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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2010

OR

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

Commission File Number 1-3610

ALCOA INC.
(Exact name of registrant as specified in its charter)

PENNSYLVANIA **(State of incorporation)**	**25-0317820** **(I.R.S. Employer Identification No.)**
390 Park Avenue, New York, New York **(Address of principal executive offices)**	**10022-4608** **(Zip code)**

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

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of April 19, 2010, 1,021,019,821 shares of common stock, par value $1.00 per share, of the registrant were outstanding.

A07-15045

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Alcoa and subsidiaries

Statement of Consolidated Operations (unaudited)
(in millions, except per-share amounts)

	First quarter ended March 31, 2010	First quarter ended March 31, 2009
Sales (J)	$4,887	$4,147
Cost of goods sold (exclusive of expenses below)	4,013	4,143
Selling, general administrative, and other expenses	239	244
Research and development expenses	39	41
Provision for depreciation, depletion, and amortization	358	283
Restructuring and other charges (D)	187	69
Interest expense	118	114
Other expenses, net (I)	21	30
Total costs and expenses	4,975	4,924
Loss from continuing operations before income taxes	(88)	(777)
Provision (benefit) for income taxes (M)	84	(307)
Loss from continuing operations	(172)	(470)
Loss from discontinued operations (C)	(7)	(17)
Net loss	(179)	(487)
Less: Net income attributable to noncontrolling interests	22	10
NET LOSS ATTRIBUTABLE TO ALCOA	$ (201)	$ (497)
AMOUNTS ATTRIBUTABLE TO ALCOA COMMON SHAREHOLDERS:		
Loss from continuing operations	$ (194)	$ (480)
Loss from discontinued operations	(7)	(17)
Net loss	$ (201)	$ (497)
EARNINGS PER SHARE ATTRIBUTABLE TO ALCOA COMMON SHAREHOLDERS (L):		
Basic:		
Loss from continuing operations	$ (0.19)	$ (0.59)
Loss from discontinued operations	(0.01)	(0.02)
Net loss	$ (0.20)	$ (0.61)
Diluted:		
Loss from continuing operations	$ (0.19)	$ (0.59)
Loss from discontinued operations	(0.01)	(0.02)
Net loss	$ (0.20)	$ (0.61)
Dividends paid per common share	$ 0.03	$ 0.17

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

Alcoa and subsidiaries

Consolidated Balance Sheet (unaudited)
(in millions)

	March 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,292	$ 1,481
Receivables from customers, less allowances of $61 in 2010 and $70 in 2009	1,647	1,529
Other receivables	308	653
Inventories (F)	2,394	2,328
Prepaid expenses and other current assets	978	1,031
Total current assets	6,619	7,022
Properties, plants, and equipment	35,757	35,525
Less: accumulated depreciation, depletion, and amortization	16,090	15,697
Properties, plants, and equipment, net	19,667	19,828
Goodwill	5,065	5,051
Investments	1,058	1,061
Deferred income taxes	2,918	2,958
Other noncurrent assets	2,388	2,419
Assets held for sale (C)	120	133
Total assets	$ 37,835	$ 38,472
LIABILITIES		
Current liabilities:		
Short-term borrowings	$ 166	$ 176
Accounts payable, trade	1,868	1,954
Accrued compensation and retirement costs	799	925
Taxes, including income taxes	371	345
Other current liabilities	1,274	1,345
Long-term debt due within one year	666	669
Total current liabilities	5,144	5,414
Long-term debt, less amount due within one year	8,925	8,974
Accrued pension benefits (O)	2,547	3,163
Accrued postretirement benefits	2,689	2,696
Other noncurrent liabilities and deferred credits	2,631	2,605
Liabilities of operations held for sale (C)	49	60
Total liabilities	21,985	22,912
COMMITMENTS AND CONTINGENCIES (H)		
CONVERTIBLE SECURITIES OF SUBSIDIARY (G)	—	40
EQUITY		
Alcoa shareholders’ equity:		
Preferred stock	55	55
Common stock (K)	1,141	1,097
Additional capital (K)	7,100	6,608
Retained earnings	10,787	11,020
Treasury stock, at cost	(4,191)	(4,268)
Accumulated other comprehensive loss	(2,223)	(2,092)
Total Alcoa shareholders’ equity	12,669	12,420
Noncontrolling interests	3,181	3,100
Total equity	15,850	15,520
Total liabilities and equity	$ 37,835	$ 38,472

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

Alcoa and subsidiaries

Statement of Consolidated Cash Flows (unaudited)
(in millions)

	Three months ended March 31,	
	2010	2009
CASH FROM OPERATIONS		
Net loss	$ (179)	$ (487)
Adjustments to reconcile net loss to cash from operations:		
Depreciation, depletion, and amortization	358	283
Deferred income taxes	68	(24)
Equity (income) loss, net of dividends	(15)	27
Restructuring and other charges (D)	187	69
Net gain from investing activities – asset sales (I)	(2)	(27)
Loss from discontinued operations (C)	7	17
Stock-based compensation	25	26
Other	65	37
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, and foreign currency translation adjustments:		
(Increase) decrease in receivables	(176)	302
(Increase) decrease in inventories	(105)	523
Decrease in prepaid expenses and other current assets	14	11
(Decrease) in accounts payable, trade	(55)	(474)
(Decrease) in accrued expenses	(326)	(303)
Increase (decrease) in taxes, including income taxes	321	(339)
Pension contributions	(22)	(34)
(Increase) decrease in noncurrent assets	(9)	30
Increase in noncurrent liabilities	53	98
(Increase) decrease in net assets held for sale (C)	(17)	1
CASH PROVIDED FROM (USED FOR) CONTINUING OPERATIONS	192	(264)
CASH PROVIDED FROM (USED FOR) DISCONTINUED OPERATIONS	7	(7)
CASH PROVIDED FROM (USED FOR) OPERATIONS	199	(271)
FINANCING ACTIVITIES		
Net change in short-term borrowings	(9)	209
Net change in commercial paper	—	(1,202)
Additions to long-term debt	53	689
Debt issuance costs	—	(13)
Payments on long-term debt	(86)	(1)
Proceeds from exercise of employee stock options	5	—
Issuance of common stock (L)	—	876
Dividends paid to shareholders	(32)	(137)
Dividends paid to noncontrolling interests	(72)	(77)
Contributions from noncontrolling interests	27	159
Acquisitions of noncontrolling interests (G)	(66)	—
CASH (USED FOR) PROVIDED FROM FINANCING ACTIVITIES	(180)	503
INVESTING ACTIVITIES		
Capital expenditures	(221)	(468)
Capital expenditures of discontinued operations	—	(3)
Acquisitions, net of cash acquired	5	18
Proceeds from the sale of assets and businesses	—	116
Additions to investments	(129)	(29)
Sales of investments	137	506
Other	—	(4)
CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES	(208)	136
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	1
Net change in cash and cash equivalents	(189)	369
Cash and cash equivalents at beginning of year	1,481	762
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$1,292	$ 1,131

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

Alcoa and subsidiaries

Statement of Changes in Consolidated Equity (unaudited)
(in millions, except per-share amounts)

	Alcoa Inc. Shareholders							
	Preferred stock	Common stock	Additional capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Non-controlling interests	Total equity
Balance at December 31, 2008	$ 55	$ 925	$ 5,850	$12,400	$(4,326)	$ (3,169)	$ 2,597	$14,332
Net (loss) income	—	—	—	(497)	—	—	10	(487)
Other comprehensive income (loss)	—	—	—	—	—	413	(3)	410
Cash dividends declared:								
Preferred @ $1.875 per share	—	—	—	(1)	—	—	—	(1)
Common @ $0.20 per share	—	—	—	(168)	—	—	—	(168)
Noncontrolling interests	—	—	—	—	—	—	(77)	(77)
Beneficial conversion option on convertible notes	—	—	66	—	—	—	—	66
Stock-based compensation	—	—	26	—	—	—	—	26
Common stock issued: compensation plans	—	—	(67)	—	54	—	—	(13)
Issuance of common stock	—	172	704	—	—	—	—	876
Contributions	—	—	—	—	—	—	159	159
Purchase of equity from noncontrolling interest	—	—	—	—	—	—	(179)	(179)
Other	—	—	—	—	—	—	(7)	(7)
Balance at March 31, 2009	$ 55	$ 1,097	$ 6,579	$11,734	$(4,272)	$ (2,756)	$ 2,500	$14,937
Balance at December 31, 2009	$ 55	$ 1,097	$ 6,608	$11,020	$(4,268)	$ (2,092)	$ 3,100	$15,520
Net (loss) income	—	—	—	(201)	—	—	22	(179)
Other comprehensive (loss) income	—	—	—	—	—	(131)	107	(24)
Cash dividends declared:								
Preferred @ $0.9375 per share	—	—	—	(1)	—	—	—	(1)
Common @ $0.03 per share	—	—	—	(31)	—	—	—	(31)
Noncontrolling interests	—	—	—	—	—	—	(72)	(72)
Stock-based compensation	—	—	25	—	—	—	—	25
Common stock issued: compensation plans	—	—	(67)	—	77	—	—	10
Issuance of common stock (K)	—	44	556	—	—	—	—	600
Contributions	—	—	—	—	—	—	27	27
Purchase of equity from noncontrolling interest	—	—	(2)	—	—	—	(4)	(6)
Other	—	—	(20)	—	—	—	1	(19)
Balance at March 31, 2010	$ 55	$ 1,141	$ 7,100	$10,787	$(4,191)	$ (2,223)	$ 3,181	$15,850

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

Alcoa and subsidiaries

Statement of Consolidated Comprehensive (Loss) Income (unaudited)
(in millions)

	Alcoa Inc. First quarter ended March 31,		Noncontrolling Interests First quarter ended March 31,		Total First quarter ended March 31,	
	2010	2009	2010	2009	2010	2009
Net (loss) income	$ (201)	$ (497)	$ 22	$ 10	$ (179)	$ (487)
Other comprehensive (loss) income, net of tax:						
Change in unrecognized losses and prior service cost related to pension and postretirement benefit plans	29	26	1	1	30	27
Foreign currency translation adjustments (A)	(103)	(87)	105	(4)	2	(91)
Unrealized (losses) gains on available-for-sale securities:						
Unrealized holding (losses) gains	(3)	48	—	—	(3)	48
Net amount reclassified to earnings	2	380	—	—	2	380
Net change in unrealized (losses) gains on available-for-sale securities	(1)	428	—	—	(1)	428
Unrecognized (losses) gains on derivatives (P):						
Net change from periodic revaluations	(74)	100	1	—	(73)	100
Net amount reclassified to earnings	18	(54)	—	—	18	(54)
Net unrecognized (losses) gains on derivatives	(56)	46	1	—	(55)	46
Total Other comprehensive (loss) income, net of tax	(131)	413	107	(3)	(24)	410
Comprehensive (loss) income	$ (332)	$ (84)	$ 129	$ 7	$ (203)	$ (77)

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

A. **Basis of Presentation** – The interim Consolidated Financial Statements of Alcoa Inc. and its subsidiaries (“Alcoa” or the “Company”) are unaudited. The Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments, considered necessary by management to fairly state the Company’s results of operations, financial position, and cash flows. The results reported in these Consolidated Financial Statements are not necessarily indicative of the results that may be expected for the entire year. The 2009 year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). This Form 10-Q report should be read in conjunction with Alcoa’s Annual Report on Form 10-K for the year ended December 31, 2009, which includes all disclosures required by GAAP. Certain amounts in previously issued financial statements were reclassified to conform to the current period presentation.

Effective January 1, 2010, the functional currency of a subsidiary located in Brazil (that is part of Alcoa World Alumina and Chemicals, which is 60% owned by Alcoa and 40% owned by Alumina Limited) was changed from the U.S. dollar to the Brazilian real (BRL). This change was made as a result of changes in the operations of the business following the completion of the São Luís refinery expansion and Juruti bauxite mine development in the second half of 2009. In connection with this change, on January 1, 2010, an adjustment of $300 was recorded as an increase to the net nonmonetary assets of this subsidiary (primarily properties, plants, and equipment) with a corresponding adjustment to the foreign currency translation component of Accumulated other comprehensive loss. The functional currency of all of Alcoa’s Brazilian operations is now BRL.

B. Recently Adopted and Recently Issued Accounting Guidance

Adopted

On January 1, 2010, Alcoa adopted changes issued by the Financial Accounting Standards Board (FASB) to accounting for variable interest entities. These changes require an enterprise to perform an analysis to determine whether the enterprise’s variable interest or interests give it a controlling financial interest in a variable interest entity; to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity; to eliminate the solely quantitative approach previously required for determining the primary beneficiary of a variable interest entity; to add an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity’s economic performance; and to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise’s involvement in a variable interest entity. The adoption of these changes had no impact on the Consolidated Financial Statements.

On January 1, 2010, Alcoa adopted changes issued by the FASB to accounting for transfers of financial assets. These changes remove the concept of a qualifying special-purpose entity and remove the exception from the application of variable interest accounting to variable interest entities that are qualifying special-purpose entities; limit the circumstances in which a transferor derecognizes a portion or component of a financial asset; define a participating interest; require a transferor to recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer accounted for as a sale; and require enhanced disclosure. The adoption of these changes had no impact on the Consolidated Financial Statements. In March 2010, management terminated the Company’s accounts receivable securitization program (see Note N); had this program not been terminated, the adoption of these changes would have resulted in a $250 increase to both Receivables from customers and Short-term borrowings on the Consolidated Balance Sheet.

Effective January 1, 2010, Alcoa adopted changes issued by the FASB on January 6, 2010, for a scope clarification to the FASB’s previously-issued guidance on accounting for noncontrolling interests in consolidated financial statements. These changes clarify the accounting and reporting guidance for noncontrolling interests and changes in ownership interests of a consolidated subsidiary. An entity is required to deconsolidate a subsidiary when the entity ceases to have a controlling financial interest in the subsidiary. Upon deconsolidation of a subsidiary, an entity recognizes a gain or loss on the transaction and measures any retained investment in the subsidiary at fair value. The gain or loss includes any gain or loss associated with the difference between the fair value of the retained investment in the subsidiary and its carrying amount at the date the subsidiary is deconsolidated. In contrast, an entity is required to

account for a decrease in its ownership interest of a subsidiary that does not result in a change of control of the subsidiary as an equity transaction. The adoption of these changes had no impact on the Consolidated Financial Statements.

Effective January 1, 2010, Alcoa adopted changes issued by the FASB on January 21, 2010, to disclosure requirements for fair value measurements. Specifically, the changes require a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. The changes also clarify existing disclosure requirements related to how assets and liabilities should be grouped by class and valuation techniques used for recurring and nonrecurring fair value measurements. The adoption of these changes had no impact on the Consolidated Financial Statements.

Effective January 1, 2010, Alcoa adopted changes issued by the FASB on February 24, 2010, to accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued, otherwise known as "subsequent events." Specifically, these changes clarified that an entity that is required to file or furnish its financial statements with the SEC is not required to disclose the date through which subsequent events have been evaluated. Other than the elimination of disclosing the date through which management has performed its evaluation for subsequent events (see Note Q), the adoption of these changes had no impact on the Consolidated Financial Statements.

Issued

In October 2009, the FASB issued changes to revenue recognition for multiple-deliverable arrangements. These changes require separation of consideration received in such arrangements by establishing a selling price hierarchy (not the same as fair value) for determining the selling price of a deliverable, which will be based on available information in the following order: vendor-specific objective evidence, third-party evidence, or estimated selling price; eliminate the residual method of allocation and require that the consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the arrangement to each deliverable on the basis of each deliverable's selling price; require that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis; and expand the disclosures related to multiple-deliverable revenue arrangements. These changes become effective for Alcoa on January 1, 2011. Management has determined that the adoption of these changes will not have an impact on the Consolidated Financial Statements, as Alcoa does not currently have any such arrangements with its customers.

In January 2010, the FASB issued changes to disclosure requirements for fair value measurements. Specifically, the changes require a reporting entity to disclose, in the reconciliation of fair value measurements using significant unobservable inputs (Level 3), separate information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). These changes become effective for Alcoa beginning January 1, 2011. Other than the additional disclosure requirements, management has determined these changes will not have an impact on the Consolidated Financial Statements.

In March 2010, the FASB issued changes related to existing accounting requirements for embedded credit derivatives. Specifically, the changes clarify the scope exception regarding when embedded credit derivative features are not considered embedded derivatives subject to potential bifurcation and separate accounting. These changes become effective for Alcoa on July 1, 2010. Management has determined these changes will not have an impact on the Consolidated Financial Statements.

C. Discontinued Operations and Assets Held for Sale – For the first quarter ended March 31, 2010, there were no active businesses classified as discontinued operations. The Electrical and Electronic Solutions (EES) business (parts of which were sold in June 2009 and December 2009) was included in discontinued operations for the first quarter ended March 31, 2009.

The following table details selected financial information of discontinued operations:

	First quarter ended March 31,	
	2010	2009
Sales	$ —	$ 155
Loss from operations before income taxes	$ (12)	$ (24)
Benefit for income taxes	5	7
Loss from discontinued operations	$ (7)	$ (17)

In the 2010 first quarter, discontinued operations included an additional loss for the wire harness and electrical portion of the EES business sold in June 2009 as a result of a contract settlement with a former customer of this business (see Note E). In the 2009 first quarter, loss from discontinued operations was comprised of the operational results of the EES business.

For both periods presented in the accompanying Consolidated Balance Sheet, the assets and liabilities of operations classified as held for sale included the Global Foil business (one remaining plant located in Brazil), the Transportation Products Europe business, and the Hawesville, KY automotive casting facility.

