

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended June 30, 1998 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)

Office of Investor Relations 412-553-3042

Office of the Secretary 412-553-4707

(Registrant's telephone number including area code)

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

As of August 4, 1998, 183,294,405 shares of common stock,
par value \$1.00, of the Registrant were outstanding.

A07-15900

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PART I - FINANCIAL INFORMATION

Alcoa and subsidiaries
Condensed Consolidated Balance Sheet
(in millions)

	(unaudited)	
	June 30	December 31
	1998	1997
	----	----
ASSETS		
Current assets:		
Cash and cash equivalents (includes cash of \$320.3 in 1998 and \$100.8 in 1997)	\$ 834.2	\$ 800.8
Short-term investments	74.8	105.6
Accounts receivable from customers, less allowances:		
1998-\$63.7; 1997-\$36.6	2,447.5	1,581.2
Other receivables	171.1	216.4
Inventories (b)	1,887.1	1,312.6

Deferred income taxes	242.2	172.3
Prepaid expenses and other current assets	259.6	228.0
	-----	-----
Total current assets	5,916.5	4,416.9
	-----	-----
Properties, plants and equipment, at cost	17,862.9	15,254.0
Less, accumulated depreciation, depletion and amortization	8,788.9	8,587.5
	-----	-----
Net properties, plants and equipment	9,074.0	6,666.5
	-----	-----
Other assets	2,586.1	1,987.2
	-----	-----
Total assets	\$17,576.6	\$13,070.6
	=====	=====
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$ 461.6	\$ 347.7
Accounts payable, trade	1,041.6	811.7
Accrued compensation and retirement costs	439.4	436.0
Taxes, including taxes on income	397.0	334.2
Other current liabilities	779.9	375.7
Long-term debt due within one year	162.8	147.2
	-----	-----
Total current liabilities	3,282.3	2,452.5
	-----	-----
Long-term debt, less amount due within one year (c)	3,703.4	1,457.2
Accrued postretirement benefits	1,898.8	1,749.6
Other noncurrent liabilities and deferred credits	1,628.4	1,271.2
Deferred income taxes	411.2	281.0
	-----	-----
Total liabilities	10,924.1	7,211.5
	-----	-----
MINORITY INTERESTS	2,301.5	1,439.7
	-----	-----
SHAREHOLDERS' EQUITY		
Preferred stock	55.8	55.8
Common stock	178.9	178.9
Additional capital	573.1	578.1
Retained earnings	4,965.2	4,717.3
Treasury stock, at cost	(1,022.7)	(758.0)
Accumulated other comprehensive income (d)	(399.3)	(352.7)
	-----	-----
Total shareholders' equity	4,351.0	4,419.4
	-----	-----
Total liabilities and shareholders' equity	\$17,576.6	\$13,070.6
	=====	=====

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

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Alcoa and subsidiaries
Condensed Statement of Consolidated Income (unaudited)
(in millions, except per share amounts)

	Second quarter ended June 30		Six months ended June 30	
	-----		-----	
	1998	1997	1998	1997
	----	----	----	----
REVENUES				
Sales	\$3,587.0	\$3,432.0	\$7,032.1	\$6,663.1
Other income	18.3	37.7	46.4	79.0
	-----	-----	-----	-----
	3,605.3	3,469.7	7,078.5	6,742.1

COSTS AND EXPENSES				
Cost of goods sold	2,760.0	2,602.1	5,378.2	5,091.1
Selling, general administrative and other expenses	154.2	160.5	308.0	319.5
Research and development expenses	27.9	34.7	52.4	70.3
Provision for depreciation, depletion and amortization	186.1	181.1	370.9	363.7
Special items (e)	-	-	-	(4.6)
Interest expense	41.8	33.4	81.0	70.7
Taxes other than payroll taxes	30.0	33.9	62.1	67.7
	<u>3,200.0</u>	<u>3,045.7</u>	<u>6,252.6</u>	<u>5,978.4</u>
EARNINGS				
Income before taxes on income	405.3	424.0	825.9	763.7
Provision for taxes on income (f)	135.8	148.0	276.7	266.9
	<u>269.5</u>	<u>276.0</u>	<u>549.2</u>	<u>496.8</u>
Income from operations	269.5	276.0	549.2	496.8
Less: Minority interests' share	(62.4)	(68.4)	(132.2)	(130.1)
	<u>207.1</u>	<u>207.6</u>	<u>417.0</u>	<u>366.7</u>
NET INCOME	\$ 207.1	\$ 207.6	\$ 417.0	\$ 366.7
	=====	=====	=====	=====
EARNINGS PER SHARE (g)				
Basic	\$ 1.24	\$ 1.19	\$ 2.49	\$ 2.11
	=====	=====	=====	=====
Diluted	\$ 1.24	\$ 1.18	\$ 2.48	\$ 2.09
	=====	=====	=====	=====
Dividends paid per common share	\$.375	\$.25	\$.75	\$.475
	=====	=====	=====	=====

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

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Alcoa and subsidiaries
Condensed Statement of Consolidated Cash Flows (unaudited)
(in millions)

	Six months ended June 30	
	1998	1997
	----	----
CASH FROM OPERATIONS		
Net income	\$ 417.0	\$ 366.7
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion and amortization	377.5	371.4
Increase (reduction) in deferred income taxes	(1.0)	4.4
Equity income before additional taxes, net of dividends	(1.5)	(13.6)
Non-cash special items	-	(4.6)
Book value of asset disposals	18.4	14.5
Minority interests	132.2	130.1
Other	1.2	(11.1)
Increase in receivables	(132.4)	(146.6)
Reduction in inventories	87.0	59.9
(Increase) reduction in prepaid expenses and other current assets	23.5	(1.9)
Reduction in accounts payable and accrued expenses	(23.3)	(55.6)
Increase (reduction) in taxes, including taxes on income	(9.0)	49.2
Cash received on long-term alumina supply contract	-	240.0
Increase (reduction) in deferred hedging gains	6.1	(60.1)
Net change in noncurrent assets and liabilities	25.3	(9.3)
	-----	-----
CASH FROM OPERATIONS	921.0	933.4
	-----	-----

FINANCING ACTIVITIES		
Net changes in short-term borrowings	(40.8)	17.7
Common stock issued and treasury stock sold	23.8	151.1
Repurchase of common stock	(293.5)	(150.1)
Dividends paid to shareholders	(126.0)	(83.3)
Dividends paid and return of capital to minority interests	(117.1)	(257.5)
Additions to long-term debt	1,593.0	362.2
Payments on long-term debt	(231.7)	(430.3)
	-----	-----
CASH FROM (USED FOR) FINANCING ACTIVITIES	807.7	(390.2)
	-----	-----
INVESTING ACTIVITIES		
Capital expenditures	(366.5)	(408.6)
Acquisitions, net of cash acquired	(1,352.7)	-
Proceeds from the sale of assets	-	193.2
Additions to investments	(37.9)	(.7)
Net change in short-term investments	30.9	(56.1)
Changes in minority interests	39.8	24.4
Other	(8.1)	(6.8)
	-----	-----
CASH USED FOR INVESTING ACTIVITIES	(1,694.5)	(254.6)
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(.8)	(4.4)
	-----	-----
CHANGES IN CASH		
Net change in cash and cash equivalents	33.4	284.2
Cash and cash equivalents at beginning of year	800.8	598.1
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 834.2	\$ 882.3
	=====	=====

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

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Notes to Condensed Consolidated Financial Statements
(in millions, except share amounts)

Notes:

- (a) Summarized consolidated financial data for Alcoa Aluminio S.A. (Aluminio) and Alcoa of Australia Limited (AofA) begin on page 19.
- (b) Inventories consisted of:

	June 30 1998 ----	December 31 1997 ----
Finished goods	\$ 491.8	\$ 314.9
Work in process	509.5	433.0
Bauxite and alumina	296.2	263.9
Purchased raw materials	426.5	197.3
Operating supplies	163.1	103.5
	-----	-----
	\$1,887.1	\$1,312.6
	=====	=====

Approximately 61% of total inventories at June 30, 1998 was valued on a LIFO basis. If valued on an average cost basis, total inventories would have been \$787.6 and \$769.8 higher at June 30, 1998 and December 31, 1997, respectively.

- (c) In January 1998, Alcoa issued \$300 of 6.75% bonds due 2028. The net proceeds were used for general corporate purposes. In June 1998, Alcoa issued \$200 of 6.125% bonds due in 2005, \$250 of 6.5% bonds due in 2018 and \$675 of commercial paper. The proceeds from the June offerings were used to fund the Alumax transaction, see Note I for additional detail.
- (d) The calculation of comprehensive income is as follows:

	Second quarter ended June 30		Six months ended June 30	
	1998	1997	1998	1997
Net income	\$207.1	\$207.6	\$417.0	\$366.7
Other comprehensive loss	(32.5)	(58.7)	(46.6)	(136.9)
Comprehensive income	\$174.6	\$148.9	\$370.4	\$229.8

(e) A net pre-tax gain of \$4.6 (an after-tax loss of \$1.1) was recorded in the 1997 first quarter related to special items. Asset sales generated income of \$25.0, while increases to environmental reserves and an impairment at a U.S. manufacturing facility resulted in a charge of \$20.4.

(f) The income tax provision for the period is based on the effective tax rate expected to be applicable for the full year. The 1998 second quarter rate of 33.5% differs from the statutory rate primarily because of lower tax rates on foreign income.

