FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] 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 September 30, 2000 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	412-553-3042
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 October 19, 2000, 864,961,099 shares of common stock, par value $1.00 per share, of the Registrant were outstanding.

A07-15440

PART I - FINANCIAL INFORMATION
ITEM 1 - Financial Statements
Alcoa and subsidiaries
Condensed Consolidated Balance Sheet
(in millions)

ASSETS	(unaudited) September 30 2000	December 31 1999
Current assets:		
Cash and cash equivalents	$ 284	$ 237
Short-term investments	90	77
Receivables from customers, less allowances of $71 in 2000 and $58 in 1999	3,224	2,199
Other receivables	143	165
Inventories (B)	2,785	1,618
Deferred income taxes	280	233
Prepaid expenses and other current assets	501	271
Total current assets	7,307	4,800
Properties, plants and equipment, at cost	22,304	18,436
Less, accumulated depreciation, depletion and Amortization	9,424	9,303
Net properties, plants and equipment	12,880	9,133
Goodwill, net of accumulated amortization of $296 in 2000 and $221 in 1999	5,411	1,328
Other assets, including assets held for sale (G)	5,137	1,805
Total assets	$ 30,735	$ 17,066
LIABILITIES		
Current liabilities:		
Short-term borrowings	$ 2,452	$ 343
Accounts payable, trade	1,797	1,219
Accrued compensation and retirement costs	895	582
Taxes, including taxes on income	632	368
Other current liabilities	923	424
Long-term debt due within one year	433	67
Total current liabilities	7,132	3,003
Long-term debt, less amount due within one year	5,297	2,657
Accrued postretirement benefits	2,545	1,720
Other noncurrent liabilities and deferred credits	2,278	1,473
Deferred income taxes	1,050	437
Total liabilities	18,302	9,290
MINORITY INTERESTS	1,439	1,458
CONTINGENT LIABILITIES (C)	-	-
SHAREHOLDERS' EQUITY		
Preferred stock	56	56
Common stock	925	395
Additional capital	5,923	1,704
Retained earnings	6,742	6,061
Treasury stock, at cost	(1,713)	(1,260)
Accumulated other comprehensive income (D)	(939)	(638)
Total shareholders' equity	10,994	6,318
Total liabilities and shareholders' equity	$ 30,735	$ 17,066

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)

	Third quarter ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
REVENUES				
Sales	$ 6,298	$ 4,052	$ 16,398	$ 12,070
Other income	46	38	139	77
	6,344	4,090	16,537	12,147
COSTS AND EXPENSES				
Cost of goods sold	4,798	3,120	12,346	9,388
Selling, general administrative and other expenses	314	202	813	597
Research and development expenses	47	33	134	91
Provision for depreciation, depletion and amortization	350	224	865	663
Interest expense	141	51	287	153
	5,650	3,630	14,445	10,892
EARNINGS				
Income before taxes on income	694	460	2,092	1,255
Provision for taxes on income (E)	235	147	711	402
Income from operations	459	313	1,381	853
Less: Minority interests' share	91	54	281	133
NET INCOME	$ 368	$ 259	$ 1,100	$ 720
EARNINGS PER SHARE (F)				
Basic	$ .42	$ .36	$ 1.37	$ .98
Diluted	$ .42	$ .35	$ 1.36	$ .96
Dividends paid per common share	$ .125	$ .101	$ .375	$ .302

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

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

	Nine months ended September 30	
	2000	1999
CASH FROM OPERATIONS		
Net income	$ 1,100	$ 720
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion and amortization	874	674
Change in deferred income taxes	42	89
Equity income before additional taxes, net of dividends	(57)	(4)
Gain on sale or disposal of assets	(7)	(1)
Minority interests	281	134
Other	11	9
Changes in assets and liabilities, excluding the effects of acquisitions and divestitures:		
Increase in receivables	(118)	(154)
(Increase) reduction in inventories	(17)	287
Increase in prepaid expenses and other current assets	(166)	(51)
Reduction in accounts payable and accrued expenses	(267)	(124)
Increase (reduction) in taxes, including taxes on income	289	(66)
Increase (reduction) in deferred hedging gains	2	(63)
Net change in noncurrent assets and liabilities	(59)	(40)
CASH PROVIDED FROM OPERATIONS	1,908	1,410
FINANCING ACTIVITIES		
Net changes in short-term borrowings	1,856	181
Common stock issued and treasury stock sold, excluding stock issued in acquisitions	182	577
Repurchase of common stock	(730)	(838)
Dividends paid to shareholders	(310)	(223)
Dividends paid to minority interests	(192)	(64)
Net change in commercial paper	849	-
Additions to long-term debt	1,703	318
Payments on long-term debt	(1,689)	(726)
CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES	1,669	(775)
INVESTING ACTIVITIES		
Capital expenditures	(740)	(609)
Acquisitions, net of cash acquired (H)	(2,745)	(52)
Proceeds from the sale of assets	4	14
Net change in short-term investments	(14)	(46)
Additions to investments	(37)	(90)
Sale of investments	18	31
Changes in minority interests	1	-
Other	(10)	(10)
CASH USED FOR INVESTING ACTIVITIES	(3,523)	(762)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(7)	(3)
Net change in cash and cash equivalents	47	(130)
Cash and cash equivalents at beginning of year	237	342
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 284	$ 212

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

Notes to Condensed Consolidated Financial Statements
(in millions, except per share amounts)

A. Common Stock Split - On January 10, 2000, the board of directors declared a two-for-one common stock split. Alcoa shareholders approved an amendment to Alcoa's Articles of Incorporation to increase the authorized shares of Alcoa common stock from 600 million to 1.8 billion at the company's annual meeting on May 12, 2000. As a result of the stock split, shareholders of record on May 26, 2000 received an additional common share for each share held. The additional shares were distributed on June 9, 2000. In this report, all per-share amounts and number of shares have been restated to reflect the stock split.

B. Inventories

	September 30 2000	December 31 1999
Finished goods	$ 859	$ 363
Work in process	864	550
Bauxite and alumina	333	286
Purchased raw materials	517	267
Operating supplies	212	152
	$2,785	$1,618

Approximately 56% of total inventories at September 30, 2000 were valued on a LIFO basis. If valued on an average cost basis, total inventories would have been $667 and $645 higher at September 30, 2000 and December 31, 1999, respectively. During the third quarter 2000, LIFO inventory quantities were reduced which resulted in a partial liquidation of the LIFO bases. The impact of the liquidation increased net income by $13 for the quarter and year-to-date.

C. 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 might 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 impact on the financial position of the company.

Alcoa Aluminio, S.A. (Aluminio) is currently party to a hydroelectric construction project in Brazil. Total estimated construction costs are $500, of which the company's share is 24%. In the event that other participants in this project fail to fulfill their financial responsibilities, Aluminio may be liable for its pro rata share of the deficiency.

