



4th Quarter 2009 Earnings Conference

January 11, 2010



Forward-Looking Statements

Today's discussion may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements relate to future events and expectations and involve known and unknown risks and uncertainties. Alcoa's actual results or actions may differ materially from those projected in the forward-looking statements. For a summary of the specific risk factors that could cause results to differ materially from those expressed in the forward-looking statements, please refer to Alcoa's Form 10-K for the year ended December 31, 2008, Forms 10-Q for the quarters ended March 31, 2009, June 30, 2009, and September 30, 2009, and other reports filed with the Securities and Exchange Commission.



Chuck McLane

Executive Vice President and Chief Financial Officer



4th Quarter 2009 Financial Overview

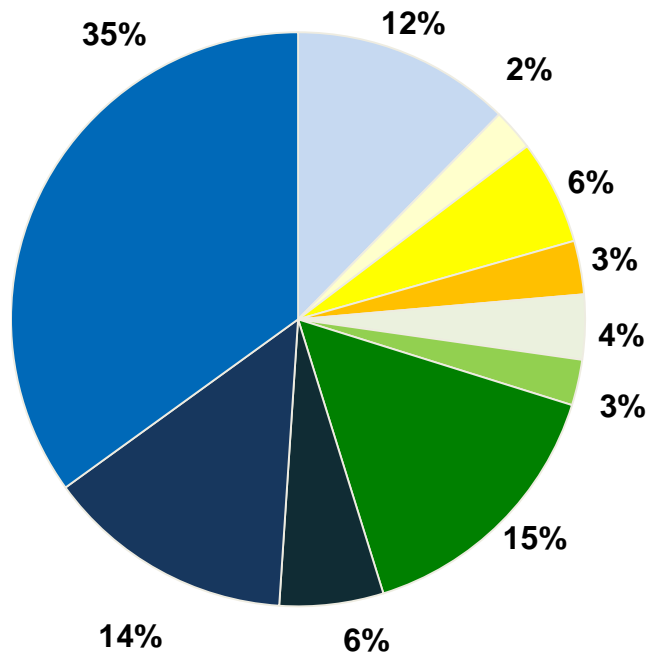
- **Cash Sustainability targets achieved**
- **Cash from operations of \$1.1 billion**
- **Free cash flow of \$761 million**
- **Debt-to-cap at 38.6%**, down 390 basis points from Q4'08
 - Total debt reduced by \$759 million since 4Q'08
 - Cash on hand of \$1.5 billion
- **Loss from continuing operations of \$266 million, or \$0.27 per share**
 - **Restructuring and special items** total \$275 million, or **\$0.28 per share**
- Negative impact from **currency and energy** of **\$65 million**
- Continued **end-market weakness** compounded by **Aero & IGT destocking**

Revenue Change by Market

4Q'09 Third Party Revenue

Sequential
Change

Year-Over-Year
Change



Aerospace	(3%)	(21%)
Automotive	25%	(43%)
B&C	(4%)	(30%)
Comm. Transport	8%	(45%)
Industrial Products	1%	(36%)
IGT	(16%)	(9%)
Packaging	4%	(21%)
Distribution/Other	11%	(55%)
Alumina	43%	(26%)
Primary Metals	39%	(35%)



Sequential Income Statement Summary

\$ Millions	3Q'09	4Q'09	Change
Sales	\$4,615	\$5,433	\$818
Cost of Goods Sold	\$3,888	\$4,905	\$1,017
COGS % Sales	84.2%	90.3%	6.1 % pts.
Selling, General Administrative, Other	\$234	\$291	\$57
SGA % Sales	5.1%	5.4%	0.3 % pts.
Restructuring and Other Charges	\$17	\$69	\$52
Effective Tax Rate	(22.4%)	34.8%	N/A
Income (Loss) from Continuing Operations	\$73	(\$266)	(\$339)
Income (Loss) from Discontinued Operations	\$4	(\$11)	(\$15)