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(g) Basic earnings per share (EPS) amounts are computed by dividing earnings applicable to common stockholders by the average number of common shares outstanding. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive equivalents outstanding. Anti-dilutive outstanding stock options have been excluded from the diluted EPS calculation. The detail of basic and diluted EPS follow:

	Second quarter ended June 30		Six months ended June 30	
	1998	1997	1998	1997
Net income	\$207.1	\$207.6	\$417.0	\$366.7
Less: Preferred stock dividends	.5	.5	1.0	1.0
Income available to common stockholders	\$206.6	\$207.1	\$416.0	\$365.7
Weighted average shares outstanding	166.1	173.3	167.0	173.1
Basic EPS	\$1.24	\$1.19	\$2.49	\$2.11
Effect of dilutive securities:				
Add Shares issuable upon exercise of outstanding stock options	1.0	1.7	1.0	1.7
Diluted shares outstanding	167.1	175.0	168.0	174.8
Diluted EPS	\$1.24	\$1.18	\$2.48	\$2.09

(h) On February 6, 1998, Alcoa completed its acquisition of Inespal, S.A. of Madrid, Spain. Alcoa paid approximately \$150 in cash and assumed \$260 of debt and liabilities in exchange for substantially all of Inespal's businesses. Inespal is an integrated aluminum producer with 1997 revenues of \$1,100. The acquisition included an alumina refinery, three aluminum smelters, three aluminum rolling facilities, two extrusion plants, an administrative center and related sales offices in Europe.

(i) On March 9, 1998, Alcoa and Alumax Inc. (Alumax) announced that they had entered into an agreement under which Alcoa was to acquire all of the outstanding shares of Alumax for a combination of cash and stock. On June 16, 1998, after approval by the U.S. Department of Justice (DOJ) and other regulatory agencies, Alcoa

completed the first step of the acquisition by purchasing approximately 51% of the outstanding shares of Alumax at \$50 per share. Following approval by Alumax shareholders at a special meeting on July 31, 1998, Alcoa completed the acquisition by exchanging its common stock for the remaining shares of Alumax at a ratio of .6975 share of Alcoa stock per share of Alumax stock. The exchange resulted in Alcoa issuing 18,425,380 shares to Alumax shareholders. The transaction was valued at approximately \$3,800, including the assumption of debt, and will be accounted for using the purchase method. The purchase price includes cash and stock paid to Alumax shareholders as well as other direct costs of the acquisition. The purchase price allocation is preliminary, the final allocation is subject to valuation and other studies that have not been completed. The goodwill resulting from the acquisition will be amortized over a forty-year period. Alcoa's results of operations for the 1998 second quarter do not include any amounts relative to Alumax, as the income generated during the two week period in which Alcoa owned 51% of Alumax was not material to Alcoa's earnings.

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As part of the agreement with the DOJ and its related approval of the Alumax transaction, Alcoa agreed to divest its cast plate operations in Vernon, CA. Annual sales for these operations are approximately \$30 million. Alcoa does not anticipate that this divestiture will have a material impact on its operations.

The following presents pro forma information assuming that the acquisition of 100% of Alumax by Alcoa had occurred at the beginning of each respective year. Adjustments that have been included to arrive at the pro forma totals primarily include those related to acquisition financing, the amortization of goodwill, the elimination of transactions between Alcoa and Alumax and additional depreciation related to the increase in basis that resulted from the transaction. Tax effects from the pro forma adjustments noted above also have been included.

	Six months ended June 30 -----	
	1998	1997
	----	----
Sales	\$8,477.4	\$7,978.0
Net income	427.5	392.8
Basic earnings per share	2.31	2.05
Diluted earnings per share	2.29	2.03

The pro forma results are not necessarily indicative of what actually would have occurred if the transaction had been in effect for the entire periods presented, are not intended to be a projection of future results, and do not reflect any cost savings that might be achieved from the combined operations.

- (j) In June 1998, the Financial Accounting Standards Board issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." The standard requires that entities value all derivative instruments at fair value and record the instruments on the balance sheet. The standard also significantly changes the requirements for hedge accounting. The standard is required to be adopted by Alcoa for the 2000 first quarter. The Company believes that SFAS 133 will have a material impact on its financial statements as its current aluminum, foreign exchange and interest rate derivative contracts will be recorded on the balance sheet at fair value. Management is currently assessing the details of how the standard will impact its financial statements and is preparing a plan of implementation.

In the opinion of the Company, the financial statements and summarized financial data in this Form 10-Q report include all adjustments, including those of a normal recurring nature, necessary to fairly state the results for the periods. This Form 10-Q report should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 1997.

The financial information required in this Form 10-Q by Rule 10-01 of Regulation S-X has been subject to a review by PricewaterhouseCoopers LLP, the Company's independent certified public accountants, as described in their report on page 9.

Independent Auditor's Review Report

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

We have reviewed the unaudited condensed consolidated balance sheet of Alcoa and subsidiaries as of June 30, 1998, the unaudited condensed statements of consolidated income for the three-month and six-month periods ended June 30, 1998 and 1997, and the unaudited condensed statement of consolidated cash flows for the six-month periods ended June 30, 1998 and 1997, which are included in Alcoa's Form 10-Q for the period ended June 30, 1998. These financial statements are the responsibility of Alcoa's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Alcoa and subsidiaries as of December 31, 1997, and the related statements of consolidated income, shareholders' equity, and cash flows for the year then ended (not presented herein). In our report dated January 8, 1998, except for Note V, for which the date is February 6, 1998, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1997, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
July 7, 1998, except for Note i,
for which the date is August 5, 1998

Management's Discussion and Analysis of the
Results of Operations and Financial Condition
(dollars in millions, except share amounts)

Results of Operations

Principal income and operating data follow.

	Second quarter ended June 30		Six months ended June 30	
	1998	1997	1998	1997
Sales	\$3,587.0	\$3,432.0	\$7,032.1	\$6,663.1
Net income	207.1	207.6	417.0	366.7
Basic earnings per common share	1.24	1.19	2.49	2.11
Diluted earnings per common share	1.24	1.18	2.48	2.09
Shipments of aluminum products (1)	866	760	1,644	1,480
Shipments of alumina (1)	1,888	1,780	3,811	3,549

(1) in thousands of metric tons (mt)

Overview

Alcoa earned \$207.1 or \$1.24 per common share for the second quarter of 1998, compared with \$207.6 or \$1.19 per share, in the 1997 second quarter. For the first half of 1998, earnings were \$417.0, or \$2.49 per share, versus \$366.7 or \$2.11 per share in the 1997 six-month period. The 1997 first half included special charges of \$1.1 related to asset sales, increases to environmental reserves and an impairment at a U.S. manufacturing facility.

The improved earnings level for the first half of 1998 was due to higher aluminum shipments, resulting in part from the Inespal acquisition, and a better product mix. Gains from these improvements were offset by lower aluminum prices, which have fallen 16% on the London Metal Exchange (LME) since the beginning of 1998.

AofA's pretax income from operations for the 1998 second quarter and year-to-date periods was down \$34.1 and \$50.3, respectively, from the comparable 1997 periods. Lower realized prices for alumina and aluminum, partially offset by higher alumina shipments, were the primary reasons for the declines.

In Brazil, Aluminio's second quarter and year-to-date 1998 pretax income from operations decreased \$15.4 and \$12.8, respectively, from the comparable 1997 periods. Aluminio's results reflect the effect of divestitures, which reduced revenues by \$97.9 from the 1997 six-month period. In addition, lower volumes for ingot and lower aluminum prices also had a negative effect on pretax income.

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Consolidated revenues and shipment information by segment follows.

Alumina and Chemicals Segment

	Second quarter ended June 30		Six months ended June 30	
	1998	1997	1998	1997
Alumina and chemicals revenues	\$ 481	\$ 499	\$ 974	\$ 994
Alumina shipments (000 mt)	1,888	1,780	3,811	3,549

Total revenues for the Alumina and Chemicals segment in the 1998 second quarter fell 4% when compared with the 1997 second quarter. Year-to-date, revenues decreased 2% from the 1997 period.

Alumina revenues for the 1998 second quarter were down 9% as realized prices fell 14% and shipments increased 6%. Year-to-date, revenues decreased 5% as realized prices declined 11% and shipments rose 7% over the 1997 six-month period. Although alumina shipments have increased substantially from 1997, realized prices have declined to a greater degree, resulting in lower revenues.

Revenues from chemical products rose 4% and 1%, respectively, from the 1997 second quarter and six-month periods. The acquisition of Inespal in the 1998 first quarter was the primary reason for the increases.

The entities jointly owned by Alcoa and WMC Limited of Australia (WMC), known as Alcoa World Alumina and Chemicals (AWAC), produced 5,941 mt of alumina during the 1998 six-month period, compared with 5,088 mt in the comparable 1997 period. Of the 1998 six-month amount, 3,811 mt was shipped to third-party customers.

Aluminum Processing Segment

Product classes	Second quarter ended June 30		Six months ended June 30	
	1998	1997	1998	1997
Shipments (000 mt)				
Flat-rolled products	392	369	753	698
Aluminum ingot	302	227	548	457
Engineered products	146	144	295	287
Other aluminum products	26	20	48	38
Total	866	760	1,644	1,480
Revenues				
Flat-rolled products	\$1,138	\$1,051	\$2,210	\$1,948
Aluminum ingot	445	379	836	759
Engineered products	672	639	1,313	1,244
Other aluminum products	75	74	139	149
Total	\$2,330	\$2,143	\$4,498	\$4,100

Flat-rolled products - Total flat-rolled products revenue rose 8% from the 1997 second quarter and 13% from the 1997 year-to-date period. The increases were due primarily to higher shipments for sheet and plate along with increased shipments resulting from the Inespal acquisition by Alcoa in February 1998.