Alcoa of Australia, Ltd. (AofA) is party to a number of natural gas and electricity contracts that expire between 2001 and 2022. Under these take-or-pay contracts, AofA is obligated to pay for a minimum amount of natural gas or electricity even if these commodities are not required for operations. Commitments related to these contracts range from $176 to $182 annually through 2005 and approximately a total of $2,200 for all periods thereafter.

D. Comprehensive Income

	Third quarter ended September 30		Nine Months ended September 30	
	2000	1999	2000	1999
Net income	$ 368	$ 259	$ 1,100	$ 720
Other comprehensive loss, primarily translation	(181)	(179)	(301)	(278)
Comprehensive income	$ 187	$ 80	$ 799	$ 442

E. Income Taxes - The income tax provision for the period is based on the effective tax rate expected to be applicable for the full year. The 2000 third quarter rate of 34% differs from the statutory rate primarily because of taxes on foreign income. The 2000 third quarter rate differs from the 1999 third quarter rate of 32% primarily because of higher US income before tax in 2000 that dilutes the impact of net permanent differences.

F. EARNINGS PER SHARE - Basic earnings per share (EPS) amounts are computed by dividing earnings applicable to common stockholders by the average number of common shares outstanding. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive equivalents outstanding. Anti-dilutive outstanding stock options have been excluded from the diluted EPS calculation. The detail of basic and diluted EPS follows:

	Third quarter ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
Net income	$ 368	$ 259	$ 1,100	$ 720
Less: Preferred stock dividends	1	1	2	2
Income available to common Stockholders	$ 367	$ 258	$ 1,098	$ 718
Average shares outstanding-basic	866	733	799	734
Effect of dilutive securities:				
Shares issuable upon exercise of dilutive outstanding stock options and settlement of forward share repurchases	8	17	9	17
Average diluted shares outstanding	874	750	808	751
Basic EPS	$ .42	$ .36	$ 1.37	$ .98
Diluted EPS	$ .42	$ .35	$ 1.36	$ .96

Options to purchase 44 million shares of common stock at an average exercise price of $36.00 were outstanding as of September 30, 2000 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.

In April 2000, Alcoa entered into a forward share repurchase agreement to partially hedge the equity exposure related to its stock option program. The contract, which matures in 2002, allows the company to repurchase up to 10 million shares from the financial institution. The company may elect to settle the contract on a net share basis in lieu of physical settlement. The contract permits early settlement. As of September 30, 2000, 10 million shares had been committed to the contract at an average price of $31.90 per share. The effect of this repurchase agreement has been included in determining diluted EPS.

G. ACQUISITIONS - In August 1999, Alcoa and Reynolds Metals Company (Reynolds) announced they had reached a definitive agreement to merge. On May 3, 2000, after approval by the US Department of Justice (DOJ) and other regulatory agencies, Alcoa and Reynolds completed their merger. Under the agreement, Alcoa issued 2.12 shares post-split of Alcoa common stock for each share of Reynolds. The exchange resulted in Alcoa issuing approximately 135 million shares at a value of $33.30 (post-split) to Reynolds stockholders. The transaction was valued at approximately $5,900, including debt assumed, and has been accounted for using the purchase method. The total purchase costs of the acquisition have been allocated to the tangible and intangible assets and liabilities acquired based on their fair values. The purchase price includes the conversion of outstanding Reynolds options to Alcoa options as well as other direct costs of the acquisition. The purchase price allocation is preliminary; the final allocation of the purchase price will be based upon valuation and other studies, including environmental and other contingent liabilities, that have not been completed. The preliminary allocation resulted in total goodwill of approximately $1,600, which will be amortized over a forty-year period.

As part of the merger agreement, Alcoa agreed to divest the following Reynolds operations:

- Reynolds' 56% stake in its alumina refinery at Worsley, Australia,
- Reynolds' 50% stake in its alumina refinery at Stade, Germany,
- 100% of Reynolds' alumina refinery at Sherwin, Texas and
- 25% of Reynolds' interest in its aluminum smelter at Longview, Washington.

Under the agreement, these divestitures must be completed within six months of the merger date of May 3, 2000 (nine months for Worsley). Alcoa has formally asked the European Union (EU) for an extension for the Stade, Germany and Longview, Washington divestitures. At this time Alcoa has not received a formal reply.

The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with EITF 87-11 Allocation of Purchase Price to Assets to be Sold. Under EITF 87-11, the fair value of net assets to be divested have been reported as assets held for sale in the Condensed Consolidated Balance Sheet, and the results of operations from these assets of $14 after tax have not been included in the Condensed Statement of Consolidated Income.

On August 29, 2000 Alcoa and Billiton plc (Billiton) announced they had reached an agreement under which Billiton will acquire Reynolds Australia Alumina, Ltd. LLC, which holds a 56% interest in the Worsley alumina refinery in Western Australia. The price is $1,490, and the sale is expected to close in January 2001. The sale is subject to regulatory, including appropriate antitrust, approvals. Alcoa received approval from the EU for the sale. Alcoa also requested and is awaiting approval for this sale from the US DOJ.

On October 19, 2000 Alcoa reached a definitive agreement subject to certain closing conditions, including approval by the US Government, to sell the Sherwin, Texas alumina refinery in the fourth quarter of 2000.

On March 14, 2000, Alcoa and Cordant Technologies Inc. (Cordant) announced a definitive agreement under which Alcoa would acquire all outstanding shares of Cordant, a company serving global aerospace and industrial markets. In addition, on April 13, 2000, Alcoa announced plans to commence a cash tender offer for all outstanding shares of Howmet International Inc. (Howmet). The offer for Howmet shares was part of Alcoa's acquisition of Cordant, which owned approximately 85% of Howmet. On May 25, 2000 and June 20, 2000, after approval by the DOJ and other regulatory agencies, Alcoa completed the acquisition of Cordant and Howmet, respectively. Under the agreement and tender offer, Alcoa paid $57 for each outstanding share of Cordant common stock and $21 for each outstanding share of Howmet common stock. The total value of the transaction was approximately $3,300, including the assumption of debt. This transaction has been accounted for using the purchase method. The purchase price includes the conversion of outstanding Cordant and Howmet options to Alcoa options as well as other direct costs of the acquisition. The purchase price allocation is preliminary; the final allocation is subject to valuation and other studies, including environmental and other contingent liabilities, that have not been completed. The preliminary allocation resulted in total goodwill of approximately $2,500, which will be amortized over periods not to exceed forty years.

The following presents pro forma information assuming that the acquisition of 100% of Reynolds and Cordant had occurred at the beginning of each respective year. Adjustments that have been included to arrive at the pro forma totals primarily include those related to acquisition financing, the amortization of goodwill, the elimination of transactions between Alcoa, Reynolds, and Cordant, and additional depreciation related to the increase in basis that resulted from the transaction. Tax effects from the pro forma adjustments noted above also have been included at the 35% statutory rate.

