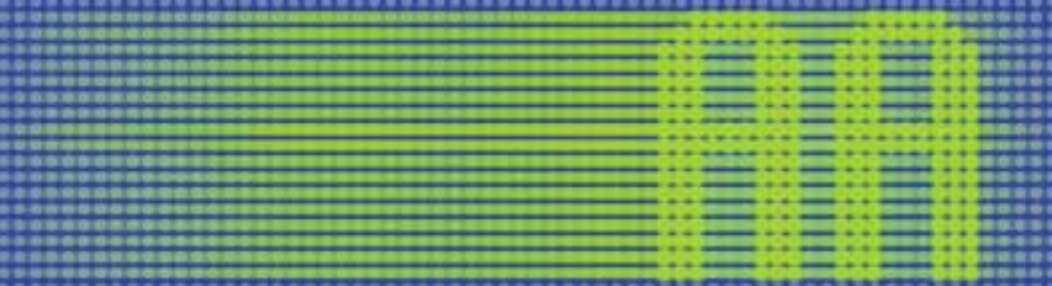
ALCOA

1999 Annual Report

To Alcoa Shareholders:

Alcoa begins the 21st century with an unprecedented show of strength. In 1999 we posted record revenues, earnings, and growth and topped the Dow's 30 companies by a wide margin with a total return for shareholders of 126%... (continued on page 2)



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Alcoa at a Glance

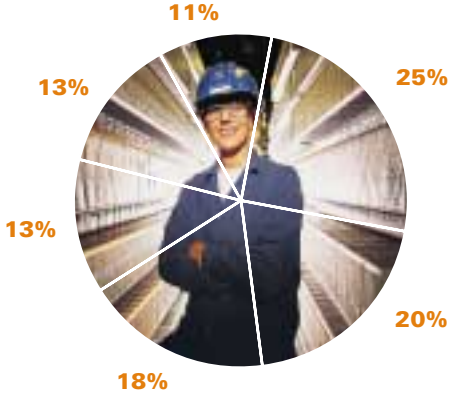
- World's leading producer of primary aluminum, fabricated aluminum, and alumina.
- Active in all major segments of the industry: mining, refining, smelting, fabricating, and recycling.
- Providing customers in the packaging, automotive, aerospace, construction and other markets with a variety of fabricated and finished products.
- Nonaluminum businesses include packaging machinery, vinyl siding, plastic bottles and closures, and electrical distribution systems for cars and trucks.
- Vital statistics: 25 business units, 107,700 employees, 228 operating locations in 32 countries, $16.3 billion in revenues.
- The Alcoa Production System is our worldwide standard in manufacturing. Its basic premises: produce for use, not for inventory; eliminate waste; and recognize that people are the linchpin of the system.
- Values. Alcoa's values begin with integrity, respect for our people, their safety and health, and for the environment within which we live and work. We are committed to maintaining our values wherever we operate around the world, and to striving for excellence in everything we do.

Financial and Operating Highlights

(dollars in millions, except share amounts)

	1999	1998	% change
Sales	$16,323	$15,340	6
Income from operations	1,296	1,091	19
Net income	1,054	853	24
Per common share:			
Basic earnings	2.87	2.44	18
Diluted earnings	2.82	2.42	17
Dividends paid	.805	.75	7
Book value	17.03	16.36	4
Total assets	17,066	17,463	(2)
Capital expenditures	920	932	(1)
Cash flow from operations	2,236	2,197	2
Return on average shareholders' equity	17.2%	16.3%	6
Debt as a percent of invested capital	28%	32%	(13)
Interest coverage ratio	8.3	7.4	12
Current assets/liabilities ratio	1.6 to 1	1.5 to 1	–
Price/earnings (P/E) ratio	29.4	15.4	91
Shipments of aluminum products (000 metric tons)	4,478	3,951	13
Number of shareholders	185,000	119,000	55
Average common shares outstanding (000)	366,944	349,114	5
Number of employees	107,700	103,500	4

1999 Revenues: $16.3 Billion



BY MARKET

25% Transportation

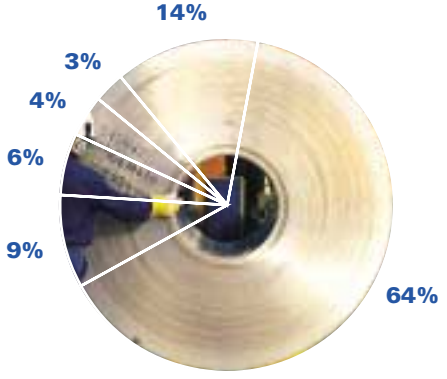
20% Packaging

18% Distribution and Other

13% Aluminum Ingot

13% Building and Construction

11% Alumina and Chemicals



BY COUNTRY

64% U.S.

9% Australia

6% Spain

4% Brazil

3% Germany

14% Other

To Alcoa Shareholders:

Alain Belda, President and Chief Executive Officer *(right)* with Paul O'Neill, Chairman of the Board

continued from cover

Revenues rose to a new high of $16.3 billion, and earnings exceeded $1 billion for the first time in our history. Earnings per share increased by 17% to $2.82. The annual rate of return for Alcoa shareholders has averaged 33% over the past five years.

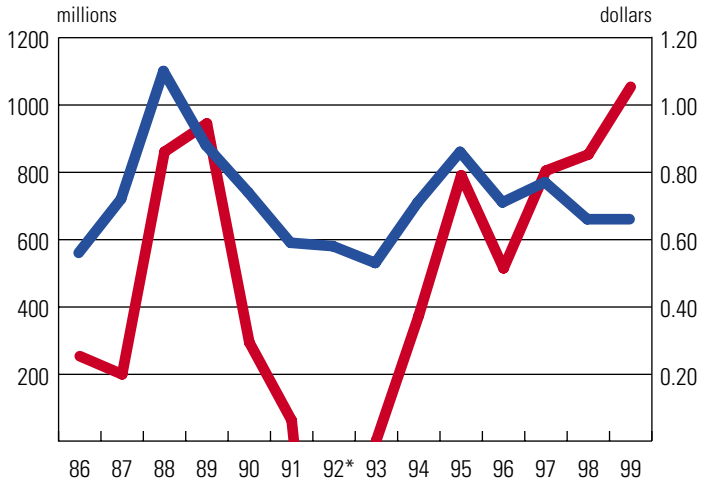
These are extraordinary results not only for Alcoa and for this year but for most industrial companies and for any aluminum company, ever. Still, it's important to realize: **Our 1999 performance is a milestone, not a destination.** It simply represents where we are now and holds some indication of what we can do and where we can go.

Looking back, these results are the fruits of determined, highly focused efforts over a period of years by a great many Alcoa people, led by a management team committed to a high level of performance measured in profitable growth and in living our values. **Looking ahead, we can survey the global challenges before us from a raised platform** – a larger, more versatile operating base capable of integrating

Statistical Snapshot 1999 Compared with 1998

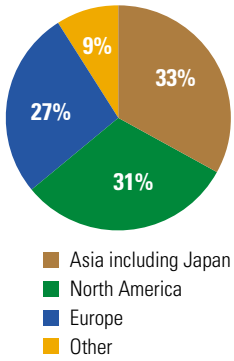
Revenues	6%
Income from Operations	19%
Earnings	24%
Safety Improvement	50%
Market Cap total value of Alcoa shares outstanding	126%
-13% Debt as a % of invested capital	

Ingot Prices No Longer Dictate Net Income



*1992 includes a net loss of $1.2 billion reflecting the impact of changes in accounting rules for postretirement benefits and income taxes.

World Aluminum Consumption by Region



Source: 1998 Bureau of Metal Statistics

systems, services, and technologies across all business unit lines and national boundaries.

Our strategies are based on the premise that profitable growth is the indispensable fuel for sustained business success, and that such growth begins with customers who share our objectives and to whom we can provide a whole-solution resource.

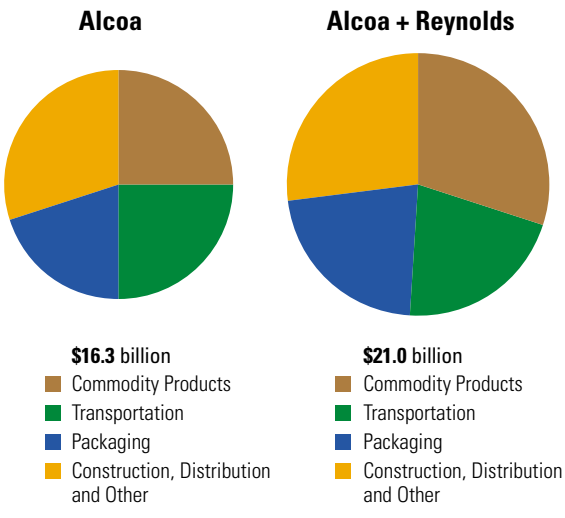
As we integrate the key acquisitions made over the past few years and extend our reach globally, it is clear that **Alcoa has now established a base for profitable growth on a global scale.** In keeping with our new view of the company and its global position, in 1999 we changed our name from Aluminum Company of America to Alcoa Inc.

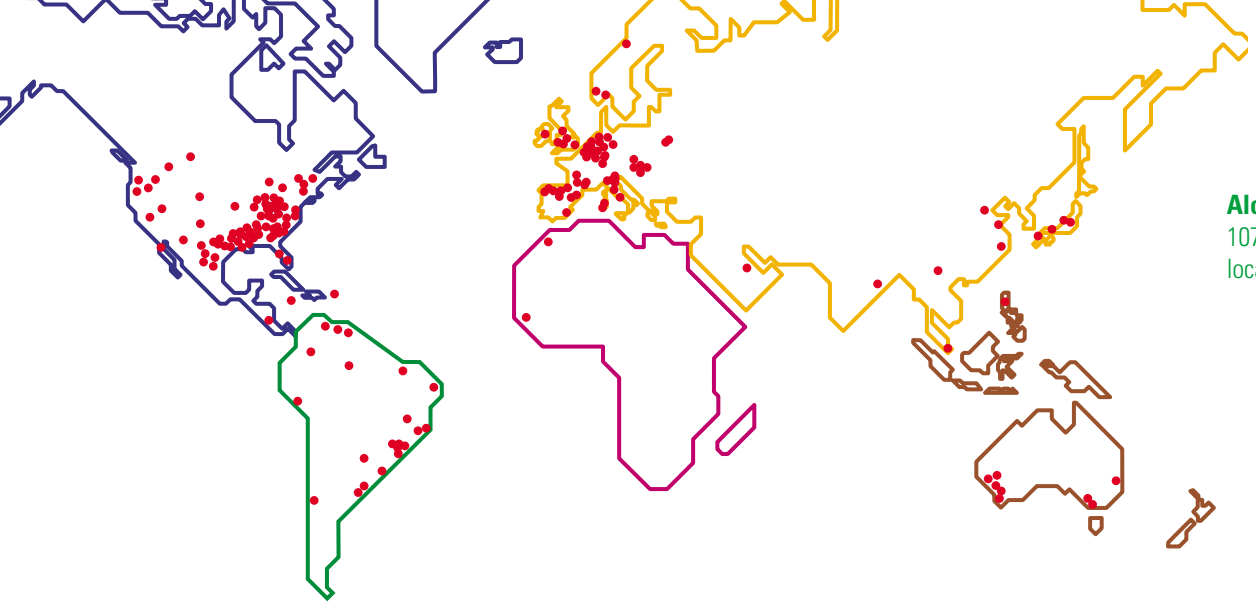
1999 Acquisitions

Our major acquisition news in 1999 was the announcement of an agreement to acquire Reynolds Metals. This will add almost $5 billion in revenues, 100 facilities in 24 countries, and 19,000 new Alcoans to our family. Also in 1999, we continued the integration of two significant acquisitions from 1998: Inespal in Spain, and Alumax, which together added $4 billion to our revenues and brought 19,000 people, a refinery, eight smelters, six rolling mills, and 15 extrusion plants into the Alcoa system. These new Alcoans and facilities have significantly contributed to our performance in 1999. **Best-practice sharing of technology and operating methods has enriched both the old and the new Alcoa.**

Not all of our growth activities in 1999 were on so large a scale. In April we acquired the Castelsarrasin facility from Pechiney. This is a specialized bright rolling mill in France. We also acquired the Irurzun extrusion plant in Spain from Reynolds. In July we purchased the other 50% of A-CMI, a joint venture with Hayes Lemmerz that produces cast automotive structural parts in the U.S. and Norway. In October we acquired the San Antonio, Texas rolling operations of ACX, a Coors facility, to support Alcoa

1999 Revenues





Alcoa's global reach in 1999:
107,700 people at 228 operating locations in 32 countries.

Foil Products and Mill Products. We have purchased the Excel extrusion facility in Warren, Ohio from Noranda Aluminum, to strengthen our extrusion construction products group. Finally, we initiated discussions with several different companies in Asia with an eye to accelerating our growth in that region. Greater Alcoa participation in Asia is a key goal in 2000.

In July we completed the expansion of the Wagerup, Australia refinery – on time and on budget – adding 440,000 metric tons per year to our world alumina system.

Growth, Integration and Learning

This ongoing stream of acquisitions and their subsequent performance have demonstrated that we now have a globally transportable management system, capable of integrating new operations swiftly, almost seamlessly, and of implementing our vision, values, and business system wherever we grow.

They have also underscored the fact that we have the humility to learn from talented people and successful technologies within these acquired operations – to absorb new ideas, new ways of doing things and of going to market.

We are keenly aware of the potential leverage inherent in taking the best of this acquired talent and knowledge and applying it across the entire network of Alcoa's operations. This is something that our organizational systems are expressly designed to do.

The Alcoa Business System

Over the past few years, we have amassed considerable experience in taking a system integration approach to the use of management tools, production process controls, quality systems, technology, and human resource development. We have synthesized this knowledge in what we call **the Alcoa Business System (ABS) – a clear set of profitable growth objectives, along with the means of deployment and of management to achieve them.**

Part of ABS is APS – the Alcoa Production System – a disciplined methodology to eliminate waste and empower the tremendous talents of our people to raise productivity beyond what was once thought possible.

For the customer, APS is a system to provide exactly

Hernando's Turnaround

	1997	1998	1999
Delivery performance	76.7%	84.0%	93.0%
Recovery on shipments	70.2%	72.9%	75.3%
Lost workday injuries	6	0	0

Roy Powell of the APS Team at Alcoa's Hernando, Miss. extrusion plant explains the value stream established for Press #74. With Roy is David Patrick, APS manager for the business unit.

what is needed, when it's needed, at the lowest cost – a key to making Alcoa the supplier of choice in almost any market.

In 1999, we compiled our first full year of applying ABS consistently across our global network and extending it into the operations of recently acquired companies. **The results speak for themselves, including annualized cost reductions of $728 million –** part of a $1.1 billion initiative that we will complete this year. This is a good beginning, but we can see a great deal of additional potential as the system continues to roll out.

Related to these efficiencies, we have been working to align Alcoa's technology development with our product and market priorities, allocating research resources to the most significant short-term and long-term opportunities. **These research and development efforts support ABS both today and tomorrow** – eventually playing a role in reinventing the aluminum industry by improving many of its basic processes. The bottom line objective is new and expanded applications for aluminum.

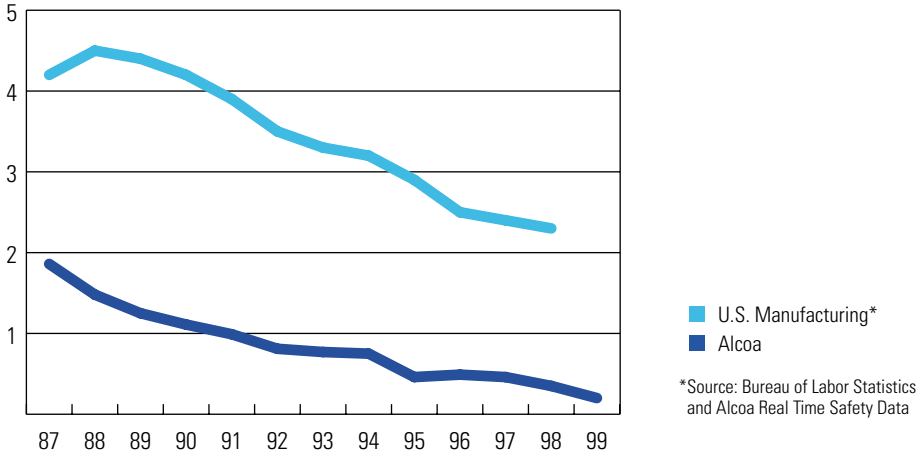
Core Values

Hand in hand with these developments, Alcoa continues a vigorous program of support for its core values – which we believe are inseparable from the financial, commercial, manufacturing, and technology components of long-term success. In considering and implementing the acquisitions discussed earlier, we have made health, safety, and environmental issues an essential part of our due diligence process. Our confidence in our managers and management systems stems partly from the fact that they have been thoroughly tested in reaching progressively higher standards of protecting the health and safety of our people and the well-being of the environments within which we live and work.

Alcoa board members, visiting plants in Spain and Italy, review Alcoa's role in making body structures for the Ferrari 360 Modena.

Progress in Safety

lost workday rate per 200,000 work hours



*Source: Bureau of Labor Statistics and Alcoa Real Time Safety Data

As to safety specifically, our lost workday (LWD) accident rate in 1998 had improved to one LWD per 292 employees. In 1999, it improved still further, to one in 456, even as we added 20,000 Alcoans to the group as a result of acquisitions in Europe and the U.S. **This translates to one accident in a million work hours – a remarkable achievement.** Even one accident is one too many, but we can be very proud of the leadership and dedication of the Alcoa managers who pursue our ambitious safety goals day in, day out, year-round. Their goal is zero workplace injuries.

On the environmental front, we continue to operate benchmark mine rehabilitation programs in Brazil, Australia, Jamaica and the U.S., many of which have been internationally recognized. Beyond these programs, our employees have planted over 300,000 trees in the first two years of our One Million Trees program. Alcoa sets the standards for bauxite residue management, leads the industry in PFC reductions, and is making rapid strides in chlorine use reduction. Fifteen of our locations are now certified to the ISO 14001 Environmental Management System, and 50 more are working toward that goal.

This is all part of what it will take to be the supplier of choice, employer of choice, and partner of choice in all of our key markets and operating locations around the world. Thanks to the creative energy and commitment of our people and the integration of our systems, that goal is now within reach.

Alain J. P. Belda, President and Chief Executive Officer
February 15, 2000

José Sérgio da Silva
Operator, extrusion plant
Utinga, Brazil

Checklist 2000

Five Keys to Profitable Growth

What will it take to lead the aluminum industry into the 21st century?

Everything the 20th century required – and then some. Strengths like integrated global systems and an empowered worldwide talent pool, which in the past were worthy objectives but in the future will be bedrock requirements in support of fast growing customers.

Globalization has redrawn the battle lines between aluminum companies and among competing materials and technologies.

Alcoa is ready.

growing with
GROWING CUSTOMERS

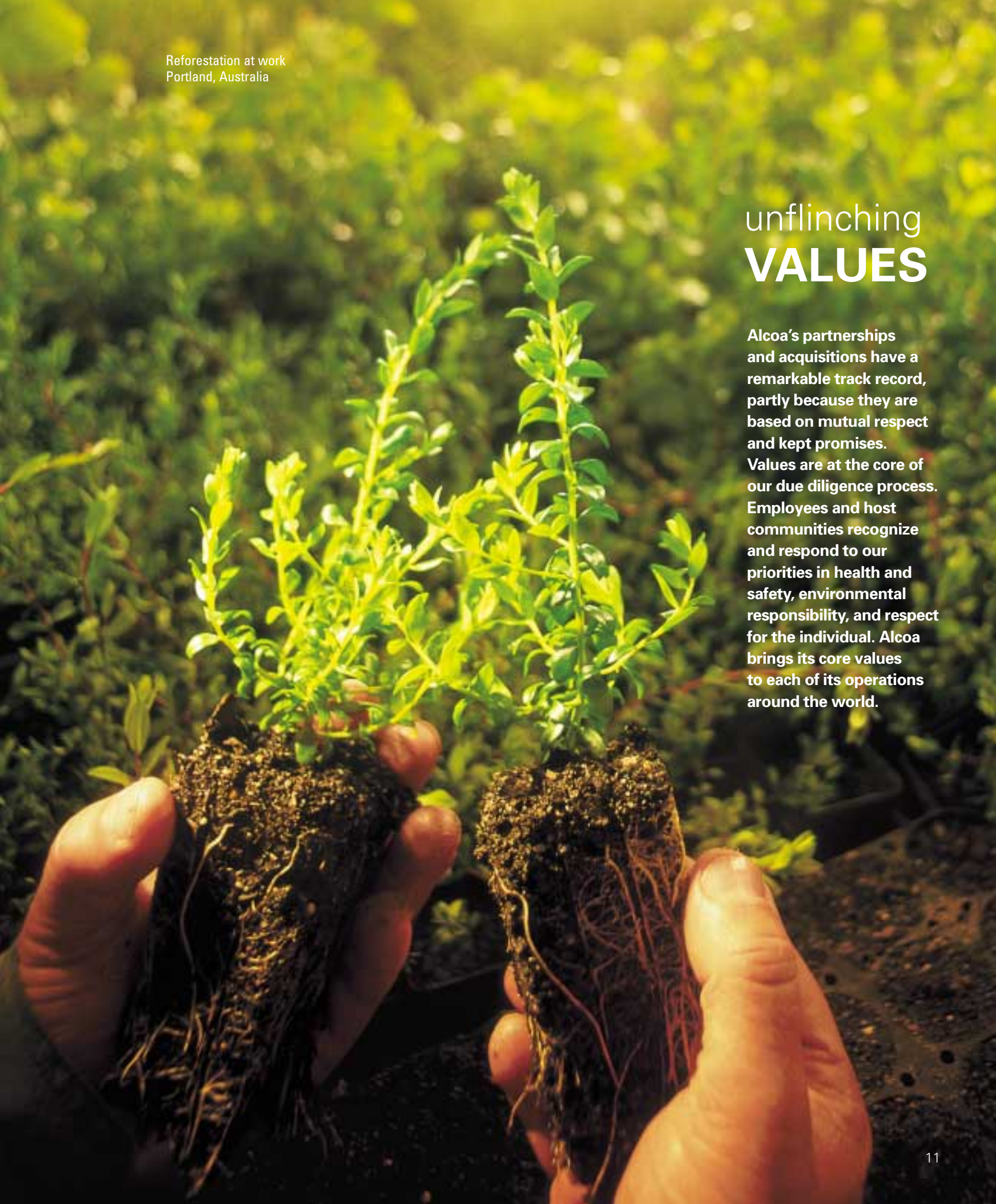
Among growing customers and markets for Alcoa: (counterclockwise from top) aerospace, automotive, packaging, alumina and chemicals, building and construction.

Alcoa means to be the preferred supplier in each of its markets, providing value exceeding anything available from other sources. This is why the Alcoa Production System is based on producing for use, not for inventory. For an Alcoa customer, this means getting exactly *what* you want, *when* you want it – at the lowest cost – anywhere in the world. Customers are partners.

succeeding SYSTEMATICALLY

Take a valuable improvement developed at one Alcoa location and apply it across the organization. Leveraged productivity. The Alcoa Business System (ABS) is the means we've evolved to integrate best-practice knowledge, technology, and customer service – to lock in these systematic gains as a way of life. After successful application in a cross-section of manufacturing processes, this system is now being rolled out to Alcoa operations everywhere.

Simon Perron
Operator, electrode area
Lauralco smelter
Deschambault, Quebec



Reforestation at work
Portland, Australia

unflinching **VALUES**

Alcoa's partnerships and acquisitions have a remarkable track record, partly because they are based on mutual respect and kept promises. Values are at the core of our due diligence process. Employees and host communities recognize and respond to our priorities in health and safety, environmental responsibility, and respect for the individual. Alcoa brings its core values to each of its operations around the world.

Pat White
Operator
Continuous cold mill
Alcoa, Tennessee

personal **COMMITMENT**

We are committed to empowering the remarkable potential of a worldwide talent pool – people who can accomplish anything they set their minds to. This means freely sharing information and welcoming the involvement of employee ideas. None of us is as smart as all of us. Alcoa is determined to be not only the supplier of choice but the employer of choice as well.

financial FIREPOWER

It's called a virtuous circle: Profitable growth builds financial strength, which underwrites the profitable growth to come. Over the past five years, Alcoa has invested in growth with capital improvements and major acquisitions. Assets have grown, and so have productivity and rate of return. Result: a larger, stronger Alcoa with ample resources to capitalize on future opportunities.

Hands-On Management: Alcoa directors and senior managers were on the move in 1999, visiting plants and reviewing business plans at operating locations around the world.

NEWS99

▲ *President and CEO Alain Belda (r) gets an update from Managing Director Jack Miller on improvements at the plant in Swansea, United Kingdom.*

▲ *(top) Giuliano Biasutto, primary plant manager, gives board members a progress report on the application of APS methods at the Fusina, Italy plant of Alcoa Europe.*

▲ *(above) Alcoa directors get a firsthand look at the quality of litho sheet rolled at the plant in Alicante, Spain.*

◀ *Bill Christopher, president of Alcoa Forged Products, and Plant Manager Robert Sitzwohl (r) show senior Alcoa managers the new Diamond Bright finish of forged wheels produced in Székesfehérvár, Hungary.*

◀
Alcoa board members review operations at the Lauralco primary aluminum facility in Quebec.

News99 continues ▶

Alcoa Director Henry Schacht and wife Nancy tour the Fusina, Italy plant, which produces sheet and plate as well as primary aluminum.
▼

▲
Bill Gregory (l), APS manager at Hernando, Miss., discusses rapid adoption of APS methods with (l to r) Alcoa's George Bergeron and Keith Turnbull, and Steve Spear of Harvard Business School.

▶
Al Renken (r), president of Alcoa Primary Metals and a member of the Technology Management Review Board, inspects T-ingots with John Kneisley at the Frederick, Maryland plant.

Reynolds to Join Alcoa

In a special meeting February 11, 2000, shareholders of Reynolds Metals Company voted to approve a merger agreement announced earlier by the two companies.

Alcoa will acquire all outstanding shares of Reynolds in a tax free stock-for-stock transaction. Reynolds shareholders will receive 1.06 shares of Alcoa common stock for each share of Reynolds common stock. Equity value of the transaction is approximately $4.8 billion.

The combined company will have some 127,000 employees. It will operate in over 300 locations in 37 countries. Based on 1999 results, Alcoa and Reynolds together have about $21 billion in revenues.

The merger is being reviewed by the U.S. Department of Justice and the European Commission, as well as various other competition authorities. Both Alcoa and Reynolds have expressed confidence of ultimate regulatory approval.

When the agreement was first announced in August, Alcoa CEO Alain Belda noted: "There is an obvious complementary fit between our companies that will create benefits for our shareholders, customers and employees."

