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, 1997   Commission File Number 1-3610

ALUMINUM COMPANY OF AMERICA

(Exact name of registrant as specified in its charter)

PENNSYLVANIA   25-0317820

(State of incorporation)   (I.R.S. Employer Identification No.)

425 Sixth Avenue - Alcoa Building, Pittsburgh, Pennsylvania 15219-1850

(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 28, 1997, 172,471,001 shares of common stock, par value $1.00, of the Registrant were outstanding.

A07-15818

PART I - FINANCIAL INFORMATION

Alcoa and subsidiaries
Condensed Consolidated Balance Sheet
(in millions)

	(unaudited) September 30, 1997	December 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents (includes cash of $131.7 in 1997 and $93.4 in 1996)	$ 1,069.8	$ 598.1
Short-term investments	81.2	18.5
Accounts receivable from customers, less allowances: 1997-$44.4; 1996-$48.4	1,813.6	1,674.7
Other receivables	122.1	154.2
Inventories (b)	1,297.1	1,461.4
Deferred income taxes	159.1	159.9
Prepaid expenses and other current assets	239.9	214.4
Total current assets	4,782.8	4,281.2
Properties, plants and equipment, at cost	15,542.2	15,729.9
Less, accumulated depreciation, depletion and		

amortization	8,731.7	8,652.4
Net properties, plants and equipment	6,810.5	7,077.5
Other assets	2,010.8	2,091.2
Total assets	$13,604.1	$13,449.9
LIABILITIES		
Current liabilities:		
Short-term borrowings	$ 370.8	$ 206.5
Accounts payable, trade	838.4	799.2
Accrued compensation and retirement costs	419.5	404.3
Taxes, including taxes on income	475.1	407.9
Other current liabilities	346.4	377.0
Long-term debt due within one year	175.8	178.5
Total current liabilities	2,626.0	2,373.4
Long-term debt, less amount due within one year	1,549.9	1,689.8
Accrued postretirement benefits	1,769.1	1,791.2
Other noncurrent liabilities and deferred credits	1,307.8	1,205.5
Deferred income taxes	295.3	317.1
Total liabilities	7,548.1	7,377.0
MINORITY INTERESTS	1,459.4	1,610.5
SHAREHOLDERS' EQUITY		
Preferred stock	55.8	55.8
Common stock	178.9	178.9
Additional capital	578.8	591.9
Translation adjustment	(265.1)	(93.1)
Retained earnings	4,506.5	4,082.6
Net unrealized gains - securities available for sale	-	23.4
Unfunded pension obligation	(7.2)	(5.8)
Treasury stock, at cost	(451.1)	(371.3)
Total shareholders' equity	4,596.6	4,462.4
Total liabilities and shareholders' equity	$13,604.1	$13,449.9

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	
	1997	1996	1997	1996
REVENUES				
Sales and operating revenues	$3,357.5	$3,240.6	$10,020.6	$9,803.3
Other income	46.9	18.0	125.9	36.6
	3,404.4	3,258.6	10,146.5	9,839.9
COSTS AND EXPENSES				
Cost of goods sold and operating expenses	2,533.8	2,517.4	7,624.9	7,440.2
Selling, general administrative and other expenses	161.4	181.6	480.9	533.0
Research and development expenses	33.8	36.0	104.1	113.9
Provision for depreciation, depletion and amortization	185.8	181.1	549.5	554.9
Interest expense	35.5	37.4	106.2	103.1
Taxes other than payroll and severance taxes	30.9	31.7	98.6	98.3
Special items (income)/loss (c)	(18.0)	115.1	(22.6)	180.5
	2,963.2	3,100.3	8,941.6	9,023.9

EARNINGS				
Income before taxes on income	441.2	158.3	1,204.9	816.0
Provision for taxes on income (d)	154.8	53.6	421.7	277.4
Income from operations	286.4	104.7	783.2	538.6
Less: Minority interests' share	(58.3)	(36.3)	(188.4)	(159.8)
NET INCOME	$ 228.1	$ 68.4	$ 594.8	$ 378.8
Earnings per common share (e)	$ 1.32	$ .39	$ 3.43	$ 2.16
Dividends paid per common share	$ .25	$ .3325	$ .725	$ .9975

