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, 2001 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 October 19, 2001, 849,303,285 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) September 30 2001	December 31 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 472	$ 315
Short-term investments	12	56
Receivables from customers, less allowances of $90 in 2001 and $69 in 2000	2,905	3,461
Other receivables	300	354
Inventories (C)	2,847	2,703
Deferred income taxes	370	385
Prepaid expenses and other current assets	587	304
Total current assets	7,493	7,578
Properties, plants and equipment, at cost	22,165	22,600
Less: accumulated depreciation, depletion and amortization	10,150	9,750
Net properties, plants and equipment	12,015	12,850
Goodwill, net of accumulated amortization of $478 in 2001 and $344 in 2000	5,754	6,003
Other assets, including assets held for sale (H)	3,407	5,260
Total assets	$28,669	$31,691
LIABILITIES		
Current liabilities:		
Short-term borrowings	$ 87	$ 2,719
Accounts payable, trade	1,626	1,876
Accrued compensation and retirement costs	808	928
Taxes, including taxes on income	747	702
Other current liabilities	1,500	1,302
Long-term debt due within one year	216	427
Total current liabilities	4,984	7,954
Long-term debt, less amount due within one year (D)	6,114	4,987
Accrued postretirement benefits	2,532	2,719
Other noncurrent liabilities and deferred credits	2,176	2,126
Deferred income taxes	780	969
Total liabilities	16,586	18,755
MINORITY INTERESTS	1,265	1,514
CONTINGENT LIABILITIES (E)	-	-
SHAREHOLDERS' EQUITY		
Preferred stock	56	56
Common stock	925	925
Additional capital	6,116	5,927
Retained earnings	7,658	7,127
Treasury stock, at cost	(2,618)	(1,717)
Accumulated other comprehensive loss (F and J)	(1,319)	(896)
Total shareholders' equity	10,818	11,422
Total liabilities and equity	$28,669	$31,691

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	
	2001	2000	2001	2000 *
Sales	$ 5,511	$ 6,298	$ 17,678	$ 16,376
Cost of goods sold	4,228	4,798	13,548	12,328
Selling, general administrative and other expenses	273	314	922	813
Research and development expenses	47	47	151	134
Provision for depreciation, depletion and amortization	309	350	939	865
Special items (B)	-	-	212	-
Interest expense	85	141	293	287
Other expense (income), net	3	(46)	(196)	(139)
	4,945	5,604	15,869	14,288
Income before taxes on income	566	694	1,809	2,088
Provision for taxes on income	175	235	579	710
Income from operations	391	459	1,230	1,378
Less: Minority interests' share	52	91	180	281
Income before accounting change	339	368	1,050	1,097
Cumulative effect of accounting change for revenue recognition (J)	-	-	-	(5)
NET INCOME	$ 339	$ 368	$ 1,050	$ 1,092
EARNINGS PER SHARE (G)				
Basic	$ .40	$ .42	$ 1.22	$ 1.36
Diluted	$ .39	$ .42	$ 1.21	$ 1.35
Dividends paid per common share	$ .150	$ .125	$ .450	$ .375

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

*Restated, see Note J

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

	Nine months ended September 30	
	2001	2000 *
CASH FROM OPERATIONS		
Net income	$ 1,050	$ 1,092
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion and amortization	949	874
Change in deferred income taxes	(15)	42
Equity income, net of dividends	(43)	(57)
Noncash special items	196	-
Gains from investing activities - sale of assets	(91)	(7)
Minority interests	180	281
Accounting change	-	5
Other	(43)	14
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:		
Reduction (increase) in receivables	364	(118)
Increase in inventories	(217)	(17)
Increase in prepaid expenses and other current assets	(134)	(166)
Reduction in accounts payable and accrued expenses	(438)	(267)
Increase in taxes, including taxes on income	160	289
Net change in noncurrent assets and liabilities	(190)	(57)
CASH PROVIDED FROM OPERATIONS	1,728	1,908
FINANCING ACTIVITIES		
Net changes to short-term borrowings	(2,625)	1,856
Common stock issued for stock compensation plans	555	182
Repurchase of common stock	(1,338)	(730)
Dividends paid to shareholders	(390)	(310)
Dividends paid to minority interests	(245)	(192)
Net change in commercial paper	(144)	849
Additions to long-term debt	1,985	1,703
Payments on long-term debt	(803)	(1,689)
CASH (USED FOR) PROVIDED FROM FINANCING ACTIVITIES	(3,005)	1,669
INVESTING ACTIVITIES		
Capital expenditures	(813)	(740)
Acquisitions, net of cash acquired (I)	(126)	(2,745)
Proceeds from the sale of assets	2,485	22
Additions to investments	(87)	(37)
Changes in short-term investments	45	(14)
Other	(10)	(9)
CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	1,494	(3,523)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(60)	(7)
Net change in cash and cash equivalents	157	47
Cash and cash equivalents at beginning of year	315	237
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 472	$ 284

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

* Restated, see Note J

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 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, 2000.

B. Special Items and Other Charges- In the second quarter of 2001, Alcoa recorded a charge of $212 ($114 after tax and minority interest) 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 include 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.

Asset write-downs of $172 were recorded as a direct result of the company's decision to close certain operations, as well as the closing of MetalSpectrum, the online marketplace for specialty metals in which Alcoa had an investment. The asset write-downs, primarily consisting of structures, machinery and equipment, and associated selling costs, were based on management's estimates of salvage value and anticipated proceeds upon sale of certain of the affected assets. The remaining carrying amount of these long-term assets was approximately $10 at September 30, 2001. These assets were removed from service in October 2001 and will be sold or vacated by mid-2002. The results of operations related to these assets were not material.