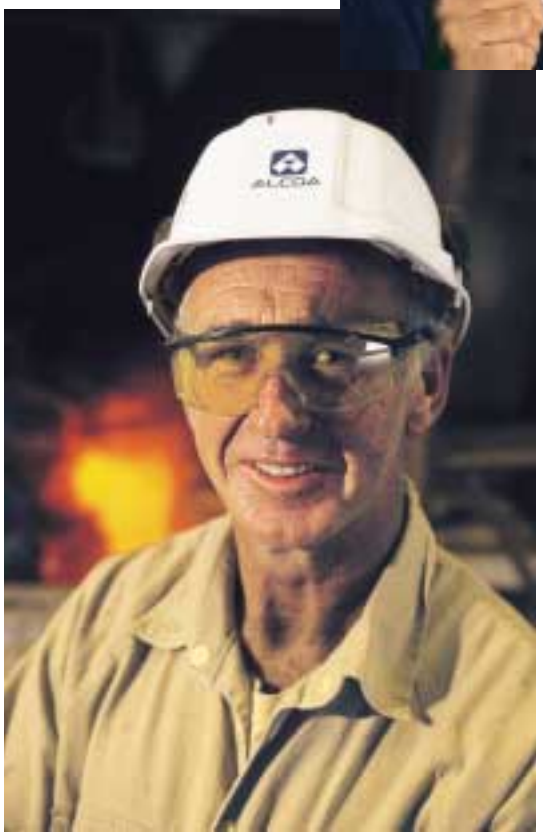
He said the new company would be better positioned to address the ongoing globalization of the metals industry and the new competitive landscape this is creating. "It will permit the greater efficiencies and cost reductions required by an environment which recently has seen some of the lowest prices in years for our commodity products," he added.

"As we move to combine the two companies, we will seek to integrate Reynolds employees harmoniously and expeditiously into the Alcoa family and to preserve the Reynolds brand."

Next: Solar Powered Walls

Kawneer, the architectural aluminum products business that became part of Alcoa with the Alumax acquisition, will provide its first vertical photovoltaic (PV) or solar electric-powered curtain wall in the United States. The solar powered wall will be part of the University of Wisconsin's Green Bay Academic Center. The large vestibule and main walkway area of the center also include Kawneer's slope glazed 1600 PowerWall™ overhead panels, for a total 2,300 square feet of PV panels. 1600 PowerWall is the first fully tested curtain wall system to harness the energy of the sun. It incorporates solar electric modules designed specifically for the purpose by BP-Solarex. In Europe, a demonstration sample of PowerWall panels is scheduled to be installed at the Solar Energy Laboratory of Ecole Polytechnique de Lausanne in Switzerland.

Earnestine Hamlett
Packing supervisor
Hernando, Mississippi



Wayne McKendrick
Potline operator
Point Henry, Australia

Keith Richards
Furnace operator,
ingot plant
Swansea,
United Kingdom

Breaking New Ground with Mercedes

The Mercedes-Benz S-Class Coupe will be the newest production model from the German automaker to feature aluminum in body structure applications. Introduced at last year's Geneva Auto Show, the car will be in full production in early 2000. Alcoa Automotive's Casting and Extrusion Finishing plant in Soest, Germany is producing several components for this path-breaking Mercedes, including an Alcoa Vacuum Die Cast sidewall component as well as extrusions for the front and rear roof frames and supporting cross members for the passenger compartment. Alcoa Automotive Engineering has been working with Mercedes since 1994 on design, engineering, and prototyping of these aluminum parts.

Investing in Communities

In 1999, for the fifth consecutive year, Alcoa Foundation's community investments grew by more than $1 million, consistent with growth of the Foundation's asset base. Alcoa Europe locations saw grants in their communities increase by a total of 47%, from $870,000 to $1.28 million. Worldwide, the Foundation made grants totaling $17.94 million. In addition, Alcoa business units contributed cash and noncash community investments of $3.5 million. In 2000, the Foundation will continue to direct significant resources to international community philanthropy, strengthening its alignment with Alcoa's global reach.

Removing a Hazard

An innovative vehicle towing system developed in the Anglesea brown coal mine of Alcoa World Alumina-Australia has eliminated the risk of injury from wire sling and hook towing systems. Anglesea replaced the conventional wire and hook system with safer continuous polyester slings and easy access bollards. The new system earned Anglesea the inaugural Victorian Minerals Industry Safety & Health Innovations Award. Inspiration for the towing system came from the mooring systems used in shipping and the push-pull couplings on earth-moving scrapers.

More Alumina from Wagerup

Alcoa has completed a major expansion of its Wagerup alumina refinery to lift the capacity of its three-refinery system in Western Australia. An A$260 million expansion – raising Wagerup's capacity by 440,000 to 2.2 million metric tons per year (mtpy) – was completed in mid-year, on schedule and on budget, and has now been integrated with existing production. Alcoa's Pinjarra refinery has a current rated capacity of 3.2 million mtpy, and Kwinana is at 1.9 million mtpy.

Spanish Refinery Expands

A modernization plan for the San Ciprián plant (Lugo, Spain) will increase alumina production capacity by 220,000 mtpy. San Ciprián's current capacity is 1.11 million mtpy of smelter-grade and chemical-grade alumina. This expansion in capacity was made possible by state-of-the-art process technology, some of it developed at San Ciprián and some transferred from Alcoa alumina plants in other countries. Basic engineering of the project has been completed, and the work is expected to finish by March 2001. The San Ciprián industrial complex consists of the alumina refinery and a smelter.

Closures' World Strategy

Alcoa Closure Systems International (CSI) continues to expand its manufacturing presence globally to meet expected market growth and to be situated near major customers. This strategy reduces shipping costs and improves response time during peak demand periods. After expanding European and South American operations, CSI opened new facilities in Ensenada, Mexico and San José, Costa Rica in early 1999. Now, construction work has begun on a new plastic closures manufacturing facility near Manila in the Philippines.

Growth in Fiber Optics

Alcoa Fujikura Ltd. (AFL) has bought a majority stake in Tele-Tech Co. in Kentucky and DigiSys Corp. in Georgia. The two companies specialize in building and installing the fiber-optic systems that move voice, cable and data traffic – one of the fastest growing segments of the telecommunications industry. In a related development, based on strong fiber-optic cable sales and forecasts, AFL moved to increase its cable capacity in Spartanburg, S.C. The new equipment will be installed during the first quarter of 2000.

Dateline: Badin, N.C., 8000 BC

Near Alcoa's Badin Works, along the Yadkin River in North Carolina, archaeologists have unearthed a treasure trove of artifacts dating back some 10,000 years – the oldest excavated site in the state and one of the most ancient in North America. Now 135,000 of these artifacts – stone tools, pottery shards, spear points, and other articles – have been donated by Alcoa to the University of North Carolina at Chapel Hill, to be shared by scholars, students, and the public. At least three distinct cultures occupied the site from about 8000 to 1000 BC.

Greg Garza
Senior electrical maintenance planner
South ingot plant
Alcoa, Tennessee

Simone Davis
Mechanical tradesperson
Anglesea, Australia

Fernando Saez Jover
Maintenance supervisor
Alicante, Spain

As Others See Us

Several surveys reported in late 1999 by leading financial publications rank Alcoa among the pacesetters in global business.

Financial Times. In a compilation of "The World's Most Respected Companies" by the *Financial Times* and PricewaterhouseCoopers, Alcoa ranked first among resources companies and 21st among all companies. Rankings were determined by surveying company CEOs in 75 countries worldwide.

Industry Week. Earlier in the year, Alcoa was selected as one of the World's 100 Best-Managed Companies by *Industry Week* magazine.

Actualidad Economica, Spain's principal economic weekly, named Alcoa "The Most Dynamic Multinational in Galicia," based on voting by readers. The magazine is one of the Pearson Group, which publishes the *Economist* and the *Financial Times*. The award was presented by the president of Galicia, the province where Alcoa's San Ciprián facilities are located.

Business Review Weekly in Australia, polling CEOs and CFOs of the nation's largest companies, named Alcoa World Alumina-Australia to the "Most Admired" list, including first place rankings for growth potential and for commitment to community, environment and ethical issues.

Progress in Continuous Casting

Alcoa is stepping up its efforts to capture the efficiencies of continuous casting. Development of this technology was begun earlier in the 1990s at Davenport. Recent moves:

> Purchase of Kaiser Aluminum Corporation's Micromill™ assets. These include intellectual property, pilot line facilities in Pleasanton, Calif. and a pilot plant near Reno, Nevada. The Reno plant will be operated to further refine the thin strip continuous casting process for aluminum sheet applications.

> Acquisition of substantially all the assets of Golden Aluminum Company, a unit of ACX Technologies, for $41 million. Golden's operations included a shuttered rolling facility in San Antonio, Texas and a rolling facility in Fort Lupton, Colo. The Fort Lupton mill was subsequently sold, but the San Antonio facility has been reopened and restarted to continue development of slab-caster technology, one form of continuous casting. The plant will be converted to a non-can sheet commercial rolling mill, and production is expected to begin shortly.

> Relocating a roll caster from Alcoa's Avilés smelter in Spain to its Alicante rolling mill there and commissioning it to produce foil stock.

Alcoa now has 22 continuous casters operating around the globe.

Teaming Up to Cut Costs

Alcoa's plant in Badin, North Carolina, reached an agreement with the United Steelworkers of America on a plan for its smelting operations to meet cost-cutting goals for the Year 2000. In June, Badin announced a goal of trimming smelter operating costs by four cents per pound in 2000. Since then, the plant has identified and pursued a number of opportunities to meet that goal. Under the agreement, Badin will redesign work processes to gain efficiencies and reduce labor costs. Among the initiatives are inventory reductions and teaming with suppliers to identify process improvements. The agreement also includes a voluntary retirement offer to eligible employees. Less than half of the goal would be achieved through workforce attrition.

Extrusion Facilities Added

Alcoa is in the process of adding three new soft alloy extrusion facilities in North and South America. Excel Extrusions, a Noranda Aluminum subsidiary located in Warren, Ohio, will become part of Alcoa Extruded Construction Products. This plant has the capacity to produce 35 million pounds of extrusions per year plus a vertical paint line with capacity of 24 million pounds per year. Also in negotiations: acquisition of Almax extrusion operations in Brazil and the soft alloy extrusion business of Aluar in Argentina. Primary market for these products is the building and construction industry.

Faster, Better Cap Linings

In Europe, CSI has implemented a product design modification, resulting in a 20% increase in lining speeds. The new closures also have improved CO_2 retention, enhancing the shelf life of carbonated beverages in the marketplace. A major beverage maker has evaluated the sealing improvement and approved it for use. This technology is being incorporated throughout the CSI system by means of new liner tooling. The concept and experimental tooling were developed in the CSI research facility in Crawfordsville, Indiana.

A-CMI Now 100% Alcoa

Already a 50% owner of A-CMI, Alcoa has now acquired the remaining 50% from Hayes Lemmerz. A-CMI was a joint venture formed in 1995 between Alcoa and CMI International (later acquired by Hayes) to produce cast aluminum products for the auto industry. It has operating locations in Kentucky, Michigan and Lista, Norway. Of the 3.8 billion pounds of aluminum going into North American vehicles, 3 billion pounds are castings. Among these, structural castings – such as suspension cradles and cross members – represent what promises to be a high growth market over coming years.

Global Alliances

Continuing the company's worldwide growth initiatives of recent years, Alcoa is forging new alliances in Europe, Asia, and North Africa as well as the U.S.:

China. A memorandum of understanding (MOU) calling for a strategic partnership has been signed between Alcoa and China Aluminum Corp. (Chalco), which manages many of the country's aluminum facilities. The parties have targeted the end of June 2000 to complete negotiations and sign a master agreement expected to involve an association of several aluminum production facilities of Chalco and Alcoa.

Turkey. Alcoa and Kibar Holding Co. of Turkey have signed a letter of intent to form a strategic alliance with respect to Kibar's Turkish aluminum business, Assan Aluminyum, which is that nation's leading rolled products business. Kibar is one of Turkey's largest industrial groups.

Egypt. An MOU was announced between Alcoa and the Egyptian government's Holding Company for Metallurgical Industries and its subsidiary company, Egyptalum. The memorandum envisions an Alcoa majority-owned strategic partnership designed to modernize Egyptalum operations into a more effective competitor in national and regional markets. A definitive agreement is expected in early 2000.

Structural Castings for Volvo

The Swedish carmaker regards its vehicles as among the safest in the world. Alcoa's Scandinavian Casting Center in Lista, Norway is manufacturing four safety-critical structural, chassis and suspension components for the Volvo S80 and S80 four-wheel drive models. Alcoa is producing the rear wheel carrier, rear cross member, and front steering knuckle for the S80 and the rear cross member for the S80 four-wheel drive model. Both subframes employ state-of-the-art casting technology with a combination of metal molds and cores. *(Volvo S80 photo, page 8)*

Another Safety Milestone

Alcoa Fujikura Ltd. (AFL) is achieving world-class safety performance. Total recordable and lost workday injury rates have been reduced 35% in 1999, and two AFL locations are approaching 30 million work hours without a single lost workday case.

Driveshafts are Booming

Alcoa Engineered Products received new contracts for 400,000 aluminum driveshafts for shipment in 1999. The driveshafts are for use on BMW's 5-series luxury vehicles, General Motors' GMT-800 truck program, and Ford Motor's Crown Victoria police car platform.

Net Gains

In addition to a highly developed worldwide intranet, Alcoa's business units and resource units increasingly use the Internet for fast, cost-effective customer service, product information, procurement, and many other functions. A few current examples:

E-Purchasing. The Alcoa Mall is up and running as a streamlined business-to-business e-commerce system for procurement of many goods and services bought by the company. It employs the Ariba Operating Resource Management System, which will provide a company-wide process to handle many low-value, high-volume transactions. Proof-of-concept operations were completed in January involving four locations, and a ramp-up of additional locations and suppliers is scheduled to begin in May.

E-Closures. Alcoa CSI introduced a new e-commerce extranet service in a successful test at the International Bottled Water Association trade show in November. The new service will be rolled out to key bottled water customers throughout the year.

Handling Inquiries. AlumaxBath.com is part of the marketing program supporting Alcoa Extruded Products' Bath Enclosure business. This unit generates more than 50,000 inquiries per year, which move electronically to local dealers. Customers and dealers use the site to download instruction sheets and technical data. Soon, consumers will be able to order small replacement parts such as towel bar brackets and guides.

ProSpec® is a resource for building and remodeling professionals, offered through Alcoahomes.com, the Web site of Alcoa Building Products. Architects can go to the site for specifications, color guides, and downloadable CAD drawings for vinyl and metal exterior products.

Online Ordering. Kawneer Europe has launched an industry-leading interactive Web site and extranet geared to customer service and visibility in the European specifier market. The site will provide online ordering using KaluCAD, Kawneer's computer-aided design and calculation system.

High Growth Markets

Alcoa CSI increased market share in the high growth bottled water and sport/fruit drink segments of the beverage market in 1999. In the small size bottled water category – growing by 20% per year – CSI's popular push-pull Sport-Lok® closure contributed to Alcoa's growth. In the sport/fruit drink closure segment, single-serve bottles are gaining popularity, glass is converting to plastic, and convenient spout and sport type closures are in favor. Alcoa's sales are growing based on product quality and strong relationships with major customers.

Idled Capacity to Restart

On January 19, 2000 Alcoa announced it would restart some 200,000 mtpy of idled aluminum smelting capacity over the course of the year. The move leaves approximately 250,000 mtpy of Alcoa's aluminum smelting capacity still idle. Potlines to be restarted are located at smelters that are currently in production in Australia and the United States. Due to continuing implementation of the Alcoa Production System, the additional output will require minimal, if any, increase in staffing. Alumina for the restarted capacity will be sourced by Alcoa World Alumina's supply network. "Alcoa is taking this action due to continued strong demand in the U.S. and in other parts of the world," commented Alcoa President and CEO Alain Belda. He said the company will continue to review market conditions under which additional idle capacity can be returned to production. "Alcoa's ability to produce primary aluminum profitably, at lower costs," he added, "is significantly enhanced by the rapid deployment of our Alcoa Production System."

Person of the Year

Alcoa CEO Alain Belda was honored as "Person of the Year 1999" by the Brazilian-American Chamber of Commerce. The organization recognizes individuals who have made significant contributions to the promotion of trade, investment, and business between the U.S. and Brazil. Past recipients include Dr. Henry Kissinger, Henry Ford II, David Rockefeller and former Alcoa Chairman Krome George.

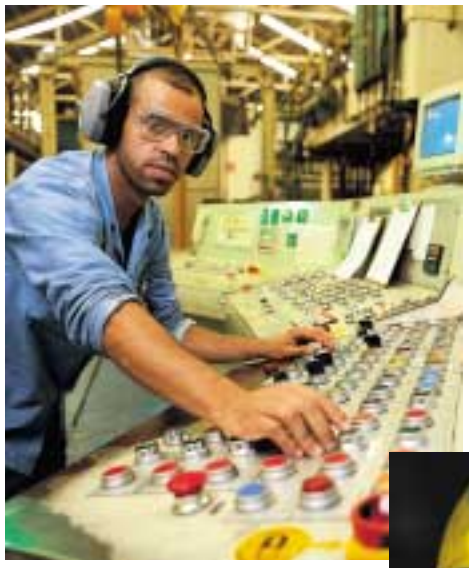
The Long Haul

Outstanding service is part and parcel of an outstanding product. Two long-term success stories help to illustrate how that works in the wheel business.

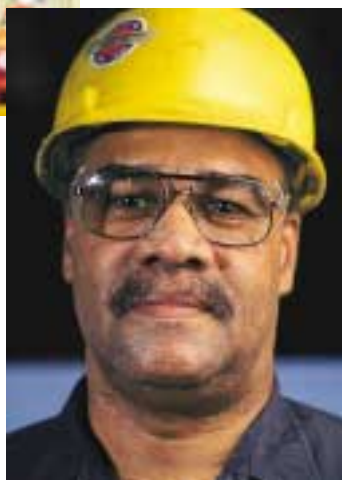
> Gene DiSano, executive vice president of Century Wheel and Rim, Los Angeles, remembers a time when he sold Alcoa's forged aluminum wheels on a trial basis and even gave some away in an effort to spark customer interest. His company has been distributing Alcoa truck wheels since they were first produced back in 1955. Today, Century is AFP's largest distributor. "Alcoa has been there to help us at every turn," says DiSano, whose team sells more than 30,000 Alcoa wheels each year.

> Over the years, Spitz Auto Parts of Irwin, Pa. has grown as Alcoa's wheel business has grown. Supplying Alcoa wheels and other truck parts to small-trailer manufacturers across the country, Spitz services 20 OEM accounts with 32 different Alcoa wheel products as well as assembly and logistics support. Average delivery time: 72 hours.

Gemma Casas
Billing department
Alcoa Closure Systems International
Barcelona, Spain



Pedro Antonio de Moura
5500 press operator
Utinga, Brazil



Kenneth Bowman
Final inspector
Alcoa Forged Products
Cleveland, Ohio

Aluminum: The Key Ingredient

The Ferrari 360 Modena sports car with an Alcoa spaceframe was on display in the Alcoa Corporate Center in Pittsburgh last fall, as automotive industry observers continued their favorable reviews:

Associated Press reported: "For the aluminum maker, high-profile arrangements like that with Ferrari mean that other car-makers will take notice and realize the versatility of the metal, for all kinds of automotive applications. For Ferrari, there is apparently no turning back. By producing a bigger, lighter car that can outperform its predecessors, the company now must look at aluminum or composite materials – which are also lighter than steel – for future models."

Automotive News, in an article titled, "Aluminum Use Made A Dream Come True," noted that the Ferrari 360 Modena is lighter and faster than its forerunners, yet also bigger, safer and easier to drive. "In a word, aluminum is the key ingredient that makes it possible to combine all those attributes," the magazine reported.

American Metal Market said one of the reasons aluminum was chosen by Ferrari for the spaceframe and body of its 360 Modena was the ability to consolidate parts by using aluminum extrusions, castings, and sheet. Parts required in the spaceframe were 67% fewer than for a comparable steel structure – helping to defray the cost premium associated with aluminum vs. steel. *AMM* reported that Ferrari is considering making aluminum the dominant material in future vehicles.

The Alcoa Brand. Ferrari is installing a nameplate on each 360 Modena that has the Alcoa corporate mark and says, "Alcoa Automotive." The plate is on the frame, in the engine compartment opposite the Ferrari nameplate and visible through the glass hatch cover. *(See back cover.)*

New Plant Goes On Line

Great Lakes Minerals, a joint venture of Alcoa Industrial Chemicals with PR Minerals, completed its new facility in Wurtland, Kentucky and commenced operations in January 2000. Initial products to be processed are brown fused alumina and refractory grade bauxite. The raw materials are imported from China.

A Wheel Plant for Brazil

Alcoa Aluminio plans to build a 72,000-unit-per-year aluminum wheel plant in Brazil. Currently, Aluminio imports forged aluminum wheels from the Alcoa wheel plant in Hungary for truck and bus manufacturers in Brazil. The new plant, located in Pernambuco, initially will operate by finishing Alcoa wheels imported in unfinished form.

Great Place to Work!

Alcoa Aluminio was rated one of the 50 greatest places to work in Brazil, according to *Exame* magazine, the main business publication in the country. The nomination is a result of an extensive research process that included interviews with 242 companies. The results are segmented into nine categories: compensation, benefits, career opportunities, management trust and confidence, pride of working in the company, internal communication, work environment, training and development, and innovation in the work system. Some Alcoa practices commended in the study:

> Learning organization
> *A Palavra é Sua* – confidential e-mail from employee to president
> Community programs
> Employee involvement in processes and teams
> Benefit package

A Neighborhood Partnership

In 1999, Alcoa Foundation launched Allegheny Works, an initiative to improve literacy and job training in Pittsburgh's Northside community, where Alcoa's corporate center is located. Thirteen grants totaling $200,000 were awarded to nonprofit organizations, as part of a five-year commitment from the Foundation for up to $1 million. Allegheny Works is the result of a year-long collaboration between Alcoa Foundation and Northside community, religious, youth and education leaders. Projects range from producing an urban teen magazine to teaching economic literacy and entrepreneurship to low-income families who want to start businesses.

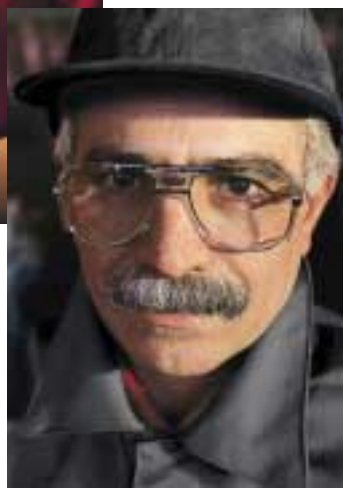
Good Building, Good Business

The Alcoa Corporate Center is one of nine buildings to win a 1999 *Business Week/Architectural Record* Award, given annually to organizations who prove that "good design is good business." Alcoa was credited with possessing a clear view of the 21st century, pursuing "the goal of becoming a much more agile, interactive work culture." The Alcoa team included Chairman Paul O'Neill and several hundred employees working in various task forces.

A Benchmark in Safety

Pinjarra Refinery of Alcoa World Alumina-Australia raised the bar on safety performance when it underwent a Health and Safety audit conducted by Western Australia's Department of Minerals and Energy (DOME). Passing 141 of the 145 elements audited, the refinery operation was credited with a 97.3% compliance level, giving Pinjarra the highest score recorded by DOME since their management system audits began in 1996.

Elizabeth Kovacs
Administrative assistant
Melbourne, Australia



Claudio Lucchi
Quality control
Alcoa Automotive
Modena, Italy

Robert Tang
Potline technology engineer
Eastalco smelter
Frederick, Maryland

APS: Progress Report

The Alcoa Production System – manufacturing arm of the Alcoa Business System – continues to roll out across the company's worldwide network of operations, improving production efficiencies, job satisfaction, and responsiveness to customer needs. Following are a few recent examples of the results:

Cressona, Pa. Extrusion plant metal inventory trimmed by 32%, compared with 1998 levels. Efficiency improved by elimination of waste from all processes in the value stream. In 1999, pounds produced per work hour registered their largest-ever annual gain. All told, a safer and cleaner as well as more productive work environment.

Sorocaba, Brazil. Alcoa University training sessions in 1999 (including one for customers) focused on reliability and related issues. Delivery performance rose to 97.9% while order lead time fell from seven days to three days. Extrusion costs were trimmed by 17% in 1999 following a 19.7% reduction in 1998.

Hernando, Miss. Alcoans at an extrusion plant which had been experiencing difficulties achieved a dramatic turnaround in 1999 through relentless pursuit of APS methods. Year over year, delivery performance improved by 11%, recovery rates by 3%, inventory turns by 38% – and there were zero lost workday injuries. The plant became solidly profitable.

Drunen, Netherlands. APS teams in Drunen's Flat-Rolled Products plant reduced inventory, simplified logistics, and accelerated flow time by 30%. Drunen Extrusions developed a "visual factory" concept so crane operators can see exactly when and where to transport goods. Process improvements raised output by 100 kg per hour on each press.

Sidney, Ohio. Alcoa Building Products sharply reduced in-process inventory and cut conversion costs by 3.7%. The plant recorded only one lost workday injury in the entire year.

Székesfehérvár, Hungary. APS programs cut throughput time by 70% and inventory by 56%. Output per employee increased by 17%, and safety performance improved by 50%.

Lafayette, Ind. By late 1999, the ingot plant of Lafayette Operations had reached 100% performance on delivery of cut billet to Lafayette's extrusion plants. The tube mill raised delivery performance by 29% and, in the case of driveshaft shipments, reached 99%. Inventory decreased by 38%. Shipments grew by 12%. Productivity measured in pounds shipped per work hour rose 23%.

Portland and Point Henry, Australia.
> Portland potrooms converted to a "pull" system – producing molten metal to meet real-time demand from the ingot mill – reducing the need for vacuum crucibles from 24 to 14 and saving A$400,000 in capital outlay. Ongoing savings will be around A$100,000 per year.

> At Point Henry, reduction in coke inventory made it possible to take one coke tank out of service and reduce inventories of petroleum coke, for a one-time saving of some A$1.5 million. Additional one-time savings of A$560,000 flowed from eliminating 700 of 10,000 anode rods.

Linking Up with Boeing

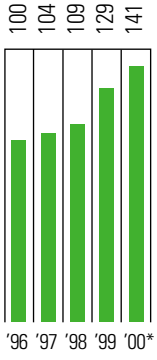
Alcoa Mill Products linked APS to Boeing's Manufacturing System during three one-week long joint meetings of key executives and manufacturing staffs. Result: the entire material supply chain for the new generation Boeing 737 is connected – from casting, rolling, skin sheet polishing, structural bond, and final assembly for the fuselage skin sheet. Benefits: faster flow times, shortened cycle times, and lower costs for both enterprises.

