

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

OR

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

For the Quarter Ended June 30, 2002

Commission File Number 1-3610

ALCOA INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

25-0317820

(State of incorporation)

(I.R.S. Employer Identification No.)

201 Isabella Street, Pittsburgh, Pennsylvania 15212-5858

(Address of principal executive offices)

(Zip Code)

Office of Investor Relations

212-836-2674

Office of the Secretary

412-553-4707

(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of August 5, 2002, 844,198,165 shares of common stock, par value \$1.00 per share, of the Registrant were outstanding.

## PART I - FINANCIAL INFORMATION

## Item 1. - Financial Statements.

Alcoa and subsidiaries  
Condensed Consolidated Balance Sheet  
(in millions)

	(unaudited) June 30 2002	December 31 2001
ASSETS	-----	-----
Current assets:		
Cash and cash equivalents	\$ 413	\$ 512
Short-term investments	38	15
Receivables from customers, less allowances of \$123 in 2002 and \$129 in 2001	2,764	2,577
Other receivables	427	288
Inventories (F)	2,423	2,531
Deferred income taxes	398	410
Prepaid expenses and other current assets	517	459
	-----	-----
Total current assets	6,980	6,792
	-----	-----
Properties, plants and equipment, at cost	23,098	22,536
Less: accumulated depreciation, depletion and amortization	10,900	10,554
	-----	-----
Net properties, plants and equipment	12,198	11,982
	-----	-----
Goodwill (C)	5,927	5,733
Other assets(C)	3,792	3,848
	-----	-----
Total assets	\$28,897	\$28,355
	=====	=====
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$ 54	\$ 142
Accounts payable, trade	1,729	1,630
Accrued compensation and retirement costs	821	889
Taxes, including taxes on income	867	903
Other current liabilities	1,065	1,336
Long-term debt due within one year	133	103
	-----	-----
Total current liabilities	4,669	5,003
	-----	-----
Long-term debt, less amount due within one year	7,120	6,388
Accrued postretirement benefits	2,443	2,513
Other noncurrent liabilities and deferred credits	1,851	1,968
Deferred income taxes	600	556
	-----	-----
Total liabilities	16,683	16,428
	-----	-----
MINORITY INTERESTS	1,331	1,313
	-----	-----
COMMITMENTS AND CONTINGENCIES (G)		
SHAREHOLDERS' EQUITY		
Preferred stock	55	56
Common stock	925	925
Additional capital	6,094	6,114
Retained earnings	7,712	7,517
Treasury stock, at cost	(2,838)	(2,706)
Accumulated other comprehensive loss (H)	(1,065)	(1,292)
	-----	-----
Total shareholders' equity	10,883	10,614
	-----	-----
Total liabilities and equity	\$28,897	\$28,355
	=====	=====

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

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

	Second quarter ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Sales	\$ 5,245	\$ 5,991	\$10,228	\$12,167
Cost of goods sold	4,196	4,607	8,240	9,320
Selling, general administrative and other expenses	277	326	555	649
Research and development expenses	52	55	103	104
Provision for depreciation, depletion and amortization (C)	269	309	530	630
Special items (B)	-	212	-	212
Interest expense	83	93	158	208
Other income, net	(34)	(107)	(89)	(199)
	-----	-----	-----	-----
	4,843	5,495	9,497	10,924
	-----	-----	-----	-----
Income before taxes on income	402	496	731	1,243
Provision for taxes on income	123	157	227	404
	-----	-----	-----	-----
Income from operations	279	339	504	839
Less: Minority interests' share	47	32	88	128
	-----	-----	-----	-----
Income before accounting change	232	307	416	711
Cumulative effect of accounting change for goodwill (C)	-	-	34	-
	-----	-----	-----	-----
NET INCOME	\$ 232	\$ 307	\$ 450	\$ 711
	=====	=====	=====	=====
EARNINGS PER SHARE (I)				
Basic (before cumulative effect)	\$ .27	\$ .36	\$ .49	\$ .82
	=====	=====	=====	=====
Basic cumulative effect of accounting change	-	-	.04	-
	-----	-----	-----	-----
Basic (after cumulative effect)	\$ .27	\$ .36	\$ .53	\$ .82
	=====	=====	=====	=====
Diluted (before cumulative effect)	\$ .27	\$ .35	\$ .49	\$ .81
	=====	=====	=====	=====
Diluted cumulative effect of accounting change	-	-	.04	-
	-----	-----	-----	-----
Diluted (after cumulative effect)	\$ .27	\$ .35	\$ .53	\$ .81
	=====	=====	=====	=====
Dividends paid per common share	\$ .15	\$ .15	\$ .30	\$ .30
	=====	=====	=====	=====

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

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

	Six months ended June 30	
	2002	2001
	-----	-----
<b>CASH FROM OPERATIONS</b>		
Net income	\$ 450	\$ 711
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion and amortization	531	636
Change in deferred income taxes	(7)	(57)
Equity income, net of dividends	(6)	(17)
Noncash special items (B)	-	208
Gains from investing activities - sale of assets	(3)	(81)
Minority interests	88	128
Accounting change (C)	(34)	-
Other	46	77
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:		
(Increase) reduction in receivables	(71)	203
Reduction (increase) in inventories	124	(174)
Increase in prepaid expenses and other current assets	(55)	(138)
Reduction in accounts payable and accrued expenses	(191)	(432)
(Reduction) increase in taxes, including taxes on income	(91)	32
Net change in noncurrent assets and liabilities	(114)	(158)
	-----	-----
<b>CASH PROVIDED FROM OPERATIONS</b>	<b>667</b>	<b>938</b>
	-----	-----
<b>FINANCING ACTIVITIES</b>		
Net changes to short-term borrowings	(87)	(2,612)
Common stock issued for stock compensation plans	43	587
Repurchase of common stock	(212)	(1,028)
Dividends paid to shareholders	(255)	(260)
Dividends paid to minority interests	(83)	(239)
Net change in commercial paper	639	(392)
Additions to long-term debt	10	1,782
Payments on long-term debt	(37)	(542)
	-----	-----
<b>CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES</b>	<b>18</b>	<b>(2,704)</b>
	-----	-----
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(571)	(496)
Acquisitions, net of cash acquired (E)	(139)	(87)
Proceeds from the sale of assets	42	2,471
Additions to investments	(21)	(49)
Changes in short-term investments	(23)	43
Changes in minority interests	(39)	(4)
Other	-	(10)
	-----	-----
<b>CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES</b>	<b>(751)</b>	<b>1,868</b>
	-----	-----
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(33)</b>	<b>(32)</b>
	-----	-----
Net change in cash and cash equivalents	(99)	70
Cash and cash equivalents at beginning of year	512	315
	-----	-----
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 413</b>	<b>\$ 385</b>
	=====	=====

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

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

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

This Form 10-Q report should be read in conjunction with Alcoa's Annual Report on Form 10-K for the year ended December 31, 2001.

B. Special Items - During 2001, Alcoa recorded charges of \$566 (\$355 after tax and minority interests) as a result of a restructuring plan based on a strategic review of the company's primary products and fabricating businesses aimed at optimizing and aligning its manufacturing systems with customer needs, while positioning the company for stronger profitability. The charge of \$566 consisted of a charge of \$212 (\$114 after tax and minority interests) in the second quarter of 2001 and a charge of \$354 (\$241 after tax and minority interests) in the fourth quarter of 2001. These charges consisted of asset write-downs, employee termination and severance costs related to workforce reductions of approximately 10,400 employees, and other exit costs related to the shutdown of facilities. The second quarter charge was primarily due to actions taken in Alcoa's primary products businesses because of economic and competitive conditions. These actions included the shutdown of three facilities in the U.S. These actions have been substantially completed with the exception of site remediation work that is ongoing. The fourth quarter charge was primarily due to actions taken in Alcoa's fabricating businesses. These actions include the shutdown of 15 facilities in the U.S. and Europe. Alcoa expects to complete these actions by the end of 2002. The results of operations related to these facilities were not material. For further details on the restructuring plan, see Note B to the audited financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2001.

The reserve balances and related cash payments consisted of:

	Asset Write-downs	Employee Termination and Severance Costs	Other	Total
-----				
2001:				
-----				
Total restructuring charges	\$ 372	\$ 178	\$ 16	\$ 566
Cash payments	(3)	(32)	(5)	(40)
Noncash charges*	(288)	-	-	(288)
-----				
Reserve balance at December 31, 2001	\$ 81	\$ 146	\$ 11	\$ 238
-----				
2002:				
-----				
Cash payments	(7)	(50)	(4)	(61)
-----				
Additional restructuring charges	-	7	-	7
-----				
Reversals of restructuring reserves	(10)	(4)	-	(14)
-----				
Reserve balance at June 30, 2002	\$ 64	\$ 99	\$ 7	\$ 170
-----				

\* Adjusted

Additional restructuring charges included \$7 in employee termination and severance costs accrued primarily related to changes in prior severance cost estimates as well as additional layoffs of approximately 250 salaried and hourly employees-primarily in Europe and Mexico-as a result of the 2001 restructuring plan. The reversal of reserves of \$14 is due to changes in estimates of liabilities, primarily environmental reserves, resulting from lower than expected costs associated with certain plant shutdowns and disposals noted above.

As of June 30, 2002, approximately 7,100 of the 10,650 employees had been terminated. The workforce reductions under the restructuring plan consisted of hourly and salaried employees at various manufacturing facilities-primarily located outside of the U.S.-due to weak market conditions and the shutdowns of several manufacturing facilities.

C. Recently Adopted Accounting Standards - Alcoa adopted Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" which requires that the purchase method of accounting be applied to all business combinations after June 30, 2001. SFAS No. 141 also established criteria for recognition of intangible assets and goodwill. Effective January 1, 2002, Alcoa adopted SFAS No. 142 "Goodwill and Other Intangible Assets." Under this standard, goodwill and intangibles with indefinite useful lives are no longer amortized. This standard also requires, at a minimum, an annual assessment of the carrying value of goodwill and intangibles with indefinite useful lives. If the carrying value of goodwill or an intangible asset exceeds its fair value, an impairment loss shall be recognized. A discounted cash flow model was used to determine the fair value of Alcoa's businesses for purposes of testing goodwill for impairment. The discount rate used was based on a risk-adjusted weighted average cost of capital for each business.

The effects of adopting the new standards on net income and diluted earnings per share for the three-month and six-month periods ended June 30, 2002 and 2001, follow.

	Second quarter ended June 30:				Six months ended June 30:			
	Net Income		Diluted EPS		Net Income		Diluted EPS	
	2002	2001	2002	2001	2002	2001	2002	2001
Net income	\$ 232	\$ 307	\$ .27	\$ .35	\$ 450	\$ 711	\$ .53	\$ .81
Less: cumulative effect income from accounting change for goodwill	-	-	-	-	(34)	-	(.04)	-
Income, excluding cumulative effect	232	307	.27	.35	416	711	.49	.81
Add: goodwill amortization	-	43	-	.05	-	87	-	.10
Income excluding cumulative effect in 2002 and goodwill amortization in 2001	\$ 232	\$ 350	\$ .27	\$ .40	\$ 416	\$ 798	\$ .49	\$ .91
	=====	=====	=====	=====	=====	=====	=====	=====

The cumulative effect adjustment recognized upon adoption of these new standards was \$34 (after tax), consisting of income from the write-off of negative goodwill from prior acquisitions of \$49, offset by a \$15 write-off for the impairment of goodwill in the automotive business resulting from a change in the criteria for the measurement of impairments from an undiscounted to a discounted cash flow method. Net income for the three-month and six-month periods ended June 30, 2001, would have been \$43, or five cents per share, and \$87, or ten cents per share, higher if goodwill amortization had been discontinued effective January 1, 2001. Net income for the full year of 2001 would have been \$171, or 20 cents per share, higher if goodwill amortization had been discontinued effective January 1, 2001.

Changes to goodwill and intangible assets during the six-month period ended June 30, 2002, including the effects of adopting these new accounting standards, follow.

	Goodwill	Intangible assets
	-----	-----
Balance at December 31, 2001, net of accumulated amortization	\$ 5,733	\$ 674
Intangible assets reclassified to goodwill	28	(28)
Write-off of goodwill recognized in cumulative effect adjustment	(15)	-
Additions during the period	160	24
Translation and other adjustments	21	(4)
Amortization expense	-	(33)
	-----	-----
Balance at June 30, 2002, net of accumulated amortization	\$ 5,927	\$ 633
	=====	=====

In accordance with the provisions of these new standards, on January 1, 2002, Alcoa transferred \$28 (after tax) of customer base intangibles, initially recorded in the Reynolds acquisition, to goodwill (Packaging and Consumer segment). Goodwill also increased \$160 during the period related to seven immaterial acquisitions (in the Other group, and the Engineered Products and Packaging and Consumer segments) and adjustments to preliminary purchase price allocations from prior periods.

Intangible assets, which are included in other assets, totaled \$633, net of accumulated amortization of \$334, at June 30, 2002. Of this amount, \$169 represents intangibles with indefinite useful lives, consisting of trade names that are not

being amortized under SFAS No. 142. The remaining intangibles relate to customer relationships, computer software, patents and licenses. Amortization expense for intangible assets is expected to range from approximately \$65 to \$40 each year between 2003 and 2007.

Effective January 1, 2002, Alcoa adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 144 retains the recognition and measurement criteria of SFAS No. 121 for long-lived assets to be held and used, while expanding the measurement requirements of long-lived assets to be disposed of by sale to include discontinued operations. It also broadens the previously existing reporting requirement for the presentation of discontinued operations to include a component of an entity rather than a segment of a business. This new standard did not have a material impact on Alcoa's financial statements.

D. Recently Issued Accounting Standards - In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement establishes standards for accounting for obligations associated with the retirement of tangible long-lived assets. Alcoa must adopt this standard on January 1, 2003. Management is currently assessing the details of the standard and is preparing a plan of implementation.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," under which a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002.

E. Acquisitions - During the first six months of 2002, Alcoa completed seven immaterial acquisitions for a total of approximately \$139 in cash. Pro-forma results of the company, assuming the acquisitions had been made at the beginning of each period presented, would not be materially different from the results reported.

On July 1, 2002, Alcoa acquired Ivex Packaging Corporation for \$21.50 per share for each outstanding share of Ivex, excluding Ivex's 48.2% interest in the common stock of Packaging Dynamics Corporation. The total enterprise value of the acquisition, including the assumption of debt, is approximately \$790. Ivex is a leading manufacturer of specialty plastic packaging for the food, electronic, medical and retail markets. It will be part of Alcoa's packaging and consumer business. Pro-forma results of the company, assuming the acquisition of Ivex had been made at the beginning of each period presented, would not be materially different from the results reported.

F. Inventories

	June 30 2002	December 31 2001
	-----	-----
Finished goods	\$ 641	\$ 691
Work in process	765	734
Bauxite and alumina	394	410
Purchased raw materials	445	531
Operating supplies	178	165
	-----	-----
	\$ 2,423	\$ 2,531
	=====	=====

Approximately 48% of total inventories at June 30, 2002, was valued on a LIFO basis. If valued on an average cost basis, total inventories would have been \$619 and \$605 higher at June 30, 2002, and December 31, 2001, respectively.

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

believes that the disposition of matters that are pending or asserted will not have a materially adverse effect on the financial position of the company.

Alcoa Aluminio S.A. (Aluminio) is a participant in several hydroelectric 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. As a participant in Machadinho, one of its hydroelectric construction projects in Brazil, Aluminio has guaranteed up to 36% of the project's total debt of approximately \$315. Aluminio committed to taking a share of the output of the completed project for 30 years at cost (including cost of financing the project), which began in the first quarter of 2002. In the event that other participants in this project fail to fulfill their financial responsibilities, Aluminio may be required to fund a portion of the deficiency. In accordance with the agreement, if Aluminio funds any such deficiency, its participation and share of the output from the project will increase proportionately.

Aluminio also entered into agreements in 2001 to participate in four additional hydroelectric construction projects in Brazil that are scheduled to be completed at various dates ranging from 2005 to 2008. These projects are Barra Grande, Santa Isabel, Pai-Quere and Serra Do Facao. Aluminio's share of the output from these hydroelectric facilities, when completed, ranges from 20% to 39.5%. Total costs for all four projects are estimated at \$1,400, with Aluminio's share of total project costs totaling approximately 30%. The plans for financing these projects have not yet been finalized. Aluminio may be required to provide guarantees of project financing or commit to additional investments as these projects progress. At June 30, 2002, Aluminio had provided \$36 of guarantees on these hydroelectric construction projects in the form of performance bonds.

In July 2002, Aluminio was the successful bidder in a public auction to participate in Estreito, an additional hydroelectric construction project in Brazil. This project is scheduled to be completed in 2007. Aluminio's share of the output from this hydroelectric facility, when completed, will be 19% and total costs for this project are estimated at \$555, of which Aluminio's share is \$105. The plans for financing this project have not yet been finalized. Aluminio may be required to provide guarantees of project financing or commit to additional investments as this project progresses.

Aluminio accounts for its investments in these hydroelectric projects on the equity method. Aluminio's investment in these projects was \$109 and \$108 at June 30, 2002, and December 31, 2001, respectively.

In January 2002, Alcoa raised its equity stake in Elkem ASA, a Norwegian metals producer, above 40%, which, under Norwegian law, required Alcoa to initiate an unconditional cash tender offer for the remaining outstanding shares of Elkem. Under the tender offer that expired in February 2002, Alcoa acquired additional shares, raising its total equity stake in Elkem to 40.2%.

In April 2002, Alcoa refinanced its \$2,000 revolving-credit agreement that was to expire in April 2002 into a revolving-credit agreement that expires in April 2003.

#### H. Comprehensive Income

	Second quarter ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Net income	\$ 232	\$ 307	\$ 450	\$ 711
Other comprehensive income (loss):				
Changes in:				
Unrealized losses on available-for-sale securities	(22)	-	(3)	-
Minimum pension liability	-	-	(31)	-
Unrealized translation adjustments	225	21	194	(217)
Unrecognized gains/losses on derivatives	22	(4)	67	(127)
Comprehensive income	\$ 457	\$ 324	\$ 677	\$ 367



I. Earnings Per Share - The details of basic and diluted EPS follow.

	Second quarter ended June 30		Six months ended June 30	
	2002	2001	2002	2001
	-----	-----	-----	-----
Income before cumulative effect	\$ 232	\$ 307	\$ 416	\$ 711
Less: Preferred stock dividends	-	-	1	1
	-----	-----	-----	-----
Income available to common stockholders before cumulative effect	\$ 232	\$ 307	\$ 415	\$ 710
Cumulative effect of accounting change	-	-	34	-
	-----	-----	-----	-----
Income available to common stockholders after cumulative effect	\$ 232	\$ 307	\$ 449	\$ 710
Average shares outstanding - basic	846	862	846	863
Effect of dilutive securities:				
Shares issuable upon exercise of dilutive outstanding stock options	6	10	7	10
	-----	-----	-----	-----
Average shares outstanding - diluted	852	872	853	873
Basic EPS (before cumulative effect)	\$ .27	\$ .36	\$ .49	\$ .82
	=====	=====	=====	=====
Basic EPS (after cumulative effect)	\$ .27	\$ .36	\$ .53	\$ .82
	=====	=====	=====	=====
Diluted EPS (before cumulative effect)	\$ .27	\$ .35	\$ .49	\$ .81
	=====	=====	=====	=====
Diluted EPS (after cumulative effect)	\$ .27	\$ .35	\$ .53	\$ .81
	=====	=====	=====	=====

Options to purchase 48 shares of common stock at an average exercise price of \$38.00 were outstanding as of June 30, 2002, but were not included in the computation of diluted EPS because the option exercise price was greater than the average market price of the common shares.

J. Segment Information - The following details sales and after-tax operating income (ATOI) for each reportable segment for the three-month and six-month periods ended June 30, 2002 and 2001. Also included below are the balances of goodwill at June 30, 2002, as well as goodwill amortization expense for the three-month and six-month periods ended June 30, 2001 for each reportable segment. For more information on segments, see Management's Discussion and Analysis and the segment disclosures included in Alcoa's Form 10-K for the year ended December 31, 2001.

Segment Information:	Alumina & Chem- icals	Primary Metals	Flat- Rolled Products	Engi- neered Products	Pack- aging & Consumer	Other	Total
Second quarter ended June 30, 2002							
Sales:							
Third-party sales	\$ 419	\$ 788	\$ 1,192	\$ 1,411	\$ 678	\$ 757	\$ 5,245
Intersegment sales	233	1,001	18	10	-	-	1,262
	-----	-----	-----	-----	-----	-----	-----
Total sales	\$ 652	\$ 1,789	\$ 1,210	\$ 1,421	\$ 678	\$ 757	\$ 6,507
	=====	=====	=====	=====	=====	=====	=====
After-tax operating income	\$ 73	\$ 175	\$ 66	\$ 45	\$ 55	\$ 19	\$ 433
	=====	=====	=====	=====	=====	=====	=====
Second quarter ended June 30, 2001							
Sales:							
Third-party sales	\$ 490	\$ 972	\$ 1,255	\$ 1,582	\$ 701	\$ 991	\$ 5,991
Intersegment sales	275	887	15	8	-	-	1,185
	-----	-----	-----	-----	-----	-----	-----
Total sales	\$ 765	\$ 1,859	\$ 1,270	\$ 1,590	\$ 701	\$ 991	\$ 7,176
	=====	=====	=====	=====	=====	=====	=====
After-tax operating income	\$ 130	\$ 264	\$ 74	\$ 60	\$ 47	\$ 45	\$ 620
	=====	=====	=====	=====	=====	=====	=====
Goodwill amortization included in ATOI (2)	\$ -	\$ (6)	\$ 1	\$ (15)	\$ (4)	\$ (8)	\$ (32)
	=====	=====	=====	=====	=====	=====	=====

Segment Information:	Alumina & Chemicals	Primary Metals	Flat-Rolled Products	Engineered Products	Packaging & Consumer	Other	Total
Six months ended							
June 30, 2002							
Sales:							
Third-party sales	\$ 844	\$ 1,552	\$ 2,348	\$ 2,807	\$ 1,302	\$ 1,375	\$ 10,228
Intersegment sales	462	1,879	33	18	-	-	2,392
Total sales	<u>\$ 1,306</u>	<u>\$ 3,431</u>	<u>\$ 2,381</u>	<u>\$ 2,825</u>	<u>\$ 1,302</u>	<u>\$ 1,375</u>	<u>\$ 12,620</u>
After-tax operating income	<u>\$ 138</u>	<u>\$ 318</u>	<u>\$ 127</u>	<u>\$ 96</u>	<u>\$ 83</u>	<u>\$ 26</u>	<u>\$ 788</u>
Goodwill (1)	<u>\$ 26</u>	<u>\$ 933</u>	<u>\$ 150</u>	<u>\$ 2,353</u>	<u>\$ 398</u>	<u>\$ 375</u>	<u>\$ 4,235</u>
Six months ended							
June 30, 2001							
Sales:							
Third-party sales	\$ 1,037	\$ 1,939	\$ 2,598	\$ 3,175	\$ 1,347	\$ 2,071	\$ 12,167
Intersegment sales	558	1,754	31	17	-	-	2,360
Total sales	<u>\$ 1,595</u>	<u>\$ 3,693</u>	<u>\$ 2,629</u>	<u>\$ 3,192</u>	<u>\$ 1,347</u>	<u>\$ 2,071</u>	<u>\$ 14,527</u>
After-tax operating income	<u>\$ 296</u>	<u>\$ 558</u>	<u>\$ 139</u>	<u>\$ 100</u>	<u>\$ 90</u>	<u>\$ 95</u>	<u>\$ 1,278</u>
Goodwill amortization included in ATOI (2)	<u>\$ -</u>	<u>\$ (11)</u>	<u>\$ 2</u>	<u>\$ (30)</u>	<u>\$ (8)</u>	<u>\$ (18)</u>	<u>\$ (65)</u>

(1) Goodwill balances by segment at December 31, 2001, are as follows: Alumina & Chemicals \$35, Primary Metals \$929, Flat-Rolled Products \$145, Engineered Products \$2,312, Packaging & Consumer \$331 and Other \$271. Goodwill of \$1,692 and \$1,710 at June 30, 2002, and December 31, 2001, respectively, is included in corporate.

