

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

OR

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

For the Quarter Ended June 30, 1999 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 412-553-3042

Office of the Secretary 412-553-4707

(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed  
all reports required to be filed by Section 13 or 15(d) of the  
Securities Exchange Act of 1934 during the preceding 12 months,  
and (2) has been subject to such filing requirements for the past  
90 days.

Yes X No

As of July 21, 1999, 366,666,479 shares of common stock, par  
value \$1.00, of the Registrant were outstanding.

A07-15910

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## PART I - FINANCIAL INFORMATION

Alcoa and subsidiaries  
Condensed Consolidated Balance Sheet  
(in millions)

	(unaudited)	
ASSETS	June 30 1999	December 31 1998
	-----	-----
Current assets:		
Cash and cash equivalents (includes cash of \$109.6 in 1999 and \$131.1 in 1998)	\$ 242.7	\$ 342.2
Short-term investments	63.7	39.4
Receivables from customers, less allowances:		
1999-\$60.7; 1998-\$61.4	2,105.9	2,163.2
Other receivables	154.2	171.0

Inventories (B)	1,631.1	1,880.5
Deferred income taxes	197.2	198.0
Prepaid expenses and other current assets	239.7	230.8
	-----	-----
Total current assets	4,634.5	5,025.1
	-----	-----
Properties, plants and equipment, at cost	18,535.2	18,224.5
Less, accumulated depreciation, depletion and amortization	9,391.9	9,091.0
	-----	-----
Net properties, plants and equipment	9,143.3	9,133.5
Goodwill, net of accumulated amortization of \$206.1 in 1999 and \$179.3 in 1998	1,371.7	1,414.1
Other assets	1,948.9	1,889.8
	-----	-----
Total assets	\$17,098.4	\$17,462.5
	=====	=====
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$ 428.5	\$ 431.0
Accounts payable, trade	1,095.1	1,044.3
Accrued compensation and retirement costs	530.9	553.2
Taxes, including taxes on income	320.2	431.3
Other current liabilities	468.3	627.4
Long-term debt due within one year	134.6	181.1
	-----	-----
Total current liabilities	2,977.6	3,268.3
	-----	-----
Long-term debt, less amount due within one year (C)	2,807.6	2,877.0
Accrued postretirement benefits	1,768.4	1,840.1
Other noncurrent liabilities and deferred credits	1,627.2	1,587.1
Deferred income taxes	339.6	358.1
	-----	-----
Total liabilities	9,520.4	9,930.6
	-----	-----
MINORITY INTERESTS	1,486.6	1,476.0
	-----	-----
CONTINGENT LIABILITIES (D)	-	-
SHAREHOLDERS' EQUITY		
Preferred stock	55.8	55.8
Common stock	394.7	394.7
Additional capital	1,670.1	1,675.9
Retained earnings	5,607.3	5,305.1
Treasury stock, at cost	(1,190.1)	(1,028.7)
Accumulated other comprehensive loss (E)	(446.4)	(346.9)
	-----	-----
Total shareholders' equity	6,091.4	6,055.9
	-----	-----
Total liabilities and shareholders' equity	\$17,098.4	\$17,462.5
	=====	=====

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

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

	Second quarter ended June 30		Six months ended June 30	
	1999	1998	1999	1998
	----	----	----	----
REVENUES				

Sales	\$4,032.7	\$3,587.0	\$8,017.4	\$7,032.1
Other income	42.8	18.3	39.2	46.4
	-----	-----	-----	-----
	4,075.5	3,605.3	8,056.6	7,078.5
	-----	-----	-----	-----
COSTS AND EXPENSES				
Cost of goods sold	3,140.4	2,787.5	6,268.0	5,434.9
Selling, general administrative and other expenses	202.9	156.7	394.5	313.4
Research and development expenses	30.4	27.9	57.8	52.4
Provision for depreciation, depletion and amortization	220.7	186.1	439.4	370.9
Interest expense	49.5	41.8	102.1	81.0
	-----	-----	-----	-----
	3,643.9	3,200.0	7,261.8	6,252.6
	-----	-----	-----	-----
EARNINGS				
Income before taxes on income	431.6	405.3	794.8	825.9
Provision for taxes on income (F)	138.1	135.8	254.3	276.7
	-----	-----	-----	-----
Income from operations	293.5	269.5	540.5	549.2
Less: Minority interests' share	(53.5)	(62.4)	(79.4)	(132.2)
	-----	-----	-----	-----
NET INCOME	\$ 240.0	\$ 207.1	\$ 461.1	\$ 417.0
	=====	=====	=====	=====
EARNINGS PER SHARE (G)				
Basic	\$ .65	\$ .62	\$ 1.25	\$ 1.25
	=====	=====	=====	=====
Diluted	\$ .64	\$ .62	\$ 1.23	\$ 1.24
	=====	=====	=====	=====
Dividends paid per common share	\$ .20125	\$ .1875	\$ .4025	\$ .375
	=====	=====	=====	=====

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

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

	Six months ended June 30	
	1999	1998
	-----	-----
CASH FROM OPERATIONS		
Net income	\$ 461.1	\$ 417.0
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion and amortization	431.4	377.5
Increase (reduction) in deferred income taxes	(10.1)	(1.0)
Equity income before additional taxes, net of dividends	(7.3)	(1.5)
Book value of asset disposals	9.5	18.4
Minority interests	79.4	132.2
Other	(1.3)	1.2
Changes in assets and liabilities, excluding the effects of acquisitions and divestitures:		
Reduction (increase) in receivables	43.0	(132.4)
Reduction in inventories	233.7	87.0
Reduction in prepaid expenses and other current assets	11.6	23.5
Reduction in accounts payable and accrued expenses	(141.6)	(23.3)
Reduction in taxes, including taxes on income	(64.7)	(9.0)
(Reduction) increase in deferred hedging gains	(45.3)	6.1
Net change in noncurrent assets and liabilities	(87.5)	25.3

CASH FROM OPERATIONS	911.9	921.0
FINANCING ACTIVITIES		
Net changes in short-term borrowings	(7.6)	(40.8)
Common stock issued and treasury stock sold	427.3	23.8
Repurchase of common stock	(603.3)	(293.5)
Dividends paid to shareholders	(148.6)	(126.0)
Dividends paid and return of capital to minority interests	(61.9)	(117.1)
Net change in commercial paper	(70.3)	643.8
Additions to long-term debt	216.4	815.3
Payments on long-term debt	(282.6)	(97.8)
CASH (USED FOR) FROM FINANCING ACTIVITIES	(530.6)	807.7
INVESTING ACTIVITIES		
Capital expenditures	(387.7)	(366.5)
Acquisitions, net of cash acquired	(15.9)	(1,352.7)
Proceeds from the sale of assets	30.9	-
Additions to investments	(68.1)	(37.9)
Net change in short-term investments	(24.2)	30.9
Changes in minority interests	(4.5)	39.8
Other	(6.8)	(8.1)
CASH USED FOR INVESTING ACTIVITIES	(476.3)	(1,694.5)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(4.5)	(.8)
CHANGES IN CASH		
Net change in cash and cash equivalents	(99.5)	33.4
Cash and cash equivalents at beginning of year	342.2	800.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 242.7	\$ 834.2

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

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Notes to Condensed Consolidated Financial Statements  
(in millions)

A. Common Stock Split - On January 8, 1999, the board of directors declared a two-for-one common stock split, which was distributed on February 25, 1999 to shareholders of record at the close of business on February 8, 1999. In this report, all per-share amounts and number of shares have been restated to reflect the stock split.

B. Inventories

	June 30 1999	December 31 1998
	-----	-----
Finished goods	\$ 394.3	\$ 418.2
Work in process	552.1	591.7
Bauxite and alumina	297.2	346.5
Purchased raw materials	232.0	361.1
Operating supplies	155.5	163.0
	-----	-----
	\$1,631.1	\$1,880.5
	=====	=====

Approximately 56% of total inventories at June 30, 1999 were valued on a LIFO basis. If valued on an average cost basis, total inventories would have been \$705.6 and \$702.8

higher at June 30, 1999 and December 31, 1998, respectively.

C. Long-Term Debt - In 1998, Alcoa issued \$300 of thirty-year 6.75% bonds due 2028, \$250 of 6.5% term debt due in 2018 and \$200 of 6.125% term debt due in 2005. Alcoa also issued \$1,100 of commercial paper, a portion of which has since been repaid. The proceeds from these borrowings were used to fund acquisitions and for general corporate purposes.

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

Alcoa Aluminio (Aluminio) is currently party to a hydroelectric construction project in Brazil. Total estimated construction costs are \$600, of which the company's share is 24%. In the event that other participants in this project fail to fulfill their financial responsibilities, Aluminio may be liable for its pro rata share of the deficiency.

Alcoa of Australia (AofA) is party to a number of natural gas and electricity contracts that expire between 2001 and 2022. Under these take-or-pay contracts, AofA is obligated to pay for a minimum amount of natural gas or electricity even if these commodities are not required for operations. Commitments related to these contracts total \$163 in 1999, \$166 in 2000, \$162 in 2001, \$158 in 2002, \$156 in 2003 and \$2,125 thereafter. Expenditures under these contracts totaled \$171 in 1998.

E. Comprehensive Income

	Second quarter ended June 30 -----		Six months ended June 30 -----	
	1999 ----	1998 ----	1999 ----	1998 ----
Net income	\$240.0	\$207.1	\$461.1	\$417.0
Other comprehensive loss	(10.6)	(32.5)	(99.5)	(46.6)
	-----	-----	-----	-----
Comprehensive income	\$229.4	\$174.6	\$361.6	\$370.4
	=====	=====	=====	=====

F. Income Taxes - The income tax provision for the period is based on the effective tax rate expected to be applicable for the full year. The 1999 second quarter rate of 32% differs from the statutory rate primarily because of lower taxes on foreign income.

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

	Second quarter ended June 30		Six months ended June 30	
	1999	1998	1999	1998
	-----	-----	-----	-----
Net income	\$240.0	\$207.1	\$461.1	\$417.0
Less: Preferred stock dividends	.5	.5	1.0	1.0
	-----	-----	-----	-----
Income available to common stockholders	\$239.5	\$206.6	\$460.1	\$416.0
Weighted average shares outstanding	367.1	332.2	367.1	334.0
Basic EPS	\$ .65	\$ .62	\$ 1.25	\$ 1.25
	=====	=====	=====	=====
Effect of dilutive securities:				
Add: Shares issuable upon exercise of outstanding stock options	4.2	2.0	6.9	2.0
Diluted shares outstanding	371.3	334.2	374.0	336.0
Diluted EPS	\$ .64	\$ .62	\$ 1.23	\$ 1.24
	=====	=====	=====	=====

H. Acquisitions - In February 1998, Alcoa acquired Inespal, S.A. of Madrid, Spain. Alcoa paid approximately \$150 in cash and assumed \$260 of debt and liabilities in exchange for substantially all of Inespal's businesses. The acquisition included an alumina refinery, three aluminum smelters, three aluminum rolling facilities, two extrusion plants and an administrative center.