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The majority of revenues and shipments for flat-rolled products are derived from rigid container sheet (RCS), which is used to produce aluminum beverage can bodies and can ends. RCS revenues were up 5% from the 1997 six-month period, but declined 4% when compared with the 1997 second quarter. In the 1998 second quarter, shipments fell 5% while prices were up slightly; in the 1998 six-month period realized prices increased 4% while shipments fell 1%.

Sheet and plate revenues in the 1998 second quarter were up 26% compared with the 1997 quarter and 27% on a year-to-date basis. The increases were primarily due to higher shipments, which increased 29% and 22% from the 1997 quarter and year-to-date periods. Higher sheet and plate shipments were driven by the Inespal acquisition along with a strong transportation market.

Aluminum ingot - Revenues for this product were up 17% in the 1998 quarter and 10% in the 1998 six-month period. The increases are due to higher shipments, with the 1998 quarter rising 34% and

the half-year increasing 20%. Lower shipments from AofA and Aluminio were more than offset by increased shipments from Alcoa's European smelters. In the aluminum ingot market, LME ingot inventories have decreased 15% this year at the same time that the 3-month LME ingot price has fallen 16%.

Engineered products - These products include extrusions used in the transportation and construction markets, aluminum forgings and wire, rod and bar. Revenues from the sale of engineered products increased 5% in the 1998 second quarter while prices rose 4%. Year-to-date, revenues and prices were up 6% and 2%, respectively.

Revenues for extruded products were higher by 16% and 11% from the 1997 second quarter and six-month periods. Prices rose 3% and 6% over the same periods, while shipments were up 13% and 4%, respectively. The primary reasons for the revenue increases are higher shipments in Europe and higher prices for hard alloy extrusions, used primarily by the transportation markets.

Revenues from the sale of forged aluminum wheels increased 31% and 32% from the 1997 quarter and six-month periods. The increases were primarily a result of shipments from Alcoa's new European wheels facility, which began operations late in the 1997 second quarter. Prices were essentially unchanged in both periods.

Other aluminum products - Revenues from sales of other aluminum products for the 1998 year-to-date period were 7% lower than those in the 1997 period. Lower sales of aluminum closures, with revenues decreasing 32% as Alcoa sold its Richmond, In. closure facility in 1997, were partially offset by higher revenues from the sale of scrap.

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Nonaluminum Segment

Revenues for the Nonaluminum Segment were \$776 in the 1998 second quarter, down 2% from the 1997 quarter. For the half-year, revenues of \$1,560 were essentially unchanged from the year ago period. The lack of revenue growth in this segment from a year-to-date perspective is the result of the sale of a portion of the cable business in Brazil and lower revenues from building products. These decreases were offset by a 7% increase in revenues at Alcoa Fujikura (AFL) and a 13% increase in revenues in the plastic closures businesses.

Cost of Goods Sold

Cost of goods sold increased \$157.9, or 6%, from the 1997 second quarter. Year-to-date, the increase was \$287.1, also 6%. The increases reflect the effect of acquisitions, higher volumes and a higher value-added product mix partially offset by the impact of divestitures. Cost of goods sold as a percentage of revenues was 76.5%, or .1 points higher than in the 1997 year-to-date period.

Other Income & Expenses

Other income totaled \$18.3 for the 1998 second quarter, a decrease of \$19.4 from the 1997 period. Losses from mark-to-market metal trading activities increased \$22.7 from the 1997 quarter resulting in the decrease. For the 1998 six-month period, other income fell to \$46.4 again due to higher losses from mark-to-market activities partially offset by higher interest and equity income.

Selling, general and administrative expenses decreased \$6.3 and \$11.5 from the year-ago quarter and six-month periods. Lower spending, partially offset by the addition of Inespal in the 1998 first quarter, were the primary reasons for the declines.

Interest expense was up \$10.3 from the 1997 six-month period. In January 1998, Alcoa issued \$300 of 6.75% bonds due 2028, the net proceeds of which were used for general corporate purposes. Additionally, in June 1998, Alcoa issued \$200 of 6.125% bonds due in 2005, and \$250 of 6.5% bonds due in 2018. The proceeds from these two bonds were used to fund the Alumax transaction.

The income tax provision for the period is based on the effective tax rate expected to be applicable for the full year. The 1998 second quarter rate of 33.5% differs from the statutory rate primarily because of lower tax rates on foreign income.

Minority interests' share of income from operations decreased 9% from the 1997 second quarter, primarily due to lower earnings at Aluminio and AofA, partially offset by an increase in earnings at AFL.

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.

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In the normal course of business, Alcoa enters into long-term contracts with a number of its fabricated products customers. At December 31, 1997, such contracts totaled approximately 2,093,000 mt. Alcoa may enter into similar arrangements in the future.

In order to hedge the risk of higher prices for the anticipated metal purchases required to fulfill these long-term customer contracts, Alcoa enters into long positions, principally using futures and options. Alcoa follows a stable pattern of purchasing metal; therefore it is highly likely that anticipated metal requirements will be met. At June 30, 1998 and December 31, 1997, these contracts totaled approximately 452,000 mt and 1,084,000 mt, respectively.

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. 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 cash flows from these contracts are classified in a manner consistent with the underlying nature of the transactions.

In addition, Alcoa had 157,000 mt and 259,000 mt of LME contracts outstanding at June 30, 1998 and December 31, 1997, respectively, 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 losses of \$21.1 and gains of \$7.1 at June 30, 1998 and 1997, respectively.

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.

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 generally are 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.

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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 as 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.

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. However, with the exception of the Massena/Grasse River and Pt. Comfort/Lavaca Bay locations described below, based upon available information and current reserves, management of Alcoa does not believe that it is reasonably possible that the results of operation could be materially affected by existing environmental contingencies.

Massena/Grasse River - Sediments and fish in the Grasse River adjacent to Alcoa's Massena, New York plant site contain varying levels of polychlorinated biphenyl (PCB). Alcoa has been identified by the US Environmental Protection Agency (EPA) as potentially responsible for this contamination and, since 1989, has been conducting investigations and studies of the river under order from the EPA issued under the Comprehensive Environmental Response, Compensation and Liability Act. By the end of 1998, Alcoa expects to submit the results of its studies and recommendations of feasible remedial alternatives. The costs to complete a remedy are not currently capable of estimation since they will depend on the remedial method chosen. Alcoa is also aware of a natural resource damage claim that may be asserted by certain federal, state and tribal natural resource trustees at this location.

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Pt. Comfort/Lavaca Bay - In 1990, Alcoa began discussions with certain state and federal natural resource trustees concerning alleged releases of mercury from its Point Comfort, Texas, facility to the adjacent Lavaca Bay. In March 1994 EPA listed the "Alcoa (Point Comfort)/Lavaca Bay Site" on the National Priorities List and, shortly thereafter, Alcoa and EPA entered into an administrative order on consent under which Alcoa is obligated to conduct certain remedial investigations and feasibility studies. By the end of 1998, Alcoa expects to submit certain studies, including a remedial investigation, a baseline risk assessment and a feasibility study. Alcoa has proposed and recently has received approval from EPA to fortify an offshore dredge disposal island, potentially including the removal of certain mercury contaminated sediments adjacent to Alcoa's plant in and near routinely dredged navigation channels. The probable and estimable costs of these actions are fully reserved. Additional costs to complete a remedy are not capable of estimation due to the inability to determine whether and where additional amounts of material might require removal. Since the order agreed to with EPA, Alcoa and the natural resource trustees have continued efforts to understand natural resource injury and ascertain appropriate restoration alternatives. That process is expected to be completed within the next 12 to 24 months.

Alcoa's remediation reserve balance at the end of the 1998 second quarter was \$219.6 (of which \$56.3 was classified as a

current liability) and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. About 23% of the reserve relates to Alcoa's Massena, New York plant site and 21% relates to Alcoa's Pt. Comfort, Texas plant site. Remediation expenses charged to the reserve during the 1998 second quarter were \$10.7. 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

Cash from Operations

Cash from operations during the 1998 six-month period was \$921.0, a \$12.4 decrease from the comparable 1997 period. The primary driver of the decrease was a \$240.0 cash payment on a long-term alumina supply contract that was received in 1997. The effect of this item was partially offset by higher earnings, lower working capital requirements and changes in deferred hedging contracts.

Financing Activities

Financing activities used \$807.7 of cash during the first six months of 1998. This included \$293.5 to repurchase 3,962,300 shares of the Company's common stock. Dividends paid to shareholders were \$126.0 in the 1998 six-month period, an increase of \$42.7 over the 1997 period. The increase was primarily due to Alcoa's bonus dividend program, which paid out 12.5 cents in the 1998 first and second quarters above the base dividend of 25 cents. There was no bonus dividend in 1997. Dividends paid and return of capital to minority interests totaled \$117.1 in the 1998 six-month period versus \$257.5 in the comparable 1997 period. In the 1997 period, AWAC and AofA returned funds to their investors, resulting in the decline.

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In the 1998 six-month period, Alcoa issued \$1,593 of long-term debt. The debt was comprised principally of \$675 of commercial paper, \$250 of term debt due in 2018, \$200 of term debt due in 2005 and \$300 of thirty year bonds due in 2028. The net proceeds were used for the Alumax transaction and general corporate purposes. Debt as a percentage of invested capital was 35.8% at the end of the 1998 second quarter compared with 19.9% at year-end 1997.