(2) Goodwill amortization of \$11 and \$22 is included in corporate for the three-month and six-month periods ended June 30, 2001, respectively.

The following table reconciles segment information to consolidated totals.

	Second quarter ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Total after-tax operating income	\$ 433	\$ 620	\$ 788	\$ 1,278
Impact of intersegment profit eliminations	(1)	(8)	(4)	(4)
Unallocated amounts (net of tax):				
Interest income	9	12	19	20
Interest expense	(54)	(61)	(103)	(136)
Minority interests	(47)	(32)	(88)	(128)
Corporate expense	(53)	(66)	(111)	(132)
Special items (B)	-	(148)	-	(148)
Accounting change (C)	-	-	34	-
Other	(55)	(10)	(85)	(39)
Consolidated net income	<u>\$ 232</u>	<u>\$ 307</u>	<u>\$ 450</u>	<u>\$ 711</u>

The following table represents segment assets.

Segment assets:	June 30 2002	December 31 2001
	-----	-----
Alumina and Chemicals	\$ 2,930	\$ 2,797
Primary Metals	7,266	7,122
Flat-Rolled Products	3,581	3,453
Engineered Products	6,343	6,231
Packaging and Consumer	2,497	2,498
Other	2,019	1,883
	-----	-----
Total segment assets	\$24,636	\$23,984
	=====	=====

The change in segment assets within the Alumina and Chemicals segment is primarily due to the effect of translation changes in Australia. The increase in segment assets in the Other group is primarily due to Alcoa Fujikura Ltd.'s (AFL) acquisition of the remaining 50% interest in Engineered Plastic Components, Inc. as well as several smaller acquisitions in the AFL telecommunications business.

K. Subsequent Events - On July 17, 2002, Alcoa agreed to acquire the assets of Fairchild Fasteners from The Fairchild Corporation for \$657 in cash. Fairchild Fasteners, a leading supplier of aerospace fasteners, will become part of Alcoa's Engineered Products segment. The transaction is expected to close in the fourth quarter of 2002, subject to the completion of customary regulatory approvals and approval by The Fairchild Corporation shareholders.

On July 19, 2002, Alcoa signed a Memorandum of Understanding (MOU) with the Government of Iceland and Landsvirkjun, Iceland's national power company, formalizing their cooperation in the evaluation and potential development of a 295,000-mt per year (mtpy) aluminum smelter in eastern Iceland. The MOU encompasses the development of a 500-megawatt hydropower facility by Landsvirkjun in eastern Iceland, environmental and engineering studies of the smelter by Alcoa, construction of harbor and port facilities, as well as related infrastructure improvements in eastern Iceland.

On July 31, 2002, Alcoa announced that it will temporarily curtail aluminum production at its 120,000 mtpy primary aluminum facility at Badin, North Carolina, which has been operating at 90,000 mtpy since September 2000. Additionally, Alcoa announced the permanent closure of capacity currently idle at its Troutdale, Oregon and Rockdale, Texas facilities. Troutdale's entire capacity of 121,000 mtpy has been curtailed since June 2000, while 76,000 mtpy of Rockdale's total 320,000 mtpy capacity has been idle for the past several years. These actions, the result of continuing implementation of Alcoa's long-term, low-cost production strategy, are expected to result in a special charge of \$15 to \$20 (after tax) in the third quarter of 2002.

Report of Independent Accountants

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

We have reviewed the accompanying unaudited condensed consolidated balance sheet of Alcoa and subsidiaries as of June 30, 2002, the related unaudited condensed statements of consolidated income for the three-month and six-month periods ended June 30, 2002 and 2001, and the unaudited condensed statement of consolidated cash flows for the six-month periods ended June 30, 2002 and 2001. These financial statements are the responsibility of Alcoa's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, 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 condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Alcoa and subsidiaries as of December 31, 2001, and the related statements of consolidated income, shareholders' equity, and cash flows for the year then ended (not presented herein). In our report dated January 9, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2001, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note C to the unaudited condensed consolidated financial statements, Alcoa changed its method of accounting for goodwill and other intangible assets effective January 1, 2002.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania  
July 8, 2002, except for Note K,  
for which the date is July 31, 2002

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

(dollars in millions, except per share amounts and ingot prices; shipments in thousands of metric tons (mt))

Certain statements in this report under this caption and elsewhere relate to future events and expectations and, as such, constitute forward-looking statements. Forward-looking statements include those containing such words as "anticipates," "believes," "estimates," "expects," "hopes," "targets," "should," "will," "will likely result," "forecast," "outlook," "projects" or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Alcoa to be different from those expressed or implied in the forward-looking statements. For a discussion of some of the specific factors that may cause such a difference, see Note G to the financial statements; the disclosures included below under Segment Information, Market Risks and Environmental Matters; and the Business section in Alcoa's Form 10-K for the year ended December 31, 2001.

Results of Operations

	Second quarter ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Sales	\$ 5,245	\$ 5,991	\$10,228	\$12,167
Net income	\$ 232	\$ 307	\$ 450	\$ 711
Income (excluding cumulative effect adjustment in 2002 and goodwill amortization in 2001)	\$ 232	\$ 350	\$ 416	\$ 798
Basic earnings per common share (after cumulative effect)	\$ .27	\$ .36	\$ .53	\$ .82
Diluted earnings per common share (after cumulative effect)	\$ .27	\$ .35	\$ .53	\$ .81
Shipments of aluminum products (mt)	1,333	1,292	2,592	2,612
Shipments of alumina (mt)	1,796	1,730	3,621	3,761
Alcoa's average realized ingot price	\$ .67	\$ .73	\$ .66	\$ .75
Average 3-month LME price	\$ .63	\$ .69	\$ .63	\$ .70

Earnings Summary

Net income in the 2002 second quarter and 2002 six-month period was \$232, or 27 cents per diluted share, and \$450, or 53 cents per share, respectively. The decline in earnings of 24% in the 2002 second quarter and 37% in the 2002 six-month period, when compared to the corresponding 2001 periods, is primarily due to lower realized prices for alumina and aluminum, and lower volumes in certain segments, as well as the absence of power sales and gains on the sales of businesses that were recognized in the 2001 periods. Lower volumes, primarily in the Engineered Products and Other segments due to continued weakness in the aerospace, industrial gas turbine and telecommunications markets, contributed to the decline in earnings in the 2002 second quarter compared with the corresponding 2001 period, and lower volumes across all business segments except Primary Metals contributed to the volume decline in the 2002 six-month period compared with the corresponding 2001 period. Partly offsetting these declines were continued cost reduction efforts; the absence of special charges of \$114 (after tax and minority interests) which were recognized in the second quarter of 2001; as well as the fact that goodwill is no longer amortized in 2002, resulting in positive impacts of \$43 and \$87 in the 2002 second quarter and six-month period, respectively. Additionally, net income in the 2002 six-month period included income of \$34 from the cumulative effect of the change in accounting for goodwill under SFAS No. 142. This income is primarily the result of the write-off of negative goodwill from prior acquisitions.

Second quarter 2002 sales decreased 12% from the 2001 second quarter and sales for the 2002 six-month period decreased 16% from the corresponding 2001 period. Lower prices, primarily for alumina and aluminum, and lower volumes, as noted previously, contributed to over half of the revenue decline in both the 2002 second quarter and six-month period compared to the corresponding 2001 periods. The dispositions of Thiokol and Reynolds' metal distribution business (RASCO) accounted for approximately one-third of the decline in sales. The lack of power sales in 2002 also contributed to the decrease in sales when compared to the 2001 period.

Annualized return on shareholders' equity was 8.0% for the 2002 six-month period, compared with 13.1% for the 2001 six-month period. The decrease was primarily due to lower earnings in the 2002 period.

Cost of goods sold (COGS) as a percentage of sales in the 2002 second quarter and six-month period was 80.0% and 80.6%, respectively, versus 76.9% and 76.6% in the corresponding 2001 periods. The higher percentages in 2002 were due to lower realized prices and lower volumes, offset somewhat by ongoing cost reductions generated by productivity and purchasing cost savings.

Selling and general administrative expenses (S&GA) were down \$49, or 15%, from the 2001 second quarter and \$94, or 15%, from the 2001 six-month period. The decreases were due to lower spending and employee costs, lower bad debt expense and bad debt recoveries, and the dispositions of Thiokol and RASCO. S&GA as a percentage of sales was 5.3% and 5.4% for the 2002 second quarter and six-month period, respectively, compared to 5.4% and 5.3% in the corresponding 2001 periods.

The provision for depreciation, depletion and amortization decreased by \$40, or 13%, from the 2001 second quarter and \$100, or 16%, from the 2001 six-month period. These decreases were primarily the result of ceasing amortization of goodwill in 2002 under the provisions of SFAS No. 142.

In the second quarter of 2001, Alcoa recorded a charge of \$212 (\$114 after tax and minority interests) as part of its ongoing segment review to optimize assets and lower costs. This charge consisted of asset write-downs (\$172 pre-tax), employee termination and severance costs (\$32 pre-tax) and exit costs (\$8 pre-tax). The charge was primarily due to actions taken in Alcoa's Primary Products businesses (within the Alumina and Chemicals segment and the Primary Metals segment) because of economic and competitive conditions. These actions included the shutdown of the company's magnesium plant in Addy, Washington and closing the company's alumina refinery on St. Croix, U.S. Virgin Islands, its smelter in Suriname, and a chemical plant located in Louisiana. These actions were substantially completed in 2001, with the exception of site remediation work that is ongoing.

Interest expense decreased \$10, or 11%, and \$50, or 24%, from the 2001 second quarter and six-month period, respectively. The decreases in interest expense were due to lower average effective interest rates.

Other income declined \$73, or 68%, from the 2001 second quarter and \$110, or 55%, from the 2001 six-month period. The decrease in the 2002 second quarter compared with the 2001 second quarter is primarily due to a \$38 gain on the sale of Thiokol recognized in the 2001 second quarter and unfavorable currency translation adjustments of \$25 quarter-over-quarter. The decrease in the 2002 six-month period compared with the corresponding 2001 period was due to \$78 higher net gains on asset sales recognized in 2001, primarily attributable to the sales of Thiokol, Alcoa Proppants, Inc. and Alcoa's interest in a Latin American cable business; a decrease of \$34 in equity earnings, driven by a restructuring at Elkem; as well as unfavorable currency translation adjustments of \$20 year-over-year, somewhat offset by \$28 related to several favorable nonoperating gains.

The effective tax rate of 31.0% in 2002 differs from the 2001 rate of 32.5% and the statutory rate of 35.0% due to taxes on foreign income and the impact of ceasing goodwill amortization.

Minority interests' share of income from operations increased \$15, or 47%, from the 2001 second quarter primarily due to the impact of \$34 of special charges recognized in the 2001 second quarter, partially offset by lower earnings at Alcoa World Alumina and Chemicals (AWAC). Minority interests' share of income decreased \$40, or 31%, from the 2001 six-month period primarily due to the impact of special charges noted above, as well as lower income in 2002 at AWAC, Alcoa Fujikura Ltd. (AFL) and Aluminio.

Segment Information

I. Alumina and Chemicals

	Second quarter ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Alumina production	3,201	3,258	6,313	6,588
Third-party alumina shipments	1,796	1,730	3,621	3,761
Third-party sales	\$ 419	\$ 490	\$ 844	\$ 1,037
Intersegment sales	233	275	462	558
Total sales	\$ 652	\$ 765	\$ 1,306	\$ 1,595
After-tax operating income	\$ 73	\$ 130	\$ 138	\$ 296

Third-party sales for this segment decreased 15% from the 2001 second quarter primarily as a result of a 12% decline in realized prices for alumina from the corresponding 2001 period. Third-party sales decreased 19% from the 2001 six-month period, primarily due to lower realized prices and lower shipments. Realized prices declined 17% and shipments declined 4% from the 2001 six-month period. Intersegment sales for the 2002 second quarter and six-month period decreased 15% and 17%, respectively, due to lower prices and the curtailments of alumina production at Point Comfort and aluminum production capacity at smelters in the northwestern U.S.

ATOI for this segment decreased 44% and 53% from the 2001 second quarter and six-month period, respectively. The declines in both periods were primarily due to lower realized prices for alumina, with lower volumes contributing to the decline in ATOI in the 2002 six-month period compared with the corresponding 2001 period.

Demand is expected to increase slightly due to continuing global economic recovery and smelter restarts.

II. Primary Metals

	Second quarter ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Aluminum production	878	891	1,719	1,808
Third-party aluminum shipments	507	494	1,010	970
Third-party sales	\$ 788	\$ 972	\$ 1,552	\$ 1,939
Intersegment sales	1,001	887	1,879	1,754
Total sales	\$ 1,789	\$ 1,859	\$ 3,431	\$ 3,693
After-tax operating income	\$ 175	\$ 264	\$ 318	\$ 558

Third-party sales for the Primary Metals segment decreased 19% in the 2002 second quarter and 20% in the 2002 six-month period compared to the corresponding 2001 periods. The decreases were primarily due to lower realized prices as well as the absence of power sales resulting from production curtailments in plants located in the northwestern U.S. in 2001. Alcoa's average realized third-party price for ingot declined 8% and 12% from the 2001 second quarter and six-month period, respectively.

ATOI for this segment decreased 34% from the 2001 second quarter and 43% from the 2001 six-month period. The decreases were driven by lower realized prices and the absence of power sales, net of power and other contractually required costs and the impact of lost aluminum sales, which contributed approximately \$35 and \$70 in the 2001 second quarter and 2001 six-month period, respectively. These decreases were partially offset by the positive impact of the Warrick insurance claim settlement related to a power outage at the smelter (which is offset in corporate), as well as cost savings recognized in 2002.

In July 2002, as a result of recently announced temporary capacity curtailments and permanent closures of certain capacity currently idle, Alcoa has approximately 438,000 mt per year (mtpy) of idle capacity on a base capacity of 3,948,000 mtpy.

### III. Flat-Rolled Products

	Second quarter ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Third-party aluminum shipments	456	450	895	920
Third-party sales	\$ 1,192	\$ 1,255	\$ 2,348	\$ 2,598
Intersegment sales	18	15	33	31
Total sales	\$ 1,210	\$ 1,270	\$ 2,381	\$ 2,629
After-tax operating income	\$ 66	\$ 74	\$ 127	\$ 139

Third-party flat-rolled product sales decreased 5% in the 2002 second quarter and 10% in the 2002 six-month period compared with the comparable 2001 periods. The decrease in third-party sales in the 2002 second quarter compared with the 2001 second quarter was driven by lower prices and a weaker product mix in the U.S. and Europe, and lower shipments in the aerospace market in Europe, somewhat offset by an increase in volumes in rigid container sheet and sheet and plate in the U.S. The decrease in third-party sales in the 2002 six-month period compared with the 2001 six-month period was driven by overall 3% lower volumes, lower prices and a weaker product mix in both the U.S. and Europe.

ATOI for the Flat-Rolled Products segment fell 11% and 9% compared with the 2001 second quarter and six-month period, respectively. The decreases in both periods were primarily due to lower volumes, lower prices and a weaker product mix in Europe, as well as a weaker mix for sheet and plate in the U.S., partially offset by lower metal and conversion costs and cost savings in rigid container sheet.

Overall shipments are expected to remain flat, while demand for rigid container sheet remains relatively strong and shipment declines are expected in the automotive market due to seasonal factors.

### IV. Engineered Products

	Second quarter ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Third-party aluminum shipments	252	242	480	496
Third-party sales	\$ 1,411	\$ 1,582	\$ 2,807	\$ 3,175
Intersegment Sales	10	8	18	17
Total sales	\$ 1,421	\$ 1,590	\$ 2,825	\$ 3,192
After-tax operating income	\$ 45	\$ 60	\$ 96	\$ 100

Engineered Products' third-party sales declined 11% and 12% compared with the 2001 second quarter and six-month period, respectively, primarily due to lower volumes attributed to continued weak market conditions in the building and construction market in Europe and the aerospace and industrial gas turbine markets in the U.S. These negatives were somewhat offset by higher volumes due to continued improvement in the commercial transportation market.

ATOI for the segment decreased 25% in the 2002 second quarter and 4% in the 2002 six-month period versus the corresponding 2001 periods. These decreases resulted from a decline in volumes due to continued weak market conditions for aerospace and industrial gas turbines. These declines were partially offset by higher volumes in the commercial transportation market, productivity and purchasing cost savings, as well as the absence of goodwill amortization of \$15 and \$30 in the 2002 second quarter and six-month period, respectively.

Overall revenues are expected to decline due to seasonal factors in the automotive market along with declining build rates in both the aerospace and industrial gas turbine markets.



## V. Packaging and Consumer

	Second quarter ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Third-party aluminum shipments	31	41	62	83
Third-party sales	\$ 678	\$ 701	\$1,302	\$1,347
After-tax operating income	\$ 55	\$ 47	\$ 83	\$ 90

Third-party sales for this segment for the 2002 second quarter and six-month period decreased 3% compared with both the 2001 second quarter and six-month periods. These decreases were primarily due to lower volumes, lower prices and currency devaluation in Latin America and lower volumes in the foodservice and flexible packaging businesses. Partly offsetting these decreases were higher volumes in the closures and consumer foil businesses.

For this segment, ATOI rose 17% in the 2002 second quarter, while falling 8% in the 2002 six-month period compared with the comparable 2001 periods. The increase in ATOI in the 2002 second quarter compared with the 2001 second quarter was due primarily to lower material costs in the closures, foodservice, and flexible packaging businesses and the absence of goodwill amortization for this segment of \$4, somewhat offset by lower volumes, lower prices, currency devaluation and lower equity income in Latin America. The decrease of 8% in ATOI in the 2002 six-month period compared with the corresponding 2001 period was primarily due to the decreases in Latin America as mentioned above, partially offset by lower material costs in the closures, consumer foil and foodservice businesses and the absence of goodwill amortization for this segment of \$8.

Overall demand is expected to increase slightly due to an increase in the consumer packaging market, offsetting a slight seasonal decline in the closures business.

## VI. Other

	Second quarter ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Third-party aluminum shipments	87	65	145	143
Third-party sales	\$ 757	\$ 991	\$1,375	\$2,071
After-tax operating income	\$ 19	\$ 45	\$ 26	\$ 95

For this group, third-party sales decreased 24% in the 2002 second quarter and 34% in the 2002 six-month period compared with the corresponding 2001 periods. These decreases were the result of the divestitures of Thiokol and RASCO in 2001, as well as lower volumes and lower prices in the AFL telecommunications business as continued depressed business conditions prevailed. These decreases were partly offset by increased third-party sales at AFL automotive due to the acquisition of the remaining 50% interest in Engineered Plastic Components, Inc. (EPC) as well as slightly higher third-party sales for both the automotive and building and construction businesses.

ATOI for this group declined \$26 compared with the 2001 second quarter and \$69 compared with the 2001 six-month period. The decreases in ATOI in both periods were primarily due to the divestitures noted above and volume losses in the telecommunications business, somewhat offset by volume and cost improvements in the automotive and building and construction businesses, the acquisition of the remaining 50% interest in EPC at AFL automotive, as well as the absence of goodwill amortization of \$8 and \$18 in the 2002 second quarter and six-month period, respectively.

The residential building and construction market is expected to remain seasonally strong, while a slight decrease is expected in the automotive business due to seasonal factors in the market. We expect continued depressed business conditions within the telecommunications market.

## Reconciliation of ATOI to Consolidated Net Income

Items required to reconcile ATOI to consolidated net income include: corporate adjustments to eliminate any remaining profit or loss between segments; the after-tax impact of interest income and expense at the statutory rate; minority interests; corporate expense, comprised of the general administrative and selling expenses of operating the corporate headquarters and other global administrative facilities along with depreciation on corporate-owned assets; special items; accounting change; and other, which includes the impact of LIFO, differences between estimated tax rates used in the segments and the corporate effective tax rate, and other nonoperating items such as foreign exchange.

The significant changes in the reconciling items between ATOI and consolidated net income for the 2002 second quarter and six-month period compared with the corresponding 2001 periods consisted of: a decrease in interest expense of \$7 for the quarter and \$33 for the six-month period due to lower interest rates; a decrease of \$148 in both periods for special items which were recognized in 2001; an increase in other of \$45 for the quarter and \$46 for the six-month period primarily due to currency translation adjustments and the changes in cash surrender value on corporate-owned life insurance; and an increase in accounting change of \$34 in the six-month period as a result of the cumulative effect of the accounting change for goodwill.

## Market Risks

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

## Derivatives

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

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

**Commodity Price Risks** - Alcoa is a leading global producer of aluminum ingot and aluminum fabricated products. As a condition of sale, customers often require Alcoa to 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 the order is shipped.

Alcoa's aluminum commodity risk management policy is to manage, through the use of futures and options contracts, the aluminum price risk associated with a portion of its fixed price firm commitments. At June 30, 2002, these contracts totaled approximately 570,000 mt with a fair value loss of approximately \$9 (pre-tax).

Alcoa sells products to various third parties at prices that are influenced by changes in LME aluminum prices. From time to time, the company may elect to sell forward a portion of its anticipated primary aluminum and alumina production to reduce the risk of fluctuating market prices on these sales. Toward this end, Alcoa may enter into short positions using futures and options contracts. At June 30, 2002, these contracts totaled 18,000 mt. The fair value of these contracts at June 30, 2002 was not material. These contracts act to fix a portion of the sales price related to these sales contracts.

Alcoa purchases natural gas and fuel oil to meet its production requirements. These purchases expose the company to the risk of higher natural gas and fuel oil prices. To hedge this risk, Alcoa enters into long positions, principally futures and options. Alcoa follows a stable pattern of purchasing natural gas and fuel oil; therefore, it is highly likely that anticipated purchases will occur. At June 30,

2002, the fair value of the contracts for natural gas and fuel oil was a gain of approximately \$14 (pre-tax).

Alcoa also purchases certain other commodities, such as electricity, for its operations and may enter into futures and options contracts to eliminate volatility in the price of these commodities. None of these contracts were material at June 30, 2002.

#### Financial Risk

Currencies - Alcoa is subject to significant exposure from fluctuations in foreign currencies. Foreign currency exchange contracts are used to hedge the variability in cash flows from the forecasted payment or receipt of currencies other than the functional currency. These contracts cover periods commensurate with known or expected exposures, generally within three years. The fair value of these contracts was a loss of approximately \$7 (pre-tax) at June 30, 2002.

In addition, certain contracts are used to offset a portion of the impact of exchange and interest rate changes on foreign currency denominated debt. These contracts are marked to market and offset a portion of the impact of the exchange differences on the debt. The mark to market gains on these contracts were \$48 (pre-tax) at June 30, 2002.

Interest Rates - Alcoa uses interest rate swaps to help maintain a reasonable balance between fixed- and floating-rate debt and to keep financing costs as low as possible. The company has entered into pay floating, receive fixed interest rate swaps to change the interest rate risk exposure of a portion of its outstanding fixed-rate debt. The fair value of these swaps was a gain of approximately \$93 (pre-tax) at June 30, 2002.

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

Alcoa is exposed to credit loss in the event of nonperformance by counterparties on the above instruments, as well as credit or performance risk with respect to its hedged customers' commitments. Although nonperformance is possible, Alcoa does not anticipate nonperformance by any of these parties. Futures and options 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.

#### Environmental Matters

Alcoa continues to participate in environmental assessments and cleanups at a number of locations. These include approximately 28 owned or operating facilities and adjoining properties, approximately 34 previously owned or operating facilities and adjoining properties and approximately 71 Superfund and other waste sites. A liability is recorded for environmental remediation costs or damages when a cleanup program becomes probable and the costs or damages can be reasonably estimated.