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

	March 31, 2010	December 31, 2009
Assets:		
Receivables	$ 46	$ 41
Inventories	29	26
Properties, plants, and equipment	29	45
Other assets	16	21
Assets held for sale	$ 120	$ 133
Liabilities:		
Accounts payable, trade	$ 22	$ 25
Accrued expenses	27	35
Liabilities of operations held for sale	$ 49	$ 60

D. Restructuring and Other Charges – In the first quarter of 2010, Alcoa recorded Restructuring and other charges of $187 ($119 after-tax and noncontrolling interests), which were comprised of the following components: $129 ($81 after-tax and noncontrolling interests) in asset impairments and $46 ($29 after-tax and noncontrolling interests) in other exit costs related to the permanent shutdown and planned demolition of certain idled structures at five U.S. locations and $12 ($9 after-tax and noncontrolling interests) in net charges for various other restructuring activities, including charges for the layoff of approximately 220 employees. In the 2010 first quarter, management approved the permanent shutdown and demolition of the following structures, each of which was previously temporarily idled for different reasons: the Eastalco smelter located in Frederick, MD (capacity of 195 kmt-per-year), the smelter located in Badin, NC (capacity of 60 kmt-per-year), an aluminum fluoride plant in Point Comfort, TX, a paste plant and cast house in Massena, NY, and one potline at the smelter in Warrick, IN (capacity of 40 kmt-per-year). This decision was made after a comprehensive strategic analysis was performed to determine the best course of action for each facility. Factors leading to this decision included current market fundamentals, cost competitiveness, other existing idle capacity, required future capital investment, and restart costs, as well as the elimination of ongoing holding costs. The asset impairments of $129 represent the write off of the remaining book value of properties, plants, and equipment related to these facilities. Additionally, remaining inventories, mostly operating supplies, were written down to their net realizable value resulting in a charge of $8 ($5 after-tax and noncontrolling interests), which was recorded in Cost of goods sold on the accompanying Statement of Consolidated Operations. The other exit costs of $46 represent $30 ($19 after-tax and noncontrolling interests) in asset retirement obligations and $14 ($9 after-tax) in environmental remediation, both triggered by the decision to permanently shutdown and demolish these structures, and $2 ($1 after-tax and noncontrolling interests) in other related costs.

In the first quarter of 2009, Alcoa recorded Restructuring and other charges of $69 ($46 after-tax and noncontrolling interests), which were comprised of the following components: $48 ($32 after-tax and noncontrolling interests) for the layoff of approximately 2,500 employees (2,190 in the Engineered Products and Solutions segment, 160 in the Primary Metals segment, 60 in the Flat-Rolled Products segment, and 90 in Corporate) to address the impact of the global economic downturn on Alcoa's businesses; $18 ($12 after-tax) for the write-off of previously capitalized third-party costs related to potential business acquisitions due to the adoption of changes to accounting for business combinations; and $3 ($2 after-tax and noncontrolling interests) in net charges associated with previously approved restructuring programs.

Alcoa does not include Restructuring and other charges in the results of its reportable segments. The pretax impact of allocating Restructuring and other charges to such results would have been as follows:

	First quarter ended March 31,	
	2010	2009
Alumina	$ 12	$ —
Primary Metals	150	11
Flat-Rolled Products	(5)	4
Engineered Products and Solutions	4	27
Segment total	161	42
Corporate	26	27
Total restructuring and other charges	$ 187	$ 69

As of March 31, 2010, approximately 90 of the 220 employees associated with 2010 restructuring programs, approximately 4,900 of the 6,600 employees associated with 2009 restructuring programs, and approximately 5,900 of the 6,200 employees associated with 2008 restructuring programs were terminated. The remaining terminations for all of these restructuring programs are expected to be completed by the end of 2010. In the 2010 first quarter, cash payments of $2, $37, and $7 were made against the layoff reserves related to the 2010, 2009, and 2008 restructuring programs, respectively.

Activity and reserve balances for restructuring charges are as follows:

	Layoff costs	Other exit costs	Total
Reserve balances at December 31, 2008	$ 251	$ 77	$ 328
2009:			
Cash payments	(203)	(18)	(221)
Restructuring charges	186	13	199
Other*	(74)	(6)	(80)
Reserve balances at December 31, 2009	160	66	226
2010:			
Cash payments	(47)	(6)	(53)
Restructuring charges	8	49	57
Other*	(14)	(41)	(55)
Reserve balances at March 31, 2010	$ 107	$ 68	$ 175

* Other includes reversals of previously recorded restructuring charges and the effects of foreign currency translation. In 2010, Other for other exit costs also included a reclassification of the following restructuring charges: $30 in asset retirement and $14 in environmental obligations, as these liabilities were included in Alcoa's separate reserves for asset retirement obligations and environmental remediation (see Note H), respectively. In 2009, Other for layoff costs also included a reduction of $26 for reserves related to the wire harness and electrical portion of the EES business as Platinum Equity assumed these obligations.

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

E. Acquisitions and Divestitures – On March 31, 2009, Alcoa completed a non-cash exchange of its 45.45% stake in the Sapa AB joint venture for Orkla ASA's 50% stake in the Elkem Aluminium ANS joint venture. The exchange transaction resulted in the recognition of a $188 gain ($133 after-tax) in the first quarter of 2009. In the 2010 first quarter, the purchase price allocation was finalized based on the completion of a valuation study resulting in goodwill of $48, half of which is deductible for U.S. income tax purposes, and a corresponding reduction in properties, plants, and equipment. There was no change to the gain recognized on the transaction in 2009. Under business combination accounting, prior periods, beginning with the period of acquisition, are required to be revised to reflect changes to the original purchase price allocation; however, this $48 was deemed immaterial for this purpose.

On June 15, 2009, Alcoa completed the divestiture of the wire harness and electrical portion of the EES business to Platinum Equity, effective June 1, 2009. Alcoa recognized a loss of $129 ($168 pretax) in discontinued operations in 2009 for this transaction. In the 2010 first quarter, Alcoa recognized an additional loss of $6 ($9 pretax) in discontinued operations as a result of a contract settlement with a former customer of this business (see Note C).

F. Inventories

	March 31, 2010	December 31, 2009
Finished goods	$ 460	$ 441
Work-in-process	726	680
Bauxite and alumina	638	593
Purchased raw materials	331	359
Operating supplies	239	255
	$ 2,394	$ 2,328

At March 31, 2010 and December 31, 2009, the total amount of inventories valued on a last in, first out (LIFO) basis was 35%. If valued on an average-cost basis, total inventories would have been $738 and $717 higher at March 31, 2010 and December 31, 2009, respectively.

G. Investments – In December 2009, Alcoa and Saudi Arabian Mining Company (known as "Ma'aden") entered into a 30-year joint venture shareholders' agreement setting forth the terms for the development, construction, ownership, and operation of an integrated bauxite mine, alumina refinery, aluminum smelter, and rolling mill, in Saudi Arabia. The joint venture was to be owned 60% by Ma'aden with the other 40% being controlled by Alcoa through a special-purpose vehicle (SPV). Through this SPV arrangement, Alcoa and Aluminum Financing Limited would each have a 20% economic interest in the joint venture. Aluminum Financing Limited's investment was in the form of subordinated, participating convertible notes issued by the SPV (the "Notes"), which had common equity rights in the SPV and were to be converted into permanent equity at a future date based on certain conditions as defined in the underlying SPV agreement.

In March 2010, Alcoa and Ma'aden executed a supplement to the shareholders' agreement and modified the ownership structure such that the joint venture now will be owned 74.9% by Ma'aden and 25.1% by Alcoa. Ma'aden and Alcoa will have put and call options, respectively, whereby Ma'aden can require Alcoa to purchase from Ma'aden, or Alcoa can require Ma'aden to sell to Alcoa, a 14.9% interest in the joint venture at the then fair value. These options may only be exercised in a six-month window that opens five years after the Commercial Production Date (as defined in the shareholders' agreement) and, if exercised, must be exercised for the full 14.9% interest. In addition, Alcoa will pay $34 (rather than the previously-disclosed $55) to Ma'aden, representing Alcoa's pro rata share of certain agreed upon pre-incorporation costs incurred by Ma'aden before formation of the joint venture; this payment is due on August 1, 2010.

The Alcoa affiliate that will hold Alcoa's interests in the smelting company and the rolling mill company will be wholly owned by Alcoa, and the Alcoa affiliate that will hold Alcoa's interests in the mining and refining company will be owned 60% (or more) by Alcoa and 40% by Alumina Limited. Except in limited circumstances, Alcoa may not sell, transfer or otherwise dispose of or encumber or enter into any agreement in respect of the votes or other rights attached to its interests in the joint venture without Ma'aden's prior written consent.

Concurrent with modifying the shareholders' agreement with Ma'aden, Alcoa entered into an agreement with Aluminum Financing Limited under which Alcoa redeemed the $40 in Notes, and Aluminum Financing Limited terminated all of its current and future interests in the SPV, for a payment of $60. This $60 was included in Acquisitions of noncontrolling interests on the accompanying Statement of Consolidated Cash Flows. The difference between the redemption amount and the carrying value of the Notes was reflected as a reduction in Additional capital on the accompanying Consolidated Balance Sheet.

As a result of the changes in the ownership structure described above, Alcoa's capital investment in the joint venture will be approximately $1,100 over a four-year period, and Alcoa will be responsible for its pro rata share of the joint venture's project financing.

H. Commitments and Contingencies

Litigation

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

Alcoa and its employees or agents (1) illegally bribed officials of the government of Bahrain and (or) officers of Alba in order to force Alba to purchase alumina at excessively high prices, (2) illegally bribed officials of the government of Bahrain and (or) officers of Alba and issued threats in order to pressure Alba to enter into an agreement by which Alcoa would purchase an equity interest in Alba, and (3) assigned portions of existing supply contracts between Alcoa and Alba for the sole purpose of facilitating alleged bribes and unlawful commissions. The complaint alleges that Alcoa and the other defendants violated the Racketeer Influenced and Corrupt Organizations Act (RICO) and committed fraud. Alba's complaint seeks compensatory, consequential, exemplary, and punitive damages, rescission of the 2005 alumina supply contract, and attorneys' fees and costs. Alba seeks treble damages with respect to its RICO claims.

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

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

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

In addition to the litigation discussed above, various other lawsuits, claims, and proceedings have been or may be instituted or asserted against Alcoa, including those pertaining to environmental, product liability, and safety and health matters. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that exist. Therefore, it is possible that the Company's financial position, liquidity, or results of operations in a particular period could be materially affected by certain contingencies. However, based on facts currently available, management believes that the disposition of matters that are pending or asserted will not have a material adverse effect, individually or in the aggregate, on the financial position, liquidity, or the results of operations of the Company.

European Commission Matters

In July 2006, the European Commission (EC) announced that it had opened an investigation to establish whether an extension of the regulated electricity tariff granted by Italy to some energy-intensive industries complies with European Union (EU) state aid rules. The Italian power tariff extended the tariff

that was in force until December 31, 2005 through November 19, 2009 (Alcoa has been incurring higher power costs at its smelters in Italy subsequent to the tariff end date). The extension was originally through 2010, but the date was changed by legislation adopted by the Italian Parliament effective on August 15, 2009. Prior to expiration of the tariff in 2005, Alcoa had been operating in Italy for more than 10 years under a power supply structure approved by the EC in 1996. That measure provided a competitive power supply to the primary aluminum industry and was not considered state aid from the Italian Government. The EC's announcement expressed concerns about whether Italy's extension of the tariff beyond 2005 was compatible with EU legislation and potentially distorted competition in the European market of primary aluminum, where energy is an important part of the production costs.

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

As a result of the EC's decision, management had contemplated ceasing operations at its Italian smelters due to uneconomical power costs. In February 2010, management agreed to continue to operate its smelters in Italy for up to six months while a long-term solution to address increased power costs can be negotiated. These smelters are currently operating on short-term, market-based power contracts, under which Alcoa may stop receiving power at any time. In February 2010, the Italian Government issued a decree, which was converted into law by the Italian Parliament in March 2010, to provide interruptibility rights to certain industrial customers who were willing to be subject to temporary interruptions in the supply of power. Alcoa applied for and was granted such rights related to its Portovesme smelter. The EC is currently reviewing the validity of the decree to determine whether it qualifies as state aid. Alcoa already had interruptibility rights under existing Italian legislation, which are not currently subject to review by the EC, related to its Fusina smelter. Alcoa and the Italian Government are expected to meet in late April to evaluate the Fusina situation.

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

In January 2007, the EC announced that it had opened an investigation to establish whether the regulated electricity tariffs granted by Spain comply with EU state aid rules. Alcoa has been operating in Spain for more than nine years under a power supply structure approved by the Spanish Government in 1986, an equivalent tariff having been granted in 1983. The investigation is limited to the year 2005 and is focused both on the energy-intensive consumers and the distribution companies. The investigation provided 30 days to any interested party to submit observations and comments to the EC. With respect to the energy-intensive consumers, the EC opened the investigation on the assumption that prices paid under the tariff in 2005 were lower than the pool price mechanism, therefore being, in principle, artificially below market conditions. Alcoa submitted comments in which the company provided evidence that prices paid by energy-intensive consumers were in line with the market, in addition to various legal arguments defending the legality of the Spanish tariff system. It is Alcoa's understanding that the Spanish tariff system for electricity is in conformity with all applicable laws and regulations, and therefore no state aid is present in the tariff system. Alcoa believes that the total potential impact from an unfavorable decision would be approximately $11 pretax (€8). While Alcoa believes that any additional cost would only be assessed for the year 2005, it is possible that the EC could extend its investigation to later years. A decision by the EC is expected in 2010. If the EC's investigation concludes that the regulated electricity tariffs for industries are unlawful, Alcoa will have an opportunity to challenge the decision in the EU courts.

Environmental Matters

Alcoa continues to participate in environmental assessments and cleanups at a number of locations. These include 30 owned or operating facilities and adjoining properties, 32 previously owned or operating facilities and adjoining properties, and 70 waste sites, including Superfund (Comprehensive

Environmental Response, Compensation and Liability Act (CERCLA)) sites. A liability is recorded for environmental remediation when a cleanup program becomes probable and the costs or damages can be reasonably estimated.

As assessments and cleanups proceed, the liability is adjusted based on progress made in determining the extent of remedial actions and related costs and damages. The liability can change substantially due to factors such as the nature and extent of contamination, changes in remedial requirements, and technological changes, among others.

Alcoa's remediation reserve balance was $333 and $307 at March 31, 2010 and December 31, 2009 (of which $28 and $27 was classified as a current liability), respectively, and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. In the first quarter of 2010, the remediation reserve was increased by $33 due to a $17 reserve adjustment related to the Massena, NY site discussed below, $14 in reserve adjustments related to two U.S. smelters (see Note D), and $2 associated with various sites. The changes to the remediation reserve, except for the $14, were recorded in Cost of goods sold on the accompanying Statement of Consolidated Operations. Payments related to remediation expenses applied against the reserve were $7 in the 2010 first quarter. These amounts include expenditures currently mandated, as well as those not required by any regulatory authority or third party.

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

The following discussion provides details regarding the current status of certain significant reserves related to current or former Alcoa sites. It is possible that Alcoa's financial position, liquidity, or results of operations, in a particular period, could be materially affected by matters relating to these sites. However, based on facts currently available, management believes that adequate reserves have been provided and that the disposition of these matters will not have a materially adverse effect on the financial position, liquidity, or the results of operations of the Company.

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

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

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

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

In late 2009, the EPA requested that Alcoa submit a complete revised Analysis of Alternatives Report in March 2010 to address questions and comments from the EPA and various stakeholders. On March 24, 2010, Alcoa submitted the revised report, which included an expanded list of proposed remedial alternatives, as directed by the EPA. Alcoa increased the reserve associated with the Grasse River by $17 for an increase in the estimated costs of the recommended capping alternative as a result of changes in scope that occurred due to the questions and comments from the EPA and various stakeholders. While the EPA reviews the revised report throughout 2010, Alcoa will continue with its on-going monitoring and field studies activities.

The ultimate selection of a remedy may result in additional liability. Alternatives analyzed in the most recent Analysis of Alternatives report that are equally effective as the recommended capping remedy range in additional estimated costs between $20 and $100. As such, Alcoa may be required to record a subsequent reserve adjustment at the time the EPA's Record of Decision is issued, which is expected in 2011 or later.

Sherwin, TX—In connection with the sale of the Sherwin alumina refinery, which was required to be divested as part of the Reynolds merger in 2000, Alcoa agreed to retain responsibility for the remediation of the then existing environmental conditions, as well as a pro rata share of the final closure of the active

waste disposal areas, which remain in use. Alcoa's share of the closure costs is proportional to the total period of operation of the active waste disposal areas. Alcoa estimated its liability for the active disposal areas by making certain assumptions about the period of operation, the amount of material placed in the area prior to closure, and the appropriate technology, engineering, and regulatory status applicable to final closure. The most probable cost for remediation was reserved.

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

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

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

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

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

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

On March 17, 2010, Alcoa received a letter from the WDE stating that the work performed by Alcoa related to the Columbia River and the upland portions of the Vancouver property met all of the requirements of the consent decree, as well as the industrial cleanup standards under the Washington State Model Toxics Control Act. No additional reserve adjustment was necessary.

Fusina and Portovesme, Italy—In 1996, Alcoa acquired the Fusina smelter and rolling operations and the Portovesme smelter, both of which are owned by Alcoa's subsidiary Alcoa Trasformazioni S.r.l., from Alumix, an entity owned by the Italian Government. At the time of the acquisition, Alumix indemnified Alcoa for pre-existing environmental contamination at the sites. In 2004, the Italian Ministry of Environment (MOE) issued orders to Alcoa Trasformazioni S.r.l. and Alumix for the development of a clean-up plan related to soil contamination in excess of allowable limits under legislative decree and to institute emergency actions and pay natural resource damages. Alcoa Trasformazioni S.r.l. appealed the orders and filed suit against Alumix, among others, seeking indemnification for these liabilities under the provisions of the acquisition agreement. In 2009, Ligestra S.r.l., Alumix's successor, and Alcoa Trasformazioni S.r.l. agreed to a stay on the court proceedings while investigations were conducted and negotiations advanced towards a possible settlement. In December 2009, Alcoa Trasformazioni S.r.l. and Ligestra S.r.l. reached an agreement for settlement of the liabilities related to Fusina while negotiations continue related to Portovesme. The agreement outlines an allocation of payments to the MOE for emergency action and natural resource damages and the scope and costs for a proposed soil remediation project, which is expected to be formally presented to the MOE in 2010. The agreement is contingent upon final acceptance of the remediation project by the MOE. As a result of entering into this agreement, Alcoa increased the reserve by $12 for Fusina. Additionally, due to new information derived from the site investigations conducted at Portovesme in 2009, Alcoa increased the reserve by $3.

Investments

Alumínio is a participant in several hydroelectric power construction projects in Brazil for purposes of increasing its energy self-sufficiency and providing a long-term, low-cost source of power for its facilities. Two of these projects, Machadinho and Barra Grande, were completed in 2002 and 2006, respectively.

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

With Machadinho and Barra Grande, Alumínio's current power self-sufficiency is approximately 40% (will be approximately 70% once the hydroelectric power projects described below are completed and operating at full capacity), to meet a total energy demand of approximately 690 megawatts from Brazilian primary plants. Alumínio accounts for the Machadinho and Barra Grande hydroelectric projects as equity method investments. Alumínio's investment participation in these projects is 30.99% for Machadinho and 42.18% for Barra Grande. Its total investment in these projects was $258 (R$462) and $264 (R$460) at March 31, 2010 and December 31, 2009, respectively. Alcoa's maximum exposure to loss on these completed projects is approximately $510 (R$910), which represents Alumínio's investment and guarantees of debt as of March 31, 2010.

