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

FORM 10-K

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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.)

Alcoa Corporate Center, 201 Isabella Street, Pittsburgh, Pennsylvania 15212-5858
(Address of principal executive offices) (Zip code)

Registrant's telephone number--area code 412

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

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

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

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

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

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

As of February 17, 2000 there were 371,872,159 shares of common stock, par value $1.00, of the registrant outstanding. The aggregate market value of such shares, other than shares held by persons who may be deemed affiliates of the registrant, was approximately $28,450 million.

Documents incorporated by reference.

Parts I and II of this Form 10-K incorporate by reference certain information from the registrant's 1999 Annual Report to Shareholders. Part III of this Form 10-K incorporates by reference the registrant's Proxy Statement dated February 25, 2000, except for the performance graph and Compensation Committee Report.

ALCOA INC.

Formed in 1888 under the laws of the Commonwealth of Pennsylvania, Alcoa Inc. has its registered office in Pittsburgh, Pennsylvania. The name of the Company was changed, effective January 1, 1999, from Aluminum Company of America to Alcoa Inc. In this report, unless the context otherwise requires, Alcoa or the Company means Alcoa Inc. and all subsidiaries consolidated for the purposes of its financial statements.

PART I

Item 1. Business.

Overview

Alcoa is the world's leading producer of primary aluminum, fabricated aluminum and alumina and a major participant in all segments of the industry: mining, refining, smelting, fabricating and recycling. Alcoa serves customers worldwide primarily in the transportation (including aerospace, automotive, rail and shipping), packaging, building and industrial markets with a great variety of fabricated and finished products.

Alcoa is organized into 25 independently managed business units and has over 228 operating locations in 32 countries. Alcoa gives business unit leaders clear responsibilities that concentrate authority closer to customers.

The U.S. remains the largest market for aluminum. Europe, Asia and Latin America, however, present opportunities for substantial growth in aluminum use. To take advantage of these growth opportunities, Alcoa has made acquisitions or formed joint ventures and strategic alliances in key regional markets.

Recent Developments

In August 1999, Alcoa and Reynolds Metals Company (Reynolds) announced that they had reached a definitive merger agreement under which Alcoa will acquire all outstanding shares of Reynolds in a tax-free stock-for-stock transaction. Reynolds shareholders will receive 1.06 shares of Alcoa common stock for each share of Reynolds common stock.

The combined company will have about 127,000 employees and will operate in over 300 locations in 37 countries. Based on annualized 1999 results, the combined company should have annual revenues that exceed $21 billion.

Alcoa and Reynolds have made all of the requisite competition notification filings with the appropriate U.S. and international governmental authorities. On February 11, 2000, the Reynolds stockholders voted to approve and adopt the merger agreement. Completion of the merger is subject to satisfaction of applicable regulatory requirements.

Market and Geographic Information

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

	(dollars in millions) 1999	1998	1997
Transportation	$ 3,976	$ 3,738	$ 3,119
Packaging	3,169	3,304	3,201
Distributor and Other	2,896	2,764	2,151
Aluminum Ingot	2,241	2,012	1,521
Alumina and Chemicals	1,842	1,781	1,961
Building and Construction	2,199	1,741	1,366
Total	$16,323	$15,340	$13,319

	(dollars in millions) 1999	1998	1997
U.S.	$10,392	$ 9,212	$ 7,593
Australia	1,398	1,470	1,875
Spain	1,059	965	44
Brazil	730	934	1,161
Germany	521	554	580
Other	2,223	2,205	2,066
Total	$16,323	$15,340	$13,319

Alcoa's Financial Reporting Segments

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," Alcoa reports four worldwide segments: Alumina and Chemicals, Primary Metals, Engineered Products and Flat-Rolled Products. All of the Company's products that do not fall into one of those four segments are reported in the category entitled Other. See Note O to the Financial Statements for information on segment and related geographic financial information.

I. Alumina and Chemicals

The Alumina and Chemicals segment includes the production and sale of:

- bauxite
- alumina
- alumina-based chemicals used principally in industrial applications and
- transportation services for bauxite and alumina.

The segment consists of a group of companies and assets referred to as Alcoa World Alumina and Chemicals (AWAC). Alcoa owns 60% and WMC Limited (WMC) owns 40% of the AWAC group of companies. AWAC has two businesses with distinct product lines: Alcoa World Alumina (AWA) produces smelter grade alumina and Alcoa Industrial Chemicals (AIC) makes alumina-based chemicals. AWA also has two geographic regions: Alcoa World Alumina - Australia (AWA - Australia) and Alcoa World Alumina - Atlantic (AWA - Atlantic). Alcoa World Alumina Australia is the trading name for Alcoa of Australia Limited (AofA); all references throughout this report will be to AWA - Australia instead of AofA.

Bauxite and Alumina

Bauxite is aluminum's principal raw material. Alcoa refines bauxite into alumina using a chemical process. Alcoa processes into alumina most of the bauxite that it mines. All of the Company's active bauxite interests are part of AWAC, except in Brazil.

Alcoa is the world's leading producer of alumina. The Company sells alumina principally from operations in Australia, Jamaica and Suriname. Alcoa sold approximately 53% of its alumina production in 1999 under supply contracts to third parties worldwide. The Company consumed the remainder of its alumina production in its smelting and industrial chemical operations. Alcoa negotiates most of its alumina supply contracts on the basis of agreed volumes over multi-year periods to assure a continuous supply to the smelters. The parties negotiate the prices periodically. Prices may be based on formulas related to aluminum ingot market prices or to alumina production costs.

AWA entities and Sino Mining Alumina Limited (SMAL) have a long-term agreement for the purchase of alumina for the Chinese aluminum industry. SMAL is ultimately owned by the China State Nonferrous Metals Industry Administration (SNMIA), a Chinese state-owned enterprise that has succeeded the China National Nonferrous Metals Industry Corporation as the entity responsible for the Chinese aluminum industry as part of the ongoing governmental restructuring in China. The agreement entitles a subsidiary of SMAL to purchase a minimum of 400,000 metric tons (mt) of alumina per year for 30 years. The ongoing restructuring of SNMIA and the Chinese aluminum industry has not impacted this agreement. The SMAL subsidiary also has the option to increase its alumina purchases as the needs of the Chinese aluminum industry grow.

In November 1999, Alcoa and China Aluminum Corp. (Chalco) signed a memorandum of understanding to form a strategic partnership. SNMIA witnessed the memorandum of understanding. The parties are negotiating a master strategic partnership agreement that is expected to involve an association of several Chalco and Alcoa aluminum production facilities.

Alcoa World Alumina - Australia

AWA - Australia's bauxite mineral lease is due for renewal in 2002, but renewal options allow AWA - Australia to extend the lease until 2044.

AWA - Australia's three alumina refineries, located in Kwinana, Pinjarra and Wagerup, in Western Australia, have an aggregate annual capacity of 7.3 million mt at the end of 1999. In October 1999, AWA - Australia announced that it had completed its 440,000 mt per year expansion of the Wagerup refinery. This expansion increased Wagerup's production capacity from approximately 1.7 million mt per year to approximately 2.2 million mt per year. This is the first stage of a planned expansion to 3.3 million mt per year at Wagerup, for which AWA - Australia has obtained environmental approval.

AWA - Australia meets most of the energy requirements of its Australian refineries through a contract with the North West Shelf Gas Joint Venture. The contract extends through 2020.

In May 1999, AWA announced that it had applied for a patent for a high-efficiency causticization invention for use in the alumina refining process. A research team at the Kwinana refinery developed the new process, which improves productivity at a refinery by reducing the amount of sodium carbonate in the chemical solution for processing the bauxite ore.

AWA - Australia is exploring the possibility of selling three power stations in Western Australia and has requested bids from interested parties. The three natural gas-fired cogeneration power stations are located within each of AWA - Australia's three alumina refineries in Western Australia.

Alcoa World Alumina - Atlantic

Suriname

Suriname Aluminum Company, L.L.C. (Suralco) mines bauxite in Suriname under rights that expire in 2032. Suralco also holds a 24% minority interest in a bauxite mining joint venture managed by the majority owner, an affiliate of Billiton plc (Billiton). Bauxite from both mining operations serves Suralco's share of a refinery in Suriname. Suralco expects to deplete the current mine reserves at both operations in the period 2005-2010.

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

Jamaica

Bauxite mining rights in Jamaica expire after the year 2020. The bauxite mining rights are held in a joint venture (Jamalco) with the Government of Jamaica. In January 2000, Jamalco entered into a cost-sharing and production-sharing joint venture with Aluminum Partners of Jamaica to mine the bauxite.

An Alcoa subsidiary and a corporation owned by the Government of Jamaica are equal participants in an alumina refinery in Clarendon Parish, Jamaica. The Alcoa subsidiary manages the joint venture. At the end of 1999, the refinery's annual capacity was approximately one million mt.

Brazil

Alcoa owns 59% of Alcoa Aluminio S.A. (Aluminio). Aluminio manages the operation of the Alumar Consortium (Alumar), a cost-sharing and production-sharing venture that owns a large refining and smelting project near Sao Luis, in the northeastern state of Maranhao. For the refining project, Aluminio owns 35.1% of Alumar, an affiliate of Billiton owns 36%, Abalco S.A. (owned 60% by Alcoa and 40% by WMC) owns 18.9% and an affiliate of Alcan Aluminium Limited (Alcan) owns 10%.

In 1999, the Alumar refinery completed an expansion of 260,000 mt, bringing the total annual capacity to approximately 1.25 million mt. The smelter consumes most of this alumina production.

Aluminio holds an 8.6% interest and Abalco S.A. holds a 4.6% interest in Mineracao Rio do Norte S.A. (MRN), a mining company jointly owned by affiliates of Alcan, Companhia Brasileira de Aluminio, Companhia Vale do Rio Doce, Billiton, Norsk Hydro and Reynolds. Aluminio and Abalco S.A. purchase bauxite from MRN under long-term supply contracts.

At Pocos de Caldas, Aluminio mines bauxite and operates a refinery. The refinery has an annual capacity of 275,000 mt and primarily supplies Aluminio's nearby smelter.

Spain

Alcoa and a WMC affiliate hold 60% and 40% interests, respectively, in the refinery at San Ciprian. The refinery's current annual capacity is 1.1 million mt. A modernization plan for the San Ciprian plant will increase alumina production capacity by 220,000 mt per year. Basic engineering of the project has been completed and the work is expected to finish by March 2001.

Africa

Alcoa has long-term contracts to purchase bauxite mined by a partially-owned entity in the Republic of Guinea in Western Africa. This bauxite services most of the requirements of the Pt. Comfort, Texas and San Ciprian, Spain alumina refineries. The contracts expire after 2011.

United States

AWA, through a majority-owned entity, St. Croix Alumina, L.L.C., owns a 600,000 mt per year alumina refinery located on St. Croix, U.S. Virgin Islands. In February 1998, AWA restarted the refinery due to an increase in worldwide demand for alumina. The refinery had been inactive as a result of world alumina market conditions.

AWA owns an alumina refinery at Pt. Comfort, Texas with an annual capacity to 2.3 million mt.

Alcoa Industrial Chemicals
- --------------------------

Alcoa sells industrial chemicals to customers in a broad spectrum of markets. These markets include:

- refractories
- ceramics
- abrasives
- chemicals processing and
- other specialty applications.

Alcoa produces or processes industrial chemicals, principally alumina-based chemicals, at the following locations. Except for the plants located in Brazil, all of the following facilities are part of AIC:

- Bauxite, Arkansas
- Dalton, Georgia
- Falta, India (joint venture)
- Ft. Meade, Florida
- Iwakuni and Naoetsu, Japan
- Kwinana and Rockingham, Australia
- Leetsdale, Pennsylvania
- Ludwigshafen, Germany
- Moerdijk and Rotterdam, the Netherlands
- Pocos de Caldas and Salto, Brazil
- Port Allen and Vidalia, Louisiana
- Pt. Comfort, Texas and
- Singapore.

In late 1998, AIC began construction of a facility in China to process tabular alumina and other alumina-based materials for sale to the Chinese refractory market. This facility is scheduled for completion in the first half of 2000.

Alcoa produces aluminum fluoride at two locations, Pt. Comfort and Ft. Meade, both in the U.S. At Pt. Comfort, the aluminum fluoride is produced from fluorspar and at Ft. Meade it is produced from hydrofluosilicic acid. Aluminum fluoride is used in the aluminum smelting process.

AIC and PR Minerals, LLC formed a joint venture company named Great Lakes Minerals, L.L.C. The new company processes industrial mineral products, primarily refractory aggregates such as calcined bauxite and brown fused alumina. A newly constructed processing facility in Wurtland, Kentucky began operating in January 2000.

II. Primary Metals

The Company smelts primary aluminum from alumina obtained principally from its alumina refineries. Alcoa's consolidated primary aluminum capacity is approximately 3.2 million mt per year. When operating at capacity, Alcoa's smelters satisfy most of the primary aluminum requirements of its fabricating operations. Alcoa operations used most of the Company's primary aluminum production in 1999 for alloying and/or further fabricating. Purchases of aluminum scrap, principally used beverage cans, supplemented by purchases of ingot when necessary, satisfy additional aluminum requirements.

Since 1994, Alcoa has had 450,000 mt of its worldwide smelting capacity idle because of an oversupply of ingot on world markets. In January 2000, Alcoa announced that it will restart approximately 200,000 mt of its currently idled aluminum smelting capacity. The Company plans to bring this capacity into production over the course of the year. Alcoa will have approximately 250,000 mt of aluminum smelting capacity that remains idle following this restart.

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

In February 1999, the Company entered into a 50/50 joint venture with C.C. Pace Resource Management, LLC, an energy management and consulting company, to form Pace Global Energy Services, LLC. The new company will provide a variety of energy-related management and consulting services to Alcoa and to other unaffiliated companies.

Australia

AWA - Australia is a participant in a joint venture smelter at Portland, in the State of Victoria, with an annual capacity of 345,000 mt. The owners of the smelter are:

- o AWA - Australia (45% interest)
- o China International Trust and Investment Corporation (22.5% interest)
- o Marubeni Aluminium Australia Pty., Ltd. (22.5% interest) and
- o Eastern Aluminum Ltd. (10% interest).

Each participant in this smelter contributes to the cost of operations and construction in proportion to its interest in the venture. Each participant also then receives a proportionate share of the output. AWA - Australia supplies the alumina through individual commercially negotiated contracts and operates the smelter.

Power is generated from extensive brown coal deposits covered by a long-term mineral lease held by AWA - Australia, and that power currently provides approximately 40% of the electricity for the Company's 180,000 mt per annum smelter in Point Henry, Victoria. The State Electricity Commission of Victoria, under contracts with AWA - Australia, provides the remaining power for this smelter and all power for the Portland smelter. Using a formula, the parties determine the power prices based on the price of aluminum. Negotiations have been finalized to permit power interuptibility at both Point Henry and Portland that will contribute to accommodating peak demands in the power grid serving the State of Victoria.

Brazil

The Alumar smelter at Sao Luis, Brazil has an annual capacity of 365,000 mt. Based on the cost-sharing and production-sharing structure, Aluminio receives about 54% of the production from this smelter. The alumina requirements for its share of the smelter production are supplied from Aluminio's share of the nearby refinery. Aluminio purchases electric power from Central Eletricas de Minas Gerais S.A. (CEMIG), the government-controlled electric utility, at a small discount from the applicable industrial tariff price. There is a protective cap on the price of the electric power based on the London Metal Exchange (LME) aluminum price.

In February 1999, Aluminio and CEMIG entered into a new power purchase agreement. Similar to the previous agreement, Aluminio purchased the plant's anticipated full power requirements for 38 months, beginning April 1999, through a single payment based on the price of energy on the date of the agreement.

Aluminio participates in a consortium that is building the new Machadinho hydroelectric power plant in Southern Brazil. In early 1998, after all of the necessary environmental and other approvals had been obtained, the consortium began construction of the dam and related facilities. At the end of 1999, over 40% of the project was completed. Aluminio will share in the output of the plant beginning in 2002. Aluminio expects its share to be sufficient to supply approximately one-half of the power requirements for the Pocos de Caldas smelter.

Europe

The Company's aluminum smelters at Portovesme and Fusina, Italy have a combined annual capacity of 187,000 mt. The owners of the Eurallumina refinery, located on the island of Sardinia adjacent to the Portovesme smelter, supply approximately 40% of the alumina for the smelters under an evergreen agreement. The balance of the alumina requirements for the smelters is supplied by AWA. ENEL, Italy's state-owned utility, supplies power for these smelters.

The Company also operates smelters at San Ciprian, La Coruna and Aviles, Spain, with a combined annual capacity of 360,000 mt. The San Ciprian refinery supplies alumina, and the government-controlled power grid currently supplies electric power at the lowest applicable industrial tariff rate.

The Company reports equity earnings from its interest in two smelters in Norway. Elkem Aluminium ANS, 50%-owned by an Alcoa subsidiary, is a partnership that owns and operates the smelters.

North America

In May 1999, the Company filed with the Federal Energy Regulatory Commission, and the states of New York and North Carolina, indicating its intent to combine five of its wholly-owned utility subsidiaries, Yadin, Inc., Tapoco, Inc., Alcoa Generating Corporation, Long Sault, Inc. and Colockum Transmission Company into a single entity, to be called Alcoa Power Generating Inc. (APGI). The mergers into APGI were effective January 1, 2000.

The Company generates approximately 35% of the power requirements for its 11 North American smelters and generally purchases the remainder under long-term contracts. Alcoa obtains approximately 12% of the self-generated power from its entitlement to a fixed percentage of the output from Chelan County Public Utility District's Rocky Reach hydroelectric power facility located in the State of Washington.

In addition, Alcoa has a contract with the Bonneville Power Administration (BPA) that services the Wenatchee, Washington smelter. Several contractual provisions allow power supply restrictions when power is in short supply. Beginning in 1995, power purchased from a local public utility district replaced a portion of the power supplied under the BPA contract. The Wenatchee facility currently uses no power from BPA, but instead purchases its additional power needs from the local public utility district.

The Company has generated substantially all of the power used at its Warrick, Indiana smelter using nearby coal reserves. A 1996 coal supply contract satisfies 40% of the smelter's fuel requirements through 2006. Low-sulfur coal contracts satisfied an additional 35% of the requirement through 1999. Short-term contracts of less than two years satisfy the remainder of the fuel requirements.

The Rockdale, Texas smelter uses lignite to generate power. Company-owned generating units supply about one-half of the total requirements. Texas Utilities Company supplies the balance through a long-term power contract expiring in 2013.

APGI owns and operates hydroelectric facilities under Federal Energy Regulatory Commission licenses. These facilities provide electric power for the aluminum smelters at Alcoa, Tennessee and Badin, North Carolina. The Tennessee smelter also purchases firm and interruptible power from the Tennessee Valley Authority under a contract recently extended to 2010. In mid-1999, APGI entered into a power sales contract with Carolina Power & Light Company (CP&L), under which APGI sells the capacity and energy produced at its hydroelectric units to CP&L and, in return, CP&L supplies the power requirements of the Badin plant. This arrangement continues through the end of August 2000.

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

The Lauralco smelter located in Deschambault, Quebec purchases electricity under a long-term contract that expires in 2014, subject to certain extension provisions. The power rates are linked to the prevailing price of aluminum.

Alcoa also has ownership interests in the following smelters: Intalco, located in Ferndale, Washington (61.00%); Eastalco, located in Frederick, Maryland (61.00%); Mt. Holly, located in Goose Creek, South Carolina (50.33%); and Becancour, located in Becancour, Quebec (24.95%). A Japanese consortium, led by a subsidiary of Mitsui & Co. Ltd., owns an aggregate 39% interest in each of the Intalco and Eastalco facilities. Subsidiaries of Century Aluminum Company, a publicly traded domestic corporation, and Sudelektra Holding, AG, a Swiss corporation, together own 49.67% of Mt. Holly. On February 7, 2000, Century Aluminum Company announced that it had reached agreement in principle to acquire Sudelektra Holding's 23% interest in Mt. Holly. The transaction is expected to be completed by the end of the first quarter of 2000. Subsidiaries of Reynolds own an aggregate 50% interest, and a subsidiary of Pechiney owns a 25.05% interest in Becancour and operates the smelter. Intalco, Eastalco, Mt. Holly, and Becancour are all cost-sharing and production-sharing joint ventures.

Intalco, Eastalco, Mt. Holly, and Becancour purchase electricity under long-term contracts that expire in the years 2001, 2003, 2005 and 2014, respectively, subject to certain extension provisions. Except for Intalco, each facility's contract is with a single supplier. The power rate for all of the electricity supplied to the Becancour facility is linked to the prevailing price of aluminum. In late 1995, Intalco entered into a series of new long-term power contracts with the BPA and British Columbia Power Exchange Corporation to provide all of its electricity needs from September 1996 through 2001. Under these contracts, Intalco's power costs are no longer linked to the price of aluminum but are set at a fixed rate. Mt. Holly entered into a new electric power supply agreement in 1997, while Eastalco amended its existing power supply agreement during the same year. For the foreseeable future, these contracts are expected to meet the power requirements of these facilities.

In addition, Alcoa produces and markets aluminum paste, particles, flakes and atomized powder. The Company also produces high-purity aluminum.

Suriname

In March 1999, Alcoa shut down its 30,000 mt per year smelter in Paranam, Suriname.

III. Flat-Rolled Products

Alcoa's flat-rolled products serve three principal markets: packaging, transportation and building and construction. Light gauge sheet products, mainly rigid container sheet and foil, serve the packaging market, and mill products (sheet and plate) serve the other markets. Alcoa employs its own sales force for most flat-rolled products.

Rigid Container Sheet (RCS)

RCS accounted for most of the 1999 revenues in the packaging market. Can companies purchase RCS for production of beverage and food cans and can ends.

The number of RCS customers in the U.S. is relatively small. Use of aluminum beverage cans continues to increase by approximately 3% annually worldwide.

Aluminum's diverse characteristics, particularly its light weight, recyclability and flexibility for package designs, are significant factors in packaging markets. Aluminum competes with materials such as steel, plastic and glass in these markets. Alcoa maintains leadership in the packaging markets by improving processes and facilities. Alcoa also provides marketing, research and technical support to its customers. Alcoa produces RCS at the following locations:

- Warrick, Indiana
- Alcoa, Tennessee
- Point Henry and Yennora, Australia (joint venture facilities)
- Moka, Japan (joint venture facility) and
- Swansea, U.K.

Kaal Australia Pty., Ltd., 50%-owned by Alcoa, owns and operates the former AWA - - Australia rolling mill at Point Henry and the former Comalco Limited rolling mill at Yennora. These mills produce RCS for the Australian and Asian markets. AWA - Australia supplies Kaal Australia with aluminum ingot.

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

Used aluminum beverage cans are an important source of metal for RCS. Recycling aluminum conserves raw materials, reduces litter and saves energy -- about 95% of the energy needed to produce aluminum from bauxite. In addition, recycling capacity costs much less than new primary aluminum capacity. The Company has can recycling or remelt facilities at or near its plants in:

- Warrick, Indiana
- Alcoa, Tennessee and
- Yennora, Australia.

Foil

Alcoa's Lebanon, Pennsylvania facility produces industrial foil, laminated foil and brazing sheet. The building and construction, packaging and automotive markets use these products. Continuous casting facilities in Hawesville, Kentucky and Badin, North Carolina produce reroll stock in support of the Lebanon facility. The Company also owns and operates an additional casting facility in St. Louis, Missouri. Foil products from this facility are sold primarily to commercial users in the flexible packaging, converter, food service and pharmaceutical industries. Alcoa also owns and operates a facility in Russellville, Arkansas. The Russellville plant, which is supported by the casting facility in St. Louis, produces foodservice and converter foil products.