As assessments and cleanups proceed, the liability is adjusted based on progress made in determining the extent of remedial actions and related costs and damages. The liability can change substantially due to factors such as the nature and extent of contamination, changes in remedial requirements and technological changes. Therefore, it is not possible to determine the outcomes or to estimate with any degree of accuracy the potential costs for certain of these matters. For example, there are issues related to Alcoa's Massena, New York sites where investigations are ongoing and where natural resource damage or off-site contaminated sediments have been alleged. The following discussion provides additional details regarding the current status of certain sites.

MASSENA. Alcoa has been conducting investigations and studies of the Grasse River, adjacent to Alcoa's Massena, New York plant site, under order from the U.S.

Environmental Protection Agency (EPA) issued under the Comprehensive Environmental Response, Compensation and Liability Act, also known as Superfund. Sediments and fish in the river contain varying levels of polychlorinated biphenyl (PCB).

In the fourth quarter of 1999, Alcoa submitted an Analysis of Alternatives Report to the EPA. This report identified potential courses of remedial action related to the PCB contamination of the river. The EPA indicated to Alcoa that it believed additional remedial alternatives needed to be included in the Analysis of Alternatives Report. During 2000 and 2001, Alcoa completed certain studies and investigations on the river, including pilot tests of sediment-capping techniques and other remediation technologies. In February 2002, Alcoa submitted a revised draft Analysis of Alternatives Report to the EPA based on these additional evaluations and included additional remedial alternatives required by the EPA. The additional alternatives required by the EPA involve removal of more sediment than was included in the 1999 Analysis of Alternatives Report. The range of costs associated with the remedial alternatives evaluated in the 2002 report is between \$2 and \$525. Alcoa believes that several of those alternatives, involving the largest amounts of sediment removal, should not be selected for the Grasse River remedy. Alcoa believes the alternatives that should be selected are those ranging from monitored natural recovery (\$2) to a combination of moderate dredging and capping (\$90). A reserve of \$2 has been recorded for any probable losses, as no one of the alternatives is more likely to be selected than any other.

Portions of the St. Lawrence River system adjacent to a former Reynolds plant are also contaminated with PCB, and during 2001, Alcoa substantially completed a dredging remedy for the St. Lawrence River. Further analysis of the condition of the sediment is being performed. Any required additional dredging or capping of residual contamination is likely to be completed during the 2003 construction season. The most probable cost of any such additional remediation is fully reserved and Alcoa does not believe that any additional liability for this site is reasonably possible.

POINT COMFORT/LAVACA BAY. Since 1990, Alcoa has undertaken investigations and evaluations concerning alleged releases of mercury from its Point Comfort, Texas facility into the adjacent Lavaca Bay pursuant to a Superfund order from the EPA. In March 1994, the EPA listed the "Alcoa (Point Comfort)/Lavaca Bay Site" on the National Priorities List. In December 2001, the EPA issued its Record of Decision (ROD) selecting the final remedial approach for the site, which is fully reserved. The company is negotiating a Consent Order with the EPA under which it will undertake to implement the remedy. The company and certain federal and state natural resource trustees, who previously served Alcoa with notice of their intent to file suit to recover damages for alleged loss or injury of natural resources in Lavaca Bay, have cooperatively identified restoration alternatives and approaches for Lavaca Bay. The cost of such restoration is reserved and Alcoa anticipates negotiating a Consent Decree with the trustees under which it will implement the restoration. Alcoa does not believe that any additional liability for this site is reasonably possible.

TROUTDALE, OREGON. In 1994, the EPA added Reynolds' Troutdale, Oregon primary aluminum production plant to the National Priorities List of Superfund sites. Alcoa is cooperating with the EPA and, under a September 1995 consent order, is working with the EPA to identify cleanup solutions for the site. Following curtailment of active production operations and based on further evaluation of remedial options, the company has determined the most probable cost of cleanup. This amount has been fully reserved and Alcoa does not believe that any additional liability for this site is reasonably possible. The company anticipates a final ROD to be issued by the EPA in 2002.

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

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

Alcoa's remediation reserve balance at June 30, 2002 was \$422 (of which \$73 was classified as a current liability) and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. Remediation costs charged to the reserve in the 2002 second quarter were \$10. They 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 about 2% of cost of goods sold.

#### Liquidity and Capital Resources

##### Cash from Operations

Cash from operations for the 2002 six-month period totaled \$667, compared with \$938 in the corresponding 2001 period. The decrease of \$271, or 29%, resulted primarily from a decrease of \$540 in net income after adjustments for non-cash items, partially offset by \$269 lower working capital requirements. The decrease in net income and adjustments for non-cash items was primarily due to lower volumes; lower realized prices; lower depreciation and amortization expense, primarily due to the change in accounting for goodwill under SFAS No. 142; and the special items charges recognized in 2001. The decrease in working capital requirements is due to weak market conditions during the 2002 six-month period compared with the 2001 six-month period.

##### Financing Activities

Financing activities provided \$18 of cash in the 2002 six-month period, compared with \$2,704 used in the corresponding 2001 period. The change in cash provided from financing activities in the 2002 six-month period compared with the 2001 six-month period is primarily due to the following: a change of \$2,525 in short-term borrowings due to repayments of short-term debt in the 2001 six-month period that were funded by the proceeds from the sales of operations required to be divested from the Reynolds merger, the sale of Thiokol and issuing additional debt; a decrease of \$544 related to common stock issued for stock plans; a decrease in share repurchases of the company's common stock, using \$212 to repurchase 5,958,100 shares in the 2002 six-month period versus \$1,028 used to repurchase 26,467,872 shares in the 2001 six-month period; an increase of \$156 in cash due to a decrease in dividend payments to minority interests; an increase of \$1,031 in cash due to commercial paper borrowings; a decrease of \$1,772 related to long-term debt additions, as Alcoa issued \$1,500 of long-term notes in May 2001, the proceeds of which were used to refinance debt and for general corporate purposes; and an increase of \$505 in cash due to lower long-term debt payments.

In April 2002, Alcoa refinanced its \$2,000 revolving-credit agreement that was to expire in April 2002 into a revolving-credit agreement that expires in April 2003.

In August 2002, Moody's Investors Service downgraded the long-term debt ratings of Alcoa from A1 to A2 and its rated subsidiaries principally from A2 to A3. Alcoa's Prime-2 short term rating was not included in the review. The impact of the downgrade is not expected to be material to the company. In July 2002, Standard and Poor's Rating Services reaffirmed Alcoa's A-1 credit rating.

In July 2002, Alcoa completed the acquisition of Ivex Packaging Corporation which was funded with commercial paper borrowings. Currently, Alcoa is considering refinancing a portion of its commercial paper borrowings into long-term debt.

##### Investing Activities

Investing activities used \$751 of cash during the 2002 six-month period, compared with cash provided of \$1,868 in the 2001 six-month period. The change in cash of \$2,619 in the 2002 six-month period compared with the 2001 six-month period is primarily due to dispositions of assets required to be divested from the Reynolds merger as well as proceeds from the sale of Thiokol, which returned \$2,471 in the 2001 period.

## Critical Accounting Policies

A summary of the company's significant accounting policies is included in Note A to the audited consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2001. Management believes that the application of these policies on a consistent basis enables the company to provide the users of the financial statements with useful and reliable information about the company's operating results and financial condition.

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Areas of uncertainty that require judgments, estimates and assumptions include the accounting for derivatives, environmental and tax matters as well as the annual testing of goodwill for impairment. Management uses historical experience and all available information to make these judgments and estimates and actual results will inevitably differ from those estimates and assumptions that are used to prepare the company's financial statements at any given time. Despite these inherent limitations, management believes that Management's Discussion and Analysis and the financial statements and footnotes provide a meaningful and fair perspective of the company. A discussion of the judgments and uncertainties associated with accounting for derivatives and environmental matters can be found in the Market Risks and Environmental Matters sections of Management's Discussion and Analysis.

## Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement establishes standards for accounting for obligations associated with the retirement of tangible long-lived assets. Alcoa must adopt this standard on January 1, 2003. Management is currently assessing the details of the standard and is preparing a plan of implementation.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," under which a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

As previously reported, on December 26, 2001, three citizens groups filed an action in the U.S. District Court for the Western District of Texas against Alcoa. The groups alleged that activities conducted in the mid-1980s at the Alcoa power plant in Rockdale, Texas triggered various requirements under the federal Clean Air Act and the Texas Clean Air Act and that the plant did not comply with those requirements. The groups also alleged that the plant violated opacity limits. On January 29, 2002, the company filed its answer to the complaint denying the allegations. In addition, on January 9, 2002, the Texas Natural Resource Conservation Commission (TNRCC) issued a Notice of Enforcement and the Environmental Protection Agency (EPA), Region VI, issued a Notice of Violation against Alcoa. Both notices allege that activities conducted in the mid-1980s at the Alcoa power plant in Rockdale, Texas triggered requirements under the Clean Air Act and the Texas Clean Air Act and the plant did not comply with those requirements. On June 24, 2002, the Department of Justice, the EPA, the TNRCC and Alcoa agreed to resolve the Texas and federal allegations with the permitting of reduced emission limits for the power plant and the payment of a civil penalty of \$1.5 million, as well as supplemental environmental capital projects of \$2.5 million.

In June 2002, the EPA, Region III, informed Howmet Corporation that as a result of negotiations between the EPA and Howmet, the EPA would propose a Consent Agreement and Final Order ("CAFO") to resolve its determination that Howmet's Hampton Casting plant in Hampton, VA, violated the Resource Conservation and Recovery Act and applicable federal and state hazardous waste management regulations. The CAFO will also require Howmet to certify its compliance with the Resource Conservation and Recovery Act, and the regulations relevant to the alleged violations and to pay a civil penalty. Howmet has undertaken the steps to be in compliance since the incidents occurred and has agreed to enter into the CAFO with the EPA and pay a civil penalty of \$193,006.

In May and June of 2002, seven lawsuits were filed against Reynolds and Alcoa in the District Court of Wharton County, Texas. (Two were later dismissed by the plaintiffs.) The lawsuits seek to recover damages relating to the presence of trichloroethylene in the groundwater near a former Reynolds extrusion facility in El Campo, Texas. The current operator, Bon L. Campo Limited Partnership (Bon L. Campo), and Tredegar Corporation also have been listed as defendants in some of the lawsuits. Three of the lawsuits request certification of class status for other allegedly affected individuals. Bon L. Campo filed to remove five of the lawsuits to the United States District Court, Southern District of Texas, Houston Division. Alcoa and Reynolds filed to remove two of the lawsuits to the same court. Alcoa and Reynolds have filed answers and counterclaims in all the lawsuits. The counterclaims seek a declaration that Alcoa and Reynolds can continue their mitigation, investigation and remediation efforts at and around the former Reynolds facility. In addition, they seek stays of the lawsuits until the TNRCC has exercised its jurisdiction over the matter to determine the source or sources and the nature and extent of contamination as well as the appropriate overall remediation that may be needed. Reynolds owned and operated the facility from 1971 to 1997 and sold the facility to Bon L. Campo prior to Alcoa's acquisition of Reynolds. Currently, the amount of any possible loss cannot be estimated.

In the first half of 2002, Alcoa discovered that a former Reynolds' distribution entity, RASCO, may have sold upwards of 800,000 pounds of aluminum plate made by an unrelated company for use in the Northwest maritime industry that may not be suitable for that use. Reynolds and the current owner of the business and the manufacturer of the metal are working jointly to identify the issues and find resolutions. All customers have been notified of the issue, inspection protocols have been put into place and the United States Coast Guard has been notified and is involved in the resolution process. Three lawsuits have been filed by ship owners or operators and the parties have been working cooperatively toward satisfactory resolutions. Currently, the amount of any possible loss cannot be estimated.

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

Information called for by this item with respect to the annual meeting of Alcoa shareholders held on April 19, 2002, is contained in Part II - Item 4 of Alcoa's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.

Item 5. Other Information

The date of Alcoa's 2003 annual meeting of shareholders has been changed to April 11, 2003 to avoid a conflict with the Good Friday holiday. The deadlines for submission of shareholder proposals remain unchanged as follows: For shareholder proposals to be considered for the 2003 proxy statement, they must be submitted in writing by October 18, 2002. No proposals received after January 19, 2003 may be raised at the annual meeting. Address all shareholder proposals to: Secretary's Office, Alcoa Inc., 201 Isabella Street, Pittsburgh, Pennsylvania 15212-5858, Attention: Janet Duderstadt, Assistant Secretary.

During 2002, the company has continued work on new developments in inert anode technology and the pursuit of patent protection in jurisdictions throughout the world related to these advanced technologies. After 223 days of cell testing in Italy, the company, on June 3, 2002, started inert anode assembly testing in a full pot at its Massena, New York commercial smelting facility. Progress has been successful in many respects as a result of the testing in Italy. However, there are remaining issues to overcome, including mitigation of in-use anode cracking, improvement of long-term current efficiency and anode life, and reduction in operating voltage. Based upon the results of tests in Massena, the company plans expanded full pot testing with anode assemblies incorporating further improvements in structural design and manufacturing costs. The number of full pots operating with inert anodes may be expanded to four during the first quarter of 2003. If the technology proves to be commercially feasible, the company believes that it will be able to convert its existing potlines to this new technology, resulting in significant operating cost savings. The new technology would also generate environmental benefits by reducing and eliminating certain emissions. No timetable has been established for commercial use.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

3. By-Laws as amended
10. Amended and Extended Revolving Credit Agreement (364-Day), dated as of April 26, 2002
12. Computation of Ratio of Earnings to Fixed Charges
15. Letter regarding unaudited interim financial information

(b) Reports on Form 8-K. None were filed in the second quarter of 2002. During the third quarter of 2002 (to date), Alcoa has filed two reports on Form 8-K with the Securities and Exchange Commission, reporting matters under Item 5:

- (1) a Form 8-K dated July 1, 2002, reporting that Alcoa had completed its previously announced agreement to acquire Chicago-based Ivex Packaging Corporation; and
- (2) a Form 8-K dated July 17, 2002, reporting that Alcoa has agreed to acquire the assets of Fairchild Fasteners, a leading supplier of aerospace fasteners, from The Fairchild Corporation for \$657 million in cash.



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.

August 6, 2002

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Date

By /s/ RICHARD B. KELSON

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Richard B. Kelson  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

August 6, 2002

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Date

By /s/ TIMOTHY S. MOCK

-----  
Timothy S. Mock  
Vice President - Alcoa Business  
Support Services and Controller  
(Chief Accounting Officer)

EXHIBITS

3. By-Laws as amended
10. Amended and Extended Revolving Credit Agreement (364-Day), dated as of April 26, 2002
12. Computation of Ratio of Earnings to Fixed Charges
15. Letter regarding unaudited interim financial information

BY-LAWS  
OF  
ALCOA INC.

ARTICLE I  
IDENTIFICATION

Section 1. Principal Office. The principal office of the Company shall be in the City of Pittsburgh, Pennsylvania.

Section 2. Seal. The Company shall have a corporate seal in such form as the board of directors shall by resolution from time to time prescribe.

Section 3. Fiscal Year. The fiscal year of the Company shall end on the 31st day of December.

ARTICLE II  
SHAREHOLDERS' MEETINGS

Section 1. Place of Meetings. Meetings of the shareholders of the Company shall be held at such place within or without the Commonwealth of Pennsylvania as may be fixed by the board of directors pursuant to authority hereby granted.

Section 2. Annual Meeting. The annual meeting of the shareholders shall be held on the Friday next following the first Monday in May of each year at nine thirty o'clock A.M., local time in effect at the place of the meeting, or on such other day or at such other time as may be fixed by the board of directors pursuant to authority hereby granted.

Section 3. Chairman of the Meeting. All meetings of the shareholders shall be called to order and presided over by the chairman of the board, or in the absence of the chairman of the board, by a vice chairman of the board, the president or another director, in the order designated by the chairman of the board, or if none of these be present, by a chairman elected by a majority of the votes which all shareholders present are entitled to cast on any matter coming before the meeting.

ARTICLE III  
BOARD OF DIRECTORS

Section 1. Number. Until the board of directors has increased or decreased the number of the directors as hereinafter provided, the number of the directors shall be ten. The board is hereby authorized to increase or decrease the number of the directors from time to time without a vote of the shareholders, provided, however, that such number shall not be less than seven nor more than fifteen.

Section 2. General Powers. The board of directors shall have power in general to manage the business and affairs of the Company consistent with the law, the Articles of the Company and these By-laws, and may from time to time adopt such regulations regarding the powers and duties of the respective officers, assistant officers and agents and the conduct of the Company's business as the board may deem proper and expedient.

Section 3. Election and Nomination of Directors. Candidates for election as directors at any annual meeting of shareholders shall be nominated and elected for terms to expire not later than the third annual meeting following their election, in accordance with the Articles of the Company and applicable law.

Section 4. Annual Meeting. The board of directors shall without notice meet each year upon adjournment of the annual meeting of the shareholders at the principal office of the Company, or at such other time or place as shall be designated in a notice given to all nominees for director, for the purposes of organization, election of officers and consideration of any other business that may properly be brought before the meeting.

Section 5. Regular Meetings. Regular meetings of the board of directors shall be held at such times and places as shall be fixed by the board at any time in advance of the meeting date or designated in a notice of the meeting.

Section 6. Special Meetings. Special meetings of the board of directors may be called by the chairman of the board, a vice chairman of the board, the president or any two directors.

Section 7. Notice of Regular and Special Meetings. No notice of a regular meeting of the board of directors shall be necessary if the meeting is held at the time and place fixed by the board in advance of the meeting date. Notice of any regular meeting to be held at another time or place and of all special meetings of the board, setting forth the time and place of the meeting, shall be given by letter or other writing deposited in the United States mail or with an express mail or private courier service not later than during the second day immediately preceding the day for such meeting, or by word of mouth, telephone, facsimile or other oral or written means received not later than during the day immediately preceding the day for such meeting.

Section 8. Quorum. A majority of the directors in office shall be necessary to constitute a quorum for the transaction of business at a meeting of the board of directors, but if at any meeting a quorum shall not be present the meeting may adjourn from time to time until a quorum shall be present.

Section 9. Executive Committee. The board of directors may, by resolution adopted by a majority of the whole board, designate three or more of the directors to constitute an executive committee which to the extent provided in a resolution adopted by a majority of the whole board shall have and exercise the authority of the board in the management of the business and affairs of the Company except as otherwise limited by law.

Section 10. Audit Committee. The board of directors shall, by resolution adopted by a majority of the whole board, designate three or more of the directors to constitute an audit committee. Audit committee members shall not be officers or full time employees of the Company or its subsidiaries. The audit committee shall have such authority and shall perform such duties as shall be provided from time to time in accordance with resolutions of the board.

Section 11. Compensation and Benefits Committee. The board of directors may, by resolution adopted by a majority of the whole board, designate three or more of the directors to constitute a compensation committee which to the extent provided in such resolution or other action by the board shall have and exercise the authority (a) to fix and determine, and change from time to time, the compensation of all officers of the Company elected by the board, including, but not restricted to, monthly or other periodic compensation and incentive or other additional compensation, (b) to authorize or approve all contracts of the Company with any officer for remuneration (whether in the form of a pension, deferred compensation or otherwise) to be paid from the general funds of the Company after the termination of regular employment of

such officer, and (c) to administer or perform specified functions under any one or more of the stock option or other incentive, pension or benefit plans of the Company; provided that the said committee shall not exercise any of its said authority with respect to any of its members.

Section 12. Compensation of Assistant Officers and Agents. Unless otherwise determined by the board of directors, the chief executive officer of the Company shall have the authority to fix and determine, and change from time to time, the compensation of all assistant officers and agents of the Company elected or appointed by the board or by the chief executive officer, including, but not restricted to, monthly or other periodic compensation and incentive or other additional compensation.

Section 13. Limitation Regarding Incentive Plans. Nothing contained in the foregoing two sections of this Article III shall be construed to vest, or to authorize vesting, in the chief executive officer of the Company any authority with respect to stock options or other incentives under plans which provide for administration by the board of directors or a committee thereof.

Section 14. Other Committees. In addition to the committees described in this Article III, the board of directors may, by resolution adopted by a majority of the whole board, designate one or more other committees of the board, each of which shall consist of one or more of the directors. Each such other committee shall have such authority and shall perform such other duties as may be provided from time to time in resolutions of the board.

Section 15. Substitute Committee Members. In the absence or disqualification of any member of any committee of the board of directors, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member.

Section 16. Participation by Conference Telephone. One or more directors may participate in a meeting of the board of directors or of a committee thereof by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

Section 17. Personal Liability of Directors. To the fullest extent that the laws of the Commonwealth of Pennsylvania, as in effect on May 15, 1987 or as thereafter amended, permit elimination or limitation of the liability of directors, no director of the Company shall be personally liable for monetary damages for any action taken, or any failure to take any action. This Section 17 shall not apply to any action filed prior to May 15, 1987, nor to any breach of performance of duty or any failure of performance of duty occurring prior to May 15, 1987. The provisions of this Section shall be deemed to be a contract with each director of the Company who serves as such at any time while such provisions are in effect, and each such director shall be deemed to be serving as such in reliance on the provisions of this Section. Any amendment or repeal of this Section or adoption of any other By-law or provision of the Articles of the Company which has the effect of increasing director liability shall operate prospectively only and shall not affect any action taken, or any failure to act, prior to such amendment, repeal or adoption. This Section 17 may be amended or repealed only with the affirmative vote of the holders of a majority of the outstanding shares of common stock of the Company.

ARTICLE IV  
OFFICERS

Section 1. Number and Election. The board of directors at its annual meeting shall elect a president, a secretary and a treasurer, or persons who act as such, and may elect a chairman of the board, one or more vice presidents, a controller, a general counsel and such other officers and assistant officers as the board may deem appropriate. The board shall from time to time designate the chief executive officer who shall be either the chairman of the board or the president. The board may also from time to time elect such other officers and assistant officers and appoint such agents as it may deem appropriate. Assistant officers and agents also may be appointed by the chief executive officer.

Section 2. Qualifications. The chairman of the board shall be a member of the board of directors but the other officers need not be directors.

Section 3. Term of Office. Each officer and assistant officer shall hold office until the annual meeting of the board of directors next following the meeting of the board at which such officer or assistant officer is elected, except in the case of earlier death, resignation or removal.

Section 4. Chairman of the Board. The chairman of the board shall preside at all meetings of the board of directors at which such chairman is present. In the absence of the chairman of the board, a vice chairman of the board, the president or another director, in the order designated by the chairman of the board, shall preside at meetings of the board of directors. If the chairman of the board is not the chief executive officer, the chairman of the board shall have such powers and perform such other duties as the president may from time to time delegate to such chairman, except as otherwise determined by the board.

Section 5. President. If the president is not the chief executive officer, the president shall have such powers and perform such other duties as the chairman of the board may from time to time delegate to the president, except as otherwise determined by the board.

Section 6. Vice Presidents. Each vice president, including any vice president designated as executive, senior or otherwise, shall have such powers and perform such duties as the chairman of the board or the president may from time to time delegate to such vice president, except as otherwise determined by the board of directors.

Section 7. Secretary. The secretary shall attend meetings of the shareholders, the board of directors and the executive committee, shall keep minutes thereof in suitable books, and shall send out all notices of meetings as required by law or these By-laws. The secretary shall be ex officio an assistant treasurer. The secretary shall, in general, perform all duties incident to the office of secretary.

Section 8. Treasurer. The treasurer shall receive all money paid to the Company and keep or cause to be kept accurate accounts of all money received or payments made in books kept for that purpose. The treasurer shall deposit all money received by the treasurer in the name and to the credit of the Company in banks or other places of deposit. The treasurer shall disburse the money of the Company by checks or vouchers. The treasurer shall be ex officio an assistant secretary. The treasurer shall, in general, perform all duties incident to the office of treasurer.

Section 9. Controller. The controller shall be responsible for the implementation of accounting policies and procedures, the installation and supervision of all accounting records, including the preparation and interpretation of financial statements, the compilation of production costs and cost distributions and the taking and valuation of physical inventories. The controller shall also be responsible for the maintenance of adequate records of authorized appropriations and the approval for payment of all checks and vouchers. The controller shall, in general, perform all duties incident to the office of controller.



