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

FORM 10-K

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For The Fiscal Year Ended December 31, 2009
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-3610

ALCOA INC.

(Exact name of registrant as specified in its charter)

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

390 Park Avenue, New York, New York 10022-4608
(Address of principal executive offices) (Zip code)

Registrant's telephone numbers:

Investor Relations------------- (212) 836-2674
Office of the Secretary--------(212) 836-2732

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ü No __ .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes__ No ü.

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 ü No __.

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months. Yes ü No __.

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer [ü] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No ü.

The aggregate market value of the outstanding common stock, other than shares held by persons who may be deemed affiliates of the registrant, as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $10 billion. As of February 15, 2010, there were 1,020,277,257 shares of common stock, par value $1.00 per share, of the registrant outstanding.

Documents incorporated by reference.

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement for its 2010 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A (Proxy Statement).

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Note on Incorporation by Reference

In this Form 10-K, selected items of information and data are incorporated by reference to portions of the Proxy Statement. Unless otherwise provided herein, any reference in this report to disclosures in the Proxy Statement shall constitute incorporation by reference of only that specific disclosure into this Form 10-K.

PART I

Item 1. Business.

General

Formed in 1888, Alcoa Inc. is a Pennsylvania corporation with its principal office in New York, New York. In this report, unless the context otherwise requires, "Alcoa" or the "company" means Alcoa Inc. and all subsidiaries consolidated for the purposes of its financial statements.

The company's Internet address is http://www.alcoa.com. Alcoa makes available free of charge on or through its website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after the company electronically files such material with, or furnishes it to, the Securities and Exchange Commission (SEC). The SEC maintains an Internet site that contains these reports at http://www.sec.gov.

Forward-Looking Statements

This report contains (and oral communications made by Alcoa may contain) statements that relate to future events and expectations and, as such, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those containing such words as "anticipates," "believes," "estimates," "expects," "hopes," "targets," "should," "will," "will likely result," "forecast," "outlook," "projects" or other words of similar meaning. All statements that reflect Alcoa's expectations, assumptions or projections about the future other than statements of historical fact are forward-looking statements, including, without limitation, forecasts concerning aluminum industry growth or other trend projections, anticipated financial results or operating performance, and statements about Alcoa's strategies, objectives, goals, targets, outlook, and business and financial prospects. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors and are not guarantees of future performance. Actual results, performance or outcomes may differ materially from those expressed in or implied by those forward-looking statements. For a discussion of some of the specific factors that may cause Alcoa's actual results to differ materially from those projected in any forward-looking statements, see the following sections of this report: Part I, Item 1A. (Risk Factors), Part II, Item 7. (Management's Discussion and Analysis of Financial Condition and Results of Operations), including the disclosures under Segment Information and Critical Accounting Policies and Estimates, and Note N and the Derivatives Section of Note X to the Consolidated Financial Statements in Part II, Item 8. (Financial Statements and Supplementary Data). Alcoa disclaims any intention or obligation to update publicly any forward-looking statements, whether in response to new information, future events or otherwise, except as required by applicable law.

Overview

Alcoa is the world leader in the production and management of primary aluminum, fabricated aluminum, and alumina combined, through its active and growing participation in all major aspects of the industry: technology, mining, refining, smelting, fabricating, and recycling. Aluminum is a commodity that is traded on the London Metal Exchange (LME) and priced daily based on market supply and demand. Aluminum and alumina represent more than three-fourths of Alcoa's revenues, and the price of aluminum influences the operating results of Alcoa. Nonaluminum products include precision castings and aerospace and industrial fasteners. Alcoa's products are used worldwide in aircraft, automobiles, commercial transportation, packaging, building and construction, oil and gas, defense, and industrial applications.

Alcoa is a global company operating in 31 countries. Based upon the country where the point of sale occurred, the United States (U.S.) and Europe generated 52% and 27%, respectively, of Alcoa's sales in 2009. In addition, Alcoa has investments and operating activities in Australia, Brazil, China, Iceland, Guinea, Russia, and the Kingdom of

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Saudi Arabia, all of which present opportunities for substantial growth. Governmental policies, laws and regulations, and economic factors, including inflation and fluctuations in foreign currency exchange rates and interest rates, affect the results of operations in these countries.

Alcoa's operations consist of four worldwide reportable segments: Alumina, Primary Metals, Flat-Rolled Products, and Engineered Products and Solutions.

Description of the Business

Information describing Alcoa's businesses can be found on the indicated pages of this report:

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Discussion of Recent Business Developments:	
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The following charts and related discussion of the company's Bauxite Interests, Alumina Refining and Primary Aluminum Facilities and Capacities, and Flat-Rolled Products, Engineered Products and Solutions and Corporate Facilities provide additional description of Alcoa's businesses. The Alumina segment primarily consists of a series of affiliated operating entities referred to as Alcoa World Alumina and Chemicals (AWAC). Alcoa owns 60% and Alumina Limited owns 40% of these individual entities. For more information on AWAC, see Exhibit Nos. 10(a) through 10(f)(1) to this report.

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Bauxite Interests

Aluminum is one of the most plentiful elements in the earth's crust. Aluminum is produced primarily from bauxite, an ore containing aluminum in the form of aluminum oxide, commonly referred to as alumina. Aluminum is made by extracting alumina from bauxite and then removing oxygen from the alumina. Alcoa processes most of the bauxite that it mines into alumina. The company obtains bauxite from its own resources and from those belonging to the AWAC enterprise, located in the countries listed in the chart below, as well as pursuant to both long-term and short-term contracts and mining leases. In 2009, Alcoa consumed 36.0 million metric tons (mt) of bauxite from AWAC and its own resources, 4.8 million mt from related third parties and 1.9 million mt from unrelated third parties. Alcoa's present sources of bauxite are sufficient to meet the forecasted requirements of its alumina refining operations for the foreseeable future. The following table provides information regarding the company's bauxite interests:

Alcoa Active Bauxite Interests[1]

Country	Project	Owners' Mining Rights (% Entitlement)	Expiration Date of Mining Rights
Australia	Darling Range Mines	Alcoa of Australia Limited (AofA)[2] (100%)	2045
Brazil	Poços de Caldas	Alcoa Alumínio S.A. (Alumínio)[3] (100%)	2020[4]
	Trombetas	Mineração Rio do Norte S.A. (MRN)[5] (100%)	2046[4]
	Juruti[6]	Alcoa World Alumina Brasil Ltda. (AWA Brasil)[7] (100%)	2100[4]
Guinea	Boké	Compagnie des Bauxites de Guinée (CBG)[8] (100%)	2038[9]
Jamaica	Clarendon/Manchester Plateau	Alcoa Minerals of Jamaica, L.L.C.[7] (55%) Clarendon Alumina Production Ltd.[10] (45%)	2042
Suriname	Caramacca	Suriname Aluminum Company, L.L.C. (Suralco)[7] (55%) N.V. Alcoa Minerals of Suriname (AMS)[11] (45%)	2012[12]
	Coermotibo	Suralco (55%) AMS[11] (45%)	2033[12]
	Kaimangrasi	Suralco (55%) AMS[11] (45%)	2033[12]
	Klaverblad	Suralco (55%) AMS[11] (45%)	2033[12]

1 Alcoa also has interests at the following locations that are bauxite resources which do not currently produce bauxite: Cape Bougainville and Mitchell Plateau in Australia, and Brownsberg, Coermotibo DS, Lely Mountains, and Nassau, all in eastern Suriname.

2 AofA is part of the AWAC group of companies and is owned 60% by Alcoa and 40% by Alumina Limited.

3 Alumínio is owned 100% by Alcoa.

4 Brazilian mineral legislation does not establish the duration of mining concessions. The concession remains in force until the complete exhaustion of the deposit. The company estimates that (i) the concessions at Poços de Caldas will last at least until 2020 and (ii) the concessions at Trombetas will last until 2046. Depending, however, on actual and future needs, the rate at which the deposits are explored and government approval is obtained, the concessions may be extended to (or expire at) a later (or an earlier) date.

5 Alumínio holds an 8.125% interest, Alcoa World Alumina Brasil Ltda. (formerly Abalco S.A., which merged with Alcoa World Alumina Brasil Ltda. in December 2008) (AWA Brasil) holds a 4.375% interest and Alcoa World Alumina LLC (AWA LLC) holds a 5% interest in MRN. AWA Brasil and AWA LLC are both part of the AWAC group of companies and are owned 60% by Alcoa and 40% by Alumina Limited. MRN is jointly owned with affiliates of Rio Tinto Alcan Inc., Companhia Brasileira de Alumínio, Companhia Vale do Rio Doce, BHP Billiton Plc (BHP Billiton) and Norsk Hydro. Alumínio, AWA Brasil, and AWA LLC purchase bauxite from MRN under long-term supply contracts.

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[6] In September 2009, development of a new bauxite mine was completed in Juruti, state of Para in northern Brazil. The mine is fully operational and expected to produce 2.6 million mt per year (mtpy) of bauxite.

[7] This entity is part of the AWAC group of companies and is owned 60% by Alcoa and 40% by Alumina Limited.

[8] AWA LLC owns a 45% interest in Halco (Mining), Inc. Halco owns 100% of Boké Investment Company, a Delaware company, which owns 51% of CBG. The Guinean Government owns 49% of CBG, which has the exclusive right through 2038 to develop and mine bauxite in certain areas within a 10,000 square-mile concession in northwestern Guinea.

[9] AWA LLC has a bauxite purchase contract with CBG that will provide Alcoa with bauxite through 2011.

[10] Clarendon Alumina Production Ltd. is a wholly-owned entity of the Government of Jamaica.

[11] In July 2009, AWA LLC acquired the BHP Billiton subsidiary that was a 45% joint venture partner in the Surinamese bauxite mining and alumina refining joint ventures. Prior to the AWA LLC buy out, BHP Billiton's subsidiary held a 45% interest to Suralco's 55% interest in the two joint ventures. After the acquisition of the BHP Billiton subsidiary, its name was changed to N.V. Alcoa Minerals of Suriname (AMS).

[12] While mining rights at Caramacca extend until 2012 and rights at the remaining Suriname locations extend until 2033, it is likely that all Suriname bauxite resources will be exhausted within the next several years. Alcoa is evaluating alternative sources of bauxite, including resources from Suralco's concession in eastern Suriname such as the Nassau plateau.

Kingdom of Saudi Arabia Joint Venture

In December 2009, Alcoa and Saudi Arabian Mining Company (Ma'aden) entered into an agreement setting forth the terms of a joint venture between them to develop a fully integrated aluminum industry in the Kingdom of Saudi Arabia. In its initial phases, the joint venture plans to develop a fully integrated industrial complex that will include a bauxite mine with an initial capacity of 4.0 million mt per year (mtpy); an alumina refinery with an initial capacity of 1.8 million mtpy; an aluminum smelter with an initial capacity of ingot, slab and billet of 740,000 mtpy; and a rolling mill, with initial hot-mill capacity of between 250,000 and 460,000 mtpy. The mill is expected to focus initially on the production of sheet, end and tab stock for the manufacture of aluminum cans, and potentially other products to serve the construction industry.

The refinery, smelter and rolling mill will be established within the new industrial zone of Raz Az Zawr on the east coast of the Kingdom of Saudi Arabia. First production from the aluminum smelter and rolling mill is anticipated in 2013, and first production from the mine and refinery is expected in 2014.

Capital investment is expected to be approximately $10.8 billion (SAR 40.5 billion) subject to the completion of detailed feasibility studies and environmental impact assessments. Ma'aden will own a 60% interest in the joint venture. Alcoa will own a 40% interest through a special purpose vehicle (SPV) controlled by Alcoa. Through this arrangement, Alcoa will have a 20% economic interest in the joint venture. Each of Alcoa and the partners in the SPV are expected to invest approximately $900 million over a four-year period. For additional information regarding the joint venture, see the Equity Investments section of Note I to the Consolidated Financial Statements in Part II, Item 8. (Financial Statements and Supplementary Data).

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Alumina Refining Facilities and Capacity

Alcoa is the world's leading producer of alumina. Alcoa's alumina refining facilities and its worldwide alumina capacity are shown in the following table:

Alcoa Worldwide Alumina Refining Capacity

Country	Facility	Owners (% of Ownership)	Nameplate Capacity[1] (000 MTPY)	Alcoa Consolidated Capacity[2] (000 MTPY)
Australia	Kwinana	AofA[3] (100%)	2,190	2,190
	Pinjarra	AofA (100%)	4,234	4,234
	Wagerup	AofA (100%)	2,555	2,555
Brazil	Poços de Caldas	Alumínio[4] (100%)	390[5]	390
	São Luís (Alumar)	AWA Brasil[3] (39%) Rio Tinto Alcan Inc.[6] (10%) Alumínio (15%) BHP Billiton[6] (36%)	3,500	1,890
Jamaica	Jamalco	Alcoa Minerals of Jamaica, L.L.C.[3] (55%) Clarendon Alumina Production Ltd.[7] (45%)	1,478[8]	841
Spain	San Ciprián	Alúmina Española, S.A.[3] (100%)	1,500	1,500
Suriname	Suralco	Suralco[3] (55%) (AMS)[9] (45%)	2,207[10]	2,207
United States	Point Comfort, TX	Alcoa World Alumina LLC[3] (100%)	2,305[11]	2,305
TOTAL			20,359	18,112

1 Nameplate Capacity is an estimate based on design capacity and normal operating efficiencies and does not necessarily represent maximum possible production.

2 The figures in this column reflect Alcoa's share of production from these facilities. For facilities wholly-owned by AWAC entities, Alcoa takes 100% of the production.

3 This entity is part of the AWAC group of companies and is owned 60% by Alcoa and 40% by Alumina Limited.

4 This entity is owned 100% by Alcoa.

5 In January 2009, the company began curtailment of production at Poços de Caldas. The facility's production was curtailed by 135,000 mtpy. However, production is expected to be ramped-up during the first quarter of 2010.

6 The named company or an affiliate holds this interest.

7 Clarendon Alumina Production Ltd. is a wholly-owned entity of the Government of Jamaica.

8 In August 2007, Hurricane Dean substantially damaged the Rocky Point port from which Jamalco ships alumina. The facility is shipping alumina from temporary on-site port facilities constructed in 2007. Permanent repairs to the Rocky Point Pier are expected to be completed in 2011. The refinery is operating at approximately 95% of nameplate capacity.

9 In July 2009, AWA LLC acquired the BHP Billiton subsidiary that was a 45% joint venture partner in the Surinamese bauxite mining and alumina refining joint ventures. Prior to the AWA LLC buy out, BHP Billiton's subsidiary held a 45% interest to Suralco's 55% interest in the two joint ventures. After the acquisition of the BHP Billiton subsidiary, its name was changed to N.V. Alcoa Minerals of Suriname (AMS).

[10] In May 2009, the Suralco alumina refinery announced curtailment of 870,000 mtpy. The decision was made to protect the long-term viability of the industry in Suriname. The curtailment was aimed at deferring further bauxite extraction until additional in-country bauxite resources are developed and market conditions for alumina improve.

[11] Reductions in production at Point Comfort resulted mostly from the effects of curtailments initiated in late 2008 through early 2009, as a result of overall market conditions. The reductions included approximately 1,500,000 mtpy curtailment. Of that amount, 800,000 mtpy remained curtailed as of December 31, 2009.

As noted above, Alcoa and Ma'aden entered into an agreement that involves the development of an alumina refinery in the Kingdom of Saudi Arabia. Initial capacity of the refinery is expected to be 1.8 million mtpy. First production is expected in 2014.

Investments in the company's Brazilian upstream operations continue. The 2.1 million mtpy expansion of the Alumar consortium alumina refinery in São Luís, Maranhão, has increased the refinery's nameplate capacity to approximately 3.5 million mtpy, with Alcoa's share of such capacity more than doubling to 1.89 million mtpy based on its 54% ownership stake through Alumínio and AWAC. Construction on the refinery was finalized at the end of 2009. The company is continuing with its modernization of the Poços de Caldas aluminum smelter.

In November 2005, Alcoa World Alumina LLC (AWA LLC) and Rio Tinto Alcan Inc. signed a Basic Agreement with the Government of Guinea that sets forth the framework for development of a 1.5 million mtpy alumina refinery in Guinea. In 2006, the Basic Agreement was approved by the Guinean National Assembly and was promulgated into law. The Basic Agreement was set to expire in November 2008, but has been extended to November 2010. Pre-feasibility studies were completed in 2008. Further project activities may be considered in 2010, but execution is dependent upon global economic conditions and conditions within Guinea.

In September 2006, Alcoa received environmental approval from the Government of Western Australia for expansion of the Wagerup alumina refinery to a maximum capacity of 4.7 million mtpy, a potential increase of over 2 million mtpy. This approval included environmental conditions that must be satisfied before Alcoa can seek construction approval for the project. The project was suspended in November 2008 due to global economic conditions and the unavailability of a secure long-term energy supply in Western Australia.

In 2008, AWAC signed a cooperation agreement with Vietnam National Coal-Minerals Industries Group (Vinacomin) in which they agreed to conduct a joint feasibility study of the Gia Nghia bauxite mine and alumina refinery project located in Dak Nong Province in Vietnam's Central Highlands, with first stage capacity expected to be between 1.0 and 1.5 million mtpy. The cooperation between AWAC and Vinacomin on Gia Nghia is subject to approval by the Government of Vietnam. If established, the Gia Nghia venture is expected to be 51% owned by Vinacomin, 40% by AWAC and 9% by others.

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Primary Aluminum Facilities and Capacity

The company's primary aluminum smelters and their respective capacities are shown in the following table:

Alcoa Worldwide Smelting Capacity

Country	Facility	Owners (% Of Ownership)	Nameplate Capacity[1] (000 MTPY)	Alcoa Consolidated Capacity[2] (000 MTPY)
Australia	Point Henry	AofA (100%)	190	190[3]
	Portland	AofA[4] (55%) CITIC (22.5%) Marubeni (22.5%)	358[5]	197[3]
Brazil	Poços de Caldas	Alumínio (100%)	96[6]	96
	São Luís (Alumar)	Alumínio (60%) BHP Billiton (40%)	447	268
Canada	Baie Comeau, Que.	Alcoa (100%)	385[7]	385
	Bécancour, Que.	Alcoa (74.95%) Rio Tinto Alcan Inc.[8] (25.05%)	413	310
	Deschambault, Que.	Alcoa (100%)	260	260
Iceland	Fjarðaál	Alcoa (100%)	344	344
Italy	Fusina	Alcoa (100%)	44[9]	44
	Portovesme	Alcoa (100%)	150[9]	150
Norway	Lista	Alcoa (100%)[10]	94	94
	Mosjøen	Alcoa (100%)[10]	188	188
Spain	Avilés	Alcoa (100%)	93	93
	La Coruña	Alcoa (100%)	87	87
	San Ciprián	Alcoa (100%)	228	228
United States	Evansville, IN (Warrick)	Alcoa (100%)	309[11]	309
	Frederick, MD (Eastalco)	Alcoa (100%)	195[12]	195
	Badin, NC	Alcoa (100%)	60[13]	60
	Massena West, NY	Alcoa (100%)	130	130
	Massena East, NY	Alcoa (100%)	125[14]	125
	Mount Holly, SC	Alcoa (50.33%) Century Aluminum Company (49.67%)	229	115
	Alcoa, TN	Alcoa (100%)	215[15]	215
	Rockdale, TX	Alcoa (100%)	267[16]	267
	Ferndale, WA (Intalco)	Alcoa (100%)	279[17]	279
	Wenatchee, WA	Alcoa (100%)	184[18]	184
TOTAL			5,370	4,813

[1] Nameplate Capacity is an estimate based on design capacity and normal operating efficiencies and does not necessarily represent maximum possible production.

[2] The figures in this column reflect Alcoa's share of production from these facilities.

[3] Figures include the minority interest of Alumina Limited in facilities owned by AofA. From these facilities, Alcoa takes 100% of the production allocated to AofA.

[4] The named company or an affiliate holds this interest.

[5] In December 2008, approximately 15,000 mtpy annualized production was idled at the Portland facility due to overall market conditions. In July 2009, an additional 15,000 mtpy annualized production was idled, again, due to overall market conditions.

[6] In January 2009, approximately 32,000 mtpy annualized production was idled at the Poços de Caldas facility due to overall market conditions. However, production is expected to increase during the first quarter of 2010.

[7] In November 2008, Baie Comeau permanently curtailed one potline (53,000 mtpy) in response to the economic downturn and as part of a modernization program, reducing nameplate capacity to 385,000 mtpy.

[8] Owned through Rio Tinto Alcan Inc.'s interest in Pechiney Reynolds Québec, Inc., which is owned by Rio Tinto Alcan Inc. and Alcoa.

[9] In November 2009, Alcoa announced the idling of smelting at Fusina and Portovesme due to uncertainty in obtaining competitively priced power and the financial impact of the European Commission decision regarding electricity tariffs, as described in Part I, Item 3. (Legal Proceedings) of this report. The idling has not occurred as of the filing of this report.

[10] In March 2009, Alcoa and Orkla ASA exchanged respective stakes in the Sapa AB and Elkem Aluminium ANS companies. Alcoa now owns 100% of the Lista and Mosjøen smelters.

[11] The Warrick facility currently has one idled potline of approximately 40,000 mtpy of annualized production.

[12] At the end of 2005, all production was idled at the Eastalco smelter located in Frederick, Maryland.

[13] All production at the Badin, North Carolina facility has been idled since August 2002.

[14] All production at the Massena East smelter was idled in June 2009 due to economic conditions, as well as the planned modernization of that facility.

[15] All production at the Tennessee smelter was idled in March 2009 due to economic conditions.

[16] Between June and November 2008, three of Rockdale's six potlines were idled as a result of uneconomical power prices. The remaining three operating lines were idled in November 2008 due to uncompetitive power supply and overall market conditions.

[17] One and a quarter of Intalco's three potlines, or approximately 115,000 mtpy, remains idled.

[18] Two of Wenatchee's four potlines, or approximately 84,000 mtpy, remain idled.

As of December 31, 2009, Alcoa had approximately 1,234,000 mtpy of idle capacity against total Alcoa Consolidated Capacity of 4,812,900 mtpy.

As noted above, Alcoa and Ma'aden entered into an agreement that involves development of an aluminum smelter in the Kingdom of Saudi Arabia. The smelter is expected to have an initial capacity of ingot, slab and billet of 740,000 mtpy. First production is expected in 2013.

Alcoa and the Government of Iceland began detailed feasibility studies for the development of a 250,000 mtpy aluminum smelter at Bakki near Húsavík in north Iceland in 2006. Although the memorandum of understanding (MOU) between the Government, the Municipality and Alcoa related to this activity expired in 2009, Alcoa is pursuing continued studies. At the same time, the Government and the local community are developing their revised strategy for utilizing the power from the geothermal areas under a new MOU structure. They have said that Alcoa is the preferred partner even if the company was not invited to this new MOU. Separate MOU agreements between Alcoa and Landsvirkjun and Alcoa and Landsnet covering development of power generation and transmission for this smelter project were signed in May 2006. Although the MOU between Alcoa and Landsvirkjun expired in 2008, Alcoa and the power companies continue their collaboration on the studies, including the Joint Environmental Impact Assessment, and Alcoa is working on the extension of the Landsnet MOU which expired in December 2009.

In 2007, Alcoa and Greenland Home Rule Government entered into an MOU regarding cooperation on a feasibility study for an aluminum smelter with a 360,000 mtpy capacity in Greenland. The MOU also encompasses a hydroelectric power system and related infrastructure improvements, including a port. In 2008, Greenland's parliament allocated funding to support the second phase of joint studies with Alcoa and endorsed that the smelter be located at Maniitsoq. Related studies are expected to extend through 2010. Greenland elected a new Parliament in 2009 and when the government convenes in Spring 2010, it is expected to consider Greenland's ownership stake in the project.

In March 2009, Alcoa and Orkla ASA (Orkla) exchanged their respective stakes in Elkem Aluminium ANS (a Norwegian smelting partnership) (EA) and Sapa AB (a Swedish extrusion joint venture) (SAPA) to focus on specific areas of expertise and best practices. EA, now 100% owned by Alcoa, operates smelters in Mosjøen and Lista, Norway and supplies extrusion billets, rolling ingots and foundry ingots to rolling mills, extrusion plants and foundries in Europe. Alcoa also received the balance of EA's ownership stake in the Mosjøen anode plant in which Alcoa already held an approximate 82% share and which supplies anodes to Alcoa's Fjarðaál, Iceland and Mosjøen, Norway smelters. Orkla received Alcoa's 45% share of the SAPA soft-alloy extrusion profile joint venture.

In December 2008, Alcoa and the Brunei Economic Development Board agreed to further extend an existing MOU to enable more detailed studies into the feasibility of establishing a modern, gas-powered aluminum smelter in Brunei Darussalam. The MOU extends a memorandum signed originally in 2003. Phase one of the feasibility study will determine scope and dimensions of the proposed facility, power-delivery strategy, location, as well as an associated port and infrastructure. At completion of phase one, the parties will determine whether a more detailed phase two study is warranted. If completed, it is expected that the smelter would have an initial operating capacity of 360,000 mtpy with the potential for future increase.

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Flat-Rolled Products Facilities

The principal business of the company's Flat-Rolled Products segment is the production and sale of aluminum plate, sheet and foil. This segment includes rigid container sheet, which is sold directly to customers in the packaging and consumer market. This segment also includes sheet and plate used in the transportation, building and construction and distribution markets.

As noted above, Alcoa and Ma'aden entered into an agreement that involves development of a rolling mill in the Kingdom of Saudi Arabia. Initial hot mill capacity is expected to be between 250,000 and 460,000 mtpy. First production is expected in 2013.

In January 2009, the company announced its intention to sell its Global Foil business. The sale of the Shanghai, China foil facility was completed effective November 1, 2009, and the sale of the Sabiñánigo, Spain foil facility was completed on December 1, 2009. The company continues to manufacture foil in Itapissuma, Brazil and Alicante, Spain, while other strategic options are being explored.

Flat-Rolled Products Principal Facilities

COUNTRY	LOCATION	OWNERS[1] (% Of Ownership)	PRODUCTS
Australia	Point Henry	Alcoa (100%)	Sheet and Plate
	Yennora	Alcoa (100%)	Can Reclamation/Sheet and Plate
Brazil	Itapissuma	Alcoa (100%)	Foil Products/Sheet and Plate
China	Kunshan	Alcoa (70%) Shanxi Yuncheng Engraving Group (30%)	Sheet and Plate
	Qinhuangdao	Alcoa (100%)	Sheet and Plate[2]
France	Castelsarrasin	Alcoa (100%)	Sheet and Plate
Hungary	Székesfehérvár	Alcoa (100%)	Sheet and Plate
Italy	Fusina	Alcoa (100%)	Sheet and Plate
Russia	Belaya Kalitva	Alcoa (100%)	Sheet and Plate
	Samara	Alcoa (100%)	Sheet and Plate
Spain	Alicante	Alcoa (100%)	Foil Products/Sheet and Plate
	Amorebieta	Alcoa (100%)	Sheet and Plate
United Kingdom	Birmingham	Alcoa (100%)	Sheet and Plate
United States	Davenport, IA	Alcoa (100%)	Sheet and Plate
	Danville, IL	Alcoa (100%)	Sheet and Plate
	Newburgh, IN	Alcoa (100%)	Sheet and Plate
	Hutchinson, KS	Alcoa (100%)	Sheet and Plate
	Lancaster, PA	Alcoa (100%)	Sheet and Plate
	Alcoa, TN	Alcoa (100%)	Sheet and Plate
	Texarkana, TX	Alcoa (100%)	Sheet and Plate[3]

[1] Facilities with ownership described as "Alcoa (100%)" are either leased or owned by the company.

[2] Alcoa Bohai Aluminum Products Company Ltd. (Bohai), a wholly owned subsidiary of Alcoa, operates aluminum cold rolling facilities in Qinhuangdao and is undertaking a major expansion, which includes a hot rolling mill and related equipment. Production from the expansion began in 2008 and is expected to reach approximately 65% of capacity in 2011. Bohai ceased foil products production at the end of 2008 and shipped its remaining foil products through the first quarter of 2009.

[3] In September 2009, the company idled the Texarkana rolling mill facility because of a continued weak outlook in common alloy markets.

Engineered Products and Solutions Facilities

The principal business of the company's Engineered Products and Solutions segment is the production and sale of titanium, aluminum and super alloy investment castings, hard alloy extrusions (which, prior to 2009, was accounted for under Flat-Rolled Products), forgings and fasteners, aluminum wheels, integrated aluminum structural systems and architectural extrusions. These products serve the aerospace, automotive, building and construction, commercial transportation and power generation markets.

In June 2009, Alcoa sold the wire harness and electrical distribution portion of its Electrical and Electronic Solutions business (AEES) to Platinum Equity, a California-based private equity group. In November 2009, Alcoa sold the remainder of AEES, which consisted of the electronics portion of the operation, to Flextronics International Kft. and certain other subsidiaries of Flextronics International Ltd., a public company incorporated in Singapore.

In January 2009, the company announced its intention to sell its Transportation Products Europe business (affecting the Modena, Italy and Soest, Germany facilities). While no definitive agreement has been reached, Alcoa continues to pursue the sale of its Transportation Products Europe business.

Engineered Products and Solutions Principal Facilities

COUNTRY	FACILITY	OWNERS[1] (% Of Ownership)	PRODUCTS[2]
Australia	Brisbane	Alcoa (100%)	Automotive Components
	Oakleigh	Alcoa (100%)	Fasteners
Belgium	Paal	Alcoa (100%)	Automotive Components
Canada	Georgetown, Ontario	Alcoa (100%)	Aerospace Castings
	Laval, Québec	Alcoa (100%)	Aerospace Castings
	Lethbridge, Alberta	Alcoa (100%)	Architectural Products
	Scarborough, Ontario	Alcoa (100%)	Architectural Products
China	Suzhou	Alcoa (100%)	Fasteners
France	Dives sur Mer	Alcoa (100%)	Aerospace Castings
	Evron	Alcoa (100%)	Aerospace Castings
	Gennenvilliers	Alcoa (100%)	Aerospace Castings
	Guérande	Alcoa (100%)	Architectural Products
	Lézat-Sur-Lèze	Alcoa (100%)	Architectural Products
	Merxheim	Alcoa (100%)	Architectural Products
	Montbrison	Alcoa (100%)	Fasteners
	St. Cosme-en-Vairais	Alcoa (100%)	Fasteners
	Toulouse	Alcoa (100%)	Fasteners
	Us 'par Vigny	Alcoa (100%)	Fasteners
Germany	Hannover	Alcoa (100%)	Extrusions
	Hildesheim-Bavenstedt	Alcoa (100%)	Fasteners
	Iserlohn	Alcoa (100%)	Architectural Products
	Kelkheim	Alcoa (100%)	Fasteners
	Soest	Alcoa (100%)	Automotive Components
Hungary	Székesfehérvár	Alcoa (100%)	Automotive Components
	Nemesvámos	Alcoa (100%)	Fasteners
Italy	Modena	Alcoa (100%)	Automotive Components
Japan	Joetsu City	Alcoa (100%)	Automotive Components
	Nomi	Alcoa (100%)	Aerospace Components

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COUNTRY	FACILITY	OWNERS[1] (% Of Ownership)	PRODUCTS[2]
Mexico	Ciudad Acuña	Alcoa (100%)	Aerospace Components / Fasteners
	Monterrey	Alcoa (100%)	Automotive Components
Morocco	Casablanca	Alcoa (100%)	Aerospace Components/Architectural Products
Russia	Belaya Kalitva	Alcoa (100%)	Automotive Components/Aerospace Components
	Samara	Alcoa (100%)	Automotive Components/Aerospace Components
South Korea	Kyoungnam	Alcoa (100%)	Extrusions
United Kingdom	Exeter	Alcoa (100%)	Aerospace Components
	Runcorn	Alcoa (100%)	Architectural Products
	Telford	Alcoa (100%)	Fasteners
United States	Springdale, AR	Alcoa (100%)	Architectural Products
	Chandler, AZ	Alcoa (100%)	Extrusions
	Tucson, AZ	Alcoa (100%)	Fasteners
	Carson, CA	Alcoa (100%)	Fasteners
	City of Industry, CA	Alcoa (100%)	Fasteners
	Fullerton, CA	Alcoa (100%)	Fasteners
	Newbury Park, CA	Alcoa (100%)	Fasteners
	Simi Valley, CA	Alcoa (100%)	Fasteners
	Torrance, CA	Alcoa (100%)	Fasteners
	Visalia, CA	Alcoa (100%)	Architectural Products
	Branford, CT	Alcoa (100%)	Aerospace Components Coatings
	Winsted, CT	Alcoa (100%)	Aerospace Components Machining
	Eastman, GA	Alcoa (100%)	Architectural Products
	Auburn, IN	Alcoa (100%)	Automotive Components
	Lafayette, IN	Alcoa (100%)	Extrusions
	LaPorte, IN	Alcoa (100%)	Aerospace Castings
	Baltimore, MD	Alcoa (100%)	Extrusion
	Whitehall, MI	Alcoa (100%)	Aerospace Components
	Salisbury, NC	Alcoa (100%)	Automotive Components
	Dover, NJ	Alcoa (100%)	Aerospace Castings / Aerospace Alloys
	Kingston, NY	Alcoa (100%)	Fasteners
	Massena, NY	Alcoa (100%)	Extrusions
	Barberton, OH	Alcoa (100%)	Automotive Components
	Chillicothe, OH	Alcoa (100%)	Automotive Components
	Cleveland, OH	Alcoa (100%)	Aerospace Components / Automotive Components
	Bloomsburg, PA	Alcoa (100%)	Architectural Products
	Morristown, TN	Alcoa (100%)	Aerospace Components
	Denton, TX	Alcoa (100%)	Automotive Components
	Waco, TX	Alcoa (100%)	Fasteners
	Wichita Falls, TX	Alcoa (100%)	Aerospace Castings
	Hampton, VA	Alcoa (100%)	Aerospace Castings

[1] Facilities with ownership described as “Alcoa (100%)” are either leased or owned by the company.

[2] Automotive and Aerospace Components are intended to include a variety of products, a combination of which may be produced at a given facility. Such products may include castings, forgings, extrusions, tube, profiles, wire/rod/bar and aluminum structural systems.

Corporate Facilities

The Latin American extrusions business, previously a component of the former Extruded and End Products Segment, is reported in Corporate Facilities. For more information, see Note Q to the Consolidated Financial Statements in Part II, Item 8. (Financial Statements and Supplementary Data).

Latin American Extrusions Facilities

COUNTRY	FACILITY	OWNERS[1] (% Of Ownership)	PRODUCTS
Brazil	Itapissuma	Alcoa (100%)	Extrusions/Architectural Products
	Utinga	Alcoa (100%)	Extrusions/Architectural Products
	Sorocaba	Alcoa (100%)	Extrusions/Architectural Products/Dies
	Tubarão	Alcoa (100%)	Extrusions/Architectural Products

[1] Facilities with ownership described as "Alcoa (100%)" are either leased or owned by the company.

Sources and Availability of Raw Materials

The major purchased raw materials in 2009 for each of the company's reportable segments are listed below.

Alumina
Bauxite
Caustic soda
Electricity
Fuel oil
Natural gas

Flat-Rolled Products
Alloying materials[1]
Aluminum scrap[1]
Coatings
Electricity
Natural gas
Nitrogen
Primary aluminum (ingot, billet, P1020[1], high purity[1])
Steam

Primary Metals
Alloying materials
Alumina
Aluminum fluoride
Calcined petroleum coke
Cathode blocks
Electricity
Liquid pitch
Natural gas
Silicon carbide

Engineered Products and Solutions
Alloying materials[1]
Aluminum scrap[1]
Cobalt
Copper
Electricity
Natural gas
Nickel
Primary aluminum (ingot, billet, P1020[1], high purity[1])
Resin
Steel
Titanium

[1] Hard alloy extrusion products was historically reported under the Flat-Rolled Products segment. As of May 2009, it was accounted for under Engineered Products and Solutions. These raw materials are still utilized in the Flat-Rolled Products segment.

Generally, other materials are purchased from third party suppliers under competitively-priced supply contracts or bidding arrangements. The company believes that the raw materials necessary to its business are and will continue to be available.

Energy

Alcoa produces aluminum from alumina by an electrolytic process requiring large amounts of electric power. Electric power accounts for approximately 24% of the company's primary aluminum costs. Alcoa generates approximately 22% of the power used at its smelters worldwide and generally purchases the remainder under long-term arrangements. Power generated by natural gas, or in the alternative, by fuel oil, as purchased by the company, accounts for approximately 15% and 14%, respectively, of the company's total refining production costs. The paragraphs below summarize the sources of power and the long-term power arrangements for Alcoa's smelters and refineries.

North America – Electricity

The Deschambault, Baie Comeau and Bécancour smelters in Québec purchase electricity under existing contracts that run through 2015, which will be followed on by long-term contracts with Hydro-Québec executed in December 2008 that expire in 2040, provided that Alcoa completes the modernization of the Baie Comeau smelter by the end of 2015. The smelter located in Baie Comeau, Québec purchases approximately 65% of its power needs under the Hydro-Québec contract and receives the remainder from a 40%-owned hydroelectric generating company, Manicouagan Power Limited Partnership, whose ownership was restructured in 2009 with Hydro-Québec acquiring the 60% stake previously held by Abitibi.

The company's wholly-owned subsidiary, Alcoa Power Generating Inc. (APGI), generates approximately 28% of the power requirements for Alcoa's smelters in the U.S. The company generally purchases the remainder under long-term contracts. APGI owns and operates two hydroelectric projects, Tapoco and Yadkin, consisting of eight dams, under Federal Energy Regulatory Commission (FERC) licenses. APGI hydroelectric facilities provide electric power, as needed, for the aluminum smelters at Alcoa, Tennessee and Badin, North Carolina. The Tennessee smelter may also purchase power from the Tennessee Valley Authority (TVA) under a contract that extends to June 20, 2010. Discussions for the supply of power by TVA to the smelter after the expiration of the current contract are underway.

APGI received a renewed 40-year FERC license for the Tapoco project in 2005. The relicensing process is nearing completion for the Yadkin hydroelectric project license. In 2007, APGI filed with FERC a Relicensing Settlement Agreement with the majority of the interested stakeholders that broadly resolved open issues. The National Environmental Policy Act process is complete, with a final environmental impact statement having been issued in April 2008. The remaining requirement for the relicensing was the issuance by North Carolina of the required water quality certification under Section 401 of the Clean Water Act. The Section 401 water quality certification was issued on May 7, 2009, but is being appealed, and has been stayed since late May 2009 pending substantive determination on the appeal. APGI received a year-to-year license renewal from FERC in May 2008, and will continue to operate under annual licenses until the new Section 401 certification is issued and the FERC relicensing process is complete. With the Badin smelter idled, power generated from APGI's Yadkin system is largely being sold to an affiliate, Alcoa Power Marketing LLC, and then sold into the wholesale market.

The company, through APGI, generates substantially all of the power used at its Warrick smelter using nearby coal reserves. Since May 2005, Alcoa has owned the nearby Friendsville, Illinois coal reserves, which mine is being operated by Vigo Coal Company, Inc. The mine is producing approximately one million tons of coal per year, 45% of the Warrick power plant's requirements. The balance of the coal used is purchased principally from local Illinois basin coal producers pursuant to term contracts of varying duration.

In the Pacific Northwest, Alcoa has been operating under a contract with Chelan County Public Utility District (Chelan PUD) located in the State of Washington that is sufficient to supply about half of the capacity of the Wenatchee smelter through October 2011. In July 2008, Alcoa and Chelan PUD executed a new contract which will begin in November 2011 and run through October 2028 under which Alcoa will receive approximately 26% of the hydropower output of Chelan PUD's Rocky Reach and Rock Island dams.

Alcoa had a contract through September 2011 with the Bonneville Power Administration (BPA) under which Alcoa was receiving financial benefits to reduce the cost of power purchased from the market to partially operate the Intalco smelter. In December 2008, the 9th Circuit Court of Appeals issued its opinion in the Pacific Northwest Generating Cooperative v. BPA case which invalidated the financial benefits portion of that arrangement. In January 2009, Alcoa and BPA executed a short-term agreement running through September 2009 that transformed that arrangement into one consistent with the Court's opinion, which interim contract was also invalidated by the same panel of the 9th Circuit Court of Appeals. These two panel decisions are being appealed. Subsequently, Alcoa and BPA signed a new contract providing for the sale of physical power at the Northwest Power Act-mandated industrial firm power (IP) rate, for the period from December 22, 2009 – May 26, 2011 (17 months), with provision for a 5-year extension if certain financial tests can be met.

Power for the Rockdale smelter in Texas was historically supplied from company-owned generating units and units owned by TXU Generation Company LP (now Luminant Generation Company LLC) (Luminant), both of which used lignite supplied by the company's Sandow Mine. Upon completion of lignite mining in the Sandow Mine in 2005, lignite supply transitioned to the formerly Alcoa-owned Three Oaks Mine. The company retired its three wholly-owned generating units at Rockdale (Units 1, 2 and 3) in late 2006, and transitioned to an arrangement under which Luminant was to supply all of the Rockdale smelter's electricity requirements under a long-term power contract that does not expire until at least the end of 2038, with the parties having the right to terminate the contract after 2013 if there has been an unfavorable change in law (or after 2025 if the cost of the electricity exceeds the market price). In June 2008, Alcoa temporarily idled half of the capacity at the Rockdale smelter due to electricity supply issues with Luminant, and in November 2008 curtailed the remainder of Rockdale's smelting capacity due to an unreliable power supply and overall market conditions. In August 2008, Alcoa filed suit in District Court in Cameron, Texas against Luminant and certain of its parents and affiliates seeking damages for Luminant's alleged wrongful conduct that resulted in the electricity supply issues to the smelter. Trial is scheduled for May 2010. In August 2007, Luminant and Alcoa closed on the definitive agreements under which Luminant will construct, own and operate a new circulating fluidized bed power plant adjacent to the existing Sandow Unit Four Power Plant, and in September 2007, on the sale of the Three Oaks Mine to Luminant.

In the northeast, the purchased power contracts for both the Massena East and Massena West smelters in New York expire not earlier than June 30, 2013, following their extension in 2003 for 10 years upon New York Power Authority (NYPA) having relicensed its St. Lawrence-FDR Hydro Project. In December 2007, Alcoa and NYPA reached agreement in principle on a new energy contract to supply the Massena East and Massena West smelters for 30 years, beginning on July 1, 2013. The definitive agreement implementing this arrangement became effective February 24, 2009. A subsequent amendment, providing Alcoa additional time to complete the design and engineering work for its Massena East modernization plan, and providing for the return of 256 megawatts of power to NYPA while Massena East is idled, was entered into effective April 16, 2009. Implementation of the Massena East modernization plan is subject to further approval of the Alcoa Board.

The Mt. Holly smelter in South Carolina purchases electricity from Santee Cooper under a contract that expires December 31, 2015, subject to certain extension provisions.

At the end of 2005, all production was temporarily curtailed at the Eastalco smelter located in Frederick, Maryland. The curtailment coincided with the expiration of the smelter's power contract on December 31, 2005, as a competitively-priced replacement power supply could not be obtained. Alcoa continues efforts to find an alternative power source for Eastalco.

Australia – Electricity

Power is generated from extensive brown coal deposits covered by a long-term mineral lease held by Alcoa of Australia Limited (AofA), and that power currently provides approximately 40% of the electricity for the company's smelter in Point Henry, Victoria. The State Electricity Commission of Victoria provides the remaining power for this smelter and all power for the Portland smelter, under contracts with AofA that extend to 2014 and 2016, respectively. Work continues on new power arrangements that would begin upon the expiration of these power contracts.

Brazil – Electricity

The Alumar smelter is almost entirely supplied by Eletronorte (Centrais Elétricas do Norte do Brasil S.A.) through a long-term power purchase agreement expiring in December 2024. Eletronorte has supplied the Alumar smelter from the beginning of its operations in 1984. Alcoa Alumínio S.A.'s (Alumínio) remaining power needs for the smelter are supplied from the Barra Grande hydroelectric project.

Alumínio owns a 30.99% stake in Maesa – Machadinho Energética S.A., which is the owner of 83.06% of the Machadinho hydroelectric power plant located in southern Brazil. Alumínio's share of the plant's output is supplied to the Poços de Caldas smelter, and is sufficient to cover 55% of its operating needs.

Alumínio also has a 42.18% interest in Energética Barra Grande S.A. – BAESA, which built the Barra Grande hydroelectric power plant in southern Brazil. Alumínio's share of the power generated by BAESA covers the remaining power needs of the Poços de Caldas smelter and a portion of the power needs of Alumínio's interest in the Alumar smelter.

With Machadinho and Barra Grande, Alumínio's current power self-sufficiency is approximately 40%, to meet a total energy demand of approximately 695 megawatts from Brazilian primary plants.

Alumínio is also participating in a number of other Brazilian hydropower projects. Two of these projects have received the Environmental License Permits from the Federal Government and started construction in 2007:

- *Estreito*, northern Brazil – Alumínio's share is 25.49%
- *Serra do Facão*, in the southeast of Brazil – Alumínio's share is 34.97%

Both projects are in the final stages of construction, with Serra do Facão expected to begin generating power in the second quarter of 2010, and Estreito in the first quarter of 2011.

The Pai Querê project in southern Brazil (Alumínio's share is 35%) and the Santa Isabel project in northern Brazil (Alumínio's share is 20%) are still in the process of obtaining necessary environmental licenses.

If these projects are completed, the power will be used in Alumínio's smelters or sold into the Brazilian grid.

Europe – Electricity

Until December 31, 2005, the company purchased electricity for its smelters at Portovesme and Fusina, Italy under a power supply structure approved by the European Commission (EC) in 1996. That measure provided a competitive power supply to the primary aluminum industry and was not considered state aid from the Italian Government. In 2005, Italy granted an extension of the regulated electricity tariff that was in force until December 31, 2005 through November 19, 2009. (The extension was originally through 2010, but the date was changed by legislation adopted by the Italian Parliament effective on August 15, 2009.) In July 2006, the EC announced that it had opened an investigation to establish whether the extension of the regulated electricity tariff granted by Italy complies with European Union (EU) state aid rules. On November 19, 2009, the EC announced a decision in its investigation, stating that the extension of the tariff by Italy constituted unlawful state aid, in part, and ordered the Italian government to recover a portion of the benefit Alcoa received since January 2006 (including interest). Alcoa is appealing this decision and is separately seeking an annulment of the EC's decision to open its investigation regarding the Italian power tariff extension. Additional details about this matter are in Part I, Item 3. (Legal Proceedings) of this report. Since January 1, 2010 both the Portovesme and Fusina smelters have been supplied under short-term bilateral contracts with power suppliers which do not give rise to future volume commitments for the smelters.

The company's smelters at San Ciprián, La Coruña and Avilés, Spain purchase electricity under bilateral power contracts that commenced in May 2009 and are due to expire on December 31, 2012. Prior to the establishment of

power supply under the bilateral contracts, Alcoa was supplied under a regulated power tariff. On January 25, 2007, the EC announced that it has opened an investigation to establish whether the regulated electricity tariffs granted by Spain comply with EU state aid rules. Alcoa operated in Spain for more than ten years under a power supply structure approved by the Spanish Government in 1986, an equivalent tariff having been granted in 1983. The investigation is limited to the year 2005 and it is focused both on the energy-intensive consumers and the distribution companies. It is Alcoa's understanding that the Spanish tariff system for electricity is in conformity with all applicable laws and regulations, and therefore no state aid is present in that tariff system. A decision by the EC has not yet been made. If the EC's investigation concludes that the regulated electricity tariffs for industries are unlawful, Alcoa will have an opportunity to challenge the decision in the EU courts.

Pursuant to the exchange arrangement with Orkla previously described, Alcoa assumed 100% ownership of the two smelters in Norway, Lista and Mosjøen, at the end of the first quarter of 2009. These smelters have long-term power arrangements in place which continue until at least 2019.

Iceland – Electricity

Alcoa's Fjarðaál smelter in eastern Iceland began operation in 2007. Central to those operations is a 40-year power contract under which Landsvirkjun, the Icelandic national power company, built the Kárahnjúkar dam and hydro-power project, and supplies competitively priced electricity to the smelter. First power was supplied to the Fjarðaál smelter in April 2007, and with the completion of the Kárahnjúkar project in late 2007, the smelter achieved full production in April 2008. In late 2009, Iceland imposed two new taxes on power intensive industries, both for a period of 3 years, from 2010 through 2012. One tax is based on energy consumption; the other is a pre-payment of certain other charges, and will be recoverable from 2013 through 2015.

North America – Natural Gas

In order to supply its refineries and smelters in the U.S. and Canada, the company generally procures natural gas on a competitive bid basis from a variety of sources including producers in the gas production areas and independent gas marketers. For Alcoa's larger consuming locations in Canada and the U.S., the gas commodity as well as interstate pipeline transportation is procured to provide increased flexibility and reliability. Contract pricing for gas is typically based on a published industry index or New York Mercantile Exchange (NYMEX) price. The company may choose to reduce its exposure to NYMEX pricing by hedging a portion of required natural gas consumption.

Australia – Natural Gas

Alcoa of Australia (AofA) holds a 20% equity interest in a consortium that bought the Dampier-to-Bunbury natural gas pipeline in October 2004. This pipeline transports gas from the northwest gas fields to Alcoa's alumina refineries and other users in the Southwest of Western Australia. AofA uses gas to co-generate steam and electricity for its alumina refining processes at the Kwinana, Pinjarra and Wagerup refineries. Gas supply from Apache Northwest Pty Ltd and a separate joint venture, in which Apache is a participant, was curtailed beginning in June 2008 following an explosion and fire at its Varanus Island gas processing plant. Supply was progressively restored beginning in August 2008, with full supply being returned in June 2009. The shortfall in gas supply from Varanus Island was covered by short term contracts with other gas producers and liquid fuels. Production at the Kwinana, Pinjarra and Wagerup refineries was not materially impacted.

Patents, Trade Secrets and Trademarks

The company believes that its domestic and international patent, trade secret and trademark assets provide it with a significant competitive advantage. The company's rights under its patents, as well as the products made and sold under them, are important to the company as a whole and, to varying degrees, important to each business segment. The patents owned by Alcoa generally concern particular products or manufacturing equipment or techniques. Alcoa's business as a whole is not, however, materially dependent on any single patent, trade secret or trademark.

The company has a number of trade secrets, mostly regarding manufacturing processes and material compositions that give many of its businesses important advantages in their markets. The company continues to strive to improve those processes and generate new material compositions that provide additional benefits.

The company also has a number of domestic and international registered trademarks that have significant recognition within the markets that are served. Examples include the name “Alcoa” and the Alcoa symbol for aluminum products, Howmet metal castings, Huck® fasteners, Kawneer building panels and Dura-Bright® for wheels with dirt resistant surface treatments. The company’s rights under its trademarks are important to the company as a whole and, to varying degrees, important to each business segment.

Competitive Conditions

Alcoa is subject to highly competitive conditions in all aspects of its aluminum and nonaluminum businesses. Competitors include a variety of both U.S. and non-U.S. companies in all major markets. Price, quality and service are the principal competitive factors in Alcoa’s markets. Where aluminum products compete with other materials – such as steel and plastics for automotive and building applications; magnesium, titanium, composites and plastics for aerospace and defense applications – aluminum’s diverse characteristics, particularly its light weight, recyclability and flexibility are also significant factors. For Alcoa’s segments that market products under Alcoa’s brand names, brand recognition and brand loyalty also play a role. In addition Alcoa’s competitive position depends, in part, on the company’s access to an economical power supply to sustain its operations in various countries.

Research and Development

Alcoa, a technology leader in the aluminum industry, engages in research and development programs that include process and product development, and basic and applied research. Expenditures for Research and Development (R&D) activities were $169 million in 2009, $246 million in 2008 and $238 million in 2007.

Most of the major process areas within the company have a Technology Management Review Board (TMRB) consisting of members from various worldwide locations. Each TMRB is responsible for formulating and communicating a technology strategy for the corresponding process area, developing and managing the technology portfolio and ensuring the global transfer of technology. Alternatively, certain business units conduct these activities and research and development programs within the worldwide business unit, supported by the Alcoa Technical Center (ATC). Technical personnel from the TMRBs, ATC and such business units also participate in the corresponding Market Sector Teams. In this manner, research and development activities are aligned with corporate and business unit goals.

During 2009, the company continued to work on new developments for a number of strategic projects in all business segments. In Primary Metals, progress was made on inert anode technology with tests carried out on a “pilot scale”. Progress has been successful in many respects as a result of full pot testing of anode assemblies, although there remain technical and cost targets to achieve. If the technology proves to be commercially feasible, the company believes that it would be able to convert its existing potlines to this new technology, resulting in significant operating cost savings. The new technology would also generate environmental benefits by reducing certain emissions and eliminating carbon dioxide. No timetable has been established for commercial use. Progress was also made on carbothermic projects with pilot tests. The projects, if commercially feasible, may reduce capital and energy costs, as well as provide environmental benefits related to waste reduction.

In the semi-fabrication businesses, National Aeronautics and Space Administration (NASA) has certified Alcoa’s Davenport, Iowa facility as a supplier in the U.S. to produce aluminum-lithium alloy 2195 thin plate for the Ares 1 crew launch vehicle, the rocket that will enable astronauts to explore space. First shipments have been made and successfully validated by NASA.

Alcoa has also moved from the R&D stage to "commercial scale" on its continuous cast-rolled micromill process. The full width implementation at the San Antonio, Texas facility has been successful with coils delivered to the market. In addition, a new process "Sequential Alloy Casting" has been developed and products are being validated by the Department of Defense.

Leveraging of new technologies such as bio-mimicry, nano and low cost sensing continues to progress. For example, riblets that reduce aerodynamic drag (sharkskin mimicry) have been analyzed and produced on a test basis. Self-cleaning nano coatings have been demonstrated on building products. Energy saving sensing devices are being integrated in company manufacturing plants. Integrated thermal management products for consumer electronics have been developed and are being validated by our customers.

A number of products were commercialized in 2009 including Dura Bright® wheels for commercial transport applications; new alloy products and advanced fasteners for Boeing 787; easy clean coatings for building products; alloy 7085 for mold blocks; unique surface sheet for the consumer electronics market; lightweight, high-strength applications for the defense market; and high performance products such as drill pipes for the oil and gas markets.

For the aerospace market, new multi-material technologies continue to be developed to effectively compete with composites. Alcoa's advanced aerospace alloys contributed to the successful operation of China's first home-produced regional jet, ARJ21-700.

The company currently has at least 60 new products in various development stages. As a result of product development and technological advancement, the company continues to pursue patent protection in jurisdictions throughout the world.

Environmental Matters

Information relating to environmental matters is included in the following sections of this report: Part II, Item 7. (Management's Discussion and Analysis of Financial Condition and Results of Operations) under the caption "Investing Activities—Environmental Matters" on page 67, Note A to the Consolidated Financial Statements under the caption "Environmental Matters" on page 82 and in Note N to the Consolidated Financial Statements under the caption "Environmental Matters" on pages 110-113.

Employees

Total worldwide employment at year-end 2009 was approximately 59,000 employees in 31 countries. About 37,000 of these employees are represented by labor unions. The company believes that relations with its employees and any applicable union representatives generally are good.

In the U.S., approximately 9,000 employees are represented by various labor unions. The master collective bargaining agreement between Alcoa and the United Steelworkers, covering 10 locations and approximately 5,600 U.S. employees, is scheduled to expire on May 31, 2010. The parties will negotiate in May with the intent of reaching a new long-term agreement. To the extent a new long-term agreement is not reached, a work stoppage at some or all of the 10 locations could begin on June 1, 2010. There are 18 other collective bargaining agreements in the U.S. with varying expiration dates. Various collective bargaining agreements with varying expiration dates cover about 12,000 employees in Europe, 5,600 employees in Russia, 6,200 employees in Central and South America, 3,800 employees in Australia, 600 employees in China and 2,200 employees in Canada.

In 2009, Alcoa reduced worldwide headcount by approximately 28,000 as a result of temporary and permanent reductions in force and various divestures. Alcoa has lifted the global hiring and salary freezes that it instituted in 2009.

Item 1A. Risk Factors.

Alcoa’s business, financial condition or results of operations may be impacted by a number of factors. In addition to the factors discussed elsewhere in this report, the following are some of the important factors that could cause Alcoa’s actual results to differ materially from those projected in any forward-looking statements:

Recovery from the 2008 - 2009 global economic downturn and related disruptions in the financial markets, and their impact on the aluminum industry and Alcoa, are uncertain.

The aluminum industry generally is highly cyclical, with prices subject to worldwide market forces of supply and demand and other influences. Alcoa is subject to cyclical fluctuations in LME prices, economic conditions generally, and aluminum end-use markets. The global economic downturn that occurred in 2008 and 2009, coupled with the global financial and credit market disruptions, had a historic negative impact on the aluminum industry and Alcoa. These events contributed to an unprecedented decline (56% in the last five months of 2008) in LME-based aluminum prices, weak end markets, a sharp drop in demand, increased global inventories, and higher costs of borrowing and/or diminished credit availability. While Alcoa believes that the long-term prospects for aluminum remain bright, the company is unable to predict the timing and rate at which industry variables may recover. The company implemented a number of operational and financial actions in 2009 to improve its cost structure and liquidity, including curtailing production, halting non-critical capital expenditures, accelerating new sourcing strategies for raw materials, divesting non-core assets, reducing global headcount, suspending its existing share repurchase program, reducing its quarterly common stock dividend and making other liquidity enhancements. However, there can be no assurance that these actions, or any others that the company has taken or may take, will be sufficient to counter any continuation or reoccurrence of the downturn or disruptions. In addition, there can be no assurance that the measures taken by Alcoa or their benefits will be sustainable in a changing or improving business environment. A protracted continuation or worsening of the global economic downturn or disruptions in the financial markets could have a material adverse effect on Alcoa’s business, financial condition or results of operations.

Alcoa could be materially adversely affected by declines in aluminum prices.

The price of aluminum is frequently volatile and changes in response to general economic conditions, expectations for supply and demand growth or contraction, and the level of global inventories. The influence of hedge funds and other financial investment funds participating in commodity markets has also increased in recent years, contributing to higher levels of price volatility. At the same time, there is often a lag effect for a reduction in LME-linked costs of production. For example, reduction of certain key smelting input costs (such as alumina and power) may lag declining average primary metal revenue by up to 90 days. Continued high LME inventories could lead to a reduction in the price of aluminum. Industry overcapacity, including decisions by competitors to reactivate idle or build new capacity, could contribute to a weak pricing environment. A sustained weak aluminum pricing environment or a further deterioration in aluminum prices could have a material adverse effect upon Alcoa’s business, financial condition, results of operations or cash flow.

A reduction in demand (or a lack of increased demand) for aluminum by China or a combined number of other countries may negatively impact Alcoa’s results.

The Chinese market is a significant source of global demand for commodities, including aluminum. A sustained slowdown in China’s economic growth, or the combined slowdown in other markets, could have an adverse effect on the global supply and demand for aluminum and aluminum prices. In addition, China’s investments to increase its self-sufficiency in key commodities may impact future demand and supply balances and prices.

Alcoa's operations consume substantial amounts of energy; profitability may decline if energy costs rise or if energy supplies are interrupted.

Alcoa consumes substantial amounts of energy in its operations. Although Alcoa generally expects to meet the energy requirements for its alumina refineries and primary aluminum smelters from internal sources or from long-term contracts, the following could affect Alcoa's results of operations:

- significant increases in electricity costs rendering smelter operations uneconomic;
- significant increases in fuel oil or natural gas prices;
- unavailability of electrical power or other energy sources due to droughts, hurricanes or other natural causes;
- unavailability of energy due to energy shortages resulting in insufficient supplies to serve consumers;
- interruptions in energy supply due to equipment failure or other causes; or
- curtailment of one or more refineries or smelters due to inability to extend energy contracts upon expiration or negotiate new arrangements on cost-effective terms or unavailability of energy at competitive rates.

Alcoa's profitability could be adversely affected by increases in the cost of raw materials or by significant lag effects for decreases in commodity - or LME - linked costs.

Alcoa's results of operations will be affected by increases in the cost of raw materials, including energy, carbon products, caustic soda and other key inputs, as well as freight costs associated with transporting raw materials to refining and smelting locations. Alcoa may not be able to offset fully the effects of higher raw material costs or energy costs through price increases, productivity improvements or cost reduction programs. Similarly, Alcoa's operating results will be affected by significant lag effects for declines in key costs of production that are commodity- or LME-linked. For example, declines in LME-linked costs of alumina and power in a particular period may not be adequate to offset sharp declines in metal price in that period.

Alcoa is exposed to fluctuations in foreign currency exchange rates and interest rates, as well as inflation, and other economic factors in the countries in which it operates.

Economic factors, including inflation and fluctuations in foreign currency exchange rates and interest rates, competitive factors in the countries in which Alcoa operates, and continued volatility or deterioration in the global economic and financial environment, could affect Alcoa's revenues, expenses and results of operations. Changes in the valuation of the U.S. dollar against other currencies, particularly the Brazilian real, Canadian dollar, Euro and Australian dollar, may affect profitability as some important raw materials are purchased in other currencies, while products generally are sold in U.S. dollars.

Alcoa may not be able to successfully implement or realize expected benefits from its growth projects or its portfolio streamlining strategy.

As a result of the global economic downturn and as part of the company's initiative to conserve cash and preserve liquidity, Alcoa halted all non-critical capital investment in 2009, except for the completion of the São Luís refinery expansion, the greenfield Juruti bauxite mine, the Estreito hydroelectric power project in Brazil and the China and Russia growth projects. However, there can be no assurance that these projects will be beneficial to Alcoa, whether due to unfavorable global economic conditions, increases in project start-up costs for the Juruti and São Luís projects, currency fluctuations, or other factors, or that the remaining construction on the Estreito project will be completed within budget or by the targeted completion date.

Alcoa has also made and may continue to make acquisitions and divestitures and take other actions to streamline its portfolio. For example, in January 2009, Alcoa announced its intention to sell its Global Foil and Transportation Products Europe businesses. There can be no assurance that these will be completed in their entirety as planned or

beneficial to Alcoa or that targeted completion dates will be met. In addition, acquisitions present significant challenges and risks relating to the integration of the business into the company, and there can be no assurances that the company will manage acquisitions successfully.

Joint ventures and other strategic alliances may not be successful.

Alcoa participates in joint ventures and has formed strategic alliances and may enter into additional such arrangements in the future. For example, in December 2009, Alcoa announced that it formed a joint venture with Ma'aden, the Saudi Arabian Mining Company, to develop a fully integrated aluminum industry (including a bauxite mine, alumina refinery, aluminum smelter and rolling mill) in the Kingdom of Saudi Arabia. Although the company has, in relation to that joint venture and its other existing joint ventures and strategic alliances, sought to protect its interests, joint ventures and strategic alliances necessarily involve special risks. Whether or not Alcoa holds majority interests or maintains operational control in such arrangements, its partners may:

- have economic or business interests or goals that are inconsistent with or opposed to those of the company;
- exercise veto rights so as to block actions that Alcoa believes to be in its or the joint venture's or strategic alliance's best interests;
- take action contrary to Alcoa's policies or objectives with respect to its investments; or
- as a result of financial or other difficulties, be unable or unwilling to fulfill their obligations under the joint venture, strategic alliance or other agreements, such as contributing capital to expansion or maintenance projects.

In addition, the joint venture with Ma'aden is subject to risks associated with large infrastructure construction projects, including the risk of potential adverse changes in the financial markets that could affect the ability of the joint venture to implement its financing plans or to achieve financial close for the phases of the project and the consequences of non-compliance with the timeline and other requirements under the gas supply arrangements for the joint venture. There can be no assurance that the project will be funded, completed within budget or by the targeted completion date or that it or Alcoa's other joint ventures or strategic alliances will be beneficial to Alcoa, whether due to the above-described risks, unfavorable global economic conditions, lack of financing, increases in construction costs, currency fluctuations, political risks, or other factors.

Alcoa faces significant competition.

As discussed in Part I, Item 1. (Business – Competitive Conditions) of this report, the markets for most aluminum products are highly competitive. Alcoa's competitors include a variety of both U.S. and non-U.S. companies in all major markets. In addition, aluminum competes with other materials, such as steel, plastics, composites, and glass, among others, for various applications in Alcoa's key markets. The willingness of customers to accept substitutions for the products sold by Alcoa, the ability of large customers to exert leverage in the marketplace to affect the pricing for fabricated aluminum products, or other developments by or affecting Alcoa's competitors or customers could affect Alcoa's results of operations. In addition, Alcoa's competitive position depends, in part, on the company's access to an economical power supply to sustain its operations in various countries.

Further metals industry consolidation could impact Alcoa's business.

The metals industry has experienced consolidation over the past several years, and there may be further industry consolidation in the future. Although current industry consolidation has not negatively impacted Alcoa's business, further consolidation in the aluminum industry could possibly have negative impacts that we cannot reliably predict.

Failure to maintain investment grade credit ratings will increase Alcoa's cost of borrowing and could further adversely affect Alcoa's access to the capital markets.

Alcoa's cost of borrowing and ability to access the capital markets are affected not only by market conditions but also by the short-and long-term debt ratings assigned to Alcoa's debt by the major credit rating agencies. These ratings are based, in significant part, on the company's performance as measured by credit metrics such as interest coverage and leverage ratios. In February 2009, Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch) each lowered Alcoa's long-term debt rating to BBB-; S&P and Fitch lowered the company's short-term debt ratings to A-3 and F3, respectively; and both indicated that the current outlook was negative. Also in February 2009, Moody's Investors Service (Moody's) lowered Alcoa's long-term debt rating to Baa3 and the company's short-term debt rating to Prime-3, and indicated that the current outlook was stable. Although the company reduced debt and generated free cash flow in 2009, in December 2009, Moody's placed Alcoa under review for further downgrade as a result of the company's announced entry into a joint venture with Ma'aden (the Saudi Arabian Mining Company) to develop an integrated aluminum complex in the Kingdom of Saudi Arabia and slower than anticipated (by Moody's) recovery in earnings generation through 2009 despite higher than anticipated aluminum prices together with the more moderate pace of improvement in debt protection metrics, debt reduction, and balance sheet strength. Moody's expressed concern that the joint venture investment may contribute to a delay in balance sheet improvement and debt reduction for Alcoa, given Moody's expectation for only slow recovery in the aluminum industry and in Alcoa's earnings. Although the company has available to it a committed revolving credit facility to provide liquidity, the 2009 downgrades in Alcoa's credit ratings, as well as any additional downgrades, including below investment grade level, will increase Alcoa's cost of borrowing and could have a further adverse effect on its access to the capital markets, including restricting, in whole or in part, its access to the commercial paper market. There can be no assurance that the commercial paper market will continue to be a reliable source of short-term financing for the company. An inability to access the capital markets could have a material adverse effect on Alcoa's financial condition, results of operations or cash flow.

Alcoa could be adversely affected by the failure of financial institutions to fulfill their commitments under committed credit facilities.

As discussed in Part II, Item 7. (Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources) of this report, Alcoa has a committed revolving credit facility with financial institutions available for its use, for which the company pays commitment fees. The facility is provided by a syndicate of several financial institutions, with each institution agreeing severally (and not jointly) to make revolving credit loans to Alcoa in accordance with the terms of the credit agreement. If one or more of the financial institutions providing the committed credit facility were to default on its obligation to fund its commitment, the portion of the committed facility provided by such defaulting financial institution would not be available to the company.

Alcoa may not be able to successfully realize expected short-term benefits from changes in its pricing strategy for the aluminum can sheet market.

Recently, Alcoa adopted changes to its pricing strategy for the aluminum can sheet market in North America in order to ensure the long-term profitability of the business. The company eliminated metal price ceilings from its contracts and, in new contracts, is sharing with its customers increased costs of the business to improve its profitability. These decisions are designed to allow Alcoa to achieve financial returns that can support the business in the long-term and may have a negative effect on volume in the short-term.

Alcoa's global operations are exposed to political and economic risks, commercial instability and events beyond its control in the countries in which it operates.

Alcoa has operations or activities in numerous countries outside the U.S. having varying degrees of political and economic risk, including China, Guinea and Russia, among others. Risks include those associated with political instability, civil unrest, expropriation, nationalization, renegotiation or nullification of existing agreements, mining leases and permits, commercial instability caused by corruption, and changes in local government laws, regulations and

policies, including those related to tariffs and trade barriers, taxation, exchange controls, employment regulations and repatriation of earnings. While the impact of these factors is difficult to predict, any one or more of them could adversely affect Alcoa's business, financial condition or operating results.

Alcoa could be adversely affected by changes in the business or financial condition of a significant customer or customers.

A significant downturn or further deterioration in the business or financial condition of a key customer or customers supplied by Alcoa could affect Alcoa's results of operations in a particular period. Alcoa's customers may experience delays in the launch of new products, labor strikes, diminished liquidity or credit unavailability, weak demand for their products, or other difficulties in their businesses. If Alcoa is not successful in replacing business lost from such customers, profitability may be adversely affected.

Alcoa may be exposed to significant legal proceedings, investigations or changes in U.S. federal, state or foreign law, regulation or policy.

Alcoa's results of operations or liquidity in a particular period could be affected by new or increasingly stringent laws, regulatory requirements or interpretations, or outcomes of significant legal proceedings or investigations adverse to Alcoa. The company may experience a change in effective tax rate or become subject to unexpected or rising costs associated with business operations or provision of health or welfare benefits to employees due to changes in laws, regulations or policies. The company is also subject to a variety of legal compliance risks. These risks include, among other things, potential claims relating to product liability, health and safety, environmental matters, intellectual property rights, government contracts, taxes, and compliance with U.S. and foreign export laws, competition laws and sales and trading practices. Alcoa could be subject to fines, penalties, damages (in certain cases, treble damages), or suspension or debarment from government contracts. While Alcoa believes it has adopted appropriate risk management and compliance programs to address and reduce these risks, the global and diverse nature of its operations means that these risks will continue to exist and additional legal proceedings and contingencies may arise from time to time. In addition, various factors or developments can lead the company to change current estimates of liabilities or make such estimates for matters previously not susceptible of reasonable estimates, such as a significant judicial ruling or judgment, a significant settlement, significant regulatory developments or changes in applicable law. A future adverse ruling or settlement or unfavorable changes in laws, regulations or policies, or other contingencies that the company cannot predict with certainty could have a material adverse effect on the company's results of operations or cash flows in a particular period. For additional information regarding the legal proceedings involving the company, see the discussion in Part I, Item 3. (Legal Proceedings), of this report and in Note N to the Consolidated Financial Statements in Part II, Item 8. (Financial Statements and Supplementary Data).

Alcoa is subject to a broad range of health, safety and environmental laws and regulations in the jurisdictions in which it operates and may be exposed to substantial costs and liabilities associated with such laws.

Alcoa's operations worldwide are subject to numerous complex and increasingly stringent health, safety and environmental laws and regulations. The costs of complying with such laws and regulations, including participation in assessments and cleanups of sites, as well as internal voluntary programs, are significant and will continue to be so for the foreseeable future. Environmental matters for which we may be liable may arise in the future at our present sites, where no problem is currently known , at previously owned sites, sites previously operated by us, sites owned by our predecessors or sites that we may acquire in the future. Alcoa's results of operations or liquidity in a particular period could be affected by certain health, safety or environmental matters, including remediation costs and damages related to several sites. Additionally, evolving regulatory standards and expectations can result in increased litigation and/or increased costs, all of which can have a material and adverse effect on earnings and cash flows.

Climate change, climate change legislation or regulations and greenhouse effects may adversely impact Alcoa's operations and markets.

Energy is a significant input in a number of Alcoa's operations. There is growing recognition that energy consumption is a contributor to global warming, greenhouse effects and potential climate change.

A number of governments or governmental bodies have introduced or are contemplating legislative and regulatory change in response to the potential impacts of climate change including pending U.S. legislation that if enacted, would limit and reduce greenhouse gas emissions through a "cap and trade" system of allowances and credits, among other provisions. In addition, the Environmental Protection Agency has for the first time required large emitters of greenhouse gases to collect and report data with respect to their greenhouse gas emissions. There is also current and emerging regulation, such as the mandatory renewable energy target in Australia. Alcoa will likely see changes in the margins of greenhouse gas-intensive assets and energy-intensive assets as a result of regulatory impacts in the countries in which the company operates. These regulatory mechanisms may be either voluntary or legislated and may impact Alcoa's operations directly or indirectly through customers or Alcoa's supply chain. Inconsistency of regulations may also change the attractiveness of the locations of some of the company's assets. Assessments of the potential impact of future climate change legislation, regulation and international treaties and accords are uncertain, given the wide scope of potential regulatory change in countries in which Alcoa operates. The company may realize increased capital expenditures resulting from required compliance with revised or new legislation or regulations, costs to purchase or profits from sales of, allowances or credits under a "cap and trade" system, increased insurance premiums and deductibles as new actuarial tables are developed to reshape coverage, a change in competitive position relative to industry peers and changes to profit or loss arising from increased or decreased demand for goods produced by the company and indirectly, from changes in costs of goods sold.

The potential physical impacts of climate change on the company's operations are highly uncertain, and will be particular to the geographic circumstances. These may include changes in rainfall patterns, shortages of water or other natural resources, changing sea levels, changing storm patterns and intensities, and changing temperature levels. These effects may adversely impact the cost, production and financial performance of Alcoa's operations.

Alcoa could be required to make additional contributions to its defined benefit pension plans as a result of adverse changes in interest rates and the capital markets.

Alcoa's estimates of liabilities and expenses for pensions and other post-retirement benefits incorporate significant assumptions including the interest rate used to discount the future estimated liability, the long-term rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age and mortality). Alcoa's results of operations, liquidity or shareholders' equity in a particular period could be affected by a decline in the rate of return on plan assets, the interest rate used to discount the future estimated liability, or changes in employee workforce assumptions.

Union disputes and other employee relations issues could adversely affect Alcoa's financial results.

Some of Alcoa's employees are represented by labor unions in a number of countries under various collective bargaining agreements with varying durations and expiration dates. Alcoa may not be able to satisfactorily renegotiate collective bargaining agreements in the U.S. and other countries when they expire including the master collective bargaining agreement with the United Steelworkers that is scheduled to expire on May 31, 2010. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage at Alcoa's facilities in the future. Alcoa may also be subject to general country strikes or work stoppages unrelated to its business or collective bargaining agreements. Any such work stoppages (or potential work stoppages) could have a material adverse effect on Alcoa's financial results.

Alcoa's human resource talent pool may not be adequate to support the company's growth.

Alcoa's existing operations and development projects require highly skilled staff with relevant industry and technical experience. The inability of the company and industry to attract and retain such people may adversely impact Alcoa's ability to adequately meet project demands and fill roles in existing operations. Skills shortages in engineering, technical service, construction and maintenance contractors may also impact activities. These shortages may adversely impact the cost and schedule of development projects and the cost and efficiency of existing operations.

Alcoa may not realize expected benefits from its productivity and cost-reduction initiatives.

Alcoa has undertaken, and may continue to undertake, productivity and cost-reduction initiatives to improve performance and conserve cash, including new procurement strategies for raw materials, such as backward integration and non-traditional sourcing from numerous geographies, and deployment of company-wide business process models, such as the Alcoa Business System and the Alcoa Enterprise Business Solution (an initiative designed to build a common global infrastructure across Alcoa for data, processes and supporting software). There can be no assurance that these initiatives will be completed or beneficial to Alcoa or that any estimated cost savings from such activities will be realized.

Alcoa may not be able to successfully develop and implement technology initiatives.

Alcoa is working on developments in advanced smelting process technologies, including inert anode and carbothermic technology, in addition to multi-alloy casting processes. There can be no assurance that such technologies will be commercially feasible or beneficial to Alcoa.

Alcoa's business and growth prospects may be negatively impacted by reductions in its capital expenditures.

In response to the global economic downturn and related disruptions in the financial markets, Alcoa changed its capital expenditures strategy in 2009 as follows: capital expenditure approval levels were lowered dramatically; growth projects were halted where it was deemed economically feasible; and all non-critical capital expenditures were stopped. Capital expenditures are deemed critical if they maintain Alcoa's compliance with the law, keep a facility operating, or satisfy customer requirements if the benefits outweigh the costs.

Alcoa requires substantial capital to invest in greenfield and brownfield projects and to maintain and prolong the life and capacity of its existing facilities. If demand for aluminum improves, Alcoa's ability to take advantage of that improvement may be constrained by earlier capital expenditure restrictions and the long-term value of its business could be adversely impacted. The company's position in relation to its competitors may also deteriorate.

Alcoa may also need to address commercial and political issues in relation to its reductions in capital expenditure in certain of the jurisdictions in which it operates. If Alcoa's interest in its joint ventures is diluted or it loses key concessions, its growth could be constrained. Any of the foregoing could have a material adverse effect on the company's business, results of operations, financial condition and prospects.

Unexpected events may increase Alcoa's cost of doing business or disrupt Alcoa's operations.

Unexpected events, including fires or explosions at facilities, natural disasters, war or terrorist activities, unplanned outages, supply disruptions, or failure of equipment or processes to meet specifications, may increase the cost of doing business or otherwise impact Alcoa's financial performance. Further, existing insurance arrangements may not provide protection for all of the costs that may arise from such events.

The above list of important factors is not all-inclusive or necessarily in order of importance.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Alcoa's principal office is located at 390 Park Avenue, New York, New York 10022-4608. Alcoa's corporate center is located at 201 Isabella Street, Pittsburgh, Pennsylvania 15212-5858. The Alcoa Technical Center for research and development is located at 100 Technical Drive, Alcoa Center, Pennsylvania 15069.

Alcoa leases some of its facilities; however, it is the opinion of management that the leases do not materially affect the continued use of the properties or the properties' values.

Alcoa believes that its facilities are suitable and adequate for its operations. Although no title examination of properties owned by Alcoa has been made for the purpose of this report, the company knows of no material defects in title to any such properties. See Notes A and H to the financial statements for information on properties, plants and equipment.

Alcoa has active plants and holdings under the following segments and in the following geographic areas:

ALUMINA

Bauxite: See the table and related text in the **Bauxite Interests** section on pages 5-6 of this report.

Alumina: See the table and related text in the **Alumina Refining Facilities and Capacity** section on pages 7-8 of this report.

PRIMARY METALS

See the table and related text in the **Primary Aluminum Facilities and Capacity** section on pages 9-11 of this report.

FLAT-ROLLED PRODUCTS

See the table and related text in the **Flat-Rolled Products Facilities** section on page 12 of this report.

ENGINEERED PRODUCTS AND SOLUTIONS

See the table and related text in the **Engineered Products and Solutions Facilities** section on pages 13-14 of this report.

CORPORATE

See the table and related text in the **Corporate Facilities** section on page 15 of this report.

Item 3. Legal Proceedings.

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

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Environmental Matters

Alcoa is involved in proceedings under the Comprehensive Environmental Response, Compensation and Liability Act, also known as Superfund (CERCLA) or analogous state provisions regarding the usage, disposal, storage or treatment of hazardous substances at a number of sites in the U.S. The company has committed to participate, or is engaged in negotiations with federal or state authorities relative to its alleged liability for participation, in clean-up efforts at several such sites.

As previously reported, since 1989, 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 Section 106 of CERCLA. Sediments and fish in the river contain varying levels of polychlorinated biphenyl (PCB). In early 2002, Alcoa submitted a revised Analysis of Alternatives Report to EPA. This Report identified potential remedial actions related to PCB contamination of the river, including additional remedial alternatives that may be required by EPA. It also reflected certain recent studies and investigations on the river, including pilot tests of sediment capping techniques and other remediation technologies. The range of costs associated with the remedial alternatives evaluated in the 2002 Report was between $2 million and $525 million. Alcoa believes that rational, scientific analysis supports a remedy involving the containment of sediments in place via natural or man-made processes. Because the selection of the $2 million alternative (natural recovery) was considered remote, the company adjusted the reserve for the Grasse River in 2002 to $30 million representing the low end of the range of possible alternatives, as no single alternative within that range could be identified as more probable than the others. In June 2003, based on then recent river observations, EPA requested that Alcoa gather additional field data to assess the potential for sediment erosion from winter river ice formation and breakup so that it could be factored into the range of remedial alternatives being considered. The results of these additional studies, submitted in a report to EPA in April 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. Those evaluations were submitted to EPA along with a proposal to perform additional pilot remedial studies in the river. In May 2004, EPA approved Alcoa's proposed Remedial Options Pilot Study (ROPS) that includes sediment removal and capping, the installation of an ice control structure, and significant monitoring. At the same time, Alcoa adjusted the reserve for the river to include the $35 million estimated cost of the ROPS, in addition to the $30 million previously reserved. Most of the construction work for the ROPS was completed in 2005 with monitoring through 2008. The reserves for the Grasse River were re-evaluated in the fourth quarter of 2006 and an adjustment of $4 million was made. This adjustment covered commitments made to the EPA for additional investigation work for the ongoing monitoring program, including that associated with the ROPS program; to prepare a revised Analysis of Alternatives Report, and for an interim measure that involves, annually, the mechanical ice breaking of the river to prevent the formation of ice jams until a permanent remedy is selected. EPA has since eliminated the ice breaking requirement. The findings from the ROPS program and from these additional investigations were incorporated into a revised Analysis of Alternatives Report that was submitted to EPA in 2008. This update incorporated new information obtained from the ROPS regarding the feasibility and costs associated with various capping and dredging alternatives and incorporated various options for ice control. EPA will use this information to develop a remedy for the river. Alcoa adjusted the reserve in the fourth quarter of 2008 by an additional $40 million for increases associated with updated cost for a proposed remedy incorporating ice control and for settlement of potential resource damages. 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, which is expected in late 2010 or later.

As previously reported, representatives of various U.S. federal and state agencies and a Native American tribe, acting in their capacities as trustees for natural resources (Trustees), have asserted that Alcoa and Reynolds Metals Company (Reynolds) may be liable for loss or damage to such resources under federal and state law based on Alcoa's and Reynolds' operations at their Massena, New York and St. Lawrence, New York facilities. While formal proceedings have not been instituted, the company continues to actively investigate these claims. Pursuant to an agreement entered into with the Trustees in 1991, Alcoa and Reynolds had been working cooperatively with General Motors Corporation, who is facing similar claims by the Trustees, to assess potential injuries to natural resources in the region. With the bankruptcy of General Motors in 2009, Motors Liquidation Company (MLC) took over General Motors' liability in

this matter. In September 2009, MLC notified Alcoa and the Trustees that it would no longer participate in the cooperative process. Alcoa and the Trustees have agreed to continue to work together cooperatively without MLC to resolve Alcoa's and Reynolds' natural resources damages liability in this matter. The company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

As previously reported, in September 1998, Hurricane Georges struck the U.S. Virgin Islands, including the St. Croix Alumina, L.L.C. (SCA) facility on the island of St. Croix. The wind and rain associated with the hurricane caused material at the location to be blown into neighboring residential areas. Various cleanup and remediation efforts were undertaken by or on behalf of SCA. A Notice of Violation was issued by the Division of Environmental Protection (DEP), of the Department of Planning and Natural Resources (DPNR) of the Virgin Islands Government, and has been contested by the company. A civil suit was commenced in the Territorial Court of the Virgin Islands by certain residents of St. Croix in February 1999 seeking compensatory and punitive damages and injunctive relief for alleged personal injuries and property damages associated with "bauxite or red dust" from the SCA facility. The suit, which has been removed to the District Court of the Virgin Islands (the "Court"), names SCA, Alcoa Inc., and Glencore Ltd. as defendants, and, in August 2000, was accorded class action treatment. The class is defined to include persons in various defined neighborhoods who "suffered damages and/or injuries as a result of exposure during and after Hurricane Georges to red dust and red mud blown during Hurricane Georges." All of the defendants have denied liability, and discovery and other pretrial proceedings have been underway since 1999. In October 2003, the defendants received plaintiffs' expert reports. These reports also claim that the material blown during Hurricane Georges consisted of bauxite and red mud, and contained crystalline silica, chromium, and other substances. The reports further claim, among other things, that the population of the six subject neighborhoods as of the 2000 census (a total of 3,730 people) has been exposed to toxic substances through the fault of the defendants, and hence will be able to show entitlement to lifetime medical monitoring as well as other compensatory and punitive relief. These opinions have been contested by the defendants' expert reports, that state, among other things, that plaintiffs were not exposed to the substances alleged and that in any event the level of alleged exposure does not justify lifetime medical monitoring. In August 2005, Alcoa and SCA moved to decertify the plaintiff class, and in March 2006, the assigned magistrate judge issued a recommendation that class certification be maintained for liability issues only, and that the class be decertified after liability issues have been resolved. This recommendation has been adopted by the assigned district judge. Alcoa and SCA have turned over this matter to their insurance carriers who are providing a defense. Glencore Ltd. is jointly defending the case with Alcoa and SCA and has a pending motion to dismiss. On June 3, 2008, the Court granted defendants' joint motion to decertify the class of plaintiffs, and simultaneously granted in part and denied in part plaintiffs' motion for certification of a new class. Under the new certification order, there is no class as to the personal injury, property damage, or punitive damages claims. (The named plaintiffs had previously dropped their claims for medical monitoring during the course of the briefing of the certification motions.) The Court did certify a new class as to the claim of on-going nuisance, insofar as plaintiffs seek cleanup, abatement, or removal of the red mud currently present at the facility. The Court expressly denied certification of a class as to any claims for remediation or clean up of any area outside the facility (including plaintiffs' property). The new class may seek only injunctive relief rather than monetary damages. Named plaintiffs, however, may continue to prosecute their claims for personal injury, property damage, and punitive damages. On May 15, 2009, defendants filed a motion for summary judgment on the class plaintiffs' sole remaining claim, which sought injunctive relief. On May 22, 2009, defendants filed a motion for summary judgment on the named plaintiffs' claims for personal injury, property damage, and punitive damages. On August 28, 2009, the Court dismissed the named plaintiffs' claims for personal injury and punitive damages, and denied the motion with respect to their property damage claims. On September 25, 2009, the Court granted defendants' motion for summary judgment on the class plaintiffs' claim for injunctive relief. As of October 29, 2009, plaintiffs appealed the Court's summary judgment order dismissing the claim for injunctive relief. On November 24, 2009, Alcoa and SCA filed a motion to dismiss that appeal at the U.S. Court of Appeals for the Third Circuit. The company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

On January 14, 2010, Alcoa was served with a complaint involving approximately 2,900 individual persons claimed to be residents of St. Croix who are alleged to have suffered personal injury or property damage from Hurricane Georges or winds blowing material from the property since the time of the hurricane. This complaint, Abednego, et al. v. Alcoa, et al. was filed in the Superior Court of the Virgin Islands, St. Croix Division. The complaint names as defendants the

same entities as were sued in the February 1999 action earlier described and have added as a defendant the current owner of the alumina facility property. On February 12, 2010, Alcoa and SCA removed the case to the federal court for the District of the Virgin Islands. The company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

As previously reported, on September 26, 2003, EPA Region VI filed an Administrative Complaint, Compliance Order and Notice of Opportunity for Hearing against the Wichita Falls, Texas facility of Howmet Corporation (Howmet) for violations of hazardous waste regulations relating to shipments of used potassium hydroxide to a fertilizer manufacturer from 1997 until 2000. The Complaint proposes a penalty of $265,128. In addition, EPA ordered Howmet to cease sending used potassium hydroxide to fertilizer manufacturers or employing used potassium hydroxide in any use constituting disposal and to certify compliance with hazardous waste regulations within 30 days. On October 22, 2003, EPA Region II issued an almost identical Complaint, Compliance Order and Notice of Opportunity for Hearing against Howmet's Dover, New Jersey facility, seeking $180,021 in penalties. Howmet filed its Answers to EPA Region VI's and EPA Region II's Complaints. Howmet's Answers denied the substance of EPA's Complaints, requested that no penalties be imposed and requested Hearings on both the hazardous waste allegations and the Compliance Orders. On April 25, 2005, the administrative Court granted EPA's motions for partial accelerated decision with respect to both cases, finding that Howmet violated the cited regulatory provisions alleged in the Complaints and moved the case to the penalty phase. The Court rejected Howmet's interlocutory appeal of this decision on May 16, 2005. On September 2, 2005, EPA and Howmet stipulated to a penalty amount of $309,091 for the consolidated matters should the finding of liability be upheld and Howmet appealed the administrative Court's decision to the Environmental Appeals Board on September 28, 2005. On May 24, 2007, the Environmental Appeals Board upheld the administrative Court's liability finding against Howmet and assessed the parties' stipulated penalty of $309,091. On July 23, 2007, Howmet appealed the Environmental Appeals Board decision to the United States District Court for the District of Columbia. On September 23, 2009, the United States District Court for the District of Columbia denied Howmet's appeal and ordered Howmet to pay the EPA a penalty of $309,091. Howmet appealed the United States District Court's decision to the United States Court of Appeals for the District of Columbia on November 23, 2009.

As previously reported, in May 2005**,** Alcoa World Alumina LLC (AWA) and SCA were among the defendants listed in a lawsuit brought by the Commissioner of the Department of Planning and Natural Resources, Dean Plaskett, in his capacity as Trustee for Natural Resources of the Territory of the United States Virgin Islands in the District Court of the Virgin Islands, Division of St. Croix. The complaint seeks damages for alleged injuries to natural resources caused by alleged releases from an alumina refinery facility in St. Croix that was owned by SCA from 1995 to 2002. Also listed in the lawsuit are previous and subsequent owners of the alumina refinery and the owners of an adjacent oil refinery. Claims are brought under CERCLA, U.S. Virgin Islands law, and common law. The plaintiff has not specified in the complaint the amount it seeks in damages. The defendants filed motions to dismiss in 2005. In October 2007, in an effort to resolve the liability of St. Croix Renaissance Group, L.L.L.P. (SCRG) in the lawsuit, as well as any other CERCLA liability SCRG may have with respect to the facility, DPNR filed a new lawsuit against SCRG seeking the recovery of response costs under CERCLA, and the plaintiff and SCRG filed a joint Agreement and Consent Decree. The remaining defendants each filed objections to the Agreement and Consent Decree, and on October 22, 2008, the court denied entry of the Agreement and Consent Decree. On October 31, 2008, the court ruled on the motions to dismiss that were filed by all defendants in 2005. The court dismissed two counts from the complaint (common law trespass and V.I. Water Pollution Control Act), but denied the motions with regard to the other six counts (CERCLA, V.I. Oil Spill Prevention and Pollution Control Act, and common law strict liability, negligence, negligence per se and nuisance). The court also ruled that the Virgin Islands Government was the proper plaintiff for the territorial law claims and required re-filing of the complaint by the proper parties, which was done on November 18, 2008. The plaintiffs subsequently moved to amend their complaint further, were granted leave by the court to do so, and filed an amended complaint on July 30, 2009. AWA and SCA filed an answer, counterclaim and cross-claim against SCRG in response to the amended complaint on August 17, 2009. In response to the plaintiffs' amended complaint, the other former owners of the alumina refinery filed answers, counterclaims, and cross-claims against SCRG and certain agencies of the Virgin Islands Government. Each defendant except SCRG filed a partial motion for summary judgment seeking dismissal of the CERCLA cause of action on statute of limitations grounds during July 2009. Following a four-month discovery period, plaintiff Commissioner responded to the motions for summary judgment on December 31, 2009.

Defendants filed their reply briefs on January 29, 2010. At this stage of the proceeding, the company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

As noted above, in October 2007, DPNR filed a CERCLA cost recovery suit against SCRG. After the court denied entry of the Agreement and Consent Decree in October 2008, the cost recovery case lay dormant until May 2009, when SCRG filed a third-party complaint for contribution and other relief against several third-party defendants, including AWA and SCA. SCRG filed an amended third-party complaint on August 31, 2009, and served it on third-party defendants in mid-September 2009. AWA and SCA filed their answer to the amended third-party complaint on October 30, 2009. On January 8, 2010, DPNR filed a motion to assert claims directly against certain third-party defendants, including AWA and SCA. On January 29, 2010, the court granted plaintiff's motion. Responsive pleadings are due on February 19, 2010. Fact discovery in the case is just beginning. The case is set for trial in March 2011. At this stage of the proceeding, the company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

As previously reported, in August 2005, Dany Lavoie, a resident of Baie Comeau in the Canadian Province of Québec, filed a Motion for Authorization to Institute a Class Action and for Designation of a Class Representative against Alcoa Canada Inc., Alcoa Limitée, Societe Canadienne de Metaux Reynolds Limitée and Canadian British Aluminum in the Superior Court of Québec in the District of Baie Comeau. Plaintiff seeks to institute the class action on behalf of a putative class consisting of all past, present and future owners, tenants and residents of Baie Comeau's St. Georges neighborhood. He alleges that defendants, as the present and past owners and operators of an aluminum smelter in Baie Comeau, have negligently allowed the emission of certain contaminants from the smelter, specifically Polycyclic Aromatic Hydrocarbons or "PAHs", that have been deposited on the lands and houses of the St. Georges neighborhood and its environs causing damage to the property of the putative class and causing health concerns for those who inhabit that neighborhood. If allowed to proceed as a class action, plaintiff seeks to compel additional remediation to be conducted by the defendants beyond that already undertaken by them voluntarily, seeks an injunction against further emissions in excess of a limit to be determined by the court in consultation with an independent expert, and seeks money damages on behalf of all class members. A hearing on plaintiff's motion for class certification was held on April 24-26, 2007. On May 23, 2007, the court issued its ruling which granted the motion in part and authorized a class action suit to include only people who suffered property damage or personal injury damages caused by the emission of PAHs from the smelter. On September 13, 2007, the plaintiff filed his claim against the original defendants, which the court had authorized in May. On June 16, 2008, Alcoa filed its Statement of Defense. On July 15, 2009, plaintiff filed an Answer to Alcoa's Statement of Defense. On October 9, 2009, Alcoa filed a Motion for Particulars with respect to certain paragraphs of plaintiff's Answer. On October 16, 2009, Alcoa filed a Motion to Strike with respect to certain paragraphs of plaintiff's Answer. The Court has not yet scheduled a hearing date for Alcoa's two motions. At this stage of the proceeding, the company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

As previously reported, in January 2006, in Musgrave v. Alcoa, et al, Warrick Circuit Court, County of Warrick, Indiana; 87-C01-0601-CT-0006, Alcoa Inc. and a subsidiary were sued by an individual, on behalf of himself and all persons similarly situated, claiming harm from alleged exposure to waste that had been disposed in designated pits at the Squaw Creek Mine in the 1970s. During February 2007, class allegations were dropped and the matter now proceeds as an individual claim. On December 2, 2009, the court set trial for October 4, 2010.

Also as previously reported, in October 2006, in Barnett, et al. v. Alcoa and Alcoa Fuels, Inc., Warrick Circuit Court, County of Warrick, Indiana; 87C01-0601-PL-499, forty-one plaintiffs sued Alcoa Inc. and a subsidiary, asserting claims similar to the Musgrave matter, discussed above. In November 2007, Alcoa Inc. and its subsidiary filed motions to dismiss both the Musgrave and Barnett cases. In October 2008, the Warrick County Circuit Court granted Alcoa's motions to dismiss, dismissing all claims arising out of alleged occupational exposure to wastes at the Squaw Creek Mine, but in November 2008, the trial court clarified its ruling, indicating that the order does not dispose of plaintiffs' personal injury claims based upon alleged "recreational" or non-occupational exposure. The parties have each requested that the court certify an interlocutory appeal from the court's rulings and the court indicated that it will grant the parties' request. Plaintiffs also filed a "second amended complaint" in response to the court's orders granting Alcoa's motions to dismiss. The trial court is likely to stay any further proceedings regarding the second amended

complaint while the parties pursue an interlocutory appeal to the Indiana Court of Appeals. On December 2, 2009, the court set a trial date in two individual claims, Kirk and Hedrick, for November 1 and November 10, 2010, respectively. Discovery in these cases has commenced. The company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

In 1996, Alcoa acquired the Fusina smelter and rolling operations and the Portovesme smelter, both of which are owned by Alcoa's subsidiary, Alcoa Trasformazioni S.r.l., from Alumix, an entity owned by the Italian Government. Alcoa also acquired the extrusion plants located in Feltre and Bolzano. At the time of the acquisition, Alumix indemnified Alcoa for pre-existing environmental contamination at the sites. In 2004, the Italian Ministry of Environment (MOE) issued orders to Alcoa Trasformazioni S.r.l. and Alumix for the development of a clean-up plan related to soil contamination in excess of allowable limits under legislative decree and to institute emergency actions and pay natural resource damages. On April 5, 2006, Alcoa Trasformazioni S.r.l., Fusina site (Venice), was also sued by the Italian Minister of Environment and Minister of Public Works for an alleged liability for environmental damages, in parallel with the orders already issued by the MOE. Alcoa Trasformazioni S.r.l. appealed the orders, defended the civil case for environmental damages (which is still pending) and filed suit against Alumix, among others, seeking indemnification for these liabilities under the provisions of the acquisition agreement. Similar issues also existed with respect to the Bolzano and Feltre plants, based on orders issued by local authorities in 2006. All the orders have been challenged in front of the Administrative Regional Courts, and all trials are still pending. However, in Bolzano the Municipality withdrew the order, and the Tribunal suspended the order in Feltre. Most, if not all, of these matters occurred during the ownership of Alumix, the governmental entity that sold the Italian plants to Alcoa. The Court has appointed an expert to assess the causes of the pollution. In June 2008, the parties (Alcoa and Ligestra, the successor to Alumix) signed a preliminary agreement by which they have committed to pursue a settlement and asked for a suspension of the technical assessment during the negotiations. The Court accepted the request, and postponed the technical assessment, reserving its ability to fix the deadline depending on the development of negotiations. Alcoa and Ligestra agreed to a settlement in December 2008 with respect to the Feltre site. Ligestra paid the sum of 1.08 million Euros and Alcoa committed to clean up the site. In December 2009, Alcoa Trasformazioni S.r.l. and Ligestra S.r.l. reached an agreement for settlement of the liabilities related to Fusina (negotiations continue related to Portovesme). The settlement would also allow Alcoa to settle the case for the environmental damages pending before the Civil Court of Venice. The agreement outlines an allocation of payments to the MOE for emergency action and natural resource damages and the scope and costs for a proposed soil remediation project, which is expected to be formally presented to the MOE in 2010. The agreement is contingent upon final acceptance of the remediation project by the MOE. Alcoa believes that it has made adequate reserves for these matters.

As previously reported, in December 2006, SCA was sued by the Commissioner of DPNR, U.S. Virgin Islands, in the Superior Court of the Virgin Islands, Division of St. Croix. The plaintiff alleges violations of the Coastal Zone Management Act and a construction permit issued thereunder. The complaint seeks a civil fine of $10,000 under the Coastal Zone Management Act, civil penalties of $10,000 per day for alleged intentional and knowing violations of the Coastal Zone Management Act, exemplary damages, costs, interest and attorney's fees, and "other such amounts as may be just and proper." SCA responded to the complaint on February 2, 2007 by filing an answer and motion to disqualify DPNR's private attorney. The parties fully briefed the motion and are awaiting a decision from the court. At this stage of the proceeding, the company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

As previously reported, in December 2006, SCA, along with unaffiliated prior and subsequent owners, were sued by the Commissioner of the DPNR, U.S. Virgin Islands, in the Superior Court of the Virgin Islands, Division of St. Croix. This second suit alleges violations by the defendants of certain permits and environmental statutes said to apply to the facility. The complaint seeks the completion of certain actions regarding the facility, a civil fine from each defendant of $10,000 under the Coastal Zone Management Act, civil penalties of $50,000 per day for each alleged violation of the Water Pollution Control Act, $10,000 per day for alleged intentional and knowing violations of the Coastal Zone Management Act, exemplary damages, costs, interest and attorney's fees, and "other such amounts as may be just and proper." SCA responded to the complaint on February 2, 2007 by filing an answer and motion to disqualify DPNR's private attorney. The parties fully briefed the motion and are awaiting a decision from the court. In October 2007,

plaintiff and defendant SCRG entered into a settlement agreement resolving claims against SCRG. Plaintiff filed a notice of dismissal with the court, and the court entered an order dismissing SCRG on November 2, 2007. SCA objected to the dismissal and requested that the court withdraw its order, and the parties have briefed SCA's objection and request. A decision from the court is pending. On November 10, 2007, SCA filed a motion for summary judgment seeking dismissal of all claims in the case. The parties completed briefing of the motion in January 2008. A decision from the court is pending. At this stage of the proceeding, the company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

As previously reported, on December 8, 2008, Alcoa of Australia Limited (AofA) received a notice of prosecution in connection with a dust event that allegedly occurred on May 14, 2006 near AofA's Wagerup alumina refinery's residue storage areas. The prosecution was purported to be undertaken pursuant to section 49(2) of the Environmental Protection Act 1986 (Western Australia) (the "Act") which provides that a person who, with criminal negligence, causes or allows pollution to be caused, commits an offense. The maximum potential penalty under the original charge was $1,000,000 (AUD). On July 23, 2009, AofA entered a plea of "not guilty" to the charge of causing pollution with criminal negligence. Subsequently, on November 24, 2009, the government amended the charge to remove the allegations of criminal negligence and instead now alleges that Alcoa has "allowed pollution to be caused" in violation of section 49(3) of the Act. The maximum potential penalty under the amended charge is $500,000 (AUD). Alcoa has maintained its plea of "not guilty" to the amended charge, and the trial in this matter is scheduled to commence on August 16, 2010. This litigation is in its preliminary stages and the company is unable to reasonably predict an outcome.

In December 2009, Alcoa Alumínio S.A. (Alumínio) received information that a lawsuit had been filed by the public prosecutors of the State of Para in Brazil. The suit apparently names the company and the State of Para, which, through its Environmental Agency, had issued the operating license for the company's new bauxite mine in Juruti. The claims in the suit appear to call into question the validity of the Juruti licensing process and operating license. Alumínio has not received a copy of the subpoena and, therefore, has not had access to the full details of the suit, but it is believed that the public prosecutors seek suspension of the operating license issued by the State of Para Environmental Agency, costs to remedy alleged damage and monetary fines. The company believes that in all respects it is in compliance with all terms of its license and the law, but is communicating with the responsible officials and stakeholders to assess exposure related to the matter. This proceeding is in its preliminary stage and the company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

Other Matters

As previously reported, along with various asbestos manufacturers and distributors, Alcoa and its subsidiaries as premises owners are defendants in several hundred active lawsuits filed on behalf of persons alleging injury predominantly as a result of occupational exposure to asbestos at various company facilities. In addition, an Alcoa subsidiary company has been named, along with a large common group of industrial companies, in a pattern complaint where the company's involvement is not evident. Since 1999, several thousand such complaints have been filed. To date, the subsidiary has been dismissed from almost every case that was actually placed in line for trial. Alcoa, its subsidiaries and acquired companies, all have had numerous insurance policies over the years that provide coverage for asbestos based claims. Many of these policies provide layers of coverage for varying periods of time and for varying locations. Alcoa believes that between its reserves and insurance it is adequately covered for its known asbestos exposure related liabilities. The costs of defense and settlement have not been and are not expected to be material to the financial condition of the company.

As previously reported, in July 2006, the European Commission (EC) announced that it had opened an investigation to establish whether an extension of the regulated electricity tariff granted by Italy to some energy-intensive industries complies with European Union (EU) state aid rules. The Italian power tariff extended the tariff that was in force until December 31, 2005 through November 19, 2009 (Alcoa incurred higher power costs of $23 million pretax at its smelters in Italy between the tariff end date and December 31, 2009). The extension was originally through 2010, but the date was changed by legislation adopted by the Italian Parliament effective on August 15, 2009. Prior to expiration

of the tariff in 2005, Alcoa had been operating in Italy for more than 10 years under a power supply structure approved by the EC in 1996. That measure provided a competitive power supply to the primary aluminum industry and was not considered state aid from the Italian Government. The EC's announcement expressed concerns about whether Italy's extension of the tariff beyond 2005 was compatible with EU legislation and potentially distorted competition in the European market of primary aluminum, where energy is an important part of the production costs.

On November 19, 2009, the EC announced a decision in this matter stating that the extension of the tariff by Italy constituted unlawful state aid, in part, and, therefore, the Italian Government is to recover a portion of the benefit Alcoa received since January 2006 (including interest). The amount of this recovery will be based on a calculation that is being prepared by the Italian Government. Pending notification from the Italian Government, Alcoa estimates that a payment in the range of $300 million to $500 million will be required during 2010. Alcoa is preparing to appeal this decision to the General Court of the EU and will pursue all substantive and procedural legal steps available to it to annul the EC's decision, including seeking injunctive relief to suspend the effectiveness of the decision. After discussions with legal counsel and reviewing the bases on which the EC decided, including the different considerations cited in the EC decision regarding Alcoa's two smelters in Italy, Alcoa recorded a charge of $250 million, including $20 million to write-off a receivable from the Italian Government for amounts due under the now expired tariff structure.

Separately, as previously reported, on November 29, 2006, Alcoa filed an appeal before the European Court of First Instance seeking the annulment of the EC's decision to open an investigation alleging that such decision did not follow the applicable procedural rules. On March 25, 2009, the European Court of First Instance denied Alcoa's appeal. On June 4, 2009, Alcoa appealed the March 25, 2009 ruling; however, no decision on that appeal is expected until 2011 or later.

As previously reported, in November 2006, in Curtis v. Alcoa Inc., Civil Action No. 3:06cv448 (E.D. Tenn.), a class action was filed by plaintiffs representing approximately 13,000 retired former employees of Alcoa or Reynolds Metals Company and spouses and dependents of such retirees alleging violation of the Employee Retirement Income Security Act (ERISA) and the Labor-Management Relations Act by requiring plaintiffs, beginning January 1, 2007, to pay health insurance premiums and increased co-payments and co-insurance for certain medical procedures and prescription drugs. Plaintiffs allege these changes to their retiree health care plans violate their rights to vested health care benefits. Plaintiffs additionally allege that Alcoa has breached its fiduciary duty to plaintiffs under ERISA by misrepresenting to them that their health benefits would never change. Plaintiffs seek injunctive and declaratory relief, back payment of benefits, and attorneys' fees. Alcoa has consented to treatment of plaintiffs' claims as a class action. During the fourth quarter of 2007, following briefing and argument, the court ordered consolidation of the plaintiffs' motion for preliminary injunction with trial, certified a plaintiff class, bifurcated and stayed the plaintiffs' breach of fiduciary duty claims, struck the plaintiffs' jury demand, but indicated it would use an advisory jury, and set a trial date of September 17, 2008. In August 2008, the court set a new trial date of March 24, 2009 and, subsequently, the trial date was moved to September 22, 2009. In June 2009, the court indicated that it would not use an advisory jury at trial. Trial in the matter was held over eight days commencing September 22, 2009 and ending on October 1, 2009 in federal court in Knoxville, TN before the Honorable Thomas Phillips, U.S. District Court Judge. At the conclusion of evidence, the court set a post-hearing briefing schedule for submission of proposed findings of fact and conclusions of law by the parties and for replies to the same. Post trial briefing was submitted on December 4, 2009. No schedule was set for handing down a decision. Alcoa believes that it presented substantial evidence in support of its defenses at trial. However, at this stage of the proceeding, the company is unable to reasonably predict the outcome. Alcoa estimates that, in the event of an unfavorable outcome, the maximum exposure would be an additional postretirement benefit liability of approximately $300 million and approximately $40 million of expense (includes an interest cost component) annually, on average, for the next 11 years.

As previously reported, on January 25, 2007, the EC announced that it had opened an investigation to establish whether the regulated electricity tariffs granted by Spain comply with EU state aid rules. Alcoa has been operating in Spain for more than nine years under a power supply structure approved by the Spanish Government in 1986, an equivalent tariff having been granted in 1983. The investigation is limited to the year 2005 and is focused both on the energy-intensive consumers and the distribution companies. The investigation provided 30 days to any interested party to submit

observations and comments to the EC. With respect to the energy-intensive consumers, the EC opened the investigation on the assumption that prices paid under the tariff in 2005 were lower than the pool price mechanism, therefore being, in principle, artificially below market conditions. Alcoa submitted comments in which the company provided evidence that prices paid by energy-intensive consumers were in line with the market, in addition to various legal arguments defending the legality of the Spanish tariff system. It is Alcoa's understanding that the Spanish tariff system for electricity is in conformity with all applicable laws and regulations, and therefore no state aid is present in the tariff system. Alcoa believes that the total potential impact from an unfavorable decision would be approximately $12 million (€8 million) pre-tax. While Alcoa believes that any additional cost would only be assessed for the year 2005, it is possible that the EC could extend its investigation to later years. A decision by the EC is expected in 2010. If the EC's investigation concludes that the regulated electricity tariffs for industries are unlawful, Alcoa will have an opportunity to challenge the decision in the EU courts.

As previously reported, on February 27, 2008, Alcoa Inc. received notice that Aluminium Bahrain B.S.C. (Alba) had filed suit against Alcoa Inc. and Alcoa World Alumina LLC (collectively, "Alcoa"), and others, in the U.S. District Court for the Western District of Pennsylvania (the "Court"), Civil Action number 08-299, styled Aluminium Bahrain B.S.C. v. Alcoa Inc., Alcoa World Alumina LLC, William Rice, and Victor Phillip Dahdaleh. The complaint alleges that certain Alcoa entities and their agents, including Victor Phillip Dahdaleh, have engaged in a conspiracy over a period of 15 years to defraud Alba. The complaint further alleges that Alcoa and its employees or agents (1) illegally bribed officials of the government of Bahrain and (or) officers of Alba in order to force Alba to purchase alumina at excessively high prices, (2) illegally bribed officials of the government of Bahrain and (or) officers of Alba and issued threats in order to pressure Alba to enter into an agreement by which Alcoa would purchase an equity interest in Alba, and (3) assigned portions of existing supply contracts between Alcoa and Alba for the sole purpose of facilitating alleged bribes and unlawful commissions. The complaint alleges that Alcoa and the other defendants violated the Racketeer Influenced and Corrupt Organizations Act (RICO) and committed fraud. Alba's complaint seeks compensatory, consequential, exemplary, and punitive damages, rescission of the 2005 alumina supply contract, and attorneys' fees and costs. Alba seeks treble damages with respect to its RICO claims.

On February 26, 2008, Alcoa Inc. had advised the U.S. Department of Justice (the DOJ) and the Securities and Exchange Commission (the SEC) that it had recently became aware of these claims, had already begun an internal investigation, and intended to cooperate fully in any investigation that the DOJ or the SEC may commence. On March 17, 2008, the DOJ notified Alcoa that it had opened a formal investigation and Alcoa has been cooperating with the government.

In response to a motion filed by the DOJ on March 27, 2008, the Court ordered the suit filed by Alba to be administratively closed and that all discovery be stayed to allow the DOJ to fully conduct an investigation without the interference and distraction of ongoing civil litigation. The Court further ordered that the case will be reopened at the close of the DOJ's investigation. The company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

As previously reported, on July 21, 2008, the Teamsters Local #500 Severance Fund and the Southeastern Pennsylvania Transportation Authority filed a shareholder derivative suit in the civil division of the Court of Common Pleas of Allegheny County, Pennsylvania against certain officers and directors of Alcoa claiming breach of fiduciary duty, gross mismanagement, and other violations. This derivative action stems from the previously disclosed civil litigation brought by Aluminium Bahrain B.S.C. (Alba) against Alcoa, Alcoa World Alumina LLC, Victor Phillip Dahdaleh, and others, and the subsequent investigation of Alcoa by the DOJ and the SEC with respect to Alba's claims. This derivative action claims that the defendants caused or failed to prevent the matters alleged in the Alba lawsuit. The Alba suit and the corresponding investigation are more fully described above. The director defendants filed a motion to dismiss on November 21, 2008. On September 3, 2009, a hearing was held on Alcoa's motion and, on October 12, 2009, the court issued its order denying Alcoa's motion to dismiss but finding that a derivative action during the conduct of the DOJ investigation and pendency of the underlying complaint by Alba would be contrary to the interest of shareholders and, therefore, stayed the case until further order of the court. This derivative action is in its preliminary stages and the company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

As previously reported, on March 6, 2009, the Philadelphia Gas Works Retirement Fund filed a shareholder derivative suit in the civil division of the Court of Common Pleas of Philadelphia County, Pennsylvania. This action was brought against certain officers and directors of Alcoa claiming breach of fiduciary duty and other violations and is based on the allegations made in the previously disclosed civil litigation brought by Aluminium Bahrain B.S.C. (Alba) against Alcoa, Alcoa World Alumina LLC, Victor Phillip Dahdaleh, and others, and the subsequent investigation of Alcoa by the DOJ and the SEC with respect to Alba's claims. This derivative action claims that the defendants caused or failed to prevent the conduct alleged in the Alba lawsuit. The Alba suit and the corresponding investigation are more fully described above. On August 7, 2009, the director and officer defendants filed an unopposed motion to coordinate the case with the Teamsters Local #500 suit, described immediately above, in Allegheny County Common Pleas Court. The Allegheny County court issued its order consolidating the case on September 18, 2009. This derivative action is in its preliminary stages and the company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

As a result of electricity supply issues at Alcoa's Rockdale, Texas smelter, on July 29, 2008 Alcoa filed a lawsuit in the 20 th Judicial District Court of Milam County, Texas, against Luminant Generation Company LLC (Luminant) and certain of its affiliates and parents. The lawsuit seeks remedies, including actual damages, for improper actions alleged in the lawsuit to have been caused by the defendants, including the electricity supply problems that led to smelter curtailment, excess costs charged to Alcoa to install certain environmental control upgrades at the power plant, excess costs charged to Alcoa due to improperly conducting mining operations at the Three Oaks Mine and alleging that the defendants had refused to permit Alcoa to exercise its audit rights regarding power plant and mining operations. Alcoa has amended its complaint several times and on October 22, 2009 filed its Third Amended Petition, naming as defendants Luminant and eleven affiliated entities. In answer to Alcoa's Third Amended Petition, on October 30, 2009, the Luminant defendants filed their Amended Answer and Counterclaim, including counterclaims against Alcoa. Those counterclaims seek remedies that include actual damages for alleged non-payment of shared costs for the upgrade at the power plant and for mining operations. Trial in the case is now scheduled for May 2010. The company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

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

No matters were submitted to a vote of the company's security holders during the fourth quarter of 2009.

Item 4A. Executive Officers of the Registrant.

The names, ages, positions and areas of responsibility of the executive officers of the company as of February 18, 2010 are listed below.

William F. Christopher, 55, Executive Vice President – Alcoa and Group President, Engineered Products and Solutions. In January 2003, Mr. Christopher assumed responsibility for Alcoa's global automotive market and since September 2002, has been Group President for Alcoa's Aerospace and Commercial Transportation Group. He also led the customer and marketing initiatives for growth for the company until January 2006. In 2001, he assumed responsibility for the global deployment of the Alcoa Business System and the company's customer and quality initiatives. Mr. Christopher was elected a Vice President of Alcoa in 1999 and Executive Vice President in 2001. He was President of Alcoa Forged Products from 1996 to 2001.

Nicholas J. DeRoma, 63, Executive Vice President, Chief Legal and Compliance Officer. Mr. DeRoma was elected to his current position effective August 3, 2009 upon joining Alcoa. He was Chief Legal Officer of Nortel Networks Corporation based in Canada from 2000 until his retirement in September 2005. Before joining Nortel in 1997, he was employed by International Business Machines Corporation (IBM) from 1972 to 1997, holding a series of increasingly challenging assignments in Europe, Asia and North America, including serving as Assistant General Counsel of IBM from 1993 to 1995 and as General Counsel of IBM North America, IBM's largest business unit, from 1995 to 1997.

Klaus Kleinfeld, 52, Director, President and Chief Executive Officer. Mr. Kleinfeld was elected to Alcoa's Board of Directors in November 2003 and was elected President and Chief Executive Officer of Alcoa on May 8, 2008. He was President and Chief Operating Officer of Alcoa from October 1, 2007 to May 8, 2008. Mr. Kleinfeld was President and Chief Executive Officer of Siemens AG from January 2005 to June 2007. He served as Deputy Chairman of the Managing Board and Executive Vice President of Siemens AG from 2004 to January 2005. He was President and Chief Executive Officer of Siemens Corporation, the U.S. arm of Siemens AG, from 2002 to 2004, and was Chief Operating Officer of Siemens Corporation from January to December 2001. Prior to his U.S. assignment, Mr. Kleinfeld was Executive Vice President and a member of the Executive Board of the Siemens AG Medical Engineering Group in Germany from January to December 2000.

Charles D. McLane, **Jr.**, 56, Executive Vice President and Chief Financial Officer. Mr. McLane was elected an Alcoa Executive Vice President in September 2007 and was elected Vice President and Chief Financial Officer of Alcoa in January 2007. He was elected Vice President and Corporate Controller in October 2002. He joined Alcoa in May 2000 as director of investor relations, following Alcoa's merger with Reynolds Metals Company. He became Assistant Treasurer of Reynolds in 1999 and Assistant Controller of that company in 1995.

Bernt Reitan, 61, Executive Vice President – Alcoa and Group President, Global Primary Products. Mr. Reitan was named Group President, Global Primary Products in October 2004 and was elected an Alcoa Executive Vice President in November 2004. He was named Group President, Alcoa Primary Products in January 2004. He was elected Vice President of Primary Metals in 2003. He was named President of Alcoa World Alumina and Chemicals and was elected a Vice President of Alcoa in July 2001. He joined Alcoa in 2000 as general manager of Alcoa World Alumina in Europe. Before joining Alcoa, Mr. Reitan held a series of positions with Elkem in Norway over a twenty-year period, serving as Senior Vice President of Materials and Technology and managing director of Elkem Aluminium ANS from 1988 to June 2000.

J. Michael Schell, 62, Executive Vice President – Business Development. Mr. Schell was elected Executive Vice President – Business Development and Law effective May 8, 2008 when he joined Alcoa and Chief Compliance Officer of Alcoa effective July 18, 2008. He has been Executive Vice President – Business Development of Alcoa since August 3, 2009. He was Vice Chairman of Global Banking of Citigroup Inc. from mid-2005 until he joined Alcoa. He was a mergers and acquisitions lawyer with Skadden, Arps, Slate, Meagher & Flom LLP from 1979 to mid-2005, being elected a partner of that firm in 1984. He was an attorney with Cadwalader, Wickersham & Taft from 1976 to 1979.

Tony R. Thene, 49, Vice President and Controller. Mr. Thene was elected to his current position effective January 18, 2008. He joined Alcoa in 1989 and served in a series of financial management positions from that time to his most recent appointment. He was director of investor relations of Alcoa from January 2006 to January 2008. He served as chief financial officer of Alcoa's Global Mill Products from November 2004 to January 2006. He became vice president, finance, of Alcoa World Alumina and Chemicals in 2002 and was manager of Alcoa's corporate financial analysis and planning group in 2001. He served as division controller for the Alcoa Forging business from 1998 to 2001.

Helmut Wieser, 56, Executive Vice President – Alcoa and Group President, Global Rolled Products, Hard Alloy Extrusions & Asia. Mr. Wieser was elected an Alcoa Executive Vice President in November 2005 and was named Group President, Global Rolled Products, Hard Alloy Extrusions and Asia at that time. Mr. Wieser was named Group President, Mill Products Europe/North America in October 2004 and was elected a Vice President of Alcoa in November 2004. He joined Alcoa in October 2000 as Vice President of Operations in Europe and in 2004 he became President of Alcoa's flat rolled products business in Europe. Before joining Alcoa, Mr. Wieser worked for Austria Metall Group, where he was an executive member of the board and chief operating officer from 1997 to 2000.

The company's executive officers are elected or appointed to serve until the next annual meeting of the Board of Directors (held in conjunction with the annual meeting of shareholders) except in the case of earlier death, retirement, resignation or removal.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The company's common stock is listed on the New York Stock Exchange, Inc. (symbol AA). The company's quarterly high and low trading stock prices and dividends per common share for 2009 and 2008 are shown below.

	2009			2008		
Quarter	**High**	**Low**	**Dividend**	**High**	**Low**	**Dividend**
First	$12.44	$ 4.97	$ 0.17	$39.67	$26.69	$ 0.17
Second	12.38	7.03	0.03	44.77	33.65	0.17
Third	14.84	8.96	0.03	35.66	20.93	0.17
Fourth	16.51	11.89	0.03	22.35	6.80	0.17
Year	16.51	4.97	$ 0.26	44.77	6.80	$ 0.68

The number of holders of common stock was approximately 301,000 as of January 27, 2010.

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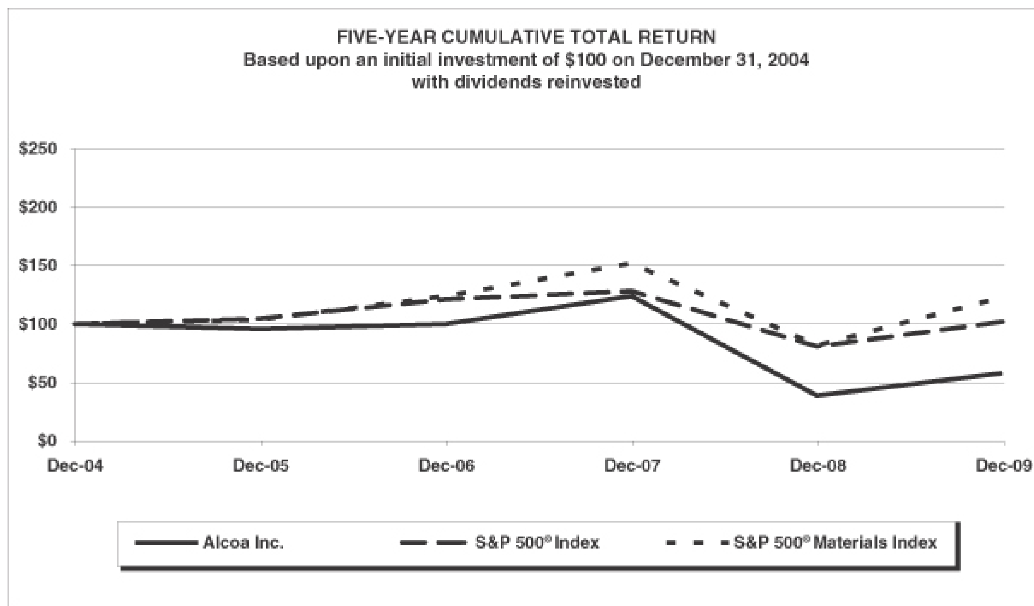
Stock Performance Graph

The following graph compares the most recent five-year performance of Alcoa common stock with (1) the Standard & Poor's 500® Index and (2) the Standard & Poor's 500® Materials Index, a group of 27 companies categorized by Standard & Poor's as active in the "materials" market sector. Such information shall not be deemed to be "filed."



As of December 31,	2004	2005	2006	2007	2008	2009
Alcoa Inc.	$ 100	$ 96	$ 100	$ 124	$ 39	$ 58
S&P 500® Index	100	105	121	128	81	102
S&P 500® Materials Index	100	104	124	152	82	123

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Source: Research Data Group, Inc. (www.researchdatagroup.com /S&P.htm)

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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 of Shares that May Yet Be Purchased Under the Plans or Programs (b)
January 1 – January 31, 2009	-	-	-	115,800,571
February 1 – February 28, 2009	-	-	-	115,800,571
March 1 – March 31, 2009	-	-	-	115,800,571
Total for quarter ended March 31, 2009	-	-	-	115,800,571
April 1 – April 30, 2009	-	-	-	115,800,571
May 1 – May 31, 2009	-	-	-	115,800,571
June 1 – June 30, 2009	-	-	-	115,800,571
Total for quarter ended June 30, 2009	-	-	-	115,800,571
July 1 – July 31, 2009	-	-	-	115,800,571
August 1 – August 31, 2009	-	-	-	115,800,571
September 1 – September 30, 2009	-	-	-	115,800,571
Total for quarter ended September 30, 2009	-	-	-	115,800,571
October 1 – October 31, 2009	-	-	-	115,800,571
November 1 – November 30, 2009	-	-	-	115,800,571
December 1 – December 31, 2009	-	-	-	115,800,571
Total for quarter ended December 31, 2009	-	-	-	115,800,571

(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) On October 8, 2007, Alcoa’s Board of Directors approved a new share repurchase program, which was publicly announced by Alcoa on October 9, 2007. The new program authorizes the purchase of up to 25% (or approximately 217 million shares) of the outstanding common stock of Alcoa at December 31, 2006, in the open market or through privately negotiated transactions, directly or through brokers or agents, and expires on December 31, 2010. In October 2008, Alcoa elected to suspend share repurchases under this program to preserve liquidity in light of the global economic downturn.

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Item 6. Selected Financial Data

(dollars in millions, except per-share amounts and ingot prices; shipments in thousands of metric tons [kmt])

For the year ended December 31,	2009	2008	2007	2006	2005
Sales	$18,439	$26,901	$29,280	$28,950	$24,149
Amounts attributable to Alcoa common shareholders:					
(Loss) income from continuing operations	$ (985)	$ 229	$ 2,814	$ 2,226	$ 1,285
(Loss) income from discontinued operations	(166)	(303)	(250)	22	(50)
Cumulative effect of accounting changes	-	-	-	-	(2)
Net (loss) income	$ (1,151)	$ (74)	$ 2,564	$ 2,248	$ 1,233
Earnings per share attributable to Alcoa common shareholders*:					
Basic:					
(Loss) income from continuing operations	$ (1.06)	$ 0.27	$ 3.24	$ 2.56	$ 1.47
(Loss) income from discontinued operations	(0.17)	(0.37)	(0.29)	0.03	(0.06)
Cumulative effect of accounting changes	-	-	-	-	-
Net (loss) income	$ (1.23)	$ (0.10)	$ 2.95	$ 2.59	$ 1.41
Diluted:					
(Loss) income from continuing operations	$ (1.06)	$ 0.27	$ 3.22	$ 2.54	$ 1.46
(Loss) income from discontinued operations	(0.17)	(0.37)	(0.28)	0.03	(0.06)
Cumulative effect of accounting changes	-	-	-	-	-
Net (loss) income	$ (1.23)	$ (0.10)	$ 2.94	$ 2.57	$ 1.40
Shipments of alumina (kmt)	8,655	8,041	7,834	8,420	7,857
Shipments of aluminum products (kmt)	5,097	5,481	5,393	5,545	5,459
Alcoa's average realized price per metric ton of aluminum	$ 1,856	$ 2,714	$ 2,784	$ 2,665	$ 2,044
Cash dividends declared per common share	$ 0.26	$ 0.68	$ 0.68	$ 0.60	$ 0.60
Total assets	38,472	37,822	38,803	37,149	33,489
Short-term borrowings	176	478	563	460	273
Commercial paper	-	1,535	856	1,472	912
Long-term debt, including amounts due within one year	9,643	8,565	6,573	5,287	5,334

* In 2009, Alcoa adopted changes issued by the FASB to the calculation of earnings per share (see Note S to the Consolidated Financial Statements in Part II Item 8). As a result, earnings per share amounts for 2008 and 2007 were revised to reflect these changes (consistent with the periods presented in the Statement of Consolidated Operations included in Part II Item 8 of this Form 10-K).

The data presented in the Selected Financial Data table should be read in conjunction with the information provided in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II Item 7 and the Notes to the Consolidated Financial Statements in Part II Item 8.

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

(dollars in millions, except per-share amounts and ingot prices; production and shipments in thousands of metric tons [kmt])

Overview

Our Business

Alcoa is the world leader in the production and management of primary aluminum, fabricated aluminum, and alumina combined, through its active and growing participation in all major aspects of the industry: technology, mining, refining, smelting, fabricating, and recycling. Aluminum is a commodity that is traded on the London Metal Exchange

(LME) and priced daily based on market supply and demand. Aluminum and alumina represent more than three-fourths of Alcoa's revenues, and the price of aluminum influences the operating results of Alcoa. Nonaluminum products include precision castings and aerospace and industrial fasteners. Alcoa's products are used worldwide in aircraft, automobiles, commercial transportation, packaging, building and construction, oil and gas, defense, and industrial applications.

Alcoa is a global company operating in 31 countries. Based upon the country where the point of sale occurred, the U.S. and Europe generated 52% and 27%, respectively, of Alcoa's sales in 2009. In addition, Alcoa has investments and operating activities in Australia, Brazil, China, Iceland, Guinea, Russia, and the Kingdom of Saudi Arabia, all of which present opportunities for substantial growth. Governmental policies, laws and regulations, and other economic factors, including inflation and fluctuations in foreign currency exchange rates and interest rates, affect the results of operations in these countries.

Management Review of 2009 and Outlook for the Future

In 2009, management was faced with the challenge of preserving Alcoa's future while navigating the Company through a global economic downturn that coupled an unprecedented decline in LME pricing levels (began in the second half of 2008) with a collapse in demand from aluminum product end markets. Management adopted a holistic response to this situation by initiating various actions, including: curtailing additional refinery and smelter capacity (necessitating further layoffs); instituting programs to identify procurement efficiencies, overhead rationalization, and working capital improvements; reducing the quarterly common stock dividend; and issuing new equity and debt instruments. All of these actions were aimed at reducing costs, improving cash levels, and preserving liquidity. Certain financial and nonfinancial information reflecting these challenges and management's actions were as follows:

- Sales of $18,439 and a loss from continuing operations of $985, or $1.06 per diluted share;
- Cash from operations of $1,365 and cash on hand at the end of the year of $1,481, almost double the level at December 2008;
- Reduction in total debt of $759 and debt-to-capital ratio of 38.7%, a 380 basis point improvement from 2008;
- Capital expenditures of $1,622, a more than 50% reduction from 2008;
- The completion and start-up of the expanded refinery and new bauxite mine in Brazil, new lithographic sheet operations in Bohai (China), and a new can sheet and end and tab line in Russia;
- Secured long-term power contracts on approximately 2,000 kmt (Canada, Spain, and the U.S.) of the global smelting system (85% of system secured through at least 2025);
- Optimized Alcoa's business and investment portfolio through the following actions: monetized the investment in Shining Prospect ($1,021); exchanged an equity interest in a soft alloy extrusion joint venture (Sapa AB) for full ownership of two smelters and an anode facility in Norway; acquired BHP Billiton's interests in bauxite mines and a refinery in the Republic of Suriname; entered into an agreement with the Saudi Arabian Mining Company (known as "Ma'aden") to develop a complete industrial complex that will encompass the aluminum manufacturing process from bauxite mining to aluminum fabrication; and completed the divestiture of the Electronic and Electrical Solutions (EES) business.

In 2010, management expects market conditions for aluminum products in certain end markets to improve, particularly in automotive and commercial transportation, while others are expected to decline, including aerospace, building and construction, and industrial gas turbines. Management is also projecting an increase in the consumption of primary aluminum, especially in China. On the cost side, increases in energy prices and continued currency movements are expected to be a challenge. Management is committed to achieving the following goals in 2010:

- securing and improving on the savings realized in 2009 from procurement, overhead, and working capital programs;
- continuing to strengthen the balance sheet using operating cash flows to further reduce debt levels; and

- optimizing businesses for improved market conditions by continuing to bring the upstream operations down on the cost curve (e.g., the new complex in Saudi Arabia) and positioning the downstream operations in profitable markets.

Results of Operations

Earnings Summary

Loss from continuing operations attributable to Alcoa for 2009 was $985, or $1.06 per diluted share, compared with income from continuing operations of $229, or $0.27 per share, in 2008. The change of $1,214 in continuing operations was primarily due to the following: significant declines in realized prices for alumina and aluminum; large volume decreases in the downstream segments; a charge associated with electricity pricing in Italy; a loss on the sale of an equity investment; charges related to the 2009 Restructuring Program; and higher depreciation and interest charges; all of which was partially offset by procurement and overhead cost savings across all businesses; the absence of the charges associated with the 2008 Restructuring Program; net favorable foreign currency movements due to a stronger U.S. dollar; favorable LIFO (last in, first out) inventory adjustments; various discrete income tax benefits and a significant fluctuation in income taxes due to a change in the results of operations from pretax income to a pretax loss; a gain on the exchange of equity interests; a gain on the acquisition of an entity in the Republic of Suriname; and net income of various other nonoperating items.

Income from continuing operations attributable to Alcoa for 2008 was $229, or $0.27 per diluted share, compared with $2,814, or $3.22 per share, in 2007. The decrease in income from continuing operations was mostly due to the following: the absence of the gain related to the sale of Alcoa's investment in Aluminum Corporation of China Limited (Chalco); charges for the 2008 Restructuring Program; continued increases in raw materials, energy, and other inputs; net unfavorable foreign currency movements; the absence of the businesses within the Packaging and Consumer segment for 10 months; and costs associated with a gas outage in Western Australia and a complete smelter curtailment in Rockdale, TX. These negative impacts were slightly offset by the absence of the following items that occurred in 2007: charges for the 2007 Restructuring Program; certain costs associated with the Rockdale, Tennessee, and Iceland smelters; and transaction costs and interest charges related to a potential business combination.

Net loss attributable to Alcoa for 2009 was $1,151, or $1.23 per diluted share, compared with a net loss of $74, or $0.10 per share, in 2008, and net income of $2,564, or $2.94 per share, in 2007. In 2009 and 2008, the net loss of $1,151 and $74 included a loss from discontinued operations of $166 and $303, respectively, all related to the EES business. In 2007, net income of $2,564 included a loss from discontinued operations of $250, comprised of a $243 loss related to the EES business and a $7 net loss of other discontinued businesses.

In March 2009, Alcoa announced a series of operational and financial actions, which were in addition to those announced at the end of 2008, to significantly improve Alcoa's cost structure and liquidity. Operational actions included procurement efficiencies and overhead rationalization to reduce costs and working capital initiatives to yield significant cash improvements. Financial actions included a reduction in the quarterly common stock dividend from $0.17 per share to $0.03 per share, which began with the dividend paid on May 25, 2009, and the issuance of 172.5 million shares of common stock and $575 in convertible notes that collectively yielded $1,438 in net proceeds.

In late 2008, management made the decision to reduce Alcoa's aluminum and alumina production in response to the significant economic downturn. As a result of this decision, reductions of 750 kmt, or 18%, of annualized output from Alcoa's global smelting system were implemented (includes previous curtailment at Rockdale, TX in June 2008). Accordingly, reductions in alumina output were also initiated with a plan to reduce production by 1,500 kmt-per-year across the global refining system. The aluminum and alumina production curtailments were completed in early 2009 as planned. Smelters in Rockdale (267 kmt-per-year) and Tennessee (215 kmt-per-year) were fully curtailed while another 268 kmt-per-year was partially curtailed at various other locations. The refinery in Point Comfort, TX was partially curtailed by approximately 1,500 kmt- per-year between the end of 2008 and the beginning of 2009 (only approximately half of this amount remains curtailed as of December 31, 2009). In mid-2009, further action became

necessary resulting in the decision to fully curtail the Massena East, NY smelter (125 kmt-per-year) and partially curtail the Suralco (Suriname) refinery (480 kmt-per-year – represented AWAC's previous 55% ownership interest at the time of curtailment – total curtailed is approximately 870 kmt).

