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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2004

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 **(State of incorporation)**	**25-0317820** **(I.R.S. Employer Identification No.)**
201 Isabella Street, Pittsburgh, Pennsylvania **(Address of principal executive offices)**	**15212-5858** **(Zip code)**

Investor Relations 212-836-2674
Office of the Secretary 412-553-4707
(Registrant's telephone number including area code)

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

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

As of October 21, 2004, 870,478,696 shares of common stock, par value $1.00 per share, of the Registrant were outstanding.

PART I – FINANCIAL INFORMATION

Item 1. – Financial Statements.

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

	September 30 2004	December 31 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 561	$ 576
Receivables from customers, less allowances of $97 in 2004 and $105 in 2003	3,013	2,559
Other receivables	224	351
Inventories (G)	2,995	2,554
Deferred income taxes	225	267
Prepaid expenses and other current assets	779	502
Total current assets	7,797	6,809
Properties, plants, and equipment, at cost	25,132	24,883
Less: accumulated depreciation, depletion, and amortization	12,880	12,342
Net properties, plants, and equipment	12,252	12,541
Goodwill	6,575	6,549
Other assets	5,642	5,320
Assets held for sale (E)	42	492
Total assets	$ 32,308	$ 31,711
LIABILITIES		
Current liabilities:		
Short-term borrowings	$ 44	$ 56
Accounts payable, trade	2,416	1,982
Accrued compensation and retirement costs	1,042	952
Taxes, including taxes on income	956	701
Other current liabilities	1,074	881
Long-term debt due within one year	497	523
Total current liabilities	6,029	5,095
Long-term debt, less amount due within one year (B)	6,108	6,693
Accrued postretirement benefits	2,178	2,220
Other noncurrent liabilities and deferred credits	3,274	3,390
Deferred income taxes	790	805
Liabilities of operations held for sale (E)	12	93
Total liabilities	18,391	18,296
MINORITY INTERESTS	1,362	1,340
COMMITMENTS AND CONTINGENCIES (H)		
SHAREHOLDERS' EQUITY		
Preferred stock	55	55
Common stock	925	925
Additional capital	5,788	5,831
Retained earnings	8,367	7,850
Treasury stock, at cost	(1,956)	(2,017)
Accumulated other comprehensive loss (I)	(624)	(569)
Total shareholders' equity	12,555	12,075
Total liabilities and equity	$ 32,308	$ 31,711

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

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

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Sales (N)	$ 5,975	$ 5,310	$17,718	$15,900
Cost of goods sold	4,787	4,204	13,992	12,642
Selling, general administrative, and other expenses	315	303	974	942
Research and development expenses	44	47	132	147
Provision for depreciation, depletion, and amortization	300	291	902	878
Restructuring and other charges (F)	4	1	(22)	—
Interest expense	67	75	200	243
Other income, net (K)	(53)	(42)	(200)	(135)
Total costs and expenses	5,464	4,879	15,978	14,717
Income from continuing operations before taxes on income	511	431	1,740	1,183
Provision for taxes on income (L)	142	92	493	300
Income from continuing operations before minority interests' share	369	339	1,247	883
Less: Minority interests' share	71	54	194	188
Income from continuing operations	298	285	1,053	695
Loss from discontinued operations (E)	(15)	(5)	(11)	(1)
Cumulative effect of accounting change (M)	—	—	—	(47)
NET INCOME	$ 283	$ 280	$ 1,042	$ 647
EARNINGS (LOSS) PER SHARE (J)				
Basic:				
Income from continuing operations	$ .34	$ .33	$ 1.21	$ .82
Loss from discontinued operations	(.02)	—	(.01)	—
Cumulative effect of accounting change	—	—	—	(.06)
Net income	$ .32	$ .33	$ 1.20	$ .76
Diluted:				
Income from continuing operations	$ .34	$ .33	$ 1.20	$ .82
Loss from discontinued operations	(.02)	—	(.01)	—
Cumulative effect of accounting change	—	—	—	(.06)
Net income	$ .32	$ .33	$ 1.19	$ .76
Dividends paid per common share	$ .15	$ .15	$ .45	$ .45

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

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

	Nine months ended September 30	
	2004	**2003**
CASH FROM OPERATIONS		
Net income	$ 1,042	$ 647
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion, and amortization	908	889
Change in deferred income taxes	(78)	(2)
Equity income, net of dividends	(49)	(60)
Noncash restructuring and other charges (F)	(22)	—
Net gain on early retirement of debt and interest rate swap settlements (B)	(58)	—
Gains from investing activities - sale of assets	(7)	(16)
Provision for doubtful accounts	19	7
Loss from discontinued operations (E)	11	1
Accounting change (M)	—	47
Minority interests	194	188
Other	28	84
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:		
Increase in receivables	(358)	(56)
(Increase) reduction in inventories	(458)	36
(Increase) reduction in prepaid expenses and other current assets	(135)	7
Increase (reduction) in accounts payable and accrued expenses	406	(212)
Increase (reduction) in taxes, including taxes on income	225	(124)
Cash paid on early retirement of debt and interest rate swap settlements (B)	(52)	—
Cash received on long-term aluminum supply contract	—	440
Net change in noncurrent assets and liabilities	(211)	(110)
Net change in net assets held for sale	2	(30)
CASH PROVIDED FROM CONTINUING OPERATIONS	1,407	1,736
CASH USED FOR DISCONTINUED OPERATIONS	—	(39)
CASH PROVIDED FROM OPERATIONS	1,407	1,697
FINANCING ACTIVITIES		
Net changes to short-term borrowings	(12)	(4)
Common stock issued for stock compensation plans	69	34
Repurchase of common stock	(68)	—
Dividends paid to shareholders	(392)	(385)
Dividends paid to minority interests	(115)	(145)
Net change in commercial paper (B)	730	(483)
Additions to long-term debt	138	288
Payments on long-term debt (B)	(1,422)	(402)
CASH USED FOR FINANCING ACTIVITIES	(1,072)	(1,097)
INVESTING ACTIVITIES		
Capital expenditures	(667)	(570)
Capital expenditures of discontinued operations	—	(3)
Proceeds from the sale of assets (E)	355	23
Additions to investments	(50)	(5)
Changes in short-term investments	20	6
Other	(6)	(14)
CASH USED FOR INVESTING ACTIVITIES	(348)	(563)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(2)	12
Net change in cash and cash equivalents	(15)	49
Cash and cash equivalents at beginning of year	576	344
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 561	$ 393

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

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

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

This Form 10-Q report should be read in conjunction with Alcoa's annual report on Form 10-K for the year ended December 31, 2003, which includes all disclosures required by accounting principles generally accepted in the United States of America.

B. Debt – In June 2004, Alcoa recognized a net gain of $58 in other income on the early retirement of long-term debt and the associated settlement of interest rate swaps. Alcoa retired $1,200 of debt securities, consisting of the following: $200 of 6.125% Bonds due in 2005, $500 of 7.25% Notes due in 2005, and $500 of 5.875% Notes due in 2006. These debt securities were retired primarily with proceeds from commercial paper borrowings. The net gain of $58 is comprised of the following:

- a premium paid for early retirement of debt and related expenses of $67;
- a gain of $48 from previously settled interest rate swaps that hedged the retired debt and was reflected as an increase in its carrying value; and
- a gain of $77 from the settlement of interest rate swaps that hedged anticipated borrowings between June 2005 and June 2006.

Alcoa previously used interest rate swaps to establish fixed interest rates on anticipated borrowings between June 2005 and June 2006. Due to a change in forecasted borrowing requirements, resulting from the early retirement of debt in June 2004 and a forecasted increase in future operating cash flows resulting from improved market conditions, the anticipated borrowings are no longer probable of occurring in 2005 and 2006. Therefore, Alcoa recognized $33 of gains that had been deferred on previously settled swaps and $44 of cash proceeds which was recorded as a gain to unwind the remaining interest rate swaps.

In connection with this transaction, Alcoa terminated $1,000 notional value of interest rate swaps that resulted in a cash payment by Alcoa of $32. These interest rate swaps were hedging debt maturing in 2007 and 2011. The $32 is reflected as a reduction in the carrying value of debt and it will be recognized as an increase in interest expense over the remaining maturity of the related hedged debt.

C. Stock-Based Compensation – Stock options under the company's stock incentive plans have been granted at not less than market prices on the dates of grant. Stock option features based on date of original grant are as follows:

Date of original grant	Vesting	Term	Reload feature
2002 and prior	One year	10 years	One reload over option term
2003	3 years (1/3 each year)	10 years	One reload in 2004 for 1/3 vesting in 2004
2004	3 years (1/3 each year)	6 years	None

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

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

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Net income, as reported	$ 283	$ 280	$ 1,042	$ 647
Less: compensation cost determined under the fair value method, net of tax	9	5	25	13
Pro forma net income	$ 274	$ 275	$ 1,017	$ 634
Basic earnings per share:				
As reported	$ .32	$ .33	$ 1.20	$ .76
Pro forma	.31	.32	1.17	.74
Diluted earnings per share:				
As reported	$ .32	$ .33	$ 1.19	$ .76
Pro forma	.31	.32	1.16	.74

In addition to stock option awards described above, beginning in 2004 the company granted stock awards and performance share awards that vest in three years from the date of grant. Compensation expense of $14 (pre-tax) was recognized on these awards in the first nine months of 2004.

D. Pension Plans and Other Postretirement Benefits – Effective December 31, 2003, Alcoa adopted SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." This standard requires the disclosure of the components of net periodic benefit cost recognized during interim periods.

	Third quarter ended September 30		Nine months ended September 30	
Pension benefits	2004	2003	2004	2003
Service cost	$ 48	$ 46	$ 151	$ 146
Interest cost	155	151	464	459
Expected return on plan assets	(180)	(180)	(540)	(546)
Amortization of prior service cost	9	10	27	29
Recognized actuarial loss	15	1	45	9
Net periodic benefit cost	$ 47	$ 28	$ 147	$ 97

	Third quarter ended September 30		Nine months ended September 30	
Postretirement benefits	2004	2003	2004	2003
Service cost	$ 8	$ 8	$ 24	$ 24
Interest cost	55	59	165	177
Expected return on plan assets	(3)	(3)	(9)	(9)
Amortization of prior service cost (benefit)	(2)	(8)	(6)	(24)
Recognized actuarial loss	12	10	36	30
Net periodic benefit cost	$ 70	$ 66	$ 210	$ 198

The net periodic benefit cost for postretirement benefits for the three-month and nine-month periods ended September 30, 2004 reflects a reduction of approximately $6 and $18, respectively, related to the recognition of the federal subsidy under Medicare Part D. For further details on the Medicare Part D subsidy, see Note V to the audited financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2003.

E. Discontinued Operations and Assets Held for Sale– In September of 2004, Alcoa reclassified the protective packaging business of Ivex Packaging Corporation (Ivex) to discontinued operations based on the decision to sell the business. Therefore, the financial statements for all periods presented have been reclassified to reflect this business in discontinued operations. The Packaging and Consumer segment results do not include the results of operations of the protective packaging business. In September of 2004, a $16 after-tax charge was recorded to reflect the current fair market value of the business. The sale is expected to be completed by the end of 2004.

In the fourth quarter of 2002, Alcoa performed a portfolio review of its businesses and the markets they serve. As a result of this review, Alcoa committed to a plan to divest certain noncore businesses that did not meet internal growth and return measures. A detailed discussion of Alcoa's 2002 divestiture plan and changes to the plan in 2003 can be found in Note B to the audited financial statements contained in Alcoa's Annual Report on Form 10-K for the year ended December 31, 2003. Information on divestiture activities that occurred during 2004 is provided below.

For the periods presented in the Condensed Consolidated Financial Statements, businesses classified as discontinued operations included the protective packaging business of Ivex, Alcoa's commodity automotive fasteners business, a packaging business in South America, and Alcoa's packaging equipment business. In January of 2004, Alcoa sold its packaging equipment business to American Industrial Partners for $44 in cash and recognized an after-tax gain of $10. In February of 2004, Alcoa sold its automotive fasteners business to the Kaminski Holdings group for $17 in cash and notes receivable and recognized an additional after-tax loss of $5. In July of 2004, Alcoa sold its flexible packaging business in South America and recognized no material gain or loss. The gain and loss from these transactions are recorded in discontinued operations in the income statement.

The following table details selected financial information for the businesses included within discontinued operations.

	Third quarter ended September 30		Nine months ended September 30	
	2004	**2003**	**2004**	**2003**
Sales	$ 19	$ 87	$ 76	$ 252
Loss from operations	—	$ (6)	—	$ (1)
Loss on sale of businesses	(24)	—	(17)	—
Total pretax loss	(24)	$ (6)	$ (17)	$ (1)
Provision for taxes	9	1	6	—
Loss from discontinued operations	$ (15)	$ (5)	$ (11)	$ (1)

For the periods presented in the Condensed Consolidated Financial Statements, businesses classified as assets held for sale included Alcoa's specialty chemicals business, an extrusion facility in Europe, certain extrusion facilities in Latin America, foil facilities in St. Louis, MO and Russellville, AR, as well as the protective packaging business of Ivex, Alcoa's commodity automotive fasteners business, a packaging business in South America, and Alcoa's packaging equipment business as described above. In February of 2004, the specialty chemicals business of Alcoa was sold to two private equity firms led by Rhone Capital LLC for an enterprise value of $342, which included the assumption of debt and other unfunded obligations. Alcoa received cash of $248 and recognized a pre-tax, pre-minority interest gain of approximately $53 ($61 after-tax, after-minority interest). The gain is included in Restructuring and Other Charges in the income statement. In April of 2004, Alcoa sold its St. Louis, MO and Russellville, AR foil facilities, as well as an extrusion facility in Europe. Alcoa received $37 in cash and no material gain or loss was recorded on these transactions.

In the second quarter of 2004, certain architectural products businesses in North America were reclassified from assets held for sale to assets held and used as management discontinued the plan of sale due to market conditions. The financial statements for all periods presented have been reclassified to reflect this change. The reclassification did not impact the Condensed Statement of Consolidated Income. The results of the North American architectural products businesses continue to be reflected in the Engineered Products segment.

The major classes of assets and liabilities of operations held for sale in the balance sheet are as follows:

	September 30, 2004	December 31, 2003
Assets:		
Receivables	$ 12	$ 114
Inventories	6	112
Properties, plants, and equipment, net	20	224
Other assets	4	42
Total assets held for sale	$ 42	$ 492
Liabilities:		
Accounts payable and accrued expenses	9	18
Other liabilities	3	75
Total liabilities of operations held for sale	$ 12	$ 93

The changes in assets and liabilities of operations held for sale at September 30, 2004 compared with December 31, 2003 are due to the divestitures of Alcoa's packaging equipment, automotive fasteners, and specialty chemicals businesses, as well as the sale of the St. Louis and Russellville foil facilities, an extrusion plant in Europe, and a packaging business in South America in 2004. The divestiture program is essentially complete, with the exception of certain Latin American extrusion facilities that remain in assets held for sale and the September 2004 decision to move the protective packaging business of Ivex into discontinued operations.

