SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(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 September 30, 2003

Commission File Number 1-3610

ALCOA INC.
(Exact name of registrant as specified in its charter)

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

201 Isabella Street, Pittsburgh, Pennsylvania 15212-5858
(Address of principal executive offices) (Zip Code)

Office of Investor Relations 212-836-2674
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 ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

As of October 20, 2003, 865,354,928 shares of common stock, par value $1.00 per share, of the Registrant were outstanding.

PART I – FINANCIAL INFORMATION

Item 1. – Financial Statements.

Alcoa and subsidiaries
Condensed Consolidated Balance Sheet (unaudited)
(in millions)

	September 30 2003	December 31 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 393	$ 344
Receivables from customers, less allowances of $104 in 2003 and $120 in 2002	2,563	2,389
Other receivables	261	174
Inventories (G)	2,534	2,450
Deferred income taxes	484	468
Prepaid expenses and other current assets	571	509
Total current assets	6,806	6,334
Properties, plants and equipment, at cost	24,490	23,167
Less: accumulated depreciation, depletion and amortization	12,096	11,010
Net properties, plants and equipment	12,394	12,157
Goodwill	6,397	6,365
Other assets	4,819	4,450
Assets held for sale (D)	573	504
Total assets	$ 30,989	$ 29,810
LIABILITIES		
Current liabilities:		
Short-term borrowings	$ 34	$ 37
Accounts payable, trade	1,807	1,624
Accrued compensation and retirement costs	908	934
Taxes, including taxes on income	754	821
Other current liabilities	964	972
Long-term debt due within one year	164	85
Total current liabilities	4,631	4,473
Long-term debt, less amount due within one year	7,657	8,365
Accrued postretirement benefits	2,256	2,320
Other noncurrent liabilities and deferred credits (H)	3,373	2,878
Deferred income taxes	567	502
Liabilities of operations held for sale (D)	108	52
Total liabilities	18,592	18,590
MINORITY INTERESTS	1,280	1,293
COMMITMENTS AND CONTINGENCIES (I)		
SHAREHOLDERS' EQUITY		
Preferred stock	55	55
Common stock	925	925
Additional capital	5,879	6,101
Retained earnings	7,560	7,428
Treasury stock, at cost	(2,156)	(2,828)
Accumulated other comprehensive loss (J)	(1,146)	(1,754)
Total shareholders' equity	11,117	9,927
Total liabilities and equity	$ 30,989	$ 29,810

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

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

	Third quarter ended September 30		Nine months ended September 30	
	2003	**2002**	**2003**	**2002**
Sales	$ 5,322	$ 5,160	$ 15,941	$ 15,218
Cost of goods sold	4,213	4,095	12,672	12,171
Selling, general administrative and other expenses	303	265	944	810
Research and development expenses	47	53	147	156
Provision for depreciation, depletion and amortization	295	287	883	813
Special items (F)	1	39	(18)	39
Interest expense	74	95	243	253
Other income, net (L)	(41)	(23)	(135)	(112)
	4,892	4,811	14,736	14,130
Income from continuing operations before taxes on income	430	349	1,205	1,088
Provision for taxes on income (M)	93	98	308	328
Income from continuing operations before minority interests'share	337	251	897	760
Less: Minority interests' share	54	49	188	137
Income from continuing operations	283	202	709	623
Loss from discontinued operations (D)	(3)	(9)	(15)	(14)
Cumulative effect of accounting change (B)	—	—	(47)	34
NET INCOME	$ 280	$ 193	$ 647	$ 643
EARNINGS PER SHARE (K)				
Basic:				
Income from continuing operations	$ .33	$ .24	$ .83	$ .74
Loss from discontinued operations	—	(.01)	(.01)	(.02)
Cumulative effect of accounting change	—	—	(.06)	.04
Net income	$ .33	$ .23	$ .76	$ .76
Diluted:				
Income from continuing operations	$ .33	$ .24	$ .83	$ .73
Loss from discontinued operations	—	(.01)	(.01)	(.02)
Cumulative effect of accounting change	—	—	(.06)	.04
Net income	$ .33	$ .23	$ .76	$ .75
Dividends paid per common share	$ .15	$ .15	$ .45	$ .45

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

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

	Nine months ended September 30	
	2003	2002
CASH FROM OPERATIONS		
Net income	$ 647	$ 643
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion and amortization	889	824
Change in deferred income taxes	13	(4)
Equity income, net of dividends	(60)	(32)
Noncash special items (F)	(18)	39
Gains from investing activities—sale of assets	(16)	(16)
Minority interests	188	137
Loss from discontinued operations (D)	15	14
Accounting changes (B)	47	(34)
Other	83	36
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:		
(Increase) reduction in receivables	(74)	96
Reduction in inventories	13	160
Reduction in prepaid expenses and other current assets	8	30
Reduction in accounts payable and accrued expenses	(169)	(408)
Reduction in taxes, including taxes on income	(115)	(262)
Cash received on long-term aluminum supply contract	440	—
Net change in noncurrent assets and liabilities	(189)	(235)
(Increase) reduction in net assets held for sale	(9)	32
CASH PROVIDED FROM CONTINUING OPERATIONS	1,693	1,020
CASH PROVIDED FROM (USED FOR) DISCONTINUED OPERATIONS	4	(11)
CASH FROM OPERATIONS	1,697	1,009
FINANCING ACTIVITIES		
Net changes to short-term borrowings	(3)	(310)
Common stock issued for stock compensation plans	34	48
Repurchase of common stock	—	(224)
Dividends paid to shareholders	(385)	(382)
Dividends paid to minority interests	(145)	(122)
Net change in commercial paper	(483)	56
Additions to long-term debt	288	1,593
Payments on long-term debt	(402)	(137)
CASH (USED FOR) PROVIDED FROM FINANCING ACTIVITIES	(1,096)	522
INVESTING ACTIVITIES		
Capital expenditures	(570)	(851)
Capital expenditures of discontinued operations	(4)	(5)
Acquisitions, net of cash acquired	(8)	(595)
Proceeds from the sale of assets	23	54
Additions to investments	(5)	(28)
Changes in short-term investments	6	(59)
Changes in minority interests	—	(39)
Other	(6)	(8)
CASH USED FOR INVESTING ACTIVITIES	(564)	(1,531)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	12	(49)
Net change in cash and cash equivalents	49	(49)
Cash and cash equivalents at beginning of year	344	512
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 393	$ 463

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

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

A. **Basis of Presentation** – The Condensed Consolidated Financial Statements are unaudited. These statements include all adjustments, consisting of normal recurring accruals, considered necessary by management to fairly present the results of operations, financial position and cash flows. The results reported in these Condensed Consolidated Financial Statements are not necessarily indicative of the results that may be expected for the entire year.

This Form 10-Q report should be read in conjunction with Alcoa’s annual report on Form 10-K for the year ended December 31, 2002, which includes all disclosures required by accounting principles generally accepted in the United States of America.

B. Recently Adopted Accounting Standards – Effective January 1, 2003, Alcoa adopted Statement of Financial Accounting Standards (SFAS) No. 143, “Accounting for Asset Retirement Obligations.” Under this new standard, Alcoa recognized additional liabilities, at fair value, of approximately $136 at January 1, 2003, for asset retirement obligations (ARO’s), consisting primarily of costs associated with spent pot lining disposal, bauxite residue disposal, mine reclamation and landfills. These costs reflect the legal obligations associated with the normal operation of Alcoa’s bauxite mining, alumina refining, and aluminum smelting facilities. Alcoa had previously recorded liabilities for certain of these costs. Additionally, Alcoa capitalized asset retirement costs by increasing the carrying amount of related long-lived assets, primarily machinery and equipment, and recorded associated accumulated depreciation from the time the original assets were placed into service. At January 1, 2003, Alcoa increased the following: net properties, plants and equipment by $74, net deferred tax assets by $22, liabilities by $136 as noted above, and minority interests by $7.

The cumulative effect adjustment recognized upon adoption of this standard was $47, consisting primarily of costs to establish assets and liabilities related to spent pot lining disposal for pots currently in operation. Net income for the quarter ended September 30, 2002 and for the full year of 2002 would not have been materially different if this standard had been adopted effective January 1, 2002.

The changes in the carrying amount of ARO’s for the nine months ended September 30, 2003, and the pro forma impact for the year ended December 31, 2002, as if this standard had been adopted effective January 1, 2002, follow.

	Nine months ended September 30, 2003	(Pro forma) Year ended December 31, 2002
Balance at beginning of period	$ 224	$ 214
Accretion expense	12	12
Payments	(21)	(27)
Liabilities incurred	8	22
Translation and other	(8)	3
Balance at end of period	$ 215	$ 224

In addition to the ARO’s discussed above, Alcoa may have other obligations in the event of a permanent plant shutdown. However, these plant assets have indeterminate lives and, therefore, the associated ARO’s are not reasonably estimable and liabilities cannot be established.