APS and Customer Service

Alcoa Forged Products created a new subsidiary designed to increase service capabilities to large truck and trailer customers who outsource their tire mounting and logistics operations. Called Alcoa Sub-Assembly and Logistics (ASL), this unit has leveraged Alcoa's technology and APS to make major improvements in both noise reduction and ergonomics and to accelerate the order fulfillment and tire mounting process to less than two hours. For customers, this means significant savings in floor space requirements and inventory costs. The transformation will continue through 2000, as ASL opens four to six additional facilities.

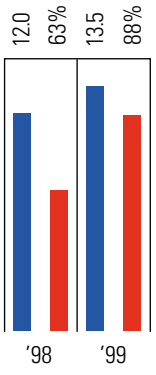
Productivity Improvement
Extrusions
Székesfehérvár, Hungary

Output per employee
Base 1996 = 100



*Estimate

Shipments and Delivery
Tube Mill
Lafayette, Indiana

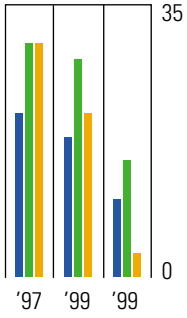


Shipments
millions of lbs.

Delivery Performance
percent

Order Lead Time
Flat-Rolled Products
Itapissuma, Brazil

Days



Sheet
Foil
Evaporator

Guo Chu Wen
Roll casting plant
Shanghai, China

Richard Williams
Metallurgist
Swansea,
United Kingdom

Encarna Calero
Group leader
Barcelona, Spain

Innovations

New Lids Are Easy to Open. It took an aluminum company to improve on the plastic film laminates used to put a lid on products such as yogurt, applesauce, and contact lenses. Conventional peel-open lids consist of "adhesive peeling" laminates that often give consumers trouble when they try to open the package. Now Alcoa Foil Products has come up with a "cohesively peeling" film, using a patented blend of polyolefins developed by Alcoa Technical Center. The new material provides a good seal – in fact reduces the frequency of leakers – but makes it easier to open the container. In processing, it cuts costs and reduces the chance of contamination. Manufacturers such as Bausch & Lomb and food processors including Dannon and Mott are taking a keen interest.

Bright Future. A new coated aluminum sheet from Alcoa Mill Products brings lasting luster to the outer body panels of Airstream's high-end recreational vehicles. Called Translite™ coated sheet, this coated aluminum alloy sheet was developed by Alcoa Technical Center. It's rolled and coated at Lancaster. For Airstream and other manufacturers, the appeal of Translite is a brilliant surface that resists peeling, corrosion or yellowing over time.

Recycling Saltcake. Researchers at Alcoa's San Ciprián refinery in Spain have developed a patented, solid-liquid calcination (SLC) process to remove organic compounds and carbonate from Bayer plant liquor. The process eliminates environmental impact on plant surroundings by recycling waste saltcake as a feed component. This material would otherwise be a hazardous waste that is costly to remediate. By recovering the saltcake, the new process reduces soda losses and environmental costs.

Advance in Extrusions. A breakthrough in extrusion technology was spearheaded by Alcoa Europe and its Central Die Shop with support from the Alcoa system and collaboration with a European technical university. Objective: eliminate costly, time-consuming press trials for extrusion dies. The new system can simulate the extrusion process by computer, showing the metal flow all the way from billet to profile – the finished shape – taking into account all the differences in flow speed and temperatures. That's a world's first. Initial runs were successful, and worldwide implementation of the system will begin later this year.

New Refractory Technology. A refractory placement technology and materials system, developed and patented by Alcoa Industrial Chemicals (AIC), is beginning to change the world of monolithic, cast-in-place refractories. Called Infilcast™, this system is easier to mix and install, and it gives the refractory material higher resistance to thermal shock and a longer lifetime, compared to conventional castables. This makes alumina refractories more competitive against magnesia-based materials for such applications as steel ladle linings and prefabricated refractory shapes. No high capital cost machinery is required. A number of customers have now taken licenses to use Infilcast, and worldwide interest is strong. AIC expects this technology to be a major driver for growth of the tabular and reactive alumina businesses in coming years.

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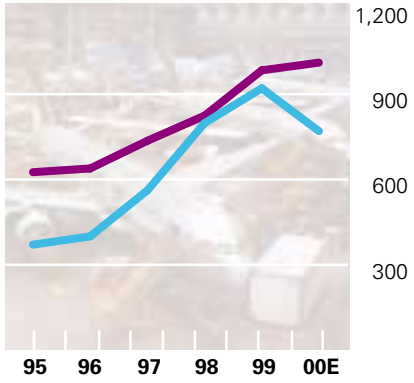
TRENDS in Alcoa's Major Markets

TRANSPORTATION $4.0 BILLION (25%)

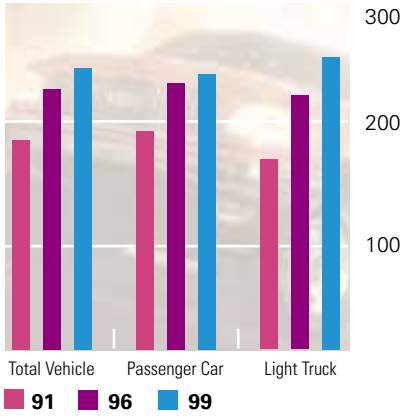
Alcoa Segments that sell products to this market:
- flat-rolled products
- engineered products
- other

- Revenue increases in the automotive sector pushed Alcoa's transportation market sales ahead of those in packaging for the second year in a row.
- The automotive market consumes approximately 4.5 million mtpy of aluminum globally, or about 10 billion pounds. (The Aluminum Association)
- North American auto production currently uses some 3.8 billion pounds of aluminum per year, of which close to 80% is in the form of castings. (Ducker) In 1999 Alcoa formed a new business, Alcoa Automotive Castings, to strengthen its position for global growth in cast components.
- Worldwide, an estimated 1,200 launch vehicles will be used to put satellites into orbit through 2008, requiring an average of 85,000 pounds of aluminum per rocket.

Aircraft Build Rates



Growth in Aluminum Content
lbs. per vehicle, North America



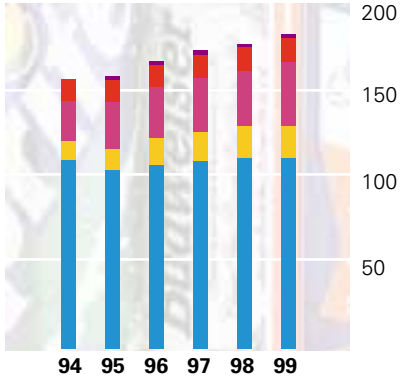
Source: Ducker

PACKAGING $3.2 BILLION (20%)

Alcoa Segments that sell products to this market:
- flat-rolled products
- other

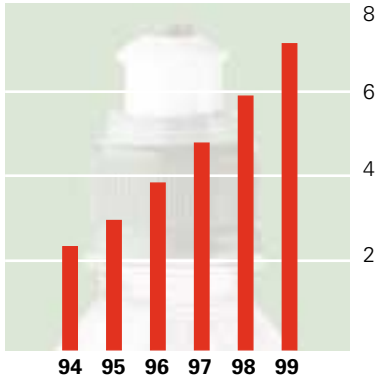
- Alcoa's packaging revenues are primarily from sales of beverage can sheet, followed by plastic and aluminum closures, foil products and packaging machinery.
- Total U.S. aluminum beverage can shipments in 1999 slipped .7% to just over 102 billion units. Soft-drink cans decreased by .9%, while the decline in beer cans eased to .3%.
- Excess capacity in can body sheet has pressured margins for the past dozen years. Several producers have recently converted their rolling mills to other products. A report by Credit Suisse First Boston suggests that the market "will remain difficult for two more years until capacity is rationalized."
- The single serve bottled water market is growing by more than 20% a year. Alcoa Closure Systems International's push-pull Sport-Lok® closure is one of the most successful products in this segment.

Aluminum Beverage Can Demand
billions of cans



Sources: Alcoa, CMI, CCL, Kaal, IMES

Bottled Water Growth
billions of units



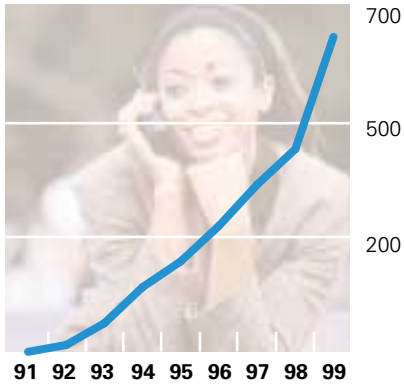
Small Size PET in U.S. & Canada.
Sources: Alcoa, Industry

DISTRIBUTION AND OTHER $2.9 BILLION (18%)

Alcoa Segments that sell products to this market:
- flat-rolled products
- engineered products
- other

- Most of the revenues in this market are from sales of aluminum extrusions, sheet, and plate to distributors.
- "Other" includes such items as magnesium, and products and services for the telecommunications industry.
- The U.S. distributor market share for sheet, plate, and extrusions remained consistent in 1999 at about 36% or 2.4 billion pounds shipped. (NAAD)
- Fueled by Internet traffic and demand for increased bandwidth, revenues of Alcoa Fujikura Ltd. Telecommunications Group increased by 43% in 1999. Two new plants and an acquisition were added to support growth in this market.

Alcoa Revenue Growth from the Telecommunications Industry
1991 = 100

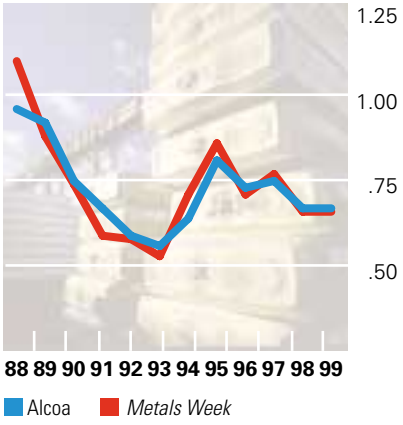


ALUMINUM INGOT $2.2 BILLION (13%)

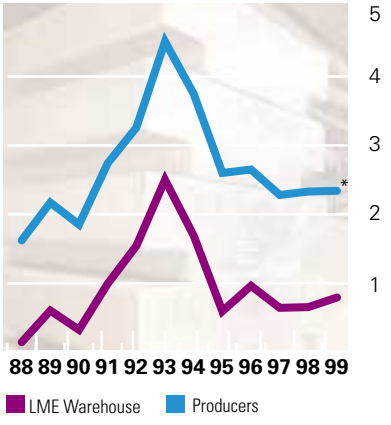
Alcoa Segments that sell products to this market:
- primary metals

- Alcoa will restart 200,000 mtpy of primary aluminum capacity in 2000; 250,000 mtpy remain idle.
- Worldwide primary aluminum capacity is estimated at 25.4 million mtpy (James F. King), including 3.2 million mtpy capacity owned by Alcoa.
- Aluminum ingot is an internationally produced, priced and traded commodity whose principal trading market is the London Metal Exchange, or LME.
- Alcoa produces aluminum ingot primarily for further fabrication into higher value products. Ingot shipments to third parties in 1999 were 32% of total aluminum shipments.

Average Ingot Prices
per pound



Worldwide Aluminum Ingot Inventory
millions of metric tons



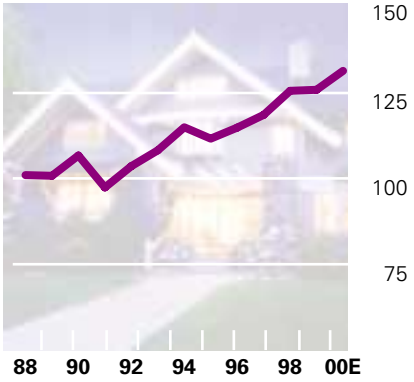
*as of 10/99

BUILDING AND CONSTRUCTION $2.2 BILLION (13%)

Alcoa Segments that sell products to this market:
- flat-rolled products
- engineered products
- other

- Alcoa's revenues in this market are from an array of fabricated aluminum products for commercial and residential applications plus vinyl siding for new homes and remodeling.
- Repair and remodeling expenditures in the U.S. are projected to grow 4-5% a year through 2005. With broad product lines, Alcoa Building Products (ABP) is a leader in this segment. The introduction in 1999 of two new high-end vinyl siding panels strengthened ABP's position.
- The National Association of Home Builders, the U.S. Conference of Mayors, and HUD have set a goal to build a million affordable housing units in central cities and inner suburbs. As a lower cost, maintenance-free cladding material, vinyl siding is positioned to play a prominent role in this effort.
- The growth of Alcoa's Kawneer Company architectural products in Europe outpaced the growth of the commercial construction market as a whole.

U.S. Repair & Remodeling Expenditures
billions of dollars



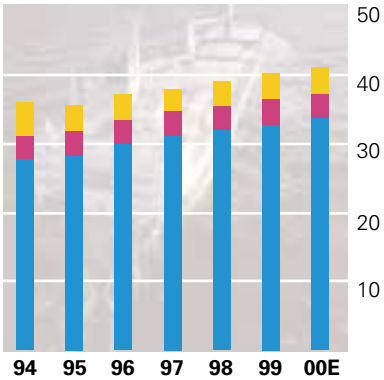
Source: U.S. Census Bureau C-50,
National Association of Home Builders

ALUMINA AND CHEMICALS $1.8 BILLION (11%)

Alcoa Segments that sell products to this market:
- alumina and chemicals

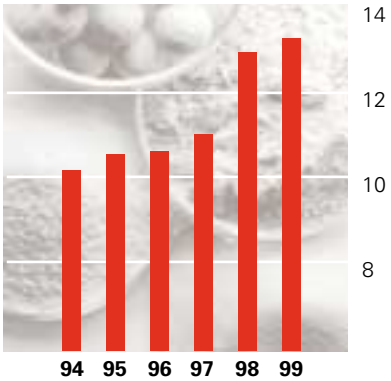
- Alcoa is the world's largest producer of alumina, the white, powdery substance refined from bauxite ore. Alumina is used to produce aluminum and alumina-based chemicals.
- World alumina supplies were tightened in 1999 by an explosion July 5 that disabled Kaiser's 1 million mtpy Gramercy, La. refinery. Partially offsetting this shortfall, the Wagerup, Western Australia refinery of Alcoa World Alumina and Chemicals came on stream in July with 440,000 mtpy of additional capacity.
- In 1999 Alcoa World Alumina and Chemicals sold about 53% of consolidated alumina production to third parties.
- European steel producers are operating at maximum capacity, and some are forecasting production records for 2000. Alcoa Industrial Chemicals' alumina refractory products used to line steel furnaces are in a position to benefit from this market growth.

Worldwide Demand for Alumina
millions of metric tons



Source: CRU

Alcoa Alumina Production
millions of metric tons

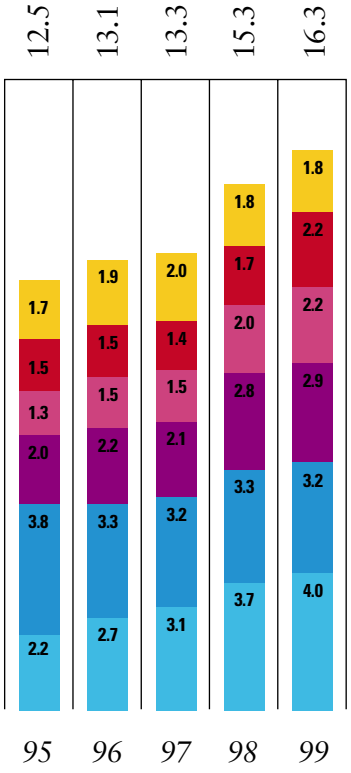


Selected Financial Data

(dollars in millions, except per-share amounts and ingot prices)

	1999	1998	1997	1996	1995
Sales	$16,323	$15,340	$13,319	$13,061	$12,500
Net income*	1,054	853	805	515	791
Earnings per common share					
Basic	2.87	2.44	2.33	1.47	2.22
Diluted	2.82	2.42	2.31	1.46	2.20
Alcoa's average realized price per pound for aluminum ingot	.67	.67	.75	.73	.81
Average U.S. market price per pound for aluminum ingot *(Metals Week)*	.66	.66	.77	.71	.86
Cash dividends paid per common share	.805	.75	.488	.665	.45
Total assets	17,066	17,463	13,071	13,450	13,643
Long-term debt (noncurrent)	2,657	2,877	1,457	1,690	1,216

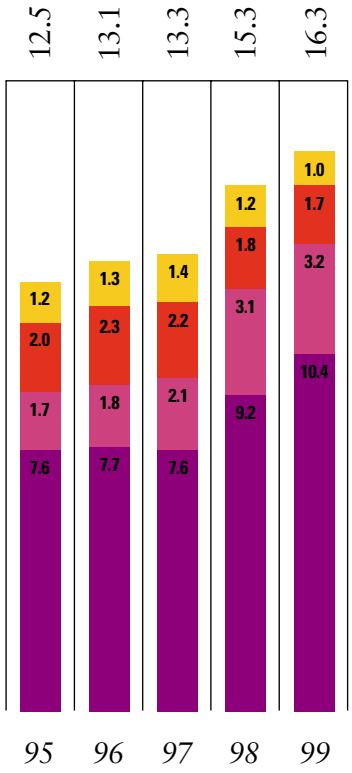
* Includes net after-tax gains of $44 in 1997, and net after-tax charges of $122 in 1996 and $10 in 1995



Revenues by Market

billions of dollars

- Alumina and Chemicals
- Building and Construction
- Aluminum Ingot
- Distribution
- Packaging
- Transportation



Revenues by Geographic Area

billions of dollars

- Other Americas
- Pacific
- Europe
- US

Results of Operations

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

Earnings Summary

1999 was a milestone year for Alcoa, as net income exceeded $1 billion for the first time in the company's 111-year history. Highlights from the year include:

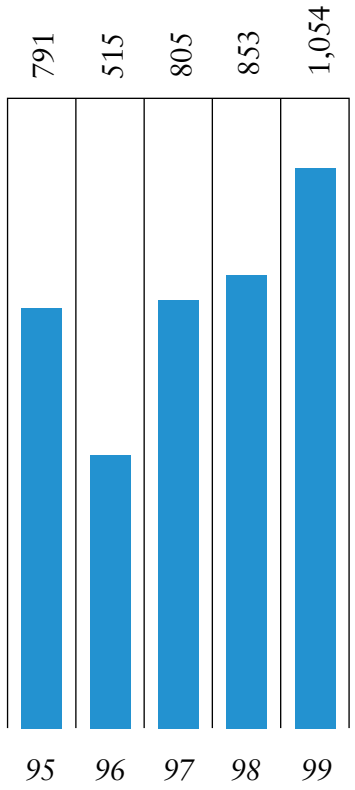
> Net income of $1,054, a 24% increase from 1998;
> Aluminum shipments of 4,478 mt, up 13% from 1998;
> Revenues of $16,323, driven by higher volumes; and
> Return on average shareholders' equity of 17.2%.

The improvement in Alcoa's 1999 net income was the result of higher aluminum revenues, operating improvements and a lower effective tax rate. Revenues increased as a result of higher volumes, partly offset by lower overall aluminum prices.

Alcoa's financial results for 1998 also were strong, as summarized below:

> Net income of $853, 6% above 1997;
> Aluminum shipments of 3,951 mt, up 34% from 1997;
> Revenues of $15,340, resulting from higher volumes; and
> Return on average shareholders' equity of 16.3%.

Improved financial results for 1998 relative to 1997 were the result of higher volumes, aided in part by the Alumax and Inespal acquisitions, and good cost performance. Partially offsetting these positive factors were lower overall aluminum and alumina prices and the impact of higher debt levels.



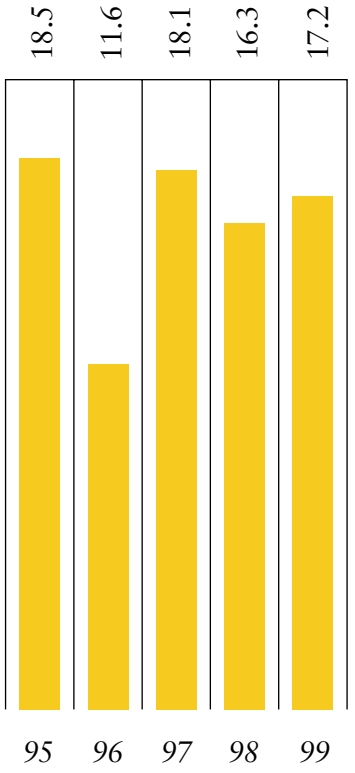
Net Income

millions of dollars

Segment Information

Alcoa's operations consist of four worldwide segments: Alumina and Chemicals, Primary Metals, Flat-Rolled Products, and Engineered Products. Alcoa businesses that are not reported to management as part of one of these four segments are aggregated and reported as "Other." Alcoa's management reporting system measures the after-tax operating income (ATOI) of each segment. Nonoperating items, such as interest income, interest expense, foreign exchange gains/losses, the effects of LIFO accounting and minority interest, are excluded from segment profit. In addition, certain expenses, such as corporate general administrative expenses, depreciation and amortization on corporate assets, and certain special items, are not included in segment results. Segment assets exclude cash, cash equivalents, short-term investments and all deferred taxes. Segment assets also exclude items such as corporate fixed assets, LIFO reserve, goodwill allocated to corporate and other amounts. In 1999, Alcoa changed its internal reporting system to include the results of aluminum hedging in the Primary Metals segment. Previously, these results were included as reconciling items between segment ATOI and net income. Segment results for 1998 and 1997 have been restated to reflect this change.

ATOI for all segments totaled $1,489 in 1999, compared with $1,344 in 1998 and $1,247 in 1997. See Note O to the financial statements for additional information. The following discussion provides shipment, revenue and ATOI data for each segment for the years 1997 through 1999.



Percent Return on Shareholders' Equity

I. Alumina and Chemicals

	1999	1998	1997
Third-party alumina shipments (mt)	7,054	7,130	7,223
Third-party sales	$1,842	$1,847	$1,978
Intersegment sales	925	832	634
Total sales	$2,767	$2,679	$2,612
After-tax operating income	$ 307	$ 318	$ 302

This segment's activities include the mining of bauxite, which is then refined into alumina. Alumina is sold to internal and external customers worldwide or is processed into industrial chemical products. Approximately two-thirds of the third-party sales from this segment are from alumina.

In 1999, third-party sales of alumina were up 5% compared with 1998. Shipments fell 1% while realized prices rose 6%. For 1998, third-party sales of alumina fell 14% from 1997, as realized prices fell 13% and shipments fell 1%. Lower third-party shipments, as a consequence of higher intersegment sales in 1999 and 1998, were a direct result of the Alumax acquisition. Previously, sales of alumina to Alumax were classified as third-party revenues; these sales are now recorded as intersegment. Including intersegment sales, shipments were down slightly in 1999 and up in 1998.

Third-party sales of alumina-based chemical products were down 3% in 1999, as the divestiture of Alcoa Specialty Chemicals in 1998, lower prices and a lower value-added mix more than offset higher shipments. In 1998, sales were unchanged compared with 1997, as higher shipments, aided by acquisitions, were offset by lower prices.

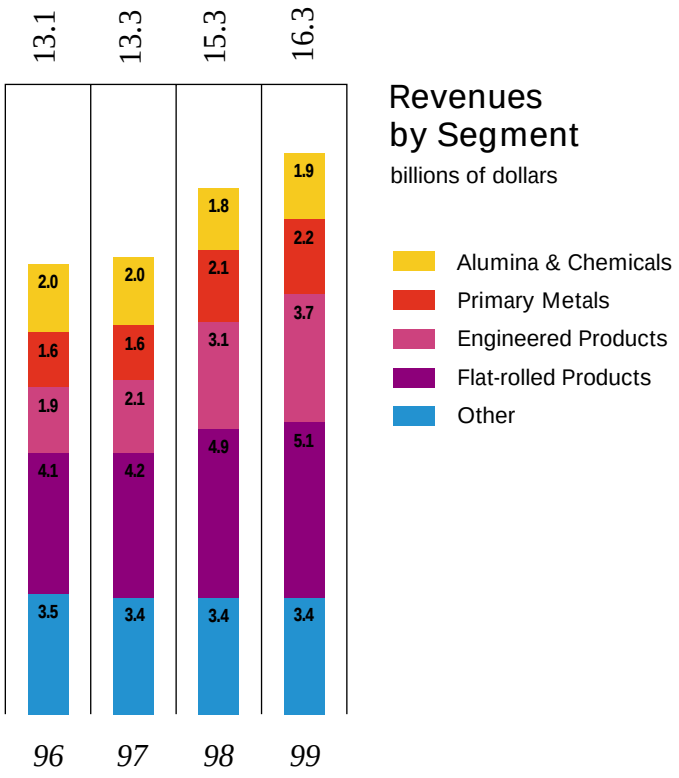
Segment ATOI for 1999 fell 3% from 1998 to $307. Alumina ATOI fell 4%, as intersegment sales comprised a higher percentage of total sales. Offsetting a portion of this decline was improved cost performance in Brazil, along with lower energy and raw material costs at operations in Australia and the U.S., respectively. Chemicals ATOI for 1999 rose 13%, as the impact of lower third-party sales was more than offset by cost improvements relating to productivity enhancements at North American operations and lower production costs. Segment ATOI in 1998 rose 5% over 1997, as lower operating costs and the impact of the Inespal acquisition were partly offset by lower realized prices.

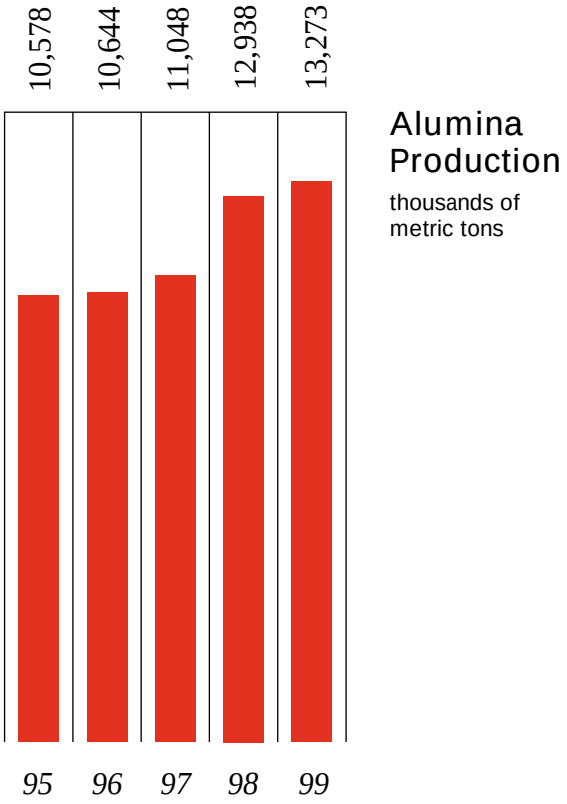
In 1999, Alcoa completed the expansion of its Wagerup alumina refinery in Australia. This expansion, which increases Wagerup's capacity by 440,000 mt to a total plant capacity of 2.2 million mt per year, was completed on time and on budget.