Section 10. General Counsel. The general counsel shall advise the Company on legal matters affecting the Company and its activities and shall supervise and direct the handling of all such legal matters. The general counsel shall, in general, perform all duties incident to the office of general counsel.

Section 11. Assistant Officers. Each assistant officer shall have such powers and perform such duties as may be delegated to such assistant officer by the officer to whom such assistant officer is an assistant or, in the absence or inability to act of such officer, by the officer to whom such officer reports or by the chief executive officer.

#### ARTICLE V INDEMNIFICATION

Section 1. Indemnification Granted. Every person who is or was a director, officer or employee of the Company or of any other corporation, partnership, joint venture, trust or other enterprise which such person serves or served as such at the request of the Company (hereinafter referred to as an "eligible person") shall in accordance with this Article V, but not if prohibited by law, be indemnified by the Company as hereinafter provided against reasonable expense and any liability paid or incurred by such person in connection with or resulting from any claim in which such person may be involved, as a party or otherwise, by reason of such person's being or having been a director, officer or employee of the Company or such other enterprise, whether or not such person continues to be such at the time such liability or expense shall have been paid or incurred.

Section 2. Certain Definitions. As used in this Article V, the term "claim" shall mean any threatened or actual claim, action, suit or proceeding (whether brought by or in the right of the Company or such other enterprise or otherwise), whether civil, criminal, administrative or investigative; the term "expense" shall mean counsel fees and disbursements and all other expenses (except any liability) incurred in connection with any claim; and the term "liability" shall mean amounts of judgments, fines or penalties against, and amounts paid in settlement by, an eligible person with respect to any claim.

Section 3. Expense Reimbursement to the Extent Successful. Any eligible person who has been wholly successful, on the merits or otherwise, with respect to any claim shall be reimbursed by the Company for such person's reasonable expense. Any eligible person who has been partially successful shall be proportionately reimbursed by the Company for such person's reasonable expense.

Section 4. Indemnification Where Not Wholly Successful. Any eligible person who has been partially unsuccessful and any other eligible person not described in Section 3 of this Article V shall be reimbursed by the Company for such person's reasonable expense and for any liability if a Referee shall deliver to the Company the written finding of such Referee that such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Company, and in addition with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct of such person was unlawful. Where such person is found by the Referee to have met the foregoing standards of conduct with respect to one or more but not all the claims made against such person, such person shall be entitled to indemnification for such expense and liability in such proportion as the Referee shall determine. The termination of any claim by judgment, order, settlement (whether with or without court approval), adverse decision, or conviction after trial or upon a plea of guilty or of nolo contendere or its equivalent, shall not of itself create a presumption that an eligible person did not meet the foregoing standards of conduct. The person claiming indemnification shall, at the request of the Referee, appear before the Referee and answer questions which the Referee deems relevant and shall be given ample opportunity to present to the Referee evidence upon which such person relies for indemnification; and the Company shall at the request of the Referee, make available to the Referee facts, opinions or other evidence in any way relevant for the Referee's finding which are within the possession or control of the Company. As used in this Article V, the term "Referee" shall mean independent legal counsel (who may be regular independent legal counsel of the Company), or other disinterested person or persons, selected to act as such hereunder by the board of directors of the Company, whether or not a disinterested quorum exists.

Section 5. Advancement of Expenses. Any expense incurred with respect to any claim may be advanced by the Company prior to the final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amount if it is ultimately determined that such recipient is not to be indemnified under this Article V.

Section 6. Article V Not Exclusive; Survival of Rights. The rights of indemnification provided in this Article V shall be in addition to any rights to which any eligible person may otherwise be entitled by contract or as a matter of law; and in the event of such person's death, such rights shall extend to the heirs and legal representatives of such person.

ARTICLE VI  
SHARE CERTIFICATES AND TRANSFERS

Section 1. Share Certificates. Share certificates shall be in such form as the board of directors may from time to time determine. Each certificate shall be signed by the chairman of the board, the president, the treasurer or the secretary of the Company, by manual or facsimile signature.

Section 2. Transfer Agent and Registrar. The board of directors may from time to time appoint one or more transfer agents and may appoint one or more registrars of transfer, each to act with respect to such preferred and common shares of the Company as the board of directors may designate. No share certificate of the Company shall be valid or binding unless countersigned, manually or by facsimile signature, by a transfer agent if one has been appointed to act with respect to the shares evidenced by such certificate, and registered before issue by a registrar if one has been appointed to act with respect to the shares evidenced by such certificate.

Section 3. Signatures by Former Corporate Officers or Agents. In case any officer of the Company, or any authorized signatory of any transfer agent or registrar, who has signed, or whose facsimile signature has been placed upon, any share certificate shall have ceased to be such officer or authorized signatory because of death, resignation or otherwise, before the certificate is issued, it may be issued with the same effect as if the officer or authorized signatory had not ceased to be such at the date of its issue.

ARTICLE VII  
AMENDMENTS

These By-laws may be altered, amended, added to or repealed by the board of directors at any meeting of the board duly convened with or without notice of that purpose, subject to the power of the shareholders to change such action.

ARTICLE VIII  
INDEMNIFICATION FOR DIRECTORS

Section 1. Right to Indemnification. Except as prohibited by law, every director of the Company shall be entitled as of right to be indemnified by the Company against expenses and any liability paid or incurred by such person in connection with any actual or threatened claim, action, suit or proceeding, civil, criminal, administrative, investigative or other, whether brought by or in the right of the Company or otherwise, in which he or she may be involved, as a party or otherwise, by reason of such person being or having been a director of the Company or by reason of the fact that such person is or was serving at the request of the Company as a director, officer, employee, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other entity (such claim, action, suit or proceeding hereinafter being referred to as a "claim"); provided, that no such right of indemnification shall exist with respect to a claim brought by a director against the Company except as provided in the last sentence of this Section 1. Indemnification hereunder shall include the right to have expenses incurred by such person in connection with a claim paid in advance by the Company prior to final disposition of such claim, subject to any obligation which may be imposed by law, By-law, agreement or otherwise to reimburse the Company in certain events. As used herein, "expenses" shall include fees and expenses of counsel selected by any such director and "liability" shall include amounts of judgments, excise taxes, fines, penalties and amounts paid in settlement. With respect to any claim brought by a director or other person against the Company, the director or other person shall be entitled to be indemnified for expenses incurred in connection with such claim pursuant to this Section 1 only (i) if the claim is a suit brought as a claim for indemnity under Section 2 of this Article VIII or otherwise, (ii) if the director or other person is successful in whole or in part in the claim for which expenses are claimed or (iii) if the indemnification for expenses is included in a settlement of the claim or is awarded by a court.

Section 2. Right of Claimant to Bring Suit. If a claim under Section 1 of this Article VIII is not paid in full by the Company within thirty days after a written claim has been received by the Company, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. It shall be a defense to any such suit to recover indemnification that the claimant's conduct was such that under

Pennsylvania law the Company is prohibited from indemnifying the claimant for the amount claimed, but the burden of proving such defense shall be on the Company. Neither the failure of the Company (including its board of directors, legal counsel and its shareholders) to have made a determination prior to the commencement of such suit that indemnification of the claimant is proper in the circumstances, nor an actual determination by the Company (including its board of directors, legal counsel or its shareholders) that the claimant's conduct was such that indemnification is prohibited by law, shall be a defense to the suit to recover indemnification or create a presumption that the claimant's conduct was such that indemnification is prohibited by law. The only defense to any such suit to receive payment of expenses in advance shall be failure to make an undertaking to reimburse if such an undertaking is required by law, By-law, agreement or otherwise.

Section 3. Insurance and Funding. The Company may purchase and maintain insurance to protect itself and any person eligible to be indemnified hereunder against any liability or expense asserted or incurred by such person in connection with any claim, whether or not the Company would have the power to indemnify such person against such liability or expense by law or under the provisions of this Article. The Company may create a trust fund, grant a security interest, cause a letter of credit to be issued or use other means (whether or not similar to the foregoing) to ensure the payment of such sums as may become necessary to effect indemnification as provided herein.

Section 4. Non-Exclusivity; Nature and Extent of Rights. The right of indemnification provided for in this Article VIII(i) shall not be deemed exclusive of any other rights, whether now existing or hereafter created, to which those seeking indemnification hereunder may be entitled under any provision of the Articles or By-laws, or any agreement, vote of shareholders or directors or otherwise, (ii) shall be deemed to create contractual rights in favor of persons entitled to indemnification hereunder, (iii) shall continue as to persons who have ceased to have the status pursuant to which they were entitled or were denominated as entitled to indemnification hereunder and shall inure to the benefit of the heirs and legal representatives of persons entitled to indemnification hereunder and (iv) shall be applicable to claims commenced after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof. The right of indemnification provided for herein may not be amended or repealed so as to limit in any way the indemnification provided for herein with respect to any acts or omissions occurring prior to any such amendment or repeal.

CERTIFICATE

I, DONNA C. DABNEY, Secretary of ALCOA INC., a Pennsylvania corporation, do hereby certify that the foregoing is a true and correct copy of the By-laws of the Company as amended April 18, 2002. I do further certify that they are this day in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of Alcoa Inc. on this date, July 22, 2002.

/s/ Donna C. Dabney  
Secretary

[Seal]

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AMENDED AND EXTENDED REVOLVING CREDIT AGREEMENT

(364-Day)

Dated as of April 26, 2002

Among

ALCOA INC.,

THE LENDERS NAMED HEREIN,

CITIBANK, N.A. and CREDIT SUISSE FIRST BOSTON,

as Syndication Agents,

DEUTSCHE BANK AG and ABN AMRO BANK, N.V.,

as Documentation Agents, and

JPMORGAN CHASE BANK,

as Administrative Agent,

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J.P. MORGAN SECURITIES INC.,

as Sole Lead Arranger and Sole Bookrunner

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AMENDED AND EXTENDED 364-DAY REVOLVING CREDIT AGREEMENT dated as of April 26, 2002 (as the same may be amended, modified or supplemented from time to time, the "Agreement"), among ALCOA INC., a Pennsylvania corporation ("Alcoa"), the Lenders (such term and each other capitalized term used but not defined herein having the meaning ascribed thereto in Article I), and JPMORGAN CHASE BANK, a New York banking corporation, as Administrative Agent for the Lenders.

Alcoa and the Borrowing Subsidiaries have requested the Lenders to amend and extend the Existing 364-Day Revolving Credit Agreement (such term and each other capitalized term used and not otherwise defined herein having the meaning assigned to it in Article I) in order to enable Alcoa and the Borrowing Subsidiaries, subject to the terms and conditions of this Agreement, to borrow on a revolving basis, at any time and from time to time prior to the Maturity Date, an aggregate principal amount at any time outstanding not in excess of US\$2,000,000,000. The proceeds of such borrowings are to be used to provide working capital and for other general corporate purposes, including but not limited to the support of Alcoa's commercial paper program. The Lenders are willing to extend such credit to Alcoa and the Borrowing Subsidiaries on the terms and subject to the conditions set forth herein.

Accordingly, the Borrowers, the Lenders and the Administrative Agent agree as follows:

#### ARTICLE I. DEFINITIONS AND CONSTRUCTION

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

"Administrative Agent" shall mean JPMorgan Chase Bank, a New York banking corporation, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit B.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof, "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as being effective. "Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) Statutory Reserves and (b) the Assessment Rate. "Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it. "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate or both for any reason, including the inability of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the first sentence of this definition, as appropriate, until the

circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

"Applicable Margin" shall mean, with respect to the Eurodollar Loans comprising any Borrowing, the applicable percentage set forth below based upon the ratings by S&P and Moody's applicable on such date to the Index Debt:

Category 1	Percentage
AA-/Aa3 or above	.1350%
Category 2	
A+/A1	.1400%
Category 3	
A/A2	.1375%
Category 4	
A-/A3	.1450%
Category 5	
BBB/Baa2	.2200%
Category 6	
BBB-/Baa3 or below	.2700%

For purposes of the foregoing, (i) if neither Moody's nor S&P shall have in effect a rating for any Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then both such rating agencies shall be deemed to have established ratings for such Index Debt in Category 6; (ii) if only one of Moody's and S&P shall have in effect a rating for any Index Debt, then the Applicable Margin, to the extent determined by reference to such Index Debt, shall be determined

on the basis of such rating; (iii) if the ratings established or deemed to have been established by Moody's or S&P for any Index Debt shall fall within different Categories, the Applicable Margin, to the extent determined by reference to such Index Debt, shall be based on the Category corresponding to the higher rating; and (iv) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if any such rating agency shall cease to be in the business of rating corporate debt obligations, Alcoa and the Lenders shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the non-availability of ratings from such rating agency, and pending the effectiveness of any such amendment, the ratings of such rating agency most recently in effect prior to such change or cessation shall be employed in determining the Applicable Margin.

"Approved Fund" shall have the meaning assigned to such term in Section 10.04(b).

"Assessment Rate" shall mean, for any date, the annual rate (rounded upwards, if necessary, to the next 1/100 of 1%) most recently estimated by the Administrative Agent as the then current net annual assessment rate that will be employed in determining amounts payable by the Administrative Agent to the Federal Deposit Insurance Corporation (or any successor) for such date for insurance by such Corporation (or such successor) of time deposits made in dollars at the Administrative Agent's domestic offices.

"Assignment and Assumption" shall mean an assignment and assumption entered into by a Lender and an assignee, and accepted by the Administrative Agent, in the form of Exhibit A or such other form as shall be approved by the Administrative Agent.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Borrowers" shall mean Alcoa and the Borrowing Subsidiaries.

"Borrowing" shall mean any group of Loans of a single Type made by the Lenders on a single date and as to which a single Interest Period is in effect.

"Borrowing Subsidiaries" shall mean, at any time, the wholly-owned Subsidiaries of Alcoa that have undertaken the obligations of Borrowing Subsidiaries pursuant to Section 10.04(e).

"Borrowing Subsidiary Obligations" shall mean, collectively, the due and punctual payment by any Borrowing Subsidiary of the principal of and interest on the Loans to it, when and as due, whether at maturity, by acceleration or otherwise, and the due and punctual payment and performance of all other obligations of such Borrowing Subsidiary under this Agreement.

"Business Day" shall mean any day (other than a day which is a Saturday, Sunday or day on which banks in New York City are authorized or required by law to remain closed); provided, however, that, when used in connection with any Eurodollar Loan, the term "Business Day" shall in each case also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"CLO" shall have the meaning assigned to such term in Section 10.04(b).

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Commercial Paper" of any person shall mean any note, draft, bill of exchange or other negotiable instrument issued by such person (other than any extendable commercial notes issued pursuant to Section 4(2) of the Securities Act of 1933) that has a maturity at the time of issuance not exceeding thirteen months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited, pursuant to Section 3(a)(3) or Section 4(2) of the Securities Act of 1933.

"Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Loans hereunder as set forth in Schedule 2.01, as the same may be terminated, reduced or increased from time to time pursuant to Section 2.09.

"Consolidated Net Tangible Assets" shall mean at any time, the aggregate amount of assets (less applicable reserves and other properly deductible items) of Alcoa and its consolidated Subsidiaries adjusted for inventories on the basis of cost (before application of the "last-in first-out" method of determining cost) or current market value, whichever is lower, and deducting therefrom (a) all current liabilities of such corporation and its consolidated Subsidiaries except for (i) notes and

loans payable, (ii) current maturities of long-term debt and (iii) current maturities of obligations under capital leases and (b) all goodwill, trade names, patents, unamortized debt discount and expenses of such corporation and its consolidated Subsidiaries (to the extent included in said aggregate amount of assets) and other like intangibles, all as set forth in the most recent consolidated balance sheet of Alcoa and its consolidated Subsidiaries, delivered to the Administrative Agent pursuant to Section 5.01, computed and consolidated in accordance with GAAP.

"Consolidated Net Worth" shall mean at any time, the net worth of Alcoa and its consolidated Subsidiaries at such time (including minority interests), computed and consolidated in accordance with GAAP.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of Voting Stock, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Designation Date" shall have the meaning assigned to such term in Section 10.04(e).

"Designation of Borrowing Subsidiary" shall mean a Designation of Borrowing Subsidiary executed by Alcoa and a wholly-owned Subsidiary in the form of Exhibit D.

"dollars" or "\$" shall mean lawful money of the United States of America.

"Effective Date" shall mean the date of this Agreement.

"Engagement Fees" shall have the meaning assigned to such term in Section 2.05(b).

"Engagement Letter" shall mean the letter agreement dated as of March 18, 2002, among the Administrative Agent, J.P. Morgan Securities Inc. ("JPMorgan"), and Alcoa.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.



"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that is a member of a group of which any Borrower is a member and which is treated as a single employer under Section 414 of the Code.

"ERISA Event" shall mean (i) any Reportable Event; (ii) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (iii) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (iv) the filing pursuant to Section 412(d) of the Code or Section 302(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (v) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any Plan or Multiemployer Plan; (vi) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (vii) the receipt by the Borrower or any ERISA Affiliate of any notice concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (viii) the occurrence of a "prohibited transaction" with respect to which the Borrower or any of its subsidiaries is a "disqualified person" (within the meaning of Section 4975 of the Code) or with respect to which the Borrower or any such subsidiary could otherwise be liable; (ix) any other similar event or condition with respect to a Plan or Multiemployer Plan that could result in liability of the Borrowers and (x) any Foreign Benefit Event.

"Eurodollar Borrowing" shall mean a Borrowing comprised of Eurodollar Loans.

"Eurodollar Loan" shall mean any Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned to such term in Article VII.

"Exchange Act Report" shall mean the Annual Report of Alcoa on Form 10-K for the year ended December 31, 2001 and Current Report on Form 8-K filed on March 19, 2002 by Alcoa with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

"Existing Five-Year Credit Agreement" shall mean the Amended and Restated Revolving Credit Agreement (Five-Year) dated as of April 27, 2001, among Alcoa, the lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, and J.P. Morgan Securities Inc., as lead arranger and book manager.

"Existing 364-Day Credit Agreement" shall mean the Amended and Extended Revolving Credit Agreement (364-Day) dated as of April 27, 2001, among Alcoa, the lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, and J.P. Morgan Securities Inc., as lead arranger and book manager. The Existing 364-Day Credit Agreement is being amended and extended by this Agreement.

"Facility Fee" shall have the meaning assigned to such term in Section 2.05(a).

"Facility Fee Percentage" shall mean on any date the applicable percentage set forth below based upon the ratings by S&P and Moody's, respectively, applicable on such date to the Index Debt:

Category 1	Percentage
AA-/Aa3 or above	.0400%
Category 2	
A+/A1	.0475%
Category 3	
A/A2	.0500%
Category 4	
A-/A3	.0550%
Category 5	
BBB/Baa2	.0800%

Category 6

BBB-/Baa3 .1300%  
or below

For purposes of the foregoing, (i) if neither Moody's nor S&P shall have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then both such rating agencies shall be deemed to have established ratings in Category 6; (ii) if only one of Moody's and S&P shall have in effect a rating for the Index Debt, then the Facility Fee Percentage shall be determined on the basis of such rating; (iii) if the ratings established or deemed to have been established by Moody's or S&P for the Index Debt shall fall within different Categories, the Facility Fee Percentage shall be based on the Category corresponding to the higher rating; and (iv) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Facility Fee Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either of such rating agencies shall cease to be in the business of rating corporate debt obligations, Alcoa and the Lenders shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the non-availability of ratings from such rating agency, and pending the effectiveness of any such amendment, the ratings of such rating agency most recently in effect prior to such change or cessation shall be employed in determining the Facility Fee Percentage.

"Fees" shall mean the Facility Fees and the Engagement Fees.

"Financial Officer" of any corporation shall mean the chief financial officer, principal accounting officer, Treasurer or Controller of such corporation.

"Foreign Benefit Event" shall mean (a) with respect to any Foreign Pension Plan, (i) the existence of unfunded liabilities in excess of the amount permitted under any applicable law, or in excess of the amount that would be permitted absent a waiver from a Governmental Authority, (ii) the failure to make the required contributions or payments, under any applicable law, on or before the due date for such contributions or payments, (iii) the receipt of a notice by a Governmental Authority relating to the intention to terminate any such Foreign Pension Plan or to appoint a trustee to administer any such Foreign Pension Plan, or to the insolvency of any such Foreign Pension Plan and (iv) the incurrence of any liability of the Borrowers under

applicable law on account of the complete or partial termination of such Foreign Pension Plan or the complete or partial withdrawal of any participating employer therein and (b) with respect to any Foreign Plan, (i) the occurrence of any transaction that is prohibited under any applicable law and could result in the incurrance of any liability by the Borrowers, or the imposition on the Borrowers of any fine, excise tax or penalty resulting from any noncompliance with any applicable law and (ii) any other event or condition that could reasonably be expected to result in liability of any of the Borrowers.

"Foreign Plan" shall mean any plan or arrangement established or maintained outside the United States for the benefit of present or former employees of any of the Borrowers.

"Foreign Pension Plan" shall mean any benefit plan which under applicable law is required to be funded through a trust or other funding vehicle other than a trust or funding vehicle maintained exclusively by a Governmental Authority.

"GAAP" shall mean generally accepted accounting principles, as used in, and applied on a basis consistent with, the financial statements of Alcoa referred to in Section 3.06.

"Governmental Authority" shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guarantee" of or by any person shall mean any obligation, contingent or otherwise, of such person guaranteeing any Indebtedness of any other person, whether directly or indirectly, and including any obligation of such person, direct or indirect, to purchase or pay such Indebtedness or to purchase any security for the payment of such Indebtedness; provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit, in either case in the ordinary course of business.

"Indebtedness" of any person at any time shall mean, without duplication, (a) all obligations for money borrowed or raised, all obligations (other than accounts payable and other similar items arising in the ordinary course of business) for the deferred payment of the purchase price of property, and all capital lease obligations which, in each case, in accordance with GAAP, would be included in determining total liabilities as shown on the liability side of the balance sheet of such person and (b) all Guarantees of such person.

"Index Debt" shall mean the senior, unsecured, non-credit enhanced, long-term Indebtedness for borrowed money of Alcoa.

"Interest Payment Date" shall mean, with respect to any Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' duration been applicable to such Borrowing, and, in addition, the date of any refinancing, continuation or conversion of such Borrowing with or to a Borrowing of a different Type.

"Interest Period" shall mean (a) as to any Eurodollar Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the Borrower to which such Loan is made may elect; and (b) as to any ABR Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the earliest of (i) the next succeeding March 31, June 30, September 30 or December 31, (ii) the Maturity Date and (iii) the date such Borrowing is prepaid in accordance with Section 2.11; provided, however, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day.

"Lenders" shall mean (a) the financial institutions listed on Schedule 2.01 (other than any such financial institution that has ceased to be a party hereto pursuant to an Assignment and Assumption) and (b) any financial institution that has become a party hereto pursuant to an Assignment and Assumption.

"LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the offered rate for dollar deposits for a period equal to the Interest Period for such Eurodollar Borrowing that appears on the LIBO page on the Reuters Screen (or any page that can reasonably be considered a replacement page) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period. If such rate is not available on the Reuters Screen, the "LIBO Rate" shall be the rate (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the

arithmetic average of the respective rates per annum at which dollar deposits approximately equal in principal amount to such Eurodollar Borrowing and for a maturity comparable to such Interest Period are offered in immediately available funds to the London branches of the Reference Banks in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period. The Administrative Agent shall determine the LIBO Rate and such determination shall be conclusive absent manifest error.

"Lien" shall mean, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loans" shall have the meaning assigned to it in Section 2.01. Each Loan shall be a Eurodollar Loan or an ABR Loan.

"Material Adverse Effect" shall mean a materially adverse effect on the business, assets, operations or financial condition of Alcoa and its Subsidiaries taken as a whole, or a material impairment of the ability of Alcoa to perform any of its obligations under this Agreement.