Employee termination and severance costs of $32 were recorded as management implemented workforce reductions of approximately 3,100 employees at various manufacturing facilities-primarily located outside of the U.S.-due to weak market conditions, and approximately 320 additional employees as a direct result of the shutdowns mentioned above. These workforce reductions primarily consisted of a combination of early retirement incentives and involuntary severance programs. As of September 30, 2001, approximately $11 of the severance costs had been paid and 2,700 employees had been terminated.

The remaining $8 of the special items charge relates to exit cost activities associated with the shutdowns above, which will be substantially complete by mid-2002. As of September 30, 2001, approximately $5 of the exit costs had been paid.

In the third quarter of 2001, Alcoa recorded a charge of $21 (pre-tax) to cost of goods sold under a voluntary retirement incentive and severance program offered to and accepted by approximately 280 employees at one of its Northwestern U.S. smelters. Pursuant to an agreement for the sale of power at this facility, Alcoa has reflected a reimbursement from the power supplier of $21 for these employee-related costs. Severance payments related to this program began in October 2001.

C. Inventories

	September 30 2001	December 31 2000
Finished goods	$ 863	$ 814
Work in process	845	806
Bauxite and alumina	408	311
Purchased raw materials	557	562
Operating supplies	174	210
	$ 2,847	$ 2,703

Approximately 51% of total inventories at September 30, 2001, was valued on a LIFO basis. If valued on an average cost basis, total inventories would have been $651 and $658 higher at September 30, 2001, and December 31, 2000, respectively.

D. Long-Term Debt - On May 23, 2001, Alcoa issued $1,500 of callable notes. Of these notes, $1,000 mature in 10 years and carry a coupon rate of 6.50%, and $500 mature in 5 years and carry a coupon rate of 5.875%. The proceeds from these borrowings were used to refinance debt and for general corporate purposes.

In 2000, Alcoa entered into a $2,490 revolving-credit facility that expired in April 2001 and a $510 revolving credit-facility that expires in April 2005. In April 2001, these facilities were refinanced into a $2,000 revolving credit agreement that expires in April 2002 and a $1,000 revolving credit agreement that expires in April 2005.

E. 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 material adverse impact on the financial position of the company.

Alcoa Aluminio S.A. (Aluminio) is a participant in a hydroelectric construction project in Brazil and has guaranteed up to 36% of the project's total debt of approximately $300. As of September 30, 2001, all of the long-term financing for the project had been obtained. If other participants fail to meet obligations, Aluminio may be required to fund a portion of the deficiency and would be entitled to an increase in the output of the project. The project is scheduled to begin operating in February 2002.

F. Comprehensive Income

	Third quarter ended September 30		Nine months ended September 30	
	2001	2000	2001	2000*
Net income	$ 339	$ 368	$ 1,050	$1,092
Other comprehensive loss:				
Unrealized translation adjustments	(42)	(181)	(258)	(301)
Unrealized gains/(losses) on derivatives:				
Cumulative effect of accounting change	-	-	(4)	-
Net change from periodic revaluations	(69)	-	(183)	-
Net amount reclassified to income	32	-	22	-
Total unrealized gains/(losses) on derivatives	(37)	-	(165)	-
Comprehensive income	$ 260	$ 187	$ 627	$ 791

* Restated, see Note J

G. Earnings Per Share - The detail of basic and diluted EPS follows:

	Third quarter ended September 30		Nine months ended September 30	
	2001	2000	2001	2000*
Income before cumulative effect	$ 339	$ 368	$1,050	$1,097
Less: Preferred stock dividends	1	1	2	2
Income available to common stockholders before cumulative effect	338	367	1,048	1,095
Cumulative effect of accounting change	-	-	-	(5)
Income available to common stockholders after cumulative effect	$ 338	$ 367	$1,048	$1,090
Average shares outstanding - basic	856	866	861	799
Effect of dilutive securities:				
Shares issuable upon exercise of dilutive outstanding stock options	8	8	9	9
Average shares outstanding - diluted	864	874	870	808
Basic EPS (before cumulative effect)	$ .40	$ .42	$ 1.22	$ 1.37
Basic EPS (after cumulative effect)	$ .40	$ .42	$ 1.22	$ 1.36
Diluted EPS (before cumulative effect)	$ .39	$ .42	$ 1.21	$ 1.36
Diluted EPS (after cumulative effect)	$ .39	$ .42	$ 1.21	$ 1.35

* Restated, see Note J

Options to purchase 33 shares of common stock at an average exercise price of $40.00 were outstanding as of September 30, 2001, 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.

H. Acquisitions and Divestitures - In May of 2000, Alcoa completed a merger with Reynolds Metals Company (Reynolds) by issuing approximately 135 shares of Alcoa common stock. The transaction was valued at approximately $5,900, including debt assumed of $1,297. The goodwill of approximately $2,100 resulting from the purchase price allocation is being amortized over a 40-year period.

As part of the merger with Reynolds, Alcoa agreed to divest Reynolds' interests in the alumina refineries in Worsley, Australia; Stade, Germany; and Sherwin, Texas as well as 25% of Reynolds' interest in the aluminum smelter located in Longview, Washington. Under current accounting requirements, the fair values of the net assets to be divested were reported as assets held for sale in the balance sheet and the results of operations were not included in the statement of income. The sale of Sherwin was completed in December 2000; the sales of Worsley and 100% of Longview were completed in the first quarter of 2001; and the sale of Stade was completed in the second quarter of 2001.

In May and June of 2000, Alcoa completed the acquisitions of Cordant Technologies Inc. (Cordant) and Howmet International Inc., a majority owned company of Cordant. The transactions were valued at approximately $3,300, including debt assumed of $826. The goodwill of approximately $2,500 resulting from the above transactions is being amortized over a 40-year period.

The following unaudited pro forma information assumes that the acquisitions of Reynolds and Cordant had occurred at the beginning of 2000. Adjustments that have been made 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 transactions. Tax effects from the pro forma adjustments noted above also have been included at the 35% U.S. statutory rate.

