and impairments (D)	89.6	63.9
Other current liabilities	287.4	344.4
Long-term debt due within one year (I and S)	178.5	348.2
Total current liabilities	2,373.4	2,652.2
Long-term debt, less amount due within one year (I and S)	1,689.8	1,215.5
Accrued postretirement benefits (U)	1,791.2	1,827.3
Other noncurrent liabilities and deferred credits (H)	1,205.5	1,585.7
Deferred income taxes	317.1	308.6
Total liabilities	7,377.0	7,589.3
MINORITY INTERESTS (A, C and J)	1,610.5	1,609.4
Contingent liabilities (O)	--	--
SHAREHOLDERS' EQUITY		
Preferred stock (K)	55.8	55.8
Common stock (B and K)	178.9	178.9
Additional capital	591.9	637.1
Translation adjustment (A)	(93.1)	(79.0)
Retained earnings	4,082.6	3,800.1
Net unrealized gains--securities available for sale (S)	23.4	--
Unfunded pension obligation	(5.8)	(9.3)
Treasury stock, at cost	(371.3)	(138.9)
Total shareholders' equity	4,462.4	4,444.7
TOTAL LIABILITIES AND EQUITY	$ 13,449.9	$ 13,643.4

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CONSOLIDATED CASH FLOWS   Alcoa and subsidiaries
(in millions)

For the year ended December 31	1996	1995	1994
CASH FROM OPERATIONS			
Net income	$ 514.9	$ 790.5	$ 375.2
Adjustments to reconcile net income to cash from operations:			
Depreciation, depletion and amortization	764.2	730.3	688.8
Gain from Alcoa/WMC transaction	--	--	(400.2)
Change in deferred income taxes	120.3	(36.2)	(55.6)
Equity earnings before additional taxes, net of dividends	(6.6)	(25.6)	5.1
Gains from investing activities	--	--	(10.3)
Special items--net of payments	168.3	16.2	79.7
Book value of asset disposals	61.8	44.6	47.4
Extraordinary loss	--	--	67.9
Minority interests	206.1	233.8	160.2
Other	(8.5)	(1.9)	(1.9)
(Increase) reduction in receivables	42.7	(50.6)	(155.0)
(Increase) reduction in inventories	87.8	(225.3)	115.8
(Increase) reduction in prepaid expenses and other current assets	(40.3)	(13.4)	129.4
Increase (reduction) in accounts payable and accrued expenses	(181.1)	(40.3)	50.2
Increase (reduction) in taxes, including taxes on income	27.4	(95.1)	(6.8)
Payment of amortized interest on deep discount debt	--	--	(8.6)
Increase (reduction) in deferred hedging gains	(264.5)	365.5	286.4
Net change in noncurrent assets and liabilities	(213.6)	20.0	25.9
CASH FROM OPERATIONS	1,278.9	1,712.5	1,393.6
FINANCING ACTIVITIES			
Net additions (reduction) to short-term borrowings	(140.7)	83.3	(104.9)
Common stock issued and treasury stock sold	41.4	58.1	61.7
Repurchase of common stock	(317.2)	(224.9)	--
Dividends paid to shareholders	(234.2)	(162.5)	(144.4)
Dividends paid to minority interests	(173.2)	(121.9)	(148.1)
Additions to long-term debt	916.2	612.1	494.9
Payments on long-term debt	(627.1)	(243.4)	(934.4)
Redemption of subsidiary preferred stock	--	(200.0)	(50.0)
CASH USED FOR			

FINANCING ACTIVITIES	(534.8)	(199.2)	(825.2)
INVESTING ACTIVITIES			
Capital expenditures	(995.7)	(887.1)	(611.7)
Acquisitions, net of cash acquired	(302.3)	(426.1)	(9.6)
Additions to investments	(58.8)	(15.2)	(21.2)
Sale of assets	82.8	--	--
Changes in minority interests	(34.2)	30.9	(44.7)
Proceeds from Alcoa/WMC transaction	--	366.9	67.8
Repayment from/(loan to) WMC	121.8	(121.8)	--
Changes in short-term investments	(11.7)	(1.3)	250.8
Other receipts	.2	3.8	14.9
Other payments	(10.2)	(21.6)	(21.2)
CASH USED FOR INVESTING ACTIVITIES	(1,208.1)	(1,071.5)	(374.9)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	6.5	(5.4)	14.0
Net change in cash and cash equivalents	(457.5)	436.4	207.5
Cash and cash equivalents at beginning of year	1,055.6	619.2	411.7
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 598.1	$ 1,055.6	$ 619.2

The accompanying notes are an integral part of the financial statements.

STATEMENT OF SHAREHOLDERS' EQUITY Alcoa and subsidiaries
(in millions, except share amounts)

December 31	Preferred stock	Common stock	Additional capital	Translation adjustment	Retained earnings	Net unrealized gains	Unfunded pension obligation	Treasury stock	Share-holders' equity
BALANCE AT END OF 1993	$ 55.8	$ 88.8	$ 715.9	$ (188.5)	$ 2,946.1	--	$ (7.0)	$ (27.3)	$ 3,583.8
Net income--1994					375.2				375.2
Cash dividends: Preferred @ $3.75 per share					(2.1)				(2.1)
Common @ $.80 per share					(142.3)				(142.3)
Two-for-one stock split (B)		89.3	(89.3)						--
Stock issued: compensation plans		.6	36.9		(3.0)			27.2	61.7
Minimum pension liability adjustments							3.0		3.0
Translation adjustments				119.9					119.9
BALANCE AT END OF 1994	55.8	178.7	663.5	(68.6)	3,173.9	--	(4.0)	(.1)	3,999.2
Net income--1995					790.5				790.5
Cash dividends: Preferred @ $3.75 per share					(2.1)				(2.1)
Common @ $.90									

per share					(160.4)				(160.4)
Treasury shares purchased								(224.9)	(224.9)
Stock issued: compensation plans		.2	(26.4)		(1.8)			86.1	58.1
Minimum pension liability adjustments							(5.3)		(5.3)
Translation adjustments				(10.4)					(10.4)
BALANCE AT END OF 1995	55.8	178.9	637.1	(79.0)	3,800.1	--	(9.3)	(138.9)	4,444.7
Net income--1996					514.9				514.9
Cash dividends: Preferred @ $3.75 per share					(2.1)				(2.1)
Common @ $1.33 per share					(232.1)				(232.1)
Treasury shares purchased								(317.2)	(317.2)
Stock issued: compensation plans			(45.2)		1.8			84.8	41.4
Change in market value of securities available for sale						$23.4			23.4
Minimum pension liability adjustments							3.5		3.5
Translation adjustments				(14.1)					(14.1)
BALANCE AT END OF 1996	$ 55.8	$ 178.9	$ 591.9	$ (93.1)	$ 4,082.6	$ 23.4	$ (5.8)	$ (371.3)	$ 4,462.4

SHARE ACTIVITY (B)
(number of shares)

	Preferred stock	Common stock Issued	Treasury	Net outstanding
BALANCE AT END OF 1993	557,649	177,608,440	(885,884)	176,722,556
Stock issued: compensation plans		1,106,538	883,382	1,989,920
BALANCE AT END OF 1994	557,649	178,714,978	(2,502)	178,712,476
Treasury shares purchased			(4,575,400)	(4,575,400)
Stock issued: compensation plans		207,605	1,969,349	2,176,954
BALANCE AT END OF 1995	557,649	178,922,583	(2,608,553)	176,314,030
Treasury shares purchased			(5,402,500)	(5,402,500)
Stock issued: compensation plans			1,598,109	1,598,109
BALANCE AT END OF 1996	557,649	178,922,583	(6,412,944)	172,509,639

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in millions, except share amounts)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. The consolidated financial statements include the accounts of Alcoa and companies more than 50% owned. Also included are undivided interests in joint ventures. Investments in other entities are accounted for principally on an equity basis.