	Nine months ended September 30	
	2000	1999
Sales	$19,180	$17,280
Net Income	1,145	726
Basic EPS	$ 1.32	$ 0.84
Diluted EPS	$ 1.31	$ 0.82

The pro forma results are not necessarily indicative of what actually would have occurred if the transaction had been in effect for the entire periods presented, are not intended to be a projection of future results, and do not reflect any cost savings that might be achieved from the combined operations.

Debt increased $4,552 as a result of the Reynolds and Cordant acquisitions. Debt of $1,297 was assumed in the acquisition of Reynolds, while $826 of debt was assumed in the acquisition of Cordant. The Cordant acquisition price of $2,429, including the acquisition of the remaining shares of Howmet, was financed with debt. On July 20, 2000, Alcoa issued $1,500 of callable notes. Of these notes, $1,000 mature in 10 years and carry a coupon rate of 7.375%, and $500 mature in 5 years and carry a coupon rate of 7.25%. A portion of these notes was used to refinance debt.

On August 24, 2000, Alcoa and Luxfer Holdings plc announced that they had reached an agreement under which Alcoa will acquire the aluminum plate, sheet and soft-alloy extrusion manufacturing operations and distribution businesses of British Aluminium Limited, a wholly owned subsidiary of Luxfer. These businesses generated approximately $360 in revenues in 1999 and have about 1,550 employees. The transaction is subject to clearance by antitrust authorities in Europe. The transaction does not require US regulatory approval and is expected to be completed in the fourth quarter of 2000.

Alcoa completed a number of other acquisitions in 2000, as described in Management's Discussion and Analysis that amounted to $403. None of these transactions had a material impact on Alcoa's financial statements.

H. CASH FLOW INFORMATION - The details of cash payments related to acquisitions follow.

	Nine months ended September 30,2000
Fair value of assets acquired	$14,519
Liabilities assumed	(7,021)
Stock issued	(4,649)
Cash paid	2,849
Less: cash acquired	(104)
Net cash paid for acquisitions	$ 2,745

I. RECENTLY ISSUED ACCOUNTING STANDARDS - In September 2000, the FASB issued SFAS 140, a replacement of Statement 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS 140 is effective for transfers after March 31, 2000 and is effective for disclosures about securitizations and collateral and for recognition and reclassification of collateral for fiscal years ending after December 15, 2000. The company is currently reviewing this guidance in order to determine the impact of its provisions, if any, on the consolidated financial statements.

In December 1999, the staff of the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) 101, Revenue Recognition in Financial Statements. SAB 101 outlines the basic criteria that must be met to recognize revenue, and provides guidelines for disclosure related to revenue recognition policies. This guidance is required to be implemented in the fourth quarter of 2000. On October 13, 2000 the SEC issued Frequently Asked Questions and Answers (FAQs) relating to SAB 101. The company is currently reviewing this guidance in order to determine the impact of its provisions, if any, on the consolidated financial statements.

In June 1998, the Financial Accounting Standards Board (FASB)issued SFAS 133, Accounting for Derivative Instruments and Hedging Activities. The standard requires that entities value all derivative instruments at fair value and record the instruments on the balance sheet. The standard also significantly changes the requirements for hedge accounting. In June 1999, the FASB approved a delay in the effective date of this standard until January 2001. In June 2000, the FASB in SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, amended SFAS 133 to provide guidance on its implementation. Management is currently completing a plan of implementation. The company believes that the adoption of the amended standard will have a material impact on its balance sheet. Upon adoption, Alcoa's commodity, foreign exchange and interest rate derivative contracts as well as certain underlying exposures will be recorded on the balance sheet at fair value.

J. RECLASSIFICATIONS - Certain amounts have been reclassified to conform to current year presentation.

K. SEGMENT INFORMATION - Alcoa is primarily a producer of aluminum products. Its segments are organized by product on a worldwide basis. Alcoa's management reporting system evaluates performance based on a number of factors; however, the primary measure of performance is the after-tax operating income (ATOI) of each segment. Non-operating items such as interest income, interest expense, foreign exchange gains/losses and the effects of LIFO accounting and minority interest are excluded from segment profit. In addition, certain expenses such as corporate general administrative expenses, depreciation and amortization on corporate assets and certain special items are not included in segment results.

Alcoa's products are used primarily by transportation (including aerospace, automotive, rail and shipping), packaging, building and construction, and industrial customers worldwide. Alcoa's businesses that do not fall into these categories are listed as Other. In the 2000 second quarter, as a result of recent acquisition activity, Alcoa changed its internal management reporting structure to add a Packaging and Consumer Products segment. Alcoa's closures, PET bottle and packaging machinery businesses were moved from the Other group to this segment. Previously reported data from the 1999 third quarter and nine-month periods have been restated in the schedules below to reflect this change. Reynolds' packaging and consumer businesses were also added to the new Packaging and Consumer Products segment. Other Reynolds and Cordant businesses were added to the appropriate existing segments. For more information on the segments, see Management's Discussion and Analysis beginning on page 13

The following details sales and ATOI for each reportable segment for the three-month and nine-month periods ended September 30, 2000 and 1999.

Segment Information:	Alumina & Chemicals	Primary Metals	Flat-Rolled Products	Engineered Products	Packaging & Consumer	Other	Total
Third quarter ended September 30, 2000							
Sales:							
Third-party sales	$ 529	$ 1,049	$ 1,361	$ 1,586	$ 631	$ 1,142	$ 6,298
Intersegment sales	294	936	29	18	-	-	1,277
Total sales	$ 823	$ 1,985	$ 1,390	$1,604	$631	$ 1,142	$ 7,575
After-tax operating Income	$ 146	$ 254	$ 83	$ 49	$ 38	$ 39	$ 609
Third quarter ended September 30, 1999							
Sales:							
Third-party sales	$ 474	$ 560	$ 1,273	$ 917	$ 191	$ 637	$ 4,052
Intersegment sales	214	671	14	6	-	-	905
Total sales	$ 688	$ 1,231	$ 1,287	$ 923	$ 191	$ 637	$ 4,957
After-tax operating Income	$ 83	$ 159	$ 74	$ 42	$ 15	$ 35	$ 408

Segment Information: Nine months ended September 30, 2000	Alumina & Chemicals	Primary Metals	Flat-Rolled Products	Engineered Products	Packaging & Consumer	Other	Total
Sales:							
Third-party sales	$1,584	$2,512	$4,159	$3,935	$1,358	$2,850	$16,398
Intersegment sales	818	2,618	71	46	-	-	3,553
Total sales	$2,402	$5,130	$4,230	$3,981	$1,358	$2,850	$19,951
After-tax operating Income	$ 441	$ 706	$ 230	$ 164	$ 90	$ 118	$ 1,749
Nine months ended September 30, 1999							
Sales:							
Third-party sales	$1,350	$1,613	$3,801	$2,798	$ 596	$1,906	$12,064
Intersegment sales	666	2,125	40	12	-	-	2,843
Total sales	$2,016	$3,738	$3,841	$2,810	$ 596	$1,906	$14,907
After-tax operating Income	$ 205	$ 362	$ 211	$ 148	$ 53	$ 95	$ 1,074

The following table reconciles segment information to consolidated totals.