In early 2006, Alumínio acquired an additional 6.41% share in the Estreito hydroelectric power project, reaching 25.49% of total participation in the consortium. This additional share entitles Alumínio to 38 megawatts of assured energy. Alumínio's share of the project is estimated to have installed capacity of approximately 280 megawatts and assured power of approximately 150 megawatts. In December 2006, the consortium obtained the environmental installation license, after completion of certain socioeconomic and cultural impact studies as required by a governmental agency. Construction began in early 2007 and is expected to be completed in 2011. In the first quarter of 2010, the consortium approved an increase of approximately $720 (R$1,300) in estimated costs to complete the Estreito project as a result of currency, inflation, and the price and scope of construction, among other factors. Total estimated project costs are approximately $2,700 (R$4,900) and Alumínio's share is approximately $700 (R$1,250). As of March 31, 2010, Alumínio has contributed approximately $480 (R$860) towards the $700 commitment.

In early 2007, construction began on the Serra do Facão hydroelectric power project. Construction of this facility is expected to be completed in 2010. The implementation of construction activities had been temporarily suspended in 2004 due to the temporary suspension of the project's installation permit by legal injunction issued by the Brazilian Judicial Department (Public Ministry). Since 2004, this project was placed on hold due to unattractive market conditions. In mid-2006, market conditions became favorable and Alumínio proceeded with plans to begin construction. In September 2006, the national environmental agency renewed the installation permit allowing construction to commence. Alumínio's share of the Serra do Facão project is 34.97% and entitles Alumínio to approximately 65 megawatts of assured power. Total estimated project costs are approximately $560 (R$1,000) and Alumínio's share is approximately $200 (R$350). Through March 31, 2009, Alumínio contributed approximately $120 (R$220) towards the $200 commitment. In April 2009, the consortium obtained long-term financing for the remaining costs of construction. As a result, the participants in this project will no longer be required to provide capital for their share of the project costs. Instead, the participants were each required to guarantee (expires 2027) a portion of the consortium's debt. Additionally, in May 2009, the consortium returned a portion of previous capital contributions to the participants, of which Alumínio received $53 (R$110). Alumínio accounts for the Serra do Facão hydroelectric power project as an equity method investment and its total investment in this project was $90 (R$161) and $89 (R$156) at March 31, 2010 and December 31, 2009, respectively. Alcoa's maximum exposure to loss on this project is approximately $210 (R$380), which represents Alumínio's investment and guarantee of debt as of March 31, 2010.

In 2004, Alcoa acquired a 20% interest in a consortium, which subsequently purchased the Dampier to Bunbury Natural Gas Pipeline (DBNGP) in Western Australia, in exchange for an initial cash investment of $17 (A$24). The investment in the DBNGP was made in order to secure a competitively priced long-term supply of natural gas to Alcoa's refineries in Western Australia. This investment was classified as an equity investment. Alcoa has made additional contributions of $120 (A$155), including $4 (A$4) in the 2010 first quarter, and committed to invest an additional $25 (A$28) to be paid as the pipeline expands through 2011. In addition to its equity ownership, Alcoa has an agreement to purchase gas transmission services from the DBNGP. Alcoa's maximum exposure to loss on the investment and the related contract is approximately $430 (A$470) as of March 31, 2010.

I. Other Expenses, Net

	First quarter ended March 31, 2010	2009
Equity (income) loss	$ (3)	$ 23
Interest income	(4)	(1)
Foreign currency (gains) losses, net	(6)	14
Net gain from asset sales	(2)	(27)
Other, net	36	21
	$ 21	$ 30

J. Segment Information – The operating results of Alcoa's reportable segments were as follows (differences between segment totals and consolidated totals are in Corporate):

First quarter ended March 31, 2010	Alumina	Primary Metals	Flat-Rolled Products	Engineered Products and Solutions	Total
Sales:					
Third-party sales	$ 638	$1,702	$ 1,435	$ 1,074	$4,849
Intersegment sales	591	623	46	—	1,260
Total sales	$ 1,229	$2,325	$ 1,481	$ 1,074	$6,109
Profit and loss:					
Equity income	$ 2	$ —	$ —	$ 1	$ 3
Depreciation, depletion, and amortization	92	147	59	41	339
Income taxes	27	18	18	31	94
After-tax operating income (ATOI)	72	123	30	81	306
First quarter ended March 31, 2009					
Sales:					
Third-party sales	$ 430	$ 844	$ 1,510	$ 1,270	$4,054
Intersegment sales	384	393	26	—	803
Total sales	$ 814	$1,237	$ 1,536	$ 1,270	$4,857
Profit and loss:					
Equity income (loss)	$ 2	$ (30)	$ —	$ —	$ (28)
Depreciation, depletion, and amortization	55	122	52	40	269
Income taxes	(1)	(147)	—	46	(102)
ATOI	35	(212)	(61)	95	(143)

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

	First quarter ended March 31, 2010	2009
Total segment ATOI	$ 306	$ (143)
Unallocated amounts (net of tax):		
Impact of LIFO	(14)	29
Interest income	3	1
Interest expense	(77)	(74)
Noncontrolling interests	(22)	(10)
Corporate expense	(67)	(71)
Restructuring and other charges	(122)	(46)
Discontinued operations	(7)	(17)
Other	(201)	(166)
Consolidated net loss attributable to Alcoa	$ (201)	$ (497)

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

K. Preferred and Common Stock – On January 26, 2010, Alcoa contributed 44,313,146 newly issued shares of its common stock to a master trust that holds the assets of certain U.S. defined benefit pension plans in a private placement transaction. These shares were valued at $13.54 per share (the closing price of Alcoa's common stock on January 26, 2010), or $600 in the aggregate, and were issued to satisfy a portion of Alcoa's future funding obligations to these plans, including a portion of the estimated minimum required funding for 2011. On January 27, 2010, the 44,313,146 shares were registered under Alcoa's current shelf registration statement dated March 10, 2008 for resale by the master trust, as selling stockholder. Alcoa is authorized to issue up to 1.8 billion shares of common stock. As of March 31, 2010, there were 1,141,387,684 common shares issued and 1,020,819,182 common shares outstanding.

L. Earnings Per Share – Basic earnings per share (EPS) amounts are computed by dividing earnings, after the deduction of preferred stock dividends declared and dividends and undistributed earnings allocated to participating securities, by the average number of common shares outstanding. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive share equivalents outstanding not classified as participating securities.

The information used to compute basic and diluted EPS on loss from continuing operations attributable to Alcoa common shareholders was as follows (shares in millions):

	First quarter ended March 31,	
	2010	**2009**
Loss from continuing operations attributable to Alcoa common shareholders	$ (194)	$ (480)
Less: preferred stock dividends declared	1	1
Loss from continuing operations available to common equity	(195)	(481)
Less: dividends and undistributed earnings allocated to participating securities	—	—
Loss from continuing operations available to Alcoa common shareholders	$ (195)	$ (481)
Average shares outstanding – basic	1,007	817
Effect of dilutive securities:		
Stock options	—	—
Stock and performance awards	—	—
Convertible notes	—	—
Average shares outstanding – diluted	1,007	817

Participating securities are defined as unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) and are included in the computation of earnings per share pursuant to the two-class method. Prior to January 1, 2010, certain employees were granted stock and performance awards, which entitle those employees to receive nonforfeitable dividends during the vesting period on a basis equivalent to the dividends paid to holders of Alcoa's common stock. As such, these unvested stock and performance awards met the definition of a participating security. Under the two-class method, all earnings, whether distributed or undistributed, are allocated to each class of common stock and participating securities based on their respective rights to receive dividends. At March 31, 2010 and 2009, there were 5 million and 7 million such participating securities outstanding. However, none of the loss from continuing operations in either period was allocated to these participating securities because these awards do not share in any loss generated by Alcoa.

Effective January 1, 2010, new grants of stock and performance awards do not contain a nonforfeitable right to dividends during the vesting period. As a result, an employee will forfeit the right to dividends accrued on unvested awards if that person does not fulfill their service requirement during the vesting period. As such, these awards are not treated as participating securities in the EPS calculation as the employees no longer have equivalent dividend rights as common shareholders. These awards are included in the EPS calculation utilizing the treasury stock method similar to stock options. At March 31, 2010, there were 3 million such awards outstanding.

In the first quarter of 2010 and 2009, basic average shares outstanding and diluted average shares outstanding were the same because the effect of potential shares of common stock was anti-dilutive since Alcoa generated a loss from continuing operations. As a result, 89 million share equivalents related to convertible notes were not included in the computation of diluted EPS in either period. Additionally, 34 million stock options and 3 million stock and performance awards were not included in the computation of diluted EPS in the first quarter of 2010. Had Alcoa generated sufficient income from continuing operations, 89 million and 7 million potential shares of common stock related to the convertible notes and stock options, respectively, in the 2010 first quarter and, 8 million potential shares of common stock related to the convertible notes in the 2009 first quarter would have been included in diluted average shares outstanding.

Options to purchase 24 million and 68 million shares of common stock at a weighted average exercise price of $32.70 and $24.67 per share were outstanding as of March 31, 2010 and 2009, respectively, but were not included in the computation of diluted EPS because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of Alcoa's common stock.

M. Income Taxes – The effective tax rate for the first quarter of 2010 and 2009 was 95.5% (provision on a loss) and 39.5% (benefit on a loss), respectively. The rate for the 2010 first quarter differs by 130.5% from the U.S. federal statutory rate of 35% primarily due to a $79 discrete income tax charge as a result of a change in the tax treatment of federal subsidies received related to prescription drug benefits provided under certain retiree health care benefit plans that were determined to be actuarially equivalent to Medicare Part D (see Note O), a $22 impact for operational losses in certain foreign jurisdictions that are excluded from the estimated annual effective tax rate calculation (impact is expected to reverse by the end of 2010), and $11 in discrete income tax charges for interest paid to the Internal Revenue Service on a previously deferred gain associated with the 2007 formation of the former soft alloy extrusions joint venture and a change in the anticipated structure of the potential sale of the Transportation Products Europe business.

The rate for the 2009 first quarter differs from the U.S. federal statutory rate of 35% primarily due to a $28 discrete income tax benefit related to a Canadian tax law change allowing a tax return to be filed in U.S dollars, an $11 discrete income tax benefit related to the Elkem/Sapa AB exchange transaction, and a $15 impact for operational losses that are excluded from the estimated annual effective tax rate calculation.

N. Accounts Receivable Securitizations – On March 26, 2010, Alcoa terminated its accounts receivable securitization program, under which Alcoa sold a senior undivided interest in certain customer receivables, without recourse, on a continuous basis to a third-party for cash. Alcoa repaid the $250 upon termination. In light of the adoption of accounting changes related to the transfer of financial assets, had the securitization program not been terminated, it would have resulted in a $250 increase in both Receivables from customers and Short-term borrowings on the accompanying Consolidated Balance Sheet (see Note B).

Also on March 26, 2010, Alcoa entered into two arrangements with third parties to sell certain customer receivables outright without recourse. Under these agreements, $177 of receivables were sold for cash in March 2010. Alcoa is servicing the customer receivables for the third parties at market rates; therefore, no servicing asset or liability was recorded.

O. Pension Plans and Other Postretirement Benefits – The components of net periodic benefit cost were as follows:

First quarter ended March 31,	Pension benefits		Postretirement benefits	
	2010	2009	2010	2009
Service cost	$ 37	$ 35	$ 5	$ 5
Interest cost	170	167	44	46
Expected return on plan assets	(196)	(191)	(2)	(3)
Amortization of prior service cost (benefit)	4	4	(4)	(3)
Recognized actuarial loss	44	28	8	11
Net periodic benefit cost	$ 59	$ 43	$ 51	$ 56

On January 26, 2010, Alcoa contributed newly issued shares (see Note K) of its common stock (valued at $600) to a master trust that holds the assets of certain U.S. defined benefit pension plans in a private placement transaction. These shares were issued to satisfy a portion of Alcoa's future funding obligations to these plans, including a portion of the estimated minimum required funding for 2011.

On March 23, 2010, the Patient Protection and Affordable Care Act (the "PPACA") was signed into law, and, on March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (the "HCERA" and, together with PPACA, the "Acts"), which makes various amendments to certain aspects of the PPACA, was signed into law. The Acts effectively change the tax treatment of federal subsidies paid to sponsors of retiree health benefit plans that provide prescription drug benefits that are at least actuarially equivalent to the corresponding benefits provided under Medicare Part D.

The federal subsidy paid to employers was introduced as part of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "MPDIMA"). Alcoa has been receiving the federal subsidy since the 2006 tax year related to certain retiree prescription drug plans that were determined to be actuarially equivalent to the benefit provided under Medicare Part D. Under the MPDIMA, the federal subsidy does not reduce an employer's income tax deduction for the costs of providing such prescription drug plans nor is it subject to income tax individually.

Under the Acts, beginning in 2013, an employer's income tax deduction for the costs of providing Medicare Part D-equivalent prescription drug benefits to retirees will be reduced by the amount of the federal subsidy. Under GAAP, any impact from a change in tax law must be recognized in earnings in the period enacted regardless of the effective date. As a result, Alcoa recognized a noncash charge of $79 in the first quarter ended March 31, 2010 for the elimination of a related deferred tax asset to reflect the change in the tax treatment of the federal subsidy (see Note M).

P. Derivatives and Other Financial Instruments

Derivatives

Alcoa is exposed to certain risks relating to its ongoing business operations, including financial, market, political, and economic risks. The following discussion provides information regarding Alcoa's exposure to the risks of changing commodity prices, interest rates, and foreign currency exchange rates.

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

The aluminum, energy, interest rate, and foreign exchange contracts are held for purposes other than trading. They are used primarily to mitigate uncertainty and volatility, and to cover underlying exposures. Alcoa is not involved in trading activities for energy, weather derivatives, or other nonexchange commodity trading activities.

The fair values of outstanding derivative contracts recorded as assets in the accompanying Consolidated Balance Sheet were as follows:

Asset Derivatives	Balance Sheet Location	March 31, 2010	December 31, 2009
Derivatives designated as hedging instruments:			
Aluminum contracts	Prepaid expenses and other current assets	$ 46	$ 59
Interest rate contracts	Prepaid expenses and other current assets	38	34
Foreign exchange contracts	Prepaid expenses and other current assets	5	7
Energy contracts	Prepaid expenses and other current assets	—	7
Aluminum contracts	Other noncurrent assets	28	22
Interest rate contracts	Other noncurrent assets	73	73
Foreign exchange contracts	Other noncurrent assets	3	5
Energy contracts	Other noncurrent assets	1	—
Total derivatives designated as hedging instruments		$ 194	$ 207
Derivatives not designated as hedging instruments*:			
Aluminum contracts	Prepaid expenses and other current assets	$ 4	$ 6
Energy contracts	Prepaid expenses and other current assets	—	1
Freight contracts	Prepaid expenses and other current assets	1	—
Aluminum contracts	Other noncurrent assets	1	3
Total derivatives not designated as hedging instruments		$ 6	$ 10
Less margin held:			
Interest rate contracts	Prepaid expenses and other current assets	$ 13	$ 19
Aluminum contracts	Prepaid expenses and other current assets	16	22
Energy contracts	Prepaid expenses and other current assets	—	1
Interest rate contracts	Other noncurrent assets	11	18
Sub-total		$ 40	$ 60
Total Asset Derivatives		$ 160	$ 157

* See the "Other" section within Note P for additional information on Alcoa's purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategies.

The fair value of outstanding derivative contracts recorded as liabilities in the accompanying Consolidated Balance Sheet were as follows:

Liability Derivatives	Balance Sheet Location	March 31, 2010	December 31, 2009
Derivatives designated as hedging instruments:			
Aluminum contracts	Other current liabilities	$ 97	$ 67
Energy contracts	Other current liabilities	14	—
Foreign exchange contracts	Other current liabilities	8	4
Aluminum contracts	Other noncurrent liabilities and deferred credits	745	734
Total derivatives designated as hedging instruments		$ 864	$ 805
Derivatives not designated as hedging instruments*:			
Aluminum contracts	Other current liabilities	$ 47	$ 42
Energy contracts	Other current liabilities	56	37
Aluminum contracts	Other noncurrent liabilities and deferred credits	41	36
Energy contracts	Other noncurrent liabilities and deferred credits	31	24
Foreign exchange contracts	Other noncurrent liabilities and deferred credits	—	1
Embedded credit derivative	Other noncurrent liabilities and deferred credits	28	22
Total derivatives not designated as hedging instruments		$ 203	$ 162
Less margin posted:			
Aluminum contracts	Other current liabilities	$ 5	$ 4
Energy contracts	Other current liabilities	29	18
Aluminum contracts	Other noncurrent liabilities and deferred credits	2	3
Energy contracts	Other noncurrent liabilities and deferred credits	21	12
Sub-total		$ 57	$ 37
Total Liability Derivatives		$ 1,010	$ 930

* See the “Other” section within Note P for additional information on Alcoa’s purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategies.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

The following section describes the valuation methodologies used by Alcoa to measure derivative contracts at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models, and any significant assumptions.

Derivative contracts are valued using quoted market prices and significant other observable and unobservable inputs. Such financial instruments consist of aluminum, energy, interest rate, and foreign exchange contracts. The fair values for the majority of these derivative contracts are based upon current quoted market prices. These financial instruments are typically exchange-traded and are generally classified within Level 1 or Level 2 of the fair value hierarchy depending on whether the exchange is deemed to be an active market or not.

For certain derivative contracts whose fair values are based upon trades in liquid markets, such as interest rate swaps, valuation model inputs can generally be verified and valuation techniques do not involve significant management judgment. The fair values of such financial instruments are generally classified within Level 2 of the fair value hierarchy.

Alcoa has other derivative contracts that do not have observable market quotes. For these financial instruments, management uses significant other observable inputs (e.g., information concerning time premiums and volatilities for certain option type embedded derivatives and regional premiums for aluminum contracts). For periods beyond the term of quoted market prices for aluminum, Alcoa uses a model that estimates the long-term price of aluminum based on anticipated changes in worldwide supply and demand. For periods beyond the term of quoted market prices for energy, management has developed a forward curve based on independent consultant market research. Where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence (Level 2). In the absence of such evidence, management's best estimate is used (Level 3).

