
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): October 14, 2014 (October 8, 2014)

ALCOA INC.

(Exact name of Registrant as specified in its charter)

Pennsylvania
(State or Other Jurisdiction
of Incorporation)

1-3610
(Commission
File Number)

25-0317820
(I.R.S. Employer
Identification Number)

390 Park Avenue, New York, New York
(Address of Principal Executive Offices)

10022-4608
(Zip Code)

Office of Investor Relations 212-836-2674
Office of the Secretary 212-836-2732
(Registrant's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On October 8, 2014, Alcoa Inc. held its third quarter 2014 earnings conference call, broadcast live by webcast. A transcript of the call and a copy of the slides presented during the call are attached hereto as Exhibits 99.1 and 99.2, respectively, and are hereby incorporated by reference.

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The information in this Current Report on Form 8-K, including Exhibits 99.1 and 99.2, is being furnished in accordance with the provisions of General Instruction B.2 of Form 8-K.

Forward-Looking Statements

Certain statements in this report 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,” “estimates,” “expects,” “forecasts,” “intends,” “outlook,” “plans,” “projects,” “sees,” “should,” “targets,” “will,” 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 global demand growth for aluminum, end market conditions, supply/demand balances, and growth opportunities for aluminum in automotive, aerospace, and other applications; targeted financial results or operating performance; statements about Alcoa’s strategies, outlook, and business and financial prospects; and statements regarding Alcoa’s portfolio transformation and the proposed acquisition of the Firth Rixson business, including the expected benefits of the transaction and Firth Rixson’s expected sales growth and contribution to revenues and EBITDA. These statements reflect beliefs and assumptions that are based on Alcoa’s perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Forward-looking statements are subject to a number of known and unknown risks and uncertainties and are not guarantees of future performance. Important factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include: (a) material adverse changes in aluminum industry conditions, including global supply and demand conditions and fluctuations in London Metal Exchange-based prices and premiums, as applicable, for primary aluminum, alumina, and other products, and fluctuations in indexed-based and spot prices for alumina; (b) deterioration in global economic and financial market conditions generally; (c) unfavorable changes in the markets served by Alcoa, including aerospace, automotive, commercial transportation, building and construction, packaging, and industrial gas turbine; (d) the impact of changes in foreign currency exchange rates on costs and results, particularly the Australian dollar, Brazilian real, Canadian dollar, euro, and Norwegian kroner; (e) increases in energy costs or the unavailability or interruption of energy supplies; (f) increases in the costs of other raw materials; (g) Alcoa’s inability to achieve the level of revenue growth, cash generation, cost savings, improvement in profitability and margins, fiscal discipline, or strengthening of competitiveness and operations (including moving its alumina refining and aluminum smelting businesses down on the industry cost curves and increasing revenues and improving margins in its Global Rolled Products and Engineered Products and Solutions segments) anticipated from its restructuring programs and productivity improvement, cash sustainability, technology, and other initiatives; (h) Alcoa’s inability to realize expected benefits, in each case as planned and by targeted completion dates, from sales of non-core assets, or from newly constructed, expanded, or acquired facilities, or from international joint ventures, including the joint venture in Saudi Arabia; (i) political, economic, and regulatory risks in the countries in which Alcoa operates or sells products, including unfavorable changes in laws and governmental policies, civil unrest, imposition of

sanctions, expropriation of assets, or other events beyond Alcoa's control; (j) the outcome of contingencies, including legal proceedings, government investigations, and environmental remediation; (k) the impact of cyber attacks and potential information technology or data security breaches; (l) failure to receive, delays in the receipt of, or unacceptable or burdensome conditions imposed in connection with, all required regulatory approvals, or the inability to satisfy the other closing conditions to the proposed Firth Rixson acquisition; (m) the risk that the Firth Rixson business will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (n) the possibility that certain assumptions with respect to Firth Rixson or the proposed transaction could prove to be inaccurate; (o) the loss of customers, suppliers and other business relationships of Alcoa or Firth Rixson as a result of the proposed acquisition; and (p) the other risk factors summarized in Alcoa's Form 10-K for the year ended December 31, 2013, Forms 10-Q for the quarters ended March 31, 2014 and June 30, 2014, and other reports filed with the Securities and Exchange Commission. Alcoa disclaims any obligation to update publicly any forward-looking statements, whether in response to new information, future events or otherwise, except as required by applicable law.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following are furnished as exhibits to this report:

- 99.1 Transcript of Alcoa Inc. third quarter 2014 earnings call.
- 99.2 Slides presented during Alcoa Inc. third quarter 2014 earnings call.

SIGNATURES

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

ALCOA INC.

By: /s/ AUDREY STRAUSS

Name: Audrey Strauss

Title: Executive Vice President, Chief Legal
Officer and Secretary

Dated: October 14, 2014

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Transcript of Alcoa Inc. third quarter 2014 earnings call.
99.2	Slides presented during Alcoa Inc. third quarter 2014 earnings call.

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EDITED TRANSCRIPT

AA—Q3 2014 Alcoa Inc. Earnings Conference Call

EVENT DATE/TIME: OCTOBER 08, 2014 / 09:00PM GMT

OVERVIEW:

AA reported 3Q14 EPS of \$0.12.

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CORPORATE PARTICIPANTS

Kelly Pasterick *Alcoa Inc.—VP of IR*
Klaus Kleinfeld *Alcoa Inc.—Chairman & CEO*
William Oplinger *Alcoa Inc.—EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Sal Tharani *Goldman Sachs—Analyst*
Timna Tanners *BofA Merrill Lynch—Analyst*
Josh Sullivan *Sterne, Agee & Leach—Analyst*
Michael Gambardella *JPMorgan—Analyst*
Brian MacArthur *UBS—Analyst*
Jorge Beristain *Deutsche Bank—Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the third-quarter 2014 Alcoa earnings conference call. My name is Sarah and I will be your operator for today.

(Operator Instructions)

As a reminder, today's conference is being recorded for replay purposes. I would now like to turn the conference over to your host for today, Miss Kelly Pasterick, Vice President of Investor Relations. Please proceed.

Kelly Pasterick—Alcoa Inc.—VP of IR

Thank you, Sarah. Good afternoon and welcome to Alcoa's third-quarter 2014 earnings conference call. I'm joined by Klaus Kleinfeld, Chairman and Chief Executive Officer; and William Oplinger, Executive Vice President and Chief Financial Officer. After comments by Klaus and Bill we will take your questions.

Before we begin, I would like to remind you that today's discussion will contain forward-looking statements relating to future events and expectations. You can find factors that could cause the Company's actual results to differ materially from these projections listed in today's press release and presentation and in our most recent SEC filings.

In addition, we have included some non-GAAP financial measures in our discussion. Reconciliations to the most directly comparable GAAP financial measures can be found in today's press release, in the appendix of today's presentation and on our website at www.alcoa.com under the "Invest" section.

Any reference in our discussion today to EBITDA means adjusted EBITDA, for which we have provided calculations and reconciliations in the appendix. And with that, I would like to hand it over to Klaus Kleinfeld.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

Thank you, Kelly. Most, I think, have seen the press release so here is the summary. As you probably all can see, the transformation is delivering results. All segments have improved sequentially.

Very strong operational performance. Earnings increased in every one of our groups downstream. Highest ever quarterly profits as well as margins. In the midstream, the profits are up 45% year over year. On the upstream side, improved performance now 12 consecutive quarters.

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We have \$612 primary segment metal EBITDA per metric ton. And also good news for productivity, \$862 million across all segments year over year. This is the third quarter. Obviously we expect that we will not stop with productivity, so will you will see more also coming through in the whole year. That's very, very good.

And if you look at it, it really comes from not only all across segments, all across the Company. Everybody is basically contributing. So that's one thing. So the operations are really in good shape, really working well.

The second thing is the portfolio transformation. And you've all followed it, Firth Rixson acquisition, \$2.5 billion. The financing is done. We expect to close of the transaction by year-end. I'll give a little bit more color a little later and obviously happy if anybody has any questions.

The other thing in this quarter of which I'm very, very happy is that we had two multi-year contracts, both really very, very important contracts. One with Boeing and one with Pratt & Whitney. In total every one of those more than \$1 billion, so over \$2 billion combined.

Both demonstrate clearly the multi-materials aerospace leadership, because Pratt & Whitney is more around the engine. So it's more around also nickel as well as titanium, as well as some aluminum-lithium, Al-Li aluminum. And then we have Boeing on the structural side.

We opened the world's largest aluminum-lithium facility in Indiana. Very, very good. And we had Saudi Arabia, our smelting, fully operational. It generated profit already in the third quarter.

And then on top of it, we announced our permanent closure of Portovesme and safely executed our Australia smelter closures. With this and a little coughing on the side, I hand it over to Bill.

William Oplinger—Alcoa Inc.—EVP & CFO

Thanks, Klaus. Let's quickly walk through the income statement. Revenue increased over \$400 million on a sequential-quarter basis versus third quarter last year. Revenue increased nearly \$475 million on higher sales in our mid- and downstream businesses, higher realized metal prices and favorable energy sales. Versus last year, revenue grew in all of our segments. Approximately half of the revenue growth is organically driven.

Cost of goods sold percent decreased by 300 basis points sequentially and was down 460 basis points compared to a year-ago quarter basis. Both driven primarily by productivity gains, better prices and the stronger dollar, somewhat offset by cost increases. Overhead costs are down versus both periods.

You'll note that the effective tax rate of 60% includes a non-cash charge related to a tax holiday initiated in Brazil, where we received approval for a ten-year reduction in one of our subsidiary's tax rates. This should result in significant cash tax savings over this period. As a result, we re-measured the deferred tax assets to reflect this reduced rate. Excluding the impact of this discrete item, our tax rate for the quarter was 43%.

Overall results for the quarter are a net gain of \$0.12 per share. Excluding special items, we have net income of \$0.31 per share, \$0.13 higher than the second quarter and nearly triple adjusted earnings from third quarter last year.

Let's take a closer look at the special items. Included in net income is an after net tax charge of \$221 million or \$0.19 per share, primarily for restructuring. During the quarter, we permanently closed the Portovesme smelter which accounts for \$167 million of the restructuring-related charges. We also continued closure activities at the Point Henry smelter and rolling mills in Australia. In total, 60% of the charges are non-cash related to the write-down of assets.

Other special items for the quarter were \$14 million of fees incurred for the Firth Rixson acquisition, a loss of \$14 million for certain mark-to-market energy contracts and a gain of \$9 million on the sale of a rolling mill equity interest in China. So in aggregate, this results in net income, excluding special items, of \$370 million or \$0.31 per share.

Let's look at the results sequentially. Effects from the market were a tailwind this quarter, as LME prices on a 15-day lag were up by \$200 per metric ton. And the US dollar strengthened against most major currencies.

Overall performance for the quarter was \$36 million positive, driven by strong productivity across all businesses and rising regional and value-add product premiums in our primary business. The energy impact was flat in the quarter as higher energy sales in Latin America offset higher energy costs in Australia refining and seasonally higher energy costs in the primary segment. Other costs for the quarter were up slightly on higher labor costs and interest expense.

Turning to the year-over-year look, versus the third quarter of last year profits have tripled. On a year-over-year basis favorable LME prices and a stronger US dollar contributed \$92 million. We delivered \$183 million of after-tax productivity gains, or \$306 million pretax. You can see this more than fully offsets year-over-year cost increases.

Higher premiums, both regional and value-add, contributed to the favorable price mix impact. This performance was somewhat offset by continued pricing pressures in can sheet. Year-over-year cost headwinds were driven by inflationary increases, higher maintenance and transportation costs and loss of carbon tax credits in Australia.

Turning to the segments, EPS once again delivered its 18th consecutive quarter of year-over-year ATOI improvement with the best ever quarterly ATOI of \$209 million. This segment reported a record adjusted EBITDA margin of 23.5% compared to 23.1% in the second quarter and 22.5% in the third quarter last year.

Third-party revenue was \$1.5 billion, essentially flat sequentially but up 4% versus the third quarter 2013, driven by innovation and share gains. EPS continues to demonstrate significant productivity improvements from every area of the business, and you see it again in this quarter.

As we look towards the fourth quarter, we expect the aerospace market to remain strong. Regarding our nonresidential construction business, we'll continue to see strength in North America but continued weakness in Europe.

Heavy duty truck will remain strong in North America, but will be flat in Europe. And we continue to expect to see share gains across the portfolio driven by innovation. As we look to the fourth quarter, we expect another year-over-year improvement in this segment. 8% to 12% increase driven by continued productivity and growth versus the fourth quarter of last year.

Turning to global rolled products, the rolled products segment increased profits by 30% sequentially and 45% year over year. Sequentially, the improvement in ATOI was driven by higher metal prices, seasonal demand for can sheet in North America and productivity, partially offset by the impact of the European summer vacation shutdowns. However, pricing pressures continued, particularly in the packaging and industrial businesses. The segment continues to ramp up production for automotive demand and had record auto production during the quarter.

As we look out into the fourth quarter, we expect global rolled products to be impacted by the strong auto demand for both auto sheet and brazing sheet, the further ramp-up of the Davenport auto line, seasonal decline in the packaging business, which is typical third quarter to fourth quarter. It's important to note that the favorable metal price impact in the segment in the third quarter was due to the sharp run-up in prices during the quarter, and won't repeat at this level unless we see a similar move in prices. In total, ATOI for the segment is expected to be up an additional 150% over last year's fourth-quarter result.

Let's move to the alumina segment. The alumina segment generated substantially higher sequential earnings, up \$24 million from the second quarter to \$62 million in Q3. Three major factors drove the earnings gains. Higher volume due to higher third-party sales and better production, positive currency impact from the strengthening of the US dollar and higher pricing on LME-based alumina sales contracts, more than offsetting lower API pricing. Higher productivity only partially offset higher energy costs in Australia, while maintenance input costs and the pre-operational costs at the Saudi Arabia refinery sequentially were virtually flat.

As we look forward to the fourth quarter, API pricing, which has rebounded recently, will continue to follow the 30-day lag while LME based contracts will follow the typical 60-day lag. We anticipate start-up costs at the Saudi Arabia refinery will be negative \$10 million. And all other performance at the operating refineries will improve by \$20 million in total, led by broad-based productivity and lower energy and raw material costs.

Now let's turn to primary metals. We continue to restructure the portfolio and make significant improvements in this segment. Earnings improved \$148 million versus the second quarter, to \$245 million. Market forces provided a tailwind as LME pricing and currency combined to improve earnings by \$85 million. Just about every other lever in this segment was favorable. Improvements in price and mix came from favorable regional premiums and stronger cast house premiums.

Energy impacts, including power costs and power sales, improved \$8 million sequentially. Power sales from our curtailed Brazilian smelters increased by \$15 million, partially offset by seasonally higher energy costs. And the cost other category improved by \$30 million, as cost containment was widespread. And for the first time the Saudi JV contributed profit to the segment. Cost decreases were across raw materials, maintenance and labor expenses.

Portfolio actions and special items include the restructuring charges associated with Point Henry and Portovesme closures, and the end of the Saudi Arabia joint venture restart smelter costs. For the fourth quarter our pricing will continue to lag by 15 days to the LME price. The Portovesme and Point Henry closure impacts won't repeat. And we expect energy costs will rise by \$35 million primarily in Europe, but we will offset those costs by productivity, maintenance costs, raw material decreases and other performance areas.

We turn to working capital. Days working capital was 32 days in the quarter, down one day from last quarter. It also represents an increase of one day from the third quarter of 2013. That's primarily due to inventory build to support automotive growth and to fulfill short-term stocking requirements for recently announced curtailments. As I mentioned last quarter, these impacts will reduce over time. Since the third quarter of 2009 we've reduced working capital by 15 days.

Moving on to the cash flow statement and liquidity. Cash from operations totaled \$249 million for the quarter, leading to negative free cash flow of \$34 million. Cash used for working capital for the quarter is driven primarily by an approximately \$190 million reduction in our accounts receivable sales program, and increase in working capital attributed to higher sales.

We contributed cash to the pension plan totaling \$446 million year to date. Pension relief was passed in August and lowered our pension contribution in the third quarter by \$64 million, and will provide an additional \$40 million of relief in the fourth quarter. Total cash contributions for the year is estimated at \$510 million. The change in financing relates to the mandatory convertible preferred stock and debt issuances done in the quarter.

Turning to cash and debt. From a liquidity perspective, cash and debt balances for the quarter include financing completed for the previously announced Firth Rixson acquisition. We're ending the quarter with \$3.3 billion in cash, including \$2.45 billion raised in the capital markets related to the acquisition. Debt to cap stands at 37.3%, somewhat higher than the 35.4% figure for the second quarter. However, almost all of this increase is attributable to the non-cash currency translation impact on shareholders' equity driven by the stronger US dollar.

Let's move to performance against our 2014 targets. Year to date we are on target to hit our full-year goals, although our debt to cap could end up slightly above the target range, due largely to the strength of the US dollar. Year-to-date productivity is \$862 million, surpassing our target of \$850 million. In 2014, productivity is expected to exceed \$1 billion. Growth capital spend has been \$325 million and is anticipated to ramp up in the fourth quarter to meet the \$500 million target.

Sustaining capital through September was \$425 million, significantly lower than the run rate of \$750 million would suggest. But we typically spend higher in the fourth quarter due to seasonal outages in the midstream and productivity and maintenance capital spend in the upstream. Saudi spending of \$69 million year to date. We expect to spend essentially to target by the end of the year. And lastly, we continue to target positive free cash flow for the year. In conclusion, we had a very strong operational quarter and the financial results show it.