	Third quarter ended September 30 2000	Third quarter ended September 30 1999	Nine months ended September 30 2000	Nine months ended September 30 1999
Total after-tax operating income	$ 609	$ 408	$1,749	$1,074
Elimination of intersegment (profit) loss	9	(8)	(16)	(27)
Unallocated amounts (net of tax):				
Interest income	4	7	30	20
Interest expense	(85)	(33)	(187)	(99)
Minority interest	(91)	(54)	(281)	(133)
Corporate expense	(66)	(34)	(173)	(110)
Other	(12)	(27)	(22)	(5)
Consolidated net income	$ 368	$ 259	$1,100	$ 720

Segment assets:	September 30 2000	December 31 1999
Alumina and chemicals	$ 2,807	$ 3,250
Primary metals	6,862	5,098
Flat-rolled products	3,588	3,395
Engineered products	6,437	2,387
Packaging and consumer	1,755	745
Other	2,962	1,664
Total Segment Assets	$24,411	$16,539

The total segment assets and ATOI above do not include unallocated purchase accounting adjustments or assets to be divested.

In the opinion of the Company, the financial statements and summarized financial data in this Form 10-Q report include all adjustments, including those of a normal recurring nature, necessary to fairly state the results for the periods. This Form 10-Q report should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 1999.

The financial information required in this Form 10-Q by Rule 10-01 of Regulation S-X has been subject to a review by PricewaterhouseCoopers LLP, the Company's independent certified public accountants, as described in their report on page 12.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the unaudited condensed consolidated balance sheet of Alcoa and subsidiaries as of September 30, 2000, the unaudited condensed statements of consolidated income for the three-month and nine-month periods ended September 30, 2000 and 1999, and the unaudited condensed statement of consolidated cash flows for the nine-month periods ended September 30, 2000 and 1999, which are included in Alcoa's Form 10-Q for the period ended September 30, 2000. 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 auditing standards generally accepted in the United States of America, 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 audit standards generally accepted in the United States of America, the consolidated balance sheet of Alcoa and subsidiaries as of December 31, 1999, 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 10, 2000, except for Note V, for which the date is February 11, 2000, 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, 1999, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
October 5, 2000

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in millions, except 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. 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. See Risk Factors below.

Results of Operations

Principal income and operating data follow.

	Third quarter ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
Sales	$6,298	$4,052	$16,398	$12,070
Net income	368	259	1,100	720
Basic earnings per common share	$ .42	$ .36	$ 1.37	$ .98
Diluted earnings per common share	$ .42	$ .35	$ 1.36	$ .96
Shipments of aluminum products (mt)	1,419	1,100	3,913	3,349
Shipments of alumina (mt)	1,893	1,814	5,527	5,314
Alcoa'a average realized ingot price	$ .77	$ .71	$ .77	$ .66
Average 3-month LME price	$ .72	$ .67	$ .72	$ .61

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Earnings Summary

Alcoa's 2000 third quarter revenues rose 55% from the 1999 third quarter to $6,298, and revenues for the nine months of 2000 increased 36% from the 1999 nine-month period to $16,398. The increase in revenues for both periods was due to higher overall aluminum and alumina prices, as well as higher shipment volumes due to acquisitions. However, the 2000 third quarter results were affected by the softening in the transportation, building, construction and distribution markets. Acquisitions, increased prices and cost reductions positively impacted the 2000 third quarter and year-to-date results as net income increased to $368 for the quarter and $1,100 year-to-date, 42% above the 1999 third quarter and 53% over the 1999 nine month period. Partially offsetting these positive factors were higher energy costs for natural gas and fuel oil that approximated $70.

Annualized return on shareholders' equity was 17.0% as of September 30, 2000, compared with 15.7% for the 1999 period. The increase was due to increased earnings in 2000, which outpaced the increase in shareholders' equity balances resulting primarily from the recent acquisitions.

SEGMENT INFORMATION

I. Alumina and Chemicals

	Third quarter ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
Alumina production	3,509	3,372	10,481	9,890
Third-party alumina shipments	1,893	1,814	5,527	5,314
Third-party sales	$ 529	$ 474	$ 1,584	$ 1,350
Intersegment sales	294	214	818	666
Total sales	$ 823	$ 688	$ 2,402	$ 2,016

After-tax operating income	$ 146	$ 83	$ 441	$ 205

This segment's activities include the mining of bauxite, which is then refined into alumina. The alumina is then sold to internal and external customers worldwide or processed into industrial chemical products. Alcoa's Australian alumina operations are a significant component of this segment. This segment does not include the Reynolds alumina assets to be divested. The majority of the third-party sales from this segment are derived from alumina.

Third-party sales for this segment increased 12% from the 1999 third quarter. Shipments increased 4% while realized prices for alumina increased 9%. For the nine-month period ending September 30, third-party sales increased 17% over the same 1999 period. This was due to 4% higher shipments and higher prices.

After-tax operating income (ATOI) for this segment increased 76% to $146 for the 2000 third quarter and 115% to $441 for the nine-month period. The increases were primarily due to higher prices as well as improved overall cost performance. Third quarter 2000 conversion costs decreased $14 after tax versus the 1999 third quarter. These savings were primarily generated through productivity improvements, offset by an increase in natural gas costs.

II. PRIMARY METALS

	Third quarter ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
Aluminum production	965	724	2,556	2,134
Third-party aluminum shipments	574	335	1,406	1,059
Third-party sales	$ 1,049	$ 560	$ 2,512	$ 1,613
Intersegment sales	936	671	2,618	2,125
Total sales	$ 1,985	$ 1,231	$ 5,130	$ 3,738
After-tax operating income	$ 254	$ 159	$ 706	$ 362

This group's primary focus is Alcoa's worldwide smelter system. Primary Metals receives alumina from the alumina and chemicals segment and produces aluminum ingot to be used by other Alcoa segments, as well as sold to outside customers. Results from internal hedging contracts and from marking to market certain aluminum commodity contracts are also included in this segment. The smelting operations of Reynolds have been added to this segment. The sale of ingot represents over 90% of this segment's third-party sales. Revenues from the sale of powder and scrap are also included here.

In the 1999 fourth quarter, Alcoa changed its internal reporting system to include the results of aluminum hedging in the Primary Metals segment. Previously these results were reported as reconciling items between segment ATOI and net income. Segment results for the 1999 third quarter and nine-month period have been restated to reflect this change.

In January 2000, Alcoa announced that it was restarting approximately 200,000 mt of primary aluminum capacity. The restarted capacity will be in production by the end of 2000. In June 2000, Alcoa announced that it was temporarily curtailing all production at its 121,000 metric ton per year (mtpy) primary aluminum smelter in Troutdale, Oregon, a former Reynolds facility that had been operating at an 80,000 mtpy level. The curtailment began immediately. After the scheduled curtailment and restart of capacity, Alcoa will have approximately 370,000 mtpy of idle capacity.