The following table presents Alcoa's derivative contract assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy:

	March 31, 2010	December 31, 2009
Assets:		
Level 1	$ 88	$ 110
Level 2	111	107
Level 3	1	—
Margin held*	(40)	(60)
Total	$ 160	$ 157
Liabilities:		
Level 1	$ 89	$ 61
Level 2	85	75
Level 3	893	831
Margin posted*	(57)	(37)
Total	$ 1,010	$ 930

* Margin held represents cash collateral received related to aluminum contracts included in Level 1 and interest rate contracts included in Level 2 and margin posted represents cash collateral paid related to aluminum contracts included in Level 1 and energy contracts included in Level 3. At December 31, 2009, margin held also represents cash collateral received related to energy contracts included in Level 1. Alcoa elected to net the margin held and posted against the fair value amounts recognized for derivative instruments executed with the same counterparties under master netting arrangements.

Financial instruments classified as Level 3 in the fair value hierarchy represent derivative contracts in which management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for such derivative contracts on a net basis:

	First quarter ended March 31, 2010
Balance at beginning of period	$ 831
Total gains or losses (realized and unrealized) included in:	
Sales	(8)
Cost of goods sold	(11)
Other expenses, net	45
Other comprehensive loss	35
Purchases, sales, issuances, and settlements	—
Transfers in and (or) out of Level 3*	—
Balance at end of period	$ 892
Total (losses) or gains included in earnings attributable to the change in unrealized gains or losses relating to derivative contracts still held at March 31, 2010:	
Sales	$ —
Cost of goods sold	—
Other expenses, net	25

* There were no transfers in or out of Level 3 for the first quarter ended March 31, 2010.

As reflected in the table above, the net unrealized loss on derivative contracts using Level 3 valuation techniques was $892 as of March 31, 2010. This loss is mainly attributed to embedded derivatives in power contracts that index the price of power to the London Metal Exchange (LME) price of aluminum. These embedded derivatives are primarily valued using observable market prices. However, due to the length of the contracts, the valuation model also requires management to estimate the long-term price of aluminum based upon anticipated changes in worldwide supply and demand. The embedded derivatives have been designated as hedges of forward sales of aluminum and their realized gains and losses were included in Sales on the accompanying Statement of Consolidated Operations.

Also, included within Level 3 measurements are derivative financial instruments that hedge the cost of electricity. Transactions involving on-peak power are observable as there is an active market. However, there are certain off-peak times when there is not an actively traded market for electricity. Therefore, management utilizes market prices, historical relationships, and various forecast services to determine the fair value.

Management utilizes these same valuation techniques for an existing power contract associated with a smelter in the U.S. that no longer qualified for the normal purchase normal sale exception under derivative accounting in late 2009. Unrealized gains and losses for this physical power contract were included in Other expenses, net on the accompanying Statement of Consolidated Operations, while realized gains and losses were included in Cost of goods sold on the accompanying Statement of Consolidated Operations. Additionally, a financial contract related to the same U.S. smelter utilized by management to hedge the price of electricity of the aforementioned power contract no longer qualified for cash flow hedge accounting near the end of 2009. Realized gains and losses of this financial contract were included in Cost of goods sold on the accompanying Statement of Consolidated Operations. In periods prior to January 1, 2010, unrealized gains and losses were included in Other comprehensive income; in periods subsequent to December 31, 2009, such changes were included in Other expenses, net on the accompanying Statement of Consolidated Operations.

In the 2010 first quarter, Alcoa entered into a contract to hedge the anticipated power requirements at two smelters in Australia. These derivatives hedge forecasted power purchases through December 2036. Beyond the term where market information is available, management has developed a forward curve, for valuation purposes, based on independent consultant market research. The effective portion of gains and losses on these contracts will be recorded in Other comprehensive income until the designated hedge periods begin in 2014 and 2016. Once the hedge periods begin, realized gains and losses will be recorded in Cost of goods sold.

Additionally, an embedded derivative in a power contract that indexes the difference between the long-term debt ratings of Alcoa and the counterparty from any of the three major credit rating agencies is included in Level 3. Management uses market prices, historical relationships, and forecast services to determine fair value. Realized gains and losses for this embedded derivative were included in Other expenses, net on the accompanying Statement of Consolidated Operations.

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. Alcoa includes the gain or loss on the hedged items in the same line items as the offsetting loss or gain on the related derivative contracts as follows (there were no contracts that ceased to qualify as a fair value hedge in the 2010 and 2009 first quarters):

Derivatives in Fair Value Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives, First quarter ended March 31, 2010	2009
Aluminum contracts	Sales	$ 19	$ (141)
Interest rate contracts	Interest expense	18	11
Total		$ 37	$ (130)

Aluminum. Alcoa is a leading global producer of primary aluminum and fabricated aluminum products. As a condition of sale, customers often require Alcoa to enter into long-term, fixed-price commitments. These commitments expose Alcoa to the risk of fluctuating aluminum prices between the time the order is committed and the time that the order is shipped. Alcoa’s aluminum commodity risk management policy is to manage, principally through the use of futures contracts, the aluminum price risk associated with a portion of its firm commitments. These contracts cover known exposures, generally within three years. As of March 31, 2010, Alcoa had 375 kmt of aluminum futures designated as fair value hedges. The effects of this hedging activity will be recognized over the designated hedge periods in 2010 to 2012.

In the 2010 first quarter, Alcoa entered into a contract to hedge the anticipated power requirements at two smelters in Australia. These derivatives hedge forecasted power purchases through December 2036.

Interest Rates. Alcoa uses interest rate swaps to help maintain a strategic balance between fixed- and floating-rate debt and to manage overall financing costs. As of March 31, 2010, the Company had pay floating, receive fixed interest rate swaps that were designated as fair value hedges. These hedges effectively convert the interest rate from fixed to floating on $1,890 of debt through 2018.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion) First quarter ended March 31, 2010	2009	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)* First quarter ended March 31, 2010	2009	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)** First quarter ended March 31, 2010	2009
Aluminum contracts	$ (57)	$ 114	Sales	$ (11)	$ 14	Other expenses, net	$ 2	$ 2
Aluminum contracts	—	12	Other expenses, net	—	47	Other expenses, net	—	—
Energy contracts	(10)	(26)	Cost of goods sold	(4)	(7)	Other expenses, net	—	—
Energy contracts	(1)	—	Other expenses, net	—	—	Other expenses, net	—	—
Foreign exchange contracts	(6)	—	Sales	(3)	—	Other expenses, net	—	—
Total	$ (74)	$ 100		$ (18)	$ 54		$ 2	$ 2

* Assuming market rates remain constant with the rates at March 31, 2010, a loss of $132 is expected to be recognized in earnings over the next 12 months.

** For the first quarter ended March 31, 2010 and 2009, the amount of gain or (loss) recognized in income related to the ineffective portion of the hedging relationships.

Aluminum and Energy. Alcoa anticipates the continued requirement to purchase aluminum and other commodities, such as electricity, natural gas, and fuel oil, for its operations. Alcoa enters into futures and forward contracts to reduce volatility in the price of these commodities. Alcoa has also entered into power supply and other contracts that contain pricing provisions related to the LME aluminum price. The LME-linked pricing features are considered embedded derivatives. A majority of these embedded derivatives have been designated as cash flow hedges of future sales of aluminum.

Foreign Exchange. Alcoa is subject to exposure from fluctuations in foreign currency exchange rates. These contracts may be used from time to time to hedge the variability in cash flows from the forecasted payment or receipt of currencies other than the functional currency. These contracts cover periods consistent with known or expected exposures through 2011.

Alcoa had the following outstanding forward contracts that were entered into to hedge forecasted transactions:

	March 31, 2010	December 31, 2009
Aluminum contracts (kmt)	1,736	1,917
Energy contracts:		
Electricity (megawatt hours)	100,578,295	—
Natural gas (million British thermal units)	10,170,000	13,560,000
Fuel oil (metric tons)	232,037	307,143
Foreign exchange contracts	$ 125	$ 158

Other

Alcoa has also entered into certain derivatives to minimize its price risk related to other customer sales and pricing arrangements. Alcoa has not qualified these contracts for hedge accounting treatment and, therefore, the fair value gains and losses on these contracts are recorded in earnings as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives First quarter ended March 31, 2010	2009
Aluminum contracts	Sales	$ 1	$ (12)
Aluminum contracts	Other expenses, net	(8)	11
Embedded credit derivative	Other expenses, net	(6)	(21)
Energy contracts	Other expenses, net	(33)	—
Foreign exchange contracts	Other expenses, net	3	2
Total		$ (43)	$ (20)

The embedded credit derivative relates to a power contract that indexes the difference between the long-term debt ratings of Alcoa and the counterparty from any of the three major credit rating agencies. If Alcoa’s credit ratings were downgraded at any time, an independent investment banker would be consulted to determine a hypothetical interest rate for both parties. The two interest rates would be netted and the resulting difference would be multiplied by Alcoa’s equivalent percentage of the outstanding principal of the counterparty’s debt obligation as of December 31st of the year preceding the calculation date. This differential would be added to the cost of power in the period following the calculation date.

The energy contracts are associated with a smelter in the U.S. and include a power contract that no longer qualified for the normal purchase normal sale exception and a financial contract that no longer qualified as a hedge under derivative accounting in late 2009. Both contracts are marked to market through earnings and Alcoa’s obligations under the contracts expire in 2011.

Alcoa has a forward contract to purchase $56 (C$58) to mitigate the foreign currency risk related to a Canadian-denominated loan due in 2014. All other foreign exchange contracts were entered into and settled within the 2010 and 2009 first quarters.

Material Limitations

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

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

Other Financial Instruments

The carrying values and fair values of Alcoa's other financial instruments were as follows:

	March 31, 2010		December 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	$ 1,292	$1,292	$ 1,481	$1,481
Restricted cash	8	8	8	8
Noncurrent receivables	21	21	24	24
Available-for-sale securities	88	88	105	105
Short-term borrowings	166	166	176	176
Long-term debt due within one year	666	666	669	669
Long-term debt, less amount due within one year	8,925	9,606	8,974	9,885

The following methods were used to estimate the fair values of other financial instruments:

Cash and cash equivalents, Restricted cash, Short-term borrowings, and Long-term debt due within one year. The carrying amounts approximate fair value because of the short maturity of the instruments.

Noncurrent receivables. The fair value of noncurrent receivables was based on anticipated cash flows, which approximates carrying value.

Available-for-sale securities. The fair value of such securities was based on quoted market prices. These financial instruments consist of exchange-traded fixed income and equity securities, which are carried at fair value and were classified in Level 1 of the fair value hierarchy.

Long-term debt, less amount due within one year. The fair value was based on interest rates that are currently available to Alcoa for issuance of debt with similar terms and maturities.

Q. Subsequent Events – Management evaluated all activity of Alcoa and concluded that no subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the Notes to the Consolidated Financial Statements, except as disclosed in the European Commission Matters section of Note H related to a matter in Italy.

Report of Independent Registered Public Accounting Firm*

To the Shareholders and Board of Directors of Alcoa Inc.

We have reviewed the accompanying consolidated balance sheet of Alcoa Inc. and its subsidiaries (Alcoa) as of March 31, 2010, and the related statements of consolidated operations, changes in consolidated equity, consolidated comprehensive (loss) income, and consolidated cash flows for each of the three-month periods ended March 31, 2010 and 2009. These consolidated interim financial statements are the responsibility of Alcoa's management.

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

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

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2009, and the related statements of consolidated operations, changes in consolidated equity, consolidated comprehensive income (loss), and consolidated cash flows for the year then ended (not presented herein), and in our report dated February 18, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
April 22, 2010

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

Forward-Looking Statements

This report contains statements that relate to future events and expectations and, as such, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those containing such words as "anticipates," "believes," "estimates," "expects," "hopes," "targets," "should," "will," "will likely result," "forecast," "outlook," "projects," or other words of similar meaning. All statements that reflect Alcoa's expectations, assumptions, or projections about the future other than statements of historical fact are forward-looking statements, including, without limitation, forecasts concerning aluminum industry growth or other trend projections, anticipated financial results or operating performance, and statements about Alcoa's strategies, objectives, goals, targets, outlook, and business and financial prospects. Forward-looking statements are subject to a number of known and unknown risks, uncertainties, and other factors and are not guarantees of future performance. Actual results, performance, or outcomes may differ materially from those expressed in or implied by those forward-looking statements. For a discussion of some of the specific factors that may cause Alcoa's actual results to differ materially from those projected in any forward-looking statements, see Alcoa's Form 10-K, Part I, Item 1A, for the year ended December 31, 2009 and the following sections of this report: Note H and the Derivatives section of Note P to the Consolidated Financial Statements and the discussion included below under Segment Information. Alcoa disclaims any intention or obligation to update publicly any forward-looking statements, whether in response to new information, future events, or otherwise, except as required by applicable law.

Results of Operations

Selected Financial Data:

	First quarter ended March 31,	
	2010	2009
Sales	$4,887	$4,147
Amounts attributable to Alcoa common shareholders:		
Loss from continuing operations	$ (194)	$ (480)
Loss from discontinued operations	(7)	(17)
Net loss	$ (201)	$ (497)
Earnings per share attributable to Alcoa common shareholders:		
Diluted – Loss from continuing operations	$ (0.19)	$ (0.59)
Diluted – Net loss	(0.20)	(0.61)
Shipments of alumina (kmt)	2,126	1,737
Shipments of aluminum products (kmt)	1,134	1,175
Alcoa's average realized price per metric ton of aluminum	$2,331	$1,567

Loss from continuing operations attributable to Alcoa was $194, or $0.19 per diluted share, in the 2010 first quarter compared with $480, or $0.59 per share, in the 2009 first quarter. The improvement of $286, or 60%, was primarily the result of the following: significant increases in realized prices for alumina and aluminum, continued costs savings and productivity improvements across all businesses, and the absence of a loss on the sale of an equity investment, partially offset by net unfavorable foreign currency movements, discrete and other income tax charges, the absence of a gain on the exchange of equity interests, and restructuring and other charges for the permanent shutdown and planned demolition of certain U.S. structures.

Net loss attributable to Alcoa for the 2010 first quarter was $201, or $0.20 per share, compared with $497, or $0.61 per share, for the corresponding period in 2009. Net loss in the 2010 first quarter included a loss of $7 from discontinued operations, mostly related to an additional loss for the wire harness and electrical portion of the Electrical and Electronic Solutions (EES) business sold in June 2009 as a result of a contract settlement with a former customer of this business. Net loss in the 2009 first quarter included a loss of $17 from discontinued operations, comprised of the operational results of the EES business.

Sales for the 2010 first quarter increased $740, or 18%, compared with the same period in 2009. The improvement was mainly driven by a rise in realized prices for alumina and aluminum, as a result of significantly higher London Metal Exchange (LME) prices, and sales from the smelters in Norway (acquired on March 31, 2009), somewhat offset by volume declines in the downstream segments due to continued weak end markets.

Cost of goods sold (COGS) as a percentage of Sales was 82.1% in the 2010 first quarter compared with 99.9% in the 2009 first quarter. The percentage was positively impacted by a significant improvement in realized prices for alumina and aluminum and continued cost savings and productivity improvements across all businesses, somewhat offset by net unfavorable foreign currency movements due to a weaker U.S. dollar.

Selling, general administrative, and other expenses (SG&A) decreased $5 in the 2010 first quarter compared with the corresponding period in 2009. The decline was primarily driven by continued reductions in expenses for contractors and consultants and a decrease in bad debt expense, mostly offset by an increase in labor costs (principally due to higher deferred compensation as a result of improved plan performance and higher annual incentive and performance compensation) and SG&A related to the smelters in Norway (acquired on March 31, 2009). SG&A as a percentage of Sales declined from 5.9% in the 2009 first quarter to 4.9% in the 2010 first quarter.

The Provision for depreciation, depletion, and amortization (DD&A) increased $75, or 27%, in the 2010 first quarter compared to the 2009 first quarter. The increase in DD&A was mostly due to the smelters in Norway (acquired on March 31, 2009) and assets placed into service during the second half of 2009, including the Juruti bauxite mine and São Luís refinery expansion in Brazil, the new Bohai (China) flat-rolled product facility, and a high-quality coated sheet line at the Samara (Russia) facility.

Restructuring and other charges in the 2010 first quarter were $187 ($119 after-tax and noncontrolling interests), comprised of the following components: $129 ($81 after-tax and noncontrolling interests) in asset impairments and $46 ($29 after-tax and noncontrolling interests) in other exit costs related to the permanent shutdown and planned demolition of certain idled structures at five U.S. locations and $12 ($9 after-tax and noncontrolling interests) in net charges for various other restructuring activities, including charges for the layoff of approximately 220 employees. In the 2010 first quarter, management approved the permanent shutdown and demolition of the following structures, each of which was previously temporarily idled for different reasons: the Eastalco smelter located in Frederick, MD (capacity of 195 kmt-per-year), the smelter located in Badin, NC (capacity of 60 kmt-per-year), an aluminum fluoride plant in Point Comfort, TX, a paste plant and cast house in Massena, NY, and one potline at the smelter in Warrick, IN (capacity of 40 kmt-per-year). This decision was made after a comprehensive strategic analysis was performed to determine the best course of action for each facility. Factors leading to this decision included current market fundamentals, cost competitiveness, other existing idle capacity, required future capital investment, and restart costs, as well as the elimination of ongoing holding costs. The asset impairments of $129 represent the write off of the remaining book value of properties, plants, and equipment related to these facilities. Additionally, remaining inventories, mostly operating supplies, were written down to their net realizable value resulting in a charge of $8 ($5 after-tax and noncontrolling interests), which was recorded in Cost of goods sold. The other exit costs of $46 represent $30 ($19 after-tax and noncontrolling interests) in asset retirement obligations and $14 ($9 after-tax) in environmental remediation, both triggered by the decision to permanently shutdown and demolish these structures, and $2 ($1 after-tax and noncontrolling interests) in other related costs.

Restructuring and other charges in the 2009 first quarter were $69 ($46 after-tax and noncontrolling interests), comprised of the following components: $48 ($32 after-tax and noncontrolling interests) for the layoff of approximately 2,500 employees (2,190 in the Engineered Products and Solutions segment, 160 in the Primary Metals segment, 60 in the Flat-Rolled Products segment, and 90 in Corporate) to address the impact of the global economic downturn on Alcoa’s businesses; $18 ($12 after-tax) for the write-off of previously capitalized third-party costs related to potential business acquisitions due to the adoption of changes to accounting for business combinations; and $3 ($2 after-tax and noncontrolling interests) in net charges associated with previously approved restructuring programs.