F. Restructuring and Other Charges – In the first nine months of 2004, Alcoa recorded income of $22 for restructuring and other charges, consisting of income of $31 in the first quarter, and expenses of $5 and $4 in the second and third quarters, respectively. Alcoa recorded restructuring and other charges of $4 ($4 after tax and minority interests) in the third quarter, consisting of charges of $7 for employee termination and severance costs associated with 400 salaried and hourly employees (primarily in the U.S. and Mexico), and $4 for asset impairments, partially offset by adjustments of $5 to prior year employee termination and severance cost reserves, and $2 net gains on divested businesses. As of September 30, 2004, approximately 150 of the 400 employees had been terminated.

In the second quarter of 2004, Alcoa recorded restructuring and other charges of $5 ($4 after tax and minority interests), consisting of charges of $14 for employee termination and severance costs associated with 2,700 salaried and hourly employees (primarily in Mexico and the U.S.), as the company continued to focus on reducing costs, partially offset by income of $6 associated with net gains on divested businesses and asset sales, and income of $3 resulting from adjustments to prior year employee termination and severance cost reserves. As of September 30, 2004, 2,400 of the 2,700 employees had been terminated.

In the first quarter of 2004, Alcoa recorded income of $31 ($50 after tax and minority interests) for restructurings, consisting of a $44 gain on the sale of the specialty chemicals business and charges of $13 for employee termination and severance costs associated with 380 salaried and hourly employees (primarily in the U.S. and U.K.). As of September 30, 2004, 280 of the 380 employees had been terminated.

Approximately $17 of cash payments were made against the reserves in the first nine months of 2004. All layoffs recorded in 2004 are expected to be completed in 2004. Restructuring and other charges are not reflected in the segment results.

During 2003, Alcoa recorded income of $26 ($25 after tax and minority interests) for restructuring and other charges. The income recognized was comprised of the following components: $45 of charges for employee termination and severance costs associated with approximately 1,600 hourly and salaried employees (located primarily in Europe, the U.S., and Brazil), as the company continued to focus on cost reductions in businesses that continued to be impacted by market declines; $20 of charges related to a reduction in the estimated fair values of businesses included in assets held for sale; and $91 of income comprised of $53 primarily associated with the sale of the Latin America PET business, and $38 resulting from adjustments to prior year employee termination and severance cost reserves (in conjunction with the $38 reserve adjustment, there was a change in the number of employees to be terminated under the 2002 restructuring program from 8,500 to 6,700 employees). The 2003 restructuring program is essentially complete.

During 2002, Alcoa recorded charges of $425 ($280 after tax and minority interests) for restructurings associated with the curtailment of aluminum production at three smelters, as well as restructuring operations for those businesses experiencing negligible growth due to continued market declines and the decision to divest certain businesses that have failed to meet internal growth and return measures. The 2002 charges were comprised of $296 for asset write-downs, consisting of $113 of goodwill on businesses to be divested, as well as $183 for structures, machinery, and equipment; $105 for employee termination and severance costs related to approximately 6,700 hourly and salaried employees at over 70 locations, primarily in Mexico, Europe, and the U.S.; and charges of $31 for exit costs, principally for remediation and demolition costs, as well as lease termination costs. The 2002 restructuring program is essentially complete.

Activity and reserve balances for restructuring charges are as follows:

	Asset write-downs	Employee termination and severance costs	Other	Total
Reserve balances at December 31, 2002	$ 63	$ 166	$ 27	$ 256
2003:				
Cash payments	(16)	(120)	(17)	(153)
2003 restructuring charges	—	45	—	45
Additions to 2002 restructuring charges	20	—	—	20
Reversals of 2002 restructuring charges	(53)	(38)	—	(91)
Noncash additions/reversals to the reserves in 2003	24	—	—	24
Reserve balances at December 31, 2003	$ 38	$ 53	$ 10	$ 101
2004:				
Cash payments	(1)	(43)	(3)	(47)
2004 restructuring charges	4	34	(52)	(14)
Reversals of 2003 restructuring charges	—	(8)	—	(8)
Net gains on sales of assets not impacting reserve balances	—	—	52	52
Noncash charges	(4)	—	—	(4)
Reserve balances at September 30, 2004	$ 37	$ 36	$ 7	$ 80

For further details on the restructurings, see Note D to the audited financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2003.

G. Inventories

	September 30 2004	December 31 2003
Finished goods	$ 956	$ 760
Work in process	913	791
Bauxite and alumina	433	337
Purchased raw materials	483	456
Operating supplies	210	210
	$ 2,995	$ 2,554

Approximately 43% of total inventories at September 30, 2004, was valued on a LIFO basis. If valued on an average cost basis, total inventories would have been $616 and $558 higher at September 30, 2004 and December 31, 2003, respectively. The increase in inventories is a result of improved market conditions.

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

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

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

Completed projects	Date completed	Investment participation	Share of output	Debt guarantee	Debt guarantee through 2013
Machadinho	2002	27.23%	22.62%	35.53%	$ 106

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

Committed projects	Scheduled completion date	Share of output	Investment participation	Total estimated project costs	Aluminio's share of project costs	Performance bond guarantee
Barra Grande	2006	42.20%	42.20%	$ 471	$ 199	$ 5
Serra do Facao	2008	39.50%	39.50%	$ 223	$ 88	$ 4
Pai-Quere	2008	35.00%	35.00%	$ 273	$ 96	$ 2
Estreito	2009	19.08%	19.08%	$ 589	$ 112	$ 10

These projects were committed to during 2001 and 2002, and the Barra Grande project commenced construction in 2002. As of the third quarter of 2004, approximately 50% of the long-term financing for the Barra Grande project was obtained, of which Aluminio guaranteed 42.20% based on its investment participation. The plans for financing the other projects have not yet been finalized. It is anticipated that a portion of the project costs will be financed with third parties. Aluminio may be required to provide guarantees of project financing or commit to additional investments as these projects progress.

During 2003, the participants in the Santa Isabel project formally requested the return of the performance bond related to the license to construct the hydroelectric project. This project has been terminated.

Aluminio accounts for the Machadinho and Barra Grande hydroelectric projects on the equity method. Its total investment in these projects was $125 and $136 at September 30, 2004 and December 31, 2003, respectively. There have been no significant investments made in any of the other projects.

In September 2003, Alcoa signed a memorandum of understanding (MOU) with the government of the Kingdom of Bahrain to acquire up to a 26 percent equity stake in Alba, a Bahrain company that owns and operates a 512,000 metric ton per year (mtpy), four-potline aluminum smelter. Alcoa and the government were unable to reach mutually acceptable terms to finalize the terms of the MOU, and it is no longer in force. Alcoa and the government are continuing to explore other ways for Alcoa to invest in Alba.

I. Comprehensive Income

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Net income	$ 283	$ 280	$1,042	$ 647
Changes in other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on available-for-sale securities	65	59	(61)	105
Minimum pension liability	—	1	—	(1)
Unrealized translation adjustments	160	110	(8)	483
Unrecognized gains (losses) on derivatives				
Net change from periodic revaluations	38	4	81	75
Net amount reclassified to income (1)	(15)	(20)	(67)	(54)
Net unrecognized gains (losses) on derivatives	23	(16)	14	21
Comprehensive income	$ 531	$ 434	$ 987	$1,255

(1) 2004 nine-month period includes $77 associated with interest rate swap settlements that occurred in June 2004. See Note B.

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

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Income from continuing operations	$ 298	$ 285	$ 1,053	$ 695
Less: preferred stock dividends	1	1	2	2
Income from continuing operations available to common shareholders	$ 297	$ 284	$ 1,051	$ 693
Average shares outstanding – basic	870	855	870	849
Effect of dilutive securities:				
Shares issuable upon exercise of dilutive stock options	7	4	7	3
Average shares outstanding – diluted	877	859	877	852

Options to purchase 58 million and 64 million shares of common stock at average exercise prices of $38.00 and $36.00 were outstanding as of September 30, 2004 and 2003, respectively, but were not included in the computation of diluted EPS because the option exercise price was greater than the average market price of the common shares.

K. Other Income, Net

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Equity income	$ 39	$ 28	$ 110	$ 112
Interest income	12	11	31	29
Foreign exchange losses	(17)	(7)	(19)	(44)
(Losses) gains on sales of assets	(7)	3	1	16
Net gain on early retirement of debt and interest rate swap settlements (B)	—	—	58	—
Other income	26	7	19	22
	$ 53	$ 42	$ 200	$ 135

Other income for the third quarter and nine-month periods of 2004 included a gain of $35 for the termination of an alumina tolling arrangement. In addition, the 2004 nine-month period included a charge of $20 recognized in the first quarter of 2004 related to settlements reached in the El Campo litigation matter.

L. Income Taxes – The effective tax rate of 28.3% for the 2004 nine-month period differs from the statutory rate of 35% and the 2003 nine-month rate of 25.3% principally due to the sale of the specialty chemicals business in 2004 and lower taxes on foreign income.

M. Cumulative Effect of Accounting Change – Effective January 1, 2003, Alcoa adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." Under this standard, Alcoa recognized additional liabilities for asset retirement obligations (AROs), consisting primarily of costs associated with spent pot lining disposal, bauxite residue disposal, mine reclamation, and landfills. These costs reflect the legal obligations associated with the normal operation of Alcoa's bauxite mining, alumina refining, and aluminum smelting facilities. There were no material changes to the ARO balances during the third quarter of 2004. Additionally, Alcoa capitalized asset retirement costs by increasing the carrying amount of related long-lived assets, principally machinery and equipment, and recorded associated accumulated depreciation from the time the original assets were placed into service. The cumulative effect adjustment recognized upon adoption of this standard was $47, consisting principally of costs to establish assets and liabilities related to spent pot lining for pots currently in operation.

N. Segment Information - The following details sales and after-tax operating income (ATOI) for each reportable segment for the three-month and nine-month periods ended September 30, 2004 and 2003. For more information on segments, see Note P to the audited financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2003.

Third quarter ended September 30, 2004	Alumina and Chemicals	Primary Metals	Flat-Rolled Products	Engineered Products	Packaging and Consumer	Other	Total
Sales:							
Third-party sales	$ 490	$ 930	$ 1,520	$ 1,583	$ 797	$655	$5,975
Intersegment sales	341	1,039	25	4	—	—	1,409
Total sales	$ 831	$1,969	$ 1,545	$ 1,587	$ 797	$655	$7,384
ATOI	$ 169	$ 188	$ 62	$ 60	$ 41	$ 12	$ 532
Third quarter ended September 30, 2003							
Sales:							
Third-party sales	$ 526	$ 816	$ 1,176	$ 1,369	$ 787	$636	$5,310
Intersegment sales	258	740	17	5	—	—	1,020
Total sales	$ 784	$1,556	$ 1,193	$ 1,374	$ 787	$636	$6,330
ATOI	$ 113	$ 163	$ 59	$ 47	$ 56	$ 8	$ 446

Nine months ended September 30, 2004	Alumina and Chemicals	Primary Metals	Flat-Rolled Products	Engineered Products	Packaging and Consumer	Other	Total
Sales:							
Third-party sales	$ 1,439	$2,767	$ 4,460	$ 4,704	$ 2,339	$ 2,009	$ 17,718
Intersegment sales	1,028	3,206	71	13	—	—	4,318
Total sales	$ 2,467	$5,973	$ 4,531	$ 4,717	$ 2,339	$ 2,009	$ 22,036
ATOI	$ 455	$ 610	$ 187	$ 200	$ 130	$ 60	$ 1,642
Nine months ended September 30, 2003							
Sales:							
Third-party sales	$ 1,466	$2,353	$ 3,528	$ 4,214	$ 2,325	$ 2,014	$ 15,900
Intersegment sales	746	2,270	52	19	—	—	3,087
Total sales	$ 2,212	$4,623	$ 3,580	$ 4,233	$ 2,325	$ 2,014	$ 18,987
ATOI	$ 293	$ 491	$ 168	$ 122	$ 163	$ 34	$ 1,271

The following reconciles segment information to consolidated totals.

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Total ATOI	$ 532	$ 446	$ 1,642	$ 1,271
Impact of intersegment profit adjustments	3	2	34	5
Unallocated amounts (net of tax):				
Interest income	8	7	20	18
Interest expense	(44)	(49)	(130)	(158)
Minority interests	(71)	(54)	(194)	(188)
Corporate expense	(68)	(65)	(205)	(203)
Restructuring and other charges (F)	(3)	(1)	24	1
Discontinued operations (E)	(15)	(5)	(11)	(1)
Accounting change (M)	—	—	—	(47)
Other	(59)	(1)	(138)	(51)
Consolidated net income	$ 283	$ 280	$ 1,042	$ 647

The significant changes in the reconciling items between ATOI and consolidated net income for the 2004 third quarter and nine-month period compared with the corresponding 2003 periods consisted of:

- a decrease in interest expense due to lower average debt levels and lower average effective interest rates,
- an increase in the loss from discontinued operations due to the movement of the protective packaging business into discontinued operations and the recording of an impairment loss to reflect the current fair market value of the business, and
- an increase in other, principally caused by the tax benefit for international tax legislation enacted in 2003 and an increase in LIFO inventory adjustments due to the increase in the price of aluminum.

The 2004 nine-month period was also negatively impacted by a $42 increase of the environmental reserve primarily for the Grasse River project and the absence of the sale of assets (primarily office space) that occurred in the first half of 2003. These were partially offset by the $58 gain recognized on the debt restructuring in the second quarter of 2004. See Note B for additional details surrounding the restructuring of debt.

The following table represents segment assets.

	September 30 2004	December 31 2003
Alumina and Chemicals	$ 3,258	$ 3,077
Primary Metals	7,819	7,398
Flat-Rolled Products	3,626	3,380
Engineered Products	6,773	6,362
Packaging and Consumer	3,054	3,038
Other	1,861	1,752
Total segment assets	$ 26,391	$ 25,007

The increase in segment assets across all segments is due to higher customer receivables and increased inventories from stronger volumes and prices in 2004.

O. Reclassifications - Certain amounts have been reclassified to conform to current period presentation.

P. Subsequent Event - On October 26, 2004, Alcoa agreed to acquire approximately a 20% interest in a consortium formed to acquire the Dampier to Bunbury Natural Gas Pipeline in exchange for an initial cash investment of $17 million and a future funding commitment of an additional $72 million which will be paid as expansions of the pipeline occur through 2008. Alcoa’s investment was made to secure a supply of natural gas to its refineries in Western Australia. In addition to its ownership interest, Alcoa maintains an on-going natural gas supply contract with the joint venture which provides for the purchase of approximately 40% of the pipeline’s production. Alcoa will account for its investment in accordance with the equity method of accounting for investments in common stock.

Report of Independent Registered Public Accounting Firm *

To the Shareholders and Board of Directors of
Alcoa Inc.