"Maturity Date" shall mean April 25, 2003.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which any Borrower or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code) is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"1998 Five-Year Credit Agreement" shall mean the Revolving Credit Agreement (Five-Year) dated as of August 14, 1998, among Alcoa, Alcoa of Australia Limited, a company incorporated with limited liability in Australia, the lenders party thereto, JPMorgan Chase Bank, as U.S. agent for such lenders, and J.P. Morgan Securities Australia Limited, a company incorporated with limited liability in Australia, as Australian Agent for such lenders.

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"person" shall mean any natural person, corporation organization, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

"Plan" shall mean any pension plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code which is maintained for employees of any Borrower or any ERISA Affiliate.

"Pro Rata Percentage" of any Lender at any time shall mean the percentage of the Total Commitment that is represented by such Lender's Commitment.

"Reference Banks" shall mean JPMorgan Chase Bank, Mellon Bank, N.A. and Bank of America National Trust and Savings Association.

"Register" shall have the meaning given such term in Section 10.04(b).

"Related Parties" means, with respect to any specified person, such person's Affiliates and the respective directors, officers, employees, agents and advisors of such person and such person's Affiliates.

"Reportable Event" shall mean any reportable event as defined in Section 4043(b) of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate which is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code).

"Required Lenders" shall mean Lenders representing at least 66-2/3% in principal amount of the outstanding Loans and unused Commitments.

"Responsible Officer" of any corporation shall mean any executive officer or Financial Officer of such corporation and any other officer or similar official thereof responsible for the administration of the obligations of such corporation in respect of this Agreement.

"Restricted Subsidiary" shall mean any consolidated Subsidiary of Alcoa which owns any manufacturing plant or manufacturing facility located in the United States, except any such plant or facility which, in the opinion of the Board of Directors of Alcoa, is not of material importance to the business of Alcoa and its Restricted Subsidiaries, taken as a whole, excluding any such Subsidiary which (a) is principally engaged in leasing or financing receivables, (b) is principally engaged in financing Alcoa's operations outside the United States or (c) principally serves as a partner in a partnership.

"S&P" shall mean Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies Inc.

"Statutory Reserves" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board and any other banking authority to which the Administrative Agent is subject for new negotiable nonpersonal time deposits in dollars of over \$100,000 with maturities approximately equal to three months. Such reserve percentages shall include those imposed pursuant to such Regulation D of the Board. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other business entity of which securities or other ownership interests representing more than 50% of the Voting Stock or more than 50% of the general partnership interests are, at the time any determination is being made, owned, controlled or held by the parent or one or more Subsidiaries of the parent or by the parent and one or more Subsidiaries of the parent.

"Total Commitment" shall mean, at any time, the aggregate amount of the Commitments, as in effect at such time.

"Type", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, "Rate" shall mean the LIBO Rate and the Alternate Base Rate.

"Voting Stock" with respect to the stock of any person means stock of any class or classes (however designated) having ordinary voting power for the election of the directors of such person, other than stock having such power only by reason of the occurrence of a contingency.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Terms Generally; Accounting Principles. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the



corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require, and all references herein to the "date hereof" or the "date of this Agreement" shall be construed as referring to April 26, 2002; provided that all obligations of the Borrower accruing under the Existing 364-Day Credit Agreement shall continue to be obligations of the Borrower under this Agreement. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided, however, that, if Alcoa notifies the Administrative Agent that it requests an amendment to any provision hereof to eliminate the effect of any change in GAAP on the operation of such provision (or if the Administrative Agent notifies Alcoa that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP (provided such change in GAAP occurs after the date hereof), then such provision shall be interpreted on the basis of GAAP in effect immediately before such change became effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

## ARTICLE II. THE CREDITS

SECTION 2.01. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make revolving credit loans in dollars (the "Loans") to Alcoa and the Borrowing Subsidiaries, at any time and from time to time on or after the Effective Date and until the earlier of the Maturity Date and the termination of the Commitment of such Lender in accordance with the terms hereof; provided, however, that (i) after giving effect to any Loan, the aggregate principal amount of the outstanding Loans shall not exceed the Total Commitment and (ii) at all times the aggregate principal amount of all outstanding Loans made by each Lender shall equal its Pro Rata Percentage of the aggregate principal amount of all outstanding Loans. The Commitment of each Lender is set forth on Schedule 2.01 to this Agreement. Such Commitment may be terminated or reduced from time to time pursuant to Section 2.09. Within the limits set forth in the preceding sentence, the Borrowers may borrow, pay or prepay and reborrow Loans on or after the Effective Date and prior to the Maturity Date, subject to the terms, conditions and limitations set forth herein.

SECTION 2.02. Loans. (a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their

respective applicable Commitments; provided, however, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). The Loans comprising each Borrowing shall be in an aggregate principal amount which is an integral multiple of \$1,000,000 and not less than \$10,000,000 (or an aggregate principal amount equal to the remaining balance of the applicable Commitments, as the case may be).

(b) Each Borrowing shall be comprised entirely of Eurodollar Loans or ABR Loans, as the applicable Borrower may request pursuant to Section 2.03. Each Lender may at its option fulfill its Commitment with respect to any Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided, however, that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that no Borrower shall be entitled to request any Borrowing which, if made, would result in an aggregate of more than five separate Eurodollar Loans of any Lender being made to the Borrowers and outstanding under this Agreement at any one time. For purposes of the foregoing, Loans having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Loans.

(c) Except as otherwise provided in Section 2.10, each Lender shall make each Loan that is (A) an ABR Loan or (B) a Eurodollar Loan, to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to the Administrative Agent in New York, New York, not later than 1:00 p.m., New York City time, and the Administrative Agent shall by 3:00 p.m., New York City time, credit the amounts so received to the general deposit account of the Borrower to which such Loan is to be made with Mellon Bank, N.A., or such other account as such Borrower may designate in a written notice to the Administrative Agent, or, if such Loans are not made on such date because any condition precedent to a Borrowing herein specified shall not have been met, return the amounts so received to the respective Lenders. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with this paragraph (c) and the Administrative Agent may, in reliance upon such assumption, make available to the applicable Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have made such portion available to the

Administrative Agent, such Lender and the applicable Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of such Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(d) Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Notice of Borrowings. In order to request a Borrowing, a Borrower shall give written or telecopy notice (or telephone notice promptly confirmed in writing or by telecopy) (a) in the case of an ABR Borrowing, to the Administrative Agent not later than 12:00 noon, New York City time, on the Business Day of such proposed Borrowing, (b) in the case of a Eurodollar Borrowing, to the Administrative Agent not later than 10:00 a.m., New York City time, three Business Days before such proposed Borrowing. Such notice shall be irrevocable and shall in each case refer to this Agreement, identify the applicable Borrower and specify (i) whether such Borrowing is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day) and the amount thereof; and (iii) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower giving the notice of Borrowing shall be deemed to have selected an Interest Period of one month's duration. If a Borrower shall not have given notice in accordance with this Section 2.03 of its election to refinance a Borrowing prior to the end of the Interest Period in effect for such Borrowing, then the Borrower shall (unless such Borrowing is repaid at the end of such Interest Period) be deemed to have given notice of an election to refinance such Borrowing with an ABR Borrowing. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.03 and of each Lender's portion of the requested Borrowing.

SECTION 2.04. Evidence of Debt; Repayment of Loans. (a) The outstanding principal balance of each Loan shall be payable on the earlier of the last day of the Interest Period applicable to such Loan or the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made to a Borrower hereunder, (ii) the Type of each such Loan and the Interest Period applicable thereto, (iii) the amount of any principal or interest due and payable or to become due and payable from the applicable Borrower to each Lender hereunder and (iv) the amount of any sum received by the Administrative Agent hereunder from any Borrower and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) above shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of any Borrower to repay the Loans in accordance with their terms.

(e) Notwithstanding any other provision of this Agreement, in the event any Lender shall request a promissory note evidencing the Loans made by it hereunder to Alcoa or any Borrowing Subsidiary, the Borrower shall deliver such a note, satisfactory to the Administrative Agent, payable to such Lender and its registered assigns, and the interests represented by such note shall at all times (including after any assignment of all or part of such interests pursuant to Section 10.04) be represented by one or more promissory notes payable to the payee named therein or its registered assigns.

SECTION 2.05. Fees. (a) Alcoa will pay to each Lender, through the Administrative Agent, on the last day of March, June, September and December in each year, and on the date on which the Commitment of such Lender shall be terminated as provided herein, a facility fee (the "Facility Fee") at a rate per annum equal to the Facility Fee Percentage from time to time in effect on the aggregate amount of the Commitment of such Lender, whether used or unused, from time to time in effect during the preceding quarter (or shorter period commencing with the date hereof or ending with the Maturity Date or the date on which the Commitment of such Lender

shall be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fee due to each Lender shall commence to accrue on the date hereof and shall cease to accrue on the date on which the Commitment of such Lender shall be terminated as provided herein.

(b) Alcoa agrees to pay to the Administrative Agent, for its own account, the fees provided for in the Engagement Letter (the "Engagement Fees") at the times provided therein.

(c) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent, for distribution, if and as appropriate, among the Lenders. Once paid, the Fees shall not be refundable except in the case of an error which results in the payment of Fees in excess of those due and payable as of such date, in which case the Administrative Agent shall cause a refund in the amount of such excess to be paid to Alcoa.

SECTION 2.06. Interest on Loans. (a) Subject to the provisions of Section 2.07, the unpaid principal amount of the Loans comprising each ABR Borrowing shall bear interest for each day (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when the Alternate Base Rate is determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate.

(b) Subject to the provisions of Section 2.07, the unpaid principal amount of the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin.

(c) Interest on each Loan shall be payable on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period. The applicable LIBO Rate or Alternate Base Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.07. Default Interest. If any Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, by acceleration or otherwise, such Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount up to (but

not including) the date of actual payment (after as well as before judgment) at a rate per annum equal to (a) in the case of overdue principal of any Loan, the rate otherwise applicable to such Loan as provided in Section 2.06 plus 2% per annum, or (b) in the case of any other amount, the rate applicable to ABR Borrowings plus 2% per annum.

SECTION 2.08. Alternate Rate of Interest. In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Loan, the Administrative Agent shall have determined in good faith that dollar deposits in the principal amounts of the Loans comprising such Borrowing are not generally available in the London interbank market or other market in which Lenders ordinarily raise dollars to fund Loans of the requested Type, or that the rates at which such dollar deposits are being offered will not adequately and fairly reflect the cost to any Lender of making or maintaining its Eurodollar Loan during such Interest Period, or that reasonable means do not exist for ascertaining the LIBO Rate, then the Administrative Agent shall, as soon as practicable thereafter, give written or teletype notice of such determination to the relevant Borrower and Lenders. In the event of any such determination, any request made by a Borrower after the date of such notice for a Eurodollar Borrowing pursuant to Section 2.03 or 2.10 shall, until the Administrative Agent shall have advised the Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, be deemed to be a request for an ABR Borrowing. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

SECTION 2.09. Termination and Reduction of Commitments. (a) The Commitments shall be automatically terminated on the Maturity Date.

(b) Upon at least 10 Business Days' prior irrevocable, written or teletype notice to the Administrative Agent, Alcoa may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Total Commitment; provided, however, that (i) each partial reduction shall be in an integral multiple of \$1,000,000 and in a minimum principal amount of \$10,000,000 and (ii) the Total Commitment shall not be reduced to an amount that is less than the aggregate principal amount of the outstanding Loans (after giving effect to any simultaneous prepayment pursuant to Section 2.11).

(c) Each reduction in Commitments hereunder shall be made ratably among the Lenders in accordance with each such Lender's Pro Rata Percentage of the Total Commitment. Alcoa shall pay to the Administrative Agent for the account of the applicable Lenders, on the date of each such termination or reduction, the Facility Fees on the amount of the Commitments so terminated or reduced accrued to the date of such termination or reduction.

SECTION 2.10. Refinancings. Any Borrower may refinance all or any part of any Loan made to it with a Loan of the same or a different Type made pursuant to the same Commitments, subject to the conditions and limitations set forth in this Agreement. Any Borrowing or part thereof so refinanced shall be deemed to have been repaid or prepaid in accordance with Section 2.04 or 2.11, as applicable, with the proceeds of a new Borrowing; and the proceeds of the new Borrowing, to the extent they do not exceed the principal amount of the Borrowing being refinanced, shall not be paid by the applicable Lenders to the Administrative Agent or by the Administrative Agent to the applicable Borrower pursuant to Section 2.02(c).

SECTION 2.11. Prepayment. (a) Each Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, upon at least three Business Days' prior written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) to the Administrative Agent; provided, however, that each partial prepayment shall be in an amount which is an integral multiple of \$1,000,000 and not less than \$10,000,000.

(b) On the date of any termination or reduction of any Commitments pursuant to Section 2.09, the Borrowers shall pay or prepay so much of the Loans, as shall be necessary in order that, after giving effect to such reduction or termination, the aggregate principal amount of the outstanding Loans shall not exceed the Total Commitment.

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Loan (or portion thereof) to be prepaid, shall be irrevocable and shall commit the applicable Borrower to prepay the Loan to which such notice relates by the amount stated therein on the date stated therein. All prepayments under this Section 2.11 shall be subject to Section 2.14 but otherwise without premium or penalty. All prepayments under this Section 2.11 shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.12. Reserve Requirements; Change in Circumstances. (a) Notwithstanding any other provision herein other than Section 2.14(c), if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) shall change the basis of taxation of payments to any Lender of the principal of or interest on any Eurodollar Loan made by such Lender or any Fees or other amounts payable hereunder (other than changes in respect of taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender has its principal office or by any political subdivision

or taxing authority therein), or shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by such Lender (except any such reserve requirement which is reflected in the LIBO Rate or the Base CD Rate) or shall impose on such Lender or the London interbank market or other market in which Lenders ordinarily raise dollars to fund Loans of the requested Type any other condition affecting this Agreement or Eurodollar Loans made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of funding, making or maintaining any Eurodollar Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then Alcoa will pay or cause the other Borrowers to pay to such Lender upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have determined that the applicability of any law, rule, regulation, agreement or guideline adopted after the date of this Agreement pursuant to the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", or the adoption after the date hereof of any other law, rule, regulation, agreement or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time Alcoa shall pay or cause the other Borrowers to pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of each Lender setting forth such amount or amounts as shall be necessary to compensate such Lender or its holding company as specified in paragraph (a) or (b) above, as the case may be, together with a statement of reasons for such demand and showing the calculation for such amounts shall be delivered to Alcoa



and shall be conclusive absent manifest error. Alcoa shall pay or cause to be paid to each Lender the amount shown as due on any such certificate delivered by it within 10 days after its receipt of the same.

(d) Except as provided in this paragraph, failure on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any period shall not constitute a waiver of such Lender's right to demand compensation with respect to such period or any other period. The protection of this Section 2.12 shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed. No Lender shall be entitled to compensation under this Section 2.12 for any costs incurred or reductions suffered with respect to any date unless it shall have notified Alcoa that it will demand compensation for such costs or reductions under paragraph (c) above not more than 60 days after the later of (i) such date and (ii) the date on which it shall have or reasonably should have become aware of such costs or reductions. In the event a Borrower shall reimburse any Lender pursuant to this Section 2.12 for any cost and the Lender shall subsequently receive a refund in respect thereof, the Lender shall so notify such Borrower and shall pay to such Borrower the portion of such refund which it shall determine in good faith to be allocable to the cost so reimbursed.

SECTION 2.13. Change in Legality. (a) Notwithstanding any other provision herein other than Section 2.14(c), if any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written or telecopy notice to Alcoa and the Administrative Agent, such Lender may:

(i) declare that Eurodollar Loans will not thereafter be made by such Lender hereunder, whereupon any request by a Borrower for a Eurodollar Borrowing shall, as to such Lender only, be deemed a request for an ABR Loan unless such declaration shall be subsequently withdrawn; and

(ii) require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall automatically be so converted as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under clause (i) or (ii) above, all payments and prepayments of principal which would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.13, a notice by any Lender shall be effective as to each Eurodollar Loan, if lawful, on the last day of the Interest Period applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt.

SECTION 2.14. Indemnity. Alcoa shall indemnify or cause the other Borrowers to indemnify each Lender against any loss or expense which such Lender may sustain or incur as a consequence of (a) any failure to fulfill on the date of any borrowing hereunder the applicable conditions set forth in Article IV, (b) any failure by a Borrower to borrow or refinance any Loan hereunder after irrevocable notice of such borrowing or refinancing has been given pursuant to Section 2.03, (c) any payment, prepayment or refinancing of a Eurodollar Loan required by any other provision of this Agreement or otherwise made or deemed made on a date other than the last day of the Interest Period applicable thereto, other than any loss of profit resulting from any event, circumstance or condition set forth in Section 2.12 or 2.13, (d) any default in payment or prepayment of the principal amount of any Loan or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, whether by scheduled maturity, acceleration, irrevocable notice of prepayment or otherwise) or (e) the occurrence of any Event of Default, including, in each such case, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Loan or any part thereof as a Eurodollar Loan. Such loss or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by such Lender, of (i) its cost of obtaining the funds for the Loan being paid, prepaid, refinanced or not borrowed (assumed to be the LIBO Rate applicable thereto) for the period from the date of such payment, prepayment, refinancing or failure to borrow or refinance to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow or refinance the Interest Period for such Loan which would have commenced on the date of such failure) over (ii) the amount of interest (as reasonably determined by such Lender) that would be realized by such Lender in reemploying the funds so paid, prepaid or not borrowed or refinanced for such period or Interest Period, as the case may be. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section together with a statement of reasons for such

demand and the calculation of such amount or amounts shall be delivered to Alcoa and shall be conclusive absent manifest error.

SECTION 2.15. Pro Rata Treatment. Except as required under Section 2.13, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Facility Fees, each reduction of Commitments and each conversion or continuation of any Borrowing with a Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with their respective applicable Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their applicable outstanding Loans). Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing, computed in accordance with Schedule 2.01, to the next higher or lower whole dollar amount.

SECTION 2.16. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against any Borrower, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Loan or Loans as a result of which the unpaid principal portion of its Loans shall be proportionately less than the unpaid principal portion of the Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Loans of such other Lender, so that the aggregate unpaid principal amount of the Loans and participations in Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Loans then outstanding as the principal amount of its Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. Alcoa and each other Borrower expressly consent to the foregoing arrangements and agree that any Lender holding a participation in a Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by Alcoa or such other Borrower to such Lender by reason thereof as fully as if such Lender had made a Loan directly to Alcoa or such Borrower in the amount of such participation.

SECTION 2.17. Payments. (a) Each payment or prepayment by any Borrower of the principal of or interest on any Loans, any Fees payable to the Administrative Agent or the Lenders or any other amounts due hereunder (other than amounts referred to in clause (b) below) shall be made, without setoff or counterclaim, not later than 12:00 (noon), New York City time, on the date when due in dollars to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, in immediately available funds.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.18. Taxes. (a) Any and all payments by or on behalf of a Borrower hereunder shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on the net income of the Administrative Agent or any Lender (or any transferee or assignee thereof, including a participation holder (any such entity a "Transferee")) and franchise taxes imposed on the Administrative Agent or any Lender (or Transferee) in each case by the United States or any jurisdiction under the laws of which the Administrative Agent or any such Lender (or Transferee) is organized or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, "Taxes"). If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Lenders (or any Transferee) or the Administrative Agent, (i) the sum payable shall be increased by the amount necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.18) such Lender (or Transferee) or the Administrative Agent (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxing authority or other Governmental Authority in accordance with applicable law; provided, however, that no Transferee of any Lender shall be entitled to receive any greater payment under this paragraph (a) than such Lender would have been entitled to receive immediately before assignment, participation or other transfer with respect to the rights assigned, participated or transferred unless such assignment, participation or transfer shall have been made (A) prior to the occurrence of an event (including any change in treaty, law or regulation) giving rise to such greater payment or (B) at the request of Alcoa.

(b) In addition, each Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement (hereinafter referred to as "Other Taxes").

(c) Each Borrower will indemnify each Lender (or Transferee) and the Administrative Agent for the full amount of Taxes and Other Taxes paid by such Lender (or Transferee) or the Administrative Agent, as the case may be, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant taxing authority or other Governmental Authority. Such indemnification shall be made within 30 days after the date any Lender (or Transferee) or the Administrative Agent, as the case may be, makes written demand therefor, together with a statement of reasons for such demand and the calculations of such amount.

(d) Within 30 days after the date of any payment of Taxes or Other Taxes withheld by any Borrower in respect of any payment to any Lender (or Transferee) or the Administrative Agent, such Borrower will furnish to the Administrative Agent, at its address referred to in Section 10.01, the original or a certified copy of a receipt evidencing payment thereof.

(e) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.18 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(f) Each Lender (or Transferee) represents to Alcoa that, on the date such Lender (or such Transferee) becomes a party to this Agreement, it is eligible to receive payments of interest hereunder from Alcoa or any Borrowing Subsidiary without withholding in respect of United States Federal withholding tax (except, in the case of a Transferee of any Lender, as a result of the occurrence of an event (including a change in treaty, law or regulation) after the date of this Agreement giving rise to withholding to which such Lender would be subject).

(g) Each Lender (or Transferee, other than a Transferee described in the exception in Section 2.18(f)) that is organized under the laws of a jurisdiction outside the United States shall, on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such Transferee becomes a participation holder hereunder), deliver to Alcoa and the Administrative Agent such certificates, documents or other evidence, as required by the

Code or Treasury Regulations issued pursuant thereto, including Internal Revenue Service Form W8-BEN, Form W-8ECI, or any other certificate or statement of exemption required by Treasury Regulation Section 1.1441-1, 1.1441-4 or 1.1441-6(c) or any subsequent version thereof or successors thereto, properly completed and duly executed by such Lender (or Transferee) establishing that payment is (i) not subject to United States Federal withholding tax under the Code because such payments are effectively connected with the conduct by such Lender (or Transferee) of a trade or business in the United States or (ii) totally exempt from United States Federal withholding tax under a provision of an applicable tax treaty. In addition, each such Lender (or such Transferee) shall, if legally able to do so, thereafter deliver such certificates, documents or other evidence from time to time establishing that payments received hereunder are not subject to such withholding upon receipt of a written request therefor from Alcoa or the Administrative Agent. Unless Alcoa and the Administrative Agent have received forms or other documents satisfactory to them indicating that payments hereunder are not subject to United States Federal withholding tax, Alcoa or the Administrative Agent shall withhold such taxes from such payments at the applicable statutory rate, subject to Section 2.18(a).

(h) None of the Borrowers shall be required to pay any additional amounts to any Lender (or Transferee) in respect of United States Federal withholding tax pursuant to paragraph (a) above to the extent that the obligation to pay such additional amounts would not have arisen but for a failure by such Lender (or Transferee) to deliver the certificates, documents or other evidence required to be delivered under the preceding paragraph (g) unless such failure is attributable to (i) a change in applicable law, regulation or official interpretation thereof or (ii) an amendment or modification to or a revocation of any applicable tax treaty or a change in official position regarding the application or interpretation thereof, in each case on or after the date such Lender (or Transferee) became a party to this Agreement.

(i) Any Lender (or Transferee) claiming any additional amounts payable pursuant to this Section 2.18 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested in writing by the relevant Borrower or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the sole determination of such Lender (or Transferee), be otherwise disadvantageous to such Lender (or Transferee).

(j) If a Lender (or Transferee) or the Administrative Agent shall become aware that it may be entitled to receive a refund in respect of Taxes or Other Taxes as to which it has been indemnified by a Borrower pursuant to this Section 2.18, it shall promptly notify Alcoa of the availability of such refund and shall, within 30 days after

receipt of a request by Alcoa, apply for such refund at Alcoa's expense. If any Lender (or Transferee) or the Administrative Agent receives a refund in respect of any Taxes or Other Taxes as to which it has been indemnified by a Borrower pursuant to this Section 2.18, it shall promptly repay such refund to such Borrower (to the extent of amounts that have been paid by such Borrower under this Section 2.18 with respect to such refund), net of all out-of-pocket expenses (including taxes imposed with respect to such refund) of such Lender (or Transferee) or the Administrative Agent and without interest; provided, however, that such Borrower, upon the request of such Lender (or Transferee) or the Administrative Agent, agrees to return such refund (plus penalties, interest or other charges) to such Lender (or Transferee) or the Administrative Agent in the event such Lender (or Transferee) or the Administrative Agent is required to repay such refund.