Investing Activities

Investing activities used \$1,694.5 during the 1998 six-month period, compared with \$254.6 in the 1997 period. Alcoa's purchase of 51% of the outstanding stock of Alumax was the primary use of funds in the six-month period. In addition, capital expenditures totaled \$366.5, down \$42.1 from the 1997 period. The 1997 six-month period also included \$193.2 from the sale of Alcoa's Caradco, Arctek, Alcoa Composites, Norcold, Dayton Technologies and Richmond, Indiana facilities.

Accounting Rule Change

A new accounting rule was issued by the American Institute of CPA's in April, 1998. The rule, "Reporting on the Costs of Start-Up Activities," requires that costs incurred to open a new facility, introduce a new product, commence a new operation or other similar activities be expensed as incurred. Management does not believe that this standard, which will be adopted for 1999, will have a material impact on Alcoa's financial statements.

In June, 1998, the Financial Accounting Standards Board issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." The standard requires that entities value all derivative instruments at fair value and record the instruments on the balance sheet. The standard also significantly changes the requirements for hedge accounting. The standard is required to be adopted by Alcoa for the 2000 first quarter. The Company believes that SFAS 133 will have a material impact on its financial statements as its current aluminum, foreign exchange and interest rate derivative contracts will be recorded on the

balance sheet at fair value. Management is currently assessing the details of how the standard will impact its financial statements and is preparing a plan of implementation.

Year 2000 Issue

Alcoa, assisted by outside consultants, has conducted a review of its administrative and process control computer systems to identify areas that are affected by the "Year 2000" issue. The Year 2000 issue is the result of computer programs being written using two digits (rather than four) to define the applicable year. This could result in computational errors as dates are compared across the century boundary. The vast majority of the Company's products do not contain embedded systems, such as microprocessors or other electronic components, and thus are not susceptible to Year 2000 issues in their operation.

Plans detailing the tasks and resources required to complete Year 2000 readiness for the Company's administrative and process control computer systems are being concluded during the 1998 third quarter. The Company's process control systems include monitoring and control devices used in plants and other operating locations. Many of these systems are common across operating locations, resulting in information sharing and efficiencies in assessment and remediation. The total costs associated with any required modifications for these critical systems is not expected to be material to the Company's financial position.

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The Company is assessing supply continuity through a survey of its supplier base, with key suppliers targeted for direct meetings. In addition, the Company is in the process of integrating Alumax's Year 2000 efforts into its overall implementation plan.

An unexpected Year 2000 problem could result in an interruption to certain normal business activities or operations. However, based on the work completed to date and the expected completion of its Year 2000 project, the Company believes that significant interruptions will not be encountered.

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Alcoa and subsidiaries

Summarized unaudited consolidated financial data for Aluminio, a Brazilian subsidiary effectively owned 59% by Alcoa, follow.

	June 30 ----- 1998 ----	December 31 ----- 1997 ----
Cash and short-term investments	\$ 316.7	\$ 305.8
Other current assets	385.3	389.8
Properties, plants and equipment, net	811.0	825.4
Other assets	242.9	233.1
	-----	-----
Total assets	1,755.9	1,754.1
	-----	-----
Current liabilities	292.3	316.8
Long-term debt	399.6	403.2
Other liabilities	89.0	88.5
	-----	-----
Total liabilities	780.9	808.5
	-----	-----
Net assets	\$ 975.0 =====	\$ 945.6 =====

	Second quarter ended June 30		Six months ended June 30	
	1998	1997	1998	1997
Revenues (1)	\$ 219.8	\$ 316.3	\$ 493.2	\$ 604.5
Costs and expenses	(212.9)	(293.5)	(462.0)	(559.3)
Translation and exchange adjustments	.5	-	1.1	(.1)
Income tax (expense) benefit	(1.4)	(4.5)	(2.9)	(9.0)
Net income	\$ 6.0	\$ 18.3	\$ 29.4	\$ 36.1
Alcoa's share of net income	\$ 3.5	\$ 10.8	\$ 17.3	\$ 21.3

(1) Revenues from Alcoa and its subsidiaries, the terms of which were established by negotiations between the parties, follow.

Second quarter ended June 30: 1998 - \$3.5, 1997 - \$2.5
Six months ended June 30: 1998 - \$5.5, 1997 - \$4.9

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Alcoa and subsidiaries

Summarized unaudited consolidated financial data for AofA, an Australian subsidiary, 60% owned by Alcoa, follow.

	June 30 1998	December 31 1997
Cash and short-term investments	\$ 6.7	\$ 9.5
Other current assets	401.5	386.1
Properties, plants and equipment, net	1,332.2	1,385.9
Other assets	84.5	86.2
Total assets	1,824.9	1,867.7
Current liabilities	277.2	304.1
Long-term debt	262.5	225.3
Other liabilities	359.0	361.6
Total liabilities	898.7	891.0
Net assets	\$ 926.2	\$ 976.7

	Second quarter ended June 30		Six months ended June 30	
	1998	1997	1998	1997
Revenues (1)	\$ 411.2	\$ 504.5	\$ 853.0	\$ 996.2
Costs and expenses	(324.2)	(383.4)	(654.8)	(747.7)
Income tax (expense) benefit	(33.4)	(42.7)	(73.2)	(89.6)
Net income	\$ 53.6	\$ 78.4	\$ 125.0	\$ 158.9

Alcoa's share of net income	\$ 32.2	\$ 47.0	\$ 75.0	\$ 95.3
	=====	=====	=====	=====

(1) Revenues from Alcoa and its subsidiaries, the terms of which were established by negotiations between the parties, follow.

Second quarter ended June 30:	1998 - \$15.3,	1997 - \$14.90
Six months ended June 30:	1998 - \$28.4,	1997 - \$27.6

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Region 5 of the United States EPA has referred various alleged environmental violations at Alcoa's Warrick Operations to the civil division of the DOJ. The alleged violations stem from an April 1997 multi-media environmental inspection of Warrick Operations by EPA. The alleged violations relate to water permit exceedances as reported on monthly discharge monitoring reports, wastewater toxicity issues and alleged opacity violations. Alcoa agreed to enter into a tolling agreement to suspend the statute of limitations related to the alleged violations in this matter on March 16, 1998, in order to facilitate settlement discussions with DOJ and EPA which are ongoing at this time.

On May 13, 1998, an action was filed in the Superior Court of Riverside County, California allegedly on behalf of more than 500 plaintiffs who currently live, or formerly lived, in the Glen Avon, California area. The plaintiffs, who claim to have suffered personal injuries, both physical and emotional, as well as property damage, as a result of air and water contamination due to the escape of toxic wastes from the Stringfellow disposal site. The complaint, which names Alcoa, Alumax and more than 130 other companies as defendants, has not been served on either Alcoa or Alumax and no investigation or discovery regarding the claims asserted has been conducted.

As previously reported, The New York State Department of Environmental Conservation (DEC), in a letter dated October 10, 1997, notified Alcoa that its Massena, New York facility allegedly is in violation of certain air pollution control requirements. The allegations included operation of certain emission sources without permits, non-compliance with permitting and control standards for sulfur dioxide and violation of requirements related to the deposition of fluoride on vegetation. In early March 1998, the Company agreed to an Order of Consent with the DEC. Resolution includes a civil penalty of \$57,500. The settlement became effective on March 6, 1998.

On August 17, 1995, Alumax Inc. filed suit in the United States District Court for the Eastern District of Arkansas against Hot Metal Molding, Inc. alleging infringement of a process patent held by Alumax that is used in semi-solid forming applications. The litigation was expanded by order of the Court to include Ormet Primary Aluminum Corporation ("Ormet"), the exclusive North American licensee of Pechiney Corporation's technology for casting thixotropic billet, and by Alumax's motion to add certain subsidiaries and affiliates of Buhler AG, a Swiss manufacturer of die casting machines as defendants in the action. Ormet filed counterclaims alleging that the patent is invalid, void and unenforceable and seeking a declaratory judgment that the patent would not be infringed by the use of Ormet's billet in any diecasting application. On October 3, 1997, certain defendants filed counterclaims against Alumax, alleging violations of the Sherman and Clayton Acts for which they seek injunctive relief and treble damages in an unspecified amount. The Court granted all parties leave to amend their pleadings in January 1998, and trial was scheduled to begin in early July 1998. On May 14, 1998, Alumax and Hot Metal Molding entered into a settlement agreement whereby Hot Metal Molding was granted a non-exclusive license, retroactively to January 1, 1992, in respect of the patent and certain other Alumax patents. On June 14, 1998, Alumax entered into a similar agreement with Buhler AG. Hot Metal Molding and Buhler AG dismissed all claims and counter claims. Alumax voluntarily dismissed its contributory

infringement claim against Ormet and moved to challenge Ormet's standing to pursue antitrust counterclaims against Alumax. Although the Court denied Alumax's motion at a hearing on June 26, 1998, Alumax intends to seek reconsideration of that motion.

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In December 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 claimed that it was entitled to a rebate of approximately \$80 million (including interest through mid-1998) from Alcoa arising from a stock transaction that occurred in 1986 in which a subsidiary of JMB purchased the outstanding stock of substantially all of Alcoa's real estate holding subsidiaries. JMB also sought an order canceling three promissory notes that it made and delivered to Alcoa. JMB owed Alcoa approximately \$60 million on the notes (including interest through mid-1998). In response to JMB's suit, Alcoa denied that any rebate is owed to JMB, and counterclaimed for collection of the outstanding balance due on the notes. In June 1998, the Court granted a motion for partial summary judgment filed by Alcoa, and entered judgment on the notes against JMB. Later that month, the parties settled the issues between them. The settlement led to a net payment to Alcoa in June 1998.