The consolidated financial statements are prepared in conformity with generally accepted accounting principles and require management to make certain estimates and assumptions. These may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates upon subsequent resolution of some matters.

Inventory Valuation. Inventories are carried at the lower of cost or market, with cost for a substantial portion of U.S. inventories determined under the last-in, first-out (LIFO) method. The cost of other inventories is principally determined under the average cost method.

Depreciation, Depletion and Amortization. Depreciation is recorded principally on the straight-line method at rates based on the estimated useful lives of the assets. Profits or losses from the sale of assets are included in other income. Repairs and maintenance are charged to expense as incurred. Depletion is taken over the periods during which the estimated mineral reserves are extracted.

Environmental Expenditures. Expenditures for current operations are expensed or capitalized, as appropriate. Expenditures relating to existing conditions caused by past operations, and which do not contribute to future revenues, are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated. The liability may include elements of costs such as site investigations, consultant fees, feasibility studies, outside contractor expenses and monitoring expenses. Estimates are not discounted or reduced by potential claims for recovery. Claims for recovery are recognized when received. The estimates also include costs related to other potentially responsible parties to the extent that Alcoa has reason to believe such parties will not fully pay their proportionate share. The liability is periodically reviewed and adjusted to reflect current remediation progress, prospective estimates of required activity and other factors that may be relevant, including changes in technology or regulations.

Interest Costs. Interest related to construction of qualifying assets is capitalized as part of construction costs.

Financial Instruments and Commodity Contracts. Alcoa enters into long-term contracts to supply fabricated products to a number of its customers. To hedge the market risk of changing prices for purchases or sales of metal, Alcoa uses commodity futures and options contracts.

Gains and losses related to transactions that qualify for hedge accounting, including closed futures contracts, are deferred and reflected in cost of goods sold when the underlying physical transaction takes place. The deferred gains or losses are reflected on the balance sheet in other current and noncurrent liabilities or assets. If future purchased metal needs are revised lower than initially anticipated, the futures contracts associated with the reduction no longer qualify for deferral and are marked-to-market. Gains and losses are recorded in other income in the current period.

The effectiveness of the hedge is measured by a historical and probable future high correlation of changes in the fair value of the hedging instruments with changes in value of the hedged item. If correlation ceases to exist, hedge accounting will be terminated and gains or losses recorded in other income. To date, high correlation has always been achieved. Alcoa also enters into futures and options contracts that cover long-term, fixed-price commitments to supply customers with metal from internal sources. These contracts are marked-to-market, and the gains and losses from changes in market value of the contracts are recorded in other income in the current period.

Alcoa also attempts to maintain a reasonable balance between fixed and floating-rate debt, using interest rate swaps and caps, to keep financing costs as low as possible. Amounts to be paid or received under swap and cap agreements are recognized over the life of such agreements as adjustments to interest expense.

Upon early termination of an interest rate swap or cap, gains or losses are deferred and amortized as adjustments to interest expense of the related debt over the remaining period covered by the terminated swap or cap.

Alcoa is subject to significant exposure from fluctuations in foreign currencies. To mitigate these risks, foreign exchange contracts are used to manage transactional exposures to changes in currency exchange rates. Gains and losses on forward contracts that hedge firm foreign currency commitments, and options that hedge anticipated transactions, are deferred and included in the basis of the transactions underlying the commitments. If the underlying transaction is not completed, the financial position is closed and gains or losses are recognized in other income in the period such commitment is terminated.

Cash flows from financial instruments are recognized in the statement of cash flows in a manner consistent with the underlying transactions.

Intangibles. The excess of purchase price over net tangible assets of businesses acquired is included in other assets in the consolidated balance sheet. Intangibles are amortized on a straight-line basis over not more than 40 years. The carrying value of intangibles is evaluated periodically in relation to the operating performance and future undiscounted cash flows of the underlying businesses. Adjustments are made if the sum of expected future net cash flows is less than book value.

Foreign Currency. The local currency is the functional currency for Alcoa's significant operations outside the U.S., except in Brazil.

Reclassification. Certain amounts in previously issued financial statements were reclassified to conform to 1996 presentations.

B. COMMON STOCK SPLIT

On November 11, 1994, the board of directors declared a two-for-one common stock split that was distributed on February 25, 1995 to shareholders of record at the close of business on February 3, 1995. In this report, all per-share amounts and numbers of shares have been restated to reflect the stock split.

C. GAIN FROM ALCOA/WMC Transaction

In December 1994, Alcoa recorded a gain of $400.2 ($300.2 after tax) from the acquisition by WMC Limited, located in Melbourne, Australia, of a 40% interest in Alcoa's worldwide bauxite, alumina and inorganic chemicals businesses. As part of the agreement, Alcoa acquired an additional 9% interest in Alcoa of Australia, bringing its total interest in that company to 60%. An additional cash payment may be made by WMC in the year 2000 if certain financial performance targets of the chemicals businesses are met. Alcoa has indemnified WMC for certain preformation environmental and other liabilities. If this transaction had occurred at the beginning of 1994, net income for the year would not have been materially different.

D. SPECIAL AND EXTRAORDINARY ITEMS

Special items in 1996 consisted of a charge totaling $198.9 ($122.3 after tax and minority interests). A net severance charge of $95.5, which included pension and OPEB curtailment credits of $75.0, relates to incentive costs for employees who voluntarily left the company and for permanent layoff costs. Alcoa's initiative to reduce administrative expenses by $300 annually was the driving force for the reductions, which affected 2,900 salaried employees. Approximately 25% of these employees were no longer with the company at year-end 1996. Cash payments in 1996 for these incentive and layoff costs totaled approximately $31. The shutdown of Alcoa Electronic Packaging resulted in an additional charge of $65.4, related primarily to asset writedowns. Impairments at various manufacturing locations added another charge of $38.0.