II. Primary Metals

	1999	1998	1997
Third-party aluminum shipments (mt)	1,442	1,392	940
Third-party sales	$2,241	$2,105	$1,600
Intersegment sales	2,793	2,509	1,883
Total sales	$5,034	$4,614	$3,483
After-tax operating income	$ 535	$ 372	$ 399

The focus of this segment is Alcoa's worldwide smelter system. Primary Metals receives alumina from the Alumina and Chemicals segment and produces aluminum ingot to be used by Alcoa's fabricating businesses, as well as sold to outside customers. Other products produced and sold by this segment include powder and scrap.





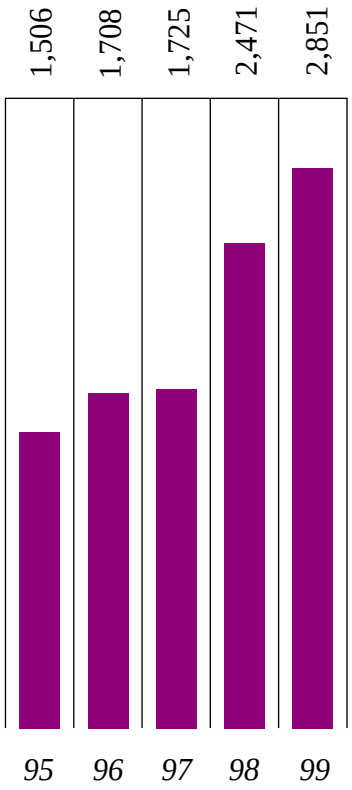
Alcoa's aluminum hedging activities also are included in this segment. Aluminum ingot produced by Alcoa and used internally is transferred to other segments at prevailing market prices. Third-party sales of ingot, which make up the majority of this segment's third-party revenues, rose 4% from 1998. The increase was due to higher shipments, which also rose 4%. On average, prices in 1999 compared with 1998 were unchanged. In 1998, third-party sales of ingot rose 32% from 1997. The increase was the result of additional shipments from the smelting operations of acquired companies, which were partially offset by an 11% decline in realized prices.

Intersegment sales increased in 1999 relative to 1998, and in 1998 relative to 1997, as Alumax and Inespal sourced the majority of their metal needs internally.

Alcoa's average realized price for ingot in 1999 was 67 cents per pound, unchanged from 1998. In 1997, the average realized price was 75 cents. This compares with average prices on the London Metal Exchange (LME) of 63 cents per pound in 1999 and 1998, and 74 cents in 1997.

Alcoa operated its worldwide smelting system at 90% of rated capacity in 1999. In January 2000, Alcoa announced that it will restart approximately 200,000 mt of idle smelting capacity by the end of the current year. Alcoa continues to have 250,000 mt of smelting capacity idle.

Primary Metals ATOI rose 44% in 1999 from 1998. Driving the improvement was a 7% increase in shipments due to including a full year's results from the 1998 July purchase of Alumax. Lower raw material prices, $45 of productivity improvements at U.S. operations and cost efficiencies in Brazil also had a positive impact on segment ATOI. Mark-to-market gains in 1999 versus losses in 1998 added $57 to ATOI in 1999. Primary metals ATOI fell 7% in 1998 from 1997, as lower metal prices and higher mark-to-market losses more than offset the impact of acquired companies and the results of internal hedging. Lower operating costs in 1998 helped ease the decline, muting the impact of lower prices.



Aluminum Production

thousands of metric tons

III. Flat-Rolled Products

	1999	1998	1997
Third-party aluminum shipments (mt)	1,982	1,764	1,469
Third-party sales	$5,113	$4,900	$4,188
Intersegment sales	51	59	53
Total sales	$5,164	$4,959	$4,241
After-tax operating income	$ 281	$ 306	$ 269

This segment's principal business is the production and sale of aluminum plate, sheet and foil. This segment includes rigid container sheet (RCS), which is used to produce aluminum beverage cans, and mill products used in the transportation and distributor markets. Approximately 45% of the third-party shipments and sales in this segment are derived from the sale of RCS, while a similar amount is obtained from mill products. Other flat-rolled products, such as foil, comprise the remainder of this segment. Third-party sales from this segment in 1999 increased 4% from 1998, as shipments, aided by a full year's results from the former Alumax locations, rose 12%. Third-party sales in 1998 increased 17% over 1997, as the impact from acquisitions was partially offset by a 2% decline in prices.

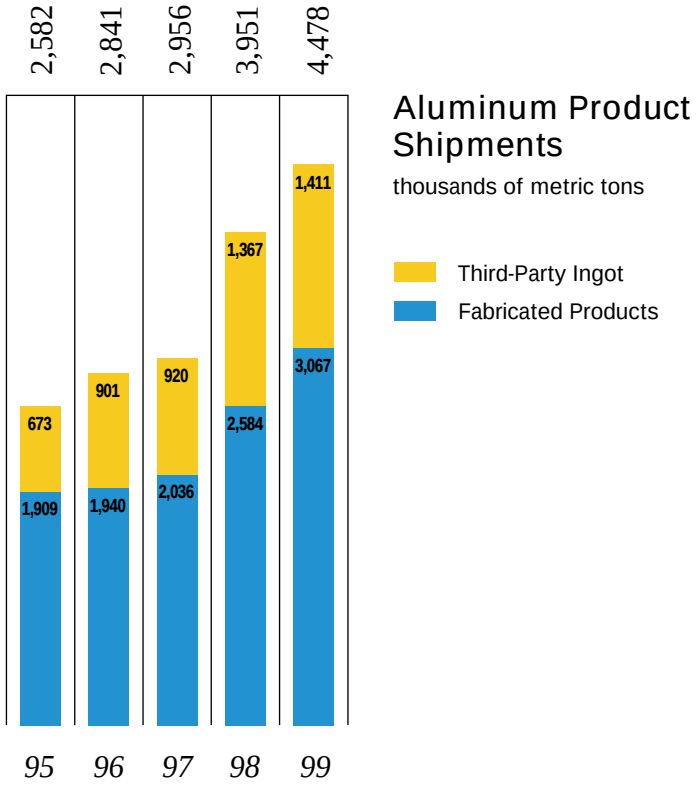
Third-party sales from RCS were down 5% in 1999 primarily as a result of lower prices. RCS pricing tends to lag movements in the

LME by three to six months, resulting in RCS prices falling year over year. For the industry as a whole, 1999 shipments of beverage cans by U.S. can manufacturers fell .7% from 1998. In 1998, these shipments rose 2.2%. Third-party sales were essentially unchanged in 1998 from 1997, as were shipments and prices.

Mill products third-party sales were up 14% from 1998, as shipments rose 32% and average prices fell 14%. Higher shipments in the U.S. and the impact of acquisitions were partly offset by lower shipments in Latin America. Average realized prices fell in part due to acquisitions, as post-Alumax, lower value-added products made up a higher percentage of total shipments. Third-party sales from mill products in 1998 were up 21% over 1997. Shipments, aided by acquisitions, increased 23%, while prices fell 2%.

ATOI for Flat-Rolled Products fell 8% in 1999, as higher revenues and cost reductions were overshadowed by lower prices and lower equity earnings. RCS ATOI fell 14%, as a $16 decline in equity earnings from Kaal, a 50%-owned joint venture that operates RCS facilities in Australia and Japan, had a negative impact on financial performance. The decline in Kaal's earnings was primarily the result of lower revenues from Japan. Lower prices, $3 of higher advertising costs and a less profitable mix, partially offset by $7 of cost improvements related to purchased materials, also had a negative impact on RCS ATOI. Mill products ATOI fell 9%, as improved results for U.S. operations were more than offset by weaker performance in Latin America and Europe. U.S. mill products results were aided by acquisitions, which increased volumes, along with $11 of improved productivity and cost performance. A shift in mix towards lower value-added products offset a portion of these gains. In Europe and Latin America, lower prices were partly offset by productivity and cost improvements. Partly offsetting the decline in RCS and mill products ATOI were improved results from foil operations and the shutdown of Alcoa Memory Products in 1999.

In 1998, ATOI for Flat-Rolled Products rose 14%, as increases from mill products and foil were partially offset by declines in RCS. RCS ATOI was down, as higher costs for labor and services reduced margins. Mill products ATOI rose, as acquisitions and higher prices for products used in the transportation market offset losses related to the production and sale of computer memory disks.



IV. Engineered Products

	1999	1998	1997
Third-party aluminum shipments (mt)	989	729	441
Third-party sales	$3,728	$3,110	$2,077
Intersegment sales	26	11	9
Total sales	$3,754	$3,121	$2,086
After-tax operating income	$ 180	$ 183	$ 100

This segment includes hard and soft alloy extrusions, aluminum forgings, rod and bar. These products serve the transportation, construction and distributor markets. Third-party shipments for this segment were up 36% in 1999, generating a 20% increase in revenues. In 1998, third-party shipments rose 65% over 1997, resulting in a 50% increase in revenues. Acquisitions and higher shipments of forged wheels, partly offset by the 1998 sale of Alcotec, a wire fabricator, were responsible for the increase in shipments. Average realized prices for Engineered Products for the 1999 period fell 12%, to $1.71

per pound, primarily due to the addition of the Alumax extrusion businesses in the 1998 third quarter. These businesses produce primarily soft alloy extrusions, which have a lower value-added, resulting in a reduction in average realized prices.

Extruded product sales were up 26% from 1998 as shipments rose 43%. In 1998, sales rose 65% on a 91% increase in shipments. The Alumax acquisition was a significant factor in the increase in shipments. Partially offsetting higher shipments were lower soft alloy prices and a 23% drop in shipments of hard alloy products. Forged wheel sales increased 33% and 32% in 1999 and 1998, respectively, from the prior year. Continued strong demand for forged wheels used in sport utility vehicles and light trucks was a major factor in the higher shipment levels.

Engineered Products 1999 ATOI fell 2% from 1998 to $180. The 1998 sale of Alcotec resulted in an $18 decrease in 1999 segment ATOI relative to 1998. Additionally, declines in the extrusion business in Latin America and in the architectural extrusion business in the U.S. were nearly offset by improved results in Europe and from forged products. The decline in Latin America was due to lower volumes and prices, while the drop in returns from the architectural extrusion business was due to lower volumes and higher production costs. Europe benefited from acquisitions, increased market share and productivity improvements. Forged products ATOI rose 39%, as higher prices and continued growth in the wheel market offset a shift to a lower value-added mix.

ATOI in 1998 for this segment rose 84% over the comparable 1997 period. The increase was due to acquired companies, the above-mentioned gain on the sale of Alcoa's interest in Alcotec and improved operating results from European extrusion facilities. Also contributing to the increase were higher shipments of forged wheels.

V. Other

	1999	1998	1997
Third-party aluminum shipments (mt)	65	66	106
Third-party sales	$3,393	$3,362	$3,457
After-tax operating income	$ 186	$ 165	$ 177

This category includes Alcoa Fujikura Ltd. (AFL), which produces electrical components for the automotive industry along with telecommunications products. In addition, Alcoa's aluminum and plastic closures operations, residential building products operations and aluminum automotive engineering and parts businesses are included in this group. Third-party sales from this group were up 1% from 1998, as higher sales of automotive electrical components, the acquisition of the remaining 50% of A-CMI in the 1999 third quarter and increased sales from closures were nearly offset by declines from packaging operations in Brazil. This segment's third-party sales in 1998 were down 3% from 1997, as higher sales of automotive electrical components were more than offset by the loss of revenues from the sale of Alcoa Aluminio's cable business in late 1997.

Third-party sales at AFL increased 5% in 1999 and 7% in 1998, relative to the prior year, as higher volumes were partly offset by declining prices. Closures revenue for 1999 rose 7% from 1998, as higher volumes were somewhat offset by lower prices. In 1998, closures revenues fell 1% compared with 1997.

This group incurred a special item gain of $71 in 1997. The gain was the result of the sale of various businesses, a majority interest in Alcoa's Brazilian cable business and land in Japan.

ATOI for this group rose 13% from 1998, as improvements in closures and aluminum automotive parts were partly offset by a decline from packaging operations in Brazil. The improvement in closures ATOI was a result of higher volumes and $6 of cost improvements, offset in part by lower prices. Aluminum automotive parts benefited from higher volumes and selling prices, lower administrative costs and $12 of improved productivity. Cost improvements of $22 somewhat offset the impact of a 23% decline in revenues from packaging operations in Brazil. In 1998, ATOI fell 7% from 1997, as improved results at AFL, along with a gain from the sale of Alcoa's Australian gold operations, were more than offset by special item gains in 1997 versus no special items in 1998.

Reconciliation of ATOI to Consolidated Net Income

The following reconciles segment ATOI to Alcoa's consolidated net income and explains each line item in the reconciliation:

	1999	1998	1997
Total after-tax operating income	$1,489	$1,344	$1,247
Elimination of intersegment (profit) loss	(24)	(16)	12
Unallocated amounts (net of tax):			
Interest income	26	64	67
Interest expense	(126)	(129)	(92)
Minority interest	(242)	(238)	(268)
Corporate expense	(171)	(197)	(172)
Other	102	25	11
Consolidated net income	$1,054	$ 853	$ 805

Items required to reconcile ATOI to consolidated net income include:

- Corporate adjustments to eliminate any remaining profit or loss between segments;
- The after-tax impact of interest income and expense at the statutory rate;
- Minority interest;
- Corporate expense, comprised of general administrative and selling expenses of operating the corporate headquarters and other global administrative facilities along with depreciation on corporate owned assets; and
- Other, which includes the impact of LIFO, differences between estimated tax rates used in each segment and the corporate effective tax rate and other nonoperating items such as foreign exchange.

The variance in Other from 1999 to 1998 was due to LIFO adjustments that occurred in 1999 and adjustments to deferred taxes that resulted from a change in the Australian corporate income tax rate.

Special Items

There were no special items recorded in 1999 or 1998. Special items in 1997 resulted in a net gain of $96 ($44 after tax and minority interests, or 13 cents per basic share). The fourth quarter sale of a majority interest in Alcoa's Brazilian cable business and land in Japan generated gains of $86. In addition, the sale of equity securities resulted in a gain of $38, while the divestiture of noncore businesses provided $25. These gains were partially offset by charges of $53, related to environmental and impairment matters.

Costs and Other

Costs of Goods Sold — Cost of goods sold (COGS) totaled $12,536 for 1999, up 5% from 1998. The increase was due to higher volumes that generated additional costs of $1,100. The higher volumes relate primarily to acquired companies. Offsetting a portion of the acquisition-driven increases were cost and operating improvements of approximately $500. The $1,658 increase in 1998 relative to 1997 was due to higher volumes of $1,800, which also were related primarily to acquisitions, partly offset by cost improvements of $200. COGS as a percentage of sales fell 1% to 76.8% in 1999, as higher shipments, good cost control and a LIFO liquidation more than offset the negative impact of lower overall aluminum prices on revenues. In 1998, COGS as a percentage of sales was .7 percentage points higher than the 77.1% recorded in 1997, as higher shipments and a higher value-added product mix more than offset the impact of cost improvements.

Selling and General Administrative Expenses — S&GA expenses increased 9%, or $68, to $851 in 1999. The higher level of these costs in 1999 was due to acquisitions; Alcoa owned Alumax for 12 months in 1999 versus six months in 1998. In addition, higher personnel costs related to pay for performance had a negative impact on S&GA in 1999. As a percentage of sales revenue, S&GA was 5.2% in 1999. S&GA for 1998 rose $101 from 1997 to $783, or 5.1% of sales revenues. The higher 1998 S&GA total results from acquisitions, partially offset by cost reductions.

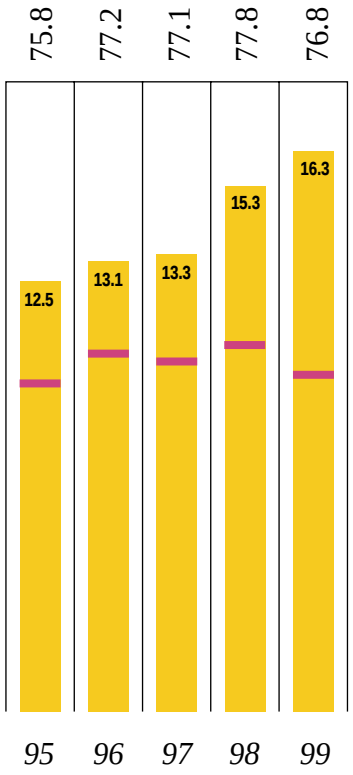
Research and Development Expenses — R&D expenses of $128 in 1999 were essentially unchanged from 1998, as a reduction in corporate spending was offset by increases in the primary metals and flat-rolled products areas. R&D costs for 1998 were down 10% from 1997. A reduction in R&D personnel was primarily responsible for lower spending on research in the metals, castings, closures and alumina businesses.

Interest Expense — Interest expense of $195 in 1999 was down $3 from 1998. Total interest costs, including capitalized interest, were up 2% to $216 in 1999. The increase in total interest costs was due to a higher level of capitalized interest along with higher interest rates partly offset by lower debt levels and the repayment of some higher cost debt. The increase in capitalized interest relates to the expansion of the Wagerup alumina refinery in Australia. Interest expense in 1998 totaled $198, up $57 from 1997. The increase was the result of 1998 borrowings of over $1,850, the proceeds of which were used primarily to fund acquisitions.

Income Taxes — Alcoa's effective tax rate in 1999 was 29.9%, 5.1 percentage points below the statutory rate of 35%. The lower rate is primarily due to lower taxes on foreign income and a reduction in the Australian corporate income tax rate. In the 1999 fourth quarter, Australia reduced its corporate income tax rate from 36% to 34% for 2000 and to 30% for 2001.

Alcoa's effective tax rate in 1998 was 32%, three percentage points below the statutory rate of 35%. The lower rate is primarily due to lower taxes on foreign income.

The 1997 effective tax rate was 33%, two percentage points below the statutory rate of 35%. The lower rate is primarily due to the favorable tax effect of certain special items.

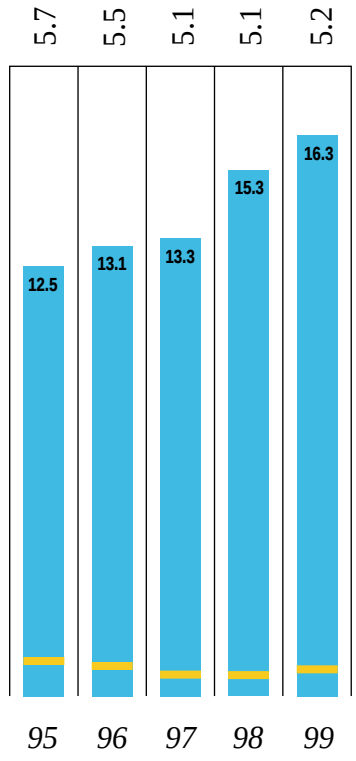


Cost of Goods Sold

as a percent of sales

Revenue – billions of dollars

Cost of goods sold as a percent of sales



Selling and General Administrative Expenses

as a percent of sales

Revenue – billions of dollars

Selling and general administrative expenses as a percent of sales

Other Income/Foreign Currency — Other income totaled $124 in 1999, down $25 from 1998. The decline was due to a $57 decline in interest income, a negative swing in foreign exchange and lower gains from asset sales. Offsetting a portion of these negative factors were gains from marking to market certain aluminum commodity contracts versus losses in 1998. In 1998 from 1997, other income fell 9% to $149. The majority of the change was due to increased losses from marking to market aluminum commodity contracts and lower interest income. Offsetting a portion of these negative factors were increased gains related to asset sales, higher equity income and a positive swing in foreign exchange.

Exchange gains (losses) included in other income were $(18.7) in 1999, $(3.7) in 1998 and $(9.8) in 1997. The total impact on net income, after taxes and minority interests, was $(8.3) in 1999, $(8.0) in 1998 and $6.9 in 1997.

In July 1999, the Brazilian real became the functional currency for translating the financial statements of Alcoa's 59%-owned Brazilian subsidiary, Alcoa Aluminio (Aluminio). Economic factors and circumstances related to Aluminio's operations had changed significantly since the devaluation of the real in the 1999 first quarter. Under SFAS 52, "Foreign Currency Translation," the change in these facts and circumstances required a change to Aluminio's functional currency. As a result, at July 1, 1999, Alcoa's shareholders' equity (cumulative translation adjustment) and minority interests were reduced by $156 and $108, respectively. These amounts were driven principally by a reduction in fixed assets. This reduction resulted in a $15 decrease in Aluminio's depreciation expense for 1999.

Minority Interests — Minority interests' share of income from operations rose 2% from 1998 to $242. The increase was due to higher earnings at Alcoa of Australia (AofA) and AFL, partly offset by lower earnings from Alcoa World Alumina L.L.C. For 1998, minority interest fell 11% to $238, as lower earnings at Aluminio and AofA were partly offset by improvements at AFL.

Risk Factors

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

Commodity Price Risks — Alcoa is a leading global producer of aluminum ingot and aluminum fabricated products. As a condition of sale, customers often require Alcoa to commit to fixed-price contracts that sometimes extend a number of years into the future. Customers will likely require Alcoa to enter into similar arrangements in the future. These contracts expose Alcoa to the risk of fluctuating aluminum prices between the time the order is accepted and the time that the order ships.

In the U.S., Alcoa is net metal short and is subject to the risk of higher aluminum prices for the anticipated metal purchases required to fulfill the long-term customer contracts noted above. To hedge this risk, Alcoa enters into long positions, principally using futures and options. Alcoa follows a stable pattern of purchasing metal; therefore, it is highly likely that anticipated metal requirements will be met. At December 31, 1999 and 1998, these contracts totaled approximately 465,000 mt and 933,000 mt, respectively. These contracts act to fix the purchase price for these metal purchase requirements, thereby reducing Alcoa's risk to rising metal prices.

A hypothetical 10% change from the 1999 year-end, three-month LME aluminum ingot price of $1,650 per mt would result in a pretax gain or loss to future earnings of $77 related to all of the futures and options contracts noted above. However, it should be noted that any change in the value of these contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying metal purchase transactions.

Earnings were selected as the measure of sensitivity due to the historical relationship between aluminum ingot prices and Alcoa's earnings. The hypothetical change of 10% was calculated using a parallel shift in the existing December 31, 1999 forward price curve for aluminum ingot. The price curve takes into account the time value of money, as well as future expectations regarding the price of aluminum ingot.

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

The expiration dates of the options and the delivery dates of the futures contracts noted above 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 if metal prices fall below the price of contracts being rolled forward.

Alcoa also had 21,000 mt and 29,000 mt of futures and options contracts outstanding at year-end 1999 and 1998, 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 after-tax gains of $12 in 1999 and charges of $45 in 1998 and $13 in 1997. A hypothetical 10% change in aluminum ingot prices from the year-end 1999 level of $1,650 per mt would result in a pretax gain or loss of $3 related to these positions. The hypothetical gain or loss was calculated using the same model and assumptions noted earlier.

Alcoa sells products to various third parties at prices that are influenced by changes in LME aluminum prices. From time to time, the company may elect to hedge a portion of these exposures to reduce the risk of fluctuating market prices on these sales. Towards this end, Alcoa may enter into short positions using futures and options contracts. At December 31, 1999, these contracts totaled 244,000 mt. These contracts act to fix a portion of the sales price related to these sales contracts. A hypothetical 10% change in aluminum ingot prices from the year-end 1999 level of $1,650 per mt would result in a pretax gain or loss of $29 related to these positions. The hypothetical gain or loss was calculated using the same model and assumptions noted earlier.

Alcoa also purchases certain other commodities, such as fuel oil, natural gas and copper, for its operations and enters into futures and options contracts to eliminate volatility in the prices of such products.

None of these contracts are material. For additional information on financial instruments, see Notes A and T to the financial statements.

Foreign Exchange Risks — Alcoa is subject to significant exposure from fluctuations in foreign currencies. As a matter of company policy, foreign currency exchange contracts, including forwards and options, are sometimes used to limit the risk of fluctuating exchange rates. A hypothetical 10% change in applicable 1999 year-end forward rates would result in a pretax gain or loss of approximately $169 related to these positions. However, it should be noted that any change in the value of these contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged item. The model assumes a parallel shift in the forward curve for the applicable currencies and includes the foreign currency impacts of Alcoa's cross-currency interest rate swaps. See Notes A and T for information related to the accounting policies and fair market values of Alcoa's foreign exchange contracts at December 31, 1999 and 1998.

Interest Rate Risks — Alcoa 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. At December 31, 1999 and 1998, Alcoa had $3,067 and $3,489 of debt outstanding at effective interest rates of 5.8% and 6.1%, respectively, after the impact of interest rate swaps and caps is taken into account. A hypothetical change of 10% in Alcoa's effective interest rate from year-end 1999 levels would increase or decrease interest expense by $20. The interest rate effect of Alcoa's cross-currency interest rate swaps has been included in this analysis. For more information related to Alcoa's use of interest rate instruments, see Notes A and T.

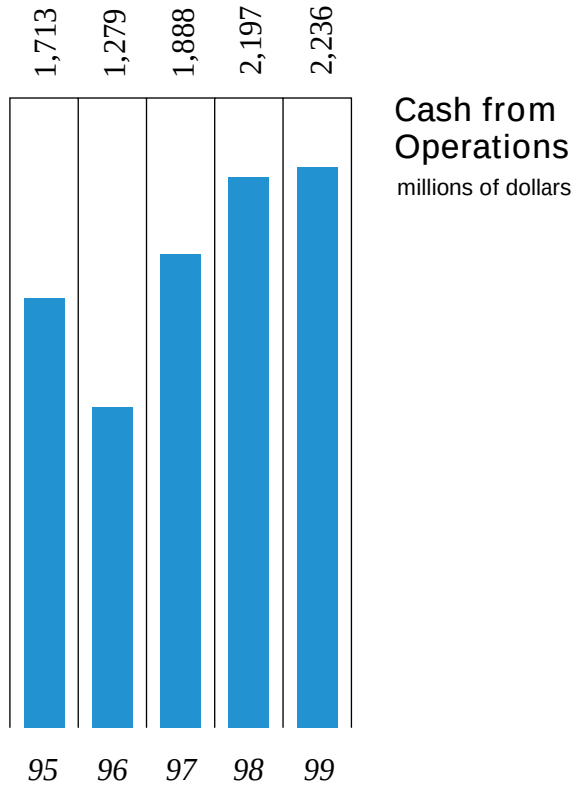
Risk Management — All of the aluminum and other commodity contracts, as well as the various types of financial instruments, are straightforward and are held for purposes other than trading. They are used primarily to mitigate uncertainty and volatility, and principally cover underlying exposures.

Alcoa's commodity and derivative activities are subject to the management, direction and control of the Strategic Risk Management Committee (SRMC). SRMC is composed of the chief executive officer, the chief financial officer and other officers and employees that the chief executive officer may select from time to time. SRMC reports to the board of directors at each of its scheduled meetings on the scope of its derivative activities.