We turn to the aluminum market. We've not changed our view that market fundamentals are positive, and we're reaffirming our global aluminum growth projection of 7% this year. Supply and demand for both the alumina and aluminum markets are essentially balanced. The alumina market has tightened from 824,000 metric tons to 389,000 metric tons, driven by increasing Chinese imports. In the case of metal, we are now projecting a 671,000 metric ton deficit, down from 930,000 metric tons, driven primarily by Chinese restarts.

Total inventories at the end of the third quarter are estimated to have fallen roughly 800,000 metric tons to 9.3 million metric tons, with days of consumption at 63 days, the lowest since November of 2008. Overall premiums have reached a new historical high in the third quarter. As of today the US Midwest is at \$0.2225 cents a pound, with other premiums also increasing during the quarter. Regional premiums continue to be driven by strong year-on-year growth in demand plus the impact of reduced production in some regions, tightening supply-demand balances. Now let me turn it back over to Klaus to discuss the end markets.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

Yes, thank you very much, Bill. So let's start with aerospace. We continue to see a very strong aerospace market and believe a growth between 8% to 9% for this year. If you go to the large commercial aircraft, we see this even stronger with 12.1% growth. The order books on this commercial jet side are a full nine years of production.

We also see that the airline fundamentals are good, plus 5.9% on the passenger demand side, plus 3.1% on the cargo side. Airline profits are up. That's all very, very nice. And we see a rebounding regional jet market, plus 13.2%. And the highest order book in five years. So that's very good.

On automotive, if we go through the different regions, North America, we take our projection for this year up to 3% to 5%. We had it before at a little bit wider range, between 2% to 5%. We could see the sales are up, 1.2 million in September. And if you look at the year-to-date numbers, up 5.4% from the prior year. And in addition to that, if you look at the average fleet age of 11.4 these days compared to the historic 9.7, there's still some pent-up demand sitting in there.

Inventories are up to 64 days, but that's kind of in line with where the industry targets are. Incentives are up. We believe that this is more an indication in advance to clearing the inventories for the 2015 model changes that are coming. Production's up 5.1% year to date compared to the prior year.

In Europe, we also take our projection up to 2% to 4%. The range before that we had was 0% to 4%, so we narrowed the range. And the registrations are up in Europe 6.1% year to date. Production's up 4.7%. But we do see a softening in the second half. So let's not interpret too much in us basically narrowing the range 2% to 4%. That's more, I would say, a technical correction. In reality the market is, the automotive market there is softening. Exports are up 3.6% compared to the prior year.

In China we take that number also up. We had 6% to 10% before and we narrow the range to 7% to 10%, so it's up year to date 7.7% and obviously driven by two factors. Increase of the middle-class and the second one, which should not be underestimated, is this new Clean Air Act. That for this year we believe it's going to take roughly 6 million cars off the streets in China for lack of the appropriate emissions situation.

So let's go to the next market, heavy trucks and trailer. If there's one fascinating thing, heavy trucks and trailer is fortunately back. And we are clearly for North America, taking up our projection. We had it at 10% to 14%, which already was pretty good, and we're taking it up to 16% to 20%. That's very much driven by what is happening in the marketplace. Orders are up year-to-date plus 32% compared to prior year. The order book stands at 122,000 trucks. If you compare it with the 10-year average, 10-year average is 102,000 trucks. It's up 57% year on year.

Fundamentals are really solid. 3.6% growth in the freight ton market 3.7% growth on the freight prices. Production, most folks you see production forecast increases, 79,000 units in the third quarter. This year, up 24.5% year on year. So very, very good news on the North American heavy-duty trucks and trailer market.

European side, we are not that optimistic. In fact, we are more pessimistic. We had it at minus 1% to minus 5% in the last quarter. We now take it down to minus 7% to minus 10%. The orders are down 4% this year. Also keep in mind that this is relative to the very strong year that they had last year, was the changeover of emission standards. So it's a little bit of a technical correction also. And if you break it down into Europe, between Western Europe there, production is flat, and in Eastern Europe it's down 20%.

So in China, really no change. We see it 0% to 4% growth. Again let's not forget that last year was 30% growth. The market is stabilizing and the infrastructure that is required for the regulatory change, meaning the low-sulfur gas now is available.

Packaging, North America we believe, is shrinking. Basically continue to have the same view that we had also last quarter. Minus 1% to minus 2%.

There is a negative 1%, which is the demand decline of the carbonated soft drink side. And there's a positive 1%, where we see partially compensated by an increased demand for beer. Beer in cans obviously. How else would you drink it, I assume, right?

On the European side, packaging is a little bit better. 2% to 3% growth demand there. It's up in China, also, no change compared to last quarter. We see it up 8% to 12%. Strong demand pretty much coming from increased beer and herbal tea segments, which are the big two segments for packaging, can packaging, there.

And then let's go on to building and construction. Very good news also for North America, 3% to 4% growth. A really nice growth is back. All the early indicators show in the right direction. Nonresidential contracts awarded, plus 12% again in September. Architectural Billing Index positive at 53. Case-Shiller Home Price Index plus 5.6%, all good. So we feel very, very comfortable in the 3% to 4%.

And see this for this year in Europe minus 2% to minus 3%, also no change to what we saw before. The weakness there continues. China we see 7% to 9%, the fundamentals are stabilizing.

And on industrial gas turbines, we see in the worldwide scale, minus 8% to minus 12%. Orders are down minus 29% globally versus 2012, 2013 levels. The OECD electricity demand is down already in the first half this year. This is pretty interesting, 0.4% down versus prior year. Spares demand are negatively affected by that to two factors. One is the usage and the other one is the energy mix.

If you look at North America, we saw that natural gas prices peaked in the first quarter. And this allowed, also, coal to gain share in the last quarters. In Europe, the gas-fired power is pretty much squeezed by low-priced coal as well as subsidized renewables. Really no change in the market in industrial gas powered turbines sadly.

So this concludes basically the end-market overview, so let's talk about Alcoa. And this chart I really put in there just to remind everybody what are we doing when we talk about the transformation. We are really doing two things. Because I get this question all the time. I got to talking to some journalists just before I got here to talk to you all, our investors here. They are asking, hey, this is great. You're now getting the tailwinds from the commodity side.

But really what we are doing is two things here. On the one hand, we are building out our value add. And we're building it out in a way that we create a lightweight multi-material innovation power, lightweight multi-metals innovation powerhouse.

And at the same time on the upstream side, we are creating globally competitive commodity business. We are reducing our cost position. In the commodity business it's really all about where you are on the cost curve. And I'll talk about it a little bit more.

So I think that when you look through, and Bill just guided you through the third quarter numbers, I think you get a good taste of our progress. I would like to add, as usual, some color to it. I'll start with the value-add business and close with the commodity business.

So let's start with aerospace. Aerospace this quarter has been super successful, wherever you start. Two major contracts and each one more than \$1 billion-plus. One from Pratt & Whitney on the engine side. One from Boeing on the aero structure side.

Then the announcement of Firth Rixson, which we talked about. And we talked about, also, during the financing with you all, a lot about what is happening and how we are positioning ourself on the engine side. That's all great.

Allow me for a second to rest and talk about the thing that we haven't talked about so much before on the aerospace side, which I think is equally exciting, which is the aerospace structure side. How have the orders developed in the aerospace structure side?

I assume that when you look through this and after I've gone through this, there's only one conclusion possible. Metallic aircraft is here to stay. If we look at the contracts that we won since 2012 from the Big Two ones and the other Big Two ones, Airbus and Boeing, it adds up to over \$2.8 billion.

On the right-hand side we have Airbus here. It was in July 11 in 2012 when we got a \$1.4 billion Airbus multi-year contract. What was it about? Aluminum sheet, plate, hard alloy extrusion, and basically touching all Airbus commercial programs. Also including aluminum, the new generation aluminum-lithium alloys. December 16 in 2013, another \$110 million this time, around titanium forgings. Connecting the A320neo wing and also large aluminum forgings for the A330 and A380. And it includes also for the A380, the world's largest aerospace forging, which is Alcoa's proprietary 7085 alloy. And then when you look at what Airbus just announced in the last weeks, on July 14, they launched the all-metallic A330neo. And on September 25 they had the first maiden flight of the Airbus A320.

You see a similar picture on the left-hand side for Boeing. May 1, 2014, Spirit gave us a \$290 million contract, Spirit five-year contract. And it's all around aluminum sheet products. Spirit is kind of the contract manufacturer for Boeing. It used to be a Boeing shop and they spun it off. September 11, most of you are aware of it, over \$1 billion multi-year Boeing contract. Basically touching on every platform, sole supplier for wing skins, all metallic aircraft affected by it. And announcing also that we are continuing the collaboration to develop new innovative aerospace alloys, including next generation aluminum-lithium.

And the best of all, I think, comes last. Just last week Boeing announced that for their workhorse, and that's really a very positive way to phrase it, the Boeing 737, the quintessential aluminum plane. They have upped their forecast for the build rates, which they already had taken up before to 47 per month in 2017, they're now upping it to 52 per month in 2018.

So this is great. And obviously, this is great. But don't walk away with thinking, you know what, this is all the old aluminum. But that's not what it is because we are not standing still. We are improving our metallurgical offerings and aluminum-lithium is really—I would call it really a revolution. But if you are precise enough, the revolution started a while ago. So in reality it's an evolution.

But it's a growing footprint of lightweight aluminum-lithium alloys and it goes to multiple applications. It's found its way into space. And why? Because it's stronger and it has a lower density than conventional aluminum. It found its way into aero structures because it's higher corrosion resistant. It allows for two times longer inspection intervals, and that is a major saver for maintenance costs.

It's found its way into engines. We announced when we announced the Pratt & Whitney contract, we said this will also have the world's first aluminum-lithium fan blade. It will go on the Pratt & Whitney PurePower engine. Fantastic engine, very innovative engine. Why? Because it's got lighter weight. It's more cost effective even than titanium or composite solutions. And it's less noisy.

And it's found its way into auto as well as into other industrial applications because of its elevated temp strength and corrosion and fatigue resistance. What you see here on the picture, this thing that has the yellow box around it is the Audi, it's a roof beam for Audi. Why have they chosen it? Because it's two times stronger than any traditional alloy. This is also why we are putting our weight behind it, with two things, with R&D as well as with production. You see it reflected here.

We have become the global leader in aluminum-lithium extrusions. We have outstanding metallurgical expertise. There are three patented alloys and one where the patent is pending. Alcoa has developed unique equipment and unique technology.

There is an unmatched capability here that we have. We have the largest aluminum-lithium—we can make the largest aluminum-lithium ingot, 50% larger than any of our nearest competitors. We have the broadest product portfolio now.

That's also why it was pretty exciting last week that we formally did the ribbon-cutting on our latest expansion here in Lafayette, Indiana, which is the largest aluminum-lithium casthouse. We're producing 20,000 tons of aluminum-lithium. We chose the location for a whole host of reasons, but one strong one is the proximity to the customers, as well as the proximity to some other Alcoa facilities. So this is a great organic growth opportunity.

Let me also talk about and give you an update on where we stand on our largest inorganic growth opportunity, Firth Rixson. Where does the acquisition stand? To sum it up, it's well on track.

For those that haven't followed this so much in detail, on the left-hand side, you actually see a reminder of what does that bring. As a strong aerospace offering, it doubles our content in the engines, pretty much in every key engine program. \$100 million synergies that we are going to lift there.

It's an array of different material compositions, 60% nickel, 25% titanium, 15% steel, not much aluminum. It offers a leading-edge technology that we didn't have before, specialized isothermal forging, which will grow three times from what the normal demand growth is in that market. It allows higher temperatures. In fact, it allows 70 degrees Fahrenheit more in the combustion chamber, and that leads to 40% improved combustion efficiency. Gigantic. And if you look at the numbers of Firth Rixson, we project \$1.6 billion revenues in 2016 with \$350 million EBITDA.

So how much have we moved forward to the close? We've always said we target the close in the fourth quarter. The regulatory approvals, US, Turkey, Taiwan, Ukraine, South Korea, all are in on the European side. And on the China side, it goes as we projected. So they are in good progress.

Funding also, as many of you know, is now completed. And last thing here I want to mention, we also are very heavily involved in the post-merger preparation. You see here, the work streams and the focus area. This is in full swing. So everything is underway so that we can hit the ground running once we have all the legal approvals in place. As I said before, we expect this to be closed by the end of this year in this quarter.

So let's move on to another value-add market, the building and construction market. We have a strong position in Europe as well as in North America. And I shared with you that the North American market is nicely rebounding, when we talked about the end market.

So let's talk a little bit what is really happening in this market. On the upper left-hand side here on this chart, you actually see the nonresidential contracts awarded. And you see clearly this is a rebound, plus 38%, up 38%. But there's something else going on. As people are becoming more and more conscious of energy efficiency and the total costs of a building, people are looking more for getting a greener building and more energy-efficient building.

You see here on the upper left-hand side that people project that in the US, the market in green buildings, nonresidential green buildings, they believe it's going to grow by 4.5 X from basically now, I mean 2008 to 2016. Part of it is also a little bit of an analogy there to what we have been seeing in the automotive side.

Because also there's a regulatory change coming in place, because the target is that all new buildings as of 2030 will have to be net zero buildings. And we know from all studies that these green buildings have huge advantages. They provided typically 25% energy efficiency, 35% emissions reduction. And the interesting thing from all the studies that have been done in places like Europe, where this trend is already there for quite a while, the occupant satisfaction is up.

So what we did on the right-hand side here, we basically took it to a next level to explain what is really in it for those ones that are investing in it. And if you look at a typical building in the late 1960s, it looked like this. I, by the way, think that's not bad architecture. But it certainly wasn't very thermal efficient. Because if you compare it, how this would be built today, which is in the lower side here, you would apply the same technology that we have developed to that type of a building.

You would get 70% improved facade thermal performance, basically resulting in 10% energy savings. It would lead to an LEED certification. LEED stands for leadership in energy and environmental design. That, typically, has a value for the tenants. All studies show that typically LEED-certified buildings can ask for higher rent rates, 5% higher rent rates, and typically have 20% higher ROI. So there's a real good case for change over here.

And when you look what we did here in this excessively busy slide, we basically color-coded all the places where we are present. And here we often don't use the Alcoa brand name because we have such a great brand names like Kawneer and Reynobond, Reynolux in there. We are capturing really all of the growth that's there, with our very innovative portfolio that we have there. That's why we believe that the building construction business will have revenues of \$1.1 billion and will grow three X the market by 2016.

So let's also talk about another very exciting market, our commercial transportation market. And particularly about the aluminum wheels and the aluminum wheels portfolio. If you look here on the left-hand side, you actually see the total wheels market. You saw it broken up in steel and aluminum. That's really good news because you see the dark blue piece is growing.

The whole market is growing by 8%, but the dark blue piece, which is the aluminum part in it, is growing even more. It's almost double. It's 15% on an annual basis, on average, in this timeframe, basically from 2010 to 2018. If you look at what we project for us, we actually believe that we're going to grow above the market, because we think that we're going to have share gains in the next year, from 2010 to 2018. So we believe in a growth of 17%. And frankly, we believe that by 2016 this business is going to be roughly \$1 billion.

We've just done something nice because I've said it to some of you. Some of you know truckers and know the trucking business and all that. The truck looks so much better when it has aluminum wheels on there, particularly when it has Alcoa aluminum wheels on there.

So that's why we thought, hey, let's take it to the new social media. And we did a Twitter competition in the US, amongst truckers, and asked them to send us a picture of your truck. Send us a picture of the wheels of your truck and tell us what you think about. Tell us what you think about it.

And here is one quote from Herman Klein. Hermanator 333, Herman Klein, and a picture of his truck and his wheels. And what he's saying is—if my Alcoa wheels ain't turning, I ain't earning. And I would like to add to Herman, if you allow me to, and we ain't earning either.

So this is great. And we believe we're going to continue on this. The good news is, even if you are not a trucker in the US, in the US we already launched this year our latest and greatest of our wheels, the Ultra ONE. Now we're bringing the Ultra ONE also to Europe. We bring it International.

And just to remind you of the unique capabilities of the Ultra ONE, 5 times stronger than steel, 17 times stronger than any aluminum alloy. Dura-Bright coated, 10 X improved corrosion resistance, no cleaning necessary, looks new longer. And guess what? You will have it ready to get it on your truck by the second half of next year. So be ready. And be as excited as Herman is about it. We are definitely excited. We will continue to work hard to continue to innovate in this business.

Let's talk also a second about the commodity business. So let's start with alumina here. I think we found a winning formula here. The winning formula in alumina is combined market-based pricing. We invented API and today it's, I think, the accepted pricing mechanism and bringing the costs down.

If you look at the upper left-hand side, we are also driving again and again and again for productivity. Here you see since the start of the crisis, we've basically been able to create \$1.7 billion of productivity in the alumina side alone.

If you look at what else we have done, currently, 1.7 million tons in alumina. That equals roughly 9% of our total is curtailed. Obviously we curtailed the higher cost one. We signed a letter of intent on the sale of Jamalco. And for San Ciprian, we're switching over from oil to natural gas. The pipeline will be in place by the end of this quarter. This alone will bring it down by \$20 per metric ton, the total cost in the San Ciprian refinery.

We're executing on Saudi Arabia. We'll talk about the smelter on the next slide. The bauxite is already shipped since the second half. We continue to finish the bauxite mine, 73% is complete, all on time, on budget.