	Nine months ended September 30, 2000
Sales	$19,180
Net Income	1,145
Basic EPS	$ 1.32
Diluted EPS	$ 1.31

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

Alcoa completed a number of other acquisitions in 2001 and 2000. None of these transactions had a material impact on Alcoa's financial statements.

On April 20, 2001, Alcoa sold Thiokol, a business acquired in the Cordant transaction, to Alliant Techsystems Inc. for $685 in cash and recognized a $38 pre-tax gain.

I. 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

J. Recently Adopted Accounting Standards - In 2000, Alcoa changed its method of accounting for revenue recognition in accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." Under the new accounting method, adopted retroactive to January 1, 2000, Alcoa recognizes revenue upon the passage of title, ownership and risk of loss to the customer. The cumulative effect adjustment of $43 in revenue ($5 in net income) as of January 1, 2000, was recognized during the first quarter of 2000. The nine months ended September 30, 2000, amounts have been restated for the effect of the change in accounting for revenue recognition. Amounts originally reported were as follows: Sales, $16,398; Income from operations, $1,381; Net income, $1,100; Earnings per share, basic $1.37 and diluted, $1.36.

Effective January 1, 2001, Alcoa adopted Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended. The fair values of all outstanding derivative instruments are now recorded on the balance sheet. The transition adjustment on January 1, 2001, resulted in a net charge of $4 (after tax and minority interest), which was recorded in other comprehensive income.

Derivatives are held as part of a formally documented risk management (hedging) program and are held for purposes other than trading. Alcoa measures hedge effectiveness by formally assessing, at least quarterly, the historical and probable future high correlation of changes in the fair value or expected future cash flows of the hedged item. The ineffective portions are recorded in other income or expense in the current period and are not material. If the hedging relationship ceases to be highly effective or it becomes probable that an expected transaction will no longer occur, gains or losses on the derivative are recorded in other income or expense (none in 2001).

Changes in the fair value of derivatives are recorded in current earnings if the derivative is designated as a fair value hedge or in other comprehensive income if the derivative is designated as a cash flow hedge.

Fair Value Hedges

Aluminum

Customers often require Alcoa to enter into long-term fixed-price commitments. These commitments expose Alcoa to the risk of fluctuating aluminum prices between the time the order is committed and the time that the order is shipped. Alcoa's commodity risk management policy is to hedge, through the use of futures and option contracts, the aluminum price risk for a portion of its firm commitments. These contracts cover exposures, generally within three years.

Interest Rates

Alcoa attempts to maintain a reasonable balance between fixed- and floating-rate debt and uses interest rate swaps to manage this balance. The company has entered into pay floating, receive fixed interest rate swaps to effectively convert the interest rate from fixed to floating on $2,250 of debt.

Hedges of these existing assets, liabilities and firm commitments qualify as "fair value" hedges. As a result, the fair values of derivatives and changes in the fair values of the underlying hedged items are reported in the balance sheet. Changes in the fair values of these derivatives and underlying hedged items generally offset and are recorded each period in sales or interest expense. There were no transactions that ceased to qualify as a fair value hedge in 2001.

Cash Flow Hedges

Currencies

Alcoa is subject to 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.

Commodities

Alcoa may elect to sell forward a portion of its anticipated primary aluminum and alumina production. In addition, Alcoa anticipates the continued requirement to purchase aluminum and other commodities such as natural gas, fuel oil and electricity for its operations. Alcoa enters into futures and options contracts to reduce volatility in the price of these commodities.

Interest Rates

In addition to fair value interest rate hedges, Alcoa has also entered into pay fixed, receive floating interest rate swaps to hedge the interest rate risk exposure of forecasted interest payments on $163 of variable rate debt.

For these cash flow hedge transactions, the fair values of the derivatives are recorded on the balance sheet. The effective portion of the changes in the fair values of these derivatives are recorded in other comprehensive income and are reclassified to sales, cost of goods sold or interest expense in the period in which earnings are impacted by the hedged items or in the period that the transaction no longer qualifies as a cash flow hedge (none in 2001). These contracts cover periods commensurate with known or expected exposures, generally within three years. Assuming market rates remain constant with the rates at September 30, 2001, $109 of the $165 loss included in other comprehensive income is expected to be recognized in earnings over the next twelve months.

K. Recently Issued Accounting Standards - In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." These standards require that all business combinations be accounted for using the purchase method and that goodwill and intangible assets with indefinite useful lives should not be amortized but should be tested for impairment at least annually, and they provide guidelines for new disclosure requirements. These standards outline the criteria for initial recognition and measurement of intangibles, assignment of assets and liabilities including goodwill to reporting units and goodwill impairment testing. Additionally, under the provisions of these standards, the unamortized balance of negative goodwill will be written off and recognized as a change in accounting principle. The provisions of SFAS Nos. 141 and 142 apply to all business combinations after June 30, 2001. The provisions of SFAS No. 142 for existing goodwill and other intangible assets are required to be implemented effective January 1, 2002. The company is currently evaluating the impact of SFAS No. 142 on the consolidated financial statements.

In June 2001, the 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. The standard is required to be adopted by Alcoa beginning on January 1, 2003. Management is currently assessing the details of the standard and is preparing a plan of implementation.

In August 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment and disposal of long-lived assets. This standard is required to be adopted by Alcoa beginning on January 1, 2002. Management is currently assessing the details of this standard and is preparing a plan of implementation.

L. Reclassifications - Certain amounts have been reclassified to conform to current year presentation.

M. Segment Information - The following details sales and after-tax operating income (ATOI) for each reportable segment for the three-month and nine-month periods ended September 30, 2001 and 2000. 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, 2000.