In July 1998, Alcoa completed its acquisition of Alumax Inc. (Alumax) for a total consideration of approximately \$3,800. The purchase price consisted of cash of approximately \$1,500, stock of approximately \$1,300 and assumed debt of approximately \$1,000. Alumax operates a number of manufacturing facilities in 22 states, Canada, Western Europe and Mexico.

Alcoa's acquisitions have been accounted for using the purchase method. The purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair market values. Any excess purchase price over the fair market value of the net assets acquired has been recorded as goodwill.

The following presents pro forma information assuming that the acquisition of 100% of Alumax by Alcoa had occurred at the beginning of 1998. Adjustments that have been included to arrive at the pro forma totals primarily include those related to acquisition financing, the amortization of goodwill, the elimination of transactions between Alcoa and Alumax and additional depreciation related to the increase in basis that resulted from the transaction. Tax effects from the pro forma adjustments noted above also have been included at the 35% statutory rate.

Six months  
ended  
June 30, 1998  
-----

Sales	\$8,477.4
Net income	455.6
Basic earnings per share	1.23
Diluted earnings per share	1.22

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

savings that might be achieved from the combined operations.

I. Recently Issued Accounting Standards - In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." The standard requires that entities value all derivative instruments at fair value and record the instruments on the balance sheet. The standard also significantly changes the requirements for hedge accounting. In June 1999, the FASB approved a delay in the effective date of this standard until January 2001. The Company believes that the adoption of the standard will have a material impact on its financial statements. Upon adoption, Alcoa's aluminum, foreign exchange and interest rate derivative contracts, as well as certain underlying exposures, will be recorded on the balance sheet at fair value. Management is currently assessing the details of the standard and is preparing a plan of implementation.

J. Reclassifications - Certain amounts have been reclassified to conform to current year presentation.

K. Segment Information - Alcoa is primarily a producer of aluminum products. Its segments are organized by product on a worldwide basis. Alcoa's management reporting system evaluates performance based on a number of factors; however, the primary measure of performance is the after-tax operating income (ATOI) of each segment. Nonoperating items such as interest income, interest expense, foreign exchange gains/losses and minority interest are excluded from segment profit. In addition, certain expenses such as corporate general administrative expenses, depreciation and amortization on corporate assets and certain special items are not included in segment results.

Alcoa's products are used primarily by transportation (including aerospace, automotive, rail and shipping), packaging, building and construction, and industrial customers worldwide. Alcoa's reportable segments include Alumina and chemicals, Primary metals, Flat-rolled products and Engineered products. Businesses that do not fall into these categories are listed as Other. The following details sales and ATOI for each reportable segment for the three-month and six-month periods ended June 30, 1999 and 1998.

Second quarter ended June 30, 1999	Alumina and chemicals	Primary metals	Flat-rolled products	Engineered products	Other	Total
Sales:						
Third-party sales	\$455.8	\$ 518.6	\$1,257.6	\$939.3	\$861.1	\$4,032.4
Intersegment sales	220.7	675.4	10.9	3.4	-	910.4
	-----	-----	-----	-----	-----	-----
Total sales	\$676.5	\$1,194.0	\$1,268.5	\$942.7	\$861.1	\$4,942.8
	=====	=====	=====	=====	=====	=====
After-tax operating income	\$ 61.7	\$ 96.5	\$ 72.3	\$ 60.5	\$ 70.2	\$ 361.2
Second quarter ended June 30, 1998						
Sales:						
Third-party sales	\$484.7	\$ 467.8	\$1,177.3	\$612.7	\$842.5	\$3,585.0
Intersegment sales	185.8	555.2	14.9	2.6	-	758.5
	-----	-----	-----	-----	-----	-----
Total sales	\$670.5	\$1,023.0	\$1,192.2	\$615.3	\$842.5	\$4,343.5
	=====	=====	=====	=====	=====	=====
After-tax operating income	\$ 92.5	\$ 74.3	\$ 81.2	\$ 40.8	\$ 48.5	\$ 337.3

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Second quarter ended June 30, 1999	Alumina and chemicals	Primary metals	Flat-rolled products	Engineered products	Other	Total
Sales:						
Third-party sales	\$ 876.1	\$1,052.3	\$2,527.2	\$1,881.6	\$1,673.9	\$8,011.1

Intersegment sales	451.9	1,338.3	25.5	6.9	-	1,822.6
	-----	-----	-----	-----	-----	-----
Total sales	\$1,328.0	\$2,390.6	\$2,552.7	\$1,888.5	\$1,673.9	\$9,833.7
	=====	=====	=====	=====	=====	=====
After-tax operating income	\$ 121.4	\$ 161.9	\$ 137.5	\$ 105.8	\$ 97.8	\$ 624.4
Six months ended June 30, 1998						
Sales:						
Third-party sales	\$ 996.1	\$ 879.0	\$2,299.8	\$1,163.2	\$1,690.1	\$7,028.2
Intersegment sales	331.8	1,027.3	31.3	5.1	-	1,395.5
	-----	-----	-----	-----	-----	-----
Total sales	\$1,327.9	\$1,906.3	\$2,331.1	\$1,168.3	\$1,690.1	\$8,423.7
	=====	=====	=====	=====	=====	=====
After-tax operating income	\$ 191.4	\$ 158.0	\$ 163.0	\$ 80.6	\$ 87.6	\$ 680.6

The following table reconciles Alcoa's measure of segment profit to consolidated net income.

	Second quarter ended June 30		Six months ended June 30	
	1999	1998	1999	1998
	----	----	----	----
Total after-tax operating income	\$361.2	\$337.3	\$624.4	\$680.6
Elimination of intersegment (profit) loss	(9.7)	(8.0)	(19.1)	(12.0)
Unallocated amounts (net of tax):				
Interest income	8.4	17.6	13.2	38.1
Interest expense	(32.2)	(27.2)	(66.3)	(52.7)
Minority interest	(53.5)	(62.4)	(79.4)	(132.2)
Mark-to-market gains (losses)	6.3	(21.1)	6.0	(40.9)
Corporate expense	(41.2)	(35.0)	(76.9)	(78.5)
Other (1)	.7	5.9	59.2	14.6
	-----	-----	-----	-----
Consolidated net income	\$240.0	\$207.1	\$461.1	\$417.0
	=====	=====	=====	=====

(1) Other is comprised of differences between segment and corporate taxes, the results of internal hedging contracts between corporate and the segments, external hedging gains and losses, LIFO charges and credits and other miscellaneous items.

L. Foreign Currency - Effective July 1, 1999, the Brazilian Real became the functional currency for translating the financial statements of Alcoa's 59%-owned Brazilian subsidiary, Alcoa Alumínio. Economic factors and circumstances related to Alumínio's operations have changed significantly since the devaluation of the Real in the 1999 first quarter. Under SFAS 52, Foreign Currency Translation, the change in these facts and circumstances requires a change to Alumínio's functional currency.

As a result of the change, at July 1, 1999, Alcoa's shareholders' equity and minority interests accounts were reduced by \$156 and \$108, respectively. These amounts were driven principally by a reduction in fixed assets.

One of the factors affecting the change in Alumínio's functional currency was Alcoa's recent purchase of approximately \$185 of Alumínio's 7.5% secured export notes. The repurchase of these notes is consistent with Alcoa's recent policy change regarding the manner in which large subsidiaries are capitalized, and will result in lower overall financing costs to the company.



In the opinion of the Company, the financial statements and summarized financial data in this Form 10-Q report include all adjustments, including those of a normal recurring nature, necessary to fairly state the results for the periods. This Form 10-Q report should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 1998.

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

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#### Independent Accountant's Review Report

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

We have reviewed the unaudited condensed consolidated balance sheet of Alcoa and subsidiaries as of June 30, 1999, the unaudited condensed statements of consolidated income for the three-month and six-month periods ended June 30, 1999 and 1998, and the unaudited condensed statement of consolidated cash flows for the six-month periods ended June 30, 1999 and 1998, which are included in Alcoa's Form 10-Q for the period ended June 30, 1999. These financial statements are the responsibility of Alcoa's management.

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

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Alcoa and subsidiaries as of December 31, 1998, and the related statements of consolidated income, shareholders' equity, and cash flows for the year then ended (not presented herein). In our report dated January 8, 1999, 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, 1998, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania  
July 7, 1999

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Management's Discussion and Analysis of the  
Results of Operations and Financial Condition  
(dollars in millions, except share amounts and ingot prices;  
shipments in thousands of metric tons (mt))

## Results of Operations

Principal income and operating data follow.

	Second quarter ended June 30		Six months ended June 30	
	1999	1998	1999	1998
Sales	\$4,032.7	\$3,587.0	\$8,017.4	\$7,032.1
Net income	240.0	207.1	461.1	417.0
Basic earnings per common share	.65	.62	1.25	1.25
Diluted earnings per common share	.64	.62	1.23	1.24
Shipments of aluminum products	1,117	866	2,249	1,644
Shipments of alumina	1,836	1,888	3,500	3,811
Alcoa's average realized ingot price	.64	.67	.63	.70

### Earnings Summary

Alcoa reported 1999 second quarter net income of \$240.0, a 16% increase from the 1998 second quarter. The increase was due primarily to higher shipments, which were fueled by acquisitions, partly offset by lower prices. Cost reductions partly offset the impact of lower prices on margins. For the year-to-date period, net income rose 11% to \$461.1. Again, higher shipments and lower operating costs, partly offset by lower overall prices, generated the increase.

Revenues in the 1999 quarter rose 12% to \$4 billion, and increased 14% from the 1998 six-month period to \$8 billion. The increase in revenues for both periods was due to higher aluminum shipments, offset in part by lower overall aluminum prices. Alumina shipments fell 8% from the 1998 six-month period as shipments to Alumax, which were classified as third-party sales before the acquisition, are now intersegment shipments.

Annualized return on shareholders' equity was 14.8% for the 1999 quarter, compared with 18.3% in the 1998 quarter. The decline is due to higher shareholders' equity balances in 1999, resulting primarily from the Alumax acquisition in 1998, partially offset by higher earnings.

### Segment Information

#### I. Alumina and Chemicals

	Second quarter ended June 30		Six months ended June 30	
	1999	1998	1999	1998
Third-party alumina shipments	1,836	1,888	3,500	3,811
Third-party sales	\$455.8	\$484.7	\$ 876.1	\$996.1
Intersegment sales	220.7	185.8	451.9	331.8
Total sales	\$676.5	\$670.5	\$1,328.0	\$1,327.9
After-tax operating income	\$ 61.7	\$ 92.5	\$ 121.4	\$ 191.4

This segment's activities include the mining of bauxite, which is then refined into alumina. The alumina is sold to internal and external customers worldwide or is processed into industrial chemical products. A majority of the third-party sales from this

segment are derived from alumina. While total sales were nearly unchanged, third-party sales for this segment decreased 12% from the 1998 six-month period, while intersegment sales rose 36% during the same period. The primary reason for the drop in third-party sales and the increase in intersegment sales is the Alumax acquisition. Prior to the acquisition, Alumax was an alumina customer of Alcoa. Accordingly, shipments to Alumax smelters were recorded as third-party sales. These same sales are

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now recorded as intersegment. Without the effects of the Alumax acquisition, third-party alumina shipments were up 9% for the six-month period. In addition, third-party realized prices for alumina fell 5% from the 1998 year-to-date period.