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	
	1997	1996
CASH FROM OPERATIONS		
Net income	$ 594.8	$ 378.8
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion and amortization	561.5	566.8
Change in deferred income taxes	15.6	95.2
Equity (income) losses before additional taxes, net of dividends	(26.6)	1.6
Provision for special items	(22.6)	180.5
Book value of asset disposals	28.8	30.6
Minority interests	188.4	159.8
Other	(12.1)	(23.3)
(Increase) reduction in receivables	(156.1)	47.4
Reduction in inventories	99.4	3.5
Increase in prepaid expenses and other current assets	(34.2)	(15.1)
Reduction in accounts payable and accrued expenses	(3.9)	(304.5)
Increase in taxes, including taxes on income	95.2	15.1
Cash received on long-term alumina supply contract	240.0	-
Reduction in deferred hedging gains	(126.8)	(165.9)
Net change in noncurrent assets and liabilities	(70.1)	(98.4)
CASH FROM OPERATIONS	1,371.3	872.1
FINANCING ACTIVITIES		
Net changes in short-term borrowings	164.8	34.6
Common stock issued and treasury stock sold	199.7	36.7
Repurchase of common stock	(292.5)	(257.7)
Dividends paid to shareholders	(127.2)	(178.0)
Dividends paid and return of capital to minority interests	(290.5)	(145.2)
Additions to long-term debt	435.9	456.1
Payments on long-term debt	(555.9)	(489.5)
CASH USED FOR FINANCING ACTIVITIES	(465.7)	(543.0)
INVESTING ACTIVITIES		
Capital expenditures	(618.6)	(631.1)
Acquisition of subsidiaries, net of cash acquired	-	(171.5)
Proceeds from the sale of assets	193.2	82.8
Additions to investments	(.7)	(58.1)
Sale of investments	60.2	-
Net change in short-term investments	(62.9)	(31.1)
Changes in minority interests	14.0	(25.3)
Loan repayment from WMC	-	121.8
Other - payments	(8.6)	(9.2)
CASH USED FOR INVESTING ACTIVITIES	(423.4)	(721.7)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(10.5)	6.0

CHANGES IN CASH

Net change in cash and cash equivalents	471.7	(386.6)
Cash and cash equivalents at beginning of year	598.1	1,055.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$1,069.8	$ 669.0

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

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

Notes:

(a) Summarized consolidated financial data for Alcoa Aluminio S.A. (Aluminio) and Alcoa of Australia Limited (AofA) begin on page 17.

(b) Inventories consisted of:

	September 30 1997	December 31 1996
Finished goods	$ 358.2	$ 403.1
Work in process	388.8	421.1
Bauxite and alumina	247.4	283.1
Purchased raw materials	199.4	235.5
Operating supplies	103.3	118.6
	$1,297.1	$1,461.4

Approximately 56% of total inventories at September 30, 1997 were valued on a LIFO basis. If valued on an average cost basis, total inventories would have been $787.1 and $753.7 higher at September 30, 1997 and December 31, 1996, respectively.

(c) The 1997 third quarter included a gain of $18.0 ($12.3 after-tax) related to special items. The sale of equity securities generated a gain of $38.0 ($24.7 after-tax) which was partially offset by a $20.0 ($12.4 after-tax) charge to increase environmental reserves. Special items in the 1997 nine-month period include an additional $4.6 (a $1.1 loss after-tax) related to asset sales, increases to environmental reserves and impairments. The 1996 third quarter special charge of $115.1 ($65.5 after-tax) was related primarily to incentives paid to employees who voluntarily left the company and for permanent layoff costs. In the 1996 second quarter, an additional $65.4 ($40.0 after-tax) was recorded for the closing of Alcoa Electronic Packaging (AEP). Most of this charge was related to asset writedowns.

(d) The income tax provision for the period is based on the effective tax rate expected to be applicable for the full year. Lower taxes on foreign income were offset by higher taxes on asset sales, resulting in a 35% effective tax rate for 1997.

(e) The following formula is used to compute primary earnings per common share (EPS):

$$EPS = \frac{\text{Net income - preferred dividend requirements}}{\text{Weighted average number of common shares outstanding for the period}}$$

The average number of shares used to compute primary earnings per common share was 173,123,905 in 1997 and 174,737,995 in 1996. Fully diluted earnings per common share are not stated since the dilution is not material.