Aluminio, near Recife, Brazil, manufactures light gauge sheet, foil products and laminated evaporator panels. The Yennora, Australia plant also produces light gauge sheet. In addition, the facilities at Alicante and Sabinanigo, Spain produce foil products.

Alcoa and Shanghai Aluminum Fabrication Plant (SAFP) have a joint venture, owned 60% by Alcoa and 40% by SAFP, that operates the former SAFP aluminum foil production facility in Shanghai, China. With the addition of a second caster in April 1998, the annual output of the joint venture facility is now over 15,000 mt.

The Company owns a 56% interest in a foil mill in Kunming, Yunnan, China.

In August 1999, Alcoa and Kibar Holding Co. of Turkey signed a letter of intent to form a strategic alliance with Kibar's Turkish aluminum business. Kibar's aluminum business, known as Assan Aluminyum, is the leading rolled products business in Turkey.

In November 1999, Alcoa purchased substantially all the assets of Golden Aluminum Company, a subsidiary of ACX Technologies, Inc. Golden Aluminum's operations include a shuttered rolling facility in San Antonio, Texas and a rolling facility in Ft. Lupton, Colorado. Alcoa will retain the San Antonio plant for development work and non-can sheet production. In January 2000, Alcoa sold the Ft. Lupton facility to Quanex Corporation.

Mill Products

Alcoa produces sheet and plate products that are used in the following markets:

- aerospace
- auto and truck
- lithographic
- railroad
- shipbuilding
- building and construction
- defense and
- other industrial and consumer markets.

The Company maintains its own sales force for most of the sheet and plate products.

Differentiation of material properties, price and service are significant competitive factors in these markets. Aluminum's diverse characteristics are important in markets where competitive materials include steel and plastics for automotive and building applications; magnesium, titanium, composites and plastics for aerospace and defense applications; and wood and vinyl in building and construction applications. Alcoa continues to develop alloys and products for aerospace and defense applications, such as those developed for the Boeing 777 aircraft, the Lockheed F-16 aircraft, the Canadair aircraft, the Advanced Amphibious Assault Vehicle and the Airbus A340-600 aircraft.

Davenport, Iowa is home to Alcoa's largest sheet and plate plant. The plant produces products requiring special alloying, heat-treating and other processing. Some of these products are unique and proprietary. Over the past two years, the Davenport plant's heat-treating capacity for sheet and plate was increased to meet aerospace and automotive demand. Alcoa also commissioned the largest vertical heat-treat furnace in North America, thus tripling the plant's capacity for wide-width fuselage sheet. A horizontal plate heat-treating furnace, which was installed in 1997, has increased the plant's capacity by 30%.

Alcoa has a plant in Hutchinson, Kansas for further processing and just-in-time stocking of aluminum sheet products for the U.S. aerospace market. Alcoa serves European sheet and plate markets through a distribution center in Paal, Belgium.

Alcoa has a plant in Danville, Illinois for further processing and just-in-time stocking of aluminum sheet products for the North American automotive market. This facility began to operate in 1998 and became fully operational during the second half of 1999.

The Company also has plants in Lancaster, Pennsylvania and Texarkana, Texas that produce sheet and plate, and semi-fabricated products, circles and blanks. The Lancaster facility also produces semi-fabricated cast aluminum plate, engineered to meet highly specialized industrial applications. The Texarkana mill is a leased facility. The five-year operating lease for the facility expires in November 2002, but is renewable for up to two additional years.

Alcoa's Memory Products business in Sidney, Ohio was closed in 1999 as the memory disk market and customer base declined.

Alcoa's Brite Products business in Norcross, Georgia was closed in 1999.

Alcoa and Kobe Steel have a joint venture consisting of one company in the U.S. and one in Japan. The focus of these ventures is to expand the use of aluminum sheet products in passenger cars and light trucks. As a result of a restructuring of the venture in January 2000, the U.S. company will focus on research and development efforts, while the Japanese company will continue to engage in commercial (manufacturing, marketing and sales) as well as research and development efforts, to serve the transportation industry.

The Company's Hungarian subsidiary, Alcoa-Kofem Kft (Kofem), produces common alloy flat and coiled sheet as well as soft alloy extrusions for the building, construction, food, transportation and agricultural markets in central and western Europe. Kofem delivers aluminum truck bodies to major beverage companies in Europe and the Middle East.

The Company's Alcoa Italia S.p.A. subsidiary produces industrial plate and common alloy flat and coiled sheet for the building and construction, transportation and other industrial markets in Europe at its Fusina, Italy rolling mill.

Alcoa has rolling mills at Amorebieta, Alicante and Sabinanigo, Spain. These mills produce common alloy flat and coiled sheet for the building and construction, and transportation markets, lithographic sheet and coil, bright products for lighting, cosmetic and industrial uses and foil products for food, pharmaceutical and industrial applications in Europe.

In April 1999, Alcoa completed the acquisition of the bright products business of Pechiney's Rhenalu rolling plant located at Castelsarrasin near Toulouse, France.

In August 1999, Alcoa, the Holding Company for Metallurgical Industries and the Egypt Aluminum Company (Egyptalum) signed a memorandum of understanding relating to the formation of a strategic alliance between Alcoa and Egyptalum. Egyptalum is the largest aluminum company in Egypt, with substantial assets in smelting and rolled products.

IV. Engineered Products

Engineered products include aluminum extrusions, forgings, castings and wire, rod and bar.

Extrusions
- ----------

The North American extrusion business is comprised of Alcoa Engineered Products and Alcoa Extruded Construction Products.

Alcoa Engineered Products has nine operating locations:

- o Baltimore, Maryland - hard alloy extrusions
- o Catawba, North Carolina - specialized extrusions
- o Chandler, Arizona - hard alloy extrusions, tube and forge stock
- o Cressona, Pennsylvania - industrial and distribution common alloy extrusions
- o Elizabethton, Tennessee - industrial and distribution common alloy extrusions
- o Lafayette, Indiana - hard alloy extrusions and tube
- o Massena, New York - cast rod, mechanical-grade redraw rod, wire and cold-finished rod and bar extrusions
- o Morris, Illinois - industrial and distribution common alloy extrusions
- o Spanish Fork, Utah - industrial and distribution common alloy extrusions

These facilities are supported by sales and administration centers in Illinois, Indiana and Pennsylvania. Extruded aluminum products from these operations are sold to original equipment manufacturers in aerospace/defense, automotive, commercial transportation, machinery, electrical, recreation, consumer durables and other industrial markets and to distributors who service these markets.

Alcoa Extruded Construction Products has nine operating locations: Arkansas, Florida, Georgia (2), Ohio, Louisiana, Mississippi, South Dakota and an international operation in Monterrey, Mexico. These facilities manufacture and sell soft-alloy extruded products. Representative products include window and door frames, bath and shower enclosures, patio and pool enclosures, stadium seating, light poles and flag poles, and colored architectural shapes.

Alcoa Extruded Construction Products' shower and bath enclosures are distributed through service centers in California, Florida, Georgia, Iowa, North Carolina, Pennsylvania, Texas and Washington, as well as through independent distributors. The Mexican operation consists of a two-press extrusion plant in Monterrey. All plants and facilities are owned by the Company, except for the plant located in Monterrey and the service centers, which are leased. The Company closed its extrusion facility in West Chicago, Illinois in April 1999.

In January 2000, Alcoa purchased Excel Extrusions, Inc., a subsidiary of Noranda Aluminum, Inc., located in Warren, Ohio. The facility produces soft-alloy aluminum extrusions that are used primarily in the building and construction markets.

A subsidiary in Argentina and Aluminio manufacture aluminum extruded products. Aluminio operates five plants in Brazil, with a total of fifteen extrusion presses.

Alcoa Extrusions Hannover GmbH & Co. KG produces and markets high-strength aluminum extrusions and rod and bar to serve European transportation and defense markets.

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

Alcoa Italia S.p.A. produces and markets industrial extrusions through plants in Bolzano, Fossanova, Feltre and Iglesias, Italy. Also part of Alcoa Italia S.p.A. is an extrusion die shop located in Mori, Italy.

The Company owns and operates extrusion plants in Valls, Noblejas and La Coruna, Spain.

Alcoa also has extrusion plants in Hungary and the United Kingdom. In March 1999, Alcoa completed its acquisition of Reynolds' aluminum extrusion plant in Irurzun, Spain as well as its distribution operation for architectural systems, which has warehouses in several cities in Spain.

Kawneer Company, Inc. (Kawneer) designs, manufactures and markets architectural aluminum products and is a leading producer of these products in the U.S. and Canada. These products include entrances, windows, framing and curtain wall systems for the commercial building markets. Kawneer products also are engineered for use on construction projects throughout the world.

Kawneer operates five integrated architectural plants, 17 service centers and one additional manufacturing location in the U.S. Distribution is principally through dealers, most of whom are glazing contractors.

Kawneer also operates two integrated architectural plants in Canada that provide most of the product that is sold for large overseas projects, as well as two service centers.

Alumax Europe N.V. manages Kawneer Europe's operations in the United Kingdom, France, Germany and Poland. It also participates in a joint venture in Morocco. Three manufacturing plants located in France, England and Germany, two of which are owned and one of which is leased, provide architectural aluminum products similar to those produced by Kawneer operations in the U.S. These products are marketed under the Kawneer Europe name throughout Europe. Kawneer Europe's subsidiaries also operate service centers in France, Poland and Morocco. Other former operations of Alumax Europe, which included custom extrusion plants in the United Kingdom and the Netherlands, and an aluminum recycling facility in the Netherlands that produces soft-alloy extrusion billet, have been integrated operationally into Alcoa Europe Extrusion and End Products Business Unit.

Forgings and Castings
- ---------------------

The Company's plant in Cleveland, Ohio produces aluminum forgings, sold principally in the aerospace, automotive, commercial transportation and defense markets. The Cleveland plant, along with the Company's facility in Barberton, Ohio, also produces aluminum forged wheels for passenger automobiles, sport utility vehicles and light trucks and wheels for the bus and Class 8 heavy-duty truck industry.

Alcoa's plant in Szekesfehervar, Hungary manufactures forged aluminum truck wheels for the European market. The plant also manufactures wheels for export to Asian, South American and other geographic markets that use European-style wheels.

Aluminio plans to build a 72,000-unit-per-year aluminum wheel plant in the state of Pernambuco, Brazil. The new plant initially will operate by finishing Alcoa wheels imported in unfinished form.

V. Other

This category includes the production and sale of high performance body structures for cars, electrical, plastic and composite materials products, manufacturing and packaging equipment, magnesium products and steel and titanium forgings.

Alcoa Automotive
- ----------------

In 1999, Alcoa refocused its Automotive Structures business unit. The Company formed two new businesses, Alcoa Automotive Castings (which includes a Finished Extruded Components unit) and Alcoa Automotive Engineering. Alcoa Automotive Castings offers high-quality, structural castings and formed and machined extrusions, while Alcoa Automotive Engineering provides design, engineering, prototyping and cost analysis for aluminum structures, assemblies and components.

The manufacturing plant in Soest, Germany became part of the Alcoa Automotive Castings business. Alcoa produces the components and selected sub-assemblies for the Audi A8 spaceframe, the result of a cooperative effort between the two companies that began in 1981. The Soest plant also produces the front end module for the new Mercedes-Benz A Class car.

Alcoa Automotive Castings's Modena, Italy facility assembles spaceframes for the Ferrari 360 Modena, which was introduced in 1999 to favorable automotive industry reviews.

In August 1999, Alcoa acquired almost all of the remaining 50% interest in the A-CMI partnership from Hayes Lemmerz International, Inc. A-CMI was a joint venture formed in 1995 between Alcoa and CMI International, Inc. to produce cast aluminum products for the automotive industry. Hayes Lemmerz purchased CMI International, Inc. in February 1999. A-CMI, now part of Alcoa Automotive Castings, has plants located in Fruitport, Michigan, Hawesville, Kentucky and Lista, Norway. The Lista plant is located near the 50%-owned Elkem Aluminium ANS smelter, which delivers molten aluminum to the plant. Current Automotive Castings customers include DaimlerChrysler, Ford, Volvo, BMW and General Motors.

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

Alcoa's plant in Northwood, Ohio manufactures DaimlerChrysler's Plymouth Prowler frame and a variety of aluminum structural assemblies for the U.S. automotive industry, including the Corvette windshield surround.

Alcoa is working with several other automobile manufacturers in North America and Japan to develop new automotive applications for aluminum products.

Alcoa Automotive Engineering includes the design and engineering offices in Esslingen (Stuttgart), Germany, Southfield (Detroit), Michigan and Alcoa Technical Center, near Pittsburgh, Pennsylvania. The Company designs aluminum auto body structures for a variety of car manufacturers and for Tier 1 suppliers to the automotive industry at these locations.

Alumax Engineered Metal Processes, Inc. (AEMP) produced automotive components with operations in Jackson, Tennessee and Bentonville, Arkansas using a semi-solid forging process. In May 1999, Alcoa completed the sale of the Jackson, Tennessee facility to the management of AEMP. In addition, Alcoa closed the Bentonville, Arkansas plant.

Alcoa Fujikura Ltd. (AFL)

AFL produces and markets electronic and electrical distribution systems (EDS) for the automotive industry, as well as fiber optic products and systems for selected electric utilities, telecommunications, cable television and datacom markets. AFL supplies EDS to:

- Ford
- Subaru
- PACCAR
- Audi and
- Volkswagen.

AFL owns Michels GmbH & Co. K.G. (Michels), a European manufacturer of EDS for automobiles. AFL also owns the Stribel group of companies, European manufacturers of electromechanical and electronic components for the European automotive market. The European facilities are located in Germany, Hungary, Ireland and the United Kingdom.

AFL and Aluminio have a joint venture, AFL do Brasil Ltda., that manufactures and sells EDS in Brazil. AFL also has an EDS manufacturing facility in Venezuela.

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

Six "R" Communications, L.L.C., part of AFL's telecommunications division, is a Monroe, North Carolina-based provider of EF&I services (engineer, furnish and install) to the telecom, CATV and electric utility industries. EF&I subsidiaries of Six "R" Communications include T.I.C.S. Corporation in Charlotte, North Carolina; MinTel Communications, L.L.C. in Norcross, Georgia; and Quality Control Services, L.L.C. in Richmond, Virginia.

In October 1999, AFL's telecommunications division acquired 55% of the stock of Tele-Tech Company, Inc., in Lexington, Kentucky and 55% of the stock of Digisys Corp. in Alpharetta, Georgia. Both companies are providers of EF&I services nationally to the telecom industry and cabling contracting services for LAN and computer network installations.

In February 2000, AFL's telecommunications division acquired privately held Noyes Fiber Systems, Inc., headquartered in Belmont, New Hampshire. Noyes Fiber Systems is a manufacturer of fiber optic test equipment for measuring, maintaining and documenting the performance of fiber optic networks.

Packaging and Closures

Alcoa Closure Systems International, Inc. (ACSI), the world's largest producer of plastic closures, manages all of Alcoa's worldwide closures businesses other than in South America. ACSI coordinates its business from Indianapolis, Indiana. The Company's South American closures business and PET (polyethylene terephthalate) plastic bottles manufacturing facilities are managed separately by Aluminio from Sao Paulo, Brazil.

The use of plastic closures has surpassed that of aluminum closures for beverage containers in the U.S. and in many other countries. Alcoa has plastic closure, PET plastic bottle, closure molding equipment and packaging equipment design and assembly facilities at the following locations:

Packaging and Closures Facilities:

- Barcelona, Spain
- Barueri, Itapissuma, Lages and Queimados, Brazil
- Bogota, Colombia
- Buenos Aires, Argentina
- Crawfordsville, Indiana
- Englewood, Colorado
- Ensenada and Saltillo, Mexico
- Lima, Peru
- Lyubuchany, Russia
- Manama, Bahrain
- Manila, the Philippines
- Nogi, Japan
- Olive Branch, Mississippi
- Randolph, New York
- San Jose, Costa Rica
- Santiago, Chile
- Sidney, Ohio
- Szekesfehervar, Hungary

- Tianjin, China and
- Worms and Viernheim, Germany.

The Alcoa Packaging Equipment business unit designs, manufactures and services:

- can forming equipment
- can decoration equipment
- registered embossers
- end conversion presses
- a variety of testing equipment for the can-making industry
- plastic and aluminum closure handling, orientation, inspection and capping equipment for the food and beverage industry and
- specialty aluminum components for the semiconductor equipment industry.

Other Aluminum Products

Aluminio and Phelps Dodge Corporation have a joint venture that produces aluminum electric cable and copper wiring and cables in Brazil. The venture, Phelps Dodge & Alcoa Fios e Cabos Eletricos S.A., is owned 60% by Phelps Dodge and 40% by Aluminio. Production takes place at the venture's plant in Pocos de Caldas.

Alcoa Building Products, Inc. (ABP) manufactures and markets residential aluminum siding and other aluminum building products. ABP sells these products principally to specialty distributors.

ASCI produces aluminum closures for bottles at Worms, Germany, Nogi, Japan and Barcelona, Spain. In early 1999, the Company sold the assets subject to certain liabilities of Capsulas Metalicas, S.A., its metal beverage closures business in Barcelona, Spain, to Alucapvit, S.p.A.

Alcoa also owns a 36% interest in American Trim, L.L.C., a joint venture that manufactures primarily auto parts and appliance control panels.

Other Nonaluminum Products

ABP produces vinyl siding and accessories and other nonaluminum building products for the residential building and construction markets.

Northwest Alloys, Inc., in Addy, Washington, produces magnesium from minerals in the area owned by the Company. Alcoa uses the magnesium for certain aluminum alloys and also sells it to third parties.

Aluminio owns 40% and affiliates of Alcatel of France own 60% of a joint venture, called Alcatel Cabos Brazil. The venture manufactures, in Brazil, and sells telecommunication cables and related accessories in South America.

The Alcoa facility at Cleveland, Ohio produces large press steel, titanium and special super-alloy forgings. Aerospace and commercial customers are the principal purchasers of these products.

Competition

The markets for most aluminum products are highly competitive. Price, quality and service are the principal competitive factors in most of these markets. Where aluminum products compete with other materials, the diverse characteristics of aluminum are also a significant factor, particularly its light weight and recyclability.

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

The Company continues to examine all aspects of its operations and activities and redesign them where necessary to enhance effectiveness and achieve cost reductions. Alcoa believes that it enhances its competitive position through its improved processes, extensive facilities and willingness and ability to commit capital where necessary to meet growth in important markets, and by the capability of its employees. This is being done through aggressive implementation of the Alcoa Business System (ABS) that encompasses the entire value chain, including manufacturing and supporting business processes. Research and development has led to improved product quality and production techniques, new product development and cost control.

ABS is based upon the complete integration of the Company's mission, vision and values with manufacturing and its business processes and measures in order to produce desired outcomes. The basic tenets of ABS are (1) making products for use (not inventory), and working only on the needs of customers (external and internal) (2) doing away with waste everywhere and (3) recognizing that success can only be achieved through people.

Alcoa has realized significant achievements to date through the implementation of ABS in its businesses, including:

- reduction of waste
- reduction in lead times
- improvement in delivery performance
- improvement in "throughput" and recovery
- increases in productivity
- reduction of inventory and backlogged orders
- reduction in handling equipment and
- emptying of factory floor space.

Alcoa believes that ABS will in time substantially improve its profitability relative to its peers. In July 1998, Alcoa announced a $1.1 billion cost reduction initiative to be achieved by January 1, 2001. The Company intends to realize a significant portion of this reduction through ABS. At the end of 1999, the Company had achieved $728 million in annualized cost savings towards the $1.1 billion goal.

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 that 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 December 31, 1999 and 1998, these contracts totaled approximately 465,000 mt and 933,000 mt, respectively. These contracts act to fix the purchase price for these metal purchase requirements, thereby reducing Alcoa's risk to rising metal prices.

A hypothetical 10% change from the 1999 year-end, three-month LME aluminum ingot price of $1,650 per mt would result in a pretax gain or loss to future earnings of $77 million related to all of the futures and options contracts noted above. However, it should be noted that any change in the value of these contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying metal purchase transactions.

Earnings were selected as the measure of sensitivity due to the historical relationship between aluminum ingot prices and Alcoa's earnings. The hypothetical change of 10% was calculated using a parallel shift in the existing December 31, 1999 forward price curve for aluminum ingot. The price curve takes into account the time value of money, as well as future expectations regarding the price of aluminum ingot.

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.

Alcoa also had 21,000 mt and 29,000 mt of futures and options contracts outstanding at year-end 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 after-tax gains of $12 million in 1999 and charges of $45 million in 1998 and $13 million in 1997. A hypothetical 10% change in aluminum ingot prices from the year-end 1999 level of $1,650 per mt would result in a pretax gain or loss of $3 million related to these positions. The hypothetical gain or loss was calculated using the same model and assumptions noted earlier.

Alcoa sells products to various third parties at prices that are influenced by changes in LME aluminum prices. From time to time, the Company may elect to hedge a portion of these exposures to reduce the risk of fluctuating market prices on these sales. Towards this end, Alcoa may enter into short positions using futures and options contracts. At December 31, 1999, these contracts totaled 244,000 mt. These contracts act to fix a portion of the sales price related to these sales contracts. A hypothetical 10% change in aluminum ingot prices from the year-end 1999 level of $1,650 per mt would result in a pretax gain or loss of $29 million related to these positions. The hypothetical gain or loss was calculated using the same model and assumptions noted earlier.

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

Foreign Exchange Risks

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. A hypothetical 10% change in applicable 1999 year-end forward rates would result in a pretax gain or loss of approximately $169 million related to these positions. However, it should be noted that any change in the value of these contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged item. The model assumes a parallel shift in the forward curve for the applicable currencies and includes the foreign currency impacts of Alcoa's cross-currency interest rate swaps. See Notes A and T for information related to the accounting policies and fair market values of Alcoa's foreign exchange contracts at December 31, 1999 and 1998.

Interest Rate Risks

Alcoa 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. At December 31, 1999 and 1998, Alcoa had $3,067 million and $3,489 million of debt outstanding at effective interest rates of 5.8% and 6.1%, respectively, after the impact of interest rate swaps and caps is taken into account. A hypothetical change of 10% in Alcoa's effective interest rate from year-end 1999 levels would increase or decrease interest expense by $20 million. The interest rate effect of Alcoa's cross-currency interest rate swaps has been included in this analysis. For more information related to Alcoa's use of interest rate instruments, see Notes A and T.

Risk Management

All of the aluminum and other commodity contracts, as well as the various types of financial instruments, are straightforward and are 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 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.

Material Limitations

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

Year 2000 Issue

Alcoa, like other businesses, made substantial preparations for the Year 2000 issue. The Year 2000 issue arose 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 have resulted in computational errors as dates are compared across the century boundary. 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.

Based on information available to date, Alcoa has not experienced any significant events attributable to Year 2000 issues. The Company will continue to monitor for potential issues at Alcoa, its customers and suppliers, in order to permit a rapid response should any issues arise. Alcoa believes that if any Year 2000 issues were to arise, they would not have a significant impact on its operations and would most likely be isolated, short-term events.

Alcoa's Year 2000 program provided a focused effort across all of the Company's locations that:

- identified, assessed, remediated and tested 26,232 Alcoa systems and components;
- formally assessed 3,399 critical and important suppliers;
- conducted 202 formal on-site program verification reviews;
- provided Year 2000 readiness information to 2,802 separate customers and
- updated and completed 1,890 contingency plans.

In 1999 and 1998, Alcoa incurred $38 million each year 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. Alcoa does not expect to incur significant direct costs related to the Year 2000 issue during the current year.

Employees

Alcoa had approximately 107,700 employees worldwide at year-end 1999.