After-tax operating income for this segment fell 33% to \$61.7 for the 1999 second quarter, and 37% to \$121.4 for the six-month period. The decline is primarily due to lower internal and third-party prices, partly offset by improved cost performance. On a quarter-to-quarter basis, lower prices and slightly higher operating costs drove the decline.

## II. Primary Metals

	Second quarter ended June 30		Six months ended June 30	
	1999 ----	1998 ----	1999 ----	1998 ----
Third-party aluminum shipments	354	311	724	561
Third-party sales	\$ 518.6	\$ 467.8	\$1,052.3	\$ 879.0
Intersegment sales	675.4	555.2	1,338.3	1,027.3
	-----	-----	-----	-----
Total sales	\$1,194.0	\$1,023.0	\$2,390.6	\$1,906.3
	=====	=====	=====	=====
After-tax operating income	\$ 96.5	\$ 74.3	\$ 161.9	\$ 158.0

This segment's primary focus is Alcoa's worldwide smelter system. Primary metals receives alumina from the alumina and chemicals segment and produces aluminum ingot to be used by a variety of Alcoa's other segments, as well as sold to outside customers.

The sale of ingot represents over 90% of this segment's third-party sales. Third-party ingot revenues rose 18% from the 1998 six-month period as a 30% increase in shipments, primarily from acquired companies and Brazil, more than offset a decline in prices.

Intersegment sales rose 30% in the 1999 year-to-date period as the addition of Alumax's fabrication operations resulted in higher internal demand for metal. Alcoa's average realized third-party price for ingot fell 4% from the 1998 second quarter to 64 cents per pound, reflecting the decline in market prices over the last year.

Primary metals ATOI rose \$3.9 to \$161.9 for the first six months of 1999. The increase in ATOI is attributable to higher volumes and improved cost performance, which were nearly offset by a 10% decline in realized prices. For the 1999 quarter, ATOI rose \$22.2 or 30%. The increase is a result of higher volumes, partly offset by the above-mentioned 4% decline in realized prices. In addition, improved results from Brazil had a positive impact on ATOI in the 1999 second quarter.

## III. Flat-Rolled Products

Second quarter

Six months

	ended June 30 -----		ended June 30 -----	
	1999 ----	1998 ----	1999 ----	1998 ----
Third-party aluminum shipments	496	417	983	802
Third-party sales	\$1,257.6	\$1,177.3	\$2,527.8	\$2,299.8
Intersegment sales	10.9	14.9	25.5	31.3
	-----	-----	-----	-----
Total sales	\$1,268.5	\$1,192.2	\$2,552.7	\$2,331.1
	=====	=====	=====	=====
After-tax operating income	\$ 72.3	\$ 81.2	\$ 137.5	\$ 163.0

This segment's principal business is the production and sale of aluminum sheet, plate and foil. This segment includes rigid container sheet(RCS), which is used to produce aluminum beverage cans and mill products used in the transportation and distributor markets. Approximately one-half of the third-party sales from this segment are derived from mill products and one-third are

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from RCS. Third-party flat-rolled product's sales rose 10% from the 1998 year-to-date period. The increase was due to a 23% increase in shipments, which were driven by acquisitions, partly offset by lower prices.

Third-party sales of RCS were down 10% as shipments were flat and prices fell over the 1998 six-month period. Quarter to quarter, revenues fell 14% as prices slipped 10%. Mill product's revenues rose 32% from the 1998 six-month period as shipments, driven by acquisitions, increased 64%. For the 1999 quarter, revenues were up 30% as shipments rose 63%. Realized prices for mill products in 1999 have declined over 1998 as a result of a lower value-added mix, due principally to the Alumax acquisition.

ATOI for this segment fell 16% to \$137.5 for the 1999 six-month period. RCS generated the majority of the decline, as lower selling prices had a negative impact on margins. Mill product's ATOI rose over the year-to-year period, as higher volumes, aided by acquisitions, offset the impact of lower prices and a less profitable mix.

#### IV. Engineered products

	Second quarter ended June 30 -----		Six months ended June 30 -----	
	1999 ----	1998 ----	1999 ----	1998 ----
Third-party aluminum shipments	249	128	507	249
Third-party sales	\$939.3	\$612.7	\$1,881.6	\$1,163.2
Intersegment sales	3.4	2.6	6.9	5.1
	-----	-----	-----	-----
Total sales	\$942.7	\$615.3	\$1,888.5	\$1,168.3
	=====	=====	=====	=====
After-tax operating income	\$ 60.5	\$ 40.8	\$ 105.8	\$ 80.6

This segment includes hard and soft alloy extrusions, aluminum forgings and wire, rod and bar. These products serve the transportation, construction and distributor markets. Revenues from third-party sales of engineered products increased 53% from the 1998 second quarter, as acquisitions fueled a 95% increase in shipments.

Approximately 80% of the revenues from this segment are derived from the sale of extrusions. Third-party sales of soft extrusions were up 137% from the 1998 year on a 166% increase in shipments. The large increase in shipments was primarily due to the Alumax acquisition, which nearly doubled Alcoa's existing soft alloy business. Hard alloy revenues fell 20% as shipments were down 17%.

Revenues from the sale of forged aluminum wheels increased 23% in the 1999 six-month period, as a 26% increase in shipments offset a decline in prices. Sales of other forged products fell 8% on a similar decline in shipments.

Segment ATOI increased 31% to \$105.8 in the 1999 year-to-date period. Higher shipments of soft alloy extrusions partly offset by lower hard alloy margins generated the increase. Lower operating costs also contributed to the improvement in ATOI.

#### V. Other

	Second quarter ended June 30		Six months ended June 30	
	1999 ----	1998 ----	1999 -----	1998 -----
Third-party aluminum shipments	18	10	35	32
Third-party sales	\$861.1	\$842.5	\$1,673.9	\$1,690.1
After-tax operating income	\$ 70.2	\$ 48.5	\$ 97.8	\$ 87.6

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This segment includes Alcoa Fujikura Ltd. (AFL), which produces electrical components for the automotive industry as well as telecommunications products. In addition, Alcoa's aluminum and plastic closures operations and residential building products operations are included in this group.

Revenues for this segment were \$861 in the 1999 second quarter, up 2% from the 1998 quarter. AFL, which generates approximately half of the revenues reported in this segment, experienced a 5% increase in revenues as higher volumes offset lower prices. In addition, revenues from the sale of plastic closures increased 14% from the 1998 quarter. More than offsetting these revenue gains were lower revenues from Alcoa Aluminio's packaging operations, which were negatively impacted by the recent currency devaluation and economic conditions in Brazil.

ATOI for this segment in the 1999 second quarter was \$70.2, up 45% from 1998. Improved results at AFL and from closure operations, which were both helped by cost improvements, generated the increase. Year-to-date, improved results from these same businesses were partly offset by losses from packaging operations in Brazil.

#### Costs and Other

Cost of Goods Sold - Cost of goods sold increased \$352.9, or 13%, from the 1998 second quarter. The increase reflects higher volumes, which were aided by acquisitions, partially offset by lower material costs and improved cost performance. Cost of goods sold as a percentage of sales in the 1999 second quarter was 77.9% versus 77.7% in the 1998 quarter. The higher ratio in 1999 is primarily due to lower metal prices, partly offset by cost performance. On a year-to-date basis, this percentage was up .9% from 1998 to 78.2%, again due to lower metal prices partly offset by cost improvements.

Selling and General Administrative Expenses - Selling, general and administrative (SG&A) expenses were up \$46.2, or 29%, from the 1999 second quarter and \$81.1, or 26%, on a year-to-date basis. These increases were due to acquisitions; on a pre-

acquisition basis these costs were nearly unchanged. SG&A as a percentage of revenue rose to 5.0% in the 1999 second quarter, compared with 4.4% in the 1998 period. The increase was due to the acquisition-related increase in SG&A noted above along with lower metal prices that reduced revenues. Alcoa's objective is to maintain SG&A costs below 5.0% of revenues.

Interest Expense - Interest expense totaled \$49.5 in the 1999 second quarter, an increase of 18% over the comparable 1998 period. The increase is due to the issuance of debt in 1998 to fund acquisitions. These borrowings include \$300 of thirty-year 6.75% bonds due 2028, \$250 of 6.5% term debt due in 2018 and \$200 of 6.125% term debt due in 2005. Alcoa also issued \$1,100 of commercial paper in 1998, a portion of which has since been repaid.

Income Taxes - The income tax provision for the period is based on the effective tax rate expected to be applicable for the full year. The 1999 second quarter rate of 32% differs from the statutory rate primarily because of lower taxes on foreign income.

Other Income - Other income rose to \$42.8 in the 1999 second quarter from \$18.3 in the comparable 1998 period. The increase was due to income from marking-to-market aluminum commodity contracts versus losses in the 1998 quarter. Offsetting this gain was a decline in interest income due to lower cash and short-term investment balances. On a year-to-date basis other income fell \$7.2 to \$39.2. The decline was the result of lower equity and interest income and higher foreign currency losses, partly offset by mark-to-market gains in the 1999 period versus losses in 1998.

Foreign Currency - Effective July 1, 1999, the Brazilian Real became the functional currency for translating the financial statements of Alcoa's 59%-owned Brazilian subsidiary, Alcoa Aluminio. Economic factors and circumstances related to Aluminio's operations have changed significantly since the devaluation of the Real in the 1999 first quarter. Under SFAS 52,

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Foreign Currency Translation, the change in these facts and circumstances requires a change to Aluminio's functional currency.

As a result of the change, at July 1, 1999, Alcoa's shareholders' equity and minority interests accounts were reduced by \$156 and \$108, respectively. These amounts were driven principally by a reduction in fixed assets.

One of the factors affecting the change in Aluminio's functional currency was Alcoa's recent purchase of approximately \$185 of Aluminio's 7.5% secured export notes. The repurchase of these notes is consistent with Alcoa's recent policy change regarding the manner in which large subsidiaries are capitalized, and will result in lower overall financing costs to the company.

Minority Interests - Minority interests' share of income from operations fell 40% from the 1998 year-to-date period to \$79.4. The decrease is due primarily to lower earnings from Aluminio, which was negatively impacted by the Brazilian currency devaluation and resulting economic events in the 1999 first quarter. In addition, lower earnings at Alcoa World Alumina also contributed to the decline.

#### Risk Factors

In addition to the risks inherent in its operations, Alcoa is exposed to financial, market, political and economic risks. The following discussion, which provides additional detail regarding Alcoa's exposure to the risks of changing commodity prices, foreign exchange rates and interest rates, includes forward-looking statements that involve risk and uncertainties. Actual results could differ materially from those projected in these forward-looking statements.