(k) Nothing contained in this Section 2.18 shall require any Lender (or Transferee) or the Administrative Agent to make available any of its tax returns (or any other information relating to its taxes which it deems to be confidential).

(l) No Borrower shall be required to reimburse any Lender (or Transferee) or the Administrative Agent with respect to any Tax or Other Tax unless such Lender, Transferee or the Administrative Agent notifies such Borrower of the amount of such Tax or Other Tax on or before the second anniversary of the date such Lender, Transferee or the Administrative Agent pays such Tax or Other Tax.

SECTION 2.19. Assignment of Commitments Under Certain Circumstances. In the event that any Lender shall have delivered a notice or certificate pursuant to Section 2.12 or 2.13, or a Borrower shall be required to make additional payments to any Lender under Section 2.18, Alcoa shall have the right, at its own expense, upon notice to such Lender and the Administrative Agent, to require such Lender to transfer and assign without recourse (in accordance with and subject to the restrictions contained in Section 10.04) all its interests, rights and obligations under this Agreement to another financial institution which shall assume such obligations; provided, however, that (i) no such assignment shall conflict with any law, rule or regulation or order of any Governmental Authority and (ii) Alcoa or the assignee, as the case may be, shall pay (or, in the case of Alcoa, cause another Borrower to pay) to the affected Lender in immediately available funds on the date of such termination or assignment the principal of and interest accrued to the date of payment on the Loans made by it hereunder and all other amounts accrued for its account or owed to it hereunder.

ARTICLE III. REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants to each of the Lenders with respect to itself as follows (except that the Borrowing Subsidiaries make no representations or warranties under Section 3.06 or 3.09):

SECTION 3.01. Organization. Such Borrower is a corporation duly organized, validly existing and, where applicable, in good standing under the laws of its jurisdiction of incorporation and is duly qualified to do business as a foreign corporation and, where applicable, is in good standing in all other jurisdictions in which the ownership of its properties or the nature of its activities or both makes such qualification necessary, except to the extent that failure to be so qualified would not result in a Material Adverse Effect.

SECTION 3.02. Authorization. Such Borrower has corporate power and authority to execute, deliver and carry out the provisions of this Agreement to which it is a party, to borrow hereunder and to perform its obligations hereunder and all such action has been duly and validly authorized by all necessary corporate proceedings on its part.

SECTION 3.03. Enforceability. This Agreement has been duly executed and delivered by such Borrower and constitutes the legal, valid and binding obligation of such Borrower enforceable in accordance to its terms, except as limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

SECTION 3.04. Governmental Approvals. No authorization, consent, approval, license, exemption or other action by, and no registration, qualification, designation, declaration or filing with, any Governmental Authority is necessary in connection with such Borrower's execution and delivery of this Agreement, the consummation by any Borrower of the transactions contemplated hereby or such Borrower's performance of or compliance with the terms and conditions hereof, except as set forth on Schedule 3.04.

SECTION 3.05. No Conflict. None of the execution and delivery by such Borrower of this Agreement, the consummation by such Borrower of the transactions contemplated hereby or performance by such Borrower of or compliance by such Borrower with the terms and conditions hereof or thereof will (a) violate any law, constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Governmental Authority to which it is subject, (b) conflict with



or result in a breach or default under its charter or Memorandum and Articles of Association or by-laws, as applicable, (c) conflict with or result in a breach or default which is material in the context of this Agreement under any agreement or instrument to which such Borrower is a party or by which it or any of its properties, whether now owned or hereafter acquired, may be subject or bound or (d) result in the creation or imposition of any Lien prohibited by Section 6.01 upon any property or assets, whether now owned or hereafter acquired, of such Borrower.

SECTION 3.06. Financial Statements. In the case of Alcoa, it has furnished to the Lenders copies of its consolidated balance sheet as of December 31, 2001, and the related consolidated statements of income and cash flow for the year then ended, all examined and certified by PricewaterhouseCoopers, LLP. Such financial statements (including the notes thereto) present fairly the financial condition of Alcoa and its Subsidiaries as of such dates and the results of their operations for the periods then ended, all in conformity with GAAP, subject (in the case of the interim financial statements) to year-end audit adjustments.

SECTION 3.07. No Defaults. No event has occurred and is continuing and no condition exists which constitutes a Default or Event of Default hereunder. Such Borrower is not in violation of (i) any term of its charter or Constitution or by-laws, as applicable, or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties may be subject or bound where such violation is likely to result in a Material Adverse Effect.

SECTION 3.08. Litigation. Except as set forth in the financial statements referred to in Section 3.06 or any Exchange Act Report or otherwise disclosed on Schedule 3.08, there is no pending or, to the knowledge of any of its Responsible Officers, threatened proceeding by or before any Governmental Authority against it which in the opinion of its counsel is likely to result in a Material Adverse Effect. Except as set forth in the financial statements referred to in Section 3.06 or any Exchange Act Report or otherwise disclosed in Schedule 3.08, there is no pending or, to the knowledge of any of its Responsible Officers, threatened proceeding by or before any Governmental Authority against any of its Subsidiaries which in the opinion of its counsel is likely to result in a Material Adverse Effect.

SECTION 3.09. No Material Adverse Change. As of the date of this Agreement, there has been no material adverse change in the business, assets, operations or financial condition of itself and its Subsidiaries, taken as a whole except, in the case of Alcoa and the Borrowing Subsidiaries, as disclosed in any Exchange Act Report since December 31, 2001.

SECTION 3.10. Employee Benefit Plans. (a) U.S. Plans. It and each of its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the regulations and published interpretations thereunder. No Reportable Event has occurred as to which such Borrower or any ERISA Affiliate was required to file a report with the PBGC that alone or together with any other Reportable Event would reasonably be expected to result in a liability of such Borrower to the PBGC in an aggregate amount in excess of \$25,000,000. The aggregate present value of all benefit liabilities under the Plans (based on the assumptions used to fund such Plans) did not, as of the last annual valuation dates applicable thereto, exceed the aggregate value of the assets of the Plans by more than 10% of Consolidated Net Worth. Neither such Borrower nor any ERISA Affiliate has incurred any Withdrawal Liability that would reasonably be expected to result in a Material Adverse Effect. Neither such Borrower nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization or has been terminated within the meaning of Title IV of ERISA, and no Responsible Officer of any Borrower has knowledge of any fact which would reasonably be expected to result in the reorganization or termination of a Multiemployer Plan where such reorganization or termination has resulted or would reasonably be expected to result, through increases in the contributions required to be made to such Plan or otherwise, in a Material Adverse Effect.

(b) Foreign Plans. Each Foreign Plan is in compliance in all material respects with all requirements of law applicable thereto and the respective requirements of the governing documents for such plan except to the extent such non-compliance could not reasonably be expected to result in a Material Adverse Effect. With respect to each Foreign Pension Plan, none of the Borrowers, their respective Affiliates or any of their directors, officers, employees or agents has engaged in a transaction which would subject any of the Borrowers, directly or indirectly, to a material tax or civil penalty which could reasonably be expected to result in a Material Adverse Effect. With respect to each Foreign Pension Plan, none of the Borrowers, their respective Affiliates or any of their directors, officers, employees or agents has engaged in a transaction which would subject any of the Borrowers, directly or indirectly, to a material tax or civil penalty which could reasonably be expected to result in a Material Adverse Effect. With respect to each Foreign Plan, adequate reserves have been established in the financial statements furnished to Lenders in respect of any unfunded liabilities in accordance with applicable law and prudent business practice or, where required, in accordance with ordinary accounting practices in the jurisdiction in which such Foreign Plan is maintained. The aggregate unfunded liabilities, after giving effect to any such reserves for such liabilities, with respect to such Foreign Plans could not reasonably be expected to result in a Material Adverse Effect. There are no material actions, suits or claims (other than routine claims for benefits) pending or threatened against any of the Borrowers or any of their Affiliates with respect to any Foreign Plan

which could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

SECTION 3.11. Title to Properties; Possession Under Leases. (a) Such Borrower and each of its Subsidiaries have good and marketable title to, or valid leasehold interests in, all its material properties and assets, except for minor defects in title that do not materially interfere with its ability to conduct its business as currently conducted or to utilize such properties and assets for their intended purposes.

(b) Such Borrower and each of its Subsidiaries have complied with all material obligations under all material leases to which it is a party and all such leases are in full force and effect. Such Borrower and its Subsidiaries enjoy peaceful and undisturbed possession under all such material leases.

SECTION 3.12. Investment Company Act; Public Utility Holding Company Act. None of Alcoa or any Borrowing Subsidiary is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940. Alcoa is exempted as, and no Borrowing Subsidiary is, a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.13. Tax Returns. Such Borrower and its Subsidiaries have filed or caused to be filed all Federal, state, local and foreign tax returns required to have been filed by it and have paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, except taxes that are being contested in good faith by appropriate proceedings and for which adequate reserves are maintained in accordance with GAAP.

SECTION 3.14. Compliance with Laws and Agreements. (a) Neither such Borrower nor any of its Subsidiaries is in violation of any law, rule or regulation, or in default with respect to any judgment, writ, injunction or decree of any Governmental Authority, where such violation or default would reasonably be expected to result in a Material Adverse Effect.

(b) Neither such Borrower nor any of its Subsidiaries is in default in any material manner under any provision of any indenture or other agreement or instrument evidencing Indebtedness, or any other material agreement or instrument to which it is a party or by which it or any of its properties or assets are or may be bound, where such default would be reasonably likely to result in a Material Adverse Effect.

SECTION 3.15. No Material Misstatements. Except for information not prepared by Alcoa and expressly disclaimed thereby, no report, financial statement, exhibit or schedule furnished by or on behalf of such Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or included herein or delivered pursuant thereto contained or contains any material misstatement of fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.

SECTION 3.16. Federal Reserve Regulations. The proceeds of any Loan will be used to provide working capital or for other general corporate purposes, including but not limited to the support of Alcoa's Commercial Paper program. No part of the proceeds of any Loan to such Borrower will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X.

SECTION 3.17. No Trusts. Such Borrower is not entering into this Agreement in its capacity as trustee of any trust.

#### ARTICLE IV. CONDITIONS OF EFFECTIVENESS, LENDING AND DESIGNATION OF BORROWING SUBSIDIARIES

The obligations of the Lenders to make Loans to any Borrower hereunder are subject to the satisfaction of the conditions set forth in Sections 4.01 and 4.02 below (and, in the case of Loans to any Borrowing Subsidiary, the satisfaction, as to such Borrowing Subsidiary, of the conditions set forth in Section 4.03 below):

SECTION 4.01. Effective Date. On the Effective Date:

(a) The Administrative Agent shall have received a written opinion of Thomas F. Seligson, Counsel of Alcoa, dated the Effective Date and addressed to the Lenders, to the effect set forth in Exhibit C hereto.

(b) All legal matters incident to this Agreement and the borrowings hereunder shall be satisfactory to the Lenders and to Cravath, Swaine & Moore, counsel for the Administrative Agent.

(c) The Administrative Agent shall have received (i) a copy, including all amendments thereto, of the charter of Alcoa, certified as of a recent date by the

Secretary of State or other appropriate official of its jurisdiction of incorporation and a certificate as to the good standing of Alcoa as of a recent date, from such Secretary of State or other official; (ii) a certificate of the Secretary or Assistant Secretary of Alcoa dated the Effective Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of such corporation as in effect on the Effective Date showing all amendments thereto since the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of such corporation authorizing the execution, delivery and performance of this Agreement and the borrowings by such corporation hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the charter of Alcoa has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above and (D) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of such corporation; (iii) a certificate of another officer of each such corporation as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or Cravath, Swaine & Moore, counsel for the Administrative Agent may reasonably request.

(d) No loans shall be outstanding under the Existing 364-Day Credit Agreement.

(e) The Administrative Agent shall have received certificates dated the Effective Date and signed by a Financial Officer of Alcoa confirming the satisfaction of the conditions precedent set forth in paragraph (d) of this Section 4.01 and paragraphs (b) and (c) of Section 4.02.

(f) The Administrative Agent shall have received all Fees and other amounts due and payable on or prior to the Effective Date, including all Fees accrued to the date hereof under the Existing 364-Day Credit Agreement.

(g) The Administrative Agent shall have received certificates of a Responsible Officer of Alcoa, each dated the Effective Date and stating that (i) except as disclosed in the Exchange Act Report or otherwise disclosed in such certificate, Alcoa and each of its Subsidiaries have complied in all respects with all Federal, state, local and foreign statutes, ordinances, orders, judgments, rulings and regulations relating to environmental pollution or to environmental regulation or control except to the extent any such failure so to comply would not, alone or together with any other such failure, be reasonably likely to result in a Material Adverse Effect; (ii) neither Alcoa nor any of its Subsidiaries has received notice of any failure so to comply which alone or together with any other such failure would be reasonably likely to result in a

Material Adverse Effect; and (iii) the plants of Alcoa and its Subsidiaries do not manage any hazardous wastes, toxic pollutants or substances similarly denominated in violation of any applicable law or regulations promulgated pursuant thereto including, for operations within the United States, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act, the Hazardous Materials Transportation Act, the Toxic Substance Control Act, the Clean Air Act, the Clean Water Act or any other applicable law, where such violation would be reasonably likely to result, individually or together with any such other violations, in a Material Adverse Effect.

SECTION 4.02. All Borrowings. On the date of each Borrowing:

(a) Such Borrower shall have provided the notice as required by Section 2.03.

(b) The representations and warranties set forth in Article III hereof (except, in the case of a refinancing of any Loan that does not increase the aggregate principal amount of Loans of any Lender outstanding, the representations set forth in Sections 3.08 and 3.10) shall be true and correct in all material respects on and as of the date of such Borrowing with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) Each Borrower shall be in compliance in all material respects with all the terms and provisions set forth herein on its part to be observed or performed, and at the time of and immediately after such Borrowing no Event of Default or Default shall have occurred and be continuing.

(d) In the case of any Borrowing which would cause the aggregate principal amount of outstanding loans under this Agreement, the Existing Five-Year Credit Agreement, the 1998 Five-Year Credit Agreement and any other Facilities (as defined in the resolutions duly adopted by the Board of Directors of Alcoa on November 9, 2001) to exceed \$10,000,000,000, such Borrowing shall have been duly authorized by Alcoa and the Administrative Agent shall have received a true and complete copy of resolutions duly adopted by the Board of Directors of Alcoa authorizing such Borrowing.

Each Borrowing by any Borrower shall be deemed to constitute a representation and warranty by such Borrower and, in the case of a Borrowing Subsidiary, Alcoa on the date of such Borrowing as to the matters specified in paragraphs (b), (c) and (d) of this Section 4.02.

SECTION 4.03. Designation of Borrowing Subsidiaries. On each Designation Date:

(a) The Administrative Agent shall have received (i) a copy of the charter, including all amendments thereto, of each applicable Borrowing Subsidiary, certified as of a recent date by the Secretary of State or the appropriate foreign governmental official of the state or country of its organization, and a certificate as to the good standing of such Borrowing Subsidiary as of a recent date from such Secretary of State or appropriate foreign governmental official, as applicable; (ii) a certificate of the Secretary or Assistant Secretary of such Borrowing Subsidiary dated the Designation Date and certifying (A) that attached thereto is a true and completed copy of the by-laws of such Borrowing Subsidiary as in effect on the Designation Date showing all amendments thereto since the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of such Borrowing Subsidiary authorizing the execution, delivery and performance of this Agreement and the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the charter of such Borrowing Subsidiary has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing or any other document delivered in connection herewith on behalf of such Borrowing Subsidiary; and (iii) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above.

(b) The Administrative Agent shall have received a Designation of Borrowing Subsidiary of each applicable Borrowing Subsidiary as provided in Section 10.04(e).

#### ARTICLE V. AFFIRMATIVE COVENANTS

So long as this Agreement shall remain in effect or the principal of or interest on any Loan, any Fees or any other expenses or amounts payable in connection herewith shall be unpaid, unless the Required Lenders shall otherwise consent in writing:

SECTION 5.01. Financial Statements, Reports, etc. Alcoa shall furnish to the Administrative Agent the following, with sufficient copies for the Administrative Agent to provide a copy to each Lender:

(a) within 120 days after the end of each fiscal year, (i) its consolidated balance sheet and related statements of income and cash flow audited by independent public accountants of recognized national standing, accompanied by an opinion of such accountants (which shall not be qualified as to scope of audit or in any manner calling into question the status of its business as a going concern) to the effect that such consolidated financial statements fairly present its financial condition and results of operations and that of its consolidated Subsidiaries, taken as a whole, in accordance with GAAP and (ii) the balance sheet and related statements of income of each of its Subsidiaries which has been designated pursuant to Section 10.04(e) as, and as long as such Subsidiary remains, a Borrowing Subsidiary, certified by a Financial Officer of such Subsidiary;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, its Form 10-Q as prescribed by the Securities and Exchange Commission (or any successor agency);

(c) concurrently with any delivery of financial statements under (a) above and promptly at the request of the Administrative Agent (but not more often than once with respect to any fiscal quarter), a certificate of a Financial Officer (i) certifying that no Event of Default or Default has occurred and is continuing or, if such an Event of Default or Default has occurred and is continuing, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) setting forth computations in reasonable detail satisfactory to the Administrative Agent demonstrating compliance with the covenant contained in Section 6.03;

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by it (other than registration statements and prospectuses related to offerings to directors, officers or employees) with the Securities and Exchange Commission or any Governmental Authority succeeding to any of or all the functions of such Commission, or with any national securities exchange, or distributed to its shareholders, as the case may be; and

(e) promptly, from time to time, such other information regarding its operations, business affairs and financial condition, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.



Alcoa shall be deemed to have fulfilled its obligations under paragraph (a), (b) or (d) above when the Administrative Agent receives a paper or an electronic version of the documents required to be delivered pursuant to paragraph (a), (b) or (d) above, in a format acceptable to the Administrative Agent; provided that (i) such paper or electronic version must be accompanied by a certificate delivered pursuant to paragraph (c) above and (ii) the Borrower shall deliver paper copies of the information referred to in paragraph (d) above to any Lender which requests such delivery.

SECTION 5.02. Pari Passu Ranking. Each Borrower shall ensure that any amounts payable by it hereunder will at all times rank at least pari passu with all other unsecured, unsubordinated Indebtedness of such Borrower except to the extent any such Indebtedness may be preferred by law.

SECTION 5.03. Maintenance of Properties. Each Borrower shall, and shall cause its Subsidiaries to, maintain and keep its properties in such repair, working order and condition, and make or cause to be made all such needful and proper repairs, renewals and replacements thereto, as in the judgment of such Borrower are necessary and in the interests of such Borrower; provided, however, that nothing in this Section 5.03 shall prevent such Borrower (or any Subsidiary thereof) from selling, abandoning or otherwise disposing of any of its respective properties or discontinuing a part of its respective businesses from time to time if, in the judgment of such Borrower, such sale, abandonment, disposition or discontinuance is advisable.

SECTION 5.04. Obligations and Taxes. Each Borrower shall pay its Indebtedness and other obligations that, if not paid, would result in a Material Adverse Effect before the same shall become delinquent or in default, and pay and discharge all taxes upon or against it, or against its properties, in each case prior to the date on which penalties attach thereto, unless and to the extent that any such obligation or tax is being contested in good faith and adequate reserves with respect thereto are maintained in accordance with GAAP.

SECTION 5.05. Insurance. Each Borrower shall, and shall cause its consolidated Subsidiaries to, insure and keep insured, in each case with reputable insurance companies, so much of its respective properties to such an extent and against such risks, or in lieu thereof, in the case of any Borrower, maintain or cause to be maintained a system or systems of self-insurance, as is customary in the case of corporations engaged in the same or similar business or having similar properties similarly situated.

SECTION 5.06. Existence; Businesses and Properties. (a) Each Borrower shall do or cause to be done all things necessary to preserve, renew and keep

in full force and effect its legal existence in its jurisdiction of incorporation, except as otherwise expressly permitted under Section 6.02.

(b) Each Borrower shall do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names material to the conduct of its business as its Board of Directors shall determine in its judgment.

SECTION 5.07. Compliance with Laws. (a) Each Borrower shall comply in all material respects with all applicable laws, rules, regulations and orders of any Governmental Authority to which it is subject, whether now in effect or hereafter enacted, such that no failure so to comply will result in the levy of any penalty or fine which shall have a Material Adverse Effect.

(b) Each Borrower shall comply in all material respects with the applicable provisions of ERISA and all other related applicable laws and furnish to the Administrative Agent and each Lender (i) as soon as possible, and in any event within 30 days after any Responsible Officer of such Borrower or any ERISA Affiliate either knows or has reason to know that any ERISA Event has occurred that alone or together with any other ERISA Event would reasonably be expected to result in liability of such Borrower to the PBGC in an aggregate amount exceeding \$25,000,000, a statement of a Financial Officer setting forth details as to such ERISA Event and the action proposed to be taken with respect thereto, together with a copy of the notice, if any, of such ERISA Event given to the PBGC or other Governmental Authority, (ii) promptly after receipt thereof, a copy of any notice such Borrower or any ERISA Affiliate may receive from the PBGC or other Governmental Authority relating to the intention of the PBGC or other Governmental Authority to terminate any Plan or Plans (other than a Plan maintained by an ERISA Affiliate which is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code), or any Foreign Plan or Foreign Plans, or to appoint a trustee to administer any Plan or Plans, or any Foreign Plan or Foreign Plans, (iii) within 10 days after the due date for filing with the PBGC pursuant to Section 412(n) of the Code of a notice of failure to make a required installment or other payment with respect to a Plan, a statement of a Financial Officer setting forth details as to such failure and the action proposed to be taken with respect thereto, together with a copy of such notice given to the PBGC and (iv) promptly and in any event within 30 days after receipt thereof by such Borrower or any ERISA Affiliate from the sponsor of a Multiemployer Plan, a copy of each notice received by such Borrower or ERISA Affiliate concerning (A) the imposition of Withdrawal Liability in excess of \$25,000,000 or (B) a determination that a Multiemployer Plan is, or is expected to be, terminated or in reorganization, in each case within the meaning of Title

IV of ERISA, if such termination or reorganization would reasonably be expected to result, alone or with any other such termination or reorganization, in increases in excess of \$25,000,000 in the contributions required to be made to the relevant Plan or Plans.

SECTION 5.08. Litigation and Other Notices. Each Borrower shall furnish to the Administrative Agent prompt written notice upon its becoming aware of any of the following:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) proposed to be taken with respect thereto;

(b) the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against it or any of its Subsidiaries which would reasonably be expected to result in a Material Adverse Effect; and

(c) any other development that has resulted in, or would reasonably be expected to result in, a Material Adverse Effect.

SECTION 5.09. Borrowing Subsidiaries. Alcoa shall cause each Borrowing Subsidiary at all times to be a wholly-owned Subsidiary.