Segment Information:	Alumina & Chemicals	Primary Metals	Flat-Rolled Products	Engineered Products	Packaging & Consumer	Other	Total
Third quarter ended September 30, 2001							
Sales:							
Third-party sales	$ 454	$ 808	$ 1,219	$ 1,514	$ 671	$ 845	$ 5,511
Intersegment sales	246	839	20	9	-	-	1,114
Total sales	$ 700	$1,647	$ 1,239	$ 1,523	$ 671	$ 845	$ 6,625
After-tax operating income	$ 115	$ 216	$ 59	$ 62	$ 47	$ 4	$ 503
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
Nine months ended September 30, 2001							
Sales:							
Third-party sales	$1,491	$2,747	$ 3,817	$ 4,689	$2,018	$2,916	$17,678
Intersegment sales	804	2,593	51	26	-	-	3,474
Total sales	$2,295	$5,340	$ 3,868	$ 4,715	$2,018	$2,916	$21,152
After-tax operating income	$ 411	$ 774	$ 198	$ 162	$ 137	$ 99	$ 1,781
Nine months ended September 30, 2000 *							
Sales:							
Third-party sales	$1,584	$2,512	$ 4,159	$ 3,935	$1,358	$2,828	$16,376
Intersegment sales	818	2,618	71	46	-	-	3,553
Total sales	$2,402	$5,130	$ 4,230	$ 3,981	$1,358	$2,828	$19,929
After-tax operating income	$ 441	$ 706	$ 230	$ 164	$ 90	$ 115	$ 1,746

The following table reconciles segment information to consolidated totals.

	Third quarter ended September 30		Nine months ended September 30	
	2001	2000	2001	2000 *
Total after-tax operating income	$ 503	$ 609	$ 1,781	$ 1,746
Impact of intersegment profit eliminations	(14)	7	(18)	16
Unallocated amounts (net of tax):				
Interest income	10	4	30	30
Interest expense	(55)	(85)	(191)	(187)
Minority interests	(52)	(91)	(180)	(281)
Corporate expense	(45)	(66)	(177)	(173)
Special items	-	-	(148)	-
Other	(8)	(10)	(47)	(59)
Consolidated net income	$ 339	$ 368	$ 1,050	$ 1,092

* Restated, see Note J

The following table represents segment assets.

Segment assets:	September 30 2001	December 31 2000
Alumina and chemicals	$ 2,722	$ 2,924
Primary metals	7,238	7,700
Flat-rolled products	3,565	3,657
Engineered products	6,526	6,455
Packaging and consumer	2,579	2,457
Other	2,238	3,376
Total Segment Assets	$ 24,868	$ 26,569

The change in segment assets within the Other group is primarily due to the sale of Thiokol in April 2001.

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 September 30, 2001, and the unaudited condensed statement of consolidated income for the three-month and nine-month periods ended September 30, 2001 and 2000, and the unaudited condensed statement of consolidated cash flows for the nine-month periods ended September 30, 2001 and 2000, which are included in Alcoa's Form 10-Q for the period ended September 30, 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 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 interim 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, 2000, 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 8, 2001, except for Note U, for which the date is January 31, 2001, 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, 2000, 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 4, 2001

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
(dollars and shares 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 discussion of some of the specific factors that may cause such a difference, see Note E to the financial statements; the disclosures included below under Segment Information, Market Risks and Environmental Matters; and the Business section and Management's Discussion and Analysis in Alcoa's Form 10-K for the year ended December 31, 2000.

Results of Operations

Principal income and operating data follow.

	Third quarter ended September 30		Nine months ended September 30	
	2001	2000	2001	2000 *
Sales	$ 5,511	$ 6,298	$ 17,678	$ 16,376
Net income	339	368	1,050	1,092
Basic earnings per common share	$ .40	$ .42	$ 1.22	$ 1.36
Diluted earnings per common share	$ .39	$ .42	$ 1.21	$ 1.35
Shipments of aluminum products (mt)	1,212	1,419	3,824	3,913
Shipments of alumina (mt)	1,789	1,893	5,550	5,527
Alcoa's average realized ingot price	$ .71	$ .77	$ .74	$ .77
Average 3-month LME price	$ .64	$ .72	$ .68	$ .72

* Restated, see Note J to the financial statements

Earnings Summary

Alcoa reported quarterly earnings in the 2001 third quarter and 2001 nine-month period of $339 and $1,050, respectively, a decrease of 8% and 4%, when compared to the corresponding 2000 periods. For the quarter, lower prices and lower volumes due to weak end markets in the U.S. and Europe, as well as production cutbacks in refining and smelting were partly offset by continued cost-reduction efforts. Year-to-date 2001 earnings include special charges of $114 (after tax and minority interest). Excluding special charges, net income grew to $1,164 or 7% year-over-year as continued cost savings coupled with additional volumes due to acquisitions and gains on the sales of businesses and power outweighed unfavorable price variances and weak market conditions.

Third quarter 2001 sales decreased 13% versus the 2000 third quarter, while on a year-to-date basis sales rose 8% over the corresponding 2000 period. The quarter-over-quarter decrease resulted from lower shipment volumes due to continued weakness in the transportation, building and construction and industrial products markets, as well as lower realized metal and alumina prices. The year-over-year increase resulted from higher shipment volumes due to acquisitions as well as power sales, offset by lower realized metal and alumina prices and lower demand from the aforementioned markets.

Annualized return on shareholders' equity was 12.6% (13.6% excluding special items) for the 2001 nine-month period, compared with 17.0% for the 2000 period. The decrease was due to a larger average number of shares outstanding during the 2001 period primarily resulting from the Reynolds acquisition, the special items recorded in the 2001 second quarter and the earnings declines mentioned above.