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 commit to fixed-price contracts that sometimes extend a number of years into the

future. Customers will likely require Alcoa to enter into similar arrangements in the future. These contracts expose Alcoa to the risk of fluctuating aluminum prices between the time the order is accepted and the time the order ships.

In the U.S., Alcoa is net metal short and is subject to the risk of higher aluminum prices for the anticipated metal purchases required to fulfill the long-term customer contracts noted above. To hedge this risk, Alcoa enters into long positions, principally using futures and options. Alcoa follows a stable pattern of purchasing metal; therefore, it is highly likely that anticipated metal requirements will be met. At June 30, 1999 and 1998, these contracts totaled approximately 548,000 and 452,000 mt, respectively. These contracts act to fix the purchase price for these metal purchase requirements, thereby reducing Alcoa's risk to rising metal prices.

The futures and options contracts noted above are with creditworthy counterparties and are further supported by cash, treasury bills or irrevocable letters of credit issued by carefully chosen banks.

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

In addition to the above noted aluminum positions, Alcoa had 75,000 mt and 157,000 mt of futures and options contracts outstanding at June 30, 1999 and 1998, respectively, that cover long-term, fixed-price commitments to supply customers with metal from internal sources. Accounting convention requires that these contracts be marked-to-market, which resulted in an after-tax credit (charge) to earnings of \$6.3 and \$(19.8) at June 30, 1999 and 1998, respectively.

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Alcoa also purchases certain other commodities, such as gas and copper, for its operations and enters into futures contracts to eliminate volatility in the prices of such products. None of these contracts are material.

**Financial Risk** - Alcoa is subject to significant exposure from fluctuations in foreign currencies. As a matter of company policy, foreign currency exchange contracts, including forwards and options, are sometimes used to limit the risk of fluctuating exchange rates. In addition, Alcoa also attempts to maintain a reasonable balance between fixed and floating rate debt and uses interest rate swaps and caps to keep financing costs as low as possible.

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

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

#### Environmental Matters

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

costs or damages can be reasonably estimated.

As assessments and cleanups proceed, the liability is adjusted based on progress in determining the extent of remedial actions and related costs and damages. The liability can change substantially due to factors such as the nature and extent of contamination, changes in remedial requirements and technological changes. Therefore, it is not possible to determine the outcomes or to estimate with any degree of accuracy the ranges of potential costs for certain matters. For example, there are issues related to the Massena, New York, and Pt. Comfort, Texas sites that allege natural resource damage or off-site contaminated sediments, where investigations are ongoing. The following discussion provides additional details regarding the current status of these two sites.

MASSENA/GRASSE RIVER. Sediments and fish in the Grasse River adjacent to Alcoa's Massena, New York plant site contain varying levels of polychlorinated biphenyl (PCB). Alcoa has been identified by the U.S. Environmental Protection Agency (EPA) as potentially responsible for this contamination and, since 1989, has been conducting investigations and studies of the river under order from the EPA issued under the Comprehensive Environmental Response, Compensation and Liability Act.

During 1998, Alcoa continued to perform studies and investigations on the Grasse River. In addition, Alcoa proposed to submit the report of remedial alternatives to EPA in phases, as additional information is obtained from these ongoing studies and investigations. In October 1998, Alcoa submitted the first of these phased reports, consisting of a summary of results of certain river and sediment studies performed over the past several years. Based on these studies, Alcoa has proposed to EPA that pilot scale tests be performed to assess the feasibility of performing certain sediment covering techniques. The costs of these pilot scale tests have been fully reserved. The results of these tests and other related field pilot studies should permit the development of the remaining phases of the remedial alternative report. Alcoa is awaiting EPA approval for these pilot tests.

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Based on the above, the costs to complete a remedy related to this site currently cannot be estimated since they will depend on the remedial method chosen. Alcoa is also aware of a natural resource damage claim that may be asserted by certain federal, state and tribal natural resource trustees at this location.

PT. COMFORT/LAVACA BAY. In 1990, Alcoa began discussions with certain state and federal natural resource trustees concerning alleged releases of mercury from its Pt. Comfort, Texas facility into the adjacent Lavaca Bay. In March 1994, EPA listed the "Alcoa (Point Comfort)/Lavaca Bay Site" on the National Priorities List and, shortly thereafter, Alcoa and EPA entered into an administrative order on consent under which Alcoa is obligated to conduct certain remedial investigations and feasibility studies. In accordance with this order, Alcoa recently submitted a draft remedial investigation and a draft baseline risk assessment to EPA. Alcoa expects to submit a draft feasibility study during 1999. In addition, Alcoa recently commenced construction of the EPA-approved project to fortify an offshore dredge disposal island. The probable and estimable costs of these actions are fully reserved. Additional costs to complete a remedy currently cannot be estimated since they will depend on the extent of remediation required, if any, the remedial method chosen and the time frame to complete any remediation activity. Since the order with EPA, Alcoa and the natural resource trustees have continued efforts to understand natural resource injury and ascertain appropriate restoration alternatives. That process is expected to be completed within the next 12 to 24 months.

Based on the above, it is possible that results of operations in a particular period could be materially



affected by certain of these matters. However, based on facts currently available, management believes 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 the end of the 1999 second quarter was \$194.2 (of which \$62.3 was classified as a current liability) and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. About 21% of the reserve relates to Alcoa's Massena, New York plant site, and 15% relates to Alcoa's Pt. Comfort, Texas plant site. Remediation expenses charged to the reserve during the 1999 second quarter were \$12.5. These include expenditures currently mandated, as well as those not required by any regulatory authority or third party.

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

#### Liquidity and Capital Resources

##### Cash from Operations

Cash from operations during the 1999 year-to-date period totaled \$911.9, compared with \$921.0 in the 1998 period. The decrease reflects a lower level of noncurrent assets and liabilities and a decrease in minority interests' share of income. Partially offsetting these items were lower working capital requirements along with higher net income.

##### Financing Activities

Financing activities used \$530.6 of cash in the 1999 year-to-date period, compared with \$807.7 of cash generated in the 1998 period. The primary reason for the difference was Alcoa's issuance of debt in the 1998 period, which was used primarily to fund acquisitions. In the 1999 year-to-date period, Alcoa used \$603.3 to repurchase 11,891,034 shares of the Company's common stock, versus \$293.5 used in the 1998 period. These repurchases were partially offset by \$427.3 and \$23.8 in the 1999 and 1998 periods, respectively, of stock issued for employee stock option plans. In July 1999, Alcoa announced that the board of directors had authorized the repurchase of 20 million shares of Alcoa common stock. This action replaces a similar authorization approved by the board in January 1999. Approximately 12 million shares were repurchased under the prior authorization.

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Dividends paid to shareholders were \$148.6 in the 1999 six-month period, an increase of \$22.6 over the 1998 period. The increase was primarily due to Alcoa's variable dividend program, which paid out 40.25 cents in the first half of 1999. This compares with 37.5 cents per share in the 1998 six-month period.

##### Investing Activities

Investing activities in 1998 used \$1,694.5 of cash, \$1,218.2 more than the 1999 requirement of \$476.3. Capital expenditures were the majority of the 1999 spending, totaling \$387.7, up 6% from 1998 levels.

Acquisitions represented the bulk of investing activities in the 1998 period. These include Alcoa's purchase of 51% of the outstanding stock of Alumax in the 1998 second quarter and Alcoa's purchase of Inespal in the 1998 first quarter. Alcoa purchased the remaining 49% of Alumax in the 1998 third quarter. During the 1999 period, Alcoa acquired the bright products business of Pechiney's Rhenalu rolling plant located near Toulouse, France and Reynolds' aluminum extrusion plant in Irurzun, Spain.

##### Year 2000 issue

Alcoa, like other businesses, is facing the Year 2000 issue. The Year 2000 issue arises from the past practice of utilizing two digits (as opposed to four) to represent the year in some computer programs and software. If uncorrected, this could result in computational errors as dates are compared across the century boundary.

As a basic materials supplier, the vast majority of the products produced and sold by Alcoa are unaffected by Year 2000 issues in use or operation since they contain no microprocessors. Alcoa is addressing the Year 2000 issue through a formal program that reports to the Company's chief information and financial officers. Alcoa's methodology encompasses four phases: Awareness/Inventory; Assessment; Remediation and Compliance Testing. Ongoing leadership is provided by a Global Program Office, which is directly linked into Alcoa's business units and resource units, including the acquired Alumax facilities. The Global Program Office provides processes and tools to the business units and monitors progress through systematic reporting and on-site verification reviews in cooperation with the Company's internal auditors. Progress is reported regularly to the Company's senior executives and to the Audit Committee of Alcoa's board of directors.

Internally, computer and microprocessor based systems such as mainframe, mini-computer and personal computer systems and the software they utilize have been assessed. Operational support, process control, facilities, infrastructure and mechanical systems are being addressed as well. These systems assist in the control of Alcoa's operations by performing such functions as maintaining manufacturing parameters, monitoring environmental conditions and assisting with facilities management and security. Many of these systems rely on software or contain embedded electronic components that could be affected by Year 2000 compliance issues. Since many of these systems are common across operating locations, information sharing and efficiencies have been realized in the Year 2000 efforts. Priority for any required remediation efforts has been assigned based on the criticality of the system or business process affected. As of June 30, 1999, the remediation phase had been completed for 98% of Alcoa's critical components with 96% of all critical components having completed compliance testing. It is presently expected that compliance testing will be completed for 99% of critical systems by the end of the third quarter.

Alcoa relies on numerous third parties for a wide variety of goods and services, including raw materials, telecommunications and utilities such as water and electricity. Many of the Company's operating locations would be adversely affected if these supplies and services were curtailed as a result of a supplier's Year 2000 noncompliance. Alcoa has surveyed its vendors and suppliers using questionnaires and, based on the response and significance to the Company's operations, is conducting follow-up activities with critical and important suppliers. If Alcoa concludes that a third party presents a

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substantial risk of a Year 2000 based business disruption, an effort will be made to resolve the issue. If necessary, a new vendor or supplier will be qualified and secured. Communication with these third parties regarding Year 2000 issues is a continuing process.

Alcoa and certain of its trading partners utilize electronic data interchange (EDI) to effect business communications. The Company's EDI system software has been upgraded to support transactions in a Year 2000 compliant format. Migration of EDI transactions to this new format will occur as Alcoa and its EDI trading partners, on a case-by-case basis, modify existing EDI transaction formats. Some Alcoa customers have indicated that they will not modify EDI transaction sets but will rely on other techniques to achieve Year 2000 capability. Alcoa does not expect Year 2000-related disruptions to occur in these situations.

Based on current information, Alcoa believes that the most likely worst case scenario to result from a Year 2000 failure by Alcoa, its suppliers or customers would be a short-term reduction in manufacturing capability at one or more of Alcoa's operations and a temporary limitation on Alcoa's ability to deliver products to customers. Based on internal efforts and formal communications with third parties, Alcoa does not believe that Year 2000 issues are likely to result in significant operational problems or will have a material adverse impact on its consolidated financial position, operations or cash flow. Nonetheless, failures of suppliers, third-party vendors or customers resulting from Year

2000 issues could result in a short-term material adverse effect.