In June 2008, Alcoa temporarily idled half of the aluminum production (three of six operating potlines or 120 kmt) at its Rockdale smelter due to ongoing power supply issues with Rockdale's onsite supplier and the uneconomical power that Alcoa was forced to purchase in the open market as a result of such issues. In September 2008, Alcoa announced it was temporarily idling the remaining three potlines, or 147 kmt, as a result of the cumulative effect of operating only half of the smelter, well-known issues regarding the cost and long-term reliability of the power supply, and overall market conditions. In 2008, the earnings impact of the idled potlines was $55 ($90 pretax). Alcoa is seeking damages and other relief from its power supplier through ongoing litigation. Additionally, in conjunction with the idling of all six potlines, Alcoa recorded restructuring charges in 2008 of $31 ($48 pretax) mostly for the layoff of approximately 870 employees (see Restructuring and Other Charges below for additional information).

Also in June 2008, a major gas supplier to Alcoa's Western Australia refining operations (part of Alcoa of Australia) suffered a pipeline rupture and fire, which resulted in a complete shutdown of the supplier's gas production operations at a certain hub and a declaration of force majeure by the supplier to all customers. The disruption in gas supply caused an immediate reduction in Alcoa of Australia's production capacity and required the purchase of alternative fuel at a much higher cost than the natural gas displaced resulting in a significant negative impact on operations. As a result, shortly thereafter, Alcoa of Australia notified its own customers that it was declaring force majeure under its alumina supply contracts. During the second half of 2008, the supplier partially restored the gas supply to Alcoa of Australia (full restoration occurred in the first half of 2009). In addition, insurance recoveries of $52 were received in the second half of 2008. Net of insurance benefits, Alcoa's earnings impact of the disruption in gas supply was $49 ($102 before tax and noncontrolling interest) in 2008. The Alumina segment was impacted by $33 ($47 before tax) and the remaining impact of $29 ($55 before tax) was reflected in Corporate due to Alcoa's captive insurance program. In 2009, additional insurance recoveries of $24 were received, which benefited the results of Alcoa by $10 ($24 before tax and noncontrolling interest) and the Alumina segment by $17 ($24 before tax). Alcoa of Australia is part of Alcoa World Alumina and Chemicals (AWAC), which is 60% owned by Alcoa and 40% owned by Alumina Limited.

Sales—Sales for 2009 were $18,439 compared with sales of $26,901 in 2008, a decline of $8,462, or 31%. The decrease was primarily due to a drop in realized prices for alumina and aluminum, driven by significantly lower London Metal Exchange (LME) prices; volume declines in the downstream segments due to continued weak end markets; unfavorable foreign currency movements, mostly the result of a weaker euro and Australian dollar; and the absence of sales from the businesses within the former Packaging and Consumer segment ($516 in 2008); all of which was slightly offset by sales from the acquired smelters in Norway.

Sales for 2008 were $26,901 compared with sales of $29,280 in 2007, a decline of $2,379, or 8%. The decrease was driven mainly by the absence of 10 months of sales ($2,781) from the businesses within the Packaging and Consumer segment, the absence of sales from the soft alloy extrusion business ($1,115 in 2007), and volume declines for most downstream businesses, especially related to the automotive and commercial transportation markets in North America and Europe. These negative impacts were principally offset by significantly higher primary aluminum volumes, mostly as a result of sales related to the production of the Iceland smelter for a full year, and favorable foreign currency movements, primarily due to a stronger euro and Australian dollar.

Cost of Goods Sold—COGS as a percentage of Sales was 91.7% in 2009 compared with 82.4% in 2008. The percentage was negatively impacted by significant declines in realized prices for alumina and aluminum, lower demand in the downstream segments, and a charge related to a recent European Commission's decision on electricity pricing for smelters in Italy ($250). These items were somewhat offset by procurement and overhead cost savings across all businesses, net favorable foreign currency movements due to a stronger U.S. dollar, and positive LIFO adjustments. In 2009, Alcoa recognized $361 ($235 after-tax) in income due to the reductions in LIFO inventory quantities and the considerable drop in LME prices. Of this amount, 71% occurred in the second half of the year. During 2010,

management expects to maintain inventory levels comparable to 2009; however, this will not generate LIFO income in the first quarter of 2010 and is not expected to generate LIFO income for the remainder of 2010.

COGS as a percentage of Sales was 82.4% in 2008 compared with 77.9% in 2007. The increase in the percentage was mainly the result of continued cost increases in raw materials, energy, and other inputs; unfavorable foreign currency movements due to a significantly weaker U.S. dollar; the production at the Iceland smelter that did not occur in 2007; and the impacts of the gas outage in Western Australia and the 2008 smelter curtailment at Rockdale. These items were primarily offset by the absence of the businesses within the Packaging and Consumer segment for 10 months (84.0%); the absence of the soft alloy extrusion business (97.1% in 2007); productivity improvements in most of the businesses within the Engineered Products and Solutions segment; and the absence of certain costs incurred in 2007 as a result of production curtailments associated with the Tennessee and Rockdale smelters and startup costs at the Iceland smelter, among others.

Selling, General Administrative, and Other Expenses—SG&A expenses were $1,009, or 5.5% of Sales, in 2009 compared with $1,167, or 4.3% of Sales, in 2008. The decline of $158 was primarily due to reductions in labor costs, mainly as a result of implemented severance programs; decreases in expenses for travel, contractors and consultants, information technology, selling and marketing, and various other administrative items as part of Alcoa’s cost reduction initiatives; the absence of the businesses within the former Packaging and Consumer segment ($37 in 2008); and a decrease in bad debt expense; all of which was partially offset by an increase in deferred compensation, mostly the result of the plans’ improved performance, and an increase due to SG&A of the acquired smelters in Norway.

SG&A expenses were $1,167, or 4.3% of sales, in 2008 compared with $1,444, or 4.9% of sales, in 2007. The decrease of $277 was mostly due to the absence of 10 months of expenses ($180) from the businesses within the Packaging and Consumer segment; the absence of transaction costs related to the 2007 offer for Alcan Inc. ($46); and the absence of expenses from the soft alloy extrusion business ($33 in 2007).

Research and Development Expenses—R&D expenses were $169 in 2009 compared with $246 in 2008 and $238 in 2007. The decline in 2009 as compared to 2008 was principally due to the implementation of Alcoa’s cost reduction initiatives and the absence of the businesses within the former Packaging and Consumer segment ($3 in 2008). The increase in 2008 as compared to 2007 was mainly driven by expenditures related to various projects for the businesses within the Flat-Rolled Products segment and the Primary Metals segment, partially offset by the absence of 10 months of expenditures ($16) from the businesses within the Packaging and Consumer segment.

Provision for Depreciation, Depletion, and Amortization—The provision for DD&A was $1,311 in 2009 compared with $1,234 in 2008. The increase of $77, or 6%, was mostly due to the acquired smelters in Norway and assets placed into service during 2009, including the Juruti bauxite mine and São Luis refinery in Brazil, the new Bohai (China) flat-rolled product facility, and a high-quality coated sheet line at the Samara (Russia) facility. These increases were slightly offset as a result of the cessation of DD&A, which began in January 2009, related to the Global Foil and Transportation Products Europe businesses due to the classification of these businesses as held for sale and a reduction in DD&A as a result of the extension of depreciable lives for the majority of rolled products and hard alloy extrusions locations based upon a review, which was completed in mid-2008, of estimated useful lives ($11).

The provision for DD&A was $1,234 in 2008 compared with $1,244 in 2007. The decline of $10, or 1%, was principally the result of the absence of nine months of depreciation from the businesses within the Packaging and Consumer segment ($89 in 2007), which was classified as held for sale, and the extension of depreciable lives for the majority of refining and smelting locations and various rolled products and hard alloy extrusions locations based upon a review of estimated useful lives completed during 2008 ($61). Offsetting these reductions was a significant increase ($83) in depreciation expense related to the Iceland smelter and Norway anode facility being in service for a full year and unfavorable foreign currency movements as a result of a weaker U.S. dollar.

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Restructuring and Other Charges—Restructuring and other charges for each of the three years in the period ended December 31, 2009 were comprised of the following:

	2009	2008	2007
Asset impairments	$ 54	$670	$214
Layoff costs	186	183	35
Other exit costs	37	109	47
Reversals of previously recorded layoff and other exit costs*	(40)	(23)	(28)
Restructuring and other charges	$237	$939	$268

* Reversals of previously recorded layoff and other exit costs resulted from changes in facts and circumstances that led to changes in estimated costs.

Layoff costs were recorded based on approved detailed action plans submitted by the operating locations that specified positions to be eliminated, benefits to be paid under existing severance plans, union contracts or statutory requirements, and the expected timetable for completion of the plans.

2009 Restructuring Program—In 2009, Alcoa recorded Restructuring and other charges of $237 ($151 after-tax and noncontrolling interests), which were comprised of the following components: $177 ($121 after-tax and noncontrolling interests) for the layoff of approximately 6,600 employees (2,980 in the Engineered Products and Solutions segment; 2,190 in the Flat-Rolled Products segment; 1,080 in the Primary Metals segment; 180 in the Alumina segment; and 170 in Corporate) to address the impact of the global economic downturn on Alcoa’s businesses and a $9 ($6 after-tax) curtailment charge due to the remeasurement of pension plans as a result of the workforce reductions; $41 ($20 after-tax) in adjustments to the Global Foil and Transportation Products Europe businesses held for sale due to unfavorable foreign currency movements for both businesses and a change in the estimated fair value for the Global Foil business and $13 ($11 after-tax) in other asset impairments; $18 ($12 after-tax) for the write-off of previously capitalized third-party costs related to potential business acquisitions due to the adoption of changes to accounting for business combinations and net costs of $19 ($10 after-tax and noncontrolling interests) for various other items, such as accelerated depreciation and lease termination costs for shutdown facilities; and $40 ($29 after-tax and noncontrolling interests) for reversals of previously recorded layoff and other exit costs due to normal attrition and changes in facts and circumstances.

As of December 31, 2009, approximately 4,400 of the 6,600 employees were terminated. Cash payments of $62 were made against the 2009 Restructuring Program layoff reserves in 2009.

2008 Restructuring Program—In late 2008, Alcoa took specific actions to reduce costs and strengthen its portfolio, partly due to the economic downturn. Such actions included targeted reductions, curtailments, and plant closures and consolidations, which will reduce headcount by approximately 5,300, resulting in layoff charges of $138 ($98 after-tax and noncontrolling interests), asset impairments of $156 ($88 after-tax and noncontrolling interests), and other exit costs of $58 ($57 after-tax). The significant components of these actions were as follows:

– As a result of market conditions, the Primary Metals segment reduced production by 483 kmt and the Alumina segment reduced production by a total of 1,500 kmt (fully implemented in early 2009; further reductions occurred later in 2009). These production curtailments as well as targeted reductions will result in the elimination of approximately 1,110 positions totaling $23 in layoff costs. Asset impairments of $116 related to these two segments were also recognized, including the write off of $84 in engineering costs related to a 1,500 kmt planned expansion of Jamalco’s Clarendon, Jamaica refinery.

– The Flat-Rolled Products segment was restructured through the following actions:

- Restructuring and downsizing of the Mill Products businesses in Europe and North America, resulting in severance charges of $53 for the reduction of approximately 850 positions;
- Alignment of production with demand at operations in Russia, through the elimination of approximately 1,400 positions resulting in severance charges of $7;

- The shutdown of the Foil business in Bohai, resulting in severance charges of $6 for the reduction of approximately 400 positions, asset impairments of $24, and other exits costs of $54, primarily related to lease termination costs.

– The Engineered Products and Solutions segment was restructured through the following actions:

- Exiting of the Auto Cast Wheel business, through the closure of the only remaining facility, which employed approximately 270, by June 2009 for severance costs of $2;
- Consolidation of operations in the Building and Construction Systems business to maximize operating efficiencies and align capacity with the decline in the commercial building and construction markets, resulting in severance charges of $6 for the elimination of approximately 400 positions;
- Alignment of production with demand across the Power and Propulsion business, resulting in the reduction of approximately 250 positions for a cost of $6;
- Optimization of the Global Hard Alloy Extrusion operations, resulting in severance charges of $13 for a headcount reduction of approximately 240 and asset impairments of $3 (previously reported as part of the Flat-Rolled Products segment – see Segment Information);
- Other severance charges of $8 for the elimination of approximately 250 positions, asset impairments of $13, and other exit costs of $1.

– In order to reduce overhead serving various businesses, approximately 130 positions will be eliminated at Corporate, resulting in severance charges of $14 and other exits costs of $3.

In addition to the above actions, Alcoa intends to sell its Global Foil (the Sabiñánigo, Spain and Shanghai, China plants were sold in late 2009) and Transportation Products Europe businesses in order to streamline its portfolio. As a result of this decision, the assets and related liabilities of the Global Foil and Transportation Products Europe businesses were classified as held for sale. Asset impairments of $129 ($100 after-tax) and $52 ($49 after-tax) were recognized to reflect the estimated fair values of the Global Foil and Transportation Products Europe businesses, respectively. Also, Alcoa and Orkla ASA agreed to exchange their stakes in the Sapa AB and Elkem Aluminium ANS joint ventures. This portfolio action resulted in an impairment charge of $333 ($223 after-tax) to reflect the estimated fair value of Alcoa’s investment in Sapa AB.

Earlier in 2008, Alcoa recorded $48 ($31 after-tax) in charges, which consisted of $44 ($29 after-tax) for the layoff of approximately 870 employees and related curtailment of postretirement benefits and $4 ($2 after-tax) for other exit costs, associated with the complete production curtailment of the Rockdale, TX smelter (267 kmt) due to ongoing power supply issues with Rockdale’s onsite supplier and the uneconomical power that Alcoa was forced to purchase in the open market as a result of such issues. Also during 2008, Alcoa recorded a loss of $43 ($32 after-tax) on the sale of its Packaging and Consumer businesses. The remaining net charges in 2008 were comprised of $1 ($1 after-tax and noncontrolling interests) for layoff related to a reduction in headcount of approximately 30, $4 for other exit costs ($6 after-tax), and $23 ($15 after-tax and noncontrolling interests) for reversals of previously recorded costs, slightly more than half of which related to the reversal of a reserve related to a shutdown facility.

As of December 31, 2009, approximately 5,900 of the 6,200 employees were terminated. Cash payments of $112 and $7 were made against the 2008 Restructuring Program layoff reserves in 2009 and 2008, respectively.

2007 Restructuring Program—In 2007, Alcoa recorded Restructuring and other charges of $268 ($201 after-tax and noncontrolling interests), which were comprised of the following components: $257 ($174 after-tax) in asset impairments associated with a strategic review of certain businesses; a $62 ($23 after-tax) reduction to the original impairment charge recorded in 2006 related to the estimated fair value of the soft alloy extrusion business, which was contributed to a joint venture effective June 1, 2007; and $73 ($50 after-tax and noncontrolling interests) in net charges comprised of layoff charges of $35 ($26 after-tax and noncontrolling interests) related to the elimination of approximately 400 positions and asset impairments of $19 ($12 after-tax) of various other businesses and facilities,

other exit costs of $47 ($31 after-tax and noncontrolling interests), primarily for accelerated depreciation associated with the shutdown of certain facilities in 2007 related to the 2006 Restructuring Program, and reversals of previously recorded layoff and other exit costs of $28 ($19 after-tax and noncontrolling interests) due to normal attrition and changes in facts and circumstances.

In April 2007, Alcoa announced it was exploring strategic alternatives for the potential disposition of the businesses within the Packaging and Consumer segment and the Automotive Castings business. In September 2007, management completed its review of strategic alternatives and determined that the best course of action was to sell the Packaging and Consumer and Automotive Castings businesses. As a result of this decision, the assets and related liabilities of the Packaging and Consumer and Automotive Castings businesses were classified as held for sale. Alcoa recorded impairment charges of $215 ($140 after-tax) related to the Packaging and Consumer businesses and $68 ($51 after-tax) for the Automotive Castings business to reflect the write-down of the carrying value of the assets of these businesses to their respective estimated fair values. In addition, Alcoa recorded a $464 discrete income tax charge related to goodwill associated with the planned sale of the Packaging and Consumer businesses that would have been non-deductible for tax purposes under the transaction structure contemplated at the time. In November 2007, Alcoa completed the sale of the Automotive Castings business and recognized a loss of $4 ($2 after-tax). In December 2007, Alcoa agreed to sell the Packaging and Consumer businesses for $2,700 in cash, and reduced the impairment charge by $26 ($17 after-tax) and the discrete income tax charge by $322 as a result of the structure of the agreed upon sale (this sale was completed in 2008).

As of December 31, 2008, the terminations associated with the 2007 restructuring program were essentially complete. Cash payments of $1 and $20 were made against the 2007 Restructuring Program layoff reserves in 2009 and 2008, respectively.

Alcoa does not include Restructuring and other charges in the results of its reportable segments. The pretax impact of allocating Restructuring and other charges to such results would have been as follows (prior period amounts presented were revised to reflect a change in segments – see Segment Information):

	2009	2008	2007
Alumina	$ 5	$ 89	$ -
Primary Metals	30	94	(2)
Flat-Rolled Products	65	273	56
Engineered Products and Solutions	64	104	67
Packaging and Consumer	-	45	189
Segment total	164	605	310
Corporate	73	334	(42)
Total restructuring and other charges	$237	$939	$268

Interest Expense—Interest expense was $470 in 2009 compared with $407 in 2008, resulting in an increase of $63, or 15%. The increase was primarily due to a 10% higher average debt level, mostly the result of $575 in convertible notes issued in March 2009 and increased borrowings on loans in Brazil (began in April 2008) related to the Juruti, São Luís, and Estreito growth projects; and a significant increase in the amortization of debt costs, mainly due to a $66 beneficial conversion option related to the convertible notes and $43 in fees paid for the $1,900 364-day senior unsecured revolving credit facility (entered into in October 2008 and expired in October 2009); both of which were slightly offset by a decrease in the weighted average interest rate of Alcoa's debt portfolio.

Interest expense was $407 in 2008 compared with $401 in 2007, resulting in an increase of $6, or 1%. The increase was principally caused by a 22% higher average debt level, mostly due to the issuance of $1,500 in new senior notes in July 2008 and significantly higher commercial paper levels; and a decrease in capitalized interest ($32), primarily due to placing growth projects into service, such as the Iceland smelter and the Norway anode facility in 2007. These items were almost completely offset by the absence of credit facility commitment fees related to the 2007 offer for Alcan Inc. ($67) and a lower weighted-average effective interest rate, driven mainly by the decrease in LIBOR rates.

Other Income, net—Other income, net was $161 in 2009 compared with $59 in 2008. The increase of $102 was mainly the result of a $188 gain on the Elkem/Sapa AB exchange transaction; favorable foreign currency movements due to a stronger U.S. dollar; net gains related to the improvement in the cash surrender value of company-owned life insurance; an $92 gain related to the acquisition of a BHP Billiton subsidiary in the Republic of Suriname; and a $22 gain on the sale of property in Vancouver, WA. These positive impacts were partially offset by a $182 realized loss on the sale of the Shining Prospect investment; a decline in the value of mark-to-market derivative contracts; a decrease in equity income related to Alcoa's share of the results of Elkem, Sapa AB, and Shining Prospect prior to the exchange and sale of these investments; the absence of a 2008 negotiated partial refund of an indemnification payment ($39); and an estimated loss on excess power at the Ferndale, WA smelter ($30).

Other income, net was $59 in 2008 compared with $1,920 in 2007. The decrease of $1,861 was mostly due to the absence of the $1,754 gain related to the sale of Alcoa's investment in Chalco. Other items impacting this decline were losses related to the cash surrender value of life insurance as a result of the deterioration of the investment markets; unfavorable foreign currency movements due to a weaker U.S. dollar; the absence of dividend income from Alcoa's former stake in Chalco; and the absence of a non-recurring foreign currency gain in Russia; all of which was partially offset by mark-to-market gains on derivative contracts and income related to a negotiated partial refund of an indemnification payment previously made to the buyer of a prior Alcoa divestiture ($39).

Income Taxes—Alcoa's effective tax rate was 38.3% (benefit on a loss) in 2009 compared with the U.S. federal statutory rate of 35%. The effective tax rate differs from the U.S. federal statutory rate primarily due to a $12 income tax benefit related to the noncontrolling interests' share of the gain associated with the acquisition of a BHP Billiton subsidiary in the Republic of Suriname and the following discrete tax items: a $71 benefit for the reorganization of an equity investment; a $34 benefit for the reversal of a valuation allowance on foreign deferred tax assets; a $31 benefit for a tax rate change (from 15% to 18%) in Iceland; a $31 benefit related to a Canadian tax law change allowing a tax return to be filed in U.S. dollars; a $10 benefit related to a change in the sale structure of two locations included in the Global Foil business than originally anticipated; and a $7 benefit related to the Elkem/Sapa AB exchange transaction. Partially offsetting these benefits were items related to smelter operations in Italy, which included a $41 valuation allowance placed on existing deferred tax assets and charges not tax benefitted as follows: $250 related to a recent decision by the European Commission on electricity pricing, $15 for environmental remediation, and $15 for layoffs.

Alcoa's effective tax rate was 43.2% (provision on income) in 2008 compared with the U.S. federal statutory rate of 35%. The effective tax rate differs from the U.S. federal statutory rate principally due to the following income tax charges: $73 for the asset impairments included in the 2008 restructuring program; $28 due to a decrease in deferred tax assets of the Iceland operations as a result of an applicable tax rate change (from 18% to 15%); a net $19 associated with the sale of the Packaging and Consumer businesses, mainly due to the allocation of sale proceeds to higher tax rate jurisdictions as opposed to the allocation previously contemplated, somewhat offset by changes in tax assumptions surrounding transaction costs and the finalization of the divestiture of certain foreign locations. These charges were partially offset by foreign income taxed in lower rate jurisdictions and a $20 discrete income tax benefit related to the filing of the 2007 U.S. income tax return.

Alcoa's effective tax rate was 33.8% (provision on income) in 2007 compared with the U.S. federal statutory rate of 35%. The effective tax rate differs from the U.S. federal statutory rate of 35% primarily due to lower taxes on foreign income, mostly offset by a discrete income tax charge of $142 related to goodwill that is non-deductible for tax purposes associated with the sale of the Packaging and Consumer businesses.

Management anticipates that the effective tax rate in 2010 will be approximately 35%. However, changes in the current economic environment, tax legislation, currency fluctuations, and the results of operations in certain taxing jurisdictions may cause this estimated rate to fluctuate significantly.

Noncontrolling Interests—Net income attributable to noncontrolling interests was $61 in 2009 compared with $221 in 2008. The decline of $160 was principally due to lower earnings at AWAC, which is owned 60% by Alcoa and 40% by Alumina Limited. The lower earnings at AWAC were mainly driven by a significant drop in realized prices,

somewhat offset by the gain related to the acquisition of a BHP Billiton subsidiary in the Republic of Suriname and the absence of the impact of the 2008 gas outage in Western Australia.

Net income attributable to noncontrolling interests was $221 in 2008 compared with $365 in 2007. The decrease of $144 was mostly due to lower earnings at AWAC attributed primarily to significant cost increases for raw materials and energy, unfavorable foreign currency movements due to a weaker U.S. dollar, and the impact of the gas outage in Western Australia.

Loss From Discontinued Operations—Loss from discontinued operations in 2009 was $166 comprised of a $129 ($168 pretax) loss on the divestiture of the wire harness and electrical portion of the EES business, a $9 ($13 pretax) loss on the divestiture of the electronics portion of the EES business, and the remainder was for the operational results of the EES business prior to the divestitures.

Loss from discontinued operations in 2008 was $303 comprised of asset impairments of $162 ($225 pretax) to reflect the estimated fair value of the EES business and a net operating loss of $141 ($199 pretax), which included restructuring charges of $39 ($53 pretax) for headcount reductions of approximately 6,200 and a charge of $16 ($25 pretax) for obsolete inventory.

Loss from discontinued operations in 2007 was $250 comprised of a $243 loss related to the EES business, including severance charges of $36 ($53 pretax) for headcount reductions of approximately 5,900, as part of a strategic business review to restructure EES, and impairment charges of $93 ($133 pretax) for goodwill and $60 ($74 pretax) for various fixed assets, as the forecasted future earnings and cash flows of the EES business no longer supported the carrying values of such assets; an $11 loss related to working capital and other adjustments associated with the 2006 sale of the home exteriors business; and net operating income of $4 for other discontinued businesses.

In late 2008, Alcoa reclassified the EES business to discontinued operations based on the decision to sell the business. The Consolidated Financial Statements for all prior periods presented were reclassified to reflect the EES business in discontinued operations. The sale of the wire harness and electrical portion of the EES business was completed in June 2009 and the sale of the electronics portion of the EES business was completed in December 2009. The results of the Engineered Products and Solutions segment were reclassified to reflect the movement of the EES business into discontinued operations.

Segment Information

In May 2009, management approved the movement of Alcoa’s hard alloy extrusions business from the Flat-Rolled Products segment to the Engineered Products and Solutions segment. This move was made to capture market, customer, and manufacturer synergies through the combination of the hard alloy extrusions business with the power and propulsion and forgings businesses. Prior period amounts were reclassified to reflect this change.

Alcoa’s operations consist of four worldwide reportable segments: Alumina, Primary Metals, Flat-Rolled Products, and Engineered Products and Solutions (the Packaging and Consumer segment no longer contains any operations as the businesses within this segment were divested during 2008). Segment performance under Alcoa’s management reporting system is evaluated based on a number of factors; however, the primary measure of performance is the after-tax operating income (ATOI) of each segment. Certain items such as the impact of LIFO inventory accounting; interest income and expense; noncontrolling interests; corporate expense (general administrative and selling expenses of operating the corporate headquarters and other global administrative facilities, along with depreciation and amortization on corporate-owned assets); restructuring and other charges; discontinued operations; and other items, including intersegment profit eliminations and other metal adjustments, differences between tax rates applicable to the segments and the consolidated effective tax rate, the results of the soft alloy extrusions business in Brazil, and other nonoperating items such as foreign currency translation gains/losses are excluded from segment ATOI. Segment assets exclude, among others, cash and cash equivalents, deferred income taxes, goodwill not allocated to businesses for segment reporting purposes, corporate fixed assets, LIFO reserves, and assets classified as held for sale related to discontinued operations.

ATOI for all reportable segments totaled $(234) in 2009, $2,199 in 2008, and $3,162 in 2007. See Note Q to the Consolidated Financial Statements in Part II Item 8 for additional information. The following discussion provides shipments, sales, and ATOI data for each reportable segment and production data for the Alumina and Primary Metals segments for each of the three years in the period ended December 31, 2009.

Alumina

	2009	2008	2007
Alumina production (kmt)	14,265	15,256	15,084
Third-party alumina shipments (kmt)	8,655	8,041	7,834
Third-party sales	$ 2,161	$ 2,924	$ 2,709
Intersegment sales	1,534	2,803	2,448
Total sales	$ 3,695	$ 5,727	$ 5,157
ATOI	$ 112	$ 727	$ 956

This segment consists of Alcoa's worldwide alumina system, including the mining of bauxite, which is then refined into alumina. Alumina is mainly sold directly to internal and external smelter customers worldwide or is sold to customers that process it into industrial chemical products. A portion of this segments's third-party sales are completed through the use of agents, alumina traders, and distributors. Slightly more than half of Alcoa's alumina production is sold under supply contracts to third parties worldwide, while the remainder is used internally.

In 2009, alumina production decreased by 991 kmt compared to 2008. The reduction was mostly the result of the effects of curtailments initiated in late 2008 through early 2009, which included approximately 1,500 kmt-per-year at the Point Comfort, TX refinery (only approximately half of this amount remains curtailed as of December 31, 2009) and approximately 480 kmt-per-year at the Suralco (Suriname) refinery (represented AWAC's previous 55% ownership interest at the time of curtailment – total curtailed is approximately 870 kmt). Partially offsetting the curtailments was increased production at the following refineries (all set production records in 2009): Jamalco (Jamaica), Pinjarra and Wagerup (Australia), and São Luis (Brazil), where ramp-up of the 2,100 kmt expansion began in late 2009. Production also increased due to additional capacity of approximately 600 kmt from the acquisition (total acquired was approximately 990 kmt – 390 was curtailed) of BHP Billiton's 45% interest in Suralco on July 31, 2009 (100% of the Suralco refinery's operations were reflected in this segment beginning August 1, 2009). In 2008, alumina production increased by 172 kmt compared to 2007 with the largest increase occurring at the Pinjarra refinery due to the continued positive effects of the efficiency upgrade expansion completed in 2006. In late 2008, Alcoa reduced production at its Point Comfort refinery by 550 kmt-per-year due to negative market conditions; however, production for the year slightly exceeded the refinery's 2007 production performance.

Third-party sales for the Alumina segment declined 26% in 2009 compared with 2008, principally due to a 35% drop in realized prices, driven by significantly lower LME prices, and unfavorable foreign currency movements due to a weaker Australian dollar, both of which were somewhat offset by an increase in volumes. Third-party sales for this segment rose 8% in 2008 compared with 2007, primarily related to favorable foreign currency movements due to a stronger Australian dollar and increases of 3% and 2% in third-party shipments and realized prices, respectively.

Intersegment sales for the Alumina segment dropped 45% in 2009 compared with 2008, mostly due to a drop in realized prices and a reduction in demand from the Primary Metals segment. Intersegment sales for this segment climbed 15% in 2008 compared with 2007, mainly as a result of a 6% increase in volumes and higher realized prices.

ATOI for the Alumina segment declined 85% in 2009 compared with 2008, principally due to the significant drop in realized prices; a tax settlement related to an equity investment in Brazil ($30); and an increase in depreciation expense as a result of growth projects placed into service mid-to-late 2009 in Brazil (Juruti bauxite mine and São Luis refinery); all of which was partially offset by net procurement and overhead cost savings across most regions, favorable foreign currency movements due to a stronger U.S. dollar, a $60 gain recognized on the acquisition of BHP Billiton's interest

in Suralco, and a positive impact related to the 2008 gas outage in Western Australia (absence of $69 in costs partially offset by $19 less in insurance recoveries). ATOI for this segment decreased 24% in 2008 compared with 2007, mostly due to significant cost increases for bauxite, caustic soda, fuel oil, and natural gas; unfavorable foreign currency movements due to a weaker U.S. dollar; and the impact of the gas outage in Western Australia ($33 net of insurance benefits); all of which was partially offset by higher realized prices, productivity improvements, and a positive impact due to the curtailment of production at the Point Comfort refinery.

In 2010, increased benefits from cost savings initiatives are expected and improved customer demand is anticipated, especially in China as indicated by the significant increase in shipments in late 2009. Also, higher production levels due to the start-up of the Juruti bauxite mine (total additional 2,600 kmt of bauxite, Alcoa's share is 1,560 kmt) and São Luis refinery (total additional alumina production of 2,100 kmt, Alcoa's share is 948 kmt) are expected; while full production at these facilities will result in higher depreciation expense.

Primary Metals

	2009	2008	2007
Aluminum production (kmt)	3,564	4,007	3,693
Third-party aluminum shipments (kmt)	3,038	2,926	2,291
Alcoa's average realized price per metric ton of aluminum	$1,856	$ 2,714	$ 2,784
Third-party sales	$5,252	$ 8,021	$ 6,576
Intersegment sales	1,836	3,927	4,994
Total sales	$7,088	$11,948	$11,570
ATOI	$ (612)	$ 931	$ 1,445

This segment consists of Alcoa's worldwide smelter system. Primary Metals receives alumina, primarily from the Alumina segment, and produces primary aluminum used by Alcoa's fabricating businesses, as well as sold to external customers, aluminum traders, and commodity markets. Results from the sale of aluminum powder, scrap, and excess power are also included in this segment, as well as the results of aluminum derivative contracts. Primary aluminum produced by Alcoa and used internally is transferred to other segments at prevailing market prices. The sale of primary aluminum represents more than 90% of this segment's third-party sales.

At December 31, 2009, Alcoa had 1,234 kmt of idle capacity on a base capacity of 4,813 kmt. In 2009, idle capacity increased by 480 kmt compared to 2008 due to the completion of targeted curtailment reductions, including 215 kmt at the Tennessee smelter, 125 kmt at the Massena East, NY smelter, and 140 kmt at various other smelters, in response to the significant decline in LME prices and aluminum demand both as a result of the global economic downturn. Base capacity rose by 282 kmt at December 31, 2009 as compared to December 31, 2008 due to the March 31, 2009 acquisition of two smelters in Norway, in which Alcoa previously held a 50% equity interest. At December 31, 2008, Alcoa had 754 kmt of idle capacity on a base capacity of 4,531 kmt. In 2008, idle capacity increased by 302 kmt as compared to 2007 due to the complete production curtailment at Rockdale, TX (267 kmt) and partial curtailments of approximately 35 kmt related to other smelters, all of which were the result of negative market conditions. Base capacity dropped by 42 kmt at December 31, 2008 as compared to December 31, 2007, primarily driven by 53 kmt permanently curtailed in November 2008 at the Baie Comeau smelter as part of a modernization program initiated early due to the global economic downturn.

In 2009, aluminum production declined 443 kmt, mainly the result of the effects of smelter curtailments that began mid-2008, including the smelters in Rockdale (267 kmt-per-year), Tennessee (215 kmt-per-year), and Massena East (125 kmt-per-year), all of which was partially offset by an increase in production at the Iceland smelter (344 kmt-per-year), as this smelter was not at full capacity until April 2008, and the acquisition of the Lista (94 kmt-per-year) and Mosjøen (188 kmt-per-year) smelters in Norway. In 2008, aluminum production increased by 314 kmt, mostly due to the Iceland smelter, as 2008 was its first full year of production; the Ferndale smelter as a result of the restart of additional pots early in the year; and the Tennessee smelter; all of which was slightly offset by a reduction

at the Rockdale smelter due to Alcoa's decision to curtail all production at this facility until competitive market conditions return (267-kmt-per-year). In late 2008, Alcoa started partial production curtailments at various smelters, including Ferndale and Baie Comeau, Quebec, resulting in an additional decline of 350 kmt-per-year.

Third-party sales for the Primary Metals segment decreased 35% in 2009 compared with 2008, mostly the result of a 32% drop in realized prices, driven by a 35% decline in LME prices, slightly offset by sales from the acquired smelters in Norway. Third-party sales for this segment climbed 22% in 2008 compared with 2007, mainly due to higher volumes, primarily the result of the sales related to the production from the Iceland smelter, shipments made to the Packaging and Consumer businesses subsequent to their divestiture in 2008, and shipments made in the first half of 2008 to the Sapa AB joint venture (shipments to Alcoa's soft alloy extrusion business were included in intersegment sales in the first half of 2007), somewhat offset by lower realized prices of 3%.

Intersegment sales for the Primary Metals segment declined 53% in 2009 compared with 2008, mostly due to a drop in realized prices and a decline in volume due to lower demand from the downstream segments. Intersegment sales for this segment decreased 21% in 2008 compared with 2007, mainly as a result of lower demand from Alcoa's downstream businesses, the absence of 10 months of shipments to the Packaging and Consumer businesses that occurred in 2007, and the absence of shipments to the soft alloy extrusion business that occurred in 2007.

ATOI for the Primary Metals segment declined $1,543 in 2009 compared with 2008, primarily due to the significant drop in realized prices; a charge related to a recent European Commission's decision on electricity pricing for smelters in Italy ($250); a decline in intersegment sales volume; the impact of curtailing operations; and additional power costs related to smelters in Italy as a result of the termination of the then existing power tariff structure under legislative authority of the Italian Parliament ($15); all of which was partially offset by procurement and overhead cost savings across all regions; lower costs for alumina; favorable foreign currency movements due to a stronger U.S. dollar; and a gain related to the acquisition of two smelters in Norway ($112). ATOI for this segment dropped 36% in 2008 compared with 2007, principally related to higher alumina, carbon, and energy costs; increased spending on repairs and maintenance, outside services, and labor; lower realized prices; the impact of the 2008 curtailment of all production at Rockdale ($55); and unfavorable foreign currency movements due to a weaker U.S. dollar. These negative impacts were partially offset by the absence of costs incurred in 2007 associated with the following: the start-up of the Iceland smelter, the smelter production curtailment of one of the potlines in Rockdale, and the smelter curtailment associated with the power outage in Tennessee.

In 2010, continued benefits from cost savings initiatives are expected; however, two smelters in Italy (Fusina and Portovesme – 194 kmt-per-year) may be fully curtailed due to uneconomical power rates.

Flat-Rolled Products

	2009	2008	2007
Third-party aluminum shipments (kmt)	1,831	2,221	2,358
Third-party sales	$6,069	$8,966	$9,349
Intersegment sales	113	218	248
Total sales	$6,182	$9,184	$9,597
ATOI	$ (49)	$ (3)	$ 178

This segment's principal business is the production and sale of aluminum plate, sheet, and foil. This segment includes rigid container sheet (RCS), which is sold directly to customers in the packaging and consumer market and is used to produce aluminum beverage cans. Seasonal increases in RCS sales are generally experienced in the second and third quarters of the year. This segment also includes sheet and plate used in the transportation, building and construction, and distribution markets (mainly used in the production of machinery and equipment and consumer durables), which is sold directly to customers and through distributors. Approximately one-third of the third-party sales in this segment consist of RCS, while the remaining two-thirds of third-party sales are derived from sheet and plate and foil used in

industrial markets. While the customer base for flat-rolled products is large, a significant amount of sales of RCS, sheet, and plate is to a relatively small number of customers.

Third-party sales for the Flat-Rolled Products segment declined 32% in 2009 compared with 2008. The decrease was primarily due to a drop in prices, attributable to unfavorable changes in the variable components of certain customer contracts, and a reduction in volumes across most businesses, both of which were mostly the result of weak end markets in Europe and North America, and unfavorable foreign currency movements due to a weaker euro and Australian dollar. Third-party sales for this segment decreased 4% in 2008 compared with 2007. The decline was principally due to lower volumes across all businesses, mainly the result of weak end markets in North America and Europe, partially offset by positive foreign currency movements, mostly due to a stronger euro, and a favorable pricing and product mix.

ATOI for the Flat-Rolled Products segment fell $46 in 2009 compared with 2008, primarily as a result of reduced volumes across most businesses, the previously mentioned drop in prices, and an increase in depreciation expense as a result of the new coating line commissioned in Samara (Russia) and the new flat-rolled product facility in Bohai (China). All of these items were mostly offset by procurement and overhead cost savings and favorable foreign currency movements due to a stronger U.S. dollar. ATOI for this segment declined $181 in 2008 compared with 2007, mainly the result of continued higher direct materials, energy, and other cost increases and lower volumes across all businesses, partially offset by favorable pricing and product mix.

In 2010, continued benefits from cost savings initiatives are anticipated while higher energy costs are expected. Also, can sheet volumes are expected to decline significantly in North America, the largest market for can sheet, due to a change in pricing strategy, which will allow cost increases to be passed on to customers. The decision to reduce volumes, particularly in the first quarter, will provide longer-term profitability for this business. Further, management continues to explore divestiture alternatives for the remaining Global Foil business (the Sabiñánigo, Spain and Shanghai, China plants were sold in late 2009).

Engineered Products and Solutions

	2009	2008	2007
Third-party aluminum shipments (kmt)	180	257	290
Third-party sales	$4,689	$6,199	$5,834
ATOI	$ 315	$ 533	$ 435

This segment includes titanium, aluminum, and super alloy investment castings; forgings and fasteners; aluminum wheels; integrated aluminum structural systems; and architectural extrusions used in the aerospace, automotive, building and construction, commercial transportation, and power generation markets. These products are sold directly to customers and through distributors. Additionally, hard alloy extrusions products, which are also sold directly to customers and through distributors, serve the distribution, aerospace, automotive, and commercial transportation markets.

Third-party sales for the Engineered Products and Solutions segment declined 24% in 2009 compared with 2008. The decrease was mostly due to lower volumes (aluminum and nonaluminum) across all businesses because of weak end markets, lower pricing in the building and construction sector, and unfavorable foreign currency movements due to a weaker euro. Third-party sales for this segment increased 6% in 2008 compared with 2007. The improvement was primarily due to higher demand in the aerospace and industrial gas turbine markets; favorable pricing in the building and construction market; positive foreign currency movements due to a stronger euro; and the addition of two fastener businesses acquired in early 2008; all of which was partially offset by significant volume declines in the commercial transportation market.

ATOI for the Engineered Products and Solutions segment fell 41% in 2009 compared with 2008, principally the result of lower volumes across all businesses and lower pricing, partially offset by procurement and overhead cost savings

realized in all businesses. ATOI for this segment climbed 23% in 2008 compared with 2007, mainly due to continued strong demand and productivity improvements in the aerospace and industrial gas turbine markets, favorable foreign currency movements due to a stronger euro, and the positive contribution of the acquired fastener businesses, all of which was somewhat offset by significantly lower volumes in the commercial transportation market.

In 2010, continued benefits from cost savings initiatives are anticipated; however, weak end markets and destocking in the aerospace fastener and industrial gas turbine markets are expected to continue. Also, management continues to explore divestiture alternatives for the Transportation Products Europe business.

Packaging and Consumer

	2009	2008	2007
Third-party aluminum shipments (kmt)	-	19	157
Third-party sales	$ -	$516	$3,288
ATOI	$ -	$ 11	$ 148

The businesses within this segment were sold to Rank Group Limited in 2008; therefore, this segment no longer contains any operations. Prior to the sale of these businesses, this segment included consumer, foodservice, and flexible packaging products; food and beverage closures; and plastic sheet and film for the packaging industry. The principal products in this segment included aluminum foil; plastic wraps and bags; plastic beverage and food closures; flexible packaging products; thermoformed plastic containers; and extruded plastic sheet and film. Consumer products were marketed under brands including Reynolds Wrap®, Diamond®, Baco®, and Cut-Rite®. Seasonal increases generally occurred in the second and fourth quarters of the year for such products as consumer foil and plastic wraps and bags, while seasonal slowdowns for closures generally occurred in the fourth quarter of the year. Products were generally sold directly to customers, consisting of supermarkets, beverage companies, food processors, retail chains, and commercial foodservice distributors.

Reconciliation of ATOI to Consolidated Net (Loss) Income Attributable to Alcoa

Items required to reconcile segment ATOI to consolidated net (loss) income attributable to Alcoa include: the impact of LIFO inventory accounting; interest income and expense; noncontrolling interests; corporate expense (general administrative and selling expenses of operating the corporate headquarters and other global administrative facilities, along with depreciation and amortization on corporate-owned assets); restructuring and other charges; discontinued operations; and other items, including intersegment profit eliminations and other metal adjustments, differences between tax rates applicable to the segments and the consolidated effective tax rate, the results of the soft alloy extrusions business in Brazil, and other nonoperating items such as foreign currency translation gains/losses.

The following table reconciles total segment ATOI to consolidated net (loss) income attributable to Alcoa:

	2009	2008	2007
Total segment ATOI	$ (234)	$2,199	$3,162
Unallocated amounts (net of tax):			
Impact of LIFO	235	(7)	(24)
Interest income	12	35	40
Interest expense	(306)	(265)	(261)
Noncontrolling interests	(61)	(221)	(365)
Corporate expense	(304)	(328)	(388)
Restructuring and other charges	(155)	(693)	(201)
Discontinued operations	(166)	(303)	(250)
Other	(172)	(491)	851
Consolidated net (loss) income attributable to Alcoa	$(1,151)	$ (74)	$2,564

The significant changes in the reconciling items between total segment ATOI and consolidated net loss attributable to Alcoa for 2009 compared with 2008 consisted of:

- a $242 change in the Impact of LIFO due to lower prices for alumina and metal, both of which were driven by a significant drop in LME prices, and reductions in LIFO inventory quantities, which caused a partial liquidation of the lower cost LIFO inventory base;
- a $41 increase in Interest expense, primarily due to a 10% higher average debt level, mostly the result of $575 in convertible notes issued in March 2009 and increased borrowings on loans in Brazil (began in April 2008) related to the Juruti, São Luís, and Estreito growth projects; and a significant increase in the amortization of debt costs, mainly due to a $66 beneficial conversion option related to the convertible notes and $43 in fees paid for the $1,900 364-day senior unsecured revolving credit facility (entered into in October 2008 and expired in October 2009); both of which were slightly offset by a decrease in the weighted average interest rate of Alcoa's debt portfolio;
- a $160 decrease in Noncontrolling interests, principally due to lower earnings at AWAC, mainly driven by a significant drop in realized prices, somewhat offset by the gain related to the acquisition of a BHP Billiton subsidiary in the Republic of Suriname and the absence of the impact of the 2008 gas outage in Western Australia;
- a $24 decline in Corporate expense, primarily due to reductions in labor costs, mainly as a result of implemented severance programs; and decreases in expenses for travel, contractors and consultants, information technology, and various other administrative items as part of Alcoa's cost reduction initiatives; all of which was partially offset by an increase in deferred compensation, mostly the result of the plans' improved performance;
- a $538 change in Restructuring and other charges, reflecting, in 2009, $20 in adjustments to the Global Foil and Transportation Products Europe businesses held for sale due to unfavorable foreign currency movements for both businesses and a change in the estimated fair value for the Global Foil business; $12 for the write-off of previously capitalized third-party costs related to potential business acquisitions due to the adoption of changes to accounting for business combinations; and the remainder for the layoff of approximately 6,600 employees to address the impact of the global economic downturn on Alcoa's businesses and a related curtailment charge due to the remeasurement of pension plans as a result of the workforce reductions, asset impairments, accelerated depreciation and lease termination costs for shutdown facilities, and reversals of previously recorded layoff and other exit costs due to normal attrition and changes in facts and circumstances; compared with, in 2008, $372 in asset impairments to reflect the estimated fair values of Alcoa's investment in Sapa AB and the Global Foil and Transportation Products Europe businesses, as a result of management's decision to divest these assets; a $32 loss on the sale of the Packaging and Consumer businesses; and the remainder for the layoff of approximately 6,200 employees, additional asset impairments, and other exit costs due to the global economic downturn and curtailed operations, and the reversal of previously recorded costs, slightly more than half of which related to a shutdown facility;
- a $137 change in Discontinued operations, reflecting a $124 loss on the divestiture of the wire harness and electrical portion of the EES business, a $13 loss on the divestiture of the electronics portion of the EES business, and the remainder was for the operational results of the EES business prior to the divestitures in 2009, compared with asset impairments of $162 to reflect the estimated fair value of the EES business and a net operating loss of $141, which included restructuring charges of $39 for headcount reductions of approximately 6,200 and a charge of $16 for obsolete inventory, for EES in 2008; and
- a $319 change in Other, mainly due to income tax benefits related to the difference in the consolidated effective tax rate and tax rates applicable to the segments, including various discrete income tax items, favorable foreign currency movements due to a stronger U.S. dollar, and a $21 adjustment for the finalization of the estimated fair value of the Sapa AB joint venture, all of which was partially offset by a $118 realized loss on the sale of the Shining Prospect investment and the absence of a 2008 negotiated partial refund of an indemnification payment ($24).

The significant changes in the reconciling items between total segment ATOI and consolidated net (loss) income attributable to Alcoa for 2008 compared with 2007 consisted of:

- a $4 increase in Interest expense, principally caused by a 22% higher average debt level, mostly due to the issuance of $1,500 in new senior notes in July 2008 and significantly higher commercial paper levels; and a decrease in capitalized interest ($21), primarily due to placing growth projects into service, such as the Iceland smelter and the Norway anode facility in 2007; both of which were almost completely offset by the absence of credit facility commitment fees related to the 2007 offer for Alcan Inc. ($43) and a lower weighted-average effective interest rate, driven mainly by the decrease in LIBOR rates;
- a $144 decrease in Noncontrolling interests, mostly due to lower earnings at AWAC, attributed primarily to significant cost increases for raw materials and energy, unfavorable foreign currency movements due to a weaker U.S. dollar, and the impact of the gas outage in Western Australia;
- a $60 decline in Corporate expense, principally due to the absence of transaction costs related to the 2007 offer for Alcan Inc. ($30);
- a $492 change in Restructuring and other charges, reflecting, in 2008, $372 in asset impairments to reflect the estimated fair values of Alcoa's investment in Sapa AB and the Global Foil and Transportation Products Europe businesses, as a result of management's decision to divest these assets; a $32 loss on the sale of the Packaging and Consumer businesses; and the remainder for the layoff of approximately 6,200 employees, additional asset impairments, and other exit costs due to the global economic downturn and curtailed operations, and the reversal of previously recorded costs, slightly more than half of which related to a shutdown facility; compared with, in 2007, $174 in asset impairments associated with a strategic review of the Packaging and Consumer and Automotive Castings businesses; a $23 reduction to the original impairment charge recorded in 2006 related to the estimated fair value of the soft alloy extrusion business; and the remainder for the layoff of approximately 400 employees, asset impairments of various other businesses and facilities, other exit costs, primarily for accelerated depreciation associated with the shutdown of certain facilities in 2007 related to the 2006 Restructuring Program, and reversals of previously recorded layoff and other exit costs due to normal attrition and changes in facts and circumstances;
- a $53 change in Discontinued operations, mainly due to a $51 higher net operating loss of the EES business; and
- a $1,342 change in Other, mostly due to the following: the absence of a $1,140 gain on the sale of the Chalco investment; a net income tax charge of $100 for various items; losses related to the cash surrender value of life insurance as a result of the deterioration of the investment markets; and unfavorable foreign currency movements due to a weaker U.S. dollar; all of which was somewhat offset by the absence of a $142 discrete income tax charge related to goodwill that is non-deductible for tax purposes associated with the sale of the Packaging and Consumer businesses; mark-to-market gains on derivative contracts; and income related to a negotiated partial refund of an indemnification payment previously made to the buyer of a prior Alcoa divestiture ($24).

Environmental Matters

See the Environmental Matters section of Note N to the Consolidated Financial Statements in Part II Item 8 of this Form 10-K.

Liquidity and Capital Resources

Alcoa takes a very disciplined approach to cash management and strengthening of its balance sheet. In 2009, management continued to face the significant challenge of maintaining this approach while providing the Company with the necessary liquidity to operate effectively due to the global economic downturn.

In response to changes in the economic markets across the globe in the second half of 2008, management initiated the following actions to conserve cash and preserve liquidity: greater scrutiny over the daily management of Alcoa's cash

position; higher risk tolerance on raw materials with lower minimum order quantities and lower carrying levels; targeted headcount reductions across the globe; a global salary and hiring freeze; suspension of the existing share repurchase program; and the addition of a new 364-day $1,900 revolving credit facility (expired in October 2009). A number of changes were also made to Alcoa's capital expenditures strategy as follows: capital expenditure approval levels were lowered dramatically; growth projects were halted where it was deemed economically feasible; and all non-critical capital expenditures were stopped. Capital expenditures are deemed critical if they maintain Alcoa's compliance with the law, keep a facility operating, or satisfy customer requirements if the benefits outweigh the costs. The planned sale or shutdown of various businesses contributed positively to Alcoa's liquidity position in 2009.

In March 2009, Alcoa announced an additional series of operational and financial actions to significantly improve the Company's cost structure and liquidity. Operational actions included procurement efficiencies and overhead rationalization to reduce costs and working capital initiatives to yield significant cash improvements. Financial actions included a reduction in the quarterly common stock dividend from $0.17 per share to $0.03 per share, which began with the dividend paid on May 25, 2009, and the issuance of 172.5 million shares of common stock and $575 in convertible notes that collectively yielded $1,438 in net proceeds.

Along with the foregoing actions, cash provided from operations and financing activities is expected to be adequate to cover Alcoa's current operational and business needs. For a discussion of long-term liquidity, see Contractual Obligations and Off-Balance Sheet Arrangements.

Cash from Operations

Cash from operations in 2009 was $1,365 compared with $1,234 in 2008, resulting in an increase of $131, or 11%. The improvement of $131 is principally related to a $1,639 cash inflow associated with working capital, $395 in lower pension contributions, and a positive change of $103 in noncurrent assets and noncurrent liabilities, all of which was mostly offset by significantly lower earnings (including the effects of non-cash income and expenses) and $147 in cash used for discontinued operations. The components of the change in working capital were as follows: a $443 decrease in receivables, primarily as a result of lower sales across all businesses and heightened collection efforts; a $1,611 reduction in inventories, mostly due to lower levels of inventory on-hand in response to a significant drop in demand, curtailed production at Alcoa's refineries and smelters, and reduced costs for certain raw materials; a $223 decline in prepaid expenses and other current assets; a $653 decrease in accounts payable, trade, principally the result of fewer purchasing needs and declining commodity prices; a $187 increase in accrued expenses, mainly driven by a charge related to a recent European Commission decision on electricity pricing for smelters; and a decline of $172 in taxes, including income taxes, mostly due to the change from an operating income position to an operating loss position.

In 2010, Alcoa estimates that a payment in the range of $300 to $500 will be required related to the aforementioned European Commission decision. Additionally, Alcoa expects to receive a U.S. federal income tax refund of $300 to $350 for the carryback of its 2009 net operating loss to the 2007 and 2006 tax years.

Cash from operations in 2008 was $1,234 compared with $3,111 in 2007, resulting in a decrease of $1,877, or 60%. The decline of $1,877 was primarily due to a decrease in earnings (including the effects of non-cash income and expenses); a $779 cash outflow associated with working capital; $201 in higher pension contributions; and the absence of $93 in cash received on a long-term aluminum supply contract. These cash outflows were slightly offset by $97 in cash provided from discontinued operations. The components of the $779 change in working capital are as follows: a $142 increase in receivables, primarily as a result of improved sales from most businesses not classified as held for sale; a $522 increase in inventories, mostly due to higher costs of raw materials and other inputs; a $37 decline in prepaid expenses and other current assets; a $156 decrease in accounts payable, trade; a $209 decrease in accrued expenses; and a $213 increase in taxes, including taxes on income.

Financing Activities

Cash provided from financing activities was $37 in 2009 compared with cash provided from financing activities of $1,478 in 2008 and cash used for financing activities of $1,538 in 2007.

The source of cash in 2009 was primarily due to $1,049 in additions to long-term debt, mainly driven by net proceeds of $562 from the issuance of $575 in convertible notes and $394 in borrowings under loans that support the São Luís refinery expansion, Juruti bauxite mine development, and Estreito hydroelectric power project in Brazil; net proceeds of $876 from the issuance of 172.5 million shares of common stock; and net cash received from noncontrolling interests of $340, principally related to Alumina Limited's share of AWAC; all of which was mostly offset by a $1,535 decrease in outstanding commercial paper, partly due to tightening in the credit markets and a reduction in market availability as a result of the change in Alcoa's credit ratings in early 2009; $228 in dividends paid to shareholders; a $292 net change in short-term borrowings ($1,300 was borrowed and repaid under Alcoa's $1,900 364-day senior unsecured revolving credit facility in early 2009 and $255 in new loans to support Alcoa Alumínio's export operations was borrowed and repaid during 2009), mostly the result of repayments of working capital loans in Spain and Asia and a $155 decrease in accounts payable settlement arrangements; and payments on long-term debt of $156, including $97 related to the loans in Brazil for growth projects.

The source of cash in 2008 was principally the result of $2,253 in additions to long-term debt, mainly driven by net proceeds of $1,489 from the July 2008 public debt offering and $721 in borrowings under the loans in Brazil for growth projects; a $679 increase in outstanding commercial paper to support operations and capital spending; net cash received from noncontrolling interests of $348, principally related to Alumina Limited's share of AWAC; and $177 in proceeds from employees exercising their stock options; all of which was partially offset by $1,082 for the repurchase of common stock; $556 in dividends paid to shareholders; payments on long-term debt of $204, mainly due to a repayment of $150 for 6.625% Notes due March 2008; and a $96 net change in short-term borrowings, mostly the result of a $78 decrease in accounts payable settlement arrangements.

The use of cash in 2007 was primarily due to $2,496 for the repurchase of common stock; payments on long-term debt of $873, primarily related to the January 2007 purchase of $333 of outstanding 4.25% Notes due August 2007 and the repayment of the remaining $459 of outstanding 4.25% Notes in August 2007; a $617 decrease in outstanding commercial paper, mostly due to the repayment of commercial paper with proceeds from the issuance of new long-term debt; and $590 in dividends paid to shareholders; all of which was partially offset by $2,050 in additions to long-term debt, principally due to proceeds of $1,994 from the issuance of new 5.55% Notes due 2017, 5.9% Notes due 2027, and 5.95% Notes due 2037; $835 in proceeds from employees exercising their stock options; and net cash received from noncontrolling interests of $106, principally related to Alumina Limited's share of AWAC.

Alcoa maintains a Five-Year Revolving Credit Agreement, dated as of October 2, 2007 (the "Credit Agreement"), with a syndicate of lenders and issuers named therein. The Credit Agreement provides a $3,250 senior unsecured revolving credit facility (the "Credit Facility"), the proceeds of which are to be used to provide working capital or for other general corporate purposes of Alcoa, including support of Alcoa's commercial paper program. Subject to the terms and conditions of the Credit Agreement, Alcoa may from time to time request increases in lender commitments under the Credit Facility, not to exceed $500 in aggregate principal amount, and may also request the issuance of letters of credit, subject to a letter of credit sub-limit of $500 under the Credit Facility.

The Credit Facility matures on October 2, 2012, unless extended or earlier terminated in accordance with the provisions of the Credit Agreement. Alcoa may make two one-year extension requests during the term of the Credit Facility, with any extension being subject to the lender consent requirements set forth in the Credit Agreement. In order to maintain the Credit Facility, Alcoa pays a fee of 0.125% per annum, based on Alcoa's long-term debt ratings as of December 31, 2009, of the total commitment.

The Credit Facility is unsecured and amounts payable under it will rank *pari passu* with all other unsecured, unsubordinated indebtedness of Alcoa. Borrowings under the Credit Facility may be denominated in U.S. dollars or euros. Loans will bear interest at (i) a base rate or (ii) a rate equal to LIBOR plus an applicable margin based on the credit ratings of Alcoa's outstanding senior unsecured long-term debt. The applicable margin on LIBOR loans will be 0.475% per annum based on Alcoa's long-term debt ratings as of December 31, 2009. Loans may be prepaid without premium or penalty, subject to customary breakage costs.

The Credit Agreement includes the following covenants, among others, (a) a leverage ratio, (b) limitations on Alcoa's ability to incur liens securing indebtedness for borrowed money, (c) limitations on Alcoa's ability to consummate a merger, consolidation or sale of all or substantially all of its assets, and (d) limitations on Alcoa's ability to change the nature of its business.

The obligation of Alcoa to pay amounts outstanding under the Credit Facility may be accelerated upon the occurrence of an "Event of Default" as defined in the Credit Agreement. Such Events of Default include, among others, (a) Alcoa's failure to pay the principal of, or interest on, borrowings under the Credit Facility, (b) any representation or warranty of Alcoa in the Credit Agreement proving to be materially false or misleading, (c) Alcoa's breach of any of its covenants contained in the Credit Agreement, and (d) the bankruptcy or insolvency of Alcoa.

In July 2008, Alcoa increased the capacity of the Credit Facility by $175 as provided for under the Credit Agreement. In October 2008, Lehman Commercial Paper Inc. (LCPI), a lender under the Credit Agreement with $150 in commitments, filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. It is not certain if LCPI will honor its obligations under the Credit Agreement. The total capacity of the Credit Facility, excluding LCPI's commitment, is $3,275.

There were no amounts outstanding under the Credit Facility at December 31, 2009 and 2008.

In January 2008, Alcoa entered into a Revolving Credit Agreement (RCA-1) with two financial institutions. RCA-1 provided a $1,000 senior unsecured revolving credit facility (RCF-1), with a stated maturity of March 28, 2008. RCA-1 contained a provision that if there were amounts borrowed under RCF-1 at the time Alcoa received the proceeds from the sale of the Packaging and Consumer businesses, the company must use the net cash proceeds to prepay the amount outstanding under RCF-1. Additionally, upon Alcoa's receipt of such proceeds, the lenders' commitments under RCF-1 would be reduced by a corresponding amount, up to the total commitments then in effect under RCF-1, regardless of whether there was an amount outstanding under RCF-1. In February 2008, Alcoa borrowed $1,000 under RCF-1 and used the proceeds to reduce outstanding commercial paper and for general corporate purposes. Subsequent to the $1,000 borrowing, Alcoa completed the sale of its Packaging and Consumer businesses in February 2008. As a result, Alcoa also repaid the $1,000 under RCF-1 in February 2008, and the lenders' commitments under RCF-1 were reduced to zero effectively terminating RCA-1.

Also in January 2008, Alcoa entered into a Revolving Credit Agreement (RCA-2) with LCPI, as administrative agent, and Lehman Brothers Commercial Bank (LBCB), as lender. RCA-2 provided a $1,000 senior unsecured revolving credit facility (RCF-2), which would have matured on January 31, 2009. In October 2008, LCPI filed for bankruptcy protection under section 11 of the United States Bankruptcy Code. As a result, in October 2008, Alcoa gave notice in accordance with the provisions of RCA-2 to permanently terminate in whole LBCB's total commitments under RCF-2 effective October 30, 2008. To Alcoa's knowledge, LBCB did not file for bankruptcy protection.

On October 14, 2008, Alcoa entered into a Revolving Credit Agreement (RCA-3) with a syndicate of lenders. RCA-3 provided a $1,150 senior unsecured revolving credit facility (RCF-3), which matured on October 12, 2009. In October and November 2008, Alcoa increased the capacity of RCF-3 by $500 and $250, respectively, as provided for under RCA-3. Alcoa paid a total of $43 in financing costs, which were deferred and amortized to interest expense over the term of the facility, for the initial capacity under RCF-3 and for the $750 in increased capacity. In early 2009, Alcoa borrowed $1,300 under RCF-3 to support its operations during the global economic downturn. The $1,300 was repaid on March 24, 2009 with the net proceeds from the issuance of convertible notes and common stock. There were no amounts outstanding under RCF-3 at December 31, 2008.

In March 2008, Alcoa filed an automatic shelf registration statement with the Securities and Exchange Commission for an indeterminate amount of securities for future issuance. This shelf registration statement replaced Alcoa's existing shelf registration statement. As of December 31, 2009 and 2008, $2,075 and $1,500, respectively, in senior debt securities were issued under the current shelf registration statement.

On February 10, 2009, Standard and Poor's Ratings Services (S&P) changed its long-term debt rating of Alcoa from BBB+ to BBB- and its short-term debt rating from A-2 to A-3. S&P's rating report stated that the changes in Alcoa's ratings reflect uncertainties regarding the length and depth of the ongoing economic downturn; expectations of a long, slow economic recovery; S&P's belief that Alcoa's credit metrics will deteriorate significantly during 2009; and S&P's concerns regarding Alcoa's liquidity position. S&P removed all ratings from negative creditwatch; however, the current outlook remains negative based on expected weak earnings in 2009 and weak credit metrics based on the new S&P ratings. The report further stated that the ratings reflect Alcoa's strong business position as one of the largest integrated aluminum producers in the world, with broad product, business, and geographic diversity and efficient alumina operations.

On February 13, 2009, Moody's Investors Service (Moody's) changed its long-term debt rating of Alcoa from Baa1 to Baa3 and its short-term debt rating from Prime-2 to Prime-3. Moody's rating report stated that the changes in Alcoa's ratings reflect the relatively weak debt protection measures, increased debt levels and leverage ratios, and negative cash flow position of Alcoa going into a major economic downturn. Moody's removed all ratings from negative creditwatch and the current outlook was changed from negative to stable. The change in the outlook was based on Moody's view that Alcoa will be able to materially reduce short-term debt outstanding due to the monetization of Alcoa's investment in Shining Prospect, the anticipation that Alcoa will continue to focus on reducing cash consumption, and that liquidity will remain comfortably above requirements.

On December 21, 2009, Moody's changed their current outlook from stable to rating under review for both long-term and short-term debt of Alcoa. Moody's review reflects Alcoa's announcement that it signed an agreement to enter into a joint venture to develop a new industrial complex in Saudi Arabia, comprised of a bauxite mine, alumina refinery, aluminum smelter, and rolling mill, which will require the Company to spend approximately $900 over a four-year period. The potential for further delay in balance sheet improvement and debt reduction as a result of this investment, given Moody's expectation for only slow recovery in the aluminum industry and in Alcoa's earnings, was a consideration prompting this review. The review also results from the slower than anticipated (by Moody's) recovery in earnings generation through 2009 by Alcoa despite higher than anticipated aluminum prices together with the more moderate pace of improvement in debt protection metrics, debt reduction, and balance sheet strength.

On February 13, 2009, Fitch Ratings (Fitch) changed its long-term debt rating of Alcoa from BBB to BBB- and its short-term debt rating from F2 to F3. Fitch's rating report stated that the changes in Alcoa's ratings reflect lower earnings coupled with higher than expected debt levels resulting in higher financial leverage. Fitch also changed the current outlook from stable to negative. The report further stated that the ratings reflect Alcoa's leading position in the industry, its strength in low-cost alumina production, and the operating flexibility afforded by the scope of the Company's operations.

Investing Activities

Cash used for investing activities was $721 in 2009 compared with $2,410 in 2008 and $1,625 in 2007.

The use of cash in 2009 was mainly due to $1,622 in capital expenditures (includes costs related to environmental control in new and expanded facilities of $59), 68% of which related to growth projects, including the São Luís refinery expansion, Juruti bauxite mine development, and Estreito hydroelectric power project; $181 in additions to investments, mostly for $83 in available-for-sale securities held by Alcoa's captive insurance program and an $80 interest in a new joint venture in the Kingdom of Saudi Arabia; and a net cash outflow of $65 for the divestiture of assets and businesses, including a cash outflow of $204 for the EES business, cash inflows of $111 for the collection of a note related to the 2007 sale of the Three Oaks mine and the sale of property in Vancouver, WA, and a cash inflow of $20 for the sale of the Shanghai (China) foil plant; all of which was partially offset by $1,031 from sales of investments, mostly related to the receipt of $1,021 for the sale of the Shining Prospect investment; and a net cash inflow of $112 from acquisitions, mainly due to $97 from the acquisition of a BHP Billiton subsidiary in the Republic of Suriname and $18 from the Elkem/Sapa AB exchange transaction.

The use of cash in 2008 was principally due to $3,438 in capital expenditures (includes costs related to environmental control in new and expanded facilities of $241), 58% of which related to growth projects, including the São Luís

refinery expansion, Juruti bauxite mine development, Estreito hydroelectric power project, and flat-rolled products projects in Bohai (China) and Russia; $1,303 in additions to investments, mostly related to the $1,200 investment made in Shining Prospect Pte. Ltd. to acquire common stock of Rio Tinto plc; and $417 in acquisitions for the purchase of two aerospace fastener manufacturing businesses ($276), the buyout of outstanding noncontrolling interests in Bohai ($79) and Russia ($15), and a contingent payment made to Camargo Corrêa Group related to the 2003 acquisition of 40.9% of Alcoa Alumínio S.A. ($47); all of which was partially offset by $2,710 in proceeds from the sale of assets and businesses, mostly due to the $2,651 in net proceeds from the sale of the businesses within the former Packaging and Consumer segment.

The use of cash in 2007 was primarily due to $3,636 in capital expenditures (includes costs related to environmental control in new and expanded facilities of $274), 64% of which related to growth projects, including the Iceland smelter, Mosjøen anode facility in Norway, São Luís refinery expansion, Juruti bauxite mine development, Estreito hydroelectric power project, and flat-rolled products projects in Bohai and Russia; and $131 in additions to investments, mostly due to various hydroelectric power projects in Brazil, a natural gas pipeline in Australia, and available-for-sale securities held by Alcoa's captive insurance program; all of which was partially offset by $2,011 from sales of investments, mostly related to the $1,942 in proceeds received from the sale of the Chalco investment; and $183 in proceeds from the sale of assets and businesses, principally due to cash received from the sales of a mine in Texas ($70) and the Automotive Castings business ($33).

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations. Alcoa is required to make future payments under various contracts, including long-term purchase obligations, debt agreements, and lease agreements. Alcoa also has commitments to fund its pension plans, provide payments for postretirement benefit plans, and finance capital projects. As of December 31, 2009, a summary of Alcoa's outstanding contractual obligations is as follows (these contractual obligations are grouped in the same manner as they are classified in the Statement of Consolidated Cash Flows in order to provide a better understanding of the nature of the obligations and to provide a basis for comparison to historical information):

	Total	2010	2011-2012	2013-2014	Thereafter
Operating activities:					
Energy-related purchase obligations	$18,674	$1,239	$ 2,283	$ 2,052	$ 13,100
Raw material purchase obligations	2,412	905	839	278	390
Other purchase obligations	364	61	130	131	42
Operating leases	1,027	224	397	180	226
Interest related to total debt	5,039	566	984	789	2,700
Estimated minimum required pension funding	2,530	100	1,280	1,150	-
Postretirement benefit payments	2,705	285	580	560	1,280
Layoff and other restructuring payments	226	159	36	31	-
Deferred revenue arrangements	140	8	16	16	100
Uncertain tax positions	64	-	-	-	64
Financing activities:					
Total debt	9,777	842	1,545	2,341	5,049
Dividends to shareholders	-	-	-	-	-
Investing activities:					
Capital projects	1,271	586	476	209	-
Payments related to acquisitions	-	-	-	-	-
Totals	$44,229	$4,975	$ 8,566	$ 7,737	$ 22,951

Obligations for Operating Activities

Energy-related purchase obligations consist primarily of electricity and natural gas contracts with expiration dates ranging from less than 1 year to 40 years. The majority of raw material and other purchase obligations have expiration

dates of 24 months or less. Certain purchase obligations contain variable pricing components, and, as a result, actual cash payments may differ from the estimates provided in the preceding table. Operating leases represent multi-year obligations for certain computer equipment, plant equipment, vehicles, and buildings.

Interest related to total debt is based on interest rates in effect as of December 31, 2009 and is calculated on debt with maturities that extend to 2037. The effect of outstanding interest rate swaps, which are accounted for as fair value hedges, are included in interest related to total debt. As of December 31, 2009, these hedges effectively convert the interest rate from fixed to floating on $1,890 of debt through 2018. As the contractual interest rates for certain debt and interest rate swaps are variable, actual cash payments may differ from the estimates provided in the preceding table.

Estimated minimum required pension funding and postretirement benefit payments are based on actuarial estimates using current assumptions for discount rates, long-term rate of return on plan assets, rate of compensation increases, and health care cost trend rates. The minimum required cash outlays for pension funding are estimated to be $100 for 2010 and $610 for 2011 (see Note Y to the Consolidated Financial Statements in Part II Item 8 of this Form 10-K). The increase in the projected funding is the result of a reduction in available pension funding credits from 2010 to 2011. The funding estimate is $670 for 2012, $620 for 2013 and $530 for 2014. The expected pension contributions in 2010 and later reflect the impacts of the Pension Protection Act of 2006 and the Worker, Retiree, and Employer Recovery Act of 2008. Pension contributions are expected to decline beginning in 2015 if all actuarial assumptions are realized and remain the same in the future. Postretirement benefit payments are expected to approximate $300 annually, net of the estimated subsidy receipts related to Medicare Part D, and are reflected in the preceding table through 2019. Alcoa has determined that it is not practicable to present pension funding and postretirement benefit payments beyond 2014 and 2019, respectively.

Layoff and other restructuring payments primarily relate to severance costs and are expected to be paid within one year. Amounts scheduled to be paid beyond one year are related to ongoing site remediation work, special termination benefit payments, and lease termination costs.

Deferred revenue arrangements require Alcoa to deliver alumina over the specified contract period through 2027. While these obligations are not expected to result in cash payments, they represent contractual obligations for which the Company would be obligated if the specified product deliveries could not be made.

Uncertain tax positions taken or expected to be taken on an income tax return may result in additional payments to tax authorities. The amount in the preceding table includes interest and penalties accrued related to such positions as of December 31, 2009. The total amount of uncertain tax positions is included in the “Thereafter” column as the company is not able to reasonably estimate the timing of potential future payments. If a tax authority agrees with the tax position taken or expected to be taken or the applicable statute of limitations expires, then additional payments will not be necessary.

Obligations for Financing Activities

Total debt amounts in the preceding table represent the principal amounts of all outstanding debt, including short-term borrowings and long-term debt. Maturities for long-term debt extend to 2037.

Alcoa has historically paid quarterly dividends on its preferred and common stock. Including dividends on preferred stock, Alcoa paid $228 in dividends to shareholders during 2009. Because all dividends are subject to approval by Alcoa’s Board of Directors, amounts are not included in the preceding table until such authorization has occurred. As of December 31, 2009, there were 974,378,820 and 546,024 shares of outstanding common stock and preferred stock, respectively. The annual preferred stock dividend is at the rate of $3.75 per share. In March 2009, Alcoa decreased its annual common stock dividend from $0.68 per share to $0.12 per share, which began with the dividend paid on May 25, 2009, as part of a series of operational and financial actions taken to significantly improve Alcoa’s liquidity position.

Obligations for Investing Activities

Capital projects in the preceding table only include amounts approved by management as of December 31, 2009. Funding levels may vary in future years based on anticipated construction schedules of the projects. It is anticipated that significant expansion projects will be funded through various sources, including cash provided from operations. Total capital expenditures are anticipated to be approximately $1,000 in 2010.

In December 2009, Alcoa signed an agreement to enter into a joint venture to develop a new industrial complex in the Kingdom of Saudi Arabia, comprised of a bauxite mine, alumina refinery, aluminum smelter, and rolling mill, which will require the Company to spend approximately $900 over a four-year period (2010 through 2013). This amount is not reflected in the preceding table, as estimates of amounts per year are still being determined.

Payments related to acquisitions are based on provisions in certain acquisition agreements that state additional funds are due to the seller from Alcoa if the businesses acquired achieve stated financial and operational thresholds. Amounts are only presented in the preceding table if it is has been determined that payment is more likely than not to occur. In connection with the 2005 acquisition of two fabricating facilities in Russia, Alcoa could be required to make additional contingent payments of approximately $85 through 2015, but are not included in the preceding table as they have not met such standard.

Off-Balance Sheet Arrangements. As of December 31, 2009, Alcoa has maximum potential future payments for guarantees issued on behalf of certain third parties of $378. These guarantees expire in 2015 through 2027 and relate to project financing for hydroelectric power projects in Brazil. Alcoa also has outstanding bank guarantees related to legal, customs duties, and leasing obligations, among others, which expire at various dates, that total $490 at December 31, 2009.

Alcoa has outstanding letters of credit in the amount of $273 as of December 31, 2009. These letters of credit relate primarily to workers' compensation, derivative contracts, and leasing obligations, and expire at various dates, mostly in 2010. Alcoa also has outstanding surety bonds primarily related to customs duties, self-insurance, and legal obligations. The total amount committed under these bonds, which automatically renew or expire at various dates, mostly in 2010, was $140 at December 31, 2009.

Alcoa has a program to sell a senior undivided interest in certain customer receivables, without recourse, on a continuous basis to a third-party for cash. This program was renewed on October 29, 2009 and expires on October 28, 2010. In August 2008, Alcoa increased the capacity of this program from $100 to $250. As of December 31, 2009 and 2008, Alcoa derecognized $250 in Receivables from customers on the accompanying Consolidated Balance Sheet under this program. Alcoa services the customer receivables for the third-party at market rates; therefore, no servicing asset or liability was recorded.

Alcoa had an existing program with a different third-party to sell certain customer receivables. The sale of receivables under this program was conducted through a qualifying special purpose entity (QSPE) that was bankruptcy remote, and, therefore, was not consolidated by Alcoa. Effective August 31, 2008, Alcoa terminated this program and all outstanding customer receivables were collected by the QSPE through the end of 2008.

Critical Accounting Policies and Estimates

The preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain judgments, estimates, and assumptions regarding uncertainties that affect the amounts reported in the Consolidated Financial Statements and disclosed in the accompanying Notes. Areas that require significant judgments, estimates, and assumptions include accounting for derivatives and hedging activities; environmental and litigation matters; asset retirement obligations; the testing of goodwill, equity investments, and properties, plants, and equipment for impairment; estimating fair value of businesses to be divested; pension plans and other postretirement benefits obligations; stock-based compensation; and income taxes.

Management uses historical experience and all available information to make these judgments, estimates, and assumptions, and actual results may differ from those used to prepare the Company's Consolidated Financial Statements at any given time. Despite these inherent limitations, management believes that Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and accompanying Notes provide a meaningful and fair perspective of the Company.

A summary of the Company's significant accounting policies is included in Note A to the Consolidated Financial Statements in Part II Item 8 of this Form 10-K. Management believes that the application of these policies on a consistent basis enables the Company to provide the users of the Consolidated Financial Statements with useful and reliable information about the Company's operating results and financial condition.

Derivatives and Hedging. Derivatives are held for purposes other than trading and are part of a formally documented risk management program. For derivatives designated as fair value hedges, Alcoa measures hedge effectiveness by formally assessing, at least quarterly, the historical high correlation of changes in the fair value of the hedged item and the derivative hedging instrument. For derivatives designated as cash flow hedges, Alcoa measures hedge effectiveness by formally assessing, at least quarterly, the probable high correlation of the expected future cash flows of the hedged item and the derivative hedging instrument. The ineffective portions of both types of hedges are recorded in sales or other income or expense in the current period. If the hedging relationship ceases to be highly effective or it becomes probable that an expected transaction will no longer occur, future gains or losses on the derivative are recorded in other income or expense.

Alcoa accounts for interest rate swaps related to its existing long-term debt and hedges of firm customer commitments for aluminum as fair value hedges. As a result, the fair values of the derivatives and changes in the fair values of the underlying hedged items are reported in other current and noncurrent assets and liabilities in the Consolidated Balance Sheet. Changes in the fair values of these derivatives and underlying hedged items generally offset and are recorded each period in sales or interest expense, consistent with the underlying hedged item.

Alcoa accounts for hedges of foreign currency exposures and certain forecasted transactions as cash flow hedges. The fair values of the derivatives are recorded in other current and noncurrent assets and liabilities in the Consolidated Balance Sheet. The effective portions of the changes in the fair values of these derivatives are recorded in other comprehensive loss and are reclassified to sales, cost of goods sold, or other income or expense in the period in which earnings are impacted by the hedged items or in the period that the transaction no longer qualifies as a cash flow hedge. These contracts cover the same periods as known or expected exposures, generally not exceeding five years.

If no hedging relationship is designated, the derivative is marked to market through earnings.

Cash flows from derivatives are recognized in the Statement of Consolidated Cash Flows in a manner consistent with the underlying transactions.

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

Litigation Matters. For asserted claims and assessments, liabilities are recorded when an unfavorable outcome of a matter is deemed to be probable and the loss is reasonably estimable. Management determines the likelihood of an

unfavorable outcome based on many factors such as the nature of the matter, available defenses and case strategy, progress of the matter, views and opinions of legal counsel and other advisors, applicability and success of appeals processes, and the outcome of similar historical matters, among others. Once an unfavorable outcome is deemed probable, management weighs the probability of estimated losses, and the most reasonable loss estimate is recorded. If an unfavorable outcome of a matter is deemed to be reasonably possible, then the matter is disclosed and no liability is recorded. With respect to unasserted claims or assessments, management must first determine that the probability that an assertion will be made is likely, then, a determination as to the likelihood of an unfavorable outcome and the ability to reasonably estimate the potential loss is made. Legal matters are reviewed periodically or sooner if significant changes in matters have occurred to determine if a change in the likelihood of an unfavorable outcome or the estimate of a loss is necessary.

Asset Retirement Obligations. Alcoa recognizes asset retirement obligations (AROs) related to legal obligations associated with the normal operation of Alcoa’s bauxite mining, alumina refining, and aluminum smelting facilities. These AROs consist primarily of costs associated with spent pot lining disposal, closure of bauxite residue areas, mine reclamation, and landfill closure. Alcoa also recognizes AROs for any significant lease restoration obligation, if required by a lease agreement, and for the disposal of regulated waste materials related to the demolition of certain power facilities. The fair values of these AROs are recorded on a discounted basis, at the time the obligation is incurred, and accreted over time for the change in present value. Additionally, Alcoa capitalizes asset retirement costs by increasing the carrying amount of the related long-lived assets and depreciating these assets over their remaining useful life.

Certain conditional asset retirement obligations (CAROs) related to alumina refineries, aluminum smelters, and fabrication facilities have not been recorded in the Consolidated Financial Statements due to uncertainties surrounding the ultimate settlement date. A CARO is a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within Alcoa’s control. Such uncertainties exist as a result of the perpetual nature of the structures, maintenance and upgrade programs, and other factors. At the date a reasonable estimate of the ultimate settlement date can be made, Alcoa would record a retirement obligation for the removal, treatment, transportation, storage and (or) disposal of various regulated assets and hazardous materials such as asbestos, underground and aboveground storage tanks, polychlorinated biphenyls, various process residuals, solid wastes, electronic equipment waste, and various other materials. Such amounts may be material to the Consolidated Financial Statements in the period in which they are recorded. If Alcoa was required to demolish all such structures immediately, the estimated CARO as of December 31, 2009 ranges from less than $1 to $52 per structure (131 structures) in today’s dollars.

Goodwill. Goodwill is not amortized; instead, it is tested for impairment annually (in the fourth quarter) or more frequently if indicators of impairment exist or if a decision is made to sell a business. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a decline in expected cash flows, a significant adverse change in legal factors or in the business climate, unanticipated competition, or slower growth rates, among others. It is important to note that fair values that could be realized in an actual transaction may differ from those used to evaluate the impairment of goodwill.

Goodwill is allocated among and evaluated for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment. Alcoa has nine reporting units (previously there were ten reporting units – the EES business was sold in 2009), of which five are included in the Engineered Products and Solutions segment. The remaining four reporting units are the Alumina segment, the Primary Metals segment, the Flat-Rolled Products segment, and the soft alloy extrusions business in Brazil, which is included in Corporate. Almost 90% of Alcoa’s total goodwill is allocated to three reporting units as follows: Alcoa Fastening Systems (AFS) ($1,018) and Alcoa Power and Propulsion (APP) ($1,622) businesses, both of which are included in the Engineered Products and Solutions segment, and Primary Metals ($1,794). These amounts include an allocation of Corporate goodwill.

The evaluation of impairment involves comparing the current fair value of each reporting unit to its carrying value, including goodwill. Alcoa uses a discounted cash flow model (DCF model) to estimate the current fair value of its

reporting units when testing for impairment, as management believes forecasted cash flows are the best indicator of such fair value. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including markets and market share, sales volumes and prices, costs to produce, tax rates, capital spending, discount rate, and working capital changes. Most of these assumptions vary significantly among the reporting units. Cash flow forecasts are generally based on approved business unit operating plans for the early years and historical relationships in later years. The betas used in calculating the individual reporting units' weighted average cost of capital (WACC) rate are estimated for each business with the assistance of valuation experts.

In 2009, the estimated fair values of all nine reporting units were in excess of their carrying values, resulting in no impairment. The impairments tests yielded similar results between 2009 and 2008, including a smaller excess for Primary Metals than had been the case historically. In 2008, the excess of the estimated fair value of Primary Metals over its carrying value was substantially less than in prior years due to the unprecedented decline in the LME price that occurred in the second half of the year. Historically, LME pricing levels and corresponding input costs (e.g., raw materials, energy) have generally trended in the same manner, resulting in relatively consistent cash margins over time. However, the decline in the LME price significantly outpaced any decreases in associated input costs, causing expected cash margins in the early years in the DCF model to be lower than normal and lower than long-term expectations. In 2009, the LME price increased gradually throughout the year and exceeded $2,000 (in whole dollars) per metric ton by the end of the year, resulting in higher undiscounted expected future cash flows for Primary Metals, as the historical trend between LME pricing levels and input costs began to return. However, Primary Metals' WACC, the measure used by Alcoa to discount expected future cash flows, increased from 8.4% in 2008 to 10.4% in 2009, effectively negating the positive impact the rising LME price had on expected future cash flows. As a result, Primary Metals' fair value continued to exceed its carrying value even though the excess has not yet returned to levels prior to 2008.

In the event the estimated fair value of a reporting unit per the DCF model is less than the carrying value, additional analysis would be required. The additional analysis would compare the carrying amount of the reporting unit's goodwill with the implied fair value of that goodwill, which may involve the use of valuation experts. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the fair value amounts assigned to all of the assets and liabilities of that unit as if the reporting unit was acquired in a business combination and the fair value of the reporting unit represented the purchase price. If the carrying value of goodwill exceeds its implied fair value, an impairment loss equal to such excess would be recognized, which could significantly and adversely impact reported results of operations and shareholders' equity.

Equity investments. Alcoa invests in a number of privately-held companies, primarily through joint ventures and consortiums, which are accounted for on the equity method. The equity method is applied in situations where Alcoa has the ability to exercise significant influence, but not control, over the investee. Management reviews equity investments for impairment whenever certain indicators are present suggesting that the carrying value of an investment is not recoverable. This analysis requires a significant amount of judgment from management to identify events or circumstances indicating that an equity investment is impaired. The following items are examples of impairment indicators: significant, sustained declines in an investee's revenue, earnings, and cash flow trends; adverse market conditions of the investee's industry or geographic area; the investee's ability to continue operations measured by several items, including liquidity; and other factors. Once an impairment indicator is identified, management uses considerable judgment to determine if the impairment is other than temporary, in which case the equity investment is written down to its estimated fair value. An impairment that is other than temporary could significantly and adversely impact reported results of operations.

Properties, Plants, and Equipment. Properties, plants, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets (asset group) may not be recoverable. Recoverability of assets is determined by comparing the estimated undiscounted net cash flows of the operations related to the assets (asset group) to their carrying amount. An impairment loss would be recognized when the carrying amount of the assets (asset group) exceeds the estimated undiscounted net cash flows. The amount of the impairment loss to be recorded is calculated as the excess of the carrying value of the assets (asset group) over their fair value, with fair value determined using the best information available, which generally is a DCF model. The determination of what constitutes an asset group and the associated estimated undiscounted net cash flows also require significant judgments.

Discontinued Operations and Assets Held For Sale. The fair values of all businesses to be divested are estimated using accepted valuation techniques such as a DCF model, valuations performed by third parties, earnings multiples, or indicative bids, when available. A number of significant estimates and assumptions are involved in the application of these techniques, including the forecasting of markets and market share, sales volumes and prices, costs and expenses, and multiple other factors. Management considers historical experience and all available information at the time the estimates are made; however, the fair values that are ultimately realized upon the sale of the businesses to be divested may differ from the estimated fair values reflected in the Consolidated Financial Statements.

Pension Plans and Other Postretirement Benefits. Liabilities and expenses for pension plans and other postretirement benefits are determined using actuarial methodologies and incorporate significant assumptions, including the interest rate used to discount the future estimated liability, the long-term rate of return on plan assets, and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age, and mortality). The interest rate used to discount future estimated liabilities is determined considering the interest rates available at year-end on debt instruments that could be used to settle the obligations of the plan. The impact on the liabilities of a change in the discount rate of 1/4 of 1% is approximately $340 and either a charge or credit of $16 to after-tax earnings in the following year. The long-term rate of return on plan assets is estimated by considering expected returns on current asset allocations, which is supported by historical actual returns, and is generally applied to a five-year average market value of assets. A change in the assumption for the long-term rate of return on plan assets of 1/4 of 1% would impact after-tax earnings by approximately $16 for 2010. In 2009, the expected long-term rate of return was reduced to 8.75% due to lower future expected market returns as a result of the global economic downturn. This was supported by the fact that for the first time in 20 years in 2008, the 10-year moving average of actual performance fell below 9%, even though the 20-year moving average continued to exceed 9%. In 2009, the 20-year moving average of actual performance fell below 9% for the first time in more than 15 years, but has continued to exceed 8.75%. The expected long-term rate of return on plan assets will be 8.75% in 2010.

In 2009, a net charge of $182 ($102 after-tax) was recorded in other comprehensive loss primarily due to a 25 basis point decrease in the discount rate, which was somewhat offset by the favorable performance of the plan assets and the recognition of actuarial losses and prior service costs. In 2008, a net charge of $2,181 ($1,374 after-tax) was recorded in other comprehensive loss primarily due to the decrease in the fair value of plan assets, which was somewhat offset by the decrease in the accumulated benefit obligation (as a result of a 20 basis-point increase in the discount rate) and the recognition of actuarial losses and prior service costs. Additionally, in both 2009 and 2008, a charge of $8 was recorded in accumulated other comprehensive loss due to the reclassification of deferred taxes related to the Medicare Part D prescription drug subsidy.

Stock-based Compensation. Alcoa recognizes compensation expense for employee equity grants using the non-substantive vesting period approach, in which the expense (net of estimated forfeitures) is recognized ratably over the requisite service period based on the grant date fair value. The fair value of new stock options is estimated on the date of grant using a lattice-pricing model. Determining the fair value of stock options at the grant date requires judgment, including estimates for the average risk-free interest rate, dividend yield, volatility, annual forfeiture rate, and exercise behavior. These assumptions may differ significantly between grant dates because of changes in the actual results of these inputs that occur over time.

As part of Alcoa's stock-based compensation plan design, individuals who are retirement-eligible have a six-month requisite service period in the year of grant. Equity grants are issued in January each year. As a result, a larger portion of expense will be recognized in the first and second quarters of each year for these retirement-eligible employees. Compensation expense recorded in 2009, 2008, and 2007 was $87 ($58 after-tax), $94 ($63 after-tax), and $97 ($63 after-tax), respectively. Of this amount, $21, $19, and $19 in 2009, 2008, and 2007, respectively, pertains to the acceleration of expense related to retirement-eligible employees.

On December 31, 2005, Alcoa accelerated the vesting of 11 million unvested stock options granted to employees in 2004 and on January 13, 2005. The 2004 and 2005 accelerated options had weighted average exercise prices of $35.60 and $29.54, respectively, and in the aggregate represented approximately 12% of Alcoa's total outstanding options. The decision to accelerate the vesting of the 2004 and 2005 options was made primarily to avoid recognizing the

related compensation expense in future earnings upon the adoption of a new accounting standard. The accelerated vesting of the 2004 and 2005 stock options reduced Alcoa’s after-tax stock option compensation expense in 2007 by $7.

Plan participants can choose whether to receive their award in the form of stock options, stock awards, or a combination of both. This choice is made before the grant is issued and is irrevocable.

Income Taxes. The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, the provision for income taxes represents income taxes paid or payable (or received or receivable) for the current year plus the change in deferred taxes during the year. Deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid, and result from differences between the financial and tax bases of Alcoa’s assets and liabilities and are adjusted for changes in tax rates and tax laws when enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred tax assets for which no valuation allowance is recorded may not be realized upon changes in facts and circumstances. Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that the statute of limitation has expired or the appropriate taxing authority has completed their examination even though the statute of limitations remains open. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law until such time that the related tax benefits are recognized.

Related Party Transactions

Alcoa buys products from and sells products to various related companies, consisting of entities in which Alcoa retains a 50% or less equity interest, at negotiated arms-length prices between the two parties. These transactions were not material to the financial position or results of operations of Alcoa for all periods presented.

Recently Adopted Accounting Guidance

See the Recently Adopted Accounting Guidance section of Note A to the Consolidated Financial Statements in Part II Item 8 of this Form 10-K.

Recently Issued Accounting Guidance

See the Recently Issued Accounting Guidance section of Note A to the Consolidated Financial Statements in Part II Item 8 of this Form 10-K.

Item 7A. Market Risks and Derivative Activities

See the Derivatives section of Note X to the Consolidated Financial Statements in Part II Item 8 of this Form 10-K.

Item 8. Financial Statements and Supplementary Data.

Management’s Reports to Alcoa Shareholders

Management’s Report on Financial Statements and Practices

The accompanying Consolidated Financial Statements of Alcoa Inc. and its subsidiaries (the “Company”) were prepared by management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles and include amounts that are based on management’s best judgments and estimates. The other financial information included in the annual report is consistent with that in the financial statements.

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

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management has conducted an assessment, including testing, using the criteria in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on the assessment, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2009, based on criteria in *Internal Control – Integrated Framework* issued by the COSO.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

/s/ Klaus Kleinfeld

Klaus Kleinfeld
President and Chief Executive Officer

/s/ Charles D. McLane, Jr.

Charles D. McLane, Jr.
Executive Vice President and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Alcoa Inc.

In our opinion, the accompanying consolidated balance sheets and the related statements of consolidated operations, changes in consolidated equity, consolidated comprehensive income (loss), and consolidated cash flows present fairly, in all material respects, the financial position of Alcoa Inc. and its subsidiaries (the "Company") at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note A to the accompanying consolidated financial statements, effective January 1, 2009, the Company changed its accounting and reporting for noncontrolling interests, business combinations, and earnings per share.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
February 18, 2010

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

For the year ended December 31,	**2009**	**2008**	**2007**
Sales (Q)	$18,439	$26,901	$29,280
Cost of goods sold (exclusive of expenses below)	16,902	22,175	22,803
Selling, general administrative, and other expenses	1,009	1,167	1,444
Research and development expenses	169	246	238
Provision for depreciation, depletion, and amortization	1,311	1,234	1,244
Restructuring and other charges (D)	237	939	268
Interest expense (V)	470	407	401
Other income, net (O)	(161)	(59)	(1,920)
Total costs and expenses	19,937	26,109	24,478
(Loss) income from continuing operations before income taxes	(1,498)	792	4,802
(Benefit) provision for income taxes (T)	(574)	342	1,623
(Loss) income from continuing operations	(924)	450	3,179
Loss from discontinued operations (B)	(166)	(303)	(250)
Net (loss) income	(1,090)	147	2,929
Less: Net income attributable to noncontrolling interests	61	221	365
Net (Loss) Income Attributable to Alcoa	$ (1,151)	$ (74)	$ 2,564
Amounts Attributable to Alcoa Common Shareholders			
(Loss) income from continuing operations	$ (985)	$ 229	$ 2,814
Loss from discontinued operations	(166)	(303)	(250)
Net (loss) income	$ (1,151)	$ (74)	$ 2,564
Earnings per Share Attributable to Alcoa Common Shareholders (S)			
Basic:			
(Loss) income from continuing operations	$ (1.06)	$ 0.27	$ 3.24
Loss from discontinued operations	(0.17)	(0.37)	(0.29)
Net (loss) income	$ (1.23)	$ (0.10)	$ 2.95
Diluted:			
(Loss) income from continuing operations	$ (1.06)	$ 0.27	$ 3.22
Loss from discontinued operations	(0.17)	(0.37)	(0.28)
Net (loss) income	$ (1.23)	$ (0.10)	$ 2.94

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

Alcoa and subsidiaries
Consolidated Balance Sheet
(in millions)

December 31,	**2009**	**2008**
Assets		
Current assets:		
Cash and cash equivalents (X)	$ 1,481	$ 762
Receivables from customers, less allowances of $70 in 2009 and $65 in 2008	1,529	1,883
Other receivables	653	708
Inventories (G)	2,328	3,238
Fair value of hedged aluminum	-	586
Prepaid expenses and other current assets	1,031	973
Total current assets	7,022	8,150
Properties, plants, and equipment, net (H)	19,828	17,455
Goodwill (E)	5,051	4,981
Investments (I)	1,061	1,915
Deferred income taxes (T)	2,958	2,688
Other noncurrent assets (J)	2,419	2,386
Assets held for sale (B)	133	247
Total Assets	$38,472	$37,822
Liabilities		
Current liabilities:		
Short-term borrowings (K and X)	$ 176	$ 478
Commercial paper (K and X)	-	1,535
Accounts payable, trade	1,954	2,518
Accrued compensation and retirement costs	925	866
Taxes, including income taxes	345	378
Fair value of derivative contracts	127	461
Other current liabilities	1,218	987
Long-term debt due within one year (K and X)	669	56
Total current liabilities	5,414	7,279
Long-term debt, less amount due within one year (K and X)	8,974	8,509
Accrued pension benefits (W)	3,163	2,941
Accrued postretirement benefits (W)	2,696	2,730
Other noncurrent liabilities and deferred credits (L)	2,605	1,901
Liabilities of operations held for sale (B)	60	130
Total liabilities	22,912	23,490
Commitments and contingencies (N)		
Convertible securities of subsidiary (I)	40	-
Equity		
Alcoa shareholders’ equity:		
Preferred stock (R)	55	55
Common stock (R)	1,097	925
Additional capital	6,608	5,850
Retained earnings	11,020	12,400
Treasury stock, at cost	(4,268)	(4,326)
Accumulated other comprehensive loss	(2,092)	(3,169)
Total Alcoa shareholders’ equity	12,420	11,735
Noncontrolling interests	3,100	2,597
Total equity	15,520	14,332
Total Liabilities and Equity	$38,472	$37,822

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

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

For the year ended December 31,	2009	2008	2007
Cash from Operations			
Net (loss) income	$(1,090)	$ 147	$ 2,929
Adjustments to reconcile net (loss) income to cash from operations:			
Depreciation, depletion, and amortization	1,311	1,234	1,245
Deferred income taxes (T)	(596)	(261)	311
Equity loss (income), net of dividends	39	(48)	(116)
Restructuring and other charges (D)	237	939	268
Net gain from investing activities—asset sales (O)	(106)	(50)	(1,806)
Provision for doubtful accounts	16	31	14
Loss from discontinued operations (B)	166	303	250
Stock-based compensation (R)	87	94	97
Excess tax benefits from stock-based payment arrangements	-	(15)	(79)
Other	203	(237)	(81)
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, and foreign currency translation adjustments:			
Decrease in receivables	676	233	375
Decrease (increase) in inventories	1,258	(353)	169
Decrease (increase) in prepaid expenses and other current assets	126	(97)	(134)
(Decrease) increase in accounts payable, trade	(632)	21	177
(Decrease) in accrued expenses	(101)	(288)	(79)
(Decrease) increase in taxes, including income taxes	(144)	28	(185)
Cash received on long-term aluminum supply contract (F)	-	-	93
Pension contributions (W)	(128)	(523)	(322)
(Increase) in noncurrent assets	(203)	(242)	(282)
Increase in noncurrent liabilities	233	169	207
Decrease in net assets held for sale	27	16	24
Cash provided from continuing operations	1,379	1,101	3,075
Cash (used for) provided from discontinued operations	(14)	133	36
Cash provided from operations	1,365	1,234	3,111
Financing Activities			
Net change in short-term borrowings (K)	(292)	(96)	94
Net change in commercial paper (K)	(1,535)	679	(617)
Additions to long-term debt (K)	1,049	2,253	2,050
Debt issuance costs (K)	(17)	(56)	(126)
Payments on long-term debt (K)	(156)	(204)	(873)
Proceeds from exercise of employee stock options (R)	-	177	835
Excess tax benefits from stock-based payment arrangements	-	15	79
Issuance of common stock (R)	876	-	-
Repurchase of common stock	-	(1,082)	(2,496)
Dividends paid to shareholders	(228)	(556)	(590)
Dividends paid to noncontrolling interests	(140)	(295)	(368)
Contributions from noncontrolling interests (I & M)	480	643	474
Cash provided from (used for) financing activities	37	1,478	(1,538)
Investing Activities			
Capital expenditures	(1,617)	(3,413)	(3,614)
Capital expenditures of discontinued operations	(5)	(25)	(22)
Acquisitions, net of cash acquired (F and P)	112	(276)	(15)
Acquisitions of noncontrolling interests (F and P)	-	(141)	(3)
Proceeds from the sale of assets and businesses (F)	(65)	2,710	183
Additions to investments	(181)	(1,303)	(131)
Sales of investments (I)	1,031	72	2,011
Other	4	(34)	(34)
Cash used for investing activities	(721)	(2,410)	(1,625)
Effect of exchange rate changes on cash and cash equivalents	38	(23)	29
Net change in cash and cash equivalents	719	279	(23)
Cash and cash equivalents at beginning of year	762	483	506
Cash and cash equivalents at end of year	$ 1,481	$ 762	$ 483

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

Alcoa and subsidiaries
Statement of Changes in Consolidated Equity
(in millions, except per-share amounts)

	Alcoa Inc. Shareholders							
	Preferred stock	**Common stock**	**Additional capital**	**Retained earnings**	**Treasury stock**	**Accumulated other compre-hensive loss**	**Noncontrolling interests**	**Total equity**
Balance at December 31, 2006	$ 55	$ 925	$ 5,817	$ 11,066	$ (1,999)	$ (1,233)	$ 1,800	$16,431
Net income	-	-	-	2,564	-	-	365	2,929
Other comprehensive income	-	-	-	-	-	896	170	1,066
Cash dividends declared:								
Preferred @ $3.75 per share	-	-	-	(2)	-	-	-	(2)
Common @ $0.68 per share	-	-	-	(589)	-	-	-	(589)
Noncontrolling interest	-	-	-	-	-	-	(368)	(368)
Stock-based compensation (R)	-	-	97	-	-	-	-	97
Common stock issued: compensation plans (R)	-	-	(140)	-	1,055	-	-	915
Repurchase of common stock (R)	-	-	-	-	(2,496)	-	-	(2,496)
Contributions (M)	-	-	-	-	-	-	477	477
Purchase of equity from noncontrolling interest	-	-	-	-	-	-	(3)	(3)
Other	-	-	-	-	-	-	19	19
Balance at December 31, 2007	55	925	5,774	13,039	(3,440)	(337)	2,460	18,476
Net (loss) income	-	-	-	(74)	-	-	221	147
Other comprehensive loss	-	-	-	-	-	(2,832)	(362)	(3,194)
Cash dividends declared:								
Preferred @ $3.75 per share	-	-	-	(2)	-	-	-	(2)
Common @ $0.68 per share	-	-	-	(554)	-	-	-	(554)
Noncontrolling interest	-	-	-	-	-	-	(295)	(295)
Stock-based compensation (R)	-	-	94	-	-	-	-	94
Common stock issued: compensation plans (R)	-	-	(18)	-	196	-	-	178
Repurchase of common stock (R)	-	-	-	-	(1,082)	-	-	(1,082)
Contributions (M)	-	-	-	-	-	-	643	643
Purchase of equity from noncontrolling interest	-	-	-	-	-	-	(69)	(69)
Cumulative effect adjustment due to the adoption of accounting changes related to the measurement date of benefit plans, net of tax (W)	-	-	-	(9)	-	-	-	(9)
Other	-	-	-	-	-	-	(1)	(1)
Balance at December 31, 2008	55	925	5,850	12,400	(4,326)	(3,169)	2,597	14,332
Net (loss) income	-	-	-	(1,151)	-	-	61	(1,090)
Other comprehensive income	-	-	-	-	-	1,077	323	1,400
Cash dividends declared:								
Preferred @ $3.75 per share	-	-	-	(2)	-	-	-	(2)
Common @ $0.26 per share	-	-	-	(227)	-	-	-	(227)
Noncontrolling interests	-	-	-	-	-	-	(140)	(140)
Beneficial conversion option on convertible notes, net of tax (K)	-	-	43	-	-	-	-	43
Stock-based compensation (R)	-	-	87	-	-	-	-	87
Common stock issued: compensation plans (R)	-	-	(76)	-	58	-	-	(18)
Issuance of common stock (R)	-	172	704	-	-	-	-	876
Contributions (M)	-	-	-	-	-	-	440	440
Purchase of equity from noncontrolling interest	-	-	-	-	-	-	(179)	(179)
Other	-	-	-	-	-	-	(2)	(2)
Balance at December 31, 2009	$ 55	$ 1,097	$ 6,608	$ 11,020	$ (4,268)	$ (2,092)	$ 3,100	$15,520

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

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Alcoa and subsidiaries
Statement of Consolidated Comprehensive Income (Loss)
(in millions)

For the year ended December 31,	Alcoa Inc.			Noncontrolling Interests			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Net (loss) income	$(1,151)	$ (74)	$ 2,564	$ 61	$ 221	$365	$(1,090)	$ 147	$ 2,929
Other comprehensive income (loss), net of tax:									
Change in unrecognized losses and prior service cost related to pension and postretirement benefit plans	(110)	(1,382)	506	8	(52)	19	(102)	(1,434)	525
Foreign currency translation adjustments	1,377	(1,457)	880	320	(311)	137	1,697	(1,768)	1,017
Unrealized gains (losses) on available-for-sale securities:									
Unrealized holding gains (losses)	49	(432)	747	-	-	-	49	(432)	747
Net amount reclassified to earnings	381	-	(1,159)	-	-	-	381	-	(1,159)
Net change in unrealized gains (losses) on available-for-sale securities	430	(432)	(412)	-	-	-	430	(432)	(412)
Unrecognized (losses) gains on derivatives (X):									
Net change from periodic revaluations	(609)	282	(69)	(5)	3	5	(614)	285	(64)
Net amount reclassified to earnings	(11)	157	(9)	-	(2)	9	(11)	155	-
Net unrecognized (losses) gains on derivatives	(620)	439	(78)	(5)	1	14	(625)	440	(64)
Total Other comprehensive income (loss), net of tax	1,077	(2,832)	896	323	(362)	170	1,400	(3,194)	1,066
Comprehensive (loss) income	$ (74)	$(2,906)	$ 3,460	$384	$(141)	$535	$ 310	$(3,047)	$ 3,995

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

Alcoa and subsidiaries
Notes to the Consolidated Financial Statements
(dollars in millions, except per-share amounts)

A. Summary of Significant Accounting Policies

Basis of Presentation. The Consolidated Financial Statements of Alcoa Inc. and subsidiaries ("Alcoa" or the "Company") are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and require management to make certain judgments, estimates, and assumptions. These may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They also may affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates upon subsequent resolution of identified matters. Certain amounts in previously issued financial statements were reclassified to conform to the 2009 presentation. See Note Q for additional information.

Principles of Consolidation. The Consolidated Financial Statements include the accounts of Alcoa and companies in which Alcoa has a controlling interest. Intercompany transactions have been eliminated. The equity method of accounting is used for investments in affiliates and other joint ventures over which Alcoa has significant influence but does not have effective control. Investments in affiliates in which Alcoa cannot exercise significant influence are accounted for on the cost method.

Management also evaluates whether an Alcoa entity or interest is a variable interest entity and whether Alcoa is the primary beneficiary. Consolidation is required if both of these criteria are met. Alcoa does not have any variable interest entities requiring consolidation.

Related Party Transactions. Alcoa buys products from and sells products to various related companies, consisting of entities in which Alcoa retains a 50% or less equity interest, at negotiated arms-length prices between the two parties. These transactions were not material to the financial position or results of operations of Alcoa for all periods presented.

Cash Equivalents. Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

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

Properties, Plants, and Equipment. Properties, plants, and equipment are recorded at cost. Depreciation is recorded principally on the straight-line method at rates based on the estimated useful lives of the assets. For greenfield smelters and mines, the units of production method is used to record depreciation. The following table details the weighted-average useful lives of structures and machinery and equipment by reporting segment (numbers in years):

Segment	Structures	Machinery and equipment
Alumina	29	26
Primary Metals	35	21
Flat-Rolled Products	31	20
Engineered Products and Solutions	28	13

Gains or losses from the sale of assets are generally recorded in other income (see policy that follows for assets classified as held for sale and discontinued operations). Repairs and maintenance are charged to expense as incurred. Interest related to the construction of qualifying assets is capitalized as part of the construction costs. Depletion related to mineral reserves is recorded using the units of production method. See Notes H and V for additional information.

During 2008, Alcoa completed a review of the estimated useful lives of its alumina refining and aluminum smelting facilities. Such a review was performed because considerable engineering data and other information (readily available due to the construction of the Iceland smelter as well as various expansions and other growth projects in-process or completed over the two years prior to 2009) indicated that the useful lives of many of the assets in these businesses were no longer appropriate. As a result of this review, for the majority of its refining and smelting locations, Alcoa extended the useful lives of structures to an average of 26 and 32 years (previously 23 and 29 years), respectively, and machinery and equipment to an average of 27 and 20 years (previously 17 and 19 years), respectively.

Also during 2008, Alcoa completed a review of the estimated useful lives of its flat-rolled products and engineered products and solutions facilities. As a result of this review, for a portion of its flat-rolled products locations, Alcoa extended the useful lives of structures to an average of 33 years (previously 29 years) and machinery and equipment to an average of 18 years (previously 16 years). No change was made to the useful lives related to the engineered products and solutions locations as the study determined that the average useful lives of structures (26 years) and machinery and equipment (17 years) were appropriate.

The extension of depreciable lives qualifies as a change in accounting estimate and was made on a prospective basis effective January 1, 2008 for the alumina refining and aluminum smelting facilities and July 1, 2008 for the flat-rolled products facilities. In 2008, Depreciation, depletion, and amortization expense was $35 (after-tax and noncontrolling interests) less than it would have been had the depreciable lives not been extended. The effect of this change on both basic and diluted earnings per share was $0.04.

Properties, plants, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets (asset group) may not be recoverable. Recoverability of assets is determined by comparing the estimated undiscounted net cash flows of the operations related to the assets (asset group) to their carrying amount. An impairment loss would be recognized when the carrying amount of the assets (asset group) exceeds the estimated undiscounted net cash flows. The amount of the impairment loss to be recorded is calculated as the excess of the carrying value of the assets (asset group) over their fair value, with fair value determined using the best information available, which generally is a discounted cash flow model (DCF model). The determination of what constitutes an asset group and the associated estimated undiscounted net cash flows also require significant judgments.

Goodwill and Other Intangible Assets. Goodwill is not amortized; instead, it is tested for impairment annually (in the fourth quarter) or more frequently if indicators of impairment exist or if a decision is made to sell a business. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a decline in expected cash flows, a significant adverse change in legal factors or in the business climate, unanticipated competition, or slower growth rates, among others. It is important to note that fair values that could be realized in an actual transaction may differ from those used to evaluate the impairment of goodwill.

Goodwill is allocated among and evaluated for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment. Alcoa has nine reporting units (previously there were ten reporting units – the Electrical and Electronic Solutions business was sold in 2009 – see Notes B and F), of which five are included in the Engineered Products and Solutions segment. The remaining four reporting units are the Alumina segment, the Primary Metals segment, the Flat-Rolled Products segment, and the soft alloy extrusions business in Brazil, which is included in Corporate. Almost 90% of Alcoa’s total goodwill is allocated to three reporting units as follows: Alcoa Fastening Systems (AFS) ($1,018) and Alcoa Power and Propulsion (APP) ($1,622) businesses, both of which are included in the Engineered Products and Solutions segment, and Primary Metals ($1,794). These amounts include an allocation of Corporate goodwill.

The evaluation of impairment involves comparing the current fair value of each reporting unit to its carrying value, including goodwill. Alcoa uses a DCF model to estimate the current fair value of its reporting units when testing for impairment, as management believes forecasted cash flows are the best indicator of such fair value. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including markets and market share, sales volumes and prices, costs to produce, tax rates, capital spending, discount rate, and working capital changes. Most of these assumptions vary significantly among the reporting units.

Cash flow forecasts are generally based on approved business unit operating plans for the early years and historical relationships in later years. The betas used in calculating the individual reporting units' weighted average cost of capital (WACC) rate are estimated for each business with the assistance of valuation experts.

In 2009, the estimated fair values of all nine reporting units were in excess of their carrying values, resulting in no impairment. The impairments tests yielded similar results between 2009 and 2008, including a smaller excess for Primary Metals than had been the case historically. In 2008, the excess of the estimated fair value of Primary Metals over its carrying value was substantially less than in prior years due to the unprecedented decline in the LME price that occurred in the second half of the year. Historically, LME pricing levels and corresponding input costs (e.g., raw materials, energy) have generally trended in the same manner, resulting in relatively consistent cash margins over time. However, the decline in the LME price significantly outpaced any decreases in associated input costs, causing expected cash margins in the early years in the DCF model to be lower than normal and lower than long-term expectations. In 2009, the LME price increased gradually throughout the year and exceeded $2,000 (in whole dollars) per metric ton by the end of the year, resulting in higher undiscounted expected future cash flows for Primary Metals, as the historical trend between LME pricing levels and input costs began to return. However, Primary Metals' WACC, the measure used by Alcoa to discount expected future cash flows, increased from 8.4% in 2008 to 10.4% in 2009, effectively negating the positive impact the rising LME price had on expected future cash flows. As a result, Primary Metals' fair value continued to exceed its carrying value even though the excess has not yet returned to levels prior to 2008.

In the event the estimated fair value of a reporting unit per the DCF model is less than the carrying value, additional analysis would be required. The additional analysis would compare the carrying amount of the reporting unit's goodwill with the implied fair value of that goodwill, which may involve the use of valuation experts. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the fair value amounts assigned to all of the assets and liabilities of that unit as if the reporting unit was acquired in a business combination and the fair value of the reporting unit represented the purchase price. If the carrying value of goodwill exceeds its implied fair value, an impairment loss equal to such excess would be recognized, which could significantly and adversely impact reported results of operations and shareholders' equity.

Intangible assets with indefinite useful lives are not amortized while intangible assets with finite useful lives are amortized generally on a straight-line basis over the periods benefited. The following table details the weighted-average useful lives of software and other intangible assets by reporting segment (numbers in years):

Segment	Software	Other intangible assets
Alumina	9	-
Primary Metals	10	40
Flat-Rolled Products	10	9
Engineered Products and Solutions	10	16

Equity investments. Alcoa invests in a number of privately-held companies, primarily through joint ventures and consortiums, which are accounted for on the equity method. The equity method is applied in situations where Alcoa has the ability to exercise significant influence, but not control, over the investee. Management reviews equity investments for impairment whenever certain indicators are present suggesting that the carrying value of an investment is not recoverable. This analysis requires a significant amount of judgment from management to identify events or circumstances indicating that an equity investment is impaired. The following items are examples of impairment indicators: significant, sustained declines in an investee's revenue, earnings, and cash flow trends; adverse market conditions of the investee's industry or geographic area; the investee's ability to continue operations measured by several items, including liquidity; and other factors. Once an impairment indicator is identified, management uses considerable judgment to determine if the impairment is other than temporary, in which case the equity investment is written down to its estimated fair value. An impairment that is other than temporary could significantly and adversely impact reported results of operations.

Revenue Recognition. Alcoa recognizes revenue when title, ownership, and risk of loss pass to the customer, all of which occurs upon shipment or delivery of the product and is based on the applicable shipping terms. The shipping terms vary across all businesses and depend on the product, the country of origin, and the type of transportation (truck, train, or vessel).

Alcoa periodically enters into long-term supply contracts with alumina and aluminum customers and receives advance payments for product to be delivered in future periods. These advance payments are recorded as deferred revenue, and revenue is recognized as shipments are made and title, ownership, and risk of loss pass to the customer during the term of the contracts.

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

Litigation Matters. For asserted claims and assessments, liabilities are recorded when an unfavorable outcome of a matter is deemed to be probable and the loss is reasonably estimable. Management determines the likelihood of an unfavorable outcome based on many factors such as the nature of the matter, available defenses and case strategy, progress of the matter, views and opinions of legal counsel and other advisors, applicability and success of appeals processes, and the outcome of similar historical matters, among others. Once an unfavorable outcome is deemed probable, management weighs the probability of estimated losses, and the most reasonable loss estimate is recorded. If an unfavorable outcome of a matter is deemed to be reasonably possible, then the matter is disclosed and no liability is recorded. With respect to unasserted claims or assessments, management must first determine that the probability that an assertion will be made is likely, then, a determination as to the likelihood of an unfavorable outcome and the ability to reasonably estimate the potential loss is made. Legal matters are reviewed periodically or sooner if significant changes in matters have occurred to determine if a change in the likelihood of an unfavorable outcome or the estimate of a loss is necessary.

Asset Retirement Obligations. Alcoa recognizes asset retirement obligations (AROs) related to legal obligations associated with the normal operation of Alcoa’s bauxite mining, alumina refining, and aluminum smelting facilities. These AROs consist primarily of costs associated with spent pot lining disposal, closure of bauxite residue areas, mine reclamation, and landfill closure. Alcoa also recognizes AROs for any significant lease restoration obligation, if required by a lease agreement, and for the disposal of regulated waste materials related to the demolition of certain power facilities. The fair values of these AROs are recorded on a discounted basis, at the time the obligation is incurred, and accreted over time for the change in present value. Additionally, Alcoa capitalizes asset retirement costs by increasing the carrying amount of the related long-lived assets and depreciating these assets over their remaining useful life.

Certain conditional asset retirement obligations (CAROs) related to alumina refineries, aluminum smelters, and fabrication facilities have not been recorded in the Consolidated Financial Statements due to uncertainties surrounding the ultimate settlement date. A CARO is a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within Alcoa’s control. Such uncertainties exist as a result of the perpetual nature of the structures, maintenance and upgrade programs, and other factors. At the date a reasonable estimate of the ultimate settlement date can be made, Alcoa would record a retirement obligation for the removal, treatment, transportation, storage, and (or) disposal of various regulated assets and hazardous materials such as asbestos, underground and aboveground storage tanks, polychlorinated biphenyls (PCBs),

various process residuals, solid wastes, electronic equipment waste, and various other materials. Such amounts may be material to the Consolidated Financial Statements in the period in which they are recorded.

Income Taxes. The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, the provision for income taxes represents income taxes paid or payable (or received or receivable) for the current year plus the change in deferred taxes during the year. Deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid, and result from differences between the financial and tax bases of Alcoa's assets and liabilities and are adjusted for changes in tax rates and tax laws when enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred tax assets for which no valuation allowance is recorded may not be realized upon changes in facts and circumstances. Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that the statute of limitation has expired or the appropriate taxing authority has completed their examination even though the statute of limitations remains open. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law until such time that the related tax benefits are recognized.

Stock-Based Compensation. Alcoa recognizes compensation expense for employee equity grants using the non-substantive vesting period approach, in which the expense (net of estimated forfeitures) is recognized ratably over the requisite service period based on the grant date fair value. The fair value of new stock options is estimated on the date of grant using a lattice-pricing model. Determining the fair value of stock options at the grant date requires judgment, including estimates for the average risk-free interest rate, dividend yield, volatility, annual forfeiture rate, and exercise behavior. These assumptions may differ significantly between grant dates because of changes in the actual results of these inputs that occur over time.

As part of Alcoa's stock-based compensation plan design, individuals who are retirement-eligible have a six-month requisite service period in the year of grant. Equity grants are issued in January each year. As a result, a larger portion of expense will be recognized in the first and second quarters of each year for these retirement-eligible employees. Compensation expense recorded in 2009, 2008, and 2007 was $87 ($58 after-tax), $94 ($63 after-tax), and $97 ($63 after-tax), respectively. Of this amount, $21, $19, and $19 in 2009, 2008, and 2007, respectively, pertains to the acceleration of expense related to retirement-eligible employees.

On December 31, 2005, Alcoa accelerated the vesting of 11 million unvested stock options granted to employees in 2004 and on January 13, 2005. The 2004 and 2005 accelerated options had weighted average exercise prices of $35.60 and $29.54, respectively, and in the aggregate represented approximately 12% of Alcoa's total outstanding options. The decision to accelerate the vesting of the 2004 and 2005 options was made primarily to avoid recognizing the related compensation expense in future earnings upon the adoption of a new accounting standard. The accelerated vesting of the 2004 and 2005 stock options reduced Alcoa's after-tax stock option compensation expense in 2007 by $7.

Plan participants can choose whether to receive their award in the form of stock options, stock awards, or a combination of both. This choice is made before the grant is issued and is irrevocable.

Derivatives and Hedging. Derivatives are held for purposes other than trading and are part of a formally documented risk management program. For derivatives designated as fair value hedges, Alcoa measures hedge effectiveness by formally assessing, at least quarterly, the historical high correlation of changes in the fair value of the hedged item and the derivative hedging instrument. For derivatives designated as cash flow hedges, Alcoa measures hedge effectiveness by formally assessing, at least quarterly, the probable high correlation of the expected future cash flows of the hedged item and the derivative hedging instrument. The ineffective portions of both types of hedges are recorded in sales or other income or expense in the current period. If the hedging relationship ceases to be highly effective or it becomes probable that an expected transaction will no longer occur, future gains or losses on the derivative are recorded in other income or expense.

Alcoa accounts for interest rate swaps related to its existing long-term debt and hedges of firm customer commitments for aluminum as fair value hedges. As a result, the fair values of the derivatives and changes in the fair values of the underlying hedged items are reported in other current and noncurrent assets and liabilities in the Consolidated Balance Sheet. Changes in the fair values of these derivatives and underlying hedged items generally offset and are recorded each period in sales or interest expense, consistent with the underlying hedged item.

Alcoa accounts for hedges of foreign currency exposures and certain forecasted transactions as cash flow hedges. The fair values of the derivatives are recorded in other current and noncurrent assets and liabilities in the Consolidated Balance Sheet. The effective portions of the changes in the fair values of these derivatives are recorded in other comprehensive loss and are reclassified to sales, cost of goods sold, or other income or expense in the period in which earnings are impacted by the hedged items or in the period that the transaction no longer qualifies as a cash flow hedge. These contracts cover the same periods as known or expected exposures, generally not exceeding five years.

If no hedging relationship is designated, the derivative is marked to market through earnings.

Cash flows from derivatives are recognized in the Statement of Consolidated Cash Flows in a manner consistent with the underlying transactions. See Notes K and X for additional information.

Foreign Currency. The local currency is the functional currency for Alcoa's significant operations outside the U.S., except for certain operations in Canada, Brazil, Russia and Iceland, where the U.S. dollar is used as the functional currency. The determination of the functional currency for Alcoa's operations is made based on the appropriate economic and management indicators.

Acquisitions. Alcoa's acquisitions are accounted for using the purchase method. The purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. Any excess purchase price over the fair value of the net assets acquired is recorded as goodwill. For all acquisitions, operating results are included in the Statement of Consolidated Operations since the dates of the acquisitions. See Note F for additional information.

Discontinued Operations and Assets Held For Sale. For those businesses where management has committed to a plan to divest, each business is valued at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value, an impairment loss is recognized. The fair values are estimated using accepted valuation techniques such as a DCF model, valuations performed by third parties, earnings multiples, or indicative bids, when available. A number of significant estimates and assumptions are involved in the application of these techniques, including the forecasting of markets and market share, sales volumes and prices, costs and expenses, and multiple other factors. Management considers historical experience and all available information at the time the estimates are made; however, the fair values that are ultimately realized upon the sale of the businesses to be divested may differ from the estimated fair values reflected in the Consolidated Financial Statements. Depreciation, depletion, and amortization expense is not recorded on assets of businesses to be divested once they are classified as held for sale.

Businesses to be divested are classified in the Consolidated Financial Statements as either discontinued operations or held for sale. For businesses classified as discontinued operations, the balance sheet amounts and results of operations are reclassified from their historical presentation to assets and liabilities of operations held for sale on the Consolidated Balance Sheet and to discontinued operations on the Statement of Consolidated Operations, respectively, for all periods presented. The gains or losses associated with these divested businesses are recorded in discontinued operations on the Statement of Consolidated Operations. The Statement of Consolidated Cash Flows is also reclassified for assets and liabilities of operations held for sale and discontinued operations for all periods presented. Additionally, segment information does not include the assets or operating results of businesses classified as discontinued operations for all periods presented. Management does not expect any continuing involvement with these businesses following their divestiture, and these businesses are expected to be disposed of within one year.

For businesses classified as held for sale that do not qualify for discontinued operations treatment, the balance sheet and cash flow amounts are reclassified from their historical presentation to assets and liabilities of operations held for

sale for all periods presented. The results of operations continue to be reported in continuing operations. The gains or losses associated with these divested businesses are recorded in restructuring and other charges on the Statement of Consolidated Operations. The segment information includes the assets and operating results of businesses classified as held for sale for all periods presented. Management expects that Alcoa will have continuing involvement with these businesses following their divestiture, primarily in the form of equity participation, or ongoing aluminum or other significant supply contracts.

Recently Adopted Accounting Guidance. On September 30, 2009, Alcoa adopted changes issued by the Financial Accounting Standards Board (FASB) to the authoritative hierarchy of GAAP. These changes establish the FASB Accounting Standards Codification™ (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead the FASB will issue Accounting Standards Updates. Accounting Standards Updates will not be authoritative in their own right as they will only serve to update the Codification. These changes and the Codification itself do not change GAAP. Other than the manner in which new accounting guidance is referenced, the adoption of these changes had no impact on the Consolidated Financial Statements.

Fair Value Accounting—On January 1, 2008, Alcoa adopted changes issued by the FASB to the use of fair value accounting. These changes permit entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option) with changes in fair value reported in earnings. Alcoa already records available-for-sale securities and derivative contracts and hedging activities at fair value in accordance with existing guidance. The adoption of these changes had no impact on the Consolidated Financial Statements, as management did not elect the fair value option for any other financial instruments or certain other assets and liabilities.

On January 1, 2008, Alcoa adopted changes issued by the FASB to fair value accounting as it relates to financial assets and financial liabilities and nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on at least an annual basis. On January 1, 2009, Alcoa adopted these same changes for all other nonfinancial assets and nonfinancial liabilities (the difference in adoption dates was due to a change issued by the FASB on February 12, 2008 delaying the effective date of the fair value accounting changes for certain nonfinancial assets and nonfinancial liabilities). These changes define fair value, establish a framework for measuring fair value in GAAP, and expand disclosures about fair value measurements. This guidance applies to other GAAP that require or permit fair value measurements and is to be applied prospectively with limited exceptions. For financial assets and financial liabilities, other than the required disclosures (see Note X), the adoption of these changes had no impact on the Consolidated Financial Statements. For nonfinancial assets and nonfinancial liabilities, the adoption of these changes had no impact on the Consolidated Financial Statements. These provisions will be applied at such time a fair value measurement of a nonfinancial asset or nonfinancial liability is required, which may result in a fair value that is materially different than would have been calculated prior to the adoption of these changes.

Effective January 1, 2008, Alcoa adopted a change issued by the FASB on February 14, 2008 to the scope of the changes to fair value accounting that were adopted by Alcoa on January 1, 2008. This change resulted in the exclusion of existing guidance that addresses fair value measurements for purposes of lease classification or measurement, except for assets and liabilities related to leases assumed in a business combination that are required to be measured at fair value (see Business Combinations and Consolidation Accounting below), from the changes to fair value accounting. The adoption of this change had no impact on the Consolidated Financial Statements.

Effective September 30, 2008, Alcoa adopted changes issued by the FASB on October 10, 2008 for determining the fair value of a financial asset when the market for that asset is not active. These changes clarify the application of fair value accounting in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The adoption of these changes had no impact on the Consolidated Financial Statements.

On June 30, 2009, Alcoa adopted changes issued by the FASB to fair value accounting. These changes provide additional guidance for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased and includes guidance for identifying circumstances that indicate a transaction is not orderly. This guidance is necessary to maintain the overall objective of fair value measurements, which is that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The adoption of these changes had no impact on the Consolidated Financial Statements.

On October 1, 2009, Alcoa adopted changes issued by the FASB to fair value accounting for liabilities. These changes clarify existing guidance that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value using either a valuation technique that uses a quoted price of either a similar liability or a quoted price of an identical or similar liability when traded as an asset, or another valuation technique that is consistent with the principles of fair value measurements, such as an income approach (e.g., present value technique). This guidance also states that both a quoted price in an active market for the identical liability and a quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The adoption of these changes had no impact on the Consolidated Financial Statements.

On June 30, 2009, Alcoa adopted changes issued by the FASB to fair value disclosures of financial instruments. These changes require a publicly traded company to include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. Such disclosures include the fair value of all financial instruments, for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position; the related carrying amount of these financial instruments; and the method(s) and significant assumptions used to estimate the fair value. Other than including the required disclosures in Alcoa's Forms 10-Q, the adoption of these changes had no impact on the Consolidated Financial Statements (these disclosures were already required for annual reporting periods – see the Other Financial Instruments section of Note X).

On June 30, 2009, Alcoa adopted changes issued by the FASB to the recognition and presentation of other-than-temporary impairments. These changes amend existing other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities. The adoption of these changes had no impact on the Consolidated Financial Statements.

Business Combinations and Consolidation Accounting—On January 1, 2009, Alcoa adopted changes issued by the FASB to consolidation accounting and reporting. These changes establish accounting and reporting for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance defines a noncontrolling interest, previously called a minority interest, as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. These changes require, among other items, that a noncontrolling interest be included in the consolidated statement of financial position within equity separate from the parent's equity; consolidated net income to be reported at amounts inclusive of both the parent's and noncontrolling interest's shares and, separately, the amounts of consolidated net income attributable to the parent and noncontrolling interest all on the consolidated statement of operations; and if a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be measured at fair value and a gain or loss be recognized in net income based on such fair value. Other than the change in presentation of noncontrolling interests, the adoption of these changes had no impact on the Consolidated Financial Statements. The presentation and disclosure requirements of these changes were applied retrospectively.

On January 1, 2009, Alcoa adopted changes issued by the FASB to accounting for business combinations. While retaining the fundamental requirements of accounting for business combinations, including that the purchase method be used for all business combinations and for an acquirer to be identified for each business combination, these changes define the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control instead of the date that the consideration is

transferred. These changes require an acquirer in a business combination, including business combinations achieved in stages (step acquisition), to recognize the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. This guidance also requires the recognition of assets acquired and liabilities assumed arising from certain contractual contingencies as of the acquisition date, measured at their acquisition-date fair values. Additionally, these changes require acquisition-related costs to be expensed in the period in which the costs are incurred and the services are received instead of including such costs as part of the acquisition price. The adoption of these changes resulted in a charge of $18 ($12 after-tax) in Restructuring and other charges on the accompanying Statement of Consolidated Operations for the write off of previously capitalized third-party costs related to potential business acquisitions. Also, this guidance was applied to an acquisition completed on March 31, 2009 (see Note F).

Effective January 1, 2009, Alcoa adopted changes issued by the FASB on April 1, 2009 to accounting for business combinations. These changes apply to all assets acquired and liabilities assumed in a business combination that arise from certain contingencies and requires (i) an acquirer to recognize at fair value, at the acquisition date, an asset acquired or liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period otherwise the asset or liability should be recognized at the acquisition date if certain defined criteria are met; (ii) contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination be recognized initially at fair value; (iii) subsequent measurements of assets and liabilities arising from contingencies be based on a systematic and rational method depending on their nature and contingent consideration arrangements be measured subsequently; and (iv) disclosures of the amounts and measurement basis of such assets and liabilities and the nature of the contingencies. These changes were applied to an acquisition completed on March 31, 2009 (see Note F).

Derivative Instruments and Hedging Activities—On January 1, 2009, Alcoa adopted changes issued by the FASB to disclosures about derivative instruments and hedging activities. These changes require enhanced disclosures about an entity's derivative and hedging activities, including (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for, and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Other than the required disclosures (see the Derivatives section of Note X), the adoption of these changes had no impact on the Consolidated Financial Statements.

On January 1, 2008, Alcoa adopted changes issued by the FASB to the offsetting of amounts related to certain contracts. These changes permit entities that enter into master netting arrangements as part of their derivative transactions to offset in their financial statements net derivative positions against the fair value of amounts (or amounts that approximate fair value) recognized for the right to reclaim cash collateral or the obligation to return cash collateral under those arrangements. As a result, management elected to net cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty when a master netting arrangement exists. This guidance was applied retroactively for all financial statement periods presented. See the Derivatives section of Note X for the amounts of cash collateral netted against the fair value of derivative instruments.

On January 1, 2008, Alcoa adopted changes issued by the FASB involving the application of the shortcut method to certain hedging activities. These changes provide guidance on certain practice issues related to the application of the shortcut method by amending existing guidance with respect to the conditions that must be met in order to apply the shortcut method for assessing hedge effectiveness of interest rate swaps. In addition to applying these changes to hedging arrangements designated on or after January 1, 2008, an assessment was required to be made on January 1, 2008 to determine whether preexisting hedging arrangements met this guidance as of their original inception. Management performed such an assessment and determined that the adoption of these changes had no impact on preexisting hedging arrangements. Alcoa will apply these changes to future hedging arrangements so designated.

Pension Plans and Other Postretirement Benefits—On December 31, 2009, Alcoa adopted changes issued by the FASB to employers' disclosures about postretirement benefit plan assets. These changes provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. This guidance is intended to ensure that an employer meets the objectives of the disclosures about plan assets in an employer's defined

benefit pension or other postretirement plan to provide users of financial statements with an understanding of the following: how investment allocation decisions are made; the major categories of plan assets; the inputs and valuation techniques used to measure the fair value of plan assets; the effect of fair value measurements using significant unobservable inputs on changes in plan assets; and significant concentrations of risk within plan assets. Other than the required disclosures (see Note W), the adoption of these changes had no impact on the Consolidated Financial Statements.

Effective December 31, 2008, Alcoa adopted a change issued by the FASB in September 2006, among other changes that were previously adopted effective December 31, 2006, to accounting for defined benefit pension and other postretirement plans. This change requires an employer to measure the funded status of each of its plans as of the date of its year-end statement of financial position. The adoption of this change resulted in a charge of $9, which was recorded as an adjustment to December 31, 2008 retained earnings (see Note W).

On January 1, 2008, Alcoa adopted changes issued by the FASB to accounting for collateral assignment split-dollar life insurance arrangements. These changes require an employer to recognize a liability for the postretirement benefit related to a collateral assignment split-dollar life insurance arrangement in accordance with existing guidance for accounting for postretirement benefits other than pensions or accounting for deferred compensation contracts if the employer has agreed to maintain a life insurance policy during the employee’s retirement or provide the employee with a death benefit based on the substantive arrangement with the employee. This guidance also requires an employer to recognize and measure the asset in a collateral assignment split-dollar life insurance arrangement based on the nature and substance of the arrangement. The adoption of these changes had no impact on the Consolidated Financial Statements.

Income Taxes—On January 1, 2007, Alcoa adopted changes issued by the FASB to accounting for income taxes. These changes prescribe a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements, uncertain tax positions that it has taken or expects to take on a tax return. This guidance requires that a company recognize in its financial statements the impact of tax positions that meet a “more likely than not” threshold, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

Effective January 1, 2007, Alcoa adopted changes issued by the FASB on May 2, 2007 to accounting for income taxes. These changes provide guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The term “effectively settled” replaces the term “ultimately settled” when used to describe recognition, and the terms “settlement” or “settled” replace the terms “ultimate settlement” or “ultimately settled” when used to describe measurement of an uncertain tax position. This guidance clarifies that a tax position can be effectively settled upon the completion of an examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on its technical merits and the statute of limitations remains open.

Other than the required disclosures (see Note T), the adoption of these changes had no impact on the Consolidated Financial Statements.