We have reviewed the accompanying unaudited condensed consolidated balance sheet of Alcoa Inc. and its subsidiaries (Alcoa) as of September 30, 2004, and the related unaudited condensed statements of consolidated income for each of the three-month and nine-month periods ended September 30, 2004 and 2003 and the unaudited condensed statement of consolidated cash flows for the nine-month periods ended September 30, 2004 and 2003. These interim financial statements are the responsibility of Alcoa's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2003, and the related statements of consolidated income, shareholders' equity and of cash flows for the year then ended (not presented herein), and in our report dated January 8, 2004 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2003, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note M to the unaudited condensed consolidated financial statements, Alcoa changed its method of accounting for asset retirement obligations effective January 1, 2003.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
October 7, 2004, except for Note P,
as to which the date is October 26, 2004

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
(dollars in millions, except per share amounts and ingot prices; shipments in thousands of metric tons [mt])

Certain statements in this report under this caption and elsewhere relate to future events and expectations and, as such, constitute forward-looking statements. Forward-looking statements include those containing such words as "anticipates," "believes," "estimates," "expects," "hopes," "targets," "should," "will," "will likely result," "forecast," "outlook," "projects" or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Alcoa to be different from those expressed or implied in the forward-looking statements. For a discussion of some of the specific factors that may cause such a difference, see Note H to the Condensed Consolidated Financial Statements; the disclosures included below under Segment Information, Environmental Matters, and Quantitative and Qualitative Disclosures about Market Risks; and Alcoa's Form 10-K, Part I, Item 1, for the year ended December 31, 2003.

Results of Operations

Selected Financial Data:

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Sales	$ 5,975	$ 5,310	$17,718	$15,900
Income from continuing operations	298	285	1,053	695
Cumulative effect of accounting change	—	—	—	(47)
Net income	$ 283	$ 280	$ 1,042	$ 647
Earnings per common share:				
Diluted – Income from continuing operations	$ .34	$ .33	$ 1.20	$ .82
Diluted – Net income	$ .32	$ .33	$ 1.19	$ .76
Shipments of aluminum products (mt)	1,274	1,225	3,833	3,624
Shipments of alumina (mt)	1,833	1,982	5,347	5,715
Alcoa's average realized ingot price	$ .85	$ .71	$ .84	$ .69
Average 3-month LME price	$ .78	$ .64	$ .77	$ .63

Alcoa's income from continuing operations for the 2004 third quarter and nine-month period was $298, or 34 cents per diluted share, and $1,053, or $1.20 per share, respectively. Income from continuing operations increased 5% in the 2004 third quarter and 52% in the nine-month period, as compared to the corresponding 2003 periods. Results in 2004 were favorably impacted by higher realized prices, as alumina prices rose 23% and 26% and aluminum prices climbed 20% in the 2004 third quarter and nine-month period, respectively, compared with the corresponding 2003 periods. Volume increases in the Engineered Products, Packaging and Consumer, and Flat-Rolled Products segments and the termination of an alumina tolling arrangement favorably contributed to 2004 results. The 2004 nine-month period was also favorably impacted by the gain on the specialty chemicals business that was sold in the first quarter of 2004 and the debt restructuring that occurred in the second quarter of 2004. However, the impact of a weaker U.S. dollar against other currencies, increased raw material and energy costs, the strike at the Becancour, Quebec smelter, and the effects of Hurricane Ivan in Jamaica partially offset the increase in income during 2004. The 2004 nine-month period was unfavorably impacted by litigation settlements in the first quarter of 2004.

Net income for the 2004 third quarter and nine-month period was $283, or 32 cents per share, and $1,042, or $1.19 per share, respectively, as compared to $280, or 33 cents per share, and $647, or 76 cents per share, for corresponding periods in 2003. In September of 2004, a $16 after-tax charge was recorded to reflect the current fair market value of the protective packaging business, which was reclassified into discontinued operations. The 2003 results included a cumulative effect charge of $47, or 6 cents per share, for the accounting change for asset retirement obligations under Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations."

Sales for the 2004 third quarter and nine-month period increased $665, or 13%, and $1,818, or 11%, respectively compared with corresponding 2003 periods. The increase in realized prices for alumina and aluminum as well as higher volumes in businesses serving the commercial transportation, distribution, aerospace, telecommunications, packaging, and residential building and construction markets drove the increase in sales. The favorable impact of foreign currency exchange movements and the consolidation of KAAL Australia (Alcoa acquired the remaining 50% interest from Kobe Steel Ltd. in October 2003.) also contributed to the sales increase. Partially offsetting these increases were the impact of divestitures, principally the specialty chemicals and Latin American PET businesses, and lower volumes in the Primary Metals segment due to the strike at the Becancour smelter as well as lower volumes in the automotive business.

Cost of goods sold (COGS) as a percentage of sales was 80.1% for the 2004 third quarter and 79.0% for the 2004 nine-month period, compared with 79.2% and 79.5% in the 2003 corresponding periods. In the 2004 third quarter, higher realized prices were more than offset by unfavorable foreign currency exchange movements and higher costs associated with energy and raw materials, the Becancour strike, the impact of Hurricane Ivan in Jamaica, and throughput issues in Australia. The decrease in the 2004 nine-month period is attributed to higher realized prices and cost savings, which more than offset the unfavorable items noted previously as well as an increase of $42 in environmental reserves that occurred in the second quarter of 2004.

Selling, general administrative, and other expenses (SG&A) for the 2004 third quarter and 2004 nine-month period increased $12, or 4%, and $32 or 3%, compared with the corresponding periods in 2003. These increases resulted from expenses associated with stock awards granted in 2004 and unfavorable foreign currency movements, which were partially offset by a reduction in deferred compensation costs. The 2004 nine-month period was also negatively impacted by the bankruptcy of an alumina customer.

The provision for depreciation, depletion, and amortization increased by 3% in both the 2004 third quarter and 2004 nine-month period, as compared to the corresponding periods of 2003. The increase is primarily due to unfavorable foreign currency exchange movements.

Restructuring and other charges resulted in expense of $4 in the 2004 third quarter and income of $22 in the 2004 nine-month period. In the third quarter of 2004, Alcoa recorded restructuring and other charges of $4 ($4 after taxes and minority interests) in the third quarter, consisting of charges of $7 for employee termination and severance costs associated with 400 salaried and hourly employees (primarily in the U.S. and Mexico), and $4 for asset impairments, partially offset by adjustments of $5 to prior year employee termination and severance cost reserves, and $2 net gains on divested businesses. As of September 30, 2004, approximately 150 of the 400 employees had been terminated. In the second quarter of 2004, a charge of $14 was recorded for employee termination and severance costs associated with 2,700 salaried and hourly employees (primarily in Mexico and the U.S.). Partially offsetting this charge were income of $6 associated with net gains on divested businesses and asset sales, and income of $3 resulting from adjustments to prior year employee termination and severance cost reserves. As of September 30, 2004, 2,400 of the 2,700 employees had been terminated. In the first quarter of 2004, income of $31 was recorded for restructuring and other charges, consisting of a gain of $44 on the sale of the specialty chemicals business, which was somewhat offset by charges of $13 for employee termination and severance costs associated with 380 salaried and hourly employees (primarily in the U.S. and U.K.). As of September 30, 2004, 280 of the 380 employees had been terminated. Approximately $17 of cash payments were made against the reserves in the first nine months of 2004. All layoffs recorded in 2004 are expected to be completed in 2004. Restructuring and other charges are not included in the segment results.

The pre-tax income (expense) of allocating these amounts to the segment results would have been as follows:

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Alumina and Chemicals	$ 1	$ 1	$ 51	$ 1
Primary Metals	—	(1)	(5)	(7)
Flat-Rolled Products	(1)	(1)	(2)	(11)
Engineered Products	(2)	1	(10)	(26)
Packaging and Consumer	(3)	(5)	(10)	38
Other	(1)	4	(2)	5
Segment total	(6)	(1)	22	—
Corporate	2	—	—	—
Total restructuring and other charges	$ (4)	$ (1)	$ 22	$ —

Interest expense for the 2004 third quarter and nine-month period decreased $8, or 11%, and $43, or 18%, from the corresponding 2003 periods, primarily due to lower average debt levels. The decrease in the 2004 nine-month period was also caused by lower average effective interest rates.

Other income for the 2004 third quarter and nine-month period increased $11, or 26%, and $65, or 48%, over the corresponding 2003 periods. The increase in the 2004 third quarter is due to the gain of $35 related to the termination of an alumina tolling arrangement and $11 of higher equity income. These were largely offset by $10 unfavorable foreign currency exchange movements, a $6 impairment of a cost basis investment, a $5 increase in expenses related to employee life insurance, as well as declines in dividend and interest income. The 2004 nine-month increase resulted from the $58 gain recognized on the restructuring of debt, the $35 gain on the termination of an alumina tolling arrangement, and $25 favorable foreign currency exchange movements, partially offset by $20 associated with litigation settlements in 2004, $15 of higher net gains on asset sales (principally office space) recognized in 2003, and an $11 increase in expenses related to employee life insurance.

The effective tax rate of 28.3% for the 2004 nine-month period differs from the statutory rate of 35% and the 2003 nine-month rate of 25.3% principally due to the sale of the specialty chemicals business in 2004 and lower taxes on foreign income.

Minority interests’ share of income from operations increased $17, or 31%, and $6, or 3%, in the 2004 third quarter and nine-month period, respectively, as compared to the same periods in 2003. The increases were partly due to higher earnings at Alcoa World Alumina and Chemicals due to higher realized prices and the gain associated with the termination of an alumina tolling arrangement. This was partially offset by Alcoa’s acquisition of the minority interest in Alcoa Aluminio in August 2003. The increase in the 2004 nine-month period was also favorably impacted by the sale of the specialty chemicals business.

Segment Information

I. Alumina and Chemicals

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Alumina production (mt)	3,546	3,493	10,721	10,291
Third-party alumina shipments (mt)	1,833	1,982	5,347	5,715
Third-party sales	$ 490	$ 526	$ 1,439	$ 1,466
Intersegment sales	341	258	1,028	746
Total sales	$ 831	$ 784	$ 2,467	$ 2,212
After-tax operating income (ATOI)	$ 169	$ 113	$ 455	$ 293

Third-party sales for the Alumina and Chemicals segment decreased 7% and 2% in the 2004 third quarter and nine-month period, compared with the corresponding 2003 periods. An increase in realized prices of 23% in the 2004 third quarter and 26% in the 2004 nine-month period, as compared to corresponding 2003 periods, was more than offset by lower third-party volumes due to higher internal demand. The increase in realized prices was also offset by the loss of revenue resulting from the sale of the specialty chemicals business in February of 2004.

Intersegment sales increased 32% in the 2004 third quarter and 38% in the 2004 nine-month period, as compared to corresponding periods in 2003, as a result of higher realized prices and increased internal demand as a result of the expiration of contracts on required third-party purchases. In the 2004 nine-month period, production increased principally at the Point Comfort, TX refinery, after startup of additional capacity during 2003.

ATOI for this segment rose 50% in the 2004 third quarter and 55% in the 2004 nine-month period, as compared to corresponding 2003 periods, due primarily to higher realized prices and the termination of an alumina tolling arrangement. Results were negatively impacted by reduced volumes, unfavorable foreign currency exchange movements, clean-up costs and lost production in Jamaica resulting from Hurricane Ivan, and throughput issues in Australia. The loss of profit associated with the sale of the chemicals business produced a negative impact on both the 2004 third quarter and nine-month periods.

Alumina prices in the fourth quarter of 2004 are expected to be flat with third quarter realizations. The third quarter benefit associated with the termination of an alumina tolling agreement will not recur in the fourth quarter.

II. Primary Metals

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Aluminum production (mt)	821	869	2,551	2,633
Third-party aluminum shipments (mt)	459	488	1,400	1,436
Alcoa’s average realized price per pound for aluminum ingot	$ .85	$ .71	$ .84	$ .69
Third-party sales	$ 930	$ 816	$ 2,767	$ 2,353
Intersegment sales	1,039	740	3,206	2,270
Total sales	$ 1,969	$ 1,556	$ 5,973	$ 4,623
ATOI	$ 188	$ 163	$ 610	$ 491

Third-party sales for the Primary Metals segment increased 14% in the third quarter of 2004 and 18% in the 2004 nine-month period, compared with the corresponding periods of 2003. The increases are due to 20% higher realized prices in both the third quarter of 2004 and the 2004 nine-month periods, partially offset by lower third-party volumes resulting from the curtailment of two potlines due to the strike at the Becancour smelter. Intersegment sales increased 40% in the third quarter of 2004 and 41% in the 2004 nine-month period primarily due to the increase in realized prices as well as increased volumes due to strengthening in the downstream aluminum fabricating businesses.

ATOI for this segment increased 15% in the 2004 third quarter and 24% in the 2004 nine-month period due to higher realized prices and higher total volumes, somewhat offset by higher costs for energy, the impact of unfavorable foreign currency exchange movements, and the effects of the strike at the Becancour smelter.

Alcoa has approximately 719,000 mt per year (mtpy) of idle capacity on a base capacity of 3,977,000 mtpy. On October 7, 2004, the workers at the Wenatchee smelter voted to accept a labor agreement. Alcoa will begin the process to restart two potlines at this facility, which has been idled since July of 2001.

Aluminum prices continue to be strong in the fourth quarter of 2004. Alcoa will continue its program of metal purchases to optimize the selling of value-added products. A resolution to the strike at the Becancour smelter would not likely generate any significant benefits in the fourth quarter, nor would the restart of the Wenatchee smelter. Higher energy costs will continue to negatively impact results.

III. Flat-Rolled Products

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Third-party aluminum shipments (mt)	521	450	1,553	1,337
Third-party sales	$ 1,520	$ 1,176	$ 4,460	$ 3,528
Intersegment sales	25	17	71	52
Total sales	$ 1,545	$ 1,193	$ 4,531	$ 3,580
ATOI	$ 62	$ 59	$ 187	$ 168

Third-party sales for the Flat-Rolled Products segment increased 29% in the 2004 third quarter and 26% in the 2004 nine-month period, as compared to the same periods in 2003. The increase resulted from the acquisition of the remaining 50% interest in KAAL Australia (can sheet rolling mills) in October of 2003, higher prices, and higher volumes due to improved demand in the commercial transportation, packaging, aerospace, automotive, and industrial products markets.

ATOI for this segment increased 5% in the third quarter of 2004 and 11% for the 2004 nine-month period due to higher volumes; favorable mix; improved productivity in the sheet and plate business; and the contribution of KAAL Australia. In the 2004 nine-month period, these positive contributions were somewhat offset by a hot mill interruption at the Kitts Green facility in the U.K. and temporary throughput issues at the Tennessee can sheet facility, and these issues have been resolved.

In the fourth quarter, seasonal volume declines are expected for rigid container sheet. The commercial vehicle market, while recovering, is projected to experience seasonal softening as well. The aerospace and distribution markets are expected to continue to strengthen in the fourth quarter.

IV. Engineered Products

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Third-party aluminum shipments (mt)	234	222	707	666
Third-party sales	$ 1,583	$ 1,369	$ 4,704	$ 4,214
Intersegment sales	4	5	13	19
Total sales	$ 1,587	$ 1,374	$ 4,717	$ 4,233
ATOI	$ 60	$ 47	$ 200	$ 122

Third-party sales for the Engineered Products segment increased 16% the 2004 third quarter and 12% in the 2004 nine-month period, as compared to 2003 corresponding periods, principally due to higher volumes in the businesses serving the commercial transportation, aerospace, building and construction, and distribution markets.

ATOI for this segment increased 28% in the third quarter of 2004 and 64% in the 2004 nine-month period. The increase in 2004 was principally due to higher volumes as a result of improved market conditions and increased productivity, which were slightly offset by increased pricing pressures.