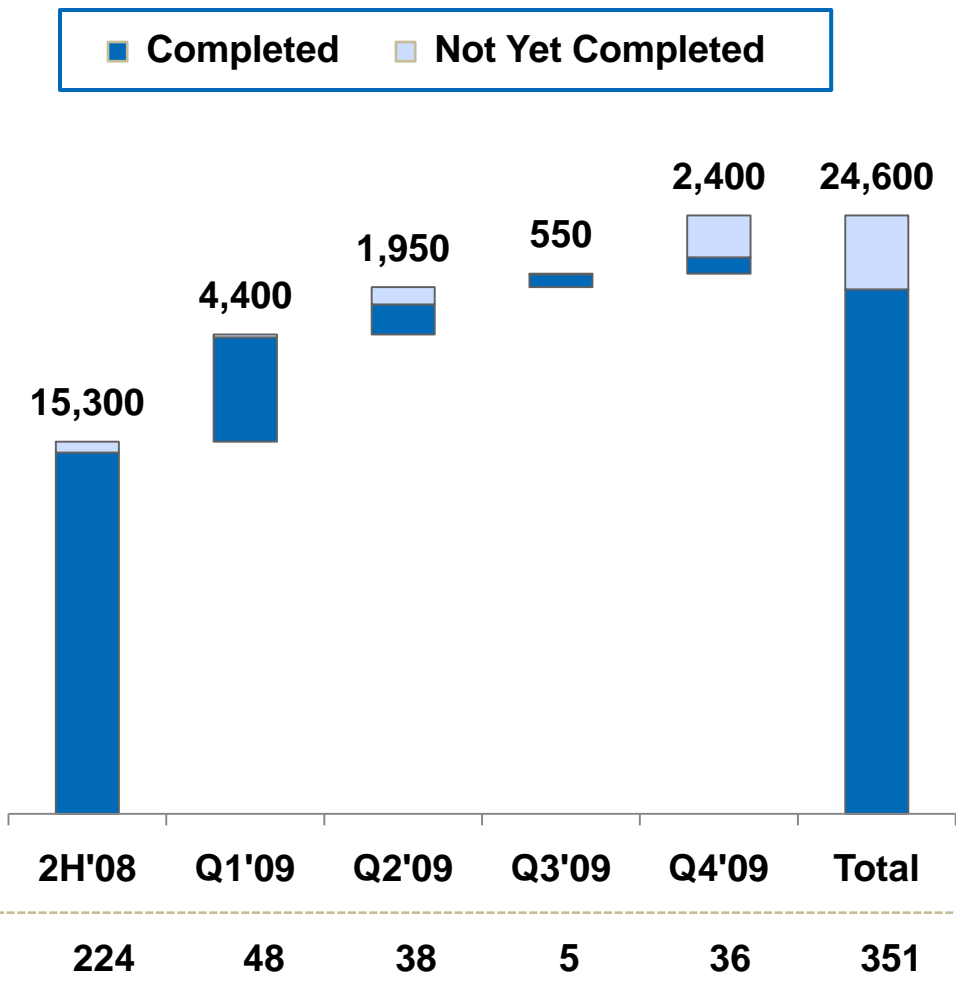


4th Quarter Restructuring and Special Items

\$ Millions	Italy	Other	After-Tax & Non-Controlling Interests	Earnings Per Share	Income Statement Classification	Segment
Restructuring	(\$15)	(\$34)	(\$49)		Restructuring	Corporate
Discrete Tax Items	(\$41)	\$123	\$82		Taxes	Corporate
Special Items:						
Italy Power Drawback	(\$250)		(\$250)		Cost of Goods Sold	Primary Metals
Environmental Accrual	(\$15)		(\$15)		Cost of Goods Sold	Corporate
MRN Tax Settlement		(\$24)	(\$24)		COGS / Minority Interest	Alumina / Corporate
Intalco Repowering		(\$19)	(\$19)		Other Income / Expense	Corporate
Total	(\$321)	\$46	(\$275)	(\$0.28)		