And on our lowest cost refinery, we believe we would have the first alumina coming out in this quarter, in the fourth quarter. This will bring us down 2 percentage points on the cost curve.

On the right-hand side, you really see the summary of it all. We started alumina pricing with the alumina pricing index from scratch. And we are now at 65% this year we project will be priced for us API or spot. That's fantastic.

And at the same time, we've come down on the cost curve. We started when we first issued the targets in 2010, we were at the 30th percentile. We've come down to 2013 to the 27th percentile and you know that we have a target out there to come further down to the 21st percentile. And as I said, this I believe, is a winning formula.

So let's go to our aluminum segment. We are reshaping our aluminum business since the crisis, and this is equally excellent. We've taken those factors that we can control in the business into our hands and you can see it's coming through. Productivity. Again, here, almost \$2 billion productivity since the start of the crisis. Every year again and again and again.

Saudi Arabia. Clear indication how much it matters where you are on the cost curve. It brings—we always said it's the lowest cost on this planet. It gets us down in total 2 percentage points on the cost curve. And it's generated profits in the third quarter.

We curtailed—this was hard work, all of what we've done here. We curtailed 28% of our portfolio, of our smelting portfolio. And if you look at the right-hand side, again I think that's probably the best summary you can get.

We also didn't leave our eye off what can we create on the value side. That's what we've been talking about, probably a little on the side, how we use the casthouse today. Because the casthouse is the place where we can create value in forms or shapes as well as in forms of alloying here. We created \$1.3 billion margins from the start of the crisis to today, through how we are using, how we are better using basically, the casthouse.

We become more competitive by two things. We improved our cost position. 2008 we were at the 62nd percentile; 2010, 51st; 2013, 43rd. And now we're targeting for 2016, we're targeting 38th percentile.

And at the same time we are lowering our breakeven point by \$362 per metric ton cash costs since the start of the crisis. And obviously with all that, and a little tailwind granted, through higher metal prices and regional premiums, you see it reflected, \$612 per metric ton, EBITDA per metric ton. That is pretty fantastic.

So let's summarize. The transformation delivers. We're driving profitability. We're expanding our multi-materials leadership in major growth markets. We're capturing growth through innovation and smart investments. We are creating a globally competitive commodity business. With that, why don't we open the lines in our usual fashion, and take some questions?

QUESTION AND ANSWER

Operator

(Operator Instructions)

Sal Tharani, Goldman Sachs.

Sal Tharani—Goldman Sachs—Analyst

I wanted to ask something on GRP segment. You are starting to ship the BIW from your first facility. Wondering when you think it's going to be profitable.

And also there's quite a bit of new capacity announcement. I know you have been sold out. Is there any more opportunity, you think? Or you think that there has been too many announcements?

And also on GRP aerospace side, I wanted to understand. In your last presentation on Investor Day, you had indicated that the new planes which are being built out more non-aluminum heavy planes. So the actual aluminum consumption in planes is going to decline over the next three years.

However, you of course are a multi-material Company now, so your contribution or your revenue's growing. But I was just wondering, that statement of aluminum declining in aerospace is not what we hear from other peers of yours who are in the aluminum plate and sheet business for aerospace. And I was wondering if there is anything you can shed more light on that.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

Yes, Sal, that's loaded. A lot of questions. So let me try to address one after the other. On the automotive front, you're right. Davenport is producing, we're ramping up the production. Tennessee is on track to go online by mid-2015, as you correctly said, all booked out.

You see actually, and Bill had it in his description, GRP produced record auto sheet in the third quarter. That's obviously a factor of increasing demand.

Ford, and I won't comment on Ford, but Ford has publicly said that they are bringing the F-150 into the showrooms in the fourth quarter. Then that's when you will see the volumes as well as the profitability coming through.

In general, you asked also the question on added capacity. I think that the announcements that we've seen, I would first see it as a positive. Because I think it's a reflection of how attractive the market is.

As you know, Sal, we've been the first one indicating that we see a sea change there in the market. Now finally everybody gets it, and people are putting their money behind it. So I see it as a positive.

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We've also said that outside of the announced investments for us, our capacity is booked out. Outside of the announced investments for us, we will focus on smart investments. And we will focus on winning through innovation and technical capabilities.

So interpret this in whatever way you want. And I know you will continue to follow us wisely. So did that answer the first part, Sal?

Sal Tharani—Goldman Sachs—Analyst

Yes, to some degree.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

To some degree. (laughter) Okay. So the second part on the aerospace side. On aerospace side, if you compare where the market was when I came on into an operational role at Alcoa, end of 2007. And when I started to do my first round in talking to people in Alcoa as well as in the industry, there was pretty much the rhetoric that metallic planes are going to be a sign of the past. And there's no metallic planes anymore.

Then we started to look into it and we also started to look into what innovation potential we have. And as you saw again coming through this quarter, Boeing, the very Boeing that was very strong on the 787, has just given us \$1 billion-plus contract. And it's all metallic.

For their big planes when they had to make a decision for the 737, are they going to renew it with the MAX as a nonmetallic or metallic one? They decided they're going to go for a metallic version, and just do a re-engining.

So we've done two things. We've basically innovated, and that's also what you see in aluminum-lithium, as well as going after the solution instead of going after the piece.

So that's also why we have been building out our offerings in the jet engine, which is non-aluminum, it's basically nickel. And we have expanded also capabilities on the titanium side, including the forging side.

And we have been building out the fastener side, because you remember, I'm sure you'll remember this. I think I showed in the Firth Rixson overview—actually, yes in the capital raise. In the capital raise sale there is a chart in there that shows the value of Alcoa per plane. And you see that the highest value for the 787.

So in regards to will aluminum go down, I think that it's substantially up compared to where people were believing it would've been compared to 2007 and 2008. And I remember Kay had a chart in there that showed it being constant. But I wouldn't interpret too much into it, other than saying that obviously our focus, Sal, is more around being innovative and going after—and for us it's not so much the revenue dollar than rather the profitable revenue dollar. That's really what counts for us.

So we believe very strongly that our strengths and all of the value-add businesses is innovation. Innovation power. And we don't want to—we are reducing our footprint, I think, as you see also in the GRP side, in the commodity space. And there is a bit of a commodity space pretty much in every industry, also in the aerospace industry, Sal.

Sal Tharani—Goldman Sachs—Analyst

Great. Thank you very much. I appreciate it.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

My pleasure. Can we bring the next question on?

Operator

Timna Tanners, Bank of America Merrill Lynch.

Timna Tanners—BofA Merrill Lynch—Analyst

I was also curious on the global rolled products segment, but I know Bill went through some of the detail quickly. So I really wanted to clarify, what caused the outperformance relative to your initial guidance in the quarter?

I know you mentioned that there was some non-recurring items. I was wondering if that was maybe inventory gains? Didn't sound like there was that much power sales.

And then when we look into the fourth quarter, we get so many questions on this. I was hoping you could clarify how much of the fourth quarter outlook has to do with F-150 in particular? And how much might have other contributing factors? Thanks a lot.

William Oplinger—Alcoa Inc.—EVP & CFO

Okay. So in the GRP segment we made \$103 million this quarter. We did see a sizable gain due to the run-up in metal price, and that contributed around \$25 million in after-tax profit.

And just to reiterate, that's based on the fact that the segment is on an average costing basis. So when metal prices move up or down, you will see a big impact there.

But aside from that, the segment did—the business did a great job of driving cost improvements and productivity improvements. So we continue to see some can sheet pricing decline. And in addition, in this sector, we saw a little bit of a volume decline related to seasonal shutdowns in Europe largely. But great cost control on their part.

As we transition to the fourth quarter, that metal, that \$25 million metal, we would not anticipate to return assuming metal prices don't run-up again. And also in the fourth quarter, you typically see seasonality from third quarter to fourth quarter in the rolled products business, because can sheet goes down.

Aside from that, we continue to see strength in automotive. We'll continue to ramp up the Ford sheet capacity in Davenport. So that's where we come up with that projection, Timna, of improvement over last year's numbers.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

And Timna, maybe I can add—not just on the GRP side, but in general, if you look at the growth that we saw in this quarter, this 8% year-over-year growth, almost half of it comes from organic growth. If you look at what we see going forward in the fourth quarter, we basically see that this organic growth looks pretty stable, and looks as though it's there to stay and might even increase a little bit.

When you look under the hood, you see it's coming from aerospace, from commercial transportation, as well as building and construction. You said a couple of things. On automotive, the F-150 is hitting the showroom. So with this, we'll see some of it floating through aerospace, continues to be strong.

Timna Tanners—BofA Merrill Lynch—Analyst

So it's a combination of factors. If I could on the follow-up on that one, the concern out there in the market that's evident by the way the stocks has been behaving across the space, is just that there's a global slowdown. And again, not so much US, but maybe some of the markets that you serve. How much conservatism do you think you've baked into your guidance on the potential for that slowdown to be showing up in the next couple months or quarters?

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

You've seen in detail our projection on what we think is going to happen in the end markets. On Europe, there is already, I think, a slowdown scenario for Europe in the second half of the year built into it.

But at the same time, keep in mind that IMF just came out yesterday with the new projections for this year and next year. And interestingly, they've upped US. And US is a very important market for us and very important for the strong end markets.

And so they upped the US for this year. And actually also for next year. And when you look at what the projection the IMF has for this year world market growth, and then look at next year world market growth, it's actually a higher projection even for next year.

And frankly, China, Asia, they might be a little slower, but still going very, very strong. So I think that—you know that we tried to not be overly conservative, but I don't think that we are overly optimistic. I think that if you look at our projections in the last years, also coming through the downturn, that we got it right more often than we had it wrong.

William Oplinger—Alcoa Inc.—EVP & CFO

And just to add onto that, Timna, when you look at where we're spending our money, this year we're spending 90% of our growth capital in the mid- and the downstream. And a lot of that is going into North America. You look, Tennessee, Davenport, Lafayette, La Porte, a lot of that is going into the US to capture that 2015 growth.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

Very true. Very true.

Timna Tanners—BofA Merrill Lynch—Analyst

Okay, thanks.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

Thank you, Timna.

Operator

Josh Sullivan, Sterne Agee.

Josh Sullivan—Sterne, Agee & Leach—Analyst

Congratulations on a great quarter here.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

Thank you, Josh.

Josh Sullivan—Sterne, Agee & Leach—Analyst

So if I look at your aerospace end markets, you've had two nice contracts here, one on the structural side, one with an engine manufacturer to support these build rates coming. However, in the near-term cycle destocking has been a headwind for the engine supply chain. And the structural plate market has had an inventory overhang.

And you guys are looking for, what, 8% to 9% growth for aerospace? Have you seen an acceleration here in the second half? Or maybe if you could break that down between what you saw in the first half and what you're seeing in the second half?

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

No. The no was more in reference to have we seen acceleration or deceleration. Not at all.

And I think it was just around the start of this quarter that we had the big annual event. In this case it was a Farnborough in the UK. Whoever had the pleasure to be there and observe first hand, which you always feel, at these air shows, at the annual air shows. The amount of optimism that still is there and the amount of contracts that have been signed.

I personally believe, and our experts do so too, it's a very solid industry. In fact, it used to be a cyclical industry. But I think that, through the wisdom of the two major players, Airbus as well as Boeing, in terms of being moderate in their production expansion, they have accumulated this nine years of order backlog.

We actually have built into our models, before, a little cyclicity. But we corrected it, I would say, Bill, probably half a year ago or so—

William Oplinger—Alcoa Inc.—EVP & CFO

Exactly.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

— probably a little less than half a year ago. And we said, we don't see that cyclicity in there at this point in time.

And it's driven really by two factors, Josh. The one is the middle class growth and people having money now. You see it in every large city. Certainly you see it here in New York with more people coming here, more tourists. You see it pretty much in every large city, more people traveling.

And then the second factor is the impact to the re-enginings, through the efficiency drives. And that's why I'm so excited about our portfolio, because we have a portfolio that's very strong on the structural side.

Don't get me wrong because this time I talked about metallics. I could have equally well, and I did so previously, talk about the composite side. Because there we are excited about the stuff that this means on the titanium side of things, as well as on the aluminum-lithium side, titanium side, as well as on the fasteners side.

So we have a portfolio that caters to both ends. And then, obviously, it's fantastic to see that we are right in the sweet spot of the jet engines. And there the efficiency is primarily driven by new materials and new technologies, to get the temperature of the combustion chamber up. Really we're right at the sweet spot with our blades and with the addition of Firth Rixson on the disc and ring side.

Josh Sullivan—Sterne, Agee & Leach—Analyst

Great, thanks. And a follow-up on global rolled products. As we think about the F-150, what are the typical lead times as far as revisioning? If it's going to be coming out in the first quarter of 2015, how should we think about that? And then if you could help us frame pricing or the margin contribution for body and white compared to—

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

(laughter) Okay. The volumes of the F-150, how quickly they show up with us. I think that Bill showed in his slide of the days working capital, you have seen an uptick. And the reason why you've seen an uptick is because we have been delivering material. So actually there's more material there that will go through.

Then I think once we come, and Bill correctly said, this is a midterm impact because I think for everybody, this is the new situation. We have to learn how to perform well with the automotive supply chain here. And usually this is a relatively short lead time that the automotive folks expect there.

And then in terms of profitability, I think we have no intention to disclose the profitability for the benefit of our shareholders. But I think you will see it.

Josh Sullivan—Sterne, Agee & Leach—Analyst

Great, thank you.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

Josh, thank you. Okay, let's bring the next caller on please.

Operator

Michael Gambardella, JPMorgan.

Michael Gambardella—JPMorgan—Analyst

First of all, congratulations on not just the quarter, but the series of quarters and the progression and all the achievements, the great job.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

Thank you.

Michael Gambardella—JPMorgan—Analyst

On the cost front, particularly on the upstream and on the primary business, you've had good results in terms of lowering the costs in the past by curtailing some of the higher-cost smelters and base loading them into lower-cost operations. And also bringing on new very low costs when you save capacity. So going forward, how much more cost cutting is left on, say, the primary business, excluding any more curtailments or new capacity impact?

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

First of all, Michael, thank you for what you started out with that. It means a lot, I think, to everyone of us because you have followed Alcoa for such a long time. And there are very few people, I think, who have a historic knowledge of what the Company has been about. So really, thank you. Thank you for that assessment.

So in regards to the productivity, just to clarify this, the closures of plants, will not be reflected in the productivity. We don't see—when we close something, we don't see that as productivity. So what you see reflected in the productivity is really what we get out of those plants that are operating.

Frankly, I think if you were to ask our primary team, I'm pretty sure that they would say that they have a lot of additional ideas, and that at this point in time, they see no end. You know, Michael, that we have established this system which we call degrees of implementation, where we basically document every idea from the start of the idea to basically having the cash coming in to our bank account.

And the total—this is an Alcoa overall number. The total number of ideas currently in the system that will eventually turn into productivity is 15,500. Bill, I don't know whether you have a breakdown of how much of that is in the GPP.

William Oplinger—Alcoa Inc.—EVP & CFO

5,600 ideas currently in GPP on the productivity side. So as Klaus said, 15,500 total productivity ideas coupled with a couple thousand growth ideas. And then we have an asset management class that has about 700 ideas also.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

And that gives us—first of all it's a very robust system, because it goes down to the plant. Everybody is involved. You would not have seen these productivity moves all across the board, hitting every single plant. And constantly, since we introduced that.

And on top of it, it gives people a capability to be more part of increasing the profits. And benefiting from a strengthened Alcoa. So I don't think that we are seeing any end of this at this point in time, frankly.

Michael Gambardella—JPMorgan—Analyst

Thank you.

Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

Thank you, Michael.

Operator

Brian MacArthur, UBS.

Brian MacArthur—UBS—Analyst

A couple of my questions have been asked, but I just had one odd thing I wanted to ask. Can you explain why we're getting negative minority interest three quarters in a row?

I thought a lot of that related to alumina, so as it ramped up it would be proportional. Because it's three quarters in a row now.

I know it can happen one-off like it did last year in the second quarter. But I'm just trying to understand what that's actually representing now. Is that Point Henry restructuring? Or what actually is it?

William Oplinger—Alcoa Inc.—EVP & CFO

Yes, it absolutely is. So when we have a big loss associated with Point Henry, the loss contributes negative minority interest on our set of books. So that's what's driving it. We continue to have—in the quarter we had some restructuring costs associated with the Point Henry, so that's the driver.

Brian MacArthur—UBS—Analyst

But again, if we go forward then, you're obviously doing even better than it looks. Because if you're getting a minus 18, that's kind of a big loss there. And obviously that's being reflected in the API of alumina. So should I think this at a much higher run rate because this thing's really distorting it to the downside?

William Oplinger—Alcoa Inc.—EVP & CFO

On the alumina side, I think the things as you think go through in the—first of all, just to make sure that you understand, on Point Henry, that's a smelter. So that's reflected in the smelting category. But also on the alumina side, the real keys to the fourth quarter are, we're projecting significant cost decreases in the fourth quarter.

So you saw—I think in my comments we said something to the effect of about \$20 million of cost improvements. And then recently the API price has picked up. And as you know, about 65% of our contracts currently are API-based.

In the third quarter, the real big movers in the alumina segment were the fact that API was low while metal price ran up. We're now starting to see API price running up also, Brian.

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Brian MacArthur—UBS—Analyst

Right, okay. But there's nothing else really in that minority interest other than the minority of Alumina Limited. Mostly, right?