The aerospace and distribution markets are expected to strengthen in the fourth quarter. Anticipated seasonal weakness in the automotive, building and construction, and commercial vehicle markets will likely mitigate such strengthening.

V. Packaging and Consumer

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Third-party aluminum shipments (mt)	39	40	118	118
Third-party sales	$ 797	$ 787	$ 2,339	$ 2,325
Intersegment sales	—	—	—	—
Total sales	$ 797	$ 787	$ 2,339	$ 2,325
ATOI	$ 41	$ 56	$ 130	$ 163

Third-party sales for the Packaging and Consumer segment were relatively flat in the 2004 third quarter and nine-month period, compared with the 2003 corresponding periods. Higher volumes in the thermoformed plastics, closures, consumer products, and packaging graphics and design businesses were offset by a decline in sales due to the divestiture of the Latin America PET business in 2003.

ATOI for this segment declined 27% in the third quarter of 2004 and 20% in the 2004 nine-month period compared to 2003 corresponding periods. The higher volumes noted previously were more than offset by the negative impact of persistently higher resin costs, higher costs for metal and paper, the divestitures of the Latin America PET business and Latasa (a Latin America aluminum can business in which Alcoa had an equity interest), and the fire at the Kama packaging facility.

In the fourth quarter, seasonal weakness is expected in closures while seasonal demand for consumer products is anticipated to increase. Raw materials costs continue to increase, but pass-through opportunities may mitigate some of those increases.

VI. Other

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Third-party aluminum shipments (mt) *	21	25	55	67
Third-party sales	$ 655	$ 636	$ 2,009	$ 2,014
Intersegment sales	—	—	—	—
Total sales	$ 655	$ 636	$ 2,009	$ 2,014
ATOI	$ 12	$ 8	$ 60	$ 34

* Third party aluminum shipments for previously reported periods have been properly adjusted to reflect international selling company activity.

Third-party sales for the Other group increased 3% in the 2004 third quarter and remained relatively flat in the 2004 nine-month period compared with 2003 corresponding periods, principally due to volume increases in the residential building products and telecommunications businesses, which were offset by lower volumes at AFL automotive, as this business continued to rebalance its customer base. The 2004 nine-month period was also negatively affected by the disposition of distribution facilities in Europe.

ATOI for this group increased 50% in the 2004 third quarter and 76% in the 2004 nine-month period, compared to corresponding 2003 periods, due to increased volumes in the telecommunications business and higher equity income from Integris Metals, Inc. (a metals distribution joint venture in which Alcoa has a 50% equity interest). These positive contributions were somewhat offset by lower volumes in the automotive businesses.

In the fourth quarter, automotive will continue to be weak based on production cuts at Ford and General Motors and platform specific cutbacks to reduce field inventories on specific models. Seasonal declines are expected in the building and construction market.

Reconciliation of ATOI to Consolidated Net Income

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

The following reconciles segment information to consolidated totals.

	Third quarter ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Total ATOI	$ 532	$ 446	$1,642	$1,271
Impact of intersegment profit adjustments	3	2	34	5
Unallocated amounts (net of tax):				
Interest income	8	7	20	18
Interest expense	(44)	(49)	(130)	(158)
Minority interests	(71)	(54)	(194)	(188)
Corporate expense	(68)	(65)	(205)	(203)
Restructuring and other charges	(3)	(1)	24	1
Discontinued operations	(15)	(5)	(11)	(1)
Accounting change	—	—	—	(47)
Other	(59)	(1)	(138)	(51)
Consolidated net income	$ 283	$ 280	$1,042	$ 647

The significant changes in the reconciling items between ATOI and consolidated net income for the 2004 third quarter and nine-month period compared with the corresponding 2003 periods consisted of:

- a decrease in interest expense due to lower average debt levels and lower average effective interest rates,
- an increase in the loss from discontinued operations due to the movement of the protective packaging business into discontinued operations and the recording of an impairment loss to reflect the current fair market value of the business, and
- an increase in other, principally caused by the tax benefit for international tax legislation enacted in 2003 and an increase in LIFO inventory adjustments due to the increase in the price of aluminum.

The 2004 nine-month period was also negatively impacted by a $42 increase of the environmental reserve primarily for the Grasse River project and the absence of the sale of assets (primarily office space) that occurred in the first half of 2003. These are partially offset by the $58 gain recognized on the debt restructuring in the second quarter of 2004. See Note B in Part I, Item I for additional details surrounding the restructuring of debt.

Liquidity and Capital Resources

Cash from Operations

Cash from operations was $1,407 in the 2004 nine-month period compared with $1,697 in the same period of 2003. The decrease of $290 is principally due to net increases in inventories, receivables, payables, and taxes of $171, and the absence of a $440 advance payment received in 2003 against a long-term aluminum supply contract, partially offset by the increase in net income.

Financing Activities

Cash used for financing activities of $1,072 in the 2004 nine-month period was relatively flat with cash used of $1,097 in the 2003 nine-month period.

In June 2004, Alcoa completed the early retirement of $1,200 of debt securities, consisting of the following: $200 of 6.125% Bonds due in 2005, $500 of 7.25% Notes due in 2005, and $500 of 5.875% Notes due in 2006. These debt securities were retired primarily with proceeds from commercial paper borrowings.

On April 23, 2004 Alcoa refinanced its $2,000 revolving-credit agreement that was to expire in April 2004 into a new $1,000 revolving-credit agreement that will expire in April 2005, with an option to extend the maturity date of any borrowings outstanding on the April 2005 expiration date for one year. Additionally, Alcoa refinanced its $1,000 revolving-credit agreement that was to expire in April 2005 into a new agreement that will expire in April 2009.

Investing Activities

Cash used for investing activities was $348 in the 2004 nine-month period compared with $563 in the same period in 2003. The change of $215 was primarily due to proceeds received from the divestitures of Alcoa's specialty chemicals, packaging equipment, and automotive fasteners businesses, as well as foil facilities, and a European extrusion facility. This was somewhat offset by cash used to acquire 44 million additional shares of Chalco to maintain Alcoa's 8% ownership interest.

Due to the timing of spend on growth projects, Alcoa will spend approximately $1.2 billion on capital in 2004. This amount is almost $100 million lower than original projections.

Environmental Matters

Alcoa continues to participate in environmental assessments and cleanups at a number of locations. These include approximately 30 owned or operating facilities and adjoining properties, approximately 39 previously owned or operating facilities and adjoining properties and approximately 67 Superfund and other waste sites. A liability is recorded for environmental remediation costs or damages when a cleanup program becomes probable and the costs or damages can be reasonably estimated.

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

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

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

In 2002, Alcoa submitted an Analysis of Alternatives Report that detailed a variety of remedial alternatives with estimated costs ranging from $2 to $525. Because the selection of the $2 alternative (natural recovery) was considered remote, Alcoa adjusted the reserve for the Grasse River in 2002 to $30 representing the low end of the range of possible alternatives, as no single alternative could be identified as more probable than the others.

In June of 2003, based on river observations during the spring of 2003, the EPA requested that Alcoa gather additional field data to assess the potential for sediment erosion from winter river ice formation and breakup. The results of these additional studies, submitted in a report to the EPA in April of 2004, suggest that this phenomenon has the potential to occur approximately every 10 years and may impact sediments in certain portions of the river under all remedial scenarios. The EPA informed Alcoa that a final remedial decision for the river could not be made without substantially more information, including river pilot studies on the effects of ice formation and breakup on each of the remedial techniques. The EPA requested that Alcoa consider a Remedial Options Study to gather this information. The scope of this study includes sediment removal and capping, the installation of an ice control structure, and significant monitoring.

In May of 2004, Alcoa agreed to perform the study at an estimated cost of $35. Most of the work should be completed by the fourth quarter of 2005. The findings will be incorporated into a revised Analysis of Alternatives Report, which is expected to be submitted in 2006. This information will be used by the EPA to propose a remedy for the entire river.

Alcoa adjusted the reserves in the second quarter to include the $35 for the Remedial Options Study. This is in addition to the $30 previously reserved. Currently, none of the existing alternatives in the 2002 Analysis of Alternatives Report is more probable than the others and the results of the Remedial Options Study are necessary to revise the scope and estimated cost of many of the current alternatives.

The EPA's ultimate selection of a remedy could result in additional liability. Alcoa may be required to record a subsequent reserve adjustment at the time the EPA's Record of Decision is issued.

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

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

Alcoa's remediation reserve balance at September 30, 2004 was $410 and $395 at December 31, 2003 (of which $65 was classified as a current liability in both periods), and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. Remediation costs charged to the reserve in the 2004 nine-month period were approximately $25. They include expenditures currently mandated, as well as those not required by any regulatory authority or third party. The reserve balance was increased by $40 in the 2004 nine-month period, principally due to the additional reserve recorded for the Grasse River site in the second quarter of 2004.

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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Derivatives

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

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

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

Alcoa's aluminum commodity risk management policy is to manage, through the use of futures contracts, the aluminum price risk associated with a portion of its fixed-price firm commitments. At September 30, 2004, these contracts totaled approximately 740,000 mt with a fair value gain of approximately $144 (pre-tax).

Alcoa has also entered into certain derivatives to minimize its aluminum price risk. A portion of these derivatives do not qualify for hedge accounting treatment under U.S. GAAP, and are marked to market through earnings. These contracts totaled 76,000 mt at September 30, 2004. Additionally, in the second quarter of 2004, Alcoa entered into a long-term power supply contract that provides for increased pricing if the LME exceeds a certain price. The LME linked pricing feature in this contract is considered an embedded derivative and is also marked to market through earnings. The impact to earnings for these mark to market derivatives was a gain of $1 in the third quarter of 2004 and a loss of $1 in the 2004 nine-month period.

Alcoa purchases natural gas, fuel oil, and electricity to meet its production requirements. These purchases expose the company to the risk of higher prices. To hedge a portion of this risk, Alcoa enters into long positions, principally using futures contracts. Alcoa follows a stable pattern of purchasing these commodities; therefore, it is highly likely that anticipated purchases will occur. The fair value of these contracts was a gain of approximately $128 (pre-tax) at September 30, 2004.

Financial Risk

Currencies - Alcoa is subject to exposure from fluctuations in foreign currencies. Foreign currency exchange contracts may be used from time to time to hedge the variability in cash flows from the forecasted payment or receipt of currencies other than the functional currency. These contracts cover periods commensurate with known or expected exposures, generally within three years. The fair value of these contracts was a loss of approximately $11 (pre-tax) at September 30, 2004. These contracts are principally related to foreign exchange and inflation exposure in Brazil.

Interest Rates - Alcoa uses interest rate swaps to help maintain a strategic balance between fixed- and floating-rate debt and to manage overall financing costs. The company has entered into pay floating, receive fixed interest rate swaps to change the interest rate risk exposure of its outstanding debt. The fair value of these swaps was a loss of approximately $15 (pre-tax) at September 30, 2004.

Alcoa previously used interest rate swaps to establish fixed interest rates on anticipated borrowings between June 2005 and June 2006. Due to a change in forecasted borrowing requirements, resulting from the early retirement of debt in June 2004 and a forecasted increase in future operating cash flows resulting from improved market conditions, it is no longer probable that the anticipated borrowings will occur in 2005 and 2006. Therefore, Alcoa recognized $33 of gains that had been deferred on previously settled swaps and $44 of additional gains to unwind the remaining interest rate swaps. These gains were recorded in other income in the second quarter of 2004. See Note B in Part I, Item I for additional information.

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

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

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Control Over Financial Reporting

There have been no significant changes in internal control over financial reporting that occurred during the quarter ended September 30, 2004, that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Since 1990, Alcoa has undertaken investigations and evaluations concerning alleged releases of mercury from its Point Comfort, Texas facility into the adjacent Lavaca Bay pursuant to a Superfund order from the EPA. In March 1994, the EPA listed the "Alcoa (Point Comfort)/Lavaca Bay Site" on the National Priorities List, and Alcoa and Region VI of the EPA entered into an administrative order on consent, EPA docket no. 6-11-94, concerning the site. The administrative order required the company to conduct a remedial investigation and feasibility study under EPA oversight. Following submission by the company of all required information, in December 2001, the EPA issued its Record of Decision selecting the final remedial approach for the site, which is fully reserved. In addition, 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 cooperatively identified restoration alternatives and approaches for Lavaca Bay. The cost of such restoration is reserved. Alcoa does not believe that any additional liability for this site is reasonably possible. The company and the responsible federal and state government agencies have now negotiated Consent Orders to implement the remedial and restoration remedies. Following signature by the company and the agencies, entry of the Consent Orders in federal court is anticipated during the fourth quarter of 2004.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Issuer Purchases of Equity Securities:

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Plans or Programs (b)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (b)
January 1 - January 31, 2004	674,679	$36.49	—	32,311,636
February 1 - February 29, 2004	998,718	37.82	900,000	31,411,636
March 1 - March 31, 2004	1,013,749	38.08	877,354	30,534,282
Total for quarter ended March 31, 2004	2,687,146	37.58	1,777,354	30,534,282
April 1 - April 30, 2004	2,712	35.23	—	30,534,282
May 1 - May 31, 2004	—	—	—	30,534,282
June 1 - June 30, 2004	23,654	32.11	—	30,534,282
Total for quarter ended June 30, 2004	26,366	32.43	—	30,534,282
July 1 - July 31, 2004	21,598	31.97	—	30,534,282
August 1 - August 31, 2004	11,778	32.14	—	30,534,282
September 1 - September 30, 2004	31,048	32.31	—	30,534,282
Total for quarter ended September 30, 2004	64,424	32.17	—	30,534,282

(a) This column includes (i) purchases under Alcoa’s publicly announced share repurchase program described in (b) below and (ii) the deemed surrender to the company by plan participants of shares of common stock to satisfy the exercise price related to the exercise of employee stock options, in each case to the extent applicable during the period indicated. The shares used to satisfy the exercise price related to stock options are not considered part of the publicly announced share repurchase program approved by Alcoa’s Board of Directors as described in (b) below.

(b) Alcoa’s share repurchase program was approved by Alcoa’s Board of Directors and publicly announced on July 13, 2001. The program authorizes the repurchase of up to 50 million shares of Alcoa common stock from time to time, directly or through brokers or agents, and has no expiration date.

Item 6. Exhibits.

(a) Exhibits

10a. Form of Agreement for Stock Option Awards under the 2004 Alcoa Stock Incentive Plan

10b. Form of Agreement for Stock Awards under the 2004 Alcoa Stock Incentive Plan

10c. Form of Agreement for Performance Share Awards under the 2004 Alcoa Stock Incentive Plan

10d. Alcoa Inc. Rules for Stock Option Awards revised January 1, 2004

10e. Alcoa Inc. Rules for Stock Awards effective January 1, 2004

10f. Alcoa Inc. Rules for Performance Share Awards effective January 1, 2004

10g. 2004 Summary Description of the Alcoa Incentive Compensation Plan

10h. Amended and Restated Dividend Equivalent Compensation Plan

12. Computation of Ratio of Earnings to Fixed Charges

15. Letter regarding unaudited interim financial information

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

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

SIGNATURES

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

	Alcoa Inc.
October 26, 2004 Date	By /s/ RICHARD B. KELSON Richard B. Kelson Executive Vice President and Chief Financial Officer (Principal Financial Officer)
October 26, 2004 Date	By /s/ CHARLES D. MCLANE, JR. Charles D. McLane, Jr. Vice President - Corporate Controller (Principal Accounting Officer)

EXHIBITS

10a.	Form of Agreement for Stock Option Awards under the 2004 Alcoa Stock Incentive Plan
10b.	Form of Agreement for Stock Awards under the 2004 Alcoa Stock Incentive Plan
10c.	Form of Agreement for Performance Share Awards under the 2004 Alcoa Stock Incentive Plan
10d.	Alcoa Inc. Rules for Stock Option Awards revised January 1, 2004
10e.	Alcoa Inc. Rules for Stock Awards effective January 1, 2004
10f.	Alcoa Inc. Rules for Performance Share Awards effective January 1, 2004
10g.	2004 Summary Description of the Alcoa Incentive Compensation Plan
10h.	Amended and Restated Dividend Equivalent Compensation Plan
12.	Computation of Ratio of Earnings to Fixed Charges
15.	Letter regarding unaudited interim financial information
31.	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

ALCOA INC.