Cost of goods sold as a percentage of sales in the 2001 third quarter and nine-month period was 76.7% and 76.6%, respectively, versus 76.2% and 75.3% in the corresponding 2000 periods. The higher percentage for the 2001 nine-month period was due to the relatively higher cost of sales ratios of the acquired

Reynolds and Cordant businesses as well as lower sales volumes in 2001, offset somewhat by cost-cutting efforts.

Selling and general administrative expenses (S&GA) were down $41 from the 2000 third quarter, while on a year-to-date basis, S&GA was up $109 from the 2000 nine-month period. The quarter-over-quarter decrease is due to lower employee benefit costs in 2001 as well as cost reductions. The year-over-year increase was due to Reynolds and Cordant costs which were not present in the entire corresponding 2000 period results. S&GA as a percentage of sales was 5.0% and 5.2% for the 2001 third quarter and nine-month period, respectively, versus 5.0% in each of the corresponding 2000 periods.

Research and development expenses increased $17 over the 2000 nine-month period, while remaining constant quarter-over-quarter. The increase in the 2001 year-to-date period is due to spending at Reynolds and Cordant that was not present in the entire corresponding 2000 period results, as well as the timing of project expenses.

In the second quarter of 2001, Alcoa recorded a charge of $212 ($114 after tax and minority interest) 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 include 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.

Interest expense was down $56 from the 2000 third quarter due to lower interest rates as well as lower average debt levels.

Other income decreased $49 in the 2001 third quarter and increased $57 in the 2001 nine-month period versus the comparable 2000 periods. Quarter-over-quarter results were negatively impacted by $24 in foreign currency exchange adjustments and $16 for cash surrender value on life insurance. The year-over-year increase was primarily due to $80 higher gains on asset sales as well as $18 increase in equity earnings, offset by a $22 reduction in cash surrender value on life insurance and $13 lower mark-to-market gains.

Income taxes have been provided at a rate of 30.9% for the 2001 third quarter and 32.0% for the 2001 nine-month period. These rates differ from the statutory rate of 35.0% and the effective rate of 34.0% for the 2000 periods due to taxes on foreign income, the sale of Thiokol and adjustments to prior year taxes.

Minority interests' share of income from operations decreased 43% from the 2000 third quarter and 36% from the 2000 nine-month period. These decreases were primarily due to lower income at Alcoa Fujikura Ltd. (AFL), Alcoa World Alumina and Chemicals (AWAC), and Aluminio, as well as the impact of special charges of $34 in the second quarter of 2001.

Segment Information

I. Alumina and Chemicals

	Third quarter ended September 30		Nine months ended September 30	
	2001	2000	2001	2000
Alumina production	2,984	3,509	9,572	10,481
Third-party alumina shipments	1,789	1,893	5,550	5,527
Third-party sales	$ 454	$ 529	$ 1,491	$ 1,584
Intersegment sales	246	294	804	818
Total sales	$ 700	$ 823	$ 2,295	$ 2,402
After-tax operating income	$ 115	$ 146	$ 411	$ 441

In the 2001 third quarter, this segment's third-party sales decreased 14% from the 2000 quarter due to 6% lower shipments and 11% lower realized prices. For the 2001 nine-month period, third-party revenues decreased 6% due mainly to lower prices. Intersegment sales in the 2001 third quarter decreased 16% over the 2000 third quarter primarily due to the curtailment of aluminum production at smelters in the northwestern U.S.

ATOI for this segment in the 2001 third quarter and nine-month period decreased 21% and 7%, respectively, from the corresponding 2000 periods. The decreases were due to lower volumes, resulting from curtailments at Point Comfort and Brazil and the shutdown of St. Croix, as well as lower prices, offset by cost reductions.

Alumina demand is anticipated to remain weak due to continued smelter curtailments and lower primary aluminum production. Pricing levels are projected to be lower in the near term based on recent LME price levels.

II. Primary Metals

	Third quarter ended September 30		Nine months ended September 30	
	2001	2000	2001	2000
Aluminum production	846	965	2,654	2,556
Third-party aluminum shipments	448	574	1,418	1,406
Third-party sales	$ 808	$ 1,049	$ 2,747	$ 2,512
Intersegment sales	839	936	2,593	2,618
Total sales	$ 1,647	$ 1,985	$ 5,340	$ 5,130
After-tax operating income	$ 216	$ 254	$ 774	$ 706

Total third-party sales for this segment decreased 23% in the 2001 third quarter and increased 9% in the 2001 nine-month period versus the corresponding 2000 periods. Lower shipments and lower prices contributed to the quarter-over-quarter decrease, partially offset by power sales. The increase in the year-over-year period was due to acquisitions as well as power sales, partially offset by lower shipments from existing facilities and lower prices. Alcoa's average realized third-party price for ingot declined 8% from the 2000 third quarter and 4% from the 2000 nine-month period.

Primary Metals 2001 third-quarter ATOI decreased 15%, while the year-to-date ATOI increased 10% from the 2000 period. The decrease from quarter-to-quarter was due to lower volumes and lower realized prices, partially offset by power sales and cost reductions. The increase from year-to-year was driven by acquisitions, which contributed approximately $60 for the nine-month period as compared to the prior year period, as well as power sales and cost reductions, partially offset by volume declines and lower prices. Power sales in the Pacific Northwest, net of power and other contractually required costs and the impact of lost aluminum sales, positively impacted the Primary Metals segment by approximately $35 in each of the first and second quarters of 2001, and approximately $14 in the third quarter of 2001.

The company entered into additional agreements to curtail production and sell power during the second quarter of 2001, which significantly reduce the realized price for power sales in the third and fourth quarters of 2001 to the extent that Alcoa can only be reimbursed for employee related costs at the curtailed facilities. The impact of the new agreements resulted in a reduction in ATOI from the second quarter to the third quarter of $21, with an additional decline of approximately $48 expected from the third quarter to the fourth quarter of 2001.