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

At the annual meeting of Alcoa shareholders held on May 8, 1998, Hugh M. Morgan was elected, and Henry B. Schacht and Franklin A. Thomas were reelected, as directors of Alcoa to serve for three-year terms. Votes cast for Mr. Morgan were 143,640,315 and votes withheld were 1,366,057; votes cast for Mr. Schacht were 143,677,549 and votes withheld were 1,328,823; and votes cast for Mr. Thomas were 143,614,081 and votes withheld were 1,392,291.

Also at that annual meeting, a proposal to approve an amendment to Alcoa's Articles of Incorporation and a proposal to approve an amendment to Alcoa's Long Term Stock Incentive Plan were adopted. Total votes cast for the amendment to the Articles of Incorporation were 123,048,366, votes cast against were 21,638,718 and there were 319,288 abstentions. Total votes cast for the amendment to the Long Term Stock Incentive Plan were 110,926,065, votes cast against were 23,410,374 and there were 481,767 abstentions. Additionally, a proposal submitted by a shareholder regarding certain charitable contributions by Alcoa was defeated. Total votes cast for the shareholder proposal were 2,401,623, votes cast against were 127,769,063 and there were 4,647,520 abstentions. Abstentions are not counted for voting purposes under Pennsylvania law, the jurisdiction of Alcoa's incorporation.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

3. Articles of the Registrant as amended
12. Computation of Ratio of Earnings to Fixed Charges
15. Independent Accountants' letter regarding unaudited financial information
27. Financial Data Schedule
99. Unaudited Pro Forma Condensed Consolidated Financial Statements

(b) Alcoa filed a Form 8-K, dated June 10, 1998, with the Securities and Exchange Commission that included Unaudited Pro Forma Condensed Consolidated Financial Statements prepared in connection with the acquisition by Alcoa of Alumax Inc. Alcoa filed a Form 8-K on July 15, 1998 that included three press releases issued by Alcoa relating to second quarter earnings, a quarterly common stock dividend and cost-cutting goals, respectively. Alcoa also filed a Form 8-K on July 31, 1998 that included a press release issued by Alcoa announcing the completion of the Alumax merger.

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SIGNATURES

Pursuant to the requirements 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

August 5, 1998
Date

By /s/ RICHARD B. KELSON
Richard B. Kelson
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

August 5, 1998
Date

By /s/ EARNEST J. EDWARDS
Earnest J. Edwards
Senior Vice President and Controller
(Chief Accounting Officer)

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EXHIBITS

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3. Articles of the Registrant as amended	----
12. Computation of Ratio of Earnings to Fixed Charges	26
15. Independent Accountants' letter regarding unaudited financial information	27
27. Financial Data Schedule	

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ALUMINUM COMPANY OF AMERICA

ARTICLES

(As Amended May 1998)

FIRST. The name of the corporation is Aluminum Company of America.

SECOND. The location and post office address of the corporation's current registered office is 1501 Alcoa Building, Mellon Square, Pittsburgh, Pennsylvania.

THIRD. The purpose or purposes of the corporation are: to acquire and dispose of deposits of and rights to bauxite, clay, ores and minerals of any sort or description, and to acquire, extract, treat and dispose of any materials recovered or recoverable therefrom; to reduce ores of aluminum and any and all other ores to their basic metals; to manufacture, alloy and fabricate any and all metals into articles of commerce; to acquire, produce, transport, trade in and dispose of goods, wares and merchandise of every class and description; to purchase, lease, or otherwise acquire improved or unimproved real property, leaseholds, easements and franchises, to manage, use, deal with and improve the same or any part thereof, and to sell, exchange, lease, sublease, or otherwise dispose of any of said property or the improvements thereon or any part thereof; to acquire, use and dispose of all land, minerals, materials, apparatus, machinery and other agencies, means and facilities, to perform all operations, and to do all things, necessary, convenient or incident to the foregoing; and to carry on any business directly or indirectly related thereto; and the corporation shall have unlimited power to engage in and to do any lawful act concerning any or all lawful business for which corporations may be incorporated under the Pennsylvania Business Corporation Law.

FOURTH. The term for which the corporation is to exist is perpetual.

FIFTH. The authorized capital of the corporation shall be 660,000 shares of Serial Preferred Stock of the par value of \$100 per share, 10,000,000 shares of Class B Serial Preferred Stock of the par value of \$1.00 per share and 600,000,000 shares of Common Stock of the par value of \$1.00 per share.

Hereinafter in this Article Fifth, the term "Preferred Stock" shall mean each of the Serial Preferred Stock and the Class B Serial Preferred Stock.

A description of each class of shares which the corporation shall have authority to issue and a statement of the rights, voting powers, preferences, qualifications, limitations, restrictions and the special or relative rights granted to or

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imposed upon the shares of each class and of the authority vested in the Board of Directors of the corporation to establish series of the Preferred Stock and to fix and determine the variations in the relative rights and preferences as between the series thereof are as follows:

1. Establishment of Series of Preferred Stock. Preferred Stock shall be issued in one or more series. Each series shall be designated by the Board of Directors so as to distinguish the shares thereof from the shares of all other series and classes. The Board of Directors may, by resolution, from time to time divide shares of Preferred Stock into series and fix and determine the number of shares and, subject to the provisions of this Article Fifth, the relative rights and preferences of any series so established, provided that all shares of Preferred Stock shall be identical except as to the following relative rights and preferences, in respect of any or all of which there may be variations between different series, namely: the rate of dividend (including the date from which dividends shall be cumulative and, with respect to Class B Serial Preferred Stock, whether such dividend rate shall be fixed or variable and the

methods, procedures and formulas for the recalculation or periodic resetting of any variable dividend rate); the price at, and the terms and conditions on, which shares may be redeemed; the amounts payable on shares in the event of voluntary or involuntary liquidation; sinking fund provisions for the redemption or purchase of shares in the event shares of any series are issued with sinking fund provisions; and the terms and conditions on which the shares of any series may be converted in the event the shares of any series are issued with the privilege of conversion. Each share of any series of Preferred Stock shall be identical with all other shares of such series, except as to date from which dividends shall be cumulative.

2. Dividends.

(a) The holders of Serial Preferred Stock of any series shall be entitled to receive, when and as declared by the Board of Directors, out of surplus or net profits legally available therefor, cumulative dividends at the rate of dividend fixed by the Board of Directors for such series as hereinbefore provided, and no more, payable quarter yearly on the first days of January, April, July and October in each year. The dividends on any shares of Serial Preferred Stock shall be cumulative from such date as shall be fixed for that purpose by the Board of Directors prior to the issue of such shares or, if no such date shall be so fixed by the Board of Directors, from the quarter yearly dividend payment date next preceding the date of issue of such shares.

(b) The holders of Class B Serial Preferred Stock of any series shall be entitled to receive, when and as declared by the Board of Directors or any authorized committee thereof, out of funds legally available therefor, cumulative dividends at the rate of dividend fixed by the Board of Directors for such series including any such rate which may be reset or recalculated from

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time to time pursuant to procedures or formulas established therefor by the Board of Directors, and no more; provided, however, that no dividend shall be declared or paid on the Class B Serial Preferred Stock so long as any of the Serial Preferred Stock remains outstanding, unless all quarter yearly dividends accrued on the Serial Preferred Stock and the dividend thereon for the current quarter yearly dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart. The dividends on any shares of Class B Serial Preferred Stock shall be cumulative from such date as shall be fixed for that purpose by the Board of Directors prior to the issue of such shares or, if no such date shall be so fixed by the Board of Directors, from the dividend payment date for such series next preceding the date of issue of such shares. If full cumulative dividends on shares of a series of Class B Serial Preferred Stock have not been paid or declared and a sum sufficient for the payment thereof set apart, dividends thereon shall be declared and paid pro rata to the holders of such series entitled thereto. Accrued dividends shall not bear interest.

(c) The holders of Common Stock shall be entitled to receive dividends, when and as declared by the Board of Directors, out of surplus or net profits legally available therefor, provided, however, that no dividend shall be declared or paid on the Common Stock so long as any of the Preferred Stock remains outstanding, unless all dividends accrued on all classes of Preferred Stock and the dividend on Serial Preferred Stock for the current quarter yearly dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart.

3. Liquidation. In the event of any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary, then before any payment or distribution shall be made to the holders of Common Stock or Class B Serial Preferred Stock the holders of Serial Preferred Stock shall be entitled to be paid such amount as shall have been fixed by the Board of Directors as hereinbefore provided, plus all dividends which have accrued on the Serial Preferred Stock and have not been paid or declared and a sum sufficient for the payment thereof set apart. Thereafter, the holders of Class B Serial Preferred Stock of each series shall be entitled to be paid such amount as shall have been fixed by the Board of Directors as hereinbefore provided,

plus all dividends which have accrued on the Class B Serial Preferred Stock and have not been paid or declared and a sum sufficient for the payment thereof set apart. Thereafter, the remaining assets shall belong to and be divided among the holders of the Common Stock. The consolidation or merger of the corporation with or into any other corporation or corporations or share exchange or division involving the corporation in pursuance of applicable statutes providing for the consolidation, merger, share exchange or division shall not be deemed a liquidation, dissolution or winding up of the corporation within the meaning of any of the provisions of this subdivision.

4. Voting Rights. The holders of Preferred Stock shall have no voting rights except as otherwise required by law or hereinafter provided:

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(a) If at any time the amount of any dividends on Preferred Stock which have accrued and which have not been paid or declared and a sum sufficient for the payment thereof set apart shall be at least equal to the amount of four quarter yearly dividends, the holders of Preferred Stock shall have one vote per share, provided, however, that such voting rights of the holders of Preferred Stock shall continue only until all quarter yearly dividends accrued on the Preferred Stock have been paid or declared and a sum sufficient for the payment thereof set apart.