In order to minimize operational effects, Alcoa is utilizing a structured contingency planning process throughout the company to identify and analyze Year 2000 operational risks. Risk assessments are documented and reported to the Year 2000 Global Program Office. The specific risk scenarios are reviewed by operational management and detailed contingency plans are developed for the areas of greatest risk. It is expected that detailed contingency planning will be completed by the end of the third quarter.

Alcoa's Year 2000 program utilizes on-site verification of Year 2000 efforts at its various operating locations. Using audit-like techniques, the Year 2000 Global Program Office and the Company's internal auditors verify that business and resource units have followed the prescribed processes and methodologies and also samples local Year 2000 readiness. Each of Alcoa's business units will receive at least one verification audit during 1999 with more than eighty-five reviews planned.

For the 1999 six-month period, Alcoa incurred approximately \$18.0 million of direct costs in connection with its Year 2000 program. These costs include external consulting costs and the cost of hardware and software replaced as a result of Year 2000 issues. Total direct costs for 1999 are estimated to be between \$35 and \$50.

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## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

As previously reported, in March 1998, Region V of the EPA referred various alleged environmental violations at Alcoa's Warrick Operations to the civil division of the U.S. Department of Justice (DOJ). The alleged violations stem from an April 1997 multi-media environmental inspection of Warrick Operations by the EPA relating to water permit exceedances as reported on monthly discharge monitoring reports, wastewater toxicity issues and alleged opacity violations. Alcoa and the DOJ have entered into a series of tolling agreements to suspend the statute of limitations related to the alleged violations in this matter. While the parties have reached an agreement in principle, details of the settlement and a consent agreement have yet to be finalized.

As previously reported, in October 1998, Region V of the EPA referred various alleged environmental violations at Alcoa's Lafayette Operations to the civil division of the DOJ. The alleged violations relate to water permit exceedances as reported on monthly discharge monitoring reports. Alcoa and the DOJ entered into a tolling agreement to suspend the statute of limitations related to the alleged violations in order to facilitate settlement discussions with the DOJ and EPA. The parties have been unable to reach settlement on this matter. On June 11, 1999, the DOJ and EPA filed a complaint against Alcoa in the United States District Court for the Northern District of Indiana.

In March 1999, two search warrants were executed by various federal and state agencies on the Alcoa Port Allen Works of Discovery Aluminas, Inc., a subsidiary, in Port Allen, Louisiana. Also in March, Discovery Aluminas, Inc. was served with a grand jury subpoena that required the production to a federal grand jury of certain company records relating to alleged environmental issues involving wastewater discharges and management of solid or hazardous wastes at the plant. In April 1999, the Port Allen plant manager was indicted for a single count of violating the Clean Water Act. Alcoa is cooperating with the investigation and is engaged in discussions to resolve the situation.

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

At the annual meeting of Alcoa shareholders held on May 7, 1999, Alain J. P. Belda was elected a director of Alcoa to serve for a two-year term, and Joseph T. Gorman, Sir Ronald Hampel and Marina v.N. Whitman were reelected to serve for three-year terms. Votes cast for Mr. Belda were 292,353,336 and votes withheld were

2,026,329; votes cast for Mr. Gorman were 292,653,209 and votes withheld were 1,726,456; votes cast for Sir Ronald Hampel were 292,630,878 and votes withheld were 1,748,787; votes cast for Mr. Mulroney were 292,657,653 and votes withheld were 1,722,012; and votes cast for Dr. Whitman were 292,609,208 and votes withheld were 1,770,457.

Also at that annual meeting, a proposal to approve the Alcoa Stock Incentive Plan was adopted. Total votes cast for the Alcoa Stock Incentive Plan were 254,906,831, votes cast against were 38,128,578 and there were 1,344,256 abstentions. Abstentions are not counted for voting purposes under Pennsylvania law, the jurisdiction of Alcoa's incorporation.

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

(a) Exhibits

- 10(g)(1) Deferred Fee Plan for Directors, as amended July 9, 1999.
- 10(p)(1) Alcoa Stock Incentive Plan, as amended May 6, 1999.
- 12. Computation of Ratio of Earnings to Fixed Charges
- 15. Independent Accountants' letter regarding unaudited financial information
- 27. Financial Data Schedule

(b) No reports on form 8-K were filed by Alcoa during the quarter covered by this report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Alcoa Inc.

July 22, 1999                      By /s/ RICHARD B. KELSON  
Date                                  Richard B. Kelson  
   Executive Vice President and  
   Chief Financial Officer  
   (Principal Financial Officer)

July 22, 1999                      By /s/ EARNEST J. EDWARDS  
Date                                  Earnest J. Edwards  
   Senior Vice President and  
   Controller  
   (Chief Accounting Officer)

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EXHIBITS

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ALCOA INC.

DEFERRED FEE PLAN FOR DIRECTORS

(Amended July 9, 1999)

Article I

INTRODUCTION

Alcoa Inc. (the "Company") has established this Deferred Fee Plan for Directors (the "Plan") to provide non-employee Directors with an opportunity to defer receipt of cash fees to be earned for services rendered as a Director, generally until after termination of service as a Director.

Article II

DEFINITIONS

2.1 Definitions. The following definitions apply unless the context clearly indicates otherwise:

(a) Alcoa Stock Option shall mean the Investment Option established hereunder with reference to the Alcoa Stock fund under the Savings Plan.

(b) Beneficiary means the person or persons designated by a Participant under Section 4.1 to receive any amount payable under Section 5.3.

(c) Board of Directors means the Board of Directors of the Company.

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(d) Committee means the Inside Director Committee of the Board.

(e) Credits means amounts credited to a Participant's Deferred Fee Account, with all Investment Option units valued by reference to the comparable fund offered under the Company's principal savings plan for salaried employees ("Savings Plan").

(f) Deferred Fee Account means a bookkeeping account

established by the Company in the name of a Director with respect to amounts deferred hereunder.

(g) Director means a non-employee member of the Board of Directors. Any Director who is a director or chairman of the board of directors of a subsidiary or affiliate of the Company shall not, by virtue thereof, be deemed to be an employee of the Company or such subsidiary or affiliate for purposes of eligibility under this Plan.

(h) Fees means all cash amounts payable to a Director for services rendered as a Director and which are specifically designated as fees, including, but not limited to, annual and/or quarterly retainer fees, fees (if any) paid for attending meetings of the Board of Directors or any committee thereof and any per diem fees.

(i) Investment Option means the respective options established hereunder with reference to the comparable funds under the Savings Plan, except as otherwise determined by the Committee for any fund added to the Savings Plan after January 1, 1993.

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(j) Participant means a person who has elected to participate in the Plan.

(k) Secretary means the Secretary of the Company.

(l) Unforeseeable Emergency means a severe financial hardship resulting from extraordinary and unforeseeable circumstances arising as a result of one or more recent events beyond the control of the Participant, which cannot be eliminated by other reasonably available resources of the Participant.

### Article III

#### DEFERRAL OF COMPENSATION

3.1 Amount of Deferral. A Director may elect to defer receipt of all Fees, or of all Fees of one or more types, or a specified portion (in 10% increments) of either of the foregoing, otherwise payable to him or her.

3.2 Manner of Electing Deferral. A Director may elect, or modify a prior election, to defer the receipt of all or certain Fees by giving written notice to the Secretary on a form provided by the Company.

3.3 Time of Election of Deferral; Revocation. An election to defer Fees shall be made prior to the beginning of the calendar quarter in which the Fees will be earned; provided, however, that an election made within 30 days after a person first becomes a Director shall be effective for Fees earned after such election is made. An election shall continue in effect until the end of the Participant's service as a Director or until the

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Secretary is notified in writing of a cancellation or modification of the election pursuant to this Section 3.3, whichever shall occur first; provided, however, that unless and then only to the extent that the Committee, in its sole discretion, determines that an Unforeseeable Emergency exists, the election deferring receipt of payment may not be canceled or modified except with regard to Fees to be earned in the quarter(s) beginning after the date the election is so canceled or modified.

3.4 Deferring Fees. A Participant shall designate the portion of his or her deferred Fees to be invested in one or more of the Investment Options. Beginning January 1, 1996, all Fees deferred by a Participant in any calendar year shall be invested in the Alcoa Stock Option until one-half of the amount of the annual retainer fee to which such Participant is entitled for such year has been so invested. Thereafter, designations of other Investment Options by a Participant may be made or shall be given effect. A Participant's deferred Fees shall be credited to the designated Investment Option(s) at the end of the month in which such deferred Fees would have been payable to such

Participant but for an election to defer receipt of those Fees, except that the retainer fees shall be credited as of the first day of January, April, July and October of the year in which they are earned. Such Fees shall be credited to a Participant's Deferred Fee Account as Credits for "units" in the Participant's Deferred Fee Account. As of any specified date the value per unit shall be deemed to be the value determined for the comparable fund under the Savings Plan.

3.5 Transfers. A Participant may elect to designate a different Investment Option for all or any portion of the Credits for units in the various Investment Options in his or her Deferred Fee Account, except that Credits for units in the Alcoa Stock Option may not be transferred to any other Investment Option while the Participant is a Director. Beginning six months after termination of Board service and prior to a complete

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distribution of the Participant's account, the Participant may transfer Credits for units in the Alcoa Stock Option to other Investment Options to the same extent and frequency as a participant in the Savings Plan. A written election for transfer on a form provided by the Company must be received by the Secretary prior to 4:00 p.m. Eastern Time the business day when it is to become effective. Such election shall be subject to reasonable administrative minimums, and any restrictions recommended by counsel to assure that the Alcoa Stock Option does not become subject to Section 16 of the Securities Exchange Act of 1934 and/or to assure compliance with the provisions thereof.

### 3.6 Method of Payment.

(a) All payments with respect to a Participant's Deferred Fee Account shall be made in cash, and no Participant shall have the right to demand payment in shares of Company stock or in any other medium.

(b) Payments shall be made in a lump sum or, at the election of the Participant, in annual or quarterly installments. The date of the first such payment shall not be later than the first day of the first calendar quarter subsequent to the Participant's



attainment of age 70 in which the Participant shall not be serving as a Director.

(c) An election to receive installment payments in lieu of a lump sum must be made at least one year before the Participant's service as a Director terminates.

3.7 Election for pre-1990. Any Participant who deferred Fees payable for any year prior to 1990 shall be permitted to elect to designate one or more of the current

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Investment Options for all (but not less than all) of the amount credited to his Deferred Fee Account. The election must be received by the Secretary prior to the effective date fixed by the Committee and is subject to the approval of the Committee. Through the date such election becomes effective (if any) his Deferred Fee Account will earn interest as provided in the Plan prior to the 1989 amendments.

3.8 Transition Provision for 1992. The blackout period from November 2, 1992 through January 1, 1993 and the mapping of Credits from the old to the new Investment Options shall be administered under the Plan in the same fashion as for the Savings Plan, except as otherwise determined by the Committee.

#### Article IV

#### BENEFICIARIES

4.1 Designation of Beneficiary. Each Participant may designate from time to time any person or persons, natural or otherwise, as his Beneficiary or Beneficiaries to whom the amounts credited to his or her Deferred Fee Account are to be paid if he or she dies before all such amounts have been paid to the Participant. Each Beneficiary designation shall be made on a form prescribed by the Company and shall be effective only when filed with the Secretary during the Participant's lifetime. Each Beneficiary designation filed with the Secretary shall revoke all Beneficiary designations previously made. The revocation of a Beneficiary designation shall not require the consent of any

Beneficiary. In the absence of an effective Beneficiary designation or if payment can be made to no Beneficiary, payment shall be made to the Participant's estate.

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## Article V

### PAYMENTS

5.1 Payment of Deferred Fees. No payment may be made from a Director's Deferred Fee Account except as provided in this Article, unless and then only to the extent that an Unforeseeable Emergency exists as determined by the Committee in its sole discretion. In the latter case the Committee shall determine when and to what extent Credits in a Participant's Deferred Fee Account may be paid to such Participant prior to or after termination as a Director.

5.2. Payment Upon Termination as Director. The value of a Participant's Deferred Fee Account shall be payable in cash in a lump sum on or about the first day of the calendar quarter succeeding the quarter in which the Participant's service as a Director is terminated, or, if elected in advance under Section 3.6 hereof, in a lump sum or annual or quarterly installments beginning as specified in the election. If installments are elected, the amount of each payment shall be a fraction of the value of the Participant's Deferred Fee Account on the last day of the calendar quarter preceding payment, the numerator of which is one and the denominator of which is the total number of installments elected minus the number of installments previously paid. Such installment payments shall be made on or about the first day of each succeeding year or quarterly period until said Account is exhausted, except as provided in Section 5.1 or Section 5.3.

5.3 Payment Upon Participant's Death. If a Participant dies with any amount credited to his or her Deferred Fee Account, the value of said Account shall be paid in a single payment(s) to the Beneficiary(ies) or estate, as the case may be, on or about the

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first day of the calendar quarter next following the date of

death or such later date as shall have been selected by the Participant with the consent of the Committee.

Article VI  
MISCELLANEOUS

6.1 Participant's Rights Unsecured. The right of any Participant to receive payments from his or her Deferred Fee Account shall be a claim against the general assets of the Company as an unsecured general creditor. The Company may, in its absolute discretion, establish one or more trusts or reserves which may be funded by reference to amounts of Credits standing in Participants' Deferred Fee Accounts hereunder or otherwise.

6.2 Non-assignability. The right of any Participant or Beneficiary to the payment of Credits in a Deferred Fee Account shall not be assigned, transferred, pledged or encumbered and shall not be subject in any manner to alienation or anticipation.

6.3 Administration and Interpretation. The Plan shall be administered by the Committee which shall have authority to adopt rules and regulations for carrying out the Plan and to interpret, construe and implement its provisions. Decisions of the Committee shall be final and binding. Routine administration may be delegated by the Committee.

6.4 Amendment and Termination. The Plan may be amended, modified or terminated at any time by the Board of Directors. No amendment, modification or termination shall, without the consent of a Participant, adversely affect such Participant's

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rights with respect to amounts theretofore credited to his or her Deferred Fee Account or earlier effect the payment of Fees already deferred.

6.5 Notices. All notices to the Company under the Plan shall be in writing and shall be given to the Secretary or to an agent or other person designated by the Secretary.

6.6 Governing Law. This Plan shall be construed in

accordance with and governed by the laws of the Commonwealth of Pennsylvania, excluding any choice of law provisions which may indicate the application of the laws of another jurisdiction.

Alcoa Stock Incentive Plan

[Alcoa logo]

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ALCOA STOCK INCENTIVE PLAN

SECTION 1. PURPOSE. The purposes of the Alcoa Stock Incentive Plan are to encourage selected employees of the Company and its Subsidiaries to acquire a proprietary and vested interest in the long-term growth and financial success of the Company, to generate an increased incentive to promote its well-being and profitability, to link the interests of such employees to the long-term interests of shareholders and to enhance the ability of the Company and its Subsidiaries to attract and retain individuals of exceptional managerial, technical and professional talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depend.

SECTION 2. DEFINITIONS. As used in the Plan, the following terms have the meanings set forth below:

"Award" means any Option, Stock Appreciation Right, Contingent Stock Award, Performance Share, Performance Unit, Other Stock Unit Award, or any other right, interest, or option relating to Shares or other property granted pursuant to the provisions of the Plan.

"Award Agreement" means any written agreement, contract, or other instrument or document evidencing any Award granted by the Committee hereunder, which may, but need not, be executed or acknowledged by both the Company and the Participant.

"Beneficial Owner" means beneficial owner as defined in Rule 13d-3 under the Exchange Act.

"Board" means the Board of Directors of the Company.

"Change in Control" means the first to occur of any of the following events:

(a) An Entity, other than a trustee or other fiduciary of securities held under an employee benefit plan of the Company or any of its Subsidiaries, is or becomes a Beneficial Owner, directly or indirectly, of stock of the Company representing 20% or more of the total voting power of the Company's then outstanding stock and securities; provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i) or (ii) of subsection (c) of this definition;

(b) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board"), cease for any reason to constitute a majority thereof; provided,

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however, that any individual becoming a director whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least 75% of the directors then comprising the Incumbent Board shall be

considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an Entity other than the Board;

(c) there is consummated a merger, consolidation or other corporate transaction, other than (i) a merger, consolidation or transaction that would result in the voting securities of the Company outstanding immediately prior to such merger, consolidation or transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving Entity or any parent thereof) at least 55% of the combined voting power of the stock and securities of the Company or such surviving Entity or any parent thereof outstanding immediately after such merger, consolidation or transaction, or (ii) a merger, consolidation or transaction effected to implement a recapitalization of the Company (or similar transaction) in which no Entity is or becomes the Beneficial Owner, directly or indirectly, of stock and securities of the Company representing more than 20% of the combined voting power of the Company's then outstanding stock and securities;

(d) the sale or disposition by the Company of all or substantially all of the Company's assets other than a sale or disposition by the Company of all or substantially all of the assets to an Entity at least 55% of the combined voting power of the stock and securities of which is owned by Persons in substantially the same proportions as their ownership of the Company's voting stock immediately prior to such sale; or

(e) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company.

"Change in Control Price" means the higher of (a) the highest reported sales price, regular way, of a Share in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which Shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change in Control or (b) if the Change in Control is the result of a tender or exchange offer or a merger, consolidation or other corporate transaction, the highest price per Share paid in such tender or exchange offer or corporate transaction. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in the sole discretion of the Board.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

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"Committee" means the Compensation Committee of the Board, or any successor to such committee, or a subcommittee thereof, composed of no fewer than two directors, each of whom is a Non-Employee Director and an "outside director" within the meaning of Section 162(m) of the Code, or any successor provision thereto.

"Company" means Alcoa Inc., a Pennsylvania corporation.

"Contingent Stock" means any Share issued with the contingency or restriction that the holder may not sell, transfer, pledge or assign such Share and with such other contingencies or restrictions as the Committee, in its sole discretion, may impose (including, without limitation, any contingency or restriction on the right to vote such Share and the right to receive any cash dividends), which contingencies and restrictions may lapse separately or in combination, at such time or times, in installments or otherwise, as the Committee may deem appropriate.

"Contingent Stock Award" means an award of Contingent Stock under Section 8 hereof.

"Covered Employee" means a "covered employee" within the meaning of Section 162(m)(3) of the Code, or any successor provision thereto.

"Employee" means any employee of the Company or of any Subsidiary.

"Entity" means any individual, entity, person (within the meaning of Section 3(a)(9) of the Exchange Act) or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than (a) any employee plan established by the Company, (b) any affiliate (as defined in Rule 12b-2 promulgated under the Exchange Act) of the Company, (c) an underwriter temporarily holding securities pursuant to an offering of such securities, or (d) a corporation owned, directly or indirectly, by shareholders of the Company in substantially the same proportions as their ownership of the Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, with respect to any property, the market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

"Non-Employee Director" has the meaning set forth in Rule 16b-3(b)(3) under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission.

"Option" means any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine. All Options granted under the Plan are intended to be nonqualified stock options for purposes of the Code.

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"Other Stock Unit Award" means any right granted to a Participant by the Committee pursuant to Section 10 hereof.

"Participant" means an Employee who is selected by the Committee to receive an Award under the Plan.

"Performance Award" means any Award of Performance Shares or Performance Units pursuant to Section 9 hereof.

"Performance Period" means that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured. A Performance Period may not be less than one year.

"Performance Share" means any grant pursuant to Section 9 hereof of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

"Performance Unit" means any grant pursuant to Section 9 hereof of a unit valued by reference to a designated amount of property other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

"Person" means any individual, corporation, partnership, association, joint stock company, trust, unincorporated organization or government or political subdivision thereof.

"Plan" means this Alcoa Stock Incentive Plan.

"Prior Plan" means the Company's Long Term Stock Incentive Plan.

"Reload Option" means an Option described in Section 6(e) of

the Plan, granted in connection with the exercise of an option under the Prior Plan or an Award under the Plan (an "antecedent award"). As a condition to the grant of a Reload Option, a Participant must elect at the time of exercise of the antecedent award that a designated portion, as determined by the Committee, of the Shares issued upon exercise of the antecedent award shall be restricted in terms of transfer for such period of time as the Committee may determine at the time of grant of the Reload Option or at a later date.

"Shares" means the shares of common stock of the Company, \$1.00 par value.

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"Stock Appreciation Right" means any right granted to a Participant pursuant to Section 7 hereof to receive, upon exercise by the Participant, the excess of (a) the Fair Market Value of one Share on the date of exercise or, if the Committee shall so determine, at any time during a specified period before the date of exercise over (b) the grant price of the right on the date of grant, or if granted in connection with an outstanding Option on the date of grant of the related Option, as specified by the Committee in its sole discretion, which, except in the case of Substitute Awards or in connection with an adjustment provided in Section 4(g), shall not be less than the Fair Market Value of one Share on such date of grant of the right or the related Option, as the case may be. Any payment by the Company in respect of such right may be made in cash, Shares, other property or any combination thereof, as the Committee, in its sole discretion, shall determine.

"Subsidiary" means any corporation in which the Company owns, directly or indirectly, stock possessing 50 percent or more of the total combined voting power of all classes of stock in such corporation, and any corporation, partnership, joint venture, limited liability company or other business entity as to which the Company possesses a significant ownership interest, directly or indirectly, as determined by the Committee.

"Substitute Awards" means Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a company acquired by the Company or any of its Subsidiaries or with which the Company or any of its Subsidiaries combines.