Other—On June 30, 2009, Alcoa adopted changes issued by the FASB to accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued, otherwise known as “subsequent events.” Specifically, these changes set forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of these changes had no impact on the Consolidated Financial Statements as management already followed a similar approach prior to the adoption of this new guidance (see Note Y).

On January 1, 2009, Alcoa adopted changes issued by the FASB to accounting for intangible assets. These changes amend the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset in order to improve the consistency between the useful life of a recognized intangible asset outside of a business combination and the period of expected cash flows used to measure the fair value of an intangible asset in a business combination. The adoption of these changes had no impact on the Consolidated Financial Statements.

On January 1, 2009, Alcoa adopted changes issued by the FASB to the calculation of earnings per share. These changes state that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method for all periods presented (see Note S). The adoption of these changes resulted in a reduction of $0.01 for both basic and diluted earnings per share on income from continuing operations attributable to Alcoa common shareholders and net loss attributable to Alcoa common shareholders for the year ended December 31, 2008. These changes also resulted in a reduction of $0.03 for basic earnings per share on income from continuing operations attributable to Alcoa common shareholders and net income attributable to Alcoa common shareholders and a reduction of $0.01 for diluted earnings per share on income from continuing operations attributable to Alcoa common shareholders and net income attributable to Alcoa common shareholders for the year ended December 31, 2007.

Recently Issued Accounting Guidance. In June 2009, the FASB issued changes to accounting for variable interest entities. These changes require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity; to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity; to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity; to add an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity's economic performance; and to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity. These changes become effective for Alcoa on January 1, 2010. Management has determined that the adoption of these changes will not have an impact on the Consolidated Financial Statements.

In June 2009, the FASB issued changes to accounting for transfers of financial assets. These changes remove the concept of a qualifying special-purpose entity and remove the exception from the application of variable interest accounting to variable interest entities that are qualifying special-purpose entities; limits the circumstances in which a transferor derecognizes a portion or component of a financial asset; defines a participating interest; requires a transferor to recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer accounted for as a sale; and requires enhanced disclosure; among others. These changes become effective for Alcoa on January 1, 2010. Management has determined that the adoption of these changes will result in a $250 increase to both Receivables from customers and Short-term borrowings on the Consolidated Balance Sheet. This amount relates to Alcoa's existing accounts receivable securitization program, which is considered an off-balance sheet arrangement as of December 31, 2009 under existing accounting for transfers of financial assets. In consideration of this impact, management began negotiations in late 2009 to potentially amend the terms of its existing program in light of the new derecognition criteria.

In October 2009, the FASB issued changes to revenue recognition for multiple-deliverable arrangements. These changes require separation of consideration received in such arrangements by establishing a selling price hierarchy (not the same as fair value) for determining the selling price of a deliverable, which will be based on available information in the following order: vendor-specific objective evidence, third-party evidence, or estimated selling price; eliminate the residual method of allocation and require that the consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the arrangement to each deliverable on the basis of each deliverable's selling price; require that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis;

and expand the disclosures related to multiple-deliverable revenue arrangements. These changes become effective for Alcoa on January 1, 2011. Management has determined that the adoption of these changes will not have an impact on the Consolidated Financial Statements, as Alcoa does not currently have any such arrangements with its customers.

B. Discontinued Operations and Assets Held for Sale

For all periods presented in the accompanying Statement of Consolidated Operations, the Electrical and Electronic Solutions (EES) business was classified as discontinued operations. There were no other active businesses classified as discontinued operations in the three-year period ended December 31, 2009.

In late 2008, Alcoa reclassified the EES business to discontinued operations based on the decision to divest the business. The Consolidated Financial Statements for all prior periods presented were reclassified to reflect the EES business in discontinued operations. The divestiture of the wire harness and electrical portion of the EES business was completed in June 2009 and the divestiture of the electronics portion of the EES business was completed in December 2009 (see Note F). The results of the Engineered Products and Solutions segment were reclassified to reflect the movement of the EES business into discontinued operations.

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

	2009	2008	2007
Sales	$ 306	$1,218	$1,468
Loss from operations before income taxes	$(221)	$ (424)	$ (333)
Benefit for income taxes	55	121	83
Loss from discontinued operations	$(166)	$ (303)	$ (250)

In 2009 and 2008, the loss from discontinued operations of $166 and $303, respectively, all related to the EES business. The $166 was comprised of a $129 ($168 pretax) loss on the divestiture of the wire harness and electrical portion of the EES business, a $9 ($13 pretax) loss on the divestiture of the electronics portion of the EES business, and the remainder was for the operational results of the EES business prior to the divestitures. The $303 was comprised of asset impairments of $162 ($225 pretax) to reflect the estimated fair value of the EES business and a net operating loss of $141 ($199 pretax), which included restructuring charges of $39 ($53 pretax) for headcount reductions of approximately 6,200 and a charge of $16 ($25 pretax) for obsolete inventory. In 2007, the loss from discontinued operations of $250 consisted of a $243 loss related to the EES business, including severance charges of $36 ($53 pretax) for headcount reductions of approximately 5,900, as part of a strategic business review to restructure EES, and impairment charges of $93 ($133 pretax) for goodwill and $60 ($74 pretax) for various fixed assets, as the forecasted future earnings and cash flows of the EES business no longer supported the carrying values of such assets; an $11 loss related to working capital and other adjustments associated with the 2006 sale of the home exteriors business; and net operating income of $4 for other discontinued businesses.

For both periods presented in the accompanying Consolidated Balance Sheet, the assets and liabilities of operations classified as held for sale included the Global Foil business, the Transportation Products Europe business, and the Hawesville, KY automotive casting facility. Additionally, the assets and related liabilities of the EES business, the wireless component of the previously divested telecommunications business, and a small automotive casting business in the U.K. were classified as held for sale as of December 31, 2008.

In late 2008, Alcoa reclassified its Global Foil and Transportation Products Europe businesses to held for sale based on the decision to sell these businesses (see Note D). These two businesses do not qualify as discontinued operations because Alcoa may have significant continuing involvement with these businesses subsequent to their divestiture. The assets of the Flat-Rolled Products and Engineered Products and Solutions segments were reclassified to reflect the movement of the Global Foil and Transportation Products Europe businesses, respectively, into assets held for sale.

The major classes of assets and liabilities of operations held for sale are as follows:

December 31,	2009	2008
Assets:		
Receivables	$ 41	$ 99
Inventories	26	102
Properties, plants, and equipment	45	30
Other assets	21	16
Assets held for sale	$133	$247
Liabilities:		
Accounts payable, trade	$ 25	$101
Accrued expenses	35	28
Other liabilities	-	1
Liabilities of operations held for sale	$ 60	$130

C. Asset Retirement Obligations

Alcoa has recorded AROs related to legal obligations associated with the normal operations of bauxite mining, alumina refining, and aluminum smelting facilities. These AROs consist primarily of costs associated with spent pot lining disposal, closure of bauxite residue areas, mine reclamation, and landfill closure. Alcoa also recognizes AROs for any significant lease restoration obligation, if required by a lease agreement, and for the disposal of regulated waste materials related to the demolition of certain power facilities.

The following table details the carrying value of recorded AROs by major category (of which $38 and $29 was classified as a current liability as of December 31, 2009 and 2008, respectively):

December 31,	2009	2008
Spent pot lining disposal	$196	$155
Closure of bauxite residue areas	136	89
Mine reclamation	101	45
Landfill closure	17	11
Other	3	2
	$453	$302

The following table details the changes in the total carrying value of recorded AROs:

December 31,	2009	2008
Balance at beginning of year	$302	$311
Accretion expense	18	15
Payments	(26)	(35)
Liabilities incurred	119	41
Translation and other	40	(30)
Balance at end of year	$453	$302

In addition to the above AROs, certain CAROs related to alumina refineries, aluminum smelters, and fabrication facilities have not been recorded in the Consolidated Financial Statements due to uncertainties surrounding the ultimate settlement date. Such uncertainties exist as a result of the perpetual nature of the structures, maintenance and upgrade programs, and other factors. At the date a reasonable estimate of the ultimate settlement date can be made, Alcoa would record a retirement obligation for the removal, treatment, transportation, storage, and (or) disposal of various

regulated assets and hazardous materials such as asbestos, underground and aboveground storage tanks, PCBs, various process residuals, solid wastes, electronic equipment waste, and various other materials. If Alcoa was required to demolish all such structures immediately, the estimated CARO as of December 31, 2009 ranges from less than $1 to $52 per structure (131 structures) in today's dollars.

D. Restructuring and Other Charges

Restructuring and other charges for each of the three years in the period ended December 31, 2009 were comprised of the following:

	2009	2008	2007
Asset impairments	$ 54	$670	$214
Layoff costs	186	183	35
Other exit costs	37	109	47
Reversals of previously recorded layoff and other exit costs*	(40)	(23)	(28)
Restructuring and other charges	$237	$939	$268

* Reversals of previously recorded layoff and other exit costs resulted from changes in facts and circumstances that led to changes in estimated costs.

Layoff costs were recorded based on approved detailed action plans submitted by the operating locations that specified positions to be eliminated, benefits to be paid under existing severance plans, union contracts or statutory requirements, and the expected timetable for completion of the plans.

2009 Restructuring Program. In 2009, Alcoa recorded Restructuring and other charges of $237 ($151 after-tax and noncontrolling interests), which were comprised of the following components: $177 ($121 after-tax and noncontrolling interests) for the layoff of approximately 6,600 employees (2,980 in the Engineered Products and Solutions segment; 2,190 in the Flat-Rolled Products segment; 1,080 in the Primary Metals segment; 180 in the Alumina segment; and 170 in Corporate) to address the impact of the global economic downturn on Alcoa's businesses and a $9 ($6 after-tax) curtailment charge due to the remeasurement of pension plans as a result of the workforce reductions (see Note W); $41 ($20 after-tax) in adjustments to the Global Foil and Transportation Products Europe businesses held for sale due to unfavorable foreign currency movements for both businesses and a change in the estimated fair value for the Global Foil business and $13 ($11 after-tax) in other asset impairments; $18 ($12 after-tax) for the write-off of previously capitalized third-party costs related to potential business acquisitions due to the adoption of changes to accounting for business combinations (see Note A) and net costs of $19 ($10 after-tax and noncontrolling interests) for various other items, such as accelerated depreciation and lease termination costs for shutdown facilities; and $40 ($29 after-tax and noncontrolling interests) for reversals of previously recorded layoff and other exit costs due to normal attrition and changes in facts and circumstances.

As of December 31, 2009, approximately 4,400 of the 6,600 employees were terminated. Cash payments of $62 were made against the 2009 Restructuring Program layoff reserves in 2009.

2008 Restructuring Program. In late 2008, Alcoa took specific actions to reduce costs and strengthen its portfolio, partly due to the economic downturn. Such actions included targeted reductions, curtailments, and plant closures and consolidations, which will reduce headcount by approximately 5,300, resulting in layoff charges of $138 ($98 after-tax and noncontrolling interests), asset impairments of $156 ($88 after-tax and noncontrolling interests), and other exit costs of $58 ($57 after-tax). The significant components of these actions were as follows:

– As a result of market conditions, the Primary Metals segment reduced production by 483 thousand metric tons (kmt) and the Alumina segment reduced production by a total of 1,500 kmt (fully implemented in early 2009; further reductions occurred later in 2009). These production curtailments as well as targeted reductions will result in the elimination of approximately 1,110 positions totaling $23 in layoff costs. Asset impairments of $116 related to these

two segments were also recognized, including the write off of $84 in engineering costs related to a 1,500 kmt planned expansion of Jamalco's Clarendon, Jamaica refinery.

– The Flat-Rolled Products segment was restructured through the following actions:

- Restructuring and downsizing of the Mill Products businesses in Europe and North America, resulting in severance charges of $53 for the reduction of approximately 850 positions;
- Alignment of production with demand at operations in Russia, through the elimination of approximately 1,400 positions resulting in severance charges of $7;
- The shutdown of the Foil business in Bohai, resulting in severance charges of $6 for the reduction of approximately 400 positions, asset impairments of $24, and other exits costs of $54, primarily related to lease termination costs.

– The Engineered Products and Solutions segment was restructured through the following actions:

- Exiting of the Auto Cast Wheel business, through the closure of the only remaining facility, which employed approximately 270, by June 2009 for severance costs of $2;
- Consolidation of operations in the Building and Construction Systems business to maximize operating efficiencies and align capacity with the decline in the commercial building and construction markets, resulting in severance charges of $6 for the elimination of approximately 400 positions;
- Alignment of production with demand across the Power and Propulsion business, resulting in the reduction of approximately 250 positions for a cost of $6;
- Optimization of the Global Hard Alloy Extrusion operations, resulting in severance charges of $13 for a headcount reduction of approximately 240 and asset impairments of $3 (previously reported as part of the Flat-Rolled Products segment – see Note Q);
- Other severance charges of $8 for the elimination of approximately 250 positions, asset impairments of $13, and other exit costs of $1.

– In order to reduce overhead serving various businesses, approximately 130 positions will be eliminated at Corporate, resulting in severance charges of $14 and other exits costs of $3.

In addition to the above actions, Alcoa intends to sell its Global Foil (the Sabiñánigo, Spain and Shanghai, China plants were sold in late 2009 – see Note F) and Transportation Products Europe businesses in order to streamline its portfolio. As a result of this decision, the assets and related liabilities of the Global Foil and Transportation Products Europe businesses were classified as held for sale (see Note B). Asset impairments of $129 ($100 after-tax) and $52 ($49 after-tax) were recognized to reflect the estimated fair values of the Global Foil and Transportation Products Europe businesses, respectively. Also, Alcoa and Orkla ASA agreed to exchange their stakes in the Sapa AB and Elkem Aluminium ANS joint ventures (see Note F and I). This portfolio action resulted in an impairment charge of $333 ($223 after-tax) to reflect the estimated fair value of Alcoa's investment in Sapa AB.

Earlier in 2008, Alcoa recorded $48 ($31 after-tax) in charges, which consisted of $44 ($29 after-tax) for the layoff of approximately 870 employees and related curtailment of postretirement benefits and $4 ($2 after-tax) for other exit costs, associated with the complete production curtailment of the Rockdale, TX smelter (267 kmt) due to ongoing power supply issues with Rockdale's onsite supplier and the uneconomical power that Alcoa was forced to purchase in the open market as a result of such issues. Also during 2008, Alcoa recorded a loss of $43 ($32 after-tax) on the sale of its Packaging and Consumer businesses (see Note F). The remaining net charges in 2008 were comprised of $1 ($1 after-tax and noncontrolling interests) for layoff related to a reduction in headcount of approximately 30, $4 for other exit costs ($6 after-tax), and $23 ($15 after-tax and noncontrolling interests) for reversals of previously recorded costs, slightly more than half of which related to the reversal of a reserve related to a shutdown facility.

As of December 31, 2009, approximately 5,900 of the 6,200 employees were terminated. Cash payments of $112 and $7 were made against the 2008 Restructuring Program layoff reserves in 2009 and 2008, respectively.

2007 Restructuring Program. In 2007, Alcoa recorded Restructuring and other charges of $268 ($201 after-tax and noncontrolling interests), which were comprised of the following components: $257 ($174 after-tax) in asset impairments associated with a strategic review of certain businesses; a $62 ($23 after-tax) reduction to the original impairment charge recorded in 2006 related to the estimated fair value of the soft alloy extrusion business, which was contributed to a joint venture effective June 1, 2007 (see Note I); and $73 ($50 after-tax and noncontrolling interests) in net charges comprised of layoff charges of $35 ($26 after-tax and noncontrolling interests) related to the elimination of approximately 400 positions and asset impairments of $19 ($12 after-tax) of various other businesses and facilities, other exit costs of $47 ($31 after-tax and noncontrolling interests), primarily for accelerated depreciation associated with the shutdown of certain facilities in 2007 related to the 2006 Restructuring Program, and reversals of previously recorded layoff and other exit costs of $28 ($19 after-tax and noncontrolling interests) due to normal attrition and changes in facts and circumstances.

In April 2007, Alcoa announced it was exploring strategic alternatives for the potential disposition of the businesses within the Packaging and Consumer segment and the Automotive Castings business. In September 2007, management completed its review of strategic alternatives and determined that the best course of action was to sell the Packaging and Consumer and Automotive Castings businesses. As a result of this decision, the assets and related liabilities of the Packaging and Consumer and Automotive Castings businesses were classified as held for sale. Alcoa recorded impairment charges of $215 ($140 after-tax) related to the Packaging and Consumer businesses and $68 ($51 after-tax) for the Automotive Castings business to reflect the write-down of the carrying value of the assets of these businesses to their respective estimated fair values. In addition, Alcoa recorded a $464 discrete income tax charge related to goodwill associated with the planned sale of the Packaging and Consumer businesses that would have been non-deductible for tax purposes under the transaction structure contemplated at the time. In November 2007, Alcoa completed the sale of the Automotive Castings business and recognized a loss of $4 ($2 after-tax) (see Note F). In December 2007, Alcoa agreed to sell the Packaging and Consumer businesses for $2,700 in cash, and reduced the impairment charge by $26 ($17 after-tax) and the discrete income tax charge by $322 as a result of the structure of the agreed upon sale (this sale was completed in 2008 – see Note F).

As of December 31, 2008, the terminations associated with the 2007 restructuring program were essentially complete. Cash payments of $1 and $20 were made against the 2007 Restructuring Program layoff reserves in 2009 and 2008, respectively.

Alcoa does not include Restructuring and other charges in the results of its reportable segments. The pretax impact of allocating Restructuring and other charges to such results would have been as follows (prior period amounts presented were revised to reflect a change in segments – see Note Q):

	2009	2008	2007
Alumina	$ 5	$ 89	$ -
Primary Metals	30	94	(2)
Flat-Rolled Products	65	273	56
Engineered Products and Solutions	64	104	67
Packaging and Consumer	-	45	189
Segment total	164	605	310
Corporate	73	334	(42)
Total restructuring and other charges	$237	$939	$268

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Activity and reserve balances for restructuring charges are as follows (the amounts in the table below include activity for the EES business because the related reserve balances were not included in liabilities of operations held for sale – see Note B):

	Layoff costs	Other exit costs	Total
Reserve balances at December 31, 2006	$ 153	$ 40	$ 193
2007:			
Cash payments	(101)	(13)	(114)
Restructuring charges	88	22	110
Other*	(25)	(7)	(32)
Reserve balances at December 31, 2007	115	42	157
2008:			
Cash payments	(91)	(19)	(110)
Restructuring charges	236	65	301
Other*	(9)	(11)	(20)
Reserve balances at December 31, 2008	251	77	328
2009:			
Cash payments	(203)	(18)	(221)
Restructuring charges	186	13	199
Other*	(74)	(6)	(80)
Reserve balances at December 31, 2009	$ 160	$ 66	$ 226

* Other includes reversals of previously recorded restructuring charges. In 2009, Other for layoff costs includes a reduction of $26 for reserves related to the wire harness and electrical portion of the EES business as Platinum Equity assumed these obligations (see Note F).

The remaining reserves are expected to be paid in cash during 2010, with the exception of approximately $65 to $70, which is expected to be paid over the next several years for ongoing site remediation work, special termination benefit payments, and lease termination costs.

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E. Goodwill and Other Intangible Assets

The following table details the changes in the carrying amount of goodwill:

	Alumina	Primary Metals	Flat-Rolled Products	Engineered Products and Solutions	Corporate*	Total
Balance at December 31, 2007:						
Goodwill	$ 17	$ 938	$ 191	$ 2,332	$ 1,349	$4,827
Accumulated impairment losses	-	-	-	(28)	-	(28)
	17	938	191	2,304	1,349	4,799
Acquisition of businesses	-	-	30	248	57	335
Translation	(2)	(6)	(31)	(78)	(43)	(160)
Other adjustments	-	(1)	12	3	(7)	7
Balance at December 31, 2008:						
Goodwill	15	931	202	2,505	1,356	5,009
Accumulated impairment losses	-	-	-	(28)	-	(28)
	15	931	202	2,477	1,356	4,981
Acquisition of businesses	-	-	-	(2)	-	(2)
Translation	2	8	7	29	35	81
Other adjustments	-	-	1	-	(10)	(9)
Balance at December 31, 2009:						
Goodwill	17	939	210	2,532	1,381	5,079
Accumulated impairment losses	-	-	-	(28)	-	(28)
	$ 17	$ 939	$ 210	$ 2,504	$ 1,381	$5,051

* As of December 31, 2009, $1,356 of the amount reflected in Corporate is allocated to each of Alcoa's four reportable segments ($165 to Alumina, $855 to Primary Metals, $62 to Flat-Rolled Products, and $274 to Engineered Products and Solutions) included in the table above for purposes of impairment testing (see Note A). This goodwill is reflected in Corporate for segment reporting purposes because it is not included in management's assessment of performance by the four reportable segments.

Other intangible assets, which are included in Other noncurrent assets on the accompanying Consolidated Balance Sheet, are as follows:

December 31, 2009	Gross carrying amount	Accumulated amortization
Computer software	$ 944	$ (487)
Patents and licenses	148	(73)
Other intangibles	78	(42)
Total amortizable intangible assets	1,170	(602)
Indefinite-lived trade names and trademarks	22	-
Total other intangible assets	$ 1,192	$ (602)

December 31, 2008	Gross carrying amount	Accumulated amortization
Computer software	$ 872	$ (398)
Patents and licenses	150	(68)
Other intangibles	73	(41)
Total amortizable intangible assets	1,095	(507)
Indefinite-lived trade names and trademarks	22	-
Total other intangible assets	$ 1,117	$ (507)

Computer software consists primarily of software costs associated with an enterprise business solution (EBS) within Alcoa to drive common systems among all businesses.

Amortization expense related to the intangible assets in the tables above for the years ended December 31, 2009, 2008, and 2007 was $84, $76, and $74, respectively, and is expected to be in the range of approximately $90 to $100 annually from 2010 to 2014.

F. Acquisitions and Divestitures

2009 Acquisitions. In March 2009, Alcoa completed a non-cash exchange of its 45.45% stake in the Sapa AB joint venture for Orkla ASA's (Orkla) 50% stake in the Elkem Aluminium ANS joint venture (Elkem). As a result of this transaction, Elkem is now owned 100% by Alcoa and Sapa AB is now owned 100% by Orkla. Prior to the completion of the exchange transaction, Alcoa accounted for its investments in Sapa AB and Elkem on the equity method and the carrying values were $475 and $435, respectively, at December 31, 2008. Elkem includes aluminum smelters in Lista and Mosjøen, Norway with a combined output of 282 kmt and the anode plant in Mosjøen in which Alcoa already held an 82% stake. These three facilities employed approximately 700 workers combined. The addition of the two smelters and anode plant (supports Norway and Iceland operations) strengthens Alcoa's leadership position within the aluminum industry. The assets and liabilities of Elkem were included in the Primary Metals segment beginning March 31, 2009 (the final amounts to be recorded will be based on valuation and other studies that have not yet been completed) and Elkem's results of operations were reflected in this segment starting on April 1, 2009 (prior to this transaction, Alcoa's existing 50% stake in Elkem was reflected as equity income in this segment). The exchange transaction resulted in the recognition of a $188 gain ($133 after-tax), comprised of a $156 adjustment to the carrying value of Alcoa's existing 50% interest in Elkem in accordance with fair value accounting and a $32 adjustment for the finalization of the estimated fair value of the Sapa AB joint venture. The $188 gain was reflected in Other income, net on the accompanying Statement of Consolidated Operations, of which $156 ($112 after-tax) was reflected in the Primary Metals segment and $32 ($21 after-tax) was reflected in Corporate. The portion of the gain reflected in Corporate was because the original write-down of the 45.45% Sapa AB investment to its estimated fair value in December 2008 was reflected in Corporate (see Note D and I). At the time the exchange transaction was completed, Elkem had $18 in cash, which was reflected in the accompanying Statement of Consolidated Cash Flows as a cash inflow on the acquisitions line.

In June 2009, Alcoa completed an acquisition of a fasteners business located in Mexico for $3. This transaction did not have a material impact on Alcoa's Consolidated Financial Statements.

In July 2009, Alcoa World Alumina LLC (AWA LLC), a majority-owned subsidiary of Alcoa and part of Alcoa World Alumina and Chemicals, acquired a BHP Billiton (BHP) subsidiary that holds interests in four bauxite mines and one refining facility in the Republic of Suriname. These interests were part of joint ventures between AWA LLC's wholly-owned subsidiary in Suriname (Suriname Aluminum Company LLC (Suralco)) and BHP's subsidiary in which Suralco held a 55% stake and BHP's subsidiary held a 45% stake. This acquisition strengthens Alcoa's presence in Suriname and supports its overall growth strategy. In this transaction, in exchange for relinquishing BHP of any further obligations, liabilities, and responsibilities related to the joint ventures (certain of which could result in the recognition of charges in future periods), AWA LLC received direct ownership of the BHP subsidiary. This transaction was accounted for as an asset acquisition as it did meet the requirements to be accounted for as a business combination. Prior to the completion of this transaction, Suralco accounted for its 55% interest in the Suriname operations on the proportional consolidation method. The assets and liabilities of the former BHP subsidiary were included in the Alumina segment beginning July 31, 2009 and 100% of the results of the Suriname operations were reflected in this segment starting on August 1, 2009. This acquisition resulted in the addition of 993 kmt of alumina refining capacity (2,207 kmt is total refinery capacity – approximately 870 kmt is curtailed) to Alcoa's global refining system. Alcoa recorded a gain of $92 ($36 after-tax and noncontrolling interest), which was reflected in Other income, net on the accompanying Statement of Consolidated Operations and was reflected in the Alumina segment's results ($60 after-tax). At the time this transaction was completed, the BHP subsidiary had $97 in cash, which was reflected in the accompanying Statement of Consolidated Cash Flows as a cash inflow on the acquisitions line.

2009 Divestitures. In June 2009, Alcoa completed the divestiture of the wire harness and electrical portion of the EES business to Platinum Equity effective June 1, 2009. Alcoa paid $200 to divest this portion of the EES business and recognized a loss of $129 ($168 pretax) in discontinued operations (see Note B) on the accompanying Statement of Consolidated Operations. The total cash payment was comprised of the agreed upon transaction price of $175 and working capital and other adjustments of $25 based on the provisions of the purchase agreement. This transaction is subject to certain post-closing adjustments as defined in the purchase agreement. Proceeds from the sale of assets and businesses on the accompanying Statement of Consolidated Cash Flows include the $200 as a cash outflow. The wire harness and electrical portion of the EES business generated sales of $1,114 in 2008 and, at the time of divestiture, had operations in 13 countries employing approximately 16,200 employees.

In December 2009, Alcoa completed the divestiture of the electronics portion of the EES business to Flextronics Inc. Alcoa paid $4 upon consummation of the transaction and recognized a loss of $9 ($13 pretax) in discontinued operations (see Note B) on the accompanying Statement of Consolidated Operations. This transaction is subject to certain post-closing adjustments as defined in the purchase agreement. Proceeds from the sale of assets and businesses on the accompanying Statement of Consolidated Cash Flows include this payment as a cash outflow. The electronics portion of the EES business generated sales of $104 in 2008 and, at the time of divestiture, had operations in four countries employing approximately 450 employees.

In late 2009, Alcoa completed the sale of two of its foil plants (Sabiñánigo, Spain and Shanghai, China), which were part of the Global Foil business, the assets and liabilities of which were classified as held for sale in 2008 (see Note B), to two separate buyers. Combined, these two transactions were sold for $20, which was included in Proceeds from the sale of assets and businesses on the accompanying Statement of Consolidated Cash Flows, and resulted in a net loss of less than $1. The Sabiñánigo transaction is subject to certain post-closing adjustments as defined in the purchase agreement. These two locations generated sales of $169 in 2008 and, at the time of divestiture, had approximately 460 employees.

2008 Acquisitions. In March 2008, Alcoa acquired the remaining outstanding noncontrolling interest of four percent in the Belaya Kalitva fabricating facility in Russia for $15 in cash. Based on the allocation of the purchase price, Alcoa recorded $6 in goodwill, all of which is non-deductible for income tax purposes.

Also in March 2008, Alcoa acquired the stock of Republic Fastener Manufacturing Corporation (“Republic”) and Van Petty Manufacturing (“Van Petty”) from The Wood Family Trust for $276 in cash. The two aerospace fastener manufacturing businesses are located in Newbury Park, California, and employed a combined 240 people. Republic offers a wide variety of sheet metal and aerospace fasteners and Van Petty produces high performance precision aerospace fasteners, and, combined, the businesses had revenue of $51 in 2007. These businesses are included in the Engineered Products and Solutions segment. Based on the final purchase price allocation, $246 of goodwill was recorded for these transactions, all of which is deductible for income tax purposes.

Lastly in March 2008, Alcoa received formal approval from regulators in China for the acquisition of the 27% outstanding noncontrolling interest in Alcoa Bohai Aluminum Industries Company Limited. In May 2008, Alcoa completed the purchase of such noncontrolling interest for $79 in cash. Based on the final allocation of the purchase price, Alcoa recorded $24 in goodwill, all of which is non-deductible for income tax purposes.

In connection with the August 2003 acquisition of 40.9% of Alcoa Alumínio S.A. (Alumínio), which was held by Camargo Corrêa Group (Camargo), the acquisition agreement provided for a contingent payment to Camargo based on the five-year performance of Alumínio limited by the appreciation in the market price of Alcoa’s common stock. In July 2008, Alcoa paid Camargo $47 under the contingent payment provisions in the acquisition agreement. This payment resulted in $47 of goodwill, all of which is non-deductible for income tax purposes, representing an increase in the original purchase price. Alcoa is no longer subject to contingent payments related to the Alumínio acquisition.

2008 Divestitures. In February 2008, Alcoa completed the sale of its Packaging and Consumer businesses to Rank Group Limited (Rank). During 2008, Alcoa received $2,693 in cash in exchange for a combination of assets and shares of stock in certain subsidiaries and recognized a loss of $43 ($32 after-tax) in Restructuring and other charges on the accompanying Statement of Consolidated Operations (see Note D). The loss was mainly the result of changes in the net

book value of the businesses, additional transaction costs, and various post-closing adjustments. Also, a net discrete income tax charge of $19 was recognized in 2008 primarily due to the allocation of the sale proceeds to higher tax rate jurisdictions as opposed to the allocation previously contemplated, changes in tax assumptions surrounding transaction costs, and the finalization of the divestiture of certain foreign locations. Furthermore, Alcoa paid Rank a net $42 as a result of working capital and certain other post-closing adjustments as defined in the sales agreement. This transaction is no longer subject to working capital and other post-closing adjustments. Alcoa will sell metal to Rank under a supply agreement that was entered into in conjunction with the sale agreement in December 2007. This metal supply agreement constitutes significant continuing involvement in the sold businesses by Alcoa, and, therefore, the results of operations of the Packaging and Consumer businesses were not classified as discontinued operations. The Packaging and Consumer segment generated sales of $3,288 in 2007 and had approximately 9,300 employees in 22 countries. This segment no longer contains any operations. The following is a description of the four businesses that were included in this segment:

- Flexible Packaging, manufacturers of laminated, printed, and extruded non-rigid packaging materials such as pouch, blister packaging, unitizing films, high quality shrink labels, and foil lidding for the pharmaceutical, food and beverage, tobacco, and industrial markets;
- Closure Systems International, a leading global manufacturer of plastic and aluminum packaging closures and capping equipment for beverage, food, and personal care customers;
- Consumer Products, a leading manufacturer of branded and private label foil, wraps and bags, and includes the Reynolds® and Baco® branded products;
- Food Packaging, makers of stock and customer products for the foodservice, supermarket, food processor, and agricultural markets, including foil, film, and both plastic and foil food containers.

2007 Acquisitions. In connection with the 2005 acquisition of the Belaya Kalitva and Samara fabricating facilities located in Russia, Alcoa entered into a long-term aluminum supply contract with the seller of these facilities and made a prepayment of $93. In January 2007, this $93 was repaid to Alcoa as provided for in the contract, and was reflected in the cash from operations section on the accompanying Statement of Consolidated Cash Flows. The long-term aluminum supply contract is still in place and none of the provisions of the contract changed due to the receipt of the $93.

In May 2007, Alcoa announced an offer to purchase all of the outstanding common shares of Alcan Inc. (Alcan), for a combination of cash and stock. In July 2007, Alcan's board of directors agreed to recommend acceptance of a takeover offer by Rio Tinto plc, and Alcoa effectively withdrew its offer for Alcan due to said agreement. In 2007, Alcoa recorded $46 ($30 after-tax) in transaction costs (investment banking, legal, audit-related, and other third-party expenses) related to the offer for Alcan in Selling, general administrative, and other expenses on the accompanying Statement of Consolidated Operations. In addition, Alcoa expensed $67 ($43 after-tax) in commitment fees, which were paid to secure an 18-month $30,000 senior unsecured credit facility associated with the offer for Alcan. The $67 in commitment fees was recorded in Interest expense on the accompanying Statement of Consolidated Operations.

During 2007, Alcoa completed two acquisitions, including one for an outstanding noncontrolling interest in Russia, and made a final contingent payment related to its 2002 acquisition of Fairchild Fasteners (Fairchild), all for a total cash cost of $18. None of these transactions had a material impact on Alcoa's Consolidated Financial Statements.

2007 Divestitures. In September 2007, Alcoa completed the sale of a lignite mine in Texas to TXU Mining Company LP for $140, which consisted of $70 in cash and a $70 note receivable due in 2009. No material gain or loss was recognized on the transaction. The cash proceeds were included in Proceeds from the sale of assets and businesses on the accompanying Statement of Consolidated Cash Flows and the note receivable was recorded in Other noncurrent assets on the Consolidated Balance Sheet. In conjunction with this transaction, Alcoa entered into a supply agreement with TXU Mining Company LP to supply lignite for use at Alcoa's power plant in Rockdale, TX.

In November 2007, Alcoa completed the sale of its Automotive Castings business to Compass Automotive Group, LLC (Compass), a portfolio company of Monomoy Capital Partners, L.P. for $33 in cash, which was included in Proceeds from the sale of assets and businesses on the accompanying Statement of Consolidated Cash Flows. A loss of $72 ($53

after-tax) was recognized in Restructuring and other charges on the accompanying Statement of Consolidated Operations, of which $68 ($51 after-tax) was recorded as an impairment charge to reflect the write-down of the carrying value of the assets of the business to its estimated fair value (see Note D). This business produced cast aluminum components, including steering knuckles, swing arms and control arms through a Vacuum Riserless Casting/Pressure Riserless Casting (VRC/PRC) process. The Automotive Castings business employed approximately 530 employees and consisted of two operating locations, one in Fruitport, MI (the Michigan Casting Center) and one in Farsund, Norway (the Scandinavian Casting Center). This business generated approximately $150 in sales in 2006. Separately from the sale transaction, Alcoa entered into an agreement with Compass to supply metal to the Michigan Casting Center.

In 2008 and 2007, Alcoa made a $47 contingent payment related to a 2003 acquisition (see 2008 Acquisitions) and a contingent payment of $13 related to the Fairchild acquisition, respectively. These payments were recorded as adjustments to goodwill and were included in Acquisitions, net of cash acquired on the accompanying Statement of Consolidated Cash Flows in the respective periods. Alcoa is no longer subject to contingent payments related to the Fairchild acquisition. In connection with the 2005 acquisition of two fabricating facilities in Russia, Alcoa could be required to make additional contingent payments of approximately $85 through 2015 based upon the achievement of various financial and operating targets.

Pro forma results of the Company, assuming all acquisitions were made at the beginning of each period presented, would not have been materially different from the results reported.

G. Inventories

December 31,	2009	2008
Finished goods	$ 441	$ 747
Work-in-process	680	960
Bauxite and alumina	593	724
Purchased raw materials	359	575
Operating supplies	255	232
	$2,328	$3,238

At December 31, 2009 and 2008, 35% and 39% of total inventories, respectively, were valued on a LIFO basis. If valued on an average-cost basis, total inventories would have been $717 and $1,078 higher at December 31, 2009 and 2008, respectively. During the three-year period ended December 31, 2009, reductions in LIFO inventory quantities caused partial liquidations of the lower cost LIFO inventory base. These liquidations resulted in the recognition of income of $175 ($114 after-tax) in 2009, $38 ($25 after-tax) in 2008, and $31 ($20 after-tax) in 2007.

H. Properties, Plants, and Equipment, Net

December 31,	2009	2008
Land and land rights, including mines	$ 576	$ 447
Structures	10,542	7,825
Machinery and equipment	21,960	18,471
	33,078	26,743
Less: accumulated depreciation, depletion, and amortization	15,697	13,846
	17,381	12,897
Construction work-in-progress	2,447	4,558
	$ 19,828	$ 17,455

As of December 31, 2009 and 2008, the net carrying value of idled smelting assets was $710 and $453, representing 1,163 kmt and 807 kmt of idle capacity, respectively. Also, the net carrying value of idled refining assets was $157 as of December 31, 2009, representing 1,791 kmt of idle capacity.

I. Investments

December 31,	2009	2008
Equity investments	$ 953	$1,885
Other investments	108	30
	$1,061	$1,915

Equity Investments. As of December 31, 2009 and 2008, Equity investments included bauxite mining interests in Guinea and Brazil, hydroelectric power construction projects in Brazil (see Note N), a smelter operation in Canada, and a natural gas pipeline in Australia (see Note N). Also included in Equity investments as of December 31, 2009 was an investment in a new joint venture in Saudi Arabia. Additionally, Equity investments as of December 31, 2008 included a 45.45% investment in Sapa AB, a 50% investment in Elkem, and an 8.5% investment in Shining Prospect Pte. Ltd. (SPPL).

In December 2009, Alcoa and Saudi Arabian Mining Company (known as "Ma'aden") entered into a 30-year joint venture shareholders' agreement (automatic extension for an additional twenty years, unless the parties agree otherwise or unless earlier terminated) setting forth the terms for the development, construction, ownership, and operation of an integrated bauxite mine, alumina refinery, aluminum smelter, and rolling mill, in the Kingdom of Saudi Arabia. Specifically, the project to be developed by the joint venture will consist of: (i) a bauxite mine for the extraction of approximately 4,000 kmt of bauxite from the Al Ba'itha bauxite deposit near Quiba in the northern part of the Kingdom of Saudi Arabia; (ii) an alumina refinery with an initial capacity of 1,800 kmt; (iii) a primary aluminum smelter with an initial capacity of 740 kmt; and (iv) a rolling mill with initial capacity of 250 kmt, which may be increased to 460 kmt. The refinery, smelter, and rolling mill will be constructed in an industrial area at Ras Az Zawr on the east coast of the Kingdom of Saudi Arabia. The facilities will use critical infrastructure, including power generation derived from reserves of natural gas, as well as port and rail facilities, developed by the Government of the Kingdom of Saudi Arabia. First production from the smelter and rolling mill is anticipated in 2013, and first production from the mine and refinery is expected in 2014.

The joint venture will be owned 60% by Ma'aden and the other 40% will be controlled by Alcoa through a special-purpose vehicle (SPV). Through this SPV arrangement, Alcoa and Aluminum Financing Limited will each have a 20% economic interest in the joint venture. Aluminum Financing Limited's investment is in the form of subordinated, participating convertible notes (the "Notes"), which have common equity rights in the SPV, issued by the SPV and will be converted into permanent equity at a future date based on certain conditions as defined in the underlying SPV agreement. The Notes contain put and call mechanisms under which Aluminum Financing Limited can require Alcoa to purchase, or Alcoa can require Aluminum Financing Limited to sell, its 20% interest during a certain period as defined in the SPV agreement. A portion of Alcoa's 20% investment (related to the bauxite mine and alumina refinery) will be indirectly owned through an affiliate of Alcoa World Alumina and Chemicals, which is 40% owned by Alumina Limited.

Following the signing of the joint venture shareholders' agreement, Alcoa paid Ma'aden $80 representing the initial investment of the 40% interest in the project. This investment was included in Additions to investments on the accompanying Statement of Consolidated Cash Flows. Aluminum Financing Limited's 50% share of the $80 was reflected as Convertible securities of subsidiary on the accompanying Consolidated Balance Sheet and in Contributions from noncontrolling interests on the accompanying Statement of Consolidated Cash Flows. In 2010, Alcoa will be required to pay, at a minimum, an additional $55 representing the 40% interest's pro rata share of certain agreed upon pre-incorporation costs incurred by Ma'aden before formation of the joint venture.

Capital investment in the project is expected to total approximately $10,800 (SAR 40.5 billion), subject to the completion of detailed feasibility studies and environmental impact assessments. Of this amount, Alcoa and Aluminum Financing Limited will each invest approximately $900 over a four-year period and are responsible for their pro rata share of the joint venture's project financing.

Power for the refinery, smelter, and rolling mill will be supplied under a gas allocation letter from Saudi Aramco, based on authorization of the Ministry of Petroleum and Mineral Resources of Saudi Arabia (the "Ministry of Petroleum"). The gas allocation letter provides for gas to be tolled and power to be supplied to the refinery, smelter, and rolling mill from an adjacent power and water desalination plant being constructed by the government of Saudi Arabia, with the major tolling elements fixed at cost. The gas allocation is contingent on the finalization of implementing contractual arrangements and on the achievement of certain milestones, as defined in the joint venture shareholders' agreement, and includes possible penalties if the milestones are not met, including the following: (i) potential forfeiture of a $350 letter of credit required to be provided to the Ministry of Petroleum by Ma'aden (with Alcoa and Aluminum Financing Limited responsible for their pro rata share) to ensure completion of the refinery, (ii) potential forfeiture of the gas allocation if the smelter is not completed, and (iii) a potential requirement for the smelter to allocate 275 kmt of aluminum to other entities determined by the Ministry of Petroleum if the rolling mill is not constructed.

The parties subject to the joint venture shareholders' agreement and the SPV agreement may not sell, transfer, or otherwise dispose of, pledge, or encumber any interests in the joint venture or SPV until certain milestones have been met as defined in both agreements. Under the joint venture shareholders' agreement, upon the occurrence of an unremedied event of default by Alcoa, Ma'aden may purchase, or, upon the occurrence of an unremedied event of default by Ma'aden, Alcoa may sell, its interest for consideration that varies depending on the time of the default. Under the SPV agreement, upon the occurrence of an unremedied event of default by Aluminum Financing Limited, Alcoa may purchase its interest for consideration that varies depending on the time of the default, and, upon the occurrence of an unremedied event of default by Alcoa, Alcoa's right to receive distributions will be suspended.

On February 1, 2008, Alcoa joined with the Aluminum Corporation of China (Chinalco) to acquire 12% of the U.K. common stock of Rio Tinto plc (RTP) for approximately $14,000. The investment was made through a special purpose vehicle called SPPL, which is a private limited liability company, created solely for the purpose of acquiring the RTP shares. The RTP shares were purchased by SPPL in the open market through an investment broker. On February 6, 2008, Alcoa contributed $1,200 of the $14,000 through the purchase of a Convertible Senior Secured Note (the "Note") executed on January 30, 2008 by SPPL which was convertible into approximately 8.5% of the equity shares of SPPL. Alcoa's investment in SPPL through the Note was in-substance an investment in common stock of SPPL. Additionally, investments of three to five percent or greater in limited liability companies that are essentially equivalent to partnerships are considered to be more than minor, and, therefore, are accounted for under the equity method. As a result, Alcoa accounted for its $1,200 investment in SPPL as an equity method investment. In 2008, Alcoa recorded $14 in equity income, which represents Alcoa's share of the semiannual dividends that SPPL received as a shareholder of RTP. Also, Alcoa recorded an unrealized loss in other comprehensive income of $427 ($658 pretax) in 2008, representing its share of SPPL's total unrealized loss related to the decrease in fair value of the RTP shares, which are accounted for as available-for-sale securities by SPPL.

On February 12, 2009, Alcoa and Chinalco entered into an agreement in which Chinalco redeemed the Note. Under this agreement, Alcoa received $1,021 in cash in three installments over a six-month period ending July 31, 2009. This amount was reflected in Sales of investments on the accompanying Statement of Consolidated Cash Flows. As a result of this transaction, Alcoa realized a loss of $182 ($118 after-tax), which was reflected in Other income, net on the accompanying Statement of Consolidated Operations, and reversed the unrealized loss that had been recognized in Accumulated other comprehensive loss on the accompanying Consolidated Balance Sheet since the initial investment was made.

Effective June 1, 2007, Alcoa completed the formation of a joint venture with Orkla's SAPA Group (Sapa) combining Alcoa's soft alloy extrusion business (excluding three facilities each in the U.S. (separately sold or shutdown in 2007) and Brazil) with Sapa's Profiles extruded aluminum business. The new joint venture was named Sapa AB, and, as of December 31, 2008, Alcoa's ownership percentage in the joint venture was 45.45% and the carrying value of the investment was $475. The equity income from Alcoa's ownership share was reflected in Corporate. Prior to June 1, 2007, the assets and liabilities of Alcoa's soft alloy extrusion business were classified as held for sale.

In December 2008, Alcoa entered into an agreement with Orkla to exchange their stakes in the Sapa AB and Elkem joint ventures. As a result of this agreement, in 2008, Alcoa recorded a charge of $333 ($223 after-tax) in Restructuring

and other charges on the accompanying Statement of Consolidated Operations to adjust the carrying value of its investment in Sapa AB to the estimated fair value (see Note D). This transaction was completed in March 2009 (see Note F).

Other Investments. As of December 31, 2009 and 2008, Other investments included $105 and $27, respectively, in exchange-traded fixed income and equity securities, which are classified as available-for-sale and are carried at fair value with unrealized gains and losses recognized in other comprehensive income. Unrealized and realized gains and losses related to these securities were immaterial in 2009 and 2008.

J. Other Noncurrent Assets

December 31,	2009	2008
Intangibles, net (E)	$ 590	$ 610
Prepaid pension benefit (W)	94	122
Prepaid gas transmission contract	288	217
Cash surrender value of life insurance	453	394
Other	994	1,043
	$2,419	$2,386

K. Debt

Long-Term Debt.

December 31,	2009	2008
7.375% Notes, due 2010	$ 511	$ 511
6.5% Notes, due 2011	584	584
6% Notes, due 2012	517	517
5.375% Notes, due 2013	600	600
6% Notes, due 2013	750	750
5.25% Convertible Notes, due 2014	575	-
5.55% Notes, due 2017	750	750
6.5% Bonds, due 2018	250	250
6.75% Notes, due 2018	750	750
5.72% Notes, due 2019	750	750
5.87% Notes, due 2022	627	627
5.9% Notes, due 2027	625	625
6.75% Bonds, due 2028	300	300
5.95% Notes due 2037	625	625
BNDES Loans, due 2010-2029 (see below for weighted average rates)	1,075	546
Other*	354	380
	9,643	8,565
Less: amount due within one year	669	56
	$8,974	$8,509

* Other includes various financing arrangements related to subsidiaries, unamortized debt discounts, a beneficial conversion feature related to the convertible notes (see below), and adjustments to the carrying value of long-term debt related to interest swap contracts accounted for as fair value hedges (see Note X).

The principal amount of long-term debt maturing in each of the next five years is $666 in 2010, $844 in 2011, $701 in 2012, $1,537 in 2013, and $804 in 2014.

2009 Activity—In March 2009, Alcoa issued $575 of 5.25% convertible notes due 2014 (the “convertible notes”) as senior debt securities under Alcoa’s shelf registration statement dated March 10, 2008. The issuance of the convertible notes included $75 related to the exercise of an over-allotment option by the underwriters. The underwriting discount

and third-party expenses for the issuance of the convertible notes were $13 and are being amortized to interest expense over the five-year term of the convertible notes.

Interest on the convertible notes is payable semi-annually in arrears on March 15th and September 15th each year, which commenced on September 15, 2009. If there is an event of default under the convertible notes, the principal amount of the convertible notes, plus accrued and unpaid interest, may be declared immediately due and payable. These amounts automatically become due and payable if an event of default relating to certain events of bankruptcy, insolvency, or reorganization occurs.

Alcoa does not have the right to redeem the convertible notes prior to the stated maturity date. Holders of the convertible notes have the option to convert their notes into shares of Alcoa's common stock at any time prior to the close of business on the second scheduled trading day (March 13, 2014) immediately preceding the stated maturity date (March 15, 2014). The initial conversion rate for the convertible notes is 155.4908 shares of Alcoa's common stock per $1,000 (in whole dollars) principal amount of notes (89,407,210 shares), equivalent to a conversion price of approximately $6.43 per share, subject to adjustment, as defined in the convertible notes. Other than receiving cash in lieu of fractional shares, holders do not have the option to receive cash instead of shares of common stock upon conversion. Accrued and unpaid interest that exists upon conversion of a note will be deemed paid by the delivery of shares of Alcoa's common stock and no cash payment or additional shares will be given to holders.

On the issuance date of the convertible notes, the market price of Alcoa's common stock was above the stated conversion price of $6.43 creating a beneficial conversion option to the holders, as the convertible notes were "in-the-money." The beneficial conversion option is defined as a benefit provided to the holders in the form of non-cash interest expense to the Company. As a result, Alcoa recorded a $66 increase to additional capital and a corresponding decrease in the carrying value of the convertible notes representing the intrinsic value of the beneficial conversion option. The $66 decrease will be amortized to interest expense over the five-year term of the convertible notes effectively accreting the carrying value of the convertible notes to $575 by the stated maturity date.

If Alcoa undergoes a fundamental change, as defined in the convertible notes, holders may require the Company to repurchase all or a portion of their notes at a price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest up to, but excluding, the repurchase date. Such a repurchase will be made in cash.

The convertible notes are general unsecured obligations and rank senior in right of payment to any of Alcoa's future indebtedness that is expressly subordinated in right of payment to the convertible notes and equally in right of payment with all of Alcoa's existing and future unsecured indebtedness and liabilities that are not so subordinated. The convertible notes effectively rank junior to any secured indebtedness of Alcoa to the extent of the value of the assets securing such indebtedness, and are effectively subordinated to all debt and other liabilities of Alcoa's subsidiaries.

The net proceeds from the convertible notes ($562) and the issuance of common stock (see Note R) were used to prepay the $1,300 outstanding under Alcoa's 364-day revolving credit facility (see below). The remaining net proceeds were used for general corporate purposes.

In May 2009, Alumínio entered into two new loan agreements (the "Second Loans") with BNDES (Brazil's National Bank for Economic and Social Development) related to the Juruti bauxite mine development and the São Luís refinery expansion.

The first loan agreement provides for a commitment of $321 (R$750), which is divided into six subloans, and is being used to pay for certain expenditures of the Juruti bauxite mine development. Interest on two of the subloans totaling $257 (R$600) is a U.S. dollar rate of interest equal to the average cost incurred by BNDES in raising capital outside of Brazil, 4.25% as of December 31, 2009, plus a weighted-average margin of 1.69%. Interest on four of the subloans totaling $64 (R$150) is a Brazil real rate of interest equal to BNDES' long-term interest rate, 6.00% as of December 31, 2009, plus a weighted-average margin of 1.59%. As of December 31, 2009, Alumínio's outstanding borrowings were $70 (R$122) and $24 (R$41) and the weighted-average interest rate was 5.94% and 7.59% for the subloans totaling $257 (R$600) and the subloans totaling $64 (R$150), respectively. During 2009, Alumínio repaid

early $56 (R$97) and $19 (R$33) of outstanding borrowings related to the subloans totaling $257 (R$600) and the subloans totaling $64 (R$150), respectively.

The second loan agreement provides for a commitment of $86 (R$200), which is divided into four subloans, and is being used to pay for certain expenditures of the São Luís refinery expansion. Interest on two of the subloans totaling $69 (R$160) is a U.S. dollar rate of interest equal to the average cost incurred by BNDES in raising capital outside of Brazil plus a weighted-average margin of 1.70%. Interest on two of the subloans totaling $17 (R$40) is a Brazil real rate of interest equal to BNDES' long-term interest rate plus a weighted-average margin of 1.70%. As of December 31, 2009, Alumínio's outstanding borrowings were $33 (R$58) and $11 (R$19) and the weighted-average interest rate was 5.95% and 7.70% for the subloans totaling $69 (R$160) and the subloans totaling $17 (R$40), respectively.

Principal and interest on the Second Loans are payable monthly beginning in November 2010 and ending in April 2016. Prior to November 2010, interest is payable quarterly on borrowed amounts. The Second Loans may be repaid early without penalty with the approval of BNDES. Also, the Second Loans include a financial covenant that states that Alcoa must maintain a debt-to-equity ratio of 1.5 or lower.

2008 Activity—In March 2008, Alumínio entered into two separate loan agreements (the "First Loans") with BNDES related to the Juruti bauxite mine development and the São Luís refinery expansion.

The first loan agreement provides for a commitment of $248 (R$500), which is divided into five subloans, and were used to pay for certain expenditures of the Juruti bauxite mine development. Interest on four of the subloans totaling $233 (R$470) is a Brazil real rate of interest equal to BNDES' long-term interest rate, 6.00% and 6.25% as of December 31, 2009 and 2008, respectively, plus a weighted-average margin of 2.13%. Interest on the fifth subloan of $15 (R$30) is a U.S. dollar rate of interest equal to the average cost incurred by BNDES in raising capital outside of Brazil, 4.25% and 4.46% as of December 31, 2009 and 2008, respectively, plus a margin of 2.40%.

Principal and interest are payable monthly beginning in September 2009 and ending in November 2014 for the four subloans totaling $233 (R$470) and beginning in November 2009 and ending in January 2015 for the subloan of $15 (R$30). Prior to these dates, interest is payable quarterly on borrowed amounts.

As of December 31, 2009, Alumínio's outstanding borrowings were $253 (R$442) and $15 (R$25) and the weighted-average interest rate was 8.13% and 6.65% for the subloans totaling $233 (R$470) and the subloan of $15 (R$30), respectively. During 2009, Alumínio repaid $17 (R$30) of outstanding borrowings related to the subloans totaling $233 (R$470). As of December 31, 2008, Alumínio's outstanding borrowings were $181 (R$433) and $15 (R$36) and the weighted-average interest rate was 8.38% and 6.86% for the subloans totaling $233 (R$470) and the subloan of $15 (R$30), respectively.

The second loan agreement provides for a commitment of $374 (R$650), which is divided into three subloans, and were used to pay for certain expenditures of the São Luís refinery expansion. Interest on two of the subloans totaling $339 (R$589) is a Brazil real rate of interest equal to BNDES' long-term interest rate plus a weighted-average margin of 1.99%. Interest on the third subloan of $35 (R$61) is a U.S. dollar rate of interest equal to the average cost incurred by BNDES in raising capital outside of Brazil plus a margin of 2.02%.

Principal and interest are payable monthly beginning in December 2009 and ending in February 2015 for the two subloans totaling $339 (R$589) and beginning in February 2010 and ending in April 2015 for the subloan of $35 (R$61). Prior to these dates, interest is payable quarterly on borrowed amounts.

As of December 31, 2009, Alumínio's outstanding borrowings were $334 (R$581) and $35 (R$61) and the weighted-average interest rate was 7.99% and 6.27% for the subloans totaling $339 (R$589) and the subloan of $35 (R$61), respectively. During 2009, Alumínio repaid $5 (R$9) of outstanding borrowings related to the subloans totaling $339 (R$589). As of December 31, 2008, Alumínio's outstanding borrowings were $218 (R$522) and $32 (R$78) and the weighted-average interest rate was 8.24% and 6.48% for the subloans totaling $339 (R$589) and the subloan of $35 (R$61), respectively.

The First Loans may be repaid early without penalty with the approval of BNDES. Also, the First Loans include a financial covenant that states that Alcoa must maintain a debt-to-equity ratio of 1.5 or lower.

In June 2008, Alumínio finalized certain documents related to another loan agreement with BNDES. This loan agreement provides for a commitment of $397 (R$687), which is divided into three subloans, and is being used to pay for certain expenditures of the Estreito hydroelectric power project. Interest on the three subloans is a Brazil real rate of interest equal to BNDES' long-term interest rate plus a weighted-average margin of 1.48%. Principal and interest are payable monthly beginning in October 2011 and ending in September 2029 for two of the subloans totaling R$667 and beginning in January 2011 and ending in December 2016 for the subloan of R$20. This loan may be repaid early without penalty with the approval of BNDES. As of December 31, 2009 and 2008, Alumínio's outstanding borrowings were $300 (R$523) and $100 (R$240) and the weighted-average interest rate was 7.52% and 7.77%, respectively.

Also in March 2008, Alcoa filed an automatic shelf registration statement with the Securities and Exchange Commission for an indeterminate amount of securities for future issuance. This shelf registration statement replaced Alcoa's existing shelf registration statement. As of December 31, 2008, $1,500 in senior debt securities were issued under the current shelf registration statement.

In July 2008, Alcoa completed a public debt offering under its existing shelf registration statement (filed in March 2008) for $1,500 in new notes. The $1,500 is comprised of $750 of 6.00% Notes due 2013 (the "2013 Notes") and $750 of 6.75% Notes due 2018 (the "2018 Notes" and, collectively with the 2013 Notes, the "Notes"). Alcoa received $1,489 in net proceeds from the public debt offering reflecting original issue discounts and the payment of financing costs. The net proceeds were used for general corporate purposes, including the reduction of outstanding commercial paper, purchases of outstanding common stock under the stock repurchase program, working capital requirements, and capital expenditures. The original issue discounts and financing costs were deferred and are being amortized to interest expense over the respective terms of the Notes. Interest on the Notes is paid semi-annually in January and July, which commenced in January 2009. Alcoa has the option to redeem the Notes, as a whole or in part, at any time or from time to time, on at least 30 days, but not more than 60 days, prior notice to the holders of the Notes at a redemption price specified in the Notes. The Notes are subject to repurchase upon the occurrence of a change in control repurchase event (as defined in the Notes) at a repurchase price in cash equal to 101% of the aggregate principal amount of the Notes repurchased, plus any accrued and unpaid interest on the Notes repurchased. The Notes rank *pari passu* with Alcoa's other unsecured senior unsubordinated indebtedness.

Also in July 2008, Alcoa entered into $800 of forward starting swaps to hedge interest rates in anticipation of the Notes issuances. The swaps hedged equal amounts of the 2013 Notes and the 2018 Notes ($400 each). These swaps were terminated in conjunction with the issuances of the Notes at a loss of $11. This loss is being amortized over the life of the Notes as additional interest expense.

Commercial Paper. Alcoa had no outstanding commercial paper at December 31, 2009. Outstanding commercial paper was $1,535 at December 31, 2008. Commercial paper matures at various times within one year and had an annual weighted average interest rate of 3.1%, 4.0%, and 5.4% during 2009, 2008, and 2007, respectively.

Alcoa maintains a Five-Year Revolving Credit Agreement, dated as of October 2, 2007 (the "Credit Agreement"), with a syndicate of lenders and issuers named therein. The Credit Agreement provides a $3,250 senior unsecured revolving credit facility (the "Credit Facility"), the proceeds of which are to be used to provide working capital or for other general corporate purposes of Alcoa, including support of Alcoa's commercial paper program. Subject to the terms and conditions of the Credit Agreement, Alcoa may from time to time request increases in lender commitments under the Credit Facility, not to exceed $500 in aggregate principal amount, and may also request the issuance of letters of credit, subject to a letter of credit sub-limit of $500 under the Credit Facility.

The Credit Facility matures on October 2, 2012, unless extended or earlier terminated in accordance with the provisions of the Credit Agreement. Alcoa may make two one-year extension requests during the term of the Credit Facility, with any extension being subject to the lender consent requirements set forth in the Credit Agreement.

In order to maintain the Credit Facility, Alcoa pays a fee of 0.125% per annum, based on Alcoa's long-term debt ratings as of December 31, 2009, of the total commitment.

The Credit Facility is unsecured and amounts payable under it will rank *pari passu* with all other unsecured, unsubordinated indebtedness of Alcoa. Borrowings under the Credit Facility may be denominated in U.S. dollars or euros. Loans will bear interest at (i) a base rate or (ii) a rate equal to LIBOR plus an applicable margin based on the credit ratings of Alcoa's outstanding senior unsecured long-term debt. The applicable margin on LIBOR loans will be 0.475% per annum based on Alcoa's long-term debt ratings as of December 31, 2009. Loans may be prepaid without premium or penalty, subject to customary breakage costs.

The Credit Agreement includes the following covenants, among others, (a) a leverage ratio, (b) limitations on Alcoa's ability to incur liens securing indebtedness for borrowed money, (c) limitations on Alcoa's ability to consummate a merger, consolidation or sale of all or substantially all of its assets, and (d) limitations on Alcoa's ability to change the nature of its business.

The obligation of Alcoa to pay amounts outstanding under the Credit Facility may be accelerated upon the occurrence of an "Event of Default" as defined in the Credit Agreement. Such Events of Default include, among others, (a) Alcoa's failure to pay the principal of, or interest on, borrowings under the Credit Facility, (b) any representation or warranty of Alcoa in the Credit Agreement proving to be materially false or misleading, (c) Alcoa's breach of any of its covenants contained in the Credit Agreement, and (d) the bankruptcy or insolvency of Alcoa.

In July 2008, Alcoa increased the capacity of the Credit Facility by $175 as provided for under the Credit Agreement. In October 2008, Lehman Commercial Paper Inc. (LCPI), a lender under the Credit Agreement with $150 in commitments, filed for bankruptcy protection under section 11 of the United States Bankruptcy Code. It is not certain if LCPI will honor its obligations under the Credit Agreement. The total capacity of the Credit Facility, excluding LCPI's commitment, is $3,275.

There were no amounts outstanding under the Credit Facility at December 31, 2009 and 2008.

Short-Term Borrowings. Short-term borrowings were $176 and $478 at December 31, 2009 and 2008, respectively. These amounts included $81 and $236 at December 31, 2009 and 2008, respectively, related to accounts payable settlement arrangements with certain vendors and third-party intermediaries. These arrangements provide that, at the vendor's request, the third-party intermediary advances the amount of the scheduled payment to the vendor, less an appropriate discount, before the scheduled payment date and Alcoa makes payment to the third-party intermediary on the date stipulated in accordance with the commercial terms negotiated with its vendors. Alcoa records imputed interest related to these arrangements as interest expense in the Statement of Consolidated Operations. The remaining amount of short-term borrowings represent working capital loans at various locations globally.

During 2009, Alumínio borrowed and repaid a total of $255 in new loans with a weighted-average interest rate of 5.25% and a weighted-average maturity of 276 days from six financial institutions. The purpose of these borrowings was to support Alumínio's export operations over the short-term.

In January 2008, Alcoa entered into a Revolving Credit Agreement (RCA-1) with two financial institutions. RCA-1 provided a $1,000 senior unsecured revolving credit facility (RCF-1), with a stated maturity of March 28, 2008. RCA-1 contained a provision that if there were amounts borrowed under RCF-1 at the time Alcoa received the proceeds from the sale of the Packaging and Consumer businesses, the company must use the net cash proceeds to prepay the amount outstanding under RCF-1. Additionally, upon Alcoa's receipt of such proceeds, the lenders' commitments under RCF-1 would be reduced by a corresponding amount, up to the total commitments then in effect under RCF-1, regardless of whether there was an amount outstanding under RCF-1. In February 2008, Alcoa borrowed $1,000 under RCF-1 and used the proceeds to reduce outstanding commercial paper and for general corporate purposes. Subsequent to the $1,000 borrowing, Alcoa completed the sale of its Packaging and Consumer businesses in February 2008 (see Note F). As a result, Alcoa also repaid the $1,000 under RCF-1 in February 2008, and the lenders' commitments under RCF-1 were reduced to zero effectively terminating RCA-1.

Also in January 2008, Alcoa entered into a Revolving Credit Agreement (RCA-2) with LCPI, as administrative agent, and Lehman Brothers Commercial Bank (LBCB), as lender. RCA-2 provided a $1,000 senior unsecured revolving credit facility (RCF-2), which would have matured on January 31, 2009. In October 2008, LCPI filed for bankruptcy protection under section 11 of the United States Bankruptcy Code. As a result, in October 2008, Alcoa gave notice in accordance with the provisions of RCA-2 to permanently terminate in whole LBCB's total commitments under RCF-2 effective October 30, 2008. To Alcoa's knowledge, LBCB did not file for bankruptcy protection.

On October 14, 2008, Alcoa entered into a Revolving Credit Agreement (RCA-3) with a syndicate of lenders. RCA-3 provided a $1,150 senior unsecured revolving credit facility (RCF-3), which matured on October 12, 2009. In October and November 2008, Alcoa increased the capacity of RCF-3 by $500 and $250, respectively, as provided for under RCA-3. Alcoa paid a total of $43 in financing costs, which were deferred and amortized to interest expense over the term of the facility, for the initial capacity under RCF-3 and for the $750 in increased capacity. In early 2009, Alcoa borrowed $1,300 under RCF-3 to support its operations during the global economic downturn. The $1,300 was repaid on March 24, 2009 with the net proceeds from the issuance of the convertible notes (see above) and common stock (see Note R). There were no amounts outstanding under RCF-3 at December 31, 2008.

L. Other Noncurrent Liabilities and Deferred Credits

December 31,	2009	2008
Deferred alumina and aluminum sales revenue	$ 132	$ 140
Environmental remediation (N)	280	277
Asset retirement obligations (C)	415	273
Fair value of derivative contracts (X)	802	360
Accrued compensation and retirement costs	308	267
Deferred income taxes (T)	376	321
Other	292	263
	$2,605	$1,901

M. Noncontrolling Interests

The following table summarizes the noncontrolling shareholders' interests in the equity of Alcoa's majority-owned consolidated subsidiaries:

December 31,	2009	2008
Alcoa of Australia	$1,272	$ 957
Alcoa World Alumina LLC	1,801	1,450
Mosjøen Anodes ANS	-	162
Other	27	28
	$3,100	$2,597

In 2009 and 2008, Alcoa received $440 and $643, respectively, in contributions from the noncontrolling shareholder of Alcoa of Australia and Alcoa World Alumina LLC. During 2007, Alcoa received $474 in contributions from noncontrolling shareholders related to interests in Australia, Norway, Russia, and China (an additional $3 was received in the form of a noncash contribution). In March 2009, Alcoa acquired the outstanding noncontrolling interest in Mosjøen Anodes ANS as part of the acquisition of Elkem (see Note F).

N. Commitments and Contingencies

Litigation. On February 27, 2008, Alcoa Inc. received notice that Aluminium Bahrain B.S.C. (Alba) had filed suit against Alcoa Inc. and Alcoa World Alumina LLC (collectively, "Alcoa"), and others, in the U.S. District Court for the Western District of Pennsylvania (the "Court"), Civil Action number 08-299, styled Aluminium Bahrain B.S.C. v. Alcoa Inc., Alcoa World Alumina LLC, William Rice, and Victor Phillip Dahdaleh. The complaint alleges that certain Alcoa entities and their agents, including Victor Phillip Dahdaleh, have engaged in a conspiracy over a period of 15 years to defraud Alba. The complaint further alleges that Alcoa and its employees or agents (1) illegally bribed

officials of the government of Bahrain and (or) officers of Alba in order to force Alba to purchase alumina at excessively high prices, (2) illegally bribed officials of the government of Bahrain and (or) officers of Alba and issued threats in order to pressure Alba to enter into an agreement by which Alcoa would purchase an equity interest in Alba, and (3) assigned portions of existing supply contracts between Alcoa and Alba for the sole purpose of facilitating alleged bribes and unlawful commissions. The complaint alleges that Alcoa and the other defendants violated the Racketeer Influenced and Corrupt Organizations Act (RICO) and committed fraud. Alba's complaint seeks compensatory, consequential, exemplary, and punitive damages, rescission of the 2005 alumina supply contract, and attorneys' fees and costs. Alba seeks treble damages with respect to its RICO claims.

On February 26, 2008, Alcoa Inc. had advised the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) that it had recently become aware of these claims, had already begun an internal investigation, and intended to cooperate fully in any investigation that the DOJ or the SEC may commence. On March 17, 2008, the DOJ notified Alcoa that it had opened a formal investigation and Alcoa has been cooperating with the government.

In response to a motion filed by the DOJ on March 27, 2008, the Court ordered the suit filed by Alba to be administratively closed and that all discovery be stayed to allow the DOJ to fully conduct an investigation without the interference and distraction of ongoing civil litigation. The Court further ordered that the case will be reopened at the close of the DOJ's investigation. The Company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

In November 2006, in Curtis v. Alcoa Inc., Civil Action No. 3:06cv448 (E.D. Tenn.), a class action was filed by plaintiffs representing approximately 13,000 retired former employees of Alcoa or Reynolds Metals Company and spouses and dependents of such retirees alleging violation of the Employee Retirement Income Security Act (ERISA) and the Labor-Management Relations Act by requiring plaintiffs, beginning January 1, 2007, to pay health insurance premiums and increased co-payments and co-insurance for certain medical procedures and prescription drugs. Plaintiffs allege these changes to their retiree health care plans violate their rights to vested health care benefits. Plaintiffs additionally allege that Alcoa has breached its fiduciary duty to plaintiffs under ERISA by misrepresenting to them that their health benefits would never change. Plaintiffs seek injunctive and declaratory relief, back payment of benefits, and attorneys' fees. Alcoa has consented to treatment of plaintiffs' claims as a class action. During the fourth quarter of 2007, following briefing and argument, the court ordered consolidation of the plaintiffs' motion for preliminary injunction with trial, certified a plaintiff class, bifurcated and stayed the plaintiffs' breach of fiduciary duty claims, struck the plaintiffs' jury demand, but indicated it would use an advisory jury, and set a trial date of September 17, 2008. In August 2008, the court set a new trial date of March 24, 2009 and, subsequently, the trial date was moved to September 22, 2009. In June 2009, the court indicated that it would not use an advisory jury at trial. Trial in the matter was held over eight days commencing September 22, 2009 and ending on October 1, 2009 in federal court in Knoxville, TN before the Honorable Thomas Phillips, U.S. District Court Judge. At the conclusion of evidence, the court set a post-hearing briefing schedule for submission of proposed findings of fact and conclusions of law by the parties and for replies to the same. Post trial briefing was submitted on December 4, 2009. No schedule was set for handing down a decision. Alcoa believes that it presented substantial evidence in support of its defenses at trial. However, at this stage of the proceeding, the Company is unable to reasonably predict the outcome. Alcoa estimates that, in the event of an unfavorable outcome, the maximum exposure would be an additional postretirement benefit liability of approximately $300 and approximately $40 of expense (includes an interest cost component) annually, on average, for the next 11 years.

In addition to the litigation discussed above, various other 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 the Company's financial position, liquidity, or results of operations 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 material adverse effect, individually or in the aggregate, on the financial position, liquidity, or the results of operations of the Company.

European Commission Matters. In July 2006, the European Commission (EC) announced that it had opened an investigation to establish whether an extension of the regulated electricity tariff granted by Italy to some energy-intensive industries complies with European Union (EU) state aid rules. The Italian power tariff extended the tariff that was in force until December 31, 2005 through November 19, 2009 (Alcoa incurred higher power costs of $23 pretax at its smelters in Italy between the tariff end date and December 31, 2009). The extension was originally through 2010, but the date was changed by legislation adopted by the Italian Parliament effective on August 15, 2009. Prior to expiration of the tariff in 2005, Alcoa had been operating in Italy for more than 10 years under a power supply structure approved by the EC in 1996. That measure provided a competitive power supply to the primary aluminum industry and was not considered state aid from the Italian Government. The EC's announcement expressed concerns about whether Italy's extension of the tariff beyond 2005 was compatible with EU legislation and potentially distorted competition in the European market of primary aluminum, where energy is an important part of the production costs.

On November 19, 2009, the EC announced a decision in this matter stating that the extension of the tariff by Italy constituted unlawful state aid, in part, and, therefore, the Italian Government is to recover a portion of the benefit Alcoa received since January 2006 (including interest). The amount of this recovery will be based on a calculation that is being prepared by the Italian Government. Pending notification from the Italian Government, Alcoa estimates that a payment in the range of $300 to $500 will be required during 2010. Alcoa is preparing to appeal this decision to the General Court of the EU and will pursue all substantive and procedural legal steps available to it to annul the EC's decision, including seeking injunctive relief to suspend the effectiveness of the decision. After discussions with legal counsel and reviewing the bases on which the EC decided, including the different considerations cited in the EC decision regarding Alcoa's two smelters in Italy, Alcoa recorded a charge of $250, including $20 to write-off a receivable from the Italian Government for amounts due under the now expired tariff structure. This $250 charge was reflected in Cost of goods sold on the accompanying Statement of Consolidated Operations.

Separately, on November 29, 2006, Alcoa filed an appeal before the European Court of First Instance seeking the annulment of the EC's decision to open an investigation alleging that such decision did not follow the applicable procedural rules. On March 25, 2009, the European Court of First Instance denied Alcoa's appeal. On June 4, 2009, Alcoa appealed the March 25, 2009 ruling; however, no decision on that appeal is expected until 2011 or later.

In January 2007, the EC announced that it had opened an investigation to establish whether the regulated electricity tariffs granted by Spain comply with EU state aid rules. Alcoa has been operating in Spain for more than nine years under a power supply structure approved by the Spanish Government in 1986, an equivalent tariff having been granted in 1983. The investigation is limited to the year 2005 and is focused both on the energy-intensive consumers and the distribution companies. The investigation provided 30 days to any interested party to submit observations and comments to the EC. With respect to the energy-intensive consumers, the EC opened the investigation on the assumption that prices paid under the tariff in 2005 were lower than the pool price mechanism, therefore being, in principle, artificially below market conditions. Alcoa submitted comments in which the company provided evidence that prices paid by energy-intensive consumers were in line with the market, in addition to various legal arguments defending the legality of the Spanish tariff system. It is Alcoa's understanding that the Spanish tariff system for electricity is in conformity with all applicable laws and regulations, and therefore no state aid is present in the tariff system. Alcoa believes that the total potential impact from an unfavorable decision would be approximately $12 pretax (€8). While Alcoa believes that any additional cost would only be assessed for the year 2005, it is possible that the EC could extend its investigation to later years. A decision by the EC is expected in 2010. If the EC's investigation concludes that the regulated electricity tariffs for industries are unlawful, Alcoa will have an opportunity to challenge the decision in the EU courts.

Environmental Matters. Alcoa continues to participate in environmental assessments and cleanups at a number of locations. These include 30 owned or operating facilities and adjoining properties, 31 previously owned or operating facilities and adjoining properties, and 70 waste sites, including Superfund (Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)) sites. A liability is recorded for environmental remediation 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, among others.

Alcoa's remediation reserve balance was $307 and $316 at December 31, 2009 and December 31, 2008 (of which $27 and $39 was classified as a current liability), respectively, and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. In 2009, the remediation reserve was increased by $25 due to a $15 reserve adjustment related to two sites in Italy discussed below and $10 associated with various sites. In 2008, the remediation reserve was increased by $69 due to $56 in reserve adjustments related to the Grasse River and former Vancouver property, both of which are discussed below, and $13 associated with various sites. The changes to the remediation reserve were recorded in Cost of goods sold on the accompanying Statement of Consolidated Operations in both periods. Payments related to remediation expenses applied against the reserve were $34 and $32 in 2009 and 2008, respectively. These amounts include expenditures currently mandated, as well as those not required by any regulatory authority or third party.

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

The following discussion provides details regarding the current status of certain significant reserves related to current or former Alcoa sites. It is possible that Alcoa's financial position, liquidity, or 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, liquidity, or the results of operations of the Company.

Massena, NY—Alcoa has been conducting investigations and studies of the Grasse River, adjacent to Alcoa's Massena plant site, under a 1989 order from the U.S. Environmental Protection Agency (EPA) issued under CERCLA. Sediments and fish in the river contain varying levels of polychlorinated biphenyls (PCBs).

Alcoa submitted various Analysis of Alternatives Reports to the EPA starting in 1998 through 2002 that reported the results of river and sediment studies, potential alternatives for remedial actions related to the PCB contamination, and additional information requested by the EPA.

In June 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 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. Alcoa submitted to the EPA, and the EPA approved, a Remedial Options Pilot Study (ROPS) to gather this information. The scope of this study included sediment removal and capping, the installation of an ice control structure, and significant monitoring.

From 2004 through 2008, Alcoa completed the work outlined in the ROPS. In November 2008, Alcoa submitted an update to the EPA incorporating the new information obtained from the ROPS related to the feasibility and costs associated with various capping and dredging alternatives, including options for ice control. As a result, Alcoa increased the reserve associated with the Grasse River by $40 for the estimated costs of a proposed ice control remedy and for partial settlement of potential damages of natural resources.

This new information will be used by the EPA to select a remedy for the entire river. 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, which is expected in 2010 or later.

Sherwin, TX—In connection with the sale of the Sherwin alumina refinery, which was required to be divested as part of the Reynolds merger in 2000, Alcoa agreed to retain responsibility for the remediation of the 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 was reserved.

East St. Louis, IL—In response to questions regarding environmental conditions at the former East St. Louis operations, Alcoa and the City of East St. Louis, the owner of the site, entered into an administrative order with the EPA in December 2002 to perform a remedial investigation and feasibility study of an area used for the disposal of bauxite residue from historic alumina refining operations. A draft feasibility study was submitted to the EPA in April 2005. The feasibility study included remedial alternatives that ranged from no further action to significant grading, stabilization, and water management of the bauxite residue disposal areas. As a result, Alcoa increased the environmental reserve for this location by $15 in 2005. 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, which is expected in 2010 or later.

Vancouver, WA—In 1987, Alcoa sold its Vancouver smelter to a company that is now known as Evergreen Aluminum (Evergreen). The purchase and sale agreement contained a provision that Alcoa retain liability for any environmental issues that arise subsequent to the sale that pre-date 1987. As a result of this obligation, Alcoa recorded a reserve for the Vancouver location at that time. Evergreen decommissioned the smelter and cleaned up its portion of the site under a consent order with the Washington Department of Ecology (WDE). In February 2008, Evergreen notified Alcoa that it had identified numerous areas containing contamination that predated 1987.

Separately, in September 2008, Alcoa completed a Remedial Investigation/Feasibility Study (RI/FS) under the Washington State Model Toxics Control Act and negotiated a consent decree with the WDE, which requires Alcoa to complete cleanup of PCB contaminated sediments in the Columbia River as well as remediate soil contamination in upland portions of the Vancouver property.

In late 2008, Alcoa started cleanup work on the Columbia River and discovered additional contamination and waste materials along the shoreline area and in upland areas. In addition, Evergreen presented additional cost estimates for contaminated areas that were discovered since March 2008.

As a result of all of the above items related to the former Vancouver site, Alcoa increased the environmental reserve by $16 in 2008.

While continuing the cleanup work on the Columbia River in early 2009, Alcoa discovered more contamination and waste materials, resulting in a $2 increase to the environmental reserve. Later in 2009, cleanup work was completed related to the Evergreen property, the Columbia River, and the upland portions of the Vancouver property. Alcoa submitted a final report on this cleanup work to the WDE near the end of 2009 satisfying the remediation requirements of the consent decree.

Fusina and Portovesme, Italy—In 1996, Alcoa acquired the Fusina smelter and rolling operations and the Portovesme smelter, both of which are owned by Alcoa's subsidiary Alcoa Trasformazioni S.r.l., from Alumix, an entity owned by the Italian Government. At the time of the acquisition, Alumix indemnified Alcoa for pre-existing environmental contamination at the sites. In 2004, the Italian Ministry of Environment (MOE) issued orders to Alcoa Trasformazioni S.r.l. and Alumix for the development of a clean-up plan related to soil contamination in excess of allowable limits under legislative decree and to institute emergency actions and pay natural resource damages. Alcoa Trasformazioni S.r.l. appealed the orders and filed suit against Alumix, among others, seeking indemnification for these liabilities under the provisions of the acquisition agreement. In 2009, Ligestra S.r.l., Alumix's successor, and Alcoa Trasformazioni S.r.l. agreed to a stay on the court proceedings while investigations were conducted and negotiations advanced towards a possible settlement. In December 2009, Alcoa Trasformazioni S.r.l. and Ligestra S.r.l. reached an agreement for settlement of the liabilities related to Fusina while negotiations continue related to Portovesme. The

agreement outlines an allocation of payments to the MOE for emergency action and natural resource damages and the scope and costs for a proposed soil remediation project, which is expected to be formally presented to the MOE in 2010. The agreement is contingent upon final acceptance of the remediation project by the MOE. As a result of entering into this agreement, Alcoa increased the reserve by $12 for Fusina. Additionally, due to new information derived from the site investigations conducted at Portovesme in 2009, Alcoa increased the reserve by $3.

Investments. Alumínio 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. Two of these projects, Machadinho and Barra Grande, were completed in 2002 and 2006, respectively.

Alumínio committed to taking a share of the output of the Machadinho and Barra Grande projects each for 30 years at cost (including cost of financing the project). In the event that other participants in either one of these projects fail to fulfill their financial responsibilities, Alumínio may be required to fund a portion of the deficiency. In accordance with the respective agreements, if Alumínio funds any such deficiency, its participation and share of the output from the respective project will increase proportionately.

With Machadinho and Barra Grande, Alumínio's current power self-sufficiency is approximately 40% (will be approximately 70% once the hydroelectric power projects described below are completed and operating at full capacity), to meet a total energy demand of approximately 690 megawatts from Brazilian primary plants. Alumínio accounts for the Machadinho and Barra Grande hydroelectric projects as equity method investments. Alumínio's investment participation in these projects is 30.99% for Machadinho and 42.18% for Barra Grande. Its total investment in these projects was $264 (R$460) and $182 (R$436) at December 31, 2009 and 2008, respectively. Alcoa's maximum exposure to loss on these completed projects is approximately $530 (R$920), which represents Alumínio's investment and guarantees of debt as of December 31, 2009.

In 2006, Alumínio acquired an additional 6.41% share in the Estreito hydroelectric power project, reaching 25.49% of total participation in the consortium. This additional share entitles Alumínio to 38 megawatts of assured energy. Alumínio's share of the project is estimated to have installed capacity of approximately 280 megawatts and assured power of approximately 150 megawatts. In December 2006, the consortium obtained an environmental installation license, after completion of certain socioeconomic and cultural impact studies as required by a governmental agency. Construction began in early 2007 and is expected to be completed in 2011. Total estimated project costs are approximately $2,100 (R$3,600) and Alumínio's share is approximately $530 (R$920). As of December 31, 2009, Alumínio has contributed approximately $440 (R$770) towards the $530 commitment.

In early 2007, construction began on the Serra do Facão hydroelectric power project. Construction of this facility is expected to be completed in 2010. The implementation of construction activities had been temporarily suspended in 2004 due to the temporary suspension of the project's installation permit by legal injunction issued by the Brazilian Judicial Department (Public Ministry). Since 2004, this project was placed on hold due to unattractive market conditions. In mid-2006, market conditions became favorable and Alumínio proceeded with plans to begin construction. In September 2006, the national environmental agency renewed the installation permit allowing construction to commence. Alumínio's share of the Serra do Facão project is 34.97% and entitles Alumínio to approximately 65 megawatts of assured power. Total estimated project costs are approximately $580 (R$1,000) and Alumínio's share is approximately $200 (R$350). Through March 31, 2009, Alumínio contributed approximately $130 (R$220) towards the $200 commitment. In April 2009, the consortium obtained long-term financing for the remaining costs of construction. As a result, the participants in this project will no longer be required to provide capital for their share of the project costs. Instead, the participants were each required to guarantee (expires 2027) a portion of the consortium's debt. Additionally, in May 2009, the consortium returned a portion of previous capital contributions to the participants, of which Alumínio received $53 (R$110). This return of capital contributions was reflected in Additions to investments on the accompanying Statement of Consolidated Cash Flows. Alumínio accounts for the Serra do Facão hydroelectric power project as an equity method investment and its total investment in this project was $89 (R$156) and $83 (R$200) at December 31, 2009 and 2008, respectively. Alcoa's maximum exposure to loss on this project is approximately $200 (R$350), which represents Alumínio's investment and guarantee of debt as of December 31, 2009.

In 2004, Alcoa acquired a 20% interest in a consortium, which subsequently purchased the Dampier to Bunbury Natural Gas Pipeline (DBNGP) in Western Australia, in exchange for an initial cash investment of $17 (A$24). The investment in the DBNGP was made in order to secure a competitively priced long-term supply of natural gas to Alcoa's refineries in Western Australia. This investment was classified as an equity investment. Alcoa has made additional contributions of $116 (A$151), including $31 (A$42) and $9 (A$12) in 2009 and 2008, respectively, and committed to invest an additional $29 (A$32) to be paid as the pipeline expands through 2011. In March 2008, additional equity contributions of $38 (A$40) were approved to support further expansion of the gas transmission capacity. In addition to its equity ownership, Alcoa has an agreement to purchase gas transmission services from the DBNGP. Alcoa's maximum exposure to loss on the investment and the related contract is approximately $430 (A$470) as of December 31, 2009.

Purchase Obligations. Alcoa is party to unconditional purchase obligations for energy that expire between 2012 and 2028. Commitments related to these contracts total $108 in 2010, $114 in 2011, $135 in 2012, $134 in 2013, $133 in 2014, and $2,258 thereafter. Expenditures under these contracts totaled $28 in 2009, $96 in 2008, and $110 in 2007. Additionally, Alcoa has entered into other purchase commitments for energy, raw materials, and other goods and services, which total $2,097 in 2010, $1,603 in 2011, $1,400 in 2012, $1,096 in 2013, $1,098 in 2014, and $11,274 thereafter.

Operating Leases. Certain computer equipment, plant equipment, vehicles, and buildings are under operating lease agreements. Total expense from continuing operations for all leases was $249 in 2009, $275 in 2008, and $286 in 2007. Under long-term operating leases, minimum annual rentals are $224 in 2010, $210 in 2011, $187 in 2012, $104 in 2013, $76 in 2014, and $226 thereafter.

Letters of Credit. Alcoa has outstanding letters of credit primarily related to workers' compensation, derivative contracts, and leasing obligations. The total amount committed under these letters of credit, which expire at various dates, mostly in 2010, was $273 at December 31, 2009.

Guarantees. Alcoa has outstanding bank guarantees related to legal, customs duties, and leasing obligations, among others. The total amount committed under these guarantees, which expire at various dates, was $490 at December 31, 2009. Alcoa has also issued guarantees of third-party obligations related to project financing for hydroelectric power projects in Brazil, which expire in 2015 through 2027, that total $378 at December 31, 2009.

Surety Bonds. Alcoa has outstanding surety bonds primarily related to customs duties, self-insurance, and legal obligations. The total amount committed under these bonds, which automatically renew or expire at various dates, mostly in 2010, was $140 at December 31, 2009.

O. Other Income, Net

	2009	2008	2007
Equity loss (income)	$ 14	$ (41)	$ (71)
Interest income	(18)	(53)	(61)
Dividend income	(1)	(1)	(31)
Foreign currency (gains) losses, net	(82)	74	26
Net gain from asset sales	(106)	(50)	(1,806)
Other, net	32	12	23
	$(161)	$ (59)	$(1,920)

In 2009, Net gain from asset sales included a $188 gain related to the Elkem/Sapa AB exchange transaction (see Note F), a $182 loss on the sale of the SPPL investment (see Note I), and a $92 gain related to the acquisition of a BHP subsidiary (see Note F). In 2007, Net gain from asset sales included a $1,754 gain on the sale of Alcoa's investment in the Aluminum Corporation of China Limited (Chalco). The dividend income in 2007 was virtually all related to Alcoa's former stake in Chalco.

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P. Cash Flow Information

Cash paid for interest and income taxes are as follows:

	2009	2008	2007
Interest, net of amount capitalized	$396	$335	$ 275
Income taxes, net of amount refunded	168	730	1,376

The details related to acquisitions are as follows:

	2009	2008	2007
Assets acquired	$ 389	$352	$ 19
Liabilities assumed	(294)	(5)	(3)
Noncontrolling interests acquired	-	70	3
Gain recognized	(92)	-	-
Cash paid	3	417	19
Less: cash acquired	115	-	1
Net cash (received) paid	$(112)	$417	$ 18

In 2007, Alcoa sold its Three Oaks Mine for $140, which consisted of $70 in cash and a $70 note receivable. The $70 in cash was reflected in the Proceeds from the sale of assets and businesses on the accompanying Statement of Consolidated Cash Flows. The $70 note receivable was not reflected in the accompanying Statement of Consolidated Cash Flows as it represents a non-cash activity. In 2009, the note receivable was settled and was included in Proceeds from the sale of assets and businesses on the accompanying Statement of Consolidated Cash Flows.

Q. Segment and Geographic Area Information

In May 2009, management approved the movement of Alcoa's hard alloy extrusions business from the Flat-Rolled Products segment to the Engineered Products and Solutions segment. This move was made to capture market, customer, and manufacturer synergies through the combination of the hard alloy extrusions business with the power and propulsion and forgings businesses. Prior period amounts were reclassified to reflect this change.

Alcoa is primarily a producer of aluminum products. Aluminum and alumina represent more than three-fourths of Alcoa's revenues. Nonaluminum products include precision castings and aerospace and industrial fasteners. Alcoa's segments are organized by product on a worldwide basis. Segment performance under Alcoa's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is the after-tax operating income (ATOI) of each segment. Certain items such as the impact of LIFO inventory accounting; interest income and expense; noncontrolling interests; corporate expense (general administrative and selling expenses of operating the corporate headquarters and other global administrative facilities, along with depreciation and amortization on corporate-owned assets); restructuring and other charges; discontinued operations; and other items, including intersegment profit eliminations and other metal adjustments, differences between tax rates applicable to the segments and the consolidated effective tax rate, the results of the soft alloy extrusions business in Brazil, and other nonoperating items such as foreign currency translation gains/losses are excluded from segment ATOI. Segment assets exclude, among others, cash and cash equivalents, deferred income taxes, goodwill not allocated to businesses for segment reporting purposes, corporate fixed assets, LIFO reserves, and assets classified as held for sale related to discontinued operations.

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

Alcoa's products are used worldwide in packaging, transportation (including aerospace, automotive, truck, trailer, rail, and shipping), building and construction, oil and gas, defense, and industrial applications. Total export sales from the U.S. included in continuing operations were $1,678 in 2009, $2,732 in 2008, and $3,060 in 2007.

Alcoa's operations consist of four worldwide reportable segments as follows (there were five such segments previous to 2009):

Alumina. This segment consists of Alcoa's worldwide alumina system, including the mining of bauxite, which is then refined into alumina. Alumina is mainly sold directly to internal and external smelter customers worldwide or is sold to customers who process it into industrial chemical products. A portion of this segment's third-party sales are completed through the use of agents, alumina traders, and distributors. Slightly more than half of Alcoa's alumina production is sold under supply contracts to third parties worldwide, while the remainder is used internally.

Primary Metals. This segment consists of Alcoa's worldwide smelter system. Primary Metals receives alumina, primarily from the Alumina segment, and produces primary aluminum used by Alcoa's fabricating businesses, as well as sold to external customers, aluminum traders, and commodity markets. Results from the sale of aluminum powder, scrap, and excess power are also included in this segment, as well as the results of aluminum derivative contracts. Primary aluminum produced by Alcoa and used internally is transferred to other segments at prevailing market prices. The sale of primary aluminum represents more than 90% of this segment's third-party sales.

Flat-Rolled Products. This segment's principal business is the production and sale of aluminum plate, sheet, and foil. This segment includes rigid container sheet (RCS), which is sold directly to customers in the packaging and consumer market and is used to produce aluminum beverage cans. Seasonal increases in RCS sales are generally experienced in the second and third quarters of the year. This segment also includes sheet and plate used in the transportation, building and construction, and distribution markets (mainly used in the production of machinery and equipment and consumer durables), which is sold directly to customers and through distributors. Approximately one-third of the third-party sales in this segment consist of RCS, while the remaining two-thirds of third-party sales are derived from sheet and plate and foil used in industrial markets. While the customer base for flat-rolled products is large, a significant amount of sales of RCS, sheet, and plate is to a relatively small number of customers.

Engineered Products and Solutions. This segment includes titanium, aluminum, and super alloy investment castings; forgings and fasteners; aluminum wheels; integrated aluminum structural systems; and architectural extrusions used in the aerospace, automotive, building and construction, commercial transportation, and power generation markets. These products are sold directly to customers and through distributors. Additionally, hard alloy extrusions products, which are also sold directly to customers and through distributors, serve the distribution, aerospace, automotive, and commercial transportation markets. In 2008, the Electrical and Electronic Solutions business was classified as discontinued operations; therefore, all periods presented exclude the results of this business (this business was sold during 2009 – see Note F).

Packaging and Consumer. The businesses within this segment were sold to Rank in 2008; therefore, this segment no longer contains any operations (see Note F). Prior to the sale of these businesses, this segment included consumer, foodservice, and flexible packaging products; food and beverage closures; and plastic sheet and film for the packaging industry. The principal products in this segment included aluminum foil; plastic wraps and bags; plastic beverage and food closures; flexible packaging products; thermoformed plastic containers; and extruded plastic sheet and film. Consumer products were marketed under brands including Reynolds Wrap®, Diamond®, Baco®, and Cut-Rite®. Seasonal increases generally occurred in the second and fourth quarters of the year for such products as consumer foil and plastic wraps and bags, while seasonal slowdowns for closures generally occurred in the fourth quarter of the year. Products were generally sold directly to customers, consisting of supermarkets, beverage companies, food processors, retail chains, and commercial foodservice distributors.

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The operating results and assets of Alcoa's reportable segments, reclassified to exclude discontinued operations (see Note B), are as follows:

	Alumina	Primary Metals	Flat-Rolled Products	Engineered Products and Solutions	Packaging and Consumer	Total
2009						
Sales:						
Third-party sales	$ 2,161	$ 5,252	$ 6,069	$ 4,689	$ -	$18,171
Intersegment sales	1,534	1,836	113	-	-	3,483
Total sales	$ 3,695	$ 7,088	$ 6,182	$ 4,689	$ -	$21,654
Profit and loss:						
Equity income (loss)	$ 8	$ (26)	$ -	$ 2	$ -	$ (16)
Depreciation, depletion, and amortization	292	560	227	177	-	1,256
Income taxes	(22)	(365)	48	139	-	(200)
ATOI	112	(612)	(49)	315	-	(234)
2008						
Sales:						
Third-party sales	$ 2,924	$ 8,021	$ 8,966	$ 6,199	$ 516	$26,626
Intersegment sales	2,803	3,927	218	-	-	6,948
Total sales	$ 5,727	$ 11,948	$ 9,184	$ 6,199	$ 516	$33,574
Profit and loss:						
Equity income	$ 7	$ 2	$ -	$ -	$ -	$ 9
Depreciation, depletion, and amortization	268	503	216	165	-	1,152
Income taxes	277	172	35	222	10	716
ATOI	727	931	(3)	533	11	2,199
2007						
Sales:						
Third-party sales	$ 2,709	$ 6,576	$ 9,349	$ 5,834	$ 3,288	$27,756
Intersegment sales	2,448	4,994	248	-	-	7,690
Total sales	$ 5,157	$ 11,570	$ 9,597	$ 5,834	$ 3,288	$35,446
Profit and loss:						
Equity income	$ 1	$ 57	$ -	$ -	$ -	$ 58
Depreciation, depletion, and amortization	267	410	227	163	89	1,156
Income taxes	340	542	92	192	68	1,234
ATOI	956	1,445	178	435	148	3,162
2009						
Assets:						
Capital expenditures	$ 763	$ 445	$ 108	$ 133	$ -	$ 1,449
Equity investments	316	503	-	-	-	819
Goodwill	17	939	210	2,504	-	3,670
Total assets	9,092	11,815	4,440	5,349	-	30,866
2008*						
Assets:						
Capital expenditures	$ 1,589	$ 858	$ 600	$ 229	$ 8	$ 3,284
Equity investments	285	900	-	-	-	1,185
Goodwill	15	931	202	2,477	-	3,625
Total assets	7,800	12,239	5,419	5,855	-	31,313

* In 2009, Alcoa changed two policies for segment reporting purposes related to certain assets that were previously included in Corporate. Assets classified as held for sale related to businesses that do not qualify as discontinued operations are now included within the segments. This change was made to align the assets with where the operating results of such businesses are reported. Amounts for the Flat-Rolled Products, Engineered Products and Solutions, and Packaging and Consumer segments were revised for 2008 to conform to the 2009 presentation. Derivative contract assets are also now included within the segments to align such assets with where their impacts are reported. This change impacted the Primary Metals segment; therefore, total assets for 2008 was revised to conform to the 2009 presentation.

The following tables reconcile certain segment information to consolidated totals:

	2009	2008	2007
Sales:			
Total sales	$21,654	$33,574	$35,446
Elimination of intersegment sales	(3,483)	(6,948)	(7,690)
Corporate*	268	275	1,524
Consolidated sales	$18,439	$26,901	$29,280

* For all periods presented, the Corporate amount includes third-party sales of the three soft alloy extrusion facilities located in Brazil that were not contributed to the Sapa AB joint venture. In 2007, the Corporate amount also includes the third-party sales of the soft alloy extrusion business that was contributed to the Sapa AB joint venture (see Note I).

	2009	2008	2007
Net (loss) income attributable to Alcoa:			
Total segment ATOI	$ (234)	$2,199	$3,162
Unallocated amounts (net of tax):			
Impact of LIFO	235	(7)	(24)
Interest income	12	35	40
Interest expense	(306)	(265)	(261)
Noncontrolling interests	(61)	(221)	(365)
Corporate expense	(304)	(328)	(388)
Restructuring and other charges	(155)	(693)	(201)
Discontinued operations	(166)	(303)	(250)
Other	(172)	(491)	851
Consolidated net (loss) income attributable to Alcoa	$(1,151)	$ (74)	$2,564

December 31,	**2009**	**2008**
Assets:		
Total segment assets	$30,866	$31,313
Elimination of intersegment receivables	(399)	(363)
Unallocated amounts:		
Cash and cash equivalents	1,481	762
Deferred income taxes	3,228	2,929
Corporate goodwill	1,381	1,356
Corporate fixed assets	1,091	779
LIFO reserve	(717)	(1,078)
Assets related to discontinued operations	—	80
Other	1,541	2,044
Consolidated assets	$38,472	$37,822

Geographic information for sales is as follows (based upon the country where the point of sale occurred):

	2009	2008	2007
Sales:			
U.S.	$ 9,546	$ 14,335	$ 16,124
Australia	2,287	3,228	3,224
Spain	1,099	1,733	1,844
Netherlands	1,002	1,263	595
Brazil	897	1,287	1,213
France	669	854	779
Norway*	477	24	69
Hungary	419	940	1,321
Italy	394	674	767
Russia	383	597	583
United Kingdom	379	576	730
Germany	260	403	463
Other	627	987	1,568
	$ 18,439	$ 26,901	$ 29,280

* The increase in sales in Norway was due to the acquisition of two smelters in March 2009 (see Note F).

Geographic information for long-lived assets is as follows (based upon the physical location of the assets):

December 31,	**2009**	**2008**
Long-lived assets:		
U.S.	$ 4,899	$ 5,007
Brazil	4,653	3,373
Australia	3,062	2,328
Iceland	1,687	1,747
Canada	1,528	1,586
Norway*	1,084	454
Russia	587	601
Spain	541	542
Jamaica	449	468
China	403	396
Other	935	953
	$ 19,828	$ 17,455

* The increase in assets in Norway was due to the acquisition of two smelters in March 2009 (see Note F).

R. Preferred and Common Stock

Preferred Stock. Alcoa has two classes of preferred stock. Serial preferred stock has 660,000 shares authorized at a par value of $100 per share with an annual $3.75 cumulative dividend preference per share. There were 546,024 of such shares outstanding at December 31, 2009 and 2008. Class B serial preferred stock has 10 million shares authorized (none issued) and a par value of $1 per share.

Common Stock. There are 1.8 billion shares authorized at a par value of $1 per share, and 1,097,074,538 and 924,574,538 shares were issued at December 31, 2009 and 2008, respectively, (see Note Y). In March 2009, Alcoa issued 172.5 million shares of common stock at a price of $5.25 per share. The issuance of common stock included 22.5 million shares related to the exercise of an over-allotment option by the underwriters. The underwriting discount and third-party expenses for the issuance of the common stock were $30, which was recorded as a decrease to additional capital. The common stock was issued under Alcoa's shelf registration statement dated March 10, 2008. The net proceeds from the issuance of common stock ($876) and the convertible notes (see Note K) were used to prepay the $1,300 outstanding under Alcoa's 364-day revolving credit facility (see Note K). The remaining net proceeds were used for general corporate purposes.

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In March 2009, the quarterly common stock dividend was reduced from $0.17 per share to $0.03 per share in connection with a series of financial actions initiated to improve liquidity.

As of December 31, 2009, 109 million shares of common stock were reserved for issuance under Alcoa's stock-based compensation plans. Alcoa issues shares from treasury stock to satisfy the exercise of stock options and the conversion of stock awards.

Alcoa has a share repurchase program that authorizes the purchase of up to 25% (or approximately 217 million shares) of its outstanding common stock at December 31, 2006, in the open market or through privately negotiated transactions, directly or through brokers or agents, and expires on December 31, 2010. During 2008, Alcoa repurchased 33 million shares, leaving approximately 116 million shares that may yet be repurchased under the current program. In October 2008, Alcoa elected to suspend share repurchases to preserve liquidity in light of the global economic downturn.

Share Activity (number of shares)

	Common stock	
	Treasury	**Outstanding**
Balance at end of 2006	56,834,994	867,739,544
Repurchased	67,712,689	(67,712,689)
Issued for stock-based compensation plans	(27,374,945)	27,374,945
Balance at end of 2007	97,172,738	827,401,800
Repurchased	33,421,626	(33,421,626)
Issued for stock-based compensation plans	(6,337,194)	6,337,194
Balance at end of 2008	124,257,170	800,317,368
Repurchased	-	-
Public offering	-	172,500,000
Issued for stock-based compensation plans	(1,561,452)	1,561,452
Balance at end of 2009	122,695,718	974,378,820

Stock-based Compensation

Stock options under Alcoa's stock-based compensation plans have been granted at not less than market prices on the dates of grant. Performance stock options are also granted to certain individuals. For performance stock options granted in 2009, the final number of options granted is based on Alcoa's adjusted free cash flow against a pre-established target. For performance stock options granted in 2008 and 2007, the final number of options granted is based on the outcome of Alcoa's annual return on capital results against the results of a comparator group of companies. 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 – 2009	3 years (1/3 each year)	6 years	None

In addition to the stock options described above, Alcoa granted stock awards that vest in three years from the date of grant. Certain of these stock awards were granted with the same performance conditions described above for performance stock options.

Plan participants can choose whether to receive their award in the form of stock options, stock awards, or a combination of both. This choice is made before the grant is issued and is irrevocable.

The following table summarizes the total compensation expense recognized for all stock options and stock awards (there was no stock-based compensation expense capitalized in 2009, 2008, or 2007):

	2009	2008	2007
Compensation expense recognized:			
Stock option grants	$ 53	$ 15	$ 31
Stock award grants	34	79	66
Total compensation expense before income taxes	87	94	97
Benefit for income taxes	29	31	34
Total compensation expense, net of income taxes	$ 58	$ 63	$ 63

The fair value of new options is estimated on the date of grant using a lattice-pricing model with the following assumptions:

	2009	2008	2007
Weighted average fair value per option	$ 3.34	$ 6.41	$ 6.04
Average risk-free interest rate	0.3-2.65%	3.01-3.66%	4.75-5.16%
Dividend yield	1.2%	2.1%	2.2%
Volatility	38-76%	31-34%	22-29%
Annual forfeiture rate	3%	3%	3%
Exercise behavior	43%	39%	35%
Life (years)	4.2	4.0	3.8

The fair value of each reload option grant is estimated on the reload date using the lattice-pricing model. In 2009, there were no reload option grants. In 2008, the fair value and related assumptions for reload option grants were the same as the new option grants reflected in the table above. In 2007, the weighted average fair value per reload option grant was $5.56 based on the following assumptions: an average risk-free interest rate of 4.94-5.11%; dividend yield of 2.2%; volatility of 22-24%; exercise behavior of 26%; and life of 1.5 years.

The following assumption descriptions are applicable to both new option grants and reload option grants. The range of average risk-free interest rates is based on a yield curve of interest rates at the time of the grant based on the contractual life of the option. For 2009, the dividend yield was based on a three-month average as a result of the significant decline in Alcoa’s stock price in 2008 due to the global economic downturn and the previously mentioned reduction in Alcoa’s quarterly common stock dividend. In 2008 and 2007, the dividend yield was based on a five-year average. Volatility is based on historical and implied volatilities over the term of the option. Alcoa utilizes historical option exercise and forfeiture data to estimate annual pre- and post-vesting forfeitures. The exercise behavior assumption represents a weighted average exercise ratio of the intrinsic value resulting from historical employee exercise behavior, which is based on exercise patterns for grants issued in the most recent six years. The life of an option is an output of the lattice-pricing model based upon the other assumptions used in the determination of the fair value.

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The activity for stock options is as follows (options in millions):

	2009	2008	2007
Outstanding, beginning of year:			
Number of options	46.2	52.3	80.0
Weighted average exercise price	$35.61	$35.63	$33.97
Granted:			
Number of options	27.1	2.9	6.1
Weighted average exercise price	$ 8.34	$31.20	$41.14
Exercised:			
Number of options	-	(6.0)	(28.8)
Weighted average exercise price	$ -	$32.68	$31.88
Expired or forfeited:			
Number of options	(7.8)	(3.0)	(5.0)
Weighted average exercise price	$34.60	$37.64	$37.19
Outstanding, end of year:			
Number of options	65.5	46.2	52.3
Weighted average exercise price	$24.44	$35.61	$35.63
Exercisable, end of year:			
Number of options	37.7	42.3	44.9
Weighted average exercise price	$35.51	$36.19	$35.16

The total intrinsic value of options exercised during 2008 and 2007 was $86 and $269, respectively.

The following tables summarize certain stock option information at December 31, 2009 (number of options and intrinsic value in millions):

Options Fully Vested and/or Expected to Vest*

Range of exercise price	Number	Weighted average remaining contractual life	Weighted average exercise price	Intrinsic Value
$6.12 - $19.93	26.4	5.07	$ 8.35	$ 205
$19.94 - $27.71	2.9	2.96	22.59	-
$27.72 - $35.49	11.6	1.73	30.44	-
$35.50 - $48.10	24.6	0.80	39.13	-
Total	65.5	2.78	24.44	$ 205

* Expected forfeitures are immaterial to the Company and are not reflected in the table above.

Options Fully Vested and Exercisable

Range of exercise price	Number	Weighted average remaining contractual life	Weighted average exercise price	Intrinsic Value
$9.91 - $19.93	-	4.48	$ 11.82	$ -
$19.94 - $27.71	2.9	2.96	22.59	-
$27.72 - $35.49	10.2	1.45	30.58	-
$35.50 - $48.10	24.6	0.80	39.13	-
Total	37.7	1.15	35.51	$ -

In addition to stock option awards, the Company has granted stock awards and performance share awards, both of which vest three years from the date of grant. Performance share awards are issued at target and the final award amount is determined at the end of the performance period.

The following table summarizes the outstanding stock and performance share awards (awards in millions):

	Stock Awards	Performance Share Awards	Total	Weighted average FMV per award
Outstanding, January 1, 2009	6.9	1.3	8.2	$ 29.89
Granted	1.3	0.2	1.5	8.45
Converted	(1.9)	(0.4)	(2.3)	29.26
Forfeited	(0.4)	-	(0.4)	24.78
Performance share adjustment	-	0.2	0.2	16.74
Outstanding, December 31, 2009	5.9	1.3	7.2	23.81

At December 31, 2009, there was $41 (pretax) of unrecognized compensation expense related to non-vested stock option grants, and $28 (pretax) of unrecognized compensation expense related to non-vested stock award grants. These expenses are expected to be recognized over a weighted average period of 1.4 years. As of December 31, 2009, the following table summarizes the unrecognized compensation expense expected to be recognized in future periods:

	Stock-based compensation expense (pretax)
2010	$ 46
2011	22
2012	1
Totals	$ 69

S. Earnings Per Share

Basic earnings per share (EPS) amounts are computed by dividing earnings, after the deduction of preferred stock dividends declared and dividends and undistributed earnings allocated to participating securities, by the average number of common shares outstanding. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive share equivalents outstanding not classified as participating securities.

As disclosed in Note A, on January 1, 2009, Alcoa adopted changes issued by the FASB to the calculation of earnings per share. These changes state that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method for all periods presented. Under Alcoa’s stock-based compensation programs, certain employees are granted stock and performance awards, which entitle those employees to receive nonforfeitable dividends during the vesting period on a basis equivalent to the dividends paid to holders of Alcoa’s common stock. As such, these unvested stock and performance awards meet the definition of a participating security. Under the two-class method, all earnings, whether distributed or undistributed, are allocated to each class of common stock and participating securities based on their respective rights to receive dividends. Prior to the adoption of these changes, stock and performance awards were considered potential shares of common stock and were included only in the diluted EPS calculation under the treasury stock method as long as their effect was not anti-dilutive. EPS data for prior periods presented were revised to reflect these changes.

The information used to compute basic and diluted EPS on (loss) income from continuing operations attributable to Alcoa common shareholders was as follows (shares in millions):

	2009	2008	2007
(Loss) income from continuing operations attributable to Alcoa common shareholders	$(985)	$229	$2,814
Less: preferred stock dividends declared	2	2	2
(Loss) income from continuing operations available to common equity	(987)	227	2,812
Less: dividends and undistributed earnings allocated to participating securities	-	6	21
(Loss) income from continuing operations available to Alcoa common shareholders	$(987)	$221	$2,791
Average shares outstanding—basic	935	810	861
Effect of dilutive securities:			
Potential shares of common stock, attributable to stock options	-	3	5
Average shares outstanding—diluted	935	813	866

In 2009, basic average shares outstanding and diluted average shares outstanding were the same because the effect of potential shares of common stock was anti-dilutive since Alcoa generated a loss from continuing operations. As a result, 89 million share equivalents related to the convertible notes and 26 million stock options were not included in the computation of diluted EPS. Had Alcoa generated sufficient income from continuing operations, 72 million potential shares of common stock related to the convertible notes and stock options would have been included in diluted average shares outstanding.

Options to purchase 39 million, 46 million, and 21 million shares of common stock at a weighted average exercise price of $35.33, $35.65, and $41.52 per share were outstanding as of December 31, 2009, 2008, and 2007, respectively, but were not included in the computation of diluted EPS because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of Alcoa’s common stock.

T. Income Taxes

The components of (loss) income from continuing operations before income taxes were as follows:

	2009	2008	2007
U.S.	$ (512)	$ (999)	$1,960
Foreign	(986)	1,791	2,842
	$(1,498)	$ 792	$4,802

The (benefit) provision for income taxes on (loss) income from continuing operations consisted of the following:

	2009	2008	2007
Current:			
Federal*	$(119)	$ 3	$ 516
Foreign	142	598	774
State and local	(1)	2	22
	22	603	1,312
Deferred:			
Federal*	(89)	(184)	231
Foreign	(510)	(77)	87
State and local	3	-	(7)
	(596)	(261)	311
Total	$(574)	$ 342	$1,623

* Includes U.S. taxes related to foreign income

Included in discontinued operations is a tax benefit of $55 in 2009, $121 in 2008 and $83 in 2007.

The exercise of employee stock options generated a tax benefit of $20 in 2008 and $95 in 2007. This amount was credited to additional capital and reduced current taxes payable. There were no exercises of employee stock options in 2009.

Alcoa also has unamortized tax-deductible goodwill of $358 resulting from intercompany stock sales and reorganizations (generally at a 30% to 34% rate). Alcoa recognizes the tax benefits associated with this tax-deductible goodwill as it is being amortized for local income tax purposes rather than in the period in which the transaction is consummated.

A reconciliation of the U.S. federal statutory rate to Alcoa's effective tax rate for continuing operations is as follows:

	2009	2008	2007
U.S. federal statutory rate	35.0%	35.0%	35.0%
Taxes on foreign income	0.1	(10.1)	(4.3)
Permanent differences on restructuring charges and asset disposals	2.0	11.8	3.4
Audit and other adjustments to prior years' accruals	(0.7)	(2.8)	(0.1)
Noncontrolling interests	-	5.0	0.4
Statutory tax rate and law changes	4.2	3.5	0.2
Reorganization of equity investment	4.7	-	-
Items related to smelter operations Italy*	(9.3)	-	-
Other	2.3	0.8	(0.8)
Effective tax rate	38.3%	43.2%	33.8%

* Includes items not tax benefited as follows: a $250 charge related to a recent decision by the European Commission on electricity pricing (see Note N), a $15 charge for environmental remediation (see Note N), and a $15 restructuring charge for layoffs. Also includes a $41 valuation allowance placed on existing deferred tax assets.

The components of net deferred tax assets and liabilities are as follows:

	2009		2008	
December 31,	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Depreciation	$ -	$ 1,154	$ -	$ 1,188
Employee benefits	2,376	-	2,313	-
Loss provisions	174	-	475	17
Deferred income/expense	17	133	18	113
Tax loss carryforwards	1,677	-	1,017	-
Tax credit carryforwards	465	-	320	-
Derivatives and hedging activities	214	-	394	-
Other	242	181	234	224
	5,165	1,468	4,771	1,542
Valuation allowance	(908)	-	(713)	-
	$ 4,257	$ 1,468	$ 4,058	$ 1,542

Of the total deferred tax assets associated with the tax loss carryforwards, $480 expires over the next 10 years (of which $346 has been reserved for through the valuation allowance), $702 over the next 20 years, and $495 is unlimited. Generally, the valuation allowance relates to tax loss carryforwards because the ability to generate sufficient future income in some jurisdictions is uncertain. Of the tax credit carryforwards, $361 expires over the next 10 years (most of this amount relates to foreign tax credits that do not begin to expire until 2015), $34 expires over the next 15 to 20 years, and $70 is unlimited.

The cumulative amount of Alcoa's foreign undistributed net earnings for which no deferred taxes have been provided was $8,138 at December 31, 2009. Management has no plans to distribute such earnings in the foreseeable future. It is not practical to determine the deferred tax liability on these earnings.

Alcoa and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With a few minor exceptions, Alcoa is no longer subject to income tax examinations by tax authorities for years prior to 2002. All U.S. tax years prior to 2008 have been audited by the Internal Revenue Service. Various state and foreign jurisdiction tax authorities are in the process of examining Alcoa's income tax returns for various tax years through 2007.

A reconciliation of the beginning and ending amount of unrecognized tax benefits (excluding interest and penalties) is as follows:

December 31,	2009	2008	2007
Balance at beginning of year	$ 24	$ 33	$ 22
Additions based on tax positions related to the current year	1	-	3
Additions for tax positions of prior years	24	11	14
Reductions for tax positions of prior years	-	(10)	(7)
Settlements	(5)	(7)	-
Foreign currency translation	4	(3)	1
Balance at end of year	$ 48	$ 24	$ 33

For all periods presented, a portion of the balance at end of year pertains to state tax liabilities, which are presented before any offset for federal tax benefits. The effect of unrecognized tax benefits, if recorded, that would impact the 2009 annual effective tax rate would be approximately 1% of pretax book income. Alcoa does not anticipate that changes in its unrecognized tax benefits will have a material impact on the Statement of Consolidated Operations during 2010.

It is Alcoa's policy to recognize interest and penalties related to income taxes as a component of the Provision for income taxes on the accompanying Statement of Consolidated Operations. In 2009, 2008, and 2007, Alcoa recognized $5, $1, and $2, respectively, in interest and penalties. As of December 31, 2009 and 2008, the amount accrued for the payment of interest and penalties was $16 and $9, respectively.

U. Accounts Receivable Securitizations

Alcoa has a program to sell a senior undivided interest in certain customer receivables, without recourse, on a continuous basis to a third-party for cash. This program was renewed on October 29, 2009 and expires on October 28, 2010. In August 2008, Alcoa increased the capacity of this program from $100 to $250. As of December 31, 2009 and 2008, Alcoa derecognized $250 in Receivables from customers on the accompanying Consolidated Balance Sheet under this program (see Note A). Alcoa services the customer receivables for the third-party at market rates; therefore, no servicing asset or liability was recorded.

Alcoa had an existing program with a different third-party to sell certain customer receivables. The sale of receivables under this program was conducted through a qualifying special purpose entity (QSPE) that was bankruptcy remote, and, therefore, was not consolidated by Alcoa. Effective August 31, 2008, Alcoa terminated this program and all outstanding customer receivables were collected by the QSPE through the end of 2008.

V. Interest Cost Components

	2009	2008	2007
Amount charged to expense	$470	$407	$ 401
Amount capitalized	165	167	199
	$635	$574	$ 600

W. Pension Plans and Other Postretirement Benefits

Alcoa maintains pension plans covering most U.S. employees and certain employees in foreign locations. Pension benefits generally depend on length of service, job grade, and remuneration. Substantially all benefits are paid through pension trusts that are sufficiently funded to ensure that all plans can pay benefits to retirees as they become due. Most U.S. salaried and non-union hourly employees hired after March 1, 2006 participate in a defined contribution plan instead of a defined benefit plan.

Alcoa also maintains health care and life insurance benefit plans covering eligible U.S. retired employees and certain retirees from foreign locations. Generally, the medical plans pay a percentage of medical expenses, reduced by deductibles and other coverages. These plans are generally unfunded, except for certain benefits funded through a trust. Life benefits are generally provided by insurance contracts. Alcoa retains the right, subject to existing agreements, to change or eliminate these benefits. All U.S. salaried and certain hourly employees hired after January 1, 2002 are not eligible for postretirement health care benefits. All U.S. salaried and certain hourly employees that retire on or after April 1, 2008 are not eligible for postretirement life insurance benefits.

For the year-ended December 31, 2008, Alcoa adopted a change issued by the FASB requiring an employer to measure the funded status of each of its benefit plans as of the date of its year-end statement of financial position. This provision resulted in a charge of $9, which was recorded as an adjustment to December 31, 2008 retained earnings. Prior to the effective date of this change, the funded status of most of Alcoa's pension and other postretirement benefit plans were already measured as of December 31st.

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Obligations and Funded Status

December 31,	Pension benefits 2009	Pension benefits 2008	Postretirement benefits 2009	Postretirement benefits 2008
Change in benefit obligation				
Benefit obligation at beginning of year	$10,765	$11,601	$ 3,121	$ 3,260
Service cost	143	185	21	25
Interest cost	690	693	184	193
Amendments	4	11	(1)	-
Actuarial losses (gains)	450	(457)	(48)	(16)
Acquisitions	106	-	26	-
Divestitures	(10)	(71)	-	(58)
Settlements	(28)	(27)	-	-
Curtailments	2	(2)	-	3
Benefits paid, net of participants' contributions	(801)	(771)	(297)	(308)
Medicare Part D subsidy receipts	-	-	26	29
Other transfers, net	-	23	-	-
Exchange rate	317	(420)	6	(7)
Benefit obligation at end of year	$11,638	$10,765	$ 3,038	$ 3,121
Change in plan assets				
Fair value of plan assets at beginning of year	$ 7,908	$10,652	$ 162	$ 203
Actual return on plan assets	946	(2,058)	13	(41)
Employer contributions	136	523	-	-
Participants' contributions	28	33	-	-
Benefits paid	(807)	(769)	(64)	-
Administrative expenses	(42)	(22)	-	-
Acquisitions	123	-	-	-
Divestitures	(2)	(46)	-	-
Settlements	(31)	(27)	-	-
Other transfers, net	-	18	-	-
Exchange rate	270	(396)	-	-
Fair value of plan assets at end of year	$ 8,529	$ 7,908	$ 111	$ 162
Funded status	$ (3,109)	$ (2,857)	$ (2,927)	$ (2,959)
Amounts attributed to joint venture partners	16	14	7	9
Net funded status	$ (3,093)	$ (2,843)	$ (2,920)	$ (2,950)
Amounts recognized in the Consolidated Balance Sheet consist of:				
Noncurrent assets	$ 94	$ 122	$ -	$ -
Current liabilities	(24)	(24)	(224)	(220)
Noncurrent liabilities	(3,163)	(2,941)	(2,696)	(2,730)
Liabilities of operations held for sale	-	-	-	-
Net amount recognized	$ (3,093)	$ (2,843)	$ (2,920)	$ (2,950)
Amounts recognized in Accumulated Other Comprehensive Loss consist of:				
Net actuarial loss	$ 3,932	$ 3,650	$ 631	$ 724
Prior service cost (benefit)	81	89	(132)	(143)
Total, before tax effect	4,013	3,739	499	581
Less: Amounts attributed to joint venture partners	23	13	2	2
Net amount recognized, before tax effect	$ 3,990	$ 3,726	$ 497	$ 579
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Income) Loss consist of:				
Net actuarial loss (gain)	$ 393	$ 2,364	$ (52)	$ (16)
Amortization of accumulated net actuarial loss	(111)	(99)	(41)	(44)
Prior service (benefit) cost	8	(11)	-	(4)
Amortization of prior service (cost) benefit	(16)	(18)	11	11
Total, before tax effect	274	2,236	(82)	(53)
Less: Amounts attributed to joint venture partners	10	2	-	-
Net amount recognized, before tax effect	$ 264	$ 2,234	$ (82)	$ (53)

Pension Plan Benefit Obligations

	Pension benefits	
	2009	2008
The projected benefit obligation and accumulated benefit obligation for all defined benefit pension plans was as follows:		
Projected benefit obligation	$ 11,638	$ 10,765
Accumulated benefit obligation	11,332	10,485
The aggregate projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets was as follows:		
Projected benefit obligation	10,797	10,233
Fair value of plan assets	7,626	7,256
The aggregate accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets was as follows:		
Accumulated benefit obligation	10,083	9,660
Fair value of plan assets	7,181	6,923

Components of Net Periodic Benefit Costs

	Pension benefits			Postretirement benefits		
	2009	2008	2007	2009	2008	2007
Service cost	$ 139	$ 166	$ 200	$ 21	$ 24	$ 28
Interest cost	682	678	666	184	193	195
Expected return on plan assets	(758)	(805)	(787)	(11)	(18)	(17)
Amortization of prior service cost (benefit)	16	18	15	(11)	(11)	(3)
Recognized actuarial loss	111	99	127	41	44	55
Settlements	14	20	(2)	-	-	-
Curtailments	3	2	2	(1)	9	(3)
Net periodic benefit costs*	$ 207	$ 178	$ 221	$223	$241	$255

* Amounts attributed to joint venture partners are not included.

Amounts Expected to be Recognized in Net Periodic Benefit Costs

	Pension benefits	Postretirement benefits
	2010	2010
Prior service cost (benefit) recognition	$ 14	$ (15)
Actuarial loss recognition	171	41

Settlements and Curtailments of Benefit Plans

2009. During 2009, Alcoa completed the divestiture of the wire harness and electrical portion of the EES business to Platinum Equity (see Note F) and continued to execute its global workforce reduction plan (see Note D). As a result, certain pension and postretirement benefit plans were remeasured and Alcoa recognized curtailment gains and losses due to the significant reduction in the expected aggregate years of future service of the employees of the EES business and the employees subject to the global workforce reduction plan, respectively. Alcoa recorded curtailment gains of $5 and $1 related to the pension and postretirement benefit plans, respectively, that include the EES employees in Loss from discontinued operations and curtailment losses of $9 related to the pension plans that include the employees subject to the global workforce reduction plan in Restructuring and other charges on the accompanying Statement of Consolidated Operations. The curtailment gains and losses include recognition of the change in the projected benefit obligation (PBO) or accumulated postretirement benefit obligation (APBO) and a portion of the previously unrecognized prior service cost reflecting the reduction in expected future service.

The remeasurement of these pension and postretirement benefit plans generated a net increase and a decrease in 2009 annual net periodic benefit cost of $9 and less than $1, respectively. Also, the pension plans' PBO and plan assets decreased by $197 and $74, respectively, and the postretirement benefit plans' APBO decreased by $1 due to the remeasurements. Additionally, Alcoa recorded a credit of $144 ($94 after-tax) for pension plans and a charge of $1 (less than $1 after-tax) for postretirement benefit plans in accumulated other comprehensive loss due to the remeasurement of the curtailed plans.

Also in 2009, Alcoa recorded a settlement charge of $14 as a component of net periodic benefit cost related to its pension benefits due to significant lump sum benefit payments. Additionally, Alcoa recorded a curtailment gain of $1 related to two pension plans outside the U.S.

2008. As disclosed in Note F, Alcoa completed the sale of its Packaging and Consumer businesses to Rank in February 2008. In September 2008, Alcoa announced that it was temporarily idling the remaining production at its smelter in Rockdale (see Note D for additional information). As a result, certain U.S. and non-U.S. pension and postretirement benefit plans were remeasured and Alcoa recognized curtailment losses of $2 and $9, respectively, due to the significant reduction in the expected aggregate years of future service of the employees of the Packaging and Consumer businesses and the Rockdale smelter. The curtailment losses include recognition of the change in the pension plans' PBO or the postretirement benefit plans' APBO and a portion of the previously unrecognized prior service cost reflecting the reduction in expected future service. The remeasurement of these pension and postretirement benefit plans generated an increase and decrease in 2008 annual net periodic benefit cost of $23 and $10 for pension plans and postretirement benefit plans, respectively. Also, the pension plans' PBO and plan assets decreased by $26 and $248, respectively, and the postretirement benefit plans' APBO and plan assets decreased by $131 and $10, respectively.

Also in 2008, as part of the sale of the Packaging and Consumer businesses, Rank assumed the obligations of certain other U.S. and non-U.S. pension plans with PBOs of $71 and plan assets of $46. Rank's assumption of these obligations resulted in a settlement of the pension plan obligations for Alcoa. The settlement of these obligations resulted in the recognition of previously deferred actuarial losses in the amount of $14. Additionally, Alcoa recorded $4 less in 2008 annual net periodic benefit cost due to the settlement of these pension plans.

Due to the remeasurement of these curtailed and settled plans, Alcoa recorded a charge of $220 ($144 after-tax) for pension plans and a credit of $107 ($69 after-tax) for postretirement benefit plans to accumulated other comprehensive loss in 2008. In addition, a charge of $30 was recorded in accumulated other comprehensive loss due to the reclassification of deferred taxes related to the Medicare Part D prescription drug subsidy.

Lastly in 2008, Alcoa recorded a settlement charge of $6 as a component of net periodic benefit cost related to its pension benefits due to significant lump sum benefit payments.

2007. In 2007, Alcoa recorded a curtailment charge of $2 and curtailment income of $3 as a component of net periodic benefit cost related to its pension benefits and postretirement benefits, respectively. The curtailment charge of $2 was due to the contribution of Alcoa's soft alloy extrusion business to the Sapa AB joint venture (see Note I). The curtailment income of $3 consisted of income of $7 due to the elimination of the retiree life insurance benefit for certain U.S. employees who retire on or after April 1, 2008 and a charge of $4 related to Alcoa's soft alloy extrusion business.

Also in 2007, Alcoa recorded a settlement credit of $2 as a component of net periodic benefit cost related to its pension benefits due to significant lump sum benefit payments.

Medicare Part D

Alcoa pays a portion of the prescription drug cost for eligible retirees under certain of its postretirement benefit plans. These benefits were determined to be actuarially equivalent to the Medicare Part D prescription drug benefit of the Medicare Prescription Drug, Improvement and Modernization Act of 2003. As a result, the net periodic benefit cost for

postretirement benefits for the years ended December 31, 2009, 2008, and 2007 reflected a reduction of $42, $42, and $58, respectively, related to the recognition of the federal subsidy awarded under Medicare Part D. Future net periodic postretirement benefit costs will be adjusted to reflect the lower interest cost due to the reduction in the APBO resulting from the impact of the federal subsidy.

Assumptions

Weighted average assumptions used to determine benefit obligations are as follows:

December 31,	2009	2008
Discount rate	6.15%	6.4%
Rate of compensation increase	3.5	4.0

The discount rate is determined using a yield curve model developed with the assistance of the Company's external actuaries. The plans' projected benefit obligation cash flows are discounted using yields on high quality corporate bonds to produce a single equivalent rate. In 2008, the yield curve model was refined to exclude certain corporate bonds severely affected by the global economic downturn, as they were deemed not to be representative of equivalent yields on high-quality fixed income investments. In 2009, this methodology was continued as the output of the refined yield curve model parallels the plans' projected cash flows, which have an average duration of 10 years.

The rate of compensation increase is based upon actual experience. The global salary freeze enacted at the beginning of 2009 did not significantly impact this rate since it is a long-term assumption. For 2010, the rate of compensation increase will be 3.5%, which approximates the five-year average.

Weighted average assumptions used to determine the net periodic benefit cost are as follows:

	2009	2008	2007
Discount rate	6.40%	6.20%	5.95%
Expected long-term rate of return on plan assets	8.75	9.00	9.00
Rate of compensation increase	4.00	4.00	4.00

The long-term rate of return on plan assets is estimated by considering expected returns on current asset allocations, which is supported by historical actual returns, and is generally applied to a five-year average market value of assets. In 2009, the expected long-term rate of return was reduced to 8.75% due to lower future expected market returns as a result of the global economic downturn. This was supported by the fact that for the first time in 20 years in 2008, the 10-year moving average of actual performance fell below 9%, even though the 20-year moving average continued to exceed 9%. In 2009, the 20-year moving average of actual performance fell below 9% for the first time in more than 15 years, but has continued to exceed 8.75%. The expected long-term rate of return on plan assets will be 8.75% in 2010.

Assumed health care cost trend rates are as follows:

	2009	2008	2007
Health care cost trend rate assumed for next year	6.5%	6.5%	7.0%
Rate to which the cost trend rate gradually declines	5.0%	5.0%	5.0%
Year that the rate reaches the rate at which it is assumed to remain	2014	2013	2012

The health care cost trend rate in the calculation of the 2008 benefit obligation was 6.5% from 2008 to 2009 and from 2009 to 2010. Alcoa's actual annual health care cost trend experience over the past three years has ranged from (6.2)% to 0.3%. Due to the decline in Alcoa's health care cost trend experience in recent years, the use of a 6.5% trend rate will continue for 2010. Although the low-end of the range of actual annual health care costs is favorable, it is not indicative of expected future actual costs. As a result, the assumed health care cost trend rate for next year was not impacted.

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

	1% increase	1% decrease
Effect on total of service and interest cost components	$ 6	$ (5)
Effect on postretirement benefit obligations	86	(77)

Plan Assets

Alcoa's pension and postretirement plans' investment policy and weighted average asset allocations at December 31, 2009 and 2008, by asset category, are as follows:

		Plan assets at December 31,	
Asset category	Policy range	2009	2008
Equity securities	30–60%	33%	38%
Debt securities	30–55%	53	47
Real estate	5–15%	5	7
Other	0–10%	9	8
Total		100%	100%

The principal objectives underlying the investment of the pension and postretirement plans' assets are to ensure that Alcoa can properly fund benefit obligations as they become due under a broad range of potential economic and financial scenarios, maximize the long-term investment return with an acceptable level of risk based on such obligations, and broadly diversify investments across and within the capital markets to protect asset values against adverse movements in any one market. Alcoa's strategy balances the requirement to maximize returns using potentially higher return generating assets, such as equity securities, with the need to control the risk versus the benefit obligations with less volatile assets, such as fixed-income securities. In early 2009, Alcoa modified its pension plans' investment strategy by reducing equity securities and increasing debt securities both by five percent to help reduce the future volatility of the plans' funded status.

Investment practices must comply with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and any other applicable laws and regulations. The use of derivative instruments is permitted where appropriate and necessary for achieving overall investment policy objectives. Currently, the use of derivative instruments is not significant when compared to the overall investment portfolio.

The following section describes the valuation methodologies used by the trustee to measure the fair value of pension and postretirement benefit plan assets, including an indication of the level in the fair value hierarchy in which each type of asset is generally classified (see Note X for the definition of fair value and a description of the fair value hierarchy).

Equity Securities. These securities consist of direct investments in the stock of publicly traded companies. Such investments are valued based on the closing price reported in an active market on which the individual securities are traded. As such, the direct investments are generally classified in Level 1, while the commingled funds are generally classified in Level 2.

Equity Securities (Commingled Funds). These securities consist of the plans' share of commingled funds that are invested in the stock of publicly traded companies. Such investments are valued at the net asset value of shares held at December 31st. As such, these securities are generally included in Level 2.

Debt Securities. These securities consist of publicly traded U.S. and non-U.S. fixed interest obligations (principally corporate bonds and debentures). Such investments are valued through consultation and evaluation with brokers in the institutional market using quoted prices and other observable market data. As such, a portion of these securities are included in both Level 1 and 2.

Other Investments. These investments include, among others, cash and cash equivalents, exchange traded funds, real estate investment trusts, and direct investments of private real estate and private equity. Cash and cash equivalents consist of government securities with maturities less than one year and commingled funds. Such investments are generally valued using quoted prices or observable market data. As such, these funds are included in both Level 1 and 2. Exchange traded funds, such as gold, and real estate investment trusts are valued based on the closing price reported in an active market on which the investments are traded, and, therefore, are included in Level 1. Direct investments of private real estate and private equity are valued by investment managers based on the most recent financial information available, which typically represents significant unobservable data. As such, these investments are generally classified as Level 3. If fair value is able to be determined through the use of quoted market prices of similar assets or other observable market data, then the investments are classified in Level 2.

The fair value methods described above may not be indicative of net realizable value or reflective of future fair values. Additionally, while Alcoa believes the valuation methods used by the plans' trustee are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the fair value of pension and postretirement plan assets classified under the appropriate level of the fair value hierarchy as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Equity securities	$ 1,332	$ -	$ -	$1,332
Equity securities (commingled funds)	-	1,523	-	1,523
Debt securities	3,742	842	-	4,584
Other investments	229	172	762	1,163
Total*	$ 5,303	$ 2,537	$ 762	$8,602

* The total fair value of pension and postretirement plans' assets excludes a net receivable of $38, which represents interest and dividends earned on various investments.

Pension and postretirement benefit plan assets classified as Level 3 in the fair value hierarchy represent other investments in which the trustee has used significant unobservable inputs in the valuation model. The following table presents a reconciliation of activity for such alternative investments:

	2009
Balance at beginning of year	$ 832
Realized losses	(5)
Unrealized losses	(134)
Purchases, sales, issuances, and settlements	54
Exchange rate	15
Transfers in and (or) out of Level 3	–
Balance at end of year	$ 762

Cash Flows

It is Alcoa's policy to fund amounts for pension plans sufficient to meet the minimum requirements set forth in applicable benefits laws and local tax laws, including the Pension Protection Act of 2006 and the Worker, Retiree, and Employer Recovery Act of 2008 for U.S. plans. From time to time, Alcoa contributes additional amounts as deemed

appropriate. In 2009 and 2008, contributions to Alcoa's pension plans were $128 and $523 ($433 were voluntary). The minimum required cash contribution to the pension plans in 2010 is estimated to be $100, all of which is for international plans. There is no minimum required cash contribution for U.S. plans in 2010 based on the provisions of the Worker, Retiree, and Employer Recovery Act of 2008 (see Note Y).

Benefit payments expected to be paid to pension and postretirement benefit plans' participants and expected Medicare Part D subsidy receipts are as follows:

Year ended December 31,	Pension benefits	Gross Post-retirement benefits	Medicare Part D subsidy receipts	Net Post-retirement benefits
2010	$ 830	$ 315	$ 30	$ 285
2011	820	320	30	290
2012	830	320	30	290
2013	840	315	35	280
2014	850	315	35	280
2015 through 2019	4,370	1,435	155	1,280
	$ 8,540	$ 3,020	$ 315	$ 2,705

Defined Contribution Plans

Alcoa sponsors savings and investment plans in several countries, including the U.S. and Australia. Expenses related to these plans were $97 in 2009, $134 in 2008, and $139 in 2007. In the U.S., employees may contribute a portion of their compensation to the plans, and Alcoa matches, mostly in company stock, a portion of these contributions. Effective in 2009, employees are permitted to diversify all or any portion of their company stock match. In early 2009, Alcoa suspended employer-matching contributions for U.S. salaried participants for one year.

X. Derivatives and Other Financial Instruments

Derivatives. Alcoa is exposed to certain risks relating to its ongoing business operations, including financial, market, political, and economic risks. The following discussion provides information regarding Alcoa's exposure to the risks of changing commodity prices, interest rates, and foreign currency exchange rates.

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 activities.

The aluminum, energy, interest rate, and foreign exchange contracts are held for purposes other than trading. They are used primarily to mitigate uncertainty and volatility, and to cover underlying exposures. Alcoa is not involved in trading activities for energy, weather derivatives, or other nonexchange commodity trading activities.

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The fair values of outstanding derivative contracts recorded as assets in the accompanying Consolidated Balance Sheet were as follows:

Asset Derivatives	Balance Sheet Location	December 31, 2009	December 31, 2008
Derivatives designated as hedging instruments:			
Aluminum contracts	Prepaid expenses and other current assets	$ 59	$ -
Interest rate contracts	Prepaid expenses and other current assets	34	14
Foreign exchange contracts	Prepaid expenses and other current assets	7	-
Energy contracts	Prepaid expenses and other current assets	7	-
Aluminum contracts	Other noncurrent assets	22	26
Interest rate contracts	Other noncurrent assets	73	146
Foreign exchange contracts	Other noncurrent assets	5	-
Total derivatives designated as hedging instruments		$ 207	$ 186
Derivatives not designated as hedging instruments*:			
Aluminum contracts	Prepaid expenses and other current assets	$ 6	$ 35
Energy contracts	Prepaid expenses and other current assets	1	17
Aluminum contracts	Other noncurrent assets	3	-
Energy contracts	Other noncurrent assets	-	1
Total derivatives not designated as hedging instruments		$ 10	$ 53
Less margin held:			
Interest rate contracts	Prepaid expenses and other current assets	$ 19	$ 3
Aluminum contracts	Prepaid expenses and other current assets	22	-
Energy contracts	Prepaid expenses and other current assets	1	-
Interest rate contracts	Other noncurrent assets	18	64
Sub-total		$ 60	$ 67
Total Asset Derivatives		$ 157	$ 172

* See the “Other” section within Note X for additional information on Alcoa’s purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategies.

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The fair values of outstanding derivative contracts recorded as liabilities in the accompanying Consolidated Balance Sheet were as follows:

Liability Derivatives	**Balance Sheet Location**	**December 31, 2009**	**December 31, 2008**
Derivatives designated as hedging instruments:			
Aluminum contracts	Fair value of derivative contracts	$ 67	$ 492
Energy contracts	Fair value of derivative contracts	-	20
Foreign exchange contracts	Fair value of derivative contracts	4	-
Interest rate contracts	Fair value of derivative contracts	-	2
Aluminum contracts	Other noncurrent liabilities and deferred credits	734	309
Energy contracts	Other noncurrent liabilities and deferred credits	-	14
Total derivatives designated as hedging instruments		$ 805	$ 837
Derivatives not designated as hedging instruments*:			
Aluminum contracts	Fair value of derivative contracts	$ 42	$ 49
Energy contracts	Fair value of derivative contracts	37	17
Aluminum contracts	Other noncurrent liabilities and deferred credits	36	15
Energy contracts	Other noncurrent liabilities and deferred credits	24	1
Foreign exchange contracts	Other noncurrent liabilities and deferred credits	1	-
Embedded credit derivative	Other noncurrent liabilities and deferred credits	22	21
Total derivatives not designated as hedging instruments		$ 162	$ 103
Less margin posted:			
Aluminum contracts	Fair value of derivative contracts	$ 4	$ 119
Energy contracts	Fair value of derivative contracts	18	-
Aluminum contracts	Other noncurrent liabilities and deferred credits	3	-
Energy contracts	Other noncurrent liabilities and deferred credits	12	-
Sub-total		$ 37	$ 119
Total Liability Derivatives		$ 930	$ 821

* See the “Other” section within Note X for additional information on Alcoa’s purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategies.

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The following table shows the net fair values of outstanding derivative contracts at December 31, 2009 and the effect on these amounts of a hypothetical change (increase or decrease of 10%) in the market prices or rates that existed at December 31, 2009:

	Fair value asset/(liability)	Index change of + / - 10%
Aluminum contracts	$ (804)	$ 227
Interest rate contracts	48	14
Energy contracts	(24)	43
Foreign exchange contracts	7	4

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3—Inputs that are both significant to the fair value measurement and unobservable.

The following section describes the valuation methodologies used by Alcoa to measure derivative contracts at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models, and any significant assumptions.

Derivative contracts are valued using quoted market prices and significant other observable and unobservable inputs. Such financial instruments consist of aluminum, energy, interest rate, and foreign exchange contracts. The fair values for the majority of these derivative contracts are based upon current quoted market prices. These financial instruments are typically exchange-traded and are generally classified within Level 1 or Level 2 of the fair value hierarchy depending on whether the exchange is deemed to be an active market or not.

For certain derivative contracts whose fair values are based upon trades in liquid markets, such as aluminum options and interest rate swaps, valuation model inputs can generally be verified and valuation techniques do not involve significant management judgment. The fair values of such financial instruments are generally classified within Level 2 of the fair value hierarchy.

Alcoa has other derivative contracts that do not have observable market quotes. For these financial instruments, management uses significant other observable inputs (e.g., information concerning time premiums and volatilities for certain option type embedded derivatives and regional premiums for swaps). For periods beyond the term of quoted market prices for aluminum, Alcoa uses a macroeconomic model that estimates the long-term price of aluminum based on anticipated changes in worldwide supply and demand. Where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence (Level 2). In the absence of such evidence, management's best estimate is used (Level 3).

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The following table presents Alcoa's derivative contract assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy:

December 31,	**2009**	**2008**
Assets:		
Level 1	$110	$ 79
Level 2	107	160
Level 3	-	–
Margin held*	(60)	(67)
Total	$157	$ 172
Liabilities:		
Level 1	$ 61	$ 569
Level 2	75	30
Level 3	831	341
Margin posted*	(37)	(119)
Total	$930	$ 821

* Margin held represents cash collateral received related to aluminum and energy contracts included in Level 1 and interest rate contracts included in Level 2 and margin posted represents cash collateral paid related to aluminum contracts included in Level 1 and energy contracts included in Level 3. Alcoa elected to net the margin held and posted against the fair value amounts recognized for derivative instruments executed with the same counterparties under master netting arrangements.

Financial instruments classified as Level 3 in the fair value hierarchy represent derivative contracts in which management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for such derivative contracts on a net basis:

	2009	**2008**
Balance at beginning of year	$341	$408
Total realized/unrealized (losses) or gains included in:		
Sales	(16)	(54)
Cost of goods sold	(37)	–
Other income, net	(1)	3
Other comprehensive loss (income)	507	(35)
Purchases, sales, issuances, and settlements*	6	19
Transfers in and (or) out of Level 3**	31	–
Balance at end of year	$831	$341
Total (losses) or gains included in earnings attributable to the change in unrealized gains or losses relating to derivative contracts still held at December 31, 2009 and 2008:		
Sales	$ (16)	$ (54)
Cost of goods sold	(37)	–
Other income, net	(1)	3

* In 2009, there was an indirect purchase of a Level 3 embedded derivative in a power contract, which is linked to the LME and a foreign exchange rate, related to the Elkem transaction (see Note F).

** In 2009, an existing power contract no longer qualified for the normal purchase normal sale exception under derivative accounting. As a result, this contract is now accounted for as a derivative and was recorded at fair value.

As reflected in the table above, the net unrealized loss on derivative contracts using Level 3 valuation techniques was $831 and $341 as of December 31, 2009 and 2008, respectively. These losses were mainly attributed to embedded derivatives in power contracts that index the price of power to the London Metal Exchange (LME) price of aluminum.

These embedded derivatives are primarily valued using observable market prices. However, due to the length of the contracts, the valuation model also requires management to estimate the long-term price of aluminum based upon anticipated changes in worldwide supply and demand. The embedded derivatives have been designated as hedges of forward sales of aluminum and their realized gains and losses were included in Sales on the accompanying Statement of Consolidated Operations.

Also, included within Level 3 measurements are derivative financial instruments that hedge the cost of electricity. Transactions involving on-peak power are observable as there is an active market. However, there are certain off-peak times when there is not an actively traded market for electricity. Therefore, management utilizes various forecast services, historical relationships, and near term market actual pricing to determine the fair value. Gains and losses realized for the financial electricity contracts were included in Cost of goods sold on the accompanying Statement of Consolidated Operations. In 2009, an existing power contract associated with a smelter in the U.S. no longer qualified for the normal purchase normal sale exception under derivative accounting. Management utilizes a similar valuation technique as those used to value the hedge of electricity. Gains and losses realized for physical power contracts are included in Other income, net on the accompanying Statement of Consolidated Operations.

Additionally, an embedded derivative in a power contract that indexes the difference between the long-term debt ratings of Alcoa and the counterparty from any of the three major credit rating agencies is included in Level 3. Management uses forecast services, historical relationships, and market prices to determine fair value. Realized gains and losses for this embedded derivative were included in Other income, net on the accompanying Statement of Consolidated Operations. None of the Level 3 positions on hand at December 31, 2009 and 2008 resulted in any unrealized gains in the accompanying Statement of Consolidated Operations.

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. Alcoa includes the gain or loss on the hedged items in the same line items as the offsetting loss or gain on the related derivative contracts as follows (there were no contracts that ceased to qualify as a fair value hedge in 2009, 2008, or 2007):

Derivatives in Fair Value Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives		
		2009	2008	2007
Aluminum contracts	Sales	$ 214	$ (539)	$ (161)
Interest rate contracts	Interest expense	61	16	26
Foreign exchange contracts	Other income, net	–	(1)	8
Total		$ 275	$ (524)	$ (127)

Aluminum. Alcoa is a leading global producer of primary aluminum and fabricated aluminum products. As a condition of sale, customers often require Alcoa to enter into long-term, fixed-price commitments. These commitments expose Alcoa to the risk of fluctuating aluminum prices between the time the order is committed and the time that the order is shipped. Alcoa's aluminum commodity risk management policy is to manage, principally through the use of futures and options contracts, the aluminum price risk associated with a portion of its firm commitments. These contracts cover known exposures, generally within three years. As of December 31, 2009, Alcoa had 440 kmt of aluminum futures designated as fair value hedges. The effects of this hedging activity will be recognized over the designated hedge periods in 2010 to 2012.

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. As of December 31, 2009 the Company had pay floating, receive fixed interest rate swaps that were designated as fair value hedges. These hedges effectively convert the interest rate from fixed to floating on $1,890 of debt through 2018 (see Note K).

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Foreign Exchange. Through April 2008, Alcoa used cross-currency interest rate swaps that effectively converted its U.S. dollar denominated debt into Brazilian real debt at local interest rates.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)			Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)*			Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)**		
	2009	2008	2007		2009	2008	2007		2009	2008	2007
Aluminum contracts	$(589)	$232	$(148)	Sales	$ (4)	$(136)	$(31)	Other income, net	$ 3	$ (2)	$ –
Aluminum contracts	13	90	86	Other income, net	49	(35)	69	Other income, net	–	–	–
Energy contracts	(29)	(41)	(25)	Cost of goods sold	(37)	(16)	(72)	Other income, net	–	–	–
Foreign exchange contracts	(2)	1	17	Sales	3	46	65	Other income, net	–	–	–
Foreign exchange contracts	–	–	1	Cost of goods sold	–	(16)	(22)	Other income, net	–	–	–
Interest rate contracts	(2)	–	–	Cost of goods sold	–	–	–	Other income, net	–	–	–
Total	$(609)	$282	$ (69)		$ 11	$(157)	$ 9		$ 3	$ (2)	$ –

* Assuming market rates remain constant with the rates at December 31, 2009, a loss of $47 is expected to be recognized in earnings over the next 12 months.

** In 2009, 2008, and 2007, the amount of gain or (loss) recognized in income represents $3, $(1), and $1, respectively, related to the ineffective portion of the hedging relationships. There was also (1) related to the amount excluded from the assessment of hedge effectiveness in both 2008 and 2007.

Aluminum and Energy. Alcoa anticipates the continued requirement to purchase aluminum and other commodities, such as electricity, natural gas, and fuel oil, for its operations. Alcoa enters into futures and forward contracts to reduce volatility in the price of these commodities. Alcoa has also entered into power supply and other contracts that contain pricing provisions related to the LME aluminum price. The LME-linked pricing features are considered embedded derivatives. A majority of these embedded derivatives have been designated as cash flow hedges of future sales of aluminum. On March 31, 2009, Alcoa acquired an embedded derivative in a power contract, which is linked to the LME, in the Elkem transaction.

Interest Rates. Alcoa had no outstanding cash flow hedges of interest rate exposures as of December 31, 2009, 2008, or 2007. An investment accounted for on the equity method by Alcoa has entered into interest rate contracts, which are designated as cash flow hedges.

Foreign Exchange. Alcoa is subject to exposure from fluctuations in foreign currency exchange rates. These 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 consistent with known or expected exposures through 2010. On March 31, 2009, Alcoa acquired foreign currency derivatives in the Elkem transaction which cover anticipated foreign currency exposures through 2011.

Alcoa had the following outstanding forward contracts that were entered into to hedge forecasted transactions:

December 31,	2009	2008
Aluminum contracts (kmt)	1,917	1,252
Energy contracts:		
Electricity (megawatt hours)	-	3,971,715
Natural gas (million British thermal units)	13,560,000	-
Fuel oil (metric tons)	307,143	-
Foreign exchange contracts	$ 158	$ -

Other

Alcoa has also entered into certain derivatives to minimize its price risk related to other customer sales and pricing arrangements. Alcoa has not qualified these contracts for hedge accounting treatment and, therefore, the fair value gains and losses on these contracts are recorded in earnings as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives		
		2009	2008	2007
Aluminum contracts	Sales	$ (9)	$ 10	$ (12)
Aluminum contracts	Other income, net	(38)	66	(26)
Embedded credit derivative	Other income, net	-	(3)	-
Energy contract	Other income, net	(30)	-	-
Foreign exchange contracts	Other income, net	6	(25)	(13)
Total		$ (71)	$ 48	$ (51)

The embedded credit derivative relates to a power contract that indexes the difference between the long-term debt ratings of Alcoa and the counterparty from any of the three major credit rating agencies. If Alcoa's credit ratings were downgraded at any time, an independent investment banker would be consulted to determine a hypothetical interest rate for both parties. The two interest rates would be netted and the resulting difference would be multiplied by Alcoa's equivalent percentage of the outstanding principal of the counterparty's debt obligation as of December 31st of the year preceding the calculation date. This differential would be added to the cost of power in the period following the calculation date.

In 2009, an existing power contract associated with a smelter in the U.S. no longer qualified for the normal purchase normal sale exception under derivative accounting. The change in the classification of this contract was due to the fact that Alcoa negotiated a new power contract that did not replace the existing contract, resulting in Alcoa receiving more power than it requires for this smelter (the terms of the new power contract were favorable compared to the existing power contract and management determined that is was beneficial to enter into the new contract now while fulfilling its obligation under the existing contract as opposed to waiting closer to the end of the existing contract to negotiate a new power contract). As a result, the existing contract was required to be accounted for as a derivative. Under the derivative classification, this contract does not qualify as a fair value or cash flow hedge. As such, the existing power contract is now marked to market through earnings. Alcoa's obligation under the existing contract expires in 2011.

In 2009, Alcoa entered into a forward contract to purchase $56 (C$58) to mitigate the foreign currency risk related to a loan due in 2014. All other foreign exchange contracts were entered into and settled during the respective periods.

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Material Limitations

The disclosures with respect to commodity prices, interest rates, and foreign currency 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. 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.

Other Financial Instruments. The carrying values and fair values of Alcoa's other financial instruments are as follows:

	2009		2008	
December 31,	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Cash and cash equivalents	$ 1,481	$1,481	$ 762	$ 762
Restricted cash	8	8	11	11
Noncurrent receivables	24	24	14	14
Available-for-sale securities	105	105	27	27
Long-term debt due within one year	669	669	56	56
Short-term borrowings	176	176	478	478
Commercial paper	-	-	1,535	1,535
Long-term debt, less amount due within one year	8,974	9,885	8,509	7,345

The following methods were used to estimate the fair values of other financial instruments:

Cash and cash equivalents, Restricted cash, Long-term debt due within one year, Short-term borrowings, and Commercial paper. The carrying amounts approximate fair value because of the short maturity of the instruments.

Noncurrent receivables. The fair value of noncurrent receivables was based on anticipated cash flows, which approximates carrying value.

Available-for-sale securities. The fair value of such securities was based on quoted market prices. These financial instruments consist of exchange-traded fixed income and equity securities, which are carried at fair value and were classified in Level 1 of the fair value hierarchy.

Long-term debt, less amount due within one year. The fair value was based on interest rates that are currently available to Alcoa for issuance of debt with similar terms and remaining maturities.

Y. Subsequent Events

Management evaluated all activity of Alcoa through February 18, 2010 (the issue date of the Consolidated Financial Statements) and concluded that no subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the Notes to the Consolidated Financial Statements, except as follows:

On January 26, 2010, Alcoa contributed 44,313,146 newly issued shares of its common stock to a master trust that holds the assets of certain U.S. defined benefit pension plans in a private placement transaction. These shares were valued at $13.54 per share (the closing price of Alcoa's common stock on January 26, 2010), or $600 in the aggregate, and were issued to satisfy a portion of Alcoa's outstanding future funding obligations of these plans, including a portion of the estimated minimum required funding for 2011. On January 27, 2010, the 44,313,146 shares were registered under Alcoa's current shelf registration statement dated March 10, 2008 for resale by the master trust, as selling stockholder.

Supplemental Financial Information (unaudited)

Quarterly Data
(dollars in millions, except per-share amounts)

	First	Second	Third	Fourth	Year
2009					
Sales	$4,147	$ 4,244	$4,615	$ 5,433	$18,439
Amounts attributable to Alcoa common shareholders:					
(Loss) income from continuing operations	$ (480)	$ (312)	$ 73	$ (266)	$ (985)
(Loss) income from discontinued operations (B)	(17)	(142)	4	(11)	(166)
Net (loss) income	$ (497)	$ (454)	$ 77	$ (277)	$ (1,151)
Earnings per share attributable to Alcoa common shareholders* (S):					
Basic:					
(Loss) income from continuing operations	$ (0.59)	$ (0.32)	$ 0.07	$ (0.27)	$ (1.06)
(Loss) income from discontinued operations	(0.02)	(0.15)	0.01	(0.01)	(0.17)
Net (loss) income	$ (0.61)	$ (0.47)	$ 0.08	$ (0.28)	$ (1.23)
Diluted:					
(Loss) income from continuing operations	$ (0.59)	$ (0.32)	$ 0.07	$ (0.27)	$ (1.06)
(Loss) income from discontinued operations	(0.02)	(0.15)	0.01	(0.01)	(0.17)
Net (loss) income	$ (0.61)	$ (0.47)	$ 0.08	$ (0.28)	$ (1.23)

	First	Second	Third	Fourth	Year
2008					
Sales	$6,998	$ 7,245	$6,970	$ 5,688	$26,901
Amounts attributable to Alcoa common shareholders:					
Income (loss) from continuing operations	$ 299	$ 553	$ 306	$ (929)	$ 229
Income (loss) from discontinued operations (B)	4	(7)	(38)	(262)	(303)
Net income (loss)	$ 303	$ 546	$ 268	$(1,191)	$ (74)
Earnings per share attributable to Alcoa common shareholders* (S):					
Basic:					
Income (loss) from continuing operations	$ 0.37	$ 0.68	$ 0.37	$ (1.16)	$ 0.27
Income (loss) from discontinued operations	-	(0.01)	(0.04)	(0.33)	(0.37)
Net income (loss)	$ 0.37	$ 0.67	$ 0.33	$ (1.49)	$ (0.10)
Diluted:					
Income (loss) from continuing operations	$ 0.36	$ 0.67	$ 0.37	$ (1.16)	$ 0.27
Income (loss) from discontinued operations	0.01	(0.01)	(0.04)	(0.33)	(0.37)
Net income (loss)	$ 0.37	$ 0.66	$ 0.33	$ (1.49)	$ (0.10)

* Per share amounts are calculated independently for each period presented; therefore, the sum of the quarterly per share amounts may not equal the per share amounts for the year. Separately, in 2009, Alcoa adopted changes issued by the FASB to the calculation of earnings per share (see Note S). As a result, earnings per share amounts for 2008 were revised to reflect these changes.

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

None.

Item 9A. 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 defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this report, and they have concluded that these controls and procedures are effective.

(b) Management's Annual Report on Internal Control over Financial Reporting

Management's Report on Internal Control over Financial Reporting is included in Part II, Item 8 of this Form 10-K beginning on page 71.

(c) Attestation Report of the Registered Public Accounting Firm

The effectiveness of Alcoa's internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included in Part II, Item 8 of this Form 10-K on page 73.

(d) Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the fourth quarter of 2009, that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

Item 9A(T). Controls and Procedures.

Not Applicable.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 401 of Regulation S-K regarding directors is contained under the captions "Item 1 – Election of Directors" of the Proxy Statement and is incorporated by reference. The information required by Item 401 of Regulation S-K regarding executive officers is set forth in Part I, Item 4A of this report under "Executive Officers of the Registrant".

The information required by Item 405 of Regulation S-K is contained under the caption "Alcoa Stock Ownership – Section 16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement and is incorporated by reference.

The company's Code of Ethics for the CEO, CFO and Other Financial Professionals is publicly available on the company's Internet website at http://www.alcoa.com under the section "About Alcoa – Corporate Governance." The remaining information required by Item 406 of Regulation S-K is contained under the captions "Corporate Governance" and "Corporate Governance – Business Conduct Policies and Code of Ethics" of the Proxy Statement and is incorporated by reference.

The information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is included under "Nominating Candidates for Election to the Board" and "Corporate Governance – Committees of the Board – Audit Committee" of the Proxy Statement and is incorporated by reference.

Item 11. Executive Compensation.

The information required by Item 402 of Regulation S-K is contained under the captions "Executive Compensation" (excluding the information under the caption "– Compensation Committee Report"), "Director Compensation for 2009", and "Corporate Governance – Recovery of Incentive Compensation" of the Proxy Statement. Such information is incorporated by reference.

The information required by Items 407(e)(4) and (e)(5) of Regulation S-K is contained under the captions "Corporate Governance – Compensation Committee Interlocks and Insider Participation" and "Executive Compensation – Compensation Committee Report" of the Proxy Statement. Such information (other than the Compensation Committee Report, which shall not be deemed to be "filed") is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table gives information about Alcoa's common stock that could be issued under the company's equity compensation plans as of December 31, 2009.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	*(b)*	*(c)*
Equity compensation plans approved by security holders[1]	72,696,296[1]	$ 24.44	35,836,025[2]
Equity compensation plans not approved by security holders[3,4]	0	0	0
Total	72,696,296[1]	$ 24.44	35,836,025[2]

[1] Includes the 2009 Alcoa Stock Incentive Plan (approved by shareholders in May 2009) (2009 ASIP), 2004 Alcoa Stock Incentive Plan (approved by shareholders in April 2004) (2004 ASIP), Alcoa Stock Incentive Plan

(approved by shareholders in 1999) and the former Alcoa Long Term Stock Incentive Plan (last approved by shareholders in 1992 and amendments thereto approved by shareholders in 1995). Table amounts are comprised of the following:

- 59,111,096 stock options
- 6,360,522 performance options (5,605,008 granted at target)
- 5,870,340 restricted share units
- 1,354,338 performance share awards (159,750 granted at target)

[2] The 2009 ASIP authorizes, in addition to stock options, other types of stock-based awards in the form of stock appreciation rights, restricted shares, restricted share units, performance awards and other awards. The shares that remain available for issuance under the 2009 ASIP may be issued in connection with any one of these awards. Up to 35 million shares may be issued under the plan. Any award other than an option or a stock appreciation right shall count as 1.75 shares. Options and stock appreciation rights shall be counted as one share for each option or stock appreciation right. In addition, the 2009 ASIP provides the following are available to grant under the 2009 ASIP: (i) shares that are issued under the 2009 ASIP, which are subsequently forfeited, cancelled or expire in accordance with the terms of the award and (ii) shares that had previously been issued under prior plans that are outstanding as of the date of the 2009 ASIP which are subsequently forfeited, cancelled or expire in accordance with the terms of the award.

[3] In connection with its acquisitions of Alumax, Cordant Technologies Inc., Howmet and Reynolds, Alcoa assumed stock options outstanding under these companies' stock option plans. An aggregate of 660,760 shares of Alcoa common stock are to be issued upon exercise of the outstanding options. The options have a weighted-average exercise price of $32.79. No grants of stock options under these plans have been made since the year of Alcoa's acquisition of the particular company, nor will any such grants be made in the future.

[4] The Alcoa Fee Continuation Plan for Non-Employee Directors, adopted in 1990, provided fee continuation payments for persons who met a minimum service requirement as a non-employee director. Each of the eligible participants (ten at December 31, 2009) was entitled to receive such cash and stock payments for life upon retirement from the Board based upon the cash retainer fee for directors and an annual stock grant under the company's former Stock Plan for Non-Employee Directors. In 1995, the Board froze future annual payments to eligible directors at a maximum of $30,000 and 2,000 shares (or a lesser proportion based on service). In 2006, the Plan was amended to provide that all payments would be made in cash rather than stock and cash, at the equivalent value of the payments the eligible participants would have received in stock and cash. Prior to the 2006 Amendment, Alcoa's practice had been to use treasury shares for the share payments. All current fees and other compensation for directors are outlined under the caption "Director Compensation for 2009" of the Proxy Statement.

The information required by Item 403 of Regulation S-K is contained under the captions "Alcoa Stock Ownership – Stock Ownership of Certain Beneficial Owners" and "– Stock Ownership of Directors and Executive Officers" of the Proxy Statement and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 404 of Regulation S-K is contained under the captions "Executive Compensation" (excluding the information under the caption "Compensation Committee Report"), "Corporate Governance – Transactions with Directors' Companies" of the Proxy Statement and is incorporated by reference.

The information required by Item 407(a) of Regulation S-K regarding director independence is contained under the captions "Item 1 – Election of Directors", "Corporate Governance", "Corporate Governance – Where to Find Corporate Governance Information", "Corporate Governance – Director Independence", "Corporate Governance – Committees of the Board" and "Corporate Governance – Transactions with Directors' Companies" of the Proxy Statement and is incorporated by reference.

Item 14. Principal Accounting Fees and Services.

The information required by Item 9(e) of Schedule 14A is contained under the captions “Item 2 – Proposal to Ratify the Independent Auditor – Audit and Non-Audit Fees” and “– 2010 Report of the Audit Committee” of the Proxy Statement and in Attachment A (Pre-Approval Policies and Procedures adopted by the Audit Committee for Audit and Non-Audit Services) thereto and is incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

(1) The company’s consolidated financial statements, the notes thereto and the report of the Independent Registered Public Accounting Firm are on pages 73 through 143 of this report.

(2) The following report and schedule should be read with the company’s consolidated financial statements: Report of PricewaterhouseCoopers LLP dated February 18, 2010 on the company’s financial statement schedule filed as a part hereof for the fiscal years ended December 31, 2009, 2008 and 2007.

Schedule II – Valuation and Qualifying Accounts For the Years Ended December 31, 2009, 2008 and 2007.

(3) Exhibits

Exhibit Number	Description*
3(a).	Articles of the Registrant as amended, incorporated by reference to exhibit 3(a) to the company’s Quarterly Report on Form 10-Q (Commission file number 1-3610) for the quarter ended June 30, 2000.
3(b).	By-Laws of the Registrant as amended, incorporated by reference to exhibit 3 to the company’s Current Report on Form 8-K dated September 20, 2007.
4(a).	Articles. See Exhibit 3(a) above.
4(b).	By-Laws. See Exhibit 3(b) above.
4(c).	Form of Indenture, dated as of September 30, 1993, between Alcoa Inc. and The Bank of New York Trust Company, N.A., as successor to J. P. Morgan Trust Company, National Association (formerly Chase Manhattan Trust Company, National Association), as successor Trustee to PNC Bank, National Association, as Trustee (undated form of Indenture incorporated by reference to exhibit 4(a) to Registration Statement No. 33-49997 on Form S-3).
4(c)(1).	First Supplemental Indenture dated as of January 25, 2007 between Alcoa Inc. and The Bank of New York Trust Company, N.A., as successor to J.P. Morgan Trust Company, National Association (formerly Chase Manhattan Trust Company, National Association), as successor Trustee to PNC Bank, National Association, as Trustee, incorporated by reference to exhibit 99.4 to the company’s Current Report on Form 8-K dated January 25, 2007.
4(c)(2).	Second Supplemental Indenture dated as of July 15, 2008 between Alcoa Inc. and The Bank of New York Mellon Trust Company, N.A., as successor in interest to J. P. Morgan Trust Company, National Association (formerly Chase Manhattan Trust Company, National Association, as successor to PNC Bank, National Association), as Trustee, incorporated by reference to exhibit 4(c) to the company’s Current Report on Form 8-K dated July 15, 2008.

4(c)(3).	Third Supplemental Indenture dated as of March 24, 2009 between Alcoa Inc. and The Bank of New York Mellon Trust Company, N.A., as successor in interest to J.P. Morgan Trust Company, National Association (formerly Chase Manhattan Trust Company, National Association, as successor to PNC Bank, National Association), as Trustee, incorporated by reference to exhibit 4.2 to the company's Current Report on Form 8-K dated March 24, 2009.
4(d).	Form of 5.55% Notes Due 2017, incorporated by reference to exhibit 4(d) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
4(e).	Form of 5.90% Notes Due 2027, incorporated by reference to exhibit 4(d) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
4(f).	Form of 5.95% Notes Due 2037, incorporated by reference to exhibit 4(d) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
4(g).	Form of 6.00% Notes Due 2013, incorporated by reference to exhibit 4(a) to the company's Current Report on Form 8-K dated July 15, 2008.
4(h).	Form of 6.75% Notes Due 2018, incorporated by reference to exhibit 4(b) to the company's Current Report on Form 8-K dated July 15, 2008.
4(i).	Form of 5.25% Convertible Notes due 2014, incorporated by reference to exhibit 4.1 to the company's Current Report on Form 8-K dated March 24, 2009.
10(a).	Alcoa's Summary of the Key Terms of the AWAC Agreements, incorporated by reference to exhibit 99.2 to the company's Current Report on Form 8-K (Commission file number 1-3610) dated November 28, 2001.
10(b).	Charter of the Strategic Council executed December 21, 1994, incorporated by reference to exhibit 99.3 to the company's Current Report on Form 8-K (Commission file number 1-3610) dated November 28, 2001.
10(c).	Amended and Restated Limited Liability Company Agreement of Alcoa Alumina & Chemicals, L.L.C. dated as of December 31, 1994, incorporated by reference to exhibit 99.4 to the company's Current Report on Form 8-K (Commission file number 1-3610) dated November 28, 2001.
10(d).	Shareholders Agreement dated May 10, 1996 between Alcoa International Holdings Company and WMC Limited, incorporated by reference to exhibit 99.5 to the company's Current Report on Form 8-K (Commission file number 1-3610) dated November 28, 2001.
10(e).	Side Letter of May 16, 1995 clarifying transfer restrictions, incorporated by reference to exhibit 99.6 to the company's Current Report on Form 8-K (Commission file number 1-3610) dated November 28, 2001.
10(f).	Enterprise Funding Agreement, dated September 18, 2006, between Alcoa Inc., certain of its affiliates and Alumina Limited, incorporated by reference to exhibit 10(f) to the company's Annual Report on Form 10-K for the year ended December 31, 2006.
10(f)(1).	Amendments to Enterprise Funding Agreement, effective January 25, 2008, between Alcoa Inc., certain of its affiliates and Alumina Limited, incorporated by reference to exhibit 10(f)(1) to the company's Annual Report on Form 10-K for the year ended December 31, 2007.

10(g).	Five-Year Revolving Credit Agreement, dated as of October 2, 2007, among Alcoa Inc., the Lenders and Issuers named therein, Citibank, N.A., as Administrative Agent for the Lenders and Issuers, and Barclays Bank PLC, as Syndication Agent incorporated by reference to exhibit 10 to the company's Current Report on Form 8-K dated October 5, 2007.
10(g)(1).	Accession Agreement & Notices, each dated as of July 28, 2008, relating to the Five-Year Revolving Credit Agreement, dated as of October 2, 2007, incorporated by reference to exhibit 10 to the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.
10(h).	Acquisition Agreement, dated December 21, 2007, between Alcoa Inc. and Rank Group Limited, incorporated by reference to exhibit 10(h) to the company's Annual Report on Form 10-K for the year ended December 31, 2007.
10(i).	Aluminum Project Framework Shareholders' Agreement, dated December 20, 2009, between Alcoa Inc. and Saudi Arabian Mining Company (Ma'aden).
10(j).	Closing Memorandum, dated December 20, 2009, between Alcoa Inc. and Aluminum Financing Limited.
10(j)(1).	Parent Guarantee, dated December 20, 2009, between Abdullah Abunayyan Trading Corp. and Alcoa Inc.
10(j)(2).	Parent Guarantee, dated December 20, 2009, between Alcoa Inc. and Aluminum Financing Limited.
10(k).	Registration Rights Agreement, dated as of January 26, 2010, by and between Alcoa Inc. and Evercore Trust Company, N.A., solely in its capacity as duly appointed and acting investment manager of a segregated account held in the Alcoa Master Retirement Plans Trust, incorporated by reference to exhibit 10 to the company's Current Report on Form 8-K dated January 26, 2010.
10(l).	Alcoa Stock Acquisition Plan, effective January 1, 1999, incorporated by reference to exhibit 10(a) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1999.
10(l)(1).	Amendments to Alcoa Stock Acquisition Plan, effective September 1, 2000, incorporated by reference to exhibit 10(a)(1) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 2000.
10(l)(2).	Amendments to Alcoa Stock Acquisition Plan, effective January 1, 2005, incorporated by reference to exhibit 10(i)(2) to the company's Annual Report on Form 10-K for the year ended December 31, 2005.
10(l)(3).	Amendments to Alcoa Stock Acquisition Plan, effective December 29, 2008, incorporated by reference to exhibit 10(i)(3) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(l)(4).	Amendment to the Alcoa Stock Acquisition Plan, effective December 18, 2009.
10(m).	Employees' Excess Benefit Plan, Plan A, incorporated by reference to exhibit 10(b) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1980.
10(m)(1).	Amendments to Employees' Excess Benefit Plan, Plan A, effective January 1, 2000, incorporated by reference to exhibit 10(b)(1) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 2000.
10(m)(2).	Amendments to Employees' Excess Benefit Plan, Plan A, effective January 1, 2002, incorporated by reference to exhibit 10(j)(2) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 2002.

10(m)(3).	Amendments to Employees' Excess Benefit Plan, Plan A, effective December 31, 2007, incorporated by reference to exhibit 10(j)(3) to the company's Annual Report on Form 10-K for the year ended December 31, 2007.
10(m)(4).	Amendments to Employees' Excess Benefit Plan, Plan A, effective December 29, 2008, incorporated by reference to exhibit 10(j)(4) to company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(m)(5).	Amendment to Employees' Excess Benefits Plan A, effective December 18, 2009.
10(n).	2004 Summary Description of the Alcoa Incentive Compensation Plan, incorporated by reference to exhibit 10(g) to the company's Quarterly Report on Form 10-Q (Commission file number 1-3610) for the quarter ended September 30, 2004.
10(n)(1).	Incentive Compensation Plan of Alcoa Inc., as revised and restated effective November 8, 2007, incorporated by reference to exhibit 10(k)(1) to the company's Annual Report on Form 10-K for the year ended December 31, 2007.
10(n)(2).	Amendment to Incentive Compensation Plan of Alcoa Inc., effective December 18, 2009.
10(o).	Employees' Excess Benefit Plan, Plan C, as amended and restated effective December 31, 2007, incorporated by reference to exhibit 10(l) to the company's Annual Report on Form 10-K for the year ended December 31, 2007.
10(o)(1).	Amendments to Employees' Excess Benefit Plan, Plan C, effective December 29, 2008, incorporated by reference to exhibit 10(l)(1) to company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(o)(2).	Amendment to Employees' Excess Benefit Plan C, effective December 18, 2009.
10(p).	Deferred Fee Plan for Directors, as amended effective July 9, 1999, incorporated by reference to exhibit 10(g)(1) to the company's Quarterly Report on Form 10-Q (Commission file number 1-3610) for the quarter ended June 30, 1999.
10(q).	Restricted Stock Plan for Non-Employee Directors, as amended effective March 10, 1995, incorporated by reference to exhibit 10(h) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1994.
10(q)(1).	Amendment to Restricted Stock Plan for Non-Employee Directors, effective November 10, 1995, incorporated by reference to exhibit 10(h)(1) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1995.
10(r).	Fee Continuation Plan for Non-Employee Directors, incorporated by reference to exhibit 10(k) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1989.
10(r)(1).	Amendment to Fee Continuation Plan for Non-Employee Directors, effective November 10, 1995, incorporated by reference to exhibit 10(i)(1) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1995.
10(r)(2).	Second Amendment to the Fee Continuation Plan for Non-Employee Directors, effective September 15, 2006, incorporated by reference to exhibit 10.2 to the company's Current Report on Form 8-K dated September 20, 2006.

10(s).	Deferred Compensation Plan, as amended effective October 30, 1992, incorporated by reference to exhibit 10(k) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1992.
10(s)(1).	Amendments to Deferred Compensation Plan, effective January 1, 1993, February 1, 1994 and January 1, 1995, incorporated by reference to exhibit 10(j)(1) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1994.
10(s)(2).	Amendment to Deferred Compensation Plan, effective June 1, 1995, incorporated by reference to exhibit 10(j)(2) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1995.
10(s)(3).	Amendment to Deferred Compensation Plan, effective November 1, 1998, incorporated by reference to exhibit 10(j)(3) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1999.
10(s)(4).	Amendments to Deferred Compensation Plan, effective January 1, 1999, incorporated by reference to exhibit 10(j)(4) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1999.
10(s)(5).	Amendments to Deferred Compensation Plan, effective January 1, 2000, incorporated by reference to exhibit 10(j)(5) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 2000.
10(s)(6).	Amendments to Deferred Compensation Plan, effective January 1, 2005, incorporated by reference to exhibit 10(q)(6) to the company's Annual Report on Form 10-K for the year ended December 31, 2005.
10(s)(7).	Amendments to Deferred Compensation Plan, effective November 1, 2007 incorporated by reference to exhibit 10(p)(7) to the company's Annual Report on Form 10-K for the year ended December 31, 2007.
10(s)(8).	Amendments to Deferred Compensation Plan, effective December 29, 2008, incorporated by reference to exhibit 10(p)(8) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(s)(9).	Amendment to Deferred Compensation Plan, effective April 1, 2009.
10(s)(10).	Amendment to Deferred Compensation Plan, effective December 18, 2009.
10(t).	Summary of the Executive Split Dollar Life Insurance Plan, dated November 1990, incorporated by reference to exhibit 10(m) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1990.
10(u).	Amended and Restated Dividend Equivalent Compensation Plan, effective January 1, 1997, incorporated by reference to exhibit 10(h) to the company's Quarterly Report on Form 10-Q (Commission file number 1-3610) for the quarter ended September 30, 2004.
10(v).	Form of Indemnity Agreement between the company and individual directors or officers, incorporated by reference to exhibit 10(j) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1987.
10(w).	2004 Alcoa Stock Incentive Plan, as amended through November 11, 2005, incorporated by reference to exhibit 10.1 to the company's Current Report on Form 8-K dated November 16, 2005.

10(x).	2009 Alcoa Stock Incentive Plan, incorporated by reference to Attachment C to the company's Definitive Proxy Statement on Form DEF 14A filed March 16, 2009.
10(y).	Alcoa Supplemental Pension Plan for Senior Executives, as amended and restated effective December 31, 2007, incorporated by reference to exhibit 10(u) to the company's Annual Report on Form 10-K for the year ended December 31, 2007.
10(y)(1).	Amendments to Alcoa Supplemental Pension Plan for Senior Executives, effective December 29, 2008, incorporated by reference to exhibit 10(u)(1) to company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(y)(2).	Amendment to Alcoa Supplemental Pension Plan for Senior Executives, effective December 16, 2009.
10(y)(3).	Amendment to Alcoa Supplemental Pension Plan for Senior Executives, effective December 18, 2009.
10(z).	Deferred Fee Estate Enhancement Plan for Directors, effective July 10, 1998, incorporated by reference to exhibit 10(r) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1998.
10(aa).	Alcoa Deferred Compensation Estate Enhancement Plan, effective July 10, 1998, incorporated by reference to exhibit 10(s) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1998.
10(aa)(1).	Amendments to Alcoa Deferred Compensation Estate Enhancement Plan, effective January 1, 2000, incorporated by reference to exhibit 10(s)(1) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 1999.
10(aa)(2).	Amendments to Alcoa Deferred Compensation Estate Enhancement Plan, effective January 1, 2000, incorporated by reference to exhibit 10(s)(2) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 2000.
10(aa)(3).	Amendments to Alcoa Deferred Compensation Estate Enhancement Plan, effective January 1, 2005, incorporated by reference to exhibit 10(x)(3) to the company's Annual Report on Form 10-K for the year ended December 31, 2005.
10(aa)(4).	Amendments to Alcoa Deferred Compensation Estate Enhancement Plan, effective December 29, 2008, incorporated by reference to exhibit 10(w)(4) to company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(bb).	Alcoa Inc. Change in Control Severance Plan, as amended and restated effective November 8, 2007, incorporated by reference to exhibit 10(x) to the company's Annual Report on Form 10-K for the year ended December 31, 2007.
10(bb)(1).	Amendment to Alcoa Inc. Change in Control Severance Plan, effective December 16, 2009.
10(cc).	Form of Agreement for Stock Option Awards, effective January 1, 2004, incorporated by reference to exhibit 10(a) to the company's Quarterly Report on Form 10-Q (Commission file number 1-3610) for the quarter ended September 30, 2004.
10(dd).	Form of Agreement for Stock Awards, effective January 1, 2004, incorporated by reference to exhibit 10(b) to the company's Quarterly Report on Form 10-Q (Commission file number 1-3610) for the quarter ended September 30, 2004.

10(ee).	Form of Agreement for Performance Share Awards, effective January 1, 2004, incorporated by reference to exhibit 10(c) to the company's Quarterly Report on Form 10-Q (Commission file number 1-3610) for the quarter ended September 30, 2004.
10(ff).	Stock Option Award Rules, revised January 1, 2004, incorporated by reference to exhibit 10(d) to the company's Quarterly Report on Form 10-Q (Commission file number 1-3610) for the quarter ended September 30, 2004.
10(gg).	Stock Awards Rules, effective January 1, 2004, incorporated by reference to exhibit 10(e) to the company's Quarterly Report on Form 10-Q (Commission file number 1-3610) for the quarter ended September 30, 2004.
10(hh).	Performance Share Awards Rules, effective January 1, 2004, incorporated by reference to exhibit 10(f) to the company's Quarterly Report on Form 10-Q (Commission file number 1-3610) for the quarter ended September 30, 2004.
10(ii).	2005 Deferred Fee Plan for Directors, incorporated by reference to exhibit 10.1 to the company's Current Report on Form 8-K dated January 10, 2005.
10(jj).	Global Pension Plan, effective January 1, 1998, incorporated by reference to exhibit 10(jj) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 2004.
10(jj)(1).	Amendments to Global Pension Plan, incorporated by reference to exhibit 10(jj)(1) to the company's Annual Report on Form 10-K (Commission file number 1-3610) for the year ended December 31, 2004.
10(jj)(2).	Amendments to Global Pension Plan, effective January 1, 2005, incorporated by reference to exhibit 10(gg)(2) to the company's Annual Report on Form 10-K for the year ended December 31, 2005.
10(jj)(3).	Amendments to Global Pension Plan, effective December 1, 2005, incorporated by reference to exhibit 10(gg)(3) to the company's Annual Report on Form 10-K for the year ended December 31, 2005.
10(jj)(4).	Amendments to Global Pension Plan, effective December 29, 2008, incorporated by reference to exhibit 10(ff)(4) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(jj)(5).	Amendments to Global Pension Plan, effective July 1, 2009.
10(jj)(6).	Amendments to Global Pension Plan, effective December 18, 2009.
10(kk).	Executive Severance Agreement, as amended and restated effective December 8, 2008, between Alcoa Inc. and Klaus Kleinfeld, incorporated by reference to exhibit 10(gg) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(kk)(1).	Executive Severance Agreement, as amended and restated effective December 8, 2008, between Alcoa Inc. and William F. Christopher , incorporated by reference to exhibit 10(gg)(1) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(kk)(2).	Executive Severance Agreement, as amended and restated effective December 8, 2008, between Alcoa Inc. and Charles D. McLane, Jr., incorporated by reference to exhibit 10(gg)(2) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(kk)(3).	Executive Severance Agreement, as amended and restated effective December 8, 2008, between Alcoa Inc. and Bernt Reitan, incorporated by reference to exhibit 10(gg)(3) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.

10(kk)(4).	Executive Severance Agreement, as amended and restated effective December 9, 2008, between Alcoa Inc. and J. Michael Schell, incorporated by reference to exhibit 10(gg)(4) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(kk)(5).	Executive Severance Agreement, as amended and restated effective December 8, 2008, between Alcoa Inc. and Helmut Wieser, incorporated by reference to exhibit 10(gg)(5) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(kk)(6).	Executive Severance Agreement, effective July 28, 2009, between Alcoa Inc. and Nicholas J. DeRoma, incorporated by reference to exhibit 10(c) to the company's Quarterly Report on Form 10-Q for quarter ended September 30, 2009.
10(ll).	Description of Non-Employee Director Compensation incorporated by reference to exhibit 10 to the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
10(mm).	Form of Award Agreement for Stock Options, effective January 1, 2006, incorporated by reference to exhibit 10.2 to the company's Current Report on Form 8-K dated November 16, 2005.
10(nn).	Form of Award Agreement for Stock Awards, effective January 1, 2006, incorporated by reference to exhibit 10.3 to the company's Current Report on Form 8-K dated November 16, 2005.
10(oo).	Form of Award Agreement for Performance Share Awards, effective January 1, 2006, incorporated by reference to exhibit 10.4 to the company's Current Report on Form 8-K dated November 16, 2005.
10(pp).	Form of Award Agreement for Performance Stock Options, effective January 1, 2006, incorporated by reference to exhibit 10.5 to the company's Current Report on Form 8-K dated November 16, 2005.
10(qq).	Form of Award Agreement for Stock Options, effective May 8, 2009, incorporated by reference to exhibit 10.2 to the company's Current Report on Form 8-K dated May 13, 2009.
10(rr).	Form of Award Agreement for Restricted Share Units, effective May 8, 2009, incorporated by reference to exhibit 10.3 to the Company's Current Report on Form 8-K dated May 13, 2009.
10(ss).	Summary Description of Equity Choice Program for Performance Equity Award Participants, dated November 2005, incorporated by reference to exhibit 10.6 to the company's Current Report on Form 8-K dated November 16, 2005.
10(tt).	Reynolds Metals Company Benefit Restoration Plan for New Retirement Program, as amended through December 31, 2005, incorporated by reference to exhibit 10(rr) to the company's Annual Report on Form 10-K for the year ended December 31, 2005.
10(tt)(1).	Amendments to the Reynolds Metals Company Benefit Restoration Plan for New Retirement Program, effective December 18, 2009.
10(uu).	Global Expatriate Employee Policy (pre-January 1, 2003), incorporated by reference to exhibit 10(uu) to the company's Annual Report on Form 10-K for the year ended December 31, 2005.
10(vv).	Form of Special Retention Stock Award Agreement, effective July 14, 2006, incorporated by reference to exhibit 10.3 to the company's Current Report on Form 8-K dated September 20, 2006.
10(ww).	Omnibus Amendment to Rules and Terms and Conditions of all Awards under the 2004 Alcoa Stock Incentive Plan, effective January 1, 2007, incorporated by reference to exhibit 10(tt) to the company's Annual Report on Form 10-K for the year ended December 31, 2007.

10(xx).	Summary of Terms of Relocation for Helmut Wieser, effective January 1, 2007, incorporated by reference to exhibit 10(vv) to the company's Annual Report on Form 10-K for the year ended December 31, 2006.
10(yy).	Letter Agreement, dated August 14, 2007, between Alcoa Inc. and Klaus Kleinfeld, incorporated by reference to exhibit 10(b) to the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
10(zz).	Letter Agreement, effective July 24, 2009, between Franklin A. Thomas, Lead Director, and Alain J. P. Belda, Chairman of the Board, incorporated by reference to exhibit 10 to the company's Current Report on Form 8-K dated July 29, 2009.
10(aaa).	Employment Agreement, dated March 19, 2008, between Alcoa Inc. and J. Michael Schell, incorporated by reference to exhibit 10(a) to the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.
10(bbb).	Employment Offer Letter, dated July 28, 2009, between Alcoa Inc. and Nicholas J. DeRoma, incorporated by reference to exhibit 10(b) to the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.
10(ccc).	Director Plan: You Make a Difference Award, incorporated by reference to exhibit 10(uu) to the company's Annual Report on Form 10-K for the year ended December 31, 2008.
10(ddd).	Form of Award Agreement for Stock Options, effective January 1, 2010.
12.	Computation of Ratio of Earnings to Fixed Charges.
21.	Subsidiaries and Equity Entities of the Registrant.
23.	Consent of Independent Registered Public Accounting Firm.
24.	Power of Attorney for certain directors.
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.
101. INS	XBRL Instance Document.
101. SCH	XBRL Taxonomy Extension Schema Document.
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101. LAB	XBRL Taxonomy Extension Label Linkbase Document.
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

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

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

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of Alcoa Inc.

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 18, 2010 appearing in this Form 10-K also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
February 18, 2010

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

Col. A	Col. B	Col. C Additions		Col. D	Col. E
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts (A)	Deductions (B)	Balance at end of period
Allowance for doubtful accounts—customer receivables:					
2009	$ 65	$ 9	$ 4	$ 8	$ 70
2008	68	26	(5)	24	65
2007	64	9	9	14	68
Allowance for doubtful accounts—other receivables:					
2009	$ 79	$ 6	$ 6	$ 1	$ 90
2008	88	13	(21)	1	79
2007	66	9	14	1	88
Income tax valuation allowance:					
2009	$ 713	$ 140	$ 62	$ 7	$ 908
2008	517	204	7	15	713
2007	536	(19)	-	-	517

Notes: (A) Amounts related to the allowances for doubtful accounts represent collections on accounts previously written off, acquisition/divestiture of subsidiaries, and foreign currency translation adjustments. Amounts related to the income tax valuation allowance represent acquisition/divestiture of subsidiaries and foreign currency translation adjustments.

(B) Amounts related to the allowances for doubtful accounts are due to the write-off of uncollectible accounts. Amounts related to the income tax valuation allowance are due to the utilization of tax loss carryforwards.

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SIGNATURES

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

ALCOA INC.

February 18, 2010

By /s/ Tony R. Thene
Tony R. Thene
Vice President and Controller
(Also signing as Principal Accounting Officer)

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

Signature	Title	Date
/s/ Klaus Kleinfeld Klaus Kleinfeld	President and Chief Executive Officer (Principal Executive Officer and Director)	February 18, 2010
/s/ Charles D. McLane, Jr. Charles D. McLane, Jr.	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 18, 2010

Alain J.P. Belda, Kathryn S. Fuller, Carlos Ghosn, Joseph T. Gorman, Judith M. Gueron, Michael G. Morris,
E. Stanley O'Neal, James W. Owens, Patricia F. Russo, Henry B. Schacht, Ratan N. Tata, Franklin A. Thomas, and Ernesto Zedillo, each as a Director, on February 18, 2010, by Donna C. Dabney, their Attorney-in-Fact.*

*By /s/ Donna C. Dabney
Donna C. Dabney
Attorney-in-Fact

Exhibit 10.I

ALUMINIUM PROJECT FRAMEWORK SHAREHOLDERS' AGREEMENT

between

SAUDI ARABIAN MINING COMPANY (MA'ADEN)

and

ALCOA INC.

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ALUMINIUM PROJECT FRAMEWORK AGREEMENT

THIS FRAMEWORK AGREEMENT (hereinafter referred to as the "**Agreement**"), is made and entered into on H, corresponding to the day of 2009 G, by and between:

(1) **SAUDI ARABIAN MINING COMPANY (MA'ADEN)**, a company organized under the laws and regulations of the Kingdom of Saudi Arabia with commercial registration No. 1010164391, having its head office and address at PO Box 68861, Riyadh 11537, Kingdom of Saudi Arabia (together with its legal successors and permitted assigns, hereinafter referred to as "**Ma'aden**"); and

(2) **ALCOA INC.**, a corporation under the laws of the Commonwealth of Pennsylvania, USA, whose principal place of business is at 390 Park Avenue, New York, NY 1022, USA, (together with its legal successors and permitted assigns, hereinafter referred to as "**Alcoa**"),

(hereinafter jointly referred to as the "**Parties**" or individually as a "**Party**").

RECITALS:

(A) **WHEREAS** the Parties desire to enter into a joint venture for the development, construction, ownership and operation of an integrated mine, refinery, smelter and rolling mill in the Kingdom of Saudi Arabia (the "**Joint Venture"),** initially to be developed for (i) the extraction of approximately 4,000,000 tpa of bauxite from the Al Ba'itha bauxite deposit in the Kingdom, (ii) the production of approximately 1,800,000 tpa of alumina and approximately 740,000 tpa of aluminium, and (iii) the production of approximately 250,000 tpa, which may be increased to 460,000 tpa of rolling mill product ((i), (ii) and (iii) hereinafter referred to as the "**Project**"), as well as potential future expansions of the Project;

(B) **WHEREAS** Ma'aden and Alcoa entered into a Memorandum of Understanding dated 15 July 2009 (the "**MOU**") for the implementation of the Project.

(C) **WHEREAS** the Parties fully accept the obligations set out in the Gas Allocation Letter, without condition or qualification;

(D) **WHEREAS** the Parties intend to establish several limited liability companies in, and under the laws of, the Kingdom, one for the Mine and Refinery, one for the Smelter, and one for the Rolling Mill (each referred to as a "**Company**" and collectively as the "**Companies**") to implement the Joint Venture and to undertake the Project;

(E) **WHEREAS** the Parties wish to operate the Companies to undertake the Project as an integrated joint venture for the purposes and on the terms set out in this Agreement;

(F) **WHEREAS** the Parties have agreed that they will offtake the Aluminium in accordance with the principles set out in this Agreement and the terms of the Offtake Agreements; and

(G) **WHEREAS** the Parties are developing the Estimate of Project Costs, the Pre-Financing Budget and the Project Model as described in Schedule 10.

NOW, THEREFORE, in consideration of the covenants contained herein, the Parties hereto agree as follows:

1. Definitions and Interpretation

1.1 Definitions

Whenever used herein and written in initial capital letters, the following terms shall have the meanings respectively defined:

"**Act of Insolvency**" means, in respect of any person, the occurrence of one or more of the following events (or any event analogous to the following events in any jurisdiction):

(a) such person is unable, or admits inability, to pay its debts as they fall due in the ordinary course;

(b) a moratorium is declared in respect of any indebtedness of such person; or

(c) any corporate action, legal proceedings or other procedure or step is taken in relation to:

(i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, liquidation, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of such person other than a solvent liquidation or reorganisation of such person;

(ii) a composition, compromise, assignment or arrangement with any creditor of such person; or

(iii) the appointment of a liquidator (other than in respect of a solvent liquidation of such person), receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of such person or any of its assets,

and such action, legal proceedings or other procedure or step is acquiesced to by such person or shall result in the entry of an order for relief or shall remain undismissed for sixty (60) days;

"**Additional Pre-Incorporation Costs**" shall bear the meaning given in Clause 13.1(a);

"**Additional Term**" shall bear the meaning set out in Clause 2.2(b);

"**Adherence Agreement**" shall bear the meaning set out in Clause 4.8;

"**Affiliate**" means, in relation to any person, any entity which Controls, or is directly or indirectly Controlled by or under common Control with, such person, provided that (i) no Company shall be deemed to be an Affiliate of any Party, and (ii) no person shall be deemed to be an Affiliate of another person solely because both persons are under common Control of the Government of the Kingdom;

"**Agent**" means any person engaged to obtain business or regulatory advantage, develop customer relationships, or interface with Governmental Authorities and/or Government Officials;

"**Agreed Form**" means a form of document which has been agreed by or on behalf of the parties thereto and initialled by or on behalf of the parties thereto for the purposes of identification;

"**Agreed Pre-Incorporation Costs**" shall bear the meaning given in Clause 13.1(a);

"**Agreement**" means this Framework Agreement;

"**Alcoa**" has the meaning set out in the parties clause;

"**Alcoa Existing Project Assets**" shall bear the meaning set out in Clause 6.2;

"**Alcoa LOC**" shall bear the meaning given in Clause 5.12(c);

"**Alumina**" means alumina produced by the Refinery as described in Clause 3.6(b)(ii);

“**Aluminium**” means aluminium produced by the Smelter (and does not include the products of the Rolling Mill) as described in Clause 3.6(b)(iii);

“**Applicable Laws**” means all legally binding and applicable laws, decrees, directives, orders, regulations or rules of any Governmental Authority, including (for the avoidance of doubt) laws relating to the prohibition of the corruption of public officials which are applicable to the relevant Party, Shareholder, Affiliate or Company (as the case may be) such as the U.S. Foreign Corrupt Practices Act;

“**Ancillary Agreements**” means the agreements set out in Part 1 of Schedule 9 and any other agreements that the Parties may agree to identify as Ancillary Agreements from time to time;

“**Annual Programme and Budget**” shall bear the meaning set out in Clause 12.8(a);

“**Approved Accounting Firm**” means an internationally recognised accounting firm as mutually agreed between the Parties or, failing agreement within five (5) Business Days of being required to agree such firm, any firm from among the largest four international accounting firms at the relevant time;

“**Articles of Association**” means the articles of association of a particular Company in effect from time to time;

“**Auditors**” means an Approved Accounting Firm providing audit services that has been appointed in accordance with this Agreement to audit the financial statements of a particular Company and otherwise to perform the functions of an auditor as set out herein;

“**Base Case Model**” means the base case financial model for each of the Phases which is to be developed and approved by the Parties or, following incorporation of a particular Company, the Board of Managers of that Company by the milestone dates therefor set out in Schedule 15, as the same may be amended, modified, implemented or replaced from time to time in accordance with this Agreement;

“**Bauxite**” means bauxite extracted from the Mine as described in Clause 3.6;

“**Board of Managers**” or “**Board**” means the board of managers from time to time of a particular Company appointed in accordance with this Agreement and the Articles of Association;

“**Break-Off Project**” shall bear the meaning set out in Clause 5.10(a);

“**Break-Off Project Notice**” shall bear the meaning set out in Clause 5.10(a);

“**Break-Off Right**” shall bear the meaning set out in Clause 5.10(a);

“**Break-Off Project Company**” shall bear the meaning set out in Clause 5.10(a);

“**Budget**” means the Project Budget, an Annual Programme and Budget or a Special Programme and Budget and **“approved Budget**” means a Budget of a particular Company that is approved by the Parties and/or the Board of Managers of that Company (as applicable) in accordance with this Agreement;

“**Business Day**” means any day on which banks in the Kingdom and New York, U.S.A. are generally open for business and on which instructions to transfer same-day funds can be executed;

“**Calculation Date**” shall bear the meaning set out in Clause 13.1(a);

“**Call Date**” shall bear the meaning set out in Clause 14.3(a)(i);

"**Cash Call**" means all calls for (a) Equity Subscriptions and (b) if determined by the Parties in accordance with this Agreement, advances under Shareholder Loans, made by the relevant Board of Managers to the Parties in their respective Shareholder Percentages in accordance with Clause 4;

"**Cast House**" means the casting facilities owned and operated by the Smelter, in accordance with the Cast House Users' Agreement substantially in the form of Schedule 6.

"**Chairman**" means the chairman of the relevant Board of Managers;

"**Closing Date**" shall bear the meaning set out in Clause 14.3(a)(iv);

"**Commercial Production Date**" means the later of, (a) in respect of the Mine, the Refinery and the Smelter, the last day of the period of the first three (3) months of continuous and stable operations of each of the Mine, the Refinery and the Smelter at not less than ninety percent (90%) capacity, as determined by the Parties on written advice from each relevant Board of Managers; and (b) in respect of the Rolling Mill, after all major pieces of equipment and all instrumentation and systems related to process and quality control successfully complete acceptance testing, the date at which the first customer has given acceptance of qualification for supply of beverage can stock, provided that for the purpose of Clauses 8.5(b)(iv), 12.3(d)(iii) and 18.4(c) it shall mean the above date applicable to the relevant Company;

"**Commercial Register**" means the commercial register at the Ministry;

"**Commercial Registration**" means registration of a particular Company on the Commercial Register;

"**Commission Rate**" means a commission rate which is calculated as being equivalent to:

(1) the offered rate per annum for one month deposits in US Dollars which appears on the appropriate page of the Reuters screen or such other page as may replace that page for the purpose of displaying offered rates of lending banks for London interbank deposits at or about 11:00 a.m. (London time) on the first London Banking Day of each month, or, if more than one such rate appears on such page on such day, the arithmetic mean of such rates (rounded upward to the nearest five decimal places); and

(2) if no such rate appears on the Reuters screen page referred to in paragraph (1) above (or any such replacement page), the arithmetic mean (rounded upwards to the nearest five decimal places) of the offered rates per annum quoted by Barclays Bank, London Branch, and HSBC Bank, London Branch (or their successors in interest), at which deposits in US Dollars for one month are being offered by such banks (or their successors in interest) to prime banks in the London interbank market at or about 11:00 a.m. (London time) on the first London Banking Day of each month; or

(3) if none or only one of the banks referred to in paragraph (2) above are offering rates for deposits on the terms referred to in that paragraph, the rate per annum quoted by such bank as the Party who does not owe such commission in consultation with the Party that owes such commission may select from time to time at which deposits in US Dollars for one month are being offered by such bank to prime banks in the London interbank market at or about 11.00 a.m. (London time) on the first London Banking Day of each month;

"**Commitment Date**" shall bear the meaning set out in Clause 3.3(b);

"**Companies**" and **"Company**" shall each bear the meaning set out in Recital D;

"**Company Law**" means the Saudi Arabian Regulations for Companies, Royal Decree No. M/6 dated 22/3/1385H, as amended from time to time;

"**Company Policies**" shall bear the meaning set out in Clause 8.9;

"**Completion Agreements**" means any and all completion debt service undertakings and/or obligations to fund construction cost overruns up to an agreed maximum amount granted by the Parties or members of their respective groups for the benefit of Senior Lenders in connection with the Senior Debt for the Project;

"**Complex**" means the manufacturing facility to be constructed by the Companies for the production of the Products, at Ras Az Zawr in the Kingdom, including the Refinery, Smelter and Rolling Mill together with certain related facilities to be owned by each relevant Company, as further described and defined in Schedule 7;

"**Confidentiality & Non-Disclosure Agreement**" means the confidentiality and non-disclosure agreement dated 26/4/1430 H, corresponding to 22/4/2009 G, between Ma'aden and Alcoa;

"**Construction Agreement**" means (i) any engineering, procurement and construction contract entered into by a particular Company in respect of any material component of the Project or any relevant Expansion, (ii) any engineering, procurement and construction management (EPCM) contract entered into by a particular Company in respect of any material component of the Project or any relevant Expansion or (iii) any contract, agreement or arrangement substantially similar to the foregoing;

"**Control**" shall mean in relation to any non-natural person (the "**First Person"),** the right of another person or persons acting together, whether in law or in fact (including by way of contract), to secure by means of the holding of shares bearing fifty percent (50%) or more of the voting rights attaching to all the shares in the First Person, or by having the power to control the composition of the board of managers/directors or other governing body of the First Person, that all or a substantial proportion of the affairs of the First Person are conducted in accordance with the wishes of that person or persons acting together, and the expressions "**Controls**" or "**Controlled**" shall be construed accordingly;

"**Cure Period**" shall bear the meaning set out in Clause 14.4(e)(ii);

"**Deadlock**" shall bear the meaning set out in Clause 9.1(a);

"**Deadlock Committee**" shall bear the meaning set out in Clause 9.2(b)(i);

"**Deadlock Referral Notice**" shall bear the meaning set out in Clause 9.2(a);

"**Deadlock Resolution Procedure**" shall bear the meaning set out in Clause 9.2(b);

"**Default Amount**" shall bear the meaning set out in Clause 14.1(a);

"**Default Commission**" shall bear the meaning set out in Clause 4.5;

"**Default Notice**" shall bear the meaning set out in Clause 14.4(a);

"**Defaulting Party**" shall bear the meaning set out in Clause 14.1;

"**Development Committee**" shall bear the meaning set out in Clause 3.1;

"**Development Committee Funding Call**" shall bear the meaning set out in Clause 4.2(a);

"**Distribution**" means: (i) any Share Distribution; (ii) any payment by a particular Company to any of its Shareholders or any of that Shareholder's Affiliates in respect of any Shareholder Loan; or (iii) any payment by a particular Company of any other amount (including by way of loan) to any of its

Shareholders or any of that Shareholder's Affiliates (other than pursuant to the terms of any Project Agreement);

"**DZIT**" means the Department of Zakat and Income Tax of the Kingdom;

"**EBIT**" means earnings before interest and taxes;

"**Effective Date**" shall mean the date determined in accordance with Clause 2.1;

"**Encumbrance**" means any interest or equity of any person (including any right to acquire, option or right of pre emption) and any mortgage, charge, pledge, lien (other than liens arising by operation of law and securing indebtedness arising in the ordinary course of business not more than seven (7) days overdue), assignment, hypothecation or other priority interest, deferred purchase, title retention, rental, hire purchase, conditional sale, trust, leasing, sale and repurchase and sale and leaseback arrangements, rights of set off and any other agreement or arrangement whatsoever having the same commercial or economic effect as security (including any hold back or "flawed asset" arrangement) over or in any property, asset or right of whatsoever nature and including any agreement for any of the foregoing;

"**Entry Payment**" shall bear the meaning set out in Clause 13.1(b);

"**Equity Subscription**" means the subscription by the Parties (or any of them) directly or through any of their respective Affiliates for additional Shares on the basis of a subscription price of ten thousand Saudi Riyals (SR10,000) per Share, or such other basis as may be approved by the relevant Board in accordance with this Agreement and the Applicable Laws of the Kingdom;

"**Estimate of Project Costs**" means the Parties' estimate as at the Effective Date of the Project Costs, as may be amended from time to time by mutual agreement of the Parties, as more fully described in Part 1 of Schedule 10 and which shall be superseded by the Project Budget;

"**Event of Default**" shall bear the meaning set out in Clause 14.1;

"**Excess Alumina**" means, in any period, any Alumina produced at the Refinery that is not required for the production of Aluminium at the Smelter and/or to maintain normal Alumina inventory levels during such period;

"**Expansion**" shall bear the meaning set out in Clause 5.9(a);

"**Fair Market Value**" shall bear the meaning set out in Clause 18.1;

"**Financial Close**" means the date on which all conditions precedent to first draw down under the Financing Agreements for the relevant Phase of the Project have been satisfied or, if capable of waiver, waived;

"**Financial Year**" means the financial year of a particular Company from January 1 to December 31 each year;

"**Financing Agreements**" means the credit agreements and associated documents entered into or to be entered into by a particular Company pursuant to which credit facilities will be made available to such Company in connection with the Project;

"**Financing Completion Date**" shall mean the date on which the Financing Agreements are signed on behalf of each relevant Company and the Senior Lenders for the relevant Phase;

"**Financing Longstop Date**" means 31 December 2010 being the date by which the Parties require the Financing Completion Date for Phase 1 to have occurred as may be extended in accordance with Clause 15.1(a);

"**Financing Plan**" means the financing plan to be developed by the Parties for each Phase and which is intended to be approved by the Parties by the milestone date therefor set out in Schedule 15;

"**Foreign Investment Licence**" means the foreign investment licence issued by SAGIA authorizing the formation of a particular Company, as the same may be amended from time to time;

"**Free Cash**" in respect of each relevant Financial Year, means (i) the net profit after allowing for Income Tax and Zakat of a particular Company for such Financial Year as reflected in the audited financial statements of that Company for such Financial Year, (ii) *plus* depreciation and amortization, (iii) *plus* adjustments for movement between opening and closing working capital, (iv) *less* amounts disbursed in the Financial Year on account of capital expenditures, (v) *less* amounts paid by that Company in respect of such Financial Year pursuant to Clause 11.3, and (vi) *less* amounts paid or reserved for repayment of debt, (vii) *plus* cumulative undistributed Free Cash from previous Financial Years;

"**Funding Deadline**" shall bear the meaning set out in Clause 4.4(a)(ii);

"**Funding Default**" shall bear the meaning set out in Clause 14.1(a);

"**Gas Allocation Letter**" means the gas allocation letter dated 28/10/1430 H, corresponding to 17/10/2009 G, reference 3157/P/F, in respect of the Project from Saudi Aramco (based on the authorisation of the Ministry of Petroleum) to Ma'aden and SWCC, a copy of which is attached at Schedule 4;

"**Gate 3 Review**" means the formal review of the final feasibility report produced at the completion of the stage 2 engineering for each component of the Project in accordance with the agreed stage gate process. This report shall describe the basic engineering of the facilities, class 1 cost estimate within a range of +/- ten percent (10%) (or such other level as agreed by the Parties), HAZOP study, technical and financial risk assessment, constructability and operability review, operational readiness review, level 1 master schedule, value improving processes, final project execution plan, EPC/EPCM contract documentation and any other items as agreed by the Parties;

"**GCC countries**" means Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates and any other country which may be designated as a Gulf Cooperative Country from time to time;

"**Governmental Authority**" means any court or governmental authority, department, commission, board, agency or other instrumentality of any country or jurisdiction or any part thereof having jurisdiction over this Agreement, a Company, a Shareholder, a Party or any asset or transaction contemplated by this Agreement;

"**Government Official**" means an employee, officer or representative of, or any person otherwise acting in an official capacity for or on behalf of a Governmental Authority;

"**IFRS**" shall bear the meaning set out in Clause 12.1;

"**Initial Term**" shall bear the meaning set out in Clause 2.2(a);

"**Intellectual Property**" means rights in and in relation to confidential information, trade marks, service marks, trade and business names, logos and get up (including any and all goodwill associated with or attached to any of the same), domain names, patents, inventions (whether or not patentable), registered designs, design rights, copyrights (including rights in software) and moral rights, database rights, semi-conductor topography rights, utility models and all rights or forms of protection having an equivalent or similar nature or effect anywhere in the world, whether enforceable, registered, unregistered or registrable (including, where applicable, all applications for registration) and the right to sue for damages for past and current infringement (including passing off and unfair competition) in respect of any of the same;

"**IP Information**" shall bear the meaning set out in Clause 26.4(d);

"**Joint Venture**" shall bear the meaning set out in Recital A;

"**Kingdom**" means the Kingdom of Saudi Arabia;

"**KSA Controlled Transferee**" shall bear the meaning set out in Clause 17.3(a);

"**LME**" means the London Metals Exchange;

"**London Banking Day**" means any day on which banks in London, England are generally open for business;

"**Ma'aden**" has the meaning set out in the parties clause;

"**Ma'aden Existing Project Assets**" shall bear the meaning set out in Clause 6.1(a);

"**Ma'aden LOC**" shall bear the meaning given in Clause 5.12(a);

"**Manager**" means a member from time to time of the relevant Board of Managers;

"**Material Adverse Effect**" means any effect or result which is, or is reasonably likely to be, materially adverse to the business, operations, assets, liabilities, properties, financial condition, effective management, results or prospects of a particular Company or a subsidiary Controlled by such Company (if any);

"**Material Breach**" shall bear the meaning set out in Clause 14.1(d);

"**Mine**" means the Al Ba'itha mine in the Kingdom for extracting approximately 4,000,000 tpa of bauxite as more fully described in Schedule 8, as modified pursuant to any Expansion that may occur in accordance with this Agreement;

"**Mining & Refining Company**" shall bear the meaning set out in Clause 3.5 (c);

"**Mining Licenses**" means the mining and quarrying licenses in respect of the Mine referred to in Schedule 8 and included in Schedule 11;

"**Ministry**" means the Ministry of Commerce and Industry of the Kingdom;

"**Ministry of Petroleum**" means the Ministry of Petroleum and Mineral Resources of the Kingdom;

"**MOU**" shall bear the meaning set out in Recital B;

"**Non-Defaulting Party**" means the Party who is not the Defaulting Party;

"**Notice of the Right to Match the Offer**" shall bear the meaning set out in Clause 17.6;

"**NTP for Phase 1**" means an irrevocable written notice to proceed in full or substantially in full with construction or similar steps given by the relevant Company pursuant to the Construction Agreements in respect of Phase 1 in accordance with Clause 3.3;

"**Offer**" shall bear the meaning set out in Clause 17.4;

"**Offtake Agreements**" means the offtake agreements in the Agreed Form in respect of Aluminium and the Excess Alumina to be entered into by the relevant Companies with each of the Parties;

"**Other Project Agreements"** means the Project Agreements set out in Part 2 of Schedule 9;

“**Paid In Capital**” means the aggregate amount of money paid by each Party directly or through any of their respective Affiliates to a Company in connection with the subscription for Shares by such Party or Affiliates in that Company from time to time in accordance with this Agreement including the amount of money set out under the headings “Paid In Capital” in Clause 4.1;

“**Phase**” means Phase 1 or Phase 2, as the case may be and “**Phases**” means both Phase 1 and Phase 2;

“**Phase 1**” means (following the Gate 3 Review) the design, construction and operation of the Smelter and the Rolling Mill;

“**Phase 2**” means (following the Gate 3 Review) the design, construction and operation of the Mine and the Refinery;

“**Pre-Financing Budget**” means the development budget for the Project detailing the Project Costs which the Parties have incurred and estimate will be likely to be incurred on the Project up to Financial Close for each Phase, including an appropriate level of contingency, as attached in Part 2 of Schedule 10;

“**Pre-Incorporation Costs**” means the aggregate of the costs properly incurred by a Party prior to the incorporation of each Company in accordance with Clause 13;

“**Pre-Incorporation Materials**” means the relevant documents and materials developed by the Parties jointly or otherwise provided by a Party for the purposes of the Project prior to the incorporation of the Companies;

“**President**” means the president of a particular Company as appointed in accordance with Clause 8.3(a);

“**Product**” or “**Products**” means Alumina, Aluminium and Rolling Mill products produced at the Complex as described in Clause 3.6;

“**Project**” shall bear the meaning set out in Recital A;

“**Project Account**” means the joint bank account set up by the Parties for the purposes of funding Project costs approved by the Parties through the Development Committee prior to the incorporation of each particular Company and appointment of the Board of such Company;

“**Project Agreements**” means the agreements entered into or to be entered into by a particular Company and/or the Parties and/or either of the Parties (on behalf of that Company) in connection with the Project, with the inclusion of the Ancillary Agreements, the Other Project Agreements, the Financing Agreements and any other agreements which are identified as Project Agreements in accordance with the terms of this Agreement;

“**Project Budget**” means the overall budget of the Project Costs for the Project to be developed and approved by the Parties by the milestone date therefor set out in Schedule 15, as may be amended, modified, implemented or replaced from time to time pursuant to a resolution of the Parties pursuant to Clause 7.2 and which shall supersede the Pre-Financing Budget and the Estimate of Project Costs;

“**Project Costs**” means the total costs of the Project, including direct project costs, contingency, owner’s development costs, penalties for delay to implement the Project by required deadlines, interest due on construction and other financing costs and net working capital funding requirements;

“**Project Model**” means the financial model for the Project at the Effective Date referred to in Part 3 of Schedule 10 from which the Base Case Model will be developed by the Parties;

“**Project Steering Committee**” shall bear the meaning set out in Clause 8.10;

“**Proposed Resolution**” shall bear the meaning set out in Clause 9.1(a);

“**Ras Az Zawr Site**” means that portion of the industrial area at Ras Az Zawr as described in Schedule 7;

“**Refinery**” means the refinery to be constructed in Ras Az Zawr in the Kingdom initially to produce approximately 1,800,000 tpa of alumina, as more fully described in Schedule 7, as modified pursuant any Expansion that may take place in accordance with this Agreement;

“**Remaining Party(s)**” shall bear the meaning set out in Clause 17.5;

“**Required Shareholder Funding**” shall bear the meaning set out in Clause 4.2;

“**Right to Match the Offer Period**” shall bear the meaning set out in Clause 17.7(a);

“**Rolling Company**” shall bear the meaning set out in Clause 3.5 (c);

“**Rolling Mill**” means the rolling mill to be constructed at Ras Az Zawr in the Kingdom initially to produce approximately 250,000 tpa, which may be increased to 460,000 tpa of rolling mill product, as more fully described in Schedule 7, as modified pursuant to any Expansion that may take place in accordance with this Agreement;

“**SAGIA**” means the Saudi Arabian General Investment Authority;

“**Saudi Riyal**” or “**SR**” means the lawful currency of the Kingdom;

“**Security Interest**” shall bear the meaning set out in Clause 4.7;

“**Selling Party**” shall bear the meaning set out in Clause 17.4;

“**Senior Debt**” means the financing provided by the Senior Lenders for the Project;

“**Senior Lenders**” means one or more commercial banks, Islamic finance participants, Saudi Arabian public financing institutions and other financial institutions and/or capital markets investors (which for the avoidance of doubt, may include one or more of the Parties and any of their Affiliates) providing debt finance in respect of the Project other than in respect of Shareholder Loans;

“**Senior Lenders Commitment Letters**” means the letters issued by prospective Senior Lenders evidencing a commitment to provide Senior Debt to the relevant Companies undertaking the relevant Phase of the Project;

“**Senior Officers**” means the President and other senior officers of a particular Company as set out in Clause 8.3(a);

“**Share**” means any share of SR10,000 each in the capital of any Company, and “**Shareholding**” shall be construed accordingly;

“**Share Capital**” means the capital which constitutes the Paid In Capital from time to time of a Company as set out in its Articles of Association;

“**Share Distribution**” means any dividend (in cash, property or otherwise) or any other distribution or payment made by a particular Company on or in respect of its Shares, including any distribution of the distributable profits of such Company, or any distribution of the assets of such Company upon any liquidation or winding up of such Company;

“**Shared Services Agreement**” shall have the meaning set out in Clause 5.10(b);

“**Shareholder**” means any person directly holding Shares from time to time in accordance with the terms of this Agreement;

“**Shareholder Loan**” means a subordinated interest free loan by a Shareholder or its Affiliate to a Company pursuant to a Shareholder Loan Agreement;

“**Shareholder Loan Agreements**” shall bear the meaning set out in Clause 4.3;

“**Shareholder Percentage**” means, in respect of a Party, the amount (expressed as a percentage) equal to (a) the total Paid In Capital by such Party or its Affiliate in a Company at such time, divided by (b) the total Paid In Capital by all the Shareholders in such Company at such time, and “**Shareholder Percentages**” collectively refers to the Shareholder Percentage of each of the Parties, which, at the time of formation of a Company, are as set out in Clause 4.1;

“**Smelter**” means the smelter to be constructed in Ras Az Zawr in the Kingdom initially to produce approximately 740,000 tpa of aluminium, as more fully described in Schedule 7, as modified pursuant any Expansion that may take place in accordance with this Agreement;

“**Smelter Onsite Services Agreement**” or “**Smelter OSA**” means the agreement for the provision of onsite services to the Company by Rio Tinto Alcan Inc. relating to aluminium smelting technologies, as more fully described in Part 2 of Schedule 9;

“**Smelter Technology Transfer Agreement**” or “**Smelter TTA**” means the agreement for the licensing of certain of Aluminium Pechiney’s Intellectual Property in aluminium smelting technologies and provision of related services to a particular Company, as more fully described in Part 2 of Schedule 9;

“**Smelting Company**” shall bear the meaning set out in Clause 3.5 (c);

“**SOCPA**” shall bear the meaning set out in Clause 12.1;

“**Special Programme and Budget**” shall bear the meaning set out in Clause 12.8(a);

“**SWCC**” means the Saline Water Conversion Corporation in the Kingdom;

“**Transfer Date**” means, in respect of any transfer of Shares, the date of signature before the competent notary public in the Kingdom of the amendment of the Articles of Association necessary to give effect to such transfer in accordance with Clause 17.9;

“**Transferable Interests**” means, in respect of any Party, all Shares and Shareholder Loans held by such Party and its Affiliates;

“**Transfer Notice**” shall bear the meaning set out in Clause 17.5;

“**US Dollar**” or “**US$**” shall mean the lawful currency of the United States of America;

“**Value Added Project**” means any capital investment project to be implemented after the date of this Agreement and which is intended to be located within the Kingdom which relates to (a) downstream add-on products which could be produced using outputs generated by the Project (for the avoidance of doubt, not including the Rolling Mill or any Expansions thereto) or (b) upstream inputs used in the Project (for the avoidance of doubt, not including the Refinery or any Expansions thereto);

“**Valuer**” shall bear the meaning set out in Clause 18.2; and

“**year**”, “**month**”, “**week**” and “**day**” mean a calendar year, calendar week, calendar month and a calendar day respectively of the Gregorian calendar.

1.2 Interpretation

In this Agreement:

(a) References to statutory provisions shall be construed as references to those provisions as respectively amended or re-enacted or as their application is modified from time to time by other provisions (whether before or after the date hereof).

(b) References to Recitals, Clauses, Schedules and paragraphs are to Recitals and Clauses in, and to Schedules and paragraphs of Schedules to, this Agreement. The Recitals and Schedules shall be deemed to form part of this Agreement.

(c) References to any document (including this Agreement) are references to that document as amended, consolidated, supplemented, novated or replaced from time to time.

(d) Headings are inserted for convenience only and shall not affect construction.

(e) References to the Shareholders include their respective successors and permitted assigns.

(f) References to persons shall include any individual, any form of body corporate, unincorporated association, firm, partnership, joint venture, consortium, association, organization or trust (in each case whether or not having a separate legal personality).

(g) The word "include" and its derivatives shall be deemed to include the proviso that it is "without limitation".

(h) The masculine gender shall include the feminine and neuter and the singular number shall include the plural, and vice versa.

1.3 Third Party Rights

Except insofar as this Agreement expressly provides that a third party may in his own right enforce a term of this Agreement, a person who is not a party to this Agreement has no right to rely upon or enforce any term of this Agreement.

2. Effective Date; Term of the Agreement; Parent Company Guarantee

2.1 Effective Date

This Agreement shall be effective as of the date of execution of this Agreement by both Parties (the "**Effective Date**").

2.2 Term of the Agreement

(a) The term of this Agreement and the Joint Venture shall be from the Effective Date until thirty (30) years after the date that the last of the three Companies is registered in the Commercial Register (the "**Initial Term**").

(b) At the expiry of the Initial Term, this Agreement shall be automatically renewed for an additional term of twenty (20) years on the same terms and conditions, unless the Parties agree otherwise at least two (2) years prior to the expiry of the Initial Term or unless terminated earlier in accordance with this Agreement ("**Additional Term**").

(c) The Parties may agree to extend the term of this Agreement and the Joint Venture beyond the end of the Additional Term, by successive ten (10) year periods, by mutual agreement of the Shareholders at least five (5) years prior to expiry of the then current term

(d) If the Parties are unable to agree on an extension of the term of this Agreement and the Joint Venture pursuant to paragraph (c) above, prior to a liquidation of the Companies pursuant to the provisions of Clause 16.3, the Parties will seek to negotiate a purchase by one Party of the other Party's Transferable Interests at a Fair Market Value pursuant to the procedures, and consistent with the valuation principles, set forth in Clause 18.

2.3 Parent Company Guarantee

Alcoa shall procure the issuance by its ultimate parent company of a parent company guarantee in respect of its Affiliates that are Shareholders in a Company in the form set out in Schedule 1. Such parent company guarantee shall be issued to Ma'aden prior to or simultaneously with the first issuance of Shares to any Alcoa Affiliate.

3. Development Committee and Establishment of a particular Company

3.1 Development Committee

The Parties shall proceed to incorporate each Company and appoint the relevant Board of Managers as soon as possible after the Effective Date. If it is not practicable to incorporate a Company immediately following the Effective Date then, for the period between the Effective Date and the incorporation of such Company and appointment of its Board of Managers, a project development committee (the "**Development Committee**") shall be formed by the Parties for the overall coordination of the development of the project in the period up to incorporation of such Company and appointment of its Board of Managers. The Development Committee shall have the authority and duties and shall act in accordance with the procedures set out in Part 1 of Schedule 13.

The Development Committee shall be subject to the same Company Policies as described in Clause 8.9 of the Agreement once such policies are determined by the Parties.

3.2 Project Costs and Pre-Financing Budget

Prior to the Effective Date, the Parties have agreed on:

(i) the Estimate of Project Costs;

(ii) the Project Model; and

(iii) the Pre-Financing Budget.

3.3 Project Milestones

(a) From the Effective Date, the Parties shall use their best efforts to progress the development of the Project including achieving the milestones set out in Schedule 15 by the respective milestone dates. As the Project is progressed as aforesaid, the Parties shall, and shall procure that each Company shall, further develop and approve:

(i) the Project Budget which shall supersede and replace the Estimate of Project Costs and Pre-Financing Budget;

(ii) the Base Case Model for each Phase;

(iii) the Financing Plan for each Phase including a commitment by each of the Parties to provide the Required Shareholder Funding specified in the Financing Plan together with the Senior Lenders Commitment Letters in respect of such Phase; and

(iv) the material Project Agreements as specified in Schedule 15.

(b) Without prejudice to the above, the Parties shall use their best efforts to obtain signed Senior Lenders Commitment Letters and the key signed Construction Agreements (as agreed by the Parties) for Phase 1 by no later than 30 June 2010 (the "**Commitment Date**").

(c) In the event that the Senior Lenders Commitment Letters and the key Construction Agreements (as aforesaid) have not been signed by the Commitment Date, the Parties will liaise with the Ministry of Petroleum to seek appropriate extensions of time or other relief under the Gas Allocation Letter and the Parties will continue to use all their respective best efforts to progress the Senior Lenders Commitment Letters and the key Construction Agreements so that they may be signed by the respective parties as soon as practicable following the Commitment Date. In the event that the Gas Allocation Letter is terminated or the gas allocation is withdrawn by reason of any failure to achieve the signing of the Senior Lenders Commitment Letters or the relevant key Construction Agreements by the Commitment Date, or for any other reason, then this Agreement will terminate in accordance with Clause 16.1(e) and neither Party shall have any liability to the other (including in respect of the reimbursement of Pre-Incorporation Costs or Paid In Capital or Shareholder Loans in respect of any Company) arising from any such termination.

(d) Subject to obtaining signed Senior Lenders Commitment Letters for Phase 1, the Parties: agree to continue to develop the Project; commit to provide the Required Shareholder Funding in respect of Phase 1; and to procure that each relevant Company shall sign the Financing Agreements for Phase 1, subject only to the Financing Agreements being on materially the same terms as those contained in the Senior Lenders Commitment Letters.

(e) Following the development and approval of all items listed in paragraph (a) above and, subject to paragraph (f) below, the occurrence of the Financing Completion Date for Phase 1 (or earlier, should the Parties so agree), the Parties shall procure that the NTP for Phase 1 is issued.

(f) The Parties shall use their best efforts to progress the Project as aforesaid such that the Financing Completion Date for Phase 1 occurs no later than the Financing Longstop Date. In the event that the Financing Completion Date for Phase 1 has not occurred by the Financing Longstop Date, Clause 15 shall apply.

(g) The Parties acknowledge that the Project is an integrated project to be developed in two Phases. The Parties shall use their best efforts to obtain signed Senior Lenders Commitment Letters and the key signed Construction Agreements (as agreed by the Parties) for Phase 2 by no later than 30 June 2011. The Parties shall proceed to develop Phase 2 upon signing the relevant Financing Agreements.

3.4 Establishment of each Company

(a) The Parties acknowledge and shall procure that each Company will be established by the relevant Shareholders in accordance with the Applicable Laws of the Kingdom.

(b) Promptly following the Effective Date, the Parties shall procure that the relevant Shareholders shall apply to SAGIA for the issuance of the Foreign Investment Licence in relation to each Company.

(c) Promptly following the issuance of the Foreign Investment Licence for each particular Company, the Articles of Association of such Company shall be submitted to the Ministry and the Parties shall procure that the relevant Shareholders shall use all reasonable efforts to complete the incorporation of each Company. The Parties agree that each Company's Articles of Association will be in the Agreed Form attached hereto as Schedule 2, an Arabic version of which shall be submitted to the Ministry for approval. If any changes are requested by the Ministry, the Articles of Association will be amended and resubmitted only

after the Parties have consented thereto, such consent not to be unreasonably withheld, conditioned or delayed. Promptly following approval of the Articles of Association by the Ministry, the Parties will cause the authorized representatives of the relevant Shareholders to execute the Articles of Association before the competent notary public in the Kingdom and thereafter shall take such further actions as shall be necessary to complete the incorporation and registration of each Company in the Commercial Register as soon as possible, and in accordance with the requirements of Clauses 3.5, 3.6 and 4.1(a).

3.5 Details of each Company

The Parties acknowledge and agree that:

(a) Each Company will be formed for a period of fifty (50) years starting from the date of its registration in the Commercial Register, as may be extended pursuant to the terms of the Articles of Association and this Agreement;

(b) Notwithstanding paragraph (a) above, the term of the Joint Venture shall be as specified in Clause 2.2;

(c) The names of the Companies shall be (i) Ma'aden Bauxite & Alumina Company, which will operate the Mine at Al Ba'itha and the Refinery at Ras Az Zawr (the "**Mining & Refining Company**"); (ii) Ma'aden Aluminium Company, which will operate the Smelter at Ras Az Zawr (the "**Smelting Company**"); and (iii) Ma'aden Rolling Company, which will operate the Rolling Mill at Ras Az Zawr (the "**Rolling Company**"), or in each case such other name as may be approved by the Parties from time to time in accordance with this Agreement and set out in, or in an amendment to the Articles of Association of such Company which have been duly filed and/or registered in the Commercial Register in accordance with Applicable Laws of the Kingdom;

(d) The registered office of each Company shall be in Jubail in the Kingdom, or such other place in the Kingdom as may be approved by the Parties from time to time in accordance with this Agreement and set out in an amendment to the Articles of Association of such Company which has been duly filed and/or registered with the Commercial Register in accordance with Applicable Laws of the Kingdom;

(e) Each Company shall be domiciled in the Kingdom and shall not conduct business in any jurisdiction other than the Kingdom, except as may be necessary or incidental to the Project, without the prior approval of the relevant Board of Managers given in accordance with this Agreement.

3.6 Purpose

(a) The Parties acknowledge and agree that (i) the Companies are a profit centre separate to each of the Parties' other business(es), and (ii) subject to the terms and conditions of this Agreement, the Parties shall procure (either directly or through the relevant Shareholders appointed by them) that each Company shall conduct its affairs, and each of the Parties shall (and shall procure that the relevant Shareholders appointed by them shall) conduct its dealings with such Company, in such a way as to promote the Company's business and the profitability of the Project.

(b) The Parties acknowledge and agree that the purpose of each Company is and shall be to engage in the following commercial activities, subject to the terms and conditions of this Agreement and in accordance with the contractual arrangements by which it is bound:

(i) Collectively, the development, construction, ownership and operation of the Mine, the Refinery, the Smelter and the Rolling Mill in the Kingdom;

(ii) In the case of the Mining & Refining Company, initially the extraction of approximately 4,000,000 tpa of Bauxite from the Al Ba'itha bauxite deposit in the Kingdom and the production of approximately 1,800,000 tpa of Alumina;

(iii) In the case of the Smelting Company, initially the production of approximately 740,000 tpa of Aluminium;

(iv) In the case of the Rolling Company, initially the production of approximately 250,000 tpa, which may be increased to 460,000 tpa of Rolling Mill products (the "**Products**"); and

(v) Implementation of Expansions of the Project, and production of the resulting increased quantities of the Products.

(c) The Parties acknowledge that priority on the allocation and marketing of Excess Alumina will be given to Expansions of the Smelter, followed by domestic demand and then to export to international markets.

(d) In accordance with the Gas Allocation Letter and as referred to in Clause 5.5, the Parties acknowledge and agree that the Companies are required to support the development of downstream businesses in the Kingdom.

4. Share Capital, Funding by Shareholders and Financing Completion Date

4.1 Share Capital as of Incorporation

(a) The Parties acknowledge that each Company shall be incorporated with an initial Share Capital, and the ownership of such shares as at the date of incorporation shall be, as set out in the tables below:

(i) In the case of the Mining & Refining Company:

Shareholder	Shareholder Percentage	Number of Shares	Paid In Capital
Ma'aden	60%	306,000	SR 3,060,000,000
Alcoa	40%	204,000	SR 2,040,000,000
TOTAL	100%	510,000	SR 5,100,000,000

(ii) In the case of the Smelting Company:

Shareholder	Shareholder Percentage	Number of Shares	Paid In Capital
Ma'aden	60%	459,000	SR 4,590,000,000
Alcoa	40%	306,000	SR 3,060,000,000
TOTAL	100%	765,000	SR 7,650,000,000

(iii) In the case of the Rolling Company:

Shareholder	Shareholder Percentage	Number of Shares	Paid In Capital
Ma'aden	60%	234,000	SR 2,340,000,000
Alcoa	40%	156,000	SR 1,560,000,000
TOTAL	100%	390,000	SR 3,900,000,000

(b) Each Share shall entitle the holder thereof to one (1) vote on each matter coming before the Shareholders.

(c) Notwithstanding anything to the contrary contained in the Articles of Association of each Company, each Share shall entitle the holder thereof to receive Share Distributions in accordance with Clause 11 of this Agreement.

4.2 Required Shareholder Funding

(a) From the Effective Date until the date of incorporation of each Company and appointment of the Board of Managers for such Company, funding calls will be issued by the Development Committee (a **"Development Committee Funding Call")** in accordance with the Pre-Financing Budget and shall be funded by the Parties and/or their Affiliates into the Project Account in proportion to their proposed Shareholder Percentages for each relevant Company set out in Clause 4.1 within fourteen (14) days of the request, subject to the Parties' rights to reimbursement in accordance with Clause 13.

(b) Following the incorporation of a Company and appointment of its Board of Managers, the Board of Managers may from time to time issue a Cash Call to the Shareholders in accordance with their Shareholder Percentages for Equity Subscriptions and, Shareholder Loans (in the proportions determined by the Parties), in accordance with approved Budgets including initially the Pre-Financing Budget and, when superseded, the Project Budget. The Equity Subscriptions and Shareholder Loans shall each separately be proportionate to the Shareholder Percentages of the respective Shareholders. The Parties shall procure that the relevant Shareholders nominated by them shall pay or advance such funds to such Company and, in respect of any Equity Subscription, the Paid In Capital of each of the Shareholders in the Company shall be adjusted accordingly. For the purposes of this Agreement, "**Required Shareholder Funding**" shall comprise all funding that the Shareholders (or any of them) have advanced or are required to advance (or procure the advancing of) to each Company in accordance with the approved Budgets or as otherwise required in accordance with this Agreement, including by way of Equity Subscriptions and Shareholder Loans (but shall exclude any Senior Debt provided by a Shareholder or its Affiliates).

4.3 Shareholder Loans

In the event that the Parties determine that a Cash Call issued by a particular Board of Managers should comprise in whole or part Shareholder Loans, the Parties shall procure that the Shareholders shall each, and shall also procure that such Company shall, within fifteen (15) days of the request by the Board of Managers to do so, execute one or more subordinated loan agreements between the relevant Shareholders and such Company (the "**Shareholder Loan Agreements**") requiring the relevant Shareholders, conditional on achieving the Financing Completion Date for the relevant Phase, to advance amounts to such Company pursuant to Cash Calls in accordance with Clause 4.2(b).

4.4 Form and Manner of Funding by Shareholders

(a) Unless otherwise approved by the Board of Managers of a relevant Company in accordance with this Agreement, all Cash Calls by each Board of Managers shall:

(i) be in an amount that corresponds to an approved Budget (which shall be referenced in the Cash Call), be given at such times and in respect of such amounts as correspond to the cash requirements of the particular Company and, to the extent possible, correspond with the timing contemplated by such approved Budget;

(ii) be made by notice in writing to all Shareholders not less than ten (10) Business Days prior to the date (the "**Funding Deadline**"), which shall be a Business Day, by which such Required Shareholder Funding subject to the Cash Call is required to be made;

(iii) specify the amount required to be advanced by the affected Shareholder(s) in accordance with this Agreement;

(iv) specify whether the amount is required to be advanced by way of Equity Subscription and/or Shareholder Loan;

(v) specify the Funding Deadline; and

(vi) set out details of the bank account of the Company into which the Required Shareholder Funding subject to the Cash Call should be deposited.

(b) All Required Shareholder Funding pursuant to this Clause 4 shall be made in the form of cash and in respect of equity shall be made in Saudi Riyals and in respect of Shareholder Loans shall be made in either Saudi Riyals or US Dollars, as agreed by the Parties.

(c) All Shareholder funding made under this Clause 4 shall be directly deposited into a separate bank account of the relevant Company established for such purpose which shall be specified in the relevant Cash Call and (together with any interest or investment income earned thereon) shall be the absolute property of such Company for its own account and used by such Company in accordance with this Agreement.

(d) Subject to Applicable Laws in the Kingdom and Clause 7.2(a)(ii), when considered appropriate by the relevant Board of Managers, including for purposes of avoiding potential application of Article 180 of the Company Law, the Parties shall procure that the Shareholders shall promptly resolve and otherwise procure and take all steps and execute and deliver all instruments necessary or desirable, including without limitation amending the Articles of Association of the relevant Company (without requiring separate approval under Clause 7.2(a)), to convert Shareholder Loans into Share Capital by releasing and discharging such principal amount of Shareholder Loans (then outstanding from each Shareholder to the relevant Company) in consideration for the issuance by the Company of that number of Shares so as to increase the Share Capital to an appropriate level. Any Shareholder Loans so converted shall be converted into Shares pro rata to the then Shareholder Percentages of the Shareholders and in a manner which does not vary the Shareholder Percentages of the Shareholders post conversion.

4.5 Default Commission Rate

If a Shareholder fails to pay or advance an amount in accordance with this Clause 4 by the Funding Deadline or the deadline specified in Clause 4.2(a) (in the case of a Development Committee Funding Call), the unpaid amount of such Required Shareholder Funding or under such Development Committee Funding Call (as the case may be) shall bear a commission (the "**Default**

Commission") from and after the date due to the date such amount is paid at a rate per annum equal to the Commission Rate plus two percent (2%), payable upon demand by the relevant Company or the non-defaulting Shareholder or, failing such demand, monthly in arrears. Any calculation of Default Commission under this Clause 4.5 shall be made on the basis of the actual number of days elapsed and a three hundred and sixty (360) day year.

4.6 Limitations and Shareholder Funding

No Party, nor any of its Affiliates that are Shareholders in a particular Company, shall be under any obligation to provide funding, directly or indirectly, to a Company except pursuant to this Clause 4 or Clause 10.

4.7 Pledge

Except as required pursuant to, and subject to, the terms of the Financing Agreements, no Shareholder may pledge, mortgage, charge or grant any other security interest ("**Security Interest**") over all or any part of its Shares or Shareholder Loans unless such Shareholder obtains the prior written consent of the other Shareholder to such Security Interest.

4.8 Adherence Agreement

Subject to Clause 4.9(b), a person who is not a Shareholder shall not acquire, or be permitted to acquire, any Shares or Shareholder Loans in a Company: (1) other than in accordance with and pursuant to the provisions of this Agreement; and (2) unless such person shall have first executed an Adherence Agreement to this Agreement in the form attached hereto as Schedule 5 ("**Adherence Agreement**") on or prior to the completion of such acquisition of any Shares or Shareholder Loans. Without limiting the foregoing, Alcoa intends to hold its Shares in each of the Companies through an Affiliate and shall procure that each such Affiliate shall enter into an Adherence Agreement on or prior to the issuance of any Shares to such Affiliate. The Parties acknowledge that on receipt of an Adherence Agreement in accordance with the terms of this Agreement, a New Shareholder (as defined in the form of the Adherence Agreement) shall be deemed to have been added as a party to this Agreement and all references to Shareholder or Shareholders, shall include the New Shareholder.

4.9 Financing Completion Date

(a) The Parties intend that the Financing Completion Date for each Phase shall occur no later than the dates specified in Schedule 15 and, in any event, in respect of Phase 1 by no later than the Financing Longstop Date or such other dates as may be resolved by the relevant Board of Managers pursuant to Clause 8.5(a) (and provided that there is no obligation to agree on any change to such dates and a failure to agree on any change to such dates shall not constitute a Deadlock for the purposes of this Agreement).

(b) As soon as is reasonably practical after the Financing Completion Date for each Phase, the Parties shall procure that the relevant Shareholders shall procure that the Foreign Investment Licence, Articles of Association and Commercial Register shall be amended so as to formalize the increase in capital and issuance of the additional Shares.

(c) Subject to the provisions of Clause 6.3, as soon as is reasonably practical after the Financing Completion Date for each Phase, and in any event no later than the closing date of the first drawdown of funds pursuant the Financing Agreements for such Phase, the Parties shall procure that the relevant Shareholders shall procure that each relevant Company shall execute all material Project Agreements and Ancillary Agreements not executed prior to such date in respect of such Phase.

5. Responsibilities of the Parties

5.1 Roles of the Parties

The organization, development, and operation of each Company and the Project will capitalize on the strengths and experience brought by each of the Parties, who will provide such assistance pursuant to the terms of this Agreement and the Ancillary Agreements.

5.2 Role of Ma'aden

Alcoa acknowledges and agrees that Ma'aden possesses extensive experience and know-how in respect of mining, infrastructure, local regulatory compliance, local procurement of goods and services, land related matters and project development in the Kingdom. Accordingly, the Parties shall ensure that each Company shall consult with Ma'aden, and Ma'aden (or as the case may be, its Affiliates) shall provide assistance and support to such Company and, as applicable, shall perform other specified services and obligations, with respect to such matters in the manner provided in, and upon and subject to the terms and conditions of, this Agreement and the relevant Ancillary Agreements entered into by Ma'aden (or as the case may be, its Affiliates) in the Agreed Forms, in accordance with Schedule 9. Such assistance and support and other obligations shall be performed on an "at cost" basis except where an arm's length Ancillary Agreement is to be entered into in accordance with Schedule 9. For the purposes of this Clause 5.2, "at cost" means: in relation to services and support provided by Ma'aden's or its Affiliates' personnel, the costs attributable to base salary plus benefits and burdens of such personnel for the periods in which such services and support are being performed; and in relation to other services and support, the actual direct costs properly incurred by Ma'aden or its Affiliates to third parties in performing the same.

5.3 Role of Alcoa

Ma'aden acknowledges and agrees that Alcoa possesses extensive experience and know-how with respect to bauxite mining, alumina refining, aluminium smelting and rolling mill operations. Accordingly, the Parties shall ensure that each Company shall consult with Alcoa, and Alcoa (or, as the case may be, its Affiliates) shall provide assistance and support to such Company and, as applicable, shall perform other specified services and obligations, with respect to such matters provided in, and upon and subject to the terms and conditions of, this Agreement and the relevant Ancillary Agreements entered into by Alcoa (or its Affiliates) in the Agreed Forms, as more particularly described in Schedule 14. Such assistance and support and other obligations shall be performed on an "at cost" basis except where an arm's length Ancillary Agreement is to be entered into in accordance with Schedule 9. For the purposes of this Clause 5.3 and Clause 16.4, "at cost" means: in relation to services and support provided by Alcoa's or its Affiliates' personnel, the costs attributable to base salary plus benefits and burdens of such personnel for the periods in which such services and support are being performed and subject to grossing up such costs to the extent that withholding tax is payable in respect of such costs; and in relation to other services and support, the actual direct costs properly incurred by Alcoa or its Affiliates to third parties in performing the same.

5.4 Aluminium Offtake

(a) The Parties (or one of their respective Affiliates), the Smelting Company and the Rolling Company will enter into the Cast House Users' Agreement substantially in the form of Schedule 6 under which the Smelting Company will co-ordinate the provision of cast house services, including to the Rolling Company.

(b) Subject to paragraph (c) below, the Parties or such of their respective Affiliates shall each enter into an offtake agreement with the Smelting Company in the Agreed Form in accordance with the timeline for execution specified in Schedule 9, for the purchase of their

pro rata share (based on their Shareholder Percentage) of each type of Aluminium product produced by the Smelting Company.

(c) The Parties shall procure that the Smelting Company shall allocate such quantities of Aluminium to the Rolling Company as are required for the operation of the Rolling Mill and such allocated quantities shall be taken to reduce the amount of Aluminium provided by the Smelting Company and available to Parties pursuant to paragraph (b) above.

(d) In the event that the Parties fail to achieve the milestone dates relating to the Rolling Mill as indicated in Schedule 15, the Parties acknowledge that the Smelting Company will be required to allocate 275,000 tpa of Aluminium to other entities determined by the Ministry of Petroleum in accordance with the Gas Allocation Letter. Such allocation shall be divided pro rata to each Parties' Shareholder Percentage and each Party shall be obliged to sell such amount of Aluminium at a price equal to the full cost of production to such entities determined by the Ministry of Petroleum.

(e) The Parties shall use their reasonable efforts to (i) assist the Smelting Company in obtaining the required LME registration for Aluminium to be produced by it, and (ii) ensure that such registration is obtained in a timely manner. Each Party shall bear its own costs in relation to assisting the Smelting Company in obtaining the LME registration pursuant to this Clause 5.4.

5.5 Support for Downstream Industry and Priority to the Domestic Market

(a) In accordance with the Gas Allocation Letter, the Parties (or their Affiliates) shall, in priority to export markets, enter into long-term supply agreements with companies in the Kingdom that wish to purchase raw materials from among the Products produced by each Company and, where applicable, sold to the Parties (or their Affiliates) under each Parties' Offtake Agreement with the relevant Company (as specified in Schedule 9) or sold by the Rolling Company (if applicable).

(b) Such supply agreements shall be long-term supply agreements based on competitive terms and conditions, including market based pricing, and, where applicable, on the terms outlined in the Parties' respective Offtake Agreements with the relevant Company. Furthermore, the Parties shall work diligently to promote and support the establishment of downstream industries in the Kingdom, based on the Products produced by the Smelting Company and/or the Rolling Company.

5.6 Sales Agency Arrangements for Sales in the Kingdom

(a) Subject to agreement on terms, Alcoa (or its Affiliates) and Ma'aden shall enter into a sales agency agreement pursuant to which Ma'aden or its Affiliates shall act as the exclusive sales agent in the Kingdom for Alcoa's (or its Affiliates') sales of Aluminium to businesses within the Kingdom, in consideration for the payment of a reasonable agency fee to be agreed between the Parties. Such sales agency agreement shall be subject to usual termination rights for failure to perform in accordance with the terms thereof.

(b) To ensure fairness to Alcoa, the price realised by Alcoa (before taking into account the commission payable to Ma'aden) on sales of Aluminium by Ma'aden as sales agent shall be determined with reference to the average price achieved by Ma'aden (whether for its own account or as sales agent for Alcoa) on sales of Aluminium in arm's length transactions with third parties in the Kingdom.

5.7 Sales Agency Arrangements for Sales Outside the Kingdom

(a) Subject to agreement on terms, Alcoa and Ma'aden shall enter into a sales agency agreement pursuant to which Alcoa (or its Affiliates) shall act as Ma'aden's sales agent for the sale outside the Kingdom of a portion of Ma'aden's share of Aluminium, which as at the date of this Agreement is intended to be in the range of 30-50% of Ma'aden share, in consideration for the payment of a reasonable agency fee to be agreed. Such sales agency agreement shall be for a minimum term of 5 years, subject to usual termination arrangements, including the ability to reduce the volumes committed under such sales agency agreement in increments of up to fifty percent (50%) of the originally committed volume on giving not less than twelve (12) months written notice to the agent, and provided that no such reduction shall occur before the expiry of the fourth year of the aforesaid minimum five (5) year term.

(b) To ensure fairness to Ma'aden, the price realised by Ma'aden (before taking into account the commission payable to Alcoa) on sales of Product by Alcoa as sales agent shall be determined with reference to the average price achieved by Alcoa (whether for its own account or as sales agent for Ma'aden) on sales of Products of the same specified and quality in arm's length transactions with third parties.

5.8 Alumina Supply Arrangements and Excess Alumina

(a) During the period between the date on which the Smelter becomes operational and the date on which the Refinery begins to supply the Smelter's requirements for Alumina, upon request of the Smelting Company, Alcoa (or its Affiliates) will supply Alumina to the Smelting Company in such quantities and at such times as requested, and at a market price formula agreed by the Parties. If at any time thereafter the Mining & Refining Company becomes unable, including due to operational interruptions in Alumina production, to supply the Smelting Company's requirements for Alumina, Alcoa will offer its and its Affiliates' services as agent to locate other sources of Alumina in the market.

(b) Alcoa will also offer, as agent, to market any Excess Alumina that the Mining & Refining Company may have available for sale from time to time at prevailing market prices and in return for a reasonable commission to be agreed.

5.9 Capacity Expansions

(a) The Parties acknowledge that it is their intention to implement future capacity expansions across all elements of the Project in the manner described in this Agreement ("**Expansion**") and to consider engaging in or otherwise supporting downstream manufacturing.

(b) Any Party may require a particular Company to undertake a feasibility study into any potential Expansion. The Parties agree that decisions to implement Expansions shall be taken, in good faith, based on the commercial, economic and strategic viability of the Expansion, following the completion of the feasibility study by such Company. Any decision to implement any Expansion shall be made in accordance with the provisions of Clause 8.5(b).

(c) An Expansion shall be financed in accordance with a financing plan for such Expansion that has been approved by the relevant Board of Managers in accordance with this Agreement.

(d) Each Party shall, and shall procure that the relevant Manager(s) appointed by it, act and vote reasonably and in good faith in connection with the approval of an Expansion and, if approved, in relation to the implementation and financing of the Expansion.

(e) In the context of an Expansion carried out by a particular Company, the Parties shall endeavour to cause such Company (i) to minimise any disruption in the production levels of

the Project, including the Mine and/or the Complex, during the period in which the Expansion is effected and (ii) to procure that the Expansion is effected in accordance with good industry practice.

(f) Each Party shall, and shall procure that any of its Affiliates that are Shareholders shall, execute such documents as necessary in order to ensure the intent of this Clause 5.9 is achieved, including to effect such amendments as may be necessary to reflect the increase in capacity of the Mine and/or the Complex, the relevant Company's capital and its ownership, and to amend its Articles of Association and such Company's Commercial Registration accordingly. Where a decision to implement an Expansion within the relevant Company is taken by its Board of Managers in accordance with Clause 8, each Party shall, and shall procure that any of its Affiliates that are Shareholders shall, exercise their voting rights and do all such things and execute all such documents as may be required to give effect to such decision of such Board of Managers.

5.10 Break-Off Projects

(a) If Ma'aden makes an Expansion proposal in accordance with Clause 5.9 and such Expansion proposal is not approved by the relevant Board of Managers in accordance with this Agreement at two (2) non-successive Board meetings of the relevant Company, held at least five (5) months apart, at which such Expansion proposal is presented for approval, then Ma'aden shall have the right (the "**Break-Off Right**") itself or through an Affiliate to proceed to develop, construct, own and operate the Expansion to which such Expansion proposal relates (the "**Break-Off Project**"). Ma'aden may develop, construct, own and/or operate the Break-Off Project either itself or through a special purpose project company (the "**Break-Off Project Company**") which it Controls. The Break-Off Right shall terminate if (i) Ma'aden has not given formal notice to the relevant Company (the "**Break-Off Project Notice**") of its intention to proceed with such Expansion within the period of sixty (60) days after the second of the two non-successive Board of Managers meetings where the relevant Board of Managers resolved not to proceed with such Expansion, or (ii) notice to proceed under the relevant Construction Agreements for the Break-Off Project is not given within eighteen (18) months of the date of the Break-Off Project Notice. For the avoidance of doubt, if any Break-Off Right so terminates, the proposed Expansion (or any Expansion substantially similar to such proposed Expansion) must again be submitted to the relevant Company in accordance with Clause 5.9.

(b) If Ma'aden gives a Break-Off Project Notice pursuant to paragraph (a) above, the relevant Company shall, and the Parties shall procure that the other Shareholders shall procure that such Company shall, negotiate in good faith with Ma'aden, its Affiliates and/or the Break-Off Project Company with a view to such Company entering into a shared services agreement (a "**Shared Services Agreement**") with Ma'aden, its Affiliate and/or the Break-Off Project Company pursuant to which such Company shall provide certain services and/or make available certain facilities in order to support and facilitate the development, construction and operation of the Break-Off Project. In connection with any such negotiations, the Parties shall ensure that the following principles shall be applied by the parties to such negotiations:

(i) the relevant Company and Ma'aden, its Affiliates and/or the Break-Off Project Company shall cooperate in relation to the conduct of the Project and the Break-Off Project;

(ii) the relevant Company shall, to the extent that doing so does not disrupt the Project, seek to accommodate the needs of the Break-Off Project, including, for the avoidance of doubt, allowing the Break-Off Project to interface with and share the

plant and facilities of the Project, at the cost of Ma'aden, its Affiliates and/or the Break-Off Project Company; and

(iii) the relevant Company shall provide such reasonable supplies including intermediate Products, services, leases, licences, easements and other rights and facilities as are reasonably requested by the Break-Off Project, provided that such Company shall only be obliged to provide services to the Break-Off Project:

(A) to the extent that it has spare capacity, taking into account its current or reasonably predicted future usage of that capacity;

(B) provided that there are no technical incompatibilities which reasonably could be expected to have an adverse effect on the Project and which cannot reasonably be overcome;

(C) provided that no capital expenditures are required of such Company, or alternatively the Break-Off Project funds such capital expenditure;

(D) provided that the arrangements do not adversely impact on the security and regularity of supplies of energy and raw materials to such Company; and

(E) provided that the provision of such services would not prejudice the efficient current and planned future production of Aluminium by the Project.

For the purpose of this Clause 5.10(b)(iii), services, leases, easements and utilities shall be provided on a "full cost" basis (including capital and operating costs). If so required by the Break-Off Project, any intermediate Products, intellectual property licences or other rights and facilities shall be provided on a reasonable basis to be agreed with reference to the cost to the relevant Company of providing such, as well as to the advantage to the Break-Off Project in receiving rather than resorting to a third party provider (if available).

The Parties shall ensure that the Shared Services Agreement shall contain provisions requiring the Break-Off Project Company to comply with detailed reporting requirements, including as regards submitting to the relevant Company monthly progress reports during the pre-commercial operation phase of the Break-Off Project and quarterly operations reports post commercial operation of the Break-Off Project. All reports shall be in such form and provide such information as is customary and shall further contain such additional information as the relevant Company may reasonably request from time to time.

5.11 Value Added Projects

(a) If a Party or any of its Affiliates wishes to develop, construct, operate or otherwise implement, or participate in, any Value Added Project, it may, but shall not be obliged to, inform the relevant Company and the other Party proposing that such Company implement, or participate in, the Value Added Project. In such event, the Party shall set out such details of the proposed Value Added Project as are reasonably necessary to enable the relevant Board to make a reasoned judgement concerning the merits of such Value Added Project. Notwithstanding the foregoing, if any such Value Added Project is likely to be a substantial supplier to, or customer of, a Company (measured either by revenues or by percentage of total purchases or sales), the relevant Party shall inform the other Party and the relevant Company, and the Parties shall consult on the effects on the relevant Company of any arrangement proposed to be entered into between the Value Added Project and such Company but, for the avoidance of doubt, informing the other Party and such Company as aforesaid should not be deemed to be an offer to participate in the Value Added Project.

(b) If the implementation of, or the participation in, a Value Added Project proposed by a Party in accordance with paragraph (a) above is approved by the relevant Board of Managers in accordance with this Agreement, the Parties shall procure that the relevant Company proceeds to implement, or participate in (as applicable), such Value Added Project in such manner as is determined by such Board of Managers.

(c) If the implementation of, or participation in, a Value Added Project proposed by a Party in accordance with paragraph (a) above is not approved by the relevant Board of Managers within ninety (90) days of such Board meeting at which the proposal was first presented to the Board of Managers for approval, then the Party whose appointed Manager(s) voted in favour of such Value Added Project at such Board of Managers meeting shall be entitled itself or through an Affiliate to implement, or participate in, the Value Added Project (on a basis substantially similar to that set out in the relevant notice) outside the relevant Company in partnership, joint venture or in such other relationship with any other person as such Party may determine.

(d) Notwithstanding the foregoing provisions of this Clause 5.11, each Party shall use its reasonable efforts to procure that the relevant Company shall not implement, or participate in, any Value Added Project in a manner that would constitute, or cause such Company to commit, a breach of such Company's obligations under any Project Agreements or Financing Agreements.

5.12 Responsibilities under the Gas Allocation Letter

(a) The Parties acknowledge that the Gas Allocation Letter contains requirements in respect of the implementation of the Project which are to be supported by the provision by Ma'aden (on behalf of the Companies) of an irrevocable letter of credit in the amount of US$ three hundred and fifty million (US$350,000,000) (the "**Ma'aden LOC**"). The Ministry of Petroleum has the right to call on the Ma'aden LOC in the event that the requirements of the Gas Allocation Letter are not met.

(b) The Parties agree and acknowledge that a failure to satisfy the requirements of the Gas Allocation Letter resulting in a claim under the Gas Allocation Letter or a call under the Ma'aden LOC is a risk of the Project to be borne by the Parties in proportion to their respective Shareholder Percentages.

(c) Alcoa shall provide to Ma'aden, within fourteen (14) days of Ma'aden's written request, and in any case prior to the deadline under the Gas Allocation Letter for provision of a letter of credit to the Ministry of Petroleum, a separate irrevocable and unconditional letter of credit issued by a financial institution acceptable to Ma'aden in an amount equal to Alcoa's pro rata share of the amount stated in paragraph (a) above based on its Shareholder Percentage (the "**Alcoa LOC**"). The Alcoa LOC shall have a term of not less than one (1) year and at least thirty (30) days prior to its expiry, Alcoa shall either (i) cause the issuing bank to provide a notice of renewal satisfactory to Ma'aden or (ii) provide a notice of replacement to Ma'aden together with a replacement letter of credit fulfilling the requirements of this Clause 5.12(c).

(d) Ma'aden shall be entitled to call on the Alcoa LOC in the event that Ma'aden is required to make payment for a failure to meet the requirements of the Gas Allocation Letter or the Ministry of Petroleum calls under the Ma'aden LOC, provided that any liability incurred to the Ministry of Petroleum under the Gas Allocation Letter shall be borne by the Parties in proportion to their Shareholder Percentages.

(e) On satisfaction of the requirements of the Gas Allocation Letter and the return of the Ma'aden LOC to Ma'aden, Ma'aden shall, within five Business days thereafter, return the Alcoa LOC to Alcoa.

(f) Any failure by Alcoa to comply with the requirements of this Clause 5.12 for any reason whatsoever shall be deemed to be an Event of Default by Alcoa under Clause 14.1(e).

5.13 Provision of Information by Parties and the Companies

(a) In regard to the operations of the Companies and all matters governed by this Agreement, if a Party, a Shareholder or a Company becomes aware that any of its (or its Affiliate's) or the Companies' directors, employees or Agents have, or in the future will, pay, offer, promise, or authorize the payment of money or anything of value, directly or indirectly, to a Government Official while knowing that any portion of such exchange is for the purpose of:

(i) influencing any act or decision of a Government Official in its official capacity, including the failure to perform an official function, in order to assist itself, a Company or any other person in obtaining or retaining business, or directing business to any third party;

(ii) securing an improper advantage;

(iii) inducing a Government Official to use its influence to affect or influence any act or decision of a Governmental Authority in order to assist itself, a Company or any other person in obtaining or retaining business, or directing business to any third party; or

(iv) providing an unlawful personal gain or benefit, of financial or other value, to a Government Official,

that Party, Shareholder or Company, as the case may be, shall promptly inform the Board of the relevant Company.

(b) Where as a result of an activity carried on or proposed to be carried on by a Company a Government Authority makes an enquiry or request for information in relation to a legal, compliance or regulatory requirement of such Company or Party under Applicable Laws, the Parties shall co-operate with one another and the Company in relation to that enquiry or request for information. Upon request by a Party or a Company, as the case may be, the other Party (or Parties in the case of a request made by a Company) shall provide all reasonable information and assistance required by such Party or Company in respect of such enquiry or request for information.

6. Transfer of Existing Project Assets; Project Agreements

6.1 Transfer of Ma'aden Existing Project Assets

(a) As soon as reasonably practicable after the incorporation of each relevant Company, Ma'aden shall sell, transfer and assign all of its right, title and interest (including all accrued rights) in and to each of Ma'aden's existing Project assets as listed in Schedule 11 ("**Ma'aden Existing Project Assets**") to the relevant Company (as determined by the Parties) and the Parties shall procure that such Company purchases or, as the case may be, receives and accepts the transfer and assignment of each of the Ma'aden Existing Project Assets. The sale, transfer and assignment of any Ma'aden Existing Project Assets pursuant to this Clause 6.1 shall not be subject to, or conditional upon, the sale, transfer or assignment of any other of the Ma'aden Existing Project Assets or any of the Alcoa Existing Project Assets.

(b) Ma'aden shall use its best efforts to give effect to the provisions of paragraph (a) above and, without limiting the generality of the foregoing, shall:

(i) execute appropriate Deeds of Transfer transferring each of the Ma'aden Existing Project Assets to the relevant Company;

(ii) procure (if appropriate) the re-issuance of, or transfer by, the appropriate Governmental Authority (on terms not materially less favourable to the relevant Company) of any relevant Ma'aden Existing Project Assets to the relevant Company; and

(iii) execute and procure the execution of any additional documents and take further action as is necessary or reasonably requested by Alcoa to effectuate the intent of this Clause 6.1.

6.2 Transfer of Alcoa Existing Project Assets

(a) As soon as reasonably practicable after the incorporation of each relevant Company, Alcoa shall sell, transfer and assign all of its right, title and interest (including all accrued rights) in and to each of the Alcoa existing Project assets as listed in Schedule 12 ("**Alcoa Existing Project Assets**") (if any) to the relevant Company (as determined by the Parties) and the Parties shall procure that such Company purchases or, as the case may be, receives and accepts the transfer and assignment of each of the Alcoa Existing Project Assets. The sale, transfer and assignment of any Alcoa Existing Project Assets pursuant to this Clause 6.2 shall not be subject to, or conditional upon, the sale, transfer or assignment of any of the other of Alcoa Existing Project Assets or any of the Ma'aden Existing Project Assets.

(b) Alcoa shall use its best efforts to give effect to the provisions of paragraph (a) above and, without limiting the generality of the foregoing, shall:

(i) execute appropriate Deeds of Transfer transferring each of the Alcoa Existing Project Assets to the relevant Company; and

(ii) execute and procure the execution of any additional documents and take further action as is necessary or reasonably requested by Ma'aden to effectuate the intent of this Clause 6.2.

6.3 Project Agreements signed post-Effective Date but before Company Formation

(a) Promptly following the Effective Date, the Party that is identified as a party to any Ancillary Agreements shall, or shall procure that its relevant Affiliates that are identified as parties thereto shall, use its reasonable efforts to approve Agreed Forms of such Ancillary Agreements (with the exception of Ancillary Agreements that are in Agreed Form on or prior to the Effective Date), and shall execute, and the Parties shall procure that the relevant Company shall execute, the Ancillary Agreements in the Agreed Form forthwith after the Effective Date in accordance with Schedule 9. The Parties agree and acknowledge that all Ancillary Agreements shall be entered into on arm's length commercial terms.

(b) The Parties shall use their reasonable efforts to ensure that, with the exception of such of the Project Agreements that are in the Agreed Form, the Project Agreements (other than the Ancillary Agreements and the Financing Agreements) are negotiated and executed on the most favourable terms and conditions for the relevant Company as may be reasonably obtainable and, where applicable, in accordance with the timeline for the execution as specified by the Board of Managers.

7. **Shareholders' Meetings**

7.1 Shareholders' Meetings

The Shareholders shall act through general meetings and resolutions duly held and adopted in accordance with the terms and conditions of this Agreement, the Articles of Association and Applicable Laws in the Kingdom. To the extent permitted by Applicable Laws in the Kingdom, a Shareholder may participate in Shareholders' Meetings in person or by video conference or tele-conference, and/or may appoint a proxy or proxies to represent it in such meetings.

7.2 Supermajority Items

(a) The Parties agree that no action taken by any Company with respect to any of the following matters shall have any effect, in each case unless and until such matter shall have been approved by a resolution passed at a duly convened meeting of the Shareholders of the relevant Company at which a quorum is present by the affirmative votes of the relevant Shareholders in attendance or duly represented at such meeting who are entitled to vote on such resolution in accordance with this Agreement and holding in the aggregate not less than seventy five percent (75%) of the Share Capital:

(i) Any amendment of the Articles of Association (including any change of name of the Company) other than in accordance with Clauses 4.4(d) and 4.9(b);

(ii) Any change in the business object or shareholding structure of the Company, including any increase or reduction in the Share Capital or issuance of Shares or options on Shares by the Company (other than any increase in the Share Capital or issuance of Shares previously authorised in connection with the Required Shareholder Funding);

(iii) Any liquidation or winding up of the Company (including voluntary dissolution of the Company);

(iv) Any sale or other disposition of all or a substantial part of the Company's business or assets, or any merger of the Company with or into any other entity;

(v) Appointment, replacement, or removal of the Company's Auditors;

(vi) Any decision regarding the distribution of the Company's available profits other than in accordance with Clause 11.3, including without limitation, any decision to establish reserves other than the statutory reserve or to carry forward the Company's profit balance in whole or in part to the next Financial Year;

(vii) Any decision regarding Managers' remuneration; or

(viii) The approval and any subsequent amendment of the Project Budget.

(b) The Parties shall, and shall ensure that any of their Affiliates that are Shareholders shall, vote for any amendment to the Articles of Association, change in shareholding structure of a Company, or decision regarding distribution of a Company's available profits where required to give effect to the rights and obligations of the Shareholders specifically provided for in this Agreement.

(c) Other than as regards matters enumerated in Clause 7.2(a), the Parties agree that no action by a Company which requires Shareholder approval pursuant to this Agreement or under Applicable Laws of the Kingdom shall have any effect until such matter shall have been approved by a resolution passed at a duly convened meeting of the Shareholders at which a

quorum is present by the affirmative votes of the relevant Shareholders in attendance or duly represented at such meeting who are entitled to vote on such resolution in accordance with this Agreement and holding in the aggregate at least fifty one percent (51%) of the Share Capital of the relevant Company.

(d) If any matter has been approved by the relevant Board of Managers in accordance with the Agreement or any action is required to be taken by a Company or any Shareholder in accordance with the Agreement, and such matter requires the approval or ratification by the Shareholders in accordance with Applicable Laws of the Kingdom, then the Parties shall procure that such approval or ratification is promptly given.

7.3 Language

The resolutions of the meeting of Shareholders shall be laid down in writing in the Arabic language and the English language. For purposes of any proceedings conducted pursuant to Clause 21.3 the English language version of any such resolution shall prevail.

8. Board of Managers

8.1 Appointment of Managers to each Company

(a) Except in relation to those matters reserved to the Shareholders, each Company shall be managed by a Board of Managers, which will consist of five (5) Managers. Promptly after the incorporation of a Company in accordance with Clause 3.4, to the extent it has not already occurred, the required appointments shall be made such that Ma'aden will appoint three (3) Managers, and Alcoa (or its Affiliate) will appoint two (2) Managers, to such Company. Each of Ma'aden and Alcoa (or its Affiliate, as aforesaid) will also appoint an Alternate Manager, who will also participate in meetings of the relevant Board of Managers, but will have no vote unless expressly authorized to vote pursuant to sub-paragraph (f) below.

(b) Unless otherwise agreed between the Shareholders of a particular Company, Ma'aden shall appoint the Chairman of each Company.

(c) The relevant Board of Managers shall have full authority to act on behalf of the Company to which they have been appointed, in accordance with the terms and conditions of this Agreement and the Articles of Association. All appointments of Managers shall be effected by written notice to such Company and the other Party.

(d) To the extent permissible under Applicable Laws of the Kingdom, meetings of the Board of Managers may be held by conference call or video conference. Meetings of the Board of Managers shall be held on a quarterly basis.

(e) Meetings of the relevant Board of Managers shall be held at the head office of such Company or at such other places as may be agreed by a majority of the Managers of that Company. Meetings shall be held at such times as specified by the Chairman of that Company. The notice shall include the agenda and all documents pertaining to the business to be transacted at the meeting. The relevant Board of Managers may waive or modify the requirement for notice (including the duration of the notice) with the written consent of all the relevant Managers either prior to or at the commencement of the meeting and before any other business is transacted.

(f) A Manager may grant a proxy to any other Manager appointed by the Shareholder appointing such Manager to attend meetings of the Board of Managers and to vote on his behalf.

(g) Resolutions of the Board of Managers may be passed by written resolution.

(h) Unless otherwise agreed between the Parties, vacancies will be promptly filled by the Shareholder having the right to appoint a Manager to the vacant seat, such that the composition of the Board of Managers of any particular Company shall at all times be in accordance with this Agreement.

(i) Subject to paragraph (f) above and Clause 8.5(a), each Manager shall have one (1) vote, and the Chairman shall not have any additional voting power (including any casting vote) by virtue of his position.

(j) The Chairman shall be a Manager and shall have the authority set out in the Articles of Association, such authority to be exercised in accordance with the decision of the Board of Managers.

8.2 Removal of Managers

The Party or its Affiliate being a Shareholder who appointed a Manager (or an alternate) may remove that Manager (or such alternate) at any time by written notice to the relevant Company and the other Party. In the event that a Manager is removed or resigns or becomes incapacitated or otherwise unable to serve for any reason, the Party or its Affiliate being a Shareholder who appointed him shall promptly appoint a replacement. Any Party or its Affiliate being a Shareholder removing a Manager appointed by it or them in accordance with the relevant provisions of the Articles of Association shall be responsible for and shall hold harmless the other Party and the relevant Company from and against any claim for unfair or wrongful dismissal arising out of such removal and any reasonable costs and expenses incurred in defending such proceedings, including, but without prejudice to the generality of the foregoing, legal costs actually incurred.

8.3 Appointment of Senior Officers to each Company; Removal

(a) The relevant Board of Managers shall appoint officers of the relevant Company from time to time, including the following officers of such Company (“**Senior Officers**”):

(i) the President;

(ii) the Vice President for Operations;

(iii) the Vice President for Finance; and

(iv) the Vice President for Human Resources.

(b) The appointment and removal of each Senior Officer will be subject to approval by the relevant Board of Managers pursuant to Clause 8.5(a).

(c) Except as otherwise agreed by the Parties, the President shall be nominated by Ma’aden to each Board of Managers for approval and shall be the primary executive officer of each Company and shall be fully responsible for the general and executive management and daily administration of the operations and business of each Company. The person nominated by Ma’aden as President shall serve as President for each Company. The President shall report directly to the relevant Board of Managers and carry into effect all decisions and resolutions of the relevant Board of Managers and, if and to the extent determined by special majority approval of the relevant Board of Managers, any duly authorised committee of the relevant Board of Managers.

(d) Except as otherwise agreed by the Parties, the Vice President for Operations of each Company shall be nominated by Alcoa to the relevant Board of Managers for approval. The

scope of each Vice President for Operations' role and responsibilities shall be as determined by the relevant Board of Managers from time to time. Each Vice President for Operations shall report directly to the President.

(e) Except as otherwise agreed by the Parties, the Vice President for Finance shall be nominated by Ma'aden to each Board of Managers for approval. The person nominated by Ma'aden as the Vice President for Finance shall serve in such capacity for each Company. The scope of the Vice President for Finance's role and responsibilities shall be as determined by the relevant Board of Managers from time to time. The Vice President for Finance shall report directly to the President.

(f) The scope of the Vice President for Human Resources' role and responsibilities shall be as determined by the relevant Board of Managers from time to time. The Vice President for Human Resources shall report directly to the President. The person appointed as Vice President for Human Resources shall serve in such capacity for each Company. The Vice President for Human Resources shall report directly to the President. The Vice President for Human Resources Officer shall be a suitable qualified Saudi national.

(g) The Parties agree that the initial management team will be designated for a transitional period of approximately six (6) years from incorporation of the Companies, during which time the Parties shall use their best efforts to ensure that suitably qualified Saudi professionals will be selected and prepared to assume key management positions of each Company.

(h) In the case of a disagreement between the Parties regarding the appointment or removal of one of the Senior Officers, the Parties will first attempt to resolve such disagreement amicably, including reference to senior management consistent with the provisions of Clause 21.1 (without, however, the required formality of the written declaration of "dispute" and the issuance of a "dispute notice").

(i) If a Party loses faith in a Senior Officer nominated by it, it may immediately propose the replacement of such Senior Officer. If a Party loses faith in a Senior Officer nominated by the other Party, it will promptly so inform the other Party, and the Parties will consult on the necessary steps required to either (1) place such Senior Officer under review, or (2) to remove such Senior Officer. If the Parties cannot agree on the review or removal of such Senior Officer, the Deadlock provisions of Clause 9 shall apply for a period not to exceed one (1) year; and thereafter, if the loss of faith in such Senior Officer continues, he or she will be removed from the present position, and the Party entitled to nominate such Senior Officer will nominate a replacement.

8.4 Meetings of the Board of Managers of each Company

(a) A meeting of the Board of Managers may be requested by any two (2) Managers. The secretary shall circulate to the relevant Managers a proposed agenda for each Board meeting along with notice of such meeting. Except as may be agreed by all Managers present and entitled to attend and vote at a meeting of the Board of Managers, no resolution or business shall be passed or transacted at any such meeting that is not included in the agenda for such meeting.

(b) No business shall be transacted at any duly convened Board meeting unless a quorum is present. Subject to paragraph (c) below, the quorum for the transaction of business at any Board meeting shall be at least one (1) Manager appointed by each Shareholder. The Parties shall procure that the relevant Shareholders shall use their reasonable efforts to ensure that the Managers appointed by them attend each Board meeting and that a quorum is present throughout the meeting.

(c) If within two (2) hours of the time appointed for a Board meeting a quorum is not present, the meeting shall, subject to compliance with the next sentence, be adjourned to the same day of the next week at the same time and the same place or such other time, date and place as agreed by the relevant Managers so long as it takes place not later than one (1) month following the initially scheduled meeting. Each Manager shall be notified in writing by the relevant Company of the date, time and place of the adjourned meeting as soon as practicable once such date, time and place have been determined by the Managers. Unless otherwise approved by the relevant Board of Managers in accordance with this Agreement, if at the adjourned meeting a quorum is not present within two (2) hours of the time appointed for the meeting, those Managers present shall constitute a quorum.

8.5 Voting Thresholds

(a) Subject to Clause 8.5(b), each Board of Managers shall adopt its resolutions with the affirmative simple majority vote of the Managers being present in person or by proxy, and entitled to vote, at a duly convened Board meeting at which a quorum is present (or in the case of a written resolution taken without a Board meeting, the total number of Managers). The decisions requiring the affirmative simple majority vote of the Managers shall comprise all such decisions of the Managers other than those for which a special majority resolution is required pursuant to Clause 8.5(b).

(b) The following decisions relating to each Company shall require the affirmative special majority vote of seventy five percent (75%) of the relevant Managers being present in person or by proxy, and entitled to vote, at a duly convened Board meeting at which a quorum is present (or in the case of a written resolution taken without a Board meeting, seventy five percent (75%) of the Managers entitled to vote):

(i) Appointment, removal and remuneration of the Senior Officers;

(ii) Approval of the Project Budget and any material change thereto having a value in excess of the lower of fifty million US Dollars (US$50 million) or ten (10) percent of the Project Budget;

(iii) Approval of the issuing of the NTP for each Phase.

(iv) Approval of the annual operating budgets and any material change thereto (having a value in excess of the lower of fifty million US Dollars (US$50 million) or ten (10) percent of the annual operating budget) of the relevant Company following the Commercial Production Date;

(v) Approval of any Expansion, Value Added Project, the incurring by a Company of any additional indebtedness beyond that contained in the Financing Plan or the Project Budget, or any capital investment projects or material changes to the same in each case having a value in excess of fifty million US Dollars (US$50 million);

(vi) Approval of any Construction Agreement to be entered into after the Effective Date having a value in excess of fifty million US Dollars (US$50 million);

(vii) Approval of any Project Agreement to be entered into between a Shareholder or any of its Affiliates and any Company which is not in any Agreed Form at the Effective Date;

(viii) Approval of financial statements required to be produced by any Company and presented to the Shareholders in accordance with Clause 12.3;

(ix) Approval or any long-term contract, having a term in excess of three (3) years and having a value in excess of fifty million US Dollars (US$50 million) (and except to the extent already included in any approved budget);

(x) Adoption of each Company's initial business conduct and conflict of interest Company Policies, and any material changes thereto; and

(xi) To the extent required by the Company Policies, entering into a contract of engagement or compensation arrangements with an Agent whose duties are to lobby or to influence the actions or decisions of Governmental Authorities and/or Government Officials.

8.6 Resolutions

The resolutions of each Board of Managers shall be written in the English language and, if Ma'aden so requires and at its cost, in the Arabic language. For the purposes of any proceedings conducted pursuant to Clause 21.3, the English language version of any such resolution shall prevail.

8.7 Information

A Manager shall be entitled to supply details of any business transacted at Board meetings or committee meetings and any other information obtained by him in his capacity as a Manager, to the Shareholder by whom he was appointed or to the professional advisers of such Shareholder, subject always to the provisions of Clause 22.

8.8 Duties of Managers

The Parties and any Affiliate being a Shareholder shall endeavour to procure that the Managers and Senior Officers of each Company shall, in carrying out their responsibilities, act honestly, ethically, in good faith and in the best interests of such Company. Each Party and any Affiliate being a Shareholder shall procure that its Managers and Senior Officers do not act or fail to act in a way which would prevent any Company from exercising any right or enforcing any remedy under any Ancillary Agreement or other Project Agreement.

8.9 Company Policies

The Parties, through the relevant Board of Managers shall procure that each Company shall adopt and be operated in accordance with the Company's policies relating to accounting, environmental matters, health and safety, corporate social responsibility, financing, cash management and disbursements, Share Distributions, procurement, human resources, hedging and risk management and business conduct as promulgated and amended by the Board of Managers from time to time (the "**Company Policies**").

In this regard, among other things:

(a) The Parties shall procure that each Company will, before the date that the Company shall commence business, establish, maintain and duly administer an internal control system comprising policies, processes and such other features as are necessary or advisable to help ensure:

(i) the Company's effective and efficient operation by enabling it to manage significant business, operational, financial, compliance and other risks to achieving the Company's objectives;

(ii) the quality of the Company's internal and external financial reporting; and

(iii) compliance by the Company with Applicable Laws.

(b) The Parties shall procure that each Company will make and keep books, records and accounts which in reasonable detail accurately and fairly reflect the transactions and dispositions of its assets, and will (before the date that the Company shall commence business) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that:

(i) transactions are executed in accordance with management's general or specific authorization and are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and/or International Accounting Standards to maintain accountability of such assets;

(ii) access to assets is permitted only in accordance with management's general or specific authorization; and

(iii) the recorded accountability for assets is compared with existing assets at reasonable levels and appropriate action is taken with respect to any differences.

(c) Alcoa shall prepare and provide the first drafts of each Company's compliance and procedure manuals and other documents necessary to implement sub- clause (a) and (b) above.

8.10 Project Steering Committee

The Parties shall form a multi-disciplinary working group (the "**Project Steering Committee**") for each Company which shall be responsible for advising such Company in respect of various elements of the Project. The Project Steering Committee shall be headed by the President and consist of representatives of each Party and various third party consultants to the Project. The Project Steering Committee shall report to the Board of each Company and co-ordinate with its Senior Officers in the performance of its functions. The initial charter and duties of the Project Steering Committee are set forth in Schedule 13.

9. Deadlock

9.1 Deadlock Arising

(a) If a resolution (a "**Proposed Resolution**") with respect to any proposed action or omission by any Company that constitutes (i) a matter requiring affirmative special majority decision by the relevant Board of Managers as identified in Clause 8.5(b), or (ii) a matter requiring the affirmative resolution of the relevant Shareholders representing the relevant voting Share Capital as identified in Clause 7.2 (other than potential Expansions, which are subsequently pursued as Break-Off Projects, which are covered by the provisions of Clause 5.10), is proposed at two (2) consecutive meetings of the relevant Shareholders or, as the case may be, the relevant Board of Managers and such resolution (as it may be amended or supplemented by approval of the relevant Shareholders or, as the case may be, the relevant Board of Managers in accordance with this Agreement) and is not approved at either of such meetings; such situation shall be considered to constitute a "**Deadlock**" for the purposes of this Agreement.

(b) Nothing in this Clause shall affect or relieve any Party or Shareholder from its obligations under this Agreement, nor shall any default by a Party or a Shareholder in the performance of such obligations give rise to a Deadlock.

9.2 Deadlock Referral

(a) Any Shareholder that has not voted against or abstained from voting in respect of a Proposed Resolution that has resulted in a Deadlock or, as the case may be, whose

appointed Managers have not voted against or abstained from voting in respect of such Proposed Resolution, may during the period of sixty (60) days after such Deadlock has arisen (but not after such period) invoke the Deadlock Resolution Procedure referred to in paragraph (b) below by giving notice (a "**Deadlock Referral Notice**") in writing to the other Shareholder and, if applicable, the relevant Company, which notice shall be accompanied by such Shareholder's description of the Deadlock and its position with respect thereto.

(b) If a Shareholder gives a Deadlock Referral Notice in respect of a Deadlock, the Shareholders shall procure that the following procedure (the "**Deadlock Resolution Procedure**") is followed:

(i) the chief executive officers of the ultimate parent companies of each of the Shareholders or their representatives specifically designated for the purpose of resolving the Deadlock (the "**Deadlock Committee**") shall meet within fifteen (15) days of such notice being given and shall negotiate in good faith with a view to resolving the Deadlock;

(ii) the rules and procedures of the Deadlock Committee shall be unanimously agreed by the Deadlock Committee;

(iii) each Shareholder shall have the right to submit to the members of the Deadlock Committee its own statement of the matter and its position with respect thereto;

(iv) the members of the Deadlock Committee shall use their reasonable efforts to resolve the Deadlock for a reasonable period of time, which shall not (unless otherwise agreed between the Shareholders) exceed forty five (45) days;

(v) the members of the Deadlock Committee shall be guided in such negotiations by the best interests of the relevant Company or, if the Deadlock arises prior to the incorporation of the Company, the Project; and

(vi) the members of the Deadlock Committee may approve such interim or temporary actions or other measures as they shall unanimously agree are necessary and desirable to protect and preserve the value of the Project pending resolution of the Deadlock, and the relevant Shareholders shall procure that any such approved actions or other measures are duly approved by those Shareholders or, as the case may be, the relevant Board of Managers, in accordance with this Agreement and implemented by the relevant Company.

(c) No Party or Shareholder shall, by virtue of any Deadlock or Deadlock Resolution Procedure, be relieved of any of its obligations under this Agreement and, without limiting the generality of the foregoing, the Parties and the relevant Shareholders shall continue to procure that the relevant Company continue to take all such actions contemplated by this Agreement in a timely manner.

(d) If a Deadlock is not the subject of a valid Deadlock Referral Notice or is not resolved in accordance with the Deadlock Resolution Procedure within sixty (60) days of the submission of such matter to the Deadlock Committee, no action will be taken with respect to the Proposed Resolution giving rise to such Deadlock and the status quo shall be maintained in respect of the operations of the relevant Company in respect thereof.

9.3 Sole Remedies

(a) A Deadlock shall not be submitted to, or be capable of resolution by, arbitration under this Agreement, provided that, any dispute with respect to the compliance by the relevant

Shareholders with their obligations under this Clause 9 may be subject to arbitration pursuant to Clause 21.3.

(b) The rights and remedies of the Parties and the relevant Shareholders under this Clause 9 shall be the exclusive rights and remedies of the Parties and the relevant Shareholders with respect to any Deadlock and, without limiting the generality of the foregoing, no Party or Shareholder shall take any action or other step to liquidate, wind-up or otherwise dissolve the relevant Company as a consequence of any Deadlock.

10. Senior Debt Financing of the Project

10.1 Support For Financing Plan

Each Party shall:

(a) provide such support and assistance, including the provision of guarantees, as may be reasonably requested by any Company or the Development Committee in connection with implementing the Financing Plan, arranging the Senior Debt contemplated thereby, entering into the Financing Agreements and achieving Financial Close for each Phase; and

(b) negotiate in good faith with the Senior Lenders in connection with any Completion Agreements requested from such Party or any of its Affiliates with a view to concluding such Completion Agreements on terms that are consistent with the Financing Plan for the relevant Phase and are otherwise acceptable to such Party acting reasonably.

10.2 Several Obligations

The Parties agree that their obligations and any Completion Agreements shall be several only and the Parties shall not be obliged to enter into any such obligations on a joint or joint and several basis.

10.3 No Further Liability

It is the intention of the Parties in founding each Company that each Company shall be liable for its own liabilities, and that neither the Parties nor the relevant Shareholders shall assume liability for the debts and obligations of any Company except to the extent required for the procurement of limited recourse financing in connection with the Project, in accordance with the Completion Agreements and pursuant to the Financing Agreements and as may be required by Applicable Laws.

11. Distributions Policy; Taxes

11.1 Distributions Policy

(a) The annual net profits of each Company and any retained profits from previous Financial Years shall be first allocated towards maintaining the statutory reserve as required by Applicable Laws in the Kingdom from time to time, subject to any exemptions granted to any Company in relation thereto.

(b) All Distributions by each Company to the relevant Shareholders pursuant to this Clause 11.1 will be made in accordance with the following priorities to the maximum extent permitted by the Applicable Laws of the Kingdom:

(i) firstly, in repayment of the outstanding principal amount and any other amounts in respect of the Shareholder Loans; and

(ii) secondly, to the relevant Shareholders by way of dividend or other Share Distribution as may be determined by the relevant Board of Managers in accordance with this Agreement,

and except to the extent that the relevant Shareholders otherwise determine pursuant to Clause 7.2.

(c) Subject to the foregoing, the Parties and the relevant Shareholders shall procure that each Company maximises the Distributions of Free Cash, subject to retaining the following funds in each Company:

(i) funds reasonably required to fund maintenance of the Project in the manner contemplated by this Agreement and other expenses expressly contemplated in this Agreement, including required debt service, reserves or other funds pursuant to this paragraph (c) and the funding of community projects and funding of a Company's research and development programme pursuant to Clause 11.2;

(ii) funds required to maintain working capital levels reasonably necessary to support the operations of a Company; and

(iii) funds required to be reserved for capital expenditures in accordance with an approved Budget, including cash required to fund the equity portion of any Expansion or Value Added Project approved in accordance with this Agreement.

(d) Subject to any restrictions or obligations contained in any Financing Agreement to which a Company is a party and after deduction of the amounts referred to in Clauses 11.1(a) and (b), each Company shall make Distributions of Free Cash for each Financial Year to the relevant Shareholders pro rata in accordance with their respective Shareholder Percentage as soon as is commercially practicable and in the manner set out in paragraph (b) above.

(e) The Parties and the relevant Shareholders undertake to resolve to establish such reserves and/or carry forward or retain such profits as may be necessary to enable each Company to comply with the terms of any Financing Agreements or credit facilities to which such Company is a party. If losses are incurred they shall be carried over to the next Financial Year and no profits shall be distributed until the losses are fully covered.

11.2 Local Community Projects; Research and Development Programme

(a) The Parties shall procure that the Companies shall develop and agree policies with respect to:

(i) funding to be applied to local community projects as part of each of the Companies' respective Annual Programme and Budget, at a minimum level equivalent in the aggregate to the projected one percent (1%) of EBIT of the Companies and subsequently, in the minimum amount of one percent (1%) of the Companies' actual EBIT annually; and

(ii) funding by the Companies of their research and development programmes in the minimum amount in the aggregate of one percent (1%) of the Companies' actual EBIT annually.

(b) Each Company shall be responsible for dispersing such funds to the relevant local community projects and for determining Ma'aden's role in this process, as approved by the relevant Board of Managers, consistent with its Company Policies. Each Company shall monitor any local community projects to which funds have been so disbursed in accordance with the Parties' agreed policies, subject to any monitoring role which is specifically assigned to Ma'aden in accordance with a Company's determination under this Clause 11.2(b).

11.3 Tax and Zakat

(a) Each Party shall ensure that any Affiliate that is a Shareholder shall be responsible for and shall bear the cost of any income tax or zakat, which may be imposed in the Kingdom on (i) its respective share of the profits in a Company, or (ii) its respective ownership interest in a Company, or (iii) its respective ownership of, or interest in, the Mining Licences. Each Party hereby authorises each Company to pay to the DZIT on its behalf the Saudi Arabian income tax or zakat for which it is responsible or which is attributable to it pursuant to this Clause 11.3 and to charge a corresponding amount against the distribution entitlement of the relevant Shareholder for the relevant Financial Year. In the event that a Company does not have sufficient cash to pay the tax or zakat for which a Shareholder is responsible the respective Party shall ensure that then such Shareholder shall pay the necessary amount to the Company to enable it to pay such tax or zakat to the DZIT.

(b) Each Party shall, or shall ensure that any Affiliate that is a Shareholder shall bear the cost of any Saudi Arabian withholding tax imposed on any payments made to it by a Company in connection with a Distribution. Such Company may withhold from any payments to be made to such Shareholder by the Company any withholding tax for which such Shareholder is responsible and each Shareholder shall promptly pay such Company for payment to the DZIT any additional amounts required to cover any withholding tax for which such Shareholder is responsible. Such Company will provide each relevant Shareholder with copies of all applicable Tax receipts.

12. Accounting System, Books and Budgets

12.1 Accounting System and Standards

The Parties will ensure that each Company shall keep and maintain an accounting and cost accounting system allowing efficient control and allocation of all costs involved, and shall regularly report to the Parties in accordance with the requirements of all Applicable Laws of the Kingdom and a system acceptable to the relevant Board of Managers, based on generally accepted accounting standards and applicable rules and regulations applied by the Saudi Organisation for Certified Public Accountants ("**SOCPA**") in the Kingdom and also in the International Financial Reporting Standards as issued by the International Accounting Standards Board from time to time ("**IFRS**").

12.2 Language of Reporting to the Shareholders

All reports and financial information provided to Parties and relevant Shareholders pursuant to this Clause 12 shall be prepared in Arabic and English.

12.3 Financial Statements

The Parties shall procure that each Company prepares the following:

(a) not later than ninety (90) days after the end of each Financial Year, audited financial statements, including balance sheets, income statements and cash flow statements of the relevant Company for the preceding Financial Year, in accordance with SOCPA and IFRS;

(b) not later than thirty (30) days after each of each 31 March, 30 June, and 30 September in each Financial Year quarterly unaudited financial statements, including balance sheets, income statements and cash flow statements of the Company for the respective three (3), six (6) and nine (9) month periods then ended, in accordance with SOCPA and IFRS;

(c) not later than twenty (20) days after the end of each calendar month in each Financial Year, monthly unaudited management accounts for such calendar month, in accordance with SOCPA and IFRS; and

(d) all financial statements and management accounts delivered to the Shareholders shall be accompanied by:

(i) a report of the President summarising the development, construction or, as the case may be, operations of the relevant Company conducted during the period covered by such financial statements or management accounts;

(ii) a statement of the sources and application of funds of the relevant Company, showing actual expenditures compared to the applicable approved Budget(s);

(iii) the latest estimate of the anticipated Commercial Production Date (if it shall not have occurred); and

(iv) such other pertinent financial or other information as may reasonably be requested from time to time by any Party or Shareholder.

12.4 Books and Audit Rights

The accounting books prepared by each Company shall be in conformity with Clause 12.1 above. Each Party and each Shareholder shall be entitled to inspect the books and conduct an audit of the (i) financial affairs of a Company using its own internal audit resources or an Approved Accounting Firm, or (ii) regulatory compliance of a Company using their external legal resources, provided that such inspection and/or audit shall not unduly interfere with the operations of the relevant Company or the development and construction of the Project or any Expansion or Value Added Project pursued by such Company, and subject to such Party or Shareholder first obtaining reasonable undertakings of confidentiality from the Approved Accounting Firm or law firm conducting the inspection and/or audit. The expenses of any such inspection and/or audit shall be borne by the Party or Shareholder conducting the inspection and/or audit unless the inspection and/or audit identifies a material error or omission in such books, financial affairs or any financial statements delivered by a Company to such Party or Shareholder in accordance with this Agreement, in which case the expenses of the Approved Accounting Firm (where so appointed) carrying out such inspection and/or audit shall be borne by such Company.

12.5 Statutory Obligations

In addition to the financial statements prepared by each Company pursuant to Clause 12.3 above, the Parties shall procure that each Company prepares and files with the relevant Governmental Authorities in the Kingdom such financial information, accounts, financial statements, reports and other documents in respect of its business and activities in accordance with Applicable Laws of the Kingdom.

12.6 Auditors

(a) The initial Auditors shall be appointed by the Parties as soon as reasonably practicable following the Effective Date.

(b) The Parties shall use their reasonable efforts to procure that at all times an Approved Accounting Firm is appointed as Auditor and that such Auditor performs such functions as are contemplated to be performed by the Auditor under this Agreement.

(c) If and to the extent that a Company is required under Applicable Laws of the Kingdom to appoint any other person (including any person resident in the Kingdom) to act as its auditor then the Parties shall procure that a suitably qualified person is appointed to act in such capacity in the manner required under Applicable Laws of the Kingdom; provided that, whenever practicable, such person shall be the branch or affiliate firm of the Auditors in the Kingdom.

12.7 Rights of Managers not Limited

Nothing in this Clause 12 shall be deemed to limit the right of any Manager under Applicable Laws of the Kingdom (i) to request, obtain and examine any information relating to the business or affairs of the Company to which he has been appointed a Manager or (ii) to gain access to the premises and facilities of such Company.

12.8 Annual and Special Budgets

(a) Each Party shall procure that the President prepares and delivers to each Board of Managers an annual programme and budget for each Financial Year commencing after the Effective Date (the "**Annual Programme and Budget**") not later than thirty (30) days prior to the date of each Board of Managers meeting immediately preceding the Financial Year to which such Annual Programme and Budget relates and such other budgets and operating plans covering shorter periods or discrete projects (each, a "**Special Programme and Budget**") as each Board of Managers may direct.

(b) Each Annual Programme and Budget in respect of a Financial Year shall include the following information with respect to such Financial Year and such other information as each Board of Managers may direct:

(i) an estimate of all proposed capital expenditures to be incurred in such Financial Year, indicating the item or type and estimated amount of such expenditures, the necessity therefor and the estimated timing thereof;

(ii) an estimate of the revenues and other cash receipts expected to be received, and the operating costs expected to be incurred, by the relevant Company during such Financial Year, and the basis on which such estimate was prepared;

(iii) projected financial statements for such Financial Year reflecting the foregoing; and

(iv) an estimate of the sources and uses of funds for such Financial Year, including any estimated Required Shareholder Funding, the estimated amount and timing of any Cash Calls, the estimated amount and timing of any Share Distributions and the form of any such Distributions.

(c) The Parties shall procure that each Company shall promptly report to the relevant Shareholders:

(i) any actual or anticipated aggregate expenditures by the Company during any period of one month, calendar quarter or Financial Year that exceeds, or are expected to exceed, the aggregate budgeted expenditures for such period by ten percent (10%) or more; and

(ii) any anticipated material deviations from the estimates set out in any approved Budget of the amounts and timing of any Required Shareholder Funding or Cash Calls.

(d) In the event that a Deadlock arises in respect of the proposed adoption of a Budget or a particular item included within the proposed Budget, the relevant Company shall continue to be operated on the basis set forth in the latest applicable approved Budget (adjusted for current inflation) or, to the extent possible, the proposed Budget shall be approved except for the particular item subject to the Deadlock, in each case until a new Budget is adopted or the particular item is agreed.

12.9 Emergency Funding

(a) Notwithstanding anything to the contrary in this Agreement, a Company may at any time incur, and may require the Shareholders to fund, expenditures that the President determines (acting reasonably), and the relevant Board of Managers agrees, are necessary to protect life or property or the assets of the relevant Company or to comply with Applicable Laws in the Kingdom without an approved Budget.

(b) The Parties shall ensure that each Company shall promptly notify the relevant Shareholders of the occurrence of any of the circumstances referred to in paragraph (a) above and the relevant Board of Managers may issue a Cash Call in respect of the required funding subject to compliance with the terms and conditions of Clause 4 above.

(c) Prior to the incorporation of any Company, the Development Committee shall promptly notify the Parties of the occurrence of any of the circumstances referred to in paragraph (a) above and the Development Committee may issue a Development Committee Funding Call subject to compliance with the terms and conditions of Clause 4 above.

13. Entry Payment, Pre-Incorporation Costs and Transfer of Pre-Incorporation Materials

13.1 Payment of Entry Payment and Pre-Incorporation Costs

(a) Alcoa agrees that Ma'aden has incurred certain Pre-Incorporation Costs as described in Schedule 3 in developing the Project up to the date specified in Schedule 3 (the "**Calculation Date**"). Alcoa has audited and agreed to certain of the Pre-Incorporation Costs being in aggregate one hundred and thirty-five million US Dollars (US$135 million) (the "**Agreed Pre-Incorporation Costs**"). In respect of the balance of the Pre-Incorporation Costs, the Parties will review and agree upon the amount of such costs that are chargeable to the Project (the "**Additional Pre-Incorporation Costs**").

(b) Simultaneously with signing this Agreement on the Effective Date, Alcoa shall pay to Ma'aden the following amounts: (i) eighty million US Dollars (US$80 million) comprising the entry payment payable by Alcoa in respect of the opportunity to participate in the Project (the "**Entry Payment**"); and (ii) fifty-five million US Dollars (US$55 million) comprising Alcoa's pro rata share, based on its Shareholder Percentage set out in Clause 4.1, of the Agreed Pre-Incorporation Costs incurred by Ma'aden prior to the Calculation Date (which following receipt of such payment by Ma'aden, shall be deemed to be Pre-Incorporation Costs of Alcoa as approved by the Parties).

(c) The payments referred to in paragraph (b) above are required to be made in cash simultaneously with the signing of this Agreement. Accordingly, Alcoa shall ensure either that (i) such payments have, prior to signature of this Agreement, been credited to the account nominated by Ma'aden for such payment, or (ii) Alcoa shall provide at its cost an irrevocable and unconditional standby letter of credit in favour of Ma'aden in a form and issued by a bank or financial institution acceptable to Ma'aden in an amount equal to the aggregate of the amounts in sub-paragraphs (b)(i) and (b)(ii) above, such standby letter of credit to be provided to Ma'aden simultaneously with the signature of this Agreement as security for such payment. Ma'aden shall be entitled to draw on the standby letter of credit by first written demand to the bank or financial institution issuing the standby letter of credit. Ma'aden shall return such standby letter of credit to Alcoa for cancellation immediately following receipt in full by Ma'aden of the amounts referred to in paragraph (b).

(d) Alcoa shall pay to Ma'aden Alcoa's pro rata share of the Additional Pre-Incorporation Costs based on its Shareholder Percentage upon Financial Close for Phase 1.

(e) From the Calculation Date until the date of incorporation of each Company and appointment of its Board of Managers, each Party shall obtain the written consent of the other Party (not to be unreasonably withheld) or of the Development Committee before incurring Project Costs which have not been pre-approved by the Parties and included in the Pre-Financing Budget or the Project Budget (as the case may be), and such approved or pre-approved Project Costs shall constitute part of the Pre-Incorporation Costs. If a Party incurs costs between the Calculation Date and the date of incorporation of the relevant Company and appointment of the relevant Board of Managers as aforesaid, that have not been approved by the other Party or the Development Committee in accordance with this Clause 13.1(d), or have not been included in the Pre-Financing Budget or the Project Budget (as the case may be), such Party shall not be entitled to any contribution to such costs from the other Party or reimbursement of such costs by the relevant Company pursuant to Clause 13.2. Notwithstanding the foregoing, nothing in this Agreement shall restrict a Party from incurring such cost if it considers it appropriate to do so at its own cost and risk (as aforesaid), and subject to any subsequent determination by the Development Committee or the relevant Board of Managers (as the case may be) that such costs should be recognised as Pre-Incorporation Costs.

(f) For the avoidance of doubt, no Party shall be entitled to reimbursement of any costs incurred in negotiating this Agreement or any other agreement that such Party or its Affiliates is to enter into with any Company (or with the other Party on behalf of any Company).

(g) Each Party shall be entitled to charge to the Companies the Pre-Incorporation Costs which such Party and its Affiliates have incurred prior to the date of reimbursement of Pre-Incorporation Costs pursuant to Clause 13.2(a), such costs and expenses to be paid by the Companies on an equal basis (or such other basis as may be agreed by the Parties) out of the respective amounts of Share Capital contributed pursuant to Clause 4.1, in accordance with the provisions of this Clause 13.

13.2 Reimbursement of Pre-Incorporation Costs

(a) Pre-Incorporation Costs shall be reimbursed by the relevant Company (as determined by the Parties) within thirty (30) days from the date of incorporation of such Company in accordance with, and on the basis set out in, Schedule 3.

(b) Without prejudice to Clauses 6.1 and 6.2, promptly following the date of incorporation of the relevant Company, the Parties shall assign and transfer their rights in the Pre-Incorporation Materials to such Company.

14. Events of Default and Consequences

14.1 Events of Default

The following shall constitute an "**Event of Default**" in respect of a Party or its Affiliate holding Shares (the "**Defaulting Party**") for the purposes of this Agreement:

(a) the Defaulting Party shall have failed to advance (or procure the advancing of) the amount of any Required Shareholder Funding (the "**Default Amount**") required to be advanced by the Defaulting Party in accordance with this Agreement on or before the expiry of the Funding Deadline specified in a Cash Call duly delivered in accordance with this Agreement and such default (a "**Funding Default**") shall not have been cured in accordance with Clause 14.4 below;

(b) the Defaulting Party is a transferring Shareholder and has breached or otherwise failed to comply with any provisions of Clause 17 or of this Clause 14 and such breach or default is

not remedied within a period of seven (7) days from the date of service of a default notice by the Non-Defaulting Party to the Defaulting Party, other than any breach of Clause 17.4 which shall constitute an Event of Default immediately upon its occurrence;

(c) an Act of Insolvency shall have occurred in respect of the Defaulting Party or, if applicable, any member of the Defaulting Party's group that has guaranteed the obligations of the Defaulting Party or its Affiliates pursuant to this Agreement;

(d) the Defaulting Party shall have committed any breach (or series of breaches) of the provisions of this Agreement (other than as contemplated by paragraphs (a) to (c) above or paragraph (e) below) and such breach constitutes or evidences a failure on the part of the Defaulting Party to comply with its obligations under this Agreement to an extent that has, or is likely to have, a Material Adverse Effect and such breach is not remedied within twenty eight (28) days of written notice thereof from the relevant Company or the Non-Defaulting Party to the Defaulting Party (a "**Material Breach**"); or

(e) in respect of the period prior to incorporation of each Company and appointment of the relevant Board of Managers, the Defaulting Party shall have failed to advance (or procure the advancing of) the amount specified in a Development Committee Funding Call under Clause 4.2(a) by the due date for payment and such failure is not remedied within fourteen (14) days of a written notice thereof from the Non-Defaulting Party to the Defaulting Party.

14.2 Consequences of Events of Default

The Project is an integrated project and, for the avoidance of doubt, the Parties agree that an Event of Default in respect of any Company shall be considered to be an Event of Default in respect of all Companies. If an Event of Default has occurred and is continuing in relation to the Defaulting Party then, without prejudice to the Defaulting Party's obligations under this Agreement or the remaining provisions of this Clause 14, upon written notice by the Non-Defaulting Party to the Defaulting Party:

(a) if Ma'aden is the Non-Defaulting Party, it shall be entitled to purchase Alcoa's Transferable Interests in accordance with Clause 14.3 below. If Alcoa is the Non-Defaulting Party, it shall be entitled to sell its Transferable Interests to Ma'aden in accordance with Clause 14.5 below;

(b) in the case of an Event of Default under Clause 14.1(b)-(d), the Defaulting Party shall, in addition to the consequences arising from the remaining sub-paragraphs of this Clause 14.2, not be entitled to any Distributions or to otherwise participate in the profits of any Company under this Agreement, the Articles of Association of any Company or otherwise during the period that such Event of Default subsists;

(c) in the case of a Funding Default, the consequences set out in Clause 14.4 shall apply in addition to this Clause 14.2;

(d) in the case of an Event of Default occurring prior to the incorporation of any Company and appointment of the relevant Board of Managers, including under Clause 14.1(e), the consequences set out in Clause 14.6 shall apply in addition to this Clause 14.2.

14.3 Transfer Upon Event of Default of Alcoa

(a) In the case of an Event of Default of Alcoa following the incorporation of any Company, Ma'aden, as the Non-Defaulting Party, shall, without prejudice to any other rights or claims available to it, have the right to purchase, and require Alcoa to sell, Alcoa's Transferable Interests pursuant to Clause 14.2(a), in the following manner:

(i) on the first day immediately following: the occurrence of the Event of Default under Clause 14.1(c); the expiry of the relevant cure period in the case of Events of Default under Clause 14.1(b) or (d); or, in the case of a Funding Default under Clause 14.1(a), immediately following the expiry of the Cure Period and subject to Clause 14.4(f)(ii); (in each case, the "**Call Date**"), if such circumstance shall continue to subsist, Alcoa shall be deemed to have offered to sell and to procure the sale by its Affiliates of all right, title and interest in all of Alcoa's Transferable Interests to Ma'aden upon and subject to the terms and conditions set out in this Clause 14;

(ii) Ma'aden may, by notice in writing given to Alcoa and each Company not later than the forty fifth (45th) day following the Call Date, elect to accept Alcoa's offer in respect of all (but not less than all) of Alcoa's Transferable Interests, failing which Ma'aden shall be deemed to have rejected such offer;

(iii) provided that Ma'aden has accepted Alcoa's offer in respect of all (but not less than all) of Alcoa's Transferable Interests, Ma'aden shall purchase all of Alcoa's Transferable Interests, and Alcoa shall be obliged to sell, transfer and assign such Transferable Interests to Ma'aden on the Closing Date (as hereinafter defined) in the amounts stipulated under paragraph (b) below; and

(iv) the completion of the purchase and sale of Alcoa's Transferable Interests shall take place on the date (the "**Closing Date**") which is ten (10) Business Days following the expiry of the forty five (45) day period referred to in sub-paragraph (ii) above, or such other date as may be agreed between the Parties.

(b) If Ma'aden elects to accept Alcoa's offer to purchase its Transferable Interests, the purchase price for Alcoa's Transferable Interests shall be as follows:

(i) in the event that the Financing Completion Date for Phase 1 has not occurred, at a consideration of US$1.00 and provided that Alcoa shall be required to make payment in respect of its pro rata share based on its Shareholder Percentage of any unpaid Agreed Pre-Incorporation Costs and any Funding Default then attributable to Alcoa;

(ii) in the event that the Financing Completion Date for Phase 1 has occurred but the Commercial Production Date in respect of the elements of the Project comprised in Phase 1 has not occurred, at a consideration equal to sixty percent (60%) of the Paid In Capital and Shareholder Loans of Alcoa in respect of all of the Companies at the date of transfer less the amount of Alcoa's pro rata share based on its Shareholder Percentage of any unpaid Agreed Pre-Incorporation Costs;

(iii) in the event that the Commercial Production Date in respect of the elements of the Project comprised in Phase 1 has occurred but the fifth (5th) anniversary of such date has not occurred, at a consideration equal to seventy five percent (75%) of the Fair Market Value of Alcoa's Transferable Interests at the date of transfer; and

(iv) in the event that the fifth (5th) anniversary referred to in sub-paragraph (iii) has occurred, at a consideration equal to eighty five percent (85%) of the Fair Market Value of Alcoa's Transferable Interests at the date of transfer,

as determined (in the case of sub-clauses (iii) and (iv)) by the Valuers in accordance with the provisions of Clause 18 which provisions shall apply *mutatis mutandis;* and the Parties hereby acknowledge and agree that any discount contemplated by this paragraph (b) does not (and shall not be construed to) constitute a penalty imposed on Alcoa and that such discount reflects the Parties' genuine pre-estimate of the damages that Ma'aden would suffer

in the circumstances contemplated by this Clause 14. In each case, any amount of accrued and unpaid Default Commission shall be deducted from the amounts otherwise payable to Alcoa. For the avoidance of doubt, the Entry Payment shall not be reimbursed in the event of any purchase of Alcoa's Transferable Interests pursuant to this Clause 14.3.

(c) The Valuer referred to under paragraph (b) above shall be appointed and instructed to determine the Fair Market Value of Alcoa's Transferable Interests not later than the Call Date. The costs of the Valuer incurred in connection with the determination of the Fair Market Value of Alcoa's Transferable Interests shall be paid promptly by Alcoa upon receipt of an invoice therefor and in any event prior to the Closing Date, failing which such costs may be deducted by Ma'aden from the purchase price payable to Alcoa for the Transferable Interests in such manner as Ma'aden may determine acting reasonably (and Ma'aden shall then promptly pay such costs).

(d) The Parties shall, and shall ensure that any of its Affiliates that are Shareholders shall, execute all such documentation and do all such other acts and things as may be necessary or desirable to give effect to this Clause 14.3.

(e) Nothing in this Clause 14.3 shall be construed to require Ma'aden to exercise any of the above rights.

(f) Any transfer under this Clause 14.3 shall have effect to transfer Alcoa's Transferable Interests free and clear of any Encumbrance, subject to the Financing Agreements.

14.4 Additional Consequences of a Funding Default

(a) A relevant Company shall notify each Party promptly, but in any event within seven (7) days, of the occurrence of a Funding Default and of the subsequent making of any payments as to which such notice was given. Without prejudice to the aforesaid, the Non-Defaulting Party may also give notice of a Funding Default to the Defaulting Party. The notice given by the relevant Company, or in the absence thereof, the notice given by the Non-Defaulting Party, to the Defaulting Party shall constitute the "**Default Notice**".

(b) To the extent that the relevant Company incurs any liabilities or losses as a direct result of a Funding Default and for so long as such Funding Default is continuing, then the Defaulting Party shall be liable to the Company for any such liabilities or losses.

(c) Immediately upon occurrence of a Funding Default and for so long as a Funding Default is continuing, any amount of cash that would otherwise be payable by the relevant Company to a Defaulting Party (or any of its Affiliates that are Shareholders) as a Share Distribution shall from time to time be set-off against the obligations owed by such Defaulting Party in respect of such Funding Default. Any amounts retained by the Company as a result of such set-off shall be applied:

(i) firstly, to pay any accrued and unpaid Default Commission owing by such Defaulting Party to the Company;

(ii) second, to meet such Defaulting Party's obligations to advance Required Shareholder Funding; and

(iii) the balance (if any) shall be paid to the Defaulting Party,

and the application of such funds shall be deemed to discharge in full the obligations of the relevant Company to the Defaulting Party in respect of any such Share Distribution.

(d) From the date of the Default Notice and for a period of thirty (30) days thereafter (provided that the Funding Default is continuing during such period), the Non-Defaulting Party may elect to contribute the entire (and not part) Default Amount (which shall for the purposes of this Clause 14.4 include any accrued and unpaid Default Commission) to the relevant Company by way of Equity Subscriptions and, if applicable, Shareholder Loans, in accordance with the terms of the relevant Cash Call notice, by notice to the relevant Company and the Defaulting Party.

(e) If the Non-Defaulting Party makes an election in accordance with paragraph (d) above, then:

(i) the Non-Defaulting Party shall advance the Default Amount (including any accrued and unpaid Default Commission) within twenty (20) days after the date of the Non-Defaulting Party's notice to the relevant Company and the Defaulting Party confirming its election to contribute the Default Amount pursuant to paragraph (d) above; and

(ii) the Defaulting Party shall have fourteen (14) days following the date of payment by the Non-Defaulting Party of the Default Amount (including any accrued and unpaid Default Commission), or thirty (30) days from the date of the Funding Default, whichever period ends later, during which to cure the Funding Default (the "**Cure Period**") by reimbursing the Non-Defaulting Party in respect of (i) the Default Amount (including any Default Commission paid by the Non-Defaulting Party) and (ii) the sum equal to the application of the Commission Rate on the Default Amount from the date of payment by the Non-Defaulting Party until the date of reimbursement by the Defaulting Party.

(f) If, following expiry of the Cure Period, a Funding Default is continuing and has not been cured in accordance with sub-paragraph (g) below:

(i) the Defaulting Party's Shareholder Percentage in respect of all the Companies (as it is intended that the Parties shall throughout the Joint Venture retain equivalent Shareholder Percentages in all Companies) shall be diluted and reduced by taking into account its shortfall in contributing Paid In Capital in respect of all the Companies and applying the formula set out in the definition of Shareholder Percentage; and the revised Shareholder Percentages of the Defaulting Party and the Non-Defaulting Party shall be verified and certified by the Auditors as the Shareholder Percentages of each Party for all such Companies with effect from the date of the expiry of the Cure Period;

(ii) if the Non-Defaulting Party is Ma'aden, then Ma'aden shall have the right to terminate the Agreement and purchase all of Alcoa's Transferable Interests in accordance with Clause 14.3; and

(iii) if the Non-Defaulting Party is Alcoa, Alcoa shall have the right to terminate the Agreement and sell all of its Transferable Interests to Ma'aden in accordance with Clause 14.5.

(g) A Funding Default shall be cured if the Default Amount (together with all accrued and unpaid Default Commission thereon) shall have been paid, advanced or otherwise discharged during the Cure Period in full by one or more of the following means:

(i) if the Default Amount (together with all accrued and unpaid Default Commission thereon) is paid by the Defaulting Party to the relevant Company in accordance with this Clause 14.4, in which case, cure of the Funding Default under sub-paragraphs (ii) and (iii) below would not be applicable; or

(ii) the exercise by the relevant Company of its right to set-off Share Distributions against the obligations of the Defaulting Party in respect of such Funding Default pursuant to Clause 14.4(c); or

(iii) if the Non-Defaulting Party shall have exercised its rights pursuant to Clause 14.4(e)(i) in respect of such Funding Default and shall have advanced the Default Amount to the relevant Company thereunder and the Defaulting Party shall have reimbursed the Non-Defaulting Party in respect of such Default Amount in accordance with Clause 14.4(e)(ii).

14.5 Ma'aden as the Defaulting Party

(a) In the event of an Event of Default by Ma'aden following the incorporation of any Company, Alcoa shall, without prejudice to any other rights or claims available to it, have the right to require Ma'aden to purchase all of Alcoa's Transferable Interests pursuant to Clause 14.2(a), in the following manner:

(i) Alcoa may, by notice in writing given to Ma'aden and the relevant Company not later than the thirtieth (30th) day following: the occurrence of the Event of Default under Clause 14.1(c); the expiry of the cure period in the case of an Event of Default under Clause 14.1(b) or (d); or in the case of a Funding Default under Clause 14.1(a) immediately following the expiry of the Cure Period and pursuant to Clause 14.4(f)(iii), elect to sell all (but not less than all) of its Transferable Interests to Ma'aden; and

(ii) Ma'aden shall purchase all of Alcoa's Transferable Interests, and Alcoa shall be obliged to sell, transfer and assign such Transferable Interests to Ma'aden on the date which is twenty (20) Business Days following the notice referred to in sub-paragraph (i) above, or such other date as may be agreed between the Parties, in the amounts stipulated under paragraph (b) below;

(b) The purchase price for Alcoa's Transferable Interests shall be as follows:

(i) in the event that the Financial Completion Date for Phase 1 has not occurred, at a consideration equal to the Paid In Capital and Shareholder Loans of Alcoa in respect of all of the Companies at the date of transfer as well as the repayment by Ma'aden of the Entry Payment;

(ii) in the event that the Financial Completion Date for Phase 1 has occurred but the Commercial Production Date in respect of the elements of the Project comprised in Phase 1 has not occurred, at a consideration equal to one hundred and fifteen percent (115%) of the Paid In Capital and Shareholder Loans of Alcoa in respect of all of the Companies at the date of transfer as well as the repayment by Ma'aden of the Entry Payment; and

(iii) after the Commercial Production Date in respect of the elements of the Project comprised in Phase 1, at a consideration equal to one hundred percent (100%) of the Fair Market Value of Alcoa's Transferable Interests,

as determined (in the case of sub-paragraph (iii)) by the Valuers in accordance with the provisions of Clause 18 which provisions shall apply *mutatis mutandis.* In each case, any amount of accrued and unpaid Default Commission by Alcoa shall be deducted from the amounts otherwise payable to Alcoa. For the avoidance of doubt, the Entry Payment shall not be reimbursed in the event of any purchase of Alcoa's Transferable Interests pursuant to this Clause 14.5.

(c) The costs of the Valuer incurred in connection with the determination of the Fair Market Value of Alcoa's Transferable Interests under sub-paragraph (b)(iii) above shall be paid promptly by Ma'aden upon receipt of an invoice therefor and in any event prior to the date referred to in Clause 14.5(a)(ii), failing which such costs may be added by Alcoa to the purchase price payable by Ma'aden for the Transferable Interests in such manner as Alcoa may determine acting reasonably (and Alcoa shall then promptly pay such costs).

(d) The Parties shall, and shall ensure that any of their Affiliates that are Shareholders shall, execute all such documentation and do all such other acts and things as may be necessary or desirable to give effect to this Clause 14.5.

(e) Nothing in this Clause 14.5 shall be construed to require Alcoa to exercise any of the above rights.

(f) Any transfer under this Clause 14.5 shall have effect to transfer such Transferable Interests free and clear of any Encumbrance, subject to the Financing Agreements.

14.6 Default Prior to Incorporation of any Company

If an Event of Default has occurred prior to the incorporation of any Company, the following shall apply in respect of any of the Companies which is not incorporated at such time:

(a) Following an Event of Default by Alcoa, Ma'aden shall, without prejudice to any other rights or claims available to it, have the right to terminate this Agreement by fourteen (14) days notice in writing given to Alcoa following: the occurrence of an Event of Default under Clause 14.1 (c); or the expiry of the relevant cure period in the case of an Event of Default under Clause 14.1 (d) or (e). In the event of such termination, Alcoa shall assign and transfer to Ma'aden its rights to and in all Pre-Incorporation Materials in consideration of the payment of US$1.00 by Ma'aden.

(b) Following an Event of Default by Ma'aden, Alcoa shall, without prejudice to any other rights or claims available to it, have the right to terminate this Agreement by fourteen (14) days notice in writing given to Ma'aden following: the occurrence of an Event of Default under Clause 14.1 (c); or the expiry of the relevant cure period in the case of an Event of Default under Clause 14.1 (d) or (e). In the event of such termination, Alcoa shall assign and transfer to Ma'aden its rights to and in all Pre-Incorporation Materials in consideration of the repayment by Ma'aden to Alcoa of the aggregate amount of the Entry Payment and the proportion of the Pre-Incorporation Costs which have been paid by Alcoa prior to such termination except to the extent that any such Pre-Incorporation Costs have been reimbursed to Alcoa by any Company that has been incorporated prior to such Event of Default or have been or will be recovered by Alcoa as part of the Paid In Capital or Shareholder Loans reimbursed pursuant to this Clause 14.

14.7 Other Remedies

The rights, consequences and remedies as provided for in this Clause 14 shall be in addition to and not in substitution for any other remedies that may be available to a Shareholder hereunder arising pursuant to any default or failure by any Shareholder to comply with its obligations hereunder or an Event of Default or by operation of Applicable Laws (including, for the avoidance of doubt, the right of any Non-Defaulting Party to claim damages if it has suffered a loss). The exercise of such rights shall not relieve the Defaulting Party from any obligations accrued prior to the date on which the transfer(s) of Alcoa's Transferable Interests is effected, nor shall the exercise or failure to exercise such rights relieve the Defaulting Party from any liability for damages to any Non-Defaulting Party for breach of this Agreement.

15. <u>Failure to Achieve Financial Completion Date for Phase 1 by the Financing Longstop Date</u>

15.1 Compensation on Buy-Out

(a) The Parties intend to implement the Project expeditiously and in accordance with this Agreement so that the Financing Completion Date for Phase 1 is achieved by the Financing Longstop Date and the NTP for Phase 1 is issued as soon as possible thereafter (or earlier if so agreed by the Parties). Each Party shall, and shall procure that the relevant Manager(s) appointed by it, act and vote reasonably and in good faith in connection with the approval and execution of the Financing Agreements for Phase 1 and any proposal to approve the issuing of the NTP for Phase 1. The Parties shall monitor progress towards the achievement of the Financing Completion Date and, if the Financing Completion Date has not been achieved by the initial Financing Longstop Date, the Parties shall extend the Financing Longstop Date by four (4) months or such shorter period as the Parties may agree. The Parties may agree on subsequent extensions in their discretion. If the Financing Completion Date for Phase 1 is not achieved by the Financing Longstop Date (as may be extended), the provisions of this Clause 15 shall apply; ***provided always*** that, if the Financing Completion Date for Phase 1 is not achieved by the Financing Longstop Date (as may be extended) due to a Party's (or its Affiliate Shareholder's) action or inaction on a matter that is reasonably within its control and, but for such action or inaction, the Financing Completion Date for Phase 1 would have been achieved on or before the said Financing Longstop Date, such Party shall not be entitled to invoke the provisions in sub-clauses (b) and (c) below.

(b) If the Financing Completion Date for Phase 1 has not occurred by the Financing Longstop Date (as may be extended) due to the proposed Senior Lenders or their successors or replacements no longer offering materially the same terms under the proposed Financing Agreements for Phase 1 as they had offered under the Senior Lender Commitment Letters, or terms otherwise acceptable to the Parties, the Parties will have the options set out in this paragraph (b). If either Ma'aden or Alcoa, acting reasonably and in good faith, concludes that further extensions of time either will not result in acceptable terms or would result in an unreasonable delay in the Project, then (A) Ma'aden shall have the right to purchase and to require Alcoa to sell or (B) Alcoa shall have the right to sell and Ma'aden shall be required to purchase, all of Alcoa's Transferable Interests. The consideration for the purchase of Alcoa's Transferable Interests will be based upon (I) the Paid In Capital and Shareholder Loans of Alcoa in respect of all the Companies, plus (II) the Entry Payment, and shall be payable as set forth below, notwithstanding the earlier transfer of the Transferable Interests:

(i) If Ma'aden proceeds with the Project and achieves Financial Close in respect of the Project within a period of fifteen (15) months following the transfer of Alcoa's Transferable Interests, one hundred percent (100%) of the above consideration shall be payable;

(ii) If Ma'aden proceeds with the Project and achieves Financial Close in respect of the Project within the period between fifteen (15) and twenty-one (21) months following the transfer of Alcoa's Transferable Interests, seventy-five percent (75%) of the above consideration shall be payable;

(iii) If Ma'aden proceeds with the Project and achieves Financial Close in respect of the Project within the period between twenty-one (21) and twenty-seven (27) months following the transfer of Alcoa's Transferable Interests, fifty percent (50%) of the above consideration shall be payable: and

(iv) If Ma'aden does not achieve Financial Close in respect of the Project within twenty-seven (27) months following the transfer of Alcoa's Transferable Interests, no consideration shall be payable.

(c) If the Financing Completion Date for Phase 1 has not occurred by the Financing Longstop Date (as may be extended) even though the proposed Senior Lenders or their successors or replacements are prepared to offer materially the same terms under the proposed Financing Agreements for Phase 1 as they had offered under the Senior Lender Commitment Letters, or terms otherwise acceptable to the Parties and Ma'aden intends to continue with the Project and to issue the NTP for Phase 1 within the following four (4) months, the procedure set out in this paragraph (c) shall apply. Ma'aden may, at any time following the said Financing Longstop Date, give notice to Alcoa requesting that Alcoa either (i) continue with the Project on the proposed financing terms, or (ii) decline to continue with the Project on such terms. Unless Alcoa shall within sixty (60) days confirm that it is prepared to continue with the Project on the proposed financing terms and to issue the NTP for Phase 1 as aforesaid (or if Alcoa has so confirmed but subsequently fails to take the required actions to issue the NTP for Phase 1), Alcoa shall be deemed to have offered to transfer to Ma'aden and Ma'aden shall have the right to purchase, all of Alcoa's Transferable Interests for nominal consideration, so as to take effect immediately prior to the issuance of the NTP for Phase 1, and without Alcoa having any further right to recover its Paid In Capital, Shareholder Loans and/or Entry Payment.

15.2 Transfer on Financing Longstop Date

(a) Where Ma'aden has the right to purchase, and require Alcoa to sell, all of Alcoa's Transferable Interests pursuant to Clause 15.1(b) or (c), or Alcoa has the right to sell to Ma'aden, and Ma'aden has the obligation to purchase, all of Alcoa's Transferable Interests pursuant to Clause 15.1(b) as the case may be, the following shall apply:

(i) on the relevant date under Clause 15.1(b) or (c), Alcoa shall either offer or be deemed to have offered to sell and to procure the sale by its Affiliates of all right, title and interest in all of Alcoa's Transferable Interests to Ma'aden upon and subject to the terms and conditions set out in this Clause 15;

(ii) Ma'aden may, by notice in writing given to Alcoa and each Company not later than the forty fifth (45th) day following the date of the offer or deemed offer under paragraph (i), elect to accept Alcoa's offer (or, if Alcoa has provided actual notice of its desire to sell to Ma'aden, must accept Alcoa's offer) in respect of all (but not less than all) of Alcoa's Transferable Interests, failing which Ma'aden shall be deemed to have rejected such offer;

(iii) provided that Ma'aden has accepted Alcoa's offer in respect of all (but not less than all) of Alcoa's Transferable Interests, Ma'aden shall purchase all of Alcoa's Transferable Interests, and Alcoa shall be obliged to sell, transfer and assign such Transferable Interests to Ma'aden, on the date specified in sub-paragraph (iv) below and in the amounts stipulated under paragraph (b) below; and

(iv) the completion of the purchase and sale of all of Alcoa's Transferable Interests shall take place on the date which is ten (10) Business Days following the acceptance of the offer under sub-paragraph (ii) above, or such other date as may be agreed between the Parties.

(b) If Ma'aden elects to accept Alcoa's offer to purchase its Transferable Interests, Alcoa shall sell such Transferable Interests to Ma'aden at the price and at the time determined in accordance with Clause 15.1.

(c) The Parties shall, and shall ensure that any of their Affiliates that are Shareholders shall, execute all such documentation and do all such other acts and things as may be necessary or desirable to give effect to this Clause 15.2.

(d) Nothing in this Clause 15.2 shall be construed to require Ma'aden to exercise any of the above rights.

(e) Any transfer under this Clause 15.2 shall have effect to transfer all of Alcoa's Transferable Interests free and clear of any Encumbrance, subject to the Financing Agreements.

16. Termination and Expiry

16.1 Full Termination and Expiry

This Agreement shall remain in full force and effect until the earlier of:

(a) the expiry of the Agreement pursuant to Clause 2.2;

(b) the written agreement of the Parties that the Agreement be terminated;

(c) the date upon which there is only one Shareholder in each Company (including following a transfer of all of Alcoa's Transferable Interests pursuant to Clauses 14 or 15 or following a transfer to Ma'aden under Clause 17);

(d) termination pursuant to the exercise by a Party of a right to terminate the Agreement in accordance with its terms; or

(e) the termination of the Gas Allocation Letter.

16.2 Partial Termination

Without prejudice to Clause 16.1, this Agreement shall terminate as between a Party that transfers its Transferable Interests to the other Party or to a third party in accordance with this Agreement, and the other Parties (if any), on the relevant Transfer Date, provided that the party to which such Shares have been transferred has become (or was already) a party to this Agreement.

16.3 Consequences of Termination at the Expiry of the Term

Following termination of this Agreement pursuant to Clause 2.2, there shall be an orderly liquidation of the assets of each Company, following which each Company shall be dissolved.

16.4 Consequences following Termination

(a) In the event of termination of the Agreement for any reason whatsoever, there shall be no restriction on Ma'aden continuing with the development of the Project (with or without an alternative joint venture partner) and Ma'aden shall be entitled to proceed with the Project, either alone or with other parties and shall be entitled to utilise for the purposes of the Project all Pre-Incorporation Materials and other documents and materials it has developed itself, or which have been jointly developed by the Parties, relevant Shareholders or the particular Company or otherwise provided by a Party for the purposes of the Project pursuant to the Agreement including, for the avoidance of doubt, all Intellectual Property and IP Information in the same in accordance with Clause 26.4. It is envisaged that certain intellectual property licence agreements may be entered into by Ma'aden and/or the Companies with Alcoa and/or its Affiliates under which Alcoa and/or its Affiliates would licence to Ma'aden and/or the Companies certain Intellectual Property (including certain technologies) and provide technical support services in connection with the Project. For the avoidance of doubt, any such intellectual property licence agreements shall remain in full force and effect, without restriction (other than such customary restrictions as are acceptable to Ma'aden), notwithstanding any termination of the Agreement and Ma'aden and the Companies shall be entitled to continue to use the Intellectual Property under such intellectual property licence agreements and Alcoa and its Affiliates shall continue to

provide the technical support services in respect of the Project pursuant to the terms of such agreements.

(b) In the event of a termination of the Agreement for any reason other than for the default of Ma'aden pursuant to Clause 14.5 or 14.6(b), Alcoa shall, if requested by a Company or Ma'aden (if such termination occurs prior to incorporation of each Company),

(i) provide such services as listed in Schedule 14 at cost (as defined in Clause 5.3) and for a period of twenty four (24) months following such termination, where such termination occurs before the Commercial Production Date; or

(ii) provide such services as listed in Schedule 14 at cost (as defined in Clause 5.3) and for a period of twelve (12) months following such termination, where such termination occurs after the Commercial Production Date,

and in each case in such a manner so as to facilitate an orderly handover of activities undertaken by Alcoa personnel engaged in the Project.

(c) In the event of a termination of the Agreement due to a default of Ma'aden pursuant to Clauses 14.5 or 14.6(b), Alcoa will have no obligation to provide the services listed in Schedule 14 to any Company.

(d) The Parties shall execute all such documentation and do all such other acts as may be necessary or desirable to give effect to this Clause 16.4.

16.5 Survival and Rights Unaffected

(a) Any expiry or termination shall be without prejudice to the rights and obligations accrued as at such date.

(b) Notwithstanding any termination or expiry of this Agreement, whether as to any Party or in its entirety, the following provisions shall survive such termination or expiry as to all Parties: Clauses 1 *(Definitions and Interpretation)*, 13 *(Entry Payment, Pre-Incorporation Costs and Transfer of Pre-Incorporation Materials)*, 16.4 (Consequences *following Termination)*, 16.5 *(Survival and Rights Unaffected)*, 21 *(Governing Law etc)*, 22 *(Confidentiality and Public Announcements)*, 23 *(Notices)* and 26 *(General Provisions)*. The Parties shall be deemed to continue to be parties to the Agreement for such purposes only.

17. Sale or Transfer of Shares, Pledge

17.1 General Prohibition

Unless permitted by Clauses 14 or 15 or this Clause 17 or with the prior written consent of the other Party, no Party or any Affiliate which is a Shareholder shall do, or agree to do, any of the following:

(a) sell, transfer or otherwise dispose of, any of its Transferable Interests or any interest in any of its Transferable Interests;

(b) encumber any of its Transferable Interests or any interest in any of its Transferable Interests;

(c) enter into any agreement or arrangement in respect of the votes or other rights attached to any of its Transferable Interests; or

(d) enter into any agreement or arrangement to do any of the foregoing.

17.2 Transfers to Affiliates

A Party or its Affiliate which is a Shareholder, may transfer, or procure the transfer of, all but not less than all of its Shares and all but not less than all of its Shareholder Loans together to an Affiliate, and the provisions of Clauses 17.4 to 17.7 shall not apply to such transfer, provided that:

(a) the transferring Party gives not less than thirty (30) days' prior written notice of the transfer to the other Party;

(b) if Ma'aden is the transferring Party, the Affiliate is and remains an Affiliate of Ma'aden, and if Alcoa or its Affiliate is the transferring Party, the Affiliate is and remains an Affiliate of Alcoa;

(c) the transferring Party procures that the proposed transferee of any Shareholder Loans become a party to a Shareholder Loan Agreement with the relevant Company (and such Company shall, and the Party shall procure that the Company shall, promptly execute and deliver any Shareholder Loan Agreement presented to it by the transferring Party for such purpose);

(d) if it ceases to be an Affiliate in accordance with Clause 17.2(b), the proposed transferee (and/or any subsequent transferee in a series of transfers to Affiliates) is under an obligation immediately to retransfer its Shares and/or Shareholder Loans, as the case may be, to the original transferring Party or another Affiliate of Ma'aden or of Alcoa, as the case may be; and

(e) a guarantee is provided in substantially the form set out in Schedule 1 by Alcoa in respect of the obligations of such Affiliate, or by Ma'aden in respect of the obligations of its such Affiliate under this Clause 17.2 (but not, for the avoidance of doubt, in respect of a KSA Controlled Transferee under Clause 17.3).

17.3 Permitted Transfers

(a) Notwithstanding the provisions of Clause 17.4, Ma'aden shall, at any time, be entitled to sell, transfer and assign (and may procure the sale, transfer and assignment by any of its Affiliates of) all of Ma'aden's right, title and interest in and to all Shares held by Ma'aden and all of the Shareholder Loans of Ma'aden to a person who is at the time of such sale, transfer and assignment, Controlled, directly or indirectly, by any Governmental Authority of the Kingdom ("**KSA Controlled Transferee**"). Ma'aden shall give not less than thirty (30) days' prior written notice to Alcoa of such a proposed transfer including details of the proposed KSA Controlled Transferee. Ma'aden shall procure that, as a condition to such transfer, the KSA Controlled Transferee shall agree to be bound by all the terms of this Agreement and shall execute an Adherence Agreement.

(b) Alcoa shall give its consent to the sale, transfer and assignment under paragraph (a) above and the provisions of Clauses 17.4 to 17.7 shall not apply to such sale, transfer and assignment.

17.4 Transfers of Shares

Other than as provided in Clause 17.2 and Clause 17.3 and subject to Clause 17.8, at any time after the fifth anniversary of the Commercial Production Date, any Party on behalf of itself and any Affiliate that is a Shareholder (the "**Selling Party**") may transfer all but not less than all of its Shares and all of the Shareholder Loans held by such Party and its Affiliates (if applicable) to a third party ("**Third Party Offeror**") only if it receives an offer (the "**Offer**") from such Third Party Offeror which:

(i) is a bona fide offer in writing;

(ii) is irrevocable during the period of the Offer;

(iii) is for cash consideration only; and

(iv) contains all material terms and conditions (including the offer price (the "**Offer Price**") and the intended completion date of the Offer),

and in circumstances in which the Selling Party complies with the remaining provisions of this Clause 17.

17.5 Notice of Offers

(a) If a Selling Party receives an Offer or Offers which it wishes to accept, it must immediately give written notice of such Offer(s) (the "**Transfer Notice**"), to the other Party (the **"Remaining Party**") giving details of the identity of the Third Party Offeror(s). The Selling Party is not required to provide the details of the terms and conditions of the Offer.

(b) The Remaining Party shall within thirty (30) days of receipt of the Transfer Notice either approve the proposed Third Party Offeror(s) or object to any proposed Third Party Offeror(s) on reasonable grounds.

17.6 Notice of Right to Match the Offer

The Selling Party may not proceed with a sale to the approved Third Party Offeror without first giving written notice (the "**Notice of the Right to Match the Offer**") to the Remaining Party giving the Remaining Party the right to match the Offer (the "**Right to Match the Offer**"). This Notice of the Right to Match the Offer should include full details of all terms and conditions of the Offer, including the price, and a copy of the Offer.

17.7 Right of Remaining Party to Match the Offer

(a) The period during which the Remaining Party has a Right to Match the Offer will last for thirty (30) days from and including the day on which the Notice of the Right to Match the Offer is received (the "**Right to Match the Offer Period**").

(b) If the Remaining Party matches the Offer, then all of the Transferable Interests shall be transferred to the Remaining Party at the Offer Price, with such transaction closing within the period specified in Clause 17.9(a).

(c) If the Remaining Party does not match the Offer, then the Selling Party may transfer all of its Transferable Interests to the Third Party Offeror pursuant to the Offer at a price which is not less, and on terms and conditions no less favourable to the Selling Party, than those set out in the Offer, within ninety (90) days from the end of the Right to Match the Offer Period. For the avoidance of doubt, if such transaction with the Third Party Offeror does not close in accordance with the terms of this sub-paragraph (c) within the 90-day period, the process must begin again with an Offer under Clause 17.4.

17.8 Transfer Requirements

All transfers of Transferable Interests pursuant to this Agreement shall be subject:

(i) to the transfer being in compliance with Applicable Laws of the Kingdom;

(ii) to the transfer when completed, not constituting or giving rise to a breach by the transferring Party or a Company of any Project Agreement (including any Financing Agreement) to

which either of them is a party; nor constituting, with or without the passage of time, the giving of notice or the taking of other steps by or on behalf of the Senior Lenders, an actual or potential default or event of default (howsoever defined) under such Project Agreement (including any Financing Agreement);

(iii) to obtaining any approvals required from the competent authorities;

(iv) to the proposed transferee and the persons Controlling it (whether directly or indirectly) being of good character and being qualified to hold shares in a limited liability company in the Kingdom under Applicable Laws of the Kingdom;

(v) if the transferee is not already a Shareholder, to the execution by the transferee of an Adherence Agreement, no later than the Transfer Date;

(vi) where the transferee is not an Affiliate of the transferor, and the transferee or the entities that Control it do not hold assets of substantially equivalent value to those held by the Selling Party or any person guaranteeing the obligations of the Selling Party hereunder, to the provision of a guarantee in substantially the form set out in Schedule 1 by a person Controlling such transferee which is of equivalent financial substance; and

(vii) where any Shareholder Loan has been made by the transferor to a Company, to the assignment and novation of all the transferor's rights and obligations in respect of the Shareholder Loan to the transferee.

17.9 Completion of Transfer

The transfer of Transferable Interests pursuant to this Agreement shall be made on the following terms:

(a) Completion of the transfer of the Transferable Interests shall take place on the Transfer Date, which shall be within ninety (90) days after the date of expiry of the Right to Match the Offer Period in the event of a transfer to the Remaining Party pursuant to Clause 17.7 and at such reasonable time and place as the Parties agree; and

(b) Payment of the purchase price for the Transferable Interests will be due on the Transfer Date, unless otherwise agreed, and shall be paid to the account notified for such purpose by the transferee.

17.10 General

The Parties shall keep each Company informed, at all times, of the issue and contents of any notice(s) served pursuant to this Clause 17 and any election or acceptance relating to those notices.

17.11 Further Assurances; Sole Shareholder

The Parties shall take such action as may reasonably be required to give effect to any transfer of Shares permitted pursuant to this Clause 17 or under Clauses 14 or 15, including cooperating in obtaining approvals required from all relevant Governmental Authorities. If a Party that is entitled to acquire Shares pursuant to this Clause 17 would, as a result of such acquisition, become the only Shareholder in any Company, such Party shall have the right to designate an Affiliate to acquire a portion of the Shares which such Party is entitled to acquire.

18. Valuations

18.1 Fair Market Value

Where a provision of this Agreement calls for a determination of the "**Fair Market Value**" of Alcoa's Transferable Interests, the Parties shall act in good faith to make such determination and, in doing so, shall apply commonly accepted valuation methods.

18.2 Valuation Panel

In the event that the Parties are unable to agree the Fair Market Value of Alcoa's Transferable Interests within fifteen (15) days of the relevant Chairman requesting them to do so, the Parties shall refer the valuation to a panel of independent experts with appropriate experience in the aluminium industry (each a "**Valuer**"). The panel shall consist of three Valuers, one of whom shall be appointed by each Party and the third of whom, who shall act as chairman of the panel, shall be jointly nominated by the two Valuers nominated by the Parties. Failing agreement as to the identity of the third Valuer within five Business Days of being required to do so, such third Valuer shall be nominated by the International Centre for Expertise in accordance with the provisions for the appointment of experts under the Rules of Expertise of the International Chamber of Commerce (who shall be instructed to nominate only a Valuer experienced in valuing rolling mills, aluminium smelters, alumina refineries, bauxite mines and associated facilities).

18.3 Submission of Valuation

The Valuers shall be instructed to collectively submit a single Fair Market Value valuation to the Parties within thirty (30) days of the appointment of the third Valuer (or such longer time as the Parties may agree) and such valuation shall be final and binding upon the Parties. The Fair Market Value shall be determined on a fair market basis as between a willing and not anxious seller and a willing buyer on arms' length terms in accordance with Clause 18.4.

18.4 Valuation Approach

In valuing Alcoa's Transferable Interests, the Valuers:

(a) shall prepare the valuation based on the net present value of cash flows attributable to Alcoa's Transferable Interests, taking into account the terms of the Project Agreements and the remaining life of the Project and all such other matters as the Valuers deem appropriate;

(b) shall not apply any discount to Alcoa's Transferable Interests as a result of Alcoa's Shareholder Percentage not conferring Control over any Company;

(c) if making the determination prior to the Commercial Production Date for any of the Mine, the Refinery, the Smelter or the Rolling Mill, may consult any contractor or manager appointed pursuant to any Construction Agreement and/or any other contractors engaged in the development, construction or operation of the Mine, Refinery, Smelter or Rolling Mill;

(d) may consult persons engaged in the marketing of aluminium who, in the Valuers' opinion, are experts in the making of price forecasts on a regular basis;

(e) may consult any other experts as the Valuers thinks fit;

(f) shall be entitled to rely in good faith upon the opinions of any experts or other persons so consulted; and

(g) shall consider any submissions as to the Fair Market Value which may be made to the Valuers by a Party within thirty (30) days of receipt by the Party of notice of the appointment of the third Valuer.

19. Assignment

Except as otherwise provided in this Agreement, no Party shall have the right to assign its rights and/or transfer its obligations under this Agreement to any other person and/or be released from its obligations under this Agreement unless, such Party is simultaneously transferring its Transferable Interests to such person in accordance with Clause 17.

20. Warranties

Each Party hereby warrants and undertakes to the other Party on its behalf and on behalf of any Affiliate being a Shareholder that:

(a) it is duly incorporated and validly existing in accordance with the laws of the country and/or state under which it is incorporated;

(b) it has the power and authority to execute and deliver, to perform its obligations under and to undertake the transactions anticipated by this Agreement (or to procure that such obligations and transactions are undertaken by its Affiliates) and all necessary corporate and other action has been taken to authorise the execution, delivery and performance of this Agreement;

(c) its officers have the power and authority to act on its behalf in entering into this Agreement and the Shareholder Loan Agreements;

(d) it is not insolvent, no petition has been filed relating to its insolvency and no proceedings have been issued for its dissolution or liquidation;

(e) this Agreement has been duly executed and constitutes a valid, legal and binding obligation of such Party enforceable in accordance with its terms;

(f) the execution and delivery of this Agreement and the performance by it or its relevant Affiliates of its obligations under and the transactions anticipated by this Agreement will not contravene any law applicable to it or such Affiliates or conflict with or result in a breach of or default under its or their corporate charter or other organizational documents or any agreement or other obligation binding on it or any of its Affiliates; and

(g) with respect to all activities contemplated under this Agreement, it has not, nor will it, or its (or its Affiliates') directors, officers or employees pay, offer, promise, or authorize the payment of money or anything of value, directly or indirectly, to a Government Official while knowing or having reason to believe that any portion of such exchange is for the purpose of:

    (i) influencing any act or decision of a Government Official in its official capacity, including the failure to perform an official function, in order to assist itself, the Companies or any other person in obtaining or retaining business, or directing business to any third party;

    (ii) securing an improper advantage;

    (iii) inducing a Government Official to use its influence to affect or influence any act or decision of a Governmental Authority in order to assist itself, the Companies or any other person in obtaining or retaining business, or directing business to any third party; or

    (iv) providing an unlawful personal gain or benefit, of financial or other value, to a Government Official.

21. Governing Law, Dispute Resolution and Language

21.1 Governing Law

This Agreement shall be governed by and construed and interpreted according to English law.

21.2 Reference to Senior Management

Prior to referring any dispute, controversy or claim arising out of or in connection with this Agreement, or the breach, termination or invalidity thereof, (for the purposes of this Clause 21 a "**dispute**"), other than proceedings to enforce an agreement reached between the Parties under this Clause 21.2, to arbitration pursuant to Clause 21.3 below, the Party (which shall include any Affiliate of such Party being a Shareholder) wishing to or considering making such reference shall notify in writing the other Party of the nature of the dispute and its background (for the purposes of this Clause 21, a "**dispute notice**") and its proposed basis for settlement of such dispute and the other Party shall respond to such dispute notice within fourteen (14) days of receipt, setting out any clarification it may feel relevant and including its proposed basis for settlement. The chief executives or presidents of the ultimate parent companies of each Party or their designees shall then meet within thirty (30) days of the issue of the dispute notice to attempt a reconciliation and settlement of the dispute. No statement as to a Party's proposed basis for settlement nor any discussions or communications between the Parties (or their ultimate parent companies) pursuant to this Clause 21.2 (except for the terms of any agreed settlement between the Parties) may be relied upon or referred to in later court, arbitration, enforcement or appeal proceedings.

21.3 Dispute Resolution

(a) Except as otherwise provided in Clause 9 and Clause 18 of this Agreement, if any dispute arising out of or in connection with the Agreement is not resolved pursuant to Clause 21.2 above within forty five (45) days of its referral to the Parties' senior management, such dispute shall be, if requested by any Party, referred to and finally settled by arbitration under the Rules of Arbitration of the International Chamber of Commerce as amended or substituted from time to time (the "**ICC Rules**" and the proceedings brought in accordance with this Clause 21.3), which ICC Rules are deemed to be incorporated into this Agreement except to the extent expressly modified by this Clause 21.3. Arbitration shall be the exclusive method for resolution of the dispute and the determination of the arbitrators shall be final and binding. The Parties agree that they will give conclusive effect to the arbitrators' determination and award and that judgment thereon may be entered and enforced by any court of appropriate jurisdiction.

(b) The tribunal shall consist of three (3) arbitrators, one of whom shall be appointed by each Party and the third of whom, who shall act as chairman, shall be jointly nominated by the two arbitrators nominated by the Parties. Failing agreement as to the identity of the third arbitrator within five Business Days of being required to do so, such third arbitrator shall be nominated by the International Court of Arbitration in accordance with the ICC Rules.

(c) The place of arbitration shall be London. The language to be used in the arbitration shall be English, and any documents or portions of them presented at such arbitration in a language other than English shall be accompanied by an English translation thereof. The arbitrators shall decide such dispute in accordance with the substantive laws of England applicable hereto.

21.4 Continuing Obligations

If a dispute is referred to arbitration pursuant to Clause 21.3 above, unless the arbitrators rule otherwise, the obligations of the Parties shall not be suspended and the provisions of this Agreement shall continue to be carried out by the Parties.

21.5 Jurisdiction

(a) The courts of England shall, subject to paragraph (b) below, have non-exclusive jurisdiction with respect to the enforcement of the arbitration provisions of this Agreement and the Parties expressly submit to the jurisdiction of such courts with respect to any proceedings to enforce the arbitration provisions of this Agreement. Each Party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any such proceedings and agrees not to claim that the courts of England are not a convenient or appropriate forum.

(b) Without resulting in the waiver of any remedy under this Agreement and in conjunction with each disputing Party's rights in accordance with Rule 25 of the ICC Rules, nothing in this Clause 21 shall preclude a disputing Party from seeking injunctive relief from a court pending the commencement of arbitral proceedings in accordance with Clause 21.3 (or pending the arbitral tribunal's determination of the merits of the dispute). The Parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of England for such injunctive relief and waive any objection or defence they may have to the venue or jurisdiction of such courts. Without limiting the generality of the foregoing, the Parties shall have the right to seek injunctive relief in any court of competent jurisdiction and the seeking of injunctive relief in one or more jurisdiction shall not preclude a Party from seeking such relief in any other jurisdiction.

21.6 Process Agent

Each Party that is not incorporated and registered under the laws of England and Wales will appoint a process agent in the United Kingdom to receive legal process served under this Agreement. Each Party agrees that service of process in respect of it upon such agent, together with written notice of such service given to it as provided in Clause 23.1, shall be deemed to be effective service of process upon it in any such action, suit or proceeding. Each Party agrees that the failure of such agent to give notice to it of any such service shall not impair or affect the validity of such service or any judgment rendered in any action, suit or proceeding based thereon. If for any reason such agent shall cease to be available to act as such, each such Party agrees to designate a new agent in the City of London, on the terms and for the purposes of this Clause. Nothing herein shall be deemed to limit the ability of any Party to serve any such legal process in any other manner, to obtain jurisdiction over any other Party or to bring any action, suit or proceeding against any other Party in such other jurisdictions, and in any other manner as may be permitted or required by Applicable Laws.

(a) Ma'aden hereby irrevocably agrees to appoint Law Debenture Corporate Services Limited, with offices at the date of this Agreement at Princes House, 95 Gresham Street, London EC2V 7LY, England as its authorised agent on which any and all legal process may be served in any such action, suit or proceeding brought in the courts of England, and to execute such documentation as may reasonably be required by such agent in connection with its appointment.

(b) Alcoa and any of its Affiliates being a Shareholder hereby irrevocably agrees to appoint Pinsent Masons LLP, with offices at the date of this Agreement at 1 Park Row, Leeds, LS1 5AB as its authorised agent on which any and all legal process may be served in any such action, suit or proceeding brought in the courts of England, and to execute such documentation as may reasonably be required by such agent in connection with its appointment.

21.7 Language

This Agreement and the agreements contemplated herein are to be executed in Arabic and in English. The English language shall be the governing language despite translation into any other language(s), and the English versions shall prevail over any translated versions in the event of

conflict. No translation, if any, of this Agreement into any other language shall be of any force or effect in the interpretation of this Agreement or in a determination of the intent of each Party.

22. Confidentiality and Public Announcements

22.1 Confidentiality

(a) Each Party and any Affiliate being a Shareholder shall (i) ensure and shall cause each Company to ensure that the contents of this Agreement and any confidential information regarding the business, assets, customers, processes and methods of any other Party which it may learn in the course of negotiations for, or carrying out of this Agreement, is treated by it in strict confidence and (ii) only disclose such information to an Affiliate or such of its or its Affiliate's directors, officers, employees, professional advisers or consultants, or to any bank or financial institution from whom the Party or any Company is seeking finance, to the extent that such disclosure is necessary and (iii) not make use of such information for purposes other than the implementation of the Parties' cooperation hereunder unless such information:

(i) is known to such Party prior to learning of it from the other;

(ii) is obtained by such Party from a source other than the disclosing Party which source, (i) did not require such Party to hold such secrets or information in confidence and (ii) did not limit or restrict such Party's use thereof;

(iii) becomes public knowledge other than through the fault of such Party;

(iv) is required to be disclosed by any competent legal or regulatory authority;

(v) is required to be disclosed by any internationally recognized stock exchange, provided that in any such case the Party shall provide prompt written notice to the other Party prior to making such disclosure and provide details of the proposed form, nature and purpose of such disclosure so that the disclosing Party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this clause;

(vi) is independently developed by such Party; or

(vii) is permitted to be used or disclosed pursuant to the terms of a separate agreement between the disclosing Party and either the receiving Party or the relevant Company, in which case such use or disclosure shall be governed by the terms of the relevant agreement.

(b) Each Party shall impose on its Affiliates, or such of its or its Affiliate's directors, officers, employees, professional advisers or consultants, or to any bank or financial institution from whom the Party is seeking finance, an equivalent obligation of confidentiality and shall obtain an undertaking of strict confidentiality from such Affiliates, or such of its or its Affiliate's directors, officers, employees, professional advisers or consultants, or financial institution from whom the Party is seeking finance, on the terms set out in this Clause 22.

(c) Specific information disclosed shall not be deemed to be within the foregoing exceptions simply because such information is included in more general information within the said exceptions. In addition any combination of information, features, concepts, designs or process flows, shall not be automatically deemed to be within the said exceptions simply because the individual items of information, features, designs, concepts or process flows are within the said exceptions.

22.2 Disclosure of Information by Managers to Shareholders and Parties

A Manager shall be entitled to supply details of any business transacted at Board of Managers meetings or committee meetings and any other information obtained by him in his capacity as a Manager, to the Party or Shareholder by whom he was appointed or to the professional advisers of such Party or Shareholder, subject always to the provisions of this Clause 22.

22.3 Announcements

Each Party shall notify the other Party and the relevant Company of its intent to issue any press release or other public announcement with respect to the Company and its activities and, except as required by any competent legal or regulatory authority or any internationally recognized stock exchange, shall not issue any such release or announcement without the prior consent of the other Party and the Company, which consent shall not be unreasonably withheld. Such consent shall not, however, be required in order for a Party to include a reference to its ownership interest in the relevant Company in its annual reports and similar publications.

22.4 Survival

The Parties' obligations under this Clause 22 shall survive any termination or expiry of this Agreement for a period of five (5) years from the date of such termination or expiry and shall be without prejudice to any other confidentiality obligations imposed on the Parties or any Company by the Confidentiality & Non-Disclosure Agreement (in respect of the period prior to the signing of this Agreement) or any of the Project Agreements.

23. Notices

23.1 Notices

All notices, approvals, consents or other communications in connection with this Agreement shall be given in writing by an authorized officer of the Party (or an Affiliate being a Shareholder) providing any such notice, approval, consent of other communication and shall either be left at the address of the addressee which is specified below, sent by reputable international courier to the address of the addressee specified below, hand delivered to the address of the addressee which is specified below or sent by facsimile to the number specified below, provided in each case that if the addressee notifies the other Party and the relevant Company of another address or facsimile number then such other address or facsimile number shall be deemed to replace that set out below.

For Ma'aden: Address: P.O. Box 68861
Riyadh 11537
Kingdom of Saudi Arabia

Facsimile: +966 1 874 8200
Attn.: Vice President Aluminium SBU

With a copy to: Ma'aden Legal Department
P.O. Box 68861
Riyadh 11537
Kingdom of Saudi Arabia

Facsimile: +966 1 874 8290
Attn: Chief Legal Counsel

For Alcoa and its Shareholder Affiliates: Address: 390 Park Avenue
New York, NY 10022
United States of America

Facsimile: +1 212 836 2804
Attn.: President, Global Primary Growth

With a copy to: Alcoa Inc. Legal Department
201 Isabella Street
Pittsburgh, PA 15212
United States of America
Facsimile: +1 412 553 4064
Attn: General Counsel

23.2 Effect

(a) Unless a later time is specified in it, a notice, approval, consent or other communication takes effect from the time it is actually received or deemed to be received pursuant to this Clause 23.2. A couriered letter shall be deemed to have been received when delivered to the appropriate address. A notice sent by facsimile shall be deemed to have been received when a copy of such facsimile has been received, unless the receiving Party or the relevant Company can demonstrate that it did not receive a complete copy of the same. Facsimile notices shall be confirmed by an alternative method of giving notice. A Party receiving a notice by facsimile shall confirm receipt by returning a signed copy of such notice to the sender by hand or reputable international courier to the address which is specified above.

(b) Where a notice is received during a day which is not a business day (in the place of receipt), or after 3pm local time it shall be deemed to have been received on the next business day (at such place of receipt) thereafter.

24. Further Assurances

24.1 Undertakings

(a) Each Party and any Affiliate being a Shareholder agrees that it shall:

(i) Act in good faith with regards to the other Party and to each Company and at all times render to the other Party and each Company true accounts, full information and truthful explanations regarding all matters relating to the affairs of each Company;

(ii) in all cases treat each Company as a separate and independent profit centre and make every reasonable effort to conduct the affairs of each Company and its own dealings with such Company in a manner which gives effect to this Agreement and promotes the business and profitability of each Company; and

(iii) in its capacity as a Shareholder, exercise its voting rights and endeavour to cause its representatives on the Board to exercise their voting rights in a manner which gives full force and effect to the terms and conditions of this Agreement, the Articles of Association, the Project Agreements and any other agreement referred to herein.

(b) The Parties and any Affiliate being a Shareholder shall use their reasonable efforts to procure that the Articles of Association of a Company are from time to time duly amended, and any such amendment is duly registered with the Commercial Register, in accordance with Applicable Laws of the Kingdom if and whenever such amendment is reasonably necessary or desirable to give effect to, or to conform them to, the provisions of this Agreement, or any decision of the Board or the Shareholders, or the Project Agreements. Without limiting the generality of the foregoing, the Parties and any Affiliate being a Shareholder shall procure that the Articles of Association of each Company are amended:

(i) to permit the Company to engage in any activity that may be contemplated or required by the terms of this Agreement or any Project Agreement or any decision of the Board of Managers or the Parties in accordance with this Agreement, including by means of expanding the purpose or objects of the Company;

(ii) to give effect to any increase or decrease (or required increase or decrease) in the capital of the Company contemplated by this Agreement or any change (or required change) in the holdings of Shares in the capital of the Company as between the Shareholders required or contemplated by this Agreement;

(iii) to give effect to the introduction of any new Shareholder that acquires (or intends to acquire) Shares in accordance with this Agreement.

24.2 Further Assurances

The Parties and any Affiliate being a Shareholder hereby agree to execute and deliver promptly all powers of attorney, consents and additional instruments, and to take any such further action which may reasonably be required in order to consummate the transactions anticipated by this Agreement, including without limitation any transfer of Shares in any Company pursuant to Clauses 14, 15 or 17.

24.3 Business Conduct

The Parties agree that, in relation to the development of the Project and the subsequent business and operation of each Company, they shall (and shall procure that each Company shall):

(a) develop, construct and operate the Project and operate the business in a manner that meets or exceeds internationally recognised standards, best practises, business conduct and ethics in accordance with internationally accepted commercial practices in the bauxite mining, alumina refining, aluminium smelting and rolling mill industries and without regard to the interests of any Party or any Affiliate;

(b) without limiting the generality of paragraph (a) above, in order to ensure the long-term sustainability of the Project, undertake maintenance and replacement capital expenditures relating to the Project in a manner that meets or exceeds internationally recognised standards and best practices in the bauxite mining, alumina refining, aluminium smelting and rolling mill industries; and

(c) operate with objectives of low cost operations, continuous improvement and respect for people, consistent with best practices of the aluminium businesses.

25. Competing Businesses

25.1 Acknowledgement

The Parties acknowledge that the Parties and their Affiliates are engaged in, or may become engaged in, bauxite mining, alumina refining, aluminium smelting, rolling mill operations and other businesses that may compete with the Project.

25.2 No Obligation to Offer

Subject to Clauses 5.10, 5.11 and 25.3, neither Party (nor any of its Affiliates) shall have any obligation to offer or provide to any Company or the other Party (or any such other Party's Affiliate) any option or other right or opportunity to pursue or acquire any right, title or interest in any corporate opportunity or business venture prior to pursuing such opportunity or venture for such Party's (or such Party's Affiliate's) own benefit.

25.3 Competing Projects Following Termination

In the event of termination of this Agreement, other than where Ma'aden is the Defaulting Party in accordance with Clause 14.5, Alcoa shall not itself or through any Affiliate develop, construct, operate or otherwise implement or participate in whether itself, in partnership, joint venture or any such other relationship with any other person, in any project in any of the Kingdom, GCC Countries or Iran, which would compete with the Project, prior to the date that is (i) if the termination occurs prior to the Commercial Production Date, three (3) years after termination of this Agreement; or (ii) if the termination occurs after the Commercial Production Date but prior to the fifth anniversary of the Commercial Production Date, two (2) years after termination of this Agreement. The foregoing restrictions shall not apply to any bauxite mining, alumina refining, aluminium smelting, rolling mill operations and other businesses that may compete with the Project (A) in which the Defaulting Party is engaged as of the date of termination of this Agreement; or (B) in which the Defaulting Party owns a direct or indirect interest of fifteen percent (15%) or less or otherwise with the prior written consent of Ma'aden.

26. General Provisions

26.1 Severability

If any provision or term (or part thereof) of this Agreement shall be, or be found by any authority or court of competent jurisdiction to be, invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the other provisions or terms (or parts thereof) in that jurisdiction or the whole of the Agreement in any other jurisdiction, all of which shall remain in full force and effect. As regards the provision or term (or part thereof) which is or has been found to be invalid, illegal or unenforceable, the Parties shall negotiate in good faith in order to agree the terms of a mutually satisfactory provision to be substituted for the invalid, illegal or unenforceable provision and which as closely as possible validly gives effect to the Parties' intentions as expressed herein.

26.2 Waiver

The failure, delay or forbearance of any Party or any Affiliate being a Shareholder to insist upon, exercise or enforce any right or remedy conferred by this Agreement shall not be or be deemed to be or be construed as a waiver of the right or remedy or of any other rights or remedies nor shall such failure, delay or forbearance operate as a bar to the exercise or enforcement of the right or remedy at any time or times thereafter.

26.3 Compliance with Law and Permits

(a) In performing its obligations under this Agreement each Party and any Affiliate being a Shareholder shall comply with (including without limitation giving all notices under and paying all fees required by) all laws applicable to such Party or Affiliate.

(b) Without prejudice to the generality of this Clause 26.3, the Parties and any Affiliate being a Shareholder shall, and shall procure that each Company shall, comply with all Applicable Laws relating to the prohibition on the corruption of public officials.

(c) Each Party and any Affiliate being a Shareholder shall obtain and maintain in effect all government licenses, permissions, consent, and approvals as it may be required to obtain in order to perform its obligations under this Agreement.

26.4 Intellectual Property

(a) Subject to any provisions as to ownership of Intellectual Property under any of the Project Agreements (including the Smelter TTA and Smelter OSA), any rights to Intellectual

Property which are developed by a Company during the course of a Company's activities under this Agreement shall belong to the Company.

(b) The Parties, pursuant to separate technology license agreements which shall be part of the Project Agreements, shall grant to the Companies a license to use Intellectual Property which is owned by the Parties but is required to implement the Project. Without limiting the foregoing, Alcoa and its Affiliates shall offer to enter into with the relevant Companies technology licence agreements in respect of the Intellectual Property and in respect of technical support services as described in Part 2 of Schedule 14 on the payment terms described therein.

(c) In the event that this Agreement is terminated for any reason whatsoever, the Parties acknowledge that Ma'aden is entitled in accordance with Clause 16.4 to continue with the Project and utilise any Intellectual Property that has been provided by Alcoa to the Project or has been developed in the course of the Companies' activities under this Agreement. Accordingly, except to the extent that such Intellectual Property is subject to a separate intellectual property licence agreement entered into for value with the relevant Company, Alcoa hereby grants to Ma'aden and the Companies an irrevocable, royalty-free license to use, without the right to assign (other than to a project company), sublicense or otherwise transfer to a third party, any such intellectual Property not otherwise licensed thereafter solely in connection with the Project.

(d) Without prejudice to the provisions of Clause 22 above or the provisions of any of the Project Agreements, each of the Parties and any Affiliate being a Shareholder shall procure that the Companies shall take all steps necessary to protect all Intellectual Property of the Companies or, in respect of sub-paragraphs (ii) and (iii) below of Ma'aden, and information comprising or relating to such rights (the "**IP Information**"), including, without limitation:

(i) ensuring that the Board of Managers, the President and the other officers and employees of a Company use commercially appropriate measures to protect and safeguard the IP Information at all times and comply with the provisions of Clause 22 and this Clause 26.4;

(ii) using the IP Information provided to a Company or to Ma'aden under the Smelter TTA, only for the purposes for which it was licensed to the Company or Ma'aden (as the case may be);

(iii) using the IP Information provided to a Company or to Ma'aden under the Smelter OSA, only for the purposes for which it was provided to such Company or Ma'aden (as the case may be) under the Smelter OSA;

(iv) not disclosing any IP Information to any person, except for employees, suppliers, contractors, government agencies or financial institutions, who reasonably require information for the purposes related to the Project and who have agreed to be bound by the provisions of Clause 22 and this Clause 26.4;

(v) not using any IP Information for the benefit of any third party; and

(vi) in the event that a Company is compelled by judicial or administrative process or required by Applicable Law or any Governmental Authority to disclose any IP Information, seeking a protective order or other appropriate remedy to prevent such disclosure, only disclosing such portion of the IP Information that is required to be disclosed and using all reasonable efforts to obtain a protective order or other assurance that confidential treatment will be afforded to such IP Information.

26.5 Entire Agreement

This Agreement constitutes the complete and exclusive statement of the terms of the contract between the Parties and any Affiliate being a Shareholder (together with the Adherence Agreements) with reference to the subject matter hereof, and supersedes all prior agreements, promises, proposals, representations, understandings and negotiations, whether or not reduced to writing, between the Parties and any Affiliate being a Shareholder respecting the subject matter hereof. No statements or agreements, oral or written, made prior to or at the signing hereof shall vary or modify the written terms hereof (provided that this Clause shall not have effect to limit or excuse liability for any fraudulent act).

26.6 Improper Inducements

(a) No Party or Affiliate being a Shareholder shall, and each Party and Affiliate being a Shareholder shall ensure that no Company shall, (in connection with the Company or its business) make any payment in violation of any Applicable Law.

(b) Except for customary promotional material and occasional business entertainment limited in value in any instance to the reasonable cost of a business meal, no Party or Affiliate being a Shareholder (whether acting directly or indirectly or through any employee, officer, director or representative) shall promise, give, offer or accept, and warrants that it has not promised, given, offered or accepted, any money, fees, commissions, personal services, credit, gift, gratuity, thing of value or compensation of any kind, to or from any person including:

(i) Any Party or its Affiliates;

(ii) Any of their agents, independent contractors or subcontractors;

(iii) The Government of the Kingdom;

(iv) The employees of any of the foregoing,

for the purpose of improperly obtaining or rewarding favourable treatment in connection with this Agreement or any of the other agreements contemplated by this Agreement.

(c) Any violation of this provision shall constitute a Material Breach of the Agreement which, without prejudice to any Party's right to enforce any other remedy provided by law, shall entitle that Party to terminate the Agreement in accordance with Clause 16.1(d).

26.7 Language

The English language shall be used and be the official language for written communications (including, but not limited to, the reporting of results of operations and forecasts of same) between and among the Parties, any Affiliate being a Shareholder and each Company and otherwise under this Agreement.

26.8 Amendments

No variation or amendment to this Agreement shall be effective unless in writing signed by duly authorised officers or representatives of each Party on behalf of itself and any Affiliate being a Shareholder.

26.9 No Partnership

Nothing contained or implied in this Agreement shall constitute or be deemed to constitute a partnership between the Parties or any Affiliates being Shareholders (or any of them) and none of

the Parties (or an Affiliate of a Party being a Shareholder) shall have any authority to bind or commit any other Party in any way, save as expressly set out herein.

26.10 Priority of Documents

In the event of conflict or inconsistency between this Agreement and any of the Articles of Association, the terms and conditions of this Agreement shall prevail.

26.11 Waiver of Immunity

Each Party and any Affiliate being a Shareholder unconditionally and irrevocably agrees that the execution, delivery and performance by it of this Agreement constitutes private and commercial acts, and to the extent that a Party or Shareholder or any of its revenues, assets or properties shall be entitled, with respect to any proceeding relating to enforcement of this Agreement or any award thereunder at any time brought against such Party or Shareholder or any of its revenues, assets or properties, to any sovereign or other immunity from suit, from jurisdiction, from attachment prior to judgment, from attachment in aid of execution of a judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any jurisdiction there shall be attributed such an immunity, such Party or Shareholder irrevocably agrees not to claim and irrevocably waives such immunity.

26.12 No Liability for Consequential Losses, etc.

Notwithstanding anything in this Agreement, no Party or any of its Affiliates being a Shareholder shall have any liability to the other Party (whether in contract, tort or otherwise) for any consequential, incidental, special or indirect losses (including loss of anticipated profits) arising from or relating to this Agreement, whether out of any Event of Default, other breach of this Agreement, indemnity, any fault or negligence on the part of a Party or its Affiliates (or their respective employees) or otherwise.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized representative as of the date first written above.

SAUDI ARABIAN MINING COMPANY (MA'ADEN)

By: Dr. Abdullah Dabbagh, President and CEO

Signed: /s/ Abdullah Dabbagh

ALCOA INC.

By: Klaus Kleinfeld, President and CEO

Signed: /s/ Klaus Kleinfeld

SCHEDULE 1

Parent Company Guarantee

THIS AGREEMENT is dated and effective and is by and between:

(1) **ALCOA INC.**, a corporation organized under the laws of the Commonwealth of Pennsylvania, whose principal place of business is at 390 Park Avenue, New York, New York 10022-4608, U.S.A. (together with its legal successors and permitted assigns, hereinafter referred to as the "**Guarantor**"); and

(2) **SAUDI ARABIAN MINING COMPANY (MA'ADEN)**, a company organized under the laws and regulations of the Kingdom of Saudi Arabia with commercial registration No.1010164391, having its head office and address at PO Box 68861, Riyadh 11537, Kingdom of Saudi Arabia (together with its legal successors and permitted assigns, hereinafter referred to as the "**Beneficiary**").

RECITALS:

(A) Whereas the Guarantor and the Beneficiary entered into a Framework Shareholders' Agreement dated [—] (the "**Principal Agreement**"); and

(B) Whereas, as a condition of such Principal Agreement, the Guarantor is required to provide a guarantee in favour of the Beneficiary on the terms set out herein in respect of any Affiliate of Alcoa (i) which subscribes for Shares in any of the Companies pursuant to the Principal Agreement and an Adherence Agreement and/or (ii) to whom any Shares in the Companies are subsequently transferred (each an "**Alcoa Affiliate**").

NOW THEREFORE the parties agree as follows:

1. <u>Definitions and Interpretation</u>

In this Agreement, unless the context otherwise requires:

1.1 terms shall have the meanings ascribed to them in the Principal Agreement;

1.2 any reference to an agreement or other document is a reference to that agreement or document as from time to time supplemented, amended or novated;

1.3 headings are inserted for convenience only and shall not affect the construction of this Agreement;

1.4 any reference to "Clause", "Recital" or "Schedule" is a reference to a Clause, Recital or Schedule to this Agreement and the Recitals and Schedules to this Agreement shall be deemed to form part of this Agreement; and

1.5 any reference to the male shall include the female and the neuter and vice versa, and any reference to the singular shall include the plural and vice versa.

2. <u>Guarantee and Indemnity</u>

2.1 The Guarantor hereby unconditionally and irrevocably guarantees to the Beneficiary the due and punctual performance and observance by each Alcoa Affiliate of all its respective obligations, commitments, undertakings, warranties, indemnities and covenants under or in connection with the Principal Agreement and the Adherence Agreement (the "**Obligations**") and agrees to indemnify the Beneficiary on demand against all losses, damages, costs and expenses (including reasonable legal costs and expenses in respect of any enforcement of the Obligations and/or this Agreement) which

the Beneficiary may suffer through or arising from any breach by any Alcoa Affiliate of the Obligations. The liability of the Guarantor as aforesaid shall not be released or diminished by any alterations of terms (whether of the Principal Agreement, the Adherence Agreement or otherwise) or any forbearance, neglect or delay in seeking performance of the obligations thereby imposed or any granting of time for such performance or any other indulgence, provided, however, that the Guarantor's obligations under this Agreement shall continue subject to any such alteration, extension of time or other indulgence, or any waiver that may be granted.

2.2 If and whenever an Alcoa Affiliate defaults in the performance of the Obligations and such default is not cured or remedied within the time limits therefor after notice thereof by the Beneficiary to the Alcoa Affiliate ("**Default**"), the Guarantor shall upon demand, which shall reasonably and briefly specify the nature and amount, if any, of the Default (the "**Demand**"), unconditionally perform (or procure performance of) and satisfy (or procure the satisfaction of), in accordance with the terms and conditions of the Principal Agreement and the Adherence Agreement, the Obligations in regard to which such Default has been made, and so that the same benefits shall be conferred on the Beneficiary as it would have received if such Obligations had been duly performed and satisfied by the Alcoa Affiliate. Subject to the first sentence of this Clause 2.2, the Guarantor hereby waives any rights which it may have to require the Beneficiary to proceed first against or claim payment from the relevant Alcoa Affiliate, to the extent that as between the Beneficiary and the Guarantor, the latter shall be liable as principal obligor upon any aforesaid Default, as if it had entered into all the Obligations jointly and severally with the relevant Alcoa Affiliate.

2.3 This guarantee and indemnity is to be a continuing security to the Beneficiary for all the Obligations of each Alcoa Affiliate notwithstanding any settlement of account or other matter or thing whatsoever.

2.4 This guarantee and indemnity is in addition to and without prejudice to and not in substitution for any rights or security which the Beneficiary may now or hereafter have or hold for the performance and observance of the Obligations of any Alcoa Affiliate.

2.5 In the event that the Guarantor has taken or takes any security from an Alcoa Affiliate in connection with this guarantee and indemnity, the Guarantor hereby undertakes to hold the same in trust for the Beneficiary pending discharge in full of all the Guarantor's obligations under or in connection with the Principal Agreement and the Adherence Agreement. The Guarantor shall not, after any Demand has been made hereunder, claim from an Alcoa Affiliate any sums which may be owing to it from the Alcoa Affiliate or have the benefit of any set-off or counter-claim or proof against, or dividend, composition or payment by, the Alcoa Affiliate until all sums owing to the Beneficiary hereunder or under or in connection with the Principal Agreement and the Adherence Agreement have been paid in full.

2.6 As a separate and independent stipulation, the Guarantor agrees that any Obligations which may not be enforceable against or recoverable from an Alcoa Affiliate by reason of:

(a) any legal limitation, disability or incapacity of the Alcoa Affiliate or the Guarantor;

(b) any insolvency or liquidation of the Alcoa Affiliate;

(c) any merger, amalgamation or other change of status of the Guarantor; or

(d) any other fact or circumstance,

shall nevertheless be enforceable against or recoverable from the Guarantor as though the same had been incurred by the Guarantor as principal obligor in respect thereof and shall be performed or paid by the Guarantor on demand in accordance with and subject to the provisions of the Principal Agreement, the Adherence Agreement and this Agreement.

2.7 Subject to the other provisions of this Agreement, the obligations and liability of the Guarantor under or arising out of this guarantee and indemnity shall not be interpreted as imposing greater obligations and liabilities on the Guarantor than are imposed on the relevant Alcoa Affiliate under the Principal Agreement and the Adherence Agreement.

2.8 The Guarantor warrants and confirms to the Beneficiary:

(a) that it is duly incorporated and validly existing under the laws of the Commonwealth of Pennsylvania;

(b) that it has full power under its Articles of Incorporation and By-laws to enter into this Agreement;

(c) that it has full power to perform its obligations under this Agreement;

(d) that it has been duly authorised to enter into this Agreement;

(e) that it has taken all necessary corporate action to authorise the execution, delivery and performance of this Agreement;

(f) that this Agreement when executed and delivered will constitute a binding obligation on it in accordance with its terms; and

(g) that it has not received any notice, nor to the best of its knowledge is there pending or threatened any notice, of any violation of any Applicable Laws by it which is likely to have a material adverse effect on its ability to perform its obligations under this Agreement.

2.9 The Guarantor warrants and confirms to the Beneficiary that it has not entered into this Agreement in reliance upon, nor has it been induced to enter into this Agreement by any representation, warranty or undertaking made by or on behalf of the Beneficiary (whether express or implied and whether pursuant to statute or otherwise) which is not set out in this Agreement.

3. <u>Governing Law and Jurisdiction</u>

3.1 This Agreement shall be governed by and construed in accordance with the laws of England.

3.2 Any dispute arising out of or in connection with this Agreement shall be, if requested by any party, referred to and finally settled by arbitration under the Rules of Arbitration of the International Chamber of Commerce as amended or substituted from time to time (the "**ICC Rules**") and the proceedings brought in accordance with this Clause 3.2, which ICC Rules are deemed to be incorporated into this Agreement except to the extent expressly modified by this Clause 3. Arbitration shall be the exclusive method for resolution of the dispute and the determination of the arbitrators shall be final and binding. The parties agree that they will give conclusive effect to the arbitrators' determination and award and that judgment thereon may be entered and enforced by any court of appropriate jurisdiction.

3.3 The tribunal shall consist of three (3) arbitrators, one of whom shall be appointed by each of the Beneficiary and the Guarantor and the third of whom, who shall act as Chairman, shall be jointly nominated by the two nominated arbitrators.

3.4 The place of arbitration shall be London. The language to be used in the arbitration shall be English, and any documents or portions of them presented at such arbitration in a language other than English shall be accompanied by an English translation thereof. The arbitrators shall decide such dispute in accordance with the substantive laws of England applicable hereto.

3.5 If a dispute is referred to arbitration pursuant to Clause 3.2 above, unless the arbitrators rule otherwise, the obligations of the parties shall not be suspended and the provisions of this Agreement shall continue to be carried out by the parties.

3.6 The courts of England shall, subject to Clause 3.7 below, have non-exclusive jurisdiction with respect to the enforcement of the arbitration provisions of this Agreement and the parties expressly submit to the jurisdiction of such courts with respect to any proceedings to enforce the arbitration provisions of this Agreement. Each party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any such proceedings and agrees not to claim that the courts of England are not a convenient or appropriate forum.

3.7 Without resulting in the waiver of any remedy under this Agreement and in conjunction with each disputing party's rights in accordance with Rule 25 of the ICC Rules, nothing in this Clause shall preclude a disputing party from seeking injunctive relief from a court pending the commencement of arbitral proceedings in accordance with Clause 3.2 (or pending the arbitral tribunal's determination of the merits of the dispute). The parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of England for such injunctive relief and waive any objection or defence they may have to the venue or jurisdiction of such courts. Without limiting the generality of the foregoing, the parties shall have the right to seek injunctive relief in any court of competent jurisdiction and the seeking of injunctive relief in one or more jurisdiction shall not preclude a party from seeking such relief in any other jurisdiction.

3.8 The Beneficiary hereby irrevocably agrees to appoint Law Debenture Corporate Services Limited, with offices at the date of this Agreement at Fifth Floor, 100 Wood Street, London EC2V 7EX, England as its authorised agent on which any and all legal process may be served in any such action, suit or proceeding brought in the courts of England, and to execute such documentation as may reasonably be required by such agent in connection with its appointment. The Guarantor hereby irrevocably agrees to appoint [ ], with offices at the date of this Agreement at [ ] as its authorised agent on which any and all legal process may be served in any such action, suit or proceeding brought in the courts of England, and to execute such documentation as may reasonably be required by such agent in connection with its appointment. Each party agrees that service of process in respect of it upon its respective agent, together with written notice of such service given to it as provided in Clause 4.2, shall be deemed to be effective service of process upon it in any such action, suit or proceeding. Each party agrees that the failure of such agent to give notice to it of any such service shall not impair or affect the validity of such service or any judgment rendered in any action, suit or proceeding based thereon. If for any reason such agent shall cease to be available to act as such, each such party agrees to designate a new agent in the City of London, on the terms and for the purposes of this Clause. Nothing herein shall be deemed to limit the ability of any party to serve any such legal process in any other manner, to obtain jurisdiction over any other party or to bring any action, suit or proceeding against any other party in such other jurisdictions, and in any other manner as may be permitted or required by Applicable Laws.

3.9 All communications made in connection herewith and all proceedings commenced in respect hereof shall be in the English language and, in the event of versions of this Agreement being translated into other languages, the English language version shall govern in the case of any inconsistency.

4. <u>General Provisions</u>

4.1 This Agreement contains all the terms agreed by the parties regarding the subject matter of this Agreement and supersedes any prior agreements, understandings or arrangements between them, whether oral or in writing and no representation, undertaking or promise shall be taken to have been given or implied from anything said or written in negotiations between the parties prior to this Agreement except as set out in this Agreement.

4.2 All notices, consents, determinations, requests, approvals, demands, reports, objections, directions and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given and to be effective on the date on which such communications are delivered by personal delivery, by facsimile transmission (with telephone confirmation of receipt), by courier service or by registered or certified mail, postage prepaid, return receipt requested, at the address set forth at the head of this Agreement or at such other address as the party to whom the notice is sent has designated by prior notice to the other parties in accordance with the provisions of this Agreement.

4.3 The failure of any party to enforce or to exercise, at any time or for a period of time, any term of or any right arising pursuant to this Agreement does not constitute and shall not be construed as, a waiver of such term or right and shall in no way affect that party's right later to enforce or exercise it. No variation or amendment to this Agreement shall be effective unless in writing signed as an agreement by authorised representatives of the parties.

4.4 The Guarantor shall procure that, during the term of this Agreement, each Alcoa Affiliate shall remain an Affiliate of the Guarantor.

4.5 All monies payable by the Guarantor to the Beneficiary hereunder shall be paid in the manner and currency in which the relevant amount is payable by the relevant Alcoa Affiliate under the Principal Agreement or Adherence Agreement and in full without set-off or counterclaim of any kind and free and clear of any deduction or withholding of any kind save as required by law. If any deduction or withholding must be made by law, the Guarantor will pay that additional amount which is necessary to ensure that the Beneficiary receives a net amount equal to the full amount which it would have received if the payment had been made without the deduction or withholding.

4.6 This Agreement shall terminate on the date that the last Alcoa Affiliate ceases to be a party to the Principal Agreement in accordance with the terms thereof, except for any outstanding obligations guaranteed under this Agreement that have not been paid or performed by any Alcoa Affiliate.

4.7 If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable under the law of any jurisdiction, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remaining provisions of this Agreement under such law or under the law of any other jurisdiction.

4.8 The Guarantor unconditionally and irrevocably agrees that the execution, delivery and performance by it of this Agreement constitutes private and commercial acts, and to the extent that the Guarantor or any of its revenues, assets or properties shall be entitled, with respect to any proceeding relating to enforcement of this Agreement or any award thereunder at any time brought against such party or any of its revenues, assets or properties, to any sovereign or other immunity from suit, from jurisdiction, from attachment prior to judgment, from attachment in aid of execution of a judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any jurisdiction there shall be attributed such an immunity, the Guarantor irrevocably agrees not to claim and irrevocably waives such immunity.

4.9 The rights and remedies provided by this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

4.10 This Agreement may be assigned by the Beneficiary to a person to whom the entire Transferable Interests of the Beneficiary are transferred in accordance with the Principal Agreement.

4.11 The parties do not intend any term of this Agreement to be enforceable under the Contracts (Rights of Third Parties) Act, 1999 by any person who is not a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

ALCOA INC.

By: ______________________________

Print Name: ______________________________

Date: ______________________________

SAUDI ARABIAN MINING COMPANY (MA'ADEN)

By: ______________________________

Print Name: ______________________________

Date: ______________________________

SCHEDULE 2
Articles of Association of the Companies

Articles of Association
Ma'aden Bauxite and Alumina Company
(Limited Liability Company)

It has been agreed by and between:

1. Saudi Arabian Mining Company (Ma'aden), a Saudi joint stock company established under the Royal Decree No. m/17 dated 14/11/1417H, Commercial Register No. 1010164391, Riyadh, dated 10/11/1421H, with its main office at Riyadh City, P.O. Box 68861 Riyadh 11537.
2. Alcoa Inc., Commercial Registration No: ____/City: ______________ dated: _________________, Main office at

to incorporate a limited liability company, (hereinafter referred to as the "company" in accordance with Foreign Investment License No. (______) , dated ____________ issued by the Saudi Arabian General Investment Authority ("SAGIA") in accordance with the Companies Law , enacted pursuant to Royal Decree No. M/6 dated 23/3/1385H and its amendment and the Foreign Investment Law, enacted pursuant to Royal Decree No. M/1 dated 5/1/1421H, and in accordance with the provisions and conditions of this Articles of Association.

Article (1)

The name of the company is: "Ma'aden Bauxite and Alumina Company", a Limited Liability Company.

Article (2)
Objectives of the Company:

1. To perform independently or with other parties all mining and other activities relating to the bauxite and alumina industries in all stages including raw materials and final products.
2. To develop, operate and maintain bauxite mines, alumina refineries, power generation plants, networks, roads, buildings and related facilities to meet the Company's objectives. To acquire the required licenses from the relevant authorities to enable it to perform its objectives.
3. Wholesale and retail marketing in bauxite and alumina, with other metals in their original or refined form.

Article (3)
Merger and Partnership:

The Company may own Shares in other existing companies and may merge with, and shall have the right to establish its own or shared companies in mining, aluminium industry and related industries, or participate with others to form joint stock or limited liability companies to perform similar or complementary activities, after satisfying the regulatory requirements. The Company may deal in such Shares, provided that it shall not engage in financial brokerage for such Shares.

Article (4)
The Company Headquarters:

The Headquarters of the Company shall be based in the city of Jubail, and the Company may transfer it's headquarters to any other location in the Kingdom of Saudi Arabia and may establish branches or offices inside the Kingdom.

Article (5)
Term of the Company:

The Company has been formed for a period of fifty (50) years starting from the date of its registration in the Commercial Register. The duration of the Company shall automatically be extended for similar periods unless one of the Shareholders notifies the other of its desire not to continue the Company at least three (3) years prior to the expiration of the initial or renewed period.

Article (6)
Capital:

The Share Capital of the Company is SR ___________________ divided into _________________________ equal Shares. Each share is ten thousand Saudi Riyals (SR 10.000) The paid up Capital is __________________________ divided into cash shares between the Shareholders as follows:

Partner	Total Shares	Share Value
1. Ma'aden		10000
2. Alcoa		10000

Article (7)
Increase or Decrease of the Capital:

The capital of the Company may be increased with the unanimous consent of all Shareholders if the increase in the Company's capital is effected by raising the nominal value of Shareholders' shares or by issuing new shares whose value must be paid by all of the Shareholders in proportion to their respective participation in the Company's capital. Apart from the two methods referred to above, the capital of the Company may be increased with the consent of the majority of Shareholders representing at least three-fourths (3/4) of the capital of the Company.

The Share capital of the Company may be decreased by a decision of the Shareholders assembly, provided that it should not fall below the required minimum, as follows:

(a) If the decrease is because the capital is in excess of the Company's needs, then the Company's creditors shall be notified to show their objections within sixty (60) days from the date of publishing the decision to decrease the capital in a daily newspaper to be distributed in the Company's headquarters. If a creditor objects within the set time limit and presents his documents, the Company shall immediately pay his debt or provide adequate guarantee if the debt will be due in the future.

(b) If the decrease in capital is due to a loss incurred by the Company, which totals half of the Company's capital, then no decrease in the Company's capital shall be effected.

Article (8)
Shares:

The Shares shall be freely transferable between the Shareholders or to their legal successors. No Shareholder may assign any of its Shares to a third party, with or without compensation, except after agreement by the other Shareholders, and even though, the other Shareholders may regain such Share(s) released by one of the Shareholders in accordance with Article (165) of the Companies Regulations.

Article (9)
Share Register:

(a) The Company shall establish and keep in its head office a Share Register in which it shall enter the names of the holders, the number of Shares owned by each and all transactions affecting the Shares. No transfer of ownership of such Shares shall be effective vis-à-vis the Company or any third party unless the reason for the transfer of ownership is entered in the aforementioned Register. The Register must contain all of the following information:

1. The name, occupation, nationality, address and identity card number or passport of each Shareholder,
2. Number and value of the Shares owned by each Shareholder;
3. Number and value of Shares which have been transferred, along with a description of the manner in which the Shares were transferred - whether by sale, purchase, inheritance, gift or otherwise;
4. Name and signature of the transferor and the transferee;
5. Date of the transfer;
6. Total number and value of Shares owned by each Shareholder after any such transfer.

(b) The pages of the Share Register shall be numbered serially. No page may be detached nor any erasure or revision made to the information contained therein.

(c) A Shareholder shall have the right to examine the Share Register during the normal working hours of the Company.

Article (10)
Management of the Company:

(a) The Company shall be managed by a Board of Managers composed of five (5) managers appointed for a period of three (3) years as follows:

1. Three (3) Managers, including the Chairman of the Board, to be appointed by Saudi Arabian Mining Company (Ma'aden).
2. Two (2) Managers appointed by Alcoa Inc.

(b) Board of Managers Authorities:

The Board of Managers shall have the broadest possible authorities and powers to manage the Company, which include the following. unless such authorities or powers are reserved for the Shareholders under an operative enactment, or provision in these articles or the shareholders agreement

- Representing and managing the Company with full authorities to handle the Company's affairs and shall have the authority to represent the Company in its relations with third parties, whether corporate or otherwise, and all judicial governmental and nongovernmental bodies.
- Representing the Company before banking and financial institutions, and all types of companies and organizations and to obtain loans to achieve the Company's objectives.
- Raising claims, allegations and law suits on behalf of the Company in courts, as defendant or plaintiff. Attending court meetings, interviewing witnesses, settling claims, receiving the Company's entitlements, and arranging for the settlement of the Company's debts.
- Appointing agents and attorneys for the Company and providing them with the necessary authorities to defend the Company, raise claims, and request the entitlements of the Company.
- Signing all contracts and agreements, on behalf of the Company including, but not limited to, leases, partnerships, company formation, mergers, liquidation, amendments. Signing Shareholders resolutions for the formation of branches, appointing manager and signing such documents before the notary public and the Ministry of Commerce & Industry and SAGIA.
- Follow-up with Ministry of Commerce & Industry, Municipality, Ministry of Foreign Affairs, Passport Department, Saudi Communications, Ministry of Water & Electricity, Saudi Industrial Development Fund, the General Investment Authority and signing necessary forms and applications before authorized officers at such governmental agencies.
- Purchasing and selling Shares and attending Meetings of Boards of managers, general assemblies of other companies in which the Company is a Shareholder whether inside or outside the Kingdom and fully representing the company in such companies.
- Selling and purchasing, transferring of real estate, accepting and receiving values, amending title documents, requesting amendments to limits of land and real estates, and mortgaging lands and fixed assets necessary to promote the Company's business.
- Preparing periodical reports, submitting recommendations to Shareholders general assembly to improve the Company's work and management, in accordance with the forms and schedules approved for this purpose.
- Preparing the Company general budget, accounts of profits and losses at the end of each year, reports on the Company's activities, financial status, suggestions on profits, and submitting such reports to the Shareholders assembly together with a copy to the Auditor's report.
- Authorization to sign at banks, opening bank accounts, deposit, draw, or request various credit facilities and perform all banking operations in the Kingdom or abroad to achieve the objectives of the Company.

- Forming one or more committees whenever the Board of managers deems it necessary and taking any necessary action which serves the effectiveness of the Company.
- Delegating and authorizing all or some of its authorities stated above to others.

(a) Dismissal of Managers:

Each Shareholder may dismiss the Managers whom he has appointed.

(b) Board of Managers Meetings:

Meetings of the Board of Managers shall be held at the head office of the Company or at such other places as may be agreed by a majority of the Board of Managers. Meetings shall be held at such times as specified by the Chairman, any two (2) Managers of the Board of Managers or any Shareholder, pursuant to a fifteen (15) days notice to the Managers of the Board. The notice shall include the agenda and all documents pertaining to the business to be transacted at the Meeting. The Board may waive these requirements for notice by a unanimous vote at the beginning of the Meeting and before any other business is transacted.

A Manager who is unable to attend a Meeting of the Board Of Managers or to take any other necessary action may, by written notice to the Company, give a proxy to any other Manager of the Board of Managers to vote and otherwise act on his behalf in connection with any particular Meeting or matter.

The meeting of the Board of Managers shall not be valid unless convened by the presence of at least one Member representing each Shareholder. If however, a quorum is not obtained for a validly called for Meeting then the Meeting shall be postponed for another date to be agreed upon by the Shareholders.

Meetings of the Board of Managers may be held by telephone or conference calls other electronic means of communication which permit all managers present to be heard by all others present, provided that the required forum is attained.

The Chairman of the Board of Managers shall preside all the Meetings of the Board of Managers If the Chairman is unable to attend any Meeting, then the present Board Members may agree on a substitute Chairman to chair the Meeting. The Board shall appoint a Secretary to record the minutes of Meetings.

(b) Resolutions of the Board:

Each Manager of the Board of Managers shall have one (1) vote on any matter presented to the Board for decision. Resolutions of the Board of Managers shall be adopted by Simple Majority other than the resolutions which require the affirmative vote of (75%) of the attending Managers. A resolution of the Board of Managers may be issued by circulation if necessary and in such cases all Managers of the Board of Managers will confirm their acceptance in writting. All resolutions by circulation shall be presented to the Board in the following Meeting and shall be attested in the minutes of that Meeting.

Article (11)
Shareholders Meetings:

(a) The duly authorized representatives of each Shareholder shall have the right to attend and take part in the deliberations of and vote at all Shareholder Meetings.

(b) Shareholder Meetings shall be held at the head office of the Company or at such other places as may be agreed by the Shareholders. Shareholder Meetings shall be convened pursuant to a thirty (30) days notice to the Shareholders from the Chairman of the Board of Managers and the Company accounts Controller. Notice of each Shareholder Meeting shall include the agenda and all documents concerning the business to be transacted at the Meeting.

(c) The Chairman of the Board of Managers shall call for an annual general Meeting within six (6) months after the close of each fiscal year of the Company to:

(i) review and approve the report of the Board of Managers concerning the management and administration of the Company;

(ii) review and approve the auditor's report for the preceding fiscal year;

(iii) consider and take any appropriate decision in relation to any of the foregoing matters;

(iv) appoint or reappoint auditors to audit the Company's accounts for the ensuing fiscal year and determine their fees.

(v) discuss and decide upon any other business or matter relating to the Company.

(d) The presence of the duly authorized representatives of all Shareholders shall be necessary to constitute a valid quorum. If, however, a quorum is not obtained at a validly called Meeting, then the Meeting shall be postponed and convened later by agreement of the Shareholders. This posponed Meeting shall be valid with the attendance of any number of the Shareholders present.

(e) The Shareholders shall designate, from among those appointed to represent each of them at general Meetings, one person who shall chair the Meetings of the Shareholders'assembly. The Chairman shall select a person to act as the Secretary for the Meeting and that person will ensure that an adequate and accurate record of Shareholder Meetings is made and kept.

Article (12)
Shareholder Resolutions:

Shareholder resolutions shall be adopted as follows:

a. by unanimous approval in relation to any reseloution to change the Company's name or nationality or increase or decrease the financial liability of the Shareholders.

b. By approval of Shareholders who together own at least 75% of the Company's capital in relation to any amendment to the Articles of Association of the Company, appointment or removal of the external auditor, or Board of Managers remuneration ; or distribution of profit, or voluntary reserve; and

c. except as mentioned in articles (A) and (B) above, resolutions adopted by the approval of Shareholders who own at least fifty one (51%) of the Company's capital.

Article (13)
Books of Accounts and Annual Financial Statements:

(a) The Board of Managers shall cause the Company to maintain proper books of accounts and complete and accurate records regarding:

(i) all income and expenditures of the Company;

(ii) all contracts entered into by the Company;

(iii) all purchases and sales made by the Company; and

(iv) the assets and liabilities of the Company.

(b) All books of account and records shall be maintained in accordance with generally accepted accounting principles and the regulations of the Kingdom and kept at the head office of the Company.

Article (14)
Auditors:

The Shareholder(s) shall cause an Auditor to be appointed annually by a resolution taken at a general Meeting by Shareholders holding at least seventy five percent (75%) of the Company's capital. The Auditor must be licensed to practice in the Kingdom in accordance with the Auditors' Regulations. The Auditor shall ensure that the Articles of Association of the Company and the Companies Regulations are being properly applied. He shall review all inventories and final annual accounts and inspect the balance sheet and submit an annual report to each Shareholder and to the Board of Managers. For that purpose he may review all the Company's books, documents and contracts entered into with third parties and may request clarification and information as he deems necessary. The Shareholders shall determine the auditor's annual remuneration on an annual basis.

Article (15)
Fiscal Year:

(a) The fiscal year of the Company shall commence on the date of its registration in the Commercial Register and end on H corresponding to ___________G. and each fiscal year shall be twelve(12) months.

(b) The Board of Managers shall, within four (4) months following the end of such fiscal year, prepare a balance sheet, profit and loss account, and a report describing the Company's activities and financial position, and its recommendations as to the distribution of profits. The Board shall send copies of these documents to each Shareholder and to the Companies' Department at the Ministry of Commerce and Industry , together with a copy of the auditor's report, within two (2) months of their date of preparation.

Article (16)
Distribution of Profits and Losses:

The annual net profits of the Company, after deduction of depreciation, operating expenses and general expenses, shall be distributed as follows:

(a) The Company shall set aside four percent (4%) of such profits to constitute the statutory reserve required by Article 176 of the Companies Act. The Company may cease setting aside this reserve when it reaches fifty percent (50%) of the Share capital of the Company.

(b) The balance of the profits shall be distributed to the Shareholders pro rata to the percentage of the Shares owned by each Shareholder, unless the Shareholders decide to establish other reserves, or carry forward or transfer all or a portion of the profits for the next fiscal year.

(c) Losses shall be borne by the Shareholders pro-rata to their Shareholding, or if the Shareholders so agree, carry it over to the next fiscal year. No profits shall be distributed until the losses are fully covered. If the Company's losses reach fifty percent (50%) of its capital the Board of Managers must call the Shareholders to a Meeting within a period not to exceed thirty (30) days from the date on which the losses reach this level in order to consider whether to continue the Company, in which case the Shareholders must undertake to pay its debts, or to dissolve it. The resolution of the Shareholders in this respect shall not be valid unless it is issued in accordance with Article 173 of the Companies Act, and the resolution must in all cases be published in the manner provided in Article 164 of the Companies Act. If the Company continues its business without the issuance of a resolution to continue it pursuant to the foregoing conditions, or to dissolve it, the Shareholders shall become jointly and severally liable to pay all of the Company's debts and any interested party may request that it be dissolved.

Article (17)
Company Dissolution & Liquidation:

The Company may be dissolved for any of the reasons for dissolution contained in Article (15) of the Companies Act. Upon the Company's dissolution it shall enter the stage of liquidation in accordance with the provisions of Chapter 11 of the Companies Act. In case of voluntary liquidation, the following must be observed:

1) The Shareholders shall appoint one or more liquidator(s) for purposes of liquidating the Company and shall determine their authority and fees.

2) A report certified by a chartered accountant licensed to practice in the Kingdom shall be prepared regarding the financial status of the Company as of the date of issuance of the Shareholder resolution to dissolve and liquidate the Company and specifying the Company's ability to discharge its obligations and its debts vis-a-vis third parties.

3) All entitlements of creditors must be paid in full or a settlement entered into with them. Otherwise, the Company shall not be liquidated until after a decision is issued by the Board of Grievances announcing the bankruptcy of the Company pursuant to a request by the creditors or the Shareholders.

Article (18)
Company Documents:

The Company's letterhead shall clearly show the name of the Company, followed by the phrase “a limited liability company,” as well as the address of its head office, its commercial registration number and its capital. All other documents shall comply with all applicable rules and regulations.

Article (19)
Notices:

All notices given hereunder between Shareholders or with the Company shall be deemed to be sufficiently delivered by postpaid registered mail to their addresses as indicated in the Register of Shares referred in article (9) of these articles.

Article (20)
Miscellaneous:

(a) The Company is subject to all laws and regulations prevailing in the Kingdom of Saudi Arabia.

(b) All other matters not specifically provided for herein, or not agreed between the Shareholders shall be subject to the Companies Act.

Article (21)
Copies of Contract:

These Articles of Incorporation have been executed in eight copies of which each Shareholder shall receive one copy. The remaining copies shall be submitted to the concerned authorities for purposes of necessary official procedures. Ali Saeed Al-Ahmari is hereby authorized by the counterparts to take whatever action is necessary to complete the necessary procedures herein mentioned. In witness whereof the two parties signed hereunder.

Alcoa Inc.	**Saudi Arabian Mining Company (Ma’aden).**
Signature.	Signature.

Articles of Association
Ma’aden Rolling Company
(Limited Liability Company)

It has been agreed by and between:

1. Saudi Arabian Mining Company (Ma’aden), a Saudi joint stock company established under the Royal Decree No. m/17 dated 14/11/1417H, Commercial Register No. 1010164391, Riyadh, dated 10/11/1421H, with its main office at Riyadh City, P.O. Box 68861 Riyadh 11537.
2. Alcoa Inc., Commercial Registration No: ______/City: _____________________ dated: _______________________, Main office at

to incorporate a limited liability company, (hereinafter referred to as the “Company” in accordance with Foreign Investment License No. (_______) , dated _________________ issued by the Saudi Arabian General Investment Authority (“SAGIA”) in accordance with the Companies Law , enacted pursuant to Royal Decree No. M/6 dated 23/3/1385H and its amendment and the Foreign Investment Law, enacted pursuant to Royal Decree No. M/1 dated 5/1/1421H, and in accordance with the provisions and conditions of this Articles of Association.

Article (1)

The name of the company is: “Ma’aden Rolling Company”, a Limited Liability Company.

Article (2)
Objectives of the Company:

1. To perform independently or with other parties all mining activities relating to the aluminum rolling mill industry in all its stages, including raw materials and final products.
2. To develop, manage, operate and maintain aluminum rolling mills, power generation plants, networks, roads, buildings and related facilities to meet the Company’s objectives. To acquire the required licenses from the relevant authorities to enable it to perform its objectives.
3. Wholesale and retail marketing in aluminum metal and its alloys with other metals in their original or refined form.

Article (3)
Merger and Partnership:

The Company may own Shares in other existing companies and may merge with, and shall have the right to establish its own or shared companies in mining, aluminum industry and related industries, or participate with others to form joint stock or limited liability companies to perform similar or complementary activities, after satisfying the regulatory requirements. The Company may deal in such Shares, provided that it shall not engage in financial brokerage for such Shares.

Article (4)
The Company Headquarters:

The Headquarters of the Company shall be based in the city of Jubail, and the Company may transfer it's headquarters to any other location in the Kingdom of Saudi Arabia and may establish branches or offices inside or outside the Kingdom.

Article (5)
Term of the Company:

The Company has been formed for a period of fifty (50) years starting from the date of its registration in the Commercial Register. The duration of the Company shall automatically be extended for similar periods unless one of the Shareholders notifies the other of its desire not to continue the Company at least three (3) years prior to the expiration of the initial or renewed period.

Article (6)
Capital:

The Share Capital of the Company is SR ______________________ divided into ____________________ equal Shares. Each share is ten thousand Saudi Riyals (SR 10.000) The paid up Capital is _______________________ divided into cash shares between the Shareholders as follows:

Partner	Total Shares	Share Value	No. of Paid Shares	Value of Paid Share	Total	%
1. Ma'aden		10000				— %
2. Alcoa		10000				— %

Shareholders hereby acknowledge that the Company has paid part of the Capital, deposited at an authorized bank and the related certificate has been obtained.

Article (7)
Increase or Decrease of the Capital:

The capital of the Company may be increased with the unanimous consent of all Shareholders if the increase in the Company's capital is effected by raising the nominal value of Shareholders' shares or by issuing new shares whose value must be paid by all of the Shareholders in proportion to their respective participation in the Company's capital. Apart from the two methods referred to above, the capital of the Company may be increased with the consent of the majority of Shareholders representing at least three-fourths (3/4) of the capital of the Company.

The Share capital of the Company may be decreased by a decision of the Shareholders assembly, provided that it should not fall below the required minimum, as follows:

(a) If the decrease is because the capital is in excess of the Company's needs, then the Company's creditors shall be notified to show their objections within sixty (60) days from the date of publishing the decision to decrease the capital in a daily newspaper to be distributed in the Company's headquarters. If a creditor objects within the set time limit and presents his documents, the Company shall immediately pay his debt or provide adequate guarantee if the debt will be due in the future.

(b) If the decrease in capital is due to a loss incurred by the Company, which totals half of the Company's capital, then no decrease in the Company's capital shall be effected.

Article (8)
Shares:

The Shares shall be freely transferable between the Shareholders or to their legal successors. No Shareholder may assign any of its Shares to a third party, with or without compensation, except after agreement by the other Shareholders, and even though, the other Shareholders may regain such Share(s) released by one of the Shareholders in accordance with Article (165) of the Companies Regulations.

Article (9)
Share Register:

(a) The Company shall establish and keep in its head office a Share Register in which it shall enter the names of the holders, the number of Shares owned by each and all transactions affecting the Shares. No transfer of ownership of such Shares shall be effective vis-à-vis the Company or any third party unless the reason for the transfer of ownership is entered in the aforementioned Register. The Register must contain all of the following information:

1. The name, occupation, nationality, address and identity card number or passport of each Shareholder,
2. Number and value of the Shares owned by each Shareholder;
3. Number and value of Shares which have been transferred, along with a description of the manner in which the Shares were transferred - whether by sale, purchase, inheritance, gift or otherwise;
4. Name and signature of the transferor and the transferee;
5. Date of the transfer;
6. Total number and value of Shares owned by each Shareholder after any such transfer.

(b) The pages of the Share Register shall be numbered serially. No page may be detached nor any erasure or revision made to the information contained therein.

(c) A Shareholder shall have the right to examine the Share Register during the normal working hours of the Company.

Article (10)
Management of the Company:

(a) The Company shall be managed by a Board of Managers composed of five (5) managers appointed for a period of three(3) years as follows:

1. Three (3) Managers, including the Chairman of the Board, to be appointed by Saudi Arabian Mining Company (Ma'aden).
2. Two (2) Managers appointed by Alcoa Inc.

(b) Board of Managers Authorities

The Board of Managers shall have the broadest possible authorities and powers to manage the Company, which include the following, unless such authorities or powers are reserved for the Shareholders under an operative enactment, or provision in these articles or the shareholders agreement.

- Representing and managing the Company with full authorities to handle the Company's affairs and shall have the authority to represent the Company in its relations with third parties, whether corporate or otherwise, and all judicial governmental and nongovernmental bodies.
- Representing the Company before banking and financial institutions, and all types of companies and organizations and to obtain loans to achieve the Company's objectives.
- Raising claims, allegations and law suits on behalf of the Company in courts, as defendant or plaintiff. Attending court meetings, interviewing witnesses, settling claims, receiving the Company's entitlements, and arranging for the settlement of the Company's debts.
- Appointing agents and attorneys for the Company and providing them with the necessary authorities to defend the Company, raise claims, and request the entitlements of the Company.
- Signing all contracts and agreements, on behalf of the Company including, but not limited to, leases, partnerships, company formation, mergers, liquidation, amendments. Signing Shareholders resolutions for the formation of branches, appointing Manager and signing such documents before the notary public and the Ministry of Commerce & Industry and SAGIA.
- Follow- up with Ministry of Commerce & Industry, Municipality, Ministry of Foreign Affairs, Passport Department, Saudi Communications, Ministry of Water & Electricity, Saudi Industrial Development Fund, the General Investment Authority and signing necessary forms and applications before authorized officers at such governmental agencies.
- Purchasing and selling Shares and attending Meetings of Boards of Managers, general assemblies of other companies in which the Company is a Shareholder whether inside or outside the Kingdom and fully representing the Company in such companies.
- Selling and purchasing, transferring of real estate, accepting and receiving values, amending title documents, requesting amendments to limits of land and real estates, and mortgaging lands and fixed assets necessary to promote the Company's business.
- Preparing periodical reports, submitting recommendations to Shareholders general assembly to improve the Company's work and management, in accordance with the forms and schedules approved for this purpose.
- Preparing the Company general budget, accounts of profits and losses at the end of each year, reports on the Company's activities, financial status, suggestions on profits, and submitting such reports to the Shareholders assembly together with a copy to the Auditor's report.

- Authorization to sign at banks, opening bank accounts, deposit, draw, or request various credit facilities and perform all banking operations in the Kingdom or abroad to achieve the objectives of the Company.
- Forming one or more committees whenever the Board of managers deems it necessary and taking any necessary action which serves the effectiveness of the Company.
- Delegating and authorizing all or some of its authorities stated above to others.

(c) Dismissal of Managers:

Each Shareholder may dismiss the Managers whom he has appointed.

(d) Board of Managers Meetings:

Meetings of the Board of Managers shall be held at the head office of the Company or at such other places as may be agreed by a majority of the Board of Managers. Meetings shall be held at such times as specified by the Chairman, any two (2) managers of the Board of Managers or any Shareholder, pursuant to a fifteen (15) days notice to the Managers of the Board. The notice shall include the agenda and all documents pertaining to the business to be transacted at the Meeting. The Board may waive these requirements for notice by a unanimous vote at the beginning of the Meeting and before any other business is transacted.

A Manager who is unable to attend a Meeting of the Board of Managers or to take any other necessary action may, by written notice to the Company, give a proxy to any other Manager of the Board of Managers to vote and otherwise act on his behalf in connection with any particular Meeting or matter.

The meeting of the Board of Managers shall not be valid unless convened in the presence of at least one Member representing each Shareholder. If however, a quorum is not obtained for a validly called for Meeting then the Meeting shall be postponed for another date to be agreed upon by the Shareholders.

Meetings of the Board of Managers may be held by telephone conference calls or other electronic means of communication which permit all Managers present to be heard by all others present, provided that the required forum is attained.

The Chairman of the Board of Managers shall preside all the Meetings of the Board of Managers, if the Chairman is unable to attend any Meeting, then the present Board Members may agree on a substitute Chairman to chair the Meeting. The Board shall appoint a Secretary to record the minutes of Meetings.

(e) Resolutions of the Board:

Each manager of the Board of Managers shall have one (1) vote on any matter presented to the Board for decision. Resolutions of the Board of Managers shall be adopted by Simple Majority other than the resolutions which require the affirmative vote of (75%) of the attending Managers. A

resolution of the Board of Managers may be issued by circulation if necessary and in such cases all Managers of the Board of Managers will confirm their acceptance in writting. All resolutions by circulation shall be presented to the Board in the following Meeting and shall be attested in the minutes of that Meeting.

Article (11)
Shareholders Meetings:

(a) The duly authorized representatives of each Shareholder shall have the right to attend and take part in the deliberations of and vote at all Shareholder Meetings.

(b) Shareholder Meetings shall be held at the head office of the Company or at such other places as may be agreed by the Shareholders. Shareholder Meetings shall be convened pursuant to a thirty (30) days notice to the Shareholders from the Chairman of the Board of Managers and the Company accounts Controller. Notice of each Shareholder Meeting shall include the agenda and all documents concerning the business to be transacted at the Meeting.

(c) The Chairman of the Board of Managers shall call for an annual general Meeting within six (6) months after the close of each fiscal year of the Company to:

(i) review and approve the report of the Board of Managers concerning the management and administration of the Company;

(ii) review and approve the auditor’s report for the preceding financial year;

(iii) consider and take any appropriate decision in relation to any of the foregoing matters;

(iv) appoint or reappoint auditors to audit the Company’s accounts for the ensuing fiscal year and determine their fees.

(v) discuss and decide upon any other business or matter relating to the Company.

(d) The presence of the duly authorized representatives of all Shareholders shall be necessary to constitute a valid quorum. If, however, a quorum is not obtained at a validly called Meeting, then the Meeting shall be postponed and convened later by agreement of the Shareholders. This posponed Meeting shall be valid with the attendance of any number of the Shareholders present.

(e) The Shareholders shall designate, from among those appointed to represent each of them at general Meetings, one person who shall chair the Meetings of the Shareholders’ assembly. The Chairman shall select a person to act as the Secretary for the Meeting and that person will ensure that an adequate and accurate record of Shareholder Meetings is made and kept.

Article (12)
Shareholder Resolutions:

Shareholder resolutions shall be adopted as follows:

(a) by unanimous approval in relation to any resolution to change the Company’s name or nationality or increase or decrease the financial liability of the Shareholders.

(b) By approval of Shareholders who together own at least 75% of the company's capital in relation to any amendment to the Articles of Association of the Company, appointment or removal of the external auditor, or Board of Managers remuneration; or distribution of profit, or voluntary reserve; and

(c) except as mentioned in articles (A) and (B) above, resolutions adopted by the approval of Shareholders who own at least fifty one (51%) of the Company's capital.

Article (13)
Books of Accounts and Annual Financial Statements:

(a) The Board of Managers shall cause the Company to maintain proper books of accounts and complete and accurate records regarding:

(i) all income and expenditures of the Company;

(ii) all contracts entered into by the Company;

(iii) all purchases and sales made by the Company; and

(iv) the assets and liabilities of the Company.

(b) All books of account and records shall be maintained in accordance with generally accepted accounting principles and the regulations of the Kingdom and kept at the head office of the Company.

Article (14)
Auditors:

The Shareholder(s) shall cause an Auditor to be appointed annually by a resolution taken at a general Meeting by Shareholders holding at least seventy five percent (75%) of the Company's capital. The Auditor must be licensed to practice in the Kingdom in accordance with the Auditors' Regulations. The Auditor shall ensure that the Articles of Association of the Company and the Companies Regulations are being properly applied. He shall review all inventories and final annual accounts and inspect the balance sheet and submit an annual report to each Shareholder and to the Board of Managers. For that purpose he may review all the Company's books, documents and contracts entered into with third parties and may request clarification and information as he deems necessary. The Shareholders shall determine the auditor's annual remuneration on an annual basis.

Article (15)
Fiscal Year:

(a) The fiscal year of the Company shall commence on the date of its registration in the Commercial Register and end on H corresponding to __________G, and each fiscal year shall be twelve(12) months.

(b) The Board of Managers shall, within four (4) months following the end of such fiscal year, prepare a balance sheet, profit and loss account, and a report describing the Company's activities and financial position, and its recommendations as to the distribution of profits. The Board shall send copies of these documents to each Shareholder and to the Companies' Department at the Ministry of Commerce and Industry , together with a copy of the auditor's report, within two (2) months of their date of preparation.

Article (16)
Distribution of Profits and Losses:

The annual net profits of the Company, after deduction of depreciation, operating expenses and general expenses, shall be distributed as follows:

(a) The Company shall set aside four percent (4%) of such profits to constitute the statutory reserve required by Article 176 of the Companies Act. The Company may cease setting aside this reserve when it reaches fifty percent (50%) of the Share capital of the Company.

(b) The balance of the profits shall be distributed to the Shareholders pro rata to the percentage of the Shares owned by each Shareholder, unless the Shareholders decide to establish other reserves, or carry forward or transfer all or a portion of the profits for the next fiscal year.

(c) Losses shall be borne by the Shareholders pro-rata to their Shareholding, or if the Shareholders so agree, carry it over to the next fiscal year. No profits shall be distributed until the losses are fully covered. If the Company's losses reach fifty percent (50%) of its capital the Board of Managers must call the Shareholders to a Meeting within a period not to exceed thirty (30) days from the date on which the losses reach this level in order to consider whether to continue the Company, in which case the Shareholders must undertake to pay its debts, or to dissolve it. The resolution of the Shareholders in this respect shall not be valid unless it is issued in accordance with Article 173 of the Companies Act, and the resolution must in all cases be published in the manner provided in Article 164 of the Companies Act. If the Company continues its business without the issuance of a resolution to continue it pursuant to the foregoing conditions, or to dissolve it, the Shareholders shall become jointly and severally liable to pay all of the Company's debts and any interested party may request that it be dissolved.

Article (17)
Company Dissolution & Liquidation:

The Company may be dissolved for any of the reasons for dissolution contained in Article (15) of the Companies Act. Upon the Company's dissolution it shall enter the stage of liquidation in accordance with the provisions of Chapter 11 of the Companies Act. In case of voluntary liquidation, the following must be observed:

1) The Shareholders shall appoint one or more liquidator(s) for purposes of liquidating the Company and shall determine their authority and fees.

2) A report certified by a chartered accountant licensed to practice in the Kingdom shall be prepared regarding the financial status of the Company as of the date of issuance of the Shareholder resolution to dissolve and liquidate the Company and specifying the Company's ability to discharge its obligations and its debts vis-a-vis third parties.

3) All entitlements of creditors must be paid in full or a settlement entered into with them. Otherwise, the Company shall not be liquidated until after a decision is issued by the Board of Grievances announcing the bankruptcy of the Company pursuant to a request by the creditors or the Shareholders.

Article (18)
Company Documents:

The Company's letterhead shall clearly show the name of the Company, followed by the phrase "a limited liability company," as well as the address of its head office, its commercial registration number and its capital. All other documents shall comply with all applicable rules and regulations.

Article (19)
Notices:

All notices given hereunder between Shareholders or with the Company shall be deemed to be sufficiently delivered by postpaid registered mail to their addresses as indicated in the Register of Shares referred in article(9) of these articles.

Article (20)
Miscellaneous:

(a) The Company is subject to all laws and regulations prevailing in the Kingdom of Saudi Arabia.

(b) All other matters not specifically provided for herein, or not agreed between the Shareholders shall be subject to the Companies Act.

Article (21)
Copies of Contract:

These Articles of Incorporation have been executed in eight copies of which each Shareholder shall receive one copy. The remaining copies shall be submitted to the concerned authorities for purposes of necessary official procedures. Ali Saeed Al-Ahmari is hereby authorized by the counterparts to take whatever action is necessary to complete the necessary procedures herein mentioned. In witness whereof the two parties signed hereunder.

Alcoa Inc.	Saudi Arabian Mining Company (Ma'aden).
Signature.	Signature.

Articles of Association
Ma’aden Aluminium Company
(Limited Liability Company)

It has been agreed by and between:

1. Saudi Arabian Mining Company (Ma’aden), a Saudi joint stock company established under the Royal Decree No. m/17 dated 14/11/1417H, Commercial Register No. 1010164391, Riyadh, dated 10/11/1421H, with its main office at Riyadh City, P.O. Box 68861 Riyadh 11537.
2. Alcoa Inc., Commercial Registration No: _____/City: _______________ dated: ___________________, Main office at

to incorporate a limited liability company, (hereinafter referred to as the “Company” in accordance with Foreign Investment License No. (________) , dated ______________ issued by the Saudi Arabian General Investment Authority (“SAGIA”) in accordance with the Companies Law , enacted pursuant to Royal Decree No. M/6 dated 22/3/1385H and its amendment and the Foreign Investment Law, enacted pursuant to Royal Decree No. M/1 dated 5/1/1421H, and in accordance with the provisions and conditions of this Articles of Association.

Article (1)

The name of the company is: “Ma’aden Aluminium Company”, a Limited Liability Company.

Article (2)
Objectives of the Company:

1. To perform independently or with other parties all mining and other activities relating to the aluminum smelting industry in all its stages including raw materials and final products.
2. To develop, operate and maintain aluminum smelters, power generation plants, networks, roads, buildings and related facilities to meet the Company’s objectives. To acquire the required licenses from the relevant authorities to enable it to perform its objectives.
3. Wholesale and retail marketing in refined aluminum metal and its alloys with other metals in their original or refined form.

Article (3)
Merger and Partnership:

The Company may own Shares in other existing companies and may merge with, and shall have the right to establish its own or shared companies in mining, aluminium industry and related industries, or participate with others to form joint stock or limited liability companies to perform similar or complementary activities, after satisfying the regulatory requirements. The Company may deal in such Shares, provided that it shall not engage in financial brokerage for such Shares.

Article (4)
The Company Headquarters:

The Headquarters of the Company shall be based in the city of Jubail, and the Company may transfer its headquarters to any other location in the Kingdom of Saudi Arabia and may establish branches or offices inside the Kingdom.

Article (5)
Term of the company:

The Company has been formed for a period of fifty (50) years starting from the date of its registration in the Commercial Register. The duration of the Company shall automatically be extended for similar periods unless one of the Shareholders notifies the other of its desire not to continue the Company at least three (3) years prior to the expiration of the initial or renewed period.

Article (6)
Capital:

The Share Capital of the Company is SR ________________ divided into _______________________ equal Shares. Each share is ten thousand Saudi Riyals (SR 10.000). The paid up Capital is _________________________________ divided into cash shares between the Shareholders as follows:

Partner	Total Shares	Share Value	No. of Paid Shares	Value of Paid Share	Total	%
1. Ma'aden		10000				— %
2. Alcoa		10000				— %

Shareholders hereby acknowledge that the Company has paid part of the Capital, deposited at an authorized bank and the related certificate has been obtained.

Article (7)
Increase or Decrease of the Capital:

The capital of the Company may be increased with the unanimous consent of all Shareholders if the increase in the Company's capital is effected by raising the nominal value of Shareholders' shares or by issuing new shares whose value must be paid by all of the Shareholders in proportion to their respective participation in the Company's capital. Apart from the two methods referred to above, the capital of the Company may be increased with the consent of the majority of Shareholders representing at least three-fourths (3/4) of the capital of the Company.

The Share capital of the Company may be decreased by a decision of the Shareholders assembly, provided that it should not fall below the required minimum, as follows:

(a) If the decrease is because the capital is in excess of the Company's needs, then the Company's creditors shall be notified to show their objections within sixty (60) days from the date of publishing the decision to decrease the capital in a daily newspaper to be distributed in the Company's headquarters. If a creditor objects within the set time limit and presents his documents, the Company shall immediately pay his debt or provide adequate guarantee if the debt will be due in the future.

(b) If the decrease in capital is due to a loss incurred by the Company, which totals half of the Company's capital, then no decrease in the Company's capital shall be effected.

Article (8)
Shares:

The Shares shall be freely transferable between the Shareholders or to their legal successors. No Shareholder may assign any of its Shares to a third party, with or without compensation, except after agreement by the other Shareholders, and even though, the other Shareholders may regain such Share(s) released by one of the Shareholders in accordance with Article (165) of the Companies Regulations.

Article (9)
Share Register:

(a) The Company shall establish and keep in its head office a Share Register in which it shall enter the names of the holders, the number of Shares owned by each and all transactions affecting the Shares. No transfer of ownership of such Shares shall be effective vis-à-vis the Company or any third party unless the reason for the transfer of ownership is entered in the aforementioned Register. The Register must contain all of the following information:

1. The name, occupation, nationality, address and identity card number or passport of each Shareholder,
2. Number and value of the Shares owned by each Shareholder;
3. Number and value of Shares which have been transferred, along with a description of the manner in which the Shares were transferred - whether by sale, purchase, inheritance, gift or otherwise;
4. Name and signature of the transferor and the transferee;
5. Date of the transfer;
6. Total number and value of Shares owned by each Shareholder after any such transfer.

(b) The pages of the Share Register shall be numbered serially. No page may be detached nor any erasure or revision made to the information contained therein.

(c) A Shareholder shall have the right to examine the Share Register during the normal working hours of the Company.

Article (10)
Management of the Company:

(a) The Company shall be managed by a Board of Managers composed of five (5) managers appointed for a period of three (3) years as follows:

1. Three (3) Managers, including the Chairman of the Board, to be appointed by Saudi Arabian Mining Company (Ma'aden).
2. Two (2) Managers appointed by Alcoa Inc.

(b) Board of Managers Authorities

The Board of Managers shall have the broadest possible authorities and powers to manage the Company, which include the following, unless such authorities or powers are reserved for the Shareholders under an operative enactment, or provision in these articles or the shareholders agreement.

- Representing and managing the Company with full authorities to handle the Company's affairs and shall have the authority to represent the Company in its relations with third parties, whether corporate or otherwise, and all judicial governmental and nongovernmental bodies.
- Representing the Company before banking and financial institutions, and all types of companies and organizations and to obtain loans to achieve the Company's objectives.
- Raising claims, allegations and law suits on behalf of the Company in courts, as defendant or plaintiff. Attending court meetings, interviewing witnesses, settling claims, receiving the Company's entitlements, and arranging for the settlement of the Company's debts.
- Appointing agents and attorneys for the Company and providing them with the necessary authorities to defend the Company, raise claims, and request the entitlements of the Company.
- Signing all contracts and agreements, on behalf of the Company including, but not limited to, leases, partnerships, company formation, mergers, liquidation, amendments. Signing Shareholders resolutions for the formation of branches, appointing manager and signing such documents before the notary public and the Ministry of Commerce & Industry and SAGIA.
- Follow up with Ministry of Commerce & Industry, Municipality, Ministry of Foreign Affairs, Passport Department, Saudi Communications, Ministry of Water & Electricity, Saudi Industrial Development Fund, the General Investment Authority and signing necessary forms and applications before authorized officers at such governmental agencies.
- Purchasing and selling Shares and attending Meetings of Boards of managers, general assemblies of other companies in which the Company is a Shareholder whether inside or outside the Kingdom and fully representing the Company in such companies.
- Selling and purchasing, transferring of real estate, accepting and receiving values, amending title documents, requesting amendments to limits of land and real estates, and mortgaging lands and fixed assets necessary to promote the Company's business.
- Preparing periodical reports, submitting recommendations to Shareholders general assembly to improve the Company's work and management, in accordance with the forms and schedules approved for this purpose.
- Preparing the Company general budget, accounts of profits and losses at the end of each year, reports on the company's activities, financial status, suggestions on profits, and submitting such reports to the Shareholders assembly together with a copy of the Auditor's report.

- Authorization to sign at banks, opening bank accounts, deposit, draw, or request various credit facilities and perform all banking operations in the Kingdom or abroad to achieve the objectives of the Company.
- Forming one or more committees whenever the Board of Managers deems it necessary and taking any necessary action which serves the effectiveness of the company.
- Delegating and authorizing all or some of its authorities stated above to others.

(c) Dismissal of Managers:

Each Shareholder may dismiss the Managers whom he has appointed.

(d) Board of Managers Meetings:

Meetings of the Board of Managers shall be held at the head office of the Company or at such other places as may be agreed by a majority of the Board of Managers. Meetings shall be held at such times as specified by the Chairman, any two (2) managers of the Board of Managers or any Shareholder, pursuant to a fifteen (15) days notice to the Managers of the Board. The notice shall include the agenda and all documents pertaining to the business to be transacted at the Meeting. The Board may waive these requirements for notice by a unanimous vote at the beginning of the Meeting and before any other business is transacted.

A Manager who is unable to attend a Meeting of the Board of Managers or to take any other necessary action may, by written notice to the Company, give a proxy to any other Manager of the Board of Managers to vote and otherwise act on his behalf in connection with any particular Meeting or matter.

The meeting of the Board of Managers shall not be valid unless convened in the presence of at least one Member representing each Shareholder. If however, a quorum is not obtained for a validly called for Meeting then the Meeting shall be postponed for another date to be agreed upon by the Shareholders.

Meetings of the Board Of Managers may be held by telephone conference calls or other electronic means of communication which permit all managers present to be heard by all others present, provided that the required forum is attained.

The Chairman of the Board of Managers shall preside all the Meetings of the Board of Managers. If the Chairman is unable to attend any Meeting, then the present Board Members may agree on a substitute Chairman to chair the Meeting. The Board shall appoint a Secretary to record the minutes of Meetings.

(e) Resolutions of the Board:

Each Manager of the Board of Managers shall have one (1) vote on any matter presented to the Board for decision. Resolutions of the Board of Managers shall be adopted by Simple Majority other than the resolutions which require the affirmative vote of (75%) of the attending Managers. A

resolution of the Board of Managers may be issued by circulation if necessary and in such cases all Managers of the Board of Managers will confirm their acceptance in writting. All resolutions by circulation shall be presented to the Board in the following Meeting and shall be attested in the minutes of that Meeting.

Article (11)
Shareholders Meetings:

(a) The duly authorized representatives of each Shareholder shall have the right to attend and take part in the deliberations of and vote at all Shareholder Meetings.

(b) Shareholder Meetings shall be held at the head office of the Company or at such other places as may be agreed by the Shareholders. Shareholder Meetings shall be convened pursuant to a thirty (30) days notice to the Shareholders from the Chairman of the Board of Managers and the Company accounts Controller. Notice of each Shareholder Meeting shall include the agenda and all documents concerning the business to be transacted at the Meeting.

(c) The Chairman of the Board of Managers shall call for an annual general Meeting within six (6) months after the close of each fiscal year of the Company to:

- (i) review and approve the report of the Board of Managers concerning the management and administration of the Company;
- (ii) review and approve the auditor's report for the preceding fiscal year;
- (iii) consider and take any appropriate decision in relation to any of the foregoing matters;
- (iv) appoint or reappoint auditors to audit the Company's accounts for the ensuing fiscal year and determine their fees.
- (v) discuss and decide upon any other business or matter relating to the Company.

(d) The presence of the duly authorized representatives of all Shareholders shall be necessary to constitute a valid quorum. If, however, a quorum is not obtained at a validly called Meeting, then the Meeting shall be postponed and convened later by agreement of the Shareholders. This posponed Meeting shall be valid with the attendance of any number of the Shareholders present.

(e) The Shareholders shall designate, from among those appointed to represent each of them at general Meetings, one person who shall chair the Meetings of the Shareholders' assembly. The Chairman shall select a person to act as the Secretary for the Meeting and that person will ensure that an adequate and accurate record of Shareholder Meetings is made and kept.

Article (12)
Shareholder Resolutions:

Shareholder resolutions shall be adopted as follows:

(a) by unanimous approval in relation to any resolution to change the Company's name or nationality or increase or decrease the financial liability of the Shareholders.

(b) By approval of Shareholders who together own at least 75% of the Company's capital in relation to any amendment to the Articles of Association of the Company, appointment or removal of the external auditor, or Board of Managers remuneration; or distribution of profit, or voluntary reserve; and.

(c) except as mentioned in articles (A) and (B) above, resolutions adopted by the approval of Shareholders who own at least fifty one (51%) of the Company's capital

Article (13)
Books of Accounts and Annual Financial Statements:

(a) The Board of Managers shall cause the Company to maintain proper books of accounts and complete and accurate records regarding:

(i) all income and expenditures of the Company;

(ii) all contracts entered into by the Company;

(iii) all purchases and sales made by the Company; and

(iv) the assets and liabilities of the Company.

(b) All books of account and records shall be maintained in accordance with generally accepted accounting principles and the regulations of the Kingdom and kept at the head office of the Company.

Article (14)
Auditors:

The Shareholder(s) shall cause an Auditor to be appointed annually by a resolution taken at a general Meeting by Shareholders holding at least seventy five percent (75%) of the Company's capital. The Auditor must be licensed to practice in the Kingdom in accordance with the Auditors' Regulations. The Auditor shall ensure that the Articles of Association of the Company and the Companies Regulations are being properly applied. He shall review all inventories and final annual accounts and inspect the balance sheet and submit an annual report to each Shareholder and to the Board of Managers. For that purpose he may review all the Company's books, documents and contracts entered into with third parties and may request clarification and information as he deems necessary. The Shareholders shall determine the auditor's annual remuneration on an annual basis.

Article (15)
Fiscal Year:

(a) The first fiscal year of the Company shall commence on the date of its registration in the Commercial Register and ends on H corresponding to ___________G. Each fiscal year after shall be twelve (12) months.

(b) The Board of Managers shall, within four (4) months following the end of such fiscal year, prepare a balance sheet, profit and loss account, and a report describing the Company's activities and financial position, and its recommendations as to the distribution of profits. The Board shall send copies of these documents to each Shareholder and to the Companies' Department at the Ministry of Commerce and Industry , together with a copy of the auditor's report, within two (2) months of their date of preparation.

Article (16)
Distribution of Profits and Losses:

The annual net profits of the Company, after deduction of depreciation, operating expenses and general expenses, shall be distributed as follows:

(a) The Company shall set aside four percent (4%) of such profits to constitute the statutory reserve required by Article 176 of the Companies Act. The Company may cease setting aside this reserve when it reaches fifty percent (50%) of the Share capital of the Company.

(b) The balance of the profits shall be distributed to the Shareholders pro rata to the percentage of the Shares owned by each Shareholder, unless the Shareholders decide to establish other reserves, or carry forward or transfer all or a portion of the profits for the next fiscal year.

(c) Losses shall be borne by the Shareholders pro-rata to their Shareholding, or if the Shareholders so agree, carry it over to the next fiscal year. No profits shall be distributed until the losses are fully covered. If the Company's losses reach fifty percent (50%) of its capital the Board of Managers must call the Shareholders to a Meeting within a period not to exceed thirty (30) days from the date on which the losses reach this level in order to consider whether to continue the Company, in which case the Shareholders must undertake to pay its debts, or to dissolve it. The resolution of the Shareholders in this respect shall not be valid unless it is issued in accordance with Article 173 of the Companies Act, and the resolution must in all cases be published in the manner provided in Article 164 of the Companies Act. If the Company continues its business without the issuance of a resolution to continue it pursuant to the foregoing conditions, or to dissolve it, the Shareholders shall become jointly and severally liable to pay all of the Company's debts and any interested party may request that it be dissolved.

Article (17)
Company Dissolution & Liquidation:

The Company may be dissolved for any of the reasons for dissolution contained in Article (15) of the Companies Act. Upon the Company's dissolution it shall enter the stage of liquidation in accordance with the provisions of Chapter 11 of the Companies Act. In case of voluntary liquidation, the following must be observed:

(1) The Shareholders shall appoint one or more liquidator(s) for purposes of liquidating the Company and shall determine their authority and fees.

(2) A report certified by a chartered accountant licensed to practice in the Kingdom shall be prepared regarding the financial status of the Company as of the date of issuance of the Shareholder resolution to dissolve and liquidate the Company and specifying the Company's ability to discharge its obligations and its debts vis-a-vis third parties.

(3) All entitlements of creditors must be paid in full or a settlement entered into with them. Otherwise, the Company shall not be liquidated until after a decision is issued by the Board of Grievances announcing the bankruptcy of the Company pursuant to a request by the creditors or the Shareholders.

Article (18)
Company Documents:

The Company's letterhead shall clearly show the name of the Company, followed by the phrase "a limited liability company," as well as the address of its head office, its commercial registration number and its capital. All other documents shall comply with all applicable rules and regulations.

Article (19)
Notices:

All notices given hereunder between Shareholders or with the Company shall be deemed to be sufficiently delivered by postpaid registered mail to their addresses as indicated in the Register of Shares referred in article (9) of these articles.

Article (20)
Miscellaneous:

(a) The Company is subject to all laws and regulations prevailing in the Kingdom of Saudi Arabia.

(b) All other matters not specifically provided for herein, or not agreed between the Shareholders shall be subject to the Companies Act.

Article (21)
Copies of Contract:

These Articles of Incorporation have been executed in eight copies of which each Shareholder shall receive one copy. The remaining copies shall be submitted to the concerned authorities for purposes of necessary official procedures. Ali Saeed Al-Ahmari is hereby authorized by the counterparts to take whatever action is necessary to complete the necessary procedures herein mentioned. In witness whereof the two parties signed hereunder.

Alcoa Inc.	Saudi Arabian Mining Company (Ma'aden).
Signature.	Signature.

SCHEDULE 3

Pre-Incorporation Costs

Project Development Costs

Historical costs to 30 November 2009 (the “Calculation Date”)

Period	Cost (USD millions)
To end of April 2007	**42.2**
1st May 2007 to 31 October 2008	**87.6**
November 2008 to December 2008	**7.4**
1st January 2009 to 30 September 2009	**110.1**
1st October to 30 November 2009	**21.1**
Cost of money*	**18.2**
Total project cost at 30 November 2009	**286.6**

* **Based on averaged LIBOR + 1.5%**

This is made up of US$228.4M of project costs and US$58.2M of Plant and Equipment - primarily the contribution of the Project to the 380kV power line and substation which will connect the Project to the national grid and is under construction.

SCHEDULE 4

Gas Allocation Letter

KINGDOM OF SAUDI ARABIA

Ministry of Petroleum & Mineral Resources

Office of the Minister

HE Fhaid Al-Shareef, Governor,
Saline Water Conversion Corporation
(SWCC)
P.O. Box 60889
Riyadh, 11555
Fax: (01)464-1854

Dr. Abdullah E. Dabbagh,
President & CEO
Saudi Arabian Mining Company
(MA'ADEN)
P.O. Box 68861
Riyadh 11537
Fax: (01) 472-1333

Regards,

Ref Letter dated 21/10/1430H, Corresponding to 10/10/2009 regarding your request for the allocation of dry gas quantities for SWCC and Ma' aden joint project for the production of water and power, and Maaden Aluminum Project in Res Ez Zur,

We would like to inform you that the Ministry has allocated a total of **521** MMSCFD (**based on 1080 BTU/SCF**) of gas fuel and feedstock to Saline Water Conversion Corporation (SWCC) and Saudi Arabian Mining Company (MA'ADEN) combined project at Ras Az zur (the "Project") until **October 30, 2010**. The Ministry understands that the fuel/feedstock requirement of the Project is as follows:

- **500 MMSCFD** (309 MMSCFD for SWCC and 191 MMSCFD for MA'ADEN) to produce Power and Water required for both SWCC and MA'ADEN, and to export excess power to Saudi Electricity Company **(SEC).**
- 6 MMSCFD for MA'ADEN Aluminum Smelter Plant Process.
- **15 MMSCFD** for MA'ADEN Refinery Plant Process.

In addition, MA'ADEN will also require a maximum of 8 **MBD** (±20%) of Fuel Oil or Arab Heavy Crude Oil for the Refinery boilers. It must be noted that, this amount will be evaluated and revised during the project development and progress. MA'ADEN is responsible, at its own expense, for securing the 8 MBD from Saudi Aramco through ships or shall build a pipeline with receiving facility.

The Ministry understands that this allocation is contingent on MA'ADEN/SWCC causing the following conditions to be met:

1. MA'ADEN Aluminum Smelter and Alumina Refinery Project Scope

MA'ADEN Project configuration shall consist of:

1.1 Bauxite Mine (4,000 KTA).

1.2 Alumina Refinery (1.800 KTA).

1.3 Aluminum Smelter Plant (740 KTA).

1.4 Rolling Mill (250 KTA), with total capacity of 460K1A.

2. Saline Water Conversion Corporation (SWCC) Project Scope

SWCC Power and Water Project configuration shall be as follows:

2.1 Power plant capacity of 2400 MW divided as follows:

a) 1350 **MW** for MA'ADEN Project.

b) **1050** MW for SEC, SEC Supplies Ras Azzour Downstream Industries with 50 MW.

2.2 Water capacity of 1,025,000 Cubic Meter, utilizing Reverse Osmosis (RO) technology for the production of at least 25% of the total quantities, divided as follows:

a) 25,000 Cubic Meter for MA'ADEN Project.

b) 1,000,000 Cubic Meter for SWCC.

3. SWCC Power and Water Plant

For best and optimum usage of the gas and efliciency, SWCC shall design its power plant as a Combined Cycle Power Plant and shall use highly efficient gas turbines. This design shall be reviewed and approved by Saudi Aramco before SWCC commence.

4. Back-Up Fuel

SWCC backup fuel is Arab Extra Light Crude during the emergency only.

MA'ADEN/SWCC shall build their own Arab Extra Light Crude pipeline with metering skid facility from a proper tie-in point at Saudi Aramco facilities that is to be identified by Saudi Aramco. to the project at Ras Azzour, according to Saudi Aramco's standards. If MA'ADEN/SWCC elect to use diesel as a backup fuel, then MA'ADEN/SWCC will solely be responsible, at their sole risk and own expense, to secure the required backup diesel quantity. Saudi Aramco is not responsible or commiffed to provide the diesel requirements.

5. Project Start-Up Date

The start up dates of the Project shall be as follows:

5.1 SWCC Power and Water Plant in **4Q 2012.**

5.2 MA'ADEN Aluminum Smelter in 1 **Q 2013.**

5.3 MA'ADEN Rolling Mill in **4Q 2013.**

5.4 MA'ADEN Alumina Refinery in **4Q 2014.**

6. Deliverables

MA'ADEN and SWCC shall cause, individually, the following Project deliverables to be submifted to Saudi Aramco no later than the dates specified as follows:

6.1 **SWCC Power & Water Plant**

a) Copy of signed Energy Conversion Agreement (ECA) with Ma'aden by **October 30, 2009.**

b) Copy of signed Project Management Consultancy (PMC) contract by **October 30, 2009.**

c) Copy of signed Engineering, Procurement and Construction (EPC) contract before **June 30, 2010.**

6.2 **MA'ADEN Aluminum Smelter Plant**

a) Copy of signed Financial Closure documents before **June 30, 2010.**

b) Copy of signed Engineering, Procurement and Construction (EPC) contract before **July 31, 2010.**

6.3 **MA'ADEN Rolling Mill Plant**

a) Copy of signed Technical Service Support Agreement with Know-How provider for Rolling Mill before **March 31, 2010.**

b) Copy of signed Financial Closure documents for Rolling Mill before **June 30, 2010.**

c) Copy of signed Engineering, Procurement and Construction (EPC) contracts for Rolling Mill before **December 31, 2010.**

6.4 **MA'ADEN Alumina Refinery**

a) Copy of signed Technology License Agreements before **March 31, 2010.**

b) Copy of signed Financial Closure documents before **June 30, 2011.**

MA'ADEN AND SWCC COMBINED PROJECT SALES GAS ALLOCATION C) Copy of signed Engineering, Procurement and Construction (EPC) contracts **by July3l, 2011.**

7. If the **Alumina Refinery** Project is not executed in accordance with the terms set forth herein, MA'ADEN shall immediately pay, upon notification by the Ministry, three hundred and fifty million U.S. Dollars **($350 MM)** towards funding the establishment of industrial infrastructure to support downstream industries in the Kingdom, as directed and approved by Ministry. No later than one (1) month following the execution of the Arabic version of the Allocation Letter issued by MinPet, MA'ADEN shall provide the Ministry with an irrevocable letter of credit issued by a financial institution acceptable to the Ministry in the amount of three hundred and fifty million U.S. Dollars ($350 **MM)** relating to MA'ADEN commitment to fund the industrial infrastructure (the Letter of Credit"). The Letter of Credit shall be in a form acceptable to the Ministry and shall have a term not less than one (1) year, At least thirty (30) days prior to the expiry date of the Letter of Credit, MA'ADEN shall either (i) cause the issuing bank to provide a notice of renewal to the Ministry or (ii) provide a notice of replacement to the Ministry together with a replacement letter of credit fulfilling the requirements set forth herein for a term not less than one year.

The Ministry shall be entitled to demand full payment under the Letter of Credit, without the need for further authorization, in the event that (1) the Ministry determines that Alumina Refinery Project is not implemented in accordance with the terms set forth herein under paragraph 1.2 and milestone dates under paragraph 6.4 b & c, and MA'ADEN have failed to fulfill the commitment to immediately pay the aforementioned amount to fund the establishment of the industrial infrastructure upon notification by the Ministry: or (2) the Ministry has not received a notice of renewal or notice of replacement (together with a replacement letter) at least fifteen (15) days prior to the expiry date of the Letter of Credit.

The obligations to pay the three hundred and fifty million U.S. Dollars ($350 **MM)** and provide the Letter of Credit shall cease and the Leffer of Credit be released by the Ministry when Ministry determines that the Financial Close referenced in paragraph 6.4.b herein and the award of the EPC contract referenced in paragraph 6.4.c herein have both occurred. If the Ministry receives payment of the three hundred and fifty million U.S. Dollars ($350 **MM)** to fund the said industrial infrastructure or Alumina Refinery Project is executed in accordance with the terms set forth herein, then MA'ADEN have satisfied the terms of this paragraph 7 in this letter.

8. In case of MA'ADEN failure to execute the Aluminum Project, MinPet has the right to notify **SWCC** to withdraw the quantities of Power and Water allocated to MA'ADEN. Further, MinPet has the right to allocate these quantities of Power and Water on the same terms and conditions to another future Aluminum Smelter in the Kingdom.

9. In the event of any delay to the Aluminum complex such that Ma'aden are unable to consume the allocated power and water quantities, the unconsumed power and water generated by utilizing Sales Gas allocated to MA'ADEN will be taken by SEC and SWCC.

10. In case MA'ADEN does not meet its obligation to implement the Rolling Mill plant under paragraph 1.4 or any milestone dates for the Rolling Mill under paragraphs 6.3, Then MA'ADEN agrees that the Ministry will assign and allocate 275 KTA of Aluminum Ingots (to produce 250 KTA of Rolling Mill) to other entities determined by the Ministry. The price of the Ingot shall be at production actual cost, to utilize the subject quantities for Rolling Mill project at Ras-Az zur.

11. **<u>Project Progress Reports</u>**

MA'ADEN and SWCC shall provide Saudi Aramco with quarterly reports describing the status and progress achieved with respect to each of the deliverables and conditions contained herein. Such quarterly report shall be submitted to Saudi Aramco no later than the end of each calendar quarter starting **December 31, 2009.**

12. **Supply of Feedstock's to Conversion/Downstream Industries**

MA'ADEN shall enter into long-term supply agreements with investors who want to purchase raw materials from the Project's produced streams to be used as feed for their in-Kingdom plants. Such supply agreements shall be long-term with competitive market-based prices, terms and conditions.

13. **Ma'aden Support of other industries**

MA'ADEN shall work diligently to promote and support downstream industries such as semi-finished and finished aluminum industry and other industries that are intended to support the aluminum industry.

14. **Sales Gas Pipeline**

MA'ADEN and SWCC at their own expense shall build their own sales gas pipeline with metering skid facility to transfer the sales gas quantities specified herein above from a proper tie-in point at Saudi Aramco facilities, which is to be identified by Saudi Aramco, to the Project at Ras Azzour according to Saudi Aramco standards after securing the required license as per gas supply and pricing regulations.

Any failure by SWCC and MA'ADEN Company in fulfillment of any of such obligations shall make the gas allocation subject to cancellation.

Kindly, arrange with Saudi Aramco in order to sign the Allocation Letter. Regards,

Faisal bin Turki bin Abdul Aziz
Ministry of Petroleum & Mineral Resources

SCHEDULE 5

Adherence Agreement

THIS DEED is made on [date] by

(1) **SAUDI ARABIAN MINING COMPANY (MA'ADEN)**, a company organized under the laws and regulations of the Kingdom of Saudi Arabia with commercial registration No.1010164391, having its head office and address at PO Box 68861, Riyadh 11537, Kingdom of Saudi Arabia (together with its legal successors and permitted assigns, hereinafter referred to as "**Ma'aden**");

(2) **ALCOA INC.**, a corporation under the laws of the Commonwealth of Pennsylvania, USA, whose principal place of business is at 390 Park Avenue, New York, NY 1022, USA, (together with its legal successors and permitted assigns, hereinafter referred to as "**Alcoa**"), and

(3) **[ALCOA AFFILIATE],** a company organized under the laws and regulations of [—], having its head office and address at [—] (together with its legal successors and permitted assigns, hereinafter referred to as the "**New Shareholder")**.

RECITALS:

(A) This deed is made by the parties hereto in compliance with Clause 4.8 [and Clause 17.8(v)] of the Framework Shareholders' Agreement dated [—] made between Ma'aden and Alcoa (as may be amended) (the "**Framework Shareholders' Agreement**").

(B) [Alcoa wishes the New Shareholder to subscribe for Alcoa's entitlement to Shares in [—] (the "**Company**").] / [The New Shareholder wishes to acquire the Transferable Interests of Alcoa (or its Affiliate) in [—] (the "Company" held by [—] (the "**Transferor**") from the Transferor.

(C) The terms defined in the Framework Shareholders' Agreement shall unless the context requires otherwise bear the same meaning in this Deed.

THIS DEED WITNESSES as follows:

1. The New Shareholder confirms that it has been supplied with a copy of and has full knowledge of the terms of the Framework Shareholders' Agreement.

2. The warranties in Clause 20 of the Framework Shareholders' Agreement shall apply, *mutatis mutatis,* to this Deed as if they were made by the New Shareholder, upon the replacement of all references to "this Agreement" with "this Deed and the Framework Shareholders' Agreement".

3. The New Shareholder undertakes to be bound by the Framework Shareholders' Agreement in all respects as if the New Shareholder was an original party to the Framework Shareholders' Agreement and named in it as a Shareholder and to observe and perform all the provisions and obligations of the Framework Shareholders' Agreement applicable to or binding on a Shareholder in respect of the Company under that agreement insofar as they fall to be observed or performed on or after the date of this Deed.

4. In addition, the New Shareholder shall observe and perform all the provisions and obligations of the Framework Shareholders' Agreement applicable to or binding on a Shareholder in respect of the Company under that agreement and otherwise act in its capacity as a Shareholder so that no act or omission of the New Shareholder in relation thereto shall constitute, cause or contribute to a breach by Alcoa of any of its obligations under the Framework Shareholders' Agreement.

5. This Deed is made for the benefit of the parties to the Framework Shareholders' Agreement and every other person who after the date of the Agreement (and whether before or after the execution of this Deed) assumes any rights or obligations under the Framework Shareholders' Agreement or adheres to it.

6. The address of the New Shareholder for the purposes of Clause 23.1 of the Framework Shareholders' Agreement [shall be the same as for Alcoa] / [is as follows:

[***insert address]***

Fax No: [***insert number***]]

(attention of [***insert name***].)]

7. The construction, validity and performance of this Deed and all non-contractual obligations (if any) arising from or connected with this Deed shall be governed by the laws of England.

IN WITNESS of which this Deed has been executed and has been delivered on the date first written above.

Executed as a Deed by:

SAUDI ARABIAN MINING COMPANY (MA'ADEN)

____

Executed as a Deed by:

ALCOA INC.

____

Executed as a Deed by:

[New Shareholder]

____

SCHEDULE 6

Cast House Users' Agreement

THIS CAST HOUSE USERS AGREEMENT (hereinafter referred to as the "**Agreement**"), is made and entered into on [ ] in the Hejerian calendar, corresponding to the [ ] day of [ ] 2009 in the Gregorian calendar, by and between:

(1) **MA'ADEN ALUMINIUM COMPANY,** a company organised under the laws and regulations of the Kingdom of Saudi Arabia with commercial registration No. [—], having its head office and address at [—], Kingdom of Saudi Arabia (together with its legal successors and permitted assigns) (the "**Smelting Company");** and

(2) **MA'ADEN ROLLING COMPANY,** a company organised under the laws and regulations of the Kingdom of Saudi Arabia with commercial registration No. [—], having its head office and address at [—], Kingdom of Saudi Arabia (together with its legal successors and permitted assigns) (the "**Rolling Company");** and

(3) **SAUDI ARABIAN MINING COMPANY,** a company organized under the laws and regulations of the Kingdom of Saudi Arabia with commercial registration No.1010164391, having its head office and address at PO Box 68861, Riyadh 11537, Kingdom of Saudi Arabia (together with its legal successors and permitted assigns, hereinafter referred to as "**Ma'aden**"); and

(4) [, a corporation under the laws of , whose principal place of business is at . and an Affiliate of **ALCOA INC.**, a corporation under the laws of the Commonwealth of Pennsylvania, USA, whose principal place of business is at 390 Park Avenue, NY 10022, USA (together with its legal successors and permitted assigns) ("**Alcoa**").

Each of the Smelting Company, the Rolling Company, Ma'aden and Alcoa may be referred to as a "**Party**", or collectively as the "**Parties**").

RECITALS

WHEREAS Alcoa and Ma'aden have entered into an Aluminium Project Framework Shareholders' Agreement dated *[insert date]* 2009 (the "**Framework Shareholders' Agreement")** under which, ***inter alia,*** the Smelting Company and the Rolling Company have been established.

A. **WHEREAS** the Smelting Company and the Rolling Company have entered into into an Aluminium Purchase Agreement dated *[insert date]* (the "**Rolling Company APA")** under which the Rolling Company will purchase its requirements for Rolling Slab from the Smelting Company

B. **WHEREAS** the Smelting Company and Alcoa have entered into an Aluminium Purchase Agreement dated *[insert date]* (the "**Alcoa APA")** under which Alcoa will purchase its *pro rata* share of all Product produced by the Smelting Company which is not sold to the Rolling Company.

C. **WHEREAS** the Smelting Company and Ma'aden have also entered into respective an Aluminium Purchase Agreement dated *[insert date]* (the "**Ma'aden APA")** under which Ma'aden will purchase its *pro rata* share of all Product produced by the Smelting Company which is not sold to the Rolling Company.

D. **WHEREAS** the Framework Shareholders' Agreement contemplates the construction and operation of a central Cast House operated by the Smelting Company accepting Molten Metal from the Smelter and solidifying it into cast products for sale to the Rolling Mill Company and to Ma'aden and Alcoa.

E. **WHEREAS** for the efficient and cost-effective operation of the Cast House, the Parties desire to coordinate their activities under the Alcoa APA, the Rolling Company APA and the Ma'aden APA with respect to the operation of the Cast House.

NOW, IT IS HEREBY AGREED as follows:

1. Definitions and Interpretation

1.1 Definitions

Defined terms in this Agreement and the Schedules, which may be identified by the capitalisation of the first letter of each principal word thereof, have the meanings set forth in each of the Alcoa APA and the Ma'aden APA, except as set forth below:

"**Additional Casting Equipment"** means additional, new or specialized casting equipment not part of, or a normal replacement of or enhancement to the existing Cast House equipment that would increase the Capacity of the Cast House and/or the range of Cast House Products that the Cast House is capable of producing.

"**Agreement**" means this Agreement as the same may be amended, modified or replaced in accordance with the provisions hereof.

"**Alcoa**" has the meaning given to that term in the Recitals to this Agreement.

"**Alcoa APA"** has the meaning given to that term in the Recitals to this Agreement.

"**APAs**" means the Alcoa APA, the Rolling Company APA and the Ma'aden APA, collectively.

"**Capacity**" means the capacity of the Cast House, expressed in tpa, to produce Cast Products in various forms, taking into account both the installed capacity of the Cast House, productivity and required or expected maintenance.

"**Capacity Nomination"** means the annual quantity and form of Cast Products that a Cast House Customer desires to receive from the Cast House for a given year.

"**Cast Product"** means Ingot, Sow, Rolling Slab, Billet, High Purity Product and/or Value Added Product produced by the Cast House.

"**Cast House Customer"** means each of Ma'aden, Alcoa and the Rolling Company.

"**Framework Shareholders' Agreement"** has the meaning given in Recital A.

"**Ma'aden**" has the meaning given to that term in the Recitals to this Agreement.

"**Ma'aden APA"** has the meaning given to that term in the Recitals to this Agreement.

"**Monthly Orders"** means written communications from one of Ma'aden, Alcoa or the Rolling Company setting forth a Contracted Monthly Quantity of Cast Products such entity will purchase from the Cast House in a given month.

"**Rolling Company"** has the meaning given to that term in the Recitals to this Agreement.

"**Rolling Company APA"** has the meaning given to that term in the Recitals to this Agreement.

"**Scrap**" means scrap aluminium of quality acceptable to the Cast House, which may consist of (i) run around scrap from the Smelter and/or the Rolling Mill and/or any of their end use customers; (ii) scrap returned by the Rolling Mill's customers; (iii) scrap purchased by the Smelter Company or the Rolling Company, whether in the form of used beverage containers (UBCs) or otherwise; or (iv) recycled dross metal units.

"**Smelting Company**" has the meaning given to that term in the Recitals to this Agreement.

1.2 Interpretation

In this Agreement and in the Schedules, except to the extent that the context otherwise requires:

(a) the Table of Contents and headings are for convenience of reference only and shall not affect the interpretation of this Agreement;

(b) words and terms importing the plural include the singular and vice versa;

(c) words importing gender include all genders;

(d) unless otherwise specified, references to Articles, Clauses, paragraphs, sub-paragraphs and Schedules are references to Articles, Clauses, paragraphs, sub-paragraphs and Schedules to this Agreement;

(e) unless otherwise specified, references to any document or agreement, including this Agreement, shall be deemed to include references to such document or agreement as amended, modified, supplemented or replaced from time to time in accordance with its terms and (where applicable) subject to compliance with the requirements set out herein;

(f) a reference to any Party shall include its successors and permitted assigns;

(g) other than in relation to this Clause, the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation";

(h) each of the Schedules hereto shall form an integral part of this Agreement and shall have effect as if set out herein;

(i) subject to the express provisions of this Agreement, where the "consent", "approval" or the like of a Party is required under this Agreement, it shall be in writing and may be given or withheld in the absolute discretion of such Party; and

(j) references to "months" and "years" are to months and years, respectively, in the Gregorian Calendar.

1.3 Contracts (Rights of Third Parties) Act 1999

A Person who is not a Party to this Agreement has no rights under the Contracts (Rights of Third Parties) Act 1999 (as amended or re-enacted from time to time) to enforce or enjoy the benefit of any term of this Agreement.

1.4 Significant Digits After Decimal Point

For the purposes of this Agreement calculations shall be made taking into account the following digits after the decimal place (except where otherwise provided in this Agreement):

(k) where a figure or value used for the purposes of this Agreement is a published figure or value, all digits after the decimal place shall be taken into account; and

(l) where a figure or value used for the purposes of this Agreement results from a computation made by (or on behalf of) the Parties, the first three (3) digits after the decimal point shall be taken into account;

provided that in each case the last digit to be taken into account is to be rounded to the upper unit if the next succeeding decimal digit is equal to or greater than five (5) and is to be rounded to the lower unit if the next succeeding decimal digit is less than five (5).

2. Cast House; Operation and Capacity

2.1 Cast House

Pursuant to the Framework Shareholders' Agreement, the Parties have caused the Smelter Company to install the Cast House. The Parties agree to coordinate their activities in the operation of the Cast House consistent with the provisions of the APAs.

2.2 Operation

(a) In close cooperation with the Rolling Company, the Smelter Company will operate the Cast House in a commercially effective and efficient manner, intended to meet the requirements communicated to it by the Cast House Customers from time to time.

(b) The Cast House will receive Molten Metal from the Smelter and Scrap, and shall, pursuant to Monthly Orders received from:

(i) the Rolling Company, produce Rolling Slab;

(ii) from Ma'aden, produce the desired Cast Products; or

(iii) from Alcoa, produce the desired Cast Products.

(c) Monthly Orders for such Cast Products will be produced within the Cast House's Capacity as set forth in Clauses 2.3 and 2.4 below

2.3 Capacity Planning and Annual Communication

(a) The Smelting Company will, at all times, maintain rolling three (3) year capital and repair and maintenance budgets, and (consistent with the provisions of Clause 5.2 of the APAs), a rolling five (5) year production plan for the Cast House, designed to meet the communicated and anticipated needs of the Cast House Customers. Except as otherwise required by the APAs or the Cast House Customers, this capital budget will be communicated to the Cast House customers on or before the first day of September each year.

(b) On or before the first day of September of each year, the Smelting Company shall determine and advise each Cast House Customer of the anticipated Capacity of the Cast House, by Cast Product, for the next year and each month thereof.

2.4 Annual Capacity Nomination Process

(a) On or before the fifteenth (15th) day of November of each year, each Cast House Customer will provide the Smelting Company with its Capacity Nomination under its Initial Delivery Schedule, detailed by month, for the coming year. For the avoidance of doubt, this Capacity Nomination must be consistent with the Initial Delivery Schedule required to be communicated pursuant to Clause 5.3 of the APAs. The Smelting Company will review the Capacity Nominations, and will seek to develop an annual supply plan capable of meeting all the Capacity Nominations.

(b) If the Cast House lacks the Capacity to meet all the Capacity Nominations, whether in total or for a particular month, it will communicate its constraints to the Cast House Customers. The Cast House Customers will then agree upon coordinated, revised Capacity Nominations that the Cast House would be able to achieve.

(c) If the Cast House Customers are unable to agree upon such coordinated Cast House Capacity Nominations, the Smelting Company will communicate its revised plan to meet the collective Cast House Capacity Nominations, with priority given to the requirements of the Rolling Company, and then to Ma'aden and Alcoa *pro rata* to their ownership interests in the Project.

2.5 Quarterly Planning

The Cast House will issue its Quarterly Shipping Schedule to the Cast House Customers not earlier than sixty (60) days and not later than forty five (45) days before each calendar quarter for the succeeding quarter. Any changes to the quantities to be shipped for a Cast House Customer under a Quarterly Shipping Schedule must be communicated to the Cast House at least ten (10) days prior to the beginning of the month of shipping.

2.6 Monthly Commitments and Coordination

(a) Seven (7) days prior to the beginning of each month, each Cast House Customer will place its Monthly Orders for production in the following month for Cast Products consistent with the Quarterly Shipping Schedule, and within its annual Capacity Nomination as determined pursuant to Clause 2.4 above. Such Monthly Orders will be binding, and a Cast House Customer will be obligated to take or pay for the quantity and form of Cast Products contained in such Monthly Orders. The Cast House will build such Monthly Orders into its monthly Production Plan. If a Cast House Customer does not provide the Cast House with a Monthly Order with respect to any calendar month consistent with the paragraph (a), the Cast House shall produce such Cast Products in the proportion as set out in previously-provided Quarterly Shipping Plan.

(b) If a Cast House Customer desires additional quantities of Cast Products beyond those available to it by virtue of its Capacity Nomination and Monthly Orders, and the Cast House is able to accommodate such increase within in its then-current Production Plan, then the Cast House Customer may increase its Monthly Order accordingly.

(c) If the Cast House is not able to accommodate a requested increase within its Production Plan, a Cast House Customer may request that one or more of the other Cast House Customers make capacity available to it by reducing or releasing the quantity of such other Cast House Customer's Monthly Orders. The reducing or releasing Cast House Customer is not required to agree, and may require as a condition of its agreement reasonable compensation and/or other considerations including without limitation an equitable adjustment of the increasing Cast House Customer's planned Monthly Orders in future months.

2.7 Disputes

Any disputes arising out of the Capacity Nominations, the allocation of Cast House Capacity, or Monthly Orders or the Production Plan (including any modifications or adjustments thereto) must be resolved solely pursuant to the consultation and referral to Lead Representatives provisions of the Ma'aden APA, the Rolling Company APA and the Alcoa APA, as the case may be.

3. Cast House Expansions and Additional Casting Equipment

3.1 Subject to Framework Shareholders' Agreement Capacity Expansion Provisions. In general, Cast House Expansions will be subject to the Expansion provisions contained in Clause 5.9 (but for the avoidance of doubt, ***not*** Clause 5.10 or Clause 5.11) of the Framework Shareholders' Agreement.

3.2 Disagreement or Deadlock. If, following the rejection of, or Deadlock concerning any proposed Cast House Expansion, a Cast House Customer desires the installation, operation and maintenance of Additional Casting Equipment, such Cast House Customer shall request the Smelting Company to produce the plans and specifications for, and the estimate of all costs and expenses in connection with the installation, operation and maintenance of such Additional Casting Equipment.

3.3 Installation, Operation and Maintenance of Additional Casting Equipment. If Alcoa and/or Ma'aden choose not to participate in the installation, operation and maintenance of the Additional Casting Equipment, the other Cast House Customer(s) may lease or purchase such Additional Casting Equipment for their own account(s). Thereafter, the Cast House Customer(s) may request the Smelting Company to install, operate and maintain such Additional Casting Equipment on behalf of and as agent for such Cast House Customer(s). Unless the Smelting Company shall determine in its sole, reasonable judgment that the installation, operation or maintenance of the Additional Casting Equipment would unreasonably interfere with the development, construction, operation or maintenance of the Cast House, the Smelting Company shall install, operate and maintain such Additional Casting Equipment on behalf of and as agent for such Cast House Customer(s). Costs for the preparation, submission, evaluation, operation, repair and maintenance of such installed Additional Casting Equipment incurred by the Smelting Company shall be paid by such Cast House Customer(s) alone. Only such participating Cast House Customer(s) will have the right to place Orders for Cast House Products utilizing such installed Additional Casting Equipment.

4. Confidentiality and public announcements

The provisions on confidentiality and public announcements found in Clause 22 of the Framework Shareholders' Agreement are hereby incorporate herein by this reference.

5. General provisions

5.1 Notices

(a) Any notice, claim, request, demand, consent, designation, direction, instruction, certificate, report, confirmation, agreement or other communication to be given in connection with this Agreement shall be given in writing in the English language (or accompanied by an accurate English language translation upon which the recipient shall have the right to rely for all purposes) and shall be deemed duly given on the Day of delivery at the place of intended receipt when (a) personally delivered, (b) sent by facsimile transmission (but only if receipt is confirmed by return facsimile transmission) or (c) received after mailing by certified or registered mail, postage pre-paid, in each case addressed to a Party at its address or facsimile number as indicated in by a Party to the others.

(b) Where a notice is received during a Day which is not a Business Day (in the place of receipt), or after 3pm local time, it shall be deemed to have been received in the next Business Day (at such place of receipt) thereafter.

5.2 Governing Law

This Agreement shall be governed and construed in accordance with the laws of England.

5.3 Waiver of Immunity

Each Party unconditionally and irrevocably agrees that the execution, delivery and performance by it of this Agreement constitutes private and commercial acts, and to the extent that a Party or any of its revenues, assets or properties shall be entitled, with respect to any proceeding relating to enforcement of this Agreement or any award thereunder at any time brought against such Party or any of its revenues, assets or properties, to any sovereign or other immunity from suit, from jurisdiction, from attachment prior to judgment, from attachment in aid of execution of a judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any jurisdiction there shall be attributed such an immunity, such Party irrevocably agrees not to claim and irrevocably waives such immunity.

5.4 Judgment Currency

The obligations of a Party to make payments hereunder in Dollars shall not be discharged by an amount paid in any currency other than Dollars, whether pursuant to a court or arbitral judgment or otherwise, to the extent that the amount so paid upon conversion to Dollars and transferred to New York, New York under normal banking procedures does not yield the amount of Dollars due, and each Party, as a separate obligation and notwithstanding any such judgment, agrees to indemnify each other Party against, and to pay to each such other Party on demand, in Dollars, any difference between the sum originally due in Dollars and the amount of Dollars received upon any such conversion and transfer.

5.5 Currency Equivalents

For purposes of this Agreement, calculation of Dollar equivalents on any day shall be based on (a) the spot rate of exchange for settlement on such date as reported in The Wall Street Journal, Eastern Edition, as the New York foreign exchange selling rate applying to trading among banks in amounts of US$1,000,000 or more, or, if not so reported, (b) the arithmetic average of the day’s spread for settlement on such date as reported in the Financial Times, London Edition, or, if not so reported, (c) the spot selling rate for trading among banks in amounts of US$1,000,000 or more as quoted by Citibank, N.A. at its principal office in New York, New York at or around 3:00 p.m. (New York time) on the date on which spot exchange transactions settled on such date are quoted.

5.6 Limitation of Liability

(a) Notwithstanding anything in this Agreement, neither Party shall have any liability to the other Party (whether in contract, tort or otherwise) for any consequential, incidental, special or indirect losses (including loss of anticipated profits) arising from or relating to this Agreement, whether out of any Event of Default, other breach of this Agreement, indemnity, any fault or negligence on the part of a Party or its Affiliates (or their respective employees) or otherwise.

(b) Notwithstanding the foregoing, a Party shall be liable to the other Party for any direct damages incurred by that Party arising from any breach by the other Party of its obligations under this Agreement where such breach has arisen due to the gross negligence or wilful misconduct of the other Party or its Affiliates (or their respective employees).

5.7 Severability

If any provision or term (or part thereof) of this Agreement shall be, or be found by any authority or court of competent jurisdiction to be, invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the other provisions or terms (or parts thereof) in that jurisdiction or the whole of the Agreement in any other jurisdiction, all of which shall remain in full force and effect. As regards the provision or term (or part thereof) which is or has been found to be invalid, illegal or unenforceable, the Parties shall negotiate in good faith in order to agree the terms of a mutually satisfactory provision to be substituted for the invalid, illegal

or unenforceable provision and which as closely as possible validly gives effect to the intentions of the Parties as expressed herein.

5.8 Survival

The obligations of the Parties under the following provisions shall survive the expiration or earlier termination of this Agreement:

(a) Clause 4 (*Confidentiality and Public Announcements)*, for a period of five (5) years from the date of such expiry or termination;

(b) Clause 5.2 (*Governing Law);*

(c) Clause 5.3 (Waiver of Immunity);

(d) Clause 5.6 (Limitations on Liability); and

(e) this Clause 5.8 (Survival).

5.9 Execution in Counterparts

This Agreement may be executed in any number of counterparts and by the different Parties on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.

5.10 Amendments

No variation or amendment to this Agreement shall be effective unless in writing signed by duly authorised officers or representatives of each of the Parties.

5.11 Waivers

The failure, delay or forbearance of any Party to insist upon, exercise or enforce any right or remedy conferred by this Agreement shall not be or be deemed to be or be construed as a waiver of the right or remedy or of any other rights or remedies nor shall such failure, delay or forbearance operate as a bar to the exercise or enforcement of the right or remedy at any time or times thereafter.

5.12 Costs

Each Party shall pay its own costs in connection with the negotiation, preparation, execution and performance of this Agreement.

5.13 No Partnerships

Nothing contained or implied in this Agreement shall constitute or be deemed to constitute a partnership between the Parties (or any of them) and none of the Parties shall have any authority to bind or commit any other party in any way, save as expressly set out herein.

5.14 Translation

This Agreement shall be executed in Arabic and in English. The English language shall be the governing language despite translation into any language(s), and the English versions shall prevail over any translated versions in the event of conflict. No translation, if any, of this Agreement into any other language shall be of any force or effect in the interpretation of this Agreement or in a determination of the intent of each of the Parties.

5.15 Conflict between this Agreement and APAs.

In the event of a conflict between the terms of this Agreement and the APAs with respect to the operation of the Cast House, the provisions of this Agreement shall control.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized representative as of the date first above written.

MA'ADEN ALUMINIUM COMPANY

By ____________________

Signed ____________________

MA'ADEN ROLLING COMPANY

By ____________________

Signed ____________________

SAUDI ARABIAN MINING COMPANY (MA'ADEN)

By ____________________

Signed ____________________

[ALCOA INC.]

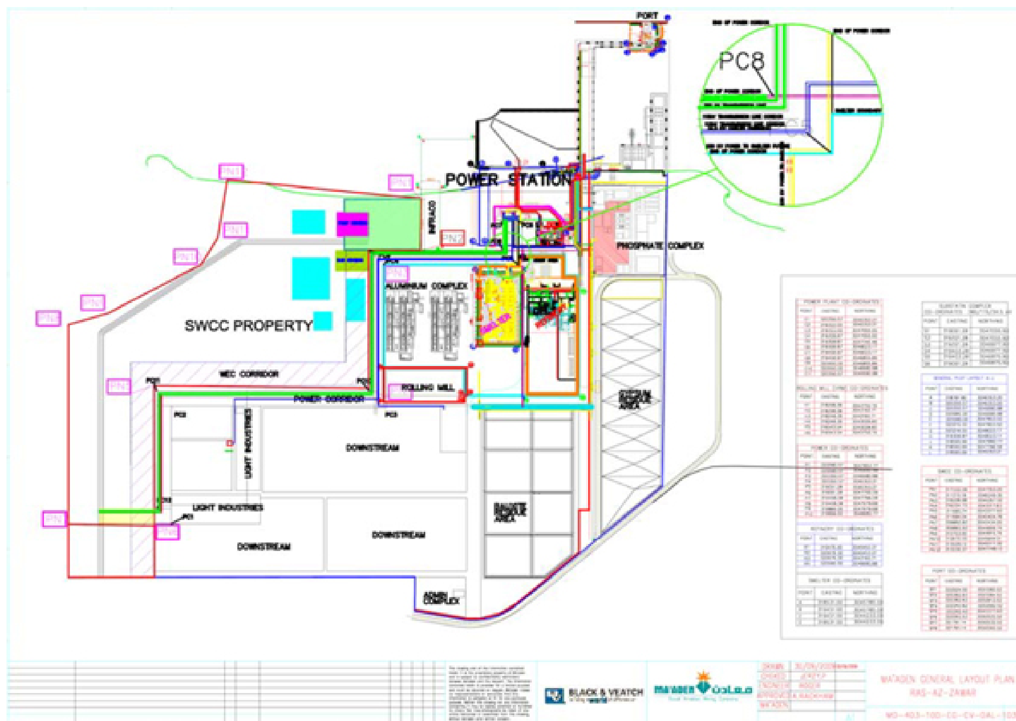
By ____________________

Signed ____________________

SCHEDULE 7

Description of the Ras Az ZawrComplex

Set out below is the plan of the Ras Az Zawr site showing the location of the smelter, rolling mill, refinery and village in relation to the other developments at the site:



Refinery

The Refinery will be located at the Ras Az Zawr site. The Refinery will use the Bayer process in a continuous operation and have an annual capacity of 1.8 million tonnes of smelter grade alumina. The alumina from the Refinery will be conveyed to the Smelter by tube conveyor, and any excess alumina will be trucked to the Port for export.

Bauxite from the Al Ba’itha Mine will be transported to the Refinery by rail and unloaded onto the Refinery stockpiles. The Refinery will employ milling, jacketed pipe unit (JPU) digestion, high rate settlers, deep cone washing train, pressure security filtration, heat exchange, oxalate free precipitation with cyclone classification, stationary calciners and red mud storage with dry disposal.

Power, demineralised water and potable water will be supplied to the Refinery by SWCC, while steam, cooling water, plant air and instrument air will be the responsibility of the Refinery.

Provision has been made in the layout of the Refinery site for the Refinery to be expanded to twice its initial capacity.

Smelter

The Smelter will be based on technology provided by Aluminium Pechiney under a Technology Supply Agreement.

- The Smelter will be located adjacent to the Refinery at the Ras Az Zawr Site. It will be constructed as two modern, pre-bake, high amperage technology potlines (AP37 initially but AP39 capable at the first reline), with an overall facility annual rated capacity of 740,000 tonnes aluminium metal. This will increase to 780,000 tpy at the first reline using AP39 technology. The Smelter will be expandable in three stages to 6 x 360 pots.
- In addition to the two potlines, the Smelter would include a carbon plant for anode production, cast house for ingot production, material handling, and support facilities.
- AP37, 360 pots(2 potlines), 20 stems version, capable of AP37 and AP39
- Tube conveyor alumina transport from Refinery
- Materials transport from port by truck
- Paste plant - two trains 35 tph each
- Baking furnace
- Cold cleaning rodding room for 20 stems

Integrated Cast House

An Integrated Cast House will be constructed at the Ras Az Zawr site, to provide Cast House services to the Smelter and the Rolling Mill. The Integrated Cast House will consist of:

- 3 ingot lines with an annual capacity of 150,000 tonnes each
- 2 VDC centers with an annual capacity of 250,000 tonnes each (sheet ingot)
- 2 additional pits for future expansion of the VDC centers (sheet ingot or billet)
- A remelt furnace center for recycle of internal scrap (approximately 30% of Rolling Mill capacity)

During the ramp up of the Rolling Mill, the DC centers will produce some T ingot to balance the Cast House capacity against the Smelter production. The Cast House will be operated by the Rolling Mill organisation subject to an operating agreement with the Smelter.

Rolling Mill

The Rolling Mill to be located at the Ras Az Zawr site adjacent to the smelter will be designed to produce predominantly beverage can stock for sales in MENA other appropriate customers outside of MENA. The principal equipment will consist of a hot reversing mill and a 4 stand tandem hot finishing mill along with appropriate cold rolling and finishing lines

The rolling mill will have an initial capacity of approximately 385,000 tpy of finished Rigid Container Sheet (RCS) products ramping up to a capacity of approx 540,000 tpy with a second phase of capital investment. The rolling mill will process Used Beverage Container (UBC) scrap and has an allocation of up to 380,000 tpy of molten prime from the adjacent smelter.

Provision will be made in the layout to provide for expansion to the ultimate capacity of the hot rolling line which depending on product mix will be in the order of 750,000 tpy.

Supporting Infrastructure

Power for the Smelter and Refinery will be supplied from a new power house being developed in conjunction with the Saline Water Conversion Corporation. This plant will be built on land adjacent to the industrial site at Ras Az Zawr and will supply electric power, potable water and desalinated water to the Project. The power house will be fuelled with natural gas supplied by Saudi Aramco in accordance with the key terms described in the Gas Allocation Letter.

Supporting infrastructure is divided into infrastructure which will be provided by the project for its own use; common infrastructure which will be provided by the Ma'aden Infrastructure Company under the Land Use and Services Agreement; and infrastructure developed by the Saudi Government and accessed by the Project under separate agreements. Key infrastructure provided in each category are:

Project provided:

- IT&S (ERP and each plant MES)
- Alumina loading and unloading equipment
- Training Centre
- Central Medical centre.

Provided by the MIC:

- Land access
- Common roads
- Access to central communications
- Ras Az Zawr single status village
- Site drainage

Provided by the Saudi Government:

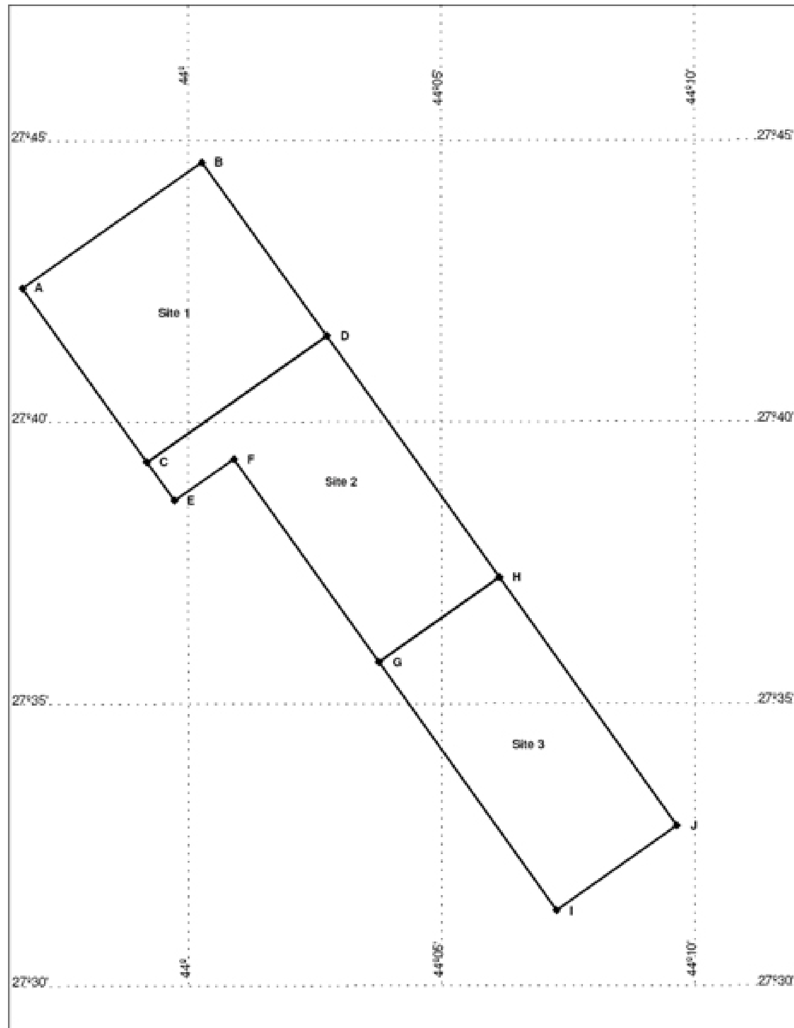
- Railway for transport of bauxite from the Mine to the Refinery
- Port infrastructure

SCHEDULE 8

Description of the Mine

The Al Ba’itha bauxite deposit is located in the Qassim province in the north eastern region of the Kingdom of Saudi Arabia, at latitude 27°55’N, longitude 43°41’E approximately 600m above sea level. It is approximately 450 km northwest of Riyadh.

The deposit has an overall strike length of approximately 105 km, trending in a northwest – southeast direction, with an identified width of approximately 5 km. The deposit comprises three main zones, the Northern Zone, Central Zone and Southern Zone, with each zone being approximately 30 km long. As on the Effective Date, Ma’aden holds mining concessions or licenses over the Southern Zone as set out in the map below.



Southern Zone Tenement Boundaries

No.	Code	Expiry Date	Current Status	Area hectares	Tenure Boundary Co-Ordinates		
					Point	Latitude	Longitude
6/Q	Site 1	13/02/2037	Granted	5,000	A	27° 42' 23.16"	43° 56' 43.98"
					B	27° 44' 37.29"	44° 00'16.73"
					C	27° 39' 17.51"	43° 59' 11.75"
					D	27° 41' 31.57"	44° 02' 44.48"
7/Q	Site 2	13/02/2037	Granted	5,000	C	27° 39' 17.5"	43° 59' 11.75"
					D	27° 41' 31.57"	44° 02' 44.48"
					E	27° 38' 36.73"	43° 59' 44.16"
					F	27° 39' 20.84"	44° 00' 54.16"
					G	27° 35' 44.69"	44° 03' 45.89"
					H	27° 37'14.55"	44° 06' 8.58"
8Q	Site 3	13/02/2037	Granted	4,700	H	27° 37'14.55"	44° 06' 8.58"
					G	27° 35' 44.69"	44° 03' 45.89"
					I	27° 31' 20.1"	44° 07' 15.77"
					J	27° 32' 49.93"	44° 09' 38.42"

Southern Zone Tenement Details

License to explore and investigate the feasibility of the Az Zabirah bauxite deposit was granted to Ma'aden in 1999 following a competitive tender. Mining licenses over three tenure areas covering the Southern Zone were granted to Ma'aden by the Minister for Petroleum and Mineral Resources on the 13/2/2007 for a period of 30 Hijjrah years (approximately 29 years and 1 month Gregorian). These licenses entitle Ma'aden to exclusive right of utilizing bauxite and annexed minerals existing in the licensed area.

The targeted bauxite production from the Al Ba'itha bauxite mine is approximately 4 million tonnes of bauxite per year, matched to the demand for bauxite to feed the Refinery. Relative to other world bauxite deposits, the ore has higher reactive silica content, balanced by reasonable alumina content. The deposit has a higher proportion of boehmite (monohydrated alumina) in relation to gibbsite (tri-hydrated alumina) than most bauxite. The geologic resources, at a grade cut-off of 40 percent total available alumina, have been estimated as 252 million tonnes in measured, indicated and inferred categories with an overall average grade of 47.8 percent total available alumina.

The Mine will be a conventional open pit operation with trucks and hydraulic excavators. It is expected that blasting of overburden and iron cap will be required. Processing at the Mine will include crushing and screening to a size distribution suitable for rail transport and further processing att he Refinery. Where possible, waste material will be stockpiled in mined out areas

The Mine infrastructure facilities will include site roads, drainage, bore field and water supply pipeline, reticulation of utilities, and the mine site village. The Mine infrastructure will also include two distinct groupings of support buildings, the industrial operations' buildings, and the mine site village. The Mine infrastructure electricity will be produced by a diesel generating power unit adequately sized for the purpose.

SCHEDULE 9

Project Agreements

Agreement	Parties	Brief Description
Part 1 (a) - ANCILLARY AGREEMENTS - AT COST BASIS		
Technology Arrangements		
1 Technical Support - Refinery	Alcoa Inc. and Ma'aden / Refining Company	Agreement for technical support services being performed outside the Kingdom in respect of the Refinery. Agreement to be developed.
2 Technical Support - Smelter	Alcoa Inc. and Ma'aden / Smelting Company	Agreement for technical support services being performed outside the Kingdom in respect of the Smelter. Agreement to be developed.
3 Technical Support - Rolling Mill	Alcoa Inc. and Ma'aden / Rolling Company	Agreement for technical support services being performed outside the Kingdom in respect of the Rolling Mill. Agreement to be developed.
4 Technical Support (in-country) – Refinery	Alcoa entity and Ma'aden/Refining Company	Agreement for technical support services being performed in the Kingdom in respect of the Refinery. Agreement to be developed.
5 Technical Support (in-country) – Smelter	Alcoa entity and Ma'aden/Smelting Company	Agreement for technical support services being performed in the Kingdom in respect of the Smelter. Agreement to be developed.
6 Technical Support (in-country) – Rolling Mill	Alcoa entity and Ma'aden/Rolling Company	Agreement for technical support services being performed in the Kingdom in respect of the Rolling Mill. Agreement to be developed.
Shareholder Offtake and Marketing Arrangements		
7 Cast House Users Agreement	Smelting Company, Rolling Company, Alcoa Affiliate and Ma'aden	Provision of casting and recycling services to the Rolling Mill and co-ordination of offtaker requirements. Agreed Form to be included as a Schedule to the Framework Shareholders Agreement. Note that no payment is required pursuant to this Agreement.

Land Use and Support Services Agreements

8	Land Use and Services Agreement (“**LUSA**”)	Ma’aden Infrastructure Company (**“MIC”**) and Ma’aden (to be novated to the Companies)	Grant of land user rights to the Project over the Ras Az Zawr project site and provision of certain services and facilities by MIC. The cost basis is as set out in the LUSA. Signed agreement in place.
9	Ma’aden Support Services Agreement	Ma’aden and The Companies	Provision of certain support services from Ma’aden to the Companies, with the exclusion of services covered by the LUSA. To be developed.
10	Village Utilization Agreement	MIC and the Companies	Provision of user rights, facilities and other related rights in respect of the area representing the proposed village. To be developed.

Part 1 (b) - ANCILLARY AGREEMENTS - COMMERCIAL TERMS BASIS

Technology Arrangements

11	Interim Technology Licence Agreement for Refinery	Alcoa Inc. and Ma’aden	Interim technology licence in respect of the Refinery. To be in Agreed Form on signing the Framework Shareholders Agreement. No payment if superseded by full licence.
12	Interim Technology Licence Agreement for Rolling Mill	Alcoa Inc. and Ma’aden	Interim technology licence in respect of the Rolling Mill. To be in Agreed Form on signing the Framework Shareholders Agreement. No payment if superseded by full licence.
13	Technology Licence Agreement for Refinery	Alcoa Inc. and Ma’aden / the Refining Company	Agreement for relevant technology for the Refinery. To be developed.
14	Technology Licence Agreement for Smelter	Alcoa Inc. and Ma’aden / the Smelting Company	Agreement for relevant technology for the Smelter. To be developed.
15	Technology Licence Agreement for Rolling Mill	Alcoa Inc. and Ma’aden / the Rolling Company	Agreement for relevant technology for the Rolling Mill. To be developed.

Shareholder Offtake and Marketing Arrangements

16	Aluminium Purchase Agreement (Alcoa)	Alcoa Affiliate and Smelting Company	Purchase by Alcoa Affiliate of aluminium produced at the Smelter. To be in Agreed Form on signing the Framework Shareholders Agreement.
17	Aluminium Purchase Agreement (Ma’aden)	Ma’aden and the Smelting Company	Purchase by Ma’aden of aluminium produced at the Smelter. To be in Agreed Form on signing the Framework Shareholders Agreement.

18	Aluminium Purchase Agreement (Rolling Mill)	Rolling Company and Smelting Company	Purchase by the Rolling Company of aluminium produced at the Smelter. To be developed.
19	Sales Agency Agreement (Sales Outside KSA)	Alcoa Affiliate (as sales agent) and Ma'aden	Appointment of Alcoa Affiliate as Ma'aden's sales agent for the sale outside Saudi Arabia of a portion of Ma'aden's share of Smelter aluminium in consideration for the payment of a reasonable agency fee to be agreed. To be developed.
20	Sales Agency Agreement (Sales Within KSA)	Ma'aden (as sales agent) and Alcoa Affiliate	Appointment of Ma'aden as the exclusive sales agent of Alcoa for sales in Saudi Arabia of that portion of Alcoa's share of the Smelter aluminium to be sold to purchasers located inside Saudi Arabia, in consideration for the payment of a reasonable agency fee to be agreed. To be developed.
Alumina Supply and Offtake Arrangements			
21	Alumina Supply Agreement	Alcoa/Alcoa Affiliate (as supplier) and Smelting Company	Supply of alumina to the Smelter (in cases of shortfall, prior to Refinery start-up and force majeure), subject to terms and conditions including pre-condition for availability of adequate port facilities. To be developed.
22	Alumina Purchase and Sales Agency Agreement	Alcoa/Alcoa Affiliate (as offtaker) and Smelting Company	Offtake by Alcoa or Alcoa Affiliate, of excess alumina not required by the Project, subject to terms and conditions including pre-condition for availability of adequate port facilities. To be developed.

Part 2 - OTHER PROJECT AGREEMENTS

Technology Arrangements

	Agreement	Parties	Description / Status
23	Smelter Technology Transfer Agreement ("**Smelter TTA**")	Aluminium Pechiney ("AP") and Ma'aden Provision for novation to the Smelting Company	Grant by AP of a licence to use the process and the know-how, owned by AP, for the purposes of the Smelter and for the provision of relevant basic engineering services specific to the Smelter. Signed agreement in place.
24	Smelter On-Site Assistance Agreement ("**Smelter On-Site Assistance**")	Alumint and Ma'aden Provision for novation to the Smelting Company	Provision by Alumint of on-site assistance to procure, build and start up the Smelter using the process, know-how, design and engineering documentation provided under the Smelter TTA. Signed Agreement in place.
25	Refinery Integrated Digestion and Evaporation Facility Basic Engineering	Hatch / Outotec Joint Venture and Ma'aden	Design of the digestion and evaporation facilities for the refinery to completion of Basic Engineering. Includes term sheet for the technology agreement. Signed agreement in place.
26	Refinery Process Design and Basic Engineering	WorleyParsons and Ma'aden	Design of the overall Refinery except for the digestion and evaporation areas to the completion of Basic Engineering. Signed agreement in place.

Infrastructure Agreements

	Agreement	Parties	Description / Status
27	Railway Co-operation Agreement ("**RCA**")	Public Investment Fund ("PIF"); Saudi Railways ("SAR") and Ma'aden	Construction and operation by PIF / SAR of the North South railway project from Al Jalamid to Ras Az Zawr, passing through Az Zabirah (**"Railway Project"**), for providing railway transportation services to the Project Company. Signed agreement in place
28	Railway Transportation Agreement ("**Rail TA**")	PIF, SAR and the Companies	Provision of affreightment services to the Companies, for the transportation of certain materials. To be developed.
29	Port Services Agreement	Saudi Port Authority, Port Concession Holder and the Companies	Provision of port infrastructure, facilities and services to the Project Company by the Saudi Port Authority / Port Concession Holder. To be developed.
30	MOU with the Royal Commission	Ma'aden, Royal Commission for Jubail and Yanbu.	MOU in respect of the proposed development and operation of infrastructure at Ras Az Zawr by the Royal Commssion. Signed MOU in place

	Agreement	Parties	Description / Status
Fuel Supply Agreements			
31	Maaden and SWCC Combined Projects Sales Gas Allocation (“**Gas Allocation Letter**”)	Ma’aden, Saline Water Conversion Corporation and Saudi Aramco	Allocation of sales gas for the SWCC power station, smelter furnaces and refinery calciners as well as Arab Heavy Crude for the boiler house to be built in the refinery. This letter also sets terms on the project development and financing, with penalties for non-compliance. Signed agreement in place.
32	Ma’aden, SWCC and SEC Basic Agreement	Ma’aden, Saline Water Conversion Corporation and Saudi Electricity Company	This agreement provides for the security of electricity supply from SWCC, construction of backup power plant dedicated to Ma’aden and the structure of the future power tariff. Signed agreement in place.
33	SWCC Energy Conversion Agreement	Ma’aden and SWCC	Establishes tolling arrangements for Ma’aden gas allocation through SWCC power plant. Signed agreement in place.
Power Arrangements (with SEC)			
34	MOU for Interconnection Agreement with SEC	SEC and Ma’aden	Interconnection agreement with SEC. Signed agreement in place.
35	Interim Power Supply Agreement	SEC and the Companies	Provision of construction power to the Project. Format developed per MPC. May be incorporated into SPSA (24).
36	Supplementary Power Supply Agreement	SEC and Ma’aden	Provision of permanent back-up supply from SEC to the Companies, for the purposes of the Complex. Draft developed and under negotiation.
37	Connection & Energisation Agreement for 380 kV substation	SEC and Ma’aden	Provision of connection of the 380kV substation to the SEC transmission system for delivering electricity between such transmission system and the Project. Signed agreement in place.
38	Connection & Energisation Agreement for Aluminium Project	SEC and Ma’aden	Provision of connection of the Project to the SEC transmission system at a specified connection point for delivering electricity between such transmission system and the Project. Signed agreement in place.
39	Transmission and Distribution Assets Allocation Agreement	Ma’aden and the Companies	Provisions for distribution of responsibility between Ma’aden and the Companies in relation to the responsibility for financing, engineering, construction and operation and maintenance of the 380 kV Ras Az Zawr Substation and Overhead Line for the connection of the Project to SWCC. Signed agreement in place.
40	SEC Confidentiality Agreement	SEC, Ma’aden and Alcoa	Confidentiality obligations in relation to information exchanged amongst the parties in connection with the power related agreements. Signed agreement in place with Ma’aden.

Transportation Agreement			
41	Maritime Transportation Agreement(s)	Selected Supplier(s) and the Companies	Provision of maritime services to the Companies for the maritime transportation of materials. To be developed.
Supply Arrangements			
42	Caustic Soda Supply Agreement(s)	Selected Supplier(s) and the Companies	Supply of caustic soda to the Companies for the purposes of the Project. To be developed.
43	Coal Tar Pitch Supply Agreement(s)	Selected Supplier(s) and the Companies	Supply of coal tar pitch for the purposes of the Project. Under development.
44	Carbon Block (Cathodes) Supply Agreement(s)	Selected Supplier(s) and the Companies	Supply of carbon block (cathodes) for the purposes of the Project. To be developed.
45	Aluminium Fluoride Supply Agreement(s)	Selected Supplier(s) and the Companies	Supply of aluminium fluoride for the purposes of the Project. Under development.
46	Calcined Coke Supply Agreement(s)	Selected Supplier(s) and the Companies	Supply of calcined coke for the purposes of the Project. Under development.
Engineering and Construction Arrangements			
47	Smelter EPCM Agreement	Saudi Arabian Bechtel Company and Ma'aden; and Overseas Bechtel, Incorporated and Ma'aden	EPCM arrangements for the Smelter. Signed agreement in place
48	Refinery EPCM Agreement	Selected Supplier(s) and the Refining Company	EPCM arrangements for the Refinery. Currently out for bids.
49	Rolling Mill Feasibility Study	Fluor	To conduct a bankable feasibility study of the Rolling Mill. Signed agreement in place.
50	2009 marketing study – rolled products	McKinsey	Marketing study to assist with identification of final product mix for Rolling Mill in support of feasibility study. Signed agreement in place.

51	Conceptual engineering study for Rolling Mill	SMS Siemag	Equipment configuration and engineering design data to support feasibility study. Signed agreement in place.
Mining Licences			
52	License No. 6/g dated 12/02/2007	Ministry of Petroleum & Mineral Resources and Ma'aden	Mining licence in respect of 50 Sq. Km Al-Zabirah (Area 1) site. Thirty (30) years in duration.
53	License No. 7/g dated 13/02/2007	Ministry of Petroleum & Mineral Resources and Ma'aden	Mining licence in respect of 50 Sq. Km Al-Zabirah (Area 2) site. Thirty (30) years in duration.
54	License No. 8/g dated 13/02/2007	Ministry of Petroleum & Mineral Resources and Ma'aden	Mining licence in respect of 47.76 Sq. Km Al-Zabirah (Area 3) site. Thirty (30) years in duration.

SCHEDULE 10

Project Economics

Part 1 - Estimate of Project Costs

Capital costs for the Project have been assessed according to the table below. Each sector of the Project is at a different stage of development, namely:

- Mine and Refinery – FEL 2, estimate accuracy +/- 20%
- Smelter – FEL 3, estimate accuracy +/- 10%
- Rolling Mill – initial feasibility, factored estimate
- Project infrastructure – factored estimate

These costs do not include the cost of financing or interest during construction.

Financing costs and interest during construction will be negotiated during the project financing and captured in the Base Case Model for the Project.

Aluminium Project Capital Estimate Summary
USD Millions

	Mine	Refinery	Smelter	Casthouse	Rolling Mill	Infrastructure	Total
Direct Costs	205	1,686	2,407	400	1,300	237	6,235
Indirect Costs	54	519	535		300	50	1,457
Contingency	23	303	297		150	15	787
Escalation		—			—		
EPC/M Controlled Scope	**282**	**2,508**	**3,239**	**400**	**1,750**	**302**	**8,480**
Owner's Team	6	57	106	—	60	20	249
TTA & OSA		21	168	—			189
Construction Office	2			—		5	7
Insurance				—		35	35
Owner's Project Costs	1	6		—	5	3	15
Operations Team	1	42	24	—	40		107
Corporate Management				—		10	10
ERP				—		60	60
Start-up Raw Materials		15	100	—	50		165
Initial Working Capital	2	22	20	—	30		74
Operational Readiness Costs	4	12		—	10		26
Contingency	28	137	150	—	200	25	540
Escalation				—			—
Forex				—			—
Owner's Reserves				—			—
Gap to Existing Scope			40				40
Owner Managed Costs	**45**	**312**	**608**	**—**	**395**	**158**	**1,517**
Total	**327**	**2,819**	**3,847**	**400**	**2,145**	**460**	**9,998**

Note: Project costs do not include financing costs or interest during construction

Part 2 - Pre-Financing Budget

The forecast of remaining costs to incorporation has been calculated on the assumption that incorporation will occur in conjunction with the Notice to Proceed for the Smelter and Rolling Mill at the end of June 2010. This is summarised in the table below:

Period	USD (Millions)	Key Activities
Q4 2009 Forecast	$ 45.5	
H1 2010 Forecast	$ 287.0	Based on Smelter NTP 1st July 2010
Forecast to Incorporation	**$ 332.5**	

This is made up of US$162 million of Project costs and US$125 million of Plant and Equipment, which includes allowances for the completion of the 380kV substation and transmission line as well as early works for the Smelter, Rolling Mill and Refinery.

Additional costs will be incurred between the NTP for Phase 1 and Financial Close. This budget will be developed and agreed between the Parties.

Part 3 - Project Model

The Project has prepared a Project Model for analysis of the Project. The Project Model is calculated before the effects of project financing and tax, using the following assumptions:

•Base Discount Rate (nominal)	9.0%
•Long- Term General Inflation CPI	2.5%
•Long-Term Metal Price Assumption (Nominal Terms - 2013)	2,248
•Alumina Price Assumption (% LME)	13.5%
•Credit Terms - Receivables (days)	30
•Payment Terms - Payables (days)	60
•Days of Inventory (days of cash cost)	15

Operating cash costs are calculated for the first year of full production as:

•Mine and Refinery (USD/tonne)	146
•Smelter (USD/tonne)	1,244
•Rolling Mill (USD/tonne excluding metal)	257

The results of the financial modeling are summarized below:

	Capex (US$ millions)	IRR (%)	NPV (US$ millions)
Smelter and Infrastructure[1]	4,706	14.0%	3,450
Rolling Mill	2,145	8.8%	(61)
Phase 1 Total	**6,851**	**12.2%**	**3,389**
Mine and Refinery	**3,146**	**10.0%**	**384**
Integrated Aluminium Project	**9,997**	**11.6%**	**3,773**

Notes:

(1) Includes Casthouse $400M and Infrastructure $460M

(2) Based on AP37 technology, AP39 in 2020

(3) All results are nominal, pre-tax and ungeared

Further work is required on the Project Model to ensure alignment on the model structure and input assumptions prior to the development of the Base Case Model. The results shown above are preliminary only.

SCHEDULE 11

Ma’aden Existing Project Assets

1. Permits

The following permits will be transferred to the Company by Ma’aden in accordance with the provisions of Clause 6.1 of the Agreement:

1.1 Industrial license – this is subject to update to reflect the current capacities and configuration of the Project

1.2 Mining Licenses (as defined in Schedule 9)

1.3 Water well drilling and extraction authorization

1.4 Access roads and rights-of-way, including right of way dated 29 May 2007 issued by Saudi Electric Company for the construction of a new 380kV and 230kV overhead transmission line from Jubail substation

1.5 Authorization for power generation for the Mine

1.6 Aviation clearance for high rise buildings proposed in respect of the Project

1.7 Environmental Permit for the Project – this is subject to update to reflect the current capacities and configuration of the Project

Application forms for any other permits relating to the Project, submitted to KSA Governmental Authorities by Ma’aden or its Affiliates prior to the Effective Date and additional permits that may be issued to Ma’aden or its Affiliates in respect of the Project pursuant to pending application forms filed by Ma’aden prior to the Effective Date, shall be transferred to the Company on its formation.

2. Physical assets

The following physical assets will be transferred to the Project Company by Ma’aden in accordance with Clause 6.1:

2.1 Ma’aden Aluminium Project interest in the 380 kV substation and associated infrastructure

3. Agreements and allocation letters

Agreements and allocation letters as described in Schedule 9 will be transferred or novated to the Project Company by Ma’aden in accordance with Clause 6.1

SCHEDULE 12

Alcoa Existing Project Assets

No assets.

SCHEDULE 13

Pre-Incorporation Development Committee, Project Account and Steering Committees

Part 1 – Development Committee Procedures

1. Definitions

In this Schedule 13, the following terms shall have the following meanings:

"**Deadlock**" for the purposes of this Schedule 13 shall bear the meaning stated in paragraph 9.

"**Member**" means a member from time to time of the Development Committee.

"**Project Executive Director**" means the project director appointed by the Development Committee, being a member of the Steering Committees.

"Steering Committee" means the working group which shall be drawn from the Project team under the general authority and supervision of the Development Committee for each of the Mine/Refinery, the Smelter and the Rolling Mill.

2. Appointment of the Development Committee

(a) Prior to incorporation of the Company and appointment of the Board of Managers, the development of the Project shall be managed by the Development Committee. The Development Committee shall consist of five (5) Members. Promptly after the Effective Date, the required appointments shall be made such that Ma'aden will appoint three (3) Members and Alcoa will appoint two (2) Members.

(b) Ma'aden shall appoint the Chairman of the Development Committee.

(c) All appointments of Members shall be effected by written notice to the other Party.

(d) Unless otherwise agreed between the Parties, vacancies will be promptly filled by the Party having the right to appoint a Member to the vacant seat, such that the composition of the Development Committee shall at all times be in accordance with this Schedule 13.

(e) The Party who appointed a Member may remove that Member at any time by written notice to the other Party. In the event that a Member is removed or resigns or becomes incapacitated or otherwise unable to serve for any reason, the Party who appointed him shall promptly appoint a replacement.

3. Authority of the Development Committee

3.1 Authority

(a) The Members shall have full authority to act on behalf of the Parties, in accordance with the terms and conditions of the Agreement and this Schedule 13.

(b) The Development Committee shall have authority to bind the Parties in relation to the Project within the framework of the authorities and responsibilities specified below:

(i) The Development Committee shall be responsible for:

(A) overall coordination for the development of the Project;

(B) appointing the Project Executive Director, the Director, Project Governance, and such other executive positions as it deems necessary;

(C) establishing the Steering Committees, whose charter is set forth at Part 3 of this Schedule 13;

(D) setting budgets for Project development costs;

(E) setting and revising guidelines for the Steering Committees; and

(F) reviewing the progress of the Steering Committees.

(ii) The Development Committee shall have authority to approve Development Committee Funding Calls.

(iii) The Development Committee shall have authority to approve expenditures and payments to be made on behalf of the Project and reimbursed as set out in Clause 13 of the Agreement.

(iv) The Development Committee shall have authority to approve the entry into third party contracts by either Shareholder on behalf of a Company in connection with the Project.

(v) The Development Committee shall have authority to approve any Project Agreement.

(vi) The Development Committee will review a recommended authorities matrix for commitments and payment approvals which, if approved by the Development Committee, will be delegated to the Project Director appointed by the Development Committee and to members of the Steering Committees.

(vii) Commitments made by the Project Director and/or the Steering Committees consistent with their delegated authority shall be reported to the Development Committee at the next meeting after the commitment.

(viii) Requests for the approval of commitments above delegated authority level shall be submitted to the Development Committee in a standard format to be specified by the Development Committee.

(ix) Upon approval by the Development Committee of commitments, the Chairman of the Development Committee shall issue, under his signature, an extract of the minutes confirming the approval.

(x) Members of the Development Committee shall be responsible for keeping the respective Shareholders well informed on all aspects of the Committee's operations, decisions and commitments.

3.2 Voting Thresholds

(a) Subject to paragraphs 3.2(b) and 4(g) below, each Member shall have one (1) vote, and the Chairman of the Development Committee shall not have any additional voting power (including any casting vote) by virtue of his position.

(b) Subject to paragraph 3.2(c), the Development Committee shall adopt its resolutions with the affirmative simple majority vote of the Members being present in person or by proxy, and entitled to vote, at a duly convened meeting of the Development Committee at which a quorum is present (or in the case of a written resolution taken without a Development

Committee meeting, the total number of Members). The decisions requiring the affirmative simple majority vote of the Members shall comprise all such decisions of the Members other than those for which a special majority resolution is required pursuant to paragraph 3.2(c) below.

(c) The following decisions shall require the affirmative special majority vote of seventy five per cent (75%) of the Members being present in person or by proxy, and entitled to vote, at a duly convened meeting of the Development Committee at which a quorum is present or in the case of a written resolution taken without a meeting of the Development Committee, seventy five per cent (75%) of the Managers entitled to vote:

(i) Approval of the Project Budget and any material change thereto having a value in excess of the lower of fifty million US Dollars (US$ 50 million) or ten (10) percent of the Project Budget; and

(ii) Approval of any Construction Agreement to be entered into after the Effective Date having a value in excess of fifty million US Dollars (US$50 million).

4. <u>Meetings of the Development Committee</u>

(a) The Chairman of the Development Committee shall appoint a secretary to circulate to the Members a proposed agenda for each Development Committee meeting along with notice of such meeting at least seven (7) days prior to the commencement of the meeting, which agenda shall include:

(i) standing agenda items (including, as appropriate, review of previous meeting minutes, Project reports, incorporation of the Company status report, and any other relevant business);

(ii) matters for approval, including authorisation of any Development Committee Funding Calls;

(iii) special business matters; and

(iv) any papers to be considered by the Development Committee at such meeting.

(b) The Project Executive Director, the Director, Project Governance and the chairs of each Steering Committee and their deputies (or their respective designees) will attend each Meeting of the Development Committee.

(c) Any Member may propose additional items for the agenda not less than three (3) days prior to the meeting, following which the secretary shall circulate to the Members the revised agenda for the meeting. Except as may be agreed by all Members present and entitled to attend and vote at a meeting of the Development Committee, no resolution or business shall be passed or transacted at any such meeting that is not included in the agenda for such meeting.

(d) No business shall be transacted at any duly convened meeting of the Development Committee unless a quorum is present. The quorum for the transaction of business at any meeting of the Development Committee shall be at least one (1) Member appointed by each Shareholder. The Parties shall use reasonable endeavours to ensure that the Members appointed by them attend each meeting of the Development Committee and that a quorum is present throughout the meeting.

(e) The secretary shall circulate the minutes of each meeting to all Members within three (3) days after the meeting. Each Member shall respond within five (5) days of receipt, either

countersigning the minutes to confirm agreement to their contracts or raising comments, as appropriate.

(f) Meetings of the Members may be held by conference call or video conference. Meetings of the Members shall be held on a monthly basis, on the second Monday of each month, unless all Members agree otherwise. Any Member may request an additional meeting by giving ten (10) days written notice to all other Members, unless all other Members agree a shorter time period for such notice.

(g) Meetings of the Members shall be held at the Project offices in Al-Khobar in the Kingdom, or at such other places as may be agreed by the Shareholders. Meetings shall be held at such times as specified by the Chairman of the Development Committee. The notice shall include the agenda and all documents pertaining to the business to be transacted at the meeting. The Development Committee may waive or modify the requirement for notice (including the duration of the notice) with the written consent of all the Members either prior to or at the commencement of the meeting and before any other business is transacted.

(h) A Member may grant a proxy to any other Member appointed by the Party appointing such Member to attend meetings of the Development Committee and to vote on his behalf.

(i) The resolutions of the Development Committee shall be laid down in writing in the English language, and if Ma'aden so requires, in the Arabic language.

(j) Resolutions of the Members may be passed by written resolution.

5. <u>Steering Committees</u>

(a) The Development Committee shall establish the Steering Committees to carry out day-to-day Project development activities under the general authority and supervision of the Development Committee.

(b) The Steering Committees shall act in accordance with the instructions and guidelines of the Development Committee and within the authority delegated by the Development Committee.

(c) The Steering Committees shall continue to operate until such time as the Parties agree to disband them.

(d) A Mine/Refinery, Smelter and a Rolling Mill Steering Committee will each be commissioned by the Development Committee pursuant to this Schedule 13.

(e) Steering Committee Membership and Procedures:

(i) Each Steering Committee shall consist of six (6) members in total, with 3 members appointed by Ma'aden and 3 members appointed by Alcoa, each by written notice to the other Party. Each Party may designate one (1) alternative member, who may attend in substitution for an absent member appointed by his Party. Alcoa will appoint the Chair of each Steering Committee.

(ii) Each Steering Committee will meet at least once per calendar month at the Project offices in Al-Khobar, Saudi Arabia, or such other location as may be mutually agreed between the Parties from time to time. Meetings will generally be in person, but may be held by video conference or teleconference.

(iii) At meetings of each Steering Committee, a quorum shall be constituted by the attendance of at least one representative of each Party.

(iv) Each Steering Committee shall be responsible for:

(A) overall coordination and for the development of its respective part of the Project;

(B) setting budgets for development costs for its respective part of the Project; and

(C) reporting project progress and issues to the Development Committee, and making recommendations for decisions to the Development Committee (where such decisions are not within the delegated authority of the Steering Committee).

(v) Individuals who are engaged in the Project may be invited to attend Steering Committee meetings for the purpose of presenting reports or recommendations to the Steering Committee, or receiving direction from the Steering Committee. Advisors may accompany the Steering Committee members as required

(vi) The Steering Committees may establish sub-committees if considered appropriate to assist the Steering Committees in discharging its responsibilities.

(vii) The Steering Committee Chairman will circulate an agenda for each meeting at least ten (10) days prior to the commencement of the meeting, which agenda shall include:

(A) Standing agenda items (including, as appropriate, review of previous meeting minutes, Project report, approvals required and any other relevant business);

(B) Matters for approval; and

(C) Special business.

(viii) Any member of the Steering Committee may propose additional items for the agenda not less than six (6) days prior to the meeting, following which the Steering Committee Chairman shall circulate to the members a revised agenda for the meeting.

(ix) Papers for consideration by the Steering Committee shall be issued with the agenda, at least four (4) days prior to the meeting unless a shorter period is agreed upon by all members.

(x) Unless otherwise agreed by all members present at a Steering Committee meeting, no resolution or business shall be passed or transacted at any such meeting that is not included in the agenda for such meeting.

(xi) A decision of the Steering Committee shall require consensus between the members of the Steering Committee in attendance.

(xii) If a resolution in connection with any matter is considered at any meeting of the Steering Committee and not passed, any member can refer it to the Development Committee.

(xiii) Each Steering Committee Chairman shall appoint a Secretary to prepare minutes of each meeting. The minutes of each meeting shall be circulated to all members within three (3) days after the date of the meeting. Each member shall respond within five (5) days of receipt, either to confirm agreement to their contents or raising comments if appropriate.

(xiv) Each Steering Committee Chairman shall consider comments received on the draft minutes and shall issue final minutes to all members within fourteen (14) days of the meeting. Each member shall either countersign the minutes (electronic, facsimile or PDF signatures are acceptable) or, in the event that members of the Steering Committee disagree on the content of a minute from the meeting, the disagreement will be advised to the Chairman and shall be included in the agenda of the following meeting for resolution.

(xv) Members of each Steering Committee are responsible for keeping the respective Parties well informed on all aspects of the Steering Committee's operations and decisions. Each Steering Committee Chairman will attend meetings of the Development Committee (and, eventually the Board) and will report on such Steering Committee's activities.

6. <u>Project Integration and Executive Council</u>

(a) The Project Integration and Executive Council (the "Council") will facilitate the coordination of the three elements of the Project, and the Project interfaces with shared site infrastructure.

(b) The Council will be composed of the three Steering Committee Chairmen, the three Steering Committee Deputy Chairmen, the Project Director – Project Systems and Project Services, and the Project Executive Director, who will serve as the chair of the Council.

(c) The Council will meet as frequently as required.

7. <u>Costs</u>

(a) Each Party shall bear the costs incurred by its appointed Members in connection with their attendance at meetings of the Development Committee, including travel and accommodation costs.

(b) Administrative costs incurred by the Development Committee shall constitute Pre-Incorporation Development Costs.

8. <u>Winding up</u>

(a) The Development Committee may be wound up at any time on the agreement of the Parties, subject to the prior reconciliation of expenditures made and committed by the Parties to date.

(b) The Development Committee shall be wound up on incorporation of the relevant Company and appointment of the Board of Managers.

(c) The Steering committees may be wound up by agreement of both Parties and the reconciliation of expenditures.

9. <u>Deadlock</u>

(a) If a resolution with respect to any proposed action or omission by the Development Committee that constitutes a matter requiring affirmative special majority decision by the Development Committee, as identified in paragraph 3.2(c) above, is proposed at two (2) consecutive meetings of the Development Committee and such resolution (as it may be amended or supplemented) is not approved at either of such meetings, such situation shall be considered to constitute a "**Deadlock**" for the purposes of this <u>Schedule 13.</u>

(b) Any Shareholder whose appointed Members have not voted against or abstained from voting in respect of a resolution that has resulted in Deadlock, may during the period of thirty (30) days after such Deadlock has arisen (but not after such period) request that the chief executive officers of the ultimate parent companies of each of the Parties or their representatives, specifically designated for the purpose of resolving the Deadlock shall meet within a further fifteen (15) days to negotiate in good faith with a view to resolving the Deadlock.

(c) A Deadlock shall not be submitted to, or be capable of resolution by, arbitration under this Agreement, provided that, any dispute with respect to the compliance by the Parties with their obligations under this paragraph 8 may be subject to arbitration pursuant to Clause 21.3 of the Agreement.

(d) The rights and remedies of the Parties under this paragraph 8 shall be the exclusive rights and remedies of the Parties with respect to any Deadlock of the Development Committee.

Part 2 – Payment Mechanism

1. Within seven (7) days of the Effective Date, the Parties shall open the Project Account. The initial deposit in the Project Account shall be USD 5 (five) million, which shall be paid by each Party in proportion to their Shareholder Percentage.

2. Subsequently, the Project Account shall be funded by deposits from the Party in accordance with each Development Committee Funding Call. The Parties shall make payments in proportion to their Shareholder Percentage.

3. Each Party shall designate two (2) persons as authorised signatories for the Project (each an "**Authorised Signatory**"). One (1) Authorised Signatory designated by each Party will be required to sign all bank instruments and any other related documentation in connection with the Project Account.

4. Payments out of the Project Account shall:

   (a) be subject to the approval of the Development Committee; and

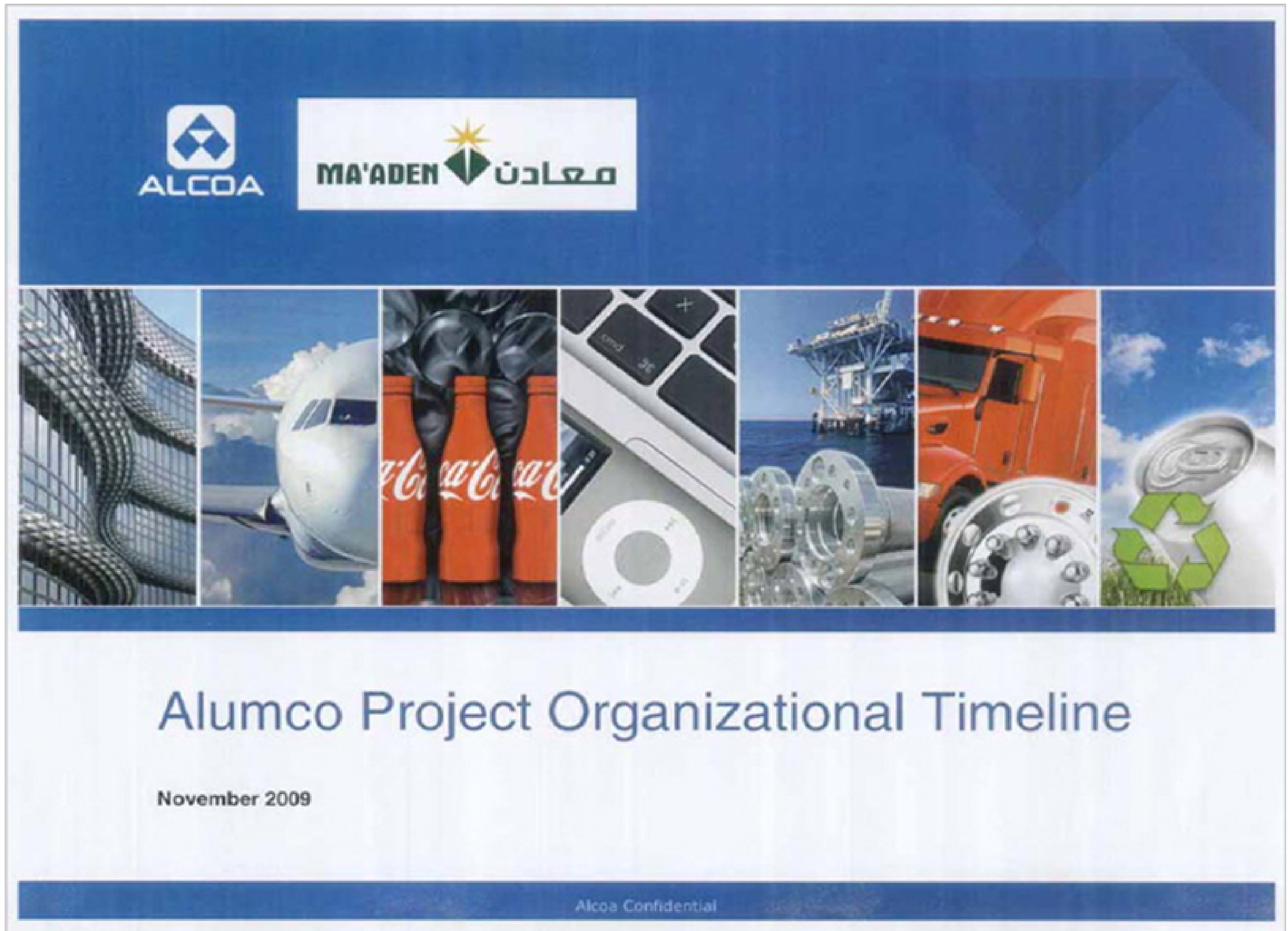
   (b) be effected on the basis of an approved Project payment request in a form to be agreed to by the Parties, and

   all such payment requests shall be supported by copies of orders, invoices and Development Committee approvals, as applicable.

5. A schedule of payments effected out of the Project Account in any given month shall be submitted to the Development Committee on a monthly basis.

Part 3 - Project Organisation (graphic depiction)

The attached PowerPoint illustrates the current working model for the Project organisation.



ALCOA

Principles

MA'ADEN معادن

- Separate lines of reporting for the Project and Operational readiness teams reporting to the JV Business Steering Committee.
- Strong Interface between the Project and Operational readiness teams.
- Governance structure (PMO) to oversee the 3 main Projects as well as the external, and inter-related projects (Port, rail, power & water).
- Steering Committee for each project reporting to the Development Committee (or Company Board post-formation).
- Common functional services part of Project structure for the Duration of the project. (Cost control, Finance, HR, Administration).
- Common Services transferred to Operations at the appropriate time/milestone.
- Any council or decision making body at any level should have joint representation of the owners

November 2009

ALCOA

Principles (cont'd)

MA'ADEN معادن

- Common Stage Gate process & reporting for all projects.
- Any Council or decision-making body at any level should have joint representation of the owners.
- A Joint effort in recruiting the agreed roles: "best person " for the role.
- Structure to be based on what's best for the success of the projects.
- The project must have a formal approach to Training and placing Saudi' into learning environments.
- Common Public Relations & Communications.
- A common Business / Project model is to be used for the project evaluations.

November 2009

MA'ADEN معادن

ALCOA

Color Code

Chaired by Ma'aden Nominee

Chaired by Alcoa Nominee

Ma'aden nominated

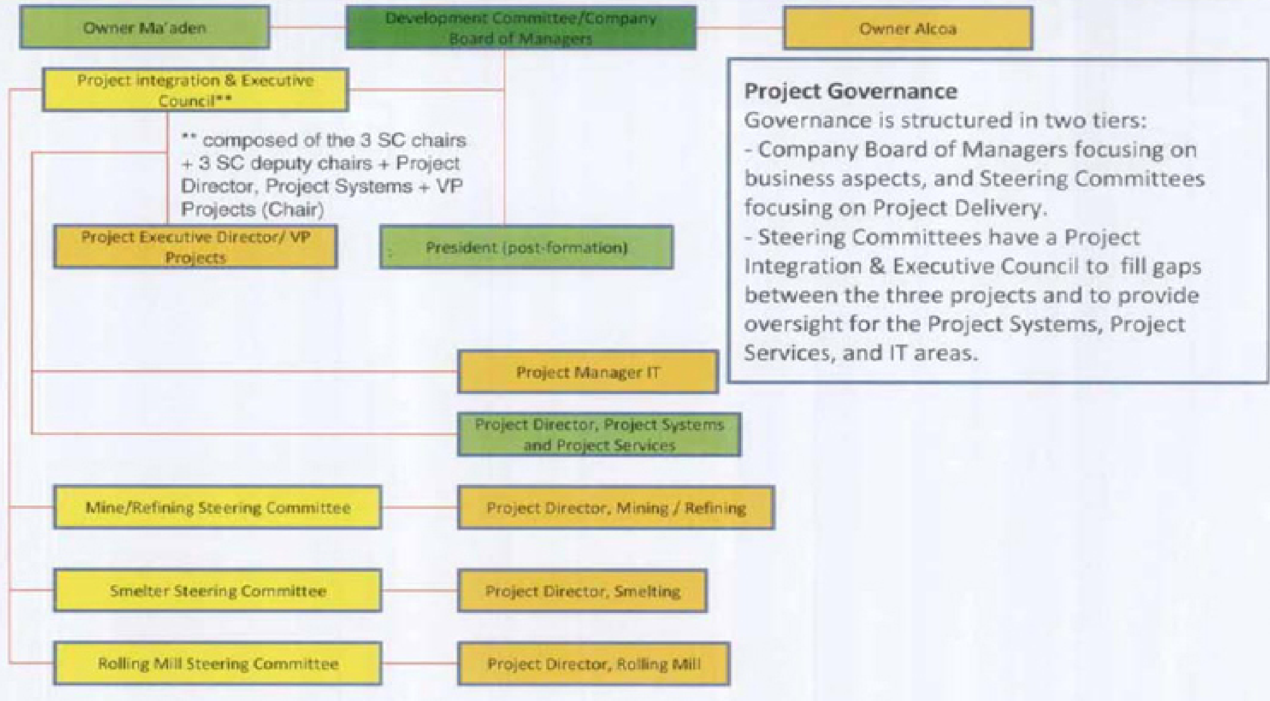
Alcoa nominated

To be handled by the unit

Nomination process:

Based on the common objective to achieve a successful project. Candidates can be proposed by, or sourced from either party or externally. One owner nominates and the other owner approves or rejects until consensus. The Partnership approach must guide this process.

Two types of charts follow, one explains the direct lines of reporting between individuals; the second describes the governing lines between owner's committees and individuals.


ALCOA
MA'ADEN معادن
Project Organization – Governance
Owner Ma'aden
Development Committee/Company Board of Managers
Owner Alcoa
Project integration & Executive Council**
** composed of the 3 SC chairs + 3 SC deputy chairs + Project Director, Project Systems + VP Projects (Chair)
Project Executive Director/ VP Projects
President (post-formation)
Project Manager IT
Project Director, Project Systems and Project Services
Mine/Refining Steering Committee
Project Director, Mining / Refining
Smelter Steering Committee
Project Director, Smelting
Rolling Mill Steering Committee
Project Director, Rolling Mill
Project Governance
Governance is structured in two tiers:
- Company Board of Managers focusing on business aspects, and Steering Committees focusing on Project Delivery.
- Steering Committees have a Project Integration & Executive Council to fill gaps between the three projects and to provide oversight for the Project Systems, Project Services, and IT areas.

Project Timeline – Post JVA Signing

The Project Executive Director needs to be empowered by the development committee to implement the organization that will deliver the project safely on budget, on scope, on time.

Confidentiality agreement signed

JVA initialing

04/ 2009 | 07/ 2009 | Q4 2009 | 06/ 2010 | 06/ 2011 | Q4/ 2012 | Q1/ 2013 | Q4/ 2013 | Q4/ 2014

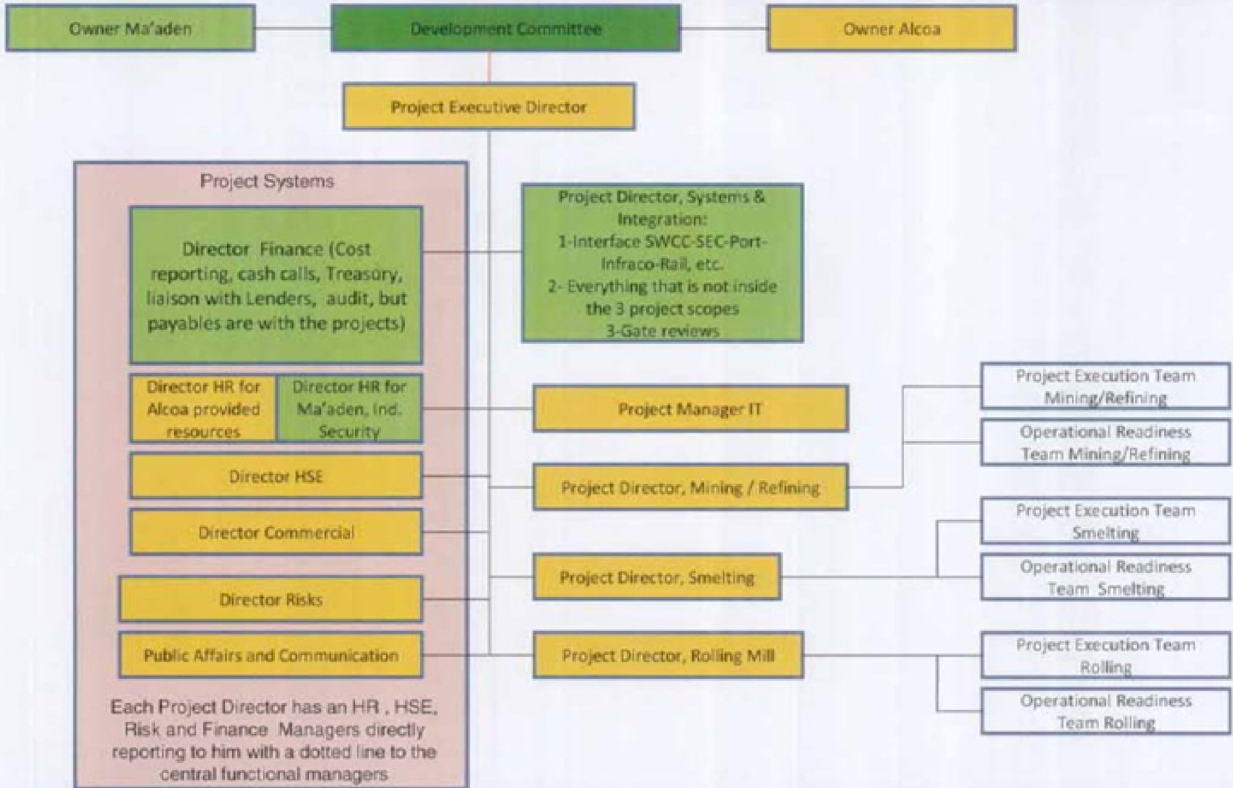
MOU signed

The right hand side project directors need sufficient authority to execute their projects to deliver the required outcomes.

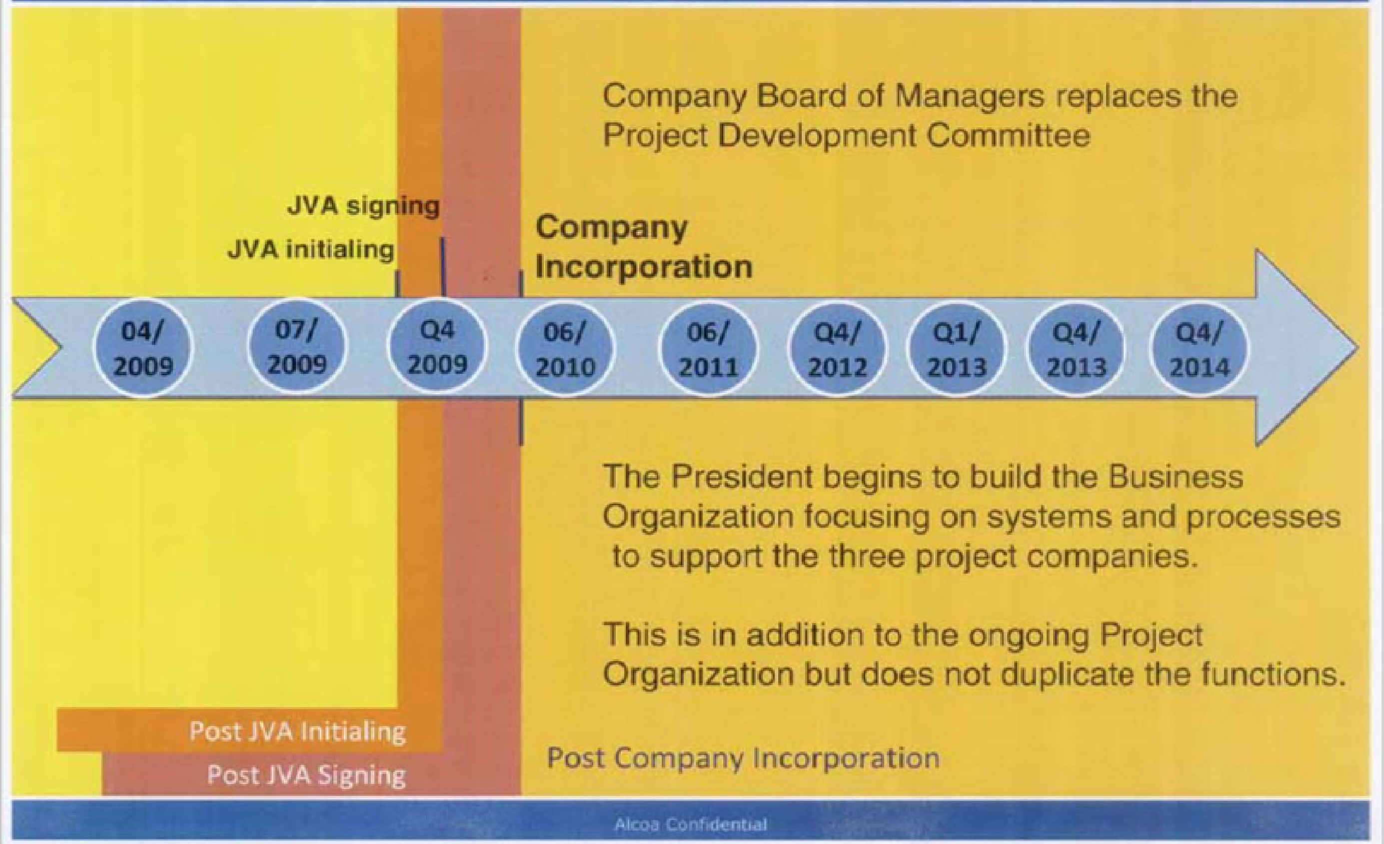
The project systems box on the left hand side is focused on developing systems and providing them to the projects. The corresponding functions in the projects will then use these systems.

Post JVA Initialing

Alcoa Confidential

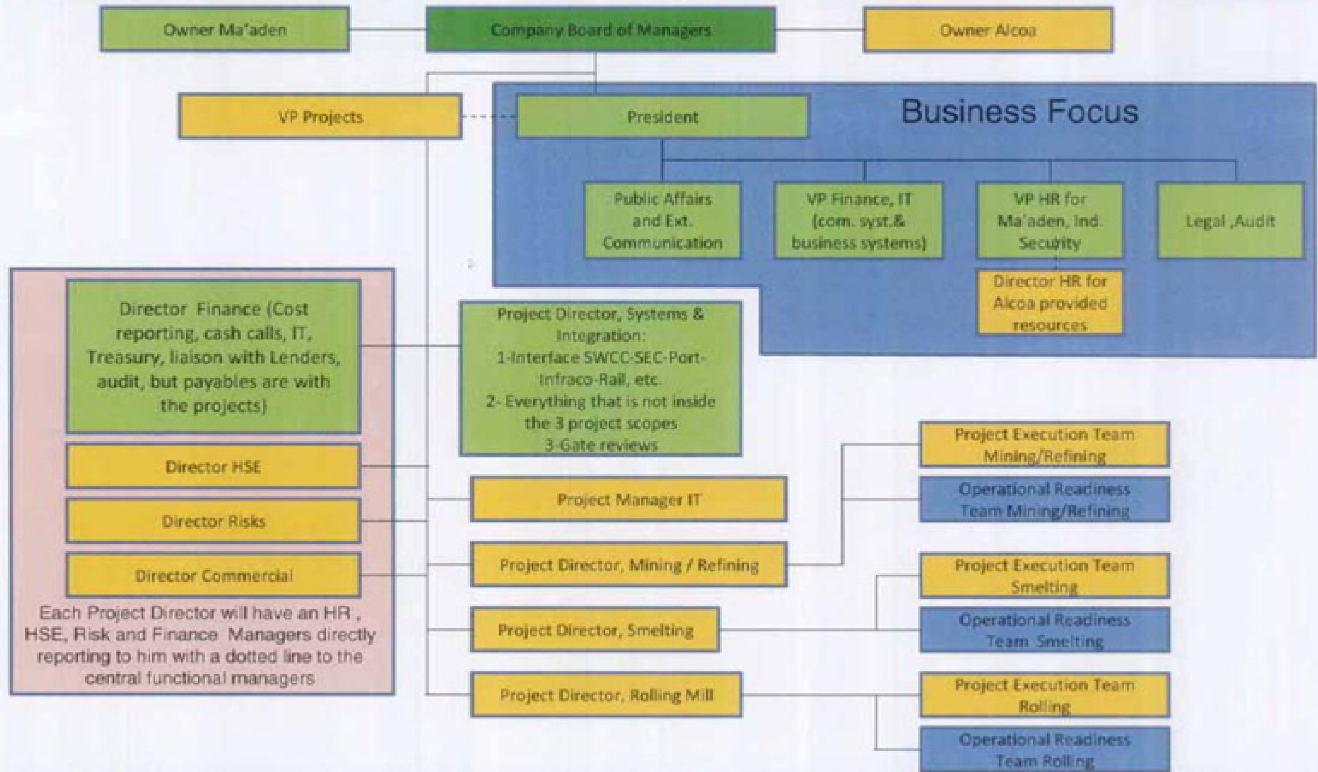

ALCOA
MA'ADEN معادن
Project Organization - Post JVA Signing
Owner Ma'aden
Development Committee
Owner Alcoa
Project Executive Director
Project Systems
Director Finance (Cost reporting, cash calls, Treasury, liaison with Lenders, audit, but payables are with the projects)
Director HR for Alcoa provided resources
Director HR for Ma'aden, Ind. Security
Director HSE
Director Commercial
Director Risks
Public Affairs and Communication
Each Project Director has an HR, HSE, Risk and Finance Managers directly reporting to him with a dotted line to the central functional managers
Project Director, Systems & Integration:
1-Interface SWCC-SEC-Port-Infraco-Rail, etc.
2- Everything that is not inside the 3 project scopes
3-Gate reviews
Project Manager IT
Project Director, Mining / Refining
Project Director, Smelting
Project Director, Rolling Mill
Project Execution Team Mining/Refining
Operational Readiness Team Mining/Refining
Project Execution Team Smelting
Operational Readiness Team Smelting
Project Execution Team Rolling
Operational Readiness Team Rolling

Project Timeline – Post Company Incorporation



Alcoa Confidential

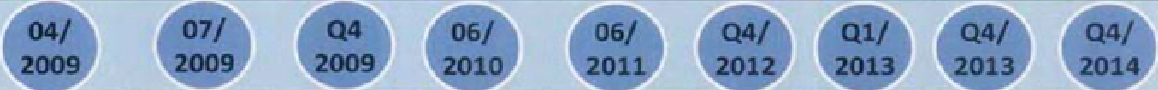
Project Organization - Post Company Incorporation



Project Timeline – Post Company Incorporation and on achieving specific milestones

Operations teams join Business Organization
Under the VP Operations the Operational Readiness Teams will split off from the Project Organization and become part of the Business Organization after achieving specific milestones

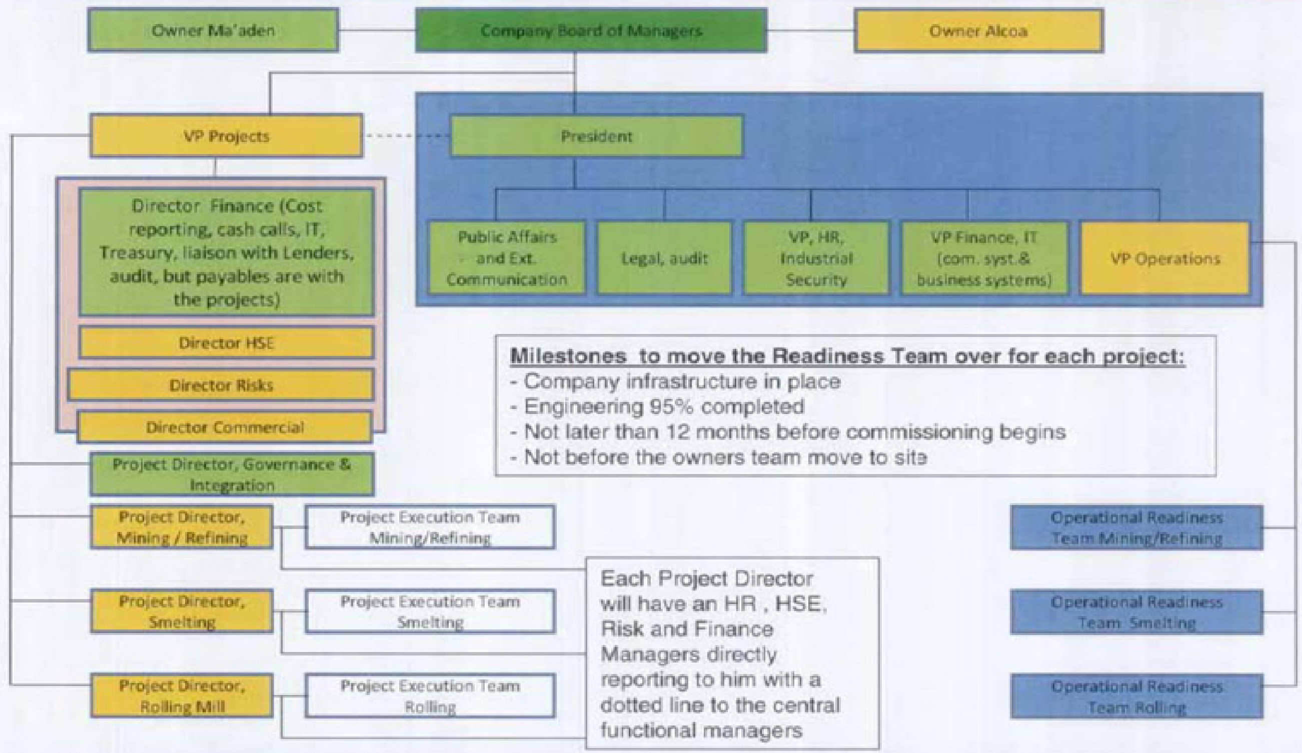
Smelter FHM



Post JVA Initialing
Post JVA Signing
Post Company Incorporation

Post Company Incorporation and on achieving specific milestones

Alcoa Confidential 10


ALCOA
MA'ADEN
Post Company Incorporation and on achieving specific milestones
Owner Ma'aden
Company Board of Managers
Owner Alcoa
VP Projects
President
Director Finance (Cost reporting, cash calls, IT, Treasury, liaison with Lenders, audit, but payables are with the projects)
Director HSE
Director Risks
Director Commercial
Project Director, Governance & Integration
Public Affairs and Ext. Communication
Legal, audit
VP, HR, Industrial Security
VP Finance, IT (com. syst.& business systems)
VP Operations
Milestones to move the Readiness Team over for each project:
- Company infrastructure in place
- Engineering 95% completed
- Not later than 12 months before commissioning begins
- Not before the owners team move to site
Project Director, Mining / Refining
Project Execution Team Mining/Refining
Project Director, Smelting
Project Execution Team Smelting
Project Director, Rolling Mill
Project Execution Team Rolling
Each Project Director will have an HR , HSE, Risk and Finance Managers directly reporting to him with a dotted line to the central functional managers
Operational Readiness Team Mining/Refining
Operational Readiness Team Smelting
Operational Readiness Team Rolling

Project Timeline – Project Close Out

Project Close Out
VP Projects proceeds with the project close out reporting directly to the Company Board of Managers maintaining project scope and budget

Smelter project closeout (example)

04/2009 | 07/2009 | Q4 2009 | 06/2010 | 06/2011 | Q4/2012 | Q1/2013 | Q4/2013 | Q4/2014

Post JVA Initialing
Post JVA Signing
Post Company Incorporation
Post Company Incorporation and on achieving specific milestones

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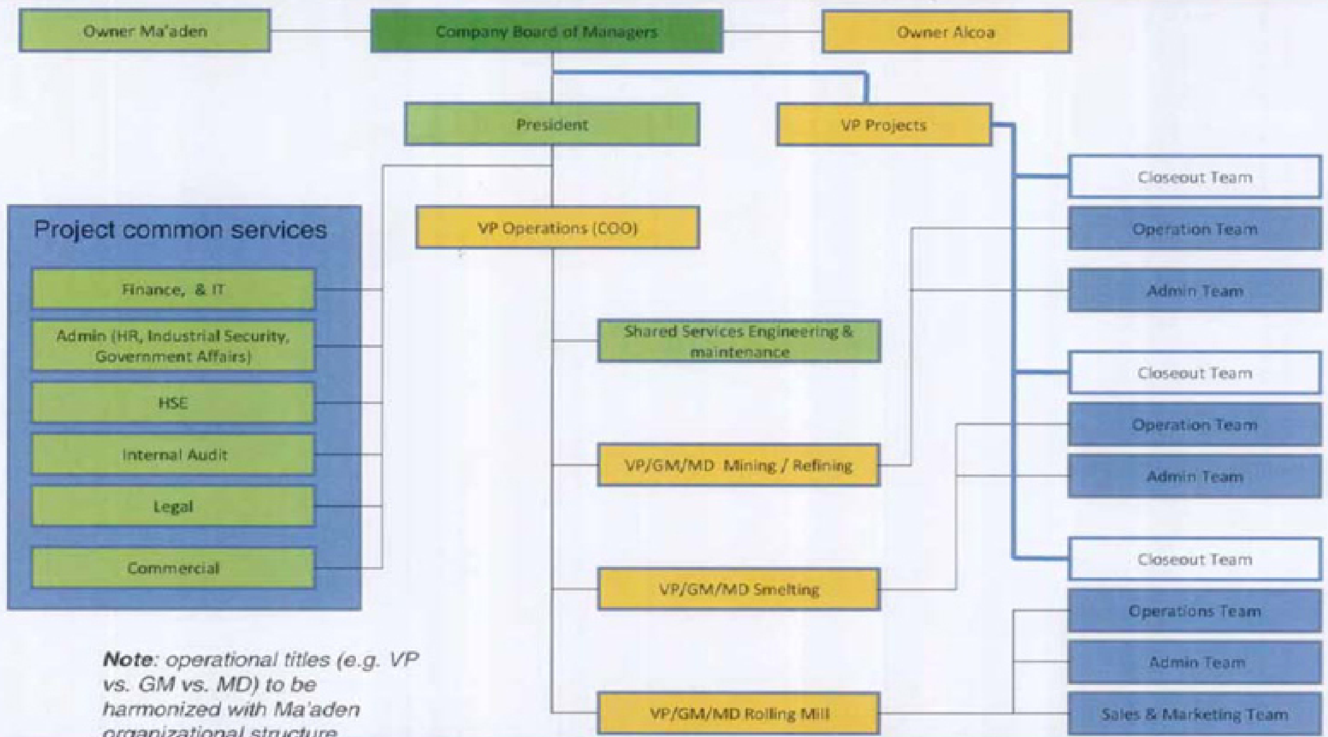

ALCOA
MA'ADEN معادن
Project Close Out Organization
Owner Ma'aden
Company Board of Managers
Owner Alcoa
President
VP Projects
Closeout Team
Operation Team
Admin Team
Project common services
Finance, & IT
Admin (HR, Industrial Security, Government Affairs)
HSE
Internal Audit
Legal
Commercial
VP Operations (COO)
Shared Services Engineering & maintenance
VP/GM/MD Mining / Refining
Closeout Team
Operation Team
Admin Team
VP/GM/MD Smelting
Closeout Team
Operations Team
Admin Team
Sales & Marketing Team
VP/GM/MD Rolling Mill
Note: operational titles (e.g. VP vs. GM vs. MD) to be harmonized with Ma'aden organizational structure

Project Timeline – Project Steady State

Project Steady State
VP Projects position no longer required, President is the CEO of the 3 Companies reporting directly to the Company Board of Managers

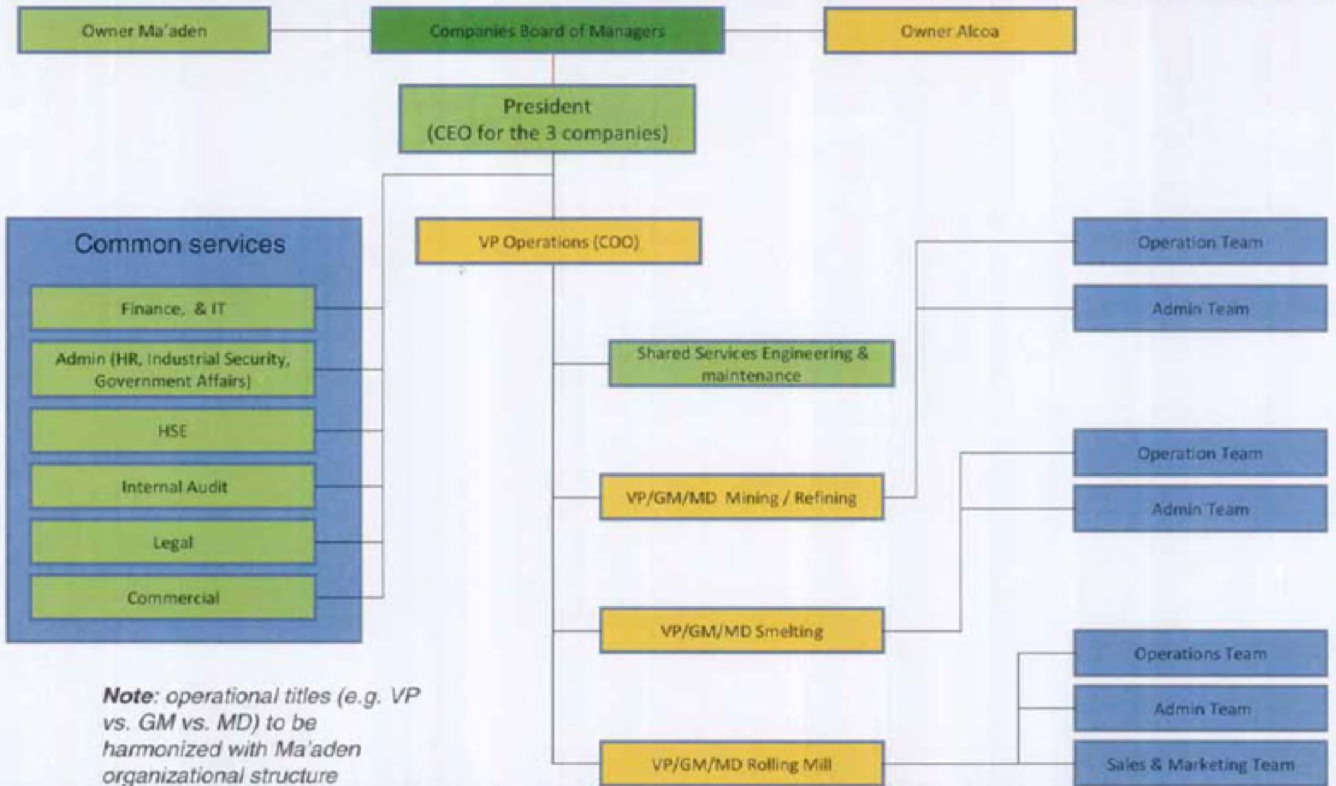
Smelter steady state (example)

04/ 2009 | 07/ 2009 | Q4 2009 | 06/ 2010 | 06/ 2011 | Q4/ 2012 | Q1/ 2013 | Q4/ 2013 | Q4/ 2014

- Post JVA Initialing
- Post JVA signing
- Post Company Incorporation
- Post Company Incorporation and on achieving specific milestones
- Post Smelter Project Closeout

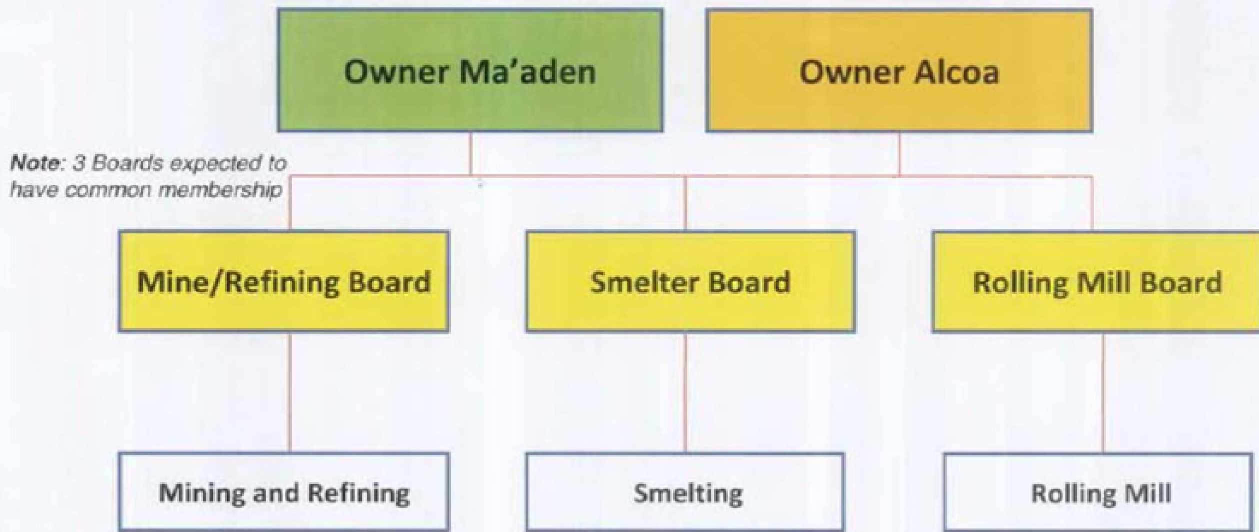
Alcoa Confidential

Project Steady State Organization



ALCOA MA'ADEN معادن

Project Organization by Legal Entity – Governance



President is a non-voting member of the Board

Alumco Project Organizational Timeline

END

SCHEDULE 14

Alcoa Services

Part 1 - Alcoa Services

In addition to (a) participation in the Development Committee and on the Mine/Refinery, Smelter and Rolling Mill Steering Committees under Schedule 13; (b) the technology licensing and assistance being provided pursuant to the interim Technology Licenses; and (c) services to be provided under various Ancillary Agreements, the following are the services that Alcoa anticipates providing to the Companies:

1. Engineering and Construction Phase

1.1 General Services

(a) Project execution leadership in all three Steering Committees, and at overall Project level including through deputation of experience personnel where needed

(b) Contribute experienced technical, financial, energy, managerial, marketing, raw material procurement and other resources to the owner's team

(c) Design engineering and construction peer review teams; Monitoring of construction progress and development of remedial plans where required

(d) Procurement advisory services

(e) Development of EPC/EPCM bid packages and evaluation of bid submissions

(f) Negotiation assistance, both with potential EPCs/EPCMs, but also with other contractors and power supplier(s);

(g) Assistance on Project Financing process, including financial work on bankable feasibility studies

(h) Advise on sales and marketing (critical for Rolled Products)

(i) Research and Development linkage to Alcoa's worldwide research facilities and product development activities

(j) Assistance on Human Resources (HR) systems/standards/practices , including, (i) Strategic HR activities, including developing long-term hiring/sourcing, employment and training plans; (ii) Tactical HR activities, including identifying Alcoa and other industry resources to assist during engineering and construction; and (iii) Facilitate training assignments and secondments for operating staff at Alcoa facilities

(k) Disclosure of non-confidential improvements and innovations

(l) Environmental , health and safety services

(m) Any other services or assistance (including inter-alia any services in the nature of business advisory services and management services)as mutually agreed to by both parties

1.2 Mine/Refinery-specific Services

(a) Refinery technology and design elements required following RTA's withdrawal

(b) Leverage engineering work done previously on refinery projects, expected to result in time and cost savings to Project

(c) Initiate planning to provide an experienced commissioning team to ensure a smooth start up.