William Oplinger—Alcoa Inc.—EVP & CFO

That's it. There's nothing else.

Brian MacArthur—UBS—Analyst

Great. Thank you very much.

Operator

Jorge Beristain, Deutsche Bank.

Jorge Beristain—Deutsche Bank—Analyst

Congratulations on a strong quarter and the transformation. My question is really more for Bill, because I think he did a great job articulating the sequential changes that were happening in the global rolled products.

I just wondered if we could get a similar talk-through on the alumina segment and the primary segment, which also significant sources of the beat versus the expectations on the Street. I'm just trying to understand, you had a very strong sequential gain in primary metals.

So is there some borrowing forward that may be happening there? And is there any kind of accounting tailwind, like you said, with the average cost accounting that may be benefiting you in alumina?

And then lastly on the primary side, could you quantify how much of the sequential ATOI is driven by higher premia? And if we are flattening out there? Or is there a lag effect where we're going to see some more catching up in the fourth? Thank you.

William Oplinger—Alcoa Inc.—EVP & CFO

Sure. So let me address the alumina side. Alumina went from \$38 million to \$62 million. They do get a positive.

And just to be clear, we've got pricing impacts in two columns in the spreads. We've got an LME price impact and a price mix impact. So what this says is that LME prices and LME-based contracts help the segment. But API pricing, which was fairly flat, actually was a detractor.

I guess the other big movers in this segment is good productivity. And then you see energy as a negative. So we actually lost carbon credits due to the change of carbon legislation in Australia. When I look at the alumina segment, I don't think it should be too much of a surprise versus external guidance.

The primary metals segment, really—I just can't reiterate it enough, extremely strong performance out of this group. We did see a benefit due to sequential quarter positive premiums. We got about a \$24 million after-tax benefit on premiums in sequential quarters. That's in that price mix column. We got very good strong cost control.

And then the big one, and I hope this didn't fly under the radar screen, is that Saudi Arabia made money for this segment. And extremely exciting. I know it's exciting for the people at the plant. It's exciting for me and Klaus to see that investment start to pay off. And that happened in this quarter.

Then lastly, if I transition to viewing the fourth quarter, Jorge, is that the segment even with the \$245 million of profitability, had \$31 million of negativity associated with the shutdown of Portovesme and Point Henry running through the segment. So we would anticipate that not to recur. So a really strong overall performance in the smelting segment, to not only capture the higher prices, but to continue to keep costs low.

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Klaus Kleinfeld—Alcoa Inc.—Chairman & CEO

Okay. Well, this really concludes the Q&A session. And let me summarize it. I think there's no other way to describe it. It's a standout quarter.

All businesses are firing. Downstream again hit a new profitability high. Midstream maintained disciplined cost control. Bill just mentioned it again, why it was capturing growth. And the primary metals performed at levels not seen since before the downturn.

This quarter, I would say, is a clear data point that Alcoa's transformation is delivering. We are obviously intensely focused on continuing on this path.

I hope that many people of you that are on the call today will join us on Investor Day, which is coming up. Basically less than four weeks from now, on November 4. Those that can join us here in person are always welcome.

This will be in New York this time. Not at a facility, you know that we are always rotating. But I can already promise you it will be an exciting day with lots of interesting insight and plenty of opportunities for good debate. I'm really looking forward to seeing many of you. And those that can't make it to New York, come online. Kelly, if I'm correct, we're going to transmit quite a bit of that also on the webcast.

So thank you very much, again. Stay close. Thank you.

Operator

Ladies and gentlemen, that concludes today's conference. Thanks for your participation. You can disconnect. And have a great day.

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3rd Quarter Earnings Conference

October 8, 2014

Cautionary Statement

Forward-Looking Statements

This presentation contains statements that relate to future events and expectations and as such constitute forward-looking statements. Forward-looking statements include those containing such words as "anticipates," "estimates," "expects," "forecasts," "intends," "outlook," "plans," "projects," "sees," "should," "targets," "will," 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 global demand growth for aluminum, end market conditions, supply/demand balances, and growth opportunities for aluminum in automotive, aerospace, and other applications; targeted financial results or operating performance; statements about Alcoa's strategies, outlook, and business and financial prospects; and statements regarding Alcoa's portfolio transformation and the proposed acquisition of the Firth Rixson business, including the expected benefits of the transaction and Firth Rixson's expected sales growth and contribution to revenues and EBITDA. These statements reflect beliefs and assumptions that are based on Alcoa's perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Forward-looking statements are subject to a number of known and unknown risks and uncertainties and are not guarantees of future performance. 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Non-GAAP Financial Measures

Some of the information included in this presentation is derived from Alcoa's consolidated financial information but is not presented in Alcoa's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain of these data are considered "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Reconciliations to the most directly comparable GAAP financial measures and management's rationale for the use of the non-GAAP financial measures can be found in the Appendix to this presentation. Any reference to historical EBITDA means adjusted EBITDA, for which we have provided calculations and reconciliations in the Appendix. Alcoa has not provided a reconciliation of any forward-looking non-GAAP financial measure to the most directly comparable GAAP financial measure, due primarily to variability and difficulty in making accurate forecasts and projections, as not all of the information necessary for a quantitative reconciliation is available to Alcoa without unreasonable effort.

Transformation Delivering Results; All Segments Improve Sequentially

3Q 2014 Overview

Delivering Strong Operational Performance

- **Strong Earnings Increase:**
 - **Downstream: Highest Ever** quarterly ATOI, EBITDA %; \$209 million and 23.5%
 - **Midstream: ATOI up 45% year-over-year**
 - **Upstream: Improved Performance – 12 Consecutive Quarters; \$612 Primary Metals segment EBITDA per metric ton**
- **Productivity: \$862 million Across All Segments YoY**

Accelerating Portfolio Transformation

- **Completed \$2.5 billion Firth Rixson acquisition financing; expect to close by year-end**
- Signed multi-year **contracts with Boeing and Pratt & Whitney;** >\$2 billion combined, demonstrating multi-material aerospace leadership
- **Opened World's largest Al-Li facility in Indiana;** \$100 million revenues already contracted for 2017
- Saudi Arabia **smelter fully operational, generated profits in 3Q14**
- Announced **permanent closure** of 150 kmt **Portovesme smelter**
- **Safely Executed** Australia smelter **Closure** of 190 kmt capacity

Any reference in our presentation to historical EBITDA means adjusted EBITDA, for which we have provided calculations and reconciliations in the appendix

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William Oplinger

Executive Vice President and Chief Financial Officer

October 8, 2014

Income Statement Summary

\$ Millions, except aluminum prices and per-share amounts				Prior Year	Sequential
	3Q13	2Q14	3Q14	Change	Change
Realized Aluminum Price (\$/MT)	\$2,180	\$2,291	\$2,538	\$358	\$247
Revenue	\$5,765	\$5,836	\$6,239	\$474	\$403
Cost of Goods Sold	\$4,798	\$4,765	\$4,904	\$106	\$139
COGS % Revenue	83.2%	81.6%	78.6%	(4.6 % pts.)	(3.0 % pts.)
Selling, General Administrative, Other	\$248	\$245	\$243	(\$5)	(\$2)
SGA % Revenue	4.3%	4.2%	3.9%	(0.4 % pts.)	(0.3 % pts.)
Other (Income) Expenses, Net	(\$7)	\$5	\$23	\$30	\$18
Restructuring and Other Charges	\$151	\$110	\$209	\$58	\$99
Effective Tax Rate	41.3%	37.7%	60.3%	19.0% pts.	22.6% pts.
EBITDA	\$675	\$776	\$1,035	\$360	\$259
Net Income	\$24	\$138	\$149	\$125	\$11
Net Income Per Diluted Share	\$0.02	\$0.12	\$0.12	\$0.10	\$0.00
Income per Diluted Share excl Special Items	\$0.11	\$0.18	\$0.31	\$0.20	\$0.13

Any reference in our presentation to EBITDA means adjusted EBITDA, for which we have provided calculations and reconciliations in the appendix. See appendix for Adjusted Income reconciliation.

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Special Items

\$ Millions, except per-share amounts

	2Q14	3Q14	Income Statement Classification	Segment
Net Income	\$138	\$149		
Net Income Per Diluted Share	\$0.12	\$0.12		
Restructuring-Related ¹	(\$54)	(\$202)	Restructuring and Other Charges/COGS	Corporate / Primary Metals
Tax Items	(\$2)	\$0	Income Taxes	Corporate
Master U.S. Labor Agreement	(\$11)	\$0	COGS	Corporate / All
Firth Rixson Acquisition Costs	(\$11)	(\$14)	SG&A/Interest Expense	Corporate
Saudi Arabia Smelter Potline	(\$6)	\$0	COGS/ Other Expenses, Net	Primary Metals
Mark-to-Market Energy Contracts	\$6	(\$14)	Other Expenses, Net	Corporate
Gain on Asset Sale	\$0	\$9	Other Expenses, Net	Corporate
Special Items	(\$78)	(\$221)		
Net Income excl Special Items	\$216	\$370		
Net Income per Diluted Share excl Special Items	\$0.18	\$0.31		

¹) Total restructuring-related charges in 3Q14 of \$202 million (60 percent non-cash, 40 percent cash); \$167 million of charges relate to Portovesme closure See appendix for Adjusted Income reconciliation

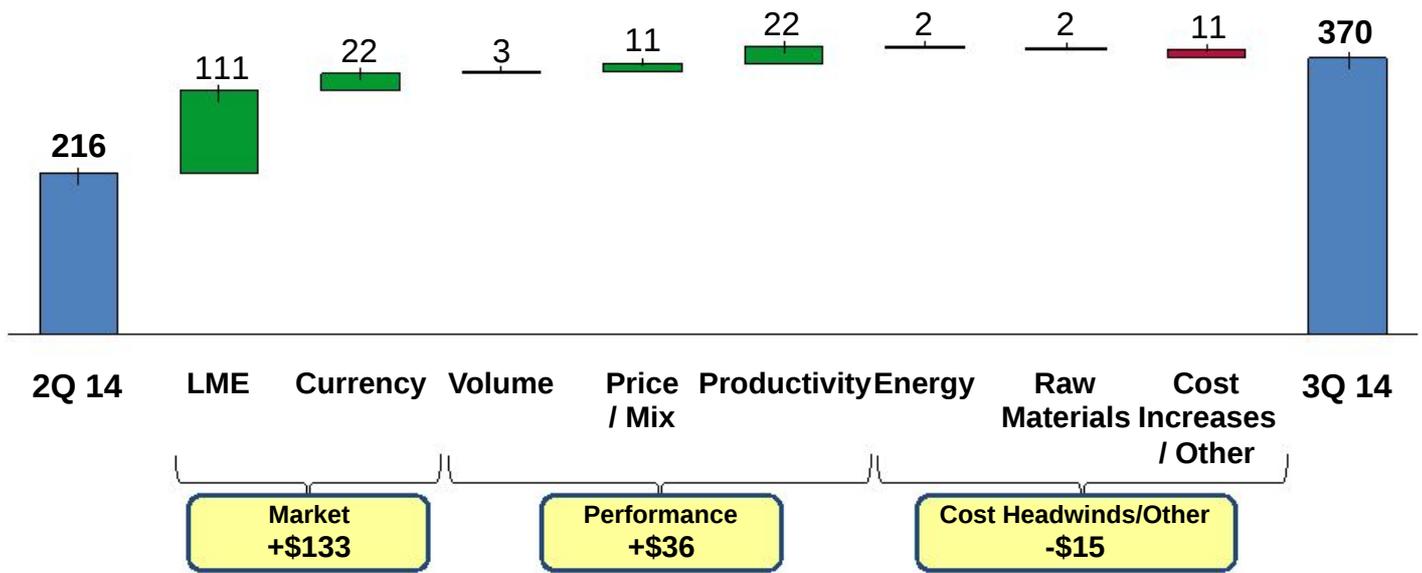
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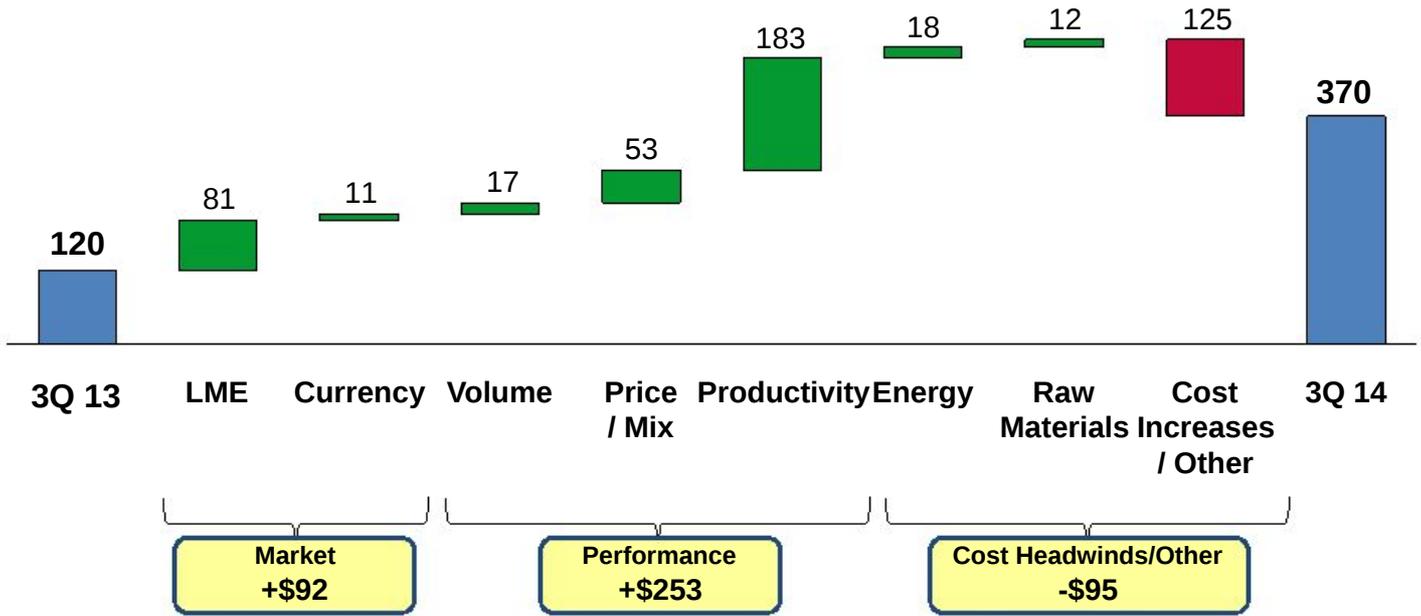
Market tailwinds and productivity drive sequential improvement

Net Income excluding Special Items (\$ Millions)



Earnings more than triple year-over-year on productivity and pricing

Net Income excluding Special Items (\$ Millions)



Record quarter ATOI, EBITDA % for Engineered Products and Solutions

3Q14 Actual and 4Q14 Outlook – Engineered Products and Solutions

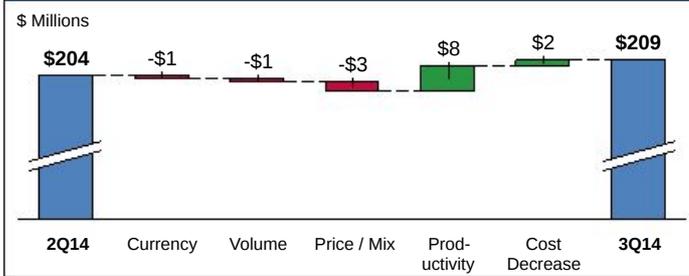
3rd Quarter Results

	3Q 13	2Q 14	3Q 14
3 rd Party Revenue (\$ Millions)	1,437	1,502	1,495
ATOI (\$ Millions)	192	204	209
EBITDA Margin	22.5%	23.1%	23.5%

3rd Quarter Business Highlights

- **Revenue up 4%** year-over-year driven by **strong share gains** across major markets
- **Best ever** quarterly **EBITDA margin** of **23.5%**
- **Best ever** quarterly **ATOI** of **\$209M**
- **Quarterly ATOI up 9%** year-over-year driven by **productivity**, strong **Aero, Commercial Transportation** and **Building and Construction** revenues
- **18th Consecutive Quarter** of year-over-year **ATOI Growth**

3rd Quarter Performance Bridge



Any reference in our presentation to EBITDA means adjusted EBITDA, for which we have provided calculations and reconciliations in the appendix.