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

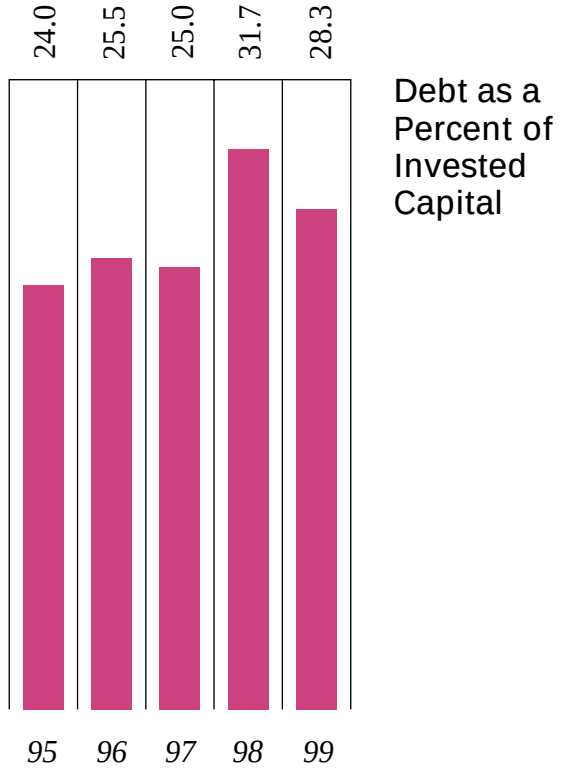
Environmental Matters

Alcoa continues to participate in environmental assessments and cleanups at a number of locations. These include approximately 10 owned or operating facilities and adjoining properties, approximately 10 previously owned or operated facilities and adjoining



Cash from Operations

millions of dollars



Debt as a Percent of Invested Capital

properties and approximately 65 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. For additional information, see Notes A and U to the financial statements.

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 Alcoa's Massena, New York, and Pt. Comfort, Texas plant sites that allege natural resource damage or off-site contaminated sediments, where investigations are ongoing. Based on these facts, it is possible that Alcoa's results of operations, in a particular period, could be materially affected by matters relating to these two 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 the end of 1999 was $174, of which $63 was classified as a current liability, and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. About 22% of this balance relates to Alcoa's Massena, New York plant site and 11% relates to Alcoa's Pt. Comfort, Texas plant site. Remediation expenses charged to the reserve were $47 in 1999, $63 in 1998 and $64 in 1997. These include expenditures currently mandated, as well as those not required by any regulatory authority or third party. In 1999, the reserve balance was increased by $4 to cover anticipated future environmental expenditures.

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

Liquidity and Capital Resources

(dollars in millions, except share amounts)

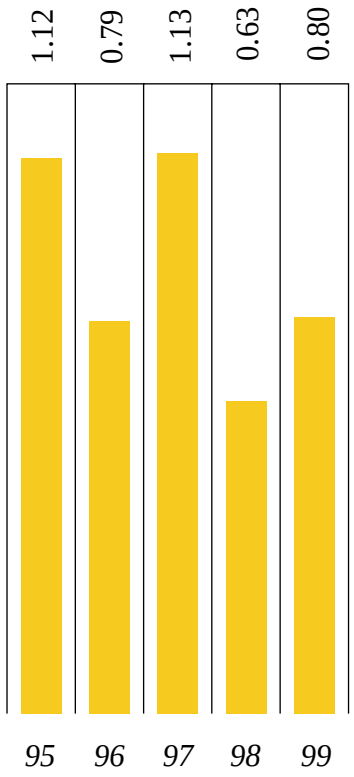
Cash from Operations

Cash from operations increased 2% to $2,236 in 1999, after rising 16% in 1998 to $2,197, versus $1,888 in 1997. The 1999 increase was primarily the result of higher earnings, partly offset by higher working capital requirements. The increase in cash from operations in 1998 relative to 1997 was due to higher earnings, a reduction in deferred hedging gains and lower working capital requirements.

Higher working capital requirements for 1999 were a result of higher receivables, a reduction in taxes and payables, partly offset by lower inventories. In 1998, lower working capital requirements were essentially due to lower levels of receivables and inventories, partially offset by a decrease in accounts payable and accrued expenses.

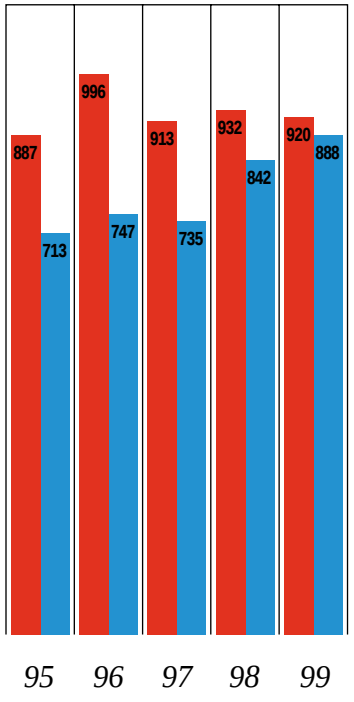
Financing Activities

Financing activities used $1,166 of cash in 1999, versus $280 in the 1998 period. The primary reason for the increase in 1999 was a decrease in borrowings. This decrease was partly offset by an



Free Cash Flow to Debt Coverage

times covered



Capital Expenditures and Depreciation

millions of dollars

Capital Expenditures

Depreciation

increase in common stock issued in connection with employee stock option plans. Specifically, in 1999 Alcoa used $838 of cash to repurchase 15,605,522 shares of the company's common stock at an average price of $53.70 per share. In 1998, Alcoa used $365 to repurchase 9,774,600 shares of common stock. Stock purchases in 1999 and 1998 were partially offset by $609 and $87, respectively, of stock issued for employee stock option plans.

Net payments on long-term debt in 1999 totaled $428, versus $561 of net additions in 1998. In 1998, Alcoa issued $1,100 of commercial paper, $250 of term debt due in 2018, $200 of term debt due in 2005 and $300 of thirty-year bonds due in 2028. Partially offsetting these borrowings were net payments of $350 on commercial paper and the repayment of $950 of Alumax debt. In the 1998 third quarter, Alcoa entered into a new $2,000 revolving-credit facility. The facility is comprised of a 364-day $1,000 facility and a five-year $1,000 facility. The revolving-credit facilities are used to support the Alcoa and AofA commercial paper programs.

Dividends paid to shareholders were $298 in 1999, an increase of $33 from 1998. The difference was due to a higher total dividend in 1999, with a total payout of 80.5 cents per share versus 75 cents per share in 1998. In 1998, dividends to shareholders rose $94 from 1997 to $265, as the total payout of 75 cents per share was significantly above the 1997 payout of 48.8 cents per share. In early January 2000, Alcoa's board of directors increased the base dividend by 33%, to $1.00 per share, and increased the threshold for payment of the variable dividend to $3.00 per share. This will result in a quarterly dividend of 25 cents per share for 2000, a 24% increase from the 1999 quarterly dividend of 20.125 cents per share. Alcoa's variable dividend program provides for the distribution, in the following year, of 30% of Alcoa's annual earnings in excess of $3.00 per basic share.

Dividends paid and return of capital to minority interests totaled $122 in 1999, a decline of $100 from the prior year. The decline was due to a lack of dividends paid at Aluminio and at entities comprising Alcoa World Alumina and Chemicals (AWAC). In 1998, dividends paid and return of capital to minority interests fell $120 from 1997 to $222. The decrease is a result of AWAC and AofA returning funds to their investors in 1997. Of the $342 cash outflow in 1997, $206 relates to payments made by AofA, while a payment of $96 was made by AWAC.

Debt as a percentage of invested capital was 28.3% at the end of 1999, compared with 31.7% for 1998 and 25.0% for 1997.

Investing Activities

Cash used for investing activities in 1999 totaled $1,167, down $1,210 from 1998. Capital expenditures totaled $920, compared with $932 in 1998 and $913 in 1997. Of the total expenditures in 1999, 27% related to capacity expansion, including alumina production in Australia and automotive sheet production in the U.S. Also included are costs of new and expanded facilities for environmental control in ongoing operations totaling $91 in 1999, $105 in 1998 and $94 in 1997.

Alcoa used $1,463 in 1998 for acquisitions, notably the Alumax and Inespal transactions. During the 1999 period, Alcoa spent $122 to acquire a number of businesses, including the bright products business of Pechiney's Rhenalu rolling plant located near Toulouse, France and Reynolds' aluminum extrusion plant in Irurzun, Spain. In 1999, Alcoa also acquired the remaining 50% interest in its A-CMI partnership from Hayes Lemmerz. A-CMI was a joint venture between Alcoa and CMI International formed to produce cast aluminum products for the automotive industry. In the 1999 fourth quarter, Alcoa acquired Golden Aluminum's closed rolling facility in San Antonio, Texas.

Alcoa added $96 and $126 to its investments in 1999 and 1998, respectively, primarily to acquire a stake in the Norwegian metals producer, Elkem. In 1998, Alcoa received $55 from the sale of its specialty chemical, Alcotec wire, Vernon cast plate and Australian gold operations. Asset sales in 1997 generated $265 and included the Caradco, Arctek, Alcoa Composites, Norcold, Dayton Technologies and Richmond, Indiana facilities. Also included was the sale of a majority interest in Alcoa's Brazilian cable business.

Year 2000 Issue

Alcoa, like other businesses, made substantial preparations for the Year 2000 issue. The Year 2000 issue arose from the past practice of using two digits (as opposed to four) to represent the year in some computer programs and software. If uncorrected, this could have resulted in computational errors as dates are compared across the century boundary. The vast majority of the products produced and sold by Alcoa are unaffected by Year 2000 issues in use or operation since they contain no microprocessors.

Based on information available to date, Alcoa has not experienced any significant events attributable to Year 2000 issues. The company will continue to monitor for potential issues at Alcoa, its customers and suppliers, in order to permit a rapid response should any issues arise. Alcoa believes that if any Year 2000 issues were to arise, they would not have a significant impact on its operations and would most likely be isolated, short-term events.

Alcoa's Year 2000 program provided a focused effort across all of the company's locations that:

- identified, assessed, remediated and tested 26,232 Alcoa systems and components;
- formally assessed 3,399 critical and important suppliers;
- conducted 202 formal on-site program verification reviews;
- provided Year 2000 readiness information to 2,802 separate customers; and
- updated and completed 1,890 contingency plans.

In 1999 and 1998, Alcoa incurred $38 each year of direct costs in connection with its Year 2000 program. These costs include external consulting costs and the cost of hardware and software replaced as a result of Year 2000 issues. Alcoa does not expect to incur significant direct costs related to the Year 2000 issue during the current year.

Subsequent Event

On February 11, 2000, the shareholders of Reynolds Metals Company, by majority vote, approved the proposed merger transaction between Alcoa and Reynolds. The merger transaction remains subject to the approval of various governmental authorities.

Management's Report to Alcoa Shareholders

The accompanying financial statements of Alcoa and consolidated subsidiaries were prepared by management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's best judgments and estimates. The other financial information included in this annual report is consistent with that in the financial statements.

The company maintains a system of internal controls, including accounting controls, and a strong program of internal auditing. The system of controls provides for appropriate procedures that are consistent with high standards of accounting and administration. The company believes that its system of internal controls provides reasonable assurance that assets are safeguarded against losses from unauthorized use or disposition and that financial records are reliable for use in preparing financial statements.

Management also recognizes its responsibility for conducting the company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities within the laws of the host countries in which the company operates and potentially conflicting outside business interests of its employees. The company maintains a systematic program to assess compliance with these policies.

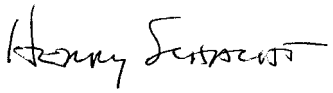
Alain J. P. Belda
President and
Chief Executive Officer

Richard B. Kelson
Executive Vice President and
Chief Financial Officer

Audit Committee Report

The Audit Committee of the Board of Directors, which is composed of five independent directors, met four times in 1999. In addition, the chairman of this committee met with management and the independent accountants prior to the announcement of quarterly earnings in April, July and October.

The Audit Committee oversees Alcoa's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, the committee recommended to the Board the reappointment of PricewaterhouseCoopers LLP as the company's independent public accountants. The Audit Committee reviewed with the Vice President–Environment, Health and Safety, Audit and Compliance and the independent accountants the overall scope and specific plans for their respective audits. The committee reviewed with management Alcoa's annual and quarterly reporting process, and the adequacy of the company's internal controls. Without management present, the committee met separately with the Vice President–Environment, Health and Safety, Audit and Compliance and the independent accountants to review the results of their examinations, their evaluations of the company's internal controls, and the overall quality of Alcoa's financial reporting.



Henry B. Schacht
Chairman, Audit Committee

Independent Accountant's Report

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Alcoa at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of Alcoa's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

600 Grant St., Pittsburgh, Pa.
January 10, 2000, except for Note V,
for which the date is February 11, 2000.

Statement of Consolidated Income

Alcoa and subsidiaries

(in millions, except per-share amounts)

For the year ended December 31	1999	1998	1997
Revenues			
Sales (O)	$16,323	$15,340	$13,319
Other income	124	149	163
	16,447	15,489	13,482
Costs and Expenses			
Cost of goods sold	12,536	11,933	10,275
Selling, general administrative and other expenses	851	783	682
Research and development expenses	128	128	143
Provision for depreciation, depletion and amortization	888	842	735
Special items (D)	—	—	(96)
Interest expense (S)	195	198	141
	14,598	13,884	11,880
Earnings			
Income before taxes on income	1,849	1,605	1,602
Provision for taxes on income (P)	553	514	529
Income from operations	1,296	1,091	1,073
Minority interests	(242)	(238)	(268)
Net Income	$ 1,054	$ 853	$ 805
Earnings per Share (B and M)			
Basic	$ 2.87	$ 2.44	$ 2.33
Diluted	$ 2.82	$ 2.42	$ 2.31

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

Consolidated Balance Sheet

Alcoa and subsidiaries

(in millions)

December 31	1999	1998
Assets		
Current assets:		
Cash and cash equivalents (T)	$ 237	$ 342
Short-term investments (T)	77	39
Receivables from customers, less allowances: 1999 – $58; 1998 – $61	2,199	2,163
Other receivables	165	171
Inventories (E)	1,618	1,881
Deferred income taxes (P)	233	198
Prepaid expenses and other current assets	271	231
Total current assets	4,800	5,025
Properties, plants and equipment (F)	9,133	9,134
Goodwill, net of accumulated amortization of $221 in 1999 and $179 in 1998 (C)	1,328	1,414
Other assets (H and T)	1,805	1,890
Total Assets	$17,066	$17,463
Liabilities		
Current liabilities:		
Short-term borrowings (weighted average rate of 5.1% in 1999 and 4.8% in 1998) (T)	$ 343	$ 431
Accounts payable, trade	1,219	1,044
Accrued compensation and retirement costs	582	553
Taxes, including taxes on income	368	431
Other current liabilities	424	628
Long-term debt due within one year (G and T)	67	181
Total current liabilities	3,003	3,268
Long-term debt, less amount due within one year (G and T)	2,657	2,877
Accrued postretirement benefits (Q)	1,720	1,840
Other noncurrent liabilities and deferred credits (I)	1,473	1,588
Deferred income taxes (P)	437	358
Total liabilities	9,290	9,931
Minority Interests (A and J)	1,458	1,476
Contingent liabilities (L)	—	—
Shareholders' Equity		
Preferred stock (N)	56	56
Common stock (N)	395	395
Additional capital	1,704	1,676
Retained earnings	6,061	5,305
Treasury stock, at cost	(1,260)	(1,029)
Accumulated other comprehensive loss	(638)	(347)
Total shareholders' equity	6,318	6,056
Total Liabilities and Equity	$17,066	$17,463

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

Statement of Consolidated Cash Flows

Alcoa and subsidiaries

(in millions)

For the year ended December 31	1999	1998	1997
Cash from Operations			
Net income	$ 1,054	$ 853	$ 805
Adjustments to reconcile net income to cash from operations:			
Depreciation, depletion and amortization	901	856	754
Change in deferred income taxes	54	110	83
Equity earnings before additional taxes, net of dividends	(10)	(3)	(31)
Noncash special items	—	—	(96)
Gains from investing activities—sale of assets	(12)	(32)	—
Minority interests	242	238	268
Other	31	(23)	(5)
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:			
(Increase) reduction in receivables	(56)	145	12
Reduction in inventories	253	100	53
(Increase) reduction in prepaid expenses and other current assets	(36)	23	(26)
Increase (reduction) in accounts payable and accrued expenses	(79)	(68)	82
Increase (reduction) in taxes, including taxes on income	26	69	(27)
Cash received on long-term alumina supply contract	—	—	240
Change in deferred hedging gains/losses	(63)	(51)	(113)
Net change in noncurrent assets and liabilities	(69)	(20)	(111)
Cash from operations	2,236	2,197	1,888
Financing Activities			
Net additions (reduction) to short-term borrowings	(89)	(76)	143
Common stock issued and treasury stock sold	609	87	203
Repurchase of common stock	(838)	(365)	(604)
Dividends paid to shareholders	(298)	(265)	(171)
Dividends paid and return of capital to minority interests	(122)	(222)	(342)
Net change in commercial paper	—	776	(79)
Additions to long-term debt	572	881	188
Payments on long-term debt	(1,000)	(1,096)	(327)
Cash used for financing activities	(1,166)	(280)	(989)
Investing Activities			
Capital expenditures	(920)	(932)	(913)
Acquisitions, net of cash acquired (K)	(122)	(1,463)	—
Proceeds from the sale of assets	45	55	265
Sale of (additions to) investments	(96)	(126)	52
Changes in minority interests	—	33	14
Changes in short-term investments	(37)	66	(87)
Other	(37)	(10)	(10)
Cash used for investing activities	(1,167)	(2,377)	(679)
Effect of exchange rate changes on cash	(8)	1	(17)
Net change in cash and cash equivalents	(105)	(459)	203
Cash and cash equivalents at beginning of year	342	801	598
Cash and cash equivalents at end of year	$ 237	$ 342	$ 801

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

Statement of Shareholders' Equity

Alcoa and subsidiaries

(in millions, except share amounts)

December 31	Comprehensive income	Preferred stock	Common stock	Additional capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at end of 1996		$56	$179	$ 592	$4,083	$ (371)	$ (76)	$4,463
Comprehensive income — 1997:								
Net income — 1997	$ 805				805			805
Other comprehensive income (loss):								
Minimum pension liability, net of $2 tax benefit	(4)							
Unrealized translation adjustments	(250)							
Unrealized gains on securities, net of $1 tax expense	1							
Gains on securities included in net income, net of $13 tax benefit	(24)						(277)	(277)
Comprehensive income	$ 528							
Cash dividends: Preferred @ $3.75 per share					(2)			(2)
Common @ $.488 per share					(169)			(169)
Treasury shares purchased						(604)		(604)
Stock issued: compensation plans				(14)		217		203
Balance at end of 1997		56	179	578	4,717	(758)	(353)	4,419
Comprehensive income — 1998:								
Net income — 1998	$ 853				853			853
Other comprehensive income (loss):								
Minimum pension liability, net of $3 tax benefit	(5)							
Unrealized translation adjustments	11						6	6
Comprehensive income	$ 859							
Cash dividends: Preferred @ $3.75 per share					(2)			(2)
Common @ $.75 per share					(263)			(263)
Treasury shares purchased						(365)		(365)
Stock issued: Alumax acquisition			19	1,302				1,321
Stock issued: compensation plans				(7)		94		87
Stock issued: two-for-one split			197	(197)				—
Balance at end of 1998		56	395	1,676	5,305	(1,029)	(347)	6,056
Comprehensive income — 1999:								
Net income — 1999	$1,054				1,054			1,054
Other comprehensive loss:								
Unrealized translation adjustments (A)	(291)						(291)	(291)
Comprehensive income	$ 763							
Cash dividends: Preferred @ $3.75 per share					(2)			(2)
Common @ $.805 per share					(296)			(296)
Treasury shares purchased						(838)		(838)
Stock issued: compensation plans				28		607		635
Balance at end of 1999		$56	$395	$1,704	$6,061	$(1,260)	$(638) *	$6,318

* Comprised of unrealized translation adjustments of $(623) and minimum pension liability of $(15)

Share Activity

(number of shares)

	Preferred stock	Common stock		
		Issued	Treasury	Net outstanding
Balance at end of 1996	557,649	357,845,166	(12,825,888)	345,019,278
Treasury shares purchased			(16,154,534)	(16,154,534)
Stock issued: compensation plans			7,686,508	7,686,508
Balance at end of 1997	557,649	357,845,166	(21,293,914)	336,551,252
Treasury shares purchased			(9,774,600)	(9,774,600)
Stock issued: Alumax acquisition		36,850,760		36,850,760
Stock issued: compensation plans			3,181,666	3,181,666
Balance at end of 1998	557,649	394,695,926	(27,886,848)	366,809,078
Treasury shares purchased			(15,605,522)	(15,605,522)
Stock issued: compensation plans			16,545,442	16,545,442
Balance at end of 1999	557,649	394,695,926	(26,946,928)	367,748,998

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

Notes to Consolidated Financial Statements

(dollars and shares in millions, except per-share amounts)

A. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Alcoa and companies more than 50% owned. Investments in other entities are accounted for principally on an equity basis.

The consolidated financial statements are prepared in conformity with generally accepted accounting principles and require management to make certain estimates and assumptions. These may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates upon subsequent resolution of identified matters.

Inventory Valuation. Inventories are carried at the lower of cost or market, with cost for a substantial portion of U.S. and Canadian inventories determined under the last-in, first-out (LIFO) method. The cost of other inventories is principally determined under the average-cost method. See Note E for additional detail.

Properties, Plants and Equipment. Properties, plants and equipment are recorded at cost. Depreciation is recorded principally on the straight-line method at rates based on the estimated useful lives of the assets, averaging 33 years for structures and between five and 25 years for machinery and equipment. Profits or losses from the sale of assets are included in other income. Repairs and maintenance are charged to expense as incurred. Interest related to the construction of qualifying assets is capitalized as part of the construction costs.

Depletion is taken over the periods during which the estimated mineral reserves are extracted. See Notes F and S for additional detail.

Amortization of Intangibles. The excess purchase price over the net tangible assets of businesses acquired is reported as goodwill in the consolidated balance sheet. Goodwill and other intangibles are amortized on a straight-line basis over not more than 40 years. The carrying value of goodwill and other intangibles is evaluated periodically in relation to the operating performance and future undiscounted cash flows of the underlying businesses. Adjustments are made if the sum of expected future net cash flows is less than book value. See Note H for additional information.

Revenue Recognition. Alcoa recognizes revenue when title passes to the customer.

Environmental Expenditures. Expenditures for current operations are expensed or capitalized, as appropriate. Expenditures relating to existing conditions caused by past operations, and which do not contribute to future revenues, are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated. The liability may include costs such as site investigations, consultant fees, feasibility studies, outside contractor and monitoring expenses. Estimates are not discounted or reduced by potential claims for recovery. Claims for recovery are recognized when received. The estimates also include costs related to other potentially responsible parties to the extent that Alcoa has reason to believe such parties will not fully pay their proportionate share. The liability is periodically reviewed and adjusted to reflect current remediation progress, prospective estimates of required activity and other factors that may be relevant, including changes in technology or regulations. See Note U for additional information.

Stock-Based Compensation. Alcoa accounts for stock-based compensation in accordance with the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost is not required to be recognized on options granted. Disclosures required with respect to alternative fair value measurement and recognition methods prescribed by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," are presented in Note N.

Financial Instruments and Commodity Contracts. Alcoa enters into long-term contracts to supply fabricated products to a number of its customers. To hedge the market risk of changing prices for purchases or sales of metal, Alcoa uses commodity futures and options contracts.

Gains and losses related to transactions that qualify for hedge accounting, including closed futures contracts, are deferred and reflected in cost of goods sold when the underlying physical transaction takes place. The deferred gains or losses are reflected on the balance sheet in other current and noncurrent liabilities or assets. If future purchased metal needs are revised lower than initially anticipated, the futures contracts associated with the reduction no longer qualify for deferral and are marked to market. Mark-to-market gains and losses are recorded in other income in the current period.

The effectiveness of the hedge is measured by a historical and probable future high correlation of changes in the fair value of the hedging instruments with changes in value of the hedged item. If correlation ceases to exist, hedge accounting will be terminated and gains or losses recorded in other income. To date, high correlation has always been achieved.

Alcoa also enters into futures and options contracts that cover long-term, fixed-price commitments to supply customers with metal from internal sources. These contracts are marked to market, and the gains and losses from changes in market value of the contracts are recorded in other income in the current period. This resulted in after-tax gains of $12 in 1999 and losses of $45 in 1998 and $13 in 1997.

From time to time, Alcoa may elect to sell forward a portion of its production. Gains and losses related to transactions that qualify for hedge accounting are deferred and reflected in revenues when the underlying physical transaction takes place. The deferred gains or losses are reflected on the balance sheet in other current and non-current liabilities or assets. If the above contracts no longer qualify for deferral, the contracts are marked to market to other income in the current period.

Alcoa also purchases certain other commodities such as fuel oil, 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.

Alcoa attempts to maintain a reasonable balance between fixed- and floating-rate debt, using interest rate swaps and caps, to keep financing costs as low as possible. If the requirements for hedge accounting are met, amounts paid or received under these agreements are recognized over the life of the agreements as adjustments to interest expense. Otherwise, the instruments are marked to market, and the gains and losses from changes in the market value of the contracts are recorded in other income in the current period.

Upon early termination of an interest rate swap or cap, gains or losses are deferred and amortized as adjustments to interest expense of the related debt over the remaining period covered by the terminated swap or cap.

Alcoa is subject to exposure from fluctuations in foreign currencies. To manage this exposure, Alcoa uses foreign exchange forward and option contracts. Gains and losses on contracts that meet the requirements for hedge accounting are deferred and included in the basis of the underlying transactions. Contracts that do not meet these requirements are marked to market in other income each period.

Cash flows from financial instruments are recognized in the statement of cash flows in a manner consistent with the underlying transactions. See Note T for additional detail.

Foreign Currency. The local currency is the functional currency for Alcoa's significant operations outside the U.S., except in Canada, where the U.S. dollar is used as the functional currency. The determination of the functional currency for Alcoa's Canadian operations is made based on the appropriate economic and management indicators.

Effective July 1, 1999, the Brazilian real became the functional currency for translating the financial statements of Alcoa's 59%-owned Brazilian subsidiary, Alcoa Aluminio S.A. (Aluminio). Economic factors and circumstances related to Aluminio's operations have changed significantly since the devaluation of the real in the 1999 first quarter. Under SFAS No. 52, "Foreign Currency Translation," the change in these facts and circumstances required a change to Aluminio's functional currency.

As a result of the change, at July 1, 1999, Alcoa's shareholders' equity (Cumulative Translation Adjustment) and minority interests accounts were reduced by $156 and $108, respectively. These amounts were driven principally by a reduction in fixed assets. This reduction resulted in a $15 decrease in Aluminio's depreciation expense for 1999.

One of the factors affecting the change in Aluminio's functional currency was Alcoa's purchase of approximately $185 of Aluminio's 7.5% secured export notes. The repurchase of these notes is consistent with Alcoa's recent policy change regarding the manner in which large subsidiaries are capitalized and will result in lower overall financing costs to the company.