Special items in 1995 totaled $16.2 ($10.1 after tax and minority interests). It included a charge of $43.5 for severance costs, partially offset by a net credit of $27.3 related to environmental matters.

Special items in 1994 consisted of a charge of $79.7 ($50.0 after tax) for closing the forgings and extrusion operations at Vernon, California. The charge included $32.8 for asset write-offs and $46.9 primarily related to severance costs.

The extraordinary loss in 1994 was from early redemption of 7% debentures due 2011 that carried an effective interest rate of 14.7%.

E. INVENTORIES

December 31	1996	1995
Finished goods	$ 403.1	$ 323.1
Work in process	421.1	483.9
Bauxite and alumina	283.1	241.4
Purchased raw materials	235.5	254.5
Operating supplies	118.6	115.5
	$ 1,461.4	$ 1,418.4

Approximately 53% of total inventories at December 31, 1996 were valued on a LIFO basis. If valued on an average cost basis, total inventories would have been $753.7 and $802.1 higher at the end of 1996 and 1995, respectively.

F. PROPERTIES, PLANTS AND EQUIPMENT, AT COST

December 31	1996	1995
Land and land rights, including mines	$ 237.0	$ 231.3
Structures	4,028.0	3,941.7
Machinery and equipment	10,742.5	10,452.1
	15,007.5	14,625.1
Less: accumulated depreciation and depletion	8,652.4	8,285.1
	6,355.1	6,340.0
Construction work in progress	722.4	589.7
	$ 7,077.5	$ 6,929.7

G. OTHER ASSETS

December 31	1996	1995
Investments, principally equity investments	$ 497.7	$ 397.3
Intangibles, net of accumulated amortization of $310.7 in 1996 and $253.3 in 1995	571.1	600.0
Noncurrent receivables	75.5	94.5
Deferred income taxes	478.4	493.6
Deferred charges and other	468.5	386.6
	$ 2,091.2	$ 1,972.0

H. OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS

December 31	1996	1995
Deferred hedging gains	$ 218.9	$ 466.3
On-site environmental remediation	216.9	264.4
Deferred credits	181.0	191.8
Other noncurrent liabilities	588.7	663.2
	$ 1,205.5	$ 1,585.7

The deferred hedging gains are associated with metal contracts and will be reflected in future earnings concurrent with the hedged revenues or costs.

I. LONG-TERM DEBT

December 31	1996	1995
U.S. 5.75% Notes payable, due 2001	$ 248.4	$ 248.0
4.625% Notes payable, due 1996	--	175.0
Commercial paper, variable rate, (5.4% average rate)	173.6	--
Bank loans, 7.5 billion yen, due 1999, (4.4% fixed rate)	78.0	72.9
Tax-exempt revenue bonds ranging from 3.5% to 6.6%, due 2000-2012	131.1	132.0
Alcoa Fujikura Ltd.--variable-rate term loan, due 1996-2002 (6.1% average rate)	262.5	300.0
Alcoa Aluminio 7.5% Fixed-rate note, due 2008	400.0	--

Variable-rate notes, due 1996-2001 (7.3% and 7.2% average rates)	208.2	386.4
Alcoa of Australia Euro-commercial paper, variable rate, (5.5% and 5.6% average rates)	131.0	127.0
Other subsidiaries	235.5	122.4
	1,868.3	1,563.7
Less, amount due within one year	178.5	348.2
	$ 1,689.8	$ 1,215.5

The amount of long-term debt maturing in each of the next five years is $178.5 in 1997, $136.9 in 1998, $232.2 in 1999, $83.3 in 2000 and $650.4 in 2001.

In 1996, Alcoa Aluminio issued $400 of secured export notes. The proceeds from the notes were used to prepay the 1995 secured export notes and for general corporate purposes. The agreement requires Aluminio to maintain certain financial ratios.

Alcoa entered into a new $1.3 billion revolving-credit facility with a group of international banks in 1996. Under the agreement, which expires in July 2001, certain levels of consolidated net worth and working capital must be maintained while commercial paper balances are outstanding.

The commercial paper issued by Alcoa and the Euro-commercial paper issued by Alcoa of Australia are classified as long-term debt since they are backed by the revolving-credit facility noted above.

J. MINORITY INTERESTS

The following table summarizes the minority shareholders' interests in the equity of consolidated subsidiaries.

December 31	1996	1995
Alcoa of Australia	$ 572.7	$ 564.3
Alcoa Aluminio	362.5	357.6
Alcoa Alumina and Chemicals	376.7	344.0
Alcoa Fujikura	128.6	99.9
Other majority-owned companies	170.0	243.6
	$ 1,610.5	$ 1,609.4

K. PREFERRED AND COMMON STOCK

Preferred Stock. Alcoa has two classes of preferred stock. Serial preferred stock has 557,740 shares authorized, with a par value of $100 per share and an annual $3.75 cumulative dividend preference per share. Class B serial preferred stock has 10 million shares authorized (none issued) and a par value of $1 per share.

Common Stock. There are 300 million shares authorized at a par value of $1 per share. As of December 31, 1996, shares of common stock reserved for issuance were:

	Number of shares
Long-term stock incentive plan	14,689,877
Employees' savings plans	4,097,532
Incentive compensation plan	169,228
	18,956,637

Stock options under the long-term stock incentive plan have been and may be granted, generally at not less than market prices on the dates of grant, except for the 50 cents per-share options issued as a payout of earned performance share awards. The stock option program includes a reload or stock continuation ownership feature. Stock options granted have a maximum term of 10 years. Vesting occurs one year from the date of grant and six months for options granted under the reload feature.

Alcoa has elected to continue to account for stock-based compensation arrangements under the provisions of APB Opinion No. 25 rather than FAS No. 123. Accordingly, compensation cost is not required to be recognized. If compensation cost had been determined based on the fair value at the grant dates according to FAS No. 123, Alcoa's net income and earnings per share would have been reduced to the pro forma amounts shown below.

	1996	1995
Net income: As reported	$ 514.9	$ 790.5
Pro forma	472.2	756.9
Earnings per share: As reported	2.94	4.43
Pro forma	2.70	4.24

The weighted average fair value of options granted was $8.03 per share in 1996 and $7.62 per share in 1995.