For the full year 2001, the impact of the power sales agreements, after considering the lost profits on aluminum sales and the costs of related curtailments in the Alumina and Chemicals segment, is not expected to be material.

Significant changes in the demand for primary aluminum are not anticipated. Downward price pressure is expected in the near term based on recent LME price levels.

III. Flat-Rolled Products

	Third quarter ended September 30		Nine months ended September 30	
	2001	2000	2001	2000
Third-party aluminum shipments	442	492	1,362	1,503
Third-party sales	$ 1,219	$ 1,361	$ 3,817	$ 4,159
Intersegment sales	20	29	51	71
Total sales	$ 1,239	$ 1,390	$ 3,868	$ 4,230
After-tax operating income	$ 59	$ 83	$ 198	$ 230

Third-party flat-rolled product sales decreased 10% in the 2001 third quarter and 8% in the 2001 nine-month period from the comparable 2000 periods. These decreases were driven by lower shipments of 10% quarter-over-quarter and 9% year-over-year due to continued weakness in the automotive, commercial transportation and distribution markets in North America and Europe.

ATOI for the Flat-Rolled Products segment fell $24 in the 2001 third quarter and $32 in the 2001 nine-month period from the corresponding 2000 periods due to lower volumes in North America and Europe which were partly offset by a more profitable product mix for sheet and plate in the U.S. as well as cost reductions.

Anticipated aerospace build rate reductions will impact this segment. Also, we expect seasonal decreases in demand in the beverage can business for the fourth quarter of 2001.

IV. Engineered Products

	Third quarter ended September 30		Nine months ended September 30	
	2001	2000	2001	2000
Third-party aluminum shipments	232	258	728	806
Third-party sales	$ 1,514	$ 1,586	$ 4,689	$ 3,935
Intersegment sales	9	18	26	46
Total sales	$ 1,523	$ 1,604	$ 4,715	$ 3,981
After-tax operating income	$ 62	$ 49	$ 162	$ 164

Engineered Products' third-party sales decreased 5% in the 2001 third quarter as increases in aerospace and industrial gas turbine sales were more than offset by decreases in automotive, commercial transportation and distribution volumes in North America. Third-party sales increased 19% in the 2001 nine-month period due to the acquisitions of Reynolds, Cordant and British Aluminium. Excluding these acquisitions, third-party sales decreased 12% year-to-year, reflecting the continuing weakness in the automotive, commercial transportation and distribution markets in North America and weakening market conditions in Europe.

ATOI for the segment increased $13 for the 2001 third quarter, while remaining relatively flat for the nine-month period. The quarterly increase is due to higher revenues at Howmet which were aided by strong aerospace and industrial gas turbine markets as well as increased profitability in Europe due to improved mix and conversion cost reductions, partially offset by lower volumes in North America. For the nine-month period, ATOI remained relatively flat as volume declines were offset by the impact of acquisitions.

Anticipated aerospace market declines will affect the demand for extrusions and engine spare parts. We expect automotive business slowdowns which will also impact the results of this segment.

V. Packaging and Consumer

	Third quarter ended September 30		Nine months ended September 30	
	2001	2000	2001	2000
Third-party aluminum shipments	33	37	116	71
Third-party sales	$ 671	$ 631	$ 2,018	$ 1,358
After-tax operating income	$ 47	$ 38	$ 137	$ 90

Third-party sales for this segment for the 2001 third quarter and nine-month period were up 6% and 49%, respectively, compared to the corresponding 2000 periods. These increases were due primarily to the acquisitions of Reynolds and several smaller businesses. Excluding these acquisitions, third-party sales rose $8 versus the 2000 quarter and $38 versus the 2000 nine-month period, primarily due to increased closures sales.

For this segment, ATOI rose $9 in the 2001 third quarter and $47 in the 2001 year-to-date period from the comparable 2000 periods. These increases were due to the acquisitions noted above, which contributed $4 to the quarter-over-quarter and $18 to the year-over-year ATOI, an increase in closure sales noted earlier, and increased profitability in Latin America.

In the fourth quarter of 2001, we expect seasonal increases to be experienced in the packaging and consumer business along with some seasonal slowdown in the closures business.

VI. Other

	Third quarter ended September 30		Nine months ended September 30	
	2001	2000	2001	2000 *
Third-party aluminum shipments	57	58	200	127
Third-party sales	$ 845	$ 1,142	$ 2,916	$ 2,828
After-tax operating income	$ 4	$ 39	$ 99	$ 115

* Restated, see Note J to the financial statements

Third-party sales for this group decreased 26% quarter-over-quarter and increased 3% year-over-year. The quarter-over-quarter decrease was due to the sale of Thiokol in the second quarter of 2001, as well as lower volumes and prices in the automotive, telecommunications and distribution businesses, somewhat offset by improved residential building product volumes. On a year-over-year basis, the increase in sales is attributed to the acquisitions of Reynolds' metal distribution business (RASCO) as well as several smaller acquisitions, and improved sales of residential building products, offset by volume and pricing declines within the distribution, telecommunications and automotive markets.

ATOI for this group was down $35 and $16 in the 2001 third quarter and year-to-date periods. Impacting the third quarter ATOI were lower earnings from AFL due to weak automotive and telecommunications markets, the sale of Thiokol in the second quarter of 2001, as well as the sale of Alcoa's interest in a Latin American cable business that positively impacted the third quarter of 2000, partially offset by increased volume of residential building products. ATOI declined year-over-year as a result of decreased volume at AFL, which was partially offset by gains from the sales of Thiokol, Alcoa Proppants, Inc. and Alcoa's interest in a Latin American cable business as well as improved sales of building products.

We expect continued reductions in telecommunications and automotive industries which will unfavorably impact this group. Seasonal slowdown in residential construction is anticipated, directly affecting our residential building products division in the fourth quarter of 2001.