Third-party sales for the third quarter rose 87% from the 1999 third quarter and 56% for the year on an increase in shipments, due to the addition of Reynolds' smelters of 71% and 33%, respectively. Excluding the locations recently acquired, third party sales increased 25% quarter-to-quarter and 19% year-to-year as a result of higher prices combined with increases in shipments of 13% quarter-to-quarter and 1% year-to-year. Alcoa's average realized third-party price for ingot rose 8% to 77 cents per pound from the 1999 third quarter to the 2000 third quarter and 17% to 77 cents from the 1999 nine-month to the 2000 nine-month period, reflecting the increase in market prices over last year. Intersegment sales also rose 39% in the 2000 third quarter and 23% in the 2000 nine-month period as a result of higher prices and volume related to acquisitions.

Primary metals third quarter and nine-month ATOI rose 60% from the 1999 third quarter and 95% from the 1999 nine-month period, respectively, due to higher ingot prices and the impact of acquired Reynolds facilities beginning in May. Partially offsetting these positive factors were higher energy costs for these locations.

III. Flat-Rolled Products

	Third quarter ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
Third-party aluminum shipments	492	496	1,503	1,479
Third-party sales	$1,361	$1,273	$4,159	$3,801
Intersegment sales	29	14	71	40
Total sales	$1,390	$1,287	$4,230	$3,841
After-tax operating income	$ 83	$ 74	$ 230	$ 211

This segment's primary business is the production and sale of aluminum plate, sheet and foil. This segment includes the aggregation of rigid container sheet (RCS) used to produce aluminum beverage cans, and sheet and plate used in the aerospace and distributor markets. Approximately one-half of the third-party sales from this segment are derived from sheet and plate and one-third are from RCS.

Third-party flat-rolled product sales for the 2000 third quarter rose 7% over the prior year quarter, driven by higher prices. Year-to-date sales increased 9% over the prior-year period due to increases in shipments and prices of 2% and 7%, respectively. For RCS, third-party sales were up 14% for the quarter and 12% year-to-date versus the comparable 1999 periods due to 8% higher prices for both the 2000 third quarter and year-to-date period, and higher shipments, 6% quarter-over-quarter and 3% year-over-year. For the 2000 nine-month period, sheet and plate third-party sales were up 9% over the 1999 period due to 2% higher shipment volumes and 7% higher prices. Sheet and plate sales for the 2000 third quarter rose 2% from the year-ago quarter as shipment declines of 11% in the US and 6% worldwide were offset by price increases of 9%.

Flat-rolled products ATOI grew 12% for the 2000 third quarter and 9% year-to-date from the corresponding 1999 period levels. RCS ATOI fell 7% for the quarter due in part to higher energy and other costs. Sheet and plate ATOI increased 31% quarter-over-quarter as a more profitable product mix in the US and improved costs in Europe boosted results, though the impact was partially offset by higher energy costs. In the 2000 nine-month period, sheet and plate ATOI increased 11% over the 1999 period. After-tax cost reductions within the sheet and plate business of $45 year-to-date and the economic recovery in the 2000 year in Brazil drove this increase.

IV. Engineered Products

	Third quarter ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
Third-party aluminum shipments	258	249	806	756
Third-party sales	$1,586	$ 917	$3,935	$2,798
Intersegment Sales	18	6	46	12
Total sales	$1,604	$ 923	$3,981	$2,810
After-tax operating income	$ 49	$ 42	$ 164	$ 148

Products produced by this segment include hard and soft alloy extrusions, including Alcoa's architectural extrusion businesses, super-alloy castings, steel and aluminum fasteners, forgings and wheels. Primarily transportation and distribution customers use these products worldwide. This segment includes the

Reynolds wheels business acquired in May 2000, as well as the Huck (fasteners) and Howmet (super-alloy castings) businesses added in June 2000 as part of the Cordant acquisition, and Excel Extrusions acquired from Noranda Aluminum in January 2000.

Including acquisitions, engineered products third-party revenues improved 73% and 41% respectively over the corresponding 1999 quarterly and year-to-year results. Excluding these recent acquisitions, third-party sales increased 1% in the third quarter and 7% in the nine-month period while volumes decreased 9% in the third quarter and 2% in the nine-month period versus the corresponding 1999 periods, reflecting the softening in the transportation market.

Third quarter and year-to-date third-party sales of soft alloy extrusions were up 22% and 20%, respectively, from the corresponding 1999 periods. Volume increases of 4% quarter-to-quarter and 6% year-to-year due to acquisitions and higher average prices, 17% for the quarter and 13% for the year as compared to the 1999 periods, drove this improvement. Hard alloy extrusion revenues for the quarter increased 11% over the year-ago quarter as a 15% increase in shipments was partially offset by a 3% decrease in average price. For the nine-month period, third-party hard alloy sales were down 2% versus the 1999 period on 4% lower shipments.

For the 2000 third quarter and nine-month period, revenue from the sales of wheels increased 39% and 52% respectively over the 1999 periods due primarily to the acquisition of the Reynolds wheels business. Excluding the Reynolds' results, revenues decreased 15% from the 1999 third quarter on 17% lower shipments. For the year, wheels sales excluding Reynolds increased 17% over the 1999 nine-month period on 12% higher shipments.

ATOI for the segment increased 17% for the 2000 third quarter and 11% for the 2000 nine-month period versus the corresponding 1999 periods. The recent acquisitions as well as after-tax cost savings of $11 quarter-over quarter and $33 year-over-year in existing businesses caused these increases. Excluding the results from the acquisitions, ATOI fell 19% quarter-over-quarter while increasing 1% year-over-year. The cost savings were offset by a decline in volumes and profits due to lower demand for wheels and soft alloy extrusions in the most recent quarter, as well as higher energy and fuel costs.

V. Packaging and Consumer

	Third quarter ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
Third-party aluminum shipments	37	2	71	7
Third-party sales	$ 631	$ 191	$1,358	$ 596
After-tax operating income	$ 38	$ 15	$ 90	$ 53

This segment includes closures, packaging machinery, Aluminio's PET bottle businesses in Latin America, as well as the packaging and consumer businesses of Reynolds acquired in the 2000 second quarter. Alcoa's closures, packaging and PET bottle businesses were previously included in the Other category.

Third quarter third-party sales for this segment rose 230% and year to date sales rose 128%, due primarily to the acquisition of the Reynolds packaging and consumer businesses in May 2000, as well as the acquisition of MCG Closures Limited (MCG) in April 2000. The Reynolds Packaging and Consumer businesses accounted for 64% of the 2000 third quarter sales and 51% for the 2000 year. Excluding these recent acquisitions, third-party sales rose 7% versus the 1999 third quarter and 7% versus the 1999 nine-month period. Sales by Aluminio's packaging operations in Brazil, which were negatively impacted by the 1999 currency devaluation and recession, grew by 5% quarter-over-quarter and 12% year-over-year. Closures sales were up 15% and 5% for the third quarter and the nine-month period, respectively, versus 1999 periods, excluding the MCG acquisition.