The fair value of each option is estimated on the date of grant or subsequent reload using the Black-Scholes pricing model with the following assumptions:

	1996	1995
Average risk-free interest rate	5.7%	6.7%
Expected dividend yield	2.2	1.8
Expected volatility	25.0	25.0
Expected life (years): Stock options that are not reloaded	3	3
Stock options that are reloaded	1	1

The transactions for shares under options were:

	1996	1995	1994
Outstanding, beginning of year: Number	8,549,643	7,900,090	8,032,852
Weighted average exercise price	$43.84	$35.55	$32.73
Granted: Number	8,700,677	7,945,977	5,050,798
Weighted average exercise price	$56.30	$47.86	$38.88
Exercised: Number	(7,161,003)	(7,212,081)	(5,125,962)
Weighted average exercise price	$47.90	$44.39	$34.42
Expired or forfeited: Number	(55,375)	(84,343)	(57,598)
Weighted average exercise price	$51.42	$41.62	$35.76
Outstanding, end of year: Number	10,033,942	8,549,643	7,900,090
Weighted average exercise price	$51.73	$43.84	$35.55
Exercisable, end of year: Number	4,346,793	3,063,335	4,242,636
Weighted average exercise price	$46.59	$34.14	$32.66
Shares reserved for future options	4,655,935	7,738,143	1,758,950

The following tables summarize certain stock option information at December 31, 1996:

Options outstanding:

Range of exercise price	Number	Weighted average remaining life	Weighted average exercise price
$ 0.50	173,714	employment career	$ 0.50
26.28-39.41	1,276,489	4.6	34.15
39.42-59.12	5,217,190	7.9	50.71
59.13-65.94	3,366,549	5.7	62.62
	10,033,942	6.6	51.73

Options exercisable:

Range of exercise price	Number	Weighted average exercisable price
$ 0.50	173,714	$ 0.50
26.28-39.41	1,276,489	34.15
39.42-59.12	1,698,635	49.69
59.13-63.75	1,197,955	62.13
	4,346,793	46.59

L. CASH FLOW INFORMATION

Cash payments for interest and income taxes follow.

	1996	1995	1994
Interest*	$ 136.4	$ 123.4	$ 107.3
Income taxes	265.8	508.3	238.4

*Includes $8.6 in 1994 of amortized interest on the debentures retired early

The details of cash payments related to acquisitions follow.

	1996	1995	1994
Fair value of assets	$ 365.2	$ 509.5	$ 38.8
Liabilities	62.4	79.8	29.2
Cash paid	302.8	429.7	9.6
Less: cash acquired	.5	3.6	--
Net cash paid for acquisitions	$ 302.3	$ 426.1	$ 9.6

M. ACQUISITIONS

The company made various acquisitions during 1996 totaling $302. They include the purchase of Alumix, Italy's state-owned integrated aluminum producer, and Alcan's extrusion operations in Brazil. In 1995, the company made various acquisitions totaling $426, which resulted in goodwill of approximately $250.

All of the acquisitions have been accounted for by the purchase method. Accordingly, the purchase prices have been allocated to assets acquired and liabilities assumed based on their estimated fair values. Operating results have been included in the Statement of Consolidated Income since the dates of the acquisitions. If the acquisitions had been made at the beginning of the year, net income for the year would not have been materially different.

N. EARNINGS PER COMMON SHARE

Primary earnings per common share are computed by subtracting annual preferred dividend requirements from net income, and dividing that amount by the weighted average number of common shares outstanding during each year. The average number of shares used to compute primary earnings per common share was 174,333,524 in 1996, 178,018,083 in 1995 and 177,881,428 in 1994. Fully diluted earnings per common share are not stated, since the dilution is not material.

O. CONTINGENT LIABILITIES

Various lawsuits, claims and proceedings have been or may be instituted or asserted against Alcoa, including those pertaining to environmental, product liability, and safety and health matters. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that exist. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies. However, based on facts currently available, management believes that the disposition of matters that are pending or asserted will not have a materially adverse effect on the financial position of the company.

P. LEASE EXPENSE

Certain equipment, warehousing and office space and oceangoing vessels are under operating lease agreements. Total expense for all leases was $95.4 in 1996, $71.9 in 1995 and $71.6 in 1994. Under long-term operating leases, minimum annual rentals are $58.0 in 1997, $47.8 in 1998, $37.0 in 1999, $26.0 in 2000, $19.5 in 2001 and a total of $42.2 for 2002 and thereafter.

Q. INTEREST COST COMPONENTS

	1996	1995	1994
Amount charged to expense	$ 133.7	$ 119.8	$ 106.7
Amount capitalized	5.3	1.9	1.5
	$ 139.0	$ 121.7	$ 108.2

R. SEGMENT AND GEOGRAPHIC AREA INFORMATION

Alcoa is primarily an integrated producer of aluminum products. Its operations consist of the three segments that follow.

The Alumina and Chemicals segment includes the production and sale of bauxite, alumina, alumina chemicals and related transportation services.

The Aluminum Processing segment comprises the production and sale of molten metal, ingot and aluminum products that are flat-rolled, engineered or finished. Also included are power, transportation and other services.

The Nonaluminum Products segment includes the production and sale of electrical, plastic and composite materials products, manufacturing equipment, gold, magnesium products and steel and titanium forgings.

Alcoa's products are used primarily by packaging, transportation (including aerospace, automotive, rail and shipping), building and industrial customers worldwide.

Total exports from the U.S. in 1996 were $1,015 compared with $1,206 in 1995 and $988 in 1994.

SEGMENT INFORMATION	1996	1995	1994
Sales to customers:			
Alumina and chemicals	$ 1,939.6	$ 1,757.8	$ 1,508.4
Aluminum processing	7,975.7	8,034.3	6,476.5
Nonaluminum products	3,145.7	2,707.6	1,919.4
Intersegment sales: (1)			
Alumina and chemicals	617.1	540.1	496.0
Aluminum processing	.4	3.7	3.0
Nonaluminum products	81.8	97.6	74.8
Eliminations	(699.3)	(641.4)	(573.8)
Total sales and operating revenues	$ 13,061.0	$ 12,499.7	$ 9,904.3

Operating profit before special items: Alumina and chemicals	$ 459.3	$ 306.9	$ 277.3
Aluminum processing	774.1	1,014.7	144.7
Nonaluminum products	116.6	112.9	91.2
Total	$ 1,350.0	$ 1,434.5	$ 513.2
Operating profit after special items: Alumina and chemicals	$ 431.1	$ 309.9	$ 277.3
Aluminum processing	711.8	1,001.4	65.0
Nonaluminum products	8.2	107.0	91.2
Total operating profit	1,151.1	1,418.3	433.5
Gain from Alcoa/WMC transaction	--	--	400.2
Other income	67.4	155.2	87.0
Translation (gain) loss in operating profit	(3.1)	16.5	8.5
Interest expense	(133.7)	(119.8)	(106.7)
Income before taxes on income	$ 1,081.7	$ 1,470.2	$ 822.5
Identifiable assets: Alumina and chemicals	$ 3,316.3	$ 3,101.9	$ 2,860.2
Aluminum processing	6,691.0	6,621.6	6,579.5
Nonaluminum products	2,328.3	2,335.0	1,566.0
Total identifiable assets	12,335.6	12,058.5	11,005.7
Investments	497.7	397.3	355.9
Corporate assets (2)	616.6	1,187.6	991.6
Total assets	$ 13,449.9	$ 13,643.4	$ 12,353.2
Depreciation and depletion: Alumina and chemicals	$ 165.2	$ 153.8	$ 139.1
Aluminum processing	443.9	442.1	455.3
Nonaluminum products	155.1	134.4	94.0
Total depreciation and depletion (3)	$ 764.2	$ 730.3	$ 688.4
Capital expenditures: Alumina and chemicals	$ 314.6	$ 246.8	$ 159.2
Aluminum processing	472.9	399.2	323.2
Nonaluminum products	208.2	241.1	129.3
Total capital expenditures	$ 995.7	$ 887.1	$ 611.7