4th Quarter Outlook

- **Aerospace** market remains **strong**
- Continued **recovery in N.A. Non-Residential Construction**; **European weakness continues**, outlook varies across regions
- Continued **strength in N.A. Heavy Duty Truck** build rates; Europe flat
- **Share gains** through innovation and **productivity continue** across all sectors
- **ATOI** is expected to **increase 8%-12% year-over-year**

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GRP: metal price and cost control overcome volume, price declines

3Q14 Actual and 4Q14 Outlook – Global Rolled Products

3rd Quarter Results

	3Q 13	2Q 14	3Q 14
3 rd Party Revenue (\$ Millions)	1,805	1,860	1,926
ATOI (\$ Millions)	71	79	103
EBITDA/MT	312	313	409

3rd Quarter Business Highlights

- **Rising metal prices** benefitted results
- **Record Auto sheet production** as Davenport expansion ramps up
- **Volume, mix and cost impacts** due to seasonal **summer shutdowns** in Europe
- **Continued productivity improvement**

3rd Quarter Performance Bridge



4th Quarter Outlook

- Expect **record Auto sheet shipments** as AIVs are ramping up
- Expect continued **strength in Aerospace and N.A. Industrial**
- **Seasonal packaging decline**, continued **pricing pressure in packaging and industrial**
- **ATOI up 150%** year-over-year, excluding impacts from metal/currency

Any reference in our presentation to EBITDA means adjusted EBITDA, for which we have provided calculations and reconciliations in the appendix. AIV = Aluminum intensive vehicle

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Alumina earnings up sharply on higher production and pricing

3Q14 Actual and 4Q14 Outlook – Alumina

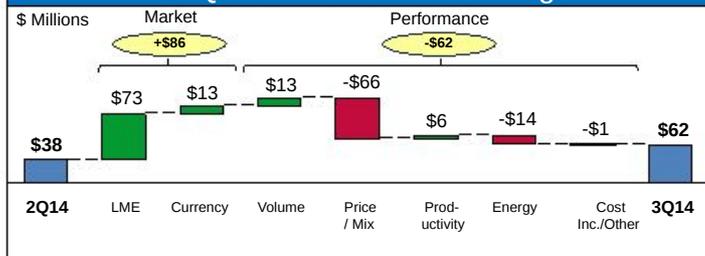
3rd Quarter Results

	3Q 13	2Q 14	3Q 14
Production (kmt)	4,214	4,077	4,196
3 rd Party Shipments (kmt)	2,603	2,361	2,714
3 rd Party Revenue (\$ Millions)	846	761	886
ATOI (\$ Millions)	67	38	62

3rd Quarter Business Highlights

- **Production and shipments increased** due to stable operations across the system and Pt. Comfort recovery after 2Q interruption
- **Higher LME-based** pricing offset by **lower API** prices
- **Loss of carbon tax credits** in Australia drove higher energy costs
- Other cost increases driven by **higher raw material prices**

3rd Quarter Performance Bridge



4th Quarter Outlook

- **65%** of 3rd party shipments on spot or API for 2014
- **API pricing follows 30-day lag; LME-based pricing follows 60-day lag**
- **Saudi JV refinery start up costs will begin, -\$10M impact**
- All other performance in total will improve by **\$20M**

Primary earnings more than double on improved performance, pricing

3Q14 Actual and 4Q14 Outlook – Primary Metals

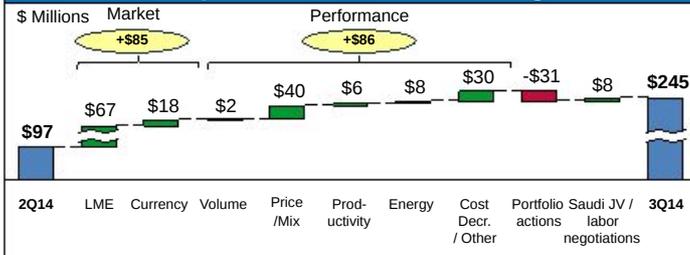
3rd Quarter Results

	3Q 13	2Q 14	3Q 14
Production (kmt)	897	795	760
3 rd Party Shipments (kmt)	686	638	642
3 rd Party Revenue (\$ Millions)	1,600	1,659	1,865
3 rd Party Price (\$/MT)	2,180	2,291	2,538
ATOI (\$ Millions)	8	97	245

3rd Quarter Business Highlights

- **Production down** due to cessation of Pt. Henry production
- Strong **performance** driven by **realized prices, mix and lower costs**
- Saudi JV smelter **delivered profits** in 3Q14
- Portfolio actions include **Portovesme and Pt. Henry final closure** impacts

3rd Quarter Performance Bridge

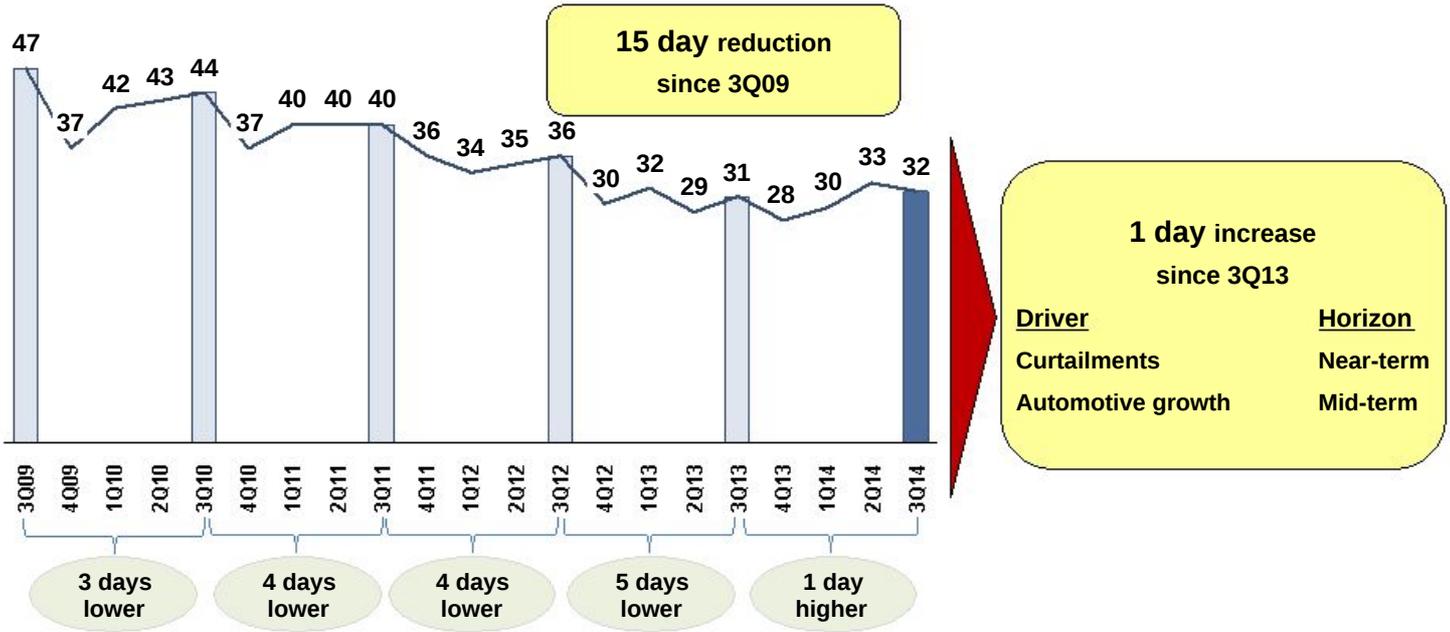


4th Quarter Outlook

- **Pricing** follows a **15-day lag** to LME
- **Production flat** from 3Q
- **Energy costs** escalating **\$35M**, primarily in Europe
- **All other performance in total** will **offset energy cost increases**

One day year-over-year increase in average DWC

Average Days Working Capital since Third Quarter 2009



3rd Quarter Cash Flow Overview

3Q13, 2Q14 & 3Q14 Cash Flow

(\$ Millions)	3Q13	2Q14	3Q14
Net Income before Noncontrolling Interests	\$44	\$129	\$131
DD&A	\$348	\$350	\$346
Change in Working Capital	(\$61)	\$31	(\$411)
Pension Contributions	(\$173)	(\$191)	(\$164)
Other Adjustments	\$56	\$199	\$347
Cash from Operations	\$214	\$518	\$249
Dividends to Shareholders	(\$33)	(\$36)	(\$36)
Share Issuance	-	-	\$1,213
Change in Debt	(\$5)	\$296	\$981
(Distributions to)/Contributions from Noncontrolling Interests	(\$53)	\$4	(\$20)
Other Financing Activities	(\$2)	\$17	\$2
Cash from Financing Activities	(\$93)	\$281	\$2,140
Capital Expenditures	(\$250)	(\$258)	(\$283)
Other Investing Activities	(\$54)	(\$28)	\$2
Cash from Investing Activities	(\$304)	(\$286)	(\$281)

See appendix for Free Cash Flow reconciliation

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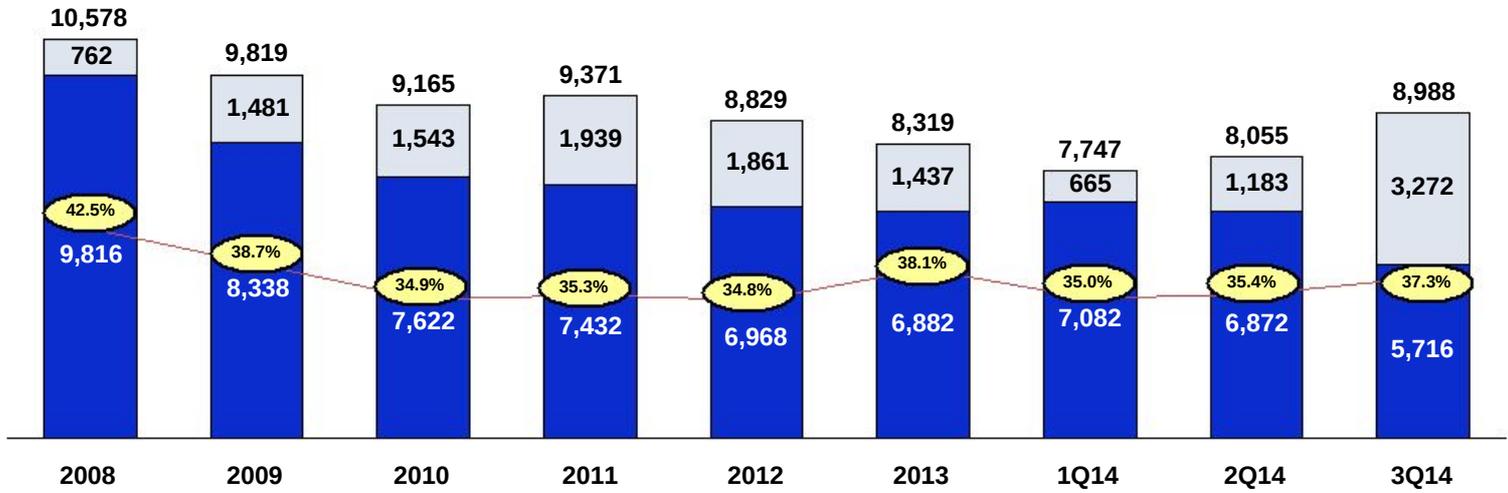
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Net debt reflects acquisition financing

Debt, Net Debt, and Debt-to-Capital %

(Millions)

Cash
 Net Debt
 Debt to Cap



See appendix for Net Debt reconciliation

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On track to meet our 2014 targets

2014 Annual Financial Targets and Year-to-Date Results

Taking the right actions	
Drive Productivity Gains of \$850M	
Build Value-Add with Growth Capital of \$500M	
Manage Sustaining Capital of \$750M	
Invest in Saudi JV \$125M	
Attain 30%-35% Debt-to-Capital	

YTD:

\$862M ✓

\$325M ✓

\$425M ✓

\$69M ✓

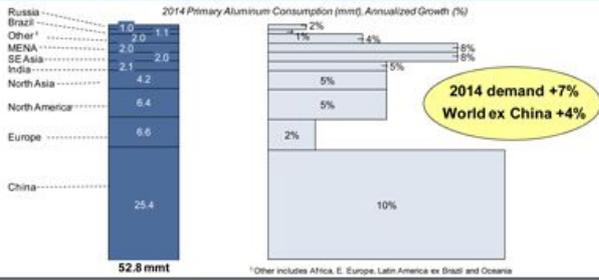
37.3% ✗



Overarching 2014 Financial Target
<p>Positive Free Cash Flow</p>

Market fundamentals remain positive

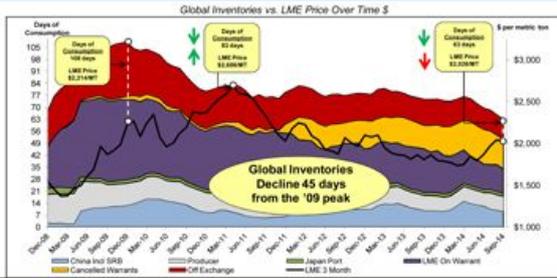
Reaffirm 7% global demand growth



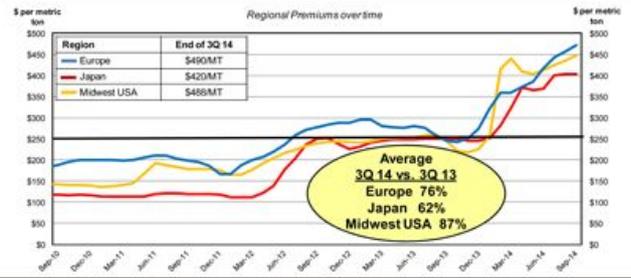
Alumina surplus shrinking, aluminum deficit



Inventories declined 7 days in 3Q



Premiums move to new record highs



See appendix for full scale charts

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Klaus Kleinfeld

Chairman and Chief Executive Officer

October 8, 2014

Aerospace and Automotive Markets Remain Strong; Forecast Unchanged

Alcoa End Markets: Current Assessment of 2014 vs. 2013

End Market	Growth	Global and Regional Commentary
<p>Aerospace</p> 	<p>↑ 8% to 9% Global sales growth</p>	<ul style="list-style-type: none"> • Large Commercial Aircraft segment Growth of 12.1% • Strong Commercial Jet Order Book: 9 Years of Production at 2013 delivery rates • Good Airline Fundamentals¹: +5.9% Passenger and +3.1% Cargo Demand, Airline Profits Up (\$18B in 2014) • Strong Commercial Jet Engine Order Book: ~23,600 Engines on firm order • Rebounding Regional Jet segment: +13.2% with highest order book in 5 years
<p>Automotive</p> 	<p>↑ 2% to 4% Global production growth</p>	<ul style="list-style-type: none"> • Sales Up: September 1.24M units, +9.3% YoY; YTD +5.4% from prior year • Pent Up Demand: Average fleet age 11.4 years vs. 9.7 historical average • Inventory Up: 64 days in September; in-line with industry target (60 to 65 days) • Incentives Up: Average \$2,975/unit in advance of 2015 models • Production Up: August production -1.0% YoY; YTD +5.1% from prior year <p>NA ↑ 3% to 5%</p> <ul style="list-style-type: none"> • Registrations +6.1% YTD from prior year; Production +4.7% YTD, softening in 2H'14 <p>EU ↑ 2% to 4%</p> <ul style="list-style-type: none"> • Exports from Europe +3.6% from prior year (2014 forecast) <p>China ↑ 7% to 10%</p> <ul style="list-style-type: none"> • Sales +7.7% YTD; Growth driven by increasing middle class and Clean Air Act

Source: Alcoa analysis

1) International Air Transport Association 2014 Expectations

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Global HDT Market Steady, Stronger N.A.; Packaging +2% to 3% Globally

Alcoa End Markets: Current Assessment of 2014 vs. 2013

End Market	Growth	Global and Regional Commentary
Heavy Duty Truck and Trailer 	 -1% to 3% Global production flat/growth	<ul style="list-style-type: none"> NA 16% to 20% ↑ <ul style="list-style-type: none"> • Orders Up: 3Q increased +43% YoY with continued strength YTD +32% from prior year • Good Order Book: August 122k trucks (10-year average 102k), up +57% YoY • Solid Fundamentals: +3.6% Freight ton miles (Aug YTD); +3.7% Freight price (2Q14 YoY) • Production: Forecast increased; 79K units in 3Q14, +24.5% YoY EU -7% to -10% ↓ <ul style="list-style-type: none"> • Orders: - 4% YTD as expected (EUROVI); Production: W. Eur flat, E. Eur ~ -20% 2014E China 0 to 4% ↑ <ul style="list-style-type: none"> • Market stabilizing (30% growth in 2013); + infrastructure for reg. changes (Low Sulfur Gas Avail.)
Packaging 	 2% to 3% Global sales growth	<ul style="list-style-type: none"> NA -1% to -2% ↓ <ul style="list-style-type: none"> • Demand decline: Weakness (-3.5% YTD) in Carbonated Soft Drinks (CSD) • Improved performance (+3.4% YTD) in Beer Segment partially offsets CSD EU 2% to 3% ↑ <ul style="list-style-type: none"> • Demand Up: Strong 1H'14 growth in W. Eur; both CSD and beer segment improved China 8% to 12% ↑ <ul style="list-style-type: none"> • Strong Demand: Increased Beer and Herbal Tea segments

Source: Alcoa analysis
HDT = Heavy duty truck and trailer

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Solid Commercial B&C Growth; Global Airfoil Market Down YoY

Alcoa End Markets: Current Assessment of 2014 vs. 2013

End Market	Growth	Global and Regional Commentary
<p>Building and Construction</p> 	<p>↑ 4% to 6% Global sales growth</p> <p>NA 3% to 4% ↑</p> <p>EU -2% to -3% ↓</p> <p>China 7% to 9% ↑</p>	<p>Positive Early Indicators:</p> <ul style="list-style-type: none"> • Non-Residential Contracts Awarded: +12% in September (12-month rolling average) • Architectural Billing Index: Positive at 53 in August; 4 consecutive months above 50 • Case-Shiller Home Price Index: +5.6% July YoY; growth moderated since Q1 (10%+) <p>• Decline as weakness continues, outlook varies across markets</p> <p>• Growth as fundamentals stabilize</p>
<p>Industrial Gas Turbines</p> 	<p>↓ -8% to -12% Global airfoil market decline</p>	<ul style="list-style-type: none"> • Orders down: 1H'14 run rate -29% globally vs 2012/2013 levels; -45% from 2011 levels • OECD electricity demand down 0.4% 1H'14 vs prior year (-2.2%, excl. U.S.) • Spares demand: Negative impact from shift in energy mix/usage in key regions • N.A.: Natural gas prices peaked in 1Q14; coal gains share (U.S. gas-fired market share: 25.8% 2014 YTD vs 27.4% 2013) • Europe: Gas-fired power squeezed by low-priced coal and subsidized renewables