(f) On July 29, 1997, Alcoa and SEPI, the Spanish State Entity for Industrial Participation, jointly announced that they had signed an agreement under which Alcoa will acquire the main sectors of the aluminum business of Inespal, S.A. of Madrid. Alcoa will pay approximately $410 for substantially all of Inespal's businesses. Inespal is an integrated aluminum producer with 1996 revenues of $1.1 billion. The acquisition includes an alumina refinery, three aluminum smelters, three aluminum rolling facilities, two extrusion plants, an administrative center and related sales offices in Europe. The acquisition, subject to government approval, is expected to be completed by late 1997 or in early 1998.

(g) On April 21, 1997, Alcoa announced that it had signed a Letter of Intent with Reynolds Metals Company to acquire Reynolds' rolling mill in Muscle Shoals, Alabama, two nearby can reclamation plants and a coil coating facility in Sheffield, Alabama. The transaction is subject to regulatory approval and other closing conditions, and is expected to be completed in late 1997 or in early 1998. Upon closing, the companies expect to enter a long-term agreement under which Alcoa would become a major supplier of can sheet to Reynolds or its successor if Reynolds Can Division is sold, leased or transferred.

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, 1996.

The financial data required in this Form 10-Q by Rule 10-01 of Regulation S-X has been reviewed by Coopers & Lybrand L.L.P., the company's independent accountants, as described in their report on page 8.

Independent Accountant's Review Report

To the Shareholders and Board of Directors
Aluminum Company of America (Alcoa)

We have reviewed the unaudited condensed consolidated balance sheet of Alcoa and subsidiaries as of September 30, 1997, the unaudited condensed statements of consolidated income for the three-month and nine-month periods ended September 30, 1997 and 1996, and condensed consolidated cash flows for the nine-month periods ended September 30, 1997 and 1996, which are included in Alcoa's Form 10-Q for the period ended September 30, 1997. These financial statements are the responsibility of Alcoa's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Alcoa and subsidiaries as of December 31, 1996, and the related statements of consolidated income, shareholders' equity, and consolidated cash flows for the year then ended (not presented herein). In our report dated January 8, 1997, 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, 1996 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ COOPERS & LYBRAND L.L.P.

COOPERS & LYBRAND L.L.P.

Pittsburgh, Pennsylvania
October 6, 1997

Management's Discussion and Analysis of the
Results of Operations and Financial Condition
(dollars in millions, except share amounts)

Results of Operations

Principal income and operating data follow.

	Third quarter ended September 30		Nine months ended September 30	
	1997	1996	1997	1996
Sales and operating revenues	$3,357.5	$3,240.6	$10,020.6	$9,803.3
Net income	228.1	68.4	594.8	378.8
Earnings per common share	1.32	.39	3.43	2.16
Shipments of aluminum products (1)	742	717	2,222	2,094
Shipments of alumina (1)	1,866	1,575	5,415	4,736

(1) in thousands of metric tons (mt)

Overview

Alcoa earned $228.1, or $1.32 per share, for the third quarter of 1997, compared with $68.4, or 39 cents per share in the 1996 quarter. The 1997 three-month period included a special net after-tax gain of $12.3 ($18.0 pre-tax) related to the sale of equity securities which was partially offset by charges to increase environmental reserves. The 1996 third quarter was negatively affected by a special after-tax charge of $65.5 ($115.1 pre-tax) related to layoff provisions and equipment writedowns.

Earnings for the 1997 nine-month period totaled $594.8 or $3.43 per share, compared with $378.8, or $2.16 per share, in the 1996 year-to-date period. Special items for the 1997 nine-month period, in addition to the third quarter items mentioned above, included a charge of $1.1 (a $4.6 gain pre-tax) related to asset sales, increases to environmental reserves and impairments that was recorded in the 1997 first quarter. Year-to-date 1996 special items include an additional charge of $40.0 ($65.4 pre-tax) taken in the 1996 second quarter related to the shutdown of Alcoa's ceramic packaging operations.

Alcoa of Australia Limited's (AofA) pre-tax income from operations for the 1997 third quarter increased 3.5% from the year-ago quarter; year-to-date, AofA's pre-tax income was unchanged relative to 1996. Results for 1997 have been driven by an increase in alumina volumes that has been offset by lower alumina, chemicals and ingot prices.