GEOGRAPHIC AREA INFORMATION	1996	1995	1994
Sales to customers: USA	$ 7,245.9	$ 7,042.7	$ 5,574.0
Other Americas	1,726.0	1,780.1	1,362.4
Pacific	2,247.8	1,985.7	1,670.1
Europe	1,841.3	1,691.2	1,297.8
Transfers between geographic areas: (1) USA	790.2	959.2	765.0
Other Americas	361.5	511.4	291.4
Pacific	34.2	37.6	17.2
Europe	18.3	23.3	13.4
Eliminations	(1,204.2)	(1,531.5)	(1,087.0)
Total sales and operating revenues	$ 13,061.0	$ 12,499.7	$ 9,904.3
Operating profit (loss) before special items: USA	$ 639.5	$ 593.6	$ (65.2)
Other Americas	151.3	333.1	239.0

Pacific	504.7	415.4	291.1
Europe	54.5	92.4	48.3
Total	$ 1,350.0	$ 1,434.5	$ 513.2
Operating profit (loss) after special items: USA	$ 479.3	$ 586.4	$ (144.9)
Other Americas	140.1	330.2	239.0
Pacific	491.0	415.4	291.1
Europe	40.7	86.3	48.3
Total operating profit	$ 1,151.1	$ 1,418.3	$ 433.5
Identifiable assets: USA	$ 6,401.7	$ 6,398.7	$ 5,713.1
Other Americas	2,058.7	2,003.3	1,748.6
Pacific	2,671.0	2,603.1	2,536.3
Europe	1,204.2	1,053.4	1,007.7
Total identifiable assets	$ 12,335.6	$ 12,058.5	$ 11,005.7
Capital expenditures: USA	$ 534.4	$ 439.7	$ 272.9
Other Americas	160.9	186.1	131.4
Pacific	162.9	168.3	131.6
Europe	137.5	93.0	75.8
Total capital expenditures	$ 995.7	$ 887.1	$ 611.7

(1) Transfers between segments and geographic areas are based on generally prevailing market prices.
(2) Corporate assets include: cash and marketable securities of $616.6 in 1996, $1,062.4 in 1995 and $624.7 in 1994; and a net receivable of $125.2 in 1995 and $366.9 in 1994 related to the Alcoa/WMC transaction.
(3) Includes depreciation of $17.0 in 1996, $17.4 in 1995 and $17.1 in 1994 reported as research and development expenses in the income statement

S. FINANCIAL INSTRUMENTS

The carrying values and fair values of Alcoa's financial instruments at December 31 follow.

	1996		1995	
	CARRYING VALUE	FAIR VALUE	Carrying value	Fair value
Cash and cash equivalents	$ 598.1	$ 598.1	$ 1,055.6	$ 1,055.6
Short-term investments	18.5	18.5	6.8	6.8
Noncurrent receivables	75.5	75.5	94.5	94.5
Investments available for sale	68.0	68.0	31.9	31.9
Short-term debt	385.0	385.0	693.2	693.2
Long-term debt	1,689.8	1,678.0	1,215.5	1,263.3

The methods used to estimate the fair values of certain financial instruments follow.

Cash and Cash Equivalents, Short-Term Investments and Short-Term Debt. The carrying amounts approximate fair value because of the short maturity of the instruments. All investments purchased with a maturity of three months or less are considered cash equivalents.

Noncurrent Receivables. The fair value of noncurrent receivables is based on anticipated cash flows and approximates carrying value.

Investments Available for Sale. The fair value of investments is determined based on readily available market values. Investments in marketable equity securities are classified as "available for sale" and are carried at fair value. This resulted in an adjustment to shareholders' equity of $23.4, net of $12.7 in taxes, in 1996. Unrealized gains and losses in the prior year were not material.

Long-Term Debt. The fair value is based on interest rates that are currently available to Alcoa for issuance of debt with similar terms and remaining maturities.

Alcoa holds or purchases derivative financial instruments for purposes other than trading. Details of the significant instruments follow.

Foreign Exchange Contracts. The company enters into foreign exchange contracts to hedge most of its firm and anticipated purchase and sale commitments denominated in foreign currencies for periods commensurate with its known or expected exposures. The contracts generally mature within 12 months and are principally unsecured foreign exchange contracts with carefully selected banks. The market risk exposure is essentially limited to risk related to currency rate movements. Unrealized gains on these contracts at December 31, 1996 and 1995 were $34.8 and $11.5, respectively.

The table below reflects the various types of foreign exchange contracts Alcoa uses to manage its foreign exchange risk.

	1996		1995	
	NOTIONAL AMOUNT	MARKET VALUE	Notional amount	Market value
Forwards	$ 2,579.5	$ 32.8	$ 2,509.2	$ 13.6
Options purchased	649.9	5.6	446.0	8.2
Options written	390.8	(2.3)	135.9	(1.7)

The notional values summarized above provide an indication of the extent of the company's involvement in such instruments but do not represent its exposure to market risk. Alcoa utilizes written options mainly to offset or close out purchased options.

The table below summarizes by major currency the contractual amounts of Alcoa's forward exchange and option contracts translated to U.S. dollars at December 31 rates. The "buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies and the "sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies.

	1996		1995	
	BUY	SELL	Buy	Sell
Australian dollar	$ 1,858.7	$ 808.6	$ 1,565.2	$ 307.8
Dutch guilder	198.8	18.7	257.0	333.6
Japanese yen	93.7	25.2	30.9	37.1
Deutsche mark	63.5	226.0	55.0	286.2
Pound sterling	21.5	74.3	47.8	89.8
Other	45.3	248.9	38.0	73.7
	$ 2,281.5	$ 1,401.7	$ 1,993.9	$ 1,128.2

Interest Rate Swaps. Alcoa manages its debt portfolio by using interest rate swaps and options to achieve an overall desired position of fixed and floating rates. As of December 31, 1996, Alcoa had outstanding four interest rate swap contracts maturing in 2001 to convert a fixed-rate obligation to floating rates on a notional amount of $175. In addition, Alcoa Fujikura had five outstanding interest rate swap contracts to convert a floating-rate obligation to a fixed rate on a notional amount of $269 at year-end 1996.

Alcoa utilizes cross-currency interest rate swaps to take advantage of international debt markets while limiting foreign exchange risk. At year-end 1996, Alcoa had in place foreign currency forward contracts to effectively convert the principal payment due in 1999 on its Y=7.5 billion loan to a U.S. dollar obligation on a notional amount of $78. Alcoa also had in place cross-currency interest rate swaps that effectively convert U.S. dollar denominated commercial paper into liabilities in yen based on Japanese interest rates.