#### ARTICLE VI. NEGATIVE COVENANTS

Each Borrower covenants and agrees with each Lender that, so long as this Agreement shall remain in effect or the principal of or interest on any Loan, any Fees or any other expenses or amounts payable in connection herewith shall be unpaid, unless the Required Lenders shall otherwise consent in writing, such Borrower will not:

SECTION 6.01. Liens. (a) Create or incur, or permit any Restricted Subsidiary to create or incur, any Lien on its property or assets (including stock or other securities of any person, including any of its Subsidiaries) now or hereafter acquired by it or on any income or revenues or rights in respect thereof, securing Indebtedness for borrowed money, without ratably securing the Loans; provided, however, that the foregoing shall not apply to the following:

(i) Liens on property or assets of any corporation existing at the time such corporation becomes a Restricted Subsidiary;

(ii) Liens existing on any property or asset at or prior to the acquisition thereof by such Borrower or a Restricted Subsidiary, Liens on any property or asset securing the payment of all or any part of the purchase price of such property or asset, Liens on any property or asset securing any Indebtedness incurred prior to, at the time of or within 180 days after the acquisition of such property or asset for the purpose of financing all or any part of the purchase price thereof or Liens on any property or asset securing any Indebtedness incurred for the purpose of financing all or any part of the cost to such Borrower or Restricted Subsidiary of improvements thereto;

(iii) Liens securing Indebtedness of a Restricted Subsidiary owing to Alcoa or to another Restricted Subsidiary;

(iv) Liens existing on April 28, 2000, and set forth on Schedule 6.01(a);

(v) Liens on property of a person existing (or, in the case of Alumax Inc., that shall have existed) at the time such person is merged into or consolidated with Alcoa or a Restricted Subsidiary or at the time such person becomes a subsidiary of Alcoa through the direct or indirect acquisition of capital stock of such person by Alcoa or at the time of a sale, lease or other disposition of the properties of a person as an entirety or substantially as an entirety to Alcoa or a Restricted Subsidiary;

(vi) Liens on any property owned by Alcoa or any Restricted Subsidiary, in favor of the United States of America or any state thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to such Liens; and

(vii) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of the Liens referred to in clauses (i) through (vi) of this Section 6.01(a); provided, however, that each such extension, renewal or replacement is limited to all or a part of the property which secured the Lien so extended, renewed or replaced (and any improvements thereon).

(b) Notwithstanding paragraph (a) of this Section 6.01 and in addition to the Liens permitted thereunder, each Borrower and any Restricted Subsidiary may

create or incur Liens which would otherwise be subject to the foregoing restrictions to secure Indebtedness for borrowed money in an aggregate amount which does not at the time exceed 10% of the Consolidated Net Tangible Assets of Alcoa and its consolidated Subsidiaries at such time.

SECTION 6.02. Consolidation, Merger, Sale of Assets, etc. Consolidate or merge with or into any other person or sell, lease or transfer all or substantially all of its property and assets, or agree to do any of the foregoing, unless (a) no Default or Event of Default has occurred and is continuing or would result immediately after giving effect thereto, (b) if such Borrower is not the surviving corporation or if such Borrower sells, leases or transfers all or substantially all of its property and assets, the surviving corporation or person purchasing or being leased the assets agrees to be bound by the terms and provisions applicable to such Borrower hereunder, and (c)(i) in the case of Alcoa, immediately after such transaction, individuals who were directors of Alcoa during the twelve month period prior to such merger, sale or lease (together with any replacement or additional directors whose election was recommended by or who were elected by a majority of directors then in office) constitute the Board of Directors of the surviving corporation or the person purchasing or being leased the assets and (ii) in the case of a Borrowing Subsidiary, (A) the surviving corporation or the person purchasing or being leased the assets is a wholly-owned Subsidiary of Alcoa and (B) if the surviving corporation or such person is not Alcoa, Alcoa agrees to guarantee pursuant to Article VIII the obligations of such person under this Agreement.

SECTION 6.03. Financial Undertaking. In the case of Alcoa, permit the aggregate principal amount of (a) the Indebtedness of Alcoa and its consolidated Subsidiaries, after eliminating intercompany items, plus (b) all other liabilities of Alcoa and its consolidated Subsidiaries, after eliminating intercompany items, in respect of any guarantee or endorsement (except the endorsement of negotiable instruments for deposit or collection or similar transactions in the normal course of business) of the Indebtedness of any person to exceed 150% of Consolidated Net Worth of Alcoa and its consolidated Subsidiaries.

SECTION 6.04. Change in Business. In the case of Alcoa, make or permit any substantial change in the general nature of the business carried on by Alcoa and its consolidated Subsidiaries as at the date hereof, including any such alteration arising from an acquisition, which would reasonably be expected to result in a Material Adverse Effect.

ARTICLE VII. EVENTS OF DEFAULT

In case of the happening of any of the following events ("Events of Default"):

(a) any Borrower shall default in the payment when due of any principal of any Loan and, if such default shall result from the failure of any third party payments system used by such Borrower, such default shall continue for a period of two Business Days;

(b) any Borrower shall fail to pay when due any interest, Fee or other amount payable under this Agreement or Alcoa shall fail to pay any amount due under Article VIII upon demand therefor, and, in each case, such failure shall continue for a period of five Business Days;

(c) any representation or warranty made in Section 3.09 shall prove to have been false or misleading in any material respect as of the time when made (including by omission of material information necessary to make such representation or warranty not misleading); or any other representation or warranty made by a Borrower under this Agreement or any statement made by a Borrower in any financial statement, certificate, report, exhibit or document furnished by or on behalf of such Borrower in connection with this Agreement shall prove to have been false or misleading in any material respect as of the time when made and, if such representation or warranty is able to be corrected, such representation or warranty is not corrected within 20 days after such Borrower's knowledge that it was false or misleading;

(d) any Borrower shall default in the performance or observance of any covenant contained in Section 5.02, Section 5.06(a), Section 5.08(a) or Article VI;

(e) any Borrower shall default in the performance or observance of any covenant or agreement under this Agreement (other than those specified in paragraphs (a), (b) and (d) above) and such default shall continue for a period of 10 Business Days, in the case of a default with respect to Section 5.08(b) or (c), or in any other case a period of 30 days after notice from the Administrative Agent;

(f) any Borrower shall (i) default in the payment of any principal or interest beyond any period of grace provided with respect thereto, due in respect of any Indebtedness in a principal amount in excess of \$20,000,000; or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Indebtedness if the effect of any such

failure referred to in this paragraph (f) is to cause such Indebtedness to become due prior to its stated maturity;

(g) a proceeding shall have been instituted or a petition filed in respect of a Borrower

(i) seeking to have an order for relief entered in respect of such Borrower, or seeking a declaration or entailing a finding that such Borrower is insolvent or a similar declaration or finding, or seeking dissolution, winding-up, revocation or forfeiture of charter or Memorandum and Articles of Association, liquidation, reorganization, arrangement, adjustment, composition or other relief with respect to such Borrower, its assets or its debts under any law relating to bankruptcy, insolvency, relief of debtors or protection of creditors, termination of legal entities or any other similar law now or hereafter in effect, or

(ii) seeking appointment of a receiver, trustee, custodian, liquidator, assignee, sequestrator, administrator or other similar official for such Borrower or for all or any substantial part of its property,

and such proceeding or petition shall remain undismissed for a period of 90 consecutive days or an order or decree approving any of the foregoing shall be entered;

(h) any Borrower shall become insolvent, shall become generally unable to pay its debts as they become due, shall voluntarily suspend transaction of its business generally or as a whole, shall make a general assignment for the benefit of creditors, shall institute a proceeding described in clause (g)(i) above or shall consent to any order or decree described therein, shall institute a proceeding described in clause (g)(ii) above or shall consent to any such appointment or to the taking of possession by any such official of all or any substantial part of its property whether or not any such proceeding is instituted, shall dissolve, wind-up or liquidate itself or any substantial part of its property or shall take any action in furtherance of any of the foregoing;

(i) any of the following shall have occurred: (i) any person or group of persons shall have acquired beneficial ownership of a majority in interest of the outstanding Voting Stock of Alcoa (within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934 and the applicable rules and regulations thereunder), (ii) during any period of 25 consecutive months, commencing before or after the date of this Agreement, individuals who at the beginning of such 25 month period were directors of Alcoa (together with any replacement or additional directors whose election was recommended by or who were elected by a majority of directors then in office)

cease to constitute a majority of the Board of Directors of Alcoa or (iii) any person or group of related persons shall acquire all or substantially all of the assets of Alcoa; provided, however, that a change in control of Alcoa shall not be deemed to have occurred pursuant to clause (iii) of this paragraph (i) if Alcoa shall have merged or consolidated with or transferred all or substantially all of its assets to another person in compliance with the provisions of Section 6.02 and the ratio represented by the total assets of the surviving person, successor or transferee divided by such person's stockholders' equity, in each case as determined and as would be shown in a consolidated balance sheet of such person prepared in accordance with GAAP (the "Leverage Ratio" of such person) is no greater than the then Leverage Ratio of Alcoa immediately prior to such event;

(j) an ERISA Event or ERISA Events shall have occurred with respect to any Plan or Plans, or any Foreign Plan or Foreign Plans, that reasonably could be expected to result in liability of any Borrower to the PBGC or other Governmental Authority or to a Plan or Foreign Plan in an aggregate amount exceeding \$25,000,000 and, within 30 days after the reporting of any such ERISA Event to the Administrative Agent or after the receipt by the Administrative Agent of the statement required pursuant to Section 5.07(b), the Administrative Agent shall have notified the Borrower in writing that (i) the Required Lenders have made a determination that, on the basis of such ERISA Event or ERISA Events or the failure to make a required payment, there are reasonable grounds (A) for the termination of such Plan or Plans, or such Foreign Plan or Foreign Plans, by the PBGC or other Governmental Authority, (B) for the appointment either by the appropriate United States District Court of a trustee to administer such Plan or Plans or by an applicable court of law outside the United States of a trustee to administer such Foreign Plan or Foreign Plans or (C) for the imposition of a lien in favor of a Plan or Foreign Plan and (ii) as a result thereof an Event of Default exists hereunder; or a trustee shall be appointed by a United States District Court to administer any such Plan or Plans or by an applicable court of law outside the United States of a trustee to administer such Foreign Plan or Foreign Plans; or the PBGC or other Governmental Authority shall institute proceedings to terminate any Plan or Plans or any Foreign Plan or Foreign Plans;

(k) (i) any Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan, (ii) such Borrower or such ERISA Affiliate does not have reasonable grounds for contesting such Withdrawal Liability or is not in fact contesting such Withdrawal Liability in a timely and appropriate manner and does not have adequate reserves set aside against such Withdrawal Liability and (iii) the amount of the Withdrawal Liability specified in such notice, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with Withdrawal



Liabilities (determined as of the date or dates of such notification), exceeds \$25,000,000 or requires payments exceeding \$25,000,000 in any calendar year;

(l) any Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if solely as a result of such reorganization or termination the aggregate annual contributions of such Borrower and its ERISA Affiliates to all Multiemployer Plans that are then in reorganization or have been or are being terminated have been or will be increased over the amounts required to be contributed to such Multiemployer Plans for their most recently completed plan years by an amount exceeding \$25,000,000;

(m) one or more judgments for the payment of money in an aggregate amount in excess of \$50,000,000 shall be rendered against any Borrower or any Subsidiary of any Borrower or any combination thereof and the same shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed (unless an appeal or writ of certiorari is being diligently prosecuted), or any action shall be legally taken by a judgment creditor or creditors holding judgments which in the aggregate exceed \$50,000,000 to levy upon assets or properties of any Borrower or any Subsidiary of a Borrower to enforce any such judgment; or

(n) Any "Event of Default" as defined in the Existing Five-Year Credit Agreement or the 1998 Five-Year Credit Agreement (other than an "Event of Default" as defined in each of clauses (o), (p) or (q) of Article VII of the 1998 Five-Year Credit Agreement) shall occur and be continuing;

then, and in every such event (other than an event described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent, at the request of the Required Lenders, shall, by written notice to Alcoa, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities accrued hereunder, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by each Borrower, anything contained herein to the contrary notwithstanding; and in any event described in paragraph (g) or (h) above, the Commitments of the Lenders shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of

which are hereby expressly waived by each Borrower, anything contained herein to the contrary notwithstanding.

#### ARTICLE VIII. GUARANTEE

Alcoa unconditionally and irrevocably guarantees, as a principal obligor and not merely as a surety, the due and punctual payment and performance of all Borrowing Subsidiary Obligations. Alcoa further agrees that the Borrowing Subsidiary Obligations may be extended or renewed, in whole or in part, without notice or further assent from it, and that it will remain bound upon the provisions of this Article VIII notwithstanding any extension or renewal of any Borrowing Subsidiary Obligation.

Alcoa waives presentation to, demand of payment from and protest to any Borrowing Subsidiary of any of the Borrowing Subsidiary Obligations, and also waives notice of acceptance of the guarantee set forth in this Article VIII and notice of protest for nonpayment. The obligations of Alcoa hereunder shall not be affected by (a) the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any right or remedy against any Borrowing Subsidiary under the provisions of this Agreement or any guarantee; (b) any extension or renewal of any provision of this Agreement or any guarantee; or (c) any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement or any guarantee or any other agreement.

Alcoa further agrees that the guarantee set forth in this Article VIII constitutes a guarantee of payment when due and not of collection and waives any right to require that any resort be had by the Administrative Agent or any Lender to the balance of any deposit account or credit on the books of the Administrative Agent or the relevant Lender, as applicable, in favor of any Borrowing Subsidiary or any other person.

The obligations of Alcoa hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim or waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Borrowing Subsidiary Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of Alcoa hereunder shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any remedy under this Agreement, by any waiver or modification of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Borrowing

Subsidiary Obligations or by any other act or omission which may or might in any manner or to any extent vary the risk of Alcoa or would otherwise operate as a discharge of Alcoa as a matter of law or equity.

Alcoa further agrees that this guarantee shall continue to be effective or be reinstated, as the case may be, if at any time payment by any Borrowing Subsidiary to the Administrative Agent or any Lender, or any part thereof, of principal of or interest on such Borrowing Subsidiary Obligation is rescinded or must otherwise be restored by the Administrative Agent or any Lender or any holder of any Borrowing Subsidiary Obligation upon the bankruptcy or reorganization of such Borrowing Subsidiary or otherwise.

In furtherance of the foregoing and not in limitation of any other right which the Administrative Agent or any Lender may have at law or in equity against Alcoa by virtue hereof, upon the failure of any Borrowing Subsidiary to pay any Borrowing Subsidiary Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, Alcoa hereby promises to and will, upon receipt of written demand by the Administrative Agent, promptly pay, or cause to be paid, to such Agent in cash the amount of such unpaid Borrowing Subsidiary Obligation, and thereupon such Agent shall assign, in any reasonable manner, the amount of the Borrowing Subsidiary Obligation paid by Alcoa pursuant to this guarantee to Alcoa, such assignment to be pro tanto to the extent to which the Borrowing Subsidiary Obligation in question was discharged by Alcoa, or make such other disposition thereof as Alcoa shall direct (all without recourse to the Administrative Agent or any Lender and without any representation or warranty by the Administrative Agent or Lender).

Upon payment by Alcoa of any sums to the Administrative Agent as provided above, all rights of Alcoa against the Borrowing Subsidiaries arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinate and junior in right of payment to the prior indefeasible payment in full of all the Borrowing Subsidiary Obligations.

ARTICLE IX. THE ADMINISTRATIVE AGENT

In order to expedite the transactions contemplated by this Agreement, JPMorgan Chase Bank is hereby appointed to act as the Administrative Agent on behalf of the Lenders. Each of the Lenders and each assignee of any such Lender hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Lender or assignee and to exercise such powers as are specifically delegated to such Agent by the terms and provisions hereof, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders all payments of principal of and interest on the Loans and all other amounts due to the Lenders hereunder, and promptly to distribute to each Lender its proper share of each payment so received; (b) to give notice on behalf of each of the Lenders to the relevant Borrower of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by any Borrower pursuant to this Agreement as received by such Agent.

None of the Administrative Agent or any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his own gross negligence or wilful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by any Borrower of any of the terms, conditions, covenants or agreements contained herein. The Administrative Agent shall not be responsible to the Lenders or any assignee thereof for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement or other instruments or agreements. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant hereto shall be binding on all the Lenders and each assignee of any such Lender. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. None of the Administrative Agent or any of its directors, officers, employees or agents shall have any responsibility to any Borrower on account of the failure of or delay in performance or breach by any other Lender or any Borrower of any of their respective obligations hereunder or in connection herewith. The Administrative Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel

selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Administrative Agent shall not be under any duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders and the Borrowers. Upon any such resignation, the Required Lenders shall have the right to appoint a successor; provided, however, that Alcoa has approved such successor (such consent not to be unreasonably withheld or delayed and not to be required if an Event of Default exists). If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, subject to the prior approval of Alcoa (such consent not to be unreasonably withheld or delayed and not to be required if an Event of Default exists), which shall be a bank with an office in New York, New York, having total assets in excess of \$10,000,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as the Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent shall be discharged from its duties and obligations hereunder. After the Agent's resignation hereunder the provisions of this Article and Section 10.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder, the Administrative Agent in its individual capacity and not as Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not an Administrative Agent, and such Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with any Borrower or any Subsidiary or other Affiliate of Alcoa as if it were not an Agent.

Each Lender agrees (i) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on its Commitment hereunder) of any expenses incurred for the benefit of the Lenders by such Agent, including counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, which shall not have been reimbursed by the Borrowers and (ii) to

indemnify and hold harmless the Administrative Agent and any of its directors, officers, employees, agents or Affiliates, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against it in its capacity as an Administrative Agent or any of them in any way relating to or arising out of this Agreement or any action taken or omitted by it or any of them under this Agreement, to the extent the same shall not have been reimbursed by the Borrowers; provided that no Lender shall be liable to the Administrative Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of such Agent or any of its directors, officers, employees, agents or Affiliates.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

Each Lender hereby acknowledges that the syndication and documentation agents have no liability hereunder as syndication and documentation agents other than in their capacity as Lenders.

#### ARTICLE X. MISCELLANEOUS

SECTION 10.01. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy as follows:

(a) if to Alcoa or a Borrowing Subsidiary, to Alcoa Inc. at 201 Isabella Street, Pittsburgh, PA 15212-5858, Attention of Vice President & Treasurer (Telecopy No. 412-553-3640);

(b) if to the Administrative Agent, to JPMorgan Chase Bank at One Chase Plaza, New York, New York 10081, Attention of Linda Hill (Telecopy No. 212-

552-7490), with a copy to JPMorgan Chase Bank at 270 Park Avenue, New York, New York 10017, Attention of James Ramage (Telecopy No. 212-270-4724);

(c) if to a Lender, to it at its address (or telecopy number) set forth in Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy or on the date five Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 10.01 or in accordance with the latest unrevoked direction from such party to the Administrative Agent and each Borrower given in accordance with this Section 10.01.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or Alcoa may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Any notice hereunder shall be effective upon receipt. Any notice or other communication received on a day which is not a Business Day or after business hours in the place of receipt shall be deemed to be served on the next following Business Day in such place. Any notice given to Alcoa shall be deemed to have been duly given to each other Borrower at the same time and in the same manner.

SECTION 10.02. Survival of Agreement. All covenants, agreements, representations and warranties made by any Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not been terminated.

SECTION 10.03. Binding Effect. This Agreement shall become effective when it shall have been executed by Alcoa and the Administrative Agent and when the Administrative Agent shall have received copies hereof which, when taken together, bear the signatures of each Lender, and thereafter shall be binding upon and inure to the benefit of the Borrowers, the Administrative Agent and each Lender and their respective successors and assigns, except that none of the Borrowers shall have the right to assign its rights hereunder or any interest herein without the prior consent of all the Lenders.

SECTION 10.04. Successors and Assigns; Additional Borrowing Subsidiaries. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrowers may not assign or otherwise transfer any of their rights or obligations hereunder (except as provided in Section 10.04(e)) without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrowers without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b)(i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); with the prior written consent (such consent not to be unreasonably withheld) of:

(A) Alcoa, provided that no consent of Alcoa shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund (as defined below) or, if an Event of Default under clause (a), (b), (g) or (h) of Article VII has occurred and is continuing, any other assignee; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment to an assignee that is a Lender immediately prior to giving effect to such assignment.

(ii) Assignments shall be subject to the following conditions:



(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of Alcoa and the Administrative Agent otherwise consent, provided that no such consent of Alcoa shall be required if an Event of Default under clause (a), (b), (g) or (h) of Article VII has occurred and is continuing);

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(E) in the case of an assignment to a CLO (as defined below), the assigning Lender shall retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement, provided that the Assignment and Assumption between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver described in the proviso to Section 10.08(b) that affects such CLO.

For purposes of this Section 10.04(b), the terms "Approved Fund" and "CLO" have the following meanings:

"Approved Fund" means (a) a CLO and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"CLO" means any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.12, 2.14, 2.18 and 10.05). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 10.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive in the absence of manifest error, and the Borrowers, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall (i) accept such Assignment and Assumption, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to Alcoa. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of any Borrower and the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this

Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the proviso to Section 10.08(b) that affects such Participant. Subject to paragraph (c)(ii) of this Section, Alcoa agrees that each Participant shall be entitled to the benefits of Sections 2.12 and 2.18 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.06 as though it were a Lender, provided such Participant agrees to be subject to Section 2.16 as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.12 or 2.18 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with Alcoa's prior written consent.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and the other provisions of this Section 10.04 shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(e) Unless an Event of Default has occurred and is continuing, Alcoa at any time and from time to time may designate any wholly-owned Subsidiary to be a Borrowing Subsidiary upon the completion of the following: (i) each of Alcoa and such Subsidiary shall have executed and delivered to the Administrative Agent a Designation of Borrowing Subsidiary and (ii) such Subsidiary shall have complied with Section 4.03, whereupon (A) such Subsidiary shall become a party hereto and shall have the rights and obligations of a Borrowing Subsidiary hereunder and (B) the obligations of such Subsidiary shall become part of the Borrowing Subsidiary Obligations and the guarantee of Alcoa pursuant to Article VIII hereof shall apply

thereto to the same extent that it applies to the other Borrowing Subsidiary Obligations, if any (the date on which any such designation shall occur being called a "Designation Date").

SECTION 10.05. Expenses; Indemnity. (a) Alcoa agrees to pay or cause one or more other Borrowers to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation of this Agreement or in connection with any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions hereby contemplated shall be consummated) or incurred by the Administrative Agent or any Lender in connection with the enforcement of their rights in connection with this Agreement or in connection with the Loans made hereunder, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent, and, in connection with any such enforcement, the reasonable fees, charges and disbursements of any other counsel for the Administrative Agent or any Lender. Alcoa further agrees to indemnify or cause one or more other Borrowers to indemnify the Lenders from and hold them harmless against any documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of this Agreement.

(b) Alcoa agrees to indemnify or cause one or more other Borrowers to indemnify the Administrative Agent, each Lender and each of their respective Affiliates, directors, officers, employees and agents (each such person being called an "Indemnatee") against, and to hold or cause one or more other Borrowers to hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnatee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the transactions contemplated thereby, (ii) the use of the proceeds of the Loans or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnatee is a party thereto; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnatee. The Administrative Agent and each Lender agrees to promptly notify Alcoa of any claims relating to clauses (i), (ii) or (iii) of the next preceding sentence; provided, however, that any failure to deliver any such notice shall not relieve Alcoa from its obligations under this paragraph (b).

(c) The provisions of this Section 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of the Administrative Agent or Lender. All amounts due under this Section 10.05 shall be payable on written demand therefor.

SECTION 10.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or its Affiliates to or for the credit or the account of any Borrower against any of and all the obligations of such Borrower (or, in the case of Alcoa, any of and all the obligations of any Borrowing Subsidiary) now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or otherwise and although such obligations may be unmaturing. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.07. Applicable Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

SECTION 10.08. Waivers; Amendment. (a) No failure or delay of the Administrative Agent or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Borrower in any case shall entitle such Borrower to any further notice or shall entitle such Borrower or any other Borrower to notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan or date fixed for payment of any Facility Fee, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, without the prior written consent of each Lender affected thereby, (ii) change or extend the Commitment or decrease the Facility Fees of any Lender without the prior written consent of such Lender, (iii) amend or modify the provisions of Section 2.14, the provisions of Article VIII, the provisions of this Section or the definition of "Required Lenders", without the prior written consent of each Lender or (iv) amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of such Agent. Each Lender and each assignee thereof shall be bound by any waiver, consent, amendment or modification authorized by this Section.

SECTION 10.09. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the applicable interest rate, together with all fees and charges which are treated as interest under applicable law (collectively the "Charges"), as provided for herein or in any other document executed in connection herewith, or otherwise contracted for, charged, received, taken or reserved by any Lender, shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by such Lender in accordance with applicable law, the rate of interest payable to such Lender, together with all Charges payable to such Lender, shall be limited to the Maximum Rate.