SECTION 3. ADMINISTRATION. The Plan shall be administered by the Committee. The Committee shall have full power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select the Employees of the Company and its Subsidiaries to whom Awards may from time to time be granted hereunder; (ii) determine the type or types of Award to be granted to each Participant hereunder; (iii) determine the number of Shares to be covered by each Award granted hereunder; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder; (v) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property or canceled or suspended; (vi) determine whether, to what extent and under what circumstances cash, Shares and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant; (vii) interpret and administer the Plan and any instrument or agreement entered into under the Plan; (viii) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan. Decisions of the Committee shall be final, conclusive and binding upon all persons, including the Company, any Participant, any shareholder and any Employee.

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#### SECTION 4. SHARES SUBJECT TO THE PLAN.

(a) Subject to the adjustment provisions of Section 4(g) below and the provisions of Section 4(b) through (f), up to 14 million Shares may be issued under the Plan.



(b) In addition to the Shares authorized by Section 4(a), the following Shares may be issued under the Plan:

(i) Shares that were authorized to be issued under the Prior Plan, but that are not issued under that plan because of the cancellation, termination or expiration of awards under the Prior Plan shall be available for issuance under this Plan.

(ii) If a Participant tenders, or has withheld, Shares in payment of all or part of the option price under a stock option granted under the Plan or the Prior Plan, or in satisfaction of withholding tax obligations thereunder, the Shares tendered by the Participant or so withheld shall become available for issuance under the Plan.

(iii) If Shares that are the issued under the Plan are subsequently forfeited in accordance with the terms of the Award or an Award Agreement, the forfeited Shares shall become available for issuance under the Plan.

(iv) If the Company repurchases any Shares and, in connection therewith, the Board designates that any or all of the repurchased Shares shall be available for issuance under the Plan, those repurchased Shares allocated to the Plan shall become available for issuance under the Plan.

(c) Subject to the adjustment provisions of Section 4(g), not more than one million Shares shall be issued under Awards other than Options and Stock Appreciation Rights.

(d) If an Award may be paid only in Shares or in either cash or Shares, the Shares shall be deemed to be issued hereunder only when and to the extent that payment is actually made in Shares. However, the Committee may authorize a cash payment under an Award in lieu of Shares if there are insufficient Shares available for issuance under the Plan.

(e) Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares purchased in the open market or otherwise.

(f) Shares issued or granted in connection with Substitute Awards shall not reduce the Shares available for issuance under the Plan or to a Participant in any calendar year.

(g) In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, reverse stock split, spin-off or similar transaction or other change in corporate structure affecting the Shares, such adjustments and other substitutions shall be made to the Plan and to Awards as the Committee in its sole discretion deems equitable or appropriate, including, without limitation, such adjustments in the aggregate number, class and kind of

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securities that may be delivered under the Plan, in the aggregate or to any one Participant, in the number, class, kind and option or exercise price of securities subject to outstanding Options, Stock Appreciation Rights or other Awards granted under the Plan, and in the number, class and kind of securities subject to Awards granted under the Plan (including, if the Committee deems appropriate, the substitution of similar options to purchase the shares of, or other awards denominated in the shares of, another company) as the Committee may determine to be appropriate in its sole discretion; provided that the number of Shares subject to any Award shall always be a whole number.

SECTION 5. ELIGIBILITY. Any Employee shall be eligible to be selected as a Participant.

SECTION 6. STOCK OPTIONS. Options may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan. Any Option granted under the Plan may be evidenced by an Award Agreement in such form as the Committee from time to time approves. Any such Option shall be subject to the terms and conditions required by this Section 6 and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee may deem appropriate in each case.

(a) Option Price. The purchase price per Share purchasable under an Option shall be determined by the Committee in its sole discretion; provided that, except in connection with an adjustment provided for in Section 4(g), such purchase price shall not be less than the Fair Market Value of the Share on the date of the grant of the Option.

(b) Option Period. The term of each Option shall be fixed by the Committee in its sole discretion, not to exceed ten years from the date the Option is granted.

(c) Exercisability. Options shall be exercisable at such time or times as determined by the Committee at or subsequent to grant.

(d) Method Of Exercise. Subject to the other provisions of the Plan, any Option may be exercised by the Participant in whole or in part at such time or times, and the Participant may make payment of the option price in such form or forms, including, without limitation, payment by delivery of cash, Shares or other consideration (including, where permitted by law and the Committee, Awards) having a Fair Market Value on the exercise date equal to the total option price, or by any combination of cash, Shares and other consideration as the Committee may specify in the applicable Award Agreement.

(e) Reload Options. The Committee shall have the authority to specify, either at the time of grant of an Option or at a later date, that upon exercise of all or a portion of that Option a Reload Option shall be granted under specified conditions. A Reload Option entitles the Participant to purchase Shares (i) that are covered by an antecedent award at the time of its exercise, but are not issued upon such exercise, or (ii) whose aggregate grant price equals the purchase price of the exercised antecedent award and any related tax withholdings. The grant price per Share of the Reload Option shall be the Fair Market Value per Share at the time of

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grant. The duration of a Reload Option shall not extend beyond the expiration date of the antecedent award. The specific terms and conditions applicable to Reload Options shall be determined by the Committee and shall be set forth in rules adopted by the Committee and/or in agreements or other documentation evidencing such Options.

(f) Transferability of Options. Notwithstanding the provisions of Section 14(a) of the Plan, at the discretion of the Committee and in accordance with rules it establishes from time to time, Participants may be permitted to transfer some or all of their Options to one or more immediate family members.

SECTION 7. STOCK APPRECIATION RIGHTS. Stock Appreciation Rights may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan and may, but need not, relate to a specific Option granted under Section 6. The provisions of Stock Appreciation Rights need not be the same with respect to each recipient. Any Stock Appreciation Right related to an Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. In the case of any Stock Appreciation Right related to any Option, the Stock Appreciation Right or applicable portion thereof shall terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a Stock Appreciation Right granted with respect to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of Shares not covered by the Stock Appreciation Right. Any Option related to any Stock Appreciation Right shall no longer be exercisable to the extent the related Stock Appreciation Right has been exercised. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate.

#### SECTION 8. CONTINGENT STOCK

(a) Issuance. A Contingent Stock Award shall be subject to contingencies or restrictions imposed by the Committee during a

period of time specified by the Committee (the "Contingency Period"). Contingent Stock Awards may be issued hereunder to Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The provisions of Contingent Stock Awards need not be the same with respect to each recipient.

(b) Registration. Any Contingent Stock issued hereunder may be evidenced in such manner as the Committee in its sole discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Contingent Stock awarded under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, contingencies and restrictions applicable to such Award.

(c) Forfeiture. Except as otherwise determined by the Committee at the time of grant or thereafter, upon termination of employment for any reason during the Contingency Period, all

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Shares of Contingent Stock still subject to contingency or restriction shall be forfeited by the Participant and reacquired by the Company. Noncontingent Shares, evidenced in such manner as the Committee shall deem appropriate, shall be issued to the Participant promptly after the Contingency Period, as determined or modified by the Committee, shall expire.

(d) Minimum Vesting Condition. The minimum Contingency Period applicable to any Contingent Stock Award that is not subject to performance conditions restricting transfer shall be three (3) years from the date of grant; provided, however, that a Contingency Period of less than three (3) years may be approved for such Awards with respect to up to 100,000 Shares under the Plan.

SECTION 9. PERFORMANCE AWARDS. Performance Awards may be granted hereunder to Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The performance criteria to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award. Except as provided in Section 11, Performance Awards will be paid only after the end of the relevant Performance Period. Performance Awards may be paid in cash, Shares, other property or any combination thereof in the sole discretion of the Committee at the time of payment. The performance levels to be achieved for each Performance Period and the amount of the Award to be paid shall be conclusively determined by the Committee. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period or, in accordance with procedures established by the Committee, on a deferred basis.

#### SECTION 10. OTHER STOCK UNIT AWARDS.

(a) Other Awards of Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares or other property ("Other Stock Unit Awards") may be granted hereunder to Participants, either alone or in addition to other Awards granted under the Plan. Other Stock Unit Awards may be paid in Shares, cash or any other form of property as the Committee shall determine. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees of the Company and its Subsidiaries to whom, and the time or times at which, such Awards shall be made, the number of Shares to be granted pursuant to such Awards and all other conditions of the Awards. The provisions of Other Stock Unit Awards need not be the same with respect to each recipient.

(b) Subject to the provisions of this Plan and any applicable Award Agreement, Awards and Shares subject to Awards granted under this Section 10, may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the Shares are issued, or, if later, the date on which any

applicable contingency, restriction, performance or deferral period lapses. For any Award or Shares subject to any Award granted under this Section 10 the transferability of which is conditioned only on the passage of time, such restriction period shall be a minimum of three (3) years. Shares (including securities

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convertible into Shares) subject to Awards granted under this Section 10 may be issued for no cash consideration or for such minimum consideration as may be required by applicable law. Shares (including securities convertible into Shares) purchased pursuant to a purchase right granted under this Section 10 thereafter shall be purchased for such consideration as the Committee shall in its sole discretion determine, which shall not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

#### SECTION 11. CHANGE IN CONTROL PROVISIONS.

(a) Impact of Event. Notwithstanding any other provision of the Plan to the contrary, unless the Committee shall determine otherwise at the time of grant with respect to a particular Award, in the event of a Change in Control:

(i) any Options and Stock Appreciation Rights outstanding as of the date such Change in Control is determined to have occurred, and which are not then exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant;

(ii) the contingencies, restrictions and deferral limitations applicable to any Contingent Stock shall lapse, and such Contingent Stock shall become free of all contingencies, restrictions and limitations and become fully vested and transferable to the full extent of the original grant;

(iii) all Performance Awards shall be considered to be earned and payable pro rata and shall be immediately settled or distributed. The pro rata portion of a Performance Award shall be calculated by multiplying the number of Shares or other property underlying the Performance Award by a fraction, the numerator of which is the number of days from the beginning of the applicable Performance Period to the date of the Change in Control and the denominator of which is the number of days originally determined by the Committee as the term of the applicable Performance Period. Any deferral, contingency or other restriction applicable to such Performance Awards shall lapse.

(iv) the contingencies, restrictions and deferral limitations and other conditions applicable to any Other Stock Unit Awards or any other Awards shall lapse, and such Other Stock Unit Awards or such other Awards shall become free of all contingencies, restrictions, limitations or conditions and become fully vested and transferable to the full extent of the original grant; and

(v) the restrictions applicable to any Shares received in connection with the grant of a Reload Option shall lapse and such Shares shall be freely and fully transferable.

(b) Change In Control Settlement. Notwithstanding any other provision of the Plan, during the 60-day period from and after a Change in Control (the "Change in Control Election Period"), a Participant holding an Option or Stock Appreciation Right shall have the right, whether or not the Option or Stock Appreciation Right is fully exercisable and in lieu of the payment of the purchase price for the Shares being purchased under the Option or Stock Appreciation Right and by giving notice to the Company, to elect (within the Change in Control Election Period) to surrender all or part of the Option or Stock Appreciation Right to the

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Company and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change in Control Price per Share on the date of such election shall exceed the purchase price per Share under the Option or Stock Appreciation

Right multiplied by the number of Shares granted under the Option or Stock Appreciation right as to which the right granted under this Section 11(b) shall have been exercised.