(b) Without the consent of the holders of at least a majority of the shares of Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by vote at a meeting called for that purpose at which the holders of Preferred Stock shall vote as a class,

(i) no additional class of stock ranking on a parity with the Preferred Stock as to dividends or assets shall be authorized;

(ii) the authorized number of shares of Preferred Stock or of any class of stock ranking on a parity with the Preferred Stock as to dividends or assets shall not be increased; and

(iii) the corporation shall not merge or consolidate with or into any other corporation if the corporation surviving or resulting from such merger or consolidation would have after such merger or consolidation any authorized class of stock ranking senior to or on a parity with the Preferred Stock except the same number of shares of stock with the same rights and preferences as the authorized stock of the corporation immediately preceding such merger or consolidation.

(c) Except in pursuance of the provisions of subdivision 4(b) (iii) of this Article Fifth, without the consent of the holders of at least sixty-six and two-thirds (66-2/3) per cent. of the number of shares of Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for that purpose at which the holders of Preferred Stock shall vote as a class,

(i) no change shall be made in the rights and preferences of the Preferred Stock as set forth in the Articles of Incorporation or as fixed by the Board of Directors so as to affect such stock adversely; provided, however, that if any such change would affect any series of Preferred Stock adversely as compared with the effect thereof upon any other series of Preferred Stock, no such change shall be made without the additional consent given as aforesaid of the holders of at least sixty-six and two-thirds (66-2/3) per cent. of the number of shares at the time outstanding of the Preferred Stock of the series which would be so adversely affected;

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(ii) no additional class of stock ranking senior to the Preferred Stock as to dividends or assets shall be authorized;

(iii) the authorized number of shares of any class of stock ranking senior to the Preferred Stock as to dividends or assets shall not be increased; and

(iv) the corporation shall not (a) sell, lease, convey or part with control of all or substantially all of its property or business or (b) voluntarily liquidate, dissolve or wind up its affairs.

Notwithstanding the foregoing:

(i) except as otherwise required by law, the voting rights of any series of Class B Serial Preferred Stock may be limited or eliminated by the Board of Directors prior to the issuance thereof; and

(ii) provided no shares of Serial Preferred Stock are then outstanding, any series of Class B Serial Preferred Stock may be issued with such additional voting rights in the event of dividend arrearages as the Board of Directors may determine to be required to qualify such series for listing on one or more securities exchanges of recognized standing.

The holders of Common Stock of the corporation shall have one vote per share.

5. Redemption.

(a) The corporation, at the option of the Board of Directors, may redeem the whole or any part of the Serial Preferred Stock, or the whole or any part of any series thereof, at any time or from time to time, at such redemption price therefor as shall have been fixed by the Board of Directors as hereinbefore provided, plus all dividends which on the redemption date have accrued on the shares to be redeemed and have not been paid or declared and a sum sufficient for the payment thereof set apart. Notice of every such redemption shall be published not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption in a daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, City and State of New York, and in a daily newspaper printed in the English language and published and of general circulation in the City of Pittsburgh, Pennsylvania. Notice of every such redemption shall also be mailed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the holders of record of the shares of Serial Preferred Stock to be redeemed at their respective addresses as the same appear upon the books of the corporation; but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Serial Preferred Stock. In case of a redemption of a part only of any series of the Serial

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Preferred Stock at the time outstanding, the corporation shall select shares so to be redeemed in such manner, whether pro rata or by lot, as the Board of Directors may determine. Subject to the provisions herein contained, the Board of Directors shall have full power and authority to prescribe the manner in which and the terms and conditions on which the Serial Preferred Stock shall be redeemed from time to time. If notice of redemption shall have been published as hereinbefore provided and if before the redemption date specified in such notice all funds necessary for such redemption shall have been set apart so as to be available therefor, then on and after the date fixed for redemption the shares of Serial Preferred Stock so called for redemption, notwithstanding that any certificate therefor shall not have been surrendered for cancellation, shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith cease and terminate except only the right of the holders thereof to receive upon surrender of certificates therefor the amount payable upon redemption thereof, but without interest; provided, however, that if the corporation shall, after the publication of notice of any such redemption and prior to the redemption date, deposit in trust for the account of the holders of the Serial Preferred Stock to be redeemed with a bank or trust company in good standing, designated in such notice, organized under the laws of the United States of America or of the State of New York or of the Commonwealth of Pennsylvania, doing business in the Borough of Manhattan, The City of New York, or in the City of Pittsburgh, Pennsylvania, and having a capital, undivided profits and surplus aggregating at least five million dollars (\$5,000,000), all funds necessary for such redemption, then from

and after the time of such deposit the shares of Serial Preferred Stock so called for redemption, notwithstanding that any certificate therefor shall not have been surrendered for cancellation, shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith cease and terminate except only the right of the holders of such shares to receive from such bank or trust company upon surrender of certificates therefor the amount payable upon redemption thereof, but without interest.

All shares of Serial Preferred Stock so redeemed shall be cancelled and shall not be reissued.

(b) The terms and conditions under which the whole or any part of any series of the Class B Serial Preferred Stock may be redeemed shall be established by the Board of Directors prior to the issuance thereof. Unless otherwise determined by the Board of Directors, all shares of Class B Serial Preferred Stock so redeemed or otherwise acquired by the corporation shall be returned to the status of authorized but unissued shares.

6. Preemptive Rights. Neither the holders of the Preferred Stock nor the holders of the Common Stock shall be entitled to participate in any right of subscription to any increased or additional capital stock of the corporation of any kind whatsoever.

-6-

SIXTH. In each election of directors every shareholder entitled to vote shall have the right to cast one vote for each share of stock standing in his name on the books of the Company for each of such number of candidates as there are directors to be elected, but no shareholder shall have any right to cumulate his votes and cast them for one candidate or distribute them among two or more candidates.

SEVENTH. A. In addition to any affirmative vote required by law, the Articles or the By-Laws of the corporation (the "Company"), and except as otherwise expressly provided in Section B of this Article Seventh, the Company shall not knowingly engage, directly or indirectly, in any Stock Repurchase (as hereinafter defined) from an Interested Shareholder (as hereinafter defined) without the affirmative vote of not less than a majority of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock (as hereinafter defined) which are beneficially owned by persons other than such Interested Shareholder, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage or separate class vote may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. The provisions of Section A of this Article Seventh shall not be applicable to any particular Stock Repurchase from an Interested Shareholder, and such Stock Repurchase shall require only such affirmative vote, if any, as is required by law or by any other provision of the Articles or the By-Laws of the Company, or any agreement with any national securities exchange or otherwise, if the conditions specified in either of the following Paragraphs (1) or (2) are met:

(1) The Stock Repurchase is made pursuant to a tender offer or exchange offer for a class of Capital Stock (as hereinafter defined) made available on the same basis to all holders of such class of Capital Stock.

(2) The Stock Repurchase is made pursuant to an open market purchase program approved by a majority of the Continuing Directors (as hereinafter defined), provided that such repurchase is effected on the open market and is not the result of a privately negotiated transaction.

C. For the purposes of this Article Seventh:

(1) The term "Stock Repurchase" shall mean any repurchase, directly or indirectly, by the Company or any Subsidiary of any shares of Capital Stock at a price greater than the then Fair Market Value of such shares.

(2) The term "Capital Stock" shall mean all capital

stock of the Company authorized to be issued from time to time under Article FIFTH of the Articles of the Company, and the term "Voting Stock" shall mean all Capital Stock which by its terms

-7-

may be voted on all matters submitted to shareholders of the Company generally.

(3) The term "person" shall mean any individual, firm, company or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Capital Stock.

(4) The term "Interested Shareholder" shall mean any person (other than the Company or any Subsidiary and other than any savings, profit-sharing, employee stock ownership or other employee benefit plan of the Company or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who is on the date in question, or who was at any time within the two year period immediately prior to the date in question, the beneficial owner of Voting Stock representing five percent (5%) or more of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock.

(5) A person shall be a "beneficial owner" of any Capital Stock (a) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; (b) which such person or any of its Affiliates or Associates has, directly or indirectly, (i) the right to acquire (whether such right is exercisable immediately or subject only to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or (c) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Capital Stock. For the purposes of determining whether a person is an Interested Shareholder pursuant to Paragraph 4 of this Section C, the number of shares of Capital Stock deemed to be outstanding shall include shares deemed beneficially owned by such person through application of Paragraph 5 of this Section C, but shall not include any other shares of Capital Stock that may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(6) The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 under the Securities Exchange Act of 1934 as in effect on March 8, 1985 (the term "registrant" in said Rule 12b-2 meaning in this case the Company).

(7) The term "Subsidiary" shall mean any corporation of which a majority of any class of equity security is beneficially owned by the Company; provided, however, that for the purposes of the definition of Interested Shareholder set

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forth in Paragraph 4 of this Section C, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is beneficially owned by the Company.

(8) The term "Continuing Director" shall mean any member of the Board of Directors of the Company (the "Board"), while such person is a member of the Board, who is not an Affiliate or Associate or representative of the Interested Shareholder and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Continuing Director, while such successor is a member of the Board, who is not an Affiliate or Associate or representative of the Interested Shareholder and is recommended or elected to succeed the Continuing Director by a majority of Continuing Directors.