In Brazil, Alcoa Aluminio's (Aluminio) third quarter 1997 pre-tax profit from operations was $20.3, an increase of $38.7 from the 1996 third quarter. Year-to-date, pre-tax profit reached $65.4, compared with $20.2 in the 1996 period. Revenues in both 1997 periods increased slightly when compared with the 1996 third quarter and nine-month periods. The increases in pre-tax earnings are primarily due to higher volumes and lower costs related to packaging operations, along with higher ingot prices. The functional currency used at Aluminio is the U.S. dollar, the determination of which is based on the appropriate economic and management indicators and is not dependent on Brazil's status as a hyper-inflationary economy.

Alcoa's operations, divided into three segments, follow:

1. Alumina and Chemicals Segment

	Third quarter ended September 30		Nine months ended September 30	
	1997	1996	1997	1996

Alumina and chemicals revenues	$ 487	$ 488	$ 1,481	$ 1,454
Alumina shipments (000 mt)	1,866	1,575	5,415	4,736

Total revenues for the Alumina and Chemicals segment were $487 in the 1997 third quarter, nearly even with those from the comparable 1996 quarter. Year-to-date, revenues were $1,481, up 2% from the 1996 period.

Alumina shipments for the 1997 third quarter were up 18% compared with the 1996 period while prices fell 7%, resulting in an increase in revenues. In the year-to-date period, revenues were up 5% on the strength of a 14% increase in shipments. Chemicals revenues fell 4% from the 1996 year-to-date period primarily due to a decline in price.

The entities jointly owned by Alcoa and WMC Limited of Australia (WMC), known as Alcoa World Alumina and Chemicals (AWAC), produced 2,663 mt of alumina during the 1997 third quarter, an increase of 164 mt from the comparable 1996 period. Of the 1997 third quarter amount, 1,866 mt was shipped to third-party customers.

On October 20, 1997, AWAC announced that it had begun preparations to restart its St. Croix alumina refinery. The refinery has a rated operating capacity of 600,000 mt and startup is expected to take ten to fifteen weeks.

2. Aluminum Processing Segment

	Third quarter ended September 30		Nine months ended September 30	
Product classes	1997	1996	1997	1996
Revenues				
Flat-rolled products	$ 1,035	$ 936	$ 2,983	$ 2,953
Engineered products	619	569	1,863	1,707
Aluminum ingot	367	374	1,126	1,078
Other aluminum products	71	83	220	245
Total	$ 2,092	$ 1,962	$ 6,192	$ 5,983
Shipments (000 mt)				
Flat-rolled products	360	324	1,058	1,009
Engineered products	140	134	426	368
Aluminum ingot	221	240	678	664
Other aluminum products	21	19	60	53
Total	742	717	2,222	2,094

Flat-rolled products - The majority of revenues and shipments for flat-rolled products are derived from rigid container sheet (RCS), which is used to produce aluminum beverage can bodies and can ends. Shipments of RCS in the 1997 third quarter were up 15% from the 1996 quarter, resulting in a 12% increase in revenues. However, year-to-date, RCS revenues fell 4% as prices were 5% below 1997 levels and volume was flat. RCS volumes for the 1997 nine-month period were negatively affected by the 1996 sale of AofA's Rolled Product Division, which resulted in a 29,500 mt loss in shipments when comparing 1997 results with the 1996 nine-month period.

Domestic sheet and plate shipments continued to climb in the 1997 third quarter, increasing 14% from the 1996 quarter and 13% over the 1996 year-to-date period. Revenues grew by 19% and 14%, respectively, for the quarter and year-to-date periods. Prices increased 4% over those in the 1996 third quarter, but were stable when comparing the year-to-date periods.

Engineered products - These products include extrusions used in the transportation and construction markets, forged aluminum wheels and wire, rod and bar. Year-to-date, revenues from the sale of engineered products increased 9% from 1996 levels. Higher shipments of extrusions, particularly in Europe, along with higher shipments of forged wheels were the primary factors behind the increase.

Revenues for extruded products were higher by 5% and 13% from the 1996 third quarter and nine-month periods. Prices fell 3% and 9% over the same periods, while shipments were up 9% and 24%, respectively. Soft alloy extruded product results were negatively affected by weak European pricing and maintenance shutdowns in the U.S. during the 1997 third quarter.

Revenues from the sale of forged wheels increased 35% and 17%, respectively, from the 1996 quarter and nine-month periods. Shipments drove the increases, rising 37% and 19% over the same periods, while prices were slightly lower.