Alcoa and its unions ratified six-year labor agreements covering the majority of Alcoa's U.S. production workers in mid-1996. As part of the agreements, Alcoa and the unions agreed to an unprecedented partnership mandating that they work cooperatively on customer requirements, business objectives and shareholder and union interests. The agreements set broad goals for employee safety, job security, and influence, control and accountability for the work environment. Other major provisions include wage increases over the first five years, enhanced pension benefits, increases in sickness and accident insurance, life insurance and dental benefits and the amount of income a spouse may earn before sharing medical benefit costs.

The agreements have five years of defined provisions. At the end of the fifth year, Alcoa and the unions will reopen the entire contract. If the parties cannot reach agreement, they will submit the economic provisions to arbitration.

Agreements negotiated under guidelines established by a national industrial relations authority cover wages for AWA - Australia employees.

Aluminio negotiates wages for both hourly and salaried employees annually in compliance with government guidelines. Each Aluminio location, however, has a separate compensation package for its employees.

Research and Development

Alcoa, a technology leader in the aluminum industry, engages in research and development programs that include process and product development, and basic and applied research. Alcoa conducts these activities within its business units and at Alcoa Technical Center. Expenditures for R&D activities were $128 million in 1999, $128 million in 1998 and $143 million in 1997. The Company funds substantially all R&D expenses.

Each of the major process/product areas within the Company has a Technology Management Review Board (TMRB), consisting of members from various worldwide locations. The TMRB is responsible for formulating and communicating a technology strategy for its particular process/product area, developing and managing the technology portfolio and ensuring the global transfer of technology.

Environmental
- -------------

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

Alcoa continues its efforts to develop and implement modern technology, and standards and procedures, to meet its Environment, Health and Safety goals. The Company spent approximately $90 million during 1999 for new or expanded facilities for environmental control. Capital expenditures for such facilities will approximate $99 million in 2000. These figures do not include the costs of operating these facilities. Remediation expenses are continuing at many of the Company's facilities. See Note U on Environmental Matters in the Annual Report to Shareholders and "Item 3 -- Legal Proceedings" below.

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

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

Item 2. Properties.

See "Item 1. Business." Alcoa believes that its facilities are suitable and adequate for its operations.

Item 3. Legal Proceedings.

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

Environmental Matters
- ---------------------

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

In response to a unilateral order issued under Section 106 of the Comprehensive Environmental Compensation and Liability Act of 1980 (CERCLA) by the U.S. Environmental Protection Agency (EPA) Region II regarding releases of hazardous substances, including polychlorinated biphenyls (PCBs), into the Grasse River near its Massena, New York facility, Alcoa has been conducting investigations and studies of the river under order from the EPA issued under CERCLA. In December 1999, the Company submitted an Analysis of Alternatives report to EPA. The report evaluates several alternative remedial approaches for the Grasse River.

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

In March 1994, Alcoa and Region VI of the EPA entered into an administrative order on consent, EPA Docket No. 6-11-94, concerning the Alcoa (Pt. Comfort)/Lavaca Bay National Priorities List site that includes portions of Alcoa's Pt. Comfort, Texas bauxite refining operations and portions of Lavaca Bay, Texas, adjacent to the Company's plant. The administrative order requires the Company to conduct a remedial investigation and feasibility study under EPA oversight. Work under the administrative order is proceeding, including actions to fortify an offshore dredge disposal island that may include the removal of certain mercury-contaminated sediments adjacent to Alcoa's plant in and near routinely dredged navigation channels. As required by the order, the Company submitted a baseline risk assessment for the site. A Feasibility Study is anticipated to be filed in March 2000. The Company and certain Federal and state natural resource trustees, who previously served Alcoa with notice of their intent to file suit to recover damages for alleged loss or injury of natural resources in Lavaca Bay, have entered into several agreements to cooperatively identify restoration alternatives and approaches for Lavaca Bay. Efforts under those agreements are ongoing.

In March 1997, Alcoa Italia S.p.A. received an order from Italian governmental authorities relating to several environmental deficiencies at its Fusina Plant. Alcoa Italia and the governmental authorities commenced discussions that resulted in a plan for sampling certain emission points. During 1998, Alcoa Italia sampled air emissions at the Fusina Plant. The results of the samples, which indicated that the emissions are within the authorized limits, were submitted to the Italian governmental authorities, who have formally notified Alcoa Italia that the emissions are satisfactory and that the order has been closed.

On May 13, 1998, an action was filed in the Superior Court of Riverside County, California allegedly on behalf of more than 500 plaintiffs who currently live, or formerly lived, in the Glen Avon, California area, who claim to have suffered personal injuries, both physical and emotional, as well as property damage, as a result of air and water contamination due to the escape of toxic wastes from the Stringfellow disposal site. The complaint, which names Alcoa, Alumax Inc. and more than 130 other companies as defendants, was served on Alcoa and Alumax in October 1998. Alcoa filed a motion in February 1999 stating that claims are barred by the statute of limitations. Amended pleadings were filed by the plaintiffs in August 1999, and demurrer motions are now pending before the court.

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 entered into a series of tolling agreements to suspend the statute of limitations related to the alleged violations in this matter. The parties have reached final agreement on the language of a consent decree that will formalize settlement of this matter. The consent decree will be executed by the parties and lodged with the court during the first quarter of 2000.

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. In June 1999, the DOJ and EPA filed a complaint against Alcoa in the United States District Court for the Northern District of Indiana. Alcoa filed a motion to dismiss and a motion to strike certain parts of the government's complaint requesting sediment remediation in August 1999. A discovery schedule had been entered into by the parties and this matter is scheduled for trial in January 2002.

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. The case has not been set for trial. In October 1999, a second grand jury subpoena for documents was issued to Alcoa requesting information regarding wastewater discharges from a Port Allen plant. Alcoa has provided a complete and timely response to the subpoena. Alcoa also is engaged in discussions with the U.S. Attorney's office and the EPA seeking to resolve the situation.

Other Matters
- -------------

Alcoa initiated a lawsuit in King County, Washington in December 1992 against nearly 100 insurance companies that provided insurance coverage for environmental property damage at Alcoa plant sites between the years 1956 and 1985. The trial for the first three sites concluded in October 1996 with a jury verdict partially in Alcoa's favor and an award of damages to Alcoa. In its post-trial decisions, the trial court substantially reduced the amount that Alcoa will be able to recover from its insurers on the three test sites. Alcoa appealed these rulings to the Washington Court of Appeals, which, upon completion of briefing, certified the appeal to the Washington Supreme Court. Oral argument was heard in January 2000. A decision by the court is expected by the third quarter 2000.

In April 1997, German customs authorities conducted a search of the offices of Alcoa VAW Hannover Presswerk GmbH & Co. KG (Alcoa VAW) in Hannover, Germany, seeking materials relating to export transactions dating from 1992. In November 1997, German customs authorities reported 53 documentary customs violations, and in January 1998, the local district attorney opened legal proceedings on the matter. Discussions between Alcoa VAW and German customs authorities continue.

Alcoa, along with various asbestos manufacturers, distributors and other businesses, is a defendant in numerous individual lawsuits filed in the State of Texas on behalf of persons claiming injury as a result of occupational exposure to asbestos at various Alcoa facilities. In two of these cases, jury verdicts were returned against the Company, and settlements have been reached.

Following the March 9, 1998 announcement of the proposed acquisition of Alumax by Alcoa and AMX Acquisition Corporation, five putative class actions on behalf of stockholders of Alumax were filed in the Delaware Court of Chancery against Alumax and certain of Alumax's directors. Four of these actions also named Alcoa as a defendant. The plaintiffs in those actions alleged, among other things, that the director defendants agreed to a buyout of Alumax at an inadequate price, that they failed to provide Alumax's stockholders with all necessary information about the value of Alumax, that they failed to make an informed decision as no market check of Alumax's value was obtained and the acquisition was structured to ensure that stockholders would tender their shares and was coercive. In addition, the plaintiffs alleged that the Schedules 14D-1 and 14D-9 filed by Alcoa, AMX Acquisition Corporation and Alumax, respectively, failed to disclose certain information necessary for Alumax's stockholders to make an informed decision regarding the offer and the other transactions contemplated by the merger agreement. Plaintiffs sought to enjoin the acquisition or to rescind it in the event that it was consummated and to cause Alumax to implement a "full and fair" auction for Alumax. Plaintiffs also sought compensatory damages in an unspecified amount, costs and disbursements, including attorneys' fees, and such other relief as the Delaware Court of Chancery may deem appropriate. The matter has been dismissed.

The Internal Revenue Service (IRS) asserted that Alumax and certain of its subsidiaries were improperly included in the 1984, 1985, and 1986 consolidated income tax returns of AMAX Inc. and on that basis assessed a Federal income tax deficiency against Alumax of $129 million. Alumax filed a petition in the United States Tax Court seeking a redetermination of the purported deficiency. On September 30, 1997, the Tax Court decided in favor of the IRS, stating that AMAX Inc. did not have the 80% control necessary to consolidate. On October 27, 1997, Alumax paid an aggregate of $411 million to the IRS, representing the deficiency and accrued interest. On December 24, 1997, Alumax filed a notice of appeal of the Tax Court's decision to the United States Court of Appeals for the Eleventh Circuit. A decision affirming the Tax Court's decision was handed down by the Court of Appeals on January 21, 1999. The Company requested a rehearing of the issue. Under the terms of a Tax Disaffiliation Agreement executed by Alumax and AMAX in connection with the merger of AMAX into Cyprus Minerals Company and the public distribution of all of Alumax's shares in November 1993, Alumax assumed responsibility for all proceedings relating to the above-described deficiency and payment of any additional taxes, along with interest that may ultimately be due; and Cyprus Amax Minerals Company will share certain tax benefits that will become available to it in the event of a final adverse determination. An appeal was decided against the Company, and the case has been closed.

In July 1999, Alcoa Aluminio received notice that an administrative proceeding was commenced by Brazil's Secretary of Economic Law of the Ministry of Justice against Brazilian producers of primary aluminum, including Alcoa Aluminio. The suit alleges collusive action in the pricing of primary aluminum in violation of Brazilian antitrust law. Alcoa Aluminio has presented its defense and is awaiting the decision of the Secretary of Economic Law. If the Secretary of Economic Law determines that the antitrust law was violated, then the action may be further prosecuted by the Administrative Council of Economic Defense. Brazilian law provides for civil and criminal sanctions for violations of antirust law, including fines ranging from 1% to 30% of a company's revenue during the last fiscal year.

On October 15, 1999, Victoria Shaev, who represents that she is an Alcoa shareholder, filed a purported derivative action on behalf of the Company in the United States District Court for the Southern District of New York, naming as defendants the Company, each member of Alcoa's Board of Directors, certain officers of the Company and PricewaterhouseCoopers LLP, Alcoa's independent accountants. The shareholder did not make a demand on the Company prior to filing this lawsuit. Under relevant law, this demand is required. The lawsuit alleges, among other things, that Alcoa's proxy statement dated March 8, 1999 contained materially false and misleading representations and omissions concerning the Company's proposed Alcoa Stock Incentive Plan and that the shareholder approval of the plan, based upon these alleged representations and omissions, was defective. The Plaintiff seeks to invalidate the shareholder approval of the plan and enjoin its implementation. She also requests that Alcoa pay the costs and disbursements of the action, including the fees of her accountants, counsel and experts. The matter is being defended.

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of 1999.

Item 4A. Executive Officers of the Registrant.

The names, ages, positions and areas of responsibility of the executive officers of the Registrant as of February 15, 2000 are listed below.

Paul H. O'Neill, 64, Director and Chairman of the Board. Mr. O'Neill was elected a director of Alcoa in 1986 and became Chairman of the Board in 1987. He was Chief Executive Officer from June 1987 to May 1999. Before joining Alcoa, Mr. O'Neill had been an officer since 1977 and President and a director since 1985 of International Paper Company.

Alain J. P. Belda, 56, Director, President and Chief Executive Officer. Mr. Belda was elected to Alcoa's Board of Directors in September 1998. He has been Chief Executive Officer since May 1999 and President since January 1997. He was elected Chief Operating Officer in January 1997, Executive Vice President in 1994 and Vice Chairman in 1995. Mr. Belda was President of Alcoa Aluminio S.A. in Brazil from 1979 to March 1994. He was elected Vice President of Alcoa in 1982 and, in 1989, was given responsibility for all of Alcoa's interests in Latin America (other than Suriname). In August 1991 Mr. Belda was named President - Latin America for the Company.

Michael Coleman, 49, Vice President and President - Alcoa Rigid Packaging Division. Mr. Coleman joined Alcoa in January 1998. He had been Vice President - Operations of North Star Steel from 1993 to 1994, Executive Vice President - Operations from 1994 to 1996 and President from 1996 through 1997. Mr. Coleman joined North Star Steel in 1982.

L. Patrick Hassey, 54, Vice President and President - Alcoa Europe. Mr. Hassey joined Alcoa in 1967 and was named Davenport Works Manager in 1985. In 1991, he was elected a Vice President of Alcoa and appointed President - Aerospace/Commercial Rolled Products Division. He was appointed President - Alcoa Europe in November 1997.

Barbara S. Jeremiah, 48, Vice President-Corporate Development. Ms. Jeremiah joined Alcoa in 1977 as an attorney and was elected Assistant General Counsel in 1992 and Corporate Secretary in 1993. She was elected to her current position in 1998, where she heads Alcoa corporate development activities.

Richard B. Kelson, 53, Executive Vice President and Chief Financial Officer. Mr. Kelson was elected Assistant General Counsel in 1989, Senior Vice President - Environment, Health and Safety in 1991 and Executive Vice President and General Counsel in May 1994. He was named to his current position in May 1997.

Frank L. Lederman, 50, Vice President and Chief Technical Officer. Mr. Lederman was Senior Vice President and Chief Technical Officer of Noranda, Inc., a Canadian-based, diversified natural resource company, from 1988-1995. He joined Alcoa as a Vice President in May 1995 and became Chief Technical Officer in December 1995. In his current position Mr. Lederman directs operations of the Alcoa Technical Center.

Joseph C. Muscari, 53, Vice President-Environment, Health and Safety, Audit and Compliance. Mr. Muscari joined Alcoa in 1969 and was named President-Alcoa Asia in 1993. In 1997, he was elected Vice President-Audit. He was named to his current position in May 1999 and is responsible for EHS policy, standards and strategy and the Alcoa integrated audit process. In addition, Mr. Muscari is the chief compliance officer for the company.

G. John Pizzey, 54, Vice President and President - Alcoa World Alumina and Chemicals. Mr. Pizzey joined Alcoa of Australia Limited in 1970 and was appointed to the board of Alcoa of Australia as Executive Director - Victoria Operations and Managing Director of Portland Smelter Services in 1986. He was named President - Bauxite and Alumina Division of Alcoa in 1994 and President - Primary Metals Division of Alcoa in 1995. Mr. Pizzey was elected a Vice President of Alcoa in 1996 and was appointed President - Alcoa World Alumina in November 1997.

Lawrence R. Purtell, 52, Executive Vice President and General Counsel. Mr. Purtell joined Alcoa in November 1997. He had been Corporate Secretary and Associate General Counsel of United Technologies Corporation from 1989 to 1992. Mr. Purtell was Vice President and General Counsel of Carrier Corporation, a unit of United Technologies Corporation and international designer, manufacturer and marketer of heating, ventilating and air conditioning equipment and services, from 1992 to 1993. He was Senior Vice President and General Counsel and Corporate Secretary of McDermott International, Inc. from 1993 to 1996. In 1996, Mr. Purtell joined Koch Industries, Inc. as Senior Vice President, General Counsel and Corporate Secretary.

Robert F. Slagle, 59, Executive Vice President, Human Resources and Communications. Mr. Slagle was elected Treasurer in 1982 and Vice President in 1984. In 1986, he was named Vice President - Industrial Chemicals and, in 1987, Vice President - Industrial Chemicals and U.S. Alumina Operations. Mr. Slagle served as Vice President - Raw Materials, Alumina and Industrial Chemicals in 1989, and Vice President of Alcoa and Managing Director - Alcoa of Australia Limited in 1991. He was named President - Alcoa World Alumina in 1996 and was elected to his current position in November 1997.

G. Keith Turnbull, 64, Executive Vice President - Alcoa Business System. Dr. Turnbull was appointed Assistant Director of Alcoa Laboratories in 1980. He was named Director - Technology Planning in 1982, Vice President - Technology Planning in 1986 and Executive Vice President - Strategic Analysis/Planning and Information in 1991. In January 1997 he was named to his current position, with responsibility for company-wide implementation of the Alcoa Business System.

PART II

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

Dividend per share data, high and low prices per share and the principal exchanges on which the Company's common stock is traded are set forth on page 65 of the 1999 Annual Report to Shareholders (Annual Report) and are incorporated herein by reference.

On January 10, 2000, the Board of Directors declared a two-for-one common stock split. The stock split is subject to the approval of Alcoa shareholders, who must approve an amendment to Alcoa's Articles of Incorporation to increase the authorized shares of Alcoa common stock at the Company's annual meeting on May 12, 2000. If approved, shareholders of record on May 26, 2000 will receive an additional common share for each share held. The additional shares will be distributed on or about June 9, 2000. Per-share amounts and number of shares outstanding have not been adjusted for the stock split since it is subject to shareholder approval.

At February 14, 2000 (the record date for the Company's 2000 annual shareholders meeting), there were approximately 185,000 Alcoa shareholders, including both record holders and an estimate of the number of individual participants in security position listings.

Item 6. Selected Financial Data.

The comparative table showing selected financial data for the Company is on page 28 of the Annual Report and is incorporated herein by reference.

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

Management's review and comments on the consolidated financial statements are on pages 29 through 38 of the Annual Report and are incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The information regarding quantitative and qualitative disclosures about market risk is on pages 35 through 37 of the Annual Report and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The Company's consolidated financial statements, the notes thereto and the report of the independent public accountants are on pages 39 through 55 of the Annual Report and are incorporated herein by reference.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information regarding Directors is contained under the caption "Board of Directors" on pages 5 through 11 of the Registrant's definitive Proxy Statement dated February 25, 2000 (Proxy Statement) and is incorporated herein by reference.

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

The information required by Item 405 of Regulation S-K contained under the caption "Compliance With Section 16(a) Reporting" on page 13 of the Proxy Statement is incorporated herein by reference.

Item 11. Executive Compensation.

This information is contained under the caption "Executive Compensation" on pages 15 through 25 of the Proxy Statement and is incorporated herein by reference. The performance graph and Report of the Compensation Committee shall not be deemed to be "filed."

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

This information is contained under the caption "Alcoa Stock Ownership and Performance" on pages 12 through 13 of the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

This information is contained under the caption "Transactions with Directors' Companies" on page 5 of the Proxy Statement and is incorporated herein by reference.

PART IV

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

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

(1) The Company's consolidated financial statements, the notes thereto and the report of the independent public accountants are on pages 39 through 55 of the Annual Report and are incorporated herein by reference.

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

Independent Accountant's Report of PricewaterhouseCoopers LLP dated January 10, 2000, except for Note V, for which the date is February 11, 2000, on the Company's financial statement schedule filed as a part hereof for the fiscal years ended December 31, 1999, 1998 and 1997.

Schedule II - Valuation and Qualifying Accounts - for the fiscal years ended December 31, 1999, 1998 and 1997.

(3) Exhibits

Exhibit Number	Description *
2.	Agreement and Plan of Merger among the Company, RLM Acquisition Corp. and Reynolds Metals Company dated as of August 18, 1999, incorporated by reference to exhibit 99.1 to the Company's Report on Form 8-K filed August 27, 1999.
3(a).	Articles of the Registrant as amended, incorporated by reference to exhibit 3(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

3(b). By-Laws of the Registrant as amended, incorporated by reference to exhibit 3(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10(a). Alcoa Stock Acquisition Plan, effective January 1, 1999.

10(b). Employees' Excess Benefit Plan, Plan A, incorporated by reference to exhibit 10(b) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1980.

10(c). Incentive Compensation Plan, as amended effective January 1, 1993, incorporated by reference to exhibit 10(c) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1992.

10(d). Employees' Excess Benefit Plan, Plan C, as amended and restated in 1994, effective January 1, 1989, incorporated by reference to exhibit 10(d) to the Company's Annual Report on Form 10-K (Commission file number 1-3610)for the year ended December 31, 1994.

10(e). Employees' Excess Benefit Plan, Plan D, as amended effective October 30, 1992, incorporated by reference to exhibit 10(e) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1992 and exhibit 10(e)(1) the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1994.

10(f). Employment Agreement of Paul H. O'Neill, as amended through February 25, 1993, incorporated by reference to exhibit 10(h) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1987, exhibit 10(g) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1990 and exhibit 10(f)(2) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1992.

10(g). Deferred Fee Plan for Directors, as amended effective November 10, 1995, incorporated by reference to exhibit 10(g) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1995.

10(h). Restricted Stock Plan for Non-Employee Directors, as amended effective March 10, 1995, incorporated by reference to exhibit 10(h) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1994.

10(h)(1). Amendment to Restricted Stock Plan for Non-Employee Directors, effective November 10, 1995, incorporated by reference to exhibit 10(h)(1) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1995.

10(i). Fee Continuation Plan for Non-Employee Directors, incorporated by reference to exhibit 10(k) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1989.

10(i)(1). Amendment to Fee Continuation Plan for Non-Employee Directors, effective November 10, 1995, incorporated by reference to exhibit 10(i)(1) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1995.

10(j). Deferred Compensation Plan, as amended effective October 30, 1992, incorporated by reference to exhibit 10(k) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1992.

10(j)(1). Amendments to Deferred Compensation Plan, effective January 1, 1993, February 1, 1994 and January 1, 1995, incorporated by reference to exhibit 10(j)(1) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1994.

10(j)(2). Amendment to Deferred Compensation Plan, effective June 1, 1995, incorporated by reference to exhibit 10(j)(2) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1995.

10(j)(3). Amendment to Deferred Compensation Plan, effective November 1, 1998.

10(j)(4). Amendments to Deferred Compensation Plan, effective January 1, 1999.

10(k). Summary of the Executive Split Dollar Life Insurance Plan, dated November 1990, incorporated by reference to exhibit 10(m) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1990.

10(l). Dividend Equivalent Compensation Plan, effective February 3, 1997, incorporated by reference to exhibit 10(l) to the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

10(m). Form of Indemnity Agreement between the Company and individual directors or officers, incorporated by reference to exhibit 10(j) to the Company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1987.

10(n). Amended and Restated Revolving Credit Agreement (364-Day), dated as of August 13, 1999, incorporated by reference to exhibit 10(n) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.

10(o). Revolving Credit Agreement (Five-Year), dated as of August 14, 1998, incorporated by reference to exhibit 10(o) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.

10(p). Alcoa Stock Incentive Plan, effective June 1, 1999, incorporated by reference to exhibit 10(p) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10(q). Alcoa Supplemental Pension Plan for Senior Executives, effective January 1, 1999, incorporated by reference to exhibit 10(q) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10(r). Deferred Fee Estate Enhancement Plan for Directors, effective July 10, 1998, incorporated by reference to exhibit 10(r) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10(s). Alcoa Deferred Compensation Estate Enhancement Plan, effective July 10, 1998, incorporated by reference to exhibit 10(s) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10(s)(1). Amendments to Alcoa Deferred Compensation Estate Enhancement Plan, effective January 1, 2000.

12. Computation of Ratio of Earnings to Fixed Charges.

13. Portions of Alcoa's 1999 Annual Report to Shareholders.

21. Subsidiaries and Equity Entities of the Registrant.

23. Consent of Independent Certified Public Accountants.

24. Power of Attorney for certain directors.

27. Financial data schedule.

*Exhibit Nos. 10(a) through 10(l) and 10(p) through 10(s)(1) are management contracts or compensatory plans required to be filed as Exhibits to this Form 10-K.