Segment ATOI was $38 in the 2000 third quarter and $90 in the 2000 nine-month period, up 153% and 70% over the respective 1999 periods. This increase was primarily due to the acquisitions noted earlier and the increase in closure sales, offset by higher raw materials costs for the closures and PET bottle businesses.

VI. Other

	Third quarter ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
Third-party aluminum shipments	58	18	127	48
Third-party sales	$1,142	$ 637	$2,850	$1,906
After-tax operating income	$ 39	$ 35	$ 118	$ 95

This group includes Alcoa businesses that do not fit into the categories noted above. Among others, this includes Alcoa Fujikura Ltd. (AFL), which produces fiber optic cable and services for the telecommunications industry and electrical components for the automotive industry, Thiokol Propulsion (Thiokol), a producer of solid rocket propulsion systems, Reynolds' metal distribution business (RASCO), and Alcoa's residential building products operations, Alcoa Building Products, Inc. (ABP). Thiokol and RASCO were added in the 2000 second quarter as part of the Cordant and Reynolds acquisitions, respectively. Packaging, closures and packaging machinery businesses that were previously reported in this group are now included in the Packaging and Consumer segment.

Third-party revenues for this group were $1,142 in the 2000 third quarter and $2,850 in the 2000 nine-month period, up 79% and 50% from the respective 1999 periods. After excluding Thiokol and RASCO, these growth rates adjust to 15% quarter-over-quarter and 16% year-over-year.

AFL revenues increased 18% in the 2000 third quarter and 17% in the first nine-months of 2000 over the corresponding 1999 periods. These increases were due in large part to growth in telecommunications sales of 97% quarter-to-quarter and 84% year-to-year. For the quarter-to-quarter and the year-to-year, 11% and 8% of the increases respectively, were from acquisitions made since the 1999 third quarter. Revenues from the sale of residential building products decreased 13% from the 1999 third quarter on 14% lower shipment volume, leaving revenue growth for the nine-month period down 5% on 8% lower shipments. Sales by Alcoa's automotive operations benefited from the acquisition, late in the 1999 third quarter, of the remaining 50% of the A-CMI joint venture with Hayes Lemmerz International. A-CMI was accounted for as an equity holding through August 1999 and contributed 9% of the overall revenue growth in this category.

ATOI for this category in the 2000 third quarter was $39, up 11% from the 1999 third quarter, and was $118 for the 2000 nine-month period, up 24% from the 1999 nine-month period. Increases in ATOI for the 2000 quarter versus the 1999 third quarter were due to improved results at AFL, offset by decreases at ABP. ABP's results have been adversely influenced by higher resin prices as well as the decrease in demand noted above. For the 2000 year-to-date period, productivity improvements of $17 after tax along with strong growth at AFL drove ATOI results higher.

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 interest; 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; and other, which includes the impact of LIFO, differences between estimated tax rates used in each segment and the corporate effective tax rate, and other non-operating items such as foreign exchange.

Interest expense increased because of higher debt related to recent acquisitions. Minority interest increased quarter-over-quarter and year over year due to higher income at AofA, AFL and Aluminio. Corporate expense increased from the 1999 third quarter and nine-month period primarily due to acquisitions. Other increased in the 2000 nine-month period compared to the 1999 period due to larger foreign exchange losses and the amortization of unallocated purchase accounting adjustments on the Reynolds acquisition, partially offset by higher equity and miscellaneous income.

Costs and Other

Cost of Goods Sold - Cost of goods sold increased $1,678 and $2,958 from the prior year third quarter and nine-month period, respectively. The increase reflects higher volumes primarily due to acquisitions, as well as higher energy costs. Cost of goods sold as a percentage of sales in the 2000 third quarter was 76.2% versus 77.0% in the 1999 third quarter, and in the 2000 nine-month period was 75.3% versus 77.8% in the 1999 period. The lower ratios in 2000 were due to higher revenues resulting from higher prices for alumina and aluminum, higher aluminum volumes and improved productivity, offset by higher energy costs.

Selling, General Administrative, and Other Expenses - Selling, general administrative, and other (SG&A) expenses were up $112 from the 1999 third quarter and $216 from the 1999 nine-month period, predominantly due to acquisitions. SG&A as a percentage of sales was 5.0% for the 2000 third quarter and 2000 year-to-date periods, unchanged from the 1999 third quarter and up slightly from 4.9% for the 1999 year-to-date period.

Interest Expense - Interest expense was up $90, or 176%, from the 1999 third quarter, and $134, or 88%, from the 1999 nine-month period, due to higher interest rates and the higher debt levels resulting from the recent acquisitions. Approximately 85% of these increases are due to higher debt levels and the remaining due to higher interest rate.

On July 20, 2000, Alcoa issued $1,500 of callable notes. Of these notes, $1,000 mature in 10 years and carry a coupon rate of 7.375%, and $500 mature in 5 years and carry a coupon rate of 7.25%.

Income Taxes - The income tax provision for the period is based on the effective tax rate expected to be applicable for the entire year. The 2000 third quarter rate of 34% differs from the statutory rate primarily because of lower taxes on foreign income. This 2000 third quarter rate differs from the 1999 third quarter rate of 32% primarily because of higher US income before tax in 2000 that dilutes the impact of net permanent differences.

Other Income/Foreign Currency - Other income increased to $46 in the 2000 third quarter and $139 in the 2000 nine-month period, up 21% and 81%, respectively, over the comparable 1999 periods. Quarterly results benefited from $5 higher equity income, $6 higher interest income and $6 in insurance proceeds. These positive items were offset by $6 larger negative translation and exchange adjustments and $4 lower mark-to-market gains on commodity contracts. Year-to-date results benefited from $43 higher equity income, $13 higher interest income, and $7 due to the demutualization of Met Life, as well as from a $6 increase in the gains on sales of assets. These positive year-over-year items were partially offset by $16 higher translation and exchange losses and $3 lower mark-to-market gains on commodity contracts. These mark-to-market gains totaled $13 in the 2000 nine-month period versus $16 in the prior year period.

Minority Interests - Minority interests' share of income from operations increased 69% from the 1999 third quarter and 111% from the 1999 nine-month period to $91 and $281, respectively. The increase was due primarily to earnings growth at AofA and AFL, and income in 2000 versus a net loss in 1999 at Aluminio.

Risk Factors

In addition to the risks inherent in its operations, Alcoa is exposed to financial, market, political and economic risks. The following discussion, which provides additional detail regarding Alcoa's exposure to the risks of changing commodity prices, foreign exchange rates and interest rates, includes forward-looking statements that involve risk and uncertainties. Actual results could differ materially from those projected in these forward-looking statements.

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 commit to fixed-price contracts that sometimes extend a number of years into the future. Customers will likely require Alcoa to enter into similar arrangements in the future. These contracts expose Alcoa to the risk of fluctuating aluminum prices between the time the order is accepted and the time that the order ships.