In 2002, Alcoa adopted SFAS No. 141, “Business Combinations” and SFAS No. 142 “Goodwill and Other Intangible Assets.” As a result, Alcoa recognized a cumulative effect adjustment of $34 in the first quarter of 2002, consisting of income from the write-off of negative goodwill from prior acquisitions of $49, offset by a $15 write-off for the impairment of goodwill in the automotive business resulting from a change in the criteria for the measurement of impairments from an undiscounted to a discounted cash flow method.

C. Stock-Based Compensation – Stock options granted under the company’s stock incentive plans are granted at market prices on the date of grant and include a reload or stock continuation ownership feature. Stock options granted have a maximum term of ten years. Vesting periods for new option grants prior to 2003 are one year from the date of grant and six months for options granted under the reload feature. New option grants issued after this date vest one-third in each of the three years from the date of the grant, and the reload feature of new options is subject to cancellation or modification.

Alcoa accounts for stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations using the intrinsic value method, which resulted in no compensation cost for options granted.

Alcoa's net income and earnings per share would have been reduced to the pro forma amounts shown below if compensation cost had been determined based on the fair value at the grant dates in accordance with SFAS Nos. 123 and 148, "Accounting for Stock-Based Compensation."

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Net income, as reported	$ 280	$ 193	$ 647	$ 643
Less: compensation cost determined under the fair value method, net of tax	5	26	13	92
Pro forma net income	$ 275	$ 167	$ 634	$ 551
Basic earnings per share:				
As reported	$ .33	$ .23	$ .76	$ .76
Pro forma	.32	$ .20	.74	.65
Diluted earnings per share:				
As reported	$ .33	$ .23	$ .76	$ .75
Pro forma	.32	.20	.74	.65

D. Discontinued Operations and Assets Held for Sale – During the fourth quarter of 2002, Alcoa performed a portfolio review of its businesses and the markets they serve. As a result of this review, Alcoa committed to a plan to divest certain noncore businesses that do not meet internal growth and return measures. Certain of the businesses to be divested were classified as discontinued operations and they include Alcoa's commodity automotive fasteners business, certain fabricating businesses serving the residential building and construction market in North America, and a packaging business in South America. These businesses were previously included within the Engineered Products and Packaging and Consumer segments and have been reclassified to corporate. The financial information for 2002 for these businesses has been reclassified to reflect these businesses as assets held for sale and liabilities of operations held for sale on the Condensed Consolidated Balance Sheet and as discontinued operations on the Condensed Statement of Consolidated Income. The following table details selected financial information for the businesses included within discontinued operations.

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Sales	$64	$78	$ 200	$ 248
Loss from operations	(3)	(9)	(4)	(14)
Loss from impairment	—	—	(11)	—

The protective packaging business of Ivex Packaging Corporation (Ivex) has been included in discontinued operations since the acquisition of Ivex in 2002. In the third quarter of 2003, management discontinued its plan to sell this business based on an assessment of market conditions. Therefore, the financial statements for all periods presented have been reclassified to reflect this business in continuing operations, within the Packaging and Consumer segment. The following table details selected financial information for the protective packaging business.

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Sales	$24	$18	$71	$18
Loss from continuing operations	(5)	—	(1)	—

Certain other businesses to be divested are classified as assets held for sale due to management's belief that Alcoa may enter into supply agreements in connection with the sale of these businesses. These businesses to be divested principally include certain architectural products businesses in North America, certain fabricating and packaging operations in South America, and foil facilities in St. Louis, MO and Russellville, AR. The operating results of these businesses are included within the Engineered Products, Flat-Rolled Products, and Packaging and Consumer segments. The assets and liabilities of these businesses have been classified as assets held for sale and liabilities of operations held for sale on the Condensed Consolidated Balance Sheet. Alcoa continues to actively market these businesses. Alcoa expects that all of the businesses will be sold within a one-year period.

In the second quarter of 2003, Alcoa made adjustments to certain impairment charges recognized in the fourth quarter of 2002 to reflect revisions to estimated fair values of assets held for sale and discontinued operations. These adjustments consisted of a $43 increase in estimated fair value and $10 for a reduction in estimated fair value on various businesses that were recorded as special items on the Condensed Statement of Consolidated Income. Additionally, an adjustment of $11 was recognized in loss from discontinued operations on the Condensed Statement of Consolidated Income for a reduction in estimated fair value on one of the businesses classified as discontinued operations. The fair values that are ultimately realized upon the sale of the businesses to be divested may differ from currently estimated fair values.

For further details on discontinued operations and assets held for sale, see Note B to the audited financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2002.

E. Acquisitions – In August of 2003, Alcoa acquired the 40.9% shareholding in Alcoa's South American operations held by Camargo Correa Group ("Camargo Group") since 1984. Alcoa issued to the Camargo Group 17.8 million shares of Alcoa common stock, with an agreed value of approximately $410, in exchange for the Camargo Group's holdings. The agreement also provides for contingent purchase price payments over the next five years based on the performance of the South American operations. The maximum amount of contingent payments is $235. The contingent payments will be reduced by appreciation on the Alcoa shares issued in the transaction, as specified in the agreement. The allocation of the purchase price for this transaction is preliminary; the final allocation of the purchase price will be based upon valuations.

F. Special Items – During 2002, Alcoa recorded special charges of $407 ($261 after tax and minority interests) for restructurings, consisting of a charge of $39 in the third quarter of 2002 as a result of the curtailment of aluminum production at three smelters; a charge of $154 in the fourth quarter of 2002 related to restructuring operations in the U.S. smelting system and for those businesses experiencing negligible growth due to continued market declines in aerospace, automotive, and industrial gas turbines markets; and $214 in the fourth quarter of 2002 related to impairment charges on businesses to be divested that have failed to meet internal growth and return measures. The charges of $407 are comprised mainly of $278 for asset write-downs, consisting of $136 of goodwill on businesses to be divested, as well as $142 for structures, machinery, and equipment; $105 for employee termination and severance costs related to approximately 8,500 hourly and salaried employees at over 70 locations, primarily in Mexico, Europe, and the U.S.; and charges of $31 for exit costs, primarily for remediation, demolition, and lease termination costs.

As of September 30, 2003, approximately 5,300 of the 8,500 employees associated with the 2002 restructuring program had been terminated. During 2003, Alcoa recorded additional special charges of $26 associated with employee termination and severance costs in businesses serving the primary metals, automotive, and industrial gas turbine markets. Also during 2003, various adjustments were recorded to the 2002 restructuring program reserves. An additional charge of $10 was recognized for the reduction in estimated fair value on a business held for sale. Reversals of 2002 restructuring charges totaled $54, of which $43 was related to an increase in estimated fair value on a business held for sale, while the remaining reversals were primarily related to changes in estimates on employee termination and severance costs.

During 2001, Alcoa recorded charges of $565 ($355 after tax and minority interests) as a result of a restructuring plan based on a strategic review of the company's primary products and fabricating businesses aimed at optimizing and aligning its manufacturing systems with customer needs, while positioning the company for stronger profitability. These charges were comprised of asset write-downs of $371; employee termination and severance costs of $178 related to workforce reductions of approximately 10,400 hourly and salaried employees, primarily located outside of the U.S.; and other exit costs of $16 related to the shutdown of facilities. These charges were primarily due to actions taken in Alcoa's primary products and fabricating businesses because of economic and competitive conditions and included the shutdown of 18 facilities in the U.S. and Europe. The results of operations related to these facilities were not material.

As of September 30, 2003, approximately 9,600 of the 10,650 employees (comprised of 10,400 from above as well as an additional 250 announced in 2002) associated with the 2001 restructuring program had been terminated.

The reserve balances consisted of the following.

	Asset write-downs	Employee termination and severance costs	Other	Total
2001:				
Total restructuring charges	$ 371	$ 178	$ 16	$ 565
Cash payments	(3)	(32)	(5)	(40)
Noncash charges	(288)	—	—	(288)
Reserve balances at December 31, 2001	$ 80	$ 146	$ 11	$ 237
2002:				
Cash payments	(17)	(74)	(13)	(104)
2002 restructuring charges	278	105	31	414
Noncash charges in 2002	(278)	—	—	(278)
Additions to 2001 restructuring charges	9	9	—	18
Reversals of 2001 restructuring charges	(10)	(20)	(2)	(32)
Reserve balances at December 31, 2002	$ 62	$ 166	$ 27	$ 255
2003:				
Cash payments	(2)	(80)	(20)	(102)
2003 restructuring charges	—	26	—	26
Additions to 2002 restructuring charges	10	—	—	10
Reversals of 2002 restructuring charges	(46)	(8)	—	(54)
Noncash additions/reversals to the reserves in 2003	33	—	—	33
Reserve balances at September 30, 2003	$ 57	$ 104	$ 7	$ 168

For further details on the restructurings, see Note C to the audited financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2002.