Based on current interest rates for similar transactions, the fair value of all interest rate swap agreements is not material.
Credit and market risk exposures are limited to the net interest differentials. The net payments or receipts from interest rate swaps are recorded as part of interest expense and are not material. The effect of interest rate swaps on Alcoa's composite interest rate on long-term debt was not material at the end of 1996 or 1995.
Alcoa is exposed to credit loss in the event of nonperformance by counterparties on the above instruments, but does not anticipate nonperformance by any of the counterparties.
For further information on Alcoa's hedging and derivatives activities, see Risk Factors on page 26 in Results of Operations of this annual report.

T. PENSION PLANS

Alcoa maintains pension plans covering most U.S. employees and certain other employees. Pension benefits generally depend upon length of service, job grade and remuneration. Substantially all benefits are paid through pension trusts that are sufficiently funded to ensure that all plans can pay benefits to retirees as they become due.
Pension costs include the following components that were calculated as of January 1 of each year.

	1996	1995	1994
Benefits earned	$ 101.7	$ 78.9	$ 90.6
Interest accrued on projected benefit obligation	291.0	285.9	261.2
Net amortization	37.8	28.5	46.5
	430.5	393.3	398.3
Less: expected return on plan assets*	324.1	305.0	281.4
	$ 106.4	$ 88.3	$ 116.9

*The actual returns were higher (lower) than the expected returns by $155.5 in 1996, $254.1 in 1995 and $(282.7) in 1994, and were deferred as actuarial gains (losses).

The status of the pension plans follows.

	Assets exceed accumulated benefit obligation		Accumulated benefit obligation exceeds assets	
December 31	1996	1995	1996	1995
Plan assets, primarily stocks and bonds at market	$ 4,327.6	$ 1,959.4	$ 7.6	$ 1,937.0
Present value of obligation: Vested	3,779.2	1,604.3	134.5	1,957.4
Nonvested	292.9	131.7	7.5	155.9
Accumulated benefit obligation	4,072.1	1,736.0	142.0	2,113.3
Effect of assumed salary increases	283.5	72.1	37.3	248.3
Projected benefit obligation	$ 4,355.6	$ 1,808.1	$ 179.3	$ 2,361.6
Plan assets greater (less) than projected benefit obligation	$ (28.0)	$ 151.3	$ (171.7)	$ (424.6)
Unrecognized: Transition (assets) obligations	(.8)	(32.7)	9.2	45.3
Prior service costs	145.0	19.9	16.2	28.2
Actuarial (gains) losses, net	(272.0)	(184.9)	32.9	36.1
Minimum liability adjustment	--	--	(24.9)	(38.8)

Accrued pension cost	$ (155.8)	$ (46.4)	$ (138.3)	$ (353.8)

Assumptions used to determine plan liabilities and expenses follow.

December 31	1996	1995	1994
Settlement discount rate	7.0%	7.0%	8.25%
Long-term rate for compensation increases	5.0	5.0	5.5
Long-term rate of return on plan assets	9.0	9.0	9.0

Alcoa also sponsors a number of defined contribution pension plans. Expenses were $44.4 in 1996, $36.1 in 1995 and $32.9 in 1994.

U. POSTRETIREMENT BENEFITS

Alcoa maintains health care and life insurance benefit plans covering most eligible U.S. retired employees and certain other retirees. Generally, the medical plans pay a stated percentage of medical expenses, reduced by deductibles and other coverages. These plans are generally unfunded, except for certain benefits funded through

a trust. Life benefits are generally provided by insurance contracts. Alcoa retains the right, subject to existing agreements, to change or eliminate these benefits.

The components of postretirement benefit expense follow.

	1996	1995	1994
Service cost of benefits earned	$ 19.3	$ 16.3	$ 20.2
Interest cost on liability	104.4	114.6	104.4
Net amortization	(44.1)	(49.5)	(50.0)
Return on plan assets	(5.8)	(4.8)	(4.8)
Postretirement benefit costs	$ 73.8	$ 76.6	$ 69.8

The status of the postretirement benefit plans was:

December 31	1996	1995
Retirees	$ 1,022.6	$ 1,034.0
Fully eligible active plan participants	172.6	136.7
Other active participants	364.6	330.5
Accumulated postretirement benefit obligation (APBO)	1,559.8	1,501.2
Plan assets, primarily stocks and bonds at market	75.1	64.4
APBO in excess of plan assets	1,484.7	1,436.8
Unrecognized net:		
Reduction in prior service costs	227.4	374.3
Actuarial gains	174.1	109.6
Accrued postretirement benefit liability	$ 1,886.2	$ 1,920.7

For measuring the liability and expense, an 8.5% annual rate of increase in the per capita claims cost was assumed for 1997, declining gradually to 5.25% by the year 2003 and thereafter. Other assumptions used to measure the liability and expense follow.

December 31	1996	1995	1994
Settlement discount rate	7.0%	7.0%	8.25%
Long-term rate for compensation increases	5.0	5.0	5.5
Long-term rate of return on plan assets	9.0	9.0	9.0

For 1996, a 1% increase in the trend rate for health care costs would have increased the APBO by 7% and service and interest costs by 12%.

V. INCOME TAXES

The components of income before taxes on income were:

	1996	1995	1994
U.S.	$ 419.0	$ 556.5	$ 203.6
Foreign	662.7	913.7	618.9
	$ 1,081.7	$ 1,470.2	$ 822.5

The provision for taxes on income consisted of:

	1996	1995	1994
Current: U.S. federal*	$ 3.5	$ 246.4	$ 114.0
Foreign	217.0	204.0	151.1
State and local	19.9	31.7	9.7
	240.4	482.1	274.8
Deferred: U.S. federal*	143.1	(55.3)	(51.3)
Foreign	(34.8)	34.8	5.8
State and local	12.0	(15.7)	(10.1)
	120.3	(36.2)	(55.6)
Total	$ 360.7	$ 445.9	$ 219.2

*Includes U.S. taxes related to foreign income

Deferred taxes in 1995 included charges of $66.5 for utilization of a U.S. tax loss carryforward and for statutory rate changes of $21.9 in Australia and $14.4 in Brazil.

Reconciliation of the U.S. federal statutory rate to Alcoa's effective tax rate follows.

	1996	1995	1994
U.S. federal statutory rate	35.0%	35.0%	35.0%
Taxes on foreign income	(3.0)	(5.5)	(1.1)
State taxes net of federal benefit	1.7	.6	(.1)
Tax rate changes	--	2.5	--
Adjustments to prior			

years' accruals	.3	(1.3)	(1.8)
Nontaxable portion of Alcoa/WMC transaction gain	--	--	(4.9)
Other	(.7)	(1.0)	(.4)
Effective tax rate	33.3%	30.3%	26.7%

The components of net deferred tax assets and liabilities follow.