(9) The term "Fair Market Value" shall mean (a) in the case of cash, the amount of such cash; (b) in the case of stock, the closing sale price on the trading day immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Act on which such stock is listed, or, if such stock is not listed on any such exchange, the closing bid quotation with respect to a share of such stock on the trading day immediately preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar system then in use, or if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (c) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Continuing Directors.

D. The Board of Directors shall have the power and duty to determine for the purposes of this Article Seventh, on the basis of information known to them after reasonable inquiry, (a) whether a person is an Interested Shareholder, (b) the number of shares of Capital Stock or other securities beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another and (d) whether the consideration to be paid in any Stock Repurchase has an aggregate Fair Market Value in excess of the then Fair Market Value of the shares of Capital Stock being repurchased. Any such determination made in good faith shall be binding and conclusive on all parties.

E. Nothing contained in this Article Seventh shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

F. Notwithstanding any other provisions of the Articles or the By-Laws of the Company (and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, these Articles or the By-Laws of the Company), the affirmative

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vote of the holders of not less than eighty percent (80%) of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article Seventh.

EIGHTH. A. The business and affairs of the corporation (the "Company") shall be managed by a Board of Directors comprised as follows:

(1) The Board of Directors shall consist of the number of persons fixed from time to time by the Board of Directors pursuant to a resolution adopted by a majority vote of the directors then in office.

(2) Beginning with the Board of Directors to be elected at the annual meeting of shareholders held in 1985, directors shall be classified with respect to the time for which they shall severally hold office by dividing them into three classes, as nearly equal in number as possible. At such meeting, each class of directors shall be elected in a separate election. Directors of the first class shall be elected for a term of office to expire at the 1986 annual meeting of shareholders, those of the second class shall be elected for a term of office to expire at the 1987 annual meeting of shareholders, and those of the third class shall be elected for a term of office to expire at the 1988 annual meeting of shareholders. At each annual election held after the 1985 annual meeting of shareholders the class of directors then being elected shall be elected to hold office for a term of office to expire at the third succeeding annual meeting of shareholders after their election. Each director shall hold office for the term for which elected and until his or her successor shall have been elected and qualified, except in the case of earlier death, resignation or removal.

(3) Nominations for the election of directors at an

annual meeting of the shareholders may be made by the Board of Directors or a committee appointed by the Board of Directors or by any shareholder entitled to vote in the election of directors at the meeting. Shareholders entitled to vote in such election may nominate one or more persons for election as directors only if written notice of such shareholder's intent to make such nomination or nominations has been given either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company not later than ninety days prior to the anniversary date of the immediately preceding annual meeting. Such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the persons or person to be nominated; (b) a representation that the shareholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee

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proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission as then in effect; and (e) the consent of each nominee to serve as a director of the Company if so elected. The presiding officer of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

(4) Any director, any class of directors, or the entire Board of Directors may be removed from office by shareholder vote at any time, with or without assigning any cause, but only if shareholders entitled to cast at least 80% of the votes which all shareholders would be entitled to cast at an annual election of directors or of such class of directors shall vote in favor of such removal.

(5) Vacancies in the Board of Directors, including vacancies resulting from an increase in the number of directors, shall be filled only by a majority vote of the remaining directors then in office, though less than a quorum, except that vacancies resulting from removal from office by a vote of the shareholders may be filled by the shareholders at the same meeting at which such removal occurs. All directors elected to fill vacancies shall hold office for a term expiring at the annual meeting of shareholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

B. Notwithstanding any other provisions of the Articles or the By-Laws of the Company (and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, these Articles or the By-laws of the Company), the affirmative vote of not less than eighty percent (80%) of the votes which all shareholders of the then outstanding shares of capital stock of the Company would be entitled to cast in an annual election of directors, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article Eighth.

NINTH. To the fullest extent that the laws of the Commonwealth of Pennsylvania, as in effect on May 15, 1987 or as thereafter amended, permit elimination or limitation of the liability of directors, no director of the corporation shall be personally liable for monetary damages for any action taken, or any failure to take any action. This Article Ninth shall not apply to any action filed prior to May 15, 1987, nor to any breach of performance of duty or any failure of performance of duty occurring prior to May 15, 1987. The provisions of this Article shall be deemed to be a contract with each director of the corporation who serves as such at any time while such provisions are in effect, and each such director shall be deemed to be serving as such in reliance on the provisions of this Article. Any amendment or repeal of this Article or adoption of any other provision of the Articles or By-laws of the corporation which has the effect of increasing director liability shall

operate prospectively only and shall not affect any action taken, or any failure to act, prior to such amendment, repeal or adoption.

TENTH. Except as prohibited by law, the corporation may indemnify any person who is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) and may take such steps as may be deemed appropriate by the Board of Directors, including purchasing and maintaining insurance, entering into contracts (including, without limitation, contracts of indemnification between the corporation and its directors and officers), creating a trust fund, granting security interests or using other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect such indemnification. This Article shall be effective May 15, 1987.

Computation of Ratio of Earnings to Fixed Charges
 For the six months ended June 30, 1998
 (in millions, except ratio)

	1998

Earnings:	
Income before taxes on income	\$ 826.0
Minority interests' share of earnings of majority-owned subsidiaries without fixed charges	(1.1)
Equity income	(27.8)
Fixed charges	102.7
Proportionate share of income (loss) of 50%-owned persons	20.9
Distributed income of less than 50%-owned persons	-
Amortization of capitalized interest	10.0

Total earnings	\$ 930.7
Fixed Charges:	
Interest expense:	
Consolidated	\$ 81.0
Proportionate share of 50%-owned persons	1.6

	82.6

Amount representative of the interest factor in rents:	
Consolidated	19.9
Proportionate share of 50%-owned persons	.2

	20.1

Fixed charges added to earnings	102.7

Interest capitalized:	
Consolidated	4.3
Proportionate share of 50%-owned persons	-

	4.3

Preferred stock dividend requirements of majority-owned subsidiaries	-

Total fixed charges	\$ 107.0
	=====
Ratio of earnings to fixed charges	8.7
	=====

July 7, 1998

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: Aluminum Company of America

1. Form S-8 (Registration Nos.33-24846 and 333-00033)
Alcoa Savings Plan for Salaried Employees; Alcoa
Fujikura Ltd. Salaried 401(k) Savings Plan
2. Form S-8 (Registration Nos.33-22346, 33-49109,
33-60305 and 333-27903)
Long Term Stock Incentive Plan
3. Form S-3 (Registration No. 33-60045) and
Form S-3 (Registration No. 33-64353) and
Form S-3 (Registration No. 333-59381)
Debt Securities and Warrants to Purchase Debt Securities,
Preferred Stock and Common Stock of the Company
and Trust Preferred Securities of Alcoa Trust I
4. Form S-4 (Registration No. 333-58227)
Registration of Alcoa common stock, par value
\$1.00 per share

Ladies and gentlemen:

We are aware that our report dated July 7, 1998, except for Note i, for which the date is August 5, 1998, accompanying interim financial information of Aluminum Company of America (Alcoa) and subsidiaries for the six-month period ended June 30, 1998, is incorporated by reference in the registration statements referred to above. Pursuant to Rule 436 (c) under the Securities Act of 1933, this report should not be considered as part of a registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

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DEC-31-1998

JUN-30-1998

834,200

74,800

2,447,500

63,700

1,887,100

5,916,500

17,862,900

8,788,900

17,576,600

3,282,300

3,866,200

0

55,800

178,900

4,116,300

17,576,600

7,032,100

7,078,500

5,378,200

5,378,200

370,900

0

81,000

825,900

276,700

417,000

0

0

0

417,000

2.49

2.48

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following Unaudited Pro Forma Condensed Consolidated Financial Statements are based on and should be read in conjunction with the historical consolidated financial statements of Alcoa and Alumax, adjusted to give effect to the Alumax merger and related transactions. The Unaudited Pro Forma Condensed Consolidated Statement of Income does not (a) purport to represent what the results of operations actually would have been if the Alumax merger had occurred as of the date indicated or what such results will be for any future periods or (b) give effect to certain non-recurring charges expected to result from the acquisition.

The Unaudited Pro Forma Condensed Consolidated Statement of Income for the six month period ended June 30, 1998 gives effect to the Alumax merger and related transactions as if such transactions had occurred on January 1, 1998. The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 1998 gives effect to the Alumax merger and related transactions as if such transactions had occurred on that date.

The pro forma adjustments are based upon available information and include certain assumptions and adjustments which the managements of Alcoa and Alumax believe to be reasonable. These adjustments are directly attributable to the transactions referenced above and are expected to have a continuing impact on Alcoa's business, results of operations and financial position. Alcoa has completed an initial assessment of potential benefits from cost savings related to combining operations, with efficiency opportunities estimated to be \$300 million over the next one and a half years. No adjustments have been made to these pro forma's related to potential recurring benefits from these cost savings. The purchase of Alumax will be accounted for using the purchase method of accounting, pursuant to which the total purchase costs of the acquisition will be allocated to the tangible and intangible assets and liabilities acquired based upon their estimated fair values. The purchase price allocation is preliminary, based on facts currently known to the companies. Alcoa and Alumax are not aware of any significant unrecorded obligations or contingencies, and do not believe that the final purchase price allocation will materially differ. The final allocation of the purchase price will be made based upon valuations and other studies that have not been completed.