Aluminum ingot - Revenues for this product were down 2% when compared with the 1996 third quarter as a 7% increase in prices was offset by an 8% decline in shipments. Year-to-date, revenues increased 5% as prices rose 2%. Alcoa's average realized ingot price for the 1997 nine-month period was 75.38 cents per pound. Ingot pricing continues to be relatively flat in 1997 as evidenced by the London Metal Exchange (LME) three-month price which, as of the end of the third quarter, was comparable to its average level for the first nine months of 1997.

Other aluminum products - Revenues from sales of other aluminum products for the 1997 quarter and year-to-date periods were 14% and 10% lower than those in the respective 1996 periods. The declines were primarily due to the sale of Alcoa's Richmond, Indiana aluminum closure facility in the 1997 second quarter and the continued decline of aluminum closure prices.

3. Non-aluminum Segment

Revenues for the non-aluminum segment were $779 in the 1997 third quarter, unchanged on a percentage basis when compared with the 1996 quarter. Year-to-date, this segment had revenues of $2,348, compared with $2,366 in 1996. The flat performance of this segment is due to higher revenues at Alcoa Fujikura Ltd. (AFL), where sales have increased 19% on a year-to-date basis, offset by the dispositions of under-performing businesses in the 1997 first and second quarters.

Cost of Goods Sold

Cost of goods sold increased $16, or 1%, from the 1996 third quarter. Year-to-date, the increase was $185, or 2%. The increases reflect higher volumes in aluminum, alumina and at AFL. These increases were nearly offset by improved cost performance, as was the case in the 1997 second quarter. Cost of goods sold as a percentage of revenues was 76.1%, compared with 75.9% in the 1996 year-to-date period. The slightly higher ratio is due to lower prices offset by higher volumes and improved performance.

Other Income & Expenses

Other income totaled $47 in the 1997 third quarter, an increase of $29 from the 1996 period. Year-to-date, other income increased by $89 to $126. The increases are primarily due to recording gains in both 1997 periods related to marking-to-market aluminum commodity contracts versus losses in both 1996 periods. Partially offsetting these gains were increased losses related to foreign exchange.

Selling, general and administrative expenses decreased $20 and $52 from the year-ago quarter and nine-month periods. Lower spending and the sale of under-performing businesses were the primary drivers of the decreases.

Interest expense was up $3 from the 1996 nine-month period, primarily due to higher borrowings by Aluminio, AofA and Alcoa Italia.

The income tax provision for the period is based on the effective tax rate expected to be applicable for the full year. Lower taxes on foreign income were offset by higher taxes on asset sales, resulting in a 35% effective tax rate for 1997.

Minority interests' share of income from operations for the 1997 nine-month period rose to $188 from $160 in the comparable 1996 period. The increase is due to higher earnings at Aluminio and AFL.

Commodity Risks

Alcoa is a leading global producer of aluminum ingot and aluminum fabricated products. Aluminum ingot is an internationally priced, sourced and traded commodity. The principal trading market for ingot is the LME. Alcoa participates in this market by buying and selling forward portions of its aluminum requirements and output.

In the normal course of business, Alcoa enters into long-term contracts with a number of its customers. At December 31, 1996, such contracts totaled approximately 2,369,000 mt. Alcoa may enter into similar arrangements in the future.

As a hedge against the risk of higher prices for anticipated metal purchases to fulfill long-term customer contracts, Alcoa entered into long positions, principally using futures and options. At September 30, 1997 and December 31, 1996, these contracts totaled approximately 935,000 mt and 872,000 mt, respectively. Alcoa follows a fairly stable pattern of purchasing metal; therefore, it is highly likely that the anticipated metal requirements will be met.

The futures and options contracts limit the unfavorable effect of price increases on metal purchases and likewise limit the favorable effect from price declines. The contracts are with creditworthy counterparties and are further supported by cash, treasury bills or irrevocable letters of credit issued by carefully chosen banks.

For financial accounting purposes, the gains and losses on the hedging contracts are reflected in earnings concurrent with the hedged costs. The cash flows from these contracts are classified in a manner consistent with the underlying nature of the transactions.

Alcoa intends to close out the hedging positions at the time it purchases the metal from third parties, thus creating the right economic match both in time and price. The deferred gains on the hedging contracts of $128 at September 30, 1997 are expected to offset the increase in the price of the purchased metal.