	1996		1995	
December 31	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	Deferred tax assets	Deferred tax liabilities
Depreciation	--	$ 921.5	--	$ 950.6
Employee benefits	$ 780.9	--	$ 838.8	--
Loss provisions	197.1	--	212.0	--
Deferred income	176.1	120.6	244.0	56.4
Tax loss carryforwards	155.1	--	113.7	--
Tax credit carryforwards	48.2	--	38.7	--
Other	66.7	39.4	86.7	20.8
	1,424.1	1,081.5	1,533.9	1,027.8
Valuation allowance	(110.0)	--	(112.1)	--
	$ 1,314.1	$ 1,081.5	$ 1,421.8	$ 1,027.8

The valuation allowance in 1996 included a favorable adjustment of $23.1, due to the likelihood of the future realization of deferred tax assets related to operations in Suriname.

Of the total tax loss carryforwards, $27.3 expires over the next 10 years and $127.8 is unlimited. A substantial portion of the valuation allowance is for these carryforwards because the ability to utilize a portion of them is uncertain. There is no limit on utilization of the tax credit carryforwards.

The cumulative amount of Alcoa's share of undistributed earnings for which no deferred taxes have been provided was $1,115.5 at December 31, 1996. Management has no plans to distribute such earnings in the foreseeable future. It is not practical to determine the deferred tax liability on these earnings.

W. MAJORITY-OWNED SUBSIDIARIES

The condensed financial statements of Alcoa's principal majority-owned subsidiaries follow.

Alcoa Aluminio S.A.--a 59%-owned subsidiary of Alcoa Brazil Holdings Company:

December 31	1996	1995
Cash and short-term investments	$ 269.1	$ 252.4
Other current assets	441.2	379.3
Properties, plants and equipment, net	897.5	857.2
Other assets	235.0	185.4
Total assets	1,842.8	1,674.3
Current liabilities	404.0	431.6
Long-term debt	492.5	314.5
Other liabilities	62.1	56.1
Total liabilities	958.6	802.2

Net assets		$ 884.2	$ 872.1
	1996	1995	1994
Revenues*	$ 1,188.1	$ 1,200.1	$ 915.1
Costs and expenses	(1,183.5)	(1,050.2)	(808.9)
Translation and exchange adjustments	(.3)	4.3	(3.0)
Income tax (expense) benefit	22.0	(2.3)	(19.7)
Net income	$ 26.3	$ 151.9	$ 83.5

*Revenues from Alcoa were $12.3 in 1996, $188.4 in 1995 and $54 in 1994. The terms of the transactions were established by negotiation between the parties.

Alcoa of Australia Limited--a 60%-owned subsidiary of Alcoa International Holdings Company:

December 31		1996	1995
Cash and short-term investments		$ 13.9	$ 61.6
Other current assets		522.4	551.6
Properties, plants and equipment, net		1,695.4	1,615.7
Other assets		108.6	101.2
Total assets		2,340.3	2,330.1
Current liabilities		341.9	380.7
Long-term debt		131.0	127.0
Other liabilities		435.7	415.5
Total liabilities		908.6	923.2
Net assets		$ 1,431.7	$ 1,406.9
	1996	1995	1994
Revenues*	$ 1,971.5	$ 1,785.0	$ 1,519.2
Costs and expenses	(1,510.3)	(1,372.3)	(1,236.5)
Translation and exchange adjustments	--	--	.6
Income tax expense	(157.7)	(164.1)	(80.7)
Net income	$ 303.5	$ 248.6	$ 202.6

*Revenues from Alcoa were $54.3 in 1996, $55.4 in 1995 and $28.5 in 1994. The terms of the transactions were established by negotiation between the parties.

SUPPLEMENTAL FINANCIAL INFORMATION

QUARTERLY DATA (UNAUDITED)
(dollars in millions, except per-share amounts)

1996	FIRST	SECOND	THIRD	FOURTH	YEAR
Sales and operating revenues	$ 3,149.6	$ 3,413.1	$ 3,240.6	$ 3,257.7	$ 13,061.0
Income from operations	246.2	187.7	104.7	182.4	721.0
Net income*	178.2	132.2	68.4	136.1	514.9
Per common share	1.01	.76	.39	.78	2.94

*After special charges of $40.0, or 23 cents per share, in the second quarter; $65.5, or 38 cents per share, in the third quarter; and $16.8, or 10 cents per share, in the fourth quarter

1995	First	Second	Third	Fourth	Year
Sales and operating revenues	$ 3,009.8	$ 3,117.3	$ 3,264.8	$ 3,107.8	$ 12,499.7
Income from operations	279.0	282.4	269.5	193.4	1,024.3
Net income*	193.8	219.4	226.4	150.9	790.5
Per common share	1.08	1.23	1.27	.85	4.43

*After special charges of $5.4, or three cents per share, in the third quarter and $4.7, or three cents per share, in the fourth quarter

NUMBER OF EMPLOYEES (UNAUDITED)
(at year-end)

	1996	1995	1994
USA	28,900	31,600	29,000
Other Americas	29,800	24,300	16,800
Pacific	5,600	6,000	6,200
Europe	12,500	10,100	8,200
	76,800	72,000	60,200

GRAPHICS APPENDIX LIST

Revenues by Segment - page 22
(billions of dollars)

	1992	1993	1994	1995	1996
Alumina and Chemicals	1.4	1.4	1.5	1.8	1.9
Nonaluminum Products	1.6	1.7	1.9	2.7	3.2
Aluminum Processing	6.5	6.0	6.5	8.0	8.0
	9.5	9.1	9.9	12.5	13.1

Alumina Production - page 22
(thousands of metric tons)

1992	1993	1994	1995	1996
9,461	10,129	10,195	10,578	10,644

Aluminum Product Shipments - page 24
(thousands of metric tons)

	1992	1993	1994	1995	1996
Fabricated Products	1,774	1,739	1,896	1,909	1,940
Ingot	1,023	841	655	673	901
Total	2,797	2,580	2,551	2,582	2,841

Alcoa's Average Realized Ingot Price - page 24
(cents per pound)

1992	1993	1994	1995	1996
$.59	$.56	$.64	$.81	$.73

Number of Employees - page 26
(at year-end)
(in thousands)

	1992	1993	1994	1995	1996
Nonaluminum	13.9	14.1	17.3	26.7	33.8
Alumina and Aluminum	49.7	49.3	42.9	45.3	43.0
Total	63.6	63.4	60.2	72.0	76.8

U.S. Exports - page 26 (millions of dollars)	1992	1993	1994	1995	1996
	993	896	988	1,206	1,015

Cash From Operations - page 28
(millions of dollars)