STOCK OPTION AWARD

Alcoa Inc. (the “Company”) has on [DATE] granted to

[NAME]	**[SOCIAL SECURITY NUMBER]**
(Name)	(Social Security Number)

(“Participant”), the option to purchase [NUMBER] shares of the common stock of the Company at the price of $[ ] per share.

1. This option is granted under the provisions of the Alcoa Stock Incentive Plan (the “Plan”), as last amended prior to the date above, and is subject to all of the terms and conditions of the Plan, to the Rules for Stock Option Awards adopted under the Plan and to the provisions set forth below or on the reverse side of this award form.
2. This option grant vests: (a) on [DATE], as to one-third of the options granted (b) on [DATE], as to one-third of the options granted and (c) on [DATE], as to one-third of the options granted.

Issued in Pittsburgh, Pennsylvania on the date set forth above.

Terms and Conditions – [YEAR] Stock Option Grants

1. This option is not exercisable until it vests.
2. Except as provided below, if the Participant's employment terminates before the option vests in whole or in part, the portion of the option that is not vested is forfeited and it is automatically canceled.
3. This option vests in accordance with the schedule set forth on the front of this certificate, except in the following instances:
   (a) An option held by a Participant who dies while an employee vests immediately, but can be exercised by a legal representative or beneficiary only in accordance with the original vesting schedule.
   (b) An option vests and becomes exercisable immediately upon certain Change in Control events described in the Plan.
   (c) If the Participant's employment terminates due to retirement under a Company, subsidiary or government retirement plan on a date that is at least six months from the grant date, the option is not forfeited and vests in accordance with the original vesting schedule set forth on the front of this certificate.
4. This option may not be exercised after its termination date.
5. This option terminates [NUMBER] years from the grant date, except in the following instances:
   (a) Options held by a Participant who dies while in the employ of the Company or after retirement terminate not later than 5 years after the Participant's death, or on the original option expiration date, whichever is earlier.
   (b) If (i) the Company identifies a participant to be terminated from employment with the Company or a subsidiary of the Company as a result of a divestiture of a business or a portion of a business and (ii) the participant becomes an employee of (or is leased or seconded to) the entity acquiring the business on the date of the closing, or the participant is not offered employment with the entity acquiring the business and is terminated by the Company or a subsidiary of the Company within 90 days of the closing of the sale; then vested, exercisable options held by such participant on the date of the closing, may be exercised within a period of two years from the date the participant's employment with the Company or a subsidiary of the Company is terminated, but not later than the expiration date of the option. For purposes of this paragraph, "employment by the entity acquiring the business" includes employment by a subsidiary or affiliate of the entity acquiring the business; and "divestiture of a business" means the sale of assets or stock resulting in the sale of a going concern. "Divestiture of a business" does not include a plant shut down or other termination of a business.
   (c) Except as provided in the prior two paragraphs, vested, exercisable options held by a Participant whose employment with the Company terminates expire 90 days from the date of employment termination.
6. A vested, exercisable option is exercised when the option program administrator receives a written or electronic notification of exercise, signed and delivered by the Participant.
7. Payment in full of the option purchase price is due on the exercise date. Payment may be made in cash or by the delivery or presentation to the Company of shares of Alcoa stock that have been owned by the Participant for a minimum holding period established by the Committee and have an aggregate fair market value on the date of exercise which, together with any cash payment, equals or exceeds the option purchase price.

8. All taxes required to be withheld under applicable tax laws in connection with an option exercise must be paid by the Participant, in cash, immediately upon advice, or, in certain instances established by the Committee, by instructing the Company to withhold from the shares to be issued upon the exercise, shares whose value on the exercise date equals the withholding amount to be paid.
9. There are no reload option rights associated with this option grant.
10. This option is nontransferable except in limited instances permitted by the Plan.
11. The exercisability of this option award may be suspended or limited by the Committee at any time if it determines that this action is necessary or desirable in order to permit the Company to obtain the listing, registration or qualification of shares covered by this option upon any securities exchange or under any law, rule, regulation or decision or the consent or approval of any governmental regulatory body or to comply with insider trading laws. No suspension or delay resulting from this action will extend the termination date of this option.
12. The Committee has full power and authority to determine whether, to what extent and under what circumstances this option will be canceled. In particular, but without limitation, all outstanding option awards to any Participant may be canceled if the Participant, without the consent of the Committee, while employed by the Company or after termination of employment, becomes associated with, employed by, renders services to or owns any interest in (other than any nonsubstantial interest, as determined by the Committee) any business that is in competition with the Company or with any business in which the Company has a substantial interest as determined by the Committee, or otherwise takes any action that in the judgment of the Committee is not in the best interests of the Company.
13. This option does not confer any rights of continued employment upon the Participant.
14. To accept this award you must, within 90 days from the grant date, confirm your agreement to the grant’s Terms and Conditions and Rules for Stock Options at the Alcoa stock option web site.

ALCOA INC.

STOCK AWARD

Alcoa Inc. (the “Company”) has on [DATE] granted to

[NAME]	**[SOCIAL SECURITY NUMBER]**
(Name)	(Social Security Number)

(“Participant”), a stock award of [NUMBER] units based upon the following terms:

1. This Award is granted under the provisions of the Alcoa Stock Incentive Plan (the “Plan”), as last amended prior to the date above, and is subject to all of the terms and conditions of the Plan, to the Rules for Stock Awards adopted under the Plan and to the provisions set forth below or on the reverse side of this award form.
2. This Stock Award grant time-vests on [DATE] if the employee is still an active employee of the Company.
3. Common stock is issued when the award vests.

Issued in Pittsburgh, Pennsylvania on the date set forth above.

Terms and Conditions – [YEAR] Stock Awards

1. Common stock is not issued until this award vests.
2. The Participant has no voting rights to the shares of Alcoa common stock covered by this award.
3. Except as provided below, if the Participant's employment terminates before the award vests, the award is forfeited, and it is automatically canceled.
4. This award vests [NUMBER] years from its grant date, except in the following instances:
   (a) If the Participant's employment terminates due to retirement under a Company, subsidiary or government retirement plan on a date that is at least six months from the grant date, the award is not forfeited but vests on the original stated vesting date set forth on the face of the award certificate.
   (b) A Stock Award held by a Participant who dies while an employee is not forfeited but vests on the original stated vesting date set forth on the face of the award certificate.
   (c) A Stock Award vests immediately upon certain Change in Control events described in the Plan. The award is payable and shares of Stock become issuable immediately upon the occurrence of such Change in Control events.
   (d) A Stock Award vests in accordance with the three year time vesting schedule, as determined at CEO's discretion, if, prior to the Stock Award otherwise vesting, (i) management identifies the participant to be terminated from employment with the Company or a subsidiary of the Company as a result of a divestiture of a business or a portion of a business, and (ii) the participant either becomes an employee of (or is leased or seconded to) the entity acquiring the business on the date of the closing, or the participant is not offered employment with the entity acquiring the business and is terminated by the Company or a subsidiary of the Company within 90 days of the closing of the sale. For purposes of this paragraph, employment by "the entity acquiring the business" includes employment by a subsidiary or affiliate of the entity acquiring the business; and "divestiture of a business" means the sale of assets or stock resulting in the sale of a going concern. "Divestiture of a business" does not include a plant shut down or other termination of a business.
5. When the Stock Award vests and the Stock becomes issuable, this award will be paid by delivering to the participant the number of shares of Alcoa common stock included in this award, as set forth on the front side hereof. All taxes required to be withheld under applicable tax laws in connection with a Stock Award will be withheld from the shares of Stock to be issued.
6. This award is nontransferable.
7. This award may be suspended or limited by the Committee at any time if it determines that this action is necessary or desirable in order to permit the Company to obtain the listing, registration or qualification of shares covered by this award upon any securities exchange or under any law, rule, regulation or decision or the consent or approval of any governmental regulatory body or

to comply with insider trading laws. No suspension or delay resulting from this action will extend the termination date of this award.

8. The Committee has full power and authority to determine whether, to what extent and under what circumstances this award will be cancelled. In particular, but without limitation, all stock awards to any Participant may be canceled if the Participant, without the consent of the Committee, while employed by the Company or after termination of employment, becomes associated with, employed by, renders services to or owns any interest in (other than any insubstantial interest, as determined by the Committee) any business that is in competition with the Company or with any business in which the Company has substantial interest as determined by the Committee, or otherwise takes any action that in the judgment of the Committee is not in the best interests of the Company.

9. This award does not confer any rights of continued employment upon the participant.

10. To accept this award, you must, within 90 days from the grant date, confirm your agreement to the Terms and Conditions and Rules for Stock Awards at the Alcoa stock option web site.

TO: [DATE]

FROM:

RE: [DATE] ALCOA PERFORMANCE SHARE PLAN GRANT

Congratulations! As one of Alcoa's most senior leaders, you have been included as part of a select team of employees to receive a ***Performance Share Award*** under Alcoa's Stock Incentive Plan.

This is a new feature of our long-term compensation design, which will strengthen the connection between your compensation and our journey to becoming the best company in the world. Your management has made a recommendation to include you in the top leadership team that must lead the corporation towards this goal.

Based on your position within the company, your performance, and your potential, your Executive Council member has made a recommendation on your award and the Compensation and Benefits Committee of the Board have been confirmed this.

This award provides you with an opportunity to earn from __% up to __% of target award depending on the performance of corporate ROC versus an average ROC of an external comparator group during this year. In the [NUMBER] quarter of [YEAR], we will determine the final size of the grant to be issued on [DATE].

There are some excellent features associated with the Performance Share Award. You will receive dividend equivalent payments on the target award amount during the first year and on actual earned award for the following two years of the vesting period. This means that you will receive dividends in [YEAR], [YEAR] and [YEAR] on this Award. Performance Share Awards will offer a number of other benefits to recipients, detailed below, and more predictability for the Company – greater alignment between accounting cost and value of awards at the date of grant.

Most people receiving the [YEAR] awards are familiar with Alcoa's Stock Options. Over the next few years, we envision using a blend of Stock Options, Stock Awards and Performance Share Awards while maintaining a competitive compensation market position in each country or region where we operate.

An assessment of your leadership position within Alcoa will be conducted each year to determine performance share award participants and individual award levels. It should be noted that there is no guarantee that this design will remain constant or that you will participate in this special award.

What is a Performance Share?

A Performance Share Award represents a commitment to provide you with Alcoa stock, upon vesting, providing that you meet certain employment criteria and that the corporation achieves certain financial performance levels. This award is a contractual promise to issue shares to you on [DATE], and does not represent immediate share ownership. A Stock Award alleviates the leveraged aspect of the market risk associated with Stock Options and delivers more predictable value to the employee under almost all market conditions.

How Does The Performance Share Plan Work?Shar

- n Your Award is determined by your job grade level and then flexed depending on our Corporate ROC performance compared to the average ROC of the comparator group in the first year of the three-year vesting period.

Application:

- n Selected Business and Resource unit leaders

Comparator Group:

- n Comparator group is a composite of the ____________ plus _____________ index. This group has been selected to include shareholders' investment alternatives and to ensure that there is a similar exposure to commodity price as compared with our current exposure.

Measurement Period:

- n Three-year cliff vesting after the initial award date or approximately two years after the determination of the actual number of awards

Performance Flex:

- · The award level will flex according to the corporate position in the comparator group distribution for [YEAR].

Dividend Equivalents:

- n Quarterly dividend equivalent payments will be made on target unvested shares in the first year and then on the final number of shares to be issued during the rest of the vesting period.

Performance Share Award Terms and Conditions:

Performance Share Awards have a 3 year performance vesting, meaning, a common stock entry will be posted to your EquiServe account on [DATE] for those employees issued a grant on [DATE] if certain performance thresholds are achieved. You will then own common shares of Alcoa stock. The award will be subject to non-compete provisions comparable to those applicable to Stock Options and Stock Awards. In most jurisdictions, you can generally defer income taxation on the award until it is fully vested. However, we encourage you to consult with a qualified accountant or attorney to review your personal situation. Please refer to the Terms and Conditions and Rules for Performance Share Awards on the stock option web site for additional details.

Terms and Conditions – [YEAR] Performance Share Awards

1. A Performance Share Award is a commitment by the Company to issue, on the third anniversary date of the date of the grant of the award, from 0 to 200% of the Target number of shares of Alcoa common stock indicated in the award notification letter. Alcoa common stock, if any, will not be issued until the award vests.

2. The exact amount of stock to be received under this Performance Share Award, if any, will be determined no later than 18 months after the grant date, and such determination will be made in accordance with the performance metrics reflected in the award notification letter.

3. Until the award vests, the Participant has no voting rights or rights to receive dividends with respect to the shares of Alcoa common stock potentially covered by the award. The Committee may, however, authorize the payment of cash dividend equivalents prior to vesting of the award. Such amounts, if authorized, will be equal to the common stock dividend per share payable from time to time on Alcoa common stock multiplied by, (i) during the first 12 to 18 months after the grant date, the Target number of shares covered by the award, or (ii) after the exact amount of stock to be received under the grant is determined as provided in paragraph 2. above, that exact number of shares.

4. Except as provided below, if the Participant's employment terminates before the award vests, the award is forfeited, and it is automatically canceled.

5. A. This award vests three years from its grant date, except in the following instances:

(i) If the Participant's employment terminates due to retirement under a Company, subsidiary or government retirement plan on a date that is at least six months from the grant date, the award is not forfeited but vests on the original stated vesting date set forth in the award notification letter.

(ii) A Performance Share Award held by a Participant who dies while an employee is not forfeited but vests on the original stated vesting date set forth in the award notification letter.

(iii) A Performance Share Award vests in accordance with the three year time vesting schedule, as determined at the Company CEO's discretion, if, prior to the Performance Share Award otherwise vesting, (i) management identifies the Participant to be terminated from employment with the Company or a subsidiary of the Company as a result of a divestiture of a business or a portion of a business, and (ii) the Participant either becomes an employee of (or is leased or seconded to) the entity acquiring the business on the date of the closing, or the Participant is not offered employment with the entity acquiring the business and is terminated by the Company or a subsidiary of the Company within 90 days of the closing of the sale. For purposes of this paragraph, employment by "the entity acquiring the business" includes employment by a subsidiary or affiliate of the entity acquiring the business; and "divestiture of a business" means the sale of assets or stock resulting in the sale of a going concern. "Divestiture of a business" does not include a plant shut down or other termination of a business.