Alcoa does not include Restructuring and other charges in the results of its reportable segments. The pretax impact of allocating Restructuring and other charges to such results would have been as follows:

	First quarter ended March 31,	
	2010	2009
Alumina	$ 12	$ —
Primary Metals	150	11
Flat-Rolled Products	(5)	4
Engineered Products and Solutions	4	27
Segment total	161	42
Corporate	26	27
Total restructuring and other charges	$ 187	$ 69

As of March 31, 2010, approximately 90 of the 220 employees associated with 2010 restructuring programs, approximately 4,900 of the 6,600 employees associated with 2009 restructuring programs, and approximately 5,900 of the 6,200 employees associated with 2008 restructuring programs were terminated. The remaining terminations for all of these restructuring programs are expected to be completed by the end of 2010. In the 2010 first quarter, cash payments of $2, $37, and $7 were made against the layoff reserves related to the 2010, 2009, and 2008 restructuring programs, respectively.

Interest expense rose $4, or 4%, in the 2010 first quarter compared with the corresponding period in 2009. The increase was primarily due to a $24 decline in interest capitalized, mainly the result of placing the Juruti and São Luís growth projects in service in the second half of 2009, mostly offset by a 6% lower average debt level, principally driven by the absence of outstanding commercial paper.

Other expenses, net declined $9, or 30%, in the 2010 first quarter compared with the 2009 first quarter. The decrease was mainly the result of the absence of a $182 realized loss on the sale of the Shining Prospect investment and an equity loss related to Alcoa's former 50% equity stake in Elkem; favorable foreign currency movements, primarily due to a stronger Australian dollar and Brazilian real; and net gains related to the improvement in the cash surrender value of company-owned life insurance; mostly offset by the absence of a $188 gain on the Elkem/Sapa AB exchange transaction and a $22 gain on the sale of property in Vancouver, WA; and unfavorable changes in mark-to-market derivative contracts.

The effective tax rate for the first quarter of 2010 and 2009 was 95.5% (provision on a loss) and 39.5% (benefit on a loss), respectively. The rate for the 2010 first quarter differs by 130.5% from the U.S. federal statutory rate of 35% primarily due to a $79 discrete income tax charge as a result of a change in the tax treatment of federal subsidies received related to prescription drug benefits provided under certain retiree health care benefit plans that were determined to be actuarially equivalent to Medicare Part D, a $22 impact for operational losses in certain foreign jurisdictions that are excluded from the estimated annual effective tax rate calculation (impact is expected to reverse by the end of 2010), and $11 in discrete income tax charges for interest paid to the Internal Revenue Service on a previously deferred gain associated with the 2007 formation of the former soft alloy extrusions joint venture and a change in the anticipated structure of the potential sale of the Transportation Products Europe business.

The rate for the 2009 first quarter differs from the U.S. federal statutory rate of 35% primarily due to a $28 discrete income tax benefit related to a Canadian tax law change allowing a tax return to be filed in U.S dollars, an $11 discrete income tax benefit related to the Elkem/Sapa AB exchange transaction, and a $15 impact for operational losses that are excluded from the estimated annual effective tax rate calculation.

Net income attributable to noncontrolling interests for the 2010 first quarter increased $12 compared with the corresponding period in 2009. The increase was primarily due to higher earnings at Alcoa World Alumina and Chemicals (AWAC), which is owned 60% by Alcoa and 40% by Alumina Limited. The improved earnings at AWAC were mainly driven by a significant rise in realized prices, mostly offset by net unfavorable foreign currency movements due to a weaker U.S. dollar and higher depreciation and operating costs related to the Juruti and São Luís growth projects placed into service in the second half of 2009.

Segment Information

I. Alumina

	First quarter ended March 31,	
	2010	2009
Alumina production (kmt)	3,866	3,445
Third-party alumina shipments (kmt)	2,126	1,737
Third-party sales	$ 638	$ 430
Intersegment sales	591	384
Total sales	$1,229	$ 814
After-tax operating income (ATOI)	$ 72	$ 35

Alumina production increased 12% in the 2010 first quarter compared with the corresponding period in 2009. The increase was driven by the Point Comfort, TX refinery as most of the 1,500 kmt-per-year curtailment initiated between the fourth quarter of 2008 and the first quarter of 2009 has been restored. In addition, production in the first quarter of 2010 included the continued ramp-up of the expansion of the São Luís, Brazil refinery, which began in late 2009 (the Alumina segment's share is approximately 1,100 kmt-per-year).

Third-party sales for the Alumina segment rose 48% in the 2010 first quarter compared with the same period in 2009, primarily due to a 41% increase in realized prices, driven by significantly higher LME prices, coupled with a 22% increase in volumes.

Intersegment sales increased 54% in the 2010 first quarter compared to the corresponding period in 2009, mostly due to higher realized prices and an increase in demand from the Primary Metals segment.

ATOI for this segment increased $37 in the 2010 first quarter compared to the same period in 2009. The increase was primarily the result of the significant increase in realized prices as well as continued benefits of cost savings initiatives, partially offset by unfavorable foreign currency movements due to a weaker U.S. dollar, higher fuel oil costs, and higher depreciation expense and operating costs associated with the start-up of the Juruti bauxite mine.

In the second quarter of 2010, positive results from cost savings initiatives are expected to continue, as lower caustic costs continue to flow through the system. Alumina pricing will continue to follow a two-month lag on LME and refinery production is expected to increase by 100 kmt in order to match smelter demand.

II. Primary Metals

	First quarter ended March 31,	
	2010	2009
Aluminum production (kmt)	889	880
Third-party aluminum shipments (kmt)	695	683
Alcoa's average realized price per metric ton of aluminum	$2,331	$1,567
Third-party sales	$1,702	$ 844
Intersegment sales	623	393
Total sales	$2,325	$1,237
ATOI	$ 123	$ (212)

At March 31, 2010, Alcoa had 907 kmt of idle capacity on a base capacity of 4,518 kmt. In the 2010 first quarter, idle capacity decreased 327 kmt compared to December 31, 2009 due to the restart of 32 kmt of previously curtailed production capacity at a smelter in Brazil and the decision to permanently curtail the smelters located in Frederick, MD (195 kmt-per-year) and Badin, NC (60 kmt-per-year) and one potline (40 kmt-per-year) at the smelter in Warrick, IN. Base capacity decreased 295 kmt due to the previously mentioned permanent curtailments. The decision to permanently curtail these facilities was made after a comprehensive strategic analysis was performed to determine the best course of action for each facility. Factors leading to this decision included current market fundamentals, cost competitiveness, other existing idle capacity, required future capital investment, and restart costs, as well as the elimination of ongoing holding costs.

Aluminum production increased 1% in the 2010 first quarter compared with the corresponding period in 2009. The increase was mainly due to the smelters located in Norway (acquired on March 31, 2009) (282 kmt-per-year), mostly offset by the curtailments of the smelters in Tennessee (215 kmt-per-year, curtailed during Q1 2009) and Massena East (125 kmt-per-year, curtailed during Q2 2009).

Third-party sales for the Primary Metals segment improved $858 in the 2010 first quarter compared with the same period in 2009. The increase was mostly the result of a 49% rise in realized prices, driven by 59% higher LME prices.

Intersegment sales increased 59% in the 2010 first quarter compared to the corresponding period in 2009, mainly as a result of an increase in realized prices, driven by the higher LME.

ATOI for this segment improved $335 in the 2010 first quarter compared to the same period in 2009. The increase was primarily due to the significant rebound in realized prices and continued benefits of cost savings initiatives, somewhat offset by the absence of a gain related to Alcoa's acquisition of the other 50% of Elkem ($112) and net unfavorable foreign currency movements due to a weaker U.S. dollar.

In the second quarter of 2010, aluminum pricing is expected to follow a 15-day lag on LME while production is expected to remain at 2010 first quarter levels. Additionally, procurement actions and productivity improvements are expected to continue to benefit results. The Master Agreement with the United Steelworkers, which covers 5,350 employees, expires on May 31st. While management is confident that a mutually acceptable agreement will be reached, actions will be taken to ensure business continuity if any disruption should occur.

III. Flat-Rolled Products

	First quarter ended March 31,	
	2010	2009
Third-party aluminum shipments (kmt)	379	442
Third-party sales	$1,435	$1,510
Intersegment sales	46	26
Total sales	$1,481	$1,536
ATOI	$ 30	$ (61)

Third-party sales for the Flat-Rolled Products segment declined 5% in the 2010 first quarter compared with the corresponding period in 2009. The improvement in most key end markets almost offsets entirely the lower volumes in the segment's can sheet business, largely due to a decision to curtail sales to a North American customer, and the absence of sales from two foil plants sold in late 2009.

ATOI for this segment increased $91 in the 2010 first quarter compared to the same period in 2009. The improvement in profitability was primarily driven by favorable pricing and product mix and increased productivity.

In the second quarter of 2010, continued benefits from cost savings initiatives are expected and modest improvement in aerospace and industrial markets. North American can sheet volumes are expected to remain at low levels.

IV. Engineered Products and Solutions

	First quarter ended March 31,	
	2010	2009
Third-party aluminum shipments (kmt)	46	41
Third-party sales	$1,074	$1,270
ATOI	$ 81	$ 95

Third-party sales for the Engineered Products and Solutions segment declined 15% in the 2010 first quarter compared with the corresponding period in 2009. The decrease was mostly due to continued supply chain destocking and low levels of demand in both the aerospace and industrial gas turbine (IGT) markets. Weak demand in building and construction also contributed to the revenue decline.

ATOI for this segment declined 15% in the 2010 first quarter compared to the same period in 2009. The decrease was mainly due to lower pricing and lower volumes with continued pressure in the IGT and aerospace markets. The declines were partially offset by productivity improvements due to strong performance in cost savings initiatives.

In the second quarter of 2010, continued benefits from cost savings initiatives and slight improvements in overall market conditions are anticipated. Additionally, aerospace destocking is expected to slowly come to an end.

Reconciliation of ATOI to Consolidated Net Loss Attributable to Alcoa

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

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

	First quarter ended March 31,	
	2010	2009
Total segment ATOI	$ 306	$ (143)
Unallocated amounts (net of tax):		
Impact of LIFO	(14)	29
Interest income	3	1
Interest expense	(77)	(74)
Noncontrolling interests	(22)	(10)
Corporate expense	(67)	(71)
Restructuring and other charges	(122)	(46)
Discontinued operations	(7)	(17)
Other	(201)	(166)
Consolidated net loss attributable to Alcoa	$ (201)	$ (497)

The significant changes in the reconciling items between total segment ATOI and consolidated net loss attributable to Alcoa for the 2010 first quarter compared with the corresponding period in 2009 consisted of:

- a change in the Impact of LIFO due to higher prices for alumina and metal, both of which were driven by a significant rise in LME prices;
- an increase in Interest expense, primarily due to a decline in interest capitalized, mainly the result of placing the Juruti and São Luís growth projects in service in the second half of 2009, mostly offset by a 6% lower average debt level, principally driven by the absence of outstanding commercial paper;
- an increase in Noncontrolling interests, mainly due to higher earnings at AWAC, primarily driven by a significant rise in realized prices, mostly offset by net unfavorable foreign currency movements due to a weaker U.S. dollar and higher depreciation and operating costs related to the Juruti and São Luís growth projects placed into service in the second half of 2009;
- a decline in Corporate expense, primarily due to continued reductions in expenses for contractors and consultants and a decrease in bad debt expense, mostly offset by an increase in labor costs, principally due to higher deferred compensation as a result of improved plan performance and higher annual incentive and performance compensation;
- an increase in Restructuring and other charges, mainly due to asset impairments and other exit costs related to the permanent shutdown and planned demolition of certain idled structures at five U.S. locations and the absence of charges for the layoff of approximately 2,500 employees to address the impact of the global economic downturn on Alcoa’s businesses and for the write off of previously capitalized third-party costs related to potential business acquisitions due to the adoption of changes to accounting for business combinations;
- a change in Discontinued operations, mostly the result of an additional loss for the wire harness and electrical portion of the Electrical and Electronic Solutions (EES) business sold in June 2009 as a result of a contract settlement with a former customer of this business and the absence of the operational results of the EES business; and
- a change in Other, mainly due to a $79 discrete income tax charge as a result of a change in the tax treatment of federal subsidies received related to prescription drug benefits provided under certain retiree health care benefit plans that were determined to be actuarially equivalent to Medicare Part D; a $22 impact for operational losses in certain foreign jurisdictions that are excluded from the estimated annual effective tax rate calculation; and the absence of the

following: a $28 discrete income tax benefit related to a Canadian tax law change allowing a tax return to be filed in U.S. dollars, a $15 impact for operational losses in certain foreign jurisdictions that are excluded from the estimated annual effective tax rate calculation, and a $21 adjustment for the finalization of the estimated fair value of the Sapa AB joint venture; partially offset by the absence of a $118 realized loss on the sale of the Shining Prospect investment.

Environmental Matters

See the Environmental Matters section of Note H to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

Liquidity and Capital Resources

Cash From Operations

Cash provided from operations was $199 in the 2010 first quarter compared with cash used for operations of $271 in the same period of 2009. The improvement of $470 is principally due to a significantly lower net loss, somewhat offset by a change of $84 in noncurrent assets and liabilities and a $47 cash outflow associated with working capital. The major components of the change in working capital were as follows: a $478 increase in receivables, primarily as a result of higher sales across the upstream businesses; a $628 increase in inventories, mostly due to a build-up of levels to meet anticipated demand; a $419 increase in accounts payable, trade, principally the result of the absence of a significant drop in purchasing needs; and a $660 increase in taxes, including income taxes, mainly due to the receipt of a $347 federal income tax refund for the carryback of Alcoa's 2009 net loss to prior tax years.

Financing Activities

Cash used for financing activities was $180 in the 2010 first quarter, a decrease of $683 compared with cash provided from financing activities of $503 in the corresponding period of 2009.

The use of cash in the 2010 first quarter was primarily due to $86 in payments on long-term debt, $80 of which was related to previous borrowings on the loans supporting the São Luís refinery expansion and Juruti bauxite mine development in Brazil; $66 in acquisitions of noncontrolling interests, mainly the result of the $60 paid to redeem the convertible securities of a subsidiary held by Alcoa's partner in a special purpose vehicle, which holds an interest in the joint venture in Saudi Arabia; net cash paid to noncontrolling interests of $45, all of which relates to Alumina Limited's share of AWAC; and $32 in dividends paid to shareholders; somewhat offset by $53 in additions to long-term debt, all of which related to borrowings under the loans that support the Estreito hydroelectric power project in Brazil.

In the 2009 first quarter, the source of cash was primarily due to net proceeds of $876 from the issuance of 172.5 million shares of common stock; $689 in additions to long-term debt, mainly driven by net proceeds of $562 from the issuance of $575 in convertible notes and $105 in borrowings under the loans that support the São Luís refinery expansion, Juruti bauxite mine development, and Estreito hydroelectric power project in Brazil; a $209 net change in short-term borrowings ($1,300 was borrowed and repaid under Alcoa's former $1,900 364-day senior unsecured revolving credit facility within the 2009 first quarter), principally the result of $255 in loans to support Alcoa Alumínio's export operations; and net cash received from noncontrolling interests of $82, principally related to Alumina Limited's share of AWAC; partially offset by a $1,202 decrease in outstanding commercial paper due to the tightening in the credit markets and a reduction in market availability as a result of Alcoa's credit ratings and $137 in dividends paid to shareholders.

On March 30, 2010, Moody's Investors Service (Moody's) confirmed the following ratings for Alcoa: long-term debt at Baa3 and short-term debt at Prime-3. Alcoa's ratings were under review since December 21, 2009. The report stated that the confirmation of Alcoa's ratings reflects Moody's expectation that a meaningful level of the cost savings initiatives implemented by Alcoa in 2009 is permanent. This, in conjunction with moderately improving fundamentals for the aluminum industry, should translate to improved earnings generation in each of the Company's four operating segments and improving debt protection coverage ratios. The confirmation also acknowledges Alcoa's very strong market position and competitive cost position in bauxite and alumina, which should benefit disproportionately to primary metals as worldwide aluminum demand recovers and provide strong support to earnings improvement in 2010. Moody's removed all ratings from credit watch and the current outlook was changed from stable to negative. The change in the outlook reflects high inventory levels on the exchanges and Moody's view of the challenging conditions still facing the Company given the uneven pace of recovery in key end markets for aluminum on a global basis and the potential for a correction in aluminum prices.

On February 22, 2010, Fitch Ratings (Fitch) affirmed the following ratings for Alcoa: long-term debt at BBB- and short-term debt at F3. The report stated that, in Fitch's view, cash balances and free cash flow should be ample to repay scheduled maturities of debt in 2010 during a period of weak recovery given Alcoa's actions to reduce its operating base, its maintenance capital expenditures and raw materials costs. Fitch did not change the current outlook from negative. The unchanged outlook reflects limited earnings visibility and pressures on the aluminum market from growing high inventories and persistent surplus production. The report further stated that Fitch's ratings reflect Alcoa's leading position in the industry, its strength in low-cost alumina production, and the operating flexibility afforded by the scope of the Company's operations.

Investing Activities

Cash used for investing activities was $208 in the 2010 first quarter compared with cash provided from investing activities of $136 in the 2009 first quarter, resulting in an increase in cash used of $344.

In the 2010 first quarter, the use of cash was mainly due to $221 in capital expenditures, 60% of which related to growth projects, including the Estreito hydroelectric power project, Juruti bauxite mine development, and São Luís refinery expansion; and $129 in additions to investments, mostly for the purchase of $121 in available-for-sale securities held by Alcoa's captive insurance company; partially offset by $137 in sales of investments, all of which related to the sale of available-for-sale securities held by Alcoa's captive insurance company.

The source of cash in the 2009 first quarter was mainly due to $506 from sales of investments, mostly related to the receipt of $501 for the sale of the Shining Prospect investment; and $116 in proceeds from the sales of assets and businesses, primarily related to the collection of a note related to the 2007 sale of the Three Oaks mine and the sale of property in Vancouver, WA; mostly offset by $471 in capital expenditures, 70% of which related to growth projects, including the São Luís refinery expansion and Juruti bauxite mine development.

Recently Adopted and Recently Issued Accounting Guidance

See Note B to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

See the Derivatives section of Note P to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

Alcoa's Chief Executive Officer and Chief Financial Officer have evaluated the company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this report, and they have concluded that these controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the first quarter of 2010, that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

Alcoa is involved in remediation activities pursuant to Administrative Orders issued by the U.S. Environmental Protection Agency and other state and local environmental authorities. The most significant of these matters, including the remediation of the Grasse River in Massena, NY, are discussed in the Environmental Matters section of Note H to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

As previously reported, in January 2006, in Musgrave v. Alcoa, et al, Warrick Circuit Court, County of Warrick, Indiana; 87-C01-0601-CT-0006, Alcoa Inc. and a subsidiary were sued by an individual, on behalf of himself and all persons similarly situated, claiming harm from alleged exposure to waste that had been disposed in designated pits at the Squaw Creek Mine in the 1970s. During February 2007, class allegations were dropped and the matter now proceeds as an individual claim. On April 8, 2010, the court set trial for January 10, 2011.