Total Headcount Reduced By 38% Since Q2'08

Headcount Reductions Announced by Quarter

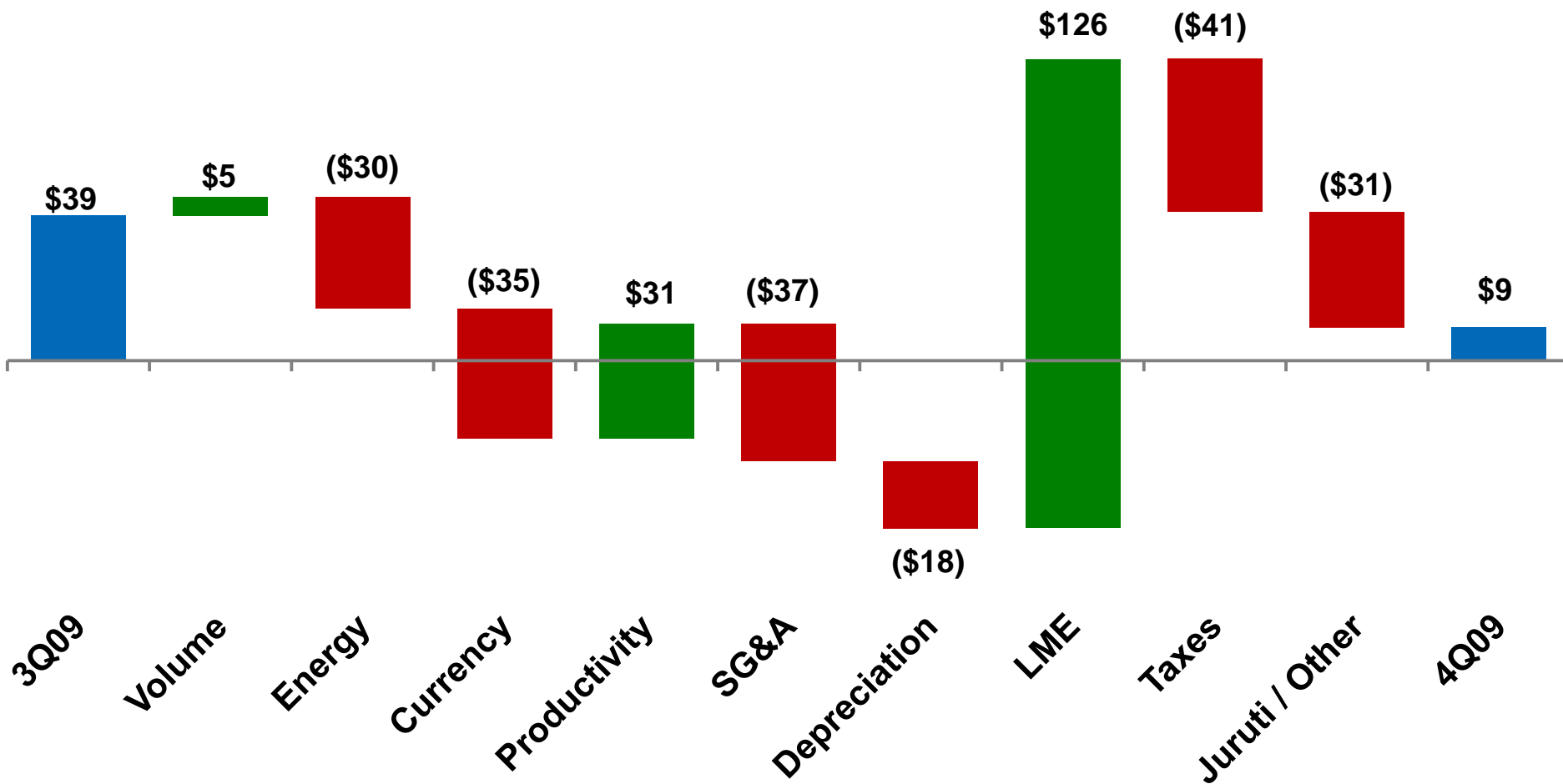


2009 cash savings of \$325 million - Run rate savings of \$600 million



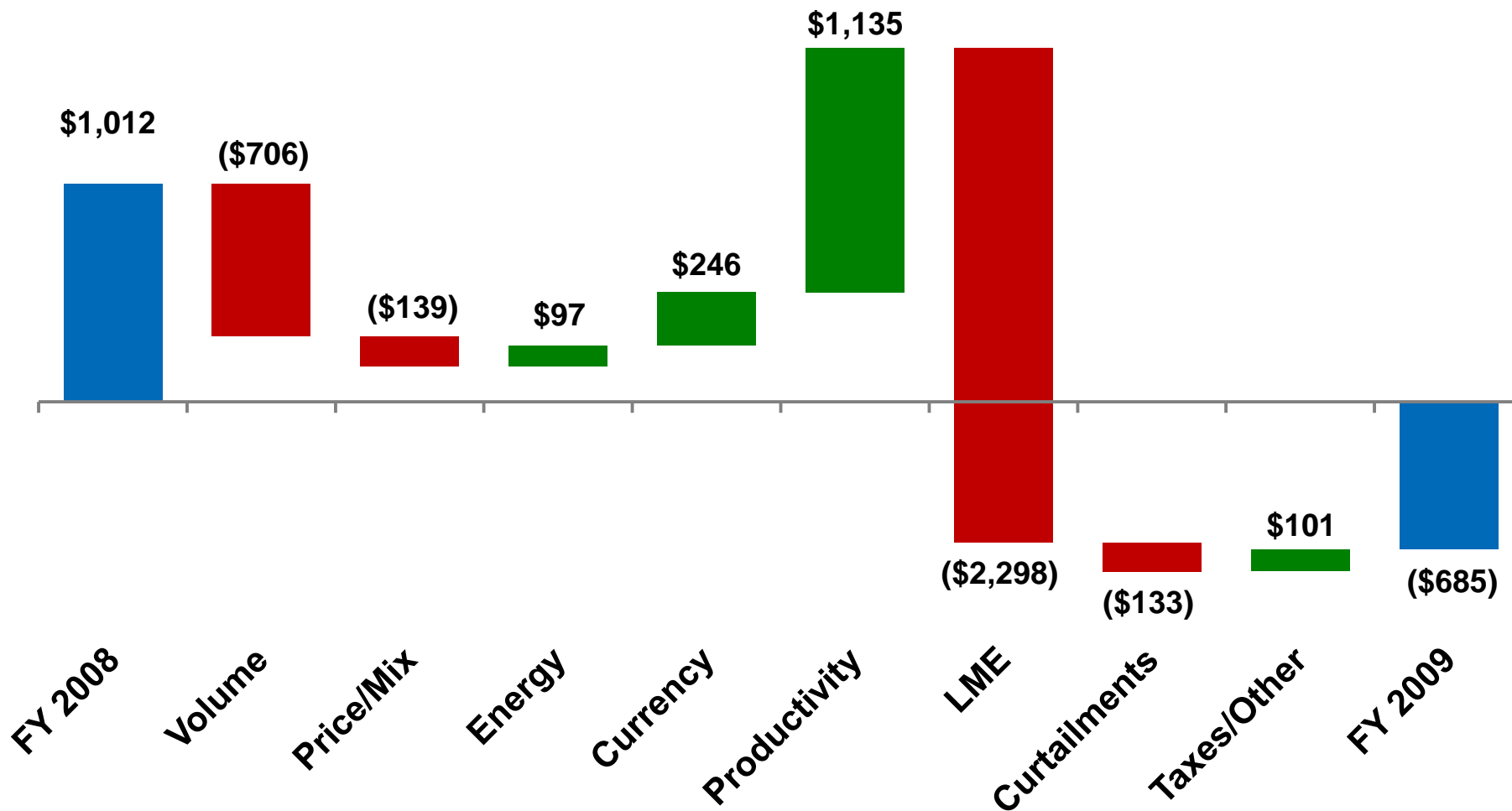
4Q'09 vs. 3Q'09 Earnings Bridge

Income from Continuing Operations excluding Restructuring & Other Special Items (\$ millions)



2009 vs. 2008 Earnings Bridge

Income (Loss) from Continuing Operations excluding Restructuring & Other Special Items (\$ millions)



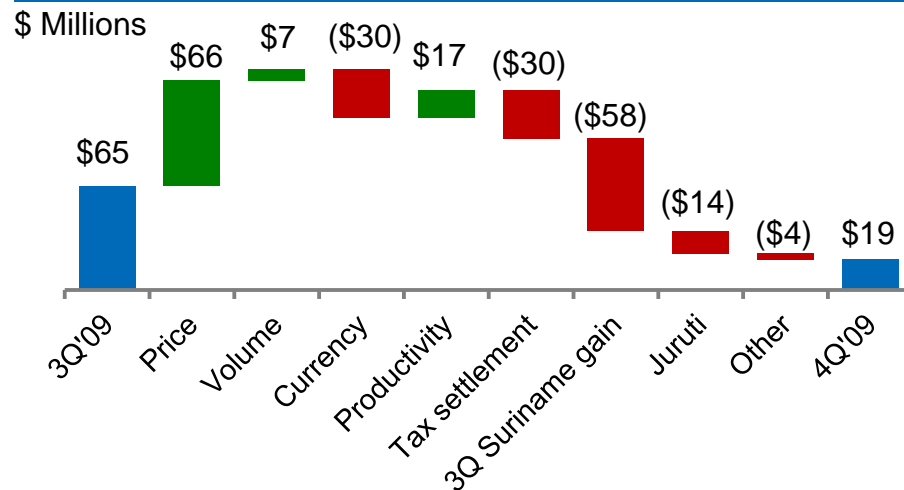
4th Quarter Highlights

	4Q 08	3Q 09	4Q 09
Production (kmt)	3,776	3,614	3,897
3 rd Party Shipments (kmt)	2,123	2,191	2,716
3 rd Party Revenue (\$MM)	722	530	760
ATOI (\$MM)	162	65	19

4th Quarter Business Conditions

- Record quarterly production and third party shipments on market demand and Sao Luis ramp up
- Realized 3rd party Alumina price up 15%
- Negative currency impact of \$30 million
- Tax expense related to litigation of \$30 million
- Lower caustic costs and benefits from cash sustainability initiatives
- Ramp-up costs of Juruti bauxite mine \$14 million sequentially

4th Quarter Performance Bridge



1st Quarter Outlook

- Pricing to follow two month lag on LME
- Continued benefit from cash sustainability initiatives
- Continued benefit of lower caustic cost
- Higher depreciation on growth projects placed into service