In order to fulfill some of the orders noted above, Alcoa might be required to purchase aluminum to supplement its internal production. These purchases expose the company to the risk of higher aluminum prices. To hedge this risk, Alcoa enters into long positions, principally using futures and options. Alcoa follows a stable pattern of purchasing metal; therefore, it is highly likely that anticipated metal requirements will be met. At September 30, 2000 and 1999, these contracts totaled approximately 371,000 and 500,000 mt, respectively. These contracts act to fix the purchase price for these metal purchase requirements, thereby reducing Alcoa's risk to rising metal prices.

The futures and options contracts noted above are with creditworthy counterparties and are further supported by cash, treasury bills or irrevocable letters of credit issued by carefully chosen banks.

The expiration dates of options and the delivery dates of futures contracts may not always coincide exactly with the dates on which Alcoa is required to purchase metal to meet its contractual commitments with customers. Accordingly, some of the futures and options positions may be rolled forward. This may result in significant cash inflows if the hedging contracts are "in-the-money" at the time they are rolled forward. Conversely, there could be significant cash outflows if metal prices fall below the price of contracts being rolled forward.

In addition to the above-noted aluminum positions, Alcoa had 71,000 mt and 35,000 mt of futures and options contracts outstanding at September 30, 2000 and 1999, respectively, that cover long-term, fixed-price commitments to supply customers with metal from internal sources. Accounting convention requires that these contracts be marked to market, which resulted in quarter-to-date after-tax credit to earnings of $2 at September 30, 2000 and $5 at September 30, 1999.

Alcoa also sells products to various third parties at prices that are influenced by changes in London Metal Exchange (LME) aluminum prices. From time to time, the company may elect to hedge a portion of these exposures 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 September 30, 2000 and September 30, 1999, these contracts totaled 116,000 mt and 173,000 mt. respectively. These contracts act to fix a portion of the sales price related to these sales contracts.

Alcoa also purchases certain other commodities, such as fuel oil, natural gas and copper, for its operations and enters into futures contracts to eliminate volatility in the prices of such products. None of these contracts are material.

FINANCIAL RISK - Alcoa is subject to significant exposure from fluctuations in foreign currencies. As a matter of company policy, foreign currency exchange contracts, including forwards and options, are sometimes used to limit the risk of fluctuating exchange rates. In addition, Alcoa also attempts to maintain a reasonable balance between fixed and floating rate debt and uses interest rate swaps and caps to keep financing costs as low as possible.

RISK MANAGEMENT - All of the aluminum and other commodity contracts, as well as the various types of financial instruments, are straightforward and held for purposes other than trading. They are used primarily to mitigate uncertainty and volatility, and principally cover underlying exposures.

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 may select from time to time. SRMC reports to the board of directors at each of its scheduled meetings on the scope of its derivative activities.

ENVIRONMENTAL MATTERS

Alcoa continues to participate in environmental assessments and cleanups at a number of locations. These include approximately 24 owned or operating facilities and adjoining properties, approximately 29 previously owned or operated facilities and adjoining properties and approximately 90 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 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 the Massena, New York, Pt. Comfort, Texas and Troutdale, Oregon sites where investigations are ongoing and where natural resource damage or off-site migrations of contaminants to sediments has been alleged. The following discussion provides additional details regarding the current status of these sites.

MASSENA/GRASSE RIVER. Sediments and fish in the Grasse River adjacent to Alcoa's Massena, New York plant site contain varying levels of polychlorinated biphenyl (PCB). Alcoa has been identified by the U.S. Environmental Protection Agency (EPA) as potentially responsible for this contamination and, since 1989, has been conducting investigations and studies of the river under order from the EPA issued under the Comprehensive Environmental Response, Compensation and Liability Act, also known as Superfund. During 1999, Alcoa continued to perform studies and investigations on the Grasse River. A planned pilot test of certain sediment capping techniques, intended for 1999, could not be completed because a final scope of work could not be developed with EPA in time to complete the project before the construction season concluded. In addition, in the 1999 fourth quarter, Alcoa submitted an Analysis of Alternatives to EPA. This report identified potential courses of remedial action related to the PCB contamination of the river. Alcoa has proposed to EPA that the planned pilot scale tests be conducted to assess the feasibility of performing certain sediment-covering techniques before selection and approval of a remedial alternative by EPA. The costs of these pilot scale tests have been fully reserved. The results of these tests and discussions with EPA regarding all of the alternatives identified should provide additional information for the selection and approval of the appropriate remedial alternative.

The Analysis of Alternatives report and the results of the pilot tests must be reviewed and approved by EPA. Currently, no one of the alternatives is more likely to be selected than any other. The range of additional costs associated with the potential courses of remedial action is between zero and $53. During meetings through September 2000, EPA has indicated to Alcoa that it believes additional remedial alternatives need to be included in the Analysis of Alternatives. Such additional remedies involve removal of more sediment from the river than was included in the alternatives provided in the recent Analysis of Alternatives report. The cost of such potential additional remedial alternatives cannot be estimated at this time.

In 1988, Reynolds discovered that soils in the area of the heat transfer medium system at Reynolds' primary aluminum production plant in Massena, New York were contaminated with PCB and other contaminants. Remediation of the contaminated soils and other contaminated areas of the plant were substantially completed in 1998. Portions of the St. Lawrence River system adjacent to the plant are also contaminated with PCB. Since 1989, Reynolds has been conducting investigations and studies of the river system under order from the EPA issued under Superfund. Reynolds has worked with EPA to better define the scope of the dredging program, which is planned for 2001. Alcoa and Reynolds are also aware of a natural resource damage claim that may be asserted by certain federal, state and tribal natural resource trustees at these locations.

PT. COMFORT/LAVACA BAY. In 1990, Alcoa began discussions with certain state and federal natural resource trustees concerning alleged releases of mercury from its Pt. Comfort, Texas facility into the adjacent Lavaca Bay. In March 1994, EPA listed the "Alcoa (Point Comfort)/Lavaca Bay Site" on the National Priorities List and, shortly thereafter, Alcoa and EPA entered into an administrative order on consent under which Alcoa is obligated to conduct certain remedial investigations and feasibility studies. In accordance with this order, Alcoa has submitted a baseline risk assessment and a remedial investigation report and a draft feasibility study to EPA. A final feasibility study is being developed and is expected to be submitted to EPA within several months. In addition, Alcoa has nearly completed construction of the EPA-approved project to fortify an offshore dredge disposal island. The probable and estimable costs of these actions are fully reserved. Since the order with EPA, Alcoa and the natural resource trustees have continued efforts to understand natural resource injury and ascertain appropriate restoration alternatives. That process is currently expected to be completed by late 2000 or early 2001.