Source: Alcoa analysis
B&C = Building and construction

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Transforming Alcoa – Creating Compelling Sustainable Value

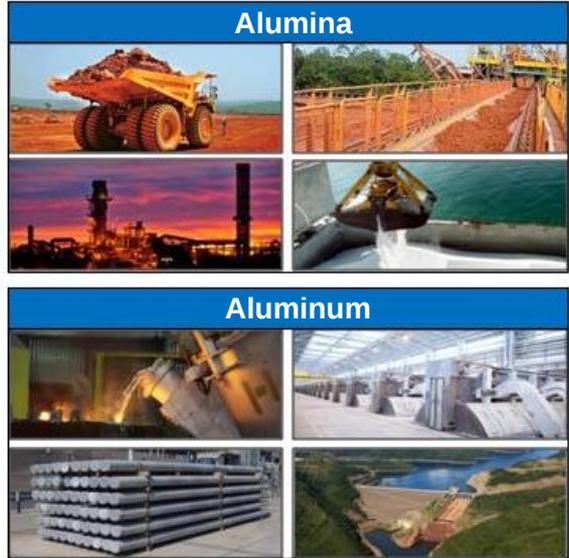
Value-Add: Profitable Growth

Building a Lightweight Multi-Material Innovation Powerhouse



Upstream: Reduce Cost Position

Creating a Globally Competitive Commodity Business



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Flying High in Aerospace – Metallic Aircraft Here to Stay

May 1, 2014

- **\$290M Spirit 5-year** contract
- Supply **aluminum sheet products** for fuselage skins

Over **\$2.8B** contracts since 2012

July 11, 2012

- **\$1.4B Airbus** multi-year contract
- Supply **aluminum sheet, plate and hard alloy extruded products** across virtually all Airbus commercial programs
- Utilizes Alcoa's current, advanced-generation and Al-Li alloys

September 11, 2014

- **Over \$1.0B** multi-year Boeing contract; content on **every platform**
- **Sole supplier** of wing skins on all metallic aircraft
- **Enhances** existing position on structural components
- Continue collaboration on **developing** new, **innovative** aerospace alloys including Al-Li

December 16, 2013

- **\$110M Airbus** multi-year contract
- Supply **Ti forgings** used to connect A320neo wing structure to engine, large **Al forgings** for the A330 and A380
- Includes **A380 inner rear wing spar**; **World's largest** aerospace **forging** made from Alcoa's proprietary 7085 alloy

July 14, 2014

- **Airbus launched all-metallic A330neo**

October 2, 2014

- **Boeing** announces **increase** in B737 build rate: **47/month** in 2017 to **52/month** in 2018

September 25, 2014

- **Maiden flight of the Airbus A320neo**

Source: Alcoa, Photos courtesy of Airbus, Boeing

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Al-Li (R)Evolution: Growing the Footprint for Lightweight Al-Li Alloys

Examples of Aluminum-Lithium Applications

Launching into Space

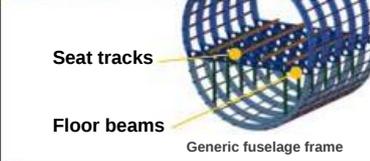


SpaceX Rocket

- **Strong, (4-7%) lower density than conventional aluminum**
- **Lithium extrusions: ULA**
- **Developing applications for SpaceX**



Propelling into Aero Structures



Seat tracks

Floor beams

Generic fuselage frame

- **Better corrosion resistance¹; 2X longer inspection intervals, contributes to 30% lower costs**
- **Wing Stringers:** A380, Bombardier Global 7000/8000
- **Floor Beams:** A350, A380, 777x
- **Seat Tracks:** A380, Gulfstream G650

Turbo Charging Engines



PW1100G-JM



Al-Li forging

- **Developing world's first Al-Li fan blade forging**
- **Lighter weight; more cost-effective than Ti, CFRP**
- **Contributes to 16% improved fuel burn vs. today's best engines, less noise**

Motoring into Auto and Industrial



Audi roof beam

- **Elevated temp strength, corrosion and fatigue resistance**
- **Roof beam:** Audi; **2X stronger** than traditional alloy
- **Brake calipers, suspension parts:** Formula One
- **Turbo charger compressor wheels:** Commercial transport

1) Versus conventional aluminum. ULA = United Launch Alliance. CFRP: Carbon-fiber-reinforced polymer. Photos courtesy of Associated Press, Airbus, Pratt and Whitney, Audi AG

Unique Capabilities + Organic Investment = Al-Li Value-Add Growth

Summary of Alcoa Aluminum-Lithium Advantages, Growth Investment and Projected Revenues

\$100M
sales contracted
in 2017

Innovation Heavyweight in Lightweight Metals

- **Global leader** in Al-Li extrusions
- Metallurgical expertise:
3 **patented alloys**, 1 **patent-pending alloy**
- **AA-developed** equipment and technology
- Unmatched **capability**; **forged rotating** parts
- **Largest Al-Li ingots** for single-piece components;
~50% **larger than** the nearest **competition**



Offering the Broadest Product Portfolio

- Industry's **most complete** product **portfolio**
(including **large press** and **hollow extrusions**)
- Alcoa **applications** on **key aerospace platforms**

Investing in Next-Gen Aerospace: Largest Al-Li Casthouse



- ~\$90M investment
- ~20 kmt **World's largest** facility

- **Leveraging proximity for enhanced collaboration**; extrusions, rolling mill, forging capabilities



Firth Rixson Acquisition On Track

Highlights of Firth Rixson Acquisition, Closing Progress and Post-Merger Preparation

Portfolio Enhancing: Growing Market, High Tech		Targeting 4Q Close	Post-Merger Preparation		
 <p>Rings</p>	<p>Strong Aerospace Offering</p> <ul style="list-style-type: none"> ▪ Largest seamless Rings 200" in diameter ▪ Full Range forged closed-die aero Engine Disks ▪ Doubles AA's Engine Content on key programs ▪ -\$100M synergies ¹; 40% by year 2; 100% by year 5 	<p>Regulatory Approval</p> <ul style="list-style-type: none"> US <input checked="" type="checkbox"/> Turkey <input checked="" type="checkbox"/> Taiwan <input checked="" type="checkbox"/> Ukraine <input checked="" type="checkbox"/> South Korea <input checked="" type="checkbox"/> Europe In progress China In progress 	<p>Work Streams</p> <ul style="list-style-type: none"> ▪ HR, Communications ▪ Manufacturing, Engineering, Commercial ▪ Financial, Procurement ▪ Quality, EHS, Compliance, IT 		
	<p>Metal</p>			<p>Array of Material Composition</p> <ul style="list-style-type: none"> ▪ Multi-Material mix; 60% Ni, 25% Ti, 15% Steel/Al ▪ Critical rotating Disks forged from Metal Powder ▪ Integrated Nickel Supply of cast stick and billet 	<p>Focus Areas</p> <ul style="list-style-type: none"> ▪ Talent Retention, Development ▪ Synergy Generation & Capture ▪ Alcoa Operating Systems ▪ Technology Sharing
	<p>Disks</p>			<p>Leading Edge Technology</p> <ul style="list-style-type: none"> ▪ Specialized Isothermal process; 3X demand growth expected in next 8 years ▪ Disks enable Higher Operating Temperatures (+70°F over legacy engines) ▪ 40% Improvement in Combustion Efficiency 	

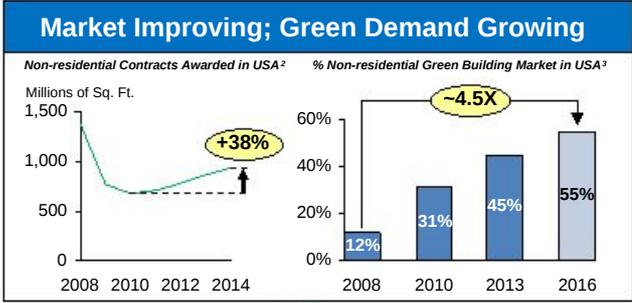
2016
\$1.6B revenue
\$350M EBITDA

1) Savings per year

Capturing Rebound in N.A. Building and Construction

BCS: \$1.1B
 Revenue in 2016;
3X market growth¹

Leading Indicators of U.S. Non Res. Growth, Green Building Requirements, and Alcoa Product Portfolio



- ### Energy Requirements Increasing
- Target of **'Net Zero' Buildings in USA by 2030⁴**
 - Green buildings provide:
 - ✓ - **25% Energy** consumption
 - ✓ - **35% Emissions**
 - ✓ + **27% Occupant satisfaction**

1) 2013-2016 CAGR: 4% BCS vs. combined NA & EU market 1.4%. 2) McGraw-Hill Construction - CMFS Report, Q3 2014. 3) McGraw-Hill Construction 2013. 4) ACEEE, 2012. 5) Alcoa analysis. 6) For LEED certified buildings. 7) Green Office Buildings Annual Economic Review. 8) USGBC.

Innovative Portfolio Drives Revenue, Performance

Late 1960s

Kawneer Sunshades / Light Shelves

Reynobond® / Reynolux® Panels
 • Reynobond panels with self-cleaning EcoClean™ coating

+70% Facade Thermal Performance⁵ =
10% Energy Savings⁵

Leads to:
LEED certification

Contributes to:
+5% Rental Rates^{6,7}
20% Higher ROI^{6,8}

Today

Kawneer Curtain Wall Systems
 • Thermal • Ultra thermal
 • Blast mitigation • Hurricane resistant

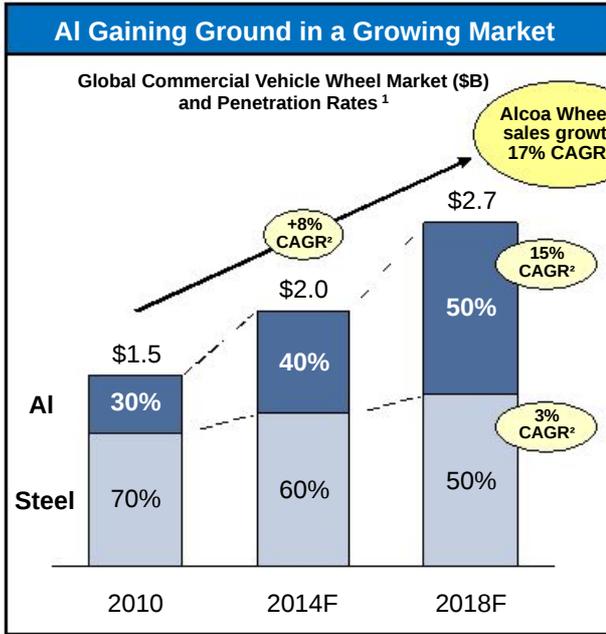
Kawneer Entrances Kawneer Framing
 • High traffic • Blast mitigation
 • High thermal • Hurricane resistant

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Growth For the Long Haul – Delivering Value For Our Customers

Global Commercial Vehicle Wheels Market, Customer Testimonials, Ultra ONE™ Europe Launch



Customers Love Ultra ONE™, Successful N.A. Launch

"SHINE ON! #AlcoaWheels thanks for the love and appreciation! If my #AlcoaWheels ain't turnin I ain't Earning!"
- Herman Klein (@hermanator333) via Twitter

Alcoa's Ultra ONE™ Goes International

Launch in Europe

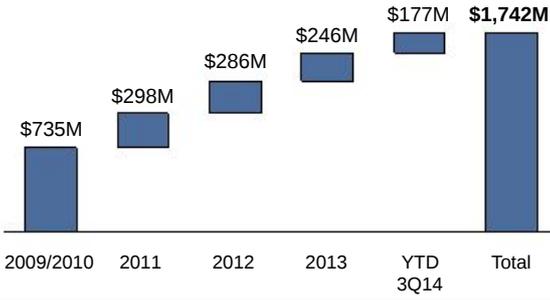
- Alcoa AI wheels, **5X Stronger than Steel**
- 17% Stronger** Proprietary **MagnaForce™ Alloy**
- Dura-Bright® EVO™**: **10X improved Corrosion Resistance**
- No Mechanical or Chemical Cleaning**
- Looks New Longer**
- Available **2H 2015**

Source: Alcoa Analysis. 1) Based on dollar value; Commercial Vehicle Wheel Market = Truck, Trailer & Bus.
2) CAGR growth from 2010 to 2018F.

Winning Alumina Formula = Market-Based Pricing + Cost Down

Cost Curve Reduction Levers, API/Spot Pricing and Alumina Cost Curve Targets

Capturing Productivity Gains¹



Restructuring and Improving

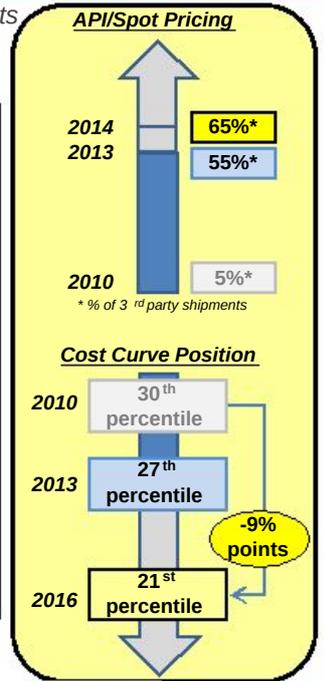
- 1.7 mmt currently Curtailed
- LOI to pursue Sale of Jamalco² interest
- San Ciprian Natural Gas solution; complete in 4Q14; ~\$20 per metric ton cost improvement

Executing on Phase 2 in Saudi Arabia



- First bauxite shipped 2Q14
- Phase 2 on time, on budget

- World's lowest cost refinery
- First alumina in 4Q14
- 2% point reduction on refining cost curve

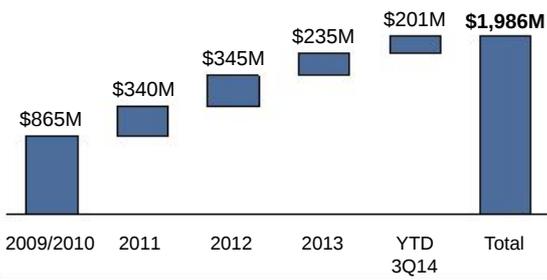


1) All figures are pretax and pre-minority interest. 2009/2010 represent net productivity; 2011-2014 represent gross productivity.
2) Alcoa Minerals of Jamaica bauxite mine and alumina refinery

Reshaping Aluminum Portfolio + Enhancing Profitability

Cost Curve Reduction Levers, Value Add Product % and Global Smelting Cost Curve Targets

Capturing Productivity Gains¹

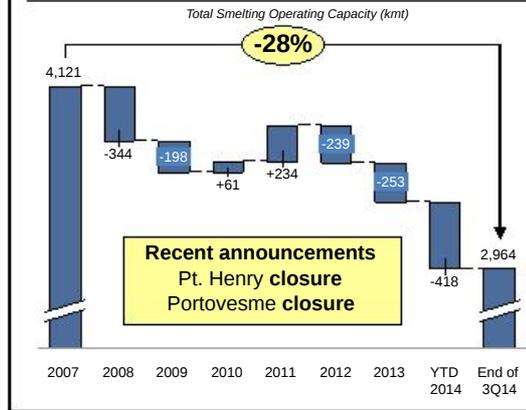


Saudi Arabia Smelter Fully Operational



- At full capacity; 600 kmt production in 2014
- 2% point reduction on the smelting cost curve
- Smelter generated profits in 3Q

Optimizing the Smelting Portfolio



Transformation since start of crisis

More Value Add

2008: 51% (% Total Shipments)
2010: 57%
2014E: 65%
=> **~\$1.3B Margin** (2008-2013)

More Competitive

- Improved Cost Position:**
2008: 62nd percentile
2010: 51st percentile
2013: 43rd percentile
2016: target 38th percentile
- Lower Break Even Point**
-\$362/mt Cash Cost (3Q08-3Q14)

More Profits

\$612 EBITDA/mt 3Q14

1) All figures are pretax and pre-minority interest. 2009/2010 represent net productivity; 2011-2014 represent gross productivity
2) CRU cost model, Alcoa analysis. Operating capacity = Alcoa total base capacity less idled capacity

Transformation Delivers, Driving Profitability

Expanding Multi-Material Leadership in Major Growth Markets

Capturing Growth Through Innovation and Smart Investments

Creating a Globally Competitive Commodity Business

APPENDIX

Advancing each generation.