(c) Alternate Settlement. Notwithstanding any other provision of this Plan, if any right granted pursuant to this Plan would make a Change in Control transaction ineligible for pooling-of-interests accounting under APB No. 16 (or any successor standard), that (after giving effect to any other actions taken to cause such transaction to be eligible for such pooling-of-interests accounting treatment) but for the nature of such right would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute for the cash payable pursuant to such right Shares with a Fair Market Value equal to the cash that would otherwise be payable pursuant thereto.

(d) Other Forms of Settlement. The foregoing provisions of this Section 11 shall not preclude other forms of settlement of outstanding Awards in the event of a Change in Control, including a conversion or exchange of Awards for awards or securities of any person that is a party to or initiates the Change in Control transaction; provided that no Participant shall be required to accept any such substituted or exchanged award or security without such Participant's written consent.

#### SECTION 12. CODE SECTION 162(m) PROVISIONS.

(a) Notwithstanding any other provision of this Plan, if the Committee determines at the time Contingent Stock, a Performance Award or an Other Stock Unit Award is granted to a Participant that such Participant is, or is likely to be as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a Covered Employee, then the Committee may provide that this Section 12 is applicable to such Award.

(b) If an Award is subject to this Section 12, then the lapsing of contingencies or restrictions thereon and the distribution of cash, Shares or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of specified levels of one or any combination of the following: cumulative net income or cumulative net income per share during the performance period; return on sales; return on assets; return on shareholders' equity; cash flow; economic value added; cumulative operating income; total shareholders' return; cost reductions; or achievement of environment, health & safety goals of the Company or the Subsidiary or business unit of the Company for or within which the Participant is primarily employed. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of Section 162(m) of the Code, or any successor provision thereto, and the regulations thereunder.

(c) Notwithstanding any provision of this Plan other than Section 11, with respect to any Award that is subject to this Section 12, the Committee may adjust downwards, but not

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upwards, the amount payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance goals.

(d) The Committee shall have the power to impose such other restrictions on Awards subject to this Section 12 as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto.

(e) Notwithstanding any provision of this Plan other than Section 4(g), no Participant may be granted Options and/or Stock Appreciation Rights in any calendar year with respect to more than two million (2,000,000) Shares or Contingent Stock Awards or Performance Share Awards covering more than 25,000 Shares. The maximum dollar value payable with respect to Performance Units and/or Other Stock Unit Awards that are valued with reference to property other than Shares and granted to any Participant in any

one calendar year is \$2,000,000.

SECTION 13. AMENDMENTS AND TERMINATION. The Board may amend, alter, suspend, discontinue or terminate the Plan or any portion thereof at any time; provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) shareholder approval (x) if such approval is necessary to qualify for or comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to qualify or comply or (y) if a proposed amendment or alteration would materially increase the benefits accruing to Participants, materially increase the maximum number of shares which may be issued under the Plan or materially modify the Plan's eligibility requirements or (ii) the consent of the affected Participant, if such action would impair the rights of such Participant under any outstanding Award. Notwithstanding anything to the contrary herein, the Committee may amend the Plan in such manner as may be necessary so as to have the Plan conform to local rules and regulations in any jurisdiction outside the United States.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without his or her consent. Notwithstanding any provision of this Plan, the Committee may not amend the terms of any Option to reduce the option price.

#### SECTION 14. GENERAL PROVISIONS.

(a) Nontransferability of Awards. Unless the Committee determines otherwise at the time the Award is granted or thereafter and except for transfers of Options permitted by Section 6(f) of the Plan: (i) no Award, and no Shares subject to Awards described in Section 10 which have not been issued or as to which any applicable contingency, restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered, except by will or by the laws of descent and distribution; provided that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary to exercise the rights of the Participant with respect to any Award upon the death of the Participant, and (ii) each Award shall be exercisable, during the Participant's

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lifetime, only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative.

(b) Award Term. The term of each Award shall be for such period of months or years from the date of its grant as may be determined by the Committee.

(c) Award Entitlement. No Employee or Participant shall have any claim to be granted any Award under the Plan and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

(d) Requirement of an Award Agreement. The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument evidencing the Award and delivered a copy thereof to the Company and otherwise complied with the then applicable terms and conditions.

(e) Award Adjustments. Except as provided in Section 12, the Committee shall be authorized to make adjustments in Performance Award criteria or in the terms and conditions of other Awards in recognition of unusual or nonrecurring events affecting the Company or its financial statements or changes in applicable laws, regulations or accounting principles. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry it into effect.

(f) Committee Right to Cancel. The Committee shall have

full power and authority to determine whether, to what extent and under what circumstances any Award shall be canceled or suspended. In particular, but without limitation, all outstanding Awards to any Participant shall be canceled if the Participant, without the consent of the Committee, while employed by the Company or after termination of such employment, becomes associated with, employed by, renders services to or owns any interest in (other than any nonsubstantial interest, as determined by the Committee) any business that is in competition with the Company or with any business in which the Company has a substantial interest as determined by the Committee or otherwise takes any action that in the judgment of the Committee is not in the best interests of the Company.

(g) Stock Certificate Legends. All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(h) Compliance with Securities Laws. No Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the U.S. Federal securities laws and any other laws to which such offer, if made, would be subject.

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(i) Award Deferrals; Dividends. The Committee shall be authorized to establish procedures pursuant to which the payment of any Award may be deferred. Subject to the provisions of the Plan and any Award Agreement, the recipient of an Award (including, without limitation, any deferred Award) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, cash dividends, or cash payments in amounts equivalent to cash dividends on Shares ("Dividend Equivalents"), with respect to the number of Shares covered by the Award, as determined by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested.

(j) Consideration for Awards. Except as otherwise required in any applicable Award Agreement or by the terms of the Plan, recipients of Awards under the Plan shall not be required to make any payment or provide consideration other than the rendering of services.

(k) Delegation of Authority by Committee. The Committee may delegate to one or more executive officers (as that term is defined in Rule 3b-7 under the Exchange Act) or a committee of executive officers the right to grant Awards to Employees who are not executive officers or directors of the Company and to cancel or suspend Awards to Employees who are not executive officers or directors of the Company.

(l) Withholding Taxes. The Company shall be authorized to withhold from any Award granted or payment due under the Plan the amount of withholding taxes due in respect of an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee shall be authorized to establish procedures for election by Participants to satisfy such obligations for the payment of such taxes by delivery of or transfer of Shares to the Company or by directing the Company to retain Shares otherwise deliverable in connection with the Award.

(m) Other Compensatory Arrangements. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(n) Governing Law. The validity, construction, and effect

of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the Commonwealth of Pennsylvania and applicable Federal law.

(o) Severability. If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

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(p) Awards to NonU.S. Employees. Awards may be granted to Employees who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to Employees employed in the United States as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home countries.

(q) Repricing Prohibited. The repricing of Options or Stock Appreciation Right Awards under the Plan is expressly prohibited. "Repricing" means the grant of a new Option, Stock Appreciation Right or other Award in consideration of the exchange, cancellation or forfeiture of an Award that has a higher grant price than the new Award or the amendment of an outstanding Award to reduce the grant price; provided, that the grant of a Substitute Award shall not be considered to be repricing.

SECTION 15. TERM OF PLAN. The Plan shall be effective as of June 1, 1999. No Award shall be granted pursuant to the Plan after May 31, 2009, but any Award theretofore granted may extend beyond that date.

SECTION 16. TERMINATION OF PRIOR PLAN. No stock options or other awards may be granted under the Prior Plan after May 31, 1999, but all such awards theretofore granted shall extend for the full stated terms thereof.

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Computation of Ratio of Earnings to Fixed Charges  
 For the six months ended June 30, 1999  
 (in millions, except ratio)

	1999
	----
Earnings:	
Income before taxes on income	\$ 794.8
Minority interests' share of earnings of majority-owned subsidiaries without fixed charges	-
Equity income	(15.5)
Fixed charges	127.0
Proportionate share of income of 50%-owned persons	15.4
Distributed income of less than 50%-owned persons	-
Amortization of capitalized interest	8.3
	-----
Total earnings	\$ 930.0
Fixed Charges:	
Interest expense:	
Consolidated	\$ 102.1
Proportionate share of 50%-owned persons	1.2
	-----
	103.3
	-----
Amount representative of the interest factor in rents:	
Consolidated	23.1
Proportionate share of 50%-owned persons	.6
	-----
	23.7
	-----
Fixed charges added to earnings	127.0
	-----
Interest capitalized:	
Consolidated	5.6
Proportionate share of 50%-owned persons	-
	-----
	5.6
	-----
Preferred stock dividend requirements of majority-owned subsidiaries	-
	-----
Total fixed charges	\$ 132.6
	=====
Ratio of earnings to fixed charges	7.0
	=====

July 7, 1999

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

RE: Alcoa Inc.

1. Form S-8 (Registration Nos.33-24846 and 333-00033)  
Alcoa Savings Plan for Salaried Employees; Alcoa  
Fujikura Ltd. Salaried 401(k) Savings Plan
2. Form S-8 (Registration Nos.33-22346, 33-49109,  
33-60305, 333-27903, 333-62663 and 333-79575)  
Long Term Stock Incentive Plan; Alumax Inc. Long  
Term Incentive and Employee Equity Ownership  
Plans; Alcoa Stock Incentive Plan
3. Form S-3 (Registration No. 33-60045) and  
Form S-3 (Registration No. 33-64353) and  
Form S-3 (Registration No. 333-59381)  
Debt Securities and Warrants to Purchase Debt  
Securities, Preferred Stock and Common Stock  
of the Company and Trust Preferred Securities  
of Alcoa Trust I
4. Form S-4 (Registration No. 333-58227)  
Registration of Alcoa common stock, par value  
\$1.00 per share

Ladies and gentlemen:

We are aware that our report dated July 7, 1999,  
accompanying interim financial information of Alcoa  
Inc. (Alcoa) and subsidiaries for the three-month and  
six-month periods ended June 30, 1999 and 1998, is  
incorporated by reference in the registration  
statements referred to above. Pursuant to Rule 436 (c)  
under the Securities Act of 1933, this report should  
not be considered as part of a registration statement  
prepared or certified by us within the meaning of  
Sections 7 and 11 of that Act.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

6-MOS	DEC-31-1999	
	JUN-30-1999	
		242,700
		63,700
		2,105,900
		60,700
		1,631,100
		4,634,500
		18,535,200
		9,391,900
		17,098,400
		2,977,600
		2,942,200
		0
		55,800
		394,700
		5,640,900
17,098,400		8,017,400
		8,056,600
		6,268,000
		6,268,000
		439,400
		0
		102,100
		794,800
		254,300
		540,500
		0
		0
		0
		461,100
		1.25
		1.23