Also as previously reported, in October 2006, in Barnett, et al. v. Alcoa and Alcoa Fuels, Inc., Warrick Circuit Court, County of Warrick, Indiana; 87C01-0601-PL-499, forty-one plaintiffs sued Alcoa Inc. and a subsidiary, asserting claims similar to the Musgrave matter, discussed above. In November 2007, Alcoa Inc. and its subsidiary filed motions to dismiss both the Musgrave and Barnett cases. In October 2008, the Warrick County Circuit Court granted Alcoa's motions to dismiss, dismissing all claims arising out of alleged occupational exposure to wastes at the Squaw Creek Mine, but in November 2008, the trial court clarified its ruling, indicating that the order does not dispose of plaintiffs' personal injury claims based upon alleged "recreational" or non-occupational exposure. The parties have each requested that the court certify an interlocutory appeal from the court's rulings and the court indicated that it will grant the parties' request. Plaintiffs also filed a "second amended complaint" in response to the court's orders granting Alcoa's motions to dismiss. The trial court is likely to stay any further proceedings regarding the second amended complaint while the parties pursue an interlocutory appeal to the Indiana Court of Appeals. On April 8, 2010, the court set a trial date in two individual claims, Kirk and Hedrick, for February 9, 2011 and April 11, 2011, respectively. Discovery in these cases has commenced. The company is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

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

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

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

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

(c) Issuer Purchases of Equity Securities:

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Plans or Programs (b)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (b)
January 1 - January 31, 2010	—	—	—	115,800,571
February 1 - February 28, 2010	—	—	—	115,800,571
March 1 - March 31, 2010	—	—	—	115,800,571
Total for quarter ended March 31, 2010	—	—	—	115,800,571

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

(b) On October 8, 2007, Alcoa's Board of Directors approved a new share repurchase program, which was publicly announced by Alcoa on October 9, 2007. The new program authorizes the purchase of up to 25% (or approximately 217 million shares) of the outstanding common stock of Alcoa at December 31, 2006, in the open market or though privately negotiated transactions, directly or through brokers or agents, and expires on December 31, 2010. In October 2009, Alcoa elected to suspend share repurchases under this program to preserve liquidity in light of the global economic downturn.

Item 6. Exhibits.

10(a).	Registration Rights Agreement, dated as of January 26, 2010, by and between Alcoa Inc. and Evercore Trust Company, N.A., solely in its capacity as duly appointed and acting investment manager of a segregated account held in the Alcoa Master Retirement Plans Trust, incorporated by reference to Exhibit 10 to the company’s Current Report on Form 8-K dated January 26, 2010
10(b).	Consulting Agreement, dated February 22, 2010, between Alcoa Inc. and Bernt Reitan, effective August 1, 2010
10(c).	First Supplemental Agreement, dated March 30, 2010, to the Aluminium Project Framework Shareholders Agreement, dated December 20, 2009, between Saudi Arabian Mining Company (Ma’aden) and Alcoa Inc.
10(d).	Purchase Agreement, dated March 30, 2010, between Alcoa Inc., Aluminum Financing Limited, and Abdullah Abunayyan Trading Corp.
10(e).	Terms and Conditions for Special Retention Awards under the 2009 Alcoa Stock Incentive Plan, effective January 1, 2010
12.	Computation of Ratio of Earnings to Fixed Charges
15.	Letter regarding unaudited interim financial information
31.	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

Alcoa Inc.

April 22, 2010	By	/s/ CHARLES D. MCLANE, JR.
Date		**Charles D. McLane, Jr.** **Executive Vice President and Chief Financial Officer** **(Principal Financial Officer)**
April 22, 2010	By	/s/ TONY R. THENE
Date		**Tony R. Thene** **Vice President and Controller** **(Principal Accounting Officer)**

EXHIBIT INDEX

10(a).	Registration Rights Agreement, dated as of January 26, 2010, by and between Alcoa Inc. and Evercore Trust Company, N.A., solely in its capacity as duly appointed and acting investment manager of a segregated account held in the Alcoa Master Retirement Plans Trust, incorporated by reference to Exhibit 10 to the company's Current Report on Form 8-K dated January 26, 2010
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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit 10(b)

CONSULTING AGREEMENT

THIS AGREEMENT is made effective August 1, 2010 between Alcoa Inc., a Pennsylvania corporation, including all of its subsidiaries and divisions (hereinafter called "ALCOA"), and Bernt Reitan, an individual currently residing at 350 East 79th Street, Apt 36C, New York, New York 10021-9209 (hereinafter called "Consultant").

WHEREAS, Alcoa desires personal consulting services from Consultant and Consultant desires to render the performance of such services;

NOW, THEREFORE, in consideration of the mutual covenants contained in this Consulting Agreement, and intending to be legally bound, the parties agree as follows:

ARTICLE I - DEFINITIONS

Section 1.1. The term "Consulting Services" means the personal and associated services of Consultant provided to Alcoa's Global Primary Products Group in areas relating to Consultant's expertise and knowledge of aluminum manufacturing and fabrication, smelting, bauxite mining, bauxite refining and/or the sale or distribution of alumina and alumina related products, alumina refining and smelting technology and smelter and refinery construction. Requests for Consulting Services shall only be made by John Thuestad or his designee. All requests for Consulting services shall be subject to allowing for your reasonable personal plans and commitments. Consultant will consult with John Thuestad or his designee to develop specific goals, objectives and criteria relating to the Consulting Services. Consultant shall provide Consulting Services to Alcoa as an independent contractor. Alcoa disclaims any right to control the manner of performance of the Consulting Services. It is understood that Alcoa can except or reject any or all proposals and recommendations of Consultant.

Section 1.2. Consulting Services shall be performed from your home in Oslo, Norway. When available, Alcoa will provide office space and support in its office in Oslo, Norway, or at one of its other offices if necessary. It is understood that Consultant will, upon Alcoa's request provide Consulting Services and if necessary, meet with representatives of Alcoa at any of its locations mutually agreed upon by Alcoa and Consultant.

ARTICLE II - COMPENSATION

Section 2.1. Effective August 1, 2010 Alcoa shall pay Consultant a fee of $125,000 for the performance of Consulting Services. Effective August 1, 2011, the anniversary date of this Agreement, Alcoa shall pay Consultant a fee of $125,000 for the performance of Consulting Services. It is agreed that Consultant will not be required to provide more than 25 days of Consulting Services during any one-year term of this Agreement.

Section 2.2. Consultant shall have the right to be reimbursed for all reasonable travel, living, telephone and other expenses incurred in the performance of approved Consulting Services, including domestic air travel costs (coach class accommodations), international air travel costs (business class accommodations) and other expenses directly incurred in rendering Consulting Services to Alcoa. Reimbursable expenses shall include any approved expenses incurred for communication needs e.g. cell phone. Such expenses shall be reimbursable to the Consultant under Section 2.3 of this Agreement. Consultant may not reveal to any party whatsoever without Alcoa's express written approval the character of, or compensation for Consulting Services being performed for Alcoa, except that the parties agree that the Consultant may disclose to potential future employers his obligation to provide consulting services to Alcoa.

Section 2.3. For incurred reimbursable expenses, Consultant shall be paid within thirty (30) days after receipt by Alcoa of a statement showing itemized expenses incurred during the preceding calendar month. Consulting Services and expenses may also be reimbursed in such other manner as agreed upon by Alcoa and Consultant.

ARTICLE III - CONFIDENTIALITY

Section 3.1. All data and other information of every kind, which is not generally known or used outside of Alcoa and which gives Alcoa a competitive advantage over others who do not know or use it, whether expressed in writing or otherwise, including information of a technical, engineering, operational or economic nature, learned or obtained by Consultant during the term of this Agreement or disclosed or revealed to Consultant by Alcoa, in the course of performing Consulting Services for Alcoa under this Agreement, and which Consultant knows, or has reason to believe includes factual information which Alcoa expects to be treated in confidence (all herein called "Information") shall be:

(a) received and maintained in strict confidence by Consultant and shall not be disclosed, directly or indirectly, by Consultant to any related or unrelated party whatsoever; and

(b) used by Consultant only for the performance of Consulting Services for Alcoa.

Section 3.2. The foregoing obligations of confidentiality, limited use and non-disclosure shall not apply to the following two exclusions:

(a) Information of a factual nature which is or becomes available in issued patents, published patent applications or printed publications of general public circulation other than by acts or omissions of Consultant; or

(b) Information of a factual nature which Consultant hereafter lawfully obtains without restriction from a third party other than from a third party who obtained such Information from Alcoa.

Section 3.3. The obligations imposed by this Article III shall continue in effect for a period of three (3) year(s) from the date on which the last Consulting Services are performed by Consultant for Alcoa, and shall survive the termination of this Agreement by either party.

ARTICLE IV - TERM

Section 4.1. The initial term of this Agreement shall be effective August 1, 2010 through July 31, 2012, and may be renewed upon such terms and conditions as may be agree upon by Consultant and Alcoa.

ARTICLE V - MISCELLANEOUS

Section 5.1. Consultant agrees to indemnify and to hold Alcoa harmless against any and all liability, claims and demands by or on behalf of Consultant or others (including but not limited to Alcoa employees and other third-parties) including claims on account of injury or loss to property or life caused solely by the gross negligence or willful acts or omission solely of

Consultant, arising out of or in any manner connected with the performance of the Consulting Services. In the event that it is determined that Consultant acted in good faith and in a manner believed to be in, or not opposed to the best interest of Alcoa, Consultant shall not be required to indemnify or hold Alcoa harmless against any and all liability, claims and demands. If necessary, the final determination of whether or not Consultant acted in good faith will be determined by independent legal counsel, or other disinterested person agreed upon by Alcoa and Consultant. Nothing contained in the Section 6.1 shall obligate Consultant to save and hold Alcoa harmless from and against any liability, claims or demands which may arise from the sole negligence of Alcoa.

Alcoa agrees to indemnify and hold Consultant harmless against any and all liability claims and demands by or on behalf of Alcoa or others (including, but not limited to Alcoa employees and other third-parties) including claims on account of injury or loss to property or life, resulting from acts or omissions solely of Alcoa or others, arising out of or in any manner connected with the performance of the Consulting Services.

Section 5.2. This Agreement shall inure to the benefit of and be binding upon Alcoa, its successors and assigns. This agreement may not be assigned by Consultant without the prior written approval of Alcoa.

Section 5.3. This Agreement sets forth the entire understanding between the parties as to the subject matter of this Agreement supersedes all other prior agreements, commitments, representations, writings and discussions between them, whether written or oral, with respect to the subject matter hereof. It is expressly understood that no representations, promises, warranties or agreements have been made by either party except as the same are set forth herein, that this Agreement does not supersede the terms of your employment as set forth in the October 30, 2008

letter from Klaus Kleinfeld and this Agreement will not affect your rights under any applicable Alcoa compensation or benefit plan. Except as otherwise expressly provided in this Agreement, this Agreement may not be amended except in writing and signed by a Consultant and Alcoa.

Section 5.4. No party shall be deemed to have waived any right, power or privilege under this Agreement or any provision hereof unless such waiver shall have been duly executed in writing and acknowledged by the party to be charged with such waiver. The failure of any party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this Agreement, or the right of any party to thereafter enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach of this Agreement.

Section 5.5. Notices

Notices to the parties shall be sent as follows

To Alcoa: John Thuestad
Alcoa Inc.
390 Park Avenue,
New York, NY. 10022-4608

To Consultant: Bernt Reitan
350 E 79 Street
NY, NY 10021-9209

Section 5.6. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York.

WITNESS:	Alcoa Inc.	
/s/ Dale C. Perdue	By	/s/ John D. Bergen
	Date	22 Feb 2010
WITNESS:	Bernt Reitan	
/s/ Peter Nicklin	By	/s/ Bernt Reitan
	Date	22 Feb 2010

Exhibit 10(c)

FIRST SUPPLEMENTAL AGREEMENT

to the Aluminium Project Framework
Shareholders Agreement
dated 3/1/1431H, corresponding to 20 December
2009 G

SAUDI ARABIAN MINING COMPANY (MA'ADEN)

and

ALCOA INC.

FIRST SUPPLEMENTAL AGREEMENT

THIS FIRST SUPPLEMENTAL AGREEMENT (hereinafter referred to as the “**Supplemental Agreement**”), is made and entered into on 14/4/1431H, corresponding to 30/3/2010G, by and between:

(1) **SAUDI ARABIAN MINING COMPANY (MA’ADEN)**, a company organized under the laws and regulations of the Kingdom of Saudi Arabia with commercial registration No.1010164391, having its head office and address at PO Box 68861, Riyadh 11537, Kingdom of Saudi Arabia (together with its legal successors and permitted assigns, hereinafter referred to as “**Ma’aden**”); and

(2) **ALCOA INC.**, a corporation under the laws of the Commonwealth of Pennsylvania, USA, whose principal place of business is at 390 Park Avenue, New York, NY 1022, USA, (together with its legal successors and permitted assigns, hereinafter referred to as “**Alcoa**”),

(hereinafter jointly referred to as the “**Parties**” or individually as a “**Party**”).

RECITALS:

(A) The Parties entered into the Original Agreement on 3/1/1431H corresponding to the 20th day of December 2009 G pursuant to which the Parties desired to enter into the Joint Venture in respect of the Project (as such terms are defined in the Original Agreement).

(B) The Parties entered into a Signing Side Letter also on 3/1/1431H corresponding to the 20th day of December 2009 G clarifying certain matters in the Original Agreement.

(C) The Parties have agreed to amend the Original Agreement by entering into this Supplemental Agreement.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Supplemental Agreement, the following words and expressions shall have the following meanings:

“**Entire Agreement**” means the Original Agreement as amended by this Supplemental Agreement;

“**Original Agreement**” means the Aluminium Project Framework Shareholders Agreement that was entered into on 3/1/1431H corresponding to the 20th day of December 2009 G, between the Parties, as amended by the Signing Side Letter of even date;

“**Parties**” means the signatories to this Supplemental Agreement; and

“**Supplemental Agreement”** means this supplemental agreement.

1.2 One agreement

The Original Agreement, together with this Supplemental Agreement, shall, with effect on and from the date hereof, be read and construed as one document and references in the Original Agreement to “this Agreement” shall from the date hereof (but not for any purposes prior to the date hereof) incorporate references to this Supplemental Agreement.

1.3 Terms defined

In this Supplemental Agreement, unless the context requires otherwise, terms defined in the Original Agreement and not otherwise defined herein, shall have the same meanings in this Supplemental Agreement. The principles of interpretation in Clause 1.2 of the Original Agreement shall also apply to this Supplemental Agreement.

1.4 Provisions incorporated by reference

The provisions of Clauses 1.3, 19 - 26 (inclusive) of the Original Agreement apply to this Supplemental Agreement as though incorporated herein.

1.5 Immediate effect

The amendments provided for in this Supplemental Agreement shall, save where expressly provided to the contrary, take effect forthwith upon execution of this Supplemental Agreement by the Parties.

2. AMENDMENTS TO THE ORIGINAL AGREEMENT

2.1 Amended wording

Clause 4.1 of the Original Agreement shall be deleted and replaced with the following new Clause 4.1:

“4.1 Share Capital as of Incorporation

(a) The Parties acknowledge that each Company shall be incorporated with an initial Share Capital, and the ownership of such shares as at the date of incorporation shall be, as set out in the tables below:

(i) In the case of the Mining & Refining Company:

Shareholder	Shareholder Percentage	Number of Shares	Paid In Capital
Ma’aden	74.9%	381,990	SR 3,819,900,000
Alcoa	25.1%	128,010	SR 1,280,100,000
TOTAL	100%	510,000	SR 5,100,000,000

(ii) In the case of the Smelting Company:

Shareholder	Shareholder Percentage	Number of Shares	Paid In Capital
Ma’aden	74.9%	572,985	SR 5,729,850,000
Alcoa	25.1%	192,015	SR 1,920,150,000
TOTAL	100%	765,000	SR 7,650,000,000

In the case of the Rolling Company:

Shareholder	Shareholder Percentage	Number of Shares	Paid In Capital
Ma'aden	74.9%	292,110	SR 2,921,100,000
Alcoa	25.1%	97,890	SR 978,900,000
TOTAL	100%	390,000	SR 3,900,000,000

(b) Each Share shall entitle the holder thereof to one (1) vote on each matter coming before the Shareholders.

(c) Notwithstanding anything to the contrary contained in the Articles of Association of each Company, each Share shall entitle the holder thereof to receive Share Distributions in accordance with Clause 11 of this Agreement."

2.2 Amendment to Clause 13

Notwithstanding Clause 13.1(b), the Parties agree that, in view of the changes to the proposed initial Shareholder Percentages, the amounts payable by Alcoa in respect of the Entry Payment shall be confirmed and the Agreed Pre-Incorporation Costs shall be modified as follows:

(i) the Entry Payment shall comprise an amount of eighty million US Dollars (US$80 million) which was paid by Alcoa to Ma'aden on 7/1/1431H, corresponding to 24 December 2009 G; and

(ii) the amount of Alcoa's pro rata share of the Agreed Pre-Incorporation Costs incurred by Ma'aden prior to the Calculation Date, based on its Shareholder Percentage set out in Clause 4.1 shall comprise thirty-four million US Dollars (US$34 million) which shall be due and payable by Alcoa to Ma'aden on 1 August 2010, being the Deferred Payment Date (as defined in the Signing Side Letter).

2.3 Amended wording

Clause 17.1 of the Original Agreement shall be deleted and replaced with the following new Clause 17.1:

"17.1 General Prohibitions

(a) Unless permitted by this Clause 17 or with the prior written consent of Alcoa, neither Ma'aden nor any Affiliate of Ma'aden shall do, or agree to do, any of the following:

(i) sell, transfer or otherwise dispose of, any of its Transferable Interests or any interest in any of its Transferable Interests;

(ii) encumber any of its Transferable Interests or any interest in any of its Transferable Interests;

(iii) enter into any agreement or arrangement in respect of the votes or other rights attached to any of its Transferable Interests; or

(iv) enter into any agreement or arrangement to do any of the foregoing.