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Additional Information

Kelly Pasterick

Vice President, Investor Relations

Alcoa

390 Park Avenue

New York, NY 10022-4608

Telephone: (212) 836-2674

www.alcoa.com

LME Aluminum Annual Net Income Sensitivity

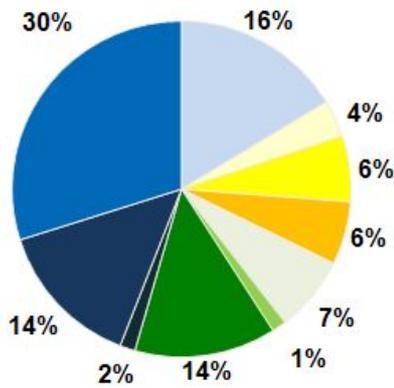
+/- \$100/MT = +/- \$240 million

Currency Annual Net Income Sensitivity

Australian \$	+/- \$11 million	per 0.01 change in USD / AUD
Brazilian \$	+/- \$ 3 million	per 0.01 change in BRL / USD
Euro €	+/- \$ 2 million	per 0.01 change in USD / EUR
Canadian \$	+/- \$ 5 million	per 0.01 change in CAD / USD
Norwegian Kroner	+/- \$ 5 million	per 0.10 change in NOK / USD

Revenue Change by Market

3Q'14 Third-Party Revenue



	Sequential Change	Year-Over-Year Change
Aerospace	0%	2%
Automotive	8%	19%
B&C	0%	1%
Comm. Transport	0%	15%
Industrial Products	(3%)	2%
IGT	(17%)	(12%)
Packaging	8%	6%
Distribution/Other	38%	30%
Alumina	17%	5%
Primary Metals	12%	17%

Special Items

	Pre-tax, Before NCI		After-tax, After NCI		Income Statement Classification	Segment
	2Q14	3Q14	2Q14	3Q14		
\$ Millions, except per-share amounts						
Income from Continuing Operations	\$207	\$330	\$138	\$149		
Income Per Diluted Share	\$0.17	\$0.27	\$0.12	\$0.12		
Restructuring-Related	(\$110)	(\$242)	(\$54)	(\$202)	Restructuring and Other Charges/COGS	Corporate / Primary Metals/ GRP
Tax Items	\$0	\$0	(\$2)	\$0	Income Taxes	Corporate
Master Labor Agreement	(\$17)	\$0	(\$11)	\$0	COGS	Corporate / All
Firth Rixson Acquisition Costs	(\$13)	(\$20)	(\$11)	(\$14)	SG&A/Interest Expense	Corporate
Saudi Arabia Smelter Potline	(\$6)	\$0	(\$6)	\$0	COGS/ Other Expenses, Net	Primary Metals
Mark-to-Market Energy Contracts	\$11	(\$27)	\$6	(\$14)	Other Expenses, Net	Corporate
Gain on Asset Sale	\$0	\$15	\$0	\$9	Other Expenses, Net	Corporate
Special Items	(\$135)	(\$274)	(\$78)	(\$221)		
Income from Continuing Ops excl Special Items	\$342	\$604	\$216	\$370		
Income per Diluted Share excl Special Items	\$0.29	\$0.50	\$0.18	\$0.31		

See appendix for Adjusted Income reconciliation.

Advancing each generation.

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Composition of Regional Premium Pricing Convention

2014E Shipments	Regional Premiums	Estimated Pricing Convention
55%	Midwest – Platts	15-day lag
30%	Rotterdam DDP – Metal Bulletin	45-day lag
10%	CIF Japan – Platts	Month prior to Quarter start
5%	Negotiated	Annual

Alcoa smelting closures and curtailments

Alcoa smelting capacity closures, since Dec 2007

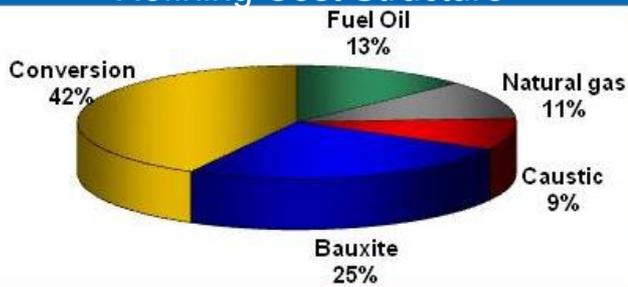
Location	Year	kmt
Baie Comeau	2008	53
Eastalco	2010	195
Badin	2010	60
Warrick	2010	40
Tennessee	2011	215
Rockdale	2011	76
Baie Comeau	2013	105
Fusina	2013	44
Massena East	2013	41
Massena East	2014	84
Point Henry	2014	190
Portovesme	2014	150
Total		1,253

Alcoa current curtailed capacity

Location	kmt
Rockdale	191
Sao Luis	194
Pocos	96
Intalco	49
Wenatchee	41
Aviles	36
Portland	30
La Coruna	28
Total	665

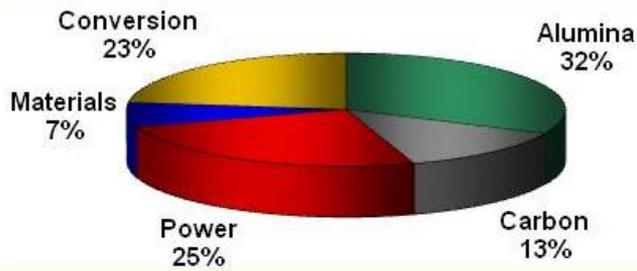
Composition of Upstream Production Costs

Refining Cost Structure



Input Cost	Inventory flow	Pricing convention	Annual ATOI Sensitivity
Fuel oil	1 – 2 months	Prior month	\$3m per \$1/bbl
Natural gas	N/A	Spot ¹	\$16m per \$1/GJ ¹
Caustic soda	3 - 6 months	Spot & semi-annual	\$8m per \$10/DMT

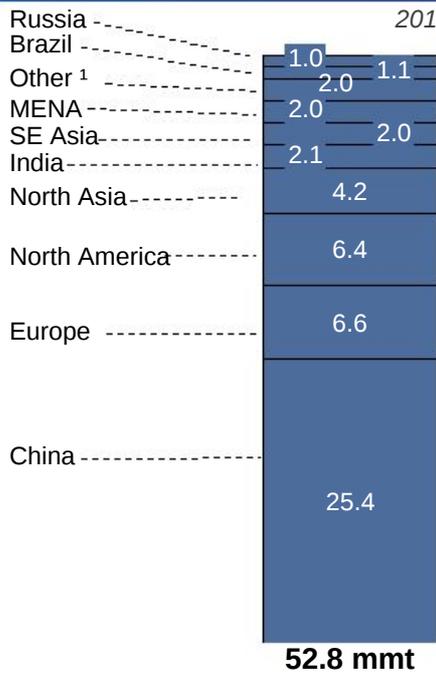
Smelting Cost Structure



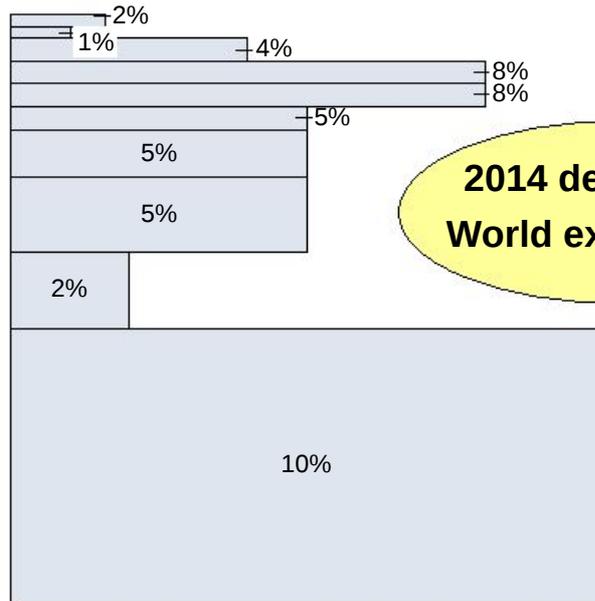
Input Cost	Inventory flow	Pricing convention	Annual ATOI Sensitivity
Coke	1 - 2 months	Spot, quarterly & semi-annual	\$8m per \$10/MT
Pitch	1 - 2 months	Spot, quarterly & semi-annual	\$2m per \$10/MT

1) Natural gas information corresponds to Point Comfort, as Australia is priced on a rolling 16 quarter average

Reaffirm 7% global demand growth



2014 Primary Aluminum Consumption (mmt), Annualized Growth (%)

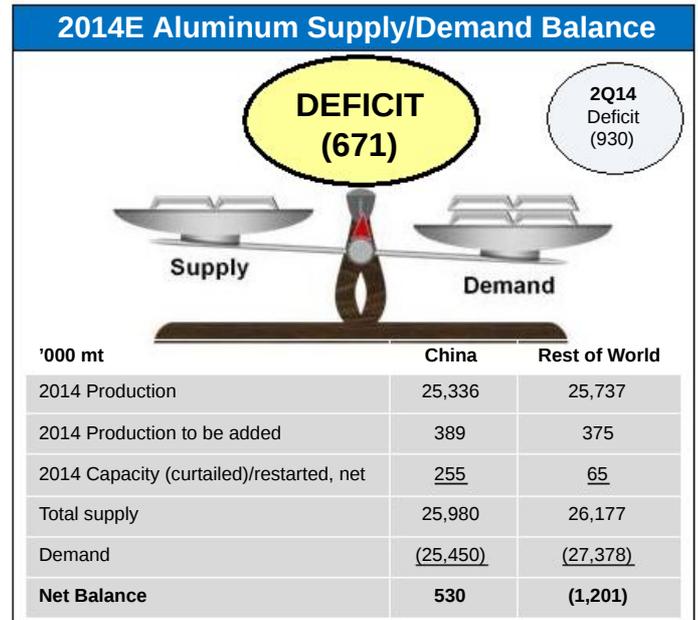
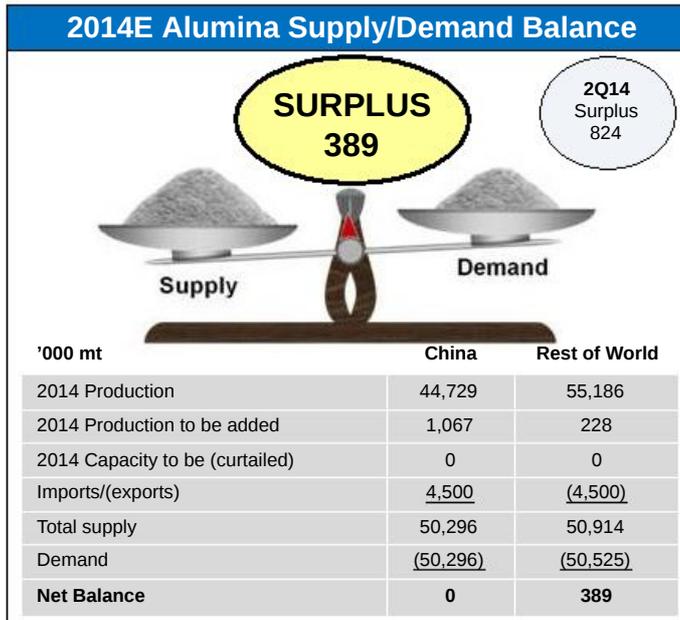


2014 demand +7%
World ex China +4%

¹ Other includes Africa, E. Europe, Latin America ex Brazil and Oceania

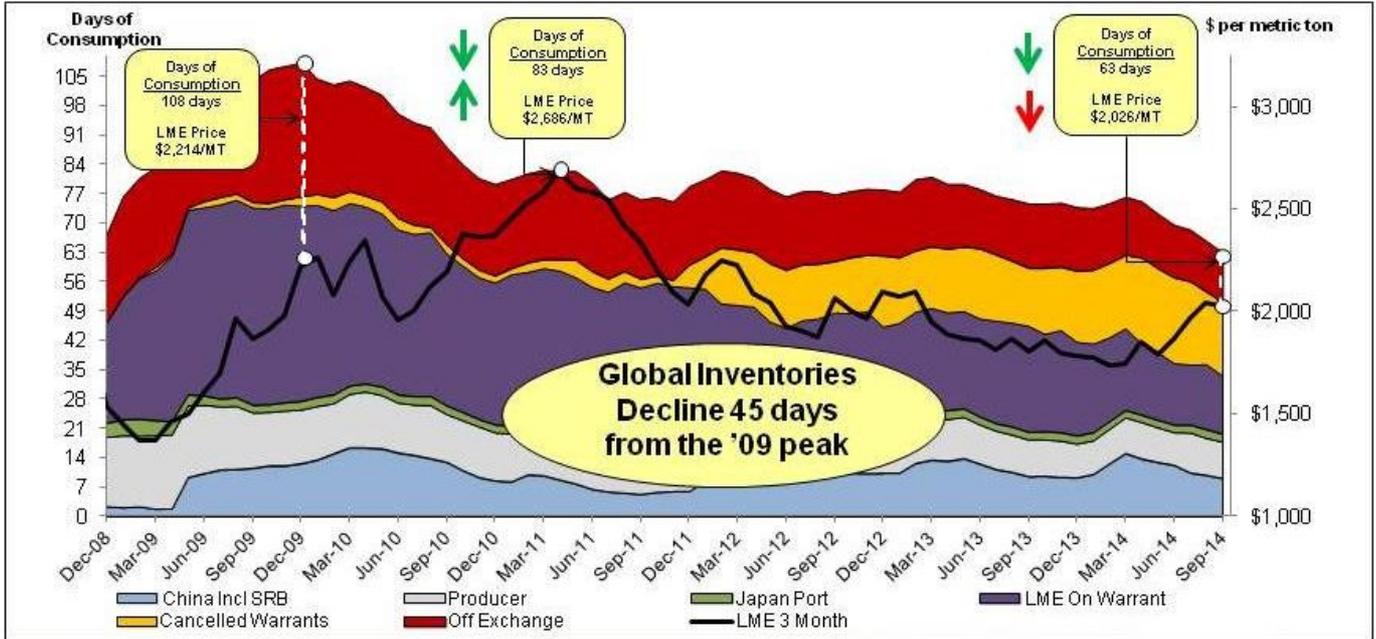
Alumina surplus shrinking, aluminum deficit

Supply/Demand Analysis



Inventories declined 7 days in 3Q

Global Inventories vs. LME Price Over Time \$

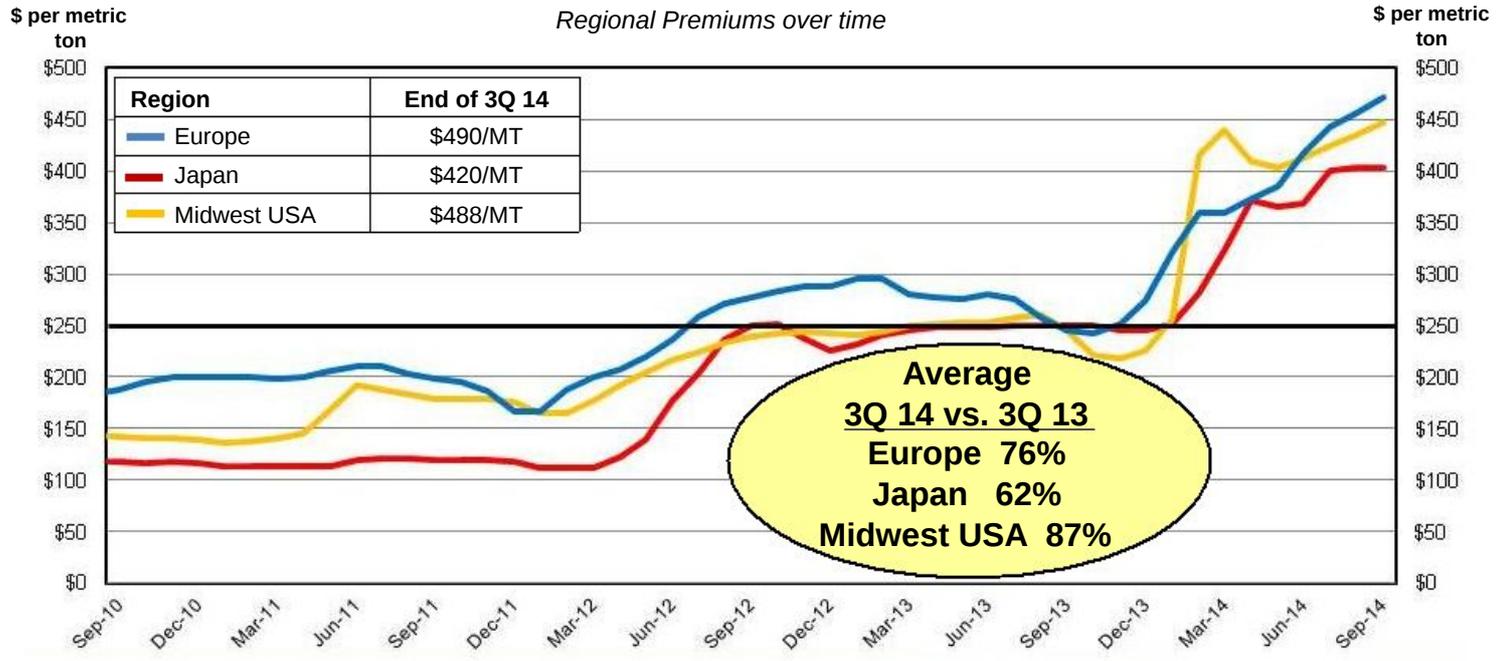


Source: Alcoa estimates, IAI, LME, Marubeni, Shanghai Metal Exchange

Advancing each generation.

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Premiums move to record highs



Source: Monthly average of daily prices - Platts Metals Week

Advancing each generation.