The expiration dates of the call options and the delivery dates of the futures contracts do 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 will 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, as was the case in 1996, if metal prices fall below the price of contracts being rolled forward.

In addition, Alcoa had 168,000 mt and 205,000 mt of LME contracts outstanding at September 30, 1997 and December 31, 1996, 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 an after-tax gain of $2.6 for the quarter ended September 30, 1997 and an after-tax loss of $16.0 for the quarter ended September 30, 1996.

Alcoa also purchases certain other commodities, such as 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 used to manage transactional exposure to changes in currency exchange rates. The forward contracts principally cover firm commitments. Options are generally used to hedge anticipated transactions.

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. 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). It is composed of the chief executive officer, the president, the chief financial officer and other officers and employees as the chief executive officer may select from time to time. The SRMC reports to the Board of Directors at each of its scheduled meetings on the scope of its derivatives activities.

Environmental Matters
Alcoa continues to participate in environmental assessments and cleanups at a number of locations, including operating facilities and their adjoining property; at previously owned or operated facilities; and at Superfund and other waste sites. Alcoa records a liability for environmental remediation costs and/or damages when a cleanup program or liability becomes probable and the costs/damages can be reasonably estimated.

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

For example, there are certain matters, including several related to alleged natural resource damage or alleged off-site contaminated sediments, where investigations are ongoing. It is not possible to determine the outcomes or to estimate with any degree of certainty the ranges of potential costs for these matters.

Alcoa's remediation reserve balance at the end of the 1997 third quarter was $262 and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. Approximately half of the reserve relates to Alcoa's Massena, New York and Pt. Comfort, Texas plant sites. Remediation expenditures charged to the reserve during the 1997 third quarter were $17. They include expenditures currently mandated as well as those not required by any regulatory authority or third party.

Included in ongoing operating expenses are the recurring costs of managing hazardous substances and pollution. Alcoa estimates that these costs will be about 2% of cost of goods sold in 1997.

Liquidity and Capital Resources

Cash from Operations

Cash from operations during the 1997 nine-month period was $1,371, $499 higher than in the 1996 period. A $240 cash receipt on a long-term alumina supply contract, lower working capital requirements and higher earnings in the 1997 period generated the increase.

Financing Activities
Financing activities used $466 of cash during the first nine months of 1997. This included $293 to repurchase 3,851,135 shares of the company's common stock. Stock purchases were offset by $200 of treasury stock issued primarily for employee benefit plans. Dividends paid to shareholders were $127 in the 1997 nine-month period, a decrease of $51 over the 1996 period. The decrease was due to Alcoa's bonus dividend program, which paid out 10.75 cents in addition to the base dividend in each quarter of 1996. In March 1997 Alcoa raised its quarterly base dividend from 22.5 to 25 cents per share, an 11% increase.

Dividends paid and return of capital to minority interests totaled $291 as AWAC and AofA returned funds to their investors during the 1997 second quarter. Payments on long-term debt during the first nine months of 1997 exceeded additions by $120. Debt as a percentage of invested capital was 20.4% at the end of the 1997 third quarter, a 1.4 percentage point decrease over the 21.8% recorded at year-end 1996.

Investing Activities
Investing activities used $423 during the 1997 nine-month period, compared with $722 in the 1996 period. Capital expenditures totaled $619, while $193 was received from the sale of Alcoa's Caradco, Arctek, Alcoa Composites, Norcold, Dayton Technologies and Richmond, Indiana facilities. In the 1996 period, Alcoa used

$171.5 to purchase the operating assets of Alumix in Italy and also received $121.8 from WMC which was originally loaned in January 1995.

Accounting Rule Change

Two new accounting rules, FAS 130 - Reporting Comprehensive Income and FAS 131 - Disclosures about Segments of an Enterprise and Related Information, were issued in June 1997. The implementation of FAS 130 will require that the components of comprehensive income be reported in the financial statements. The implementation of FAS 131 will require the disclosure of segment information utilizing the approach that the company uses to manage its internal organization. The company is currently assessing the impact that the new standards will have on its financial statements. Implementation of both of these new standards is required for calendar year 1998.

A new accounting rule, FAS 128 - Earnings per Share (EPS), was issued in February 1997. The implementation will require the disclosure of basic (currently referred to as primary) and diluted (currently referred to as fully diluted) EPS. The calculation of basic EPS under the new rule will not change from the current calculation of primary EPS. The calculation of diluted EPS under the new rule will not be materially different from the current calculation of fully diluted EPS, which is available in Exhibit-11 of this document. Implementation of this new standard will begin as of December 31, 1997.