(b) The Alcoa Affiliate that will hold Alcoa's Transferable Interests in the Smelting Company and the Rolling Company shall be directly or indirectly wholly legally and beneficially owned by Alcoa, and the Alcoa Affiliate that will hold its Transferable Interests in the Mining & Refining Company shall be directly or indirectly wholly legally and beneficially owned 60% (or more) by Alcoa, and 40% by Alumina Limited, a company listed on the Australian Stock Exchange with registered number ABN 85 004 820 419 ("**Alumina Limited**"), subject to the following provisions of this sub clause (b). Unless permitted by Clauses 14 or 15 or this Clause 17 but subject to Clause 17.1(c) below, Alcoa shall not and shall procure that its Affiliates shall not, (notwithstanding the provisions of Clause 17.2) without the prior written consent of Ma'aden do, or agree to do, any of the following:

(i) enter into any transaction or series of transactions which have the aim or effect of directly or indirectly selling, transferring or otherwise disposing of legal and/or beneficial interests in relation to the Transferable Interests to any person who is not directly or indirectly wholly legally and beneficially owned by Alcoa (or in the case of any Transferable Interests in the Mining & Refining Company 60% (or more) by Alcoa and 40% by Alumina Limited);

(ii) enter into any agreement or arrangement in respect of the votes or other rights attached to any of its Transferable Interests to any person who is not directly or indirectly wholly legally and beneficially owned by Alcoa (or in the case of any Transferable Interests in the Mining & Refining Company 60% (or more) by Alcoa and 40% by Alumina Limited);

(iii) enter into any agreement or arrangement to encumber any of its Transferable Interests or any interest in any of its Transferable Interests to any person who is not directly or indirectly wholly legally and beneficially owned by Alcoa (or in the case of any Transferable Interests in the Mining & Refining Company 60% (or more) by Alcoa and 40% by Alumina Limited); or

(iv) enter into any agreement or arrangement to do any of the foregoing.

(c) Notwithstanding the above, Alcoa shall, provided it has supplied Ma'aden in writing with sufficient information to identify the parties involved and all relevant material terms of such transaction thirty (30) days in advance of the consummation by Alcoa of any such transaction, be permitted to enter into a significant strategic joint venture or similar transaction involving all or a substantial portion of Alcoa's interests in the relevant business of bauxite mining and alumina refining, aluminium smelting and/or aluminium rolling, as the case may be, provided that (i) the proportion of the revenues properly attributable to Alcoa's Transferable Interests in the Project is not material in comparison to the total revenues in respect of all of Alcoa's operations which are included within such transaction in the calendar year prior to such transaction; and (ii) such transaction is entered into only with a strategic partner rather than financial investors. For the purposes of this clause: a "strategic partner" is a person and/or group of persons who are, immediately prior to the date of any such transaction with Alcoa, engaged in the business of owning and operating bauxite mines and alumina refineries, aluminium smelters and/or aluminium rolling mills, as the case may be, in each case, including operations outside the Kingdom: and the proportion of revenues shall not be considered to be material if it is less than the initial Shareholder Percentage of Alcoa."

2.4 New clauses

New <u>Clauses 17.11</u>, <u>17.12</u> and <u>17.13</u> shall be added to the Original Agreement as follows:-

"17.11 Put And Call Option

(a) Alcoa hereby grants to Ma'aden an option (the "**Put Option**") to require Alcoa to purchase from Ma'aden (i) such number of Shares as at the relevant time constitutes 14.9% of the total issued Shares of each of the Companies; and (ii) 14.9% of the total aggregate Shareholder Loans provided to each of the Companies (the "**Option Interests**"), on the terms set out in this <u>Clause 17</u>. Ma'aden hereby grants to Alcoa an option (the "**Call Option"**) to require Ma'aden to sell to Alcoa all of the Option Interests on the terms set out in this <u>Clause 17</u>.

(b) The Put Option may only be exercised by Ma'aden and the Call Option may only be exercised by Alcoa within a period of six (6) months from the date falling five (5) years after the Commercial Production Date (the "**Option Period**") and shall be exercised simultaneously for all of the Companies. If the Put Option or the Call Option is not exercised during the Option Period, it shall lapse.

(c) The Put Option shall be exercised by Ma'aden giving Alcoa written notice (the "**Put Option Notice**") which shall include:

(i) a statement to the effect that Ma'aden is exercising the Put Option; and

(ii) a signature by or on behalf of Ma'aden.

(d) The Call Option shall be exercised by Alcoa giving Ma'aden written notice (the "**Call Option Notice**") which shall include:

(i) a statement to the effect that Alcoa is exercising the Call Option; and

(ii) a signature by or on behalf of Alcoa.

(e) The Put Option and the Call Option may be exercised only in respect of all of the Option Interests.

(f) All Distributions resolved or declared to be paid or made by the relevant Company in respect of the Option Interests by reference to a record date which falls on or before the date on which completion of the sale of the Option Interests under the Put Option (the "**Put Option Completion Date**") or the Call Option (the "**Call Option Completion Date**") (as the case may be) occurs shall belong to, and be payable to, Ma'aden. For the purposes of this <u>Clause 17.11</u>, "completion" shall be the date when the Parties sign before a notary the required shareholders resolutions authorising the amendment of each of the Companies' articles of association to reflect the transfer.

(g) The consideration payable by Alcoa for the Option Interests (the "**Option Consideration**") shall be calculated in accordance with the provisions of <u>Clause 17.12</u>.

(h) The Parties shall use their respective reasonable endeavours to:

(i) procure that the Option Consideration shall be finally determined as quickly as possible consistent with the provisions of <u>Clause 17.12</u>; and

(ii) no later than twelve (12) months following the determination of the Option Consideration, take all such action as may reasonably be required to give

effect to any transfer of the Option Interests pursuant to this Clause 17.11, including cooperating in obtaining approvals required from all relevant Governmental Authorities.

(i) On the Put Option Completion Date or Call Option Completion Date (as applicable), Alcoa shall pay or procure the payment of the Option Consideration to Ma'aden in cash to a bank account, the details of which Ma'aden shall provide in writing to Alcoa not less than three (3) Business Days prior to the Put Option Completion Date or the Call Option Completion Date (as applicable).

17.12 Put and Call Option Valuations

(a) Option Consideration

The Parties shall act in good faith to determine the Option Consideration and, in doing so, shall follow the approach and apply the valuation methods set out below.

(b) Valuation Panel

In the event that the Parties are unable to agree the Option Consideration within fifteen (15) days of the date of the Call Option Notice or the Put Option Notice (as the case may be), the Parties shall refer the valuation to a panel of independent experts with appropriate experience in the aluminium industry (each a "**Valuer**"). The panel shall consist of three Valuers, one of whom shall be appointed by each Party and the third of whom, who shall act as chairman of the panel, shall be jointly nominated by the two Valuers nominated by the Parties. Failing agreement as to the identity of the third Valuer within five (5) Business Days of being required to do so, such third Valuer shall be nominated by the International Centre for Expertise in accordance with the provisions for the appointment of experts under the Rules of Expertise of the International Chamber of Commerce (who shall be instructed to nominate only a Valuer experienced in valuing rolling mills, aluminium smelters, alumina refineries, bauxite mines and/or associated facilities, and shall have experience in, and relevant knowledge of the Kingdom and the GCC region).

(c) Submission of Valuation

The Valuers shall be instructed to collectively submit a single Option Consideration valuation to the Parties within sixty (60) days of the appointment of the third Valuer (or such longer time as the Parties may agree) and such valuation shall be final and binding upon the Parties. The Option Consideration shall be determined on a fair value basis in accordance with Clause 17.12(d) below.

(d) Valuation Approach

In valuing the Transferable Interests which are the subject of the Put Option or Call Option, as the case may be, the Valuers:

(i) shall prepare the valuation by using the discounted cashflows methodology based on the net present value of cashflows attributable to the Option Interests which take into account the terms of the Project Agreements (including, for the avoidance of doubt, the Gas Allocation Letter, the Gas Supply Agreement to be entered into with Saudi Aramco, the Energy Conversion Agreement entered into between Ma'aden and SWCC dated 10 October 2009 and other agreements with Government or publicly held entities) over the remaining life of the Project;

(ii) shall consider cashflows from Expansions, taking into account any agreed Expansions;

(iii) shall use an appropriate discount rate to compute the net present value, taking into account customary factors such as the industry, the geography, the Parties' familiarity with the operations, and other relevant factors;

(iv) shall not apply any discount to the Option Interests as a result of the Option Interests not conferring Control over any Company or not conferring any minority protection rights;

(v) may consult persons engaged in the marketing of aluminium who, in the Valuers' opinion, are experts in the making of price forecasts on a regular basis;

(vi) may consult any other experts as the Valuers think fit;

(vii) shall be entitled to rely in good faith upon the opinions of any experts so consulted; and

(viii) shall consider any submissions as to the value of the Option Consideration which may be made to the Valuers by a Party within thirty (30) days of receipt by the Party of notice of the appointment of the third Valuer.

17.13 Notwithstanding Clauses 17.1(a), 17.3 and 17.4, Ma'aden shall be entitled to sell, transfer and assign to one or more Saudi public companies or public funds or any combination of the same consistent with the provisions of Clause 17.8 (and may procure the sale, transfer and assignment by any of its Affiliates to the same), its rights, title and interest in and to Transferable Interests held by Ma'aden of up to 14.9% of the aggregate of the Transferable Interests of a Company. Such sale may take place at any time prior to the Put Option or Call Option being exercised by Ma'aden or Alcoa respectively pursuant to Clause 17.11. Ma'aden shall give not less than sixty (60) days' prior written notice to Alcoa of such a proposed transfer including details of the proposed Saudi public companies and /or public funds (the "**Transferees**"). Ma'aden shall procure that, as a condition of such transfer, the Transferees shall agree to be bound by all the terms of this Agreement and shall execute an Adherence Agreement, provided that the Transferees further agree that Ma'aden shall represent the Transferees in all dealings with Alcoa that arise in connection with the exercise of the Put Option or Call Option, as the case may be. The Parties agree that, for the purposes of determining Ma'aden's Shareholder Percentage in connection with its rights and obligations under Clause 5.4 (in respect of the Aluminium offtake) and Clause 5.12 (in respect of the Ma'aden LOC under the Gas Allocation Letter), Ma'aden's Shareholder Percentage shall be deemed to include as between Ma'aden and Alcoa, any such Shares and Shareholder Loans held by such Saudi public companies or public funds. The Parties hereby agree to take any action which may reasonably be required in order to implement the provisions of this Clause 17.13 including (without limitation) cooperating as necessary to amend the relevant Company's foreign investment licence, articles of association and commercial registration so as to formalize the transfer of the Shares."

2.5 Amended wording

Clause 21.3(a) of the Original Agreement shall be amended by inserting the words ", Clause 17.12" in the first line after the words "in Clause 9".

3. NOTICES

All notices, approvals, consents or other communications in connection with this Supplemental Agreement shall be given in accordance with the notice provision set out in Clause 23 of the Original Agreement.

4. COUNTERPARTS

This Supplemental Agreement may be executed in any number of counterparts and by the parties to it on separate counterparts and each such counterpart shall constitute an original of this Supplemental Agreement but all of which together constitute one and the same instrument. This Supplemental Agreement shall not be effective until each party has executed at least one counterpart.

5. GOVERNING LAW AND DISPUTE RESOLUTION

This Supplemental Agreement shall be governed by, construed and interpreted according to English law and, for the avoidance of doubt, the dispute mechanisms in Clause 21 of the Original Agreement (as amended by this Supplemental Agreement) shall apply to this Supplemental Agreement as though incorporated herein.

IN WITNESS WHEREOF, each Party has caused this Supplemental Agreement to be executed by its duly authorized representative as of the date first written above.

	SAUDI ARABIAN MINING COMPANY (MA'ADEN)
By:	Dr. Abdullah Dabbagh, President and CEO
Signed:	/s/ Dr. Abdullah Dabbagh
	ALCOA INC.
By:	Klaus Kleinfeld, President and CEO
Signed:	/s/ Klaus Kleinfeld

Exhibit 10(d)

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "**Agreement**") is made as of this 30th day of March, 2010, by and between:

A. **Alcoa Inc.**, a corporation incorporated in the Commonwealth of Pennsylvania, United States of America, with a mailing address of 390 Park Avenue, New York, NY 10022, U.S.A. ("**Alcoa**"); and

B. **Aluminum Financing Limited**, a corporation incorporated in the British Virgin Islands with a mailing address of c/o Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands ("**Investor**"); and

C. **Abdullah Abunayyan Trading Corp.**, a corporation organized under the laws of Saudi Arabia, whose principal place of business is at Abunayyan Headquarters Building, 8915 King Abdulaziz Road, Al Wizarat District, P.O. Box 321, Riyadh 11411, Kingdom of Saudi Arabia ("**Guarantor**").

Each of Alcoa, Investor and Guarantor may be called a "**Party**", or collectively, the "**Parties**".

WHEREAS, Alcoa and Investor are parties to that Closing Memorandum, dated December 20, 2009 (the "**Memorandum**"), covering their planned establishment, formation and financing of several special purpose vehicles (the "**SPVs**") which would invest in a joint venture with Saudi Arabian Mining Company (Ma'aden) ("**Ma'aden**");

WHEREAS, Alcoa and Guarantor are parties to reciprocal parent guarantees, dated 20th December 2009, under which Alcoa guaranteed certain of its obligations under the Memorandum and Guarantor guaranteed certain obligations of Investor under the Memorandum (the "**Guarantees**", and together with the Memorandum, the "**Relevant Agreements**"); and

WHEREAS, due to changes in the circumstances surrounding the planned formation of the SPVs and participation in the joint venture with Ma'aden, Alcoa is willing to purchase, and Investor is willing to sell all of its right, title and interest in the planned SPVs as contemplated under the Memorandum and all arrangements contemplated thereunder, the Parties will simultaneously terminate the Relevant Agreements on the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the premises and of the mutual agreements hereinafter set forth and the mutual benefits to be derived therefrom and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in reliance upon the aforementioned recitals of fact, the Parties, intending to be legally bound, hereby mutually agree as follows:

1. **Definitions**. Except as otherwise set forth in this Agreement, all capitalized terms have the meaning given to such in the Memorandum and/or the JV Shareholders Agreement (as defined in the Memorandum).

2. **<u>Sale and Purchase.</u>** Upon payment by Alcoa (and receipt by the Investor) of the sum of Sixty Million U.S. Dollars (USD 60,000,000) (the "**Purchase Price**") in accordance with Clause 3 (Payment of Purchase Price) of this Agreement, Alcoa will acquire, and Investor will sell all right, title and interest in and to its participation in the SPVs and in the joint venture with Ma'aden, and all rights and obligations of the Parties and their Affiliates (including, without limitation, their respective parents, subsidiaries, assigns, transferees, representatives, principals, officers, directors, shareholders, partners, agents, attorneys, employees and all persons acting by, through or in concert with them) under the Relevant Agreements (including, without limitation, the Agreed Form Note Purchase Agreements and the Agreed Form Shareholders Agreements in respect of each of the SPV Companies, the Agreed Form Parent Company Guarantee given by the Guarantor and the Agreed Form Parent Company Guarantee given by Alcoa, and all rights and obligations in respect of Royalties and Completion Guarantees) will terminate.

3. **<u>Payment of Purchase Price</u>**. The Purchase Price shall be paid, forthwith upon the execution of this Agreement, in full and without deduction or set-off in any amount by electronic funds transfer in United States Dollars and in immediately available funds to the bank account, details of which are set out in Clause 3(b) below (the "**Nominated Account**").

(a) Alcoa shall send a copy of the transfer instruction by facsimile to: Aluminum Financing Limited, c/o Mr Mohammed A. Abunayyan, Sole Director (+966 (1) 479-3312) within four (4) hours of issuance of the transfer instruction to its bankers.

(b) The receipt by the Investor of the full Purchase Price in the Nominated Account shall constitute proper discharge of Alcoa's obligation to pay the Purchase Price:

Account Name:	A. Abunayyan Trading Corp.
Bank Name:	Arab National Bank P.O. Box 56921 Riyadh 11564 Kingdom of Saudi Arabia
Currency:	United States Dollars (USD)
SWIFT Code:	ARNBSARI
Account Number:	6708051753360016
IBAN:	SA3830406708051753360016

(c) Payment of the Purchase Price by Alcoa shall be made free of any deduction, withholding or retention of or for taxes, bank fees charged by Alcoa's bankers, costs of electronic funds transfer or any other fees or charges. For the avoidance of doubt, Investor shall be solely responsible for beneficiary's bank's fees and charges and for any taxes imposed or levied by any Saudi Arabian taxing authority and Alcoa shall be solely responsible for the sending bank's fees and charges and for any taxes imposed or levied by any non-Saudi Arabian taxing authority. If any such taxes are imposed or levied by any non-Saudi taxing authority, the Investor will, at the cost and expense of Alcoa, cooperate in good faith to take such reasonable action and to provide the relevant taxing authority with such documentation as to allow the refund of any such taxes.

4. **Release**. Upon payment by Alcoa (and receipt by the Investor) of the Purchase Price, except with respect to the obligations of Alcoa, Investor and Guarantor under this Agreement, Alcoa, Investor and Guarantor each, on behalf of itself and its Affiliates and anyone claiming through them, do hereby absolutely, unconditionally and irrevocably waive, release and discharge each other (and their respective parents, subsidiaries, assigns, transferees, representatives, principals, officers, directors, shareholders, partners, agents, attorneys, employees and all persons acting by, through or in concert with them) from any and all manner or right, action, cause of action, suit, lien, damage, claim or demand of whatever kind and nature, known and unknown, accrued and not yet accrued, fixed or contingent, foreseen and unforeseen, whether in law or equity, that such Party or its Affiliates (and their respective parents, subsidiaries, assigns, transferees, representatives, principals, officers, directors, shareholders, partners, agents, attorneys, employees and all persons acting by, through or in concert with them) may now have or hereafter obtain relating to or arising out of the Relevant Agreements (the "**Released Claims**"). In connection with their waiver and relinquishments set forth in this Clause 4 (Release), Alcoa, Investor and Guarantor acknowledge that they are aware that they may hereafter discover claims or facts in addition to or different from those which they now know or believe to exist with respect to the subject matter of this Agreement, but it is their intention to fully, finally and forever settle and release all of the disputes and differences known or unknown, suspected or unsuspected, which do not exist, may exist in the future or have ever existed with one another, and as such agree that this Agreement and its terms, including the releases, waivers and discharges contained herein, shall be and remain effective in all respects notwithstanding such additional or different facts or the discovery thereof, provided that this clause does not limit the liability of a Party in respect of fraudulent misrepresentation or wilful misconduct. For the avoidance of doubt, the waiver, release and discharge contained in this Clause 4 (Release) does not waive, release or discharge claims for indemnification under this Agreement or for breach of this Agreement by a Party.