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

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

(b) Reports on Form 8-K. Alcoa filed a Form 8-K, dated November 12, 1999, with the Securities and Exchange Commission to report that a shareholder filed a purported derivative action on behalf of the Company alleging that the Company's proxy statement, dated March 8, 1999, contained materially false and misleading representations and omissions concerning the Company's proposed Alcoa Stock Incentive Plan.

Independent Accountant's Report on Financial Statement Schedule

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

Our audits of the consolidated financial statements referred to in our report dated January 10, 2000, except for Note V for which the date is February 11, 2000, appearing in the 1999 Annual Report to Shareholders of Alcoa (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

600 Grant Street
Pittsburgh, Pennsylvania
January 10, 2000, except for
Note V, for which the date is
February 11, 2000

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31
(in millions)

Col. A	Col. B	Col. C		Col. D	Col E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts (A)	Deductions (B)	Balance at end of period
Allowance for doubtful accounts:					
1999	$ 61	$10	$ (5)(A)	$ 8(B)	$ 58
1998	$ 37	$11	$ 23(A)	$10(B)	$ 61
1997	$ 48	$ 6	$ (4)(A)	$14(B)	$ 37
Income tax valuation allowance:					
1999	$135	$12	$ 6(A)	$19(D)	$134
1998	$104	$16	$ 21(A)	$ 6(C)	$135
1997	$110	$12	$(13)(A)	$ 5(C)	$104

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

SIGNATURE

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

ALCOA INC.

February 28, 2000

By /s/Timothy S. Mock
Timothy S. Mock
Vice President and Controller
(Also signing as Principal Accounting Officer)

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

Signature	Title	Date
/s/Alain J. P. Belda Alain J. P. Belda	President and Chief Executive Officer (Principal Executive Officer and Director)	February 28, 2000
/s/Richard B. Kelson Richard B. Kelson	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 28, 2000

Kenneth W. Dam, Joseph T. Gorman, Judith M. Gueron, Sir Ronald Hampel, Hugh M. Morgan, John P. Mulroney, Paul H. O'Neill, Henry B. Schacht, Franklin A. Thomas and Marina v.N. Whitman, each as a Director, on February 28, 2000, by Denis A. Demblowski, their Attorney-in-Fact.*

*By /s/Denis A. Demblowski
Denis A. Demblowski
Attorney-in-Fact

Alcoa Logo

Form A07-15899

Exhibit 10(a)

ALCOA STOCK ACQUISITION PLAN

(EFFECTIVE JANUARY 1, 1999)

The Compensation Committee of the Board of Directors of Alcoa Inc. is adopting this Alcoa Stock Acquisition Plan for the exclusive benefit of select management and highly compensated employees. The purpose of this Plan is to provide eligible employees with a match on incentive compensation which is deferred and invested in an Alcoa stock fund.

ARTICLE I - DEFINITIONS

1.1 The following terms have the specified meanings.

"Affiliate" means any business entity which the Company and/or one or more Subsidiaries control in fact.

"Alcoa Stock" means shares of Company common stock, par value $1.00 per share, as well as share-equivalent credits standing in a Participant's account in the Equivalent Company Stock Fund.

"Alcoa Stock Ownership Guidelines" means the guidelines established by Alcoa Inc. from time to time regarding the ownership levels of Alcoa Stock by employees in Job Grades 27 and above.

"Award" means the annual award, which an Eligible Employee is eligible to receive under the provisions of the Alcoa Incentive Compensation Plan.

"Award Date" means February of the calendar year following the Award Year except as may be otherwise designated in accordance with the provisions of the Alcoa Incentive Compensation Plan.

"Award Year" means the calendar year for which Awards are made under the provisions of the Alcoa Incentive Compensation Plan.

"Beneficiary" means the Beneficiary under the Alcoa Deferred Compensation Plan, or for Participants ineligible for that plan, the Beneficiary is the Participant's spouse unless otherwise designated in writing by the Participant and such other designated Beneficiary has been agreed to in writing by the Participant's spouse on a form approved by the Committee.

"Board" means the Board of Directors of the Company or any duly authorized committee thereof.

"Change in Control" means a Change in Control as defined in the Alcoa Rabbi Trust Agreement by and between the Company and Mellon Bank N.A. dated as of August, 1998.

"Committee" means the administrative committee created under the Savings Plan which has complete authority to control and manage the operation and administration of that plan.

"Company" means Alcoa Inc.

"Continuous Service" means Continuous Service as defined in the Savings Plan.

"Eligible Employee" means any employee who meets the eligibility requirements as provided in Article II.

"Equivalent Fixed Income Fund" means the phantom investment vehicle which is deemed to be equivalent in all respects, including value, to the Fixed Income Fund established under the Savings Plan.

"Equivalent Company Investment Funds" means the phantom investment vehicles under this Plan which are deemed to be equivalent in all respects, including value, to the Investment Funds established under the Savings Plan.

"Equivalent Company Stock Fund" means the phantom investment vehicle under this Plan, which is deemed to be equivalent in all respects, including value, to the Company Stock Fund established under the Savings Plan.

"Incentive Compensation Deferral Credits" means

(a) any amounts credited to a Participant's account under the Alcoa Deferred Compensation Plan on the applicable Award Date equivalent to the dollar amount which the Participant has elected to defer from an Award for the 1999 or any later Award Year, or

(b) for Participant's ineligible to participate in the Alcoa Deferred Compensation Plan, any amounts credited under this Plan on the applicable Award Date, equivalent to the dollar amount which the Participant has elected to defer from an Award for the 1999 or any later Award Year. Awards, Incentive Compensation Deferral Credits, and Matching Company Credit Awards will, if applicable, be based on the amount of such awards or credits in local currency converted into US Dollars, based on the exchange rate as determined by Alcoa's Corporate Finance Department.

"Matching Company Credit Award" means an amount equivalent to 25% of the dollar value of the Incentive Compensation Deferral Credits deferred on an Award Date.

"Nonforfeitable Circumstance" means a Nonforfeitable Circumstance as defined in the Savings Plan.

"Participant" means any Eligible Employee who commences participation in this Plan as provided in Article II.

"Plan" means the Alcoa Stock Acquisition Plan, as it is now in existence or as hereafter amended.

"Savings Plan" means the Alcoa Savings Plan for Non-Bargaining Employees, or as hereafter amended.

"Subsidiary" means a corporation at least 50% of whose outstanding voting stock is owned or controlled by the Company and/or one or more other Subsidiaries, and any non-corporate business entity in which the Company and/or one or more other Subsidiaries have at least a 50% interest in capital or profits.

ARTICLE II - PARTICIPATION AND MATCHING COMPANY CREDIT AWARDS

2.1 An Eligible Employee means any employee who is a member of the group of select management and highly compensated employees who on the date the deferral election for Incentive Compensation Deferral Credits is made and recorded, and who on the Award Date for that deferral:

(a) is actively at work for the Company, a Subsidiary or Affiliate,
(b) has a job grade of 27 or higher,
(c) is not in a collective bargaining unit,
(d) has less than five years of Continuous Service,
(e) is subject to the Alcoa Stock Ownership Guidelines, and
(f) does not hold, nor at any time has held the requisite number of shares for their current job grade as provided under the Alcoa Stock Ownership Guidelines.

2.2 An Eligible Employee commences participation in this Plan:

(a) If eligible for the Alcoa Deferred Compensation Plan, on the Award Date applicable to the portion of any Award which he or she has deferred for the 1999 Award Year or any later Award Year under the Alcoa Deferred Compensation Plan, and has elected to invest such deferral into the Equivalent Company Stock Fund under the Alcoa Deferred Compensation Plan. On or before December 31, 1999, an Eligible Employee may make a one time deferral election to the Alcoa Deferred Compensation Plan for any portion of the Award for the 1999 Award Year. Thereafter, elections must be made pursuant to the Alcoa Deferred Compensation Plan, or

(b) If ineligible for the Alcoa Deferred Compensation Plan, on the Award Date applicable to the portion of any Award which he or she has deferred for the 1999 Award Year or any later Award Year under this Plan. On or before December 31, 1999, an Eligible Employee may make a one time deferral election to this Plan for any portion of the Award for the 1999 Award Year. Participation in this Plan by any non-resident Eligible Employee under this subsection, is conditioned on any approval that is required by a non-US governmental entity.

2.3 Commencing with the 1999 Award Year and later Award Years a Participant who by proper election has deferred all or a portion of an Award, and elected to invest such deferral into the "equivalent company stock fund" under the Alcoa Deferred Compensation Plan or the Equivalent Company Stock Fund under this Plan, will be credited with a Matching Company Credit Award.

ARTICLE III - INVESTMENTS

3.1 Matching Company Credit Awards are invested in the Equivalent Company Stock Fund.

3.2 Incentive Compensation Deferral Credits made under this Plan, and Matching Company Credit Awards on those amounts, which have vested, may be invested in 10% increments, at the election of the Participant, in the Equivalent Fixed Income Fund or the Equivalent Company Stock Fund. A Participant may change his or her investment election, effective for the first full payroll period following the date the appropriate direction has been properly received by the Company or its designee, in accordance with uniform rules established by the Committee.

3.3 The Company reserves the right to refuse to honor any Participant direction related to investments or withdrawals, including transfers among investment options, where necessary or desirable to assure compliance with applicable law including U.S. and other Securities laws. However, the Company does not assume any responsibility for compliance by officers or others with any such laws, and any failure by the Company to delay or dishonor any such direction will not be deemed to increase the Company's legal exposure to the Participant or third parties.

ARTICLE IV - VESTING

4.1 Each Matching Company Credit Award will vest on the third Award Date following the Award Date on which the Matching Company Credit Award was made. If at any time prior to a Matching Company Credit Award vesting, the Incentive Compensation Deferral Credit, or any part of the Incentive Compensation Deferral Credit, on which the Matching Company Credit Award was based, is transferred out of the "equivalent company stock fund" in the Alcoa Deferred Compensation Plan or the Equivalent Company Stock Fund under this Plan, the Matching Company Credit Award will be forfeited.

4.2 Notwithstanding the foregoing, upon a Participant's termination of employment, for any reason other than a Nonforfeitable Circumstance or a Change in Control, any Matching Company Credits which have not vested will be forfeited. Upon a Participant's termination of employment due to a Nonforfeitable Circumstance, or in the event of a Change in Control, any Matching Company Credits will vest.

4.3

(a) If the Participant is eligible for the Alcoa Deferred Compensation Plan, Matching Company Credit Awards, which vest will be transferred to the Equivalent Company Stock Fund in the Alcoa Deferred Compensation Plan, and thereafter are subject to the provisions of that plan.

(b) If the Participant is ineligible for the Alcoa Deferred Compensation Plan, Matching Company Credit Awards, which have vested, may be invested pursuant to Section 3.2.

ARTICLE V - DISTRIBUTIONS

5.1 (a) If the Participant is eligible for the Alcoa Deferred Compensation Plan, all vested benefits will be transferred to and distributed through the Alcoa Deferred Compensation Plan, and are subject to the provisions of that plan.

(b) If the Participant is ineligible for the Alcoa Deferred Compensation Plan, all vested benefits will be distributed in cash through this Plan in accordance with the provisions of this Article. All distributions will be paid to the Participant or the Beneficiary in U.S. Dollars.

5.2 Except as otherwise specified in this Article, the amount of vested Matching Company Credit Awards and Incentive Compensation Deferral Credits in a Participant's account will be distributed to the Participant upon his or her termination of Continuous Service, for any reason.

5.3 All distributions made pursuant to the termination of the Participant's Continuous Service by reason other than death or retirement will be paid to the Participant as soon as administratively practical in a lump sum.

5.4 Prior to his or her retirement date, a Participant may elect that the value of his or her account be distributed either in a lump sum at retirement or in annual installments of any number designated by the Participant up to, but not more than ten (10) following his or her retirement, commencing the January 31 of the first calendar year following such retirement and each January 31 thereafter until he or she has received all installments. A Participant's election to receive installments must be made at least one year prior to his or her retirement date. The Participant's election to receive either a lump sum or annual installments becomes irrevocable one year prior to the Participant's retirement date, or at such other time as may be approved by the Committee. In the event the Participant fails to make such an election, all amounts in his or her account will be distributed as a lump sum distribution as soon as administratively practical after his or her retirement.

5.5 Distributions from this Plan to a Beneficiary are in a lump sum or in annual installments of any number designated by the Participant up to, but not more than ten (10) following his or her death commencing the first January 31 after the Participant's death and each January 31 thereafter until all installments have been distributed. In the event a Beneficiary dies prior to receiving all the annual installments which he or she is entitled to receive from this Plan, any remaining installments will be distributed as soon as administratively practical in a lump sum to the Beneficiary's estate.

5.6 (a) Benefits payable hereunder are payable in cash out of the general assets of the Company, and no segregation of assets for such benefits will be made. The right of a Participant or any Beneficiary to receive benefits under this Plan is that of an unsecured claim against the assets and is no greater than the rights of an unsecured general creditor to the Company. Notwithstanding the foregoing, in the event the Company establishes a trust, to which it may, but is not required to contribute money or other property of the Company in contemplation of paying benefits under this Plan, such money or other property remains subject to the claims of creditors of the Company.

(b) Notwithstanding any other provisions of this Plan, if any amounts held in a trust of the above described nature are found, due to the creation or operation of said trust, in a final decision by a court of competent jurisdiction, or under a "determination" by the Internal Revenue Service in a closing agreement in audit or a final refund disposition (within the meaning of Section 1313(a) of Internal Revenue Code of 1986, as amended), to have been includable in the gross income of a Participant or Beneficiary prior to payment of such amounts from said trust, the trustee for the trust will, as soon as practicable, pay to such Participant or Beneficiary an amount equal to the amount determined to have been includable in gross income in such determination, and will accordingly reduce the Participant's or Beneficiary's future benefits payable under this Plan. The trustee will not make any distribution to a Participant or Beneficiary pursuant to this paragraph unless it has received a copy of the written determination described above together with any legal opinion which it may request as to the applicability thereof.

ARTICLE VI - ADMINISTRATION AND EXPENSES OF THE PLAN

6.1 The Committee or its delegate administers the Plan. The Committee's resolution of any matter concerning this Plan is final and binding upon the Company, Subsidiary or Affiliate and any Participant and/or Beneficiary affected thereby. Any individual disputing any decision has 60 days from the date of the decision to file an appeal to the Committee. The Committee has the discretionary authority to interpret the provisions of the Plan, make credibility decisions, and take any and all actions in determining the eligibility, participation and coverage of any individual claiming benefits under this Plan.

6.2 The Plan will pay all costs and expenses incurred in its administration.

6.3 Notwithstanding the foregoing, for any Affiliate of which the Company owns less than an 80% interest as defined under Internal Revenue Code Section 1504, the obligation of and liability for the benefits accrued under this Plan for Participants employed by such an Affiliate, remain the sole obligation and liability of the Affiliate by express resolution of its board or other governing body.

ARTICLE VII - AMENDMENT AND TERMINATION

7.1 This Plan may be amended, suspended or terminated at any time by the Board; provided, however, that no such act may reduce or in any manner adversely affect any Participant's or Beneficiary's right with respect to benefits that are credited to the Participant's account as of the date of such act.

ARTICLE VIII - MISCELLANEOUS

8.1 This Plan does not confer any rights upon any Participant for continuation of employment with the Company, Subsidiary or Affiliate, nor does it interfere with the rights of the Company, Subsidiary or Affiliate to terminate the employment of any Participant and/or to take any personnel action affecting any Participant without regard to the effect that such action may have upon such Participant as to recipient of benefits under this Plan.

8.2 No benefit under this Plan may be assigned, transferred, pledged or encumbered or be subject in any manner to alienation or anticipation.

8.3 This Plan is construed, regulated and administered under the laws of the Commonwealth of Pennsylvania, United States of America, except for laws relating to choice or conflict of laws, and except to the extent preempted by federal law. All claims or disputes, must be brought within the jurisdiction of the federal courts of the United States of America sitting in the Western District of Pennsylvania.

Exhibit 10(j)(3)

AMENDMENT TO
ALCOA DEFERRED COMPENSATION PLAN

1. Effective as of November 1, 1998, Section 8.6 is deleted in its entirety and replaced with the following:

8.6 No benefit under this Plan may be assigned, transferred, pledged or encumbered or be subject in any manner to alienation or anticipation.

2. In all other respects the Plan is hereby ratified and confirmed.

AMENDMENTS TO THE ALCOA DEFERRED COMPENSATION PLAN

Pursuant to Article 10 of the Plan which provides that the Plan may be amended or modified, the Plan is amended effective as of January 1, 1999, or such other date as provided below, as follows:

1. The definition of "Continuous Service" is amended by the addition of the following sentence to the end of last paragraph:

   Effective as of July 1, 1998 all years of service accrued with Alumax, Inc. or any of its subsidiaries ("Alumax") on and after June 16, 1998, by any Participant who was actively employed with Alumax on June 16, 1998, will be taken into account to determine Continuous Service.

2. The definition of "Eligible Employee" is deleted in its entirety and replaced with the following:

   "Eligible Employee" means any employee who is a member of the group of select management and highly compensated employees (a) who on or after June 1, 1990 are actively at work for the Company, a Subsidiary or Affiliate, have a job grade of 19 or higher, as determined by the Company, are eligible for participation in the Savings Plan, and are not in a collective bargaining unit, or (b) who on or after January 1, 1999 is eligible to participate in the Alumax Inc. Thrift Plan for Salaried Employees and is named as an Eligible Employee by the Inside Director Committee as provided on Schedule A hereto. Such Alumax eligible employees will be eligible to make Salary Reduction Credits and/or Incentive Compensation Deferral Credits, in accordance with this plan, as provided on Schedule A.

3. The definition of "Salary" is deleted in its entirety and replaced with the following:

   "Salary" means "Eligible Compensation" as defined in the Savings Plan or "Compensation" as defined in the Alumax Inc. Thrift Plan for Salaried Employees, as applicable, without regard to the limitations imposed by Section 401(a)(17) of the Internal Revenue Code.

4. Effective July 1, 1999, Section 7 is amended by deleting subsections (b) and (c) in their entirety and replacing them with the following:

   (b) (i) Commencing on January 1, 1993 once every month a Participant may, by appropriate direction which is properly received by the Company or its designee, in accordance with uniform rules established by the Company ("Appropriate Direction"), elect to transfer in increments of 10% all or part of the deemed value of his or her Salary Reduction Credits, Additional Salary Reduction Credits, Incentive Compensation Deferral Credits, Excess D Deferral Credits, except as may be limited by the Committee, from any one or more investment Options to any one or more other such Investment Options. Such a transfer shall not constitute a change in the Participant's current investment election.

   (ii) Commencing on July 1, 1999 a Participant may, by appropriate direction which is properly received by the Company or its designee, in accordance with uniform rules established by the Company ("Appropriate Direction"), elect to transfer in increments of 10% all or part of the deemed value of his or her Salary Reduction Credits, Additional Salary Reduction Credits, Incentive Compensation Deferral Credits, Excess D Deferral Credits, except as may be limited by the Committee, from any one or more investment Options to any one or more other such Investment Options. Such a transfer may be made daily, with the exception of a transfer from the Alcoa Stock which may be made no more frequently than once every 15 calendar days. Such a transfer shall not constitute a change in the Participant's current investment election.

   (c) (i) Commencing on January l, 1993 once every month a Participant who has attained 5 Years of Plan Participation may, after Appropriate Direction, elect to transfer in increments of 10% all or part of his or her Matching Company Credits, except as may be limited by the Committee, which have been in his or her account for two full calendar years from the date that said Matching Company Credits were deemed to be allocated to the Participant's account, from the Investment Option in which such Credits are deemed to be invested, to any one or more other Investment Option.

   (ii) Commencing on July 1, 1999 a Participant who has attained 3 Years of Plan Participation may, after Appropriate Direction, elect to transfer in increments of 10% all or part of his or her Matching Company Credits, except as may be limited by the Committee, which have been in his or her account for two full calendar years from the date that said Matching Company Credits were deemed to be allocated to the Participant's account, from the Investment Option in which such Credits are deemed to be invested, to any one or more other Investment Option. Such a transfer may be made daily, with the exception of a transfer from the Alcoa Stock which may be made no more frequently than once every 15 calendar days.

5. In all other respects the Plan is ratified and confirmed.

SCHEDULE A

Alumax Participants
As of 1/1/00
(italics indicates subsequent transfer to Alcoa)

Eligible for Salary Deferrals as well as Incentive Compensation:

Name	SS#	Eligibility Date
Campbell, Paul G.	###-##-####	01/01/99
Centa, Thomas	###-##-####	07/02/99
Gianneschi, Thomas	###-##-####	05/01/99
Hagen, Veronica	###-##-####	01/01/99
Madison, Karen	###-##-####	12/01/99
Meyer, Randall	###-##-####	04/09/99
Kramer, William D.	###-##-####	1/1/1999

Eligibile for Incentive Compensation Deferrals only:

Name	SS#	Eligibility Date
Degler, William D.	###-##-####	01/01/00
Elder, Edmund J.	###-##-####	01/01/99
Farmer, Kerry J.	###-##-####	01/01/99
Gwynne, Russell M.	###-##-####	01/01/00
Jurges, Charles D.	###-##-####	01/01/99
Kline, Ronald L.	###-##-####	01/01/00
Leach, Thomas	###-##-####	01/01/99
Leyland, Robert G.	###-##-####	01/01/99
Maniez, Leon	###-##-####	01/01/99
Marken, Oatha	###-##-####	01/01/00
Martin, Richard	###-##-####	01/01/00
McHale, Robert	###-##-####	01/01/99
Newsted, Guy	###-##-####	01/01/99
Ribble, Ronnie J.	###-##-####	01/01/99
Scopel, Tyrone	###-##-####	01/01/00
Shuman, David	###-##-####	01/01/99
Stehlik, James E.	###-##-####	01/01/99
Wahl, Harry J.	###-##-####	01/01/99
Chan, Joseph	###-##-####	1/1/1999
Dwyer, James	###-##-####	1/1/1999

Paid out at Termination:

Name	SS#	Eligibility Date
Goode, Denny P.	###-##-####	1/1/1999

AMENDMENTS TO THE
ALCOA DEFERRED COMPENSATION ESTATE ENHANCEMENT PLAN

Pursuant to Article 10 of the Plan which provides that the Plan may be amended or modified, the Plan is amended effective as of January 1, 1999, or such other date as provided below, as follows:

1. The definition of "Continuous Service" is amended by the addition of the following sentence to the end of last paragraph:

   Effective as of July 10, 1998 all years of service accrued with Alumax, Inc. or any of its subsidiaries ("Alumax") on and after June 16, 1998, by any Participant who was actively employed with Alumax on June 16, 1998, will be taken into account to determine Continuous Service.

2. The definition of "Salary" is deleted in its entirety and replaced with the following:

   "Salary" means "Eligible Compensation" as defined in the Savings Plan or "Compensation" as defined in the Alumax Inc. Thrift Plan for Salaried Employees, as applicable, without regard to the limitations imposed by Section 401(a)(17) of the Internal Revenue Code.

3. Effective July 1, 1999, Section 7 is amended by deleting subsections (a) and (b) in their entirety and replacing them with the following:

   (a) (i) Commencing on July 10, 1998 once every month a Participant may, by appropriate direction which is properly received by the Company or its designee, in accordance with uniform rules established by the Company ("Appropriate Direction"), elect to transfer in increments of 10% all or part of the deemed value of his or her Salary Reduction Credits, Additional Salary Reduction Credits, Incentive Compensation Deferral Credits, Excess D Deferral Credits, except as may be limited by the Committee, from any one or more investment Options to any one or more other such Investment Options. Such a transfer shall not constitute a change in the Participant's current investment election.