Primary Metals

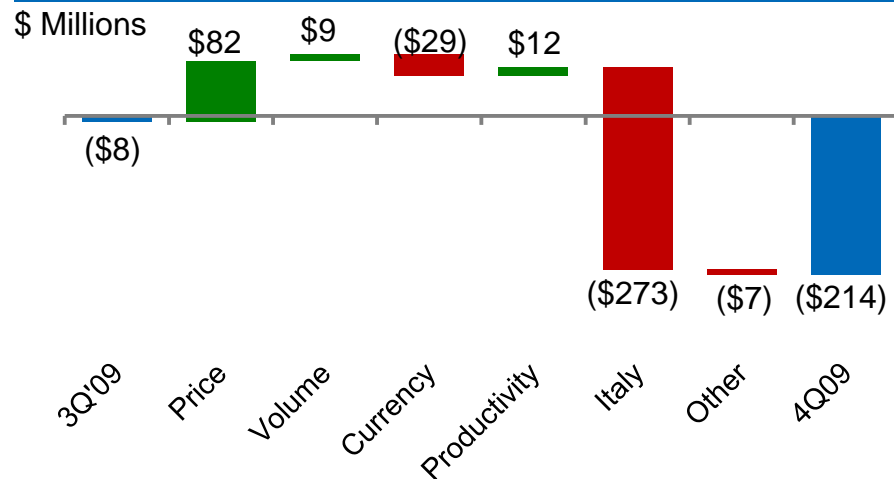
4th Quarter Highlights

	4Q 08	3Q 09	4Q 09
Production (kmt)	971	881	897
3 rd Party Shipments (kmt)	807	698	878
3 rd Party Revenue (\$MM)	1,580	1,362	1,900
3 rd Party Price (\$/MT)	2,125	1,972	2,155
ATOI (\$MM)	(101)	(8)	(214)

4th Quarter Business Conditions

- Realized pricing up 9%
- Smelter disruption and non-cash cost for Italy power decision negatively affected quarter by \$273 million
- Negative currency impact of \$29 million
- Lower carbon costs
- Productivity gains

4th Quarter Performance Bridge



1st Quarter Outlook

- Pricing to follow 15 day lag
- Continued benefit from cash sustainability initiatives
- Potential Italy curtailment



Flat-Rolled Products

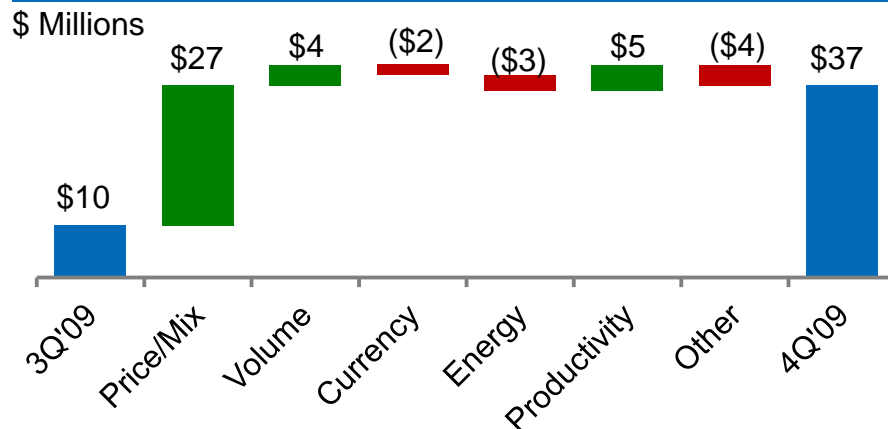
4th Quarter Highlights

ATOI \$ Millions	4Q 08	3Q 09	4Q 09
Flat-Rolled Products, excl Russia, China & Other	(9)	37	63
Russia, China & Other	(97)	(27)	(26)
Total ATOI	(106)	10	37

4th Quarter Business Conditions

- Improved mix and pricing – revenue up 5%
- Revenue increases in automotive and commercial transportation, offsetting decline in building & construction
- Gains from cash sustainability initiatives
- Year-to-date headcount reduction of 25%