B. A Performance Share Award vests immediately upon certain Change in Control events described in the Plan. The award is payable and shares of stock become issuable immediately upon the occurrence of such Change in Control event.

6. When the Performance Share Award vests and stock, if any, becomes issuable, this award will be settled by delivery to the Participant of the number of shares of Alcoa common stock determined as provided in paragraph 2. above. U.S. taxes required to be withheld under applicable tax laws in connection with a Performance Share Award will be satisfied by Alcoa's withholding from the shares of stock to be issued that number of shares whose fair market value on the vesting date equals the withholding amount to be paid. Employees in non-U.S. locations must satisfy tax requirements as outlined by their country of residence.

7. This award is nontransferable.

8. This award may be suspended or limited by the Committee at any time if it determines that this action is necessary or desirable in order to permit the Company to obtain the listing, registration or qualification of shares covered by this award upon any securities exchange or under any law, rule, regulation or decision or the consent or approval of any governmental regulatory body or to comply with insider trading laws. No suspension or delay resulting from this action will extend the termination date of this award.

9. The Committee has full power and authority to determine whether, to what extent and under what circumstances this award will be cancelled. In particular, but without limitation, all Performance Share Awards granted to any Participant may be canceled if the Participant, without the consent of the Committee, while employed by the Company or after termination of employment, becomes

associated with, employed by, renders services to or owns any interest in (other than any insubstantial interest, as determined by the Committee) any business that is in competition with the Company or with any business in which the Company has substantial interest as determined by the Committee, or otherwise takes any action that in the judgment of the Committee is not in the best interests of the Company.

10. This award does not confer any rights of continued employment upon the Participant.

11. To accept this award, you must, within 90 days from the grant date, confirm your agreement to the Terms and Conditions and Rules for Performance Share Awards at the Alcoa stock option web site.

ALCOA INC.

RULES FOR STOCK OPTION AWARDS

Effective July 1999 (Revised January 1, 2004)

These rules are authorized by the Compensation Committee of the Board of Directors. They are deemed to be incorporated into and form a part of every stock option awarded under the Alcoa Stock Incentive Plan (the "Plan") on or after July 1, 1999, unless the notification form or agreement evidencing the award provides otherwise. Paragraph 3 below also applies to options for Alcoa stock that are exercised on or after July 1, 1999.

Terms that are defined in the Plan have the same meanings in these rules, except that Alcoa or Company means Alcoa Inc. or any of its controlled subsidiaries or affiliates.

General Terms and Conditions

1. Stock option awards are subject to the terms and conditions set forth in the related form of stock option award notification or Award Agreement (if any), the provisions of the Plan and the provisions of these rules.
2. The grant price per share of a stock option is 100% of the fair market value per share of Alcoa Inc. common stock (Stock) on the date of grant, unless the notification form specifies a higher grant price. The date of grant is the date selected by the Committee as the date of grant or, if no date is selected, the date on which the option is awarded.
3. Except as provided in the following subsections of this paragraph, "fair market value" per share of Stock on any given date is the mean of the high and low trading prices per share of Stock on that date as reported on the New York Stock Exchange or other stock exchange on which the Stock then principally trades. If the New York Stock Exchange or such other exchange is not open for business on the date fair market value is being determined, the mean of the high and low trading prices as reported for the next preceding day on which that exchange was open for business will be used.
    - The fair market value per share on the exercise date of an option is the price at which shares that were or will be issued to the participant in connection with the option exercise are sold by the participant on the exercise date in the open market. This subsection has no application if the participant is not selling shares in the open market on the option exercise date.
    - The fair market value per share of a Reload Option is the same as the fair market value per share on the participant's exercise of the antecedent award.

Vesting and Exercisability

4. As a condition to exercise of a stock option award, a participant must remain an Alcoa employee actively at work until the date the option vests. If an option vests as to some but not all shares covered by the option, the participant must be an active employee on the date the relevant portion of the option vests. Except as provided in paragraph 5 below, if the participant's employment with Alcoa terminates prior to the vesting date of the option (or relevant option portion), the option (or relevant option portion) is forfeited and is automatically canceled.
    - An option vests on the first anniversary of its grant date, unless the Committee specifies a longer vesting period with respect to all or a portion of the shares subject to the option. The

Award Agreement certificate evidencing an original option grant sets forth the vesting provisions that are applicable to that grant.

- Original options granted after December 31, 2002 vest as to one-third on each of the first three anniversaries of the date of the option grant.

5. The following are exceptions to the one-year and three-year vesting rules:
    - An option held by a participant who dies while an employee vests immediately but can be exercised by a legal representative or beneficiary only in accordance with the original vesting schedule.
    - An option vests and becomes exercisable immediately upon certain Change in Control events described in the Plan.
    - A Reload Option vests immediately but is not exercisable until at least 6 months after its grant date.
    - An option held by a participant who retires under a Company, subsidiary or government retirement plan at least 6 months after the grant date is not forfeited. Such option vests in accordance with the original vesting schedule of the grant.
6. No option may be exercised after its stated termination date or prior to the date it vests or, in the case of death or retirement, the date it would have vested in accordance with its original vesting schedule.
7. A Reload Option expires on the same date that its antecedent award would have expired if not exercised.
8. Vested options that were issued under the Plan and are held by participants who, at least six months after the grant date, retire under a Company, subsidiary or government retirement plan in which the Participant is eligible for immediate payment of a retirement benefit will be exercisable for the remaining stated terms of the options (after the expiration of any original vesting schedule periods applicable to such options) or, if the participant dies after retiring, 5 years from the date of the participant's death, whichever occurs first.
9. Options held by a participant who dies while in the employ of Alcoa may be exercised by the participant's legal representative or beneficiary beginning after the expiration of any stated period of vesting applicable to such options and ending 5 years after the participant's death, but not later than the expiration date of the option.
10. Vested, exercisable options held by a participant whose employment with the Company terminates (other than as a result of the participant's retirement, death, or as provided in paragraph 11 below) may be exercised only within a period of 90 days after the date of employment termination, but not later than the expiration date of the option.
11. If (a) the Company identifies a participant to be terminated from employment with the Company or a subsidiary of the Company as a result of a divestiture of a business or a portion of a business and (b) the participant becomes an employee of (or is leased or seconded to) the entity acquiring the business on the date of the closing, or the participant is not offered employment with the entity acquiring the business and is terminated by the Company or a subsidiary of the Company within 90 days of the closing of the sale, then vested, exercisable options held by such participant on the date of the closing may be exercised within a period of two years from

the date the participant's employment with the Company or a subsidiary of the Company is terminated, but not later than the expiration date of the option. For purposes of this paragraph, employment by "the entity acquiring the business" includes employment by a subsidiary or affiliate of the entity acquiring the business; and "divestiture of a business" means the sale of assets or stock resulting in the sale of a going concern. "Divestiture of a business" does not include a plant shut down or other termination of a business.

Option Exercise

12. A vested, exercisable option is exercised when a notification of exercise, signed or delivered by the participant, is received by the option program administrator.

Payment of Exercise Price and Withholding Taxes

13. Payment in full of the purchase price of an option is due on the exercise date. Payment of the option purchase price may be made:

    - in cash (including a "broker-assisted cash exercise" described in the next paragraph); or
    - by the delivery or presentation to the Company of shares of Stock that have been owned by the participant for the Minimum Holding Period (as defined below) and that have an aggregate fair market value on the date of exercise, which, together with any cash payment, equals or exceeds the option purchase price.

14. A participant may elect to pay the cash purchase price of the option through a "broker-assisted cash exercise," using a broker reasonably acceptable to the Company. On or prior to the exercise date, the participant must deliver to the Company the participant's instruction directing and obligating the broker to (a) sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the option and (b) remit to the Company a sufficient portion of the sale proceeds to pay the entire purchase price and any tax withholding resulting from the exercise. Such proceeds are due not later than the third trading day after the exercise date.

15. Shares of Stock owned by a participant include (a) those registered in the participant's name (or registered jointly with another person), (b) those held in a brokerage account owned by the participant individually or jointly with another person, and (c) those held in a trust, partnership, limited partnership or other entity for the benefit of the participant individually (or for the benefit of the participant jointly with another person). Notwithstanding the foregoing, Shares of Stock owned by a participant do not include shares held in any qualified plan, IRA or similar tax deferred arrangement or shares that are otherwise subject to potential accounting limitations regarding their use in stock swap transactions. The Company may require verification or proof of ownership or length of ownership of any shares delivered in payment of the purchase price of an option.

16. The term "Minimum Holding Period" means 6 months or such other period, if any, as qualifies as the measurement period for "mature shares" under applicable generally accepted accounting principles. In calculating the number of shares available for delivery to pay the purchase price of an option, shares acquired upon exercise of a stock option (including any shares delivered or exchanged to pay the purchase price thereof or withholding taxes thereon) shall be disregarded until expiration of the Minimum Holding Period after exercise.

17. All taxes required to be withheld under applicable tax laws in connection with a participant's receipt of Stock upon exercise of a stock option must be paid over by the participant, in cash, immediately upon advice, unless the participant complies with the following paragraphs regarding payment using shares of Stock.

18. A participant may satisfy his or her obligation to pay required United States' federal, state or local withholding taxes due upon such exercise by having Alcoa withhold from the shares of Stock to be issued upon the exercise that number of shares whose fair market value on the exercise date equals the withholding amount to be paid. Withholding taxes include applicable income taxes, federal and state unemployment compensation taxes and FICA/FUTA taxes.

19. The amount of taxes that may be paid by a participant using shares of Stock retained from the option exercise will be determined by applying the minimum rates required by applicable tax regulations.

20. The election to use Stock to satisfy a participant's withholding obligation must be made, in writing, not later than at the time of exercise of the stock option.

Reload Options

21. The reload feature applicable to all stock option awards granted under the Plan and under the Prior Plan prior to January 1, 2004 is being eliminated. Notwithstanding the foregoing, with respect to all stock options (other than discount options) issued under the Plan or Prior Plan on or before December 31, 2002, the participant may, with respect to each such option or option portion, one time after January 1, 2004, during the regular term of the option, elect in writing at the time of exercise of such option that one-half of the shares to be received by the participant upon such exercise shall be Restricted Shares, with the result that a new option will be granted. A special reload rule described in paragraph 24 below applies to that portion of the 2003 stock option grant that vests in 2004.

22. The above election is permitted only where the participant is actively employed by the Company on the exercise date and the fair market value per share of Stock is at least $2.50 greater than the exercise price of the antecedent award.

    To qualify to make this election, the participant also must either use already-owned shares to pay the purchase price of the option being exercised or, in limited instances described in subparagraph 25(A) below, may pay the exercise price in cash (a "Cash Reload Exercise"). Payment in cash includes a broker-assisted cash exercise, as described in paragraph 14, above.

23. No stock option grants issued after January 1, 2004 will include a reload feature. This applies to both original grants and grants made as a result of reloading of any options granted prior to January 1, 2004.

24. In accordance with the terms and conditions of the 2003 option grant, the reload feature of the 2003 grant is cancelled; however, the one-third of that grant that vests in 2004 will be given a special reload window from vest date until December 31, 2004. The option granted as a result of any such reload exercise will not have a reload feature.

25. (A) Original Options (that is, options that are evidenced by a written Award Agreement certificate) granted prior to June 1, 2000 ("Pre-June 2000 Original Options") may be exercised in whole or in part in one or more Cash Reload Exercises. A participant may effect a Cash Reload Exercise on not more than two occasions annually of any Reload Option issued prior to January 1, 2004 that relates to a Pre-June 2000 Original Option. For purposes of this subparagraph 25(A), a participant may aggregate together and treat as one exercise any or all such grants of Reload Options that have the same expiration date.

    (B) Original Options granted on or after June 1, 2000 (and any Reload Options granted with respect to such Original Options) are not eligible for Cash Reload Exercises.

26. Upon any exercise when the reload feature has been validly elected, one-half of the net shares received by the participant upon such exercise (rounded down to eliminate any fraction) will be Restricted Shares and the balance will not be Restricted Shares. Net shares are determined after any share withholding for taxes.

27. Restricted Shares means shares of Stock that are fully vested, but that are not transferable prior to the end of the restriction period, except to a personal or family trust established by the participant or to a trust or special purpose subsidiary established by the Company for this purpose. The Company shall implement reasonable verification procedures to assure continued ownership of shares maintained in a personal or family trust. Restricted Shares have full, immediate voting and dividend rights. Despite this restriction, the Restricted Shares may be used to pay an option purchase price provided they satisfy the Minimum Holding Period requirement.

28. The restriction period for Restricted Shares is 5 years from the date they are issued.

29. The restriction period for Restricted Shares issued under the Prior Plan on or prior to July 1, 1994 ended on July 1, 1999. The restriction period for other Restricted Shares issued under the Prior Plan ends on the fifth anniversary of their original issuance date. The restriction period for shares issued as stock dividends (including stock splits) on Restricted Shares is measured from the issuance date of the underlying Restricted Shares.

30. The grant date of a Reload Option is the exercise date of the antecedent award.

31. The number of shares of Stock covered by a Reload Option equals the difference between the number of shares covered by the exercised option, minus (i) the net number of shares (after any share withholding for taxes) delivered to the participant for such exercise (including the Restricted Shares) where the purchase price of the exercised option was paid using already owned shares, and (ii) the net appreciation realized upon exercise (after payment of any required withholding taxes) divided by the fair market value on the date of grant where such purchase price was paid wholly or partly in cash.

32. Neither the election of Restricted Shares nor the exercise of a Reload Option creates or implies an obligation on the part of the Company or the participant with respect to continuation of employment with the Company.

33. Upon completion of an exercise or series of exercises involving the grant of one or more Reload Options, the participant shall receive a notification showing the participant’s name, the number of shares covered by the option, the grant date, the exercise price and the expiration date of the option. Such notification, together with these rules as in effect on the grant date of the option (or any later version of these rules that specifically provides for their applicability to such option), shall constitute the binding Award Agreement between the Company and the participant for the option granted as a result of exercise of the reload.

34. The Company reserves the right to legend any share certificates for Restricted Shares, to retain custody of Restricted Share certificates until the applicable restriction period terminates and to take other actions designed to assure compliance with applicable securities laws and stock exchange rules.

35. The Committee reserves the right to alter or discontinue the reload feature in options granted under the Plan.

Beneficiaries

36. Participants will be entitled to designate one or more beneficiaries to receive all stock option awards that are unexercised at the time of the participant’s death. All beneficiary designations

will be on a beneficiary designation form approved for the Plan. Copies of the form are available from the stock option program administrator.

37. Beneficiary designations on an approved form will be effective at the time received by the stock option plan administrator. A participant may revoke a beneficiary designation at any time by written notice to the stock option plan administrator or by filing a new designation form. Any designation form previously filed by a participant will be automatically revoked and superseded by a later-filed form.

38. A participant will be entitled to designate any number of beneficiaries on the form, and the beneficiaries may be natural or corporate persons.

39. On the beneficiary designation form, it is recommended that the participant's signature be witnessed by two persons. However, no person named as a beneficiary on the form should sign as a witness. If the participant is married at the time the beneficiary designation form is filed, then, unless the participant's spouse is the sole beneficiary named on the form, it is recommended that the spouse also sign. The spouse's signature should be notarized.