G. Inventories

	September 30 2003	December 31 2002
Finished goods	$ 789	$ 758
Work in process	784	750
Bauxite and alumina	345	341
Purchased raw materials	427	425
Operating supplies	189	176
	$ 2,534	$ 2,450

Approximately 48% of total inventories at September 30, 2003, was valued on a LIFO basis. If valued on an average cost basis, total inventories would have been $552 and $514 higher at September 30, 2003 and December 31, 2002, respectively.

H. Other Noncurrent Liabilities and Deferred Credits – During the second quarter of 2003, Alcoa received a partial advance payment of $440 related to a long-term aluminum supply contract with a customer. Each month for a six-year period, the customer will purchase and Alcoa is required to deliver 7,500 tons of aluminum at market prices. Alcoa has deposited $7 into a cash collateral account to satisfy one month's delivery obligation under the aluminum supply contract.

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

Alcoa Aluminio S.A. (Aluminio) is a participant in several hydroelectric construction projects in Brazil for purposes of increasing its energy self-sufficiency and providing a long-term, low-cost source of power for its facilities.

The completed and committed hydroelectric construction projects that Aluminio participates in are outlined in the following tables.

Completed projects	Date completed	Investment participation	Share of output	Debt guarantee	Debt guarantee through 2013
Machadinho	2002	27.23%	22.62%	35.53%	$ 95

Aluminio committed to taking a share of the output of the completed project for 30 years at cost, including cost of financing the project. In the event that other participants in this project fail to fulfill their financial responsibilities, Aluminio may be required to fund a portion of the deficiency. In accordance with the agreement, if Aluminio funds any such deficiency, its participation and share of the output from the project will increase proportionately.

Committed projects	Scheduled completion date	Share of output	Investment participation	Total estimated project costs	Aluminio's share of project costs	Performance bond guarantee
Barra Grande	2005	42.20%	42.20%	$ 359	$ 151	$ 5
Serra do Facao	2006	39.50%	39.50%	$ 149	$ 59	$ 3
Pai-Quere	2007	35.00%	35.00%	$ 180	$ 63	$ 2
Santa Isabel	To be determined	20.00%	20.00%	$ 460	$ 92	$ 7
Estreito	2008	19.08%	19.08%	$ 511	$ 97	$ 8

These projects were committed to during 2001 and 2002, and the Barra Grande project commenced construction in 2002. During the third quarter of 2003, approximately 20% of the long-term financing for the Barra Grande project was obtained, of which Aluminio guaranteed 42.20% based on its investment participation. The plans for financing the other projects have not yet been finalized. It is anticipated that a portion of the project costs will be financed with third parties. Aluminio may be required to provide guarantees of project financing or commit to additional investments as these projects progress.

During the second quarter of 2003, the participants in the Santa Isabel project formally requested the return of the performance bond related to the license to construct the hydroelectric project. The future of the Santa Isabel project is uncertain.

Aluminio accounts for the Machadinho and Barra Grande hydroelectric projects on the equity method. Its total investment in these projects was $120 and $88 at September 30, 2003, and December 31, 2002, respectively. There have been no significant investments made in any of the other projects.

In September 2003, Alcoa signed a memorandum of understanding (MOU) with the government of the Kingdom of Bahrain to acquire up to a 26 percent equity stake in Alba, a Bahrain company that owns and operates a 512,000 metric ton per year (mtpy), four-potline aluminum smelter. The MOU also covers a long-term alumina supply arrangement for the Alba smelter. Final agreements on the equity stake in the smelter and the alumina supply arrangement are expected to be concluded by mid-2004. The agreements will become effective upon completion of the fifth potline in March of 2005.

Also during September, Alcoa approved an investment of $83 to develop the Three Oaks Mine in central Texas, which will produce lignite coal for Alcoa's nearby Rockdale, Texas power plant and smelter.

In August 2003, Alcoa announced that it will expand capacity at its Suriname alumina refinery by 250,000 mtpy. The Suriname refinery is owned 55% by Alcoa, primarily through Alcoa World Alumina and Chemicals (AWAC), and 45% by affiliates of BHP Billiton. The expansion is anticipated to cost $65 and should be completed by July 2005.

J. Comprehensive Income

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Net income	$ 280	$ 193	$ 647	$ 643
Other comprehensive income (loss):				
Changes in (net of tax):				
Unrealized gains (losses) on available-for-sale securities	59	(47)	105	(50)
Minimum pension liability	1	—	(1)	(31)
Unrealized translation adjustments	110	(49)	483	145
Unrecognized (losses) gains on derivatives	(16)	7	21	74
Comprehensive income	$ 434	$ 104	$ 1,255	$ 781

K. Earnings Per Share – The information used to compute basic and diluted EPS on income from continuing operations follows: (shares in millions)

	Third quarter ended September 30		Nine months ended September 30	
	2003	**2002**	**2003**	**2002**
Income from continuing operations	$283	$202	$709	$623
Less: preferred stock dividends	1	1	2	2
Income from continuing operations available to common shareholders	$282	$201	$707	$621
Average shares outstanding – basic	855	844	849	846
Effect of dilutive securities:				
Shares issuable upon exercise of dilutive stock options	4	3	3	5
Average shares outstanding – diluted	859	847	852	851

Options to purchase 64 million and 67 million shares of common stock at average exercise prices of $36.00 were outstanding as of September 30, 2003 and 2002, respectively, but were not included in the computation of diluted EPS because the option exercise price was greater than the average market price of the common shares.

L. Other income, net

	Third quarter ended September 30		Nine months ended September 30	
	2003	**2002**	**2003**	**2002**
Equity income	$28	$26	$112	$ 58
Interest income	11	11	29	40
Foreign exchange losses	(7)	(19)	(44)	(32)
Gains on sales of assets	3	13	16	16
Other income (expense)	6	(8)	22	30
	$41	$23	$135	$112

M. Income taxes – The effective tax rate of 25.6% for the 2003 nine-month period differs from the statutory rate of 35% and the 2002 nine-month rate of 30.1% primarily due to lower taxes on foreign income, including tax benefits associated with the expiration of a prior international audit period as well as recently enacted international tax legislation.

N. Reclassifications – Certain amounts have been reclassified to conform to current year presentation.

O. Recently Issued Accounting Standards – Effective October 9, 2003, the Financial Accounting Standards Board (FASB) elected to defer the effective date to December 31, 2003, for applying the provisions of FASB Interpretation No. 46 for interests held by public entities in variable interest entities created before February 1, 2003. This standard is not expected to have an impact on Alcoa's financial statements.

Effective June 30, 2003, Alcoa adopted SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivatives and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard has no impact on Alcoa's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity." This standard requires that certain financial instruments embodying an obligation to transfer assets or to issue equity securities be classified as liabilities. It is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective July 1, 2003. This standard has no impact on Alcoa's financial statements.

P. Segment Information – The following table details sales and after-tax operating income (ATOI) for each reportable segment for the three-month and nine-month periods ended September 30, 2003 and 2002. For more information on segments, see Management's Discussion and Analysis and the segment disclosures included in Alcoa's Form 10-K for the year ended December 31, 2002.

Third quarter ended September 30, 2003	Alumina & Chemicals	Primary Metals	Flat-Rolled Products	Engineered Products	Packaging & Consumer	Other	Total
Sales:							
Third-party sales	$ 526	$ 816	$ 1,176	$ 1,333	$ 835	$ 636	$ 5,322
Intersegment sales	258	740	17	5	—	—	1,020
Total sales	$ 784	$ 1,556	$ 1,193	$ 1,338	$ 835	$ 636	$ 6,342
After-tax operating income	$ 113	$ 163	$ 59	$ 46	$ 54	$ 8	$ 443
Third quarter ended September 30, 2002							
Sales:							
Third-party sales	$ 469	$ 792	$ 1,162	$ 1,238	$ 768	$ 731	$ 5,160
Intersegment sales	235	637	21	8	—	—	901
Total sales	$ 704	$ 1,429	$ 1,183	$ 1,246	$ 768	$ 731	$ 6,061
After-tax operating income	$ 93	$ 175	$ 46	$ 33	$ 51	$ 8	$ 406

Nine months ended September 30, 2003	Alumina & Chemicals	Primary Metals	Flat-Rolled Products	Engineered Products	Packaging & Consumer	Other	Total
Sales:							
Third-party sales	$ 1,466	$ 2,353	$ 3,528	$ 4,114	$ 2,466	$ 2,014	$ 15,941
Intersegment sales	746	2,270	52	19	—	—	3,087
Total sales	$ 2,212	$ 4,623	$ 3,580	$ 4,133	$ 2,466	$ 2,014	$ 19,028
After-tax operating income	$ 293	$ 491	$ 168	$ 119	$ 168	$ 34	$ 1,273
Nine months ended September 30, 2002							
Sales:							
Third-party sales	$ 1,313	$ 2,344	$ 3,510	$ 3,887	$ 2,058	$ 2,106	$ 15,218
Intersegment sales	697	2,036	54	26	—	—	2,813
Total sales	$ 2,010	$ 4,380	$ 3,564	$ 3,913	$ 2,058	$ 2,106	$ 18,031
After-tax operating income	$ 231	$ 493	$ 173	$ 135	$ 134	$ 34	$ 1,200

The following table reconciles segment information to consolidated totals.