Summarized unaudited consolidated financial data for Aluminio, a Brazilian subsidiary effectively owned 59% by Alcoa, follow.

	September 30 1997	December 31 1996
Cash and short-term investments	$ 261.7	$ 269.1
Other current assets	420.4	441.2
Properties, plants and equipment, net	873.6	897.5
Other assets	205.6	235.0
Total assets	1,761.3	1,842.8
Current liabilities	349.5	404.0
Long-term debt	409.3	492.5
Other liabilities	65.1	62.1
Total liabilities	823.9	958.6
Net assets	$ 937.4	$ 884.2

	Third quarter ended September 30		Nine months ended September 30	
	1997	1996	1997	1996
Revenues (1)	$ 306.8	$ 302.4	$ 911.3	$ 893.4
Costs and expenses	(286.1)	(321.1)	(845.4)	(874.2)
Translation and exchange adjustments	(0.4)	0.3	(0.5)	1.0
Income tax (expense)/benefit	(4.1)	6.9	(13.1)	5.7
Net income/(loss)	$ 16.2	$ (11.5)	$ 52.3	$ 25.9

Alcoa's share of net income/loss	$ 9.6	$ (6.8)	$ 30.9	$ 15.3

(1) Revenues from Alcoa and its subsidiaries, the terms of which were established by negotiations between the parties, follow.

Third quarter ended September 30: 1997 - $ 9.2, 1996 - $ 6.1
Nine months ended September 30: 1997 - $14.1, 1996 - $12.4

Summarized unaudited consolidated financial data for AofA, an Australian subsidiary, 60% owned by Alcoa, follow.

	September 30 1997	December 31 1996
Cash and short-term investments	$ 18.8	$ 13.9
Other current assets	454.6	522.4
Properties, plants and equipment, net	1,511.2	1,695.4
Other assets	95.7	108.6
Total assets	2,080.3	2,340.3
Current liabilities	298.2	341.9
Long-term debt	294.5	131.0
Other liabilities	399.9	435.7
Total liabilities	992.6	908.6
Net assets	$ 1,087.7	$ 1,431.7

	Third quarter ended September 30		Nine months ended September 30	
	1997	1996	1997	1996
Revenues (1)	$ 495.7	$ 469.6	$1,491.9	$1,479.1
Costs and expenses	(383.2)	(360.9)	(1,130.9)	(1,121.7)
Income tax expense	(40.6)	(40.4)	(130.2)	(127.5)
Net income	$ 71.9	$ 68.3	$ 230.8	$ 229.9
Alcoa's share of net income	$ 43.1	$ 41.0	$ 138.5	$ 137.9

(1) Revenues from Alcoa and its subsidiaries, the terms of which were established by negotiations between the parties, follow.

Third quarter ended September 30: 1997 - $22.7, 1996 - $ 9.7
Nine months ended September 30: 1997 - $50.3, 1996 - $41.2

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

As previously reported, on December 20, 1996 JMB Realty Corporation (JMB) filed a complaint for declaratory relief and damages against Alcoa and two subsidiaries, Alcoa Properties, Inc. and Alcoa Securities Corporation, in the Circuit Court of Cook County, Illinois. JMB claims that it is entitled to a rebate of approximately $71 million, plus annual interest, beginning December 1996 arising from a 1986 stock transaction in which a subsidiary of JMB purchased the outstanding stock of substantially all of the real estate holding subsidiaries of Alcoa Properties, Inc. JMB also is seeking an order canceling three promissory notes that it made and delivered to Alcoa Securities Corporation. JMB owes Alcoa Securities Corporation approximately $53 million on the notes, which matured on December 31, 1996. The Illinois case is in discovery. In January 1997, Alcoa Securities Corporation filed suit against JMB in the Superior Court of Chittenden County, Vermont seeking to collect the approximately $53 million that JMB owes Alcoa Securities Corporation. The Vermont case was dismissed at the trial court level, for lack of jurisdiction, on September 24, 1997. Alcoa Securities Corporation is reviewing its options for continuing collection efforts on the notes.