40. The failure of any participant to obtain any recommended signature on the form will not invalidate the beneficiary designation or prohibit Alcoa from treating such designation as valid and effective. No beneficiary will acquire any beneficial or other interest in any option award prior to the death of the participant who designated such beneficiary.

41. Unless the participant indicates on the form that a named beneficiary is to receive unexercised options only upon the prior death of another named beneficiary, all beneficiaries designated on the form will be entitled and required to join in the exercise of the option. Unless otherwise indicated, all such beneficiaries will have an equal, undivided interest in all such option awards.

42. Should a beneficiary die after the participant but before the option is exercised, such beneficiary's rights and interest in the option award will be transferable by last will and testament of the beneficiary or the laws of descent and distribution. A named beneficiary who predeceases the participant will obtain no rights or interest in a stock option award, nor will any person claiming on behalf of such individual. Unless otherwise specifically indicated by the participant on the form, beneficiaries designated by class (such as "children," "grandchildren" etc.) will be deemed to refer to the members of the class living at the time of the participant's death, and all members of the class will be deemed to take "per capita."

Transferable Options

43. Only options that have been designated as options which may be transferred by participants to family members ("transferable options") will be transferable by participants during the term of the option, subject to and in accordance with the provisions of the following paragraphs.

44. Transferable options may be transferred to one or more immediate family members, individually or jointly. Immediate family members shall be deemed to include the participant's spouse, parents, siblings, children, grandchildren and the spouse of any parent, sibling, child or grandchild, in each case determined at the effective time of transfer. A trust, each of whose beneficiaries is the participant or an immediate family member, will be deemed to be a family member for purposes of these rules.

45. A transfer shall be effective on the date written notice thereof, on a form approved for this purpose, is received by the Company's stock option program administrator. As a condition to transfer, the participant shall agree to remain responsible to pay in cash the applicable taxes due upon exercise of the option by the transferee. The participant or the participant's estate will be required to provide sufficient evidence of ability to pay such taxes upon the Company's request.

46. A transfer shall be irrevocable; no subsequent transfer by the transferee shall be effective. Notwithstanding the foregoing, a transferee shall be entitled to designate a beneficiary in accordance with the provisions of paragraphs 36-42 above. Except where a beneficiary has been designated, in the event of death of the transferee prior to option exercise, the transferee's option will be transferable by last will and testament of the beneficiary or the laws of descent and distribution.

47. The reload feature of an option, if any, will not be available to any transferee exercising an option.

48. Except as modified by the provisions of paragraphs 43-47, all terms applicable to option exercises by participants are applicable to exercises by transferees. The stock option program administrator may make and publish additional rules applicable to exercises by transferees not inconsistent with these provisions.

ALCOA INC.

RULES FOR STOCK AWARDS

Effective January 1, 2004

These rules are authorized by the Compensation and Benefits Committee of the Board of Directors. They are deemed to be incorporated into and form a part of every Stock Award issued under the Alcoa Stock Incentive Plan (the "Plan") on or after January 1, 2004, unless the notification form or agreement evidencing the award provides otherwise.

Terms that are defined in the Plan have the same meanings in these rules, except that Alcoa or Company means Alcoa Inc. or any of its controlled subsidiaries or affiliates.

General Terms and Conditions

1. Stock Awards are subject to the terms and conditions set forth in the related form of Stock Award notification or Award Agreement (if any), the provisions of the Plan and the provisions of these rules. A Stock Award is an undertaking by the Company to issue that number of shares of Alcoa common stock indicated in the award notification or Award Agreement on the date the Award vests, except to the extent otherwise provided herein.

Vesting and Payment

2. An Award vests on the third anniversary date of the date of grant, unless the Committee establishes a later date for vesting with respect to all or a portion of the shares subject to the Award at the time of the grant of the Award.
3. As a condition to a Stock Award vesting, a participant must remain an Alcoa employee actively at work through the date of vesting. Except to the extent otherwise provided herein, if the participant's employment with Alcoa terminates prior to the vesting date of the Stock Award, the award is forfeited and is automatically canceled.
4. Awards will be paid by the issuance to the participant of shares of Alcoa common stock (Stock) equal in number to the number of shares covered by the Award, as set forth on the face of the Stock Award notification. Prior to issuance of the Stock the participant has no voting rights or rights to receive dividends with respect to shares covered by the Stock Award. However, prior to issuance of the Stock, the Committee may authorize the payment of cash dividend equivalents. Such amounts, if authorized, will be equal to the common stock dividend per share payable on Alcoa common stock multiplied by the number of shares covered by the Award. Dividend equivalents will be paid as part of a participant's salary at approximately the time of payment of regular Alcoa common stock dividends.
5. A. The three year cliff vesting schedule continues to apply to a Stock Award in the following situations:
   - (i) A Stock Award held by a participant who, anytime after 6 months from the Award's grant date, retires under a Company, subsidiary or government retirement plan in which the participant is eligible for immediate payment of a retirement benefit, is not forfeited but vests on the original stated vesting date set forth on the face of the Award certificate.
   - (ii) A Stock Award held by a participant who dies while an employee is not forfeited but vests on the original stated vesting date set forth on the face of the Award certificate.

(iii) As determined at the Company CEO's discretion, if an unvested Stock Award is held by a participant identified by the Company to be terminated from employment with the Company or a subsidiary as a result of the divestiture of a business or portion of a business of the Company or a subsidiary and the participant either becomes an employee of (or is leased or seconded to) the entity acquiring the business on the date of closing, or the participant is not offered a job by the entity acquiring the business and is terminated by the Company or a subsidiary within 90 days of the closing of the sale, then the three-year cliff vesting schedule continues to apply.

B. A Stock Award vests immediately upon certain Change in Control events described in the Plan. The Award is payable and shares of Stock become issuable immediately upon the occurrence of such Change in Control events.

6. All taxes required to be withheld under applicable tax laws in connection with a participant's receipt of Stock issued in connection with the Stock Award must be paid by the participant at the time the Award vests and shares of Stock with respect to the Award become issuable.

7. A participant's obligation to pay required United States' federal, state or local withholding taxes in connection with his or her receipt of Stock will be satisfied by Alcoa's withholding from the shares of Stock to be issued upon payment of the Stock Award that number of shares whose fair market value on the vesting date equals the withholding amount to be paid. Withholding taxes include applicable income taxes, federal and state unemployment compensation taxes and FICA/FUTA taxes.

8. The amount of taxes to be paid by a participant using shares of Stock retained from the shares then issuable in connection with the Stock Award will be determined by applying the minimum rates required by applicable tax regulations.

9. "Fair market value" per share of Stock on any given date is the mean of the high and low trading prices per share of Stock on that date as reported on the New York Stock Exchange or other stock exchange on which the Stock then principally trades. If the New York Stock Exchange or such other exchange is not open for business on the date fair market value is being determined, the mean of the high and low trading prices as reported for the next preceding day on which that exchange was open for business will be used.

Beneficiaries

10. Participants will be entitled to designate one or more beneficiaries to receive all Stock Awards that have not yet vested at the time of death of the participant. All beneficiary designations will be on beneficiary designation forms approved for the Plan. Copies of the form are available from the Plan administrator.

11. Beneficiary designations on an approved form will be effective at the time received by the Plan administrator. A participant may revoke a beneficiary designation at any time by written notice to the Plan administrator or by filing a new designation form. Any designation form previously filed by a participant will be automatically revoked and superseded by a later-filed form.

12. A participant will be entitled to designate any number of beneficiaries on the form, and the beneficiaries may be natural or corporate persons.

13. On the beneficiary designation form, it is recommended that the participant's signature be witnessed by two persons. However, no person named as a beneficiary on the form should sign as a witness. If the participant is married at the time the beneficiary designation form is filed, then unless the participant's spouse is the sole beneficiary named on the form, it is recommended that the spouse also sign. The spouse's signature should be notarized.

14. The failure of any participant to obtain any recommended signature on the form will not invalidate the beneficiary designation or prohibit Alcoa from treating such designation as valid and effective. No beneficiary will acquire any beneficial or other interest in any Stock Award prior to the death of the participant who designated such beneficiary.

15. Unless the participant indicates on the form that a named beneficiary is to receive Stock Awards only upon the prior death of another named beneficiary, all beneficiaries designated on the form will be entitled to share equally in the Stock Award upon vesting. Unless otherwise indicated, all such beneficiaries will have an equal, undivided interest in all such Stock Awards.

16. Should a beneficiary die after the participant but before the Stock Award is paid, such beneficiary's rights and interest in the Award will be transferable by the beneficiary's last will and testament or by the laws of descent and distribution. A named beneficiary who predeceases the participant will obtain no rights or interest in a Stock Award, nor will any person claiming on behalf of such individual. Unless otherwise specifically indicated by the participant on the form, beneficiaries designated by class (such as "children," "grandchildren" etc.) will be deemed to refer to the members of the class living at the time of the participant's death, and all members of the class will be deemed to take "per capita."

ALCOA INC.

RULES FOR PERFORMANCE SHARE AWARDS

Effective January 1, 2004

These rules are authorized by the Compensation and Benefits Committee of the Board of Directors. They are deemed to be incorporated into and form a part of every Performance Share Award issued under the Alcoa Stock Incentive Plan (the “Plan”) on or after January 1, 2004, unless the notification form or agreement evidencing the award provides otherwise.

Terms that are defined in the Plan have the same meanings in these rules, except that Alcoa or Company means Alcoa Inc. or any of its controlled subsidiaries or affiliates.

General Terms and Conditions

1. Performance Share Awards are subject to the terms and conditions set forth in the related form of Performance Share Award notification letter, the provisions of the Plan and the provisions of these rules. A Performance Share Award is a commitment by the Company to issue, on the third anniversary date of the date shown in the Award notification letter, from 0 to 200% of the Target number of shares of Alcoa common stock indicated in the Award notification letter.

Vesting and Payment

2. The exact amount of Stock to be received under a grant by a participant, if any, will be determined within not later than 18 months after the date of the Award grant, and such determination will be made in accordance with the performance metrics reflected in the Award notification letter. The Award will then vest on the third anniversary date of the date of grant, unless the Committee establishes a later date for vesting with respect to all or a portion of the shares subject to the Award at the time of the grant of the Award.
3. As a condition to a Performance Share Award vesting, a participant must remain an Alcoa employee actively at work through the date of vesting. Except to the extent otherwise provided herein, if the participant’s employment with Alcoa terminates prior to the vesting date of the Performance Share Award, the Award is forfeited and is automatically canceled.
4. Prior to issuance of Stock upon vesting, the participant has no voting rights or rights to receive dividends with respect to shares covered by the Performance Share Award. However, prior to issuance of any Stock, the Committee may authorize the payment of cash dividend equivalents. Such amounts, if authorized, will be equal to the common stock dividend per share payable on Alcoa common stock multiplied by: (i) during the first 12 – 18 months following the date of grant, the Target number of shares covered by the Award and specified in the Award notification letter, or (ii) after the exact amount of Stock to be received under the grant by the participant, if any, is determined in accordance with the performance metrics reflected in the Award notification letter, the exact number of shares to be received by the participant upon vesting. Dividend equivalents will be paid as part of a participant’s salary at approximately the time of payment of regular Alcoa common stock dividends.
5. A. The three year cliff vesting schedule continues to apply to a Performance Share Award in the following situations:
   (i) A Performance Share Award held by a participant who, anytime after 6 months from the Award’s grant date, retires under a Company, subsidiary or government

retirement plan in which the participant is eligible for immediate payment of a retirement benefit, is not forfeited but vests on the original stated vesting date set forth in the Award notification letter.

(ii) A Performance Share Award held by a participant who dies while an employee is not forfeited but vests on the original stated vesting date set forth in the Award notification letter.

(iii) As determined at the Company CEO's discretion, if an unvested Performance Share Award is held by a participant identified by the Company to be terminated from employment with the Company or a subsidiary as a result of the divestiture of a business or portion of a business of the Company or a subsidiary, and the participant either becomes an employee of (or is leased or seconded to) the entity acquiring the business on the date of closing, or the participant is not offered a job by the entity acquiring the business and is terminated by the Company or a subsidiary within 90 days of the closing of the sale, then the three-year cliff vesting schedule continues to apply.

B. Upon certain Change in Control events described in the Plan, all contingencies and restrictions shall lapse, the Performance Share Award shall be considered to be earned and payable and the Award shall be immediately settled or distributed. If the Change in Control event occurs before the actual number of shares to be received by the participant based on performance results can be determined pursuant to paragraph 2 above, the Performance Share Award shall be settled at the Target amount reflected in the Award notification letter. If the Change in Control event occurs after the actual number of shares, if any, to be received by the participant can be determined pursuant to paragraph 2 above, the Performance Share Award shall be settled at the exact number of shares that would have been received by the participant upon vesting.

6. All taxes required to be withheld under applicable tax laws in connection with a participant's receipt of Stock issued in connection with the Performance Share Award must be paid by the participant at the time the Award vests and shares of Stock with respect to the Award become issuable.

7. A participant's obligation to pay required United States' federal, state or local withholding taxes in connection with his or her receipt of Stock will be satisfied by Alcoa's withholding from the shares of Stock to be issued upon payment of the Performance Share Award that number of shares whose fair market value on the vesting date equals the withholding amount to be paid. Withholding taxes include applicable income taxes, federal and state unemployment compensation taxes and FICA/FUTA taxes.

8. The amount of taxes to be paid by a participant using shares of Stock retained from the shares then issuable in connection with the Performance Share Award will be determined by applying the minimum rates required by applicable tax regulations.

9. "Fair market value" per share of Stock on any given date is the mean of the high and low trading prices per share of Stock on that date as reported on the New York Stock Exchange or other stock exchange on which the Stock then principally trades. If the New York Stock Exchange or such other exchange is not open for business on the date fair market value is being determined, the mean of the high and low trading prices as reported for the next preceding day on which that exchange was open for business will be used.

Beneficiaries

10. Participants will be entitled to designate one or more beneficiaries to receive all Performance Share Awards that have not yet vested at the time of death of the participant. All beneficiary designations will be on beneficiary designation forms approved for the Plan. Copies of the form are available from the Plan administrator.

11. Beneficiary designations on an approved form will be effective at the time received by the Plan administrator. A participant may revoke a beneficiary designation at any time by written notice to the Plan administrator or by filing a new designation form. Any designation form previously filed by a participant will be automatically revoked and superseded by a later-filed form.

12. A participant will be entitled to designate any number of beneficiaries on the form, and the beneficiaries may be natural or corporate persons.

13. On the beneficiary designation form, it is recommended that the participant's signature be witnessed by two persons. However, no person named as a beneficiary on the form should sign as a witness. If the participant is married at the time the beneficiary designation form is filed, then unless the participant's spouse is the sole beneficiary named on the form, it is recommended that the spouse also sign. The spouse's signature should be notarized.

14. The failure of any participant to obtain any recommended signature on the form will not invalidate the beneficiary designation or prohibit Alcoa from treating such designation as valid and effective. No beneficiary will acquire any beneficial or other interest in any Performance Share Award prior to the death of the participant who designated such beneficiary.