[Alcoa logo]

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

(in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14
Total segment ATOI	\$351	\$304	\$338	\$224	\$1,217	\$325	\$418	\$619
Unallocated amounts (net of tax):								
Impact of LIFO	(2)	5	9	40	52	(7)	(8)	(18)
Interest expense	(75)	(76)	(70)	(73)	(294)	(78)	(69)	(81)
Noncontrolling interests	(21)	29	(20)	(29)	(41)	19	9	18
Corporate expense	(67)	(71)	(74)	(72)	(284)	(67)	(70)	(74)
Impairment of goodwill	-	-	-	(1,731)	(1,731)	-	-	-
Restructuring and other charges	(5)	(211)	(108)	(283)	(607)	(321)	(77)	(189)
Other	(32)	(99)	(51)	(415)	(597)	(49)	(65)	(126)
Consolidated net income (loss) attributable to Alcoa	\$149	\$(119)	\$24	\$(2,339)	\$(2,285)	\$(178)	\$138	\$149

Reconciliation of Adjusted Income

(in millions, except per-share amounts)	Income			Diluted EPS		
	Quarter ended			Quarter ended		
	September 30, 2013	June 30, 2014	September 30, 2014	September 30, 2013	June 30, 2014	September 30, 2014
Net income attributable to Alcoa	\$24	\$138	\$149	\$0.02	\$0.12	\$0.12
Restructuring and other charges	108	54	175			
Discrete tax items*	1	(2)	25			
Other special items**	(13)	26	21			
Net income attributable to Alcoa – as adjusted	\$120	\$216	\$370	0.11	0.18	0.31

Net income attributable to Alcoa – as adjusted is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews the operating results of Alcoa excluding the impacts of restructuring and other charges, discrete tax items, and other special items (collectively, "special items"). There can be no assurances that additional special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both Net income attributable to Alcoa determined under GAAP as well as Net income attributable to Alcoa – as adjusted.

* Discrete tax items include the following:

- for the quarter ended September 30, 2014, a charge for the remeasurement of certain deferred tax assets of a subsidiary in Brazil due to a tax rate change (\$34) and a net benefit for a number of small items (\$9);
- for the quarter ended June 30, 2014, a net benefit for a number of small items; and
- for the quarter ended September 30, 2013, a net charge for a number of small items.

** Other special items include the following:

- for the quarter ended September 30, 2014, a favorable tax impact resulting from the difference between Alcoa's consolidated estimated annual effective tax rate and the statutory rates applicable to special items (\$33), the write off of inventory related to the permanent closure of smelters in Italy and Australia (\$27), costs associated with a planned acquisition of an aerospace business (\$14), a net unfavorable change in certain mark-to-market energy derivative contracts (\$14), a gain on the sale of an investment (\$9), and an unfavorable tax impact related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized (\$8);
- for the quarter ended June 30, 2014, an unfavorable tax impact resulting from the difference between Alcoa's consolidated estimated annual effective tax rate and the statutory rates applicable to special items (\$24), a favorable tax impact related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized (\$20), costs associated with (i) a planned acquisition of an aerospace business (\$11) and (ii) preparation for and ratification of a new labor agreement with the United Steelworkers (\$11), a net favorable change in certain mark-to-market energy derivative contracts (\$6), and an unfavorable impact related to the restart of one potline at the joint venture in Saudi Arabia that was previously shut down due to a period of pot instability (\$6); and
- for the quarter ended September 30, 2013, an insurance recovery related to the March 2012 cast house fire at the Massena, NY location (\$12), a net favorable change in certain mark-to-market energy derivative contracts (\$8), an unfavorable impact related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized (\$6), and the write off of inventory related to the permanent closure of two potlines at a smelter in Canada (\$1).

Reconciliation of Alcoa Adjusted EBITDA

(\$ in millions)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	3Q13	2Q14	3Q14
Net income (loss) attributable to Alcoa	\$938	\$1,310	\$1,233	\$2,248	\$2,564	\$(74)	\$(1,151)	\$254	\$611	\$191	\$(2,285)	\$24	\$138	\$149
Add:														
Net income (loss) attributable to noncontrolling interests	212	233	259	436	365	221	61	138	194	(29)	41	20	(9)	(18)
Cumulative effect of accounting changes	47	–	2	–	–	–	–	–	–	–	–	–	–	–
Loss (income) from discontinued operations	–	27	50	(22)	250	303	166	8	3	–	–	–	–	–
Provision (benefit) for income taxes	367	546	464	853	1,623	342	(574)	148	255	162	428	31	78	199
Other (income) expenses, net	(278)	(266)	(478)	(236)	(1,920)	(59)	(161)	5	(87)	(341)	(25)	(7)	5	23
Interest expense	314	271	339	384	401	407	470	494	524	490	453	108	105	126
Restructuring and other charges	(28)	(29)	266	507	268	939	237	207	281	172	782	151	110	209
Impairment of goodwill	–	–	–	–	–	–	–	–	–	–	1,731	–	–	–
Provision for depreciation, depletion, and amortization	1,110	1,142	1,227	1,252	1,244	1,234	1,311	1,450	1,479	1,460	1,421	348	349	347
Adjusted EBITDA	\$2,682	\$3,234	\$3,362	\$5,422	\$4,795	\$3,313	\$359	\$2,704	\$3,260	\$2,105	\$2,546	\$675	\$776	\$1,035
Sales	\$18,879	\$21,370	\$24,149	\$28,950	\$29,280	\$26,901	\$18,439	\$21,013	\$24,951	\$23,700	\$23,032	\$5,765	\$5,836	\$6,239
Adjusted EBITDA Margin	14.2%	15.1%	13.9%	18.7%	16.4%	12.3%	1.9%	12.9%	13.1%	8.9%	11.1%	11.7%	13.3%	16.6%

Alcoa's definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation, depletion, and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation, depletion, and amortization. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA provides additional information with respect to Alcoa's operating performance and the Company's ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Reconciliation of Alumina Adjusted EBITDA

(\$ in millions, except per metric ton amounts)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	3Q13	2Q14	3Q14
After-tax operating income (ATOI)	\$415	\$632	\$682	\$1,050	\$956	\$727	\$112	\$301	\$607	\$90	\$259	\$67	\$38	\$62
Add:														
Depreciation, depletion, and amortization	147	153	172	192	267	268	292	406	444	455	426	100	100	100
Equity (income) loss	–	(1)	–	2	(1)	(7)	(8)	(10)	(25)	(5)	4	2	7	7
Income taxes	161	240	246	428	340	277	(22)	60	179	(27)	66	17	12	26
Other	(55)	(46)	(8)	(6)	2	(26)	(92)	(5)	(44)	(8)	(6)	(2)	–	(2)
Adjusted EBITDA	\$668	\$978	\$1,092	\$1,666	\$1,564	\$1,239	\$282	\$752	\$1,161	\$505	\$749	\$184	\$157	\$193
Production (thousand metric tons) (kmt)	13,841	14,343	14,598	15,128	15,084	15,256	14,265	15,922	16,486	16,342	16,618	4,214	4,077	4,196
Adjusted EBITDA / Production (\$ per metric ton)	\$48	\$68	\$75	\$110	\$104	\$81	\$20	\$47	\$70	\$31	\$45	\$44	\$39	\$46

Alcoa's definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation, depletion, and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation, depletion, and amortization. The Other line in the table above includes gains/losses on asset sales and other non-operating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA provides additional information with respect to Alcoa's operating performance and the Company's ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Reconciliation of Primary Metals Adjusted EBITDA

(\$ in millions, except per metric ton amounts)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	3Q13	2Q14	3Q14
After-tax operating income (ATOI)	\$657	\$808	\$822	\$1,760	\$1,445	\$931	\$(612)	\$488	\$481	\$309	\$(20)	\$8	\$97	\$245
Add:														
Depreciation, depletion, and amortization	310	326	368	395	410	503	560	571	556	532	526	131	129	124
Equity (income) loss	(55)	(58)	12	(82)	(57)	(2)	26	(1)	7	27	51	13	17	–
Income taxes	256	314	307	726	542	172	(365)	96	92	106	(74)	(16)	30	95
Other	12	20	(96)	(13)	(27)	(32)	(176)	(7)	2	(422)	(8)	2	(5)	1
Adjusted EBITDA	\$1,180	\$1,410	\$1,413	\$2,786	\$2,313	\$1,572	\$(567)	\$1,147	\$1,138	\$552	\$475	\$138	\$268	\$465
Production (thousand metric tons) (kmt)	3,508	3,376	3,554	3,552	3,693	4,007	3,564	3,586	3,775	3,742	3,550	897	795	760
Adjusted EBITDA / Production (\$ per metric ton)	\$336	\$418	\$398	\$784	\$626	\$392	\$(159)	\$320	\$301	\$148	\$134	\$154	\$337	\$612

Alcoa's definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation, depletion, and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation, depletion, and amortization. The Other line in the table above includes gains/losses on asset sales and other non-operating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA provides additional information with respect to Alcoa's operating performance and the Company's ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Reconciliation of Global Rolled Products Adjusted EBITDA

(\$ in millions, except per metric ton amounts)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	3Q13	2Q14	3Q14
After-tax operating income (ATOI)	\$232	\$223	\$232	\$290	\$300	\$317	\$151	\$(41)	\$(106)	\$241	\$260	\$346	\$252	\$71	\$79	\$103
Add:																
Depreciation, depletion, and amortization	167	184	190	200	220	223	227	216	227	238	237	229	226	56	58	62
Equity loss	2	4	1	1	–	2	–	–	–	–	3	6	13	3	6	8
Income taxes	112	90	77	97	135	113	77	14	12	103	98	159	108	32	23	42
Other	(5)	(8)	(5)	1	1	20	1	6	(2)	1	1	(2)	–	–	1	–
Adjusted EBITDA	\$508	\$493	\$495	\$589	\$656	\$675	\$456	\$195	\$131	\$583	\$599	\$738	\$599	\$162	\$167	\$215
Total shipments (thousand metric tons) (kmt)	1,863	1,814	1,893	2,136	2,250	2,376	2,482	2,361	1,888	1,755	1,866	1,943	1,989	519	533	526
Adjusted EBITDA / Total shipments (\$ per metric ton)	\$273	\$272	\$261	\$276	\$292	\$284	\$184	\$83	\$69	\$332	\$321	\$380	\$301	\$312	\$313	\$409

Alcoa's definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation, depletion, and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation, depletion, and amortization. The Other line in the table above includes gains/losses on asset sales and other non-operating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA provides additional information with respect to Alcoa's operating performance and the Company's ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Reconciliation of Engineered Products and Solutions Adjusted EBITDA

(\$ in millions)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	3Q13	2Q14	3Q14
After-tax operating income (ATOI)	\$126	\$161	\$276	\$382	\$423	\$522	\$311	\$419	\$537	\$612	\$726	\$192	\$204	\$209
Add:														
Depreciation, depletion, and amortization	166	168	160	152	163	165	177	154	158	158	159	40	41	40
Equity loss (income)	-	-	-	6	-	-	(2)	(2)	(1)	-	-	-	-	-
Income taxes	57	70	120	164	184	215	138	198	258	297	348	91	102	100
Other	11	106	(11)	(2)	(7)	2	1	-	(1)	(9)	(2)	-	-	2
Adjusted EBITDA	<u>\$360</u>	<u>\$505</u>	<u>\$545</u>	<u>\$702</u>	<u>\$763</u>	<u>\$904</u>	<u>\$625</u>	<u>\$769</u>	<u>\$951</u>	<u>\$1,058</u>	<u>\$1,231</u>	<u>\$323</u>	<u>\$347</u>	<u>\$351</u>
Third-party sales	\$3,905	\$4,283	\$4,773	\$5,428	\$5,834	\$6,199	\$4,689	\$4,584	\$5,345	\$5,525	\$5,733	\$1,437	\$1,502	\$1,495
Adjusted EBITDA Margin	9.2%	11.8%	11.4%	12.9%	13.1%	14.6%	13.3%	16.8%	17.8%	19.1%	21.5%	22.5%	23.1%	23.5%

Alcoa's definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation, depletion, and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation, depletion, and amortization. The Other line in the table above includes gains/losses on asset sales and other non-operating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA provides additional information with respect to Alcoa's operating performance and the Company's ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Reconciliation of Free Cash Flow

(in millions)	Quarter ended											
	31-Dec-11	31-Mar-12	30-Jun-12	30-Sep-12	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Sep-14
Cash from operations	\$1,142	\$(236)	\$537	\$263	\$933	\$(70)	\$514	\$214	\$920	\$(551)	\$518	\$249
Capital expenditures	(486)	(270)	(291)	(302)	(398)	(235)	(286)	(250)	(422)	(209)	(258)	(283)
Free cash flow	\$656	\$(506)	\$246	\$(39)	\$535	\$(305)	\$228	\$(36)	\$498	\$(760)	\$260	\$(34)

Free Cash Flow is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures due to the fact that these expenditures are considered necessary to maintain and expand Alcoa's asset base and are expected to generate future cash flows from operations. It is important to note that Free Cash Flow does not represent the residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements, are not deducted from the measure.

Reconciliation of Free Cash Flow, continued

(in millions)	Quarter ended											
	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10	30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11
Cash from operations	\$608	\$(271)	\$328	\$184	\$1,124	\$199	\$300	\$392	\$1,370	\$(236)	\$798	\$489
Capital expenditures	(1,017)	(471)	(418)	(370)	(363)	(221)	(213)	(216)	(365)	(204)	(272)	(325)
Free cash flow	\$(409)	\$(742)	\$(90)	\$(186)	\$761	\$(22)	\$87	\$176	\$1,005	\$(440)	\$526	\$164

Free Cash Flow is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures due to the fact that these expenditures are considered necessary to maintain and expand Alcoa's asset base and are expected to generate future cash flows from operations. It is important to note that Free Cash Flow does not represent the residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements, are not deducted from the measure.

Days Working Capital

(\$ in millions)

	Quarter ended										
	31-Mar-12	30-Jun-12	30-Sep-12	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Sep-14
Receivables from customers, less allowances	\$1,709	\$1,650	\$1,600	\$1,573	\$1,704	\$1,483	\$1,427	\$1,383	\$1,391	\$1,401	\$1,526
Add: Deferred purchase price receivable*	85	144	104	53	50	223	347	339	238	371	438
Receivables from customers, less allowances, as adjusted	1,794	1,794	1,704	1,626	1,754	1,706	1,774	1,722	1,629	1,772	1,964
Add: Inventories	3,079	3,097	3,051	2,894	2,961	2,949	2,932	2,783	2,974	3,201	3,194
Less: Accounts payable, trade	2,660	2,594	2,496	2,587	2,656	2,820	2,746	2,816	2,813	2,880	3,016
Working Capital**	\$2,213	\$2,297	\$2,259	\$1,933	\$2,059	\$1,835	\$1,960	\$1,689	\$1,790	\$2,093	\$2,142
Sales	\$6,006	\$5,963	\$5,833	\$5,898	\$5,833	\$5,849	\$5,765	\$5,585	\$5,454	\$5,836	\$6,239
Days Working Capital	34	35	36	30	32	29	31	28	30	33	32

Days Working Capital = Working Capital divided by (Sales/number of days in the quarter).

*The deferred purchase price receivable relates to an arrangement to sell certain customer receivables to several financial institutions on a recurring basis. Alcoa is adding back this receivable for the purposes of the Days Working Capital calculation.

** Beginning January 1, 2014, management changed the manner in which Working Capital is measured by moving from an end of quarter Working Capital to an average quarter Working Capital. This change will now reflect the capital tied up during a given quarter. As such, the components of Working Capital for each period presented represent the average of the ending balances in each of the three months during the respective quarter.

Reconciliation of Net Debt

(in millions)

	December 31,						March 31,	June 30,	September 30,
	2008	2009	2010	2011	2012	2013	2014	2014	2014
Short-term borrowings	\$478	\$176	\$92	\$62	\$53	\$57	\$53	\$133	\$57
Commercial paper	1,535	–	–	224	–	–	–	223	99
Long-term debt due within one year	56	669	231	445	465	655	85	87	35
Long-term debt, less amount due within one year	8,509	8,974	8,842	8,640	8,311	7,607	7,609	7,612	8,797
Total debt	10,578	9,819	9,165	9,371	8,829	8,319	7,747	8,055	8,988
Less: Cash and cash equivalents	762	1,481	1,543	1,939	1,861	1,437	665	1,183	3,272
Net debt	\$9,816	\$8,338	\$7,622	\$7,432	\$6,968	\$6,882	\$7,082	\$6,872	\$5,716

Net debt is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management assesses Alcoa's leverage position after factoring in available cash that could be used to repay outstanding debt.

Reconciliation of Net Debt-to-Capital

(\$ in millions)	June 30, 2014			September 30, 2014		
	<u>Debt-to-Capital</u>	<u>Cash and Cash Equivalents</u>	<u>Net Debt-to-Capital</u>	<u>Debt-to-Capital</u>	<u>Cash and Cash Equivalents</u>	<u>Net Debt-to-Capital</u>
Total Debt						
Short-term borrowings	\$133			\$57		
Commercial paper	223			99		
Long-term debt due within one year	87			35		
Long-term debt, less amount due within one year	<u>7,612</u>			<u>8,797</u>		
Numerator	\$8,055	\$1,183	\$6,872	\$8,988	\$3,272	\$5,716
Total Capital						
Total debt	\$8,055			\$8,988		
Total equity	<u>14,706</u>			<u>15,139</u>		
Denominator	\$22,761	\$1,183	\$21,578	\$24,127	\$3,272	\$20,855
Ratio	35.4%		31.8%	37.3%		27.4%

Net debt-to-capital is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management assesses Alcoa's leverage position after factoring in available cash that could be used to repay outstanding debt.