The New York State Department of Environmental Conservation, in a letter dated October 10, 1997, notified the Company that the Company's Massena, New York facility allegedly is in violation of certain air pollution control requirements. The allegations include operation of certain emission sources without permits, non-compliance with permitting and control standards for sulfur dioxide, carbon monoxide and carbonyl sulfide and violation of requirements related to the deposition of fluoride on vegetation. The Company has commenced an investigation into the allegations.

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

(a) Exhibits

11. Computation of Earnings per Common Share
12. Computation of Ratio of Earnings to Fixed Charges
15. Independent Accountants' letter regarding unaudited financial information
27. Financial Data Schedule

(b) No reports on Form 8-K were filed by Alcoa during the quarter covered by this report.

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.

ALUMINUM COMPANY OF AMERICA

October 29, 1997	By /s/ RICHARD B. KELSON
Date	Richard B. Kelson
	Executive Vice President and
	Chief Financial Officer
	(Principal Financial Officer)

October 29, 1997	By /s/ EARNEST J. EDWARDS
Date	Earnest J. Edwards
	Senior Vice President and Controller
	(Chief Accounting Officer)

EXHIBITS

EXHIBIT 11

Computation of Earnings per Common Share
For the nine months ended September 30
(in millions, except share amounts)

	1997	1996
1. Income applicable to common stock*	$593.2	$377.2
2. Weighted average number of common shares outstanding during the period	173,123,905	174,737,995
3. Primary earnings per common share (1 divided by 2)	$3.43	$2.16
4. Fully diluted earnings (1)	$593.2	$377.2
5. Shares issuable under compensation plans	32,668	37,664
6. Shares issuable upon exercise of dilutive outstanding stock options (treasury stock method)	2,315,611	1,229,336
7. Fully diluted shares (2 + 5 + 6)	175,472,184	176,004,995
8. Fully diluted earnings per common share (4 divided by 7)	$3.38	$2.14

* After preferred dividend requirement

Computation of Ratio of Earnings to Fixed Charges
For the nine months ended September 30, 1997
(in millions, except ratio)

	1997
Earnings:	
Income before taxes on income	$ 1,204.9
Minority interests' share of earnings of majority-owned subsidiaries without fixed charges	2.7
Equity income	(29.7)
Fixed charges	136.1
Proportionate share of income (loss) of 50%-owned persons	25.3
Distributed income of less than 50%-owned persons	-
Amortization of capitalized interest	15.7
Total earnings	$ 1,355.0
Fixed Charges:	
Interest expense:	
Consolidated	$ 106.2
Proportionate share of 50%-owned persons	2.7
	108.9
Amount representative of the interest factor in rents:	
Consolidated	26.9
Proportionate share of 50%-owned persons	.3
	27.2
Fixed charges added to earnings	136.1
Interest capitalized:	
Consolidated	5.7
Proportionate share of 50%-owned persons	-
	5.7
Preferred stock dividend requirements of majority-owned subsidiaries	-
Total fixed charges	$ 141.8
Ratio of earnings to fixed charges	9.6

EXHIBIT 15

October 6, 1997

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

RE: Aluminum Company of America

1. Form S-8 (Registration Nos.33-24846 and 333-00033)
   Alcoa Savings Plan for Salaried Employees; Alcoa
   Fujikura Ltd. Salaried 401(k) Savings Plan

2. Form S-8 (Registration Nos.33-22346, 33-49109,
   33-60305 and 333-27903)
   Long Term Stock Incentive Plan

3. Form S-3 (Registration No. 33-49997) and
   Form S-3 (Registration No. 33-60045) and
   Form S-3 (Registration No. 33-64353)
   Debt Securities and Warrants to Purchase Debt Securities,
   Preferred Stock and Common Stock

Ladies and gentlemen:

We are aware that our report dated October 6, 1997, accompanying interim financial information of Aluminum Company of America (Alcoa) and subsidiaries for the three-month and nine-month periods ended September 30, 1997, 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/ COOPERS & LYBRAND L.L.P.

COOPERS & LYBRAND L.L.P.

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9-MOS
DEC-31-1996
SEP-30-1997
1,069,800
81,200
1,813,600
44,400
1,297,100
4,782,800
15,542,200
8,731,700
13,604,100
2,626,000
1,725,700
0
55,800
178,900
4,361,900
13,604,100
10,020,600
10,146,500
7,624,900
7,624,900
549,500
0
106,200
1,204,900
421,700
594,800
0
0
0
594,800
3.43
3.38