   (ii) Commencing on July 1, 1999 a Participant may, by appropriate direction which is properly received by the Company or its designee, in accordance with uniform rules established by the Company ("Appropriate Direction"), elect to transfer in increments of 10% all or part of the deemed value of his or her Salary Reduction Credits, Additional Salary Reduction Credits, Incentive Compensation Deferral Credits, Excess D Deferral Credits, except as may be limited by the Committee, from any one or more investment Options to any one or more other such Investment Options. Such a transfer may be made daily, with the exception of a transfer from the Alcoa Stock which may be made no more frequently than once every 15 calendar days. Such a transfer shall not constitute a change in the Participant's current investment election.

   (b) (i) Commencing on July 10, 1998 once every month a Participant who has attained 5 Years of Plan Participation may, after Appropriate Direction, elect to transfer in increments of 10% all or part of his or her Matching Company Credits, except as may be limited by the Committee, which have been in his or her account for two full calendar years from the date that said Matching Company Credits were deemed to be allocated to the Participant's account, from the Investment Option in which such Credits are deemed to be invested, to any one or more other Investment Option.

   (ii) Commencing on July 1, 1999 a Participant who has attained 3 Years of Plan Participation may, after Appropriate Direction, elect to transfer in increments of 10% all or part of his or her Matching Company Credits, except as may be limited by the Committee, which have been in his or her account for two full calendar years from the date that said Matching Company Credits were deemed to be allocated to the Participant's account, from the Investment Option in which such Credits are deemed to be invested, to any one or more other Investment Option. Such a transfer may be made daily, with the exception of a transfer from the Alcoa Stock which may be made no more frequently than once every 15 calendar days.

4. Effective January 1, 2000, Sections 8.7(a) and (b) are amended by adding the following to the beginning of each subsection:

   Except for Participant Elections related to the deferrals of "special payments," as provided for in Section 3.5,

5. Effective January 1, 2000, a new subsections 8.7(e) is added as follows:

(e) Participant Elections related to the deferrals of "special payments," as provided for in Section 3.5, which were elected prior to the Participant's Termination of Service, will be credited to the Participant's Plan account at the time payment would otherwise have been made.

6. In all other respects the Plan is ratified and confirmed.

Exhibit 12

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

	1999	1998	1997	1996	1995
Earnings:					
Income before taxes on income, and before extraordinary loss and accounting changes	$1,849	$1,605	$1,602	$1,082	$1,470
Minority interests' share of earnings of majority-owned subsidiaries without fixed charges	-	(2)	3	4	2
Less equity (earnings) losses	(55)	(50)	(42)	(30)	(59)
Fixed charges added to net income	232	245	182	171	151
Proportionate share of income (loss) of 50% owned persons	42	37	35	25	58
Distributed income of less than 50% owned persons	9	-	-	-	-
Amortization of capitalized interest:					
Consolidated	15	20	20	22	23
Proportionate share of 50% owned persons	-	-	1	1	1
Total earnings	$2,092	$1,855	$1,801	$1,275	$1,646
Fixed Charges:					
Interest expense:					
Consolidated	$195	$198	$141	$134	$120
Proportionate share of 50% owned persons	4	3	3	5	7
	199	201	144	139	127
Amount representative of the interest factor in rents:					
Consolidated	32	43	37	32	24
Proportionate share of 50% owned persons	1	1	1	-	-
	33	44	38	32	24
Fixed charges added to earnings	232	245	182	171	151
Interest capitalized:					
Consolidated	21	13	9	5	2
Proportionate share of 50% owned persons	-	-	-	-	-
	21	13	9	5	2
Preferred stock dividend requirements of majority-owned subsidiaries	-	-	-	-	5
Total fixed charges	$253	$258	$191	$176	$158
Ratio of earnings to fixed charges	8.3	7.2	9.4	7.2	10.4

EXHIBIT 13

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

	1999	1998	1997	1996	1995
Sales	$ 16,323	$ 15,340	$ 13,319	$ 13,061	$ 12,500
Net income*	1,054	853	805	515	791
Earnings per common share					
Basic	2.87	2.44	2.33	1.47	2.22
Diluted	2.82	2.42	2.31	1.46	2.20
Alcoa's average realized price per pound for aluminum ingot	.67	.67	.75	.73	.81
Average U.S. market price per pound for aluminum ingot (Metals Week)	.66	.66	.77	.71	.86
Cash dividends paid per common share	.805	.75	.488	.665	.45
Total assets	17,066	17,463	13,071	13,450	13,643
Long-term debt (noncurrent)	2,657	2,877	1,457	1,690	1,216

*Includes net after-tax gains of $44 in 1997, and net after-tax charges of $122 in 1996 and $10 in 1995

RESULTS OF OPERATIONS
(dollars in millions, except share amounts and ingot prices;
shipments in thousands of metric tons [mt])

EARNINGS SUMMARY

1999 was a milestone year for Alcoa, as net income exceeded $1 billion for the first time in the company's 111-year history. Highlights from the year include:

> Net income of $1,054, a 24% increase from 1998;
> Aluminum shipments of 4,478 mt, up 13% from 1998;
> Revenues of $16,323, driven by higher volumes; and
> Return on average shareholders' equity of 17.2%.

The improvement in Alcoa's 1999 net income was the result of higher aluminum revenues, operating improvements and a lower effective tax rate. Revenues increased as a result of higher volumes, partly offset by lower overall aluminum prices.

Alcoa's financial results for 1998 also were strong, as summarized below:

> Net income of $853, 6% above 1997;
> Aluminum shipments of 3,951 mt, up 34% from 1997;
> Revenues of $15,340, resulting from higher volumes; and
> Return on average shareholders' equity of 16.3%.

Improved financial results for 1998 relative to 1997 were the result of higher volumes, aided in part by the Alumax and Inespal acquisitions, and good cost performance. Partially offsetting these positive factors were lower overall aluminum and alumina prices and the impact of higher debt levels.

SEGMENT INFORMATION

Alcoa's operations consist of four worldwide segments: Alumina and Chemicals, Primary Metals, Flat-Rolled Products, and Engineered Products. Alcoa businesses that are not reported to management as part of one of these four segments are aggregated and reported as "Other." Alcoa's management reporting system measures the after-tax operating income (ATOI) of each segment. Nonoperating items, such as interest income, interest expense, foreign exchange gains/losses, the effects of LIFO accounting 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. Segment assets exclude cash, cash equivalents, short-term investments and all deferred taxes. Segment assets also exclude items such as corporate fixed assets, LIFO reserve, goodwill allocated to corporate and other amounts. In 1999, Alcoa changed its internal reporting system to include the results of aluminum hedging in the Primary Metals segment. Previously, these results were included as reconciling items between segment ATOI and net income. Segment results for 1998 and 1997 have been restated to reflect this change.

ATOI for all segments totaled $1,489 in 1999, compared with $1,344 in 1998 and $1,247 in 1997. See Note O to the financial statements for additional information. The following discussion provides shipment, revenue and ATOI data for each segment for the years 1997 through 1999.

I. ALUMINA AND CHEMICALS

	1999	1998	1997
Third-party alumina shipments (mt)	7,054	7,130	7,223
Third-party sales	$1,842	$1,847	$1,978
Intersegment sales	925	832	634
Total sales	$ 2,767	$ 2,679	$ 2,612

After-tax operating income	$ 307	$ 318	$ 302

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

In 1999, third-party sales of alumina were up 5% compared with 1998. Shipments fell 1% while realized prices rose 6%. For 1998, third-party sales of alumina fell 14% from 1997, as realized prices fell 13% and shipments fell 1%. Lower third-party shipments, as a consequence of higher intersegment sales in 1999 and 1998, were a direct result of the Alumax acquisition. Previously, sales of alumina to Alumax were classified as third-party revenues; these sales are now recorded as intersegment. Including intersegment sales, shipments were down slightly in 1999 and up in 1998.

Third-party sales of alumina-based chemical products were down 3% in 1999, as the divestiture of Alcoa Specialty Chemicals in 1998, lower prices and a lower value-added mix more than offset higher shipments. In 1998, sales were unchanged compared with 1997, as higher shipments, aided by acquisitions, were offset by lower prices.

Segment ATOI for 1999 fell 3% from 1998 to $307. Alumina ATOI fell 4%, as intersegment sales comprised a higher percentage of total sales. Offsetting a portion of this decline was improved cost performance in Brazil, along with lower energy and raw material costs at operations in Australia and the U.S., respectively. Chemicals ATOI for 1999 rose 13%, as the impact of lower third-party sales was more than offset by cost improvements relating to productivity enhancements at North American operations and lower production costs. Segment ATOI in 1998 rose 5% over 1997, as lower operating costs and the impact of the Inespal acquisition were partly offset by lower realized prices.

In 1999, Alcoa completed the expansion of its Wagerup alumina refinery in Australia. This expansion, which increases Wagerup's capacity by 440,000 mt to a total plant capacity of 2.2 million mt per year, was completed on time and on budget.

II. PRIMARY METALS

	1999	1998	1997
Third-party aluminum shipments (mt)	1,442	1,392	940
Third-party sales	$2,241	$2,105	$1,600
Intersegment sales	2,793	2,509	1,883
Total sales	$5,034	$4,614	$3,483
After-tax operating income	$ 535	$ 372	$ 399

The focus of this segment is Alcoa's worldwide smelter system. Primary Metals receives alumina from the Alumina and Chemicals segment and produces aluminum ingot to be used by Alcoa's fabricating businesses, as well as sold to outside customers. Other products produced and sold by this segment include powder and scrap.

Alcoa's aluminum hedging activities also are included in this segment. Aluminum ingot produced by Alcoa and used internally is transferred to other segments at prevailing market prices. Third-party sales of ingot, which make up the majority of this segment's third-party revenues, rose 4% from 1998. The increase was due to higher shipments, which also rose 4%. On average, prices in 1999 compared with 1998 were unchanged. In 1998, third-party sales of ingot rose 32% from 1997. The increase was the result of additional shipments from the smelting operations of acquired companies, which were partially offset by an 11% decline in realized prices.

Intersegment sales increased in 1999 relative to 1998, and in 1998 relative to 1997, as Alumax and Inespal sourced the majority of their metal needs internally.

Alcoa's average realized price for ingot in 1999 was 67 cents per pound, unchanged from 1998. In 1997, the average realized price was 75 cents. This compares with average prices on the London Metal Exchange (LME) of 63 cents per pound in 1999 and 1998, and 74 cents in 1997.

Alcoa operated its worldwide smelting system at 90% of rated capacity in 1999. In January 2000, Alcoa announced that it will restart approximately 200,000 mt of idle smelting capacity by the end of the current year. Alcoa continues to have 250,000 mt of smelting capacity idle.

Primary Metals ATOI rose 44% in 1999 from 1998. Driving the improvement was a 7% increase in shipments due to including a full year's results from the 1998 July purchase of Alumax. Lower raw material prices, $45 of productivity improvements at U.S. operations and cost efficiencies in Brazil also had a positive impact on segment ATOI. Mark-to-market gains in 1999 versus losses in 1998 added $57 to ATOI in 1999. Primary metals ATOI fell 7% in 1998 from 1997, as lower metal prices and higher mark-to-market losses more than offset the impact of acquired companies and the results of internal hedging. Lower operating costs in 1998 helped ease the decline, muting the impact of lower prices.

III. FLAT-ROLLED PRODUCTS

	1999	1998	1997
Third-party aluminum shipments (mt)	1,982	1,764	1,469
Third-party sales	$5,113	$4,900	$4,188
Intersegment sales	51	59	53
Total sales	$5,164	$4,959	$4,241
After-tax operating income	$ 281	$ 306	$ 269

This segment's principal business is the production and sale of aluminum plate, sheet 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 45% of the third-party shipments and sales in this segment are derived from the sale of RCS, while a similar amount is obtained from mill products. Other flat-rolled products, such as foil, comprise the remainder of this segment. Third-party sales from this segment in 1999 increased 4% from 1998, as shipments, aided by a full year's results from the former Alumax locations, rose 12%. Third-party sales in 1998 increased 17% over 1997, as the impact from acquisitions was partially offset by a 2% decline in prices.

Third-party sales from RCS were down 5% in 1999 primarily as a result of lower prices. RCS pricing tends to lag movements in the

LME by three to six months, resulting in RCS prices falling year over year. For the industry as a whole, 1999 shipments of beverage cans by U.S. can manufacturers fell .7% from 1998. In 1998, these shipments rose 2.2%. Third-party sales were essentially unchanged in 1998 from 1997, as were shipments and prices.

Mill products third-party sales were up 14% from 1998, as shipments rose 32% and average prices fell 14%. Higher shipments in the U.S. and the impact of acquisitions were partly offset by lower shipments in Latin America. Average realized prices fell in part due to acquisitions, as post- Alumax, lower value-added products made up a higher percentage of total shipments. Third-party sales from mill products in 1998 were up 21% over 1997. Shipments, aided by acquisitions, increased 23%, while prices fell 2%.

ATOI for Flat-Rolled Products fell 8% in 1999, as higher revenues and cost reductions were overshadowed by lower prices and lower equity earnings. RCS ATOI fell 14%, as a $16 decline in equity earnings from Kaal, a 50%-owned joint venture that operates RCS facilities in Australia and Japan, had a negative impact on financial performance. The decline in Kaal's earnings was primarily the result of lower revenues from Japan. Lower prices, $3 of higher advertising costs and a less profitable mix, partially offset by $7 of cost improvements related to purchased materials, also had a negative impact on RCS ATOI. Mill products ATOI fell 9%, as improved results for U.S. operations were more than offset by weaker performance in Latin America and Europe. U.S. mill products results were aided by acquisitions, which increased volumes, along with $11 of improved productivity and cost performance. A shift in mix towards lower value-added products offset a portion of these gains. In Europe and Latin America, lower prices were partly offset by productivity and cost improvements. Partly offsetting the decline in RCS and mill products ATOI were improved results from foil operations and the shutdown of Alcoa Memory Products in 1999.

In 1998, ATOI for Flat-Rolled Products rose 14%, as increases from mill products and foil were partially offset by declines in RCS. RCS ATOI was down, as higher costs for labor and services reduced margins. Mill products ATOI rose, as acquisitions and higher prices for products used in the transportation market offset losses related to the production and sale of computer memory disks.

IV. ENGINEERED PRODUCTS

	1999	1998	1997
Third-party aluminum shipments (mt)	989	729	441
Third-party sales	$3,728	$3,110	$2,077
Intersegment sales	26	11	9
Total sales	$3,754	$3,121	$2,086
After-tax operating income	$ 180	$ 183	$ 100

This segment includes hard and soft alloy extrusions, aluminum forgings, rod and bar. These products serve the transportation, construction and distributor markets. Third-party shipments for this segment were up 36% in 1999, generating a 20% increase in revenues. In 1998, third-party shipments rose 65% over 1997, resulting in a 50% increase in revenues. Acquisitions and higher shipments of forged wheels, partly offset by the 1998 sale of Alcotec, a wire fabricator, were responsible for the increase in shipments. Average realized prices for Engineered Products for the 1999 period fell 12%, to $1.71

per pound, primarily due to the addition of the Alumax extrusion businesses in the 1998 third quarter. These businesses produce primarily soft alloy extrusions, which have a lower value-added, resulting in a reduction in average realized prices.

Extruded product sales were up 26% from 1998 as shipments rose 43%. In

1998, sales rose 65% on a 91% increase in shipments. The Alumax acquisition was a significant factor in the increase in shipments. Partially offsetting higher shipments were lower soft alloy prices and a 23% drop in shipments of hard alloy products. Forged wheel sales increased 33% and 32% in 1999 and 1998, respectively, from the prior year. Continued strong demand for forged wheels used in sport utility vehicles and light trucks was a major factor in the higher shipment levels.

Engineered Products 1999 ATOI fell 2% from 1998 to $180. The 1998 sale of Alcotec resulted in an $18 decrease in 1999 segment ATOI relative to 1998. Additionally, declines in the extrusion business in Latin America and in the architectural extrusion business in the U.S. were nearly offset by improved results in Europe and from forged products. The decline in Latin America was due to lower volumes and prices, while the drop in returns from the architectural extrusion business was due to lower volumes and higher production costs. Europe benefited from acquisitions, increased market share and productivity improvements. Forged products ATOI rose 39%, as higher prices and continued growth in the wheel market offset a shift to a lower value- added mix.

ATOI in 1998 for this segment rose 84% over the comparable 1997 period. The increase was due to acquired companies, the above-mentioned gain on the sale of Alcoa's interest in Alcotec and improved operating results from European extrusion facilities. Also contributing to the increase were higher shipments of forged wheels.

V. OTHER

	1999	1998	1997
Third-party aluminum shipments (mt)	65	66	106
Third-party sales	$3,393	$3,362	$3,457
After-tax operating income	$ 186	$ 165	$ 177

This category includes Alcoa Fujikura Ltd. (AFL), which produces electrical components for the automotive industry along with telecommunications products. In addition, Alcoa's aluminum and plastic closures operations, residential building products operations and aluminum automotive engineering and parts businesses are included in this group. Third- party sales from this group were up 1% from 1998, as higher sales of automotive electrical components, the acquisition of the remaining 50% of A-CMI in the 1999 third quarter and increased sales from closures were nearly offset by declines from packaging operations in Brazil. This segment's third-party sales in 1998 were down 3% from 1997, as higher sales of automotive electrical components were more than offset by the loss of revenues from the sale of Alcoa Aluminio's cable business in late 1997.

Third-party sales at AFL increased 5% in 1999 and 7% in 1998, relative to the prior year, as higher volumes were partly offset by declining prices. Closures revenue for 1999 rose 7% from 1998, as higher volumes were somewhat offset by lower prices. In 1998, closures revenues fell 1% compared with 1997.

This group incurred a special item gain of $71 in 1997. The gain was the result of the sale of various businesses, a majority interest in Alcoa's Brazilian cable business and land in Japan.

ATOI for this group rose 13% from 1998, as improvements in closures and aluminum automotive parts were partly offset by a decline from packaging operations in Brazil. The improvement in closures ATOI was a result of higher volumes and $6 of cost improvements, offset in part by lower prices. Aluminum automotive parts benefited from higher volumes and selling prices, lower administrative costs and $12 of improved productivity. Cost improvements of $22 somewhat offset the impact of a 23% decline in revenues from packaging operations in Brazil. In 1998, ATOI fell 7% from 1997, as improved results at AFL, along with a gain from the sale of Alcoa's Australian gold operations, were more than offset by special item gains in 1997 versus no special items in 1998.

RECONCILIATION OF ATOI TO CONSOLIDATED NET INCOME

The following reconciles segment ATOI to Alcoa's consolidated net income and explains each line item in the reconciliation:

	1999	1998	1997
Total after-tax operating income	$ 1,489	$ 1,344	$ 1,247
Elimination of intersegment (profit) loss	(24)	(16)	12
Unallocated amounts (net of tax):			
Interest income	26	64	67
Interest expense	(126)	(129)	(92)
Minority interest	(242)	(238)	(268)
Corporate expense	(171)	(197)	(172)
Other	102	25	11
Consolidated net income	$ 1,054	$ 853	$ 805

Items required to reconcile ATOI to consolidated net income include:

> Corporate adjustments to eliminate any remaining profit or loss between segments;

> The after-tax impact of interest income and expense at the statutory rate;
> Minority interest;
> Corporate expense, comprised of general administrative and selling expenses of operating the corporate headquarters and other global administrative facilities along with depreciation on corporate owned assets; and
> Other, which includes the impact of LIFO, differences between estimated tax rates used in each segment and the corporate effective tax rate and other nonoperating items such as foreign exchange.

The variance in Other from 1999 to 1998 was due to LIFO adjustments that occurred in 1999 and adjustments to deferred taxes that resulted from a change in the Australian corporate income tax rate.

SPECIAL ITEMS
There were no special items recorded in 1999 or 1998. Special items in 1997 resulted in a net gain of $96 ($44 after tax and minority interests, or 13 cents per basic share). The fourth quarter sale of a majority interest in Alcoa's Brazilian cable business and land in Japan generated gains of $86. In addition, the sale of equity securities resulted in a gain of $38, while the divestiture of noncore businesses provided $25. These gains were partially offset by charges of $53, related to environmental and impairment matters.

COSTS AND OTHER
COSTS OF GOODS SOLD -- Cost of goods sold (COGS) totaled $12,536 for 1999, up 5% from 1998. The increase was due to higher volumes that generated additional costs of $1,100. The higher volumes relate primarily to acquired companies. Offsetting a portion of the acquisition- driven increases were cost and operating improvements of approximately $500. The $1,658 increase in 1998 relative to 1997 was due to higher volumes of $1,800, which also were related primarily to acquisitions, partly offset by cost improvements of $200. COGS as a percentage of sales fell 1% to 76.8% in 1999, as higher shipments, good cost control and a LIFO liquidation more than offset the negative impact of lower overall aluminum prices on revenues. In 1998, COGS as a percentage of sales was .7 percentage points higher than the 77.1% recorded in 1997, as higher shipments and a higher value-added product mix more than offset the impact of cost improvements.

SELLING AND GENERAL ADMINISTRATIVE EXPENSES -- S&GA expenses increased 9%, or $68, to $851 in 1999. The higher level of these costs in 1999 was due to acquisitions; Alcoa owned Alumax for 12 months in 1999 versus six months in 1998. In addition, higher personnel costs related to pay for performance had a negative impact on S&GA in 1999. As a percentage of sales revenue, S&GA was 5.2% in 1999. S&GA for 1998 rose $101 from 1997 to $783, or 5.1% of sales revenues. The higher 1998 S&GA total results from acquisitions, partially offset by cost reductions.

RESEARCH AND DEVELOPMENT EXPENSES -- R&D expenses of $128 in 1999 were essentially unchanged from 1998, as a reduction in corporate spending was offset by increases in the primary metals and flat-rolled products areas. R&D costs for 1998 were down 10% from 1997. A reduction in R&D personnel was primarily responsible for lower spending on research in the metals, castings, closures and alumina businesses.

INTEREST EXPENSE -- Interest expense of $195 in 1999 was down $3 from 1998. Total interest costs, including capitalized interest, were up 2% to $216 in 1999. The increase in total interest costs was due to a higher level of capitalized interest along with higher interest rates partly offset by lower debt levels and the repayment of some higher cost debt. The increase in capitalized interest relates to the expansion of the Wagerup alumina refinery in Australia. Interest expense in 1998 totaled $198, up $57 from 1997. The increase was the result of 1998 borrowings of over $1,850, the proceeds of which were used primarily to fund acquisitions.

INCOME TAXES -- Alcoa's effective tax rate in 1999 was 29.9%, 5.1 percentage points below the statutory rate of 35%. The lower rate is primarily due to lower taxes on foreign income and a reduction in the Australian corporate income tax rate. In the 1999 fourth quarter, Australia reduced its corporate income tax rate from 36% to 34% for 2000 and to 30% for 2001.

Alcoa's effective tax rate in 1998 was 32%, three percentage points below the statutory rate of 35%. The lower rate is primarily due to lower taxes on foreign income.

The 1997 effective tax rate was 33%, two percentage points below the statutory rate of 35%. The lower rate is primarily due to the favorable tax effect of certain special items.

OTHER INCOME/FOREIGN CURRENCY -- Other income totaled $124 in 1999, down $25 from 1998. The decline was due to a $57 decline in interest income, a negative swing in foreign exchange and lower gains from asset sales. Offsetting a portion of these negative factors were gains from marking to market certain aluminum commodity contracts versus losses in 1998. In 1998 from 1997, other income fell 9% to $149. The majority of the change was due to increased losses from marking to market aluminum commodity contracts and lower interest income. Offsetting a portion of these negative factors were increased gains related to asset sales, higher equity income and a positive swing in foreign exchange.

Exchange gains (losses) included in other income were $(18.7) in 1999, $ (3.7) in 1998 and $(9.8) in 1997. The total impact on net income, after taxes and minority interests, was $(8.3) in 1999, $(8.0) in 1998 and $6.9 in 1997.