15. Unless the participant indicates on the form that a named beneficiary is to receive Performance Share Awards only upon the prior death of another named beneficiary, all beneficiaries designated on the form will be entitled to share equally in the Performance Share Award upon vesting. Unless otherwise indicated, all such beneficiaries will have an equal, undivided interest in all such Performance Share Awards.

16. Should a beneficiary die after the participant but before the Performance Share Award is paid, such beneficiary's rights and interest in the Award will be transferable by the beneficiary's last will and testament or by the laws of descent and distribution. A named beneficiary who predeceases the participant will obtain no rights or interest in a Performance Share Award, nor will any person claiming on behalf of such individual. Unless otherwise specifically indicated by the participant on the form, beneficiaries designated by class (such as "children," "grandchildren" etc.) will be deemed to refer to the members of the class living at the time of the participant's death, and all members of the class will be deemed to take "per capita."

Exhibit 10g

2004 Alcoa Incentive Compensation Plan

Table of Contents

This booklet was prepared to give you a better understanding of the Alcoa Incentive Compensation Plan. The official plan document and payout letters issued under the Plan control the Plan's operation. If there are any differences between this booklet and the official plan document, the plan document will control. Alcoa reserves the right to change or terminate the Plan at any time for any reason. Participation in the Plan does not give anyone the right to continued employment with Alcoa.

Introduction

As an organization, Alcoa sets high goals for itself—goals that "stretch" company performance to the next level. You play an important role in helping your business realize those goals.

The Alcoa Incentive Compensation (IC) Plan provides financial rewards when you achieve key individual performance results and your business reaches its performance goals during the plan year (January 1 – December 31). The IC Plan is designed to align individual and business unit goals and offer you the opportunity to increase your total annual cash compensation by meeting or exceeding these goals.

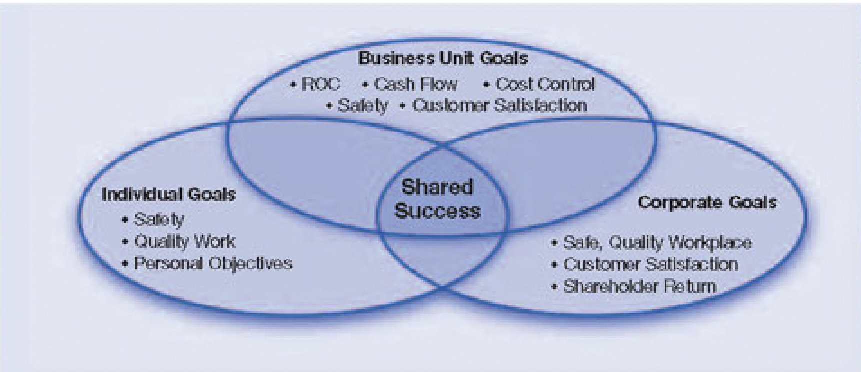
Overview

Our variable pay program creates a clear link between each employee's actions and their Business Unit's results. This link and our payout targets are consistent with our business focus and driven by our market-competitive compensation philosophy. The IC Plan is a key component of total compensation for Alcoa managers who can have a direct impact on the near-term performance of their business unit. It supports the company's pay-for-performance philosophy by linking a portion of your annual compensation opportunity to the achievement of specific business unit and individual performance goals. The goals are intended to promote teamwork and collaboration among employees throughout your business unit, and encourage individual accountability as well.

The Plan also helps Alcoa manage costs and improve results because payouts under the Plan are variable—sensitive to the operating performance of our various businesses. The Plan is designed to be self-funding so the payouts are primarily based on performance measures that align with increasing the company's value (either by increasing profits or reducing costs). In years when your business unit's performance improvement goals are not met, the Plan does not pay. Additionally, your individual performance will impact any payout.

Business and Performance Focused

Alcoa's compensation programs align corporate, business unit and individual results.



How the Incentive Compensation Plan Works

Who Is Eligible

Alcoa managers and professionals who, as determined by the company, directly impact the financial performance of their businesses are eligible to participate in the Plan. When you first become eligible, your manager will notify you.

Target Incentive Levels

Every Incentive Compensation Plan participant has a target incentive, which is a percentage of annual base salary earnings. Your target depends on your job responsibilities and competitive compensation practices in the labor markets where we compete for talent. Your manager will inform you of the target incentive for your job grade. It is important to note that managers may adjust payout levels under the Plan to reflect individual performance. Your actual incentive payout may be less or greater than your target, depending on business unit and individual performance.

For *any* incentive to be awarded under the Plan, a threshold (or minimum) level of performance for your business must be achieved. The maximum incentive that can be awarded for financial metrics is typically 200% of target and for non-financial metrics is 150% of target, for a maximum incentive plan payout of 190% of target.

Performance Goals

Each year, business unit and corporate management agree upon performance goals for financial and non-financial measures. These goals are aggressive and require a “stretch” by the organization to meet them. Your incentive payout under the Plan will be calculated based on performance against these goals plus your manager’s assessment of your individual performance.

Financial goals: Eighty percent (80%) of the payout opportunity is based on your business unit’s performance against key financial measures. Each year senior management determines the specific financial performance measures and targets for your Business Unit. Financial goals are capped at a maximum of 200% of target.

Non-financial goals: The remaining 20% of the payout opportunity is based on performance against key goals such as quality, delivery performance, safety, environmental compliance and productivity. These goals are determined by your business unit and, when attained, will lead to the longer-term financial success of your business. Payouts for non-financial goals are capped at a maximum of 150% of target.

How Payouts Are Calculated

In January following the plan year, the achievement against each performance measure is determined in order to calculate the total incentive payout. For each performance measure, the percentage weighting is applied to the percentage of target that was actually achieved. The weighted performance measure results are added together to determine the total payout for the plan as a percentage of target. This plan percentage of target is used to determine the pool of available incentive dollars for your business unit. (*See below for a calculation example*.) All performance targets do not have to be met for a payout to be made. If results for all performance measures are below the threshold level, no payout will be made. In the event of significant external influences on actual results, such as currency exchange impacts, business units will provide an assessment of actions taken to address such factors which will be used in conjunction with actual results to determine the final performance against goals.

Your manager will explain the performance goals for the coming year, tell you your target payout amount, and indicate what you can do to help achieve these goals. Prior to your Incentive Compensation payout being made, your manager will review your accomplishments throughout the year and determine your final payout based on your individual performance. Once the performance results have been determined and your performance assessed, your manager will inform you of your payout amount.

EXAMPLE:

		Threshold	Target	Maximum
Financial Goals	80%	50%	100%	200%
Non Financial Goals	+ 20%	50%	100%	150%
Combined Financial and NFI Goals	100%	50%	100%	190%

(80% Financial Goals X 200% Maximum) + (20% Non Financial Goals X 150% Maximum) = Your Maximum Total Opportunity of 190%

Note: For employees of corporate resource units, all or a portion of annual goals are based on composite performance against the business unit goals.

Example of Annual Incentive Payout Calculation

Let’s say your target incentive level for the year is 10% of your base salary earnings of $100,000, or $10,000. Performance goals (explained on page 2) are weighted as shown below.

Assume that your business unit performance is:

- Financial goals (worth 80% of your total payout): 75% of target
- Non-financial goals (worth 20% of your total payout): 100% of target

Here’s how the total payout percentage is calculated to determine the payout amount that is added to the pool of available incentive dollars):

Business Unit Measures	Weight for Each Goal	Actual BU Performance as a Percentage of Target	Percentage of Payout Based on Performance*
Financial goals	80%	75%	60%
Non-financial goals	20%	100%	20%
Total	**100%**		**80%**

***** ***Your actual payout amount will be based on your individual performance.***

For each goal, the actual performance as a percentage of target is multiplied by the goal’s weighting and then added together to get the total payout as a percent of your incentive target. In this example, 8% of your base salary earnings, or $8,000 would be added to the pool of available incentive dollars for your business unit (plan percent payout 80% x your incentive target 10% x eligible earnings $100,000). Using this amount as a basis, your manager would then determine your incentive payout amount from the pool of available incentive compensation dollars for your business unit.

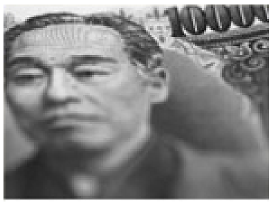
Payment and Taxation of Payouts

Annual incentive payouts typically are paid in the first quarter of each year. Normally, your incentive payout will be treated as ordinary income in the year it is paid.

It is recommended that you consult a personal tax or financial advisor for guidance on the tax treatment of your payouts.

What Happens When: A Reference Guide

You are hired or promoted to an eligible position in the middle of the plan year	Any annual incentive payout for that year will be prorated based on the actual base pay received in the bonus-eligible position during the year. The actual payout you receive may be adjusted based on your individual performance.
You transfer between business units during the plan year	Your annual incentive payout for that year will be prorated based on your BU’s performance against goals and the number of whole months you worked in each unit. Managers from your BU will collaborate on the assessment of your individual performance.
You take a leave of absence (including short-term disability, long-term disability, paid and unpaid leave, military leave and/or FMLA)	The amount of annual incentive payout calculated and added to the available incentive pool will be prorated based on your eligible earnings for the time actually worked during the year. Your manager will determine your incentive payout based on your contribution to the incentive pool and your individual performance.
You retire, die, or are laid off during the plan year	The amount of annual incentive payout calculated and added to the available pool will be prorated based on your eligible earnings for the time actually worked during the year. Your manager will determine your incentive payout based on your contribution to the incentive pool and your individual performance.
Your employment ends for any reason other than retirement, death, or layoff	Payments under the plan are at management's discretion. In general, if you voluntarily resign or are terminated for cause you will not be considered for an award.



2004 Alcoa Incentive Compensation Plan

ALCOA INC.

AMENDED AND RESTATED DIVIDEND EQUIVALENT COMPENSATION PLAN

1. PURPOSE.

The purpose of the Alcoa Dividend Equivalent Compensation Plan (the “Plan”) is to attract and retain outstanding individuals as officers and key employees of Alcoa (the “Company”) and its subsidiaries and to furnish additional incentives to such individuals through cash awards related to the performance of the Company and its common stock by permitting dividend equivalent payments on any stock option awards granted under the Alcoa Stock Incentive Plan having a reload feature: (a) the reload of which is able to be exercised by the participant but has not yet been exercised, or (b) during the “Minimum Holding Period,” as defined in the Alcoa Stock Incentive Plan, with respect to any reload on an option that has been exercised by the participant. To this end, the Board of Directors of the Company or the Committee hereinafter designated may determine that compensation shall be awarded and paid periodically to officers and other key employees of the Company and its subsidiaries, in amounts based upon cash dividends paid to holders of common stock of the Company, on the terms and subject to the conditions set forth in this Plan.

2. PARTICIPANTS.

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

3. ADMINISTRATION OF THE PLAN.

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

(b) Committee Authority. Subject to the provisions of the Plan, the Committee shall have authority (a) to determine which employees of the Company and its subsidiaries shall be eligible for participation in the Plan; (b) to select employees to receive compensation payments under the Plan; (c) to determine the number of share units on which dividend equivalent payments will be made and all other terms and conditions of any payment; and (d) to determine the amount of the dividend equivalent payment per share unit which may be a percentage, not exceeding 100%, of the amount of the cash dividend per share of common stock payable to holders of the Company’s common stock. The Committee also shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the

Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons; provided, however, that the Committee shall not exercise such authority in a manner adversely and significantly affecting dividend equivalent payments previously made unless the action taken is required to comply with any applicable law or regulation.

4. EFFECTIVE DATE AND TERM OF PLAN.

The Plan shall become effective on January 1, 1997. The Plan shall remain in effect until the last to be exercised or to expire of the reload feature of the stock options granted under the Alcoa Stock Incentive Plan on or before December 31, 2002; provided, however, that payments on stock option grants made in 2003 shall be paid only on the first 1/3 of the award that vests in 2004 and shall be paid only through December 31, 2004; and provided also that payments with respect to any stock option grants made on or before December 31, 2002 shall be made only until the reload feature has been exercised once on any such option after January 1, 2004, or until the reload feature with respect to any such stock option otherwise expires.

5. DIVIDEND EQUIVALENT PAYMENTS.

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

(b) Participant Accounts. The Company shall maintain a dividend equivalent unit account for each participant in the Plan. Dividend Equivalent Units shall be credited to or debited from such account as determined by the Committee. The number of DE Units in any individual participant's account may not exceed the number of shares subject to stock options granted under the Company's Long Term Stock Incentive Plan (or any successor plan) and held by such participant. DE Units shall not be awarded or credited on any discount options held by any participant nor shall any additional DE Units be awarded or credited to any participant who is not an active employee on the date the award or credit is made, except as required by operation of Section 6 of this Plan. The Committee shall prescribe in administrative rules or otherwise the method and timing of determining the number of DE Units to be credited to or debited from Plan participant accounts.

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

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

6. ADJUSTMENTS FOR CHANGES IN CAPITALIZATION, ETC.

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

7. AMENDMENT AND TERMINATION OF PLAN.

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

8. MISCELLANEOUS.

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

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

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

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

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

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

Alcoa and subsidiaries

Computation of Ratio of Earnings to Fixed Charges
For the nine months ended September 30, 2004
(in millions, except ratio)

Nine months ended September 30	2004
Earnings:	
Income from continuing operations before taxes on income	$1,740
Minority interests' share of earnings of majority-owned subsidiaries without fixed charges	—
Equity income	(110)
Fixed charges	233
Distributed income of less than 50%-owned persons	53
Amortization of capitalized interest	19
Total earnings	$1,935
Fixed Charges:	
Interest expense:	
Consolidated	$ 200
Proportionate share of 50%-owned persons	2
	$ 202
Amount representative of the interest factor in rents:	
Consolidated	$ 30
Proportionate share of 50%-owned persons	1
	$ 31
Fixed charges added to earnings	$ 233
Interest capitalized:	
Consolidated	$ 19
Proportionate share of 50%-owned persons	—
	$ 19
Preferred stock dividend requirements of majority-owned subsidiaries	—
Total fixed charges	$ 252
Ratio of earnings to fixed charges	7.69

Alcoa and subsidiaries

October 26, 2004

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

RE: Alcoa Inc.

Commissioners:

We are aware that our report dated October 7, 2004, except for Note P, as to which the date is October 26, 2004, on our review of interim financial information of Alcoa Inc. and its subsidiaries (the "Company") for the three-month and nine-month periods ended September 30, 2004 and 2003 and included in the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2004 is incorporated by reference in its Form S-8 Registration Statements (Nos.33-24846, 333-32516, 333-106411, 333-36214, 33-22346, 33-49109, 33-60305, 333-27903, 333-62663, 333-79575, 333-36208, 333-37740, 333-39708, and 333-115717) and Form S-3 Registration Statements (Nos. 333-74874 and 333-107926).

Very truly yours,

/s/ PricewaterhouseCoopers LLP

Certifications

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

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

Date: October 26, 2004

/s/ ALAIN J. P. BELDA

Title: Chairman of the Board and
Chief Executive Officer

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

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

Date: October 26, 2004

/s/ RICHARD B. KELSON

Title: Executive Vice President and
Chief Financial Officer

EXHIBIT 32

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

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

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 26, 2004

/s/ ALAIN J. P. BELDA

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

Dated: October 26, 2004

/s/ RICHARD B. KELSON

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

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

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