5. **Agreement not to Sue**. Upon payment by Alcoa (and receipt by the Investor) of the Purchase Price, each Party, on behalf of itself and its respective Affiliates, parents, subsidiaries, assigns, transferees, representatives, principals, officers, directors,

shareholders, partners, agents, attorneys, employees and all persons acting by, through or in concert with them, agrees not to file or cause to be filed against the other Party and/or its respective Affiliates, parents, subsidiaries, assigns, transferees, representatives, principals, officers, directors, shareholders, partners, agents, attorneys, employees and all persons acting by, through or in concert with them before any board, arbitrator, any court of law or any administrative agency within the Kingdom of Saudi Arabia, the United Kingdom, the United States or elsewhere, any charge, complaint or action arising out of or relating to any of the Released Claims. Each Party shall indemnify the other Party and its respective Affiliates, parents, subsidiaries, assigns, transferees, representatives, principals, officers, directors, shareholders, partners, agents, attorneys, employees and all persons acting by, through or in concert with them, against all costs and damages (including legal expenses) incurred in any future actions, claims or proceedings which are brought in breach of this Clause 5 (Agreement not to Sue).

6. **Confidentiality**. Without prejudice to the Parties' rights and obligations under Clause 8 (Announcements) of this Agreement, each Party will:

(a) ensure that any confidential information regarding the Project or any other Party which it learned in the course of negotiations for, or carrying out of the Relevant Agreements or this Agreement, is treated by it in strict confidence;

(b) only disclose such information to its directors, officers, employees, professional advisers or consultants, or to any bank or financial institution from whom the Party is seeking finance, to the extent that such disclosure is necessary;

(c) not make use of such information for purposes other than the implementation of the Parties' obligations hereunder unless such information: **(i)** is known to such Party prior to learning of it from the other; **(ii)** is obtained by such Party from a source other than the disclosing Party, which source **(A)** did not require such Party to hold such secrets or information in confidence and **(B)** did not limit or restrict such Party's use thereof; **(iii)** becomes public knowledge other than through the fault of such Party; **(iv)** is required to be disclosed by any competent legal or regulatory authority; **(v)** is required to be disclosed by any internationally recognized stock exchange, provided that in any such case the disclosing Party shall provide prompt written notice to the other Party prior to making such disclosure and provide details of the proposed form, nature and purpose of such disclosure so that the other Party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this clause; **(vi)** is independently developed by such Party; **(vii)** is permitted to be used or disclosed pursuant to the terms of a separate agreement between the disclosing Party and the other Party, in which case such use or disclosure shall be governed by the terms of the relevant agreement; or **(viii)** is used, only insofar as is necessary, to implement and enforce any of the terms of this Agreement; and

(d) impose on its professional advisers or consultants, or any bank or financial institution from whom the Party is seeking finance, an equivalent obligation of confidentiality and shall obtain an undertaking of strict confidentiality from such professional advisers or consultants, or financial institution from whom the Party is seeking finance, on the terms set out in this Section 6.

7. **Mutual Representations and Warranties**. Each Party represents and warrants to the other that:

(a) it has the power and authority to execute, deliver and perform this Agreement (including as to any obligation to procure the performance of any Affiliate), and all necessary corporate and other action has been taken to authorize the execution, delivery and performance of this Agreement;

(b) its officers or directors have the power and authority to act on its behalf in entering into this Agreement;

(c) this Agreement has been duly executed and constitutes a valid, legal and binding obligation of such party enforceable in accordance with its terms;

(d) no part of the Purchase Price received under this Agreement will be paid, directly or indirectly, to a government official for the purpose of: **(i)** influencing any act or decision of a government official in its official capacity, including the failure to perform an official function, in order to assist itself or any other person in obtaining or retaining business, or directing business to any third party; **(ii)** securing an improper advantage; **(iii)** inducing a government official to use its influence to affect or influence any act or decision of a governmental authority in order to assist itself or any other person in obtaining or retaining business, or directing business to any third party; or **(iv)** providing an unlawful personal gain or benefit, of financial or other value, to a government official; and

(e) no consent, authorisation, license, permit, registration or approval of, or exemption or other action by, any governmental authority or any other person is required in connection with its execution, delivery and performance of this Agreement, or if any such consent is required, it has satisfied the applicable requirements.

8. **Announcements**. Any governmental filing (including United States Securities and Exchange Commission Form 8-K, Form 10-K and Form 10-Q), news release, public announcement or media announcement proposed to be released by a Party in connection with this Agreement (collectively, "**Announcements**"), whether directly or indirectly, shall be subject to the prior written consent of the other Parties, which consent shall not be unreasonably withheld. No Announcement shall be made unless it is in the form approved by the Parties in writing. A copy of Alcoa's Form 8-K concerning this Agreement and the Amendment of the JV Shareholders Agreement with Ma'aden has been approved by Investor and Guarantor. The Parties agree not to communicate with third parties in a

manner inconsistent with, or in a manner that discloses additional information of substance to, the agreed Announcements, the intention being that the spirit and meaning of the message conveyed by the agreed Announcements will be faithfully conveyed. For the avoidance of doubt, any Announcement made pursuant to a mandatory filing requirement or other mandatory requirement shall be subject to the terms of this Clause 8 (Announcements) and shall in no event be construed as an exception to the requirement for prior approval from the other Parties.

9. **Proper Law**. This Agreement, the relationship of the Parties connected with it and any dispute arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, interpreted and enforced in accordance with the laws of England and Wales without giving effect to principles of conflicts of law.

10. **Jurisdiction**.

(a) All disputes arising out of or in connection with the Agreement shall be, if requested by any Party, referred to and finally settled by arbitration under the Rules of London Court of International Arbitration as amended or substituted from time to time (the "**LCIA Rules**"), which LCIA Rules are deemed to be incorporated into this Agreement. Arbitration shall be the exclusive method for resolution of the dispute and the determination of the arbitrators shall be final and binding. The Parties agree that they will give conclusive effect to the arbitrators' determination and award and that judgment thereon may be entered and enforced by any court of appropriate jurisdiction. The tribunal shall consist of three (3) arbitrators, one of whom shall be appointed by Alcoa, the second of whom shall be appointed jointly by the Investor and the Guarantor and the third of whom, who shall act as chairman, shall be jointly nominated by the two arbitrators nominated by the Parties. Failing agreement as to the identity of the third arbitrator within five (5) business days of the two arbitrators nominated by the Parties being required to do so by the Parties, such third arbitrator shall be nominated by the London Court of International Arbitration in accordance with the LCIA Rules. The place of arbitration shall be London, England. The language to be used in the arbitration shall be English, and any documents or portions of them presented at such arbitration in a language other than English shall be accompanied by an English translation thereof. The arbitrators shall decide such dispute in accordance with the substantive laws of England applicable hereto.

(b) It is expressly agreed that the right to appeal on a point of law to the High Court of England and Wales or to apply to such court for the determination of a preliminary point of law is excluded. The parties to the arbitration may, however, make an application to any court having jurisdiction for interim relief, for registration of the award, for judgment on the award to be entered and/or for enforcement of the award, including enforcement of any award granting interlocutory relief, against

another party to the arbitration, and for the obtaining of evidence (whether by discovery of documents, interrogatories, affidavits or testimony of witnesses or whatever) which the arbitrator directs shall be admitted in the actual proceedings.

(c) It is the Parties' mutual and express intent that this arbitration provision be interpreted broadly to cover any and all disputes between them arising out of or in relation to this Agreement or its performance, negotiation, or termination, whether the dispute is contractual, quasi-contractual, under any applicable statute, tortious (including, without limitation, claims of fraud or misrepresentation) or otherwise. If there is any ambiguity or uncertainty as to whether a particular dispute is subject to this arbitration provision, it is to be resolved in favour of this arbitration provision applying to the dispute. The Parties expressly desire that any arbitral body or judicial body interpreting this provision give it full, broad and complete effect to the maximum extent permitted by law.

(d) The Parties irrevocably appoint the entities listed below as their respective agents to receive on their behalf in England or Wales service of any proceedings under this Clause 10 (Jurisdiction). Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Party) and shall be valid until such time as all other Parties have received prior written notice that such agent has ceased to act as agent. If for any reason such agent ceases to be able to act as agent or no longer has an address in England or Wales, the Party shall forthwith appoint a substitute and deliver to the other Parties the new agent's name and address within England and Wales. The relevant agents are:

A. For Investor and Guarantor - Clyde & Co LLP of 1 Stoke Road, Guildford, Surrey GU1 4HW; and

B. For Alcoa – Pinsent Masons, 1 Park Row, Leeds LS1 5AB, United Kingdom.

(e) Each Party irrevocably consents to any process in any legal action or proceedings under Clause 10 (Jurisdiction) of this Agreement being served on it in accordance with the provisions of this Agreement relating to service of notices. Nothing contained in this Agreement shall affect the right to serve process in any other manner permitted by law.

(f) Each Party acknowledges, agrees and represents that the provisions contained in Clause 9 (Proper Law) and Clause 10 (Jurisdiction) with respect to governing law, arbitration, choice of venue and jurisdiction, as well as the remaining provisions of this Agreement, have been negotiated and entered into voluntarily after consultation by each Party with its legal counsel and with a full understanding of the business and legal consequences of such provisions and this Agreement.

11. <u>General Provisions</u>.

(a) All notices, communications and demands of any kind which a Party may be required or desire to serve upon another Party under the terms of this Agreement shall be in writing and shall be deemed to have been effectively given if served by personal service or a recognised courier service (e.g., DHL, Federal Express) at the address of the Party indicated in Clause 10(d) above or at such other address as may be designated by the Party by a notice to the other given in conformity with this Agreement, with copies to all other Parties. Notices shall be deemed delivered, in the case of personal service, upon delivery and in the case of courier, the recipient's first clear Business Day at least four (4) complete calendar days after delivery to the courier. Notices may be delivered by confirmed facsimile and shall be deemed delivered on the recipient's first clear Business Day following the date of transmission, provided that confirmation of successful transmission is available and received.

(b) This Agreement constitutes the entire agreement between the Parties and supersedes any arrangements, understanding or previous agreement between them relating to the subject matter they cover. Each Party acknowledges that, in entering into this Agreement, it does not rely on, and shall have no remedy in respect of, any statement, representation, assurance or warranty of any person, including in equity, contract or tort, under the Misrepresentation Act 1967, or in any other way, other than as expressly set out in this Agreement. This clause does not affect a Party's liability in respect of fraudulent misrepresentation or wilful misconduct.

(c) This Agreement is binding on the Parties and their respective successors and assigns. None of the Parties may assign this Agreement or any of its rights and obligations under it, except with the prior written consent of the other Parties.

(d) The Parties do not intend that any term of this Agreement should be enforceable by any third party as provided by the Contracts (Rights of Third Parties) Act 1999 except that where rights or indemnities are granted in favour of the Parties' Affiliates, agents, officers or employees such persons shall be able to rely upon and enforce them.

(e) Any variation or modification of this Agreement shall be in writing and signed by or on behalf of all Parties. A waiver of any right under this Agreement is only effective if it is in writing and it applies only to the person to whom the waiver is addressed and the circumstances for which it is given. A person that waives a right in relation to one person, or takes or fails to take any action against that person, does not affect its rights against any other person.

(f) Except as provided in this Agreement, all costs in connection with the negotiation, preparation, execution and performance of this Agreement shall be borne by the Party that incurred the costs.

(g) The Parties to this Agreement are not in partnership with each other and there is no relationship of principal and agent between them.

(h) This Agreement may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each Party had signed the same document.

(i) This Agreement is entered into in connection with changed circumstances and in the light of other considerations. It is not, and shall not be represented or construed by the Parties as, an admission of liability or wrongdoing on the part of any Party to this Agreement or any other person or entity and accordingly, this Agreement and its terms and provisions are made and agreed without any admissions by the Parties of liability, obligation or fact of any nature or kind whatsoever save as set out expressly in this Agreement.

(j) This Agreement shall become effective upon either (i) each Party duly and validly executing the same original of this Agreement, or (ii) each Party delivering to the other Parties a facsimile counterpart of this Agreement duly and validly executed in a form binding upon it together with a valid international courier tracking number for the shipment containing the fully signed original counterpart, subject to payment being paid in accordance with Clauses 2 (Sale and Purchase) and 3 (Payment of Purchase Price).

AS WITNESS WHEREOF, THIS AGREEMENT IS EXECUTED AS A DEED:

Alcoa Inc.

By /s/ Kenneth P. Wisnoski
Kenneth P. Wisnoski
Vice President & President, Global
Primary Products - Growth, Bauxite and Africa

Aluminum Financing Limited

By /s/ Mohamed Abdullah Abunayyan
Mohamed Abdullah Abunayyan
Sole Director

Abdullah Abunayyan Trading Corp.

By /s/ Mohamed Abdullah Abunayyan
Mohamed Abdullah Abunayyan
Managing Director

Exhibit 10(e)

ALCOA INC.

TERMS AND CONDITIONS FOR SPECIAL RETENTION AWARDS

Effective January 1, 2010

These terms and conditions are authorized by the Compensation and Benefits Committee of the Board of Directors. They are deemed to be incorporated into and form a part of every special retention Award (“Retention Award”) issued under the 2009 Alcoa Stock Incentive Plan, as last amended prior to the grant (the “Plan”) on or after January 1, 2010.

Terms that are defined in the Plan have the same meanings in these terms and conditions.

General Terms and Conditions

1. Retention Awards are subject to the provisions of the Plan and the provisions of these terms and conditions. A Retention Award is an undertaking by the Company to issue the number of Shares indicated in the notice of the Retention Award on the date the Retention Award vests, except to the extent otherwise provided herein.

Vesting and Payment

2. A Retention Award vests on the third anniversary date of the date of grant, unless the Committee establishes another date for vesting with respect to all or a portion of the Shares subject to the Retention Award at the time of the grant of the Retention Award.

3. As a condition to a Retention Award vesting, a Participant must remain an Alcoa employee actively at work through the date of vesting. Except to the extent otherwise provided herein, if the Participant’s employment with Alcoa terminates prior to the vesting date of the Retention Award, the Retention Award is forfeited and is automatically canceled.

4. Retention Awards will be paid by the issuance to the Participant of Shares covered by the Retention Award, reduced by the number of Shares needed to pay applicable taxes upon vesting. Prior to issuance of the Shares, the Participant has no voting rights or rights to receive dividends with respect to Shares covered by the Retention Award. However, the Committee may authorize the accrual of cash dividend equivalents prior to issuance of the Shares. Such amounts, if authorized, will be equal to the common stock dividend per Share payable on Alcoa common stock multiplied by the number of Shares covered by the Retention Award. Dividend equivalents will be paid to the Participant only if the Retention Award vests.

5. The following exceptions apply to the forfeiture rule:

(i) An unvested Retention Award held by a Participant who is involuntarily terminated without cause from employment with the Company during the vesting period is not forfeited in whole but only in part upon termination of employment, as described below. The portion of the Retention Award that is not forfeited vests on the original stated vesting date and is calculated based on a proportionate share of

the time during the vesting period that the Participant remained actively employed with Alcoa, with the remaining portion being automatically forfeited. The proportionate share is computed on the basis of the actual number of days actively employed after the date of grant over a total vesting period of three years of 360 days each (or a total vesting period of 1,080 days.) For example, a Participant who is involuntarily terminated without cause from employment with the Company at the end of the first year of the three-year vesting period will receive one-third of the Shares upon vesting, with the remaining two-thirds of the Shares being automatically forfeited upon termination.

(ii) An unvested Retention Award held by a Participant who dies while an active employee is not forfeited but vests on the original stated vesting date.

(iii) A Retention Award vests immediately upon certain Change in Control events described in the Plan. The Retention Award is payable and Shares become issuable immediately upon the occurrence of such Change in Control events.

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

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

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

Beneficiaries

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

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

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

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

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

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

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

16. Retention Awards are not transferable except as otherwise provided herein to a beneficiary.

Exhibit 12

Alcoa and subsidiaries
Computation of Ratio of Earnings to Fixed Charges
(in millions, except ratio)

Three months ended March 31,	2010
Earnings:	
Loss from continuing operations before income taxes	$ (88)
Noncontrolling interests' share of earnings of majority-owned subsidiaries without fixed charges	—
Equity income	(22)
Fixed charges added to earnings	127
Distributed income of less than 50 percent-owned persons	7
Amortization of capitalized interest:	
Consolidated	10
Proportionate share of 50 percent-owned persons	—
Total earnings	$ 34
Fixed Charges:	
Interest expense:	
Consolidated	$118
Proportionate share of 50 percent-owned persons	—
	$118
Amount representative of the interest factor in rents:	
Consolidated	$ 9
Proportionate share of 50 percent-owned persons	—
	$ 9
Fixed charges added to earnings	$127
Interest capitalized:	
Consolidated	$ 23
Proportionate share of 50 percent-owned persons	—
	$ 23
Preferred stock dividend requirements of majority-owned subsidiaries	—
Total fixed charges	$150
Ratio of earnings to fixed charges	(A)

(A) For the three months ended March 31, 2010, there was a deficiency in earnings of $116 to cover total fixed charges.

Exhibit 15

April 22, 2010

Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

RE: Alcoa Inc.

Commissioners:

We are aware that our report dated April 22, 2010, on our review of interim financial information of Alcoa Inc. and its subsidiaries (Alcoa) for the three-month periods ended March 31, 2010 and 2009 and included in Alcoa's quarterly report on Form 10-Q for the quarter ended March 31, 2010 is incorporated by reference in its Registration Statements on Form S-3 (No. 333-149623), Form S-4 (No. 333-141419), and Form S-8 (Nos. 33-60305, 333-27903, 333-62663, 333-79575, 333-32516, 333-36208, 333-37740, 333-39708, 333-106411, 333-128445, 333-146330, 333-153369, 333-155668, and 333-159123).

Very truly yours,

/s/ PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania

Exhibit 31

Certifications

I, Klaus Kleinfeld, certify that:

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

Date: April 22, 2010

/s/ KLAUS KLEINFELD

Name: Klaus Kleinfeld
Title: President and Chief Executive Officer

I, Charles D. McLane, Jr., certify that:

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

Date: April 22, 2010

/s/ CHARLES D. MCLANE, JR.

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

Exhibit 32

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

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

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 22, 2010

/s/ KLAUS KLEINFELD
Name: Klaus Kleinfeld
Title: President and Chief Executive Officer

Date: April 22, 2010

/s/ CHARLES D. MCLANE, JR.
Name: Charles D. McLane, Jr.
Title: Executive Vice President and Chief Financial Officer

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

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