In July 1999, the Brazilian real became the functional currency for translating the financial statements of Alcoa's 59%-owned Brazilian subsidiary, Alcoa Aluminio (Aluminio). Economic factors and circumstances related to Aluminio's operations had 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 required a change to Aluminio's functional currency. As a result, at July 1, 1999, Alcoa's shareholders' equity (cumulative translation adjustment) and minority interests were reduced by $156 and $108, respectively. These amounts were driven principally by a reduction in fixed assets. This reduction resulted in a $15 decrease in Aluminio's depreciation expense for 1999.

MINORITY INTERESTS -- Minority interests' share of income from operations rose 2% from 1998 to $242. The increase was due to higher earnings at Alcoa of Australia (AofA) and AFL, partly offset by lower earnings from Alcoa World Alumina L.L.C. For 1998, minority interest fell 11% to $238, as lower earnings at Aluminio and AofA were partly offset by improvements at AFL.

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 that 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 December 31, 1999 and 1998, these contracts totaled approximately 465,000 mt and 933,000 mt, respectively. These contracts act to fix the purchase price for these metal purchase requirements, thereby reducing Alcoa's risk to rising metal prices.

A hypothetical 10% change from the 1999 year-end, three-month LME aluminum ingot price of $1,650 per mt would result in a pretax gain or loss to future earnings of $77 related to all of the futures and options contracts noted above. However, it should be noted that any change in the value of these contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying metal purchase transactions.

Earnings were selected as the measure of sensitivity due to the historical relationship between aluminum ingot prices and Alcoa's earnings. The hypothetical change of 10% was calculated using a parallel shift in the existing December 31, 1999 forward price curve for aluminum ingot. The price curve takes into account the time value of money, as well as future expectations regarding the price of aluminum ingot.

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.

Alcoa also had 21,000 mt and 29,000 mt of futures and options contracts outstanding at year-end 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 after-tax gains of $12 in 1999 and charges of $45 in 1998 and $13 in 1997. A hypothetical 10% change in aluminum ingot prices from the year-end 1999 level of $1,650 per mt would result in a pretax gain or loss of $3 related to these positions. The hypothetical gain or loss was calculated using the same model and assumptions noted earlier.

Alcoa sells products to various third parties at prices that are influenced by changes in LME aluminum prices. From time to time, the company may elect to hedge a portion of these exposures to reduce the risk of fluctuating market prices on these sales. Towards this end, Alcoa may enter into short positions using futures and options contracts. At December 31, 1999, these contracts totaled 244,000 mt. These contracts act to fix a portion of the sales price related to these sales contracts. A hypothetical 10% change in aluminum ingot prices from the year-end 1999 level of $1,650 per mt would result in a pretax gain or loss of $29 related to these positions. The hypothetical gain or loss was calculated using the same model and assumptions noted earlier.

Alcoa also purchases certain other commodities, such as fuel oil, natural gas and copper, for its operations and enters into futures and options contracts to eliminate volatility in the prices of such products.

None of these contracts are material. For additional information on financial instruments, see Notes A and T to the financial statements.

FOREIGN EXCHANGE RISKS -- 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. A hypothetical 10% change in applicable 1999 year-end forward rates would result in a pretax gain or loss of approximately $169 related to these positions. However, it should be noted that any change in the value of these contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged item. The model assumes a parallel shift in the forward curve for the applicable currencies and includes the foreign currency impacts of Alcoa's cross-currency interest rate swaps. See Notes A and T for information related to the accounting policies and fair market values of Alcoa's foreign exchange contracts at December 31, 1999 and 1998.

INTEREST RATE RISKS -- Alcoa 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. At December 31, 1999 and 1998, Alcoa had $3,067 and $3,489 of debt outstanding at effective interest rates of 5.8% and

6.1%, respectively, after the impact of interest rate swaps and caps is taken into account. A hypothetical change of 10% in Alcoa's effective interest rate from year-end 1999 levels would increase or decrease interest expense by $20. The interest rate effect of Alcoa's cross-currency interest rate swaps has been included in this analysis. For more information related to Alcoa's use of interest rate instruments, see Notes A and T.

RISK MANAGEMENT -- All of the aluminum and other commodity contracts, as well as the various types of financial instruments, are straightforward and are 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 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.

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

ENVIRONMENTAL MATTERS

Alcoa continues to participate in environmental assessments and cleanups at a number of locations. These include approximately 10 owned or operating facilities and adjoining

properties, approximately 10 previously owned or operated facilities and adjoining properties and approximately 65 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. For additional information, see Notes A and U to the financial statements.

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 potential costs for certain of these matters. For example, there are issues related to Alcoa's Massena, New York, and Pt. Comfort, Texas plant sites that allege natural resource damage or off-site contaminated sediments, where investigations are ongoing. Based on these facts, it is possible that Alcoa's results of operations, in a particular period, could be materially affected by matters relating to these two sites. 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 1999 was $174, of which $63 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 22% of this balance relates to Alcoa's Massena, New York plant site and 11% relates to Alcoa's Pt. Comfort, Texas plant site. Remediation expenses charged to the reserve were $47 in 1999, $63 in 1998 and $64 in 1997. These include expenditures currently mandated, as well as those not required by any regulatory authority or third party. In 1999, the reserve balance was increased by $4 to cover anticipated future environmental expenditures.

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

LIQUIDITY AND CAPITAL RESOURCES

(dollars in millions, except share amounts)

CASH FROM OPERATIONS

Cash from operations increased 2% to $2,236 in 1999, after rising 16% in 1998 to $2,197, versus $1,888 in 1997. The 1999 increase was primarily the result of higher earnings, partly offset by higher working capital requirements. The increase in cash from operations in 1998 relative to 1997 was due to higher earnings, a reduction in deferred hedging gains and lower working capital requirements.

Higher working capital requirements for 1999 were a result of higher receivables, a reduction in taxes and payables, partly offset by lower inventories. In 1998, lower working capital requirements were essentially due to lower levels of receivables and inventories, partially offset by a decrease in accounts payable and accrued expenses.

FINANCING ACTIVITIES

Financing activities used $1,166 of cash in 1999, versus $280 in the 1998 period. The primary reason for the increase in 1999 was a decrease in borrowings. This decrease was partly offset by an

increase in common stock issued in connection with employee stock option plans. Specifically, in 1999 Alcoa used $838 of cash to repurchase 15,605,522 shares of the company's common stock at an average price of $53.70 per share. In 1998, Alcoa used $365 to repurchase 9,774,600 shares of common stock. Stock purchases in 1999 and 1998 were partially offset by $609 and $87, respectively, of stock issued for employee stock option plans.

Net payments on long-term debt in 1999 totaled $428, versus $561 of net additions in 1998. In 1998, Alcoa issued $1,100 of commercial paper, $250 of term debt due in 2018, $200 of term debt due in 2005 and $300 of thirty-year bonds due in 2028. Partially offsetting these borrowings were net payments of $350 on commercial paper and the repayment of $950 of Alumax debt. In the 1998 third quarter, Alcoa entered into a new $2,000 revolving-credit facility. The facility is comprised of a 364-day $1,000 facility and a five-year $1,000 facility. The revolving-credit facilities are used to support the Alcoa and AofA commercial paper programs.

Dividends paid to shareholders were $298 in 1999, an increase of $33 from 1998. The difference was due to a higher total dividend in 1999, with a total payout of 80.5 cents per share versus 75 cents per share in 1998. In 1998, dividends to shareholders rose $94 from 1997 to $265, as the total payout of 75 cents per share was significantly above the 1997 payout of 48.8 cents per share. In early January 2000, Alcoa's board of directors increased the base dividend by 33%, to $1.00 per share, and increased the threshold for payment of the variable dividend to $3.00 per share. This will result in a quarterly dividend of 25 cents per share for 2000, a 24% increase from the 1999 quarterly dividend of 20.125 cents per share. Alcoa's variable dividend program provides for the distribution, in the following year, of 30% of Alcoa's annual earnings in excess of $3.00 per basic share.

Dividends paid and return of capital to minority interests totaled $122 in 1999, a decline of $100 from the prior year. The decline was due to a lack of dividends paid at Aluminio and at entities comprising Alcoa World Alumina and Chemicals (AWAC). In 1998, dividends paid and return of capital to minority interests fell $120 from 1997 to $222. The decrease is a result of AWAC and AofA returning funds to their investors in 1997. Of the $342 cash outflow in 1997, $206 relates to payments made by AofA, while a payment of $96 was made by AWAC.

Debt as a percentage of invested capital was 28.3% at the end of 1999, compared with 31.7% for 1998 and 25.0% for 1997.

INVESTING ACTIVITIES

Cash used for investing activities in 1999 totaled $1,167, down $1,210 from 1998. Capital expenditures totaled $920, compared with $932 in 1998 and $913 in 1997. Of the total expenditures in 1999, 27% related to capacity expansion, including alumina production in Australia and automotive sheet production in the U.S. Also included are costs of new and expanded facilities for environmental control in ongoing operations totaling $91 in 1999, $105 in 1998 and $94 in 1997.

Alcoa used $1,463 in 1998 for acquisitions, notably the Alumax and Inespal transactions. During the 1999 period, Alcoa spent $122 to acquire a number of businesses, including the bright products business of Pechiney's Rhenalu rolling plant located near Toulouse, France and Reynolds' aluminum extrusion plant in Irurzun, Spain. In 1999, Alcoa also acquired the remaining 50% interest in its A-CMI partnership from Hayes Lemmerz. A-CMI was a joint venture between Alcoa and CMI International formed to produce cast aluminum products for the automotive industry. In the 1999 fourth quarter, Alcoa acquired Golden Aluminum's closed rolling facility in San Antonio, Texas.

Alcoa added $96 and $126 to its investments in 1999 and 1998, respectively, primarily to acquire a stake in the Norwegian metals producer, Elkem. In 1998, Alcoa received $55 from the sale of its specialty chemical, Alcotec wire, Vernon cast plate and Australian gold operations. Asset sales in 1997 generated $265 and included the Caradco, Arctek, Alcoa Composites, Norcold, Dayton Technologies and Richmond, Indiana facilities. Also included was the sale of a majority interest in Alcoa's Brazilian cable business.

YEAR 2000 ISSUE

Alcoa, like other businesses, made substantial preparations for the Year 2000 issue. The Year 2000 issue arose from the past practice of using two digits (as opposed to four) to represent the year in some computer programs and software. If uncorrected, this could have resulted in computational errors as dates are compared across the century boundary. 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.

Based on information available to date, Alcoa has not experienced any significant events attributable to Year 2000 issues. The company will continue to monitor for potential issues at Alcoa, its customers and suppliers, in order to permit a rapid response should any issues arise. Alcoa believes that if any Year 2000 issues were to arise, they would not have a significant impact on its operations and would most likely be isolated, short- term events.

Alcoa's Year 2000 program provided a focused effort across all of the company's locations that:

- identified, assessed, remediated and tested 26,232 Alcoa systems and components;
- formally assessed 3,399 critical and important suppliers;
- conducted 202 formal on-site program verification reviews;
- provided Year 2000 readiness information to 2,802 separate customers; and
- updated and completed 1,890 contingency plans.

In 1999 and 1998, Alcoa incurred $38 each year 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. Alcoa does not expect to incur significant direct costs related to the Year 2000 issue during the current year.

SUBSEQUENT EVENT

On February 11, 2000, the shareholders of Reynolds Metals Company, by majority vote, approved the proposed merger transaction between Alcoa and Reynolds. The merger transaction remains subject to the approval of various governmental authorities.

MANAGEMENT'S REPORT TO ALCOA SHAREHOLDERS

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

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

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

/s/ A. Belda

Alain J.P. Belda President and Chief Executive Officer

/s/ Richard B. Kelson

Richard B. Kelson Executive Vice President and Chief Financial Officer

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors, which is composed of five independent directors, met four times in 1999. In addition, the chairman of this committee met with management and the independent accountants prior to the announcement of quarterly earnings in April, July and October.

The Audit Committee oversees Alcoa's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, the committee recommended to the Board the reappointment of PricewaterhouseCoopers LLP as the company's independent public accountants. The Audit Committee reviewed with the Vice President-Environment, Health and Safety, Audit and Compliance and the independent accountants the overall scope and specific plans for their respective audits. The committee reviewed with management Alcoa's annual and quarterly reporting process, and the adequacy of the company's internal controls. Without management present, the committee met separately with the Vice President- Environment, Health and Safety, Audit and Compliance and the independent accountants to review the results of their examinations, their evaluations of the company's internal controls, and the overall quality of Alcoa's financial reporting.

/s/ Henry Schacht

Henry B. Schacht Chairman, Audit Committee

INDEPENDENT ACCOUNTANT'S REPORT

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Alcoa at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of Alcoa's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

600 Grant St., Pittsburgh, Pa. January 10, 2000, except for Note V, for which the date is February 11, 2000.

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

For the year ended December 31	1999	1998	1997
Revenues			
Sales (O)	$16,323	$15,340	$13,319
Other income	124	149	163
	16,447	15,489	13,482
Costs and Expenses			
Cost of goods sold	12,536	11,933	10,275
Selling, general administrative and other expenses	851	783	682
Research and development expenses	128	128	143
Provision for depreciation, depletion and amortization	888	842	735
Special items (D)	--	--	(96)
Interest expense (S)	195	198	141
	14,598	13,884	11,880
Earnings			
Income before taxes on			

income	1,849	1,605	1,602
Provision for taxes on income (P)	553	514	529
Income from operations	1,296	1,091	1,073
Minority interests	(242)	(238)	(268)
Net Income	$ 1,054	$ 853	$ 805
Earnings per Share (B and M)			
Basic	$ 2.87	$ 2.44	$ 2.33
Diluted	$ 2.82	$ 2.42	$ 2.31

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

CONSOLIDATED BALANCE SHEET   Alcoa and subsidiaries
(in millions)

December 31	1999	1998
Assets		
Current assets:		
Cash and cash equivalents (T)	$ 237	$ 342
Short-term investments (T)	77	39
Receivables from customers, less allowances: 1999-$58; 1998-$61	2,199	2,163
Other receivables	165	171
Inventories (E)	1,618	1,881
Deferred income taxes (P)	233	198
Prepaid expenses and other current assets	271	231
Total current assets	4,800	5,025
Properties, plants and equipment (F)	9,133	9,134
Goodwill, net of accumulated amortization of $221 in 1999 and $179 in 1998 (C)	1,328	1,414
Other assets (H and T)	1,805	1,890
Total Assets	$17,066	$17,463
Liabilities		
Current liabilities:		
Short-term borrowings (weighted average rate of 5.1% in 1999 and 4.8% in 1998) (T)	$ 343	$ 431
Accounts payable, trade	1,219	1,044
Accrued compensation and retirement costs	582	553
Taxes, including taxes on income	368	431
Other current liabilities	424	628
Long-term debt due within one year (G and T)	67	181
Total current liabilities	3,003	3,268
Long-term debt, less amount due within one year (G and T)	2,657	2,877
Accrued postretirement benefits (Q)	1,720	1,840
Other noncurrent liabilities and deferred credits (I)	1,473	1,588
Deferred income taxes (P)	437	358
Total liabilities	9,290	9,931
Minority Interests (A and J)	1,458	1,476
Contingent liabilities (L)	--	--
Shareholders' Equity		
Preferred stock (N)	56	56
Common stock (N)	395	395
Additional capital	1,704	1,676
Retained earnings	6,061	5,305
Treasury stock, at cost	(1,260)	(1,029)
Accumulated other comprehensive loss	(638)	(347)
Total shareholders' equity	6,318	6,056
Total Liabilities and Equity	$17,066	$17,463

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

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

For the year ended December 31	1999	1998	1997
Cash from Operations			
Net income	$ 1,054	$ 853	$ 805
Adjustments to reconcile net income to cash from operations:			
Depreciation, depletion and amortization	901	856	754
Change in deferred income taxes	54	110	83
Equity earnings before additional taxes, net of dividends	(10)	(3)	(31)
Noncash special items	--	--	(96)
Gains from investing activities--sale of assets	(12)	(32)	--
Minority interests	242	238	268
Other	31	(23)	(5)
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:			
(Increase) reduction in receivables	(56)	145	12
Reduction in inventories	253	100	53
(Increase) reduction in prepaid expenses and other current assets	(36)	23	(26)
Increase (reduction) in accounts payable and accrued expenses	(79)	(68)	82
Increase (reduction) in taxes, including taxes on income	26	69	(27)
Cash received on long-term alumina supply contract	--	--	240
Change in deferred hedging gains/losses	(63)	(51)	(113)
Net change in noncurrent assets and liabilities	(69)	(20)	(111)
Cash from operations	2,236	2,197	1,888
Financing Activities			
Net additions (reduction) to short-term borrowings	(89)	(76)	143
Common stock issued and treasury stock sold	609	87	203
Repurchase of common stock	(838)	(365)	(604)
Dividends paid to shareholders	(298)	(265)	(171)
Dividends paid and return of capital to minority interests	(122)	(222)	(342)
Net change in commercial paper	--	776	(79)
Additions to long-term debt	572	881	188
Payments on long-term debt	(1,000)	(1,096)	(327)
Cash used for financing activities	(1,166)	(280)	(989)
Investing Activities			
Capital expenditures	(920)	(932)	(913)
Acquisitions, net of cash acquired (K)	(122)	(1,463)	--
Proceeds from the sale of assets	45	55	265
Sale of (additions to) investments	(96)	(126)	52
Changes in minority interests	--	33	14
Changes in short-term investments	(37)	66	(87)
Other	(37)	(10)	(10)
Cash used for investing activities	(1,167)	(2,377)	(679)
Effect of exchange rate changes on cash	(8)	1	(17)
Net change in cash and cash equivalents	(105)	(459)	203
Cash and cash equivalents at beginning of year	342	801	598
Cash and cash equivalents at end of year	$ 237	$ 342	$ 801

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

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

December 31	Comprehensive income	Preferred stock	Common stock	Additional capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total shareholders' equity

Balance at end of 1996		$ 56	$ 179	$ 592	$ 4,083	$ (371)	$ (76)	$ 4,463
Comprehensive income--1997:								
Net income--1997	$ 805				805			805
Other comprehensive income (loss):								
Minimum pension liability, net of $2 tax benefit	(4)							
Unrealized translation adjustments	(250)							
Unrealized gains on securities, net of $1 tax expense	1							
Gains on securities included in net income, net of $13 tax benefit	(24)						(277)	(277)
Comprehensive income	$ 528							
Cash dividends:								
Preferred @ $3.75 per share					(2)			(2)
Common @ $.488 per share					(169)			(169)
Treasury shares purchased						(604)		(604)
Stock issued: compensation plans				(14)		217		203
Balance at end of 1997		56	179	578	4,717	(758)	(353)	4,419
Comprehensive income--1998:								
Net income--1998	$ 853				853			853
Other comprehensive income (loss):								
Minimum pension liability, net of $3 tax benefit	(5)							
Unrealized translation adjustments	11						6	6
Comprehensive income	$ 859							
Cash dividends:								
Preferred @ $3.75 per share					(2)			(2)
Common @ $.75 per share					(263)			(263)
Treasury shares purchased						(365)		(365)
Stock issued: Alumax acquisition			19	1,302				1,321
Stock issued: compensation plans				(7)		94		87
Stock issued: two-for-one split			197	(197)				--
Balance at end of 1998		56	395	1,676	5,305	(1,029)	(347)	6,056
Comprehensive income--1999:								
Net income--1999	$ 1,054				1,054			1,054
Other comprehensive loss:								
Unrealized translation adjustments (A)	(291)						(291)	(291)
Comprehensive income	$ 763							
Cash dividends:								
Preferred @ $3.75 per share					(2)			(2)
Common @ $.805 per share					(296)			(296)
Treasury shares purchased						(838)		(838)
Stock issued: compensation plans				28		607		635
Balance at end of 1999		$ 56	$ 395	$ 1,704	$ 6,061	$ (1,260)	$ (638)*	$ 6,318

*Comprised of unrealized translation adjustments of $(623) and minimum pension liability of $(15)

SHARE ACTIVITY
(number of shares)

		Common stock		
	Preferred stock	Issued	Treasury	Net outstanding

Balance at end of 1996	557,649	357,845,166	(12,825,888)	345,019,278
Treasury shares purchased			(16,154,534)	(16,154,534)
Stock issued: compensation plans			7,686,508	7,686,508
Balance at end of 1997	557,649	357,845,166	(21,293,914)	336,551,252
Treasury shares purchased			(9,774,600)	(9,774,600)
Stock issued: Alumax acquisition		36,850,760		36,850,760
Stock issued: compensation plans			3,181,666	3,181,666
Balance at end of 1998	557,649	394,695,926	(27,886,848)	366,809,078
Treasury shares purchased			(15,605,522)	(15,605,522)
Stock issued: compensation plans			16,545,442	16,545,442
Balance at end of 1999	557,649	394,695,926	(26,946,928)	367,748,998

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars and shares in millions, except per-share amounts)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of Alcoa and companies more than 50% owned. Investments in other entities are accounted for principally on an equity basis.

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

INVENTORY VALUATION. Inventories are carried at the lower of cost or market, with cost for a substantial portion of U.S. and Canadian inventories determined under the last-in, first-out (LIFO) method. The cost of other inventories is principally determined under the average-cost method. See Note E for additional detail.

PROPERTIES, PLANTS AND EQUIPMENT. Properties, plants and equipment are recorded at cost. Depreciation is recorded principally on the straight-line method at rates based on the estimated useful lives of the assets, averaging 33 years for structures and between five and 25 years for machinery and equipment. Profits or losses from the sale of assets are included in other income. Repairs and maintenance are charged to expense as incurred. Interest related to the construction of qualifying assets is capitalized as part of the construction costs.

Depletion is taken over the periods during which the estimated mineral reserves are extracted. See Notes F and S for additional detail.

AMORTIZATION OF INTANGIBLES. The excess purchase price over the net tangible assets of businesses acquired is reported as goodwill in the consolidated balance sheet. Goodwill and other intangibles are amortized on a straight- line basis over not more than 40 years. The carrying value of goodwill and other intangibles is evaluated periodically in relation to the operating performance and future undiscounted cash flows of the underlying businesses. Adjustments are made if the sum of expected future net cash flows is less than book value. See Note H for additional information.

REVENUE RECOGNITION. Alcoa recognizes revenue when title passes to the customer.

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

STOCK-BASED COMPENSATION. Alcoa accounts for stock-based compensation in accordance with the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost is not required to be recognized on options granted. Disclosures required with respect to alternative fair value measurement and recognition methods prescribed by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," are presented in Note N.

FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS. Alcoa enters into long-term contracts to supply fabricated products to a number of its customers. To hedge the market risk of changing prices for purchases or sales of metal, Alcoa uses commodity futures and options contracts.

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

The effectiveness of the hedge is measured by a historical and probable future high correlation of changes in the fair value of the hedging instruments with changes in value of the hedged item. If correlation ceases to exist, hedge accounting will be terminated and gains or losses recorded in other income. To date, high correlation has always been achieved.

Alcoa also enters into futures and options contracts that cover long-term, fixed-price commitments to supply customers with metal from internal sources. These contracts are marked to market, and the gains and losses from changes in market value of the contracts are recorded in other income in the current period. This resulted in after-tax gains of $12 in 1999 and losses of $45 in 1998 and $13 in 1997.

From time to time, Alcoa may elect to sell forward a portion of its production. Gains and losses related to transactions that qualify for hedge accounting are deferred and reflected in revenues when the underlying physical transaction takes place. The deferred gains or losses are reflected on the balance sheet in other current and noncurrent liabilities or assets. If the above contracts no longer qualify for deferral, the contracts are marked to market to other income in the current period.