4th Quarter Performance Bridge



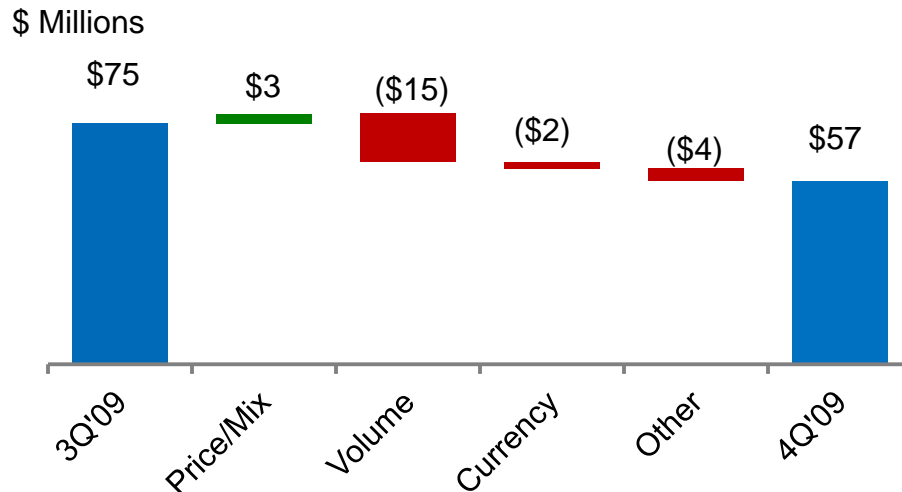
1st Quarter Outlook

- Cautious demand outlook for aerospace
- Expecting volume loss in North America can sheet in return for longer-term profitability
- Continued benefits from cash sustainability initiatives
- Higher energy costs expected

4th Quarter Highlights

\$ Millions	4Q 08	3Q 09	4Q 09
3 rd Party Revenue	1,392	1,128	1,097
ATOI	73	75	57
ATOI % of Revenue	5.2%	6.6%	5.2%

4th Quarter Performance Bridge



4th Quarter Business Conditions

- Continued destocking in Aerospace supply chain and further decline in IGT sales
- Improved performance in the Commercial Transportation market
- Seasonal impact from year-end holiday shutdowns
- Year over year ATOI % revenue flat with cash sustainability initiatives mitigating a 21% decline in sales

1st Quarter Outlook

- Weak market conditions
- Continued destocking in aerospace fastener and the turbine markets
- Unfavorable product mix
- Continued benefit from cash sustainability initiatives



Q4'09 Cash From Operations of \$1.1 Billion

Cash Flow			
(\$ Millions)	4Q'08	3Q'09	4Q'09
Net (Loss) Income	(\$1,191)	\$124	(\$268)
DD&A	291	342	369
Change in Working Capital	610	100	522
Taxes	(250)	(69)	(170)
Pension Contributions	(38)	(33)	(26)
Other Adjustments	1,186	(280)	697
Cash From Operations	\$608	\$184	\$1,124
Capital Expenditures	(1,017)	(370)	(363)
Free Cash Flow	(\$409)	(\$186)	\$761

10 day decline
in DWC vs.
Q4'08

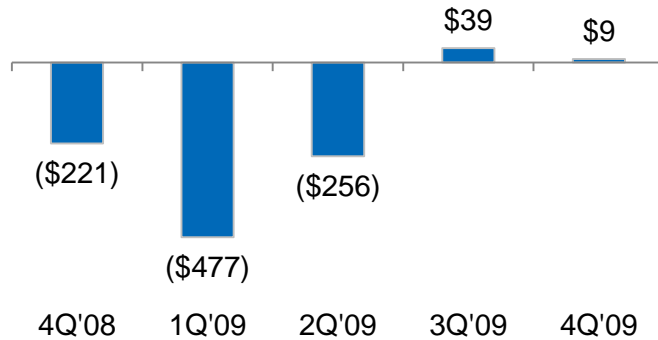
Best CFO
since Q2'07

FCF positive –
highest since
Q2'03

Undeniably Strong Response To Severe Recession

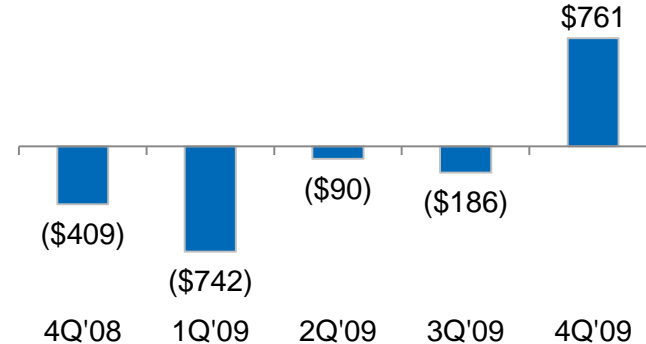
Drove Cash Sustainability savings to the bottom line...

Adjusted (Loss) Income (\$ Millions)



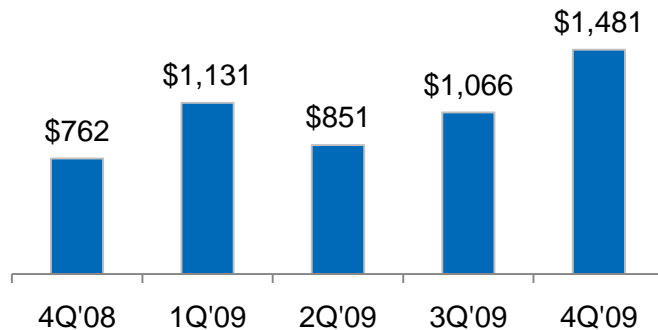
...efficiently managed cash flows and capex...