Recently Adopted Accounting Standards. A Statement of Position (SOP) was issued by the American Institute of CPAs in April 1998. The SOP, "Reporting on the Costs of Start-up Activities," requires that costs incurred to open a new facility, introduce a new product, commence a new operation or other similar activities be expensed as incurred. This SOP, which was adopted in 1999, did not have a material impact on Alcoa's financial statements.

Recently Issued Accounting Standards. In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The standard requires that entities value all derivative instruments at fair value and record the instruments on the balance sheet. The standard also significantly changes the requirements for hedge accounting. In June 1999, the FASB approved a delay in the effective date of this standard until January 2001. The company believes that the adoption of the standard will have a material impact on its balance sheet. Upon adoption, Alcoa's commodity, foreign exchange and interest rate derivative contracts as well as certain underlying exposures will be recorded on the balance sheet at fair value. Management is currently assessing the details of the standard and is preparing a plan of implementation.

Reclassification. Certain amounts in previously issued financial statements were reclassified to conform to 1999 presentations.

B. Common Stock Split

On January 10, 2000, the board of directors declared a two-for-one common stock split. The stock split is subject to the approval of Alcoa shareholders, who must approve an amendment to Alcoa's Articles of Incorporation to increase the authorized shares of Alcoa common stock at the company's annual meeting on May 12, 2000. If approved, shareholders of record on May 26, 2000, will receive an additional common share for each share held. The additional shares will be distributed on June 9, 2000. Per-share amounts and number of shares outstanding in this report have not been adjusted for the stock split since it is subject to shareholder approval. If the stock split is approved by shareholders, earnings per share would be restated to the following:

(Unaudited)	1999	1998	1997
Basic EPS	$1.43	$1.22	$1.17
Diluted EPS	1.41	1.21	1.15

C. Acquisitions

In August 1999, Alcoa and Reynolds Metals Company (Reynolds) announced they had reached a definitive agreement to merge. Under the agreement, Alcoa will acquire all of the outstanding shares of Reynolds at an exchange rate of 1.06 shares of Alcoa common stock for each share of Reynolds. The value of the transaction is approximately $4,800. The combined company will have annual revenues of $21,000, approximately 127,000 employees and will operate over 300 locations in 37 countries around the world. The acquisition is subject to the expiration of antitrust waiting periods and other customary conditions. The acquisition of Reynolds will be accounted for using the purchase method.

In July 1998, Alcoa acquired Alumax Inc. (Alumax) for approximately $3,800, consisting of cash of approximately $1,500, stock of approximately $1,300 and assumed debt of approximately $1,000. Alumax operates over 70 plants and other manufacturing facilities in 22 states, Canada, Western Europe and Mexico.

The following unaudited pro forma information for the years ended December 31, 1998 and 1997 assumes that the acquisition of Alumax had occurred at the beginning of each respective year. Adjustments that have been made to arrive at the pro forma totals include those related to acquisition financing, the amortization of goodwill, the elimination of transactions between Alcoa and Alumax and additional depreciation related to the increase in basis that resulted from the transaction. Tax effects from the pro forma adjustments noted above have been included at the 35% U.S. statutory rate.

(Unaudited)	1998	1997
Net sales	$16,766	$16,160
Net income	876	770
Earnings per share:		
Basic	2.36	2.02
Diluted	2.35	2.00

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

In February 1998, Alcoa completed its acquisition of Inespal, S.A. of Madrid, Spain. Alcoa paid approximately $150 in cash and assumed $260 of debt and liabilities in exchange for substantially all of Inespal's businesses. The acquisition included an alumina refinery, three aluminum smelters, three aluminum rolling facilities, two extrusion plants and an administrative center.

Alcoa completed a number of other acquisitions in 1999, 1998 and 1997. None of these transactions had a material impact on Alcoa's financial statements.

Alcoa's acquisitions have been accounted for using the purchase method. The purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair market values. Any excess purchase price over the fair market value of the net assets acquired has been recorded as goodwill. In the case of the Alumax acquisition, the allocation of the purchase price resulted in goodwill of approximately $910, which is being amortized over a forty-year period. Operating results have been included in the statement of consolidated income since the dates of the acquisitions. Had the Inespal acquisition occurred at the beginning of 1998, net income for that year would not have been materially different.

D. Special Items

Special items in 1997 resulted in a gain of $96 ($44, or 13 cents per basic share, after tax and minority interests). The fourth quarter sales of a majority interest in Alcoa's Brazilian cable business and land in Japan generated gains of $86. In addition, the sale of equity securities resulted in a gain of $38, while the divestiture of noncore businesses provided $25. These gains were partially offset by charges of $53, related primarily to environmental and impairment matters. As of the end of 1998, the impairment liability had been substantially extinguished. The actual costs incurred related to the impairments were not significantly different than the original estimates.

E. Inventories

December 31	1999	1998
Finished goods	$ 363	$ 418
Work in process	550	592
Bauxite and alumina	286	347
Purchased raw materials	267	361
Operating supplies	152	163
	$1,618	$1,881

Approximately 57% of total inventories at December 31, 1999 were valued on a LIFO basis. If valued on an average-cost basis, total inventories would have been $645 and $703 higher at the end of 1999 and 1998, respectively. During 1999, LIFO inventory quantities were reduced, which resulted in a partial liquidation of the LIFO bases. The impact of this liquidation increased net income by $31 or eight cents per share.

F. Properties, Plants and Equipment, at Cost

December 31	1999	1998
Land and land rights, including mines	$ 270	$ 284
Structures	4,491	4,561
Machinery and equipment	13,090	12,649
	17,851	17,494
Less: accumulated depreciation and depletion	9,303	9,091
	8,548	8,403
Construction work in progress	585	731
	$ 9,133	$ 9,134

G. Long-Term Debt

December 31	1999	1998
Commercial paper, variable rate, (5.8% and 5.4% average rates)	$ 980	$ 745
5.75% Notes payable, due 2001	250	250
6.125% Bonds, due 2005	200	200
6.50% Bonds, due 2018	250	250
6.75% Bonds, due 2028	300	300
Bank loans, 7.5 billion yen, due 1999, (4.4% fixed rate)	—	78
Tax-exempt revenue bonds ranging from 3.3% to 5.9%, due 2000–2033	166	153
Alcoa Fujikura Ltd.		
Variable-rate term loan, due 1999–2002 (5.5% average rate)	210	230
Alcoa Aluminio		
7.5% Notes, due 2008	194	388
Variable-rate notes, due 1999–2001 (7.6% and 6.6% average rates)	8	40
Alcoa of Australia		
Euro-commercial paper, variable rate, (5.4% average rate)	20	250
Other	146	174
	2,724	3,058
Less: amount due within one year	67	181
	$2,657	$2,877

The amount of long-term debt maturing in each of the next five years is $67 in 2000, $366 in 2001, $209 in 2002, $1,010 in 2003 and $27 in 2004.

In 1998, Alcoa issued $300 of thirty-year bonds due in 2028, $250 of term debt due in 2018, $200 of term debt due in 2005 and $1,100 of commercial paper. The proceeds from these borrowings were used to fund acquisitions and for general corporate purposes.

In 1998, Alcoa entered into a new $2 billion revolving-credit facility, which expires in equal amounts in August 2000 and August 2003. Under this agreement, certain levels of consolidated net worth must be maintained while commercial paper balances are outstanding.

In 1997, Alcoa Fujikura issued a $250 term loan and entered into a five-year, $250 revolving-credit agreement. The proceeds of the term loan were used to repay existing debt. These agreements require Alcoa Fujikura to maintain certain financial ratios.

In 1996, Alcoa Aluminio issued $400 of export notes, of which $185 were repurchased by Alcoa in 1999. The export note agreement requires Aluminio to maintain certain financial ratios.

A portion of the commercial paper issued by Alcoa and all of the Euro-commercial paper issued by Alcoa of Australia (AofA) are classified as long-term debt because they are backed by the revolving-credit facility noted above.

H. Other Assets

December 31	1999	1998
Investments, principally equity investments	$ 630	$ 586
Intangibles, net of accumulated amortization of $177 in 1999 and $139 in 1998	117	127
Noncurrent receivables	43	67
Deferred income taxes	424	505
Deferred charges and other	591	605
	$1,805	$1,890

I. Other Noncurrent Liabilities and Deferred Credits

December 31	1999	1998
Deferred hedging gains	—	$ 55
Deferred alumina sales revenue	$ 220	228
Environmental remediation	111	124
Deferred credits	283	336
Other noncurrent liabilities	859	845
	$1,473	$1,588

The deferred hedging gains are associated with metal contracts and will be reflected in future earnings concurrent with the hedged revenues or costs.

J. Minority Interests

The following table summarizes the minority shareholders' interests in the equity of consolidated subsidiaries.

December 31	1999	1998
Alcoa of Australia	$ 439	$ 376
Alcoa Aluminio	253	366
Alcoa World Alumina	290	290
Alcoa Fujikura	260	233
Other majority-owned companies	216	211
	$1,458	$1,476

K. Cash Flow Information

Cash payments for interest and income taxes follow.

	1999	1998	1997
Interest	$225	$199	$146
Income taxes	394	371	343

The details of cash payments related to acquisitions follow.

	1999	1998	1997
Fair value of assets	$ 282	$ 5,511	—
Liabilities	(159)	(2,554)	—
Stock issued	—	(1,321)	—
Cash paid	123	1,636	—
Less: cash acquired	1	173	—
Net cash paid for acquisitions	$ 122	$ 1,463	—

L. Contingent Liabilities

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

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

AofA is party to a number of natural gas and electricity contracts that expire between 2001 and 2022. Under these take-or-pay contracts, AofA is obligated to pay for a minimum amount of natural gas or electricity even if these commodities are not required for operations. Commitments related to these contracts total $190 in 2000, $182 in 2001, $179 in 2002, $176 in 2003, $176 in 2004 and $2,222 thereafter. Expenditures under these contracts totaled $179 in 1999, $171 in 1998 and $219 in 1997.

M. Earnings Per Share

Basic earnings per common share (EPS) amounts are computed by dividing earnings after the deduction of preferred stock dividends by the average number of common shares outstanding. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive securities outstanding. See Note N for additional information.

The details of basic and diluted earnings per common share follow.

	1999	1998	1997
Net income	$1,054	$ 853	$ 805
Less: preferred stock dividends	2	2	2
Income available to common stockholders	$1,052	$ 851	$ 803
Average shares outstanding—basic	366.9	349.1	344.5
Effect of dilutive securities:			
Shares issuable upon exercise of dilutive outstanding stock options	6.7	2.5	3.3
Average shares outstanding—diluted	373.6	351.6	347.8
Basic EPS	$ 2.87	$ 2.44	$ 2.33
Diluted EPS	2.82	2.42	2.31

N. Preferred and Common Stock

Preferred Stock. Alcoa has two classes of preferred stock. Serial preferred stock has 557,740 shares authorized, with a par value of $100 per share and an annual $3.75 cumulative dividend preference per share. Class B serial preferred stock has 10 million shares authorized (none issued) and a par value of $1 per share.

Common Stock. There are 600 million shares authorized at a par value of $1 per share. As of December 31, 1999, 40,833,662 shares of common stock were reserved for issuance under the long-term stock incentive plan.

Stock options under the company's stock incentive plan have been and may be granted, generally at not less than market prices on the dates of grant, except for the 25 cents per-share options issued as a payout of earned performance share awards. The stock option program includes a reload or stock continuation ownership feature. Stock options granted have a maximum term of 10 years. Vesting occurs one year from the date of grant and six months for options granted under the reload feature.

Alcoa's net income and earnings per share would have been reduced to the pro forma amounts shown below if compensation cost had been determined based on the fair value at the grant dates.

	1999	1998	1997
Net income:			
As reported	$1,054	$853	$805
Pro forma	912	815	756
Basic earnings per share:			
As reported	2.87	2.44	2.33
Pro forma	2.48	2.33	2.19
Diluted earnings per share:			
As reported	2.82	2.42	2.31
Pro forma	2.44	2.31	2.17

The weighted average fair value of options granted was $10.69 per share in 1999, $5.73 per share in 1998 and $5.90 per share in 1997.

The fair value of each option is estimated on the date of grant or subsequent reload using the Black-Scholes pricing model with the following assumptions:

	1999	1998	1997
Average risk-free interest rate	5.0%	5.2%	6.1%
Expected dividend yield	1.4	2.1	1.3
Expected volatility	37.0	25.0	25.0
Expected life (years):			
New option grants	2.5	2.5	2.5
Reload option grants	1.5	1.5	1.0

The transactions for shares under options were:

	1999	1998	1997
Outstanding, beginning of year:			
Number of options	26.6	21.1	20.1
Weighted average exercise price	$33.00	$31.67	$25.87
Granted:			
Number of options	21.8	11.8	12.8
Weighted average exercise price	$48.93	$34.37	$36.07
Exercised:			
Number of options	(21.6)	(6.0)	(11.5)
Weighted average exercise price	$34.44	$30.13	$26.40
Expired or forfeited:			
Number of options	(.3)	(.3)	(.3)
Weighted average exercise price	$37.17	$36.49	$31.70
Outstanding, end of year:			
Number of options	26.5	26.6	21.1
Weighted average exercise price	$44.29	$33.00	$31.67
Exercisable, end of year:			
Number of options	13.2	13.8	10.4
Weighted average exercise price	$38.41	$30.47	$26.73
Shares reserved for future options	14.3	11.4	17.8

The following tables summarize certain stock option information at December 31, 1999:

Options Outstanding

Range of exercise price	Number	Weighted average remaining life	Weighted average exercise price
$ 0.25	.3	employment career	$ 0.25
$13.93–$27.57	1.9	4.20	22.13
$27.58–$41.21	5.6	5.60	35.12
$41.22–$54.85	12.3	8.21	43.00
$54.86–$68.49	5.9	6.04	62.24
$68.50–$82.13	.5	6.05	73.07
Total	26.5	6.74	44.29

Options Exercisable

Range of exercise price	Number	Weighted average exercisable price
$ 0.25	.3	$ 0.25
$13.93–$27.57	1.9	22.13
$27.58–$41.21	5.6	35.12
$41.22–$54.85	3.9	44.91
$54.86–$68.49	1.5	62.35
$68.50–$82.13	—	—
Total	13.2	$38.41

O. Segment and Geographic Area Information

Alcoa is primarily a producer of aluminum products. Its segments are organized by product on a worldwide basis. Alcoa's management reporting system evaluates performance based on a number of factors; however, the primary measure of performance is the after-tax operating profit of each segment. Nonoperating items such as interest income, interest expense, foreign exchange gains/losses, the effects of LIFO accounting and minority interest are excluded from segment profit. In addition, certain expenses such as corporate general administrative expenses, depreciation and amortization on corporate assets and certain special items are not included in segment results. Segment assets exclude cash, cash equivalents, short-term investments and all deferred taxes. Segment assets also exclude items such as corporate fixed assets, LIFO reserves, goodwill allocated to corporate and other amounts. In 1999, Alcoa changed its internal reporting system to include the results of aluminum hedging in the Primary Metals segment. Previously, these results were reported as reconciling items between segment ATOI and net income. Segment results for 1998 and 1997 have been restated to reflect this change.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies (Note A). Transactions between segments are established based on negotiation between the parties. Differences between segment totals and Alcoa's consolidated totals for line items not reconciled are primarily due to corporate allocations.

Alcoa's products are used primarily by packaging, transportation (including aerospace, automotive, rail and shipping), building and construction, and industrial customers worldwide. Total exports from the U.S. were $1,309 in 1999, compared with $1,283 in 1998 and $1,207 in 1997. Alcoa's reportable segments follow.

Alumina and Chemicals. This segment's activities include the mining of bauxite, which is then refined into alumina. The alumina is then sold to internal and external customers worldwide, or processed into industrial chemical products. The alumina operations of Alcoa World Alumina and Chemicals (AWAC) comprise the majority of this segment.

Primary Metals. This group's focus is Alcoa's worldwide smelter system. Primary Metals receives alumina from the Alumina and Chemicals segment and produces aluminum ingot to be used by other Alcoa segments, as well as sold to outside customers. Results from internal hedging contracts and from marking to market certain aluminum commodity contracts are also included in this segment.

Flat-Rolled Products. This segment's primary business is the production and sale of aluminum plate, sheet and foil. This segment includes the aggregation of rigid container sheet (RCS), which is used to produce aluminum beverage cans, and mill products used in the transportation and distributor markets.

Engineered Products. This segment includes the aggregation of hard and soft alloy extrusions, aluminum forgings, rod and bar. These products serve primarily the transportation, construction and distributor markets.

Other. This category includes Alcoa Fujikura Ltd., which produces electrical components for the automotive industry along with telecommunication products. In addition, Alcoa's aluminum and plastic closure operations and Alcoa's residential building products operations are included in this group.

Segment information	Alumina and chemicals	Primary metals	Flat-rolled products	Engineered products	Other	Total
1999						
Sales:						
Third-party sales	$1,842	$2,241	$5,113	$3,728	$3,393	$16,317
Intersegment sales	925	2,793	51	26	—	3,795
Total sales	$2,767	$5,034	$5,164	$3,754	$3,393	$20,112
Profit and loss:						
Equity income (loss)	—	$ 42	$ (9)	—	$ 10	$ 43
Depreciation, depletion and amortization	$ 161	216	184	$ 116	149	826
Special items	—	—	—	—	—	—
Income tax	159	214	131	88	103	695
After-tax operating income	307	535	281	180	186	1,489
Assets:						
Capital expenditures	$ 183	$ 207	$ 166	$ 144	$ 158	$ 858
Equity investment	54	153	66	—	287	560
Total assets	3,250	5,098	3,395	2,387	2,409	16,539
1998						
Sales:						
Third-party sales	$1,847	$2,105	$4,900	$3,110	$3,362	$15,324
Intersegment sales	832	2,509	59	11	—	3,411
Total sales	$2,679	$4,614	$4,959	$3,121	$3,362	$18,735
Profit and loss:						
Equity income (loss)	$ 1	$ 27	$ 8	$ (1)	$ 10	$ 45
Depreciation, depletion and amortization	159	176	190	88	155	768
Special items	—	—	—	—	—	—
Income tax	174	196	126	85	107	688
After-tax operating income	318	372	306	183	165	1,344
Assets:						
Capital expenditures	$ 275	$ 164	$ 152	$ 105	$ 143	$ 839
Equity investment	50	150	69	—	146	415
Total assets	3,082	5,341	3,513	2,427	2,246	16,609
1997						
Sales:						
Third-party sales	$1,978	$1,600	$4,188	$2,077	$3,457	$13,300
Intersegment sales	634	1,883	53	9	—	2,579
Total sales	$2,612	$3,483	$4,241	$2,086	$3,457	$15,879
Profit and loss:						
Equity income	—	$ 23	$ 7	—	$ 12	$ 42
Depreciation, depletion and amortization	$ 175	129	173	$ 66	156	699
Special items loss (gain)	4	(3)	(1)	(2)	(71)	(73)
Income tax	168	214	123	48	104	657
After-tax operating income	302	399	269	100	177	1,247
Assets:						
Capital expenditures	$ 201	$ 137	$ 159	$ 149	$ 128	$ 774
Equity investment	51	140	61	1	124	377
Total assets	3,027	2,334	2,786	1,469	2,284	11,900

The following reconciles segment information to consolidated totals.

	1999	1998	1997
Sales:			
Total sales	$20,112	$18,735	$15,879
Elimination of intersegment sales	(3,795)	(3,411)	(2,579)
Other revenues	6	16	19
Consolidated sales	$16,323	$15,340	$13,319
Net income:			
Total after-tax operating income	$ 1,489	$ 1,344	$ 1,247
Elimination of intersegment (profit) loss	(24)	(16)	12
Unallocated amounts (net of tax):			
Interest income	26	64	67
Interest expense	(126)	(129)	(92)
Minority interest	(242)	(238)	(268)
Corporate expense	(171)	(197)	(172)
Other	102	25	11
Consolidated net income	$ 1,054	$ 853	$ 805
Assets:			
Total assets	$16,539	$16,609	$11,900
Elimination of intersegment receivables	(362)	(378)	(286)
Unallocated amounts:			
Cash, cash equivalents and short-term investments	314	381	906
Deferred tax assets	657	703	560
Corporate goodwill	422	480	—
Corporate fixed assets	317	315	326
LIFO reserve	(645)	(703)	(770)
Other	(176)	56	435
Consolidated assets	$17,066	$17,463	$13,071

Geographic information for revenues, based on country of origin, and long-lived assets follows:

	1999	1998	1997
Revenues:			
U.S.	$10,392	$ 9,212	$ 7,593
Australia	1,398	1,470	1,875
Spain	1,059	965	44
Brazil	730	934	1,161
Germany	521	554	580
Other	2,223	2,205	2,066
	$16,323	$15,340	$13,319
Long-lived assets:			
U.S.	$ 6,650	$ 6,726	$ 4,133
Australia	1,585	1,441	1,453
Brazil	712	967	1,047
Canada	948	890	2
Germany	165	213	201
Other	1,122	1,023	853
	$11,182	$11,260	$ 7,689

P. Income Taxes

The components of income before taxes on income were:

	1999	1998	1997
U.S.	$ 631	$ 595	$ 708
Foreign	1,218	1,010	894
	$1,849	$1,605	$1,602

The provision for taxes on income consisted of:

	1999	1998	1997
Current:			
U.S. federal*	$175	$159	$172
Foreign	306	219	274
State and local	18	26	—
	499	404	446
Deferred:			
U.S. federal*	74	81	82
Foreign	(25)	25	(4)
State and local	5	4	5
	54	110	83
Total	$553	$514	$529

*Includes U.S. taxes related to foreign income

In the 1999 fourth quarter, Australia reduced its corporate income tax rate from 36% to 34% for 2000 and 30% for 2001.

In 1999, the exercise of employee stock options generated a tax benefit of $145. This amount was credited to additional capital and reduced current taxes payable.

Reconciliation of the U.S. federal statutory rate to Alcoa's effective tax rate follows.

	1999	1998	1997
U.S. federal statutory rate	35.0%	35.0%	35.0%
Taxes on foreign income	(2.4)	(4.1)	(.2)
State taxes net of federal benefit	.5	.7	(.2)
Tax rate changes	(2.4)	—	—
Other	(.8)	.4	(1.6)
Effective tax rate	29.9%	32.0%	33.0%

The components of net deferred tax assets and liabilities follow.

	1999		1998	
December 31	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Depreciation	—	$ 951	—	$ 881
Employee benefits	$ 872	—	$ 869	—
Loss provisions	214	—	208	—
Deferred income/ expense	91	138	124	103
Tax loss carryforwards	185	—	192	—
Tax credit carryforwards	2	—	5	—
Other	111	64	68	46
	1,475	1,153	1,466	1,030
Valuation allowance	(134)	—	(135)	—
	$1,341	$1,153	$1,331	$1,030

Of the total deferred tax assets associated with the tax loss carryforwards, $31 expires over the next 10 years, $10 over the next 20 years and $144 is unlimited. A substantial portion of the valuation allowance relates to these carryforwards because the ability to generate sufficient foreign taxable income in future years is uncertain.

The cumulative amount of Alcoa's share of undistributed earnings for which no deferred taxes have been provided was $1,838 at December 31, 1999. Management has no plans to distribute such earnings in the foreseeable future. It is not practical to determine the deferred tax liability on these earnings.

Q. Pension Plans and Other Postretirement Benefits

Alcoa maintains pension plans covering most U.S. employees and certain other employees. Pension benefits generally depend on length of service, job grade and remuneration. Substantially all benefits are paid through pension trusts that are sufficiently funded to ensure that all plans can pay benefits to retirees as they become due.

Alcoa maintains health care and life insurance benefit plans covering most eligible U.S. retired employees and certain other retirees. Generally, the medical plans pay a stated percentage of medical expenses, reduced by deductibles and other coverages. These plans are generally unfunded, except for certain benefits funded through a trust. Life benefits are generally provided by insurance contracts. Alcoa retains the right, subject to existing agreements, to change or eliminate these benefits.

The table below reflects the status of Alcoa's pension and postretirement benefit plans.

	Pension benefits		Postretirement benefits	
December 31	1999	1998	1999	1998
Change in benefit obligation				
Benefit obligation at beginning of year	$ 5,394	$4,700	$ 1,862	$ 1,675
Service cost	141	119	19	18
Interest cost	342	318	109	112
Amendments	5	8	1	1
Actuarial (gains) losses	(143)	165	(173)	31
Alumax acquisition	—	473	—	148
Divestitures	—	(46)	—	(5)
Benefits paid	(387)	(333)	(130)	(117)
Exchange rate	14	(10)	(1)	(1)
Benefit obligation at end of year	$ 5,366	$5,394	$ 1,687	$ 1,862
Change in plan assets				
Fair value of plan assets at beginning of year	$ 5,758	$5,101	$ 100	$ 88
Actual return on plan assets	666	601	12	12
Alumax acquisition	—	429	—	—
Divestiture	—	(50)	—	—
Employer contributions	16	47	—	—
Participants contributions	22	11	—	—
Benefits paid	(362)	(351)	—	—
Administrative expenses	(15)	(17)	—	—
Exchange rate	18	(13)	—	—
Fair value of plan assets at end of year	$ 6,103	$5,758	$ 112	$ 100
Funded status	$ 737	$ 364	$(1,575)	$(1,762)
Unrecognized net actuarial gain	(1,189)	(789)	(221)	(48)
Unrecognized net prior service cost (credit)	69	90	(116)	(151)
Unrecognized transition obligation	1	2	—	—
Net amount recognized	$ (382)	$ (333)	$(1,912)	$(1,961)
Amount recognized in the balance sheet consists of:				
Prepaid benefit	$ 61	$ 59	—	—
Accrued benefit liability	(471)	(425)	$(1,912)	$(1,961)
Intangible asset	4	9	—	—
Accumulated other comprehensive income	24	24	—	—
Net amount recognized	$ (382)	$ (333)	$(1,912)	$(1,961)

The components of net periodic benefit costs are reflected below.

	Pension benefits			Postretirement benefits		
December 31	1999	1998	1997	1999	1998	1997
Components of net periodic benefit costs						
Service cost	$ 141	$ 119	$ 95	$ 19	$ 18	$ 18
Interest cost	341	318	305	109	112	105
Expected return on plan assets	(427)	(391)	(346)	(9)	(8)	(7)
Amortization of prior service cost (benefit)	40	48	37	(34)	(34)	(34)
Recognized actuarial (gain) loss	(4)	(7)	1	(4)	(5)	(4)
Amortization of transition obligation	2	2	1	—	—	—
Net periodic benefit costs	$ 93	$ 89	$ 93	$ 81	$ 83	$ 78

The aggregate benefit obligation and fair value of plan assets for the pension plans with benefit obligations in excess of plan assets were $1,022 and $696, respectively, as of December 31, 1999, and $754 and $445, respectively, as of December 31, 1998. The aggregate pension accumulated benefit obligation and fair value of plan assets with accumulated benefit obligations in excess of plan assets were $337 and $119, respectively, as of December 31, 1999, and $501 and $287, respectively, at December 31, 1998.