Alcoa also purchases certain other commodities such as fuel oil, 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.

Alcoa attempts to maintain a reasonable balance between fixed- and floating-rate debt, using interest rate swaps and caps, to keep financing costs as low as possible. If the requirements for hedge accounting are met, amounts paid or received under these agreements are recognized over the life of the agreements as adjustments to interest expense. Otherwise, the instruments are marked to market, and the gains and losses from changes in the market value of the contracts are recorded in other income in the current period.

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

Alcoa is subject to exposure from fluctuations in foreign currencies. To manage this exposure, Alcoa uses foreign exchange forward and option contracts. Gains and losses on contracts that meet the requirements for hedge accounting are deferred and included in the basis of the underlying transactions. Contracts that do not meet these requirements are marked to market in other income each period.

Cash flows from financial instruments are recognized in the statement of cash flows in a manner consistent with the underlying transactions. See Note T for additional detail.

FOREIGN CURRENCY. The local currency is the functional currency for Alcoa's significant operations outside the U.S., except in Canada, where the U.S. dollar is used as the functional currency. The determination of the functional currency for Alcoa's Canadian operations is made based on the appropriate economic and management indicators.

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 S.A. (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 No. 52, "Foreign Currency Translation," the change in these facts and circumstances required a change to Aluminio's functional currency.

As a result of the change, at July 1, 1999, Alcoa's shareholders' equity (Cumulative Translation Adjustment) and minority interests accounts were reduced by $156 and $108, respectively. These amounts were driven principally by a reduction in fixed assets. This reduction resulted in a $15 decrease in Aluminio's depreciation expense for 1999.

One of the factors affecting the change in Aluminio's functional currency was Alcoa's 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.

RECENTLY ADOPTED ACCOUNTING STANDARDS. A Statement of Position (SOP) was issued by the American Institute of CPAs in April 1998. The SOP, "Reporting on the Costs of Start-up Activities," requires that costs incurred to open a new facility, introduce a new product, commence a new operation or other similar activities be expensed as incurred. This SOP, which was adopted in 1999, did not have a material impact on Alcoa's financial statements.

RECENTLY ISSUED ACCOUNTING STANDARDS. In June 1998, the Financial Accounting Standards Board issued SFAS No. 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 balance sheet. Upon adoption, Alcoa's commodity, 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.

RECLASSIFICATION. Certain amounts in previously issued financial statements were reclassified to conform to 1999 presentations.

B. COMMON STOCK SPLIT

On January 10, 2000, the board of directors declared a two-for-one common stock split. The stock split is subject to the approval of Alcoa shareholders, who must approve an amendment to Alcoa's Articles of Incorporation to increase the authorized shares of Alcoa common stock at the company's annual meeting on May 12, 2000. If approved, shareholders of record on May 26, 2000, will receive an additional common share for each share held. The additional shares will be distributed on June 9, 2000. Per-share amounts and number of shares outstanding in this report have not been adjusted for the stock split since it is subject to shareholder approval. If the stock split is approved by shareholders, earnings per share will be restated to the following:

(Unaudited)	1999	1998	1997
Basic EPS	$ 1.43	$ 1.22	$ 1.17
Diluted EPS	1.41	1.21	1.15

C. ACQUISITIONS

In August 1999, Alcoa and Reynolds Metals Company (Reynolds) announced they had reached a definitive agreement to merge. Under the agreement, Alcoa will acquire all of the outstanding shares of Reynolds at an exchange rate of 1.06 shares of Alcoa common stock for each share of Reynolds. The value of the transaction is approximately $4,800. The combined company will have annual revenues of $21,000, approximately 127,000 employees and will operate over 300 locations in 37 countries around the world. The acquisition is subject to the expiration of antitrust waiting periods and other customary conditions. The acquisition of Reynolds will be accounted for using the purchase method.

In July 1998, Alcoa acquired Alumax Inc. (Alumax) for approximately $3,800, consisting of cash of approximately $1,500, stock of approximately $1,300 and assumed debt of approximately $1,000. Alumax operated over 70 plants and other manufacturing facilities in 22 states, Canada, Western Europe and Mexico.

The following unaudited pro forma information for the years ended December 31, 1998 and 1997 assumes that the acquisition of Alumax had occurred at the beginning of each respective year. Adjustments that have been made to arrive at the pro forma totals 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 have been included at the 35% U.S. statutory rate.

(Unaudited)	1998	1997
Net sales	$ 16,766	$ 16,160
Net income	876	770
Earnings per share:		
Basic	2.36	2.02
Diluted	2.35	2.00

The pro forma results are not necessarily indicative of what actually would have occurred if the transaction had been in effect for the 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.

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

Alcoa completed a number of other acquisitions in 1999, 1998 and 1997. None of these transactions had a material impact on Alcoa's financial statements.

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. In the case of the Alumax acquisition, the allocation of the purchase price resulted in goodwill of approximately $910, which is being amortized over a forty-year period. Operating results have been included in the statement of consolidated income since the dates of the acquisitions. Had the Inespal acquisition occurred at the beginning of 1998, net income for that year would not have been materially different.

D. SPECIAL ITEMS

Special items in 1997 resulted in a gain of $96 ($44, or 13 cents per basic share, after tax and minority interests). The fourth quarter sales of a majority interest in Alcoa's Brazilian cable business and land in Japan generated gains of $86. In addition, the sale of equity securities resulted in a gain of $38, while the divestiture of noncore businesses provided $25. These gains were partially offset by charges of $53, related primarily to environmental and impairment matters. As of the end of 1998, the impairment liability had been substantially extinguished. The actual costs incurred related to the impairments were not significantly different than the original estimates.

E. INVENTORIES

December 31	1999	1998
Finished goods	$ 363	$ 418
Work in process	550	592
Bauxite and alumina	286	347
Purchased raw materials	267	361
Operating supplies	152	163
	$ 1,618	$ 1,881

Approximately 57% of total inventories at December 31, 1999 were valued on a LIFO basis. If valued on an average- cost basis, total inventories would have been $645 and $703 higher at the end of 1999 and 1998, respectively. During 1999, LIFO inventory quantities were reduced, which resulted in a partial liquidation of the LIFO bases. The impact of this liquidation increased net income by $31 or eight cents per share.

F. PROPERTIES, PLANTS AND EQUIPMENT, AT COST

December 31	1999	1998
Land and land rights, including mines	$ 270	$ 284
Structures	4,491	4,561
Machinery and equipment	13,090	12,649
	17,851	17,494
Less: accumulated depreciation and depletion	9,303	9,091
	8,548	8,403
Construction work in progress	585	731
	$ 9,133	$ 9,134

G. LONG-TERM DEBT

December 31	1999	1998
Commercial paper, variable rate, (5.8% and 5.4% average rates)	$ 980	$ 745
5.75% Notes payable, due 2001	250	250
6.125% Bonds, due 2005	200	200
6.50% Bonds, due 2018	250	250
6.75% Bonds, due 2028	300	300
Bank loans, 7.5 billion yen, due 1999, (4.4% fixed rate)	--	78
Tax-exempt revenue bonds ranging from 3.3% to 5.9%, due 2000-2033	166	153
Alcoa Fujikura Ltd.		
Variable-rate term loan, due 1999-2002 (5.5% average rate)	210	230
Alcoa Aluminio 7.5% Notes, due 2008	194	388
Variable-rate notes, due 1999-2001 (7.6% and 6.6% average rates)	8	40
Alcoa of Australia		
Euro-commercial paper, variable rate, (5.4% average rate)	20	250
Other	146	174
	2,724	3,058
Less: amount due within one year	67	181
	$ 2,657	$ 2,877

The amount of long-term debt maturing in each of the next five years is $67 in 2000, $366 in 2001, $209 in 2002, $1,010 in 2003 and $27 in 2004.

In 1998, Alcoa issued $300 of thirty-year bonds due in 2028, $250 of term debt due in 2018, $200 of term debt due in 2005 and $1,100 of commercial paper. The proceeds from these borrowings were used to fund acquisitions and for general corporate purposes.

In 1998, Alcoa entered into a new $2 billion revolving- credit facility, which expires in equal amounts in August 2000 and August 2003. Under this agreement, certain levels of consolidated net worth must be maintained while commercial paper balances are outstanding.

In 1997, Alcoa Fujikura issued a $250 term loan and entered into a five-year, $250 revolving-credit agreement. The proceeds of the term loan were used to repay existing debt. These agreements require Alcoa Fujikura to maintain certain financial ratios.

In 1996, Alcoa Aluminio issued $400 of export notes, of which $185 were repurchased by Alcoa in 1999. The export note agreement requires Aluminio to maintain certain financial ratios.

A portion of the commercial paper issued by Alcoa and all of the Euro-commercial paper issued by Alcoa of Australia (AofA) are classified as long-term debt because they are backed by the revolving-credit facility noted above.

H. OTHER ASSETS

December 31	1999	1998
Investments, principally equity investments	$ 630	$ 586

Intangibles, net of accumulated amortization of $177 in 1999 and $139 in 1998	117	127
Noncurrent receivables	43	67
Deferred income taxes	424	505
Deferred charges and other	591	605
	$1,805	$1,890

I. OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS

December 31	1999	1998
Deferred hedging gains	--	$ 55
Deferred alumina sales revenue	$ 220	228
Environmental remediation	111	124
Deferred credits	283	336
Other noncurrent liabilities	859	845
	$ 1,473	$ 1,588

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

J. MINORITY INTERESTS

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

December 31	1999	1998
Alcoa of Australia	$ 439	$ 376
Alcoa Aluminio	253	366
Alcoa World Alumina	290	290
Alcoa Fujikura	260	233
Other majority-owned companies	216	211
	$ 1,458	$ 1,476

K. CASH FLOW INFORMATION

Cash payments for interest and income taxes follow.

	1999	1998	1997
Interest	$ 225	$ 199	$ 146
Income taxes	394	371	343

The details of cash payments related to acquisitions follow.

	1999	1998	1997
Fair value of assets	$ 282	$ 5,511	--
Liabilities	(159)	(2,554)	--
Stock issued	--	(1,321)	--
Cash paid	123	1,636	--
Less: cash acquired	1	173	--
Net cash paid for acquisitions	$ 122	$ 1,463	--

L. 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.

Aluminio is currently party to a hydroelectric construction project in Brazil. Total estimated construction costs are $500, of which the company's share is 24%. In the event that other participants in this project fail to fufill their financial responsibilities, Aluminio may be liable for its pro rata share of the deficiency.

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 $190 in 2000, $182 in 2001, $179 in 2002, $176 in 2003, $176 in 2004 and $2,222 thereafter. Expenditures under these contracts totaled $179 in 1999, $171 in 1998 and $219 in 1997.

M. EARNINGS PER SHARE

Basic earnings per common share (EPS) amounts are computed by dividing earnings after the deduction of preferred stock dividends by the average number of common shares outstanding. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive securities outstanding. See Note N for additional information.

The details of basic and diluted earnings per common share follow.

	1999	1998	1997
Net income	$ 1,054	$ 853	$ 805
Less: preferred stock dividends	2	2	2
Income available to common stockholders	$ 1,052	$ 851	$ 803
Average shares outstanding--basic	366.9	349.1	344.5
Effect of dilutive securities:			
Shares issuable upon exercise of dilutive outstanding stock options	6.7	2.5	3.3
Average shares outstanding--diluted	373.6	351.6	347.8
Basic EPS	$ 2.87	$ 2.44	$ 2.33
Diluted EPS	2.82	2.42	2.31

N. PREFERRED AND COMMON STOCK

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

COMMON STOCK. There are 600 million shares authorized at a par value of $1 per share. As of December 31, 1999, 40,833,662 shares of common stock were reserved for issuance under the long-term stock incentive plan.

Stock options under the company's stock incentive plan have been and may be granted, generally at not less than market prices on the dates of grant, except for the 25 cents per-share options issued as a payout of earned performance share awards. The stock option program includes a reload or stock continuation ownership feature. Stock options granted have a maximum term of 10 years. Vesting periods are one year from the date of grant and six months for options granted under the reload feature.

Alcoa's net income and earnings per share would have been reduced to the pro forma amounts shown below if compensation cost had been determined based on the fair value at the grant dates.

	1999	1998	1997
Net income:			
As reported	$ 1,054	$ 853	$ 805
Pro forma	912	815	756
Basic earnings per share:			
As reported	2.87	2.44	2.33
Pro forma	2.48	2.33	2.19
Diluted earnings per share:			
As reported	2.82	2.42	2.31
Pro forma	2.44	2.31	2.17

The weighted average fair value of options granted was $10.69 per share in 1999, $5.73 per share in 1998 and $5.90 per share in 1997.

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

	1999	1998	1997

Average risk-free interest rate	5.0%	5.2%	6.1%
Expected dividend yield	1.4	2.1	1.3
Expected volatility	37.0	25.0	25.0
Expected life (years):			
New option grants	2.5	2.5	2.5
Reload option grants	1.5	1.5	1.0

The transactions for shares under options were:

	1999	1998	1997
Outstanding, beginning of year:			
Number of options	26.6	21.1	20.1
Weighted average exercise price	$33.00	$31.67	$25.87
Granted:			
Number of options	21.8	11.8	12.8
Weighted average exercise price	$48.93	$34.37	$36.07
Exercised:			
Number of options	(21.6)	(6.0)	(11.5)
Weighted average exercise price	$34.44	$30.13	$26.40
Expired or forfeited:			
Number of options	(.3)	(.3)	(.3)
Weighted average exercise price	$37.17	$36.49	$31.70
Outstanding, end of year:			
Number of options	26.5	26.6	21.1
Weighted average exercise price	$44.29	$33.00	$31.67
Exercisable, end of year:			
Number of options	13.2	13.8	10.4
Weighted average exercise price	$38.41	$30.47	$26.73
Shares reserved for future options	14.3	11.4	17.8

The following tables summarize certain stock option information at December 31, 1999:

Options Outstanding

Range of exercise price	Number	Weighted average remaining life	Weighted average exercise price
$ 0.25	.3	employment career	$ 0.25
$13.93-$27.57	1.9	4.20	22.13
$27.58-$41.21	5.6	5.60	35.12
$41.22-$54.85	12.3	8.21	43.00
$54.86-$68.49	5.9	6.04	62.24
$68.50-$82.13	.5	6.05	73.07
Total	26.5	6.74	44.29

Options Exercisable

Range of exercise price	Number	Weighted average exercisable price
$ 0.25	.3	$ 0.25
$13.93-$27.57	1.9	22.13
$27.58-$41.21	5.6	35.12
$41.22-$54.85	3.9	44.91
$54.86-$68.49	1.5	62.35
$68.50-$82.13	--	--
Total	13.2	$38.41

O. SEGMENT AND GEOGRAPHIC AREA 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 profit of each segment. Nonoperating items such as interest income, interest expense, foreign exchange gains/losses, the effects of LIFO accounting 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. Segment assets exclude cash, cash equivalents, short-term investments and all deferred taxes. Segment assets also exclude items such as corporate fixed assets, LIFO reserves, goodwill allocated to corporate and other amounts. In 1999, Alcoa changed its internal reporting system to include the results of aluminum hedging in the Primary Metals segment. Previously, these results were reported as reconciling items between segment ATOI and net income. Segment results for 1998 and 1997 have been restated to reflect this change.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies (Note A). Transactions between segments are established based on negotiation between the parties. Differences between segment totals and Alcoa's consolidated totals for line items not reconciled are primarily due to corporate allocations.

Alcoa's products are used primarily by packaging, transportation (including aerospace, automotive, rail and shipping), building and construction, and industrial customers worldwide. Total exports from the U.S. were $1,309 in 1999, compared with $1,283 in 1998 and $1,207 in 1997. Alcoa's reportable segments follow.

ALUMINA AND CHEMICALS. This segment's activities include the mining of bauxite, which is then refined into alumina. The alumina is then sold to internal and external customers worldwide, or processed into industrial chemical products. The alumina operations of Alcoa World Alumina and Chemicals (AWAC) comprise the majority of this segment.

PRIMARY METALS. This group's 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 other Alcoa segments, as well as sold to outside customers. Results from internal hedging contracts and from marking to market certain aluminum commodity contracts are also included in this segment.

FLAT-ROLLED PRODUCTS. This segment's primary business is the production and sale of aluminum plate, sheet and foil. This segment includes the aggregation of rigid container sheet (RCS), which is used to produce aluminum beverage cans, and mill products used in the transportation and distributor markets.

ENGINEERED PRODUCTS. This segment includes the aggregation of hard and soft alloy extrusions, aluminum forgings, rod and bar. These products serve primarily the transportation, construction and distributor markets.

OTHER. This category includes Alcoa Fujikura Ltd., which produces electrical components for the automotive industry along with telecommunication products. In addition, Alcoa's aluminum and plastic closure operations and Alcoa's residential building products operations are included in this group.

Segment information	Alumina and chemicals	Primary metals	Flat-rolled products	Engineered products	Other	Total
1999						
Sales:						
Third-party sales	$ 1,842	$ 2,241	$ 5,113	$ 3,728	$ 3,393	$ 16,317
Intersegment sales	925	2,793	51	26	--	3,795
Total sales	$ 2,767	$ 5,034	$ 5,164	$ 3,754	$ 3,393	$ 20,112
Profit and loss:						
Equity income (loss)	--	$ 42	$ (9)	--	$ 10	$ 43
Depreciation, depletion and amortization	$ 161	216	184	$ 116	149	826
Special items	--	--	--	--	--	--
Income tax	159	214	131	88	103	695
After-tax operating income	307	535	281	180	186	1,489
Assets:						
Capital expenditures	$ 183	$ 207	$ 166	$ 144	$ 158	$ 858
Equity investment	54	153	66	--	287	560
Total assets	3,250	5,098	3,395	2,387	2,409	16,539
1998						
Sales:						
Third-party sales	$ 1,847	$ 2,105	$ 4,900	$ 3,110	$ 3,362	$ 15,324
Intersegment sales	832	2,509	59	11	--	3,411
Total sales	$ 2,679	$ 4,614	$ 4,959	$ 3,121	$ 3,362	$ 18,735
Profit and loss:						
Equity income (loss)	$ 1	$ 27	$ 8	$ (1)	$ 10	$ 45
Depreciation, depletion and amortization	159	176	190	88	155	768
Special items	--	--	--	--	--	--
Income tax	174	196	126	85	107	688
After-tax operating income	318	372	306	183	165	1,344
Assets:						
Capital expenditures	$ 275	$ 164	$ 152	$ 105	$ 143	$ 839

Equity investment	50	150	69	--	146	415
Total assets	3,082	5,341	3,513	2,427	2,246	16,609
1997						
Sales:						
Third-party sales	$ 1,978	$ 1,600	$ 4,188	$ 2,077	$ 3,457	$ 13,300
Intersegment sales	634	1,883	53	9	--	2,579
Total sales	$ 2,612	$ 3,483	$ 4,241	$ 2,086	$ 3,457	$ 15,879
Profit and loss:						
Equity income	--	$ 23	$ 7	--	$ 12	$ 42
Depreciation, depletion and amortization	$ 175	129	173	$ 66	156	699
Special items loss (gain)	4	(3)	(1)	(2)	(71)	(73)
Income tax	168	214	123	48	104	657
After-tax operating income	302	399	269	100	177	1,247
Assets:						
Capital expenditures	$ 201	$ 137	$ 159	$ 149	$ 128	$ 774
Equity investment	51	140	61	1	124	377
Total assets	3,027	2,334	2,786	1,469	2,284	11,900

The following reconciles segment information to consolidated totals.

	1999	1998	1997
Sales:			
Total sales	$ 20,112	$ 18,735	$ 15,879
Elimination of intersegment sales	(3,795)	(3,411)	(2,579)
Other revenues	6	16	19
Consolidated sales	$ 16,323	$ 15,340	$ 13,319
Net income:			
Total after-tax operating income	$ 1,489	$ 1,344	$ 1,247
Elimination of intersegment (profit) loss	(24)	(16)	12
Unallocated amounts (net of tax):			
Interest income	26	64	67
Interest expense	(126)	(129)	(92)
Minority interest	(242)	(238)	(268)
Corporate expense	(171)	(197)	(172)
Other	102	25	11
Consolidated net income	$ 1,054	$ 853	$ 805
Assets:			
Total assets	$ 16,539	$ 16,609	$ 11,900
Elimination of intersegment receivables	(362)	(378)	(286)
Unallocated amounts:			
Cash, cash equivalents and short-term investments	314	381	906
Deferred tax assets	657	703	560
Corporate goodwill	422	480	--
Corporate fixed assets	317	315	326
LIFO reserve	(645)	(703)	(770)
Other	(176)	56	435
Consolidated assets	$ 17,066	$ 17,463	$ 13,071

Geographic information for revenues, based on country of origin, and long-lived assets follows:

	1999	1998	1997
Revenues:			
U.S.	$ 10,392	$ 9,212	$ 7,593
Australia	1,398	1,470	1,875
Spain	1,059	965	44
Brazil	730	934	1,161
Germany	521	554	580
Other	2,223	2,205	2,066
	$ 16,323	$ 15,340	$ 13,319
Long-lived assets:			
U.S.	$ 6,650	$ 6,726	$ 4,133
Australia	1,585	1,441	1,453
Brazil	712	967	1,047

Canada	948	890	2
Germany	165	213	201
Other	1,122	1,023	853
	$ 11,182	$ 11,260	$ 7,689

P. INCOME TAXES

The components of income before taxes on income were:

	1999	1998	1997
U.S.	$ 631	$ 595	$ 708
Foreign	1,218	1,010	894
	$ 1,849	$ 1,605	$ 1,602

The provision for taxes on income consisted of:

	1999	1998	1997
Current:			
U.S. federal*	$ 175	$ 159	$ 172
Foreign	306	219	274
State and local	18	26	--
	499	404	446
Deferred:			
U.S. federal*	74	81	82
Foreign	(25)	25	(4)
State and local	5	4	5
	54	110	83
Total	$ 553	$ 514	$ 529

*Includes U.S. taxes related to foreign income

In the 1999 fourth quarter, Australia reduced its corporate income tax rate from 36% to 34% for 2000 and 30% for 2001.

In 1999, the exercise of employee stock options generated a tax benefit of $145. This amount was credited to additional capital and reduced current taxes payable.

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

	1999	1998	1997
U.S. federal statutory rate	35.0%	35.0%	35.0%
Taxes on foreign income	(2.4)	(4.1)	(.2)
State taxes net of federal benefit	.5	.7	(.2)
Tax rate changes	(2.4)	--	--
Other	(.8)	.4	(1.6)
Effective tax rate	29.9%	32.0%	33.0%

The components of net deferred tax assets and liabilities follow.

	1999		1998	
December 31	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Depreciation	--	$ 951	--	$ 881
Employee benefits	$ 872	--	$ 869	--
Loss provisions	214	--	208	--
Deferred income/expense	91	138	124	103
Tax loss carryforwards	185	--	192	--
Tax credit carryforwards	2	--	5	--

Other	111	64	68	46
	1,475	1,153	1,466	1,030
Valuation allowance	(134)	--	(135)	--
	$ 1,341	$ 1,153	$ 1,331	$ 1,030

Of the total deferred tax assets associated with the tax loss carryforwards, $31 expires over the next 10 years, $10 over the next 20 years and $144 is unlimited. A substantial portion of the valuation allowance relates to these carryforwards because the ability to generate sufficient foreign taxable income in future years is uncertain.

The cumulative amount of Alcoa's share of undistributed earnings for which no deferred taxes have been provided was $1,838 at December 31, 1999. Management has no plans to distribute such earnings in the foreseeable future. It is not practical to determine the deferred tax liability on these earnings.

Q. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Alcoa maintains pension plans covering most U.S. employees and certain other employees. Pension benefits generally depend on length of service, job grade and remuneration. Substantially all benefits are paid through pension trusts that are sufficiently funded to ensure that all plans can pay benefits to retirees as they become due.