Free Cash Flow (\$ Millions)



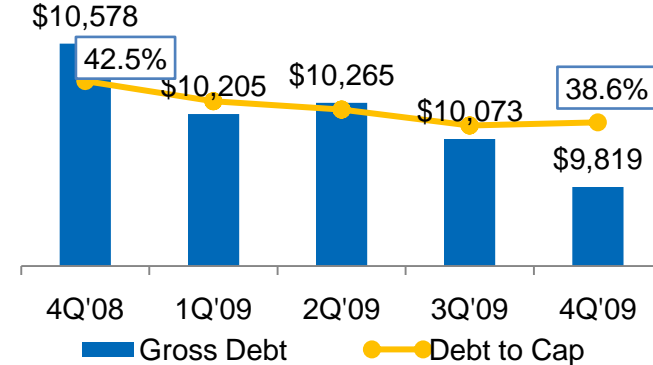
...improved liquidity...

Cash on Hand (\$ Millions)



...strengthened the balance sheet

Debt (\$ Millions) Debt-to-Capital %

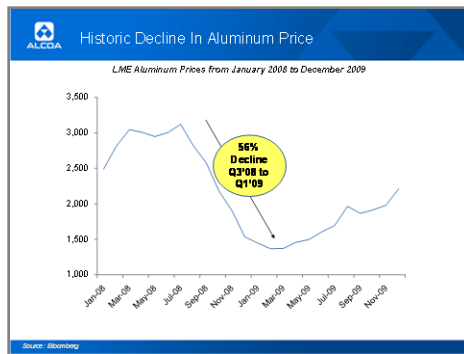




Klaus Kleinfeld
President and Chief Executive Officer

Challenging Environment

Historic Price Decline



Broad-based Demand Destruction

ALCOA Market Conditions in 2009

Alcoa End Markets: Current Assessment of 2009 Conditions

	North America	Europe	China	Global
Aerospace				Deliveries expected to be flat
Automotive	20%-25% sales decline	20%-25% sales decline	10%-15% sales growth	15%-20% sales decline
Heavy Truck & Trailer	40%-45% sales decline	50%-55% sales decline	Sales expected to be flat	30%-35% build rate decline
Beverage Can Packaging	Relatively stable sales (±2% decline)	7%-9% sales decline	4% sales growth	Volumes expected to be flat
Commercial Building and Construction	35%-40% sales decline	15%-20% sales decline across EU countries	8%-9% sales growth	10%-15% sales decline
Industrial Gas Turbine				14% heavy duty gas turbine build rate decline

Source: Alcoa analysis

Alcoa Takes Action...