Weighted average assumptions used to determine plan liabilities and expense follow.

December 31	1999	1998	1997
Discount rate	7.00%	6.50%	6.75%
Expected long-term return on plan assets	9.00	9.00	9.00
Rate of compensation increase	5.00	5.00	5.00

For measurement purposes, a 6.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease gradually to 5.25% in 2004 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percentage point change in these assumed rates would have the following effects:

	1% increase	1% decrease
Effect on total of service and interest cost components	$ 11	$ (8)
Effect on postretirement benefit obligations	120	(102)

Alcoa also sponsors a number of defined contribution pension plans. Expenses were $64 in 1999, $57 in 1998 and $47 in 1997.

R. Lease Expense

Certain equipment, warehousing and office space and oceangoing vessels are under operating lease agreements. Total expense for all leases was $145 in 1999, $130 in 1998 and $111 in 1997. Under long-term operating leases, minimum annual rentals are $78 in 2000, $56 in 2001, $40 in 2002, $21 in 2003, $12 in 2004 and a total of $33 for 2005 and thereafter.

S. Interest Cost Components

	1999	1998	1997
Amount charged to expense	$195	$198	$141
Amount capitalized	21	13	9
	$216	$211	$150

T. Financial Instruments

The carrying values and fair values of Alcoa's financial instruments at December 31 follow.

	1999		1998	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	$ 237	$ 237	$ 342	$ 342
Short-term investments	77	77	39	39
Noncurrent receivables	43	43	67	67
Short-term debt	410	410	612	612
Long-term debt	2,657	2,526	2,877	2,902

The methods used to estimate the fair values of certain financial instruments follow.

Cash and Cash Equivalents, Short-Term Investments and Short-Term Debt. The carrying amounts approximate fair value because of the short maturity of the instruments. All investments purchased with a maturity of three months or less are considered cash equivalents.

Noncurrent Receivables. The fair value of noncurrent receivables is based on anticipated cash flows and approximates carrying value.

Long-Term Debt. The fair value is based on interest rates that are currently available to Alcoa for issuance of debt with similar terms and remaining maturities.

Alcoa holds or purchases derivative financial instruments for purposes other than trading. Details of the significant instruments follow.

Foreign Exchange Contracts. The company enters into foreign exchange contracts to hedge its significant firm and anticipated purchase and sale commitments denominated in foreign currencies. These contracts cover periods commensurate with known or expected exposures, generally within 36 months, and are principally unsecured foreign exchange contracts with carefully selected banks. The market risk exposure is essentially limited to risk related to currency rate movements. Unrealized gains/(losses) on these contracts at December 31, 1999 and 1998 were $57 and $(36), respectively.

The table below reflects the various types of foreign exchange contracts Alcoa uses to manage its foreign exchange risk.

	1999		1998	
	Notional amount	Market value	Notional amount	Market value
Forwards	$1,499	$60	$2,845	$(58)
Purchased options	28	3	52	1
Written options	—	—	27	—

The notional values summarized above provide an indication of the extent of the company's involvement in such instruments but do not represent its exposure to market risk. Alcoa utilizes written options mainly to offset or close out purchased options.

The following table summarizes by major currency the contractual amounts of Alcoa's forward exchange and option contracts translated to U.S. dollars at December 31 rates. The "buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies, and the "sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies.

	1999		1998	
	Buy	Sell	Buy	Sell
Australian dollar	$1,447	$ 4	$1,751	$211
Canadian dollar	98	8	230	129
Dutch guilder	—	—	135	22
Japanese yen	6	—	109	14
Deutsche mark	2	21	22	69
Pound sterling	—	—	30	70
Other	—	—	35	36
	$1,553	$33	$2,312	$551

Interest Rate Swaps. Alcoa manages its debt portfolio by using interest rate swaps and options to achieve an overall desired position of fixed and floating rates. As of December 31, 1999, the company had the following interest rate swap contracts outstanding:

> Four interest rate swap contracts relating to Alcoa's 5.75% notes that mature in 2001. The swaps convert $175 notional amount from fixed rates to floating rates and mature in 2001.

> Five interest rate swap contracts relating to Alcoa Fujikura's variable rate loan. These agreements convert the variable rate to a fixed rate on a notional amount of $198 and mature in 2002.

In addition to the above, Aluminio has a number of cross-currency interest rate swap contracts, relating to deposit accounts, that primarily convert local currency floating rates to dollar fixed rates, on a notional amount of $257.

Alcoa utilizes cross-currency rate swaps to take advantage of international debt markets. At year-end 1999, Alcoa had in place $60 of cross-currency interest rate swaps that effectively convert U.S. dollar-denominated debt into liabilities in yen based on Japanese interest rates.

Based on current interest rates for similar transactions, the fair value of all interest rate swap agreements is not material.

Credit and market risk exposures are limited to the net interest differentials. The net payments or receipts from interest rate swaps are recorded as part of interest expense and are not material. The effect of interest rate swaps on Alcoa's composite interest rate on long-term debt was not material at the end of 1999 or 1998.

Alcoa is exposed to credit loss in the event of nonperformance by counterparties on the above instruments, but does not anticipate nonperformance by any of the counterparties.

For further information on Alcoa's hedging and derivatives activities, see Note A.

U. Environmental Matters

Alcoa continues to participate in environmental assessments and cleanups at a number of locations. These include approximately 10 owned or operating facilities and adjoining properties, approximately 10 previously owned or operated facilities and adjoining properties and approximately 65 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. See Note A for additional information.

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, and Pt. Comfort, Texas sites that allege natural resource damage or off-site contaminated sediments, where investigations are ongoing. The following discussion provides additional details regarding the current status of these two sites.

Massena/Grasse River. Sediments and fish in the Grasse River adjacent to Alcoa's Massena, New York plant site contain varying levels of polychlorinated biphenyl (PCB). Alcoa has been identified by the U.S. Environmental Protection Agency (EPA) as potentially responsible for this contamination and, since 1989, has been conducting investigations and studies of the river under order from the EPA issued under the Comprehensive Environmental Response, Compensation and Liability Act, also known as Superfund.

During 1999, Alcoa continued to perform studies and investigations on the Grasse River. A planned pilot test of certain sediment capping techniques, intended for 1999, could not be completed because a final scope of work could not be developed with EPA in time to complete the project before the construction season concluded. In addition, in the 1999 fourth quarter, Alcoa submitted an Analysis of Alternatives to EPA. This report identified potential courses of remedial action related to the PCB contamination of the river. Alcoa has proposed to EPA that the planned pilot scale tests be conducted to assess the feasibility of performing certain sediment-covering techniques before selection and approval of a remedial alternative by EPA. The costs of these pilot scale tests have been fully reserved. The results of these tests and discussions with EPA regarding all of the alternatives identified should provide additional information for the selection and approval of the appropriate remedial alternative. Alcoa intends to seek EPA approval for the pilot tests in the first half of 2000.

The Analysis of Alternatives report and the results of the pilot tests must be reviewed and approved by EPA. Currently, no one of the alternatives is more likely to be selected than any other. The range of additional costs associated with the potential courses of remedial action is between zero and $53. Alcoa is also aware of a natural resource damage claim that may be asserted by certain federal, state and tribal natural resource trustees at this location.

Pt. Comfort/Lavaca Bay. In 1990, Alcoa began discussions with certain state and federal natural resource trustees concerning alleged releases of mercury from its Pt. Comfort, Texas facility into the adjacent Lavaca Bay. In March 1994, EPA listed the "Alcoa (Point Comfort)/Lavaca Bay Site" on the National Priorities List and, shortly thereafter, Alcoa and EPA entered into an administrative order on consent under which Alcoa is obligated to conduct certain remedial investigations and feasibility studies. In accordance with this order, Alcoa recently submitted a draft remedial investigation, a draft feasibility study and a draft baseline risk assessment to EPA. In addition, Alcoa recently commenced construction of the EPA-approved project to fortify an offshore dredge disposal island. The probable and estimable costs of these actions are fully reserved. Additional costs to complete a remedy currently cannot be estimated since they will depend on the extent of remediation required, if any, the remedial method chosen and the time frame to complete any remediation activity. Since the order with EPA, Alcoa and the natural resource trustees have continued efforts to understand natural resource injury and ascertain appropriate restoration alternatives. That process is currently expected to be complete by late 2000 or early 2001.

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 two 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 the end of 1999 and 1998 was $174 and $217 (of which $63 and $85 were classified as a current liability), respectively, and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. About 22% of the 1999 balance relates to the Massena plant site, and 11% of the 1999 balance relates to the Pt. Comfort plant site. Remediation expenses charged to the reserve were $47 in 1999, $63 in 1998 and $64 in 1997. They include expenditures currently mandated, as well as those not required by any regulatory authority or third party. In 1999, the reserve balance was increased by $4 million to cover anticipated future environmental expenditures. In 1998, the reserve balance was increased as a result of adding the Alumax environmental reserve to Alcoa's existing reserve balance.

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

V. Subsequent Event

On February 11, 2000, the shareholders of Reynolds Metals Company, by majority vote, approved the proposed merger transaction between Alcoa and Reynolds. The merger transaction remains subject to the approval of various governmental authorities.

Supplemental Financial Information

Quarterly Data (unaudited)

(dollars in millions, except per-share amounts)

1999	First	Second	Third	Fourth	Year
Sales	$3,985	$4,033	$4,052	$4,253	$16,323
Income from operations	247	294	313	442	1,296
Net income	221	240	259	334*	1,054
Earnings per share:					
Basic	.60	.65	.71	.91	2.87
Diluted	.60	.64	.69	.89	2.82

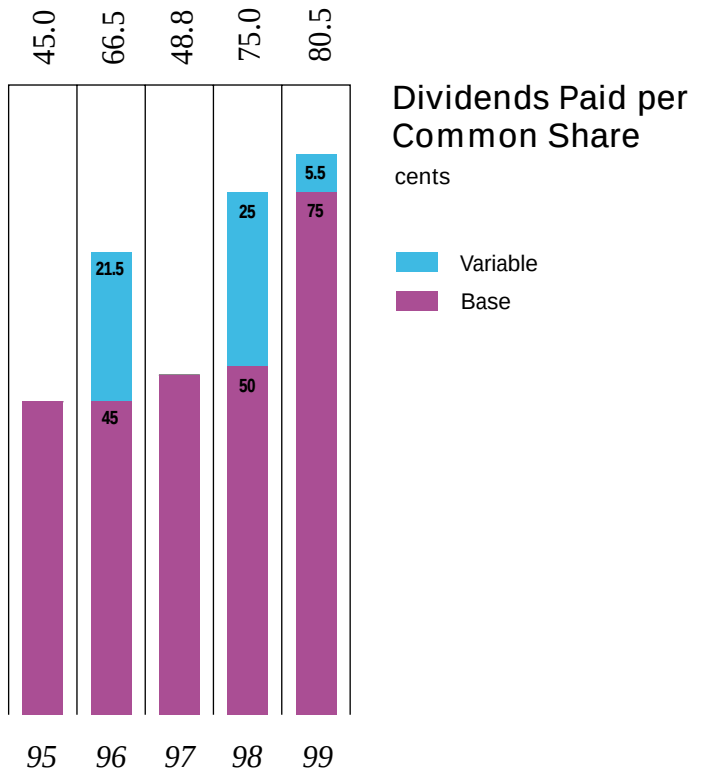
*The 1999 fourth quarter included an after-tax credit of $49 related to changes in the LIFO index and LIFO liquidations.

1998	First	Second	Third	Fourth	Year
Sales	$3,445	$3,587	$4,109	$4,199	$15,340
Income from operations	280	269	266	276	1,091
Net income	210	207	218	218*	853
Earnings per share:					
Basic	.63	.62	.61	.59	2.44
Diluted	.62	.62	.61	.59	2.42

*The 1998 fourth quarter included an after-tax credit of $32 related to changes in the LIFO index.

Number of Employees (unaudited)

	1999	1998	1997
Other Americas	45,100	40,900	36,200
U.S.	38,400	38,900	27,200
Europe	18,800	18,200	11,900
Pacific	5,400	5,500	6,300
	107,700	103,500	81,600



11-Year Summary of Financial and Other Data

(dollars in millions, except per-share amounts and ingot prices)

	For the year ended December 31	1999	1998	1997
Operating Results	Sales	$16,323	$15,340	$13,319
	Other income	124	149	163
	Cost of goods sold	12,536	11,933	10,275
	Selling, general administrative and other expenses	851	783	682
	Research and development expenses	128	128	143
	Depreciation and depletion	888	842	735
	Special items — (income) expense	—	—	(96)
	Interest expense	195	198	141
	Taxes on income	553	514	529
	Income from operations	1,296	1,091	1,073
	Minority interests	(242)	(238)	(268)
	Extraordinary losses and accounting changes*	—	—	—
	Net income (loss)	1,054	853	805
	Alcoa's average realized price per pound for aluminum ingot	.67	.67	.75
	Average U.S. market price per pound for aluminum ingot *(Metals Week)*	.66	.66	.77
Dividends Declared	Preferred stock	2	2	2
	Common stock	296	263	169
Financial Position	Working capital	1,797	1,757	1,964
	Properties, plants and equipment	9,133	9,134	6,667
	Other assets (liabilities), net	(497)	(482)	(1,315)
	Total assets	17,066	17,463	13,071
	Long-term debt (noncurrent)	2,657	2,877	1,457
	Minority interests	1,458	1,476	1,440
	Shareholders' equity	6,318	6,056	4,419
Common Share Data	Basic earnings per share	2.87	2.44	2.33
(dollars per share)	Diluted earnings per share	2.82	2.42	2.31
	Dividends declared	.805	.75	.488
	Book value (based on year-end outstanding shares)	17.03	16.36	12.97
	Price range: High	83 3/8	40 5/8	44 13/16
	Low	35 15/16	29	32 1/8
	Shareholders (number)	185,000	119,000	95,800
	Average shares outstanding (thousands)	366,944	349,114	344,452
Operating Data	Alumina shipments	7,054	7,130	7,223
(thousands of metric tons)	Aluminum product shipments:			
	Primary	1,411	1,367	920
	Fabricated and finished products	3,067	2,584	2,036
	Total	4,478	3,951	2,956
	Primary aluminum capacity:			
	Consolidated	3,182	3,159	2,108
	Total, including affiliates' and others' share of joint ventures	4,024	3,984	2,652
	Primary aluminum production:			
	Consolidated	2,851	2,471	1,725
	Total, including affiliates' and others' share of joint ventures	3,695	3,158	2,254
Other Statistics	Capital expenditures	$920	$932	$913
	Number of employees	107,700	103,500	81,600
	Pretax profit on revenues (%)	11.3	10.4	11.9
	Return on average shareholders' equity (%)	17.2	16.3	18.1
	Return on average invested capital (%)	13.8	13.8	15.5

*Reflects the cumulative effects of the accounting changes for postretirement benefits and income taxes in 1992

1996	1995	1994	1993	1992	1991	1990	1989
$13,061	$12,500	$ 9,904	$ 9,056	$ 9,491	$ 9,884	$10,710	$10,910
67	155	487	93	97	97	160	250
10,084	9,477	7,945	7,264	7,415	7,523	7,684	7,402
717	718	640	633	623	612	619	562
165	141	126	130	212	252	220	183
747	713	671	692	683	698	690	638
199	16	80	151	252	331	415	—
134	120	107	88	105	153	185	178
361	446	219	(10)	132	193	404	830
721	1,024	603	201	166	219	653	1,367
(206)	(233)	(160)	(196)	(144)	(156)	(358)	(422)
—	—	(68)	—	(1,161)	—	—	—
515	791	375	5	(1,139)	63	295	945
.73	.81	.64	.56	.59	.67	.75	.92
.71	.86	.71	.53	.58	.59	.74	.88
2	2	2	2	2	2	2	2
232	160	142	140	137	151	265	240
1,908	2,090	1,600	1,610	1,083	1,546	1,706	1,595
7,078	6,930	6,689	6,507	6,416	6,586	6,747	6,659
(1,223)	(1,750)	(1,572)	(1,711)	(1,734)	(702)	(414)	(137)
13,450	13,643	12,353	11,597	11,023	11,178	11,413	11,541
1,690	1,216	1,030	1,433	855	1,131	1,295	1,316
1,611	1,609	1,688	1,389	1,306	1,362	1,581	1,533
4,463	4,445	3,999	3,584	3,604	4,937	5,163	5,267
1.47	2.22	1.05	.01	(3.35)	.18	.85	2.67
1.46	2.20	1.04	.01	(3.33)	.18	.84	2.59
.665	.45	.40	.40	.40	.445	.765	.68
12.77	12.45	11.04	9.98	10.35	14.35	15.05	14.86
33 1/8	30 1/8	22 9/16	19 5/8	20 3/16	18 1/4	19 5/16	19 15/16
24 9/16	18 7/16	16 1/16	14 3/4	15 1/4	13 7/16	12 7/16	13 13/16
88,300	83,600	55,200	55,300	55,200	55,800	56,300	56,500
348,667	356,036	355,764	350,692	341,896	339,936	344,816	353,216
6,406	6,407	6,660	5,962	5,468	4,898	5,024	5,106
901	673	655	841	1,023	1,179	1,179	960
1,940	1,909	1,896	1,739	1,774	1,657	1,545	1,619
2,841	2,582	2,551	2,580	2,797	2,836	2,724	2,579
2,101	1,905	1,905	1,905	1,905	1,903	1,903	1,907
2,642	2,428	2,428	2,428	2,428	2,498	2,498	2,420
1,708	1,506	1,531	1,770	1,903	1,919	1,870	1,876
2,240	2,037	2,067	2,315	2,446	2,511	2,395	2,391
$996	$887	$612	$757	$789	$850	$851	$876
76,800	72,000	60,200	63,400	63,600	65,600	63,700	60,600
8.2	11.6	7.9	2.1	3.1	4.1	9.7	19.7
11.6	18.5	9.9	.1	(26.7)	1.2	5.7	19.1
11.0	15.9	9.3	4.3	(14.0)	4.2	9.7	19.2

Alcoa Worldwide Operations

Country	*Companies*	*Location*	*Aerospace Components*	*Alumina*	*Alumina Chemicals*	*Auto Components*	*Auto Engineering*	*Bauxite Mining*	*Building Products*	*Can Reclamation*	*Castings, Forgings*	*Closures, Machinery*	*Electrical Products*	*Extrusions, Tube*	*Foil Products*	*Packaging Machinery*	*Primary Aluminum*	*Sheet, Plate*	*Wire, Rod, Bar*	*Other**
Argentina	Alusud Argentina S.A. Industrial y Comercial	Buenos Aires										■								■
	Feroscar S.A. Industrial y Comercial	La Plata												■						
Australia	Alcoa World Alumina – Australia	Huntly, Willowdale						■												
		Kwinana, Pinjarra		■	■															
		Point Henry, Portland†															■			
		Wagerup		■																
	Australian Fused Materials Pty Limited†	Rockingham			■															
	Kaal Australia Pty Limited†	Point Henry																■		
		Yennora								■					■			■		
Bahrain	Gulf Closures W.L.L.†	Manama										■								
Brazil	Alcoa Aluminio S.A.	Barueri, Lages										■								■
		Itapissuma							■			■		■	■			■		■
		Poços de Caldas		■	■			■					■				■			■
		Queimados										■								■
		Salto			■															
		São Caetano, Sorocaba							■					■						
		Turbarão, Utinga							■					■						
	AFL do Brasil Ltda.	Itajubá				■							■							
	Consórcio de Aluminio do Maranhão	São Luis		■													■			
	Mineração Rio do Norte S.A.†	Trombetas						■												
Canada	Alcoa Fujikura Ltd.	Owen Sound				■														
	Aluminerie de Bécancour, Inc.†	Bécancour															■			
	Aluminerie Lauralco, Inc.	Deschambault															■			
	DBM Industries, Ltd.	Montreal																		■
	Kawneer Company Canada Limited	Lethbridge, Scarborough							■											
Chile	Alusud Embalajes Chile Ltda.	Santiago										■								
China	Alcoa Closure Systems International (Tianjin) Co., Ltd.	Tianjin										■								
	Alcoa (Shanghai) Aluminum Products Co., Limited	Shanghai													■					
	Qingdao Alcoa Co., Ltd.	Qingdao			■															
	Yunnan Xinmeilu Aluminum Foil Co., Ltd.	Kunming													■					
Colombia	Alusud Embalajes Colombia Ltda.	Bogota										■								■
Costa Rica	Alcoa CSI de Centro America, S.A.	San José										■								
France	Alcoa France S.A.	Castelsarrasin																■		
	Kawneer France S.A.	Montpellier, Toulouse							■											
		Vendargues							■											
Germany	Alcoa Automotive GmbH	Esslingen					■													
		Soest				■					■			■						
	Alcoa Chemie GmbH	Ludwigshafen			■															
	Alcoa Deutschland GmbH	Viernheim, Worms am Rhein										■								■
	Alcoa Extrusions Hannover GmbH & Co., KG	Hannover	■											■						
	Kawneer Deutschland GmbH	Mönchengladbach							■											
	Michels GmbH & Co., KG	Cologne, Gross Mehring				■							■							
		Herzebrock, Ingolstadt				■							■							
		Rheda-Wiedenbrück				■							■							
		St. Vit, Wolfsburg				■							■							
	Stribel GmbH	Frickenhausen				■							■							
Guinea	Halco (Mining) Inc.†	Sangaredi						■												

* Includes aluminum paste, particle, flake and atomized powder, ceramics, magnesium, PET preform bottle production, truck wheels, die-casting machinery, systems and components for appliances, and telecommunications

† Ownership of 50% or less

Aerospace Components *Alumina* *Alumina Chemicals* *Auto Components* *Auto Engineering* *Bauxite Mining* *Building Products* *Can Reclamation* *Castings, Forgings* *Closures, Machinery* *Electrical Products* *Extrusions, Tube* *Foil Products* *Packaging Machinery* *Primary Aluminum* *Sheet, Plate* *Wire, Rod, Bar* *Other**

Country	*Companies*	*Location*	*Aerospace Components*	*Alumina*	*Alumina Chemicals*	*Auto Components*	*Auto Engineering*	*Bauxite Mining*	*Building Products*	*Can Reclamation*	*Castings, Forgings*	*Closures, Machinery*	*Electrical Products*	*Extrusions, Tube*	*Foil Products*	*Packaging Machinery*	*Primary Aluminum*	*Sheet, Plate*	*Wire, Rod, Bar*	*Other**
Hungary	AFL Hungary Kft	Enying, Mor, Székesfehérvár				■							■							
		Törökszentmiklós				■							■							
		Veszprémvarsány				■							■							
	Alcoa-Köfém Kft	Székesfehérvár							■					■				■		
	Alcoa Wheel Products Europe Mfg. & Trading L.L.C.	Székesfehérvár									■									
	CSI Hungary Manufacturing and Trading, L.L.C.	Székesfehérvár										■								
India	Alcoa-ACC Industrial Chemicals Limited	Falta			■															
Ireland	Alcoa Fujikura Ireland Limited	Dundalk				■							■							
Italy	Alcoa Italia S.p.A.	Bolzano, Feltre, Fossanova												■						
		Fusina															■	■		
		Iglesias, Mori, Novara												■						
		Portovesme															■			
	Alcoa Italia S.p.A. Automotive Structures	Modena				■														
Jamaica	Alcoa Minerals of Jamaica, L.L.C.	Clarendon		■				■												
Japan	Alcoa Kasei Limited	Naoetsu			■															
	KSL Alcoa Aluminum Company, Ltd. (Kaal)†	Moka																■		
	Moralco Limited	Iwakuni City			■															
	Shibazaki Seisakusho Limited	Nogi										■								
Mexico	Alcoa CSI de Mexico en Ensenada, S.A. de C.V.	Ensenada										■								
	Alcoa CSI de Mexico en Saltillo, S.A. de C.V.	Saltillo										■								
	Alcoa Fujikura Ltd.	Acuña, Juárez, Monterrey				■							■							
		Piedras Negras, Torreón				■							■							
	Alumax Extrusions Mexico, S.A. de C.V.	Monterrey												■						
Morocco	Kawneer Maroc S.A.	Casablanca							■											
Netherlands	Alcoa Chemie Nederland B.V.	Rotterdam			■															
	Alcoa Moerdijk B.V.	Moerdijk			■															
	Alcoa Nederland B.V.	De Lier, Zwijndrecht							■											
		Drunen				■			■					■				■		■
		Geldermalsen, Giessen							■											
	Alumax Extrusions B.V.	Kerkrade								■										
		Roermond												■						
Norway	Alcoa Automotive†	Lista				■					■									
	Elkem Aluminium ANS†	Lista, Mosjøen															■			
Peru	Alusud Peru S.A.	Lima										■								■
Philippines	Alcoa Closure Systems International (Philippines)	Manila										■								
Poland	Kawneer Polska Sp. z.o.o.	Warsaw							■											
Russia	Alcoa CSI Vostok Ltd.	Lyubachany										■								
Singapore	ACAP Singapore Pte Ltd.	Singapore			■															
Spain	Alcoa Arquitectura S.L.	Irurzun							■											
	Alcoa CSI España, S.A.	Barcelona										■								
	Alcoa Navarra S.A.	Irurzun												■						
	Alcoa Inespal S.A.	Avilés															■			
		La Coruña															■		■	
	Alcoa Transformación S.A.	Alicante													■				■	
		Amorebieta																■		
		La Coruña (Arteixo), Noblejas												■						
		Sabiñánigo													■				■	

Operations listings continue on next page.