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; and other, which includes the impact of LIFO inventory accounting, differences between estimated tax rates used in

the segments and the corporate effective tax rate, and other non-operating items such as foreign exchange.

Interest expense decreased $30 in the third quarter of 2001 versus 2000 due to lower interest rates and lower average debt levels. Minority interests decreased $39 quarter-over-quarter and $101 year-over-year primarily due to lower income at AFL, AWAC and Aluminio, as well as special charges of $34 recorded in the second quarter of 2001. Corporate expense decreased $21 in the third quarter of 2001 versus 2000 primarily due to a decrease in employee benefit costs. Special items of $148 (after-tax, before minority interests) were recorded in the 2001 nine-month period.

Market Risks

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 enter into long-term fixed-price commitments. These commitments expose Alcoa to the risk of fluctuating aluminum prices between the time the order is committed and the time that the order is shipped.

Alcoa's aluminum commodity risk management policy is to hedge, through the use of futures and options contracts, the aluminum price risk for a portion of its firm commitments.

Past accounting convention required that certain long positions be marked to market, which resulted in a year-to-date, after-tax credit to earnings of $2 at September 30, 2000. As a result of the change in accounting under SFAS No. 133, these contracts were re-designated as qualified fair value hedges on January 1, 2001. At September 30, 2001, contracts qualifying as fair value hedges totaled approximately 778,000 tons with a fair value loss of approximately $96.

Alcoa may sell forward a portion of its forecasted primary aluminum and alumina production. In addition, Alcoa expects the continued requirement to purchase aluminum and other commodities such as natural gas, fuel oil and electricity for its operations. Alcoa enters into futures and options contracts to reduce volatility in the price of these commodities. At September 30, 2001, the fair value of the contracts recorded in other comprehensive income for these hedges was a loss of approximately $32 (net of tax and minority interest). These contracts cover periods commensurate with known or expected exposures, generally within three years.

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

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. At September 30, 2001, the fair value of the contracts recorded in other comprehensive income for these hedges was a loss of approximately $131 (net of tax and minority interest).

Interest Rates - Alcoa attempts to maintain a reasonable balance between fixed- and floating-rate debt and uses interest rate swaps to keep financing costs as low as possible. The company has entered into pay fixed, receive floating interest rate swaps to hedge the interest rate risk exposure of forecasted interest payments on its outstanding debt. At September 30, 2001,

the fair value of the contracts recorded in other comprehensive income for these hedges was a loss of approximately $2 (net of tax and minority interest). In addition, the company has entered into pay floating, receive fixed interest rate swaps to hedge changes in the fair value of certain fixed-rate debt obligations.

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 selects. SRMC reports to the Board of Directors on the scope of its derivative activities.

Environmental Matters

Alcoa participates in environmental assessments and cleanups at a number of locations. These include 31 owned or operating facilities and adjoining properties, approximately 28 previously owned or operating facilities and adjoining properties and approximately 91 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. Since 1989, Alcoa has been conducting investigations and studies of the Grasse River, adjacent to Alcoa's Massena, New York plant site under order from the U.S. Environmental Protection Agency (EPA) issued under 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).

Alcoa continues to perform studies and investigations on the river, including ongoing pilot tests of sediment capping techniques and other remediation technologies. Alcoa submitted a draft Analysis of Alternatives report in December 1999 and, based on additional evaluations and information required by the EPA, a revised report is being prepared and is currently expected to be submitted by January 2002. Based on the 1999 report, the range of costs associated with the potential courses of remedial action is between zero and $53. Currently, no one of the alternatives is more likely to be selected than any other. During meetings through September 2001 the EPA has indicated to Alcoa that it believes additional remedial alternatives need to be included in the revised Analysis of Alternatives. Such additional remedies involve removal of more sediment than was included in the 1999 Analysis of Alternatives report. The cost of such potential additional remedial alternatives cannot be estimated at this time. The results of the pilot tests and the revised Analysis of Alternatives should provide additional information for the selection and approval of the appropriate remedial alternative.

Portions of the St. Lawrence River system adjacent to the former Reynolds plant are also contaminated with PCB. Since 1989, Reynolds had been conducting investigations and studies of the river system under order from the EPA issued under Superfund. The dredging remedy for the St. Lawrence River has commenced and is expected to be substantially concluded by the end of 2001 and has been included in the reserve.

Alcoa is aware of natural resource damage claims that may be asserted by certain federal, state and tribal natural resource trustees at these locations.

PT. COMFORT/LAVACA BAY. Since 1990, as previously reported, Alcoa has undertaken investigations and evaluations concerning alleged releases of mercury from its Pt. 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. The EPA is now evaluating the site and is expected to select a final remedy by the end of 2001. The probable and estimable costs are fully reserved.

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. Under a September 1995 consent order, Alcoa 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 clean up. This amount has been fully reserved.

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, 2001, was $454 (of which $75 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 2001 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 for the 2001 year-to-date period totaled $1,728, compared with $1,908 in the 2000 period. The decrease of $180, or 9%, resulted primarily from lower earnings and changes in noncurrent assets and liabilities, primarily due to a decrease in accrued postretirement benefits.

Financing Activities

Financing activities used $3,005 of cash in the 2001 year-to-date period, compared with $1,669 provided for in the 2000 period. The increase in cash used was primarily due to debt repayments, net of refinancings, in the 2001 year-to-date period that were funded by the proceeds from the sales of operations to be divested from the Reynolds merger and the sale of Thiokol. Short-term borrowings and commercial paper decreased by $2,625 and $144, respectively, in the 2001 period, compared with increases of $1,856 and $849 in the 2000 period, respectively.