(d) Any other services or assistance as mutually agreed to by both parties

1.3 Smelter-specific Services

(a) Provide significant assistance in managing the Bechtel relationship – this will leverage Alcoa's experience with Bechtel on the Fjarðaál Project in Eastern Iceland, and should improve Bechtel's accountability and performance and result in budget savings to Project

(b) Smelting technology and design elements required following RTA's withdrawal

(c) Initiate planning to provide an experienced commissioning team to ensure a smooth start up

(d) Smelting technology and design elements required following RTA's withdrawal including the design changes implemented to achieve high amperage and high energy efficiency as implemented in Alcoa high amperage smelters including the Fjardaal smelter.

(e) Any other services or assistance as mutually agreed to by both parties

1.4 Rolling Mill (including Casthouse and Metal Recycling / Dross Processing)

(a) Provide critical equipment configurations based on Alcoa best practices, operating experience and critical proprietary technology, develop and provide detailed equipment specifications for major CAPEX pieces of equipment, said specifications to comprehend critical process / quality requirements needed to produce can sheet and end and tab products , provide detailed input into equipment layouts, process and material flow , scrap handling etc. . Optimize CAPEX investment by eliminating unnecessary CAPEX (e.g. elimination of edge scalping , minimization of Cast house CAPEX via EMC technology., etc.) through the integration and use of proprietary Alcoa technology. Alcoa will provide subject matter experts to provide detailed know how for all sections of the mill to ensure that the mill will be capable to produce the can products targeted.

(b) Provide Alcoa's proprietary designs for UBC scrap recycling equipment as well specialized and proprietary equipment for casting , filtration, metal treatment, and dross processing. Said equipment will represent state of the art technology and know how based off Alcoa best practices, proprietary technology and expertise.

(c) Participate in an integrated team (Alcoa subject matter experts and Ma'aden employees) in a parallel approach going forward to reach Financial Closure in the required time, including (i) engaging OEMs for engineering on the rolling and casting /ancillary equipment ; (ii) engaging an engineering firm for engineering of infrastructure, buildings and facility elements; and (iii) engaging and guiding consultants to establish market data to determine product mix and speed of ramp up to full production of mainly sophisticated sheet for can production. Technical engagement will include detailed engineering inputs based on Alcoa experience such as typical emissions levels, consumption levels, supporting utilities requirements and the like . Marketing engagement will include the supply of Alcoa proprietary market data on the RCS market including RCS sheet demand knowledge in MENA, Europe and Asia.

(d) Initiate planning to provide an experienced commissioning team to ensure that the mill will produce customer accepted products from the earliest date possible. This should eliminate

technical problems from the ramping up period to the minimum necessary to capture the envisaged market share.

(e) Any other services or assistance as mutually agreed to by both parties

2. <u>Start-up and operation phase</u>

2.1 <u>General Services</u>

(a) Deploy high-functioning, experienced commissioning teams to Mine/Refinery, Smelter and Rolling Mill to start up facilities as efficiently, safely and effectively as possible

(b) Provide assistance in hiring/sourcing training and developing the operating company's workforce

(c) Provide experienced resources for key managerial positions (across all material functions) as needed including through deputation of experience personnel where needed

(d) Provide access to Alcoa's system of operational development and relevant personnel to maintain competiveness (as reflected inter-alia through cost of production, downtime etc.) of the assets deployed across all three project elements

(e) On request, review relevant operational data from the Companies and provide feedback on specific aspects

(f) Provide access to product development know-how, particularly for rolled products

(g) Provide technical sales support, particularly for rolled products

(h) Provide access to Alcoa's worldwide leveraged procurement initiatives

(i) Provide access to Alcoa's operating procedures / quality control procedures /any other relevant best practices in order for the companies to establish their governance framework, internal policies & procedures

(j) Dispatch of subject matter experts on short term assignments (on request)

(k) Research and Development linkage to Alcoa's worldwide research facilities and product development activities

(l) Assistance on Human Resources (HR) systems/standards/practices including, (i) Strategic HR activities, including developing long-term hiring/sourcing, employment and training plans; (ii) Tactical HR activities, including identifying Alcoa and other industry resources to assist during engineering and construction; and (iii) Facilitate training assignments and secondments for operating staff at Alcoa facilities

(m) Environmental, health & safety services

(n) Raw material procurement, Marketing and logistics services

(o) Finance / Accounting & Control / Treasury & Risk Management Services

(p) Disclosure of non-confidential improvements and innovations

(q) Any other services or assistance (including inter-alia any services in the nature of business advisory services or management services) as mutually agreed to by both parties

2.2 Mine/Refinery-specific Services

(a) Pre-train key managers and operators to ensure smooth Refinery start-up including through on-site training

(b) Deploy experienced Mine/Refinery start-up team

(c) Provide technological, technical and managerial linkage to Alcoa's world-wide Mining and Refining system, which mines in excess of 35 million MTPY of bauxite, and refines in excess of 15 million MTPY of alumina

(d) Any other services or assistance as mutually agreed to by both parties

2.3 Smelter-specific Services

(a) Pre-train key managers and operators at Alcoa's AP smelters around the world to ensure smooth Smelter start-up

(b) Deploy experienced Smelter start-up team

(c) Provide smelter-casthouse quality system and best practices for controlling metal purity and primary aluminum product qualification into London Metal Exchange (LME)

(d) Provide technological, technical and managerial linkage to Alcoa's world-wide Smelting system, which produces in excess of 4.5 million MTPY of primary aluminum

(e) Marketing and logistics services

(f) Any other services or assistance as mutually agreed to by both parties

2.4 Rolling Mill

(a) Pre-train key managers and operators at Alcoa's can sheet rolling mills around the world to ensure smooth start-up of the cast house and rolling mill.

(b) Deploy experienced Rolling Mill start-up team (Subject Matter experts) during commissioning and start-up phases.

(c) Provide personnel, laboratory and customer linkages necessary to qualify a new can stock facility

(d) Provide technological, technical and managerial linkage to Alcoa's world-wide Rolling system, which includes the premier can end, tab and body stock manufacturing plants

(e) Provide proprietary Alcoa Technology necessary for the operation of the mill. This proprietary technology includes access to Alcoa Proprietary:

(i) EMC casting technology (High productivity equipment hardware modifications made by Alcoa, casting practices)

(ii) EMC mold technology

(iii) Molten metal filtration technology and practices

(iv) Molten metal degassing technology and practices

(v) Modified alloy chemistries to maximize scrap content & associated processing paths to still meet customer requirements

(vi) Melter energy/dross optimization technology and practices

(vii) Alcoa developed controls/models for Hot mills and Cold mills

(viii) In-line Alcoa proprietary Surface Quality Inspection Systems (SQM)

(ix) Alcoa Proprietary Water based lubrication technology

(x) Alcoa proposed cold mill pre-quench (significantly minimizes working capital / min hot mill store size)

(xi) Taper rolling technology

(xii) Roll Coating Technology including Alcoa developed grinding/polishing practices

(xiii) Can body scalp elimination requirements (Significant recovery improvements)

(xiv) Scalper controls / measurement system (Recovery optimization)

(xv) End and Tab coating Line Equipment Configuration and practices

(f) Any other services or assistance as mutually agreed to by both parties

Part 2 - Technology Licenses and Support Services

Pursuant to Clause 26.4, Alcoa will offer to enter into separate technology license agreements and technical support agreements with the Companies in respect of the following and on the payment terms detailed below, the Parties shall grant to the Companies a license to use Intellectual Property which is owned by the Parties but is required to implement the Project.

1. Intellectual Property

Alcoa will make the following technologies available to the relevant Company on the terms and conditions to be set out in the technology license agreements contemplated by Clause 26.4:

1.1 Mining & Refining Company

(a) QUASAR

1.2 Smelting Company

(a) Potential Replacement of AP39 with AP33 + Fjardaal improvements

1.3 Rolling Company

(a) Alcoa Rolling Mill technology

(b) Alcoa Casting Technology

(c) Recovery Maximization Technology

(d) Melter Optimization Technology

(e) Alcoa Proprietary Surface Inspection Systsms

(f) Proprietary Roll Coating Technology

(g) Water based Rolling Lubricants

(h) Alcoa Proprietary Control Systems

(i) Alcoa UBC Delacquering Technology

(j) Dross Processing/Metal Reclamation Technology

(k) Rolling Lubricant Management Technology

(l) Alloy Cost Optimization

2. Support services

In addition to the specific technologies set out above, Alcoa will provide the following support services in relation to the Project for each of the Mining & Refining Company, the Smelting Company, and the Rolling Company:

(a) Replication of existing engineering where appropriate

(b) Access to incremental technology advancements

(c) Access to Alcoa Business Systems and support in implementation

(d) Access to and support in implementing operating systems, procedures and know-how

(e) Design and commissioning support for process & engineering technology

(f) Technical problem solving

(g) Coaching of JV operational leadership

(h) Ongoing access to Alcoa facilities for the purposes of training and transfer of best practice

To structure this support, Alcoa will conduct an annual review of the operational performance of each of the Mine, the Rolling Mill and the Smelter. The review will measure the improvements achieved in the previous year, and recommend the technology and operational improvements to be implemented in the coming year. On approval by the relevant Company, Alcoa, together with the [Development Committee/Board of Managers] of the relevant Company, will plan the support necessary to transfer and embed these gains into the operations of each Company.

3. Fees

In consideration for the licenses granted and services provided as described in this Schedule 14, the relevant Company will pay the following fees (plus the relevant travel and expenses):

3.1 Technology access fees:

(a) Mining & Refining Company ($25m)

(b) Smelting Company ($30m payable only if Fjardaal technology is selected)

3.2 Ongoing license fees for access to support:

(a) Mining & Refining Company: $3/t alumina produced (with an option to exit the support arrangement after 10 years or on every 5th year thereafter)

(b) Smelting Company: $8/tonne of aluminum produced escalated at 2.5% pa for 7 years.

(c) Rolling Company: 1% of total revenue (with an option to exit the agreement after 10 years)

SCHEDULE 15

Project Milestones

Task	Start	End	GAL Deadline
Common Activities			
Smelter and Power			
Stage 3 +/- 15% Estimate		Oct '09	
Stage 3 +/- 10% Estimate		Dec '09	
Stage 3 Report		Jan '10	
Project financing	Oct '09	Apr '10	Jun '10
NTP		Apr '10	
First Metal		Apr '13	Q1 2013
Rolling Mill			
Stage 2 +/- 20% Study		Dec '09	
Stage 3 +/- 15% Study		Apr '10	
TSA Signed			Mar '10
Financial Close			Jun '10
EPC Contract Signed			Dec '10
Startup			Q4 2013
Mine and Refinery			
Stage 2 +/- 20% Estimate		Oct '09	
Stage 2 Report		Dec '09	
Technology Agreement			Mar '10
Stage 3 Engineering	Dec '09	Aug '10	
Stage 3 +/- 10% Estimate		Jul '10	
Stage 3 Report		Aug '10	
Project Financing	Sep '10	Mar '11	Jun '11
NTP		Apr '11	
EPC Contract Signed		Apr '11	Jul '11
First Alumina		Aug '14	Q4 2014

Exhibit 10.J

Execution Copy

December 20, 2009

ALCOA INC.

- and -

ALUMINUM FINANCING LIMITED

CLOSING MEMORANDUM

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CLAUSE **PAGE**

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CLOSING MEMORANDUM

This **CLOSING MEMORANDUM** (this "**Memorandum**") is made and entered into on December 20, 2009 between:

(1) **ALCOA INC.**, a corporation incorporated in the Commonwealth of Pennsylvania, United States of America, with a mailing address of 390 Park Avenue, New York, NY 10022, United State of America ("**ALCOA**"); and

(2) **ALUMINUM FINANCING LIMITED,** a company incorporated and registered in the British Virgin Islands, with a mailing address of c/o Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands ("**INVESTOR**").

ALCOA and INVESTOR may hereinafter be referred to jointly as the "**Parties**" or individually as a "**Party**".

RECITALS

(A) **WHEREAS,** on our about the date hereof ALCOA expects to execute a Framework Shareholders' Agreement in substantially the form of the initialled draft set out in ***Schedule 1*** hereto ("**JV Shareholders Agreement**") with Saudi Arabian Mining Company ("**Ma'aden**") pursuant to which Ma'aden and ALCOA will enter into a joint venture for the development, construction, ownership and operation of an integrated mine, refinery, smelter and rolling mill in the Kingdom of Saudi Arabia (the "**Joint Venture**"), initially to be developed for: **(i)** the extraction of approximately 4,000,000 tpa of bauxite from the Al Ba'itha bauxite deposit in the Kingdom; **(ii)** the production of approximately 1,800,000 tpa of alumina and approximately 740,000 tpa of aluminum, and **(iii)** the production of approximately 250,000 tpa, which may be increased to 460,000 tpa, of rolling mill product, **((i)**, **(ii)** and **(iii)** hereinafter referred to as the "**Project**"), as well as potential future expansions of the Project;

(B) **WHEREAS,** for the purposes of implementing the Joint Venture and carrying out the Project, ALCOA and Ma'aden are establishing three limited liability companies in, and under the laws of, the Kingdom of Saudi Arabia, one for the Mine at Al Ba'itha and for the Refinery at Ras Az Zawr called Ma'aden Bauxite & Alumina Company (the "**Mining & Refining Company**"), one for the Smelter called Ma'aden Aluminum Company (the "**Smelting Company**"), and one for the Rolling Mill, called Ma'aden Rolling Company (the "**Rolling Company**") (each referred to as a "**Company**" and collectively as the "**Companies**");

(C) **WHEREAS,** in relation to each Company: (i) Ma'aden (and/or its Affiliate(s)) shall own, directly or indirectly, sixty percent (60%) of the issued share capital; and (ii) ALCOA (and/or its Affiliate(s)) shall own, directly or indirectly, forty percent (40%) of the issued share capital;

(D) **WHEREAS,** ALCOA intends to incorporate under the laws of Hong Kong **(i)** an Affiliate of ALCOA for purposes of holding forty percent (40%) of the issued share capital of the Mining & Refining Company (the "**Mining** & **Refining SPV Company**"), (ii) an Affiliate of ALCOA for purposes of holding forty percent (40%) of the issued share capital of the Smelting Company (the "**Smelting SPV Company**"), and (iii) an Affiliate of ALCOA for purposes of holding forty percent (40%) of the issued share capital of the Rolling Company (the "**Rolling SPV Company**") (each referred to as a "**SPV Company**" and collectively as the "**SPV Companies**");

(E) **WHEREAS,** the INVESTOR has agreed to take a fifty percent (50%) participation in each of the SPV Companies, initially in the form of subordinated, convertible promissory notes and, following conversion of such notes, in the form of 50% of the aggregate number of ordinary shares issued in the SPV Companies;

(F) **WHEREAS,** the Parties have agreed that such participation in each SPV Company will be governed by a note purchase agreement ("**Note Purchase Agreement**") substantially in the form set out in ***Schedule 2*** hereto (the "**Agreed Form Note Purchase Agreement**") and a shareholders' agreement ("**Shareholders Agreement**") in the form set out in ***Schedule 3*** hereto (the "**Agreed Form Shareholders Agreement**"); and

(G) **WHEREAS,** the Parties have further agreed that they may each designate an Affiliate to be a party to each such Note Purchase Agreement and Shareholders Agreement, and will procure that ultimate parent company guarantees of the obligations of such Affiliates substantially in the form set out in ***Schedule 4*** hereto (the "**Agreed Form Parent Company Guarantee**").

NOW THEREFORE, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Capitalised terms used in this Memorandum and not defined herein shall have the meanings given to them in the JV Shareholders Agreement. For the purposes of this Memorandum, the term "Agreed Form" when used with reference to any document shall mean, a form of document which (save for minor administrative details) has been agreed and initialed by or on behalf of the Parties for the purposes of identification.

1.2 The rules of interpretation set out in clause 1.2 of the JV Shareholders Agreement shall apply to this Memorandum.

2. ACKNOWLEDGEMENTS

2.1 The INVESTOR shall concurrently with the execution of this Memorandum provide to ALCOA a guarantee of the INVESTOR's obligations hereunder in the form of the Agreed Form Parent Company Guarantee duly executed by Abdullah Abunayyan Trading Corp.

2.2 ALCOA shall concurrently with the execution of this Memorandum provide to the INVESTOR a guarantee of ALCOA's obligations hereunder in the form of the Agreed Form Parent Company Guarantee duly executed by ALCOA.

2.3 The Parties acknowledge the terms of the JV Shareholders Agreement, including, without limitation, the capital funding arrangements and requirements for the Project contemplated therein.

2.4 Subject to the INVESTOR's cooperation in respect of the Board Reserved Matters and Shareholder Reserved Matters (each as defined in the Agreed Form Shareholders Agreement), ALCOA shall at all times act in good faith and use its reasonable endeavours to procure that each SPV Company shall, at all times, in respect of ALCOA's investment in the relevant Company, operate in accordance with ALCOA's obligations in the JV Shareholders Agreement, so far as such obligations relate directly to such Company.

2.5 ALCOA shall ensure that either (a) the SPV Companies become founding shareholders of the relevant Companies on the initial incorporation of such Companies, or (b) if ALCOA or another Affiliate of ALCOA is the founding shareholder on the initial incorporation of such Companies, ALCOA or such Affiliate shall transfer all of its interests (whether debt or

equity), direct and/or indirect, in the capital of each of the Companies to the relevant SPV Companies.

2.6 Notwithstanding any other provision in this Memorandum, ALCOA undertakes during the period prior to execution of the Note Purchase Agreement in respect of the SPV Companies, that ALCOA shall not act or take any steps in respect of any Board Reserved Matter or Shareholder Reserved Matter in respect of any of the SPV Companies or the Companies, without the prior written consent of the INVESTOR. The INVESTOR shall provide such consent (or objection) promptly following ALCOA's request therefor. In the event of an objection the Deadlock Resolution Procedure set out in clause 6.5(d) of the Agreed Form Shareholders Agreement shall be applied, mutatis mutandis.

3. INCORPORATION OF THE SPV COMPANIES

3.1 ALCOA shall as soon as is reasonably practicable procure the incorporation of the SPV Companies under and in accordance with the laws of Hong Kong. ALCOA shall ensure that, to the extent practicable, the constitutive documents of the SPV Companies are consistent with the provisions of the Agreed Form Shareholders Agreement.

4. EXECUTION OF THE PARTICIPATION DOCUMENTS

4.1 Promptly following:

(a) execution by each of ALCOA and Ma'aden of the JV Shareholders Agreement; and

(b) incorporation of all the SPV Companies,

ALCOA shall issue a notice to the INVESTOR specifying a date on which it wishes INVESTOR and/or INVESTOR's Affiliates (if applicable) to execute the relevant agreements relating to the INVESTOR's participation in the SPV Companies (the "**Closing Date**").

4.2 The INVESTOR hereby irrevocably undertakes that on the Closing Date:

(a) the INVESTOR will execute with an Affiliate of ALCOA the Agreed Form Note Purchase Agreement and the Agreed Form Shareholders Agreement in respect of each of the SPV Companies; and

(b) in relation to the agreements entered into by the INVESTOR, A. Abunayyan Trading Corp, will execute the Agreed Form Parent Company Guarantee.

4.3 ALCOA hereby irrevocably undertakes that on the Closing Date:

(a) ALCOA shall or ALCOA shall procure that an Affiliate of ALCOA shall execute with the INVESTOR the Agreed Form Note Purchase Agreement and the Agreed Form Shareholders Agreement in respect of each of the SPV Companies; and

(b) ALCOA shall procure that each of the SPV Companies shall execute the Agreed Form Note Purchase Agreements and the Agreed Form Shareholders Agreement; and

(c) in relation to the agreements entered into by an Affiliate of ALCOA (other than any SPV Company), ALCOA shall execute the Agreed Form Parent Company Guarantee.

5. ALLOCATION OF CERTAIN COSTS BETWEEN THE SPV COMPANIES

5.1 The Parties agree that the following allocations of responsibility in relation to the ALCOA LOC, the payment of Agreed Pre-Incorporation Costs and the payment of the Entry Payment shall be reflected in the Note Purchase Agreements and Shareholders Agreements to be executed pursuant to Clause 4:

	Mining & Refining SPV Company	Smelting SPV Company	Rolling SPV Company	Total
ALCOA LOC	US$140 million	None	none	**US$140 million**
Agreed Pre- Incorporation Costs	to be decided in cooperation with Ma'aden	to be decided in cooperation with Ma'aden	to be decided in cooperation with Ma'aden	**US$ 55 million**
Entry Payment	to be decided in cooperation with Ma'aden	to be decided in cooperation with Ma'aden	to be decided in cooperation with Ma'aden	**US$ 80 million**

5.2 Fifty percent (50%) of the total amounts for each SPV Company set out in the above table shall be contributed by the INVESTOR by way of the purchase price for convertible promissory notes at the "Initial Closing" under the relevant Note Purchase Agreement.

5.3 The remaining fifty percent (50%) of the total amounts for each SPV Company set out in the above table shall be contributed by ALCOA or its Affiliate by way of subscription for ordinary shares in the SPV Companies concurrently with the "Initial Closing" under the relevant Note Purchase Agreement.

6. TECHNOLOGY FEES ARRANGEMENTS

6.1 In respect of royalties that ALCOA or its Affiliates receive under either **(a)** the technology license agreement for the Mining & Refining Company or **(b)** the technology license agreement for Smelting Company, each entered into pursuant to the JV Shareholders Agreement (the "**Royalties**"), ALCOA or its Affiliates will, immediately upon receipt of such Royalties, issue a credit to the INVESTOR of one-half of the actual amount of Royalties received by ALCOA or its Affiliates, until a total of US$ 26 million has been so credited to the INVESTOR, and thereafter, the INVESTOR shall not be entitled to receive any additional credits for Royalties. The credits received within a calendar quarter shall first be used to offset any Royalties required to be paid by the Mining & Refining Company or the Smelting Company and allocable to INVESTOR through its participation in the Mining & Refining SPV Company or the Smelting SPV Company, as applicable; then, at INVESTOR's direction, either to be used to satisfy its portion of such SPV Company's funding requirements, or, at the end of the calendar year, any remainder payable to INVESTOR in immediately available funds upon INVESTOR's demand.

7. COMPLETION GUARANTEE ARRANGEMENTS

7.1 In respect of any Completion Agreements as part of the Financing Agreements for all the Companies under which a SPV Company is required to make payments of interest and/or principal (the "**Required Payments**") to Senior Lenders in respect solely of delays in the commissioning of a Company's operations (and, for the avoidance of doubt, not including any payments for cost overruns in respect of a Company's operations) (the "**Completion Guarantees**"), the following shall apply:

(a) ALCOA will enter into the Completion Guarantees in respect of the entire 40% interest in the Companies held by the SPV Companies, and will not seek private insurance to cover such liabilities. For the purposes of clarity and avoidance of doubt, the restriction on ALCOA to seek private insurance to cover such liabilities shall not, in any manner whatsoever, restrict or limit the INVESTOR from seeking private insurance to cover such liabilities.

(b) ALCOA will be responsible for fifty percent (50%) of the Required Payments under the Completion Guarantees.

(c) In respect of the remaining fifty percent (50%) of the Required Payments under the Completion Guarantees:

(i) INVESTOR shall bear and shall indemnify ALCOA in respect of the first US$ 200 million, in aggregate, of such Required Payments under the Completion Guarantees, plus

(ii) Ten percent (10%) of such Required Payments under the Completion Guarantees in excess of US$ 200 million; and

(iii) ALCOA will be responsible for the remainder of such Required Payments under the Completion Guarantees.

7.2 Subject to Clause 7.3 below, the INVESTOR, shall, in consideration for ALCOA's assumption of the responsibilities in respect of the Completion Guarantees pursuant to Clause 7.1(c) pay ALCOA a fee of US$ 5 million per Company per year for four (4) years (for the avoidance of doubt, US$15 million per year for four (4) years, for a total of US$ 60 million). Each annual payment will be due and payable in total on or before the 31st day of January of each calendar year, beginning on July 31, 2010.

7.3 The INVESTOR shall have the option to terminate the arrangement contemplated in Clause 7.1(c) at any time by notice in writing to ALCOA and the Parties hereby agree that, in the event of such termination, each of ALCOA and the INVESTOR shall be responsible for fifty percent (50%) of all Required Payments under the Completion Guarantees that are to be made following such termination. Upon exercise of the option by the INVESTOR pursuant to this Clause 7.3, any and all obligations of the Investor arising from Clause 7.2 shall cease.

8. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

8.1 Each of ALCOA and the INVESTOR, severally and not jointly, represents and warrants as follows:

(a) It is duly incorporated and validly existing in accordance with the laws of the country and/or state under which it is incorporated.

(b) It has the power and authority to execute and deliver, to perform its obligations under and to undertake the transactions anticipated by this Memorandum, and all necessary corporate and other action has been taken to authorize the execution, delivery and performance of this Memorandum.

(c) Its officers or directors have the power and authority to act on its behalf in entering into this Memorandum, and any agreement required pursuant to this Memorandum.

(d) It is not insolvent, no petition has been filed relating to its insolvency and no proceedings have been issued for its dissolution or liquidation.

(e) This Memorandum has been duly executed and constitutes a valid, legal and binding obligation of such party enforceable in accordance with its terms.

(f) The execution and delivery of this Memorandum, and the performance by it of its obligations under and the transactions anticipated by this Memorandum will not contravene any law applicable to it or conflict with or result in a breach of or default under its or their corporate charter or other organizational documents or any agreement or other obligation binding on it.

(g) With respect to all activities contemplated under this Memorandum, it has not, nor will it, or its directors, officers or employees pay, offer, promise, or authorize the payment of money or anything of value, directly or indirectly, to a government official while knowing or having reason to believe that any portion of such exchange is for the purpose of: (i) influencing any act or decision of a government official in its official capacity, including the failure to perform an official function, in order to assist itself or any other person in obtaining or retaining business, or directing business to any third party; (ii) securing an improper advantage; (iii) inducing a government official to use its influence to affect or influence any act or decision of a governmental authority in order to assist itself or any other person in obtaining or retaining business, or directing business to any third party; or (iv) providing an unlawful personal gain or benefit, of financial or other value, to a government official.

8.2 ALCOA shall procure that, promptly following the formation of the Smelting Company, it will cooperate with Ma’aden to ensure that the Aluminium Purchase Agreement between Ma’aden (as seller) and ALCOA (as buyer) will be novated from Ma’aden to the Smelting Company (as seller) and from ALCOA to the Smelting SPV Company (as buyer).

9. CONFIDENTIALITY

9.1 Each Party shall (a) ensure that the contents of this Memorandum and any confidential information regarding the Project or any other Party which it may learn in the course of negotiations for, or carrying out of this Memorandum, is treated by it in strict confidence and (b) only disclose such information to its directors, officers, employees, professional advisers or consultants, or to any bank or financial institution from whom the Party is seeking finance, to the extent that such disclosure is necessary and (c) not make use of such information for purposes other than the implementation of the Parties’ cooperation hereunder unless such information: (i) is known to such Party prior to learning of it from the other; (ii) is obtained by such Party from a source other than the disclosing Party, which source, (A) did not require such Party to hold such secrets or information in confidence and (B) did not limit or restrict such Party’s use thereof; (iii) becomes public knowledge other than through the fault of such Party; (iv) is required to be disclosed by any competent legal or regulatory authority; (v) is required to be disclosed by any internationally recognized stock exchange, provided that in any such case the Party shall provide prompt written notice to the other Party prior to making such disclosure and provide details of the proposed form, nature and purpose of such disclosure so that the disclosing Party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this clause; (vi) is independently developed by such Party; or (vii) is permitted to be used or disclosed pursuant to the terms of a separate agreement between the disclosing Party and either the receiving Party, in which case such use or disclosure shall be governed by the terms of the relevant agreement.

9.2 Each Party shall impose on its professional advisers or consultants, or to any bank or financial institution from whom the Party is seeking finance, an equivalent obligation of confidentiality and shall obtain an undertaking of strict confidentiality from such professional advisers or

consultants, or financial institution from whom the Party is seeking finance, on the terms set out in this Clause 9.

9.3 Specific information disclosed shall not be deemed to be within the foregoing exceptions simply because such information is included in more general information within the said exceptions. In addition any combination of information, features, concepts, designs or process flows, shall not be automatically deemed to be within the said exceptions simply because the individual items of information, features, designs, concepts or process flows are within the said exceptions.

10. ANNOUNCEMENTS

Each Party shall notify the other Party of its intent to issue any press release or other public announcement with respect to this Memorandum or the transactions contemplated herein and, except as required by any competent legal or regulatory authority or any internationally recognized stock exchange, shall not issue any such release or announcement without the prior consent of the other Party, which consent shall not be unreasonably withheld. Such consent shall not, however, be required in order for a Party (or its Affiliates) to include a reference to this the transactions contemplated herein annual, quarterly or current reports and similar publications or to file a copy of this Memorandum or any related document with any governmental authority to comply with the legal obligations of disclosure applicable to such Party (or its Affiliates) under the applicable laws.

11. NOTICE

All notices, communications and demands of any kind which either Party may be required or desire to serve upon the other Party under the terms of this Memorandum shall be in writing and shall be deemed to have been effectively given if served by personal service or a recognised courier service (e.g., DHL, Federal Express) at the address of the Party indicated in this Memorandum or at such other address as may be designated by the party by a notice to the other given in conformity with this Memorandum. Notices shall be deemed delivered, in the case of personal service, upon delivery and in the case of courier, the recipient's first clear Business Day at least four (4) complete calendar days after delivery to the courier. Notices may be delivered by facsimile transmission and shall be deemed delivered on the recipient's first clear Business Day following the date of transmission, provided that confirmation of transmission has been recorded by the sender's fax machine. Notices may also be delivered by electronic mail which shall be followed by a facsimile transmission confirming the same, and shall be deemed delivered on the recipient's first clear Business Day following the date it is sent provided that the sender's email messaging system shall not immediately thereafter have generated an unsuccessful transmission report.

12. TERMINATION

12.1 This Memorandum shall come into force on the date of this Memorandum and shall remain in force until the later of:

- **(a)** the date on which the INVESTOR has received a total of US$ 26 million of credits pursuant to Clause 6.1; and
- **(b)** the date on which all Completion Agreements in relation to the Senior Debt for all three Companies have terminated.

12.2 Notwithstanding any termination of this Memorandum, the following provisions shall survive such termination as to all Parties: Clauses 9, 10, 11, 12, 13, 14 and 15. The Parties shall be deemed to continue to be parties to the Memorandum for such purposes only.

12.3 Termination of this Memorandum with respect to any Party shall be without prejudice to the rights of any Party accrued prior to such termination.

13. GENERAL PROVISIONS

13.1 This Memorandum and any documents referred to in it or executed contemporaneously with it, constitute the entire agreement between the Parties and supersede any arrangements, understanding or previous agreement between them relating to the subject matter they cover. Each Party acknowledges that, in entering into this Memorandum and any documents referred to in it or executed contemporaneously with it, it does not rely on, and shall have no remedy in respect of, any statement, representation, assurance or warranty of any person other than as expressly set out in this Memorandum or those documents. Nothing in this Clause 13.1 operates to limit or exclude any liability for fraud.

13.2 This Memorandum shall be binding on the Parties and their respective successors and assigns. Neither of the Parties may assign, grant any encumbrance over, or declare any trust in favour of a third party over, this Memorandum or any of its rights and obligations under it, except with the prior written consent of the other Party.

13.3 A variation of this Memorandum shall be in writing and signed by or on behalf of all Parties. A waiver of any right under this Memorandum is only effective if it is in writing and it applies only to the person to whom the waiver is addressed and the circumstances for which it is given. A person that waives a right in relation to one person, or takes or fails to take any action against that person, does not affect its rights against any other person. Unless specifically provided otherwise, rights arising under this Memorandum are cumulative and do not exclude rights provided by law.

13.4 Except as provided in this Memorandum, all costs in connection with the negotiation, preparation, execution and performance of this Memorandum shall be borne by the Party that incurred the costs.

13.5 The Parties to this Memorandum are not in partnership with each other and there is no relationship of principal and agent between them.

13.6 Each Party shall at all times act in good faith towards the other and shall use all reasonable endeavours to ensure that this Memorandum is observed. Each Party shall do all things necessary and desirable to give effect to the transactions contemplated by this Memorandum and the spirit and intention of this Memorandum.

13.7 The Parties hereby agree, for no consideration, to execute and deliver promptly all powers of attorney, consents and additional instruments, and to take any such further action which may reasonably be required in order to consummate the transactions anticipated by this Memorandum.

13.8 This Memorandum is made for the benefit of the Parties and their successors and permitted assigns and is not intended to benefit, or be enforceable by, anyone else. The right of the Parties to terminate, rescind or agree any amendment, variation, waiver or settlement under this Memorandum is not subject to the consent of any person that is not a Party to this Memorandum.

13.9 If any provision of this Memorandum (or part of a provision) is found by any court or administrative body of competent jurisdiction to be invalid, unenforceable or illegal, the other provisions shall remain in force. If any invalid, unenforceable or illegal provision would be valid, enforceable or legal if some part of it were deleted or modified, the provision shall

apply with whatever modification is necessary to give effect to the commercial intention of the Parties.

13.10 This Memorandum may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each Party had signed the same document.

14. GOVERNING LAW AND JURISDICTION

14.1 This Memorandum and any disputes or claims arising out of or in connection with its subject matter are governed by and construed in accordance with the laws of England.

14.2 Prior to referring to arbitration pursuant to Clause 14.3 below, any dispute, controversy or claim arising out of or in connection with this Memorandum, or the breach, termination or invalidity thereof, (for the purposes of this Clause 14 a "**dispute**"), other than proceedings to enforce an agreement reached between the Parties under this Clause 14.2, the Party wishing to or considering making such reference shall notify in writing the other Party of the nature of the dispute and its background (for the purposes of this Clause 14, a "**dispute notice**") and its proposed basis for settlement of such dispute and the other Party shall respond to such dispute notice within fourteen (14) days of receipt, setting out any clarification it may feel relevant and including its proposed basis for settlement. The chief executives or presidents of each Party or their designees shall then meet within thirty (30) days of the issue of the dispute notice to attempt a reconciliation and settlement of the dispute. No statement as to a Party's proposed basis for settlement nor any discussions or communications between the Parties pursuant to this Clause 14.2 (except for the terms of any agreed settlement between the Parties) may be relied upon or referred to in later court, arbitration, enforcement or appeal proceedings.

14.3 If any dispute arising out of or in connection with the Agreement is not resolved pursuant to Clause 14.2 above within forty five (45) days of its referral to the Parties' senior management, such dispute shall be, if requested by any Party, referred to and finally settled by arbitration under the Rules of Arbitration of the International Chamber of Commerce as amended or substituted from time to time (the "**ICC Rules**" and the proceedings brought in accordance with this Clause14.3), which ICC Rules are deemed to be incorporated into this Memorandum except to the extent expressly modified by this Clause14.3. Arbitration shall be the exclusive method for resolution of the dispute and the determination of the arbitrators shall be final and binding. The Parties agree that they will give conclusive effect to the arbitrators' determination and award and that judgment thereon may be entered and enforced by any court of appropriate jurisdiction. The tribunal shall consist of three (3) arbitrators, one of whom shall be appointed by each Party and the third of whom, who shall act as chairman, shall be jointly nominated by the two arbitrators nominated by the Parties. Failing agreement as to the identity of the third arbitrator within five (5) Business Days of being required to do so, such third arbitrator shall be nominated by the International Court of Arbitration in accordance with the ICC Rules. The place of arbitration shall be London, England. The language to be used in the arbitration shall be English, and any documents or portions of them presented at such arbitration in a language other than English shall be accompanied by an English translation thereof. The arbitrators shall decide such dispute in accordance with the substantive laws of England applicable hereto.

14.4 If a dispute is referred to arbitration pursuant to Clause 14.3 above, unless the arbitrators rule otherwise, the obligations of the Parties shall not be suspended and the provisions of this Memorandum shall continue to be carried out by the Parties.

14.5 The courts of England shall, subject to Clause 14.6 below, have non-exclusive jurisdiction with respect to the enforcement of the arbitration provisions of this Memorandum and the Parties expressly submit to the jurisdiction of such courts with respect to any proceedings to enforce the arbitration provisions of this Memorandum. Each Party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any such proceedings and agrees not to claim that the courts of England are not a convenient or appropriate forum.

14.6 Without resulting in the waiver of any remedy under this Memorandum and in conjunction with each disputing Party's rights in accordance with Rule 25 of the ICC Rules, nothing in this Clause 14 shall preclude a disputing Party from seeking injunctive relief from a court pending the commencement of arbitral proceedings in accordance with Clause 14.3 (or pending the arbitral tribunal's determination of the merits of the dispute). The Parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of England for such injunctive relief and waive any objection or defence they may have to the venue or jurisdiction of such courts. Without limiting the generality of the foregoing, the Parties shall have the right to seek injunctive relief in any court of competent jurisdiction and the seeking of injunctive relief in one or more jurisdiction shall not preclude a Party from seeking such relief in any other jurisdiction.

15. NO LIABILITY FOR CONSEQUENTIAL LOSSES, ETC.

No Party or any of its Affiliates shall have any liability to the other Party (whether in contract, tort or otherwise) for any consequential, incidental, special or indirect losses (including loss of anticipated profits) arising from or relating to this Memorandum, whether out of any breach of this Memorandum, indemnity, any fault or negligence on the part of a Party or its Affiliates (or their respective employees) or otherwise.

IN WITNESS WHEREOF, each Party has caused this Memorandum to be executed by its duly authorized representative as of the date first written above.

ALCOA INC.

By: /s/ Klaus Kleinfeld
Name: Klaus Kleinfeld
Title: President and Chief Executive Officer

ALUMINUM FINANCING LIMITED

By: /s/ Mohamed Abdullah Abunayyan
Name: Mohamed Abdullah Abunayyan
Title: Director

SCHEDULE 1

INITIALLED JV SHAREHOLDERS' AGREEMENT

The Initialed JV Shareholders' Agreement is not included in this exhibit. See Exhibit 10(i) to company's Current Report on Form 10-K for the year ended December 31, 2009 for the executed agreement.

SCHEDULE 2

AGREED FORM NOTE PURCHASE AGREEMENT

Dated _______________ 2009

[*HONG KONG SPV*]

- and -

[*ALCOA WORLD ALUMINA ENTITY*]

- and -

[*ALUMINIUM FINANCING LIMITED*]

NOTE PURCHASE AGREEMENT

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NOTE PURCHASE AGREEMENT

This **NOTE PURCHASE AGREEMENT** (this "**Agreement**") is made and entered into on December [—], 2009 among:

(1) [***HONG KONG SPV***], a [—] company incorporated and registered in Hong Kong, with a mailing address of [—] (the "**Issuer**"); and

(2) [***ALCOA WORLD ALUMINA ENTITY***], a [—] company incorporated and registered in [—], with a mailing address of [—] ("**AWA**"); and

(3) [***ALUMINUM FINANCING LIMITED***], a [—] company incorporated and registered in [—], with a mailing address of [—] ("**Investor**").

The Issuer, AWA and the Investor may hereinafter be referred to jointly as the "Parties" or individually as a "Party".

RECITALS

(A) WHEREAS, pursuant to that the Framework Shareholders' Agreement dated [December 20], 2009 ("**JV Shareholders' Agreement**") between Saudi Arabian Mining Company ("**Ma'aden**") and Alcoa Inc ("**Alcoa**"), Ma'aden and Alcoa entered into a joint venture for the development, construction, ownership and operation of an integrated mine, refinery, smelter and rolling mill in the Kingdom of Saudi Arabia (the "**Joint Venture**"), initially to be developed for: (i) the extraction of approximately 4,000,000 tpa of bauxite from the Al Ba'itha bauxite deposit in the Kingdom; (ii) the production of approximately 1,800,000 tpa of alumina and approximately 740,000 tpa of aluminum, and (iii) the production of approximately 250,000 tpa, which may be increased to 460,000 tpa, of rolling mill product, ((i), (ii) and (iii) hereinafter referred to as the "**Project**"), as well as potential future expansions of the Project;

(B) WHEREAS, for the purposes of implementing the Joint Venture and carrying out the Project, Alcoa and Ma'aden are establishing several limited liability companies in, and under the laws of, the Kingdom of Saudi Arabia, one for the Mine at Al Ba'itha and for the Refinery at Ras Az Zawr called Ma'aden Bauxite & Alumina Company (the "**Mining & Refining Company**"), one for the Smelter called Ma'aden Aluminium Company (the "**Smelting Company**"), and one for the Rolling Mill, called Ma'aden Rolling Company (the "**Rolling Company**") (each referred to as a "**Company**" and collectively as the "**Companies**");

(C) WHEREAS, in relation to each Company: (i) Ma'aden (and/or its Affiliate(s)) shall own, directly or indirectly, sixty percent (60%) of the issued share capital; and (ii) Alcoa (and/or its Affiliate(s)) shall own, directly or indirectly, forty percent (40%) of the issued share capital;

(D) WHEREAS, AWA is an Affiliate of Alcoa and has incorporated the Issuer as a wholly owned subsidiary for purposes of holding forty percent (40%) of the issued share capital of the Mining & Refining Company;

(E) WHEREAS, the Investor has agreed to provide financing to the Issuer in the form of convertible promissory notes pursuant to the terms and conditions of this Agreement and the Notes (as defined below);

(F) WHEREAS, AWA and the Investor have on date hereof entered into a shareholders' agreement to regulate certain matters relating to the Issuer following conversion of the Notes and the Investor becoming a Shareholder of the Issuer, a copy of which is set out in Schedule 1 hereto (the "**Shareholders Agreement**");

(F) WHEREAS, pursuant to (a) a note purchase agreement of even date between the Investor, [*issuer*] and [*Alcoa Affiliate*], the Investor has agreed to provide financing to [*issuer*] in the proportion of fifty percent (50%) of [*issuer*] funding responsibility in relation to its holding of forty percent (40%) of the issued share capital of the Smelting Company, the other fifty percent (50%) of [*issuer*] funding responsibility shall be met by [*Alcoa Affiliate*] and (b) a note purchase agreement of even date between the Investor, [*issuer*] and [*Alcoa Affiliate*], the Investor has agreed to provide financing to [*issuer*] in the proportion of fifty percent (50%) of [*issuer*] funding responsibility in relation to its holding of forty percent (40%) of the issued share capital of the Rolling Company, the other fifty percent (50%) of [*issuer*] funding responsibility shall be met by [*Alcoa Affiliate*] (the "**Other Note Purchase Agreements**"); and

(G) WHEREAS, on the date hereof Alcoa has issued a parent company guarantee in respect of the obligations of AWA under this Agreement (the "**Alcoa Guarantee**") and A. Abunayyan Trading Corporation has issued a parent company guarantee in respect of the obligations of the INVESTOR under this Agreement (the "**INVESTOR Guarantee**").

NOW THEREFORE, the Parties agree as follows:

1 **THE NOTES**

(a) The Issuer has authorized the issuance and sale, in accordance with the terms hereof, of the Issuer's convertible promissory notes to the Investor (each, a "**Note**," and collectively, the "**Notes**"). Each Note will be substantially in the form set forth in Part 1 of Schedule 2 hereto, and will be convertible into ordinary shares of the Issuer in accordance with the terms of such Note.

(b) The Issuer agrees to issue and sell to the Investor, and, subject to and in reliance upon the representations, warranties, terms and conditions contained herein, the Investor agrees to purchase Notes in the aggregate principal amounts determined in accordance with this Agreement.

2 **PURCHASE AND SALE OF NOTES**

2.1.1 The Initial Closing

(a) The initial purchase and sale of Notes shall take place at [*TIME*] ([*CITY*] time) on the Closing Date (the "**Initial Closing**") at the offices of [—] or any other time and place agreed in writing by the Parties.

"**Closing Date**" means [*DATE*] or any other date agreed in writing by the Parties.

(b) At the Initial Closing:

(i) AWA shall subscribe for ordinary shares in the SPV Company, and make available funds for payment for such shares, and the SPV Company shall issue those shares, in each case to the value of US$[ ]; and

(ii) Concurrently with which the SPV Company shall issue and sell to the Investor, and the Investor shall purchase a Note in the principal amount equal to US$[ ].

2.1.2 Additional Closings

(a) After the Initial Closing, whenever Issuer is required to comply with any Cash Call or Development Committee Funding Call pursuant to the JV Shareholders' Agreement (including any Cash Call or Development Committee Funding Call with respect to the payment of any Additional Pre-Incorporation Costs) ("**Funding Call**"), the Issuer shall hold a further closing (each an "**Additional Closing**", and the term "**Closing**" is used herein refer to the Initial Closing or an Additional Closing, as applicable). At each Additional Closing:

(i) AWA shall subscribe for ordinary shares in the SPV Company, and make available funds for payment for such shares, and the SPV Company shall issue those shares, in each case to the value of fifty percent (50%) of the amount of the relevant Funding Call; and

(ii) concurrently with which the SPV Company shall issue and sell to the Investor, and the Investor shall purchase a Note in the principal amount equal to fifty percent (50%) of the amount of the relevant Funding Call.

(b) The Issuer will deliver written notice to AWA and the Investor of its election to hold an Additional Closing at least eight (8) Business Days prior to the date scheduled for such Additional Closing. The Additional Closing shall take place at the [*TIME*] ([*CITY*] time) on the date specified in such written notice.

2.1.3 Payments and Delivery

(a) At any Closing, the Issuer will deliver a Note (as provided for in Clauses 1 and 2) to the Investor against payment of the purchase price by the Investor.

(b) The purchase price shall be paid by the Investor in immediately available funds in US Dollars or such other currency as may be specified in the relevant Funding Call.

3 REPRESENTATIONS AND WARRANTIES OF THE ISSUER

The Issuer hereby represents and warrants to AWA and the Investor on an ongoing basis as of each Closing and as of the date hereof:

3.1.1 It is duly incorporated and validly existing in accordance with the laws of the country and/or state under which it is incorporated.

3.1.2 It has the power and authority to execute and deliver, to perform its obligations under and to undertake the transactions anticipated by this Agreement and the Notes, and all necessary corporate and other action has been taken to authorize the execution, delivery and performance of this Agreement and the Notes.

3.1.3 Its officers have the power and authority to act on its behalf in entering into this Agreement and the Notes, and any agreement required pursuant to this Agreement and the Notes.

3.1.4 It is not insolvent, no petition has been filed relating to its insolvency and no proceedings have been issued for its dissolution or liquidation.

3.1.5 This Agreement has been duly executed and constitutes a valid, legal and binding obligation of the Issuer enforceable in accordance with its terms.

3.1.6 The execution and delivery of this Agreement and the Notes, and the performance by it of its obligations under and the transactions anticipated by this Agreement and the Notes will not contravene any law applicable to it or conflict with or result in a breach of or default under its or their corporate charter or other organizational documents or any agreement or other obligation binding on it.

3.1.7 With respect to all activities contemplated under this Agreement and the Notes, it has not, nor will it, or its directors, officers or employees pay, offer, promise, or authorize the payment of money or anything of value, directly or indirectly, to a Government Official while knowing or having reason to believe that any portion of such exchange is for the purpose of: (i) influencing any act or decision of a Government Official in its official capacity, including the failure to perform an official function, in order to assist itself, the Issuer or any other person in obtaining or retaining business, or directing business to any third party; (ii) securing an improper advantage; (iii) inducing a Government Official to use its influence to affect or influence any act or decision of a Governmental Authority in order to assist itself, the Issuer or any other person in obtaining or retaining business, or directing business to any third party; or (iv) providing an unlawful personal gain or benefit, of financial or other value, to a Government Official.

3.1.8 The Notes, when issued, sold and delivered in accordance with the terms of this Agreement, will be duly authorized and validly issued.

4 REPRESENTATIONS AND WARRANTIES OF AWA AND THE INVESTOR

4.1.1 Each of AWA and the Investor, severally and not jointly, represents and warrants as follows:

(a) It is duly incorporated and validly existing in accordance with the laws of the country and/or state under which it is incorporated.

(b) It has the power and authority to execute and deliver, to perform its obligations under and to undertake the transactions anticipated by this Agreement, and all necessary corporate and other action has been taken to authorize the execution, delivery and performance of this Agreement.

(c) Its officers have the power and authority to act on its behalf in entering into this Agreement, and any agreement required pursuant to this Agreement.

(d) It is not insolvent, no petition has been filed relating to its insolvency and no proceedings have been issued for its dissolution or liquidation.

(e) This Agreement has been duly executed and constitutes a valid, legal and binding obligation of the Investor enforceable in accordance with its terms.

(f) The execution and delivery of this Agreement, and the performance by it of its obligations under and the transactions anticipated by this Agreement will not contravene any law applicable to it or conflict with or result in a breach of or default under its or their corporate charter or other organizational documents or any agreement or other obligation binding on it.

(g) With respect to all activities contemplated under this Agreement and the Notes, it has not, nor will it, or its directors, officers or employees pay, offer, promise, or authorize the payment of money or anything of value, directly or indirectly, to a Government Official while knowing or having reason to believe that any portion of such exchange is for the purpose of: (A) influencing any act or decision of a Government Official in its official capacity, including the failure to perform an official function, in order to assist itself, the Issuer or any other person in obtaining or retaining business, or directing business to any third party; (B) securing an improper advantage; (C) inducing a Government Official to use its influence to affect or influence any act or decision of a Governmental Authority in order to assist itself, the Issuer or any other person in obtaining or retaining business, or directing business to any third party; or (D) providing an unlawful personal gain or benefit, of financial or other value, to a Government Official.

4.1.2 Each of AWA and the Investor represents and warrants for the benefit of the other as follows:

(a) The Investor represents that it is such Investor's intention to acquire its Notes for its own account and that such Notes are being or will be acquired by it for the purpose of investment and not with a view to distribution. Subject to Clause 8, the Investor agrees that it will not sell or transfer any of the Notes.

(b) AWA represents and warrants it shall be the legal and beneficial owner of any shares subscribed for by it in the SPV Company, and it shall not sell, transfer, assign or otherwise encumber those shares at any time other than to:

(i) an AWA Group Company; or

(ii) to assign, pledge or encumber such shares for the benefit of any of the Project lenders, and

in accordance at all times with any Financing Agreements.

5 COVENANTS

5.1.1 The Issuer shall:

(a) establish, prior to the Closing Date, bank accounts for the receipt and disbursement of US Dollars, Saudi Rials, Hong Kong Dollars and such the monies as may be required for purposes of this Agreement;

(b) use the proceeds of the Initial Closing, together with funds provided by AWA through subscription for ordinary shares of the Issuer, to (A) procure the issuance to Ma'aden of the Alcoa LOC pursuant to the JV Shareholders Agreement, (B) pay to Alcoa the amount of [*twenty seven million five hundred thousand US Dollars* (*US$27,500,000*)] [***Note: To be confirmed***] being the proportion of the Pre-Agreed Incorporation Costs payable by Alcoa for and on behalf of the SPV Company pursuant to the JV Shareholders' Agreement, and (C) pay to Alcoa the sum of [*forty million US Dollars (US$40,000,0000)*] [***Note: To be confirmed***] being the proportion of the Entry Payment payable by Alcoa for and on behalf of the SPV Company pursuant to the JV Shareholders' Agreement;

(c) use the proceeds of each Additional Closing, together with funds provided by AWA through subscription for ordinary shares of the Issuer, to discharge the corresponding Funding Call under the JV Shareholders Agreement;

(d) comply with the terms and conditions of this Agreement and all Applicable Laws; and

(e) make all payments due in respect of the Notes in accordance with the terms of the Notes;

5.1.2 AWA and the Investor shall:

(a) comply with the terms and conditions of this Agreement and all Applicable Laws; and

(b) subject to the terms of the Closing Memorandum in relation to Completion Guarantees (as defined therein), provide support and assistance to the Mining & Refining Company, including the provision of letters of credit, Completion Guarantees (as defined in clause 7.1 of the Closing Memorandum) or other support, in order to allow the Mining & Refining Company to implement the Financing Plan, arrange the Senior Debt contemplated thereby, enter into the Financing Agreements, and achieve Financial Close.

6 CONSIDERATION AND NOTES

6.1.1 Consideration

In consideration of Investor entering into this Agreement and continuing to commit to provide further funding to the Issuer in accordance with the terms of this Agreement, the Issuer hereby promises to pay and shall pay fifty percent (50%) of all dividends, distributions and/or other proceeds received by the Issuer from the Mining & Refining Company (the "**Consideration**") to the Investor immediately in the same currency as such amounts are received in promptly following the date on which the Issuer receives such Consideration from the Mining & Refining Company.

6.1.2 Outstanding Consideration Payment

The Issuer shall pay to Investor any and all outstanding Consideration payments on or before the Voluntary Conversion Date or Mandatory Conversion Date (as the case may be).

6.1.3 Mandatory Conversion of Notes

If any Note remains outstanding on the date falling on the seventh anniversary of the date of this Agreement (the "**Mandatory Conversion Date**"), all of the outstanding principal amounts under a Note (and all other Notes issued to the Investor pursuant to this Agreement (irrespective of the issue date of each Note)) shall be converted automatically into ordinary shares of the Issuer at a price equal to the par value per share of the Issuer at the Mandatory Conversion Date. For the avoidance of doubt, upon conversion of all Notes issued to the Investor pursuant to the Purchase Agreement, such Investor shall own fifty percent (50%) of the Issuer's ordinary shares as enlarged pursuant to such conversion.

6.1.4 Cancellation of Notes

Upon the mandatory conversion of the entire principal amount of all the Notes and issuance of the corresponding ordinary shares to the Investor all the Notes shall be cancelled.

6.1.5 Voluntary Conversion

(a) To the extent that any principal amount remains outstanding under a Note, at any time (the “**Voluntary Conversion Date**”) during the period commencing on the earlier of (i) the Commercial Production Date in respect of the Mine and the Refinery or (ii) the closing date of an initial public offering of shares in the Mining & Refining Company, and ending on the Mandatory Conversion Date (both dates inclusive), Investor shall have the right to convert the outstanding principal amount of any Note(s) into ordinary shares of the Issuer, at par value, by way of delivering to the Issuer, at its registered office, substantially in the form of the conversion notice in the pro forma form set forth in Part 2 of Schedule 2 (the “**Conversion Notice**”).

(b) Upon the receipt of the Conversion Notice, the [Issuer] shall forthwith, and in any event no later than five (5) Business Days thereafter, take and procure its board of directors to take all necessary actions to effect the conversion in accordance with the Conversion Notice, including registering the Investor as a shareholder of the Issuer at the Companies Registry of Hong Kong.

(c) If the Investor elects to convert a Note pursuant to this Clause 6, all other Notes, if any, issued to the Investor pursuant to this Agreement (irrespective of the issue date of each Note) must be converted accordingly at the same time. For the avoidance of doubt, upon conversion of all Notes issued to the Investor pursuant to this Agreement, the Investor shall own fifty percent (50%) of the Issuer’s ordinary shares as enlarged pursuant to such conversion.

(d) Upon the voluntary conversion of the aggregate principal amounts of all the Notes and issuance of the corresponding ordinary shares to the Investor all the Notes shall be cancelled.

7 FUNDAMENTAL EVENTS OF DEFAULT

Each of the following shall constitute a “**Fundamental Event of Default**” for the purposes of this Agreement:

7.1.1 the:

(a) Investor shall have failed to pay (or procure the payment of) the purchase price for any note on the due date therefor pursuant to the terms of this Agreement or any Other Note Purchase Agreement; or

(b) AWA, as the case may be, shall have failed to subscribe or to make available funds for the subscription of shares on the date therefore pursuant to the terms of this Agreement,

(each, a “**Funding Default**”) on more than three (3) occasions (whether or not such Funding Defaults are subsequently cured);

7.1.2 an Act of Insolvency shall have occurred in respect of the Investor, if applicable, any Investor Group Company that has guaranteed the obligations of the Investor pursuant to this Agreement;

7.1.3 an Act of Insolvency shall have occurred in respect of AWA, if applicable, any AWA Group Company that has guaranteed the obligations of AWA pursuant to this Agreement;

7.1.4 AWA or the Investor, as the case may be, shall have committed any breach (or series of breaches) of the provisions of this Agreement (other than as contemplated by Clauses 7.1.1(a) and (b) above) and such breach constitutes or evidences a failure on the part of AWA or the Investor, as the case may be, to comply with its obligations under this Agreement to an extent that has, or is likely to have, an effect or result which is, or is reasonably likely to be, materially adverse to the business, operations, assets, liabilities, properties, financial condition, effective management, results or prospects of the Issuer or the Mining & Refining Company ("**Material Adverse Effect**") and such breach is not remedied within the Cure Period;

7.1.5 in relation to AWA, the Alcoa Guarantee ceases for any reason to be the legal, valid, binding and enforceable obligation of Alcoa; or

7.1.6 in relation to the Investor, the INVESTOR Guarantee ceases for any reason to be the legal, valid, binding and enforceable obligation of A. Abunayyan Trading Corporation.

8 REMEDIES

8.1.1 If a Funding Default shall occur in respect of the Investor, then AWA may (but shall not be obliged to) advance the required funding to the Issuer, in which case the Investor shall pay AWA on demand an amount equal to one hundred and fifteen percent (115%) of the amount of such advanced payment. Payment by the Investor of such amount to AWA shall operate to discharge the Investor's obligation to pay the Note purchase price which was the subject of such Funding Default and upon AWA's receipt of such payment the Issuer shall deliver the corresponding Note to the Investor.

8.1.2 If a Fundamental Event of Default shall occur in respect of the Investor, during the period that such Fundamental Event of Default subsists the Investor's right to consent to Board Reserved Matters under Clause 10.1.2 shall be suspended.

8.1.3 If a Fundamental Event of Default in respect of the Investor shall occur, then AWA shall have the right to purchase, and require Investor to sell, those Notes then held by the Investor in the following manner:

(a) on the first day immediately following the occurrence of a Fundamental Event of Default (the "**Call Date**"), Investor shall be deemed to have offered to sell all right, title and interest in all of such Notes to AWA upon and subject to the terms and conditions set out in this Clause 8;

(b) AWA may, by notice in writing given to Investor not later than fourteen (14) Business Days following the Call Date, elect to accept

Investor's offer in respect of all (but not less than all) of such Notes, failing which AWA shall be deemed to have rejected such offer;

(c) provided that AWA has accepted the Investor's offer in respect of all (but not less than all) of such Notes within the time period specified in sub-paragraph (ii) above, AWA shall purchase all of such Notes, and the Investor shall be obliged to sell, transfer and assign such Notes to AWA on the Transfer Closing Date (as defined below) in return for a purchase price calculated in accordance with Clause 8.1.4; and

(d) the completion of the purchase and sale of such Notes shall take place on the date (which is ten (10) Business Days following the expiry of the fourteen (14) Business Day period referred to in sub-paragraph (ii) above, or such other date as may be agreed between the Parties (the "**Transfer Closing Date**").

8.1.4 If AWA elects to accept the Investor's offer to purchase such Notes, the purchase price for such Notes shall be as follows:

(a) in the event that the Financing Completion Date for Phase 1 has not occurred, at a consideration of US$ 1.00;

(b) in the event that the Financing Completion Date for Phase 1 has occurred but the Commercial Production Date in respect of the elements of the Project comprised in Phase 1 has not occurred, at a consideration equal to sixty percent (60%) of the aggregate principal amount of such Notes;

(c) in the event that the Commercial Production Date in respect of the elements of the Project comprised in Phase 1 has occurred but the fifth (5th) anniversary of such date has not occurred, at a consideration equal to seventy five percent (75%) of the aggregate principal amount of such Notes; and

(d) in the event that the fifth (5th) anniversary referred to in sub-paragraph (iii) above has occurred, at a consideration equal to eighty five percent (85%) of the aggregate principal amount of such Notes.

8.1.5 Upon completion of any such purchase in accordance with this Clause 8 this Agreement shall terminate.

8.1.6 If a Funding Default shall occur in respect of AWA:

(a) and the Investor has advanced funding to the Issuer on behalf of AWA, AWA shall pay the Investor on demand one hundred and fifteen percent (115%) of the amount of such advanced payment; and

(b) for so long as a Funding Default is continuing, any amount of cash that would otherwise be payable by the Issuer to AWA including, without limitation, any Distribution shall from time to time be set-off against the obligations owed by AWA in respect of such Funding Default. Any

amounts retained by the Issuer as a result of such set-off shall be applied: firstly, to pay any advance funding paid by the Investor on behalf of AWA due to such Funding Default in accordance with Clause 8.1.6(a); second, to meet AWA's obligations to advance funds pursuant to any Closing under this Agreement; and the balance (if any) shall be paid to AWA, and the application of such funds shall be deemed to discharge in full the obligations of the Issuer to AWA in respect of any such Distribution.

9 NO IMPAIRMENT

The Issuer shall not, by amendment of its certificate of incorporation or bylaws, or through reorganization, consolidation, merger, dissolution, issue or sale of securities, sale of assets or any other voluntary action, willfully avoid or seek to avoid the observance or performance of any of the terms of this Agreement or the Notes, but shall at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Investor under this Agreement and the Notes against wrongful impairment.

10 SHAREHOLDERS' AGREEMENT AND TERMINATION

10.1.1 Upon the registration of Investor at the Companies Registry of Hong Kong, the Shareholders' Agreement will enter into effect between AWA and the Investor, and this Agreement shall terminate.

10.1.2 Notwithstanding the foregoing, and subject to Clause 8.1.2, AWA and the Issuer undertake during the period prior to conversion of the Notes that neither the board of directors nor the shareholders of the Issuer shall adopt any resolution in relation to any Board Reserved Matter or Shareholders Reserved Matter (each as defined in the Shareholders Agreement) without the prior written consent of the Investor. Investor shall provide such consent (or objection) promptly following AWA's request therefor. In the event of an objection the Deadlock Resolution Procedure set out in clause 6.5(d) of the Shareholders Agreement shall be applied, mutatis mutandis.

11 ACCOUNTING AND AUDIT

11.1 The Issuer shall at all times maintain accurate and complete accounting and other financial records in accordance with the requirements of all applicable laws and generally accepted accounting principles applicable in Hong Kong, and such other jurisdictions as the Investor and AWA may require.

11.2 The Investor and its authorized representatives shall be allowed access during reasonable times to examine the books and records of the Issuer.

11.3 The Issuer shall supply the Investor with a copy of the audited accounts of the Issuer prepared in accordance with the laws applicable in, and the accounting standards, principles and practices generally accepted in, Hong Kong, within [NUMBER] months of the end of the year to which the audited accounts relate.

11.4 The Issuer shall deliver to the Investor at its reasonable request all books, minutes, records, accounts and other documents which the Issuer is entitled to review pursuant to the JV Shareholders' Agreement which relate to the affairs, finances and activities of the Mining & Refining Company and/or the Project.

12 **TAXES**

12.1 The Issuer shall be responsible for and bear the cost of any and all taxes, including income and withholding taxes, imposed upon it as a result of its operations, including, but not limited, to its ownership interest in the Mining & Refining Company; receipt of dividends or distributions from the Mining & Refining Company; and receipt of interest from Shareholder Loans made to the Mining & Refining Company.

12.2 Each Party shall bear its own taxes where such taxes or their equivalent are payable as a result of the transaction contemplated in this Agreement in accordance with all Applicable Laws.

12.3 Subject to Clause 12.4, the Investor shall bear the cost of any Hong Kong withholding tax imposed on any payments made to it by the Issuer in connection with the Notes. The Issuer may withhold from any payments to be made to the Investor by the Issuer any withholding tax for which the Investor is responsible and the Investor shall promptly pay the Issuer any additional amounts required to cover any withholding tax for which the Investor is responsible. The Issuer will provide the Investor with copies of all applicable tax receipts.

12.4 In the event of any withholding tax being imposed on any payments to the Investor by the Issuer, each Party shall, in consultation with the Investor, take all reasonable steps (subject to any Applicable Law) to assist mitigate any circumstances which arise and which would result in any withholding tax being imposed or being payable including (but not limited to) enabling: (a) changing the jurisdiction of incorporation of the Issuer; (b) accelerating the conversion of the Notes into ordinary shares in the Issuer; or (c) Investor transferring its rights and obligations under this Agreement and the Shareholders Agreement to an Affiliate.

13 **DISTRIBUTION OF MA'ADEN PAYMENT FOR TRANSFERABLE INTERESTS**

13.1.1 If a Funding Default occurs in respect of which the INVESTOR is the defaulting Party and such Funding Default solely and directly causes a JV Event of Default under the JV Shareholders' Agreement in respect of which Ma'aden elects to exercise its rights under Clause 14.3(b)(ii), Clause 14.3(b)(iii) or Clause 14.3(b)(iv) of the JV Shareholders' Agreement, any amounts payable by Ma'aden pursuant to those Clauses shall be allocated between AWA and the INVESTOR as follows:

(a) in the case that Clause 14.3(b)(ii) of the JV Shareholders' Agreement applies, first to AWA an amount equal to AWA's SPV Paid in Capital and SPV Shareholder Loans, and second the balance of such amount to INVESTOR; or

(b) in the case that Clause 14.3(b)(iii) or Clause 14.3(b)(iv) of the JV Shareholders' Agreement applies, first to AWA, an amount equal to the fair market value (as determined in accordance with the JV Shareholders' Agreement) of fifty percent (50%) of ALCOA's or the SPV Company's (as the case may be) Transferable Interests in the Mining & Refining Company at the date of transfer as determined in accordance with the JV Shareholders' Agreement, and second the balance of such amount to the INVESTOR.

13.1.2 If a Funding Default occurs in respect of which the INVESTOR is the defaulting Party and such Funding Default solely and directly causes a JV Event of Default under the JV Shareholders' Agreement in respect of which Ma'aden elects to exercise its right under Clause 14.3(b)(i) of the JV Shareholders' Agreement, AWA shall receive a liquidated damages payment from the INVESTOR in the amount of US$ 10 million.

13.1.3 If an Event of Default occurs in respect of which AWA is the defaulting Party and such Event of Default causes a JV Event of Default under the JV Shareholders' Agreement in respect of which Ma'aden elects to exercise its rights under Clause 14.3(b)(ii), Clause 14.3(b)(iii), or Clause 14.3(b)(iv) of the JV Shareholders' Agreement any amounts payable by Ma'aden pursuant to those Clauses shall be allocated between AWA and the INVESTOR as follows:

(a) in the case that Clause 14.3(b)(ii) of the JV Shareholders' Agreement applies, first to INVESTOR an aggregate amount equal to INVESTOR's SPV Paid in Capital, and SPV Shareholder Loans, and second the balance of such amount to AWA; or

(b) in the case of Clause 14.3(b)(iii) or 14.3(b)(iv) of the JV Shareholders' Agreement applying, first to INVESTOR, an amount equal to the fair market value (as determined in accordance with the JV Shareholders' Agreement) of fifty percent (50%) of ALCOA's or the SPV Company's (as the case may be) Transferable Interests in the Mining & Refining Company at the date of transfer as determined in accordance with the JV Shareholders' Agreement, and second the balance of such amount to AWA.

13.1.4 If an Event of Default occurs in respect of which AWA is the Defaulting Party and such Event of Default solely and directly causes a JV Event of Default under the JV Shareholders' Agreement in respect of which Ma'aden elects to exercise its right under Clause 14.3(b)(i) of the JV Shareholders' Agreement, INVESTOR shall receive a liquidated damages payment from AWA in the amount of US$ 10 million.

13.1.5 If Ma'aden elects to exercise its rights under clause 14.3 of the JV Shareholders' Agreement to purchase any or all of ALCOA or its Affiliates Transferable Interests in the Mining & Refining Company in any other circumstances, or exercises its rights under clause 15 of the JV Shareholders' Agreement to purchase such interests, any amounts received by the SPV

Company in respect of such purchase shall be distributed to or otherwise allocated between AWA and the INVESTOR equally.

13.1.6 If Ma'aden elects to exercise its rights under clause 14.4(f)(i) of the JV Shareholders' Agreement to dilute any or all of ALCOA or its Affiliates Transferable Interests in the Mining & Refining Company as a result of a funding default (as defined in the JV Shareholders' Agreement):

(a) To the extent that such funding default is due to AWA, then AWA must make a true-up payment on demand to the INVESTOR to return the respective contributions such that AWA and INVESTOR have contributed equally; or

(b) To the extent that such funding default is due to the INVESTOR, then the INVESTOR must make a true-up payment on demand to AWA to return the respective contributions such that AWA and INVESTOR have contributed equally.

13.1.7 The Parties shall take such steps as may be necessary pursuant to Hong Kong law to facilitate the allocations provided for in this Clause 13.

14 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

All representations and warranties made in this Agreement and the Notes or any other instrument or document delivered in connection herewith or therewith, shall survive the execution and delivery hereof or thereof.

15 DEFINED TERMS AND INTERPRETATION

15.1.1 Capitalized terms that are used in this Agreement but not defined herein shall have the meanings ascribed to them in the Shareholders' Agreement. The principles of interpretation set out in clauses 1.3-1.15 of the Shareholders' Agreement shall apply to this Agreement, mutatis mutandis.

15.1.2 Capitalized terms that are used in this Agreement but not defined herein or in the Shareholders' Agreement shall have the meanings ascribed to them in the JV Shareholders' Agreement.

15.1.3 The following capitalized terms shall have the corresponding meaning set out beside them, when referred to in this Agreement:

(a) **Investor Group Company** means Investor, Investor's ultimate parent company and those companies which are subsidiaries or subsidiary undertakings of Investor or its ultimate parent company; and

(b) **AWA Group Company** means AWA, AWA's ultimate parent company and those companies which are subsidiaries or subsidiary undertakings of AWA or its ultimate parent company.

16 **CONFIDENTIALITY**

16.1 Each Party shall (a) ensure that the contents of this Agreement and any confidential information regarding the Project or any other Party which it may learn in the course of negotiations for, or carrying out of this Agreement, is treated by it in strict confidence and (b) only disclose such information to its directors, officers, employees, professional advisers or consultants, or to any bank or financial institution from whom the Party is seeking finance, to the extent that such disclosure is necessary and (c) not make use of such information for purposes other than the implementation of the Parties' cooperation hereunder unless such information: (i) is known to such Party prior to learning of it from the other; (ii) is obtained by such Party from a source other than the disclosing Party which source, (A) did not require such Party to hold such secrets or information in confidence and (B) did not limit or restrict such Party's use thereof; (iii) becomes public knowledge other than through the fault of such Party; (iv) is required to be disclosed by any competent legal or regulatory authority; (v) is required to be disclosed by any internationally recognized stock exchange, provided that in any such case the Party shall provide prompt written notice to the other Party prior to making such disclosure and provide details of the proposed form, nature and purpose of such disclosure so that the disclosing Party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this clause; (vi) is independently developed by such Party; or (vii) is permitted to be used or disclosed pursuant to the terms of a separate agreement between the disclosing Party and either the receiving Party, in which case such use or disclosure shall be governed by the terms of the relevant agreement.

16.2 Each Party shall impose on its professional advisers or consultants, or to any bank or financial institution from whom the Party is seeking finance, an equivalent obligation of confidentiality and shall obtain an undertaking of strict confidentiality from such professional advisers or consultants, or financial institution from whom the Party is seeking finance, on the terms set out in this Clause 16.

16.3 Specific information disclosed shall not be deemed to be within the foregoing exceptions simply because such information is included in more general information within the said exceptions. In addition any combination of information, features, concepts, designs or process flows, shall not be automatically deemed to be within the said exceptions simply because the individual items of information, features, designs, concepts or process flows are within the said exceptions.

17 **ANNOUNCEMENTS**

Each Party shall notify the other Party of its intent to issue any press release or other public announcement with respect to this Agreement or the transactions contemplated herein and, except as required by any competent legal or regulatory authority or any internationally recognized stock exchange, shall not issue any such release or announcement without the prior consent of the other Party, which consent shall not be unreasonably withheld. Such consent shall not, however, be required in order for a Party (or its Affiliates) to include a reference to this the transactions contemplated herein annual, quarterly or current reports and similar publications or to file a copy of this Agreement or any related document with any governmental authority to comply with the legal obligations of disclosure applicable to such Party (or its Affiliates) under the applicable laws.

18 **NOTICE**

All notices, communications and demands of any kind which either Party may be required or desire to serve upon the other Party under the terms of this Agreement shall be in writing and shall be deemed to have been effectively given if served by personal service or a recognised courier service (e.g., DHL, Federal Express) at the address of the Party indicated in Schedule 3 to this Agreement or at such other address as may be designated by the party by a notice to the other given in conformity with this Agreement. Notices shall be deemed delivered, in the case of personal service, upon delivery and in the case of courier, the recipient's first clear Business Day at least four (4) complete calendar days after delivery to the courier. Notices may be delivered by facsimile transmission and shall be deemed delivered on the recipient's first clear Business Day following the date of transmission, provided that confirmation of transmission has been recorded by the sender's fax machine. Notices may also be delivered by electronic mail which shall be followed by a facsimile transmission confirming the same, and shall be deemed delivered on the recipient's first clear Business Day following the date it is sent provided that the sender's email messaging system shall not immediately thereafter have generated an unsuccessful transmission report.

19 **GENERAL PROVISIONS**

19.1 This Agreement, and any documents referred to in it or executed contemporaneously with it, constitute the entire agreement between the Parties and supersede any arrangements, understanding or previous agreement between them relating to the subject matter they cover. Each Party acknowledges that, in entering into this Agreement and any documents referred to in it or executed contemporaneously with it, it does not rely on, and shall have no remedy in respect of, any statement, representation, assurance or warranty of any person other than as expressly set out in this Agreement or those documents. Nothing in this Clause 19.1 operates to limit or exclude any liability for fraud.

19.2 This Agreement shall be binding on the Parties and their respective successors and assigns. Neither of the Parties may assign, grant any encumbrance over, or declare any trust in favour of a third party over, this Agreement or any of its rights and obligations under it, except with the prior written consent of the other Party.

19.3 A variation of this Agreement shall be in writing and signed by or on behalf of all Parties. A waiver of any right under this Agreement is only effective if it is in writing and it applies only to the person to which the waiver is addressed and the circumstances for which it is given. A person that waives a right in relation to one person, or takes or fails to take any action against that person, does not affect its rights against any other person. Unless specifically provided otherwise, rights arising under this Agreement are cumulative and do not exclude rights provided by law.

19.4 Except as provided in this Agreement, all costs in connection with the negotiation, preparation, execution and performance of this Agreement shall be borne by the Party that incurred the costs.

19.5 The Parties to this Agreement are not in partnership with each other and there is no relationship of principal and agent between them.

19.6 Each Party shall at all times act in good faith towards the other and shall use all reasonable endeavours to ensure that this Agreement is observed. Each Party shall do all things necessary and desirable to give effect to the transactions contemplated by this Agreement and the spirit and intention of this Agreement.

19.7 The Parties hereby agree, for no consideration, to execute and deliver promptly all powers of attorney, consents and additional instruments, and to take any such further action which may reasonably be required in order to consummate the transactions anticipated by this Agreement.

19.8 This Agreement is made for the benefit of the Parties and their successors and permitted assigns and is not intended to benefit, or be enforceable by, anyone else. The right of the Parties to terminate, rescind or agree any amendment, variation, waiver or settlement under this Agreement is not subject to the consent of any person that is not a Party to this Agreement.

19.9 If any provision of this Agreement (or part of a provision) is found by any court or administrative body of competent jurisdiction to be invalid, unenforceable or illegal, the other provisions shall remain in force. If any invalid, unenforceable or illegal provision would be valid, enforceable or legal if some part of it were deleted or modified, the provision shall apply with whatever modification is necessary to give effect to the commercial intention of the Parties.

19.10 This Agreement may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each Party had signed the same document.

20 GOVERNING LAW AND JURISDICTION

20.1 This Agreement and any disputes or claims arising out of or in connection with its subject matter are governed by and construed in accordance with the laws of Hong Kong.

20.2 Prior to referring to arbitration pursuant to Clause 20.3 below any dispute, controversy or claim arising out of or in connection with this Agreement, or the breach, termination or invalidity thereof, (for the purposes of this Clause 20 a "**dispute**"), other than proceedings to enforce an agreement reached between the Parties under this Clause 20.2, the Party wishing to or considering making such reference shall notify in writing the other Party of the nature of the dispute and its background (for the purposes of this Clause 20, a "**dispute notice**") and its proposed basis for settlement of such dispute and the other Party shall respond to such dispute notice within fourteen (14) days of receipt, setting out any clarification it may feel relevant and including its proposed basis for settlement. The chief executives or presidents of each Party or their designees shall then meet within thirty (30) days of the issue of the dispute notice to attempt a reconciliation and settlement of the dispute. No statement as to a Party's proposed basis for settlement nor any discussions or communications between the Parties pursuant to this Clause 20.2 (except for the terms of any agreed settlement between the Parties) may be relied upon or referred to in later court, arbitration, enforcement or appeal proceedings.

20.3 If any dispute arising out of or in connection with the Agreement is not resolved pursuant to Clause 20.2 above within forty five (45) days of its referral to the Parties'

senior management, such dispute shall be, if requested by any Party, referred to and finally settled by arbitration under the Rules of Arbitration of the International Chamber of Commerce as amended or substituted from time to time (the "**ICC Rules**" and the proceedings brought in accordance with this Clause 20.3), which ICC Rules are deemed to be incorporated into this Agreement except to the extent expressly modified by this Clause 20.3. Arbitration shall be the exclusive method for resolution of the dispute and the determination of the arbitrators shall be final and binding. The Parties agree that they will give conclusive effect to the arbitrators' determination and award and that judgment thereon may be entered and enforced by any court of appropriate jurisdiction. The tribunal shall consist of three (3) arbitrators, one of whom shall be appointed by each Party and the third of whom, who shall act as chairman, shall be jointly nominated by the two arbitrators nominated by the Parties. Failing agreement as to the identity of the third arbitrator within five Business Days of being required to do so, such third arbitrator shall be nominated by the International Court of Arbitration in accordance with the ICC Rules. The place of arbitration shall be Hong Kong. The language to be used in the arbitration shall be English, and any documents or portions of them presented at such arbitration in a language other than English shall be accompanied by an English translation thereof. The arbitrators shall decide such dispute in accordance with the substantive laws of Hong Kong applicable hereto.

20.4 If a dispute is referred to arbitration pursuant to Clause 20.3 above, unless the arbitrators rule otherwise, the obligations of the Parties shall not be suspended and the provisions of this Agreement shall continue to be carried out by the Parties.

20.5 The courts of Hong Kong shall, subject to Clause 20.6 below, have non-exclusive jurisdiction with respect to the enforcement of the arbitration provisions of this Agreement and the Parties expressly submit to the jurisdiction of such courts with respect to any proceedings to enforce the arbitration provisions of this Agreement. Each Party irrevocably waives any objection which it might at any time have to the courts of Hong Kong being nominated as the forum to hear and decide any such proceedings and agrees not to claim that the courts of Hong Kong are not a convenient or appropriate forum.

20.6 Without resulting in the waiver of any remedy under this Agreement and in conjunction with each disputing Party's rights in accordance with Rule 25 of the ICC Rules, nothing in this Clause 20 shall preclude a disputing Party from seeking injunctive relief from a court pending the commencement of arbitral proceedings in accordance with Clause 20.3 (or pending the arbitral tribunal's determination of the merits of the dispute). The Parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong for such injunctive relief and waive any objection or defence they may have to the venue or jurisdiction of such courts. Without limiting the generality of the foregoing, the Parties shall have the right to seek injunctive relief in any court of competent jurisdiction and the seeking of injunctive relief in one or more jurisdiction shall not preclude a Party from seeking such relief in any other jurisdiction.

21 NO LIABILITY FOR CONSEQUENTIAL LOSSES, ETC.

Without prejudice to Clauses 8 and 13, no Party or any of its Affiliates shall have any liability to the other Party (whether in contract, tort or otherwise) for any consequential, incidental, special or indirect losses (including loss of anticipated

profits) arising from or relating to this Agreement, whether out of any breach of this Agreement, indemnity, any fault or negligence on the part of a Party or its Affiliates (or their respective employees) or otherwise.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized representative as of the date first written above.

[***HONG KONG SPV***]

By: ______________________________
Name:
Title:

[***ALCOA WORLD ALUMINA ENTITY***]

By: ______________________________
Name:
Title:

[***ALUMINUM FINANCING LIMITED***]

By: ______________________________
Name:
Title:

SCHEDULE 1

SHAREHOLDERS' AGREEMENT

SCHEDULE 2

PROMISSORY NOTE AND CONVERSION NOTICE

PART 1 – FORM OF NOTE

[*HONG KONG SPV*]

CONVERTIBLE PROMISSORY NOTE

US$[—] [—], 2009

FOR VALUE RECEIVED, [*HONG KONG SPV*], [—] company incorporated and registered in Hong Kong, with a registered address of [—] (the **"Issuer"**), hereby promises, subject to the terms of the Purchase Agreement, to pay to the order of [*INVESTOR FULL NAME*] (the **"Investor"**) the principal amount of [—] (US$[—]).

1. This Note is one of a series of Convertible Promissory Notes of like tenor issued by the Issuer pursuant to the Note Purchase Agreement, dated as of [—], 2009, entered into between the Issuer, AWA and the Investor (as the same may be amended or otherwise modified from time to time, hereinafter referred to as the "**Purchase Agreement**"). This Note will be registered on the books (include the register of noteholder) of the Issuer or its agent. Any transfer of this Note will be effected only by surrender of this Note to the Issuer and reissuance of a new note to the transferee in accordance with the terms herein and the applicable terms of the Purchase Agreement. Capitalized terms used, but not otherwise defined herein, shall have the meanings ascribed to such terms in the Purchase Agreement.

2. Conversion and Compensation

   This Note shall be converted into ordinary shares of the Issuer in accordance with the terms of the Purchase Agreement.

   This Note entitles the Investor to payment of Consideration Issuer in accordance with the terms of the Purchase Agreement.

3. Transfer of Note

   The Investor may not transfer this Note except to AWA as set forth in Clause 8 of the Purchase Agreement.

4. New Note

   Upon receipt of evidence reasonably satisfactory to the Issuer of the loss, theft, destruction or mutilation of this Note, the Issuer will issue a new Note, of like tenor and amount and dated the date if issuance, in lieu of such lost, stolen, destroyed or mutilated Note, and in such event the Investor agrees to indemnify and hold harmless the Issuer in respect of any such lost, stolen, destroyed or mutilated Note.

5. Right or Remedy

A right or remedy under this Note on any occasion shall not be a bar to exercise of the same right or remedy on any subsequent occasion or of any other right or remedy at any time.

6. Notices

All notices, communications and demands of any kind which either Party may be required or desire to serve upon the other Party under the terms of this Note shall be in writing and shall be deemed to have been effectively given if served by personal service or a recognized courier service (e.g., DHL, Federal Express) at the address of the Party indicated in Schedule 3 to the Purchase Agreement or at such other address as may be designated by the party by a notice to the other given in conformity with this Note. Notices shall be deemed delivered, in the case of personal service, upon delivery and in the case of courier, the recipient's first clear business day at least four (4) complete calendar days after delivery to the courier. Notices may be delivered by confirmed telecopy and shall be deemed delivered on the recipient's first clear business day following the date of transmission, provided that an answer back confirmation is available and received. Notices may also be delivered by electronic mail which shall be followed by a facsimile transmission confirming the same and shall be deemed delivered on the recipient's first clear Business Day following the date of receipt of an automated delivery receipt or confirmation from the relevant server.

7. Successors and Assigns

This Note applies to, inures to the benefit of, and binds the successors and permitted assigns of the parties hereto.

8. Choice of Law; Jurisdiction

This Note and any disputes or claims arising out of or in connection with its subject matter are governed by and construed in accordance with the laws of Hong Kong.

Any dispute or claim that arises out of or in connection with this Note shall be resolved in accordance with clause 20 of the Purchase Agreement.

9. Severability

In the event any one or more of the provisions of this Note shall for any reason be held to be invalid, illegal or unenforceable, in whole or in part or in any respect, or in the event that any one or more of the provisions of this Note operate or would prospectively operate to invalidate this Note, then and in any such event, such provision(s) only shall be deemed null and void and shall not affect any other provision of this Note and the remaining provisions of this Note shall remain operative and in full force and effect and in no way shall be affected, prejudiced, or disturbed thereby.

IN WITNESS WHEREOF, the Issuer has caused this Note to be executed by its duly authorized representative as of the date first written above.

[HONG KONG SPV]

By: ____________________________________
Name:
Title:

PART 2 – FORM OF CONVERSION NOTICE

CONVERSION NOTICE

To:
[HK SPV Company]
[Registered Office]

Pursuant to the terms of the Convertible Promissory Note(s) [No(s).] dated [ ] ("**Notes**"), we, [Investor], as the lawful holder of the above Notes, hereby irrevocably elects to convert the outstanding [balance / principal amount] of the Notes into [ ] fully-paid Ordinary Shares of the [HK SPV Company] in accordance with the terms of the Purchase Agreement, the terms of the Notes and the terms below:

Amount to be converted: ____[In words]

Total Numbers of Ordinary
Shares converted into: ____[In words]

Par value of each
Ordinary Share: ____[In words]

Total value of Ordinary
Shares converted into: ____[In words]

Conversion Date: ____
(Date on which this Conversion Notice is delivered and served on the Company)

Signature: ____
For and on behalf of [Investor]
Name:
Title:

SCHEDULE 3

NOTICE ADDRESSES

[TO BE INSERTED]

SCHEDULE 3

AGREED FORM SHAREHOLDERS AGREEMENT

DATED

[ ]

SHAREHOLDERS' AGREEMENT FOR

[SPV1- MINING & REFINING COMPANY]

BETWEEN

[ALCOA WORLD ALUMINA ENTITY]

AND

[INVESTOR]

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THIS SHAREHOLDERS' AGREEMENT (hereinafter referred to as the "**Agreement**"), is made and entered into on , 2009 between:

(1) **[FULL INVESTOR NAME]** incorporated and registered in [COUNTRY OF INCORPORATION] with company number [NUMBER] whose [registered office **OR** principal place of business] is at [REGISTERED OFFICE ADDRESS **OR** PRINCIPAL PLACE OF BUSINESS ADDRESS] ("**INVESTOR**").

(2) [**ALCOA WORLD ALUMINA ENTITY**], incorporated and registered in [COUNTRY OF INCORPORATION] with company number [NUMBER] whose [registered office **OR** principal place of business] is at [REGISTERED OFFICE ADDRESS **OR** PRINCIPAL PLACE OF BUSINESS ADDRESS] ("**AWA**").

(INVESTOR and AWA may hereinafter be referred to jointly as the "**Parties**" or individually as a "**Party**").

BACKGROUND

(A) **WHEREAS,** pursuant to a certain Aluminium Project Framework Shareholders' Agreement dated [December 20], 2009 ("**JV Shareholders' Agreement**") between Saudi Arabian Mining Company ("**Ma'aden**") and ALCOA, ALCOA entered into a joint venture for the development, construction, ownership and operation of an integrated mine, refinery, smelter and rolling mill in the Kingdom of Saudi Arabia (the "**Joint Venture**"), initially to be developed for:

(i) the extraction of approximately 4,000,000 tpa of bauxite from the Al Ba'itha bauxite deposit in the Kingdom;

(ii) the production of approximately 1,800,000 tpa of alumina and approximately 740,000 tpa of aluminium; and

(iii) the production of approximately 250,000 tpa, which may be increased to 460,000 tpa, of rolling mill product,

((i), (ii) and (iii) hereinafter referred to as the “**Project**”), as well as potential future expansions of the Project;

(B) **WHEREAS,** for the purposes of implementing the Joint Venture and carrying out the Project, ALCOA and Ma’aden are establishing three limited liability companies in, and under the laws of, the Kingdom of Saudi Arabia, one for the Mine at Al Ba’itha and for the Refinery at Ras Az Zawr called Ma’aden Bauxite & Alumina Company (the “**Mining & Refining Company**”), one for the Smelter called Ma’aden Aluminium Company (the “**Smelting Company**”), and one for the Rolling Mill, called Ma’aden Rolling Company (the “**Rolling Company**”) (each referred to as a “**Company**” and collectively as the “**Companies**”);

(C) **WHEREAS,** in relation to the Mining & Refining Company:

(i) Ma’aden (and/or its Affiliate(s)) shall own, directly or indirectly, sixty percent (60%) of the issued share capital; and

(ii) the SPV Company shall own, directly or indirectly, forty percent (40%) of the issued share capital;

(D) **WHEREAS,** AWA and INVESTOR have agreed to form and jointly own a limited liability company in Hong Kong for the purposes of holding the ownership interest in the Mining & Refining Company (the “**SPV Company**”) in accordance with this Agreement; and

(E) **WHEREAS,** INVESTOR and AWA will exercise their rights in relation to the SPV Company on the terms and conditions of this Agreement.

NOW THEREFORE, intending to be legally bound, the Parties agree as follows:

1. INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this Agreement.

"**Act of Insolvency**" means, in respect of any person, the occurrence of one or more of the following events (or any event analogous to the following events in any jurisdiction):

(a) such person is unable, or admits inability, to pay its debts as they fall due in the ordinary course; or

(b) a moratorium is declared in respect of any indebtedness of such person; or

(c) any corporate action, legal proceedings or other procedure or step is taken in relation to:

 (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, liquidation, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of such person other than a solvent liquidation or reorganisation of such person;

 (ii) a composition, compromise, assignment or arrangement with any creditor of such person; or

 (iii) the appointment of a liquidator (other than in respect of a solvent liquidation of such person), receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of such person or any of its assets,

and such action, legal proceedings or other procedure or step is acquiesced to by such person or shall result in the entry of an order for relief or shall remain unsatisfied or undischarged for sixty (60) days.

"**Adherence Agreement**" means an adherence agreement in substantially the form attached at Schedule E.

“**Affiliate**” means, in relation to any person, any entity which Controls, or is directly or indirectly Controlled by or under common Control with, such person, provided that no Company shall be deemed to be an Affiliate of a Party. The Parties acknowledge and agree that the SPV Company is an Affiliate of ALCOA.

“**ALCOA**” means Alcoa Inc. a corporation under the laws of the Commonwealth of Pennsylvania, USA, whose principle place of business is at 390 Park Avenue, New York, NY 1022, USA.

“**ALCOA Guarantee**” means the parent company guarantee issued by ALCOA in respect of AWA’s obligations under this Agreement as at the date hereof and substantially in the form set out in Schedule 4 to the Closing Memorandum.

“**Alternate Director**” means a person appointed by a Director to attend meetings of the Board and to vote at such meetings on the Director’s behalf.

“**Applicable Laws**” means all legally binding and applicable laws, decrees, directives, orders, regulations or rules of any Governmental Authority, including (for the avoidance of doubt) laws relating to the prohibition of the corruption of public officials which are applicable to the Party such as the U.S. Foreign Corrupt Practices Act.

“**Articles**” means the new articles of association of the SPV Company to be adopted on the Effective Date in a form which is consistent, and does not conflict with the terms and conditions of this Agreement as amended or superseded from time to time.

“**AWA**” has the meaning given in the introduction.

“**AWA Director**” means any director appointed to the Board by AWA from time to time.

“**AWA Shares**” means the Shares held by AWA from time to time.

“**AWA Tag Notice**” has the meaning given in Clause 17.5.

“**Board**” means the board of directors of the SPV Company as constituted from time to time.

“**Board Reserved Matters**” means the matters listed in Part A of Schedule B hereto.

“**Business**” means the business of, inter alia, being engaged in the mining of bauxite and the refining of alumina through its shareholdering interest in the Mining & Refining Company which in turn will undertake the development, construction, ownership and operation of the Mine and the Refinery including the extraction of approximately 4,000,000 tpa of bauxite from the Mine and the production of approximately 1,800,000 tpa of alumina in the Refinery.

“**Business Day**” means a day on which banks in Hong Kong, the Kingdom and New York, U.S.A. are generally open for business and on which instructions to transfer same-day funds can be executed.

“**Call Date**” has the meaning given in Clause 9.3(b).

“**Call Option**” has the meaning given in Clause 20.1.

“**Call Option Completion Date**” has the meaning given in Clause 20.4(b).

“**Call Option Notice**” has the meaning given in Clause 20.4.

“**Chairman**” means the chairman of the Board appointed by AWA from time to time.

“**Closing Memorandum**” shall mean the memorandum of signing entered into between Alcoa and [the INVESTOR] dated [ ] governing, inter alia, the entry into this Agreement by the Parties.

“**Commercial Production Date**” means the commercial production date for the Mine, the Refinery and the Smelter as determined under the JV Shareholders’ Agreement.

“**Commission Rate**” means a commission rate which is calculated as being equivalent to:

(a) the offered rate per annum for one month deposits in US Dollars which appears on the appropriate page of the Reuters screen or such other page as may replace that page for the purpose of displaying offered rates of lending banks for London interbank deposits at or about 11:00 a.m. (London time) on the first London Banking Day of each month, or, if more than one such rate appears on such page on such day, the arithmetic mean of such rates (rounded upward to the nearest five decimal places); and

(b) if no such rate appears on the Reuters screen page referred to in paragraph (a) above (or any such replacement page), the arithmetic mean (rounded upwards to the nearest five decimal places) of the offered rates per annum quoted by Barclays Bank, London Branch, and HSBC Bank, London Branch (or their successors in interest), at which deposits in US Dollars for one month are being offered by such banks (or their successors in interest) to prime banks in the London interbank market at or about 11:00 a.m. (London time) on the first London Banking Day of each month; or

(c) if none or only one of the banks referred to in paragraph (b) above are offering rates for deposits on the terms referred to in that paragraph, the rate per annum quoted by such bank as the Party who does not owe such commission in consultation with the Party that owes such commission may select from time to time at which deposits in US Dollars for one month are being offered by such bank to prime banks in the London interbank market at or about 11.00 a.m. (London time) on the first London Banking Day of each month.

“**Companies**” and “**Company**” have the meaning given in Background.

“**Control**” means in relation to any person, the right of another person or persons acting together, whether in law or in fact (including by way of contract), to secure by means of the holding of shares bearing fifty percent (50%) or more of the voting rights attaching to all the shares in such person, or by having the power to control the composition of the board of managers/directors or other governing body of such person, that all or a

substantial proportion of the affairs of such person are conducted in accordance with the wishes of that person or persons acting together, and the expressions "**Controls**" or "**Controlled**" shall be construed accordingly.

"**Cure Period**" has the meaning given in Clause 9.1(a).

"**Deadlock**" has the meaning given in Clause 6.5(a).

"**Deadlock Committee**" has the meaning given in Clause 6.5(d).

"**Deadlock Referral Notice**" has the meaning given in Clause 6.5(c).

"**Deadlock Resolution Procedure**" has the meaning given in Clause 6.5(d).

"**Default Fee**" has the meaning given in Clause 8.

"**Defaulting Party**" has the meaning given in Clause 9.1

"**Director**" means any director of the SPV Company appointed by a Shareholder in accordance with the terms of this Agreement and the Articles and, where the context requires, shall also include an Alternate Director.

"**Distribution**" means (i) any Share Distribution; (ii) any payment by the SPV Company to any Shareholder in respect of any SPV Shareholder Loan; or (iii) any payment by the SPV Company of any other amount pursuant to Clause 13 and "**Distributed**" shall be construed accordingly.

"**Effective Date**" has the meaning given in Clause 2.1

"**Encumbrance**" means and includes any mortgage, charge, pledge, lien, option, pre-emptive right, hypothecation, guarantee, trust, right of set-off or other third party right or interest including any assignment by way of security, reservation of title or other security interest of any kind, howsoever created or arising, or any other agreement or arrangement (including a sale and repurchase agreement) having similar effect and "**Encumber**" shall be construed accordingly.

“**Event of Default**” has the meaning given in Clause 9.1.

“**Exercise Period**” has the meaning given in Clause 17.3.

“**Fair Market Value**” means the fair market value of any securities (including the Shares) or other property as determined:

(a) on a fair market basis as between a willing and not anxious seller and a willing buyer on arms’ length terms;

(b) if the SPV Company and the Mining & Refining Company is then carrying on business as a going concern, on the assumption that both will continue to do so;

(c) in the case of Shares, on the assumption that the Shares to be sold are capable of being transferred without restriction and free from all Encumbrances;

(d) in the case of Shares, by valuing the Shares to be sold as a rateable proportion of the total value of the issued Shares of the SPV Company and without any premium or discount being attributable to the class of Shares to be sold or the percentage of the issued share capital of the SPV Company which they represent; and

(e) otherwise in accordance with Clause 18.4.

“**Financial Year**” means (i) in relation to the first year in which the SPV Company is formed, the period commencing on the day the SPV Company is formed and ending on 31 December of the calendar year in which the SPV Company is formed; and (ii) in any other year a period commencing on 1 January and ending on 31 December.

“**Governmental Authority**” means any court or governmental authority, department, commission, board, agency or other instrumentality of any country or jurisdiction or any part thereof having jurisdiction over this Agreement, the Parties or any asset or transaction contemplated by this Agreement.

"**Government Official**" means an employee, officer or representative of, or any person otherwise acting in an official capacity for or on behalf of a Governmental Authority.

"**ICC Rules**" has the meaning given in Clause 37.3.

"**INVESTOR**" has the meaning given in the introduction.

"**INVESTOR Director**" means any director appointed to the Board by INVESTOR from time to time.

"**INVESTOR Fundamental Event of Default**" has the meaning given in Clause 9.3.

"**INVESTOR Guarantee**" means the parent company guarantee issued by A. Abunayyan Trading Corporation in respect of INVESTOR's obligations under this Agreement as at the date hereof and substantially in the form set out in Schedule 4 to the Closing Memorandum.

"**INVESTOR Shares**" means the Shares held by the INVESTOR from time to time.

"**Joint Venture**" has the meaning given in the Background.

"**JV Event of Default**" means "Event of Default" as defined in the JV Shareholders' Agreement.

"**JV Shareholders' Agreement**" has the meaning given in the Background.

"**Kingdom**" means the Kingdom of Saudi Arabia.

"**London Banking Day**" means any day on which banks in London, England are generally open for business.

"**M&R Distribution**" has the meaning given in Clause 13.1.

"**Ma'aden**" has the meaning given in the Background.

"**Material Adverse Effect**" means any effect or circumstance which is, or is reasonably likely to be, materially adverse to the business, operations, assets, liabilities, properties, financial condition, effective management, results or prospects of the SPV Company, the Mining & Refining Company and/or the Project.

"**Mining & Refining Company**" has the meaning given in the Background.

"**Non-Attending Director**" has the meaning given in Clause 6.3(f).

"**Non-Defaulting Party**" has the meaning given in Clause 9.1(a).

"**Non-Transferring Party**" has the meaning given in Clause 16.2.

"**Note Purchase Agreement**" means the Note Purchase Agreement dated [ ] 2009 entered into between the Parties.

"**Offer**" has the meaning given in Clause 16.1.

"**Offer Interests**" has the meaning given in Clause 17.1(a).

"**Option Consideration**" has the meaning given in Clause 20.7

"**Option Interests**" has the meaning given in Clause 20.1.

"**Option Period**" has the meaning given in Clause 20.2.

"**Other Shareholders' Agreements**" means (i) the Shareholders' Agreement to be entered into between the INVESTOR and an Affiliate of ALCOA in relation to the Smelting Company and (ii) the Shareholders' Agreement to be entered into between the INVESTOR and an Affiliate of ALCOA in relation to the Rolling Company.

"**Party**" or "**Parties**" has the meaning given in the introduction.

"**Potential Purchaser**" has the meaning given in Clause 17.1.

"**Project**" has the meaning given in the Background.

“**Proposed Resolution**” has the meaning given in Clause 6.5(a).

“**Put Option**” has the meaning given in Clause 20.1.

“**Put Option Completion Date**” has the meaning given in Clause 20.3.

“**Put Option Notice**” has the meaning given in Clause 20.3.

“**Rolling Company**” has the meaning given in the Background.

“**Secretary**” means the company secretary of the SPV Company appointed from time to time.

“**Share Distribution**” means any dividend (in cash, property or otherwise) or any other distribution or payment made by the SPV Company on or in respect of its Shares, including any distributions of the distributable profits of the SPV Company, or any distribution of the assets of the SPV Company, including any proceeds from an initial public offering of the shares of the Mining & Refining Company, and upon any liquidation or winding up of the SPV Company.

“**Shares**” means the ordinary shares of USD[ ] each in the issued share capital of the SPV Company from time to time.

“**Shareholders**” means the holders of Shares in the SPV Company.

“**Shareholder Percentage**” means the ownership interest owned by each of AWA and INVESTOR in the SPV Company from time to time, such ownership interest as of the Effective Date being as set forth in Schedule A hereto.

“**Shareholder Reserved Matters**” means the matters listed in Part B of Schedule B hereto.

“**Smelting Company**” has the meaning given in the Background.

“**Special Majority**” has the meaning given in Clause 6.4(b).

“**SPV Company**” has the meaning given to it in the Background.

“**SPV Paid In Capital**” means the aggregate amount of money paid by each of AWA and the INVESTOR to the SPV Company in connection with the

subscription for Shares or purchase of convertible notes pursuant to the Note Purchase Agreement.

"**SPV Shareholder Loan**" means a subordinated interest-free loan by a Shareholder to the SPV Company pursuant to an SPV Shareholder Loan Agreement.

"**SPV Shareholder Loan Agreement**" means agreements entered into between a Shareholder and the SPV Company in respect of any SPV Shareholder Loans.

"**Tag-Along Interests**" has the meaning given in Clause 17.2.

"**Tag-Along Notice**" has the meaning given in Clause 17.1.

"**Tag-Along Right**" has the meaning given in Clause 17.2.

"**Tag Offer Terms**" has the meaning given in Clause 17.1(c).

"**Third Party Offeror**" has the meaning given in Clause 16.1.

"**Transfer Closing Date**" has the meaning given in Clause 9.3(b)(iv).

"**Transfer Notice**" has the meaning given in Clause 16.2.

"**Transferring Party**" has the meaning given in Clause 16.1.

"**US Dollar**" or "**US$**" or "**USD**" shall mean the lawful currency of the United States of America.

"**Valuer**" has the meaning given in Clause 18.2.

1.2 Capitalized terms that are used in this Agreement but not defined in Clause 1.1 or another provision of this Agreement shall have the meaning ascribed to them in the JV Shareholders' Agreement.

1.3 Clause, schedule and paragraph headings do not affect the interpretation of this Agreement.

1.4 A reference to a clause or a schedule is a reference to a clause of, or schedule to, this Agreement. A reference to a paragraph is to a paragraph of the relevant schedule.

1.5 A **person** includes a corporate or unincorporated body.

1.6 Words in the singular include the plural and in the plural include the singular.

1.7 A reference to one gender includes a reference to the other gender.

1.8 A reference to a statute or other enactment of a Governmental Authority is a reference to such statute or enactment as it is in force for the time being, taking account of any amendment, extension, replacement, application or re-enactment and includes any subordinate legislation for the time being in force made under such statute or enactment from time to time.

1.9 Documents in **agreed form** are documents in the form agreed by the Parties and initialled by them for identification.

1.10 Wherever provision is made for the giving or issuing of any notice, consent, approval, certificate or determination by any Party, such notice, consent, approval, certificate or determination, unless otherwise specified, shall be in writing and in accordance with Clause 30 and the words “notify”, “consent”, “approve”, “certify”, “determine” and their cognates shall be construed accordingly.

1.11 Any reference in this Agreement to “writing” or cognate expressions includes a reference to facsimile (telecopy) transmission or electronic mail [which shall be followed by a facsimile transmission confirming the same].

1.12 A reference in this Agreement to a document is a reference to the document whether in paper or electronic form as amended, consolidated, supplemented, novated or replaced from time to time.

1.13 Where the words **include(s), including** or **in particular** are used in this Agreement, they are deemed to have the words "without limitation" following them.

1.14 Any obligation in this Agreement on a person not to do something includes an obligation not to agree or allow that thing to be done.

1.15 If any provision of this Agreement requires a Shareholder to procure that the SPV Company do something or not do something, that Shareholder shall have an obligation to so procure only to the extent that it may do so by the exercise of its powers as a Shareholder in accordance with Applicable Laws.

2. EFFECTIVENESS OF THIS AGREEMENT

2.1 This Agreement shall come into force and effect on the date specified in clause 10.1.1 of the Note Purchase Agreement (such date, the "**Effective Date**").

3. PURPOSE AND BUSINESS OF THE SPV COMPANY

3.1 The Parties acknowledge and agree that, inter alia, the purpose of the SPV Company is to act as the holder of AWA's and the INVESTOR's forty per cent (40%) ownership interest in the Mining & Refining Company and the Project and to carry on the Business.

3.2 Each Shareholder shall, subject always to the terms and conditions of this Agreement, use all reasonable endeavours:

(i) to conduct its dealings with the SPV Company, in such a way as to promote the Business and the business of the Mining & Refining Company;

(ii) to enable ALCOA or the SPV Company, as applicable, to satisfy their respective obligations and responsibilities under the JV Shareholders' Agreement so far as such obligations relate directly to the Mining & Refining Company;

(iii) to promote the best interests of the SPV Company; and

(iv) ensure that the Business is conducted in the best interests of the SPV Company in accordance with sound and good business practice/standard industry practice and the highest ethical standards.

3.3 The business of the SPV Company shall be confined to the Business except as may be otherwise agreed by the Shareholders in accordance with this Agreement.

3.4 The Parties shall procure (so far as they are able to do so) that each of their respective Affiliates use all reasonable and proper means to maintain, improve and extend the Business.

4. RESTRUCTURING OF THE SPV ON THE EFFECTIVE DATE

4.1 On the Effective Date:

(a) AWA shall procure that the SPV Company adopt the Articles;

(b) the INVESTOR shall nominate two directors to represent its interests on the Board and the AWA and the SPV Company shall procure that such directors are appointed to the Board and registered as directors with the Companies Registry of Hong Kong. For the avoidance of doubt, from the Effective Date there shall be two INVESTOR Directors on the Board at all times unless otherwise agreed between the Shareholders;

(c) AWA shall procure the removal of such number of AWA Directors appointed to the Board so that there shall be only two AWA Directors on the Board; and

(d) AWA shall procure that, as required, the SPV Company increase the authorised share capital of the SPV Company and procure that the SPV Company shall issue such Shares to the INVESTOR and take such

steps as are necessary to establish the INVESTOR as the legal owner of fifty per cent (50%) of the Shares in the SPV Company in accordance with Hong Kong Law.

5. NOT USED

6. DIRECTORS AND MANAGEMENT

6.1 Appointment of Directors

(a) The SPV Company shall be managed by the Board, which shall comprise of four (4) Directors, made up of an equal number of INVESTOR Directors and AWA Directors. Each of INVESTOR and AWA will also appoint an Alternate Director, who will also participate in meetings of the Board, but will have no vote unless expressly authorized to vote pursuant to Clause 6.1(d). All appointments of Directors shall be effected by written notice to the SPV Company and to the Shareholder not appointing a Director.

(b) AWA shall appoint an AWA Director to be the Chairman of the Board.

(c) The Board shall have full authority to act on behalf of the SPV Company, in accordance with the terms and conditions of this Agreement and the Articles.

(d) A Director may grant a proxy to an Alternate Director.

(e) Unless otherwise agreed between the INVESTOR and AWA, vacancies will be promptly filled by the Shareholder having the right to appoint a Director to the vacant seat, such that the composition of the Board shall at all times be in accordance with this Agreement.

6.2 Removal of Directors

The Shareholder who appointed a Director may remove that Director at any time by written notice to the SPV Company and the other

Shareholder. A Shareholder may not remove or take steps to remove a Director appointed by another Shareholder. In the event that a Director is removed or resigns or becomes incapacitated or otherwise unable to serve for any reason, the Shareholder who appointed him shall promptly appoint a replacement. The appointment or removal shall take effect on the date on which the notice is received by the SPV Company or, if a later date is given in the notice, on that date. The Shareholder removing a Director appointed by it shall be responsible for and shall indemnify and hold harmless the other Shareholder and the SPV Company from and against any claim for unfair or wrongful dismissal arising out of such removal and any reasonable costs and expenses incurred in defending such proceedings, including, but without prejudice to the generality of the foregoing, legal costs actually incurred.

6.3 Meetings of the Board

(a) Meetings of the Board shall be held, at least, on a quarterly basis and in any event, in compliance with the Articles. Meetings of the Board shall also be held prior to each meeting of the Board of Managers or of the shareholders of the Mining & Refining Company. A meeting of the Board may be requested by any two (2) Directors.

(b) To the extent permissible under Applicable Laws of Hong Kong, meetings of the Board may be held by conference call or video conference. Meetings of the Board shall be held at [ ] or at such other places as may be agreed by at least one AWA Director and one INVESTOR Director. The notice of the meeting shall include an agenda.

(c) The Secretary shall circulate to all the Directors a proposed agenda for each Board meeting together with notice of such meeting. Except as may be agreed by all Directors entitled to attend and vote at a meeting of the Board, no resolution or business shall be passed or transacted at any such meeting unless such resolution or business is included in the agenda for such meeting.

(d) No business shall be transacted and a Board meeting (including an adjourned Board meeting) shall not be deemed to be duly convened unless a quorum is present. Subject to Clause 6.3(e), the quorum for the transaction of business at any Board meeting shall be at least one (1) Director appointed by each Shareholder. The Shareholders shall use their respective reasonable endeavours to ensure that the Directors appointed by them attend each Board meeting and that a quorum is present throughout the meeting.

(e) If a quorum is not present within two (2) hours after the time specified for a Board meeting in the notice of the meeting then it shall be adjourned for [NUMBER] Business Days at the same time and place. If a Board meeting is adjourned pursuant to this Clause 6.3(e) on three (3) consecutive occasions due to a quorum not being present, at the next such adjourned meeting of the Board any Director present shall be deemed to constitute a quorum and shall, be able to transact business on behalf of the SPV Company, including in relation to any Board Reserved Matters, provided always that any action taken is in accordance with the terms and conditions of this Agreement, including this Clause 6. For the avoidance of doubt, notwithstanding the provisions of this Clause 6.3(e), no resolutions shall be adopted or decisions taken by the Board (as constituted under this Clause 6.3(e)) in relation to any of the Shareholder Reserved Matters except to the extent required pursuant to Applicable Laws.

(f) In the event that any INVESTOR Directors or AWA Directors (or their relevant Alternate Directors) do not attend a Board meeting (each being a "**Non Attending Director**") any other INVESTOR Director or AWA Director (as applicable) present at such meeting shall be entitled, in addition to their own vote, to additionally cast the total number of votes of the Non Attending Director(s).

(g) Resolutions of the Board may be passed by written resolution. The resolutions of the Board shall be written in the English language.

6.4 Voting Majorities, Board Reserved Matters and Shareholder Reserved Matters

(a) Subject to the following provisions of this Clause 6.4 and the Articles, the Board shall adopt its resolutions with the affirmative simple majority vote of the Directors being present in person or by proxy, and entitled to vote, at a duly convened Board meeting at which a quorum is present provided that the Chairman shall have a casting vote in the event of an equality of votes.

(b) Notwithstanding Clause 6.4(a) and subject to Clause 9.2(c), the Board shall only adopt resolutions in relation to Board Reserved Matters if (i) the requirements of Clause 6.4(a) are satisfied AND (ii) the Directors voting in the affirmative include one (1) Director appointed by each Party (the foregoing, a "**Special Majority**").

(c) A written resolution taken without a Board meeting shall be adopted only by the unanimous written consent of all of the Directors.

(d) The Board shall obtain the prior written approval of both Shareholders before taking any decision in relation to any of the Shareholder Reserved Matters.

6.5 Deadlock

(a) If a resolution (a "**Proposed Resolution**") with respect to:

(i) a Shareholder Reserved Matter is proposed at two (2) consecutive general meetings and the Proposed Resolution is not approved at either of such meetings; or

(ii) a Board Reserved Matter is proposed at two (2) consecutive meetings or of the Board (as it may be amended or supplemented by approval of the Board in accordance with this Agreement) and the Proposed Resolution is not approved at either of such Board meetings,

such situations shall be considered to constitute a "**Deadlock**" for the purposes of this Agreement.

(b) Nothing in this Clause 6.5 shall relieve any Party from its obligations under this Agreement, nor shall any default by a Party in the performance of such obligations give rise to a Deadlock as the provisions of Clause 9 shall be applicable to any such default.

(c) Any Shareholder who has not, or whose appointed Directors have not (as the case may be), voted against or abstained from voting in respect of such Proposed Resolution, may during the period of thirty (30) days after such Deadlock has arisen (but not after such period) invoke the Deadlock Resolution Procedure by giving notice (a "**Deadlock Referral Notice**") in writing to the other Shareholder and, if applicable, the SPV Company, which notice shall be accompanied by such Shareholder's description of the Deadlock and its position with respect thereto.

(d) If a Shareholder gives a Deadlock Referral Notice in respect of a Deadlock, the Shareholders shall procure that the following procedure (the "**Deadlock Resolution Procedure**") is followed:

(i) the chief executive officers of the ultimate parent companies of each of the Shareholders or their representatives specifically designated for the purpose of resolving the Deadlock (the "**Deadlock Committee**") shall meet within fifteen (15) days of such notice being given and shall negotiate in good faith with a view to resolving the Deadlock;

(ii) the rules and procedures of the Deadlock Committee shall be unanimously agreed by the Deadlock Committee;

(iii) each Shareholder shall have the right to submit to the members of the Deadlock Committee its own statement of the matter and its position with respect thereto;

(iv) the members of the Deadlock Committee shall use their reasonable efforts to resolve the Deadlock for a reasonable period of time, which shall not (unless otherwise agreed between the Shareholders) exceed thirty (30) days from the

date of submission of such matter to the Deadlock Committee;

(v) the members of the Deadlock Committee shall be guided in such negotiations by the best interests of the SPV Company; and

(vi) the members of the Deadlock Committee may approve such interim or temporary actions or other measures as they shall unanimously agree are necessary and desirable to protect and preserve the value of the Project pending resolution of the Deadlock, and the Shareholders shall procure that any such approved actions or other measures are duly approved by those Shareholders or, as the case may be the Board, in accordance with this Agreement and implemented by the SPV Company.

(e) No Shareholder shall, by virtue of any Deadlock or Deadlock Resolution Procedure, be relieved of any of its obligations under this Agreement and, without limiting the generality of the foregoing, the Shareholders shall continue to procure that the SPV Company continues to take all such actions contemplated by this Agreement in a timely manner.

(f) If a Deadlock is not the subject of a valid Deadlock Referral Notice or is not resolved in accordance with the Deadlock Resolution Procedure within forty five (45) days of the submission of such matter to the Deadlock Committee, no action will be taken with respect to the Proposed Resolution giving rise to such Deadlock and the status quo shall be maintained in respect of the operations of the SPV Company in respect thereof.

(g) A Deadlock shall not be submitted to, or be capable of resolution by, arbitration under this Agreement, provided that, any dispute with respect to the compliance by the relevant Shareholder with their obligations under this Clause 6.5 may be subject to determination pursuant to Clause 37.2.

(h) The rights and remedies of the Shareholders under this Clause 6.5 shall be the exclusive rights and remedies of the Shareholders with respect to any Deadlock and, without limiting the generality of the foregoing, no Party shall take any action or other step to liquidate, wind-up or otherwise dissolve the SPV Company as a consequence of any Deadlock.

7. FINANCING OF THE SPV COMPANY

7.1 The Parties agree that it is their intention that the financing requirements of the SPV Company shall be met by the Shareholders by (i) the proceeds of the subscription of Shares under this Agreement; and (ii) by SPV Shareholder Loans to the SPV Company, in each case to meet Cash Calls made by the Board of Managers of the Mining & Refining Company to the SPV Company pursuant to and in accordance with the JV Shareholders' Agreement and Project Budget.

7.2 Whenever ALCOA or its Affiliate is required to comply with any Cash Call or Development Committee Funding Call (including any Cash Call or Development Committee Funding Call with respect to the payment of any Additional Pre-Incorporation Costs) pursuant to the JV Shareholders' Agreement, then, no later than two (2) Business Days before the date on which ALCOA or its Affiliate is required to comply with such requirement, each Shareholder shall on receipt of a request from the SPV Company in accordance with Clause 7.4 provide to the SPV Company a proportion of such amount pro rata to its respective Shareholder Percentage. Subject to Clause 7.3, such amounts shall be accounted for by subscriptions for additional Shares and the Shareholders shall procure that the SPV Company issues to each Shareholder on receipt of such amounts a corresponding amount of additional Shares.

7.3 If the JV Shareholders' Agreement requires the SPV Company to provide Shareholder Loans to the Mining & Refining Company, each Shareholder shall provide SPV Shareholder Loans to the SPV Company on substantially similar terms to such Shareholder Loans and enter into corresponding SPV Shareholder Loan Agreements. Such SPV Shareholder Loans shall:

(a) rank at all times pari *passu* with one another; and

(b) be made at all times by the Shareholders pro rata in accordance with their respective Shareholder Percentage (including with respect to the provision of any loan amount, any drawdown, payment or application of interest or repayment).

7.4 Unless otherwise agreed, all requests made to the Shareholders by the SPV Company for further financing whether pursuant to this Clause 7 or otherwise, shall:

(a) be in an amount that corresponds to a Cash Call or Development Committee Funding Call (including any Cash Call or Development Committee Funding Call with respect to Additional Pre-Incorporation Costs) made pursuant to the JV Shareholders' Agreement under an approved Budget (which Cash Call, Development Committee Funding Call and approved Budget shall be referenced in request for further financing), be given at such times and in respect of such amounts as correspond to the cash requirements of the Mining & Refining Company and, to the extent possible, correspond with the timing contemplated by such approved Budget;

(b) be made by notice in writing to the Shareholders not less than eight (8) Business Days prior to the date (the "**Funding Deadline**"), which shall be a Business Day, by which such Cash Call or Development Committee Funding Call is required to be made under the JV Shareholders' Agreement;

(c) specify the amount required to be advanced by the Shareholders in accordance with this Agreement;

(d) specify whether the amount is required to be advanced to the SPV Company by way of equity subscription and/or SPV Shareholder Loan;

(e) specify the Funding Deadline; and

(f) set out details of the bank account of the SPV Company into which the required funds the subject of the Cash Call or the Development Committee Funding Call should be deposited.

7.5 Each Party shall provide all financing to the SPV Company pursuant to Clauses 7.2 and 7.3 pro rata in accordance with its respective Shareholder Percentage.

7.6 All funding provided to the SPV Company pursuant to this Agreement shall be made in the form of cash in the currency specified in the request.

7.7 All funding made under this Clause 7 and pursuant to this Agreement shall be directly deposited into the SPV Company's bank account and used by the SPV Company in accordance with this Agreement.

7.8 All financing provided to the SPV Company shall be used for the purposes it was intended as notified to the Shareholders at the time such request for further financing was made in accordance with Clause 7.4.

8. DEFAULT FEE

8.1 If a Shareholder fails to provide funds to the SPV Company in accordance with Clause 7, such defaulting Shareholder shall bear a fee (the "**Default Fee**") which is calculated at a rate per annum equal to the Commission Rate plus two percent (2%) over the pro rata proportion (in accordance with its Shareholder Percentage) of the principal amount of funds due from that defaulting Shareholder, from and including the date on which such outstanding funds are due to and including the date on which such funds are paid or deemed to be paid. The Default Fee shall be payable upon written demand by the SPV Company or the Shareholder not in default or, failing such demand, monthly in arrears. Any calculation of the Default Fee under

this Clause 8 shall be made on the basis of the actual number of days elapsed and a three hundred and sixty (360) day year.

9. EVENTS OF DEFAULT AND CONSEQUENCES

9.1 Events of Default

Each of the following shall constitute an "**Event of Default**" in respect of a Shareholder (the "**Defaulting Party**") for the purposes of this Agreement:

(a) the Defaulting Party shall have failed to advance (or procure the advancing of) the amount of any funding required pursuant to Clause 7 (a "**Funding Default**"), and such failure is not remedied within fifteen (15) Business Days of receipt of a written notice thereof from the non-defaulting Party (the "**Non-Defaulting Party**") to the Defaulting Party (the "**Cure Period**");

(b) an Act of Insolvency shall have occurred in respect of the Defaulting Party or, if applicable, any Affiliate of the Defaulting Party that has guaranteed the obligations of the Defaulting Party pursuant to this Agreement; or

(c) the Defaulting Party shall have committed any breach (or series of breaches) of the provisions of this Agreement (other than as contemplated by paragraphs (a) and (b) above) and such breach constitutes or evidences a failure on the part of the Defaulting Party to comply with its obligations under this Agreement to an extent that has, or is likely to have, a Material Adverse Effect and such breach is not remedied within the Cure Period;

(d) in relation to AWA, the ALCOA Guarantee ceases for any reason to be a legal, valid, binding and enforceable obligation of ALCOA;

(e) in relation to the INVESTOR, the INVESTOR Guarantee ceases for any reason to be a legal, valid, binding and enforceable obligation of A. Abunayyan Trading Corporation.

(f) in relation to AWA, if any of Alcoa, its Affiliates, the Mining & Refinery Company and the other parties to the JV Shareholders' Agreement is in breach of their respective obligations under the JV Shareholders' Agreement.

9.2 Consequences of Events of Default by INVESTOR

(a) If INVESTOR is the Defaulting Party in respect of a Funding Default, and INVESTOR does not cure its default within the applicable Cure Period:

(i) and AWA has advanced funding on behalf of INVESTOR, INVESTOR shall pay AWA on demand an amount equal to one hundred and fifteen percent (115%) of the amount of such advanced payment in lieu of the funding due to be made by the INVESTOR; and

(ii) for so long as a Funding Default is continuing, any amount of cash that would otherwise be payable by the SPV Company to INVESTOR including without limitation, any Distribution under this Agreement shall from time to time be set-off against the obligations owed by INVESTOR in respect of such Funding Default. Any amounts retained by the SPV Company as a result of such set-off shall be applied: firstly, to pay any advance funding paid by AWA on behalf of the INVESTOR due to such Funding Default including any Default Commission that was incurred pursuant to and in accordance with the JV Shareholders' Agreement; secondly, any accrued and unpaid Default Fee owing by the INVESTOR to the SPV Company pursuant to this Agreement; thirdly, to meet the INVESTOR's obligations to advance funds pursuant to Clause 7; and the balance (if any) shall be paid to the INVESTOR, and the application of such funds shall be deemed to discharge in full the obligations of the SPV Company to the Defaulting Party in respect of any such Distribution.

(b) If INVESTOR is the Defaulting Party in respect of an Event of Default under Clauses 9.1(b), (c) or (e), the INVESTOR shall not be entitled to any Distributions or to otherwise participate in the profits of the SPV Company under this Agreement during the period that such Event of Default subsists.

(c) If INVESTOR is the Defaulting Party in respect of an Event of Default, during the period that such Event of Default subsists, any Board Reserved Matter may be adopted by the Board by affirmative simple majority vote in accordance with Clause 6.4(a).

9.3 Transfer Upon INVESTOR Fundamental Event of Default

(a) It shall be an "**INVESTOR Fundamental Event of Default**" if:

(i) INVESTOR is a Defaulting Party in respect of a Funding Default which has not been cured within its relevant Cure Period on more than three occasions whether under this Agreement or the corresponding provisions of any Other Shareholders' Agreement (whether or not such Funding Defaults are subsequently cured); or

(ii) one of the events set out in paragraphs (b) and (c) of the definition of "Act of Insolvency" occurs in respect of the INVESTOR or, if applicable, any Affiliate of the INVESTOR that has guaranteed the obligations of the INVESTOR pursuant to this Agreement, or any such person is judicially determined to be unable, or admits inability, to pay its debts as they fall due in the ordinary course.