Aerospace Components *Alumina* *Alumina Chemicals* *Auto Components* *Auto Engineering* *Bauxite Mining* *Building Products* *Can Reclamation* *Castings, Forgings* *Closures, Machinery* *Electrical Products* *Extrusions, Tube* *Foil Products* *Packaging Machinery* *Primary Aluminum* *Sheet, Plate* *Wire, Rod, Bar* *Other**

Alcoa Worldwide Operations

continued

Country	*Companies*	*Location*	*Aerospace Components*	*Alumina*	*Alumina Chemicals*	*Auto Components*	*Auto Engineering*	*Bauxite Mining*	*Building Products*	*Can Reclamation*	*Castings, Forgings*	*Closures, Machinery*	*Electrical Products*	*Extrusions, Tube*	*Foil Products*	*Packaging Machinery*	*Primary Aluminum*	*Sheet, Plate*	*Wire, Rod, Bar*	*Other**
Spain	Alúmina Española S.A.	San Ciprián		■	■												■			
continued	Extrusión de Aluminio S.A.	Valls												■						
Suriname	Suriname Aluminum Company, L.L.C.	Moengo						■												
		Paranam		■				■									■			
United Kingdom	Alcoa Manufacturing (G.B.) Limited	Swansea																■		
	Alcoa Extruded Products (UK) Limited	Liantrisant, Swansea												■						
	AFL U.K. Ltd.	Laindon				■							■							
	Alcoa Systems (UK) Limited	Stratford-on-Avon							■											
	Kawneer U.K. Limited	Runcorn							■											
United States	Alcoa	Alcoa, Tenn.; Evansville, Ind.								■							■	■		
		Auburn, Wash.																		■
		Badin, N.C.															■	■		■
		Chillicothe, Ohio																		■
		Cleveland, Ohio	■			■					■									
		Danville, Ill.																■		
		Davenport, Iowa	■															■		
		Denton, Texas																		■
		Hawesville, Ky.													■					
		Hutchinson, Kansas	■															■		
		Irvine, Calif.	■															■		
		Lafayette, Ind.	■											■						
		Lebanon, Pa.													■			■		
		Leetsdale, Pa.			■															
		Massena, N.Y.												■			■		■	
		New Kensington, Pa.																		■
		Rockdale, Texas															■			■
		San Antonio, Texas													■			■		
		Wenatchee, Wash.															■			
	Alcoa Automotive	Alcoa Center, Pa.				■	■													
		Fruitport, Mich.; Hawesville, Ky.				■					■									
		Northwood, Ohio				■	■													
		Southfield, Mich.					■													
	Alcoa Building Products, Inc.	Denison, Texas; Gaffney, S.C.							■											
		Princeville, Ill.; Sidney, Ohio							■											
		Stuarts Draft, Va.							■											
	Alcoa Closure Systems International, Inc.	Crawfordsville, Ind.										■								
		Olive Branch, Miss.										■								
	Alcoa Extrusions, Inc.	Catawba, N.C.												■						
		Cressona, Pa.													■				■	
		Elizabethton, Tenn.													■				■	
		Fairburn, Ga.												■						■
		Hernando, Miss.												■						■
		Magnolia, Ark.												■						■
		Morris, Ill.												■						
		Plant City, Fla.												■						■
		Spanish Fork, Utah												■					■	
		Yankton, S.D.												■						

* Includes aluminum paste, particle, flake and atomized powder, ceramics, magnesium, PET preform bottle production, truck wheels, die-casting machinery, systems and components for appliances, and telecommunications

† Ownership of 50% or less

Aerospace Components *Alumina* *Alumina Chemicals* *Auto Components* *Auto Engineering* *Bauxite Mining* *Building Products* *Can Reclamation* *Castings, Forgings* *Closures, Machinery* *Electrical Products* *Extrusions, Tube* *Foil Products* *Packaging Machinery* *Primary Aluminum* *Sheet, Plate* *Wire, Rod, Bar* *Other**

Country	Companies	Location	Aerospace Components	Alumina	Alumina Chemicals	Auto Components	Auto Engineering	Bauxite Mining	Building Products	Can Reclamation	Castings, Forgings	Closures, Machinery	Electrical Products	Extrusions, Tube	Foil Products	Packaging Machinery	Primary Aluminum	Sheet, Plate	Wire, Rod, Bar	Other*
United States *continued*	Alcoa Fujikura Ltd.	Dearborn, Mich.; El Paso, Texas					■													
		Houston, Miss.																		■
		Mattawan, Mich.; Nashville, Tenn.					■													
		New Boston, Mich.; Shelbyville, Ky.					■													
		Spartanburg, S.C.																		■
		Traverse City, Mich.					■													
	Alcoa Packaging Machinery, Inc.	Englewood, Colo.; Randolph, N.Y.										■				■				■
	Alcoa World Alumina L.L.C.	Baton Rouge, La.; Bauxite, Ark.			■															
		Dalton, Ga.; Fort Meade, Fla.			■															
		Point Comfort, Texas		■	■															■
		Vidalia, La.			■															
	Alumax of South Carolina, Inc.	Goose Creek, S.C.															■			
	Alumax Foils, Inc.	Russellville, Ark.; St. Louis, Mo.													■					
	Alumax Mill Products, Inc.	Lancaster, Pa.; Texarkana, Texas																■		
	American Trim, L.L.C.†	Cullman, Ala.; Lima, Ohio																		■
		Sidney, Ohio; Spring Lake, Mich.																		■
		Wapakoneta, Ohio																		■
	B&C Research, Inc.	Barberton, Ohio				■					■									
	DigiSys Corp.	Alpharetta, Ga.																		■
	Discovery Aluminas, Inc.	Port Allen, La.			■															
	Eastalco Aluminum Company	Frederick, Md.															■			
	Excel Extrusions, Inc.	Warren, Ohio												■						
	Great Lakes Minerals, L.L.C.	Wurtland, Ky.			■															
	Halethorpe Extrusions, Inc.	Baltimore, Md.	■											■						
	Intalco Aluminum Corporation	Ferndale, Wash.															■			
	Kawneer Company, Inc.	Bloomsburg, Pa.; Bristol, Ind.							■											
		Franklin, Ind.; Harrisonburg, Va.							■											
		Jonesboro, Ga.; Norcross, Ga.							■											
		Springdale, Ark.; Visalia, Calif.							■											
	MiniTel Communications, L.L.C.	Norcross, Ga.																		■
	Northwest Alloys, Inc.	Addy, Wash.																		■
	Norton-Alcoa Proppants†	Fort Smith, Ark.																		■
	Permatech, Inc.	Graham, N.C.																		■
	Pimalco, Inc.	Chandler, Ariz.	■											■						
	Quality Control Services, Inc.	Richmond, Va.																		■
	St. Croix Alumina, L.L.C.	St. Croix, V.I.		■																
	Six "R" Communications, L.L.C.	Monroe, N.C.																		■
	Stolle Machinery, Inc.	Sidney, Ohio														■				
	TeleTech Company, Inc.	Lexington, Ky.																		■
	T.I.C.S. Corporation	Charlotte, N.C.																		■
	Tifton Aluminum Company, Inc.	Delhi, La.; Tifton, Ga.												■						
Venezuela	Alcoa Fujikura Ltd. Venezuela, C.A.	Valencia				■							■							

Aerospace Components | Alumina | Alumina Chemicals | Auto Components | Auto Engineering | Bauxite Mining | Building Products | Can Reclamation | Castings, Forgings | Closures, Machinery | Electrical Products | Extrusions, Tube | Foil Products | Packaging Machinery | Primary Aluminum | Sheet, Plate | Wire, Rod, Bar | Other*

Directors

From left to right:

John P. Mulroney, 64, former president and chief operating officer of Rohm and Haas Company, a specialty chemicals manufacturer, from 1986-1998. Director since 1987.

Kenneth W. Dam, 67, Max Pam Professor of American and Foreign Law, University of Chicago Law School; president and chief executive officer of United Way of America 1992; vice president for law and external relations of IBM 1985-1992; Deputy Secretary of State 1982-1985; provost of the University of Chicago 1980-1982. Director since 1987.

Alain J.P. Belda, 56, chief executive officer of Alcoa since May 1999 and president since January 1997; elected chief operating officer in January 1997; elected vice chairman in 1995 and executive vice president in 1994; president of Alcoa Aluminio S.A. from 1979 to March 1994; president – Latin America in August 1991. Director since 1998.

Henry B. Schacht, 65, managing director since January 2000 and senior advisor 1999 of E. M. Warburg, Pincus & Co., LLC, a financial services firm; senior advisor to Lucent Technologies Inc. 1998-1999; chairman 1996-1998 and chief executive officer 1996-1997; chairman of Cummins Engine Company, Inc. 1977-1995; chief executive officer 1973-1994. Director since 1994.

Judith M. Gueron, 58, president of Manpower Demonstration Research Corporation (MDRC), a nonprofit research organization, since 1986; executive vice president for research and evaluation 1978-1986; prior to MDRC, director of special projects and studies and a consultant for the New York City Human Resources Administration. Director since 1988.

Franklin A. Thomas, 65, consultant, TFF Study Group, a nonprofit institution assisting development in South Africa, since 1996; president of The Ford Foundation 1979-1996; president and chief executive officer of Bedford Stuyvesant Restoration Corporation 1967-1977. Director since 1977.

Paul H. O'Neill, 64, chairman of the board of Alcoa since 1987 and chief executive officer 1987-1999; president and director of International Paper Company 1985-1987. Director since 1986.

Sir Ronald Hampel, 67, chairman of United News & Media PLC, a U.K.-based media company, since 1999; chairman of Imperial Chemical Industries PLC 1995-1999, and a director 1985-1999; deputy chairman and chief executive officer 1993-1995; chief operating officer 1991-1993. Director since 1995.

Marina v.N. Whitman, 64, professor of Business Administration and Public Policy, University of Michigan since 1992; vice president and group executive, public affairs and marketing staffs of General Motors Corporation (GMC) 1985-1992; vice president and chief economist of GMC 1979-1985; member of the President's Council of Economic Advisers 1972-1973. Director since 1994.

Hugh M. Morgan, 59, managing director WMC Limited, an Australian mining and minerals processing company, since 1986 and its chief executive officer since 1990; executive director of WMC from 1976 to 1986. Director since 1998.

Joseph T. Gorman, 62, chairman and chief executive officer of TRW Inc., a global company serving the automotive, space and information systems markets, since 1988; chief operating officer 1985-1988; president 1985-1991. Director since 1991.

Board Committees

The Audit Committee

Reviews the performance of the independent public accountants, makes recommendations, reviews audit plans, audit results and findings of the internal auditors and the independent accountants, reviews the environmental audits and monitors compliance with Alcoa business conduct policies.

Kenneth W. Dam
Judith M. Gueron
Henry B. Schacht (chairman)
Franklin A. Thomas
Marina v.N. Whitman

The Compensation Committee

Determines the compensation of Alcoa officers and performs specified functions under company compensation plans.

Kenneth W. Dam
Joseph T. Gorman
Hugh M. Morgan
John P. Mulroney
Franklin A. Thomas (chairman)

The Executive Committee

Meets principally when specific action must be taken between Board meetings; has been granted the authority of the Board in the management of the company's business and affairs.

Kenneth W. Dam
Paul H. O'Neill (chairman)
Franklin A. Thomas

The Nominating Committee

Reviews the performance of incumbent directors and the qualifications of nominees proposed for election to the Board and makes recommendations to the Board with regard to nominations for director.

Joseph T. Gorman
Sir Ronald Hampel
John P. Mulroney (chairman)
Franklin A. Thomas

Pension and Savings Plan Investment Committee

Reviews and makes recommendations to the Board concerning the investment management of the assets of Alcoa's retirement plans and principal savings plans.

Joseph T. Gorman (chairman)
Judith M. Gueron
Sir Ronald Hampel
Hugh M. Morgan
Franklin A. Thomas
Marina v.N. Whitman

Officers

(As of February 15, 2000)

Paul H. O'Neill
Chairman of the Board

Alain J. P. Belda
President and
Chief Executive Officer

George E. Bergeron
President – Reynolds Integration

Linda B. Burke
Tax Counsel

William F. Christopher
Vice President – Alcoa and
President, Alcoa Forged Products

Michael Coleman
Vice President – Alcoa and
President, Alcoa Rigid Packaging

John W. Collins III
Vice President – Alcoa and
President, Alcoa Mill Products

Denis A. Demblowski
Secretary and Senior Counsel

Ronald D. Dickel
Vice President – Tax

Janet F. Duderstadt
Counsel and Assistant Secretary

Richard L. Fischer
Special Counsel to the CEO

Ronald A. Glah
Vice President – Alcoa and
President – Alcoa Closure Systems
International

L. Patrick Hassey
Vice President – Alcoa and
President, Alcoa Europe

Robert S. Hughes II
Vice President – Alcoa and
Chairman, President and CEO,
Alcoa Fujikura Ltd.

Barbara S. Jeremiah
Vice President –
Corporate Development

Richard B. Kelson
Executive Vice President and
Chief Financial Officer

Denise H. Kluthe
Assistant Controller

Kathleen L. Lang
Assistant Secretary

Frank L. Lederman
Vice President and
Chief Technical Officer

Timothy J. Leveque
Vice President – Alcoa and
President, Alcoa Asia Ltd.

Joseph R. Lucot
Assistant Controller

Christopher J. Lynch
Vice President and
Chief Information Officer

Thomas J. Meek
Assistant General Counsel

L. Richard Milner
Vice President – Alcoa and
President, Alcoa Automotive

Timothy S. Mock
Vice President and Controller

Joseph C. Muscari
Vice President – Environment,
Health & Safety, Audit and
Compliance

William J. O'Rourke, Jr.
Vice President – Alcoa Business
Support Services

Joseph C. Pellegrino
Vice President – Pension Fund
Investments and Analysis

G. John Pizzey
Vice President – Alcoa and
President, Alcoa World Alumina
and Chemicals

Russell W. Porter, Jr.
Senior Assistant General Counsel

Lawrence R. Purtell
Executive Vice President and
General Counsel

Alan C. Renken
Vice President – Alcoa and
President, Alcoa Primary Metals

James B. Savage
Assistant Controller

Robert F. Slagle
Executive Vice President – Human
Resources and Communications

Paul D. Thomas
Vice President – Alcoa and
President, Alcoa Engineered
Products

G. Keith Turnbull
Executive Vice President –
Alcoa Business System

Kurt R. Waldo
Assistant General Counsel

Robert G. Wennemer
Vice President and Treasurer

Robert S. Wetherbee
Assistant Controller

John M. Wilson
Senior Assistant General Counsel

Russell C. Wisor
Vice President –
Government Affairs

Business Units

Alcoa Asia Ltd.

Timothy J. Leveque, President
Hong Kong, China

Regional management and business development, including sales and marketing services for other Alcoa businesses

Alcoa Automotive

L. Richard Milner, President
Alcoa Center, Pennsylvania

Design and manufacture of high-performance, light-weight aluminum automotive materials and components

Alcoa Building Products, Inc.

Larry G. Gold, President
Sidney, Ohio

Coated aluminum, vinyl extruded, and injection molded building products

Alcoa Closure Systems International

Ronald A. Glah, President
Indianapolis, Indiana

Plastic and aluminum closures (bottle caps), plastic bottles, services and supplies for packaging markets

Alcoa e-Business

Fausto P. Moreira, President
São Paulo, Brazil

Strategic and commercial leadership of Alcoa's global e-commerce activities

Alcoa Engineered Products

Paul D. Thomas, President
Lafayette, Indiana

Aluminum extruded shapes, tube, rod and bar for use in aerospace, road, rail and marine transportation, machinery and equipment, recreational products, electrical applications and other durable goods

Alcoa Europe

L. Patrick Hassey, President
Lausanne, Switzerland

Strategic, commercial, operational and regional leadership for Alcoa's primary, flat-rolled, extrusion and end products, and Kawneer businesses in Europe

Alcoa Europe Extrusions and End Products

Ricardo E. Belda, President
Geneva, Switzerland

Aluminum extrusions, window systems, and end products for the building, transportation, general distribution, industrial, commercial, and aerospace markets

Alcoa Europe Flat-Rolled Products

Leandro Guillén Barba, President
Madrid, Spain

Aluminum sheet, plate and foil for the industrial, transportation, lithographic, lighting, food and pharmaceutical markets

Alcoa Europe, Kawneer

Michel Marc Lavite, President
Brussels, Belgium

Aluminum architectural systems for the building and construction industry

Alcoa Europe Primary Metals System

Giuseppe Toia, President
Milan, Italy

Primary aluminum ingot, billets and rolling slab

Alcoa Extruded Construction Products

Kenneth R. McElheny, President
Plant City, Florida

Painted, anodized, mill finish aluminum extrusions, bath enclosures and stadium seating systems for the building and construction markets

Alcoa Foil Products

Ralph Matera, President
Lebanon, Pennsylvania

Aluminum thin sheet, foil and laminated materials used in applications for automotive, appliance, building and construction, machinery and equipment, and packaging markets

Alcoa Forged Products

William F. Christopher, President
Cleveland, Ohio

Wheels for the heavy truck and automotive industries and forged structural parts for aerospace, power generation and other commercial applications

Alcoa Fujikura Ltd.

Robert S. Hughes II, Chairman, President and CEO
Brentwood, Tennessee

Automotive electrical/electronic systems, electronic components, and specialty fiber-optic products for automotive and telecommunications markets, and wire products for the electrical market

Alcoa Industrial Chemicals

Hamish Petrie, General Manager
Charlotte, North Carolina

Alumina and other inorganic chemical products for refractory, adsorbent and catalyst, ceramic and abrasive, polymer and water treatment markets

Alcoa Mill Products

John W. Collins III, President
Davenport, Iowa

Aluminum sheet and plate for the aerospace, defense, automotive, truck, railroad, marine, building and construction, machinery and equipment, lithographic, and other industrial and consumer markets

Alcoa Packaging Equipment

David W. Groetsch, President
Englewood, Colorado

Engineered equipment solutions for the packaging industry and other high production manufacturing processes

Alcoa Primary Metals

Alan C. Renken, President
Knoxville, Tennessee

Primary metal products produced in North America for various aluminum, magnesium and powder markets and applications

Alcoa Rigid Packaging

Michael Coleman, President
Knoxville, Tennessee

Aluminum sheet for beverage and food cans, and can recycling

Alcoa World Alumina and Chemicals

G. John Pizzey, President
Pittsburgh, Pennsylvania

Strategic, commercial and operational leadership of Alcoa's global bauxite and alumina activities

Alcoa World Alumina – Atlantic

John M. Sibly, President
Pittsburgh, Pennsylvania

Bauxite mining and alumina refining in Jamaica and Suriname, bauxite mining in Guinea, and alumina refining in the United States, Virgin Islands, Spain and Brazil

Alcoa World Alumina – Australia

B. Michael Baltzell, President
Perth, Western Australia

Bauxite mining, alumina refining, alumina chemicals and aluminum smelting in Australia

Kawneer Company

William O. Cralley, President
Norcross, Georgia

Engineered architectural aluminum products and systems including entrances, framing, windows and curtain walls for commercial building markets

Latin America and Alcoa Aluminio S.A.

Adjarma Azevedo, President
São Paulo, Brazil

Bauxite mining, alumina refining, aluminum smelting and fabricating for various markets and applications; plastic closures, bottles and labels

Shareholder Information

Annual Meeting

The annual meeting of shareholders will be at 9:30 a.m. on Friday, May 12, 2000 at the DoubleTree Hotel Pittsburgh.

Company News

Visit our Web site at www.alcoa.com for current stock quotes, SEC filings, quarterly earnings reports and other company news announcements. This information is also available toll-free 24 hours a day by calling 1 800 522 6757 (in the U.S. and Canada) or 1 402 572 4993 (all other calls). Reports may be requested by voice, fax or mail.

Copies of the annual report, Alcoa *Update*, and Forms 10-K and 10-Q may be requested through the Internet, by calling the toll-free numbers, or by writing to Corporate Communications at the corporate center address.

Investor Information

Security analysts and investors may write to Director – Investor Relations, at the corporate center address or call 1 412 553 2231.

Other Publications

For a report of contributions and programs supported by Alcoa Foundation, write Alcoa Foundation at the corporate center address or call 1 412 553 2348.

For a report on Alcoa's environmental, health and safety performance, write Alcoa EHS Department at the corporate center address.

Dividends

Alcoa's objective is to pay common stock dividends at rates competitive with other investments of equal risk and consistent with the need to reinvest earnings for long-term growth. To support this objective, Alcoa pays a base quarterly dividend of 25 cents per common share. Alcoa also pays a variable dividend that is linked directly to financial performance. The variable dividend is 30% of Alcoa's annual earnings over $3.00 per basic share. This is calculated annually and paid quarterly, together with the base dividend, to shareholders of record at each quarterly distribution date.

Dividend Reinvestment

The company offers a Dividend Reinvestment and Stock Purchase Plan for shareholders of Alcoa common and preferred stock. The plan allows shareholders to reinvest all or part of their quarterly dividends in shares of Alcoa common stock. Shareholders also may purchase additional shares under the plan with cash contributions. The company pays brokerage commissions and fees on these stock purchases.

Direct Deposit of Dividends

Shareholders may have their quarterly dividends deposited directly into their checking, savings or money market accounts at any financial institution that participates in the Automated Clearing House (ACH) system.

Shareholder Services

Shareholders with questions on account balances, dividend checks, reinvestment or direct deposit, address changes, lost or misplaced stock certificates, or other shareholder account matters may contact Alcoa's stock transfer agent, registrar and dividend disbursing agent:

First Chicago Trust Company,
a Division of EquiServe
Shareholder Services Group
P.O. Box 2500
Jersey City, NJ 07303-2500

Telephone Response Center:
1 800 317 4445
Outside U.S. and Canada:
1 201 324 0313

Internet address: www.equiserve.com
Telecommunications Device for the Deaf (TDD): 1 201 222 4955

For shareholder questions on other matters related to Alcoa, write to Denis Demblowski, Office of the Secretary, at the corporate center address or call 1 412 553 4707.

Stock Listing

Common: New York Stock Exchange, The Electronical Stock Exchange in Switzerland and exchanges in Brussels, Frankfurt and London
Preferred: American Stock Exchange
Ticker symbol: AA

Quarterly Common Stock Information

	1999			1998		
Quarter	High	Low	Dividend	High	Low	Dividend
First	$45 3/32	$35 15/16	$.20125	$39 1/16	$32 2/16	$.1875
Second	67 15/16	40 1/4	.20125	39 11/16	31 3/8	.1875
Third	70 7/8	58 1/2	.20125	37	29	.1875
Fourth	83 3/8	57 1/4	.20125	40 3/8	33 3/8	.1875
Year	$83 3/8	$35 15/16	$.80500	$40 3/8	$29	$.7500

Common Share Data

	Estimated number of shareholders*	Average shares outstanding (000)
1999	185,000	366,944
1998	119,000	349,114
1997	95,800	344,452
1996	88,300	348,667
1995	83,600	356,036

* These estimates include shareholders who own stock registered in their own names and those who own stock through banks and brokers.

Corporate Center

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Alcoa Inc. is incorporated in the Commonwealth of Pennsylvania.

Glossary

Alloy A substance with metallic properties, composed of two or more chemical elements of which at least one is a metal. More specifically, aluminum plus one or more other elements, produced to have certain specific, desirable characteristics.

Alumina Aluminum oxide produced from bauxite by an intricate chemical process. It is a white powdery material that looks like granulated sugar. Alumina is an intermediate step in the production of aluminum from bauxite and is also a valuable chemical on its own.

Aluminum foil A flat-rolled product, rectangular in cross section, of thickness from 0.006″ to 0.00025″.

Aluminum plate A flat-rolled product, rectangular in cross section, of thickness not less than 0.250″ and with sheared or sawed edges.

Aluminum sheet A rolled product, flat or coiled, rectangular in cross section, with thickness less than 0.250″ but not less than 0.006″ and with slit, sheared or sawed edges.

Aluminum SpaceFrame™ An integrated structure of aluminum castings and extruded parts that forms the primary body frame of a new generation of automobiles.

Anodizing An electrochemical process for applying a protective or decorative coating to metal surfaces.

Bauxite An ore from which alumina is extracted and from which aluminum is eventually smelted. Bauxite usually contains at least 45% alumina. About four pounds of bauxite are required to produce one pound of aluminum.

Casting The process of forming molten metal into a particular shape by pouring it into a mold and letting it harden.

Continuous casting A means of casting aluminum in which an ingot, billet, tube or other shape is continuously solidified and withdrawn while the molten metal is being poured, so that its length is not determined by mold dimensions.

Engineered product A basic aluminum fabricated product that has been mechanically altered to create special properties for specific purposes; forgings and extrusions are examples of engineered products.

Extrusion The process of shaping material by forcing it to flow through a shaped opening in a die.

Fabricate To work a material into a finished state by machining, forming or joining.

Flat-rolled products Aluminum plate, sheet or foil products made by passing ingot through pairs of rolls. By moving the rolls closer together and passing the ingot between them, the thickness is reduced and the length is increased.

Forging A metal part worked to predetermined shape by one or more processes such as hammering, pressing or rolling.

Hydrate An aluminum oxide with three molecules of chemically combined water.

Ingot A cast form suitable for remelting or fabricating. An ingot may take many forms: some may be 30 feet long and weigh 15 tons; others are notched or specially shaped for stacking and handling.

London Metal Exchange (LME) The international trading body that facilitates the worldwide open market buying and selling of metals.

Magnesium A light, silvery, moderately hard metallic element used in processing metals and chemicals, and in alloying aluminum to give it desired metallurgical properties.

Metric ton (mt) A unit of mass and weight equal to 1,000 kilograms, or 2,204.6 pounds.

Micromill Alcoa Micromill technology uses fully continuous casting and rolling processes to produce aluminum sheet with reduced capital investment, lower operating costs, and – for some products – superior metallurgical properties.

Mill products Metal that has been fabricated into an intermediate form before being made into a finished product. The most common fabricating processes for aluminum are rolling, extruding, forging and casting. Example: aluminum sheet, a mill product, is used to make beverage cans, a finished product.

Pot In aluminum production: the electrolytic reduction cell, commonly called a “pot,” in which alumina dissolved in molten cryolite is reduced to metallic aluminum. A series of cells connected electrically is called a potline.

Smelt To fuse or melt ore in order to extract or refine the metal it contains.

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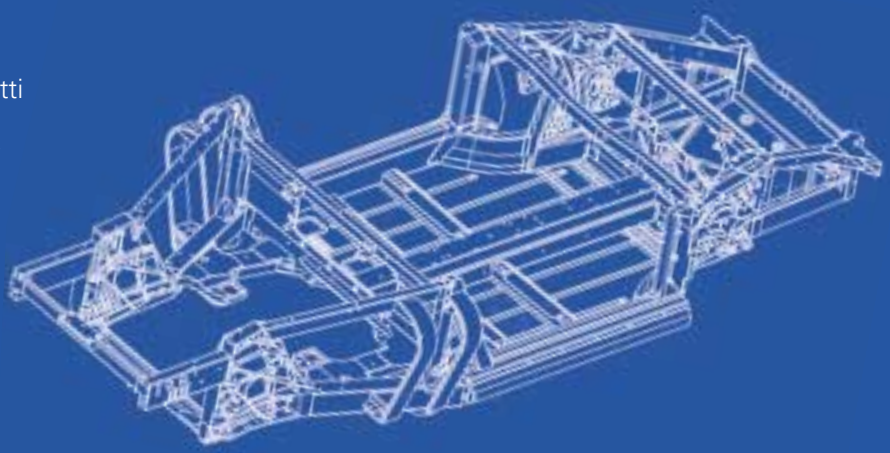
Alcoa Inside

Inside the stunning new Ferrari 360 Modena is a high performance body structure developed in a Ferrari/Alcoa collaboration and produced by Alcoa inside Ferrari's Scaglietti Works. Each frame meets 530 tolerance points set by Ferrari – so far without a single rejection or missed delivery in over a thousand frames.



Automotive leaders know that aluminum is a key to the future, and Alcoa offers the total solution to tapping aluminum's full potential. For innovations using any form of aluminum fabrication – castings, extrusions, sheet, forgings – Alcoa can provide carmakers anything or everything from design and prototyping through component manufacture and assembly – anywhere in the world.

Alcoa's nameplate on the frame of the 360 Modena