1992	1993	1994	1995	1996
1,208	535	1,394	1,713	1,279

Debt as a Percent of Invested Capital - page 28

1992	1993	1994	1995	1996
15.0	22.0	15.3	16.7	21.8

Free Cash Flow to Debt Coverage - page 28
(times covered)

1992	1993	1994	1995	1996
.97	.62	1.09	1.12	.79

Capital Expenditures and Depreciation - page 29
(millions of dollars)

	1992	1993	1994	1995	1996
Capital Expenditures	789	757	612	887	996

Depreciation	682	693	671	713	747

Exhibit 21

SUBSIDIARIES AND EQUITY ENTITIES OF THE REGISTRANT
(As of December 31, 1996)

Name	State or country of organization
Alcoa Alumina & Chemicals, L.L.C.*	Delaware
Alcoa ACC Industrial Chemicals Ltd.	India
Alcoa Kasei Limited	Japan
Alcoa Minerals of Jamaica, Inc., L.L.C.	Delaware
Alcoa Steamship Company, Inc.	New York
Halco (Mining) Inc.	Delaware
Compagnie des Bauxites de Guinee	Delaware
Lib-Ore Steamship Company, Inc.	Liberia
Moralco Limited	Japan
St. Croix Alumina, L.L.C.	Delaware
Suriname Aluminum Company, L.L.C.	Delaware
Alcoa Brazil Holdings Company	Delaware
Alcoa Aluminio S.A.	Brazil
Alcoa Building Products, Inc.**	Ohio
Alcoa Closure Systems International, Inc.	Delaware
Alcoa Generating Corporation	Indiana
Alcoa International Holdings Company	Delaware
Alcoa Inter-America, Inc.	Delaware
Alcoa Japan Limited	Japan
Alcoa-Kofem Kft	Hungary
Alcoa Nederland Holding B.V.	Netherlands
Alcoa International, S.A.	Switzerland
Alcoa Italia S.p.A.	Italy
Alcoa Nederland B.V.	Netherlands
Norsk Alcoa A/S	Norway
Alcoa of Australia Limited	Australia
A.F.P. Pty. Limited	Australia
Hedges Gold Pty. Ltd.	Australia
Alcoa of Australia (Asia) Limited	Hong Kong
Alcoa Russia, Inc.	Delaware
Asian-American Packaging Systems Co., Ltd.	China
Kobe Alcoa Transportation Products, Ltd.	Japan
Unified Accord SDN. BHD.	Malaysia

* Registered to do business in California, Florida, Georgia, Louisiana, North Carolina, Pennsylvania and Texas under the name of Alcoa Industrial Chemicals.
**Registered to do business in Ohio under the name of Mastic.

Name	State or country of organization
Alcoa Laudel, Inc.	Delaware
Alcoa Manufacturing (G.B.) Limited	England
Alcoa Properties, Inc.	Delaware
Alcoa South Carolina, Inc.	Delaware
Jonathan's Landing, Inc.	Delaware
Alcoa Recycling Company, Inc.	Delaware
Alcoa Securities Corporation	Delaware
Alcoa Automotive Structures, Inc.	Delaware
Alcoa Brite Products, Inc.	Delaware
Alcoa Fujikura Ltd.	Delaware
Stribel GmbH	Germany
Michels GmbH	Germany
Alcoa Kobe Transportation Products, Inc.	Delaware
Alcoa Nederland Finance B.V.	Netherlands
Alcoa Automotive Structures GmbH	Germany
Alcoa Chemie GmbH	Germany
Alcoa Deutschland GmbH	Germany
Alcoa Extrusions Hannover GmbH & Co. KG	Germany
Alcoa Chemie Nederland B.V.	Netherlands
Alcoa Moerdijk B.V.	Netherlands
Alcoa Packaging Machinery, Inc.	Delaware
ASC Alumina, Inc.	Delaware
B & C Research, Inc.	Ohio
Halethorpe Extrusions, Inc.	Delaware
H-C Industries de Mexico, S.A. de C.V.	Mexico
Northwest Alloys, Inc.	Delaware
Pimalco, Inc.	Arizona
Three Rivers Insurance Company	Vermont
Tifton Aluminum Company, Inc.	Delaware
Alcoa (Shanghai) Aluminum Products Company Limited	China
Capsulas Metalicas, S.A.	Spain
Gulf Closures W.L.L.	Bahrain
Shibazaki Seisakusho Limited	Japan
Tapoco, Inc.	Tennessee
Yadkin, Inc.	North Carolina

The names of certain subsidiaries and equity entities which, considered in the aggregate, would not constitute a significant subsidiary, have been omitted from the above list.

(/TABLE>

Exhibit 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Aluminum Company of America on Form S-8 (Registration Nos. 33-22346, 33-24846, 33-49109, 33-60305 and 33-00033) and Form S-3 (Registration Nos. 33-877, 33-49997, 33-60045 and 33-64353) of our reports dated January 8, 1997 on our audits of the consolidated financial statements and financial statement schedule of Aluminum Company of America and consolidated subsidiaries as of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996, which reports are incorporated by reference or included in this Form 10-K.

/s/ Coopers & Lybrand L.L.P
COOPERS & LYBRAND L.L.P.

600 Grant Street
Pittsburgh, Pennsylvania
March 11, 1997

Exhibit 24

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned Directors of Aluminum Company of America (the "Company") hereby constitute and appoint JAN H. M. HOMMEN, ROBERT G. WENNEMER, EARNEST J. EDWARDS and BARBARA S. JEREMIAH, or any of them, their true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which said attorneys and agents, or any of them, may deem necessary or advisable or may be required to enable the Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the registration under said Act of the Company's Annual Report on Form 10-K for 1996, including specifically, but without limiting the generality of the foregoing, power and authority to sign the name of the undersigned Directors of the Company to the Company's Annual Report on Form 10-K for 1996 to be filed with the Securities and Exchange Commission and to any instruments or documents filed as part of or in connection with any such Form 10-K; and the undersigned hereby ratify and confirm all that said attorneys and agents, or any of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have subscribed these presents on the date set opposite their names below.

/s/Kenneth W. Dam — January 10, 1997
Kenneth W. Dam

/s/John P. Diesel — January 10, 1997
John P. Diesel

/s/Jospeh T. Gorman — January 10, 1997
Joseph T. Gorman

/s/Judith M. Gueron — January 10, 1997
Judith M. Gueron

/s/Sir Ronald Hampel — January 10, 1997
Sir Ronald Hampel

/s/John P. Mulroney — January 10, 1997
John P. Mulroney

/s/Sir Arvi Parbo — January 10, 1997
Sir Arvi Parbo

/s/Henry B. Schacht — January 10, 1997
Henry B. Schacht

/s/Forrest N. Shumway — January 10, 1997
Forrest N. Shumway

/s/Franklin A. Thomas — January 10, 1997
Franklin A. Thomas

/s/Marina v.N. Whitman — January 10, 1997
Marina v.N. Whitman

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DEC-31-1996
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