The increase in cash used was also due to the repurchase of common stock, $1,338 in the 2001 nine-month period versus $730 in the 2000 period. Alcoa's stock repurchase authorization of 50 shares currently has 40.7 shares remaining.

Dividends paid to shareholders were $390 in the 2001 year-to-date period, an increase of $80 over the 2000 period. The increase was due to a higher number of shares outstanding as well as an increase in Alcoa's total dividend, which was 45 cents in the 2001 period compared with 37.5 cents in the 2000 period.

Investing Activities

Investing activities provided $1,494 during the 2001 year-to-date period, compared with cash used of $3,523 in the 2000 period. The increase of $5,017 is partly due to dispositions of assets to be divested from the Reynolds merger as well as proceeds from the sale of Thiokol, which accounted for $2,404 of the change in the 2001 period. Additionally, cash paid for acquisitions in the 2001 year-to-date period was $126, while in the 2000 year-to-date period,

cash paid for acquisitions was $2,745, primarily attributable to the acquisition of Cordant.

Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." These standards require that all business combinations be accounted for using the purchase method and that goodwill and intangible assets with indefinite useful lives should not be amortized but should be tested for impairment at least annually, and they provide guidelines for new disclosure requirements. These standards outline the criteria for initial recognition and measurement of intangibles, assignment of assets and liabilities including goodwill to reporting units and goodwill impairment testing. Additionally, under the provisions of these standards, the unamortized balance of negative goodwill will be written off and recognized as a change in accounting principle. The provisions of SFAS Nos. 141 and 142 apply to all business combinations after June 30, 2001. The provisions of SFAS No. 142 for existing goodwill and other intangible assets are required to be implemented effective January 1, 2002. The company is currently evaluating the impact of SFAS No. 142 on the consolidated financial statements.

In June 2001, the 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. The standard is required to be adopted by Alcoa beginning on January 1, 2003. Management is currently assessing the details of the standard and is preparing a plan of implementation.

In August 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment and disposal of long-lived assets. This standard is required to be adopted by Alcoa beginning on January 1, 2002. Management is currently assessing the details of this standard and is preparing a plan of implementation.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

As previously reported, on October 15, 1999, Victoria Shaev, who represents that she is an Alcoa shareholder, filed a purported derivative action on behalf of the company in the United States District Court for the Southern District of New York, naming as defendants the company, each member of Alcoa's Board of Directors, certain officers of the company and PricewaterhouseCoopers LLP, Alcoa's independent accountants. The shareholder did not make a demand on the company before filing this lawsuit. Under relevant law, this demand is required. The lawsuit alleged, among other things, that Alcoa's proxy statement dated March 8, 1999, contained materially false and misleading representations and omissions concerning the company's proposed Alcoa Stock Incentive Plan and that the shareholder approval of the plan, based upon these alleged representations and omissions, was defective. The plaintiff sought to invalidate the shareholder approval of the plan and enjoin its implementation. She also requested that Alcoa pay the costs and disbursements of the action, including the fees of her accountants, counsel and experts. On March 19, 2001, the court granted without prejudice the defendants' motion to dismiss the plaintiff's claims. On May 31, 2001, Ms. Shaev served an amended complaint making the same allegations as in the previous complaint but styling the complaint as a class action on behalf of shareholders. The company served a motion to dismiss on June 25, 2001. The issues have been briefed and argued. The parties are awaiting the court's decision.

As previously reported, in October 1998, Region V of the EPA referred various alleged environmental violations at Alcoa's Lafayette Operations to the civil division of the U.S Department of Justice (DOJ). The alleged violations relate to water permit exceedances as reported on monthly discharge monitoring reports. The parties have been able to reach settlement on this matter and are in the process of finalizing the terms and conditions of the settlement agreement. A consent decree is currently being circulated and it is anticipated this matter will be concluded in the next 60 days.

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

(b) Reports on Form 8-K. During the third quarter of 2001, Alcoa filed with the Securities and Exchange Commission a Form 8-K, dated August 21, 2001, reporting under Item 5 that Alcoa and BHP Billiton had announced that agreement had been reached regarding the merger of their North American metals distribution businesses.

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 23, 2001	By /s/ RICHARD B. KELSON
Date	Richard B. Kelson Executive Vice President and Chief Financial Officer Chief Compliance Officer (Principal Financial Officer)
October 23, 2001	By /s/ TIMOTHY S. MOCK
Date	Timothy S. Mock Vice President and Controller (Chief Accounting Officer)

EXHIBITS

12. Computation of Ratio of Earnings to Fixed Charges
15. Independent Accountants' letter regarding unaudited financial information

Computation of Ratio of Earnings to Fixed Charges
For the nine months ended September 30, 2001
(in millions, except ratio)

	2001
Earnings:	
Income before taxes on income	$1,809
Minority interests' share of earnings of majority-owned subsidiaries without fixed charges	-
Equity income	(100)
Fixed charges	331
Distributed income of less than 50%-owned persons	22
Amortization of capitalized interest	10
Total earnings	$2,072
Fixed Charges:	
Interest expense:	
Consolidated	$ 293
Proportionate share of 50%-owned persons	5
	298
Amount representative of the interest factor in rents:	
Consolidated	32
Proportionate share of 50%-owned persons	1
	33
Fixed charges added to earnings	331
Interest capitalized:	
Consolidated	16
Proportionate share of 50%-owned persons	-
	16
Preferred stock dividend requirements of majority-owned subsidiaries	-
Total fixed charges	$ 347
Ratio of earnings to fixed charges	6.0

EXHIBIT 15

October 23, 2001

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

3. Form S-3 (Registration No. 333-59044) Debt Securities, Warrants to Purchase Debt Securities, Preferred Stock and Common Stock 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 October 4, 2001, on our review of interim financial information of Alcoa Inc. and subsidiaries for the three-month and nine-month periods ended September 30, 2001, 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