Unaudited Pro Forma Condensed Consolidated Balance Sheet

	As of June 30, 1998		
	Historical Alcoa (A)	Pro Forma Adjustments	Pro Forma
	(in millions)		
Assets			
Current Assets:			
Cash, cash equivalents and short-term investments	\$ 909.0	\$ (183.9)(C)	\$ 725.1
Receivables from customers, less allowance	2,447.5	-	2,447.5
Inventories	1,887.1	36.2 (B)	1,923.3
Prepaid expenses and other current assets	672.9	-	672.9
Total current assets	5,916.5	(147.7)	5,768.8
Net properties, plant and equipment	9,074.0	669.3 (B)	9,743.3
Other assets	2,586.1	240.4 (B) (3.9)(B) 26.3 (B)	2,848.9
Total Assets	\$17,576.6	\$ 784.4	\$18,361.0

Liabilities

Current liabilities:

Short term borrowings	\$ 461.6	\$ -	\$ 461.6
Accounts payable	1,041.6	-	1,041.6
Accrued liabilities	1,616.3	40.3 (B)	1,656.6
Long-term debt due within one year	162.8	-	162.8
	-----	-----	-----
Total current liabilities	3,282.3	40.3	3,322.6
Long-term debt	3,703.4	-	3,703.4
Accrued postretirement benefits	1,898.8	-	1,898.8
Other noncurrent liabilities and deferred credits	1,628.4	.8 (B)	1,629.2
Deferred income taxes	411.2	240.4 (B)	651.6
	-----	-----	-----
Total liabilities	10,924.1	281.5	11,205.6
Minority interests	2,301.5	(817.9)(B)	1,483.6
Shareholders' Equity			
Preferred stock	55.8	-	55.8
Common stock	178.9	18.4 (C)	197.3
Additional capital	573.1	1,302.4 (C)	1,875.5
Retained earnings	4,965.2	-	4,965.2
Treasury stock, at cost	(1,022.7)	-	(1,022.7)
Accumulated other comprehensive income	(399.3)	-	(399.3)
	-----	-----	-----
Total shareholders' equity	4,351.0	1,320.8	5,671.8
	-----	-----	-----
Total liabilities and equity	\$17,576.6	\$ 784.4	\$18,361.0
	=====	=====	=====

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Consolidated Financial Statements.

Unaudited Pro Forma Condensed Consolidated Statement of Income

	Six Months Ended June 30, 1998			
	Historical Alcoa	Historical Alumax (Reclassified) (A)	Pro Forma Adjustments	Pro Forma

	(in millions)			

Revenues				
Sales	\$7,032.1	\$1,555.1	\$(109.8)(D)	\$8,477.4
Other income	46.4	2.2	-	48.6
	-----	-----	-----	-----
	7,078.5	1,557.3	(109.8)	8,526.0
Costs and Expenses				
Cost of goods sold	5,378.2	1,157.6	(109.8)(D)	6,426.0
Selling, general administrative and other expenses	308.0	168.5	-	476.5
Research and development expenses	52.4	3.3	-	55.7
Provision for depreciation, depletion and amortization	370.9	79.4	28.2 (E) (3.5)(F)	475.0
Interest expense	81.0	35.2	33.3 (G) (5.0)(H)	144.5
Taxes other than payroll taxes	62.1	15.3	-	77.4
	-----	-----	-----	-----
	6,252.6	1,459.3	(56.8)	7,655.1
Earnings				
Income before taxes on income	825.9	98.0	(53.0)	870.9
Provision for taxes on income	276.7	51.2	(16.7)(I)	311.2
	-----	-----	-----	-----
Income from operations	549.2	46.8	(36.3)	559.7
Minority interests	(132.2)	-	-	(132.2)
	-----	-----	-----	-----
Net income	\$ 417.0	\$ 46.8	\$ (36.3)	427.5

	=====	=====	=====	=====
Earnings per Share				
Basic	\$ 2.49	\$ 0.87		\$ 2.30
Diluted	\$ 2.48	\$ 0.85		\$ 2.29
Weighted average shares outstanding:				
Basic	167.0	55.0	(55.0)(J)	
			18.4 (J)	185.4
Diluted	168.0	55.9	(55.9)(J)	
			18.4 (J)	186.4

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Consolidated Financial Statements.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

(A) Certain reclassifications have been made to the Alumax historical financial statements to conform to the presentation to be used by Alcoa upon completion of the Alumax transaction. In addition, the balance sheet of Alcoa at June 30, 1998 includes 100% of Alumax, with the corresponding 49% recorded as minority interest. The pro forma adjustments to the June 30, 1998 balance sheet represent adjustments necessary to record the 49% of Alumax that Alcoa did not own as of June 30, 1998.

(B) On March 9, 1998, Alcoa and Alumax Inc. (Alumax) announced that they had entered into an agreement under which Alcoa was to acquire all of outstanding shares of Alumax for a combination of cash and stock. On June 16, 1998, after approval by the U.S. Department of Justice (DOJ) and other regulatory agencies, Alcoa completed the first step of the acquisition by purchasing approximately 51% of the outstanding shares of Alumax at \$50 per share. This resulted in an increase in the basis of 51% of the net assets of \$513.0 which includes goodwill of \$179.5. Following approval by Alumax stockholders at a special meeting on July 31, 1998, Alcoa completed the acquisition by exchanging its common stock for the remaining shares of Alumax at a ratio of .6975 share of Alcoa stock per share of Alumax stock. The exchange resulted in Alcoa issuing 18,425,380 shares to Alumax stockholders. The transaction was valued at approximately \$3,800, including the assumption of debt, and will be accounted for using the purchase method. The purchase price is subject to adjustment and includes cash and stock distributed to Alumax shareholders as well as other direct costs of the acquisition. The goodwill resulting from the acquisition will be amortized over a forty year period. In addition, the purchase price includes an adjustment for deferred income taxes representing the difference between the assigned values and the tax bases of the assets and liabilities acquired.

Adjustments to the purchase price have been made for the estimated impact of employee stock options, severance costs and acquisition expenses. Alcoa expects that the majority of Alumax employees will continue in their current jobs after completion of the merger transaction as part of the combined organization. However, where there is an overlap in functions or other duplication resulting from the combination, redeployment of personnel and job eliminations are likely to result. Alumax has certain severance plans, agreements and policies applicable to its directors, executive management and certain of its salaried employees. A number of covered persons have received severance benefits under these arrangements following Alcoa's purchase of 51% of the outstanding share of Alumax in June 1998. It is likely that additional covered persons will also receive benefits under these plans. The Unaudited Pro Forma Condensed Consolidated Financial Statements include an estimate of \$77.3 related to these benefits.

In addition, Alcoa has completed an initial assessment of potential benefits from cost savings related to combining operations, with efficiency opportunities estimated to be \$300 million over the next one and a half years. No adjustments have been made to the Unaudited Pro Forma Condensed Consolidated Financial Statements related to potential recurring benefits from these cost savings.

The purchase of the remaining 49% of Alumax, including

acquisition costs, has been allocated as follows (see note C):

	June 30, 1998

Acquisition of outstanding shares of common stock	\$ 1,320.8
Effect of assumed exercise of employee and director stock options	76.6
Severance costs	77.3
Acquisition expenses	30.0
Book value of net assets acquired	(817.9)

Increase in basis	\$ 686.8
	=====
Allocation of increase in basis:	
Increase in inventory value to convert LIFO to fair value	\$ 36.2
Increase in the fair value of property, plant and equipment	669.3
Write-off pre-operating costs	(3.9)
Adjust hedged sales contracts to fair market value	26.3
Accrual to record the fair market value of financial instruments	(40.3)
Adjust pension and postretirement accruals	(.8)
Increase in goodwill	240.4
Increase in deferred tax liabilities-long-term	(240.4)

	\$ 686.8
	=====

The purchase price allocation is preliminary and further refinements may be made based on the completion of final valuation studies.

(C) Represents the issuance of Alcoa common stock for the remaining 26,416,315 shares of Alumax common stock at an exchange ratio of .6975 share of Alcoa common stock per share of Alumax common stock.

The exchange ratio used to convert common stock was determined based on the closing price of Alcoa common stock on Wednesday, March 4, 1998, which was the last closing price before the two companies reached an agreement on the proposed transaction. The closing price was \$71.6875, which when converted at .6975, results in a \$50 price for the Common Stock. In accordance with generally accepted accounting principles, the value of Alcoa common stock to be issued was determined based on the market price of such Alcoa common stock over a reasonable period of time before and after the date the transaction was announced.

The acquisition financing included the issuance by Alcoa of \$200 million of 6.125% bonds due in 2005, \$250 million of 6.5% bonds due in 2018 and \$675 million of commercial paper at an interest rate of 5.60%. The commercial paper is classified as long-term debt since it is backed by Alcoa's \$1.3 billion revolving credit facility. The remaining cash costs (cash-out of employee and director stock options, severance costs and acquisition expenses) will be funded from internal cash.

A recap of the stock exchange transaction follows:

	June 30, 1998

Total stock acquisition price paid in shares of Alcoa common stock	\$1,320.8
Par value of Alcoa common stock issued at \$71.6875	\$ (18.4)

Additional capital	\$1,302.4
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(D) Represents the elimination of inter-company sales of alumina between Alcoa and Alumax and the related inter-company profit.

(E) Pro forma adjustments have been included to adjust

depreciation expense based on property, plant and equipment fair values and the amortization of goodwill. An average useful life of 25 years was assumed for fixed assets and a 40 year amortization period was assumed for goodwill.

(F) Represents an adjustment to eliminate the amortization of Alumax pre-operating costs.

(G) Represents interest expense related to the long-term debt identified in (C) above.

(H) Represents an adjustment to record interest expense based on the fair value of the Alumax financial instruments.

(I) Represents income taxes related to pro forma adjustments at the statutory rate.

(J) Represents the conversion of shares of Alumax common stock and the issuance of 18.4 million shares of Alcoa common stock.