TROUTDALE, OREGON. In 1994, the EPA added Reynolds' Troutdale, Oregon primary aluminum production plant to the National Priorities List of Superfund sites. The company is cooperating with the EPA and, under a September 1995 consent order, is working with the EPA in investigating potential environmental contamination at the Troutdale site and promoting more efficient cleanup at the site. The shutdown of operations at Troutdale, announced June 28, 2000, could affect the cleanup alternative selected for the site. The cost of such new alternative is not currently estimable.

SHERWIN, TEXAS. In connection with the sale of the Sherwin Aluminum refinery which was required to be divested as part of the Reynolds merger, (see Footnote G) the company has agreed to retain responsibility for the remediation of certain properties including former waste disposal areas and a share of the ultimate closure costs of other active waste disposal areas. The cost of such remediation is being evaluated.

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 the disposition of these matters will not have a materially adverse effect on the financial position or liquidity of the company.

Alcoa's remediation reserve balance at September 30, 2000 was $319 (of which $43 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 expenses charged to the reserve in the 2000 third quarter were $23. They include expenditures currently mandated, as well as those not required by any regulatory authority or third party.

Liquidity and Capital Resources

CASH FROM OPERATIONS

Cash from operations during the 2000 year-to-date period totaled $1,908, compared with $1,410 in the 1999 period. The increase reflects higher net income, increases in non-cash items such as depreciation and in the minority interests' share of net income, partly offset by higher working capital requirements.

FINANCING ACTIVITIES

Financing activities provided $1,669 of cash in the 2000 first nine months, compared with $775 used in the 1999 period. The increase was mainly due to the issuance of debt to fund acquisitions. Short-term borrowings and commercial paper grew by $1,856 and $849, respectively, in the 2000 period, compared with increases of $181 and $0, respectively, in the 1999 period. Long-term debt increased by $1,703 in the 2000 nine-month period, versus an increase of $318 in the 1999 period. Offsetting this were increases in payments on long-term debt, $1,689 in the 2000 period versus $726 in the 1999 period, as well as in repurchases of common stock, $730 in the 2000 nine-month period versus $838 in the 1999 period.

Dividends paid to shareholders were $310 in the 2000 nine-month period, an increase of $87 over the 1999 period. The change was primarily due to a 24% increase in Alcoa's total dividend, which paid out 37.5 cents per share in the 2000 nine-month period versus 30.2 cents per share in the 1999 period.

Investing Activities

Investing activities used $3,523 during the 2000 nine-month period, compared with $762 in the 1999 period. Acquisitions accounted for the bulk of the change, requiring $2,745 in the 2000 period versus $52 in the 1999 period. In the 2000 first quarter Alcoa acquired Excel Extrusions, Inc. from Noranda Aluminum. In the second quarter, Alcoa acquired MCG from Wassall plc. as well as Cordant, the portion of Howmet not owned by Cordant, and Reynolds. Also in the second quarter, AofA acquired Eastern Aluminum Ltd. In the third quarter Alcoa acquired Baco Consumer Products, Ltd., Southern Plastics, Inc, and C-KOE Aluminum, Inc. while Aluminio acquired Itaipava.

During the 1999 period, Alcoa acquired the bright products business of Pechiney's Rhenalu rolling plant located near Toulouse, France, Reynolds' aluminum extrusion plant in Irurzun, Spain, and the remaining 50% of the A-CMI joint venture with Hayes Lemmerz International.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

As previously reported, in March 1999 two search warrants were executed by various federal and state agencies on the Alcoa Port Allen works of Discovery Aluminas, Inc.,(Discovery) a subsidiary, in Port Allen, Louisiana. Also in March, Discovery was served with a grand jury subpoena that required the production to a federal grand jury of certain company records relating to alleged environmental issues involving wastewater discharges and management of solid or hazardous wastes at the plant. In April 1999, the Port Allen plant manager was indicted for a single count of violating the Clean Water Act. In early October 2000 a plea agreement was executed between Discovery and the federal authorities. In addition, an agreement was reached between Discovery and state/local authorities to resolve this matter. Under these agreements together, Discovery will: (1) plead guilty to a one-count felony for violating the federal Clean Water Act and its state analog; (2) pay a $700,000 fine to the United States; (3) pay $50,000 in community restitution; and (4) pay $400,000 to the State of Louisiana. Discovery's plea is scheduled to be entered in federal court on October 30, 2000.

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

(a) Exhibits
- 12. Computation of Ratio of Earnings to Fixed Charges
- 15. Independent Accountants' letter regarding unaudited financial information
- 27. Financial Data Schedule

(b) Reports on Form 8-K. During the third quarter of 2000, Alcoa filed with the Securities and Exchange Commission (1) a Form 8-K/A on July 10, 2000, providing additional financial information concerning the merger between Alcoa and Reynolds, and 2) a Form 8-K, dated September 19, 2000, concerning anticipated 2000 third quarter and nine-month earnings.

SIGNATURES

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

Alcoa Inc.

October 20, 2000	By /s/ RICHARD B. KELSON
Date	Richard B. Kelson Executive Vice President and Chief Financial Officer (Principal Financial Officer)
October 20, 2000	By /s/ TIMOTHY S. MOCK
Date	Timothy S. Mock Vice President and Controller (Chief Accounting Officer)

EXHIBITS

Computation of Ratio of Earnings to Fixed Charges
For the nine months ended September 30, 2000
(in millions, except ratio)

	2000
Earnings:	
Income before taxes on income	$2,092
Minority interests' share of earnings of majority-owned subsidiaries without fixed charges	-
Equity income	(81)
Fixed charges	315
Proportionate share of income of 50%-owned persons	58
Distributed income of less than 50%-owned persons	8
Amortization of capitalized interest	12
Total earnings	$2,404
Fixed Charges:	
Interest expense:	
Consolidated	$ 287
Proportionate share of 50%-owned persons	2
	289
Amount representative of the interest factor in rents:	
Consolidated	25
Proportionate share of 50%-owned persons	1
	26
Fixed charges added to earnings	315
Interest capitalized:	
Consolidated	13
Proportionate share of 50%-owned persons	-
	13
Preferred stock dividend requirements of majority-owned subsidiaries	-
Total fixed charges	$ 328
Ratio of earnings to fixed charges	7

EXHIBIT 15

October 5, 2000

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

RE: Alcoa Inc.

1. Form 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. Form 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

Ladies and gentlemen:

We are aware that our report dated October 5, 2000, accompanying interim financial information of Alcoa Inc. and subsidiaries for the three-month and nine-month periods ended September 30, 1999 and 2000, is incorporated by reference in the registration statements referred to above. Pursuant to Rule 436 (c) under the Securities Act of 1933, this report should not be considered as part of a registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

9-MOS
DEC-31-2000
SEP-30-2000
284,000
90,000
3,224,000
71,000
2,785,000
7,307,000
22,304,000
9,424,000
30,735,000
7,132,000
5,730,000
0
56,000
925,000
10,013,000
30,735,000
16,398,000
16,537,000
12,346,000
12,346,000
865,000
0
287,000
2,092,000
711,000
1,381,000
0
0
0
1,100,000
1.37
1.36