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Total after-tax operating income	$ 443	$ 406	$ 1,273	$ 1,200
Impact of intersegment profit eliminations	2	(5)	5	(9)
Unallocated amounts (net of tax):				
Interest income	7	7	18	26
Interest expense	(49)	(62)	(158)	(165)
Minority interests	(54)	(49)	(188)	(137)
Corporate expense	(65)	(40)	(203)	(151)
Special items (F)	(1)	(25)	13	(25)
Discontinued operations (D)	(3)	(9)	(15)	(14)
Accounting changes (B)	—	—	(47)	34
Other	—	(30)	(51)	(116)
Consolidated net income	$ 280	$ 193	$ 647	$ 643

The following table represents segment assets.

	September 30 2003	December 31 2002
Alumina and Chemicals	$ 3,093	$ 2,852
Primary Metals	7,310	7,166
Flat-Rolled Products	3,335	3,266
Engineered Products	6,101	6,164
Packaging and Consumer	3,272	3,214
Other	1,808	1,876
Total segment assets	$ 24,919	$ 24,538

The change in segment assets within the Alumina and Chemicals segment is primarily due to the effect of foreign currency translation changes in Australia.

Q. Subsequent Events – Effective October 1, 2003, Alcoa completed the sale of its South America PET business to Amcor PET Packaging for $75, subject to working capital adjustments. Regulatory approvals are pending for the portion of the PET business located in Argentina.

On October 1, 2003, Alcoa and Kobe Steel Ltd. (Kobe) discontinued their association in their can sheet joint ventures. Based on terms of the agreement, Alcoa has acquired from Kobe the remaining 50% interest in KAAL Australia, as well as the remaining 20% interest in KAAL Asia. In turn, Kobe has purchased a 47% interest in KAAL Japan from Alcoa. This transaction is expected to result in a gain, however, the amount of the gain has not yet been determined. Also, Alcoa and Kobe have amended an existing aluminum supply agreement related to the KAAL Japan operations, which resulted in a reduction in the term of the agreement to two years. This will result in a reclassification of approximately $50 from noncurrent liabilities to current liabilities.

On October 15, 2003, Alcoa announced that it will temporarily curtail approximately 90,000 mtpy of aluminum production at Intalco, its primary aluminum plant in Ferndale, Washington on November 1, 2003. Intalco had been operating at approximately 180,000 mtpy.

Report of Independent Accountants *

To the Shareholders and Board of Directors
Alcoa Inc. (Alcoa)

We have reviewed the accompanying unaudited condensed consolidated balance sheet of Alcoa and subsidiaries as of September 30, 2003, and the related unaudited condensed statements of consolidated income for each of the three-month and nine-month periods ended September 30, 2003 and 2002, and the unaudited condensed statements of consolidated cash flows for the nine-month periods ended September 30, 2003 and 2002. These interim 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 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 accompanying unaudited condensed consolidated interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Alcoa and subsidiaries as of December 31, 2002, and the related statements of consolidated income, shareholders' equity, and cash flows for the year then ended (not presented herein), and in our report dated January 8, 2003, 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, 2002 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note B to the unaudited condensed consolidated financial statements, Alcoa adopted SFAS No. 143 effective January 1, 2003.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
October 7, 2003

* This report should not be considered a "report" within the meaning of Sections 7 and 11 of the 1933 Act and the independent accountant's liability under Section 11 does not extend to it.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(dollars in millions, except per share amounts and ingot prices; shipments in thousands of metric tons (mt))

Certain statements in this report under this caption and elsewhere relate to future events and expectations and, as such, constitute forward-looking statements. Forward-looking statements include those containing such words as "anticipates," "believes," "estimates," "expects," "hopes," "targets," "should," "will," "will likely result," "forecast," "outlook," "projects" or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Alcoa to be different from those expressed or implied in the forward-looking statements. For a discussion of some of the specific factors that may cause such a difference, see Note I to the financial statements; the disclosures included below under Segment Information, Environmental Matters, and Quantitative and Qualitative Disclosures about Market Risks; and Alcoa's Form 10-K, Part I, Item 1, for the year ended December 31, 2002.

Results of Operations

Selected Financial Data:

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Sales	$5,322	$5,160	$15,941	$15,218
Income from continuing operations	283	202	709	623
Cumulative effect of accounting change	—	—	(47)	34
Net income	$ 280	$ 193	$ 647	$ 643
Earnings per common share:				
Diluted – Income from continuing operations	$ .33	$ .24	$ .83	$ .73
Diluted – Net income	$ .33	$ .23	$ .76	$ .75
Shipments of aluminum products (mt)	1,255	1,312	3,707	3,888
Shipments of alumina (mt)	1,982	1,939	5,715	5,560
Alcoa's average realized ingot price	$ .71	$ .66	$ .69	$ .66
Average 3-month LME price	$ .64	$ .60	$ .63	$ .62

Income from continuing operations for the 2003 third quarter was $283, or 33 cents per diluted share, an increase of 40% over 2002 third quarter income of $202, or 24 cents per share. Income from continuing operations for the 2003 nine-month period was $709, or 83 cents per share, an increase of 14% over the 2002 nine-month period income of $623, or 73 cents per share. Higher realized prices for alumina and aluminum, ongoing cost reductions in 2003, and tax benefits were among the positive factors that more than offset higher energy costs, higher employee benefit costs, and lower volumes in businesses serving the industrial gas turbine, telecommunications, and building and construction markets.

Sales for the 2003 third quarter and nine-month periods increased $162, or 3%, and $723, or 5%, respectively, compared with the corresponding 2002 periods. The increases were primarily due to the 2002 acquisitions of Ivex Packaging Corporation (Ivex) and Fairchild Fasteners (Fairchild), which together contributed $174 and $810 in the 2003 third quarter and nine-month periods, respectively, as well as increases in realized prices for alumina and aluminum. Excluding these acquisitions, sales declined in the 2003 third quarter due to lower volumes in businesses serving the automotive, industrial gas turbine, telecommunications, and building and construction markets, while sales declined in the 2003 nine-month period due to lower volumes in businesses serving the industrial gas turbine, telecommunications, and building and construction markets.

Cost of goods sold (COGS) as a percentage of sales was 79.2% and 79.4% for the 2003 third quarter and 2002 third quarter, respectively. COGS as a percentage of sales was 79.5% in the 2003 nine-month period compared with 80.0% for the same period in 2002. Higher realized prices and accumulated cost savings more than offset lower volumes, higher raw materials costs, higher employee benefit costs, and increased energy costs.

Selling, general administrative and other expenses (S&GA) for the 2003 third quarter and nine-month periods increased $38, or 14%, and $134, or 17%, compared with the 2002 third quarter and nine-month periods, respectively. The increases were primarily due to acquisitions as well as increased deferred compensation costs in 2003. As a result, S&GA as a percentage of sales increased from 5.1% in the 2002 third quarter to 5.7% in the 2003 third quarter, and from 5.3% in the 2002 nine-month period to 5.9% in the 2003 nine-month period.

Depreciation, depletion and amortization expense for the 2003 third quarter and nine-month periods increased $8 or 3%, and $70, or 9%, compared with the corresponding 2002 periods, primarily as a result of the acquisitions of Ivex and Fairchild. Foreign currency exchange movements also contributed to the increase in the 2003 nine-month period.

Special items consisted of a charge of $1 and income of $18 in the 2003 third quarter and nine-month periods, respectively. The income recognized in the 2003 nine-month period consisted primarily of: adjustments to fourth quarter 2002 impairment charges to reflect current estimated fair values on assets held for sale, including a $43 increase in estimated fair value and $10 for a reduction in estimated fair value on certain businesses; additional restructuring charges of $26 recorded primarily for employee termination and severance costs in businesses serving the primary metals, automotive, and industrial gas turbine markets; and favorable adjustments of $11 primarily for changes in estimates on employee termination and severance costs related to 2002 reserve balances. In 2002, special charges of $39 were recognized in the third quarter primarily due to smelter production curtailments at three facilities.

Interest expense for the 2003 third quarter and nine-month periods declined $21, or 22%, and $10, or 4%, respectively, compared with the 2002 third quarter and nine-month periods primarily due to lower average interest rates. Lower average debt levels in the 2003 third quarter compared with the 2002 third quarter also contributed to the decline in interest expense for the period.

Other income for the 2003 third quarter and nine-month periods increased $18, or 78%, and $23, or 21%, compared with the corresponding 2002 periods. The increase in the 2003 third quarter is primarily due to an increase in the cash surrender value of employee life insurance and favorable foreign currency exchange movements of $12. The increase in the 2003 nine-month period is due to $54 of higher equity income, primarily at Elkem, and an increase in cash surrender value as noted previously, partially offset by several favorable nonoperating gains recognized in 2002, the unfavorable impact of foreign currency exchange movements of $12, and lower interest income of $11.

The effective tax rate of 25.6% for the 2003 nine-month period differs from the statutory rate of 35% and the 2002 nine-month rate of 30.1% primarily due to lower taxes on foreign income, including tax benefits associated with the expiration of a prior international audit period as well as recently enacted international tax legislation.

Minority interests’ share of income from operations for the 2003 third quarter increased $5, or 10%, compared to the 2002 third quarter primarily due to higher earnings at Alcoa World Alumina and Chemicals (AWAC), somewhat offset by lower minority interests’ share of income at Alcoa Aluminio (Aluminio) due to Alcoa’s acquisition of the minority interest in Aluminio in August 2003. Minority interests’ share of income from operations for the 2003 nine-month period increased $51, or 37%, compared with the corresponding 2002 period primarily due to higher earnings at Aluminio and AWAC, partly attributable to a tax benefit for recently enacted international tax legislation, as well as a favorable adjustment to reflect current estimates of fair value related to assets held for sale in Latin America.

The cumulative effect of accounting changes resulted in a charge of $47 in the 2003 nine-month period for the accounting change for asset retirement obligations under SFAS No. 143, while income of $34 was recognized in the 2002 nine-month period for the change in accounting for goodwill under SFAS No. 142.

Segment Information

I. Alumina and Chemicals

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Alumina production	3,493	3,348	10,291	9,661
Third-party alumina shipments	1,982	1,939	5,715	5,560
Third-party sales	$ 526	$ 469	$ 1,466	$ 1,313
Intersegment sales	258	235	746	697
Total sales	$ 784	$ 704	$ 2,212	$ 2,010
After-tax operating income (ATOI)	$ 113	$ 93	$ 293	$ 231

Third-party sales for the Alumina and Chemicals segment increased 12% in both the 2003 third quarter and nine-month period compared to the corresponding 2002 periods primarily due to higher shipments, as well as increases in realized prices of 13% in the 2003 third quarter and 11% in the 2003 nine-month period.

ATOI for this segment increased 22% in the 2003 third quarter and 27% in the 2003 nine-month period compared to the corresponding 2002 periods primarily due to higher realized alumina prices, increased alumina volumes, and higher alumina-based chemicals volumes, somewhat offset by higher energy costs.

Alumina demand is expected to be flat and steady prices are anticipated in the fourth quarter.

II. Primary Metals

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Aluminum production	869	891	2,633	2,610
Third-party aluminum shipments	488	517	1,436	1,527
Alcoa’s average realized price per pound for aluminum ingot	.71	.66	.69	.66
Third-party sales	$ 816	$ 792	$ 2,353	$ 2,344
Intersegment sales	740	637	2,270	2,036
Total sales	$ 1,556	$ 1,429	$ 4,623	$ 4,380
After-tax operating income	$ 163	$ 175	$ 491	$ 493

Third-party sales for the Primary Metals segment increased 3% in the 2003 third quarter, while remaining relatively flat in the 2003 nine-month period compared with the corresponding 2002 periods. An increase in Alcoa’s average realized price for ingot was essentially offset by lower third-party shipments and the negative impact of an electrical outage at the Alumar plant in Brazil in both the 2003 third quarter and nine-month periods. Intersegment sales increased 16% in the 2003 third quarter and 11% in the 2003 nine-month period compared with the corresponding 2002 periods primarily due to higher realized prices and higher volumes.

ATOI for this segment decreased 7% in the 2003 third quarter compared with the corresponding 2002 period primarily due to lower shipments, unfavorable foreign currency exchange movements, higher raw material costs, and higher energy costs, somewhat offset by higher realized aluminum prices. ATOI was relatively flat in the 2003 nine-month period compared to the corresponding 2002 period as higher raw material costs, higher energy costs and unfavorable foreign currency exchange movements were offset by higher realized prices and increased intersegment volumes.

Alcoa has approximately 505,000 mt per year (mtpy) of idle capacity on a base capacity of 3,948,000 mtpy.

III. Flat-Rolled Products

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Third-party aluminum shipments	450	446	1,337	1,341
Third-party sales	$ 1,176	$ 1,162	$ 3,528	$ 3,510
Intersegment sales	17	21	52	54
Total sales	$ 1,193	$ 1,183	$ 3,580	$ 3,564
After-tax operating income	$ 59	$ 46	$ 168	$ 173

Third-party sales for the Flat-Rolled Products segment were relatively flat in both the 2003 third quarter and nine-month periods compared with the corresponding 2002 periods. In the 2003 third quarter, higher volumes for rigid container sheet, favorable product mix for sheet and plate, and the favorable impact of foreign currency exchange movements in Europe were offset by lower volumes for sheet and plate in the U.S. and Europe. In the 2003 nine-month period, increases in sheet and plate volumes and the favorable impact of foreign currency exchange movements in Europe were offset by higher metal prices and unfavorable product mix for rigid container sheet, as well as the absence of sales in 2003 from the commercial foil business which was discontinued as a result of prior year's restructuring programs.

ATOI for this segment increased 28% in the 2003 third quarter compared to the 2002 third quarter primarily due to higher volumes and cost savings in rigid container sheet and favorable mix and pricing for sheet and plate. ATOI decreased 3% in the 2003 nine-month period compared to the corresponding 2002 period due to unfavorable product mix, higher raw material prices and higher energy costs for rigid container sheet, as well as higher materials costs for sheet and plate in the U.S., somewhat offset by increased volumes and favorable foreign currency exchange movements in Europe.

In the fourth quarter, seasonal volume declines are expected for rigid container sheet. Aerospace volumes are projected to soften, particularly in Europe, and automotive volumes are expected to be slightly higher following model year changeovers in the third quarter, however the impact on sales will be offset by seasonal shutdowns at OEM assembly plants.

IV. Engineered Products

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Third-party aluminum shipments	215	223	646	688
Third-party sales	$ 1,333	$ 1,238	$ 4,114	$ 3,887
Intersegment sales	5	8	19	26
Total sales	$ 1,338	$ 1,246	$ 4,133	$ 3,913
After-tax operating income	$ 46	$ 33	$ 119	$ 135

Third-party sales for the Engineered Products segment increased 8% and 6% in the 2003 third quarter and nine-month periods, respectively, compared to the corresponding 2002 periods, primarily as a result of the Fairchild acquisition which contributed $126 and $430 to third-party sales in the 2003 third quarter and nine-month periods, respectively. These increases were partially offset by volume declines in businesses serving the industrial gas turbine and building and construction markets.

ATOI for this segment increased 39% in the 2003 third quarter compared with the 2002 third quarter primarily due to the Fairchild acquisition as well as cost savings recognized in the segment. ATOI declined 12% in the 2003 nine-month period compared to the corresponding 2002 period due to lower volumes in businesses serving the automotive, building and construction, commercial transportation and industrial gas turbine markets, partially offset by the favorable impacts of Fairchild results, foreign currency exchange movements in Europe, and cost savings.

Volume declines are anticipated in the aerospace and industrial gas turbine markets. Seasonal declines are expected in the building and construction market.

V. Packaging and Consumer

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Third-party aluminum shipments	40	46	118	107
Third-party sales	$ 835	$ 768	$ 2,466	$ 2,058
Intersegment sales	—	—	—	—
Total sales	$ 835	$ 768	$ 2,466	$ 2,058
After-tax operating income	$ 54	$ 51	$ 168	$ 134

Third-party sales for the Packaging and Consumer segment for the 2003 third quarter and nine-month periods increased 9% and 20%, respectively, compared to the corresponding 2002 periods, primarily as a result of the Ivex acquisition in the third quarter of 2002, which contributed $48 and $380 more in the 2003 third quarter and nine-month periods, respectively, compared with the corresponding 2002 periods. Higher volumes in the closures business also contributed to the sales increase in 2003.

ATOI for this segment rose 6% in the 2003 third quarter compared with the 2002 third quarter primarily due to increased volumes for closures and lower S&GA costs, partially offset by lower equity income. ATOI increased 25% in the 2003 nine-month period compared to the corresponding 2002 period primarily due to the acquisition of Ivex and positive results in Latin America primarily due to improved economic conditions, which more than offset the negative impact of higher resin costs.

In the fourth quarter, seasonal increases are anticipated for consumer products, while seasonal slowdowns are expected for closures.

VI. Other

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Third-party aluminum shipments	62	80	170	225
Third-party sales	$636	$731	$2,014	$2,106
Intersegment sales	—	—	—	—
Total sales	$636	$731	$2,014	$2,106
After-tax operating income	$ 8	$ 8	$ 34	$ 34

Third-party sales for the Other group declined 13% in the 2003 third quarter and 4% in the 2003 nine-month period compared with the corresponding 2002 periods. Sales declined primarily at Alcoa Fujikura Ltd. (AFL), as volumes fell off in the automotive business and telecommunications volumes further weakened. The disposition of distribution facilities in Europe also contributed to the sales declines.

ATOI for this group was flat for both the 2003 third quarter and nine-month periods compared with the corresponding 2002 periods. In the 2003 third quarter compared with the 2002 third quarter, the negative impact on ATOI of the volume declines at AFL was mitigated by cost savings at AFL, as well as improved pricing in the building products business. In the 2003 nine-month period compared with the 2002 nine-month period, substantial cost savings at AFL Automotive were offset by lower volumes at AFL in both the automotive and telecommunications businesses. Lower volumes and higher resin costs at the building products business also contributed to the decline in ATOI.

In the fourth quarter, automotive volumes are expected to be slightly higher following model year changeovers in the third quarter, however the impact on sales will be offset by seasonal shutdowns at OEM assembly plants. Seasonal declines are expected in the building and construction market. The demand for telecommunications is expected to stabilize with a marginal increase anticipated during the fourth quarter.

Reconciliation of ATOI to Consolidated Net Income

Items required to reconcile ATOI to consolidated net income include: corporate adjustments to eliminate any remaining profit or loss between segments; interest income and expense; minority interests; corporate expense, comprised of the general administrative and selling expenses of operating the corporate headquarters and other global administrative facilities along with depreciation on corporate-owned assets; discontinued operations; accounting changes for asset retirement obligations in 2003 and goodwill in 2002; and other, which includes the impact of LIFO, differences between estimated tax rates used in the segments and the corporate effective tax rate, and other nonoperating items such as foreign exchange.

The following table reconciles segment information to consolidated totals.

	Third quarter ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Total after-tax operating income	$ 443	$ 406	$ 1,273	$ 1,200
Impact of intersegment profit eliminations	2	(5)	5	(9)
Unallocated amounts (net of tax):				
Interest income	7	7	18	26
Interest expense	(49)	(62)	(158)	(165)
Minority interests	(54)	(49)	(188)	(137)
Corporate expense	(65)	(40)	(203)	(151)
Special items (F)	(1)	(25)	13	(25)
Discontinued operations (D)	(3)	(9)	(15)	(14)
Accounting changes (B)	—	—	(47)	34
Other	—	(30)	(51)	(116)
Consolidated net income	$ 280	$ 193	$ 647	$ 643

The significant changes in the reconciling items between ATOI and consolidated net income for the 2003 third quarter and nine-month period compared with the corresponding 2002 periods consisted of: decreases in interest expense primarily due to lower average interest rates, while lower average debt levels further contributed to the decline in interest expense in the 2003 third quarter compared with the 2002 third quarter; an increase in minority interests due to higher earnings at AWAC and Aluminio, partly attributable to a tax benefit for recently enacted international tax legislation, as well as a favorable adjustment to reflect current estimates of fair value related to assets held for sale in Latin America; an increase in corporate expense due to higher deferred compensation costs; special items charges recognized in 2002 due to smelter production curtailments at three facilities, while special items resulted in income in 2003 due to adjustments to fourth quarter 2002 impairment charges to reflect current estimates of fair value on assets held for sale, somewhat offset by additional restructuring charges recorded primarily for employee termination and severance costs in businesses serving the primary metals, automotive, and industrial gas turbine markets; and a decrease in other primarily due to an increase in the cash surrender value of employee life insurance and tax benefits associated with the expiration of a prior international audit period as well as recently enacted international tax legislation.

Additionally, for the nine-month periods, a cumulative effect charge of $47 was recognized in 2003 for the accounting change for asset retirement obligations under SFAS No. 143, while cumulative effect income of $34 was recognized in 2002 for the change in accounting for goodwill under SFAS No. 142.

Liquidity and Capital Resources

Cash from Operations

Cash from operations for the 2003 nine-month period totaled $1,697 compared with $1,009 in the 2002 nine-month period. The increase of $688 is primarily due to an advance payment of $440 on a long-term aluminum supply contract, as well as higher earnings after adjustments for noncash items.

Financing Activities

Cash used for financing activities was $1,096 in the 2003 nine-month period compared with cash provided of $522 in the 2002 nine-month period. The change of $1,618 is primarily due to net debt repayments of $600 in 2003 compared with net borrowings of $1,202 in 2002, somewhat offset by the absence of stock repurchases in 2003.

In June 2003, Standard and Poor’s Rating Services lowered its long-term debt rating of Alcoa to A- from A and its short-term rating to A-2 from A-1 due to, among other things, unfunded postretirement benefit obligations.

In April 2003, Alcoa refinanced its $2,000 revolving-credit agreement that was to expire in April 2003 into a $2,000 revolving-credit agreement that expires in April 2004. Additionally, Alcoa refinanced its $1,000 revolving-credit agreement that was to expire in August 2003 into a $1,000 revolving-credit agreement that expires in April 2008.

Investing Activities

Cash used for investing activities was $564 in the 2003 nine-month period compared with $1,531 in the 2002 nine-month period. The change of $967 was due to more cash used in 2002 to fund the acquisition of Ivex and several smaller acquisitions, as well as more capital expenditures in 2002 than in 2003.

Environmental Matters

Alcoa continues to participate in environmental assessments and cleanups at a number of locations. These include approximately 31 owned or operating facilities and adjoining properties, approximately 39 previously owned or operating facilities and adjoining properties and approximately 66 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 made 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. Therefore, it is not possible to determine the outcomes or to estimate with any degree of accuracy the potential costs for certain of these matters.

The following discussion provides additional details regarding the current status of Alcoa's significant sites where the final outcome cannot be determined or the potential costs in the future cannot be estimated.

Massena, NY. Alcoa has been conducting investigations and studies of the Grasse River, adjacent to Alcoa's Massena, New York plant site, under order from the U.S. Environmental Protection Agency (EPA) issued under the Comprehensive Environmental Response, Compensation and Liability Act, also known as Superfund. Sediments and fish in the river contain varying levels of polychlorinated biphenyl (PCB).

During 2000 and 2001, Alcoa completed certain studies and investigations on the river, including pilot tests of sediment-capping techniques, and other remediation technologies. In February 2002, Alcoa submitted a final Analysis of Alternatives Report to the EPA based on these evaluations and included additional remedial alternatives required by the EPA. The range of costs associated with the remedial alternatives evaluated in the 2002 report is between $2 and $525. Alcoa believes that rational, scientific analysis supports a remedy involving the containment of sediments in place via natural or man-made processes. Based on the current assessment of the EPA decision-making process, Alcoa has concluded that the selection of the $2 alternative, based on natural recovery only, is remote. In June 2003, based on river observations during the spring of 2003, EPA requested that Alcoa gather additional field data to assess the potential for sediment erosion from winter river ice formation and break up. Alcoa is now developing a scope of work for that effort and expects to present a report on findings to the EPA as soon as the analysis is available. Alcoa anticipates that the EPA's ultimate remedial decision will include this additional information. Alcoa continues to believe that alternatives involving the largest amounts of sediment removal should not be selected for the Grasse River remedy. Therefore, Alcoa believes that alternatives that should reasonably be considered for selection range from engineered capping and natural recovery of $30 to a combination of moderate dredging, capping and natural recovery of $90. Accordingly, Alcoa has recorded a reserve of $30, representing the low end of the range of possible alternatives, as no one of the alternatives is more likely to be selected than any other. The EPA's ultimate selection of a remedy could result in additional liability. However, as the process continues, it allows for input that can influence the scope and cost of the remedy that will be selected by the EPA in its issuance of the formal Record of Decision (ROD). Alcoa may be required to record a subsequent reserve adjustment at the time the ROD is issued.

Sherwin, TX. In connection with the sale of the Sherwin alumina refinery in Texas, which was required to be divested as part of the Reynolds merger in 2000, Alcoa has agreed to retain responsibility for the remediation of then existing environmental conditions, as well as a pro rata share of the final closure of the active waste disposal areas, which remain in use. Alcoa's share of the closure costs is proportional to the total period of operation of the active waste disposal areas. Alcoa estimated its liability for the active disposal areas by making certain assumptions about the period of operation, the amount of material placed in the area prior to closure, and the appropriate technology, engineering, and regulatory status applicable to final closure. The most probable cost for remediation has been reserved. It is reasonably possible that an additional liability, not expected to exceed $75, may be incurred if actual experience varies from the original assumptions used.

Based on the foregoing, it is possible that Alcoa's results of operations, in a particular period, could be materially affected by matters relating to these sites. However, based on facts currently available, management believes that adequate reserves have been provided and that the disposition of these matters will not have a materially adverse effect on the financial position or liquidity of the company.

Alcoa's remediation reserve balance at September 30, 2003 and December 31, 2002 was $401 (of which $68 was classified as a current liability) and $436, respectively, and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. Remediation costs charged to the reserve in the 2003 nine-month period were approximately $19. They include expenditures currently mandated, as well as those not required by any regulatory authority or third party. The reserve balance was reduced by approximately $16 in the 2003 nine-month period, primarily for adjustments based on recent assessments of remaining work required at certain sites.

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.

In addition to the environmental reserve matters previously discussed, Alcoa is involved in certain legal proceedings regarding potential claims for recovery. Alcoa initiated a lawsuit in King County, Washington in December 1992 against nearly 100 insurance companies that provided insurance coverage for environmental property damage at Alcoa plant sites between the years 1956 and 1985. The trial for the first three sites concluded in October 1996 with a jury verdict partially in Alcoa's favor and an award of damages to Alcoa. In its post-trial decisions, the trial court substantially reduced the amount that Alcoa would be able to recover from its insurers on these three sites. Alcoa appealed these rulings to the Washington Court of Appeals, which certified the appeal to the Washington Supreme Court. Alcoa prevailed on significant portions of the appeal and the matter was set for trial in September 2003. During the third quarter of 2003, Alcoa reached settlement of the litigation with certain of the defendants and is anticipating reaching agreement with additional parties in the fourth quarter. These expected fourth quarter settlements are anticipated to be significant and will be reflected in the fourth quarter results.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In addition to the risks inherent in its operations, Alcoa is exposed to financial, market, political and economic risks. The following discussion provides additional detail regarding Alcoa's exposure to the risks of changing commodity prices, foreign exchange rates, and interest rates.

Derivatives

Alcoa's commodity and derivative activities are subject to the management, direction and control of the Strategic Risk Management Committee (SRMC). SRMC is composed of the chief executive officer, the chief financial officer, and other officers and employees that the chief executive officer selects. SRMC reviews annually the scope of its derivative activities with the Board of Directors.

All of the aluminum and other commodity contracts, as well as various types of derivatives, are held for purposes other than trading. They are used primarily to mitigate uncertainty and volatility, and cover underlying exposures. The company is not involved in energy-trading activities, weather derivatives, or to any material extent in other nonexchange commodity trading activities.

Commodity Price Risks – Alcoa is a leading global producer of aluminum ingot and aluminum fabricated products. As a condition of sale, customers often require Alcoa to enter into long-term fixed-price commitments. These commitments expose Alcoa to the risk of fluctuating aluminum prices between the time the order is committed and the time the order is shipped.

Alcoa's aluminum commodity risk management policy is to manage, through the use of futures and options contracts, the aluminum price risk associated with a portion of its fixed price firm commitments. At September 30, 2003, these contracts totaled approximately 478,000 mt with a fair value gain of approximately $21(pre-tax).

Alcoa sells products to various third parties at prices that are influenced by changes in LME aluminum prices. From time to time, the company may elect to sell forward a portion of its anticipated primary aluminum and alumina production to reduce the risk of fluctuating market prices on these sales. Toward this end, Alcoa may enter into short positions using futures and options contracts. At September 30, 2003, these contracts totaled approximately 21,000 mt with a fair value loss of approximately $1 (pre-tax). These contracts act to fix a portion of the sales price related to these sales contracts.

Alcoa purchases natural gas and fuel oil to meet its production requirements. These purchases expose the company to the risk of higher natural gas and fuel oil prices. To hedge this risk, Alcoa enters into long positions, principally using futures and options. Alcoa follows a stable pattern of purchasing natural gas and fuel oil; therefore, it is highly likely that anticipated natural gas and fuel oil purchases will occur. The fair values of the contracts for natural gas and fuel oil were gains of approximately $16 (pre-tax) and $11 (pre-tax), respectively, at September 30, 2003.

Alcoa purchases certain other commodities such as electricity for its operations and may enter into futures and options contracts to eliminate volatility in the prices of such products. None of these contracts were material at September 30, 2003.

Financial Risk

Currencies - Alcoa is subject to significant exposure from fluctuations in foreign currencies. Foreign currency exchange contracts are used to hedge the variability in cash flows from the forecasted payment or receipt of currencies other than the functional currency. These contracts cover periods commensurate with known or expected exposures, generally within three years. The fair value of these contracts was a gain of approximately $36 (pre-tax) at September 30, 2003.

Certain contracts, which are included in the $36 above, are used to offset a portion of the impact of exchange and interest rate changes on foreign currency denominated debt. The fair value of these contracts was a gain of approximately $6 (pre-tax) at September 30, 2003. Changes in the fair value of these contracts are included in other income on the Condensed Statement of Consolidated Income and offset a portion of the impact of the exchange differences on the debt.

Interest Rates - Alcoa uses interest rate swaps to help maintain a reasonable balance between fixed- and floating-rate debt and to manage overall financing costs. The company has entered into pay floating, receive fixed interest rate swaps to change the interest rate risk exposure of its outstanding debt. The fair value of these swaps was a gain of approximately $33 (pre-tax) at September 30, 2003.

Alcoa also uses interest rate swaps to establish fixed interest payments on future anticipated funding of expansion projects and maturing debt. The fair value of these swaps was a gain of approximately $21 (pre-tax) at September 30, 2003.

Material Limitations – The disclosures with respect to commodity prices, interest rates, and foreign exchange risk do not take into account the underlying anticipated purchase obligations and the underlying transactional foreign exchange exposures. If the underlying items were included in the analysis, the gains or losses on the futures and options contracts may be offset. Actual results will be determined by a number of factors that are not under Alcoa's control and could vary significantly from those factors disclosed.

Alcoa is exposed to credit loss in the event of nonperformance by counterparties on the above instruments, as well as credit or performance risk with respect to its hedged customers' commitments. Although nonperformance is possible, Alcoa does not anticipate nonperformance by any of these parties. Futures and options contracts are with creditworthy counterparties and are further supported by cash, treasury bills or irrevocable letters of credit issued by carefully chosen banks. In addition, various master netting arrangements are in place with counterparties to facilitate settlement of gains and losses on these contracts.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Alcoa's Chief Executive Officer and Chief Financial Officer have evaluated the company's disclosure controls and procedures as of the end of the period covered by this report, and they have concluded that these controls and procedures are effective.

(b) Changes in Internal Control Over Financial Reporting

There have been no significant changes in internal control over financial reporting that occurred during the quarter ended September 30, 2003, that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

As previously reported, on December 26, 2001, three citizens groups filed an action in the U.S. District Court for the Western District of Texas against Alcoa. The groups alleged that activities conducted in the mid-1980s at the Alcoa power plant in Rockdale, Texas triggered various requirements under the Clean Air Act and the Texas Clean Air Act and that the plant did not comply with those requirements. The groups also alleged that the plant violated opacity limits. On January 29, 2002, the company filed its answer to the complaint denying the allegations. In addition, on January 9, 2002, the Texas Natural Resource Conservation Commission (TNRCC) issued a Notice of Enforcement and EPA Region VI issued a Notice of Violation against Alcoa. Both notices allege that activities conducted in the mid-1980s at the Alcoa power plant in Rockdale, Texas triggered requirements under the Clean Air Act and the Texas Clean Air Act and the plant did not comply with those requirements. On June 24, 2002, the U.S. Department of Justice (DOJ), the EPA, the TNRCC (now known as the Texas Commission on Environmental Quality ("TCEQ")) and Alcoa agreed to resolve the Texas and federal allegations with the permitting of reduced emission limits for the power plant and the payment of a civil penalty of $1.5 million, as well as supplemental environmental mitigation projects of $2.5 million. Under the agreement, Alcoa will have up to 12 months to decide whether to: (1) install clean coal technology—circulating fluidized bed boilers to replace the existing boilers; (2) install best available control technology on the existing units; or (3) permanently shut down the existing units without replacements. EPA, DOJ, TCEQ, the citizens groups and Alcoa have agreed on consent decree language. The consent decree was executed by Alcoa on March 27, 2003 and lodged with the court on April 19, 2003. The court ordered entry of the consent decree on July 28, 2003.

On September 26, 2003, EPA Region VI issued an administrative Complaint, Compliance Order and Notice of Opportunity for Hearing against Howmet Corporation's Wichita Falls, Texas facility for violations of hazardous waste regulations relating to shipments of used potassium hydroxide to a fertilizer manufacturer from 1997 to 2000. The Complaint proposes a penalty of $265 thousand. In addition, EPA ordered Howmet Corporation to cease sending used potassium hydroxide to fertilizer manufacturers or employing used potassium hydroxide in any use constituting disposal and to certify compliance with hazardous waste regulations within 30 days. The cost of defense and/or settlement of this matter is not expected to be material.

As previously reported, on October 15, 1999, Victoria Shaev, who represents that she is an Alcoa shareholder, filed a purported derivative action on behalf of the company in the U.S. District Court for the Southern District of New York, naming as defendants the company, each member of Alcoa's Board of Directors, certain officers of the company and PricewaterhouseCoopers LLP, Alcoa's independent accountants. The lawsuit alleged, among other things, that Alcoa's proxy statement dated March 8, 1999 contained materially false and misleading statements and omissions regarding the proposed Alcoa Stock Incentive Plan. On March 19, 2001, the court granted without prejudice the defendants' motion to dismiss the plaintiff's claims. On May 31, 2001, Ms. Shaev served an amended complaint making the same allegations as in the previous complaint but styling the complaint as a class action on behalf of shareholders. The company served a motion to dismiss on June 25, 2001. On October 25, 2002, the amended complaint was dismissed on the factual and legal merits of the matter. The plaintiff filed a notice of appeal and on September 17, 2003, the Second Circuit Court of Appeals affirmed the dismissal of the amended complaint.

As previously reported, Alcoa initiated a lawsuit in King County, Washington in December 1992 against nearly 100 insurance companies that provided insurance coverage for environmental property damage at Alcoa plant sites between the years 1956 and 1985. The trial for the first three sites concluded in October 1996 with a jury verdict partially in Alcoa's favor and an award of damages to Alcoa. In its post-trial decisions, the trial court substantially reduced the amount that Alcoa would be able to recover from its insurers on these three sites. Alcoa appealed these rulings to the Washington Court of Appeals, which certified the appeal to the Washington Supreme Court.

Alcoa prevailed on significant portions of the appeal and the matter was set for trial in September 2003. During the third quarter of 2003, Alcoa reached settlement of the litigation with certain of the defendants and is anticipating reaching agreement with additional parties in the fourth quarter. These expected fourth quarter settlements are anticipated to be significant and will be reflected in the fourth quarter results.

As previously reported, a purported class action was filed on February 14, 2002 in the U.S. District Court for the Northern District of Ohio against the company and the International UAW, on behalf of 400 African-American employees of Cleveland Works, alleging discrimination in Cleveland's apprenticeship program. Plaintiffs sought certification of the class, declaratory and injunctive relief, lost wages, entry into apprenticeship programs, compensatory and punitive damages and costs and expenses of litigation. The complaint was served on May 23, 2002 and answered on June 12, 2002. On February 28, 2003, the parties filed with the court a proposed settlement agreement providing monetary and injunctive relief. Preliminary approval of the proposed settlement agreement was granted on May 27, 2003. An order granting final approval of the proposed settlement agreement was entered on September 25, 2003. The cost of settlement is not expected to be material.

Item 2. Changes in Securities and Use of Proceeds.

(c) On August 1, 2003, pursuant to an agreement dated as of July 25, 2003 among Alcoa, Camargo Corrêa S.A. ("Camargo Corrêa") and the other parties named therein, Alcoa acquired the 40.9% shareholding in Alcoa's South American operations held by affiliates of Camargo Corrêa. Alcoa and a wholly owned subsidiary exchanged 17,773,540 shares of Alcoa common stock for all of the shares of common stock in Alcoa Alumìnio S.A. ("Alcoa Alumìnio") and Alcoa Latin American Holdings Corporation ("ALAHC") held by Camargo Corrêa's affiliates, in reliance upon an exemption from the registration requirements of the Securities Act of 1933 provided by Section 4(2) thereof. No underwriters were used in the transaction. Additional cash consideration tied to the future performance of Alcoa Alumìnio and ALAHC over the next five years may be payable by Alcoa under earn-out and guaranteed minimum payment formulas, but such additional consideration will be limited by notional dividends on and appreciation in the market price of Alcoa's common stock during the same period.

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

(a) Exhibits

12. Computation of Ratio of Earnings to Fixed Charges

15. Letter regarding unaudited interim financial information

31. Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32. Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K during the third quarter of 2003 (and thereafter to the date hereof):

(1) Alcoa furnished a Form 8-K dated July 9, 2003, under Item 12, relating to Alcoa's press release announcing its second-quarter 2003 earnings.

(2) Alcoa furnished a Form 8-K dated July 31, 2003, under Item 12, relating to Alcoa's transcript and slides presented during its second-quarter 2003 earnings call.

(3) Alcoa filed a Form 8-K dated August 1, 2003, under Item 5, reporting that Alcoa had concluded its previously announced transaction with the Camargo Corrêa group to acquire their 40.9% shareholding in Alcoa's South American operations and that Alcoa had issued approximately 17.8 million shares in exchange for their holdings.

(4) Alcoa furnished a Form 8-K dated October 8, 2003, under Item 12, relating to Alcoa's press release announcing its third-quarter 2003 earnings.

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.

		Alcoa Inc.
October 23, 2003	By	/s/ RICHARD B. KELSON
Date		Richard B. Kelson Executive Vice President and Chief Financial Officer (Principal Financial Officer)
October 23, 2003	By	/s/ CHARLES D. MCLANE, JR.
Date		Charles D. McLane, Jr. Vice President – Corporate Controller (Principal Accounting Officer)

EXHIBITS

12. Computation of Ratio of Earnings to Fixed Charges

15. Letter regarding unaudited interim financial information

31. Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32. Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Computation of Ratio of Earnings to Fixed Charges
For the nine months ended September 30, 2003
(in millions, except ratio)

Nine months ended September 30	2003
Earnings:	
Income from continuing operations before taxes on income	$ 1,205
Minority interests' share of earnings of majority-owned subsidiaries without fixed charges	—
Equity income	(112)
Fixed charges	269
Distributed income of less than 50%-owned persons	29
Amortization of capitalized interest	14
Total earnings	$ 1,405
Fixed Charges:	
Interest expense:	
Consolidated	$ 243
Proportionate share of 50%-owned persons	3
	246
Amount representative of the interest factor in rents:	
Consolidated	22
Proportionate share of 50%-owned persons	1
	23
Fixed charges added to earnings	269
Interest capitalized:	
Consolidated	15
Proportionate share of 50%-owned persons	—
	15
Preferred stock dividend requirements of majority-owned subsidiaries	—
Total fixed charges	$ 284
Ratio of earnings to fixed charges	5.0

October 23, 2003

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

RE: Alcoa Inc.

1. Forms S-8 (Registration Nos. 33-24846, 333-32516, 333-106411, 333-91331 and 333-36214) Alcoa Savings Plan for Salaried Employees; Alcoa Savings Plan for Bargaining Employees; Alcoa Savings Plan for Non-Bargaining Employees; Alcoa Savings Plan for Subsidiary and Affiliate Employees; Alumax Inc. Thrift Plan for Salaried Employees; Alumax Inc. Thrift Plan for Hourly Employees; Alumax Inc. Thrift Plan for Collectively Bargained Employees; and Reynolds Metals Company Savings Plan for Hourly Employees
2. Forms S-8 (Registration Nos. 33-22346, 33-49109, 33-60305, 333-27903, 333-62663, 333-79575, 333-36208, 333-37740, and 333-39708) Long Term Stock Incentive Plan; Alumax Inc. Long Term Incentive and Employee Equity Ownership Plans; Alcoa Stock Incentive Plan; Reynolds Metals Company 1999 Nonqualified Stock Option Plan; Reynolds Metals Company 1996 Nonqualified Stock Option Plan; Reynolds Metals Company 1992 Nonqualified Stock Option Plan; Reynolds Metals Company 1987 Nonqualified Stock Option Plan; Cordant Technologies Inc. 1989 Stock Awards Plan; Cordant Technologies Inc. 1996 Stock Awards Plan; Howmet International Inc. Amended and Restated 1997 Stock Awards Plan
3. Form S-3 (Registration No. 333-74874) Debt Securities, Preferred Stock, Common Stock, Warrants, Stock Purchase Contracts and Stock Purchase Units of Alcoa Inc., Trust Preferred Securities of Alcoa Trust I, and Guarantee of Trust Preferred Securities of Alcoa Trust I by Alcoa Inc.
4. Form S-3 (Registration No. 333-107926) Resale of Common Stock of Alcoa Inc. by Selling Shareholders

Commissioners:

We are aware that our report dated October 7, 2003, on our review of interim financial information of Alcoa Inc. and subsidiaries for the three and nine month periods ended September 30, 2003 and 2002 and included in the Company’s quarterly report on Form 10-Q for the quarter ended September 30, 2003, is incorporated by reference in its Registration Statements referred to above.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Certifications

I, Alain J. P. Belda, Chairman of the Board and Chief Executive Officer of Alcoa Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alcoa Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 23, 2003

/s/ ALAIN J. P. BELDA

Title: Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

I, Richard B. Kelson, Executive Vice President and Chief Financial Officer of Alcoa Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alcoa Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 23, 2003

/s/ RICHARD B. KELSON

Title: Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Alcoa Inc., a Pennsylvania corporation (the "Company"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 23, 2003

/s/ ALAIN J. P. BELDA

Name: Alain J. P. Belda
Title: Chairman of the Board and Chief Executive Officer

Dated: October 23, 2003

/s/ RICHARD B. KELSON

Name: Richard B. Kelson
Title: Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.