Holistic Solution: Operational & Financial Actions

ALCOA Demonstrating Solid Execution of Holistic Approach

Holistic Alcoa Approach: Improved Cost Structure and Balance Sheet

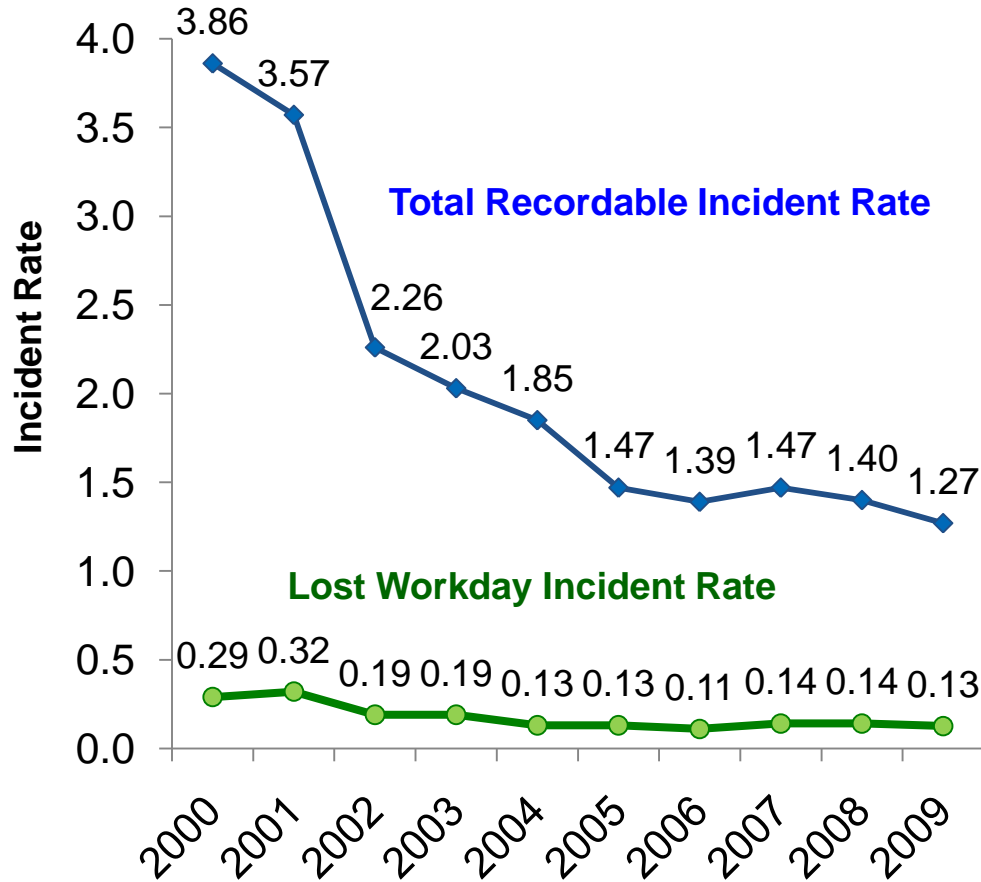
Operational	Financial
<ul style="list-style-type: none"> Procurement Efficiencies <ul style="list-style-type: none"> Cost savings by 2010: \$2,000M Overhead Rationalizations <ul style="list-style-type: none"> Cost savings by 2010: \$400M CapEx Reductions <ul style="list-style-type: none"> Annual CapEx post 2009: \$850M Working Capital Initiatives <ul style="list-style-type: none"> Cash Impact 2009: \$800M 	<ul style="list-style-type: none"> Asset Dispositions <ul style="list-style-type: none"> Net proceeds: \$1,100M Dividend Reduction <ul style="list-style-type: none"> Annual cash savings: \$430M Equity and Equity-Linked Financings <ul style="list-style-type: none"> Gross proceeds: \$1,400M

...And Delivers

- Equaled **best ever safety performance**
- **Exceeded** cash sustainability **targets**
- **Continued growth** projects and improved portfolio
- **Repowered** globally competitive **smelters**
- **FCF positive** in 4Q'09
- **Strengthened liquidity**

Safety Incident Rate History and Significant Accreditations in 2009

Best Ever Safety Performance



Strengthened Reputation



Continued Sustainable Growth



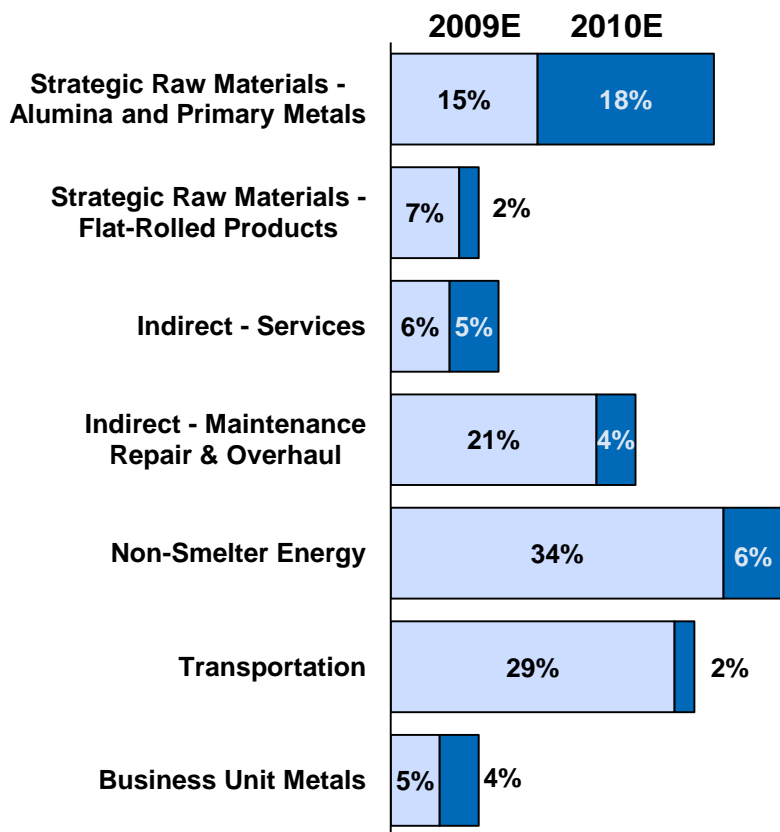
Established Carbon Leadership