Alcoa maintains health care and life insurance benefit plans covering most eligible U.S. retired employees and certain other retirees. Generally, the medical plans pay a stated percentage of medical expenses, reduced by deductibles and other coverages. These plans are generally unfunded, except for certain benefits funded through a trust. Life benefits are generally provided by insurance contracts. Alcoa retains the right, subject to existing agreements, to change or eliminate these benefits.

The table below reflects the status of Alcoa's pension and postretirement benefit plans.

	Pension benefits		Postretirement benefits	
December 31	1999	1998	1999	1998
Change in benefit obligation				
Benefit obligation at beginning of year	$ 5,394	$ 4,700	$ 1,862	$ 1,675
Service cost	141	119	19	18
Interest cost	342	318	109	112
Amendments	5	8	1	1
Actuarial (gains) losses	(143)	165	(173)	31
Alumax acquisition	--	473	--	148
Divestitures	--	(46)	--	(5)
Benefits paid	(387)	(333)	(130)	(117)
Exchange rate	14	(10)	(1)	(1)
Benefit obligation at end of year	$ 5,366	$ 5,394	$ 1,687	$ 1,862
Change in plan assets				
Fair value of plan assets at beginning of year	$ 5,758	$ 5,101	$ 100	$ 88
Actual return on plan assets	666	601	12	12
Alumax acquisition	--	429	--	--
Divestiture	--	(50)	--	--
Employer contributions	16	47	--	--
Participants contributions	22	11	--	--
Benefits paid	(362)	(351)	--	--
Administrative expenses	(15)	(17)	--	--
Exchange rate	18	(13)	--	--
Fair value of plan assets at end of year	$ 6,103	$ 5,758	$ 112	$ 100
Funded status	$ 737	$ 364	$ (1,575)	$ (1,762)
Unrecognized net actuarial gain	(1,189)	(789)	(221)	(48)
Unrecognized net prior service cost (credit)	69	90	(116)	(151)
Unrecognized transition obligation	1	2	--	--
Net amount recognized	$ (382)	$ (333)	$ (1,912)	$ (1,961)
Amount recognized in the balance sheet consists of:				
Prepaid benefit	$ 61	$ 59	--	--
Accrued benefit liability	(471)	(425)	$ (1,912)	$ (1,961)
Intangible asset	4	9	--	--
Accumulated other comprehensive income	24	24	--	--
Net amount recognized	$ (382)	$ (333)	$ (1,912)	$ (1,961)

The components of net periodic benefit costs are reflected below.

December 31	Pension benefits 1999	1998	1997	Postretirement benefits 1999	1998	1997
Components of net periodic benefit costs						
Service cost	$ 141	$ 119	$ 95	$ 19	$ 18	$ 18
Interest cost	341	318	305	109	112	105
Expected return on plan assets	(427)	(391)	(346)	(9)	(8)	(7)
Amortization of prior service cost (benefit)	40	48	37	(34)	(34)	(34)
Recognized actuarial (gain) loss	(4)	(7)	1	(4)	(5)	(4)
Amortization of transition obligation	2	2	1	--	--	--
Net periodic benefit costs	$ 93	$ 89	$ 93	$ 81	$ 83	$ 78

The aggregate benefit obligation and fair value of plan assets for the pension plans with benefit obligations in excess of plan assets were $1,022 and $696, respectively, as of December 31, 1999, and $754 and $445, respectively, as of December 31, 1998. The aggregate pension accumulated benefit obligation and fair value of plan assets with accumulated benefit obligations in excess of plan assets were $337 and $119, respectively, as of December 31, 1999, and $501 and $287, respectively, at December 31, 1998.

Weighted average assumptions used to determine plan liabilities and expense follow.

December 31	1999	1998	1997
Discount rate	7.00%	6.50%	6.75%
Expected long-term return on plan assets	9.00	9.00	9.00
Rate of compensation increase	5.00	5.00	5.00

For measurement purposes, a 6.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease gradually to 5.25% in 2004 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percentage point change in these assumed rates would have the following effects:

	1% increase	1% decrease
Effect on total of service and interest cost components	$ 11	$ (8)
Effect on postretirement benefit obligations	120	(102)

Alcoa also sponsors a number of defined contribution pension plans. Expenses were $64 in 1999, $57 in 1998 and $47 in 1997.

R. LEASE EXPENSE

Certain equipment, warehousing and office space and oceangoing vessels are under operating lease agreements. Total expense for all leases was $145 in 1999, $130 in 1998 and $111 in 1997. Under long-term operating leases, minimum annual rentals are $78 in 2000, $56 in 2001, $40 in 2002, $21 in 2003, $12 in 2004 and a total of $33 for 2005 and thereafter.

S. INTEREST COST COMPONENTS

	1999	1998	1997
Amount charged to expense	$ 195	$ 198	$ 141
Amount capitalized	21	13	9

$ 216	$ 211	$ 150	

T. FINANCIAL INSTRUMENTS

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

	1999		1998	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	$ 237	$ 237	$ 342	$ 342
Short-term investments	77	77	39	39
Noncurrent receivables	43	43	67	67
Short-term debt	410	410	612	612
Long-term debt	2,657	2,526	2,877	2,902

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

CASH AND CASH EQUIVALENTS, SHORT-TERM INVESTMENTS AND SHORT-TERM DEBT. The carrying amounts approximate fair value because of the short maturity of the instruments. All investments purchased with a maturity of three months or less are considered cash equivalents.

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

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

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

FOREIGN EXCHANGE CONTRACTS. The company enters into foreign exchange contracts to hedge its significant firm and anticipated purchase and sale commitments denominated in foreign currencies. These contracts cover periods commensurate with known or expected exposures, generally within 36 months, and are principally unsecured foreign exchange contracts with carefully selected banks. The market risk exposure is essentially limited to risk related to currency rate movements. Unrealized gains (losses) on these contracts at December 31, 1999 and 1998 were $57 and $(36), respectively.

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

	1999		1998	
	Notional amount	Market value	Notional amount	Market value
Forwards	$ 1,499	$ 60	$ 2,845	$ (58)
Purchased options	28	3	52	1
Written options	--	--	27	--

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

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

	1999		1998	
	Buy	Sell	Buy	Sell
Australian dollar	$ 1,447	$ 4	$ 1,751	$ 211
Canadian dollar	98	8	230	129
Dutch guilder	--	--	135	22
Japanese yen	6	--	109	14
Deutsche mark	2	21	22	69
Pound sterling	--	--	30	70
Other	--	--	35	36

	$ 1,553	$ 33	$ 2,312	$ 551

INTEREST RATE SWAPS. Alcoa manages its debt portfolio by using interest rate swaps and options to achieve an overall desired position of fixed and floating rates. As of December 31, 1999, the company had the following interest rate swap contracts outstanding:

> Four interest rate swap contracts relating to Alcoa's 5.75% notes that mature in 2001. The swaps convert $175 notional amount from fixed rates to floating rates and mature in 2001.

> Five interest rate swap contracts relating to Alcoa Fujikura's variable rate loan. These agreements convert the variable rate to a fixed rate on a notional amount of $198 and mature in 2002.

In addition to the above, Aluminio has a number of cross- currency interest rate swap contracts, relating to deposit accounts, that primarily convert local currency floating rates to dollar fixed rates, on a notional amount of $257.

Alcoa utilizes cross-currency rate swaps to take advantage of international debt markets. At year-end 1999, Alcoa had in place $60 of cross-currency interest rate swaps that effectively convert U.S. dollar-denominated debt into liabilities in yen based on Japanese interest rates.

Based on current interest rates for similar transactions, the fair value of all interest rate swap agreements is not material.

Credit and market risk exposures are limited to the net interest differentials. The net payments or receipts from interest rate swaps are recorded as part of interest expense and are not material. The effect of interest rate swaps on Alcoa's composite interest rate on long-term debt was not material at the end of 1999 or 1998.

Alcoa is exposed to credit loss in the event of nonperformance by counterparties on the above instruments, but does not anticipate nonperformance by any of the counterparties.

For further information on Alcoa's hedging and derivatives activities, see Note A.

U. ENVIRONMENTAL MATTERS

Alcoa continues to participate in environmental assessments and cleanups at a number of locations. These include approximately 10 owned or operating facilities and adjoining properties, approximately 10 previously owned or operated facilities and adjoining properties and approximately 65 Superfund and other waste sites. A liability is recorded for environmental remediation costs or damages when a cleanup program becomes probable and the costs or damages can be reasonably estimated. See Note A for additional information.

As assessments and cleanups proceed, the liability is adjusted based on progress in determining the extent of remedial actions and related costs and damages. The liability can change substantially due to factors such as the nature and extent of contamination, changes in remedial requirements and technological changes. Therefore, it is not possible to determine the outcomes or to estimate with any degree of accuracy the potential costs for certain of these matters. 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, also known as Superfund.

During 1999, Alcoa continued to perform studies and investigations on the Grasse River. A planned pilot test of certain sediment capping techniques, intended for 1999, could not be completed because a final scope of work could not be developed with EPA in time to complete the project before the construction season concluded. In addition, in the 1999 fourth quarter, Alcoa submitted an Analysis of Alternatives to EPA. This report identified potential courses of remedial action related to the PCB contamination of the river. Alcoa has proposed to EPA that the planned pilot scale tests be conducted to assess the feasibility of performing certain sediment-covering techniques before selection and approval of a remedial alternative by EPA. The costs of these pilot scale tests have been fully reserved. The results of these tests and discussions with EPA regarding all of the alternatives identified should provide additional information for the selection and approval of the appropriate remedial alternative. Alcoa intends to seek EPA approval for the pilot tests in the first half of 2000.

The Analysis of Alternatives report and the results of the pilot tests must be reviewed and approved by EPA. Currently, no one of the alternatives is more likely to be selected than any other. The range of additional costs associated with the potential courses of remedial action is between zero and $53. 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, a draft feasibility study and a draft baseline risk assessment to EPA. 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 currently expected to be complete by late 2000 or early 2001.

Based on the above, it is possible that Alcoa's results of operations, in a particular period, could be materially affected by matters relating to these two sites. 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 1999 and 1998 was $174 and $217 (of which $63 and $85 were classified as a current liability), respectively, and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. About 22% of the 1999 balance relates to the Massena plant site, and 11% of the 1999 balance relates to the Pt. Comfort plant site. Remediation expenses charged to the reserve were $47 in 1999, $63 in 1998 and $64 in 1997. They include expenditures currently mandated, as well as those not required by any regulatory authority or third party. In 1999, the reserve balance was increased by $4 million to cover anticipated future environmental expenditures. In 1998, the reserve balance was increased as a result of adding the Alumax environmental reserve to Alcoa's existing reserve balance. 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.

V. SUBSEQUENT EVENT

On February 11, 2000, the shareholders of Reynolds Metals Company, by majority vote, approved the proposed merger transaction between Alcoa and Reynolds. The merger transaction remains subject to the approval of various governmental authorities.

SUPPLEMENTAL FINANCIAL INFORMATION

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

1999	First	Second	Third	Fourth	Year
Sales	$ 3,985	$ 4,033	$ 4,052	$ 4,253	$ 16,323
Income from operations	247	294	313	442	1,296
Net income	221	240	259	334*	1,054
Earnings per share:					
Basic	.60	.65	.71	.91	2.87
Diluted	.60	.64	.69	.89	2.82

*The 1999 fourth quarter included an after-tax credit of $49 related to changes in the LIFO index and LIFO liquidations.

1999	First	Second	Third	Fourth	Year
Sales	$ 3,445	$ 3,587	$ 4,109	$ 4,199	$ 15,340
Income from operations	280	269	266	276	1,091
Net income	210	207	218	218*	853
Earnings per share:					
Basic	.63	.62	.61	.59	2.44
Diluted	.62	.62	.61	.59	2.42

*The 1998 fourth quarter included an after-tax credit of $32 related to changes in the LIFO index.

NUMBER OF EMPLOYEES (UNAUDITED)

	1999	1998	1997
Other Americas	45,100	40,900	36,200
U.S.	38,400	38,900	27,200
Europe	18,800	18,200	11,900
Pacific	5,400	5,500	6,300
	107,700	103,500	81,600

GRAPHICS APPENDIX LIST

REVENUES BY MARKET - page 28
billions of dollars

	1995	1996	1997	1998	1999
Alumina and Chemicals	1.7	1.9	2.0	1.8	1.8
Building and Construction	1.5	1.5	1.4	1.7	2.2
Aluminum Ingot	1.3	1.5	1.5	2.0	2.2
Distribution	2.0	2.2	2.1	2.8	2.9
Packaging	3.8	3.3	3.2	3.3	3.2
Transportation	2.2	2.7	3.1	3.7	4.0
Total	12.5	13.1	13.3	15.3	16.3

Revenues by Geographic Area - page 28
billions of dollars

	1995	1996	1997	1998	1999
Other Americas	1.2	1.3	1.4	1.2	1.0
Pacific	2.0	2.3	2.2	1.8	1.7
Europe	1.7	1.8	2.1	3.1	3.2
US	7.6	7.7	7.6	9.2	10.4
Total	12.5	13.1	13.3	15.3	16.3

Net Income - page 29
millions of dollars

1995	1996	1997	1998	1999
791	515	805	853	1,054

Percent Return on Shareholders' Equity - page 29

1995	1996	1997	1998	1999
18.5	11.6	18.1	16.3	17.2

Revenues by Segment - page 30
billions of dollars

	1996	1997	1998	1999
Alumina and Chemicals	2.0	2.0	1.8	1.9
Primary Metals	1.6	1.6	2.1	2.2
Engineered Products	1.9	2.1	3.1	3.7
Flat-rolled Products	4.1	4.2	4.9	5.1
Other	3.5	3.4	3.4	3.4
Total	13.1	13.3	15.3	16.3

Alumina Production - page 30
thousands of metric tons

1995	1996	1997	1998	1999
10,578	10,644	11,048	12,938	13,273

Aluminum Production - page 31
thousands of metric tons

1995	1996	1997	1998	1999
1,056	1,708	1,725	2,471	2,851

Aluminum Product Shipments - page 32
thousands of metric tons

	1995	1996	1997	1998	1999
Third-Party Ingot	673	901	920	1,367	1,411
Fabicated Products	1,909	1,940	2,036	2,584	3,067
Total	2,582	2,841	2,956	3,951	4,478

Cost of Goods Sold - page 34
as a percent of sales

	1995	1996	1997	1998	1999
Revenue - billions of dollars	12.5	13.1	13.3	15.3	16.3
Cost of goods sold as a percent of sales	75.8	77.2	77.1	77.8	76.8

Selling and General Administrative Expenses - page 34
as a percent of sales

	1995	1996	1997	1998	1999
Revenue - billions of dollars	12.5	13.1	13.3	15.3	16.3
Selling and general administrative expenses as a percent of sales	5.7	5.5	5.1	5.1	5.2

Cash From Operations - page 36
millions of dollars

1995	1996	1997	1998	1999
1,713	1,279	1,888	2,197	2,236

Debt as a Percent of Invested Capital - page 36

1995	1996	1997	1998	1999
24.0	25.5	25.0	31.7	28.3

Free Cash Flow to Debt Coverage - page 37

1995	1996	1997	1998	1999
1.12	0.79	1.13	0.63	0.80

Capital Expenditures and Depreciation - page 37
millions of dollars

	1995	1996	1997	1998	1999
Capital Expenditures	887	996	913	932	920
Depreciation	713	747	735	842	888

Stock Listing - page 65

Common: New York Stock Exchange, The Electronical Stock Exchange in Switzerland and exchanges in Brussels, Frankfurt and London.

Preferred: American Stock Exchange

Ticker Symbol: AA

Quarterly Common Stock Information - page 65

	1999			1998		
Quarter	High	Low	Dividend	High	Low	Dividend
First	$45-3/32	$35-15/16	$.20125	$39-1/16	$32-9/16	$.1875
Second	67-15/16	40-1/4	.20125	39-11/16	31-3/8	.1875
Third	70-7/8	58-1/2	.20125	37	29	.1875
Fourth	83-3/8	57-1/4	.20125	40-5/8	33-5/8	.1875
Year	$83-3/8	$35-15/16	$.805	$40-5/8	$29	$.75

Common Share Data - page 65

	Estimated number of shareholders*	Average shares outstanding (000)
1999	185,000	366,944
1998	119,000	349,114
1997	95,800	344,452
1996	88,300	348,667
1995	83,600	356,036

*These estimates include shareholders who own stock registered in their own names and those who own stock through banks and brokers.

Exhibit 21

SUBSIDIARIES AND EQUITY ENTITIES OF THE REGISTRANT
(As of December 31, 1999)

Name	State or country of organization
Alcoa Brazil Holdings Company	Delaware
Alcoa Aluminio S.A.	Brazil
Abalco S.A.	Brazil
Alcoa Building Products, Inc.**	Ohio
Alcoa Closure Systems International, Inc.	Delaware
Alcoa CSI Espana, S.A.	Spain
Alcoa International Holdings Company	Delaware
Alcoa Closure Systems International (Tianjin) Co., Ltd.	China
Alcoa Europe Holding B.V.	Netherlands
Alcoa Automotive GmbH	Germany
Alcoa Chemie GmbH	Germany
Alcoa Deutschland GmbH	Germany
Alcoa Extrusions Hannover GmbH & Co. KG	Germany
Alcoa Chemie Nederland B.V.	Netherlands
Alcoa Europe S.A.	Switzerland
Alcoa Inespal, S.A.	Spain
Alumina Espanola, S.A.	Spain
Aluminio Espanola, S.A.	Spain
Alcoa Italia S.p.A.	Italy
Alcoa Moerdijk B.V.	Netherlands
Alcoa Nederland B.V.	Netherlands
Norsk Alcoa A/S	Norway
Alcoa Inter-America, Inc.	Delaware
Alcoa Japan Limited	Japan
Alcoa-Kofem Kft	Hungary
Alcoa of Australia Limited	Australia
A.F.P. Pty. Limited	Australia
Hedges Gold Pty. Ltd.	Australia
Alcoa of Australia (Asia) Limited	Hong Kong
Alcoa Russia, Inc.	Delaware
KAAL Australia Pty. Limited	Australia
KSL Alcoa Aluminum Company, Ltd.	Japan
Kobe Alcoa Transportation Products, Ltd.	Japan
Alcoa Laudel, Inc.	Delaware
Alcoa Manufacturing (G.B.) Limited	England
Alcoa Power Generating Inc.***	Tennessee
Alcoa Properties, Inc.	Delaware
Alcoa South Carolina, Inc.	Delaware

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

** Registered to do business in Ohio under the name of Mastic.

*** Registered to do business in Tennessee under the names Tapoco and APG Trading, in Indiana under the name of AGC, in North Carolina under the names of Yadkin and Tapoco, in New York under the name of Long Sault and in Washington under the name of Colockum.

Name	State or country of organization
Alcoa Recycling Company, Inc.	Delaware
Alcoa Securities Corporation	Delaware
Alcoa Automotive Structures, Inc.	Delaware
Alcoa Brite Products, Inc.	Delaware
Alcoa CSI de Mexico en Saltillo, S.A. de C.V.	Mexico
Alcoa Fujikura Ltd.	Delaware
Stribel GmbH	Germany
Michels GmbH	Germany
Alcoa Kobe Transportation Products, Inc.	Delaware
Alcoa Packaging Machinery, Inc.	Delaware
ASC Alumina, Inc.	Delaware
B & C Research, Inc.	Ohio
Halethorpe Extrusions, Inc.	Delaware
Northwest Alloys, Inc.	Delaware
Pimalco, Inc.	Arizona
Three Rivers Insurance Company	Vermont
Tifton Aluminum Company, Inc.	Delaware
Alcoa (Shanghai) Aluminum Products Company Limited	China
Alcoa World Alumina LLC*	Delaware
Alcoa ACC Industrial Chemicals Ltd.	India
Alcoa Kasei Limited	Japan
Alcoa Minerals of Jamaica, L.L.C.	Delaware
Alcoa Steamship Company, Inc.	New York
Halco (Mining) Inc.	Delaware
Compagnie des Bauxites de Guinee	Delaware
Lib-Ore Steamship Company, Inc.	Liberia
Moralco Limited	Japan
St. Croix Alumina, L.L.C.	Delaware
Suriname Aluminum Company, L.L.C.	Delaware
Alumax Inc.	Delaware
Alcoa Extrusions, Inc.	Pennsylvania
Alumax Becancour, Inc.	Delaware

Alumax Europe N.V.	Belgium
Alumax of South Carolina, Inc.	Delaware
Mt. Holly Aluminum Company	South Carolina
Alumax Foils, Inc.	Delaware
Alumax Mill Products, Inc.	Delaware
Alumax Quebec, Inc.	Wyoming
Eastalco Aluminum Company	Delaware
Intalco Aluminum Corporation	Delaware
Kawneer Company, Inc.	Delaware
Canalco, Inc.	Delaware
Aluminerie Lauralco, Inc.	Delaware
Gulf Closures W.L.L.	Bahrain
Shibazaki Seisakusho Limited	Japan

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

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Alcoa Inc. on Form S-8 (Registration Nos. 33-22346, 33-24846, 33-49109, 33-60305, 333-27903, 333-62663, 333-79575 and 333-91331), Form S-3 (Registration Nos. 33-60045, 33-64353 and 333-59381) and Form S-4 (Registration Nos. 333-58227 and 333-93849) of our reports dated January 10, 2000, except for Note V, for which the date is February 11, 2000, on our audits of the consolidated financial statements and financial statement schedule of Alcoa Inc. and consolidated subsidiaries as of December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999, which reports are incorporated by reference or included in this Form 10-K.

/s/PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

600 Grant Street
Pittsburgh, Pennsylvania
February 28, 2000

Exhibit 24

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned Directors of Alcoa Inc. (the "Company") hereby constitute and appoint RICHARD B. KELSON, ROBERT G. WENNEMER, TIMOTHY S. MOCK and DENIS A. DEMBLOWSKI, or any of them, their true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which said attorneys and agents, or any of them, may deem necessary or advisable or may be required to enable the Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the registration under said Act of the Company's Annual Report on Form 10-K for 1999, including specifically, but without limiting the generality of the foregoing, power and authority to sign the name of the undersigned to the Company's Annual Report on Form 10-K for 1999 to be filed with the Securities and Exchange Commission and to any instruments or documents filed as part of or in connection with any such Form 10-K, including any amendments or supplements thereto; and the undersigned hereby ratify and confirm all that said attorneys and agents, or any of them, shall do or cause to be done by virtue hereof.

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

/s/ Kenneth W. Dam Kenneth W. Dam	January 14, 2000
/s/ Joseph T. Gorman Joseph T. Gorman	January 14, 2000
/s/ Judith M. Gueron Judith M. Gueron	January 14, 2000
/s/ Sir Ronald Hampel Sir Ronald Hampel	January 14, 2000
/s/ Hugh M. Morgan Hugh M. Morgan	January 14, 2000
/s/ John P. Mulroney John P. Mulroney	January 14, 2000
/s/ Paul H. O'Neill Paul H. O'Neill	January 14, 2000
/s/ Henry B. Schacht Henry B. Schacht	January 14, 2000
/s/ Franklin A. Thomas Franklin A. Thomas	January 14, 2000
/s/ Marina v.N. Whitman Marina v.N. Whitman	January 14, 2000

5
1,000

12-MOS
DEC-31-1999
DEC-31-1999
237,000
77,000
2,199,000
58,000
1,618,000
4,800,000
18,436,000
9,303,000
17,066,000
3,003,000
2,724,000
0
56,000
395,000
5,867,000
17,066,000
16,323,000
16,447,000
12,536,000
12,536,000
888,000
0
195,000
1,849,000
553,000
1,296,000
0
0
0
1,054,000
2.87
2.82