(b) In the case of an INVESTOR Fundamental Event of Default, AWA shall have the right to purchase, and require the INVESTOR to sell, the INVESTOR's Shares and SPV Shareholder Loans in the following manner:

(i) in the case that Clause 9.3(a)(i) applies, on the first (1st) day immediately following the occurrence of the INVESTOR Fundamental Event of Default, or in the case that Clause 9.3(a)(ii) applies, on the date ten (10) Business Days from receipt of a written notice from AWA if such INVESTOR

Fundamental Event of Default has not been remedied (in either case, the "**Call Date**") the INVESTOR shall be deemed to have offered to sell all right, title and interest in all of the INVESTOR's Shares and SPV Shareholder Loans to AWA upon and subject to the terms and conditions set out in this Clause 9.3;

(ii) AWA may, by notice in writing given to the INVESTOR not later than fourteen (14) Business Days following the Call Date, elect to accept INVESTOR's offer in respect of all (but not less than all) of the INVESTOR's Shares and SPV Shareholder Loans, failing which AWA shall be deemed to have rejected such offer;

(iii) provided that AWA has accepted the INVESTOR's offer in respect of all (but not less than all) of the INVESTOR's Shares and SPV Shareholder Loans within the time period specified in Clause 9.3(b)(ii), AWA shall purchase all of the INVESTOR's Shares and SPV Shareholder Loans, and the INVESTOR shall be obliged to sell, transfer and assign such Shares and SPV Shareholder Loans to AWA on the Transfer Closing Date in the amounts stipulated in Clause 9.3(c); and

(iv) the completion of the purchase and sale of the INVESTOR's Shares and SPV Shareholder Loans shall take place on the date (which is ten (10) Business Days following the expiry of the fourteen (14) Business Day period referred to in Clause 9.3(b)(ii) above, or such other date as may be agreed between the Parties (the "**Transfer Closing Date**").

(c) If AWA elects to accept the INVESTOR's offer to purchase its Shares and SPV Shareholder Loans, the purchase price for the INVESTOR's Shares and SPV Shareholder Loans shall be as follows:

(i) in the event that the Financing Completion Date for Phase 1 has not occurred, at a consideration of [USD[1.00]]

(ii) in the event that the Financing Completion Date for Phase 1 has occurred but the Commercial Production Date in respect of the elements of the Project comprised in Phase 1 has not occurred, at a consideration equal to sixty percent (60%) of the aggregate amount of the INVESTOR's SPV Paid In Capital and SPV Shareholder Loans in the SPV Company;

(iii) in the event that the Commercial Production Date in respect of the elements of the Project comprised in Phase 1 has occurred but the fifth (5th) anniversary of such date has not occurred, at a consideration equal to seventy five percent (75%) of the Fair Market Value of the INVESTOR' Shares and SPV Shareholder Loans at the date of transfer; and

(iv) in the event that the fifth (5th) anniversary referred to in sub-clause (iii) has occurred, at a consideration equal to eighty five percent (85%) of the Fair Market Value of the INVESTOR's Shares and SPV Shareholder Loans at the date of transfer,

in the case of sub-clauses (iii) and (iv) above the Fair Market Value shall be determined in accordance with the provisions of Clause 18 which provisions shall apply *mutatis mutandis* to this Clause 9.3 and the Parties hereby acknowledge and agree that any discount contemplated by this Clause 9.3(c) does not (and shall not be construed to) constitute a penalty imposed on the INVESTOR and that such discount reflects the Shareholders' genuine pre-estimate of the damages AWA would suffer in the circumstances contemplated by this Clause 9. In each case, any amount of accrued and unpaid Default Fee due from the INVESTOR and any amount accrued and unpaid under Clause 9.2(a)(i) or 9.3(d) shall be deducted from the amounts otherwise payable to the INVESTOR. For the avoidance of doubt, any other payment made by INVESTOR pursuant to this Agreement shall not be reimbursed in the event of any purchase of INVESTOR's Shares pursuant to this Clause 9.

(d) The costs of the Valuers incurred in connection with the determination of the Fair Market Value of INVESTOR's Shares

pursuant to this Clause 9 shall be paid promptly by the INVESTOR upon receipt of an invoice therefor and in any event prior to the Transfer Closing Date, failing which such costs may be deducted by AWA from the purchase price payable to the INVESTOR for the INVESTOR's Shares in such manner as AWA may determine acting reasonably.

(e) Nothing in this Clause 9.3 shall be construed to require AWA to exercise any of the above rights.

9.4 Consequences of Events of Default by AWA

(a) If AWA is the Defaulting Party in respect of a Funding Default, and AWA does not cure its default within the applicable Cure Period:

(i) and INVESTOR has advanced funding on behalf of AWA, AWA shall pay INVESTOR on demand an amount equal to one hundred and fifteen percent (115%) of the amount of such advanced payment in lieu of the funding due to be made by the INVESTOR; and

(ii) for so long as a Funding Default is continuing, any amount of cash that would otherwise be payable by the SPV Company to AWA including without limitation, any Distribution under this Agreement shall from time to time be set-off against the obligations owed by AWA in respect of such Funding Default. Any amounts retained by the SPV Company as a result of such set-off shall be applied: firstly, to pay any advance funding paid by the INVESTOR on behalf of AWA due to such Funding Default including any Default Commission that was incurred pursuant to and in accordance with the JV Shareholders' Agreement; secondly, any accrued and unpaid Default Fee owing by AWA to the SPV Company pursuant to this Agreement; thirdly, to meet AWA's obligations to advance funds pursuant to Clause 7; and the balance (if any) shall be paid to AWA, and the application of such funds shall be deemed to discharge in full the obligations of the SPV

Company to the Defaulting Party in respect of any such Distribution.

(b) If AWA is the Defaulting Party in respect of an Event of Default under Clause 9.1(b)-(d) and 9.1(f), AWA shall not be entitled to any Distributions or to otherwise participate in the profits of the SPV Company under this Agreement during the period that such Event of Default subsists.

9.5 Distribution of Ma'aden Payment for Transferable Interests

(a) If a Funding Default occurs in respect of which the INVESTOR is the Defaulting Party and such Funding Default solely and directly causes a JV Event of Default under the JV Shareholders' Agreement in respect of which Ma'aden elects to exercise its rights under clause 14.3(b)(ii), clause 14.3(b)(iii) or clause 14.3(b)(iv) of the JV Shareholders' Agreement, any amounts payable by Ma'aden pursuant to those Clauses shall be allocated between AWA and the INVESTOR as follows:

(i) in the case that clause 14.3(b)(ii) of the JV Shareholders' Agreement applies, first to AWA an aggregate amount equal to AWA's SPV Paid in Capital and SPV Shareholder Loans, and second the balance of such amount to INVESTOR; or

(ii) in the case that clause 14.3(b)(iii) or clause 14.3(b)(iv) of the JV Shareholders' Agreement applies, first to AWA, an amount equal to the fair market value (as determined in accordance with the JV Shareholders' Agreement) of fifty percent (50%) of ALCOA's or the SPV Company's (as the case may be) Transferable Interests in the Mining & Refining Company at the date of transfer as determined in accordance with the JV Shareholders' Agreement, and second the balance of such amount to the INVESTOR.

(b) If a Funding Default occurs in respect of which the INVESTOR is the Defaulting Party and such Funding Default solely and directly causes a

JV Event of Default under the JV Shareholders' Agreement in respect of which Ma'aden elects to exercise its right under clause 14.3(b)(i) of the JV Shareholders' Agreement, AWA shall receive a liquidated damages payment from the INVESTOR in the amount of US$10million.

(c) If an Event of Default occurs in respect of which AWA is the Defaulting Party and such Event of Default causes a JV Event of Default under the JV Shareholders' Agreement in respect of which Ma'aden elects to exercise its rights under clause 14.3(b)(ii), clause 14.3(b)(iii), or clause 14.3(b)(iv) of the JV Shareholders' Agreement any amounts payable by Ma'aden pursuant to those Clauses shall be allocated between AWA and the INVESTOR as follows:

(i) in the case that clause 14.3(b)(ii) of the JV Shareholders' Agreement applies, first to INVESTOR an aggregate amount equal to INVESTOR's SPV Paid in Capital and SPV Shareholder Loans, and second the balance of such amount to AWA; or

(ii) in the case of clause 14.3(b)(iii) or 14.3(b)(iv) of the JV Shareholders' Agreement applying, first to INVESTOR, an amount equal to the fair market value (as determined in accordance with the JV Shareholders' Agreement) of fifty percent (50%) of ALCOA's or the SPV Company's (as the case may be) Transferable Interests in the Mining & Refining Company at the date of transfer as determined in accordance with the JV Shareholders' Agreement, and second the balance of such amount to AWA.

(d) If an Event of Default occurs in respect of which AWA is the Defaulting Party and such Event of Default solely and directly causes a JV Event of Default under the JV Shareholders' Agreement in respect of which Ma'aden elects to exercise its right under clause 14.3(b)(i) of the JV Shareholders' Agreement, INVESTOR shall receive a liquidated damages payment from AWA in the amount of US$10million.

(e) If Ma'aden elects to exercise its rights under clause 14.3 of the JV Shareholders' Agreement to purchase any or all of ALCOA or its

Affiliates Transferable Interests in the Mining & Refining Company in any other circumstances, or exercises its rights under clause 15 of the JV Shareholders' Agreement to purchase such interests, any amounts received by the SPV Company in respect of such purchase shall be Distributed to or otherwise allocated between AWA and the INVESTOR pro rata to their respective Shareholder Percentages.

(f) If Ma'aden elects to exercise its rights under clause 14.4(f)(i) of the JV Shareholders' Agreement to dilute any or all of ALCOA or its Affiliates Transferable Interests in the Mining & Refining Company as a result of a funding default (as defined in the JV Shareholders' Agreement):

(i) To the extent that such funding default is due to AWA, then AWA must make a true-up payment on demand to the INVESTOR to return the respective contributions such that AWA and INVESTOR have contributed equally; or

(ii) To the extent that such funding default is due to the INVESTOR, then the INVESTOR must make a true-up payment on demand to AWA to return the respective contributions such that AWA and INVESTOR have contributed equally.

(g) The Parties shall take such steps as may be necessary pursuant to Hong Kong law to facilitate the allocations provided for in this Clause 9.5.

10. OBLIGATIONS OF THE INVESTOR, AWA AND THE SPV COMPANY

10.1 The Parties shall comply with the terms and conditions of this Agreement. The Parties agree to comply with all Applicable Laws.

10.2 Subject to the terms and conditions of this Agreement, if pursuant to clauses 14 or 15 of the JV Shareholders' Agreement, ALCOA or the SPV Company elect or are required to transfer their Transferable Interests

in the Mining & Refining Company to Ma'aden, the Parties shall cause the SPV Company to comply with such election or requirement.

10.3 Subject to the terms of the Closing Memorandum, the Parties agree to provide, and to cause the SPV Company to provide, support and assistance to the Mining & Refining Company, including the provision of letters of credit, Completion Guarantees (as defined in clause 7.1 of the Closing Memorandum) or other support, in order to allow the Mining & Refining Company to implement the Financing Plan, arrange the Senior Debt contemplated thereby, enter into the Financing Agreements, and achieve Financial Close.

11. ACCOUNTING AND AUDIT

11.1 The Parties shall procure that the SPV Company shall at all times maintain accurate and complete accounting and other financial records in accordance with the requirements of all Applicable Laws and generally accepted accounting principles applicable in Hong Kong, and such other jurisdictions as the Parties may require.

11.2 The Shareholders and their authorized representatives shall be allowed access during reasonable times to examine the books and records of the SPV Company.

11.3 The Parties shall procure that the SPV Company shall supply each Shareholder with a copy of the audited accounts of the SPV Company prepared in accordance with this Clause 11 within three (3) months of the end of the Financial Year to which the audited accounts relate.

11.4 The Parties shall procure that the SPV Company shall deliver to the Shareholders at their reasonable request all books, minutes, records, accounts and other documents which the SPV Company and/or ALCOA is entitled to review and/or receive pursuant to the JV Shareholders' Agreement which relate to the affairs, finances and activities of the Mining & Refining Company and/or the Project, including without limitation, the financial statements prepared by the

Mining & Refining Company pursuant to clause 12.3 of the JV Shareholders' Agreement.

11.5 The Parties shall procure that the SPV Company shall promptly report to the Shareholders:

(a) any actual or anticipated aggregate expenditures by the Mining & Refining Company during any period of one (1) month, calendar quarter or Financial Year that exceeds, or are expected to exceed, the aggregate budgeted expenditures for such period by ten percent (10%) or more; and

(b) any anticipated material deviations from the estimates set out in any approved Budget of the amounts and timing of any Required Shareholder Funding or Cash Calls.

11.6 The Parties shall procure that the SPV Company shall prepare the following:

(a) not later than thirty (30) days after each of 31 March, 30 June, and 30 September in each Financial Year quarterly unaudited financial statements, including balance sheets, income statements and cash flow statements of the SPV Company for the respective three (3), six (6) and nine (9) month periods then ended; and

(b) not later than twenty (20) days after the end of each calendar month in each Financial Year, monthly unaudited management accounts for such calendar month.

11.7 All financial statements and management accounts delivered to the Shareholders shall be accompanied by:

(a) a report of the Chairman summarising the development, construction or, as the case may be, operations of the SPV Company conducted

during the period covered by such financial statements or management accounts;

(b) a statement of the sources and application of funds of the relevant SPV Company, showing actual expenditures compared to the applicable approved Budget(s);

(c) the latest estimate of the anticipated Commercial Production Date (if it shall not have occurred); and

(d) such other pertinent financial or other information as may reasonably be requested from time to time by any Shareholder.

12. TAX

12.1 The Parties shall procure that the SPV Company shall be responsible for and bear the cost of any and all taxes, including income and withholding taxes, imposed upon it as a result of its operations, including, but not limited, to its ownership interest in the Mining & Refining Company; receipt of dividends or distributions from the Mining & Refining Company; and receipt of interest from Shareholder Loans made to the Mining & Refining Company.

Each Party shall bear its own taxes where such taxes or their equivalent are payable as a result of any transaction contemplated in this Agreement in accordance with all Applicable Laws.

12.2 Subject to Clause 12.3, the Parties shall bear the cost of any Hong Kong withholding tax imposed on any payments made to each of them by the SPV Company in connection in connection with a Distribution. The SPV Company may withhold from any payments to be made to such Party by the SPV Company any withholding tax for which such Party is responsible and each Party shall promptly pay the SPV Company any additional amounts required to cover any withholding tax for which such Party is responsible. The SPV Company will provide each relevant Party with copies of all applicable tax receipts.

12.3 In the event of any withholding tax being imposed on any payments to the Parties by the SPV Company, each Party shall, in consultation with the INVESTOR, take all reasonable steps (subject to any Applicable Law) to assist mitigate any circumstances which arise and which would result in any withholding tax being imposed or being payable including (but not limited to): (a) enabling a change in the jurisdiction in which the SPV Company is incorporated; or (b) assisting the INVESTOR to transfer its rights and obligations under this Agreement to an Affiliate.

13. DIVIDEND AND DISTRIBUTION POLICY

13.1 From time to time, the SPV Company shall be entitled to receive, in accordance with the JV Shareholders' Agreement, dividends (in cash, property or otherwise) or any other distributions or payments and/or profits in respect of the Mining & Refining Company ("**M&R Distribution**"). Such M&R Distributions shall, subject only to Applicable Laws, be Distributed to the Shareholders in proportion to their respective Shareholder Percentage.

13.2 In addition, the SPV Company may make Distributions to the Shareholders in proportion to their respective Shareholder Percentage which result from its operations.

13.3 Any Distributions to be made pursuant to this Clause 13 **must**, subject to the Applicable Laws, be made promptly following determination by the SPV Company and the Shareholders.

14. TERM

14.1 Except for the provisions which this Clause states, this Agreement shall continue and remain in full force and effect until the earlier of:

(a) a mutually agreed decision in writing of the Shareholders not to participate in the Project; or

(b) the termination of this Agreement by either Shareholder in accordance with its terms and conditions; or

(c) when one Shareholder ceases to hold any shares in the SPV Company; or

(d) when the SPV Company has been wound up in accordance with Clause 14.5 and the basis for the allocation of its interests and assets has been decided by the Shareholders.

14.2 If this Agreement is terminated pursuant to Clause 14.1(a) or (b), the Parties shall procure the execution of an unanimous shareholders' resolution requiring that the SPV Company to be voluntarily wound up and shall cooperate to wind up the SPV Company as soon as reasonably practical thereafter.

14.3 The following provisions of this Agreement remain in full force after termination:

(a) Clause 1 (Interpretation);

(b) Clause 12.1 (Tax);

(c) Clause 14.4 (Term);

(d) Clause 14.5 (Term);

(e) Clause 21 (Confidentiality);

(f) Clause 23 (Entire Agreement);

(g) Clause 25 (Variation and Waiver);

(h) Clause 26 (Costs);

(i) Clause 30 (Notice);

(j) Clause 32 (Language);

(k) Clause 33 (Severance);

(I) Clause 37 (Governing Law and Jurisdiction); and

(m) any rights or liabilities that have accrued under this Agreement.

14.4 If this Agreement terminates, each Shareholder shall, if requested by the other, procure that the name of the SPV Company is changed to avoid confusion with the name of the Shareholder making the request.

14.5 Where the SPV Company is to be wound up and its assets distributed, the Shareholders shall agree a suitable basis for dealing with the interests and assets of the SPV Company and shall endeavour to ensure that:

(a) all existing contracts of the SPV Company are performed to the extent that there are sufficient resources;

(b) the SPV Company shall not enter into any new contractual obligations;

(c) the SPV Company is dissolved and its assets are distributed as soon as practical; and

(d) any other proprietary information or intellectual property rights belonging to or originating from a Shareholder shall be returned to it by the other Shareholder or the SPV Company and all such proprietary information or intellectual property rights shall be erased from the computer systems (to the extent possible) of the SPV Company and the Shareholder who is returning it.

14.6 Where any Shareholder is required by any Governmental Authority to retain any proprietary information (or copies of such information) of the other Shareholder or the SPV Company, it shall notify the other Shareholder in writing of such retention giving details of the information that it has been required to retain and the reason for such retention.

15. TRANSFER OF SHARES

15.1 Except as permitted in Clauses 9, 15.2, 15.3, 15.4, 16, 17 and 20, no Shareholder shall transfer, grant any security interest over, or otherwise dispose of or give any person any rights in or over, pledge or Encumber, any Shares in the SPV Company.

15.2 A Shareholder may, upon prior written notice, transfer all of its Shares in the SPV Company to a wholly-owned Affiliate, subject to the issuance of a new Parent Company Guarantee in the form set out in Schedule D by its ultimate parent company.

15.3 Notwithstanding the above, the INVESTOR shall at any time have the right to grant any security interest over, and/or give any person any rights in and/or over, pledge and/or Encumber, a part or all of the INVESTOR Shares for the purpose of raising finance for the Project provided, however that at no time shall such rights in and/or over and/or pledge and/or Encumbrances violate or be inconsistent with the obligations of the INVESTOR and the existing obligations of the SPV Company under the Financing Plan, the Financing Agreements and the Senior Debt.

15.4 If INVESTOR grants any security interest over, and/or gives any person any rights in and/or over, pledges and/or Encumbers, any of INVESTOR's Shares in the SPV Company pursuant to Clause 15.3, INVESTOR shall use best endeavours to ensure that no Material Adverse Effect occurs as a result.

16. RIGHT TO MATCH

16.1 Following the expiry of the Option Period, either Shareholder will have a right to entertain offers from *bona fide* third parties ("**Third Party Offeror**") for the purchase of all, but not less than all, of such Shareholder's (the "**Transferring Party**") Shares and SPV Shareholder Loans. The offer ("**Offer**") by the Third Party Offeror must be:

(a) a bona fide offer in writing;

(b) irrevocable during the period of such bona fide offer;

(c) for cash consideration only and not on deferred or other terms;

(d) not conditioned on financing; and

(e) complete as to all material terms and conditions (including the offer price and the intended completion date of the offer).

16.2 If a Transferring Party receives an Offer or Offers which it wishes to accept, it must immediately give written notice of such Offer(s) (the "**Transfer Notice**"), to the other Shareholder (the "**Non-Transferring Party**") giving details of the identity of the Third Party Offeror(s) and full details of all terms and conditions of the Offer, including the price, and a copy of the Offer.

16.3 The Non-Transferring Party will have (i) a right to review, and at its sole discretion (exercising such discretion reasonably), approve the identity of the Third Party Offeror, and (ii) a right to match, on substantially equivalent economic terms, any such offer to purchase the Transferring Party's Shares and SPV Shareholder Loans. If the Non-Transferring Party declines to match the Offer within sixty (60) days of a written notice of the Offer from the Transferring Party, then the Transferring Party will be free (provided the Non-Transferring Party has approved the Third Party Offeror in accordance with this

Clause 16.3) to consummate the transaction on the terms and conditions set forth in the Offer within one hundred and twenty (120) further days. Notwithstanding the foregoing, the sale of all of the Transferring Party's Shares and SPV Shareholder Loans shall be conditioned upon the repayment of any loans and payment in full of any outstanding amounts due or owing by the Transferring Party pursuant to this Agreement at or before the closing of such sale. If the transaction is not so consummated, then the Parties will continue to have the rights set forth in this Clause 16. For the avoidance of doubt, the Non-Transferring Party shall not be deemed to have unreasonably exercised its discretion to approve the Third Party Offeror pursuant to this Clause 16 if the Third Party Offeror is an aluminium industry competitor, of if the Non-Transferring Party objects to the Third Party Offeror on grounds of questionable reputation.

17. TAG-ALONG RIGHTS

17.1 Notwithstanding anything set out in this Agreement (including without limitation Clause 16) if, at any time, AWA proposes to transfer all or any of its Shares and SPV Shareholder Loans pursuant to a written bona fide offer by a potential purchaser (a "**Potential Purchaser**"), AWA shall give to the INVESTOR prompt written notice (a "**Tag-Along Notice**") of such proposed sale:

(a) specifying the number of Shares proposed to be sold (the "**Offer Interests**");

(b) naming the Potential Purchaser and its ultimate beneficial owner(s); and

(c) specifying the price and terms of such proposed transfer (the "**Tag Offer Terms**").

17.2 Following receipt of the Tag-Along Notice by the INVESTOR, the INVESTOR shall have the right (“**Tag-Along Right**”) to elect to sell (either to AWA, for onward sale to the Potential Purchaser, or to the Potential Purchaser directly), such proportion of the INVESTOR Shares and SPV Shareholder Loans at the date of receipt of the Tag-Along Notice which is equal to the proportion of all the Shares and SPV Shareholder Loans held by AWA which the Offer Interests represent (the “**Tag-Along Interests**”).

17.3 The Tag-Along Right must be exercised by the INVESTOR within forty five (45) Business Days of receipt of the relevant Tag-Along Notice (“**Exercise Period**”) by the delivery of a written notice to AWA.

17.4 If a Tag-Along Right shall not have been exercised prior to the expiration of the relevant Exercise Period AWA may sell the Offer Interests to the Potential Purchaser on the Tag Offer Term; provided that no sale shall be made pursuant to any Tag Along Notice more than two (2) months after the end of the Exercise Period, subject to any extension required to comply with Applicable Laws

17.5 If the INVESTOR elects to sell the Tag Along Interests to AWA pursuant to Clause 17.2, the INVESTOR shall give a further notice to AWA (the “**AWA Tag Notice**”) and AWA shall purchase the Tag-Along Interests on the Tag Offer Terms within thirty (30) days of receipt of the AWA Tag Notice.

17.6 If the INVESTOR elects to sell the Tag Along Interests to the Potential Purchaser directly pursuant to Clause 17.2, no transfer of any Offer Interests shall be made by AWA to the Potential Purchaser, unless at the same time the Potential Purchaser purchases the Tag Along Interests from the INVESTOR.

18. VALUATIONS

18.1 Fair Market Value

Where a provision of this Agreement calls for a determination of the **Fair Market Value** of any Shares pursuant to this Agreement, the Parties shall act in good faith to make such determination and, in doing so, shall apply commonly accepted valuation methods with a preference for the discounted cash flow ("DCF") methodology.

18.2 Valuation Panel

In the event that the Shareholders are unable to agree the Fair Market Value of the relevant Shares within fifteen (15) days, the Shareholders shall refer the valuation to a panel of independent experts with appropriate experience in the aluminium industry (each a "**Valuer**"). The panel shall consist of three (3) Valuers, one of whom shall be appointed by each Party and the third of whom, who shall act as chairman of the panel, shall be jointly nominated by the two Valuers nominated by the Parties. Failing agreement as to the identity of the third Valuer within five (5) Business Days of being required to do so, such third Valuer shall be nominated by the International Centre for Expertise in accordance with the provisions for the appointment of experts under the Rules of Expertise of the International Chamber of Commerce (who shall be instructed to nominate only a Valuer experienced in the mining and refining of alumina and the production of aluminium.

18.3 Submission of Valuation

The Valuers shall be instructed to collectively submit a single Fair Market Value valuation to the Parties within thirty (30) days of the appointment of the third Valuer (or such longer time as the Parties may agree) and such valuation shall be final and binding upon the Parties.

18.4 Valuation Approach

In making any valuation of Shares pursuant to this Agreement, the Valuers:

(a) shall prepare the valuation based on the net present value of cash flows attributable to the Shares in question, taking into account the terms of the Project Agreements and the remaining life of the Project and all such other matters as the Valuers deem appropriate;

(b) if making the determination prior to the Commercial Production Date for any of the Mine, the Refinery, the Smelter or the Rolling Mill, may consult any contractor or manager appointed pursuant to any Construction Agreement and/or any other contractors engaged in the development, construction or operation of the Mine, Refinery, Smelter or Rolling Mill;

(c) may consult persons engaged in the marketing of aluminium who, in the Valuers' opinion, are experts in the making of price forecasts on a regular basis;

(d) may consult any other experts as the Valuers thinks fit;

(e) shall be entitled to rely in good faith upon the opinions of any experts or other persons so consulted;

(f) may, if a portion of the Mining & Refining Company had been publically listed, in their professional judgment, consider the listed share price; and

(g) shall consider any submissions as to the Fair Market Value which may be made to the Valuers by a Party within thirty (30) days of receipt by the Party of notice of the appointment of the third Valuer.

19. TRANSFER PROCEDURES

All transfers of Shares pursuant to this Agreement shall be subject:

(a) to the transfer being in compliance with the Financing Agreements (including any Completion Agreements);

(b) to the transfer being in compliance with Applicable Laws of Hong Kong;

(c) to obtaining any approvals required from any Governmental Authorities;

(d) to the proposed transferee and the persons Controlling it (whether directly or indirectly) being of good character and being qualified to hold shares in a company in Hong Kong under Applicable Laws of Hong Kong;

(e) to the execution by the transferee of an Adherence Agreement in the form attached hereto as Schedule E, no later than the transfer date;

(f) to the provision of a guarantee in substantially the form set out in Schedule D by the person ultimately Controlling such transferee; and

(g) where any SPV Shareholder Loan has been made by the Transferring Party to the SPV Company, to the assignment and novation of all the Transferring Party's rights and obligations in respect of the SPV Shareholder Loan to the transferee.

19.2 Any transfer of Shares by a Shareholder to another Shareholder pursuant to this Agreement shall be made free from any Encumbrances and with all rights attached to those Shares.

19.3 The Parties shall take such action as may reasonably be required to give effect to any transfer of Shares permitted or required under this Agreement, including cooperating in obtaining approvals required from all relevant Governmental Authorities. If a Party that is entitled to acquire Shares pursuant to this Agreement would, as a result of such acquisition, become the only shareholder in the SPV Company,

such Party shall have the right to designate an Affiliate to acquire a portion of the Shares which such Party is entitled to acquire.

20. PUT AND CALL OPTION

20.1 AWA hereby grants to the INVESTOR an option to require AWA to purchase all of the INVESTOR's Shares and SPV Shareholder Loans (the "**Option Interests**"), on the terms set out in this Clause 20 (the "**Put Option**") and the INVESTOR hereby grants to AWA an option to require the INVESTOR to sell all of the Option Interests on the terms set out in this Clause 20 (the "**Call Option**").

20.2 The Put Option may only be exercised by the INVESTOR and the Call Option may only be exercised by AWA for a period of two (2) years from the date falling two (2) years after the Commercial Production Date (the "**Option Period**"). If the Put Option or the Call Option is not exercised during the Option Period it shall lapse. The put option for the Rolling Company may only be exercised simultaneously with, or after, the exercise of a put option for both the Mining & Refining Company and the Smelting Company.

20.3 The Put Option shall be exercised by the INVESTOR giving AWA written notice (the "**Put Option Notice**") which shall include:

(a) a statement to the effect that the INVESTOR is exercising the Put Option;

(b) a date, at AWA's option, which is no less than six (6) months and no more than eighteen (18) months after the date of the Put Option Notice, on which completion of the sale of the Option Interests is to take place (the "**Put Option Completion Date**"); and

(c) a signature by or on behalf of the INVESTOR.

20.4 The Call Option shall be exercised by AWA giving the INVESTOR written notice (the "**Call Option Notice**") which shall include:

(a) a statement to the effect that AWA is exercising the Call Option;

(b) a date, which is no less than six (6) months and no more than eighteen (18) months after the date of the Call Option Notice, on which completion of the sale of the Option Interests is to take place (the "**Call Option Completion Date**"); and

(c) a signature by or on behalf of AWA.

20.5 The Put Option and the Call Option may be exercised only in respect of all of the Option Interests.

20.6 All Distributions resolved or declared to be paid or made by the SPV Company in respect of the Option Interests by reference to a record date which falls on or before the Put Option Completion Date or Call Option Completion Date, as the case may be, shall belong to, and be payable to, the INVESTOR.

20.7 The consideration payable by AWA for the Option Interests (the "**Option Consideration**") shall be the Fair Market Value of the Option Interests calculated in accordance with the provisions of Clause 18.

20.8 The Parties shall use their respective reasonable endeavours to procure that the Option Consideration shall be finally determined as quickly as possible and, in any event, no later than 6 (six) months from service of the Put Option Notice or Call Option Notice (as applicable).

20.9 On the Put Option Completion Date or Call Option Completion Date (as applicable), AWA shall pay or procure the payment of the Option Consideration to the INVESTOR either (a) in cash or (b) in the form of

shares in ALCOA equal in value to the Option Consideration, against delivery of the Option Interests.

20.10 The Put Option is personal to the INVESTOR and shall not be capable of assignment or transfer to any other person, save for an Affiliate of the INVESTOR.

21. <u>CONFIDENTIALITY</u>

21.1 Each Party shall (a) ensure and shall cause the SPV Company to ensure that the contents of this Agreement and any confidential information regarding the Project or any other Party which it may learn in the course of negotiations for, or carrying out of this Agreement, is treated by it in strict confidence and (b) only disclose such information to its directors, officers, employees, professional advisers or consultants, or to any bank or financial institution from whom the Party is seeking finance, to the extent that such disclosure is necessary and (c) not make use of such information for purposes other than the implementation of the Parties' cooperation hereunder unless such information:

(i) is known to such Party prior to learning of it from the other;

(ii) is obtained by such Party from a source other than the disclosing Party which source, (i) did not require such Party to hold such secrets or information in confidence and (ii) did not limit or restrict such Party's use thereof;

(iii) becomes public knowledge other than through the fault of such Party;

(iv) is required to be disclosed by any competent legal or Government Authority;

(v) is required to be disclosed by any internationally recognized stock exchange, provided that in any such case the Party shall

provide prompt written notice to the other Party prior to making such disclosure and provide details of the proposed form, nature and purpose of such disclosure so that the disclosing Party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this clause;

(vi) is independently developed by such Party; or

(vii) is permitted to be used or disclosed pursuant to the terms of a separate agreement between the disclosing Party and either the receiving Party, in which case such use or disclosure shall be governed by the terms of the relevant agreement.

21.2 Each Party shall impose on its professional advisers or consultants, or to any bank or financial institution from whom the Party is seeking finance, an equivalent obligation of confidentiality and shall obtain an undertaking of strict confidentiality from such professional advisers or consultants, or financial institution from whom the Party is seeking finance, on the terms substantially similar to those set out in this Clause 21.

21.3 Specific information disclosed shall not be deemed to be within the foregoing exceptions simply because such information is included in more general information within the said exceptions. In addition any combination of information, features, concepts, designs or process flows, shall not be automatically deemed to be within the said exceptions simply because the individual items of information, features, designs, concepts or process flows are within the said exceptions.

22. WARRANTY

Each Party hereby warrants, represents and undertakes to the other Party on its behalf that:

(a) it is duly incorporated and validly existing in accordance with the laws of the country and/or state under which it is incorporated;

(b) it has the power and authority to execute and deliver, to perform its obligations under and to undertake the transactions anticipated by this Agreement and all necessary corporate and other action has been taken to authorise the execution, delivery and performance of this Agreement;

(c) its officers have the power and authority to act on its behalf in entering into this Agreement and any agreement required pursuant to this Agreements, including without limitation, any loan agreement;

(d) it is not insolvent, no petition has been filed relating to its insolvency and no proceedings have been issued for its dissolution or liquidation;

(e) this Agreement has been duly executed and constitutes a valid, legal and binding obligation of such Party enforceable in accordance with its terms;

(f) the execution and delivery of this Agreement and the performance by it of its obligations under and the transactions anticipated by this Agreement will not contravene any law applicable to it or conflict with or result in a breach of or default under its corporate charter or other organizational documents or any agreement or other obligation binding on it; and

(g) with respect to all activities contemplated under this Agreement, it has not, nor will it, or its directors, officers or employees pay, offer, promise, or authorize the payment of money or anything of value, directly or indirectly, to a Government Official while knowing or having reason to believe that any portion of such exchange is for the purpose of:

(i) influencing any act or decision of a Government Official in its official capacity, including the failure to perform an official function, in order to assist itself, the SPV Company or any other person in obtaining or retaining business, or directing business to any third party;

(ii) securing an improper advantage;

(iii) inducing a Government Official to use its influence to affect or influence any act or decision of a Governmental Authority in order to assist itself, the SPV Company or any other person in obtaining or retaining business, or directing business to any third party; or

(iv) providing an unlawful personal gain or benefit, of financial or other value, to a Government Official.

23. ENTIRE AGREEMENT

23.1 This Agreement, and any documents referred to in it or executed contemporaneously with it, constitute the entire agreement between the Parties and supersede any arrangements, understanding or previous agreement between them relating to the subject matter they cover.

23.2 Each Party acknowledges that, in entering into this Agreement and any documents referred to in it or executed contemporaneously with it, it does not rely on, and shall have no remedy in respect of, any statement, representation, assurance or warranty of any person other than as expressly set out in this Agreement or those documents.

23.3 Nothing in this Clause 23 operates to limit or exclude any liability for fraud.

24. ASSIGNMENTS

24.1 This Agreement shall be binding on the Parties and their respective successors and assigns.

24.2 Neither of the Parties may assign, or grant any Encumbrance over, this Agreement or any of its rights and obligations under it, except as permitted in this Agreement.

25. VARIATION AND WAIVER

25.1 A variation of this Agreement shall be in writing and signed by or on behalf of all Parties.

25.2 A waiver of any right under this Agreement is only effective if it is in writing and it applies only to the person to which the waiver is addressed and the circumstances for which it is given.

25.3 A person that waives a right in relation to one person, or takes or fails to take any action against that person, does not affect its rights against any other person.

25.4 Unless specifically provided otherwise, rights arising under this Agreement are cumulative and do not exclude rights provided by law.

26. COSTS

Except as provided in this Agreement, all costs in connection with the negotiation, preparation, execution and performance of this Agreement shall be borne by the Party that incurred the costs.

27. NO PARTNERSHIP

The Parties to this Agreement are not in partnership with each other and there is no relationship of principal and agent between them. At its sole option, AWA will make an election to cause the SPV Company to be treated as a partnership for U.S. tax purposes provided that any such election does not adversely effect INVESTOR’s interests in the Project or the confidentiality of this Agreement and the transactions envisaged therein, and provided further that to the extent that the INVESTOR suffers any losses as a result of such election, AWA shall indemnify and hold harmless the SPV Company and the INVESTOR for such losses.

28. GOOD FAITH

28.1 All transactions entered into between either Party and the SPV Company shall be conducted in good faith and on the basis set out or referred to in this Agreement or, if not provided for in this Agreement, as may be agreed by the Parties and, in the absence of such agreement, on an arm's length basis.

28.2 Each Party shall at all times act in good faith towards the other and shall use all reasonable endeavours to ensure that this Agreement is observed.

28.3 Each Party shall do all things necessary and desirable to give effect to the spirit and intention of this Agreement.

29. THIRD PARTY RIGHTS

29.1 This Agreement is made for the benefit of the Parties and their successors and permitted assigns and is not intended to benefit, or be enforceable by, anyone else.

29.2 The right of the Parties to terminate, rescind or agree any amendment, variation, waiver or settlement under this Agreement is not subject to the consent of any person that is not a Party to this Agreement.

30. NOTICE

30.1 All notices, communications and demands of any kind which either Party may be required or desire to serve upon the other Party under the terms of this Agreement shall be in writing and shall be deemed to have been effectively given if served by personal service or a recognised courier service (e.g., DHL, Federal Express) at the address of the Party indicated in Schedule F or at such other address as may be designated by the party by a notice to the other given in

conformity with this Agreement. Notices shall be deemed delivered, in the case of personal service, upon delivery and in the case of courier, the recipient's first clear Business Day at least four (4) complete calendar days after delivery to the courier. Notices may be delivered by facsimile transmission and shall be deemed delivered on the recipient's first clear Business Day following the date of transmission, provided that confirmation of transmission has been recorded by the sender's fax machine. Notices may also be delivered by electronic mail and shall be deemed delivered on the recipient's first clear Business Day following the date it is sent provided that the sender's email messaging system shall not immediately thereafter have generated an unsuccessful transmission report.

31. ANNOUNCEMENTS

Each Party shall notify the other Party and the SPV Company of its intent to issue any press release or other public announcement with respect to the SPV Company and its activities and, except as required by any Governmental Authority or any internationally recognized stock exchange, shall not issue any such release or announcement without the prior consent of the other Party, which consent shall not be unreasonably withheld. Such consent shall not, however, be required in order for a Party (or its Affiliates) to include a reference to this Agreement or the Parties' ownership interests in the SPV Company in such Party's (or its Affiliates) annual, quarterly or current reports and similar publications or to file a copy of this Agreement with any Governmental Authority to comply with the legal obligations of disclosure applicable to such Party (or its Affiliates) under Applicable Laws.

32. LANGUAGE

This Agreement and the agreements contemplated herein are to be executed in English. If this Agreement and the agreements contemplated herein are translated into any language other than English, the English language shall be the governing language despite

translation into any other language(s), and the English versions shall prevail over any translated versions in the event of conflict. No translation, if any, of this Agreement into any other language shall be of any force or effect in the interpretation of this Agreement or in a determination of the intent of each Party.

33. SEVERANCE

33.1 If any provision of this Agreement (or part of a provision) is found by any court or administrative body of competent jurisdiction to be invalid, unenforceable or illegal, the other provisions shall remain in force.

33.2 If any invalid, unenforceable or illegal provision would be valid, enforceable or legal if some part of it were deleted or modified, the provision shall apply with whatever modification is necessary to give effect to the commercial intention of the Parties.

34. FURTHER ASSURANCE

34.1 Undertakings

Each Party agrees that it shall:

(a) Act in good faith with regards to the other Party and to the SPV Company and at all times render to the other Party and the SPV Company true accounts, full information and truthful explanations regarding all matters relating to the affairs of the SPV Company;

(b) Subject to the terms and conditions of this Agreement, make every reasonable effort to conduct the affairs of the SPV Company and its own dealings with the SPV Company in a manner which gives effect to this Agreement and the JV Shareholders’ Agreement and promotes the business and profitability of the Mining & Refining Company; and

(c) in its capacity as a Shareholder, exercise its voting rights and endeavour to cause its representatives on the Board to exercise their voting rights in a manner which gives full force and effect to the terms and conditions of this Agreement, the JV Shareholders' Agreement, the Project Agreements and any other agreement referred to herein or in the JV Shareholders' Agreement.

34.2 Amendment of Articles.

The Parties shall use their reasonable efforts to procure that the Articles of the SPV Company are from time to time duly amended, and any such amendment is duly registered with the Companies Registry, in accordance with Applicable Laws of Hong Kong if and whenever such amendment is reasonably necessary or desirable to give effect to, or to conform them to, the provisions of this Agreement. Without limiting the generality of the foregoing, the Parties shall procure that the Articles of the SPV Company are amended:

(a) to permit the SPV Company to engage in any activity that may be contemplated or required by the terms of this Agreement or any decision of the Board or the Parties in accordance with this Agreement, including by means of expanding the purpose or objects of the SPV Company;

(b) to give effect to any increase or decrease (or required increase or decrease) in the capital of the SPV Company contemplated by this Agreement or any change (or required change) in the holdings of Shares in the capital of the SPV Company as between the Shareholders required or contemplated by this Agreement; and

(c) to give effect to the introduction of any new shareholder that acquires (or intends to acquire) Shares in accordance with this Agreement.

34.3 Further Assurances

The Parties hereby agree, for no consideration, to execute and deliver promptly all powers of attorney, consents and additional instruments, and to take any such further action which may reasonably be required in order to consummate the transactions anticipated by this Agreement including without limitation any transfer of Shares in the SPV Company.

35. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each Party had signed the same document.

36. PRIORITY OF DOCUMENTS

In the event of any conflict, inconsistency or discrepancy between this Agreement and the Articles, the terms and conditions of this Agreement shall prevail as between the Shareholders for as long as this Agreement remains in force. The Shareholders shall, if necessary, exercise all voting and other rights and powers available to them as Shareholders or under this Agreement so as to give effect to the provisions of this Agreement and shall further, if necessary, procure any required amendment to the Articles.

37. GOVERNING LAW AND JURISDICTION

37.1 Governing Law

This agreement and any disputes or claims arising out of or in connection with its subject matter are governed by and construed in accordance with the laws of Hong Kong.

37.2 Reference to Senior Management

Prior to referring to arbitration pursuant to Clause 37.3 below any dispute, controversy or claim arising out of or in connection with this Agreement, or the breach, termination or invalidity thereof, (for the purposes of this Clause 37 a “**dispute**”), other than proceedings to enforce an agreement reached between the Parties under this Clause 37.2, the Party wishing to or considering making such reference shall notify in writing the other Party of the nature of the dispute and its background (for the purposes of this Clause 37, a “**dispute notice**”) and its proposed basis for settlement of such dispute and the other Party shall respond to such dispute notice within fourteen (14) days of receipt, setting out any clarification it may feel relevant and including its proposed basis for settlement. The chief executives or presidents of the ultimate parent companies of each Party or their designees shall then meet within thirty (30) days of the issue of the dispute notice to attempt a reconciliation and settlement of the dispute. No statement as to a Party’s proposed basis for settlement nor any discussions or communications between the Parties (or their ultimate parent companies) pursuant to this Clause 37.2 (except for the terms of any agreed settlement between the Parties) may be relied upon or referred to in later court, arbitration, enforcement or appeal proceedings.

37.3 Dispute Resolution

(a) Except as otherwise provided in Clause 6.5 and Clause 18 of this Agreement, if any dispute arising out of or in connection with the Agreement is not resolved pursuant to Clause 37.2 above within forty five (45) days of its referral to the Parties’ senior management, such dispute shall be, if requested by any Party, referred to and finally settled by arbitration under the Rules of Arbitration of the International Chamber of Commerce as amended or substituted from

time to time (the "**ICC Rules**" and the proceedings brought in accordance with this Clause 37.3), which ICC Rules are deemed to be incorporated into this Agreement except to the extent expressly modified by this Clause 37.3. Arbitration shall be the exclusive method for resolution of the dispute and the determination of the arbitrators shall be final and binding. The Parties agree that they will give conclusive effect to the arbitrators' determination and award and that judgment thereon may be entered and enforced by any court of appropriate jurisdiction.

(b) The tribunal shall consist of three (3) arbitrators, one of whom shall be appointed by each Party and the third of whom, who shall act as chairman, shall be jointly nominated by the two arbitrators nominated by the Parties. Failing agreement as to the identity of the third arbitrator within five Business Days of being required to do so, such third arbitrator shall be nominated by the International Court of Arbitration in accordance with the ICC Rules.

(c) The place of arbitration shall be Hong Kong. The language to be used in the arbitration shall be English, and any documents or portions of them presented at such arbitration in a language other than English shall be accompanied by an English translation thereof. The arbitrators shall decide such dispute in accordance with the substantive laws of [Hong Kong] applicable hereto.

37.4 Continuing Obligations

If a dispute is referred to arbitration pursuant to Clause 37.3 above, unless the arbitrators rule otherwise, the obligations of the Parties shall not be suspended and the provisions of this Agreement shall continue to be carried out by the Parties.

37.5 Jurisdiction

(a) The courts of Hong Kong shall, subject to paragraph (b) below, have non-exclusive jurisdiction with respect to the enforcement of the arbitration provisions of this Agreement and the Parties expressly submit to the jurisdiction of such courts with respect to any proceedings to enforce the arbitration provisions of this Agreement. Each Party irrevocably waives any objection which it might at any time have to the courts of Hong Kong being nominated as the forum to hear and decide any such proceedings and agrees not to claim that the courts of Hong Kong are not a convenient or appropriate forum.

(b) Without resulting in the waiver of any remedy under this Agreement and in conjunction with each disputing Party's rights in accordance with Rule 25 of the ICC Rules, nothing in this Clause 37 shall preclude a disputing Party from seeking injunctive relief from a court pending the commencement of arbitral proceedings in accordance with Clause 37.3 (or pending the arbitral tribunal's determination of the merits of the dispute). The Parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong for such injunctive relief and waive any objection or defence they may have to the venue or jurisdiction of such courts. Without limiting the generality of the foregoing, the Parties shall have the right to seek injunctive relief in any court of competent jurisdiction and the seeking of injunctive relief in one or more jurisdiction shall not preclude a Party from seeking such relief in any other jurisdiction.

37.6 Process Agent

Each Party that is not incorporated and registered under the laws of Hong Kong will appoint a process agent in Hong Kong to receive legal process served under this Agreement. Each Party agrees that service of process in respect of it upon such agent, together with written notice of such service given to it as provided in Clause 30, shall be

deemed to be effective service of process upon it in any such action, suit or proceeding. Each Party agrees that the failure of such agent to give notice to it of any such service shall not impair or affect the validity of such service or any judgment rendered in any action, suit or proceeding based thereon. If for any reason such agent shall cease to be available to act as such, each such Party agrees to designate a new agent in Hong Kong, on the terms and for the purposes of this Clause 37.6. Nothing herein shall be deemed to limit the ability of any Party to serve any such legal process in any other manner, to obtain jurisdiction over any other Party or to bring any action, suit or proceeding against any other Party in such other jurisdictions, and in any other manner as may be permitted or required by Applicable Laws.

(a) AWA hereby irrevocably agrees to appoint [ ], with offices at the date of this Agreement at [ ] as its authorised agent on which any and all legal process may be served in any such action, suit or proceeding brought in the courts of Hong Kong, and to execute such documentation as may reasonably be required by such agent in connection with its appointment.

(b) INVESTOR hereby irrevocably agrees to appoint [ ], with offices at the date of this Agreement at [ ] as its authorised agent on which any and all legal process may be served in any such action, suit or proceeding brought in the courts of [Hong Kong], and to execute such documentation as may reasonably be required by such agent in connection with its appointment.

38. NO LIABILITY FOR CONSEQUENTIAL LOSSES, ETC.

Without prejudice to Clause 9, no Party shall have any liability to the other Party (whether in contract, tort or otherwise) for any consequential, incidental, special or indirect losses (including loss of anticipated profits) arising from or relating to this Agreement, whether out of any Event of Default, other breach of this Agreement,

indemnity, any fault or negligence on the part of a Party or its Affiliates (or their respective employees) or otherwise.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized representative as of the date first written above.

[ALCOA WORLD ALUMINA ENTITY]

By : ____________________________________
Name: ____________________________________
Title: ____________________________________

[INVESTOR]

By : ____________________________________
Name: ____________________________________
Title: ____________________________________

SCHEDULE A

Part 1

SHARE CAPITAL STRUCTURE OF THE SPV

Part 2

SHAREHOLDER PERCENTAGE

AWA:	**Shareholder Percentage of (fifty) 50%**
INVESTOR:	**Shareholder Percentage of (fifty) 50%**

SCHEDULE B

PART A – BOARD RESERVED MATTERS

1. Any material transaction by the SPV Company with a Party or any of its Affiliates or the Mining & Refining Company.
2. The acquisition by the SPV Company of any assets or property (other than in the ordinary course of business) at a total cost (per transaction) of more than USD5 million, save for the acquisition of shares in the Mining & Refining Company in accordance with the JV Shareholders' Agreement.
3. The sale or disposition by the SPV Company of any fixed assets for a total price per transaction of more than USD5 million save for the sale or disposition of shares in the Mining & Refining Company in accordance with the JV Shareholders' Agreement.
4. The borrowing of amounts by the SPV Company which when aggregated with all other borrowings (or indebtedness in the nature of borrowings) would exceed USD5 million (or such other amounts as the Parties may agree from time to time) or the creation of any charge (fixed or floating), debenture, or other security over any assets or property of the SPV Company except for the purpose of securing borrowings (or indebtedness in the nature of borrowings) from bankers in the ordinary course of business of amounts not exceeding in the aggregate USD5 million.
5. The giving of any guarantee or indemnity by the SPV Company other than in the normal course of its business.
6. The making of any loan or advance by the SPV Company, other than in accordance with the terms and conditions of this Agreement, to any person, firm, body corporate or other business other than in the normal course of business and on an arm's length basis.
7. The payment or declaration of any dividend or other distribution on account of Shares in the capital of the SPV Company, other than in accordance with the terms and conditions of this Agreement.
8. The commencement or settlement by the SPV Company of any litigation, arbitration or other proceedings which are material in the context of its business.
9. The incorporation of a new subsidiary undertaking of the SPV Company or the acquisition by the SPV Company of any share capital

or other securities of any body corporate other than any acquisition in the share capital of the Mining & Refining Company required so that the SPV Company can meet it financing requirements pursuant to the JV Shareholders' Agreement.

10. Approval of any material items which require lenders consent under any credit agreement or facility agreements to which the SPV Company is party.

11. The position to be taken by the Managers of the Mining & Refining Company appointed by the SPV Company in relation to the following matters listed in clause 8.5(b) of the JV Shareholders' Agreement: (ii), (iv), (v) (provided that if one Party would desire to pursue such an Expansion or Value Added Project, and the other Party does not, the desiring Party will be free to do so outside of the SPV Company), (vi) and (ix).

12. Any decision by ALCOA or its Affiliates to enter into Completion Agreements, or any other financing agreements, other than on a several basis.

PART B – SHAREHOLDER RESERVED MATTERS

1. The position to be taken by ALCOA or its Affiliates in relation to the special majority matters listed in clause 7.2(a) of the JV Shareholders' Agreement with the exception of clause 7.2(a)(vii).

2. Any change to Articles of the SPV Company.

3. Any change of name of the SPV Company.

4. The appointment and removal of the auditors of the SPV Company.

5. The adoption of the audited accounts of the SPV Company.

6. Any change to the SPV Company's accounting reference date or any material change to the accounting policies adopted and implemented by the SPV Company.

7. The presentation of any petition or the passing of any resolution for winding-up of the SPV Company or the appointment or removal of a liquidator for the SPV Company if the SPV Company is to be put into voluntary liquidation and determining the remuneration of such liquidator.

8. Any change in the SPV Company's share capital, securities or loan stock or the creation, allotment or issue of any Shares or of any other security or the grant of any option or rights to subscribe for or to convert any instrument into Shares or securities other than any increase in the share capital or the issuance of Shares required so that the SPV Company can meet it financing requirements pursuant to Clause 7.2.

9. Any variation of the rights attaching to any class of Shares or any redemption, purchase or other acquisition by the SPV Company of any Shares or other securities of the SPV Company.

10. Any material change to the Business of the SPV Company or carrying on any business other than the Business.

SCHEDULE C

NOT USED

<u>SCHEDULE D</u>

PARENT COMPANY GUARANTEE

SCHEDULE F

ADHERENCE AGREEMENT

SCHEDULE F

NOTICE ADDRESSES

SCHEDULE 4

AGREED FORM PARENT COMPANY GUARANTEE

PARENT GUARANTEE

THIS AGREEMENT is dated and effective as of [ ], 20[ ] and is by and between:

(1) [ ], a corporation organized under the laws of [ ], whose principal place of business is at [ ] (together with its legal successors and permitted assigns, hereinafter referred to as the "**Guarantor**"); and

(2) [ ], a corporation organized under the laws of [ ], whose principal place of business is at [ ] (together with its legal successors and permitted assigns, hereinafter referred to as the "**Beneficiary**").

RECITALS:

(A) [ ] and [ ] entered into [ ] dated [ ], 20[ ] (the "**Principal Agreement");** and

(B) In consideration of [ ] and the Beneficiary entering into the Principal Agreement, the Guarantor is required to provide a guarantee in favour of the Beneficiary on the terms set out herein.

NOW THEREFORE the Parties agree as follows:

1. <u>Definitions and Interpretation</u>

In this Agreement, unless the context otherwise requires:

1.1 [ ];

1.2 "**JV Shareholders Agreement"** has the meaning given to it in the Principal Agreement;

1.3 capitalized terms that are used in this Agreement but not defined herein shall have the meanings ascribed to them in the Principal Agreement;

1.4 capitalized terms that are used in this Agreement but not defined herein or in the Principal Agreement shall have the meanings ascribed to them in the JV Shareholders' Agreement;

1.5 the rules of interpretation set out in Clause 1.2 of the JV Shareholders Agreement shall apply to this Memorandum, mutatis mutandis.

2. <u>Guarantee and Indemnity</u>

2.1 The Guarantor hereby unconditionally and irrevocably guarantees to the Beneficiary the due and punctual performance and observance by [ ] of all its respective obligations, commitments, undertakings, warranties, indemnities and covenants under or in connection with the Principal Agreement (the "**Obligations**"), and agrees to indemnify the Beneficiary on demand against all losses, damages, costs and expenses (including reasonable legal costs and expenses in respect of any enforcement of the Obligations and/or this Agreement) which the Beneficiary may suffer through or arising from any breach by [ ] of the Obligations. The liability of the Guarantor as aforesaid shall not be released or diminished by any alterations of terms (whether of the Principal Agreement or otherwise) or any forbearance, neglect or delay in seeking performance of the

obligations thereby imposed or any granting of time for such performance or any other indulgence, provided, however, that the Guarantor's obligations under this Agreement shall continue subject to any such alteration, extension of time or other indulgence, or any waiver that may be granted.

2.2 If and whenever [ ] defaults in the performance of the Obligations and such default is not cured or remedied within the time limits therefor after notice thereof by the Beneficiary to [ ] (within any cure periods (howsoever described, and if any) in the Principal Agreement) ("**Default**"), the Guarantor shall upon demand, which shall reasonably and briefly specify the nature and amount, if any, of the Default (the "**Demand**"), unconditionally perform (or procure performance of) and satisfy (or procure the satisfaction of), in accordance with the terms and conditions of the Principal Agreement, the Obligations in regard to which such Default has been made, and so that the same benefits shall be conferred on the Beneficiary as it would have received if such Obligations had been duly performed and satisfied by [ ]. Subject to the first sentence of this Clause 2.2, the Guarantor hereby waives any rights which it may have to require the Beneficiary to proceed first against or claim payment from [ ], to the extent that as between the Beneficiary and the Guarantor, the latter shall be liable as principal obligor upon any aforesaid Default, as if it had entered into all the Obligations jointly and severally with [ ].

2.3 This guarantee and indemnity is to be a continuing security to the Beneficiary for all the Obligations of [ ] notwithstanding any settlement of account or other matter or thing whatsoever.

2.4 This guarantee and indemnity is in addition to and without prejudice to and not in substitution for any rights or security which the Beneficiary may now or hereafter have or hold for the performance and observance of the Obligations of [ ].

2.5 In the event that the Guarantor has taken or takes any security from [ ] in connection with this guarantee and indemnity, the Guarantor hereby undertakes to hold the same in trust for the Beneficiary pending discharge in full of all the Guarantor's obligations under or in connection with the Principal Agreement. The Guarantor shall not, after any Demand has been made hereunder, claim from [ ] any sums which may be owing to it from [ ] or have the benefit of any set-off or counter-claim or proof against, or dividend, composition or payment by [ ] until all sums owing to the Beneficiary hereunder or under or in connection with the Principal Agreement have been paid in full.

2.6 As a separate and independent stipulation, the Guarantor agrees that any Obligations which may not be enforceable against or recoverable from [ ] by reason of:

(a) any legal limitation, disability or incapacity of [ ] or the Guarantor;

(b) any insolvency or liquidation of [ ];

(c) any merger, amalgamation or other change of status of the Guarantor; or

(d) any other fact or circumstance,

shall nevertheless be enforceable against or recoverable from the Guarantor as though the same had been incurred by the Guarantor as principal obligor in respect thereof and shall be performed or paid by the Guarantor on demand in accordance with and subject to the provisions of the Principal Agreement and this Agreement.

2.7 Notwithstanding any other provisions of this Agreement, the obligations and liability of the Guarantor under or arising out of this guarantee and indemnity shall not be interpreted as imposing greater obligations and liabilities on the Guarantor than are imposed on [ ] under the Principal Agreement.

2.8 The Guarantor warrants and confirms to the Beneficiary:

(a) that it is duly incorporated and validly existing under the laws of [ ];

(b) that it has full power under its Articles of Incorporation and By-laws to enter into this Agreement;

(c) that it has full power to perform its obligations under this Agreement;

(d) that it has been duly authorised to enter into this Agreement;

(e) that it has taken all necessary corporate action to authorise the execution, delivery and performance of this Agreement;

(f) that this Agreement when executed and delivered will constitute a binding obligation on it in accordance with its terms; and

(g) that it has not received any notice, nor to the best of its knowledge is there pending or threatened any notice, of any violation of any Applicable Laws by it which is likely to have a material adverse effect on its ability to perform its obligations under this Agreement.

3. Governing Law and Jurisdiction

3.1 This Agreement and any disputes or claims arising out of or in connection with its subject matter are governed by and construed in accordance with the laws of England.

3.2 Prior to referring to arbitration pursuant to Clause 3.3 below any dispute, controversy or claim arising out of or in connection with this Agreement, or the breach, termination or invalidity thereof, (for the purposes of this Clause 3 a "**dispute**"), other than proceedings to enforce an agreement reached between the Parties under this Clause 3.2, the Party wishing to or considering making such reference shall notify in writing the other Party of the nature of the dispute and its background (for the purposes of this Clause 3, a "**dispute notice")** and its proposed basis for settlement of such dispute and the other Party shall respond to such dispute notice within fourteen (14) days of receipt, setting out any clarification it may feel relevant and including its proposed basis for settlement. The chief executives or presidents of each Party or their designees shall then meet within thirty (30) days of the issue of the dispute notice to attempt a reconciliation and settlement of the dispute. No statement as to a Party's proposed basis for settlement nor any discussions or communications between the Parties pursuant to this Clause 3.2 (except for the terms of any agreed settlement between the Parties) may be relied upon or referred to in later court, arbitration, enforcement or appeal proceedings.

3.3 If any dispute arising out of or in connection with the Agreement is not resolved pursuant to Clause 3.2 above within forty five (45) days of its referral to the Parties' senior management, such dispute shall be, if requested by any Party, referred to and finally settled by arbitration under the Rules of Arbitration of the International Chamber of Commerce as amended or substituted from time to time (the "**ICC Rules"** and the proceedings brought in accordance with this

Clause3.3), which ICC Rules are deemed to be incorporated into this Agreement except to the extent expressly modified by this Clause3.3. Arbitration shall be the exclusive method for resolution of the dispute and the determination of the arbitrators shall be final and binding. The Parties agree that they will give conclusive effect to the arbitrators' determination and award and that judgment thereon may be entered and enforced by any court of appropriate jurisdiction. The tribunal shall consist of three (3) arbitrators, one of whom shall be appointed by each Party and the third of whom, who shall act as chairman, shall be jointly nominated by the two arbitrators nominated by the Parties. Failing agreement as to the identity of the third arbitrator within five Business Days of being required to do so, such third arbitrator shall be nominated by the International Court of Arbitration in accordance with the ICC Rules. The place of arbitration shall be London, England. The language to be used in the arbitration shall be English, and any documents or portions of them presented at such arbitration in a language other than English shall be accompanied by an English translation thereof. The arbitrators shall decide such dispute in accordance with the substantive laws of England applicable hereto.

3.4 If a dispute is referred to arbitration pursuant to Clause 3.3 above, unless the arbitrators rule otherwise, the obligations of the Parties shall not be suspended and the provisions of this Agreement shall continue to be carried out by the Parties.

3.5 The courts of England shall, subject to Clause 3.6 below, have non-exclusive jurisdiction with respect to the enforcement of the arbitration provisions of this Agreement and the Parties expressly submit to the jurisdiction of such courts with respect to any proceedings to enforce the arbitration provisions of this Agreement. Each Party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any such proceedings and agrees not to claim that the courts of England are not a convenient or appropriate forum.

3.6 Without resulting in the waiver of any remedy under this Agreement and in conjunction with each disputing Party's rights in accordance with Rule 25 of the ICC Rules, nothing in this Clause 3 shall preclude a disputing Party from seeking injunctive relief from a court pending the commencement of arbitral proceedings in accordance with Clause 3.3 (or pending the arbitral tribunal's determination of the merits of the dispute). The Parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of England for such injunctive relief and waive any objection or defence they may have to the venue or jurisdiction of such courts. Without limiting the generality of the foregoing, the Parties shall have the right to seek injunctive relief in any court of competent jurisdiction and the seeking of injunctive relief in one or more jurisdiction shall not preclude a Party from seeking such relief in any other jurisdiction.

4. <u>General Provisions</u>

4.1 This Agreement contains all the terms agreed by the Parties regarding the subject matter of this Agreement and supersedes any prior agreements, understandings or arrangements between them, whether oral or in writing and no representation, undertaking or promise shall be taken to have been given or implied from anything said or written in negotiations between the Parties prior to this Agreement except as set out in this Agreement.

4.2 All notices, consents, determinations, requests, approvals, demands, reports, objections, directions and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given and to be effective on the date on which such communications are delivered by personal delivery, by facsimile transmission (with telephone confirmation of receipt), by courier service or by registered or certified mail, postage prepaid, return receipt requested, at the address set forth at the head of this Agreement or at such

other address as the Party to whom the notice is sent has designated by prior notice to the other Parties in accordance with the provisions of this Agreement.

4.3 The failure of any Party to enforce or to exercise, at any time or for a period of time, any term of or any right arising pursuant to this Agreement does not constitute and shall not be construed as, a waiver of such term or right and shall in no way affect that Party's right later to enforce or exercise it. No variation or amendment to this Agreement shall be effective unless in writing signed as an agreement by authorised representatives of the Parties.

4.4 The Guarantor shall procure that, during the term of this Agreement, [ ] shall remain an affiliate of the Guarantor.

4.5 All monies payable by the Guarantor to the Beneficiary hereunder shall be paid in the manner and currency in which the relevant amount is payable by [ ] under the Principal Agreement and in full without set-off or counterclaim of any kind and free and clear of any deduction or withholding of any kind save as required by law. If any deduction or withholding must be made by law, the Guarantor will pay that additional amount which is necessary to ensure that the Beneficiary receives a net amount equal to the full amount which it would have received if the payment had been made without the deduction or withholding.

4.6 This Agreement shall terminate on the date that all [ ] obligations pursuant to the Principal Agreement have been performed and discharged in full in accordance with the terms thereof, except for any outstanding obligations guaranteed under this Agreement that have not been paid or performed by [ ].

4.7 If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable under the law of any jurisdiction, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remaining provisions of this Agreement under such law or under the law of any other jurisdiction.

4.8 The Guarantor unconditionally and irrevocably agrees that the execution, delivery and performance by it of this Agreement constitutes private and commercial acts, and to the extent that the Guarantor or any of its revenues, assets or properties shall be entitled, with respect to any proceeding relating to enforcement of this Agreement or any award thereunder at any time brought against such Party or any of its revenues, assets or properties, to any sovereign or other immunity from suit, from jurisdiction, from attachment prior to judgment, from attachment in aid of execution of a judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any jurisdiction there shall be attributed such an immunity, the Guarantor irrevocably agrees not to claim and irrevocably waives such immunity.

4.9 The rights and remedies provided by this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

4.10 The Beneficiary represents and warrants it shall not transfer, assign, pledge or otherwise encumber this Agreement or any rights it has pursuant to this Agreement.

4.11 The Parties do not intend any term of this Agreement to be enforceable under the Contracts (Rights of Third Parties) Act, 1999 by any person who is not a Party to this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement effective as of the day and year first above written.

[ ]

By: ______________________

Print Name: ______________________

Date: ______________________

[ ]

By: ______________________

Print Name: ______________________

Date: ______________________

Exhibit 10.J(1)

Execution Copy

PARENT GUARANTEE

THIS AGREEMENT is dated and effective as of December 20, 2009 and is by and between:

(1) **ABDULLAH ABUNAYYAN TRADING CORP.**, a corporation organized under the laws of Saudi Arabia, whose principal place of business is at Riyadh, Al-Malaz., King Abdulaziz Rd., Near Al-Khaleej Bridge, P.O. Box: 321, Postal Code: 11411, (together with its legal successors and permitted assigns, hereinafter referred to as the "**Guarantor**"); and

(2) **ALCOA INC.**, a corporation organized under the laws of the Commonwealth of Pennsylvania, whose principal place of business is at 390 Park Avenue, New York, New York 10022-4608, U.S.A.(together with its legal successors and permitted assigns, hereinafter referred to as the "**Beneficiary**").

RECITALS:

(A) AFL (defined below) and the Beneficiary entered into a Closing Memorandum dated December 20, 2009 (the "**Principal Agreement**"); and

(B) In consideration of AFL and the Beneficiary entering into the Principal Agreement, the Guarantor is required to provide a guarantee in favour of the Beneficiary on the terms set out herein.

NOW THEREFORE the Parties agree as follows:

1. Definitions and Interpretation

In this Agreement, unless the context otherwise requires:

1.1 "**AFL**" means Aluminum Financing Limited, with its registered office at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands;

1.2 "**JV Shareholders Agreement**" has the meaning given to it in the Principal Agreement;

1.3 capitalized terms that are used in this Agreement but not defined herein shall have the meanings ascribed to them in the Principal Agreement;

1.4 capitalized terms that are used in this Agreement but not defined herein or in the Principal Agreement shall have the meanings ascribed to them in the JV Shareholders' Agreement;

1.5 the rules of interpretation set out in Clause 1.2 of the JV Shareholders Agreement shall apply to this Memorandum, mutatis mutandis.

2. Guarantee and Indemnity

2.1 The Guarantor hereby unconditionally and irrevocably guarantees to the Beneficiary the due and punctual performance and observance by AFL of all its respective obligations, commitments, undertakings, warranties, indemnities and covenants under or in connection with the Principal Agreement (the "**Obligations**"), and agrees to indemnify the Beneficiary on demand against all losses, damages, costs and expenses (including reasonable legal costs and expenses in respect of any enforcement of the Obligations and/or this Agreement) which the Beneficiary may suffer through or arising from any breach by AFL of the Obligations. The liability of the Guarantor as

aforesaid shall not be released or diminished by any alterations of terms (whether of the Principal Agreement or otherwise) or any forbearance, neglect or delay in seeking performance of the obligations thereby imposed or any granting of time for such performance or any other indulgence, provided, however, that the Guarantor's obligations under this Agreement shall continue subject to any such alteration, extension of time or other indulgence, or any waiver that may be granted.

2.2 If and whenever AFL defaults in the performance of the Obligations and such default is not cured or remedied within the time limits therefor after notice thereof by the Beneficiary to AFL (within any cure periods (howsoever described, and if any) in the Principal Agreement) ("**Default**"), the Guarantor shall upon demand, which shall reasonably and briefly specify the nature and amount, if any, of the Default (the "**Demand**"), unconditionally perform (or procure performance of) and satisfy (or procure the satisfaction of), in accordance with the terms and conditions of the Principal Agreement, the Obligations in regard to which such Default has been made, and so that the same benefits shall be conferred on the Beneficiary as it would have received if such Obligations had been duly performed and satisfied by AFL. Subject to the first sentence of this Clause 2.2, the Guarantor hereby waives any rights which it may have to require the Beneficiary to proceed first against or claim payment from AFL, to the extent that as between the Beneficiary and the Guarantor, the latter shall be liable as principal obligor upon any aforesaid Default, as if it had entered into all the Obligations jointly and severally with AFL.

2.3 This guarantee and indemnity is to be a continuing security to the Beneficiary for all the Obligations of AFL notwithstanding any settlement of account or other matter or thing whatsoever.

2.4 This guarantee and indemnity is in addition to and without prejudice to and not in substitution for any rights or security which the Beneficiary may now or hereafter have or hold for the performance and observance of the Obligations of AFL.

2.5 In the event that the Guarantor has taken or takes any security from AFL in connection with this guarantee and indemnity, the Guarantor hereby undertakes to hold the same in trust for the Beneficiary pending discharge in full of all the Guarantor's obligations under or in connection with the Principal Agreement. The Guarantor shall not, after any Demand has been made hereunder, claim from AFL any sums which may be owing to it from AFL or have the benefit of any set-off or counter-claim or proof against, or dividend, composition or payment by AFL until all sums owing to the Beneficiary hereunder or under or in connection with the Principal Agreement have been paid in full.

2.6 As a separate and independent stipulation, the Guarantor agrees that any Obligations which may not be enforceable against or recoverable from AFL by reason of:

(a) any legal limitation, disability or incapacity of AFL or the Guarantor;

(b) any insolvency or liquidation of AFL;

(c) any merger, amalgamation or other change of status of the Guarantor; or

(d) any other fact or circumstance,

shall nevertheless be enforceable against or recoverable from the Guarantor as though the same had been incurred by the Guarantor as principal obligor in respect thereof and shall be performed

or paid by the Guarantor on demand in accordance with and subject to the provisions of the Principal Agreement and this Agreement.

2.7 Notwithstanding any other provisions of this Agreement, the obligations and liability of the Guarantor under or arising out of this guarantee and indemnity shall not be interpreted as imposing greater obligations and liabilities on the Guarantor than are imposed on AFL under the Principal Agreement.

2.8 The Guarantor warrants and confirms to the Beneficiary:

(a) that it is duly incorporated and validly existing under the laws of the Kingdom of Saudi Arabia;

(b) that it has full power under its Articles of Incorporation and By-laws to enter into this Agreement;

(c) that it has full power to perform its obligations under this Agreement;

(d) that it has been duly authorised to enter into this Agreement;

(e) that it has taken all necessary corporate action to authorise the execution, delivery and performance of this Agreement;

(f) that this Agreement when executed and delivered will constitute a binding obligation on it in accordance with its terms; and

(g) that it has not received any notice, nor to the best of its knowledge is there pending or threatened any notice, of any violation of any Applicable Laws by it which is likely to have a material adverse effect on its ability to perform its obligations under this Agreement.

3. Governing Law and Jurisdiction

3.1 This Agreement and any disputes or claims arising out of or in connection with its subject matter are governed by and construed in accordance with the laws of England.

3.2 Prior to referring to arbitration pursuant to Clause 3.3 below any dispute, controversy or claim arising out of or in connection with this Agreement, or the breach, termination or invalidity thereof, (for the purposes of this Clause 3 a “**dispute**”), other than proceedings to enforce an agreement reached between the Parties under this Clause 3.2, the Party wishing to or considering making such reference shall notify in writing the other Party of the nature of the dispute and its background (for the purposes of this Clause 3, a “**dispute notice**”) and its proposed basis for settlement of such dispute and the other Party shall respond to such dispute notice within fourteen (14) days of receipt, setting out any clarification it may feel relevant and including its proposed basis for settlement. The chief executives or presidents of each Party or their designees shall then meet within thirty (30) days of the issue of the dispute notice to attempt a reconciliation and settlement of the dispute. No statement as to a Party’s proposed basis for settlement nor any discussions or communications between the Parties pursuant to this Clause 3.2 (except for the terms of any agreed settlement between the Parties) may be relied upon or referred to in later court, arbitration, enforcement or appeal proceedings.

3.3 If any dispute arising out of or in connection with the Agreement is not resolved pursuant to Clause 3.2 above within forty five (45) days of its referral to the Parties' senior management, such dispute shall be, if requested by any Party, referred to and finally settled by arbitration under the Rules of Arbitration of the International Chamber of Commerce as amended or substituted from time to time (the "**ICC Rules**" and the proceedings brought in accordance with this Clause3.3), which ICC Rules are deemed to be incorporated into this Agreement except to the extent expressly modified by this Clause3.3. Arbitration shall be the exclusive method for resolution of the dispute and the determination of the arbitrators shall be final and binding. The Parties agree that they will give conclusive effect to the arbitrators' determination and award and that judgment thereon may be entered and enforced by any court of appropriate jurisdiction. The tribunal shall consist of three (3) arbitrators, one of whom shall be appointed by each Party and the third of whom, who shall act as chairman, shall be jointly nominated by the two arbitrators nominated by the Parties. Failing agreement as to the identity of the third arbitrator within five Business Days of being required to do so, such third arbitrator shall be nominated by the International Court of Arbitration in accordance with the ICC Rules. The place of arbitration shall be London, England. The language to be used in the arbitration shall be English, and any documents or portions of them presented at such arbitration in a language other than English shall be accompanied by an English translation thereof. The arbitrators shall decide such dispute in accordance with the substantive laws of England applicable hereto.

3.4 If a dispute is referred to arbitration pursuant to Clause 3.3 above, unless the arbitrators rule otherwise, the obligations of the Parties shall not be suspended and the provisions of this Agreement shall continue to be carried out by the Parties.

3.5 The courts of England shall, subject to Clause 3.6 below, have non-exclusive jurisdiction with respect to the enforcement of the arbitration provisions of this Agreement and the Parties expressly submit to the jurisdiction of such courts with respect to any proceedings to enforce the arbitration provisions of this Agreement. Each Party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any such proceedings and agrees not to claim that the courts of England are not a convenient or appropriate forum.

3.6 Without resulting in the waiver of any remedy under this Agreement and in conjunction with each disputing Party's rights in accordance with Rule 25 of the ICC Rules, nothing in this Clause 3 shall preclude a disputing Party from seeking injunctive relief from a court pending the commencement of arbitral proceedings in accordance with Clause 3.3 (or pending the arbitral tribunal's determination of the merits of the dispute). The Parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of England for such injunctive relief and waive any objection or defence they may have to the venue or jurisdiction of such courts. Without limiting the generality of the foregoing, the Parties shall have the right to seek injunctive relief in any court of competent jurisdiction and the seeking of injunctive relief in one or more jurisdiction shall not preclude a Party from seeking such relief in any other jurisdiction.

4. General Provisions

4.1 This Agreement contains all the terms agreed by the Parties regarding the subject matter of this Agreement and supersedes any prior agreements, understandings or arrangements between them, whether oral or in writing and no representation, undertaking or promise shall be taken to have been given or implied from anything said or written in negotiations between the Parties prior to this Agreement except as set out in this Agreement.

4.2 All notices, consents, determinations, requests, approvals, demands, reports, objections, directions and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given and to be effective on the date on which such communications are delivered by personal delivery, by facsimile transmission (with telephone confirmation of receipt), by courier service or by registered or certified mail, postage prepaid, return receipt requested, at the address set forth at the head of this Agreement or at such other address as the Party to whom the notice is sent has designated by prior notice to the other Parties in accordance with the provisions of this Agreement.

4.3 The failure of any Party to enforce or to exercise, at any time or for a period of time, any term of or any right arising pursuant to this Agreement does not constitute and shall not be construed as, a waiver of such term or right and shall in no way affect that Party's right later to enforce or exercise it. No variation or amendment to this Agreement shall be effective unless in writing signed as an agreement by authorised representatives of the Parties.

4.4 The Guarantor shall procure that, during the term of this Agreement, AFL shall remain an affiliate of the Guarantor.

4.5 All monies payable by the Guarantor to the Beneficiary hereunder shall be paid in the manner and currency in which the relevant amount is payable by AFL under the Principal Agreement and in full without set-off or counterclaim of any kind and free and clear of any deduction or withholding of any kind save as required by law. If any deduction or withholding must be made by law, the Guarantor will pay that additional amount which is necessary to ensure that the Beneficiary receives a net amount equal to the full amount which it would have received if the payment had been made without the deduction or withholding.

4.6 This Agreement shall terminate on the date that all AFL obligations pursuant to the Principal Agreement have been performed and discharged in full in accordance with the terms thereof, except for any outstanding obligations guaranteed under this Agreement that have not been paid or performed by AFL.

4.7 If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable under the law of any jurisdiction, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remaining provisions of this Agreement under such law or under the law of any other jurisdiction.

4.8 The Guarantor unconditionally and irrevocably agrees that the execution, delivery and performance by it of this Agreement constitutes private and commercial acts, and to the extent that the Guarantor or any of its revenues, assets or properties shall be entitled, with respect to any proceeding relating to enforcement of this Agreement or any award thereunder at any time brought against such Party or any of its revenues, assets or properties, to any sovereign or other immunity from suit, from jurisdiction, from attachment prior to judgment, from attachment in aid of execution of a judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any jurisdiction there shall be attributed such an immunity, the Guarantor irrevocably agrees not to claim and irrevocably waives such immunity.

4.9 The rights and remedies provided by this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

4.10 The Beneficiary represents and warrants it shall not transfer, assign, pledge or otherwise encumber this Agreement or any rights it has pursuant to this Agreement.

4.11 The Parties do not intend any term of this Agreement to be enforceable under the Contracts (Rights of Third Parties) Act, 1999 by any person who is not a Party to this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement effective as of the day and year first above written.

ABDULLAH ABUNAYYAN TRADING CORP.,

By: /s/ Mohamed Abdullah Abunayyan
Print Name: Mohamed Abdullah Abunayyan
Date: December 20, 2009

ALCOA INC.

By: /s/ Klaus Kleinfeld
Print Name: Klaus Kleinfeld, President and Chief Executive Officer
Date: December 20, 2009

Exhibit 10.J(2)

Execution Copy

PARENT GUARANTEE

THIS AGREEMENT is dated and effective December 20, 2009 and is by and between:

(1) **ALCOA INC.**, a corporation organized under the laws of the Commonwealth of Pennsylvania, whose principal place of business is at 390 Park Avenue, New York, New York 10022-4608, U.S.A. (together with its legal successors and permitted assigns, hereinafter referred to as the "**Guarantor**"); and

(2) **ALUMINUM FINANCING LIMITED**, a corporation organized under the laws of the British Virgin Islands, with its registered office at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands (the "**Beneficiary**").

RECITALS:

(A) Whereas the Guarantor and the Beneficiary entered into a Closing Memorandum dated December 20, 2009 (the "**Principal Agreement**"); and

(B) In consideration of the Parties entering into the Principal Agreement, the Guarantor is required to provide a guarantee in favour of the Beneficiary on the terms set out herein.

NOW THEREFORE the Parties agree as follows:

1. Definitions and Interpretation

In this Agreement, unless the context otherwise requires:

1.1 "**JV Shareholders Agreement**" has the meaning given to it in the Principal Agreement;

1.2 capitalized terms that are used in this Agreement but not defined herein shall have the meanings ascribed to them in the Principal Agreement;

1.3 capitalized terms that are used in this Agreement but not defined herein or in the Principal Agreement shall have the meanings ascribed to them in the JV Shareholders' Agreement;

1.4 the rules of interpretation set out in Clause 1.2 of the JV Shareholders Agreement shall apply to this Memorandum, mutatis mutandis.

2. Guarantee and Indemnity

2.1 The Guarantor hereby unconditionally and irrevocably guarantees to the Beneficiary the due and punctual performance and observance by the Guarantor of all its respective obligations, commitments, undertakings, warranties, indemnities and covenants under or in connection with the Principal Agreement (the "**Obligations**"), and agrees to indemnify the Beneficiary on demand against all losses, damages, costs and expenses (including reasonable legal costs and expenses in respect of any enforcement of the Obligations and/or this Agreement) which the Beneficiary may suffer through or arising from any breach by the Guarantor of the Obligations. The liability of the Guarantor as aforesaid shall not be released or diminished by any alterations of terms (whether of the Principal Agreement or otherwise) or any forbearance, neglect or delay in seeking performance of the obligations thereby imposed or any granting of time for such performance or any other indulgence, provided, however, that the Guarantor's obligations under this Agreement shall continue subject to any such alteration, extension of time or other indulgence, or any waiver that may be granted.

2.2 If and whenever the Guarantor defaults in the performance of the Obligations and such default is not cured or remedied within the time limits therefor after notice thereof by the Beneficiary to the Guarantor (within any cure periods (howsoever described, and if any) in the Principal Agreement) ("**Default**"), the Guarantor shall upon demand, which shall reasonably and briefly specify the nature and amount, if any, of the Default (the "**Demand**"), unconditionally perform (or procure performance of) and satisfy (or procure the satisfaction of), in accordance with the terms and conditions of the Principal Agreement, the Obligations in regard to which such Default has been made, and so that the same benefits shall be conferred on the Beneficiary as it would have received if such Obligations had been duly performed and satisfied by the Guarantor.

2.3 This guarantee and indemnity is to be a continuing security to the Beneficiary for all the Obligations of the Guarantor notwithstanding any settlement of account or other matter or thing whatsoever.

2.4 This guarantee and indemnity is in addition to and without prejudice to and not in substitution for any rights or security which the Beneficiary may now or hereafter have or hold for the performance and observance of the Obligations of the Guarantor.

2.5 As a separate and independent stipulation, the Guarantor agrees that any Obligations which may not be enforceable against or recoverable from the Guarantor by reason of:

(a) any legal limitation, disability or incapacity of the Guarantor or the Guarantor;

(b) any insolvency or liquidation of the Guarantor;

(c) any merger, amalgamation or other change of status of the Guarantor; or

(d) any other fact or circumstance,

shall nevertheless be enforceable against or recoverable from the Guarantor.

2.6 Notwithstanding the other provisions of this Agreement, the obligations and liability of the Guarantor under or arising out of this guarantee and indemnity shall not be interpreted as imposing greater obligations and liabilities on the Guarantor than are imposed on the Guarantor under the Principal Agreement.

2.7 The Guarantor warrants and confirms to the Beneficiary:

(a) that it is duly incorporated and validly existing under the laws of the Commonwealth of Pennsylvania;

(b) that it has full power under its Articles of Incorporation and By-laws to enter into this Agreement;

(c) that it has full power to perform its obligations under this Agreement;

(d) that it has been duly authorised to enter into this Agreement;

(e) that it has taken all necessary corporate action to authorise the execution, delivery and performance of this Agreement;

(f) that this Agreement when executed and delivered will constitute a binding obligation on it in accordance with its terms; and

(g) that it has not received any notice, nor to the best of its knowledge is there pending or threatened any notice, of any violation of any Applicable Laws by it which is likely to have a material adverse effect on its ability to perform its obligations under this Agreement.

3. <u>Governing Law and Jurisdiction</u>

3.1 This Agreement and any disputes or claims arising out of or in connection with its subject matter are governed by and construed in accordance with the laws of England.

3.2 Prior to referring to arbitration pursuant to Clause 3.3 below any dispute, controversy or claim arising out of or in connection with this Agreement, or the breach, termination or invalidity thereof, (for the purposes of this Clause 3 a "**dispute**"), other than proceedings to enforce an agreement reached between the Parties under this Clause 3.2, the Party wishing to or considering making such reference shall notify in writing the other Party of the nature of the dispute and its background (for the purposes of this Clause 3, a "**dispute notice**") and its proposed basis for settlement of such dispute and the other Party shall respond to such dispute notice within fourteen (14) days of receipt, setting out any clarification it may feel relevant and including its proposed basis for settlement. The chief executives or presidents of each Party or their designees shall then meet within thirty (30) days of the issue of the dispute notice to attempt a reconciliation and settlement of the dispute. No statement as to a Party's proposed basis for settlement nor any discussions or communications between the Parties pursuant to this Clause 3.2 (except for the terms of any agreed settlement between the Parties) may be relied upon or referred to in later court, arbitration, enforcement or appeal proceedings.

3.3 If any dispute arising out of or in connection with the Agreement is not resolved pursuant to Clause 3.2 above within forty five (45) days of its referral to the Parties' senior management, such dispute shall be, if requested by any Party, referred to and finally settled by arbitration under the Rules of Arbitration of the International Chamber of Commerce as amended or substituted from time to time (the "**ICC Rules**" and the proceedings brought in accordance with this Clause3.3), which ICC Rules are deemed to be incorporated into this Agreement except to the extent expressly modified by this Clause3.3. Arbitration shall be the exclusive method for resolution of the dispute and the determination of the arbitrators shall be final and binding. The Parties agree that they will give conclusive effect to the arbitrators' determination and award and that judgment thereon may be entered and enforced by any court of appropriate jurisdiction. The tribunal shall consist of three (3) arbitrators, one of whom shall be appointed by each Party and the third of whom, who shall act as chairman, shall be jointly nominated by the two arbitrators nominated by the Parties. Failing agreement as to the identity of the third arbitrator within five Business Days of being required to do so, such third arbitrator shall be nominated by the International Court of Arbitration in accordance with the ICC Rules. The place of arbitration shall be London, England. The language to be used in the arbitration shall be English, and any documents or portions of them presented at such arbitration in a language other than English shall be accompanied by an English translation thereof. The arbitrators shall decide such dispute in accordance with the substantive laws of England applicable hereto.

3.4 If a dispute is referred to arbitration pursuant to Clause 3.3 above, unless the arbitrators rule otherwise, the obligations of the Parties shall not be suspended and the provisions of this Agreement shall continue to be carried out by the Parties.

3.5 The courts of England shall, subject to Clause 3.6 below, have non-exclusive jurisdiction with respect to the enforcement of the arbitration provisions of this Agreement and the Parties expressly submit to the jurisdiction of such courts with respect to any proceedings to enforce the

arbitration provisions of this Agreement. Each Party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any such proceedings and agrees not to claim that the courts of England are not a convenient or appropriate forum.

3.6 Without resulting in the waiver of any remedy under this Agreement and in conjunction with each disputing Party's rights in accordance with Rule 25 of the ICC Rules, nothing in this Clause 3 shall preclude a disputing Party from seeking injunctive relief from a court pending the commencement of arbitral proceedings in accordance with Clause 3.3 (or pending the arbitral tribunal's determination of the merits of the dispute). The Parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of England for such injunctive relief and waive any objection or defence they may have to the venue or jurisdiction of such courts. Without limiting the generality of the foregoing, the Parties shall have the right to seek injunctive relief in any court of competent jurisdiction and the seeking of injunctive relief in one or more jurisdiction shall not preclude a Party from seeking such relief in any other jurisdiction.

4. General Provisions

4.1 This Agreement contains all the terms agreed by the Parties regarding the subject matter of this Agreement and supersedes any prior agreements, understandings or arrangements between them, whether oral or in writing and no representation, undertaking or promise shall be taken to have been given or implied from anything said or written in negotiations between the Parties prior to this Agreement except as set out in this Agreement.

4.2 All notices, consents, determinations, requests, approvals, demands, reports, objections, directions and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given and to be effective on the date on which such communications are delivered by personal delivery, by facsimile transmission (with telephone confirmation of receipt), by courier service or by registered or certified mail, postage prepaid, return receipt requested, at the address set forth at the head of this Agreement or at such other address as the Party to whom the notice is sent has designated by prior notice to the other Parties in accordance with the provisions of this Agreement.

4.3 The failure of any Party to enforce or to exercise, at any time or for a period of time, any term of or any right arising pursuant to this Agreement does not constitute and shall not be construed as, a waiver of such term or right and shall in no way affect that Party's right later to enforce or exercise it. No variation or amendment to this Agreement shall be effective unless in writing signed as an agreement by authorised representatives of the Parties.

4.4 All monies payable by the Guarantor to the Beneficiary hereunder shall be paid in the manner and currency in which the relevant amount is payable by the Guarantor under the Principal Agreement and in full without set-off or counterclaim of any kind and free and clear of any deduction or withholding of any kind save as required by law. If any deduction or withholding must be made by law, the Guarantor will pay that additional amount which is necessary to ensure that the Beneficiary receives a net amount equal to the full amount which it would have received if the payment had been made without the deduction or withholding.

4.5 This Agreement shall terminate on the date that all the Guarantor obligations pursuant to the Principal Agreement have been performed and discharged in full in accordance with the terms thereof, except for any outstanding obligations guaranteed under this Agreement that have not been paid or performed by the Guarantor.

4.6 If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable under the law of any jurisdiction, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remaining provisions of this Agreement under such law or under the law of any other jurisdiction.

4.7 The Guarantor unconditionally and irrevocably agrees that the execution, delivery and performance by it of this Agreement constitutes private and commercial acts, and to the extent that the Guarantor or any of its revenues, assets or properties shall be entitled, with respect to any proceeding relating to enforcement of this Agreement or any award thereunder at any time brought against such Party or any of its revenues, assets or properties, to any sovereign or other immunity from suit, from jurisdiction, from attachment prior to judgment, from attachment in aid of execution of a judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any jurisdiction there shall be attributed such an immunity, the Guarantor irrevocably agrees not to claim and irrevocably waives such immunity.

4.8 The rights and remedies provided by this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

4.9 The Beneficiary represents and warrants it shall not transfer, assign, pledge or otherwise encumber this Agreement or any rights it has pursuant to this Agreement.

4.10 The Parties do not intend any term of this Agreement to be enforceable under the Contracts (Rights of Third Parties) Act, 1999 by any person who is not a Party to this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement effective as of the day and year first above written.

ALCOA INC.

By: /s/ Klaus Kleinfeld
Print Name: Klaus Kleinfeld, President and Chief Executive Officer
Date: December 20, 2009

ALUMINUM FINANCING LIMITED

By: /s/ Mohamed Abdullah Abunayyan
Print Name: Mohamed Abdullah Abunayyan
Date: December 20, 2009

Exhibit 10.L(4)

AMENDMENT TO THE
ALCOA STOCK ACQUISITION PLAN

Pursuant to Section 7.1, which provides that the Plan may be amended, the Plan is revised as follows:

1. The following new Article IX – Claims and Appeals is added:

ARTICLE IX – CLAIMS AND APPEALS

9.1 If a claim by a Participant or Beneficiary is denied, in whole or in part, the Participant or Beneficiary, or their representative will receive written notice from the plan administrator. This notice will include the reasons for denial, the specific plan provision involved, an explanation of how claims are reviewed, the procedure for requesting a review of the denied claim, and a description of the information that must be submitted with the appeal. The Participant or Beneficiary, or their representative, may file a written appeal for review of a denied claim to the Committee. The process and the time frames for the determination claims and appeals are as follows:

(a) The plan administrator reviews initial claim and makes determination within 90 days of the date the claim is received.

(b) The plan administrator may extend the above 90-day period an additional 90 days if required due to special circumstances beyond control of plan administrator.

(c) The Participant or Beneficiary, or their representative, may submit an appeal of a denied claim within 60 days of receipt of the denial.

(d) The plan administrator reviews and makes a determination on the appeal within 60 days of the date the appeal was received.

(e) The plan administrator may extend the above 60-day period an additional 60 days if required by special circumstances beyond the control of the plan administrator.

9.2 In the case where the plan administrator requires an extension of the period to provide a determination on an initial claim or an appeal, the Plan will notify the Participant or Beneficiary, or their representative, prior to the expiration of the initial determination period. The notification will describe the circumstances requiring the extension and the date a determination is expected to be made. If additional information is required from the Participant or Beneficiary, the determination period will be suspended until the earlier of i) the date the information is received by the plan administrator or ii) 45 days from the date the information was requested.

9.3 Participants or Beneficiaries, or their representative, who having received an adverse appeal determination and thereby exhausted the remedies provided under the this Plan, proceed to file suit in state or federal court, must file such suit within 180 days from the date of the adverse appeal determination notice.

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

Exhibit 10.M(5)

AMENDMENT TO ALCOA INC.
EMPLOYEES' EXCESS BENEFITS PLAN A

Pursuant to Section 5.1, which provides that the Plan may be amended, the Plan is revised as follows:

1. Section 4.1 is amended to delete the final sentence and replace it with the following:

The Committee's discretion with respect to this Excess Plan includes the authority to determine eligibility under all provisions, correct defects, supply omissions, reconcile inconsistencies in plan, ensure benefits are paid in accordance to the plan, interpret plan provisions for all Participants or Surviving Spouses, and decide issues of credibility necessary to carry out and operate the Plan. Benefits under this Excess Plan will be paid only if the Committee in its discretion decides that the applicant is entitled to them. All actions, decisions, or interpretations of the Committee are conclusive, final, and binding.

2. The following new Article VIII – Claims and Appeals is added:

ARTICLE VIII – CLAIMS AND APPEALS

8.1 If a claim by a Participant or Surviving Spouse is denied in whole or in part, the Participant or Surviving Spouse, or their representative will receive written notice from the plan administrator. This notice will include the reasons for denial, the specific Plan provision involved, an explanation of how claims are reviewed, the procedure for requesting a review of the denied claim, and a description of the information that must be submitted with the appeal. The Participant or Surviving Spouse, or their representative, may file a written appeal for review of a denied claim to the Benefits Management Committee. The process and the time frames for the determination claims and appeals are as follows:

(a) The plan administrator reviews initial claim and makes determination within 90 days of the date the claim is received.

(b) The plan administrator may extend the above 90-day period an additional 90 days if required due to special circumstances beyond control of plan administrator.

(c) The Participant or Surviving Spouse, or their representative, may submit an appeal of a denied claim within 60 days of receipt of the denial.

(d) The plan administrator reviews and makes a determination on the appeal within 60 days of the date the appeal was received.

(e) The plan administrator may extend the above 60-day period an additional 60 days if required by special circumstances beyond the control of the plan administrator.

8.2 In the case where the plan administrator requires an extension of the period to provide a determination on an initial claim or an appeal, the plan will notify the Participant or Surviving Spouse, or their representative, prior to the expiration of the initial determination period. The notification will describe the circumstances requiring the extension and the date a determination is expected to be made. If additional information is required from the Participant or Surviving Spouse, the determination period will be suspended until the earlier of i) the date the information is received by the plan administrator or ii) 45 days from the date the information was requested.

8.3 Participants or Surviving Spouses, or their representative, who having received an adverse appeal determination and thereby exhausted the remedies provided under the Excess Plan, proceed to file suit in state or federal court, must file such suit within 180 days from the date of the adverse appeal determination notice.

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

Exhibit 10.N(2)

AMENDMENT TO THE
INCENTIVE COMPENSATION PLAN OF
ALCOA INC.

1. The following new Article VII – Claims and Appeals is added:

ARTICLE VII – CLAIMS AND APPEALS

SECTION 1. Denied Claims and Appeals. If a claim by an Eligible Employee is denied, in whole or in part the Eligible Employee, or his or her representative will receive written notice from the plan administrator. This notice will include the reasons for denial, the specific plan provision involved, an explanation of how claims are reviewed, the procedure for requesting a review of the denied claim, and a description of the information that must be submitted with the appeal. The Eligible Employee, or his or her representative, may file a written appeal for review of a denied claim to the Committee. The process and the time frames for the determination claims and appeals are as follows:

(a) The plan administrator reviews initial claim and makes determination within 90 days of the date the claim is received.

(b) The plan administrator may extend the above 90-day period an additional 90 days if required due to special circumstances beyond control of plan administrator.

(c) The Eligible Employee, or his or her representative, may submit an appeal of a denied claim within 60 days of receipt of the denial.

(d) The plan administrator reviews and makes a determination on the appeal within 60 days of the date the appeal was received.

(e) The plan administrator may extend the above 60-day period an additional 60 days if required by special circumstances beyond the control of the plan administrator.

SECTION 2. Extension of Period to Determine Initial Claims or Appeals. In the case where the plan administrator requires an extension of the period to provide a determination on an initial claim or an appeal, the Plan will notify the Eligible Employee, or their representative, prior to the expiration of the initial determination period. The notification will describe the circumstances requiring the extension and the date a determination is expected to be made. If additional information is required from the Eligible Employee, the determination period will be suspended until the earlier of i) the date the information is received by the plan administrator or ii) 45 days from the date the information was requested.

SECTION 3. Exhaustion of Plan Remedies. Eligible Employees, or their representative, who having received an adverse appeal determination and thereby exhausted the remedies provided under the this Plan, proceed to file suit in state or federal court, must file such suit within 180 days from the date of the adverse appeal determination notice.

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

Exhibit 10.O(2)

AMENDMENT TO ALCOA INC.
EMPLOYEES' EXCESS BENEFITS PLAN C

Pursuant to Section 5.1, which provides that the Plan may be amended, the Plan is revised as follows:

1. Section 4.1 is amended to delete the final sentence and replace it with the following:

The Committee's discretion with respect to this Excess Plan includes the authority to determine eligibility under all provisions, correct defects, supply omissions, reconcile inconsistencies in plan, ensure benefits are paid in accordance to the plan, interpret plan provisions for all Participants or Surviving Spouses, and decide issues of credibility necessary to carry out and operate the Plan. Benefits under this Excess Plan will be paid only if the Committee in its discretion decides that the applicant is entitled to them. All actions, decisions, or interpretations of the Committee are conclusive, final, and binding.

2. The following new Article VIII – Claims and Appeals is added:

ARTICLE VIII – CLAIMS AND APPEALS

8.1 If a claim by a Participant or Surviving Spouse is denied in whole or in part, the Participant or Surviving Spouse, or their representative will receive written notice from the plan administrator. This notice will include the reasons for denial, the specific Plan provision involved, an explanation of how claims are reviewed, the procedure for requesting a review of the denied claim, and a description of the information that must be submitted with the appeal. The Participant or Surviving Spouse, or their representative, may file a written appeal for review of a denied claim to the Benefits Management Committee. The process and the time frames for the determination claims and appeals are as follows:

a. The plan administrator reviews initial claim and makes determination within 90 days of the date the claim is received.

b. The plan administrator may extend the above 90-day period an additional 90 days if required due to special circumstances beyond control of plan administrator.

c. The Participant or Surviving Spouse, or their representative, may submit an appeal of a denied claim within 60 days of receipt of the denial.

d. The plan administrator reviews and makes a determination on the appeal within 60 days of the date the appeal was received.

e. The plan administrator may extend the above 60-day period an additional 60 days if required by special circumstances beyond the control of the plan administrator.

8.2 In the case where the plan administrator requires an extension of the period to provide a determination on an initial claim or an appeal, the plan will notify the Participant or Surviving Spouse, or their representative, prior to the expiration of the initial determination period. The notification will describe the circumstances requiring the extension and the date a determination is expected to be made. If additional information is required from the Participant or Surviving Spouse, the determination period will be suspended until the earlier of i) the date the information is received by the plan administrator or ii) 45 days from the date the information was requested.

8.3 Participants or Surviving Spouses, or their representative, who having received an adverse appeal determination and thereby exhausted the remedies provided under the Excess Plan, proceed to file suit in state or federal court, must file such suit within 180 days from the date of the adverse appeal determination notice.

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

Exhibit 10.S(9)

AMENDMENT TO THE

ALCOA DEFERRED COMPENSATION PLAN

Pursuant to Article 10 of the Plan, the Plan is amended as follows:

1. Section 4.1, is amended to add the following new paragraph:

Effective April 1, 2009, no Matching Company Credits will be deemed to be credited to any Participant account under this Plan.

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

AMENDMENT TO THE

ALCOA DEFERRED COMPENSATION PLAN

Pursuant to Article X, that provides the Plan may be amended at any time, the Plan is hereby amended:

1. **Section 9.1 is amended to delete the first paragraph and replace it with the following:**

9.1 The general administration of this Plan shall be by the Committee. The Committee's discretion with respect to this Plan includes the authority to determine eligibility under all provisions, correct defects, supply omissions, reconcile inconsistencies in the Plan, ensure benefits are paid in accordance to the Plan, interpret Plan provisions for all Participants or Beneficiaries, and decide issues of credibility necessary to carry out and operate the Plan. Benefits under this Plan will be paid only if the Committee in its discretion decides that the applicant is entitled to them. All actions, decisions, or interpretations of the Committee are conclusive, final, and binding.

2. **Section 10.1 is deleted in its entirety and replaced with the following:**

10.1 This Plan may be amended, suspended or terminated at any time by the Board or any other entity approved by the board, provided that no such amendment, suspension or termination shall reduce or in any manner adversely affect any Participant's or the Board's rights with respect to benefits that are payable or may become payable under this Plan based upon said Participant's Credits as of the date of such amendment, suspension or termination.

3. The following new Article XII – Claims and Appeals is added:

ARTICLE XII – CLAIMS AND APPEALS

12.1 If a claim by a Participant or Beneficiary is denied, in whole or in part the Participant or Beneficiary, or their representative will receive written notice from the plan administrator. This notice will include the reasons for denial, the specific plan provision involved, an explanation of how claims are reviewed, the procedure for requesting a review of the denied claim, and a description of the information that must be submitted with the appeal. The Participant or Beneficiary, or their representative, may file a written appeal for review of a denied claim to the Committee. The process and the time frames for the determination claims and appeals are as follows:

(a) The plan administrator reviews initial claim and makes determination within 90 days of the date the claim is received.

(b) The plan administrator may extend the above 90-day period an additional 90 days if required due to special circumstances beyond control of plan administrator.

(c) The Participant or Beneficiary, or their representative, may submit an appeal of a denied claim within 60 days of receipt of the denial.

(d) The plan administrator reviews and makes a determination on the appeal within 60 days of the date the appeal was received.

(e) The plan administrator may extend the above 60-day period an additional 60 days if required by special circumstances beyond the control of the plan administrator.

12.2 In the case where the plan administrator requires an extension of the period to provide a determination on an initial claim or an appeal, the Plan will notify the Participant or Beneficiary, or their representative, prior to the expiration of the initial determination period. The notification will describe the circumstances requiring the extension and the date a determination is expected to be made. If additional information is required from the Participant or Beneficiary, the determination period will be suspended until the earlier of i) the date the information is received by the plan administrator or ii) 45 days from the date the information was requested.

12.3 Participants or Beneficiaries, or their representative, who having received an adverse appeal determination and thereby exhausted the remedies provided under the this Plan, proceed to file suit in state or federal court, must file such suit within 180 days from the date of the adverse appeal determination notice.

4. In all other respects, the Plan is ratified and confirmed.

Exhibit 10.Y(2)

AMENDMENT TO
ALCOA SUPPLEMENTAL PENSION PLAN FOR SENIOR EXECUTIVES

Pursuant to Section 5.1, which provides that the Plan may be amended, the Plan is revised as follows:

1. **Section 5.1 is amended to replace the reference in the final sentence to "the Board of Directors' Inside Director Committee" with "Benefits Management Committee":**

This Plan may also be amended, from time to time by the Benefits Management Committee, except for amendments which have more than a minimal effect upon the Company's cost of providing benefits for Company employees at the officer level.

2. **The following new <u>Article VII – Claims and Appeals</u> is added:**

<u>ARTICLE VII – CLAIMS AND APPEALS</u>

7.1 If a claim by a Participant, Surviving Spouse or beneficiary is denied in whole or in part, the Participant, Surviving Spouse or beneficiary, or their representative will receive written notice from the plan administrator. This notice will include the reasons for denial, the specific plan provision involved, an explanation of how claims are reviewed, the procedure for requesting a review of the denied claim, and a description of the information that must be submitted with the appeal. The Participant, Surviving Spouse or beneficiary, or their representative, may file a written appeal for review of a denied claim to the plan administrator. The process and the time frames for the determination claims and appeals are as follows:

(a) The plan administrator reviews initial claim and makes determination within 90 days of the date the claim is received.

(b) The plan administrator may extend the above 90-day period an additional 90 days if required due to special circumstances beyond control of plan administrator.

(c) The Participant, Surviving Spouse or beneficiary, or their representative, may submit an appeal of a denied claim within 60 days of receipt of the denial.

(d) The plan administrator reviews and makes a determination on the appeal within 60 days of the date the appeal was received.

(e) The plan administrator may extend the above 60-day period an additional 60 days if required by special circumstances beyond the control of the plan administrator.

7.2 In the case where the plan administrator requires an extension of the period to provide a determination on an initial claim or an appeal, the Plan will notify the

Participant, Surviving Spouse or beneficiary, or their representative, prior to the expiration of the initial determination period. The notification will describe the circumstances requiring the extension and the date a determination is expected to be made. If additional information is required from the Participant, Surviving Spouse or beneficiary, the determination period will be suspended until the earlier of i) the date the information is received by the plan administrator or ii) 45 days from the date the information was requested.

7.3 Participants, Surviving Spouses or Beneficiaries, or their representative, who having received an adverse appeal determination and thereby exhausted the remedies provided under the this Plan, proceed to file suit in state or federal court, must file such suit within 180 days from the date of the adverse appeal determination notice.

3. In all other respects, the Plan is ratified and confirmed.

Exhibit 10.Y(3)

AMENDMENT TO
ALCOA SUPPLEMENTAL PENSION PLAN FOR SENIOR EXECUTIVES

1. Section 2.2 is amended to revise subsection (a)(ii)(z) to add the following:

Notwithstanding the foregoing, effective December 16, 2009, a subsequent election may be made by an active participant that delays the date payment of Excess Pensions commences to the later of age 62 or retirement subject to the following:

1) payment must commence on a date that is at least 5 years from the date payment would have commenced pursuant to the original election, or the date to which commencement of payment defaults where no election was made, and

2) provided further that such subsequent election shall not take effect before the date that is 12 months following the date the subsequent election is received by the Plan.

The subsequent election remains subject to all other requirements and provisions of the original election. To the extent the foregoing requirements for the subsequent election are not fulfilled, the original election (or default, if no election was made) will apply.

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

Exhibit 10.BB(1)

AMENDMENT TO
ALCOA INC.
CHANGE IN CONTROL SEVERANCE PLAN

The Alcoa Inc. Change in Control Severance Plan dated as of January 11, 2002 (the "Plan") is hereby amended as follows:

1. The following provisions of the Plan shall not apply to any person who becomes an Eligible Employee under the Plan on or after January 1, 2010:

Section 1.18 (iv) Good Reason

"Notwithstanding anything in this Section 1.18 to the contrary, any termination of employment by a Tier I Employee or a Tier II Employee, whether or not voluntary or involuntary, for any reason or for no reason, within a thirty (30) day period commencing on a date six months immediately following a Change in Control shall be deemed to constitute a termination for Good Reason hereunder."

Section 2.2 Gross-Up Payment

(a) "Whether or not an Eligible Employee incurs a Severance, if any of the payments or benefits received or to be received by the Eligible Employee in connection with a Change in Control or the Eligible Employee's termination of employment (whether pursuant to the terms of this Plan or any other plan, arrangement or agreement) (all such payments and benefits, excluding the Gross-Up Payment, being hereinafter referred to as the "Total Payments") will be subject to the Excise Tax, the Company shall pay to the Eligible Employee an additional amount (the "Gross-Up Payment") such that the net amount retained by the Eligible Employee, after deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment, and after taking into account the phase out of itemized deductions and personal exemptions attributable to the Gross-Up Payment, shall be equal to the Total Payments.

(b) Subject to the provisions of Section 2.2(c), all determinations required to be made under this Section 2.2, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by PricewaterhouseCoopers (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and the Eligible Employee within 15 business days of the receipt of notice from the

Eligible Employee that there has been any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Eligible Employee, whether paid or payable pursuant to this Agreement or otherwise, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Eligible Employee may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Eligible Employee.

(c) In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the Gross-Up Payment, the Eligible Employee shall repay to the Company, within five (5) business days following the time that the amount of such reduction in the Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross-Up Payment being repaid by the Eligible Employee), to the extent that such repayment results in a reduction in the Excise Tax and a dollar-for-dollar reduction in the Eligible Employee's taxable income and wages for purposes of federal, state and local income and employment taxes, plus interest on the amount of such repayment at 120% of the rate provided in section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Eligible Employee with respect to such excess) within five (5) business days following the time that the amount of such excess is finally determined. The Eligible Employee and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.

(d) The Gross-Up Payment shall be paid on the thirtieth (30) day (or such earlier date as the Excise Tax becomes due and payable to the taxing authorities) after it has been determined that the Total Payments are subject to the Excise Tax; provided however, that if the amount of the Gross-Up Payment or any portion thereof cannot be finally determined on or before that day, the Company shall pay to the Eligible Employee on such date an estimate as determined by the

Auditor until such point in time that the final determination of the Gross-up Payment can occur.

(e) The Eligible Employee shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of any additional Gross-Up Payment pursuant to Section 2.2(c). Such notification shall be given as soon as practicable but no later than ten (10) business days after the Eligible Employee is informed in writing of such claim and shall apprise the Company of the nature of such claim and date on which the Company must respond to contest the claim. If the Company provides timely notice to the Eligible Employee in writing that it desires to contest such claim, the Eligible Employee shall (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim, as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (iii) cooperate with the Company in good faith in order effectively to contest such claim; and (iv) permit the Company to participate in any proceeding relating to such claim. The Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Eligible Employee harmless on an after-tax basis, for any Excise tax or income tax including interest and penalties with respect hereto) imposed as a result of such representation and payment of cost and expenses. Without limiting the foregoing, the Company shall control all proceedings taken in connection with such contest and at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may at its sole option either direct the Eligible Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Eligible Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts as the Company shall determine. Provided however if the Company directs the Eligible Employee to pay such claim and sue for a refund, the Company shall make such payment on behalf of the Eligible Employee and shall indemnify and hold the Eligible Employee harmless on an after-tax basis from any Excise Tax or income tax imposed with respect to such payment or with respect to such imputed income with respect to such payment and further provided that any extension of the statute of limitation relating to such payment of taxes for the taxable year of the Eligible Employee with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest and reimbursement for the expenses shall be limited to issues with respect

to which an additional Gross-Up Payment would be payable hereunder and the Eligible Employee shall be entitled to settle or contest as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. If after the Company has made any such payment on behalf of the Eligible Employee, the Eligible Employee becomes entitled to receive any refund with respect to such claims, the Eligible Employee shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the Company has made any such payment of behalf of the Eligible Employee pursuant to the above section, a determination is made that the Eligible Employee shall not be entitled to any refund with respect to such claim and the Company does not notify the Eligible Employee in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such payment shall not be required to be repaid and the amount of such payment shall off-set to the extent thereof the amount of Gross-Up Payment required to be paid.

(f) In order to comply with Section 409A of the Code, any Gross-Up Payment, as determined pursuant to this Section 2.2, shall in all events be paid by the Company no later than the end of the Eligible Employee's taxable year next following the Eligible Employee's taxable year in which the Excise Tax (and any income or other related taxes or interest or penalties thereon) on a Payment are remitted to the Internal Revenue Service or any other applicable taxing authority or, in the case of amounts relating to a claim described in Section 2.2(e) that does not result in the remittance of any federal, state, local and foreign income, excise, social security and other taxes, the calendar year in which the claim is finally settled or otherwise resolved. Notwithstanding any other provision of this Section 2.2, the Company may, in its sole discretion, withhold and pay over to the Internal Revenue Service or any other applicable taxing authority, for the benefit of the Eligible Employee, all or any portion of any Gross-Up Payment, and the Eligible Employee hereby consents to such withholding."

2. Capitalized terms in this amendment shall have the meaning ascribed to them in the Plan.

3. Except as amended herein, the Plan remains in full force and effect.

Dated: January 1, 2010

AMENDMENTS TO THE
GLOBAL PENSION PLAN

Pursuant to Section 6.4 of the Global Pension Plan ("Plan"), which provides that the Plan may be amended in whole or in part at any time by Alcoa, the Plan is revised as follows:

1. **Article III, Earnings, is amended to delete Section 3.1 in its entirety and replace it with the following:**

   3.1 Prior to January 1, 2002, Earnings Credits equaled the average annual London Interbank Offer Rate ("LIBOR"), and were applied to the balance of the Participant's account on December 31 of each Plan year, but prior to posting the current plan year's Benefit Credit. The average was determined by adding the LIBOR, as published in the Financial Times, as of the last day of each month and dividing that sum by 12. Effective as of January 1, 2002, the average annual LIBOR was the greater of a) the LIBOR as published in the Financial Times as of the last day of each month, divided by 12, or b) 5.5%. Effective as of August 1, 2007, Earnings Credits with respect to a Participant whose Continuous Service was terminated prior to December 31 of the plan year was applied to the Participant's account as of the end of the month in which the participant's Continuous Service terminated, but prior to the posting of Benefits Credits as described in Section 2.1. Earnings Credits for such Participant were the greater of i) the average LIBOR for the portion of the plan year through the end of the month in which the Participant's Continuous Service terminated or ii) 5.5%, multiplied by a ratio that is the number of months the Participant was employed, including the month in which the Participant's Continuous Service ends, over 12 months.

   Effective July 1, 2009, Earnings Credits will equal the U.S. prime rate in effect as of December 31 of the prior plan year, but no greater than 6%. Earnings Credits applied to a Participant's account whose Continuous Service is terminated prior to December 31 of the plan year will be the U.S. prime rate in effect as of the last day of the calendar month in which the Participant's Continuous Service terminated, but no greater than 6%.

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

AMENDMENTS TO THE
GLOBAL PENSION PLAN

Pursuant to Section 6.4 of the Global Pension Plan (“Plan”), which provides that the Plan may be amended in whole or in part at any time by Alcoa, the Plan is revised as follows:

1. The following new Article VII – Claims and Appeals is added:

ARTICLE VII – CLAIMS AND APPEALS

7.1 If a claim by a Participant or spouse is denied in whole or in part, the Participant or spouse, or their representative will receive written notice from the Director. This notice will include the reasons for denial, the specific Plan provision involved, an explanation of how claims are reviewed, the procedure for requesting a review of the denied claim, and a description of the information that must be submitted with the appeal. The Participant or spouse, or their representative, may file a written appeal for review of a denied claim to the Plan. The process and the time frames for the determination of claims and appeals are as follows:

(a) The Director reviews initial claim and makes determination within 90 days of the date the claim is received.

(b) The Director may extend the above 90-day period an additional 90 days if required due to special circumstances beyond control of Director.

(c) The Participant or spouse, or their representative, may submit an appeal of a denied claim within 60 days of receipt of the denial.

(d) The Director reviews and makes a determination on the appeal within 60 days of the date the appeal was received.

(e) The Director may extend the above 60-day period an additional 60 days if required by special circumstances beyond the control of the Director.

7.2 In the case where the Director requires an extension of the period to provide a determination on an initial claim or an appeal, the plan will notify the Participant or spouse, or their representative, prior to the expiration of the initial determination period. The notification will describe the circumstances requiring the extension and the date a determination is expected to be made. If additional information is required from the Participant or spouse, the determination period

will be suspended until the earlier of i) the date the information is received by the Director or ii) 45 days from the date the information was requested.

7.3 Participants or spouses, or their representative, who having received an adverse appeal determination and thereby exhausted the remedies provided under the Plan, proceed to file suit in state or federal court, must file such suit within 180 days from the date of the adverse appeal determination notice.

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

Exhibit 10.TT(1)

AMENDMENTS TO THE
REYNOLDS METALS COMPANY BENEFIT RESTORATION PLAN
FOR NEW RETIREMENT PROGRAM

1. A new Article IX, Claims and Appeals is added:

ARTICLE IX

CLAIMS AND APPEALS

9.01 If a claim by a Participant or Surviving Spouse is denied in whole or in part, the Participant or Surviving Spouse, or their representative will receive written notice from the plan administrator. This notice will include the reasons for denial, the specific Plan provision involved, an explanation of how claims are reviewed, the procedure for requesting a review of the denied claim, and a description of the information that must be submitted with the appeal. The Participant or Surviving Spouse, or their representative, may file a written appeal for review of a denied claim to the Benefits Management Committee. The process and the time frames for the determination claims and appeals are as follows:

(a) The plan administrator reviews initial claim and makes determination within 90 days of the date the claim is received.

(b) The plan administrator may extend the above 90-day period an additional 90 days if required due to special circumstances beyond control of plan administrator.

(c) The Participant or Surviving Spouse, or their representative, may submit an appeal of a denied claim within 60 days of receipt of the denial.

(d) The plan administrator reviews and makes a determination on the appeal within 60 days of the date the appeal was received.

(e) The plan administrator may extend the above 60-day period an additional 60 days if required by special circumstances beyond the control of the plan administrator.

9.02 In the case where the plan administrator requires an extension of the period to provide a determination on an initial claim or an appeal, the plan will notify the Participant or Surviving Spouse, or their representative, prior to the expiration of the initial determination period. The notification will describe the circumstances requiring the extension and the date a determination is

expected to be made. If additional information is required from the Participant or Surviving Spouse, the determination period will be suspended until the earlier of i) the date the information is received by the plan administrator or ii) 45 days from the date the information was requested.

9.03 Participants or Surviving Spouses, or their representative, who having received an adverse appeal determination and thereby exhausted the remedies provided under the Excess Plan, proceed to file suit in state or federal court, must file such suit within 180 days from the date of the adverse appeal determination notice.

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

ALCOA INC.

STOCK OPTION AWARD CERTIFICATE

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

[NAME]	[EMPLOYEE ID NUMBER]
(Name)	(EMPLOYEE ID)

("Participant"), the option to purchase [NUMBER] shares of common stock of the Company at the option grant price of $[ ] per share, based upon the following terms:

1. This Stock Option Award is granted under the provisions of the 2009 Alcoa Stock Incentive Plan, as last amended prior to the date above (the "Plan"), and is subject to the provisions of the Plan and the applicable Terms and Conditions for the grant (the "Governing Documents").

2. This Stock Option Award vests on [DATE or DATES], if the Participant is still an active employee of the Company or any of its controlled subsidiaries or affiliates, subject to the further provisions set forth in the Governing Documents.

3. This stock option grant expires ten years after the date of the grant, unless earlier terminated under the terms of the Governing Documents.

ALCOA INC.
TERMS AND CONDITIONS FOR STOCK OPTION AWARDS

Effective January 1, 2010

These terms and conditions 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 option awarded under the 2009 Alcoa Stock Incentive Plan, as last amended prior to the grant (the "Plan") on or after January 1, 2010, unless the Award certificate provides otherwise.

Terms that are defined in the Plan have the same meanings in these terms and conditions, 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 Award certificate, the provisions of the Plan and the provisions of these terms and conditions.

2. The grant price of a stock option is 100% of the Fair Market Value per Share on the date of grant, unless the Award certificate specifies a higher grant price.

3. "Fair Market Value" per Share on any given date is the closing price per Share on that date as reported on the New York Stock Exchange or other stock exchange on which the Shares principally trade. 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 closing price as reported for the next business day on which that exchange is open for business will be used.

4. The expiration date of a Stock Option is ten years after the date of grant, unless the Committee establishes a different expiration date in accordance with the Plan.

Vesting and Exercisability

5. Stock Options vest as to one-third of the Award on the first anniversary of the grant date, as to one-third of the Award on the second anniversary of the grant date and as to one-third of the Award on the third anniversary of the grant date, unless the Committee establishes another date for vesting with respect to all or a portion of the Award, in accordance with the Plan.

6. Except as provided in paragraph 8, once vested, a Stock Option may be exercised until its expiration date, as long as the Participant remains an active employee of the Company.

7. Except as provided in paragraph 8:

- as a condition to exercise of a Stock Option, a Participant must remain an Alcoa employee actively at work until the date the option vests, and if a Stock Option vests as to some but not all Shares covered by the Award, the Participant must be an active employee on the date the relevant portion of the Award vests; and

- if the Participant’s employment with Alcoa terminates prior to the vesting date of the Stock Option (or relevant option portion), the Stock Option (or relevant option portion) is forfeited and is automatically canceled.

8. The following are exceptions to the vesting and exercisability rules:

- Death: a Stock Option held by a Participant who dies while an employee vests immediately but must be exercised by a legal representative or beneficiary on the earlier of five years from the date of death or the original expiration date of the Stock Option.
- Change in Control: a Stock Option vests and becomes exercisable immediately upon certain Change in Control events described in the Plan.
- Retirement: a Stock Option held by a Participant who retires at least 6 months after the grant date under a Company or government retirement plan in which the Participant is eligible for an immediate payment of a retirement benefit, is not forfeited. Any unvested portion of the Stock Option vests in accordance with the original vesting schedule of the grant and any vested portion of the Stock Option will remain exercisable until the original expiration date of the Stock Option.
- Divestiture: if a Stock Option is held by a Participant identified by the Company to be terminated from employment with the Company as a result of a divestiture of a business or a portion of a business of the Company and 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 within 90 days of the closing of the sale, then, at the discretion of the Chief Executive Officer of Alcoa Inc.:
  - Any unvested portion of the Stock Option will continue to vest under the original vesting schedule and once vested, will be exercisable on the earlier of the original expiration date of the Stock Option or two years from the date the Participant’s employment with the Company has been terminated; and
  - Any vested portion of the Stock Option will remain exercisable on the earlier of the original expiration date of the Stock Option or two years from the date the Participant’s employment with the Company has been terminated.

  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.
- Termination of Employment: A Stock Option held by a Participant whose employment with the Company is terminated for any reason other than those

described above in this paragraph 8, any unvested Stock Options will be forfeited on the date of termination of employment and any vested Stock Options will remain exercisable for 90 days after the date employment is terminated.

Option Exercise and Payment of Exercise Price

9. A vested, exercisable option is exercised when a signed notification of exercise is received by the Plan administrator.

10. Payment in full of the purchase price of a Stock Option is due on the exercise date. Payment of the option purchase price may be made:

- in cash (including a "broker-assisted cashless exercise" described in the next paragraph); or
- by the delivery or presentation to the Company of Shares 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 Stock Option purchase price.

9. A Participant may elect to pay the cash purchase price of the option through a "broker-assisted cashless 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 (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.

10. Shares 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 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.

11. 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.

Taxes

12. All taxes required to be withheld under applicable tax laws in connection with a Participant's receipt of Shares 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.

13. A Participant may satisfy his or her obligation to pay required withholding taxes due upon such exercise by having Alcoa withhold from the Shares to be issued upon the exercise that number of Shares with a Fair Market Value on the exercise date equal to the withholding amount to be paid. Withholding taxes in the United States include applicable income taxes, federal and state unemployment compensation taxes and FICA/FUTA taxes.

14. The amount of taxes that may be paid by a Participant using Shares retained from the Stock Option exercise will be determined by applying the minimum rates required by applicable tax regulations.

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

Beneficiaries

16. Participants will be entitled to designate one or more beneficiaries to receive all Stock Options 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 Plan administrator.

17. 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.

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

19. 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 Option prior to the death of the Participant who designated such beneficiary.

20. 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 Stock Options.

21. 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

22. Transferable Stock 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.

23. A transfer shall be effective on the date written notice thereof, on a form approved for this purpose, is received by the Plan 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.

24. 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 16 through 21 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.

25. Except as modified by the provisions of paragraphs 22 through 24, all terms applicable to option exercises by Participants are applicable to exercises by transferees. The Plan administrator may make and publish additional rules applicable to exercises by transferees not inconsistent with these provisions.

Performance Feature

26. If a Stock Option is issued with a performance feature, the following additional terms and conditions will apply to that Award:

- The Participant will have the right to purchase from 0% to 200% of the number of Shares indicated in the Award certificate, based on achievement of performance objectives established by the Committee for that Award.
- The performance period and vesting schedule will be set forth in the Award certificate.
- The performance conditions may be adjusted as deemed appropriate in the Committee's business judgment.

Exhibit 12

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

	2009	2008	2007	2006	2005
Earnings:					
(Loss) income from continuing operations before income taxes	$(1,498)	$ 792	$4,802	$3,515	$2,008
Noncontrolling interests' share of earnings of majority-owned subsidiaries without fixed charges	—	—	—	—	—
Equity income	(17)	(130)	(168)	(127)	(66)
Fixed charges added to earnings	508	452	454	436	378
Distributed income of less than 50 percent-owned persons	56	81	51	37	40
Amortization of capitalized interest:					
Consolidated	30	26	21	21	25
Proportionate share of 50 percent-owned persons	—	—	—	—	—
Total earnings	$ (921)	$1,221	$5,160	$3,882	$2,385
Fixed Charges:					
Interest expense:					
Consolidated	$ 470	$ 407	$ 401	$ 384	$ 334
Proportionate share of 50 percent-owned persons	—	1	3	5	3
	470	408	404	389	337
Amount representative of the interest factor in rents:					
Consolidated	38	43	48	45	39
Proportionate share of 50 percent-owned persons	—	1	2	2	2
	38	44	50	47	41
Fixed charges added to earnings	508	452	454	436	378
Interest capitalized:					
Consolidated	165	167	199	128	58
Proportionate share of 50 percent-owned persons	—	2	4	2	
	165	169	203	130	58
Preferred stock dividend requirements of majority-owned subsidiaries	—	—	—	—	—
Total fixed charges	$ 673	$ 621	$ 657	$ 566	$ 436
Ratio of earnings to fixed charges	(A)	2.0	7.9	6.9	5.5

(A) For the year ended December 31, 2009, there was a deficiency of earnings to cover the fixed charges of $1,594.

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT
(As of December 31, 2009)
(Reported Under Item 601 of Regulation S-K)

Name	State or Country of Organization
Alcoa Domestic LLC	Delaware
Alcoa Securities Corporation	Delaware
Alcoa Materials Management, Inc.	Delaware
Howmet International Inc.	Delaware
Howmet Holdings Corporation	Delaware
Howmet Corporation	Delaware
Howmet Castings & Services, Inc.	Delaware
Alcoa International Holdings Company	Delaware
Alcoa Australian Holdings Pty. Ltd.	Australia
Alcoa of Australia Limited[1]	Australia
Alcoa of Australia Rolled Products Pty. Ltd.	Australia
Alcoa (China) Investment Company Ltd.	China
Alcoa Inter-America, Inc.	Delaware
Alcoa International (Asia) Limited	Hong Kong
Alcoa Luxembourg S.à. r.l.	Luxembourg
Alcoa à Íslandi ehf	Iceland
Alcoa Fjarðaál sf	Iceland
Alcoa Europe S.à. r.l.	Switzerland
Alcoa Europe Holding B.V.	Netherlands
Alcoa Nederland B.V.	Netherlands
Alcoa Global Treasury Services S.à. r.l.	Luxembourg
Alcoa Inversiones España S.L.	Spain
Alcoa Alumínio S.A.	Brazil
Alcoa World Alumina do Brazil Ltda[1]	Brazil
Estreito Energia S.A.	Brazil
Alcoa Automotive GmbH	Germany
Alcoa Inespal, S.A.	Spain
Alúmina Española, S.A.	Spain
Alumínio Español, S.A.	Spain
Alcoa Inversiones Internacionales S.L.	Spain
Alcoa Extrusión Internacional Holding S.L.	Spain
Alcoa-Köfém Kft	Hungary
Alcoa Rus Investment Holdings LLC	Russia
ZAO Alcoa Metallurg Rus	Russia
ZAO Alcoa SMZ	Russia
Alcoa Servizi S.p.A.	Italy
Alcoa Trasformazioni S.r.L.	Italy
Alcoa Transformacion de Productos, S.L.	Spain
Howmet SAS	France
Norsk Alcoa Holdings AS	Norway
Norsk Alcoa AS	Norway
ACC-Norway, LLC	Michigan
Alcoa Norway ANS	Norway

Name	State or Country of Organization
Norsk Alcoa Investments AS	Norway
Mosjøen Anode ANS	Norway
Alcoa UK Holdings Limited	United Kingdom
Alcoa Manufacturing (G.B.) Limited	United Kingdom
Alcoa Power Generating Inc.[2]	Tennessee
Alcoa World Alumina LLC[1,3]	Delaware
AAC Holdings Company[1]	Delaware
Alcoa Minerals of Jamaica, L.L.C.[1]	Delaware
Suriname Aluminum Company, L.L.C.[1]	Delaware
Alumax Inc.	Delaware
Alumax Mill Products, Inc.	Delaware
Aluminerie Lauralco, Inc.	Delaware
Alcoa-Lauralco Holdings Company	Nova Scotia
Alcoa-Lauralco Management Company	Nova Scotia
Alcoa Wolinbec Company	Nova Scotia
Laqmar Québec G.P.	Québec
Alcoa-Aluminerie de Deschambault L.P.	Québec
Alcoa Canada-Foreign Investment Company	Nova Scotia
Luxcoa L.L.C.	Delaware
Kawneer Company, Inc.	Delaware
Kawneer Germany, Inc.	Delaware
Alcoa GmbH	Germany
Cordant Technologies Holding Company	Delaware
Alcoa Global Fasteners, Inc.	Delaware
Huck International, Inc.	Delaware
Reynolds Metals Company	Delaware
Reynolds Bécancour, Inc.	Delaware
RB Sales Company, Limited	Delaware
Reynolds International, Inc.	Delaware
RMCC Company	Delaware
Alcoa Canada Ltd.	Québec
Alcoa Ltd.	Québec
RMC Delaware, Inc.	Delaware

The names of particular subsidiaries have been omitted because, considered in the aggregate as a single subsidiary, they would not constitute, as of the end of the year covered by this report, a "significant subsidiary" as that term is defined in Regulation S-X under the Securities Exchange Act of 1934.

1 Owned directly or indirectly 60% by the registrant and 40% by Alumina Limited.

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

3 Registered to do business in Alabama, Arkansas, California, Florida, Georgia, Louisiana, North Carolina, Pennsylvania and Texas under the name of Alcoa World Chemicals.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (333-149623), Form S-4 (No. 333-141419), and Form S-8 (Nos. 33-60305, 333-27903, 333-62663, 333-79575, 333-32516, 333-36208, 333-37740, 333-39708, 333-106411, 333-128445, 333-146330, 333-153369, 333-155668 and 333-159123) of Alcoa Inc. and its subsidiaries of our reports dated February 18, 2010 relating to the financial statements, financial statement schedule, and the effectiveness of internal control over financing reporting, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
February 18, 2010

Exhibit 24

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each of the undersigned Directors of Alcoa Inc. (the "Company") hereby constitutes and appoints CHARLES D. MCLANE, JR., TONY R. THENE, PETER HONG and DONNA C. DABNEY, or any of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution, to do any and all acts and things and to execute any and all instruments that said attorneys-in-fact and agents, or any of them, may deem necessary or advisable or may be required:

(1) To enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "1934 Act"), and any rules, regulations or requirements of the Securities and Exchange Commission (the "Commission") in respect thereof, in connection with the filing under the 1934 Act of the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (the "2009 Annual Report"), including specifically, but without limiting the generality of the foregoing, power and authority to sign the name of each of the undersigned in the capacity of Director of the Company to the 2009 Annual Report to be filed with the Commission and to any instruments or documents filed as part of or in connection with the 2009 Annual Report, including any amendments or supplements thereto;

(2) To enable the Company to comply with the Securities Act of 1933, as amended (the "1933 Act"), and any rules, regulations or requirements of the Commission in respect thereof, in connection with the registration under the 1933 Act during 2010 of the offer and sale or delivery of shares of common stock of the Company to be issued under the 2009 Alcoa Stock Incentive Plan (the "2009 Plan"), the 2004 Alcoa Stock Incentive Plan (the "2004 Plan") or the Alcoa Stock Incentive Plan (the "Stock Incentive Plan"), including specifically, but without limiting the generality of the foregoing, power and authority to sign the name of each of the undersigned in the capacity of Director of the Company to any registration statement on Form S-8, or on such other form as may be appropriate, to be filed with the Commission in respect of said shares and the 2009 Plan, the 2004 Plan or the Stock Incentive Plan, or any of them, to any and all pre-effective amendments, post-effective amendments and supplements to any such registration statement, and to any instruments or documents filed as part of or in connection with any such registration statement or any such amendments or supplements thereto; and

(3) To enable the Company to comply with the 1933 Act, and any rules, regulations or requirements of the Commission in respect thereof, in connection with the registration under the 1933 Act during 2010 of the offer and sale or delivery of shares of common stock of the Company to be issued under the Company's employee savings plans (together with interests in such plans), including, without limitation, the Alcoa Savings Plan for Bargaining Employees, the Alcoa Savings Plan for Non-Bargaining Employees, the Alcoa Savings Plan for Subsidiary and Affiliate Employees, the Alcoa UK Holdings Limited 2002 Inland Revenue Approved Share Incentive Plan and employee savings plans sponsored by entities acquired by the Company from time to time (the "Plans"), including specifically, but without limiting the generality of the foregoing, power and authority to sign the name of each of the undersigned in the capacity of Director of the Company to any registration statement on Form S-8, or on such other form as may be appropriate, to be filed with the Commission in respect of said shares and the Plans (or interests in such Plans), or any of them, to any and all pre-effective amendments, post-effective amendments and supplements to any such registration statement, and to any instruments or documents filed as part of or in connection with any such registration statement or any such amendments or supplements thereto; and

granting unto each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, and each of the undersigned hereby ratifies and confirms all that said attorneys-in-fact and agents, or any of them, shall do or cause to be done by virtue hereof.

This power of attorney will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania. The execution of this power of attorney is not intended to, and does not, revoke any prior powers of attorney.

IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 18th day of February 2010.

By: /s/ Alain J.P. Belda
Alain J.P. Belda

By: /s/ Kathryn S. Fuller
Kathryn S. Fuller

By: /s/ Carlos Ghosn
Carlos Ghosn

By: /s/ Joseph T. Gorman
Joseph T. Gorman

By: /s/ Judith M. Gueron
Judith M. Gueron

By: /s/ Michael G. Morris
Michael G. Morris

By: /s/ E. Stanley O’Neal
E. Stanley O’Neal

By: /s/ James W. Owens
James W. Owens

By: /s/ Patricia F. Russo
Patricia F. Russo

By: /s/ Henry B. Schacht
Henry B. Schacht

By: /s/ Ratan N. Tata
Ratan N. Tata

By: /s/ Franklin A. Thomas
Franklin A. Thomas

By: /s/ Ernesto Zedillo
Ernesto Zedillo

Exhibit 31

Certifications

I, Klaus Kleinfeld, certify that:

1. I have reviewed this annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) 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
   (d) 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: February 18, 2010

/s/ Klaus Kleinfeld

Name: Klaus Kleinfeld
Title: President and Chief Executive Officer

Certifications

I, Charles D. McLane, Jr., certify that:

1. I have reviewed this annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) 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
    (d) 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: February 18, 2010

/s/ Charles D. McLane, Jr.

Name: Charles D. McLane, Jr.
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 Annual Report on Form 10-K for the year ended December 31, 2009 (the "Form 10-K") 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 18, 2010

/s/ Klaus Kleinfeld
Name: Klaus Kleinfeld
Title: President and Chief Executive Officer

Dated: February 18, 2010

/s/ Charles D. McLane, Jr.
Name: Charles D. McLane, Jr.
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-K and shall not be considered filed as part of the Form 10-K.