SECTION 10.10. Entire Agreement. This Agreement and the Engagement Letter constitute the entire contract between the parties relative to the subject matter hereof. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement and the Engagement Letter.

SECTION 10.11. Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Agreement. Each party hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties hereto have been induced to enter into this Agreement, as applicable, by, among other things, the mutual waivers and certifications in this Section 10.11.

SECTION 10.12. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 10.13. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract, and shall become effective as provided in Section 10.03.

SECTION 10.14. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 10.15. Jurisdiction, Consent to Service of Process. (a) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Borrower or its properties in the courts of any jurisdiction.

(b) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 10.16. Conversion of Currencies. (a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder in dollars into another currency, the parties hereto agree, to the fullest extent that they may legally and effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase dollars with such other currency in The City of New York, on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligation of each Borrower in respect of any sum due to any Lender hereunder in dollars shall, to the extent permitted by applicable law, notwithstanding any judgment in a currency other than dollars, be discharged only to the extent that on the Business Day following receipt of any sum adjudged to be so due in the judgment currency such Lender may in accordance with normal banking procedures purchase dollars in the amount originally due to such Lender with the judgment currency. If the amount of dollars so purchased is less than the sum originally due to such Lender, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender against the resulting loss.



IN WITNESS WHEREOF, Alcoa, the Administrative Agent and the Lenders have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

ALCOA INC.,

by

/s/ William B. Plummer  
-----

Name: William B. Plummer  
Title: Vice President and  
Treasurer

JPMORGAN CHASE BANK,  
individually and as  
Administrative Agent,

by

/s/ James H. Ramage  
-----

Name: James H. Ramage  
Title: Managing Director

ABN AMRO BANK N.V.

by

/s/ L. David Wright  
-----

Name: L. David Wright  
Title: Senior Vice President

by

/s/ Frank T.J. Van Deur  
-----

Name: Frank T.J. Van Deur  
Title: Assistant Vice President

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

by

/s/ Scott McInnis  
-----

Name: Scott McInnis  
Title: Head of Global  
Structured Finance - Americas

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

by

/s/ Jay Levit  
-----

Name: Jay Levit  
Title: Vice President,  
Global Corporate Banking

by

/s/ Miguel A. Lara  
-----

Name: Miguel A. Lara  
Title: Vice President,  
Global Corporate Banking

BANK OF AMERICA, N.A.

by

/s/ Amy Krovocheck  
-----

Name: Amy Krovocheck  
Title: Vice President

BANK OF MONTREAL

by

/s/ Thomas H. Peer  
-----

Name: Thomas H. Peer  
Title: Director

BANK OF TOKYO MITSUBISHI TRUST  
COMPANY

by

/s/ Mark R. Marron  
-----

Name: Mark R. Marron  
Title: Vice President &  
Manager

BANK ONE, N.A. (MAIN OFFICE CHICAGO)

by

/s/ Jules Panno  
-----

Name: Jules Panno  
Title: Director

BNP PARIBAS

by

/s/ Christopher W. Criswell  
-----

Name: Christopher W. Criswell  
Title: Managing Director

by

/s/ William Van Nostrand  
-----

Name: William Van Nostrand  
Title: Managing Director

CITIBANK, N.A.

by

/s/ Raymond G. Dunning  
-----

Name: Raymond G. Dunning  
Title: Managing Director

by /s/ Daniel J. Miller  
-----  
Name: Daniel J. Miller  
Title: Vice President

COMMERZBANK AG, NEW YORK AND  
GRAND CAYMAN BRANCHES

by /s/ Robert S. Taylor, Jr.  
-----  
Name: Robert S. Taylor, Jr.  
Title: Senior Vice President

by /s/ Andrew P. Lusk  
-----  
Name: Andrew P. Lusk  
Title: Assistant Vice President

CREDIT SUISSE FIRST BOSTON

by /s/ Vitaly G. Butenko  
-----  
Name: Vitaly G. Butenko  
Title: Associate

by /s/ Jeffrey Bernstein  
-----  
Name: Jeffrey Bernstein  
Title: Vice President

DEUTSCHE BANK AG, NEW YORK BRANCH

by /s/ Oliver Schwarz  
-----  
Name: Oliver Schwarz  
Title: Vice President

by /s/ Hans-Josef Thiele  
-----  
Name: Hans-Josef Thiele  
Title: Director

INTESABCI, NEW YORK BRANCH

by /s/ Frank Maffei  
-----  
Name: Frank Maffei  
Title: Vice President

by /s/ Jakob Dickerhof  
-----  
Name: Jakob Dickerhof  
Title: Vice President

MELLON BANK N.A.

by /s/ Robert J. Reichenbach  
-----  
Name: Robert J. Reichenbach  
Title: Vice President

NATIONAL AUSTRALIA BANK

by /s/ Bill Schneid  
-----  
Name: Bill Schneid  
Title: Vice President

by /s/ Jonathan Bloom  
-----  
Name: Jonathan Bloom  
Title: Associate Director

SANPAOLO IMI S.P.A.

by

/s/ Carlo Persico

-----

Name: Carlo Persico

Title: General Manager

by

/s/ Robert Wurster

-----

Name: Robert Wurster

Title: Senior Vice President

EXHIBIT A  
TO CREDIT AGREEMENT

[FORM OF]

Assignment and Assumption

Reference is made to the Amended and Extended 364-Day Revolving Credit Agreement dated as of April 26, 2002 (as amended from time to time, the "Credit Agreement"), among Alcoa Inc. ("Alcoa"), a Pennsylvania corporation, certain subsidiaries of Alcoa, the Lenders, and JPMorgan Chase Bank, as the Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

1. The Assignor hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Effective Date set forth on the reverse hereof, the interests set forth on the reverse hereof (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the Commitment of the Assignor on the Assignment Effective Date and the Loans owing to the Assignor which are outstanding on the Assignment Effective Date, together with unpaid interest accrued on the assigned Loans to the Assignment Effective Date and the amount, if any, set forth on the reverse hereof of the Fees accrued to the Assignment Effective Date for the account of the Assignor. From and after the Assignment Effective Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the interests assigned by this Assignment and Assumption, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Assumption, relinquish its rights and be released from its obligations under the Credit Agreement.

2. This Assignment and Assumption is being delivered to the Administrative Agent together with (i) if the Assignee is a Lender and is organized under the laws of a jurisdiction outside the United States, the forms specified in Section 2.18(g) of the Credit Agreement, duly completed and executed by such Assignee, (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form of Exhibit B to the Credit Agreement and (iii) a processing and recordation fee of \$3,500.

3. This Assignment and Assumption shall be governed by and construed in accordance with the laws of the State of New York.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Assignment Effective Date of Assignment:

Facility/ ----- Commitment -----	Principal ----- Amount Assigned -----	Percentage Assigned of Applicable Facility/Commitment(set forth, to at least 8 decimals, as a percentage of the Facility and the aggregate Commitments of all Lenders thereunder) -----
----- Commitment	\$	%
----- Loan:	\$	%
----- Fees Assigned (if any):	\$	%



The terms set forth above and on the reverse side hereof are hereby agreed to:

\_\_\_\_\_, as Assignor

Accepted\*/  
ALCOA INC.,

by: \_\_\_\_\_  
Name:  
Title:

by: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_, as Assignee

JPMORGAN CHASE BANK

by: \_\_\_\_\_  
Name:  
Title:

by: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
\*/ To be completed to the extent consents are required under Section 10.04(b)  
- -  
of the Credit Agreement.

EXHIBIT B  
TO CREDIT AGREEMENT

ADMINISTRATIVE QUESTIONNAIRE  
ALCOA INC.

Please accurately complete the following information and return via FAX to the attention of Linda Hill (212) 552-7935 at JPMorgan Chase Bank as soon as possible.

PHONE NUMBER:

FAX NUMBER:

LEGAL NAME OF LENDER (TO APPEAR ON THE SIGNATURE LINE IN DOCUMENTATION):  
-----

GENERAL INFORMATION - DOMESTIC LENDING OFFICE:

Institution Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

GENERAL INFORMATION - EURODOLLAR LENDING OFFICE:

Institution Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

TAX WITHHOLDING:

Non-Resident Alien: \_\_\_\_\_ Yes\* \_\_\_\_\_ No\*

\*Form 4224 Enclosed

Tax ID Number: \_\_\_\_\_

CONTACTS/NOTIFICATION METHODS:

CREDIT CONTACTS:

Primary Contact: \_\_\_\_\_

Street Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_  
Phone Number: \_\_\_\_\_  
FAX Number: \_\_\_\_\_  
Backup Contact: \_\_\_\_\_  
Street Address: \_\_\_\_\_  
City, State, Zip Code: \_\_\_\_\_

Phone Number: \_\_\_\_\_  
FAX Number: \_\_\_\_\_

ADMINISTRATIVE CONTACTS - BORROWING, PAYMENTS, INTEREST, ETC

Contact(s): \_\_\_\_\_  
Street Address: \_\_\_\_\_  
City, State, Zip Code: \_\_\_\_\_  
Phone Number: \_\_\_\_\_  
FAX Number: \_\_\_\_\_

ACCOUNT INFORMATION - Please provide only one set of instructions for all types of payments:

Name of Bank where funds are to be transferred:

\_\_\_\_\_

Routing Transit/ABA number of Bank where funds are to be transferred:

\_\_\_\_\_

Name of Account: \_\_\_\_\_

Account Number: \_\_\_\_\_

Additional Information: \_\_\_\_\_  
\_\_\_\_\_

It is very important that all of the above information is accurately filled in and promptly returned. If there is someone other than yourself who should receive this questionnaire, please notify us of their name and FAX number and we will FAX them a copy of the questionnaire.

[Letterhead of]

ALCOA

April 26, 2002

JPMorgan Chase Bank, as Agent  
and each of the Lenders party to the  
Agreement referred to below  
270 Park Avenue  
New York, NY 10017

Ladies and Gentlemen:

I am Counsel of Alcoa Inc. ("Alcoa") and in such capacity have represented Alcoa in connection with the Amended and Extended 364-Day Revolving Credit Agreement dated as of April 26, 2002 (the "Agreement"), among Alcoa, certain subsidiaries of Alcoa, the Lenders and JPMorgan Chase Bank, as the Administrative Agent. This opinion is rendered to you pursuant to Section 4.01(a) of the Agreement. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Agreement.

In rendering the opinion expressed below, I have examined, either personally or indirectly through other counsel, the originals or conformed copies of the Agreement and such corporate records, agreements and instruments of Alcoa and its Subsidiaries, certificates of public officials and of officers of Alcoa and its Subsidiaries, and such other documents and records as I have deemed appropriate as a basis for the opinions hereinafter expressed.

Based upon the foregoing and subject to the qualifications stated herein, I am of the opinion that:

1. Alcoa is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and is duly qualified to do business as a foreign corporation and is in good standing in all other jurisdictions in which the ownership of its properties or the nature of its activities or both makes such qualification necessary, except to the extent that failure to be so qualified would not result in a Material Adverse Effect.
2. Alcoa has corporate power and authority to execute, deliver and carry out the provisions of the Agreement, to borrow under the Agreement and to perform its obligations thereunder and all such action has been duly and validly authorized by all necessary corporate proceedings on its part.

3. The Agreement has been duly executed and delivered by Alcoa and constitutes the legal, valid and binding obligation of Alcoa enforceable against Alcoa in accordance with its terms, except as limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

4. No authorization, consent, approval, license, exemption or other action by, and no registration, qualification, designation, declaration or filing with, any Governmental Authority is necessary in connection with Alcoa's execution and delivery of the Agreement, the consummation by Alcoa of the transactions contemplated therein or Alcoa's performance of or compliance with the terms and conditions thereof, except as set forth on Schedule 3.04 to the Agreement.

5. The execution and delivery by Alcoa of the Agreement, the consummation by Alcoa of the transactions contemplated thereby or performance by Alcoa of or compliance with the terms and conditions thereof will not (a) violate any law, constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Governmental Authority to which it is subject, (b) conflict with or result in a breach or default under its charter or by-laws, (c) to the best of my knowledge, conflict with or result in a breach or default which is material in the context of the Agreement under any agreement or instrument to which Alcoa is a party or by which it or any of its properties, whether now owned or hereafter acquired, may be subject or bound or (d) result in the creation or imposition of any Lien prohibited by Section 6.01 of the Agreement upon any property or assets of Alcoa, whether now owned or hereafter acquired.

6. Except as set forth in the financial statements referred to in Section 3.06 of the Agreement, any Exchange Act Report or otherwise disclosed on Schedule 3.08 to the Agreement, there is no pending or, to my knowledge, threatened proceeding by or before any Governmental Authority against Alcoa or any of its Subsidiaries which in my opinion is likely to result in a Material Adverse Effect.

7. Alcoa is not an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940, and Alcoa is exempted as a "holding company" as defined in the Public Utility Holding Company Act of 1935.

I am a member of the bar of the Commonwealth of Pennsylvania and my opinion is limited to the laws of the Commonwealth of Pennsylvania and the laws of the United States of America. I express no opinion herein as to whether a court would apply New York law to any particular subject matter hereof. To the extent that the laws of the State of New York or, contrary to the agreement of the parties, the laws of any other State govern the documents referenced herein, you may rely on my opinion with respect to such laws to the extent that the laws of such state or states are substantially the same as the laws of the Commonwealth of Pennsylvania, as to which sameness I express no opinion.

Very truly yours,

Thomas F. Seligson

EXHIBIT D  
TO CREDIT AGREEMENT

[FORM OF]

DESIGNATION OF BORROWING SUBSIDIARY

Reference is made to the Amended and Extended 364-Day Revolving Credit Agreement dated as of April 26, 2002 (as amended from time to time, the "Credit Agreement"), among Alcoa Inc. ("Alcoa"), a Pennsylvania corporation, certain subsidiaries of Alcoa, the Lenders and JPMorgan Chase Bank, as the Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

1. Alcoa hereby designates [ ], a [ ] corporation (the "Subsidiary"), effective as of [ ], 20[ ] (the "Designation Date"), as a Borrowing Subsidiary under the Credit Agreement. The Subsidiary hereby makes and agrees to be bound by all the representations, warranties and agreements set forth in Article III, V and VI of the Credit Agreement. From and after the Designation Date, the Subsidiary shall become a party to the Credit Agreement and shall have the rights and obligations of a Borrowing Subsidiary thereunder. Alcoa agrees that its guarantee pursuant to Article VIII of the Credit Agreement shall apply to the Borrowings of the Subsidiary.

2. This Designation of Borrowing Subsidiary is being delivered to the Administrative Agent together with the documents set forth in Section 4.03(a).

3. This Designation of Borrowing Subsidiary shall be governed by and construed in accordance with the laws of the State of New York.

The terms set forth above are hereby agreed to:



[     ], as Subsidiary,

by

\_\_\_\_\_  
Name:  
Title:

ALCOA INC.,

by

\_\_\_\_\_  
Name:  
Title:

Accepted:

JPMORGAN CHASE BANK, as the Administrative Agent

by

\_\_\_\_\_  
Name:  
Title:

## SCHEDULE 2.01

Name and Address of the Lenders	Contact Person and Telephone and Telecopy Numbers	Commitment (U.S.\$)
JPMorgan Chase Bank 270 Park Avenue, New York, NY 10017	James Ramage Tel: 212-270-1373 Fax: 212-270-4724	\$215,000,000
ABN Amro Bank, N.V. 500 Park Avenue, New York, NY 10022	Evelyn Lazala Tel: 212-446-4269 Fax: 212-832-7129	\$170,000,000
Australian and New Zealand Banking Group Ltd. 1177 Avenue of the Americas, New York, NY 10036	Peter Gray Tel: 212-801-9739 Fax: 212-556-4839	\$100,000,000
Banco Bilbao Vizcaya Argentaria, S.A. 1345 Avenue of the Americas, New York, NY 10105	Miguel Lara Tel: 212-728-1664 Fax: 212-333-2904	\$50,000,000
Bank of America, N.A. 901 Main Street, 67th Fl. Dallas, TX 75202	Dennis Amato Tel: 212-847-6705 Fax: 212-847-6721	\$140,000,000
Bank One, N.A. 153 West 51st St. New York, NY 10019	Edmond Thompson Tel: 212-373-1106 Fax: 212-373-1388	\$50,000,000
Bank of Montreal 430 Park Avenue, New York, NY 10022	Ian Plester Tel: 212-605-1417 Fax: 212-605-1451	\$55,000,000
Bank of Tokyo-Mitsubishi Trust Company 1251 Avenue of the Americas, New York, NY 10022	Mark Marron Tel: 212-782-4337 Fax: 212-782-6440	\$50,000,000

Name and Address of the Lenders	Contact Person and Telephone and Telecopy Numbers	Commitment (U.S.\$)
BNP Paribas 787 Seventh Avenue, New York, NY 10019	Christopher Criswell Tel: 212-841-3404 Fax: 212-841-3049	\$140,000,000
Citibank, N.A. 399 Park Avenue, New York, NY 10043	Ray Dunning Tel: 212-816-8259 Fax: 212-816-8052	\$190,000,000
Commerzbank AG 2 World Financial Center, New York, NY 10281-1050	Robert Taylor Tel: 212-400-5853 Fax: 212-703-4725	\$140,000,000
Credit Suisse First Boston 11 Madison Avenue, 20th Fl. New York, NY 10010	Vitaly Butenko Tel: 212-325-8319 Fax: 212-325-1681	\$190,000,000
Deutsche Bank AG 31 West 52nd Street, 24th Fl. New York, NY 10019	Oliver Schwarz Tel: 212-469-8610 Fax: 212-469-2930	\$170,000,000
Intesa BCI 1 William Street New York, NY 10004	Raul Madrigal Tel: 212-607-3630 Fax: 212-809-2124	\$100,000,000
Mellon Bank, N.A. One Mellon Bank Center, Pittsburgh, PA 15258-0001	Robert Reichenbach Tel: 412-236-0567 Fax: 412-236-1914	\$140,000,000
National Australia Bank Limited 200 Park Avenue, 34th Fl. New York, NY 10166	Bill Schmid Tel: 212-916-9596 Fax: 212-983-1969	\$50,000,000
San Paolo IMI S.P.A. 245 Park Avenue, 35th Fl. New York, NY 10167	Luca Sacchi Tel: 212-692-3130 Fax: 212-692-3178	\$50,000,000
Total:		\$2,000,000,000.00 =====

Governmental Approvals

International Capital Form S filed with the Federal Reserve Bank of New York.

Litigation

None.

SCHEDULE 6.01(a)

Liens

Liens related to the following tax-exempt municipal bond (and other) issues:

Saline County, Arkansas	1999	4,650,000
St. Lawrence County, New York	Series A 1999	9,640,000
Milam County, Texas	Series 1999	16,855,000
Indiana Development Finance Authority	Series 1999	13,905,000
St. Lawrence County, New York	Series A 1998	22,800,000
Yankton, South Dakota	Series 1997	9,000,000
Hutchinson, Kansas HUD UDAG Loan	1996	399,301
Berkeley County, South Carolina	Series 1996	27,450,000
St. Louis, Missouri	Series 1992	4,840,000
Frederick County, Maryland	Series 1992	9,880,000
Warrick County, Indiana	Series 1992	12,475,000
Blount County, Tennessee	Series 1992	2,450,000
Lebanon County, Pennsylvania	Series 1992	1,020,000
Lebanon County, Pennsylvania	Series 1992	1,000,000
Grayson County, Texas	Series 1992	9,000,000
Milam County, Texas	Series 1995	11,000,000
Calhoun County Navigation District, Texas	Series 1995	7,700,000
State of Ohio	Series 1996	2,150,000
Chelan County, Washington	Series 1995	14,000,000
Vidalia, Louisiana	Series 1995	10,000,000
Tifton, Georgia	Series 1996	10,000,000
Frederick County, Maryland	Series 1978	2,145,000
Saline County, Arkansas	Series 1977	900,000
St. Lawrence County, New York	Series 1977	900,000
Blount County, Tennessee	Series 1977	2,010,000
TOTAL		\$206,169,301

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Leased Equipment:	
Alcoa Manufacturing (G.B.) Limited	\$ 7,818,701
Shibazaki Seisakusho Limited	1,968,659
Alumax Europe N.V.	3,562
Alcoa Transformacion S.A.	\$ 34,977
TOTAL	9,825,899
	-----

Mortgages and Capital Leases:	
Alcoa Inc.	\$ 32,865,442
Alcoa Automotive Castings	15,179
A-CMI	15,520,000
TOTAL	\$ 48,400,621
	-----

Computation of Ratio of Earnings to Fixed Charges  
For the six months ended June 30, 2002  
(in millions, except ratio)

	2002
	----
Earnings:	
Income before taxes on income	\$ 731
Minority interests' share of earnings of majority-owned subsidiaries without fixed charges	-
Equity income	(33)
Fixed charges	173
Distributed income of less than 50%-owned persons	19
Amortization of capitalized interest	7
	-----
Total earnings	\$ 897
	-----
Fixed Charges:	
Interest expense:	
Consolidated	\$ 158
Proportionate share of 50%-owned persons	2
	-----
	160
	-----
Amount representative of the interest factor in rents:	
Consolidated	13
Proportionate share of 50%-owned persons	-
	-----
	13
	-----
Fixed charges added to earnings	173
	-----
Interest capitalized:	
Consolidated	10
Proportionate share of 50%-owned persons	-
	-----
	10
	-----
Preferred stock dividend requirements of majority-owned subsidiaries	-
	-----
Total fixed charges	\$ 183
	=====
Ratio of earnings to fixed charges	4.9
	=====



August 6, 2002

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

RE: Alcoa Inc.

1. Forms S-8 (Registration Nos. 33-24846, 333-32516, 333-91331, 333-36214 and 333-47116) Alcoa Savings Plan for Salaried Employees; Alcoa Savings Plan for Bargaining Employees; Alcoa Savings Plan for Non-Bargaining Employees; Alumax Inc. Thrift Plan for Salaried Employees; Alumax Inc. Thrift Plan for Hourly Employees; Alumax Inc. Thrift Plan for Collectively Bargained Employees; Reynolds Metals Company Savings and Investment Plan for Salaried Employees; Reynolds Metals Company Savings Plan for Hourly Employees; Employees Savings Plan; Cordant Retirement Savings and Investment Plan; Huck International Inc. Retirement Savings and Investment Plan; Howmet Corporation Salaried Employees Savings Plan and Howmet Corporation Hourly Employee Savings Plan

2. Forms S-8 (Registration Nos. 33-22346, 33-49109, 33-60305, 333-27903, 333-62663, 333-79575, 333-36208, 333-37740, and 333-39708) Long Term Stock Incentive Plan; Alumax Inc. Long Term Incentive and Employee Equity Ownership Plans; Alcoa Stock Incentive Plan; Reynolds Metals Company 1999 Nonqualified Stock Option Plan; Reynolds Metals Company 1996 Nonqualified Stock Option Plan; Reynolds Metals Company 1992 Nonqualified Stock Option Plan; Reynolds Metals Company 1987 Nonqualified Stock Option Plan; Cordant Technologies Inc. 1989 Stock Awards Plan; Cordant Technologies Inc. 1996 Stock Awards Plan; Howmet International Inc. Amended and Restated 1997 Stock Awards Plan

3. Form S-3 (Registration No. 333-74874) Debt Securities, Preferred Stock, Common Stock, Warrants, Stock Purchase Contracts and Stock Purchase Units of Alcoa Inc., Trust Preferred Securities of Alcoa Trust I, and Guarantee of Trust Preferred Securities of Alcoa Trust I by Alcoa Inc.

Commissioners:

We are aware that our report dated July 8, 2002, except for Note K, for which the date is July 31, 2002, on our review of interim financial information of Alcoa Inc. and subsidiaries as of and for the three-month and six-month periods ended June 30, 2002, and included in the Company's quarterly report on Form 10-Q for the quarter then ended, is incorporated by reference in the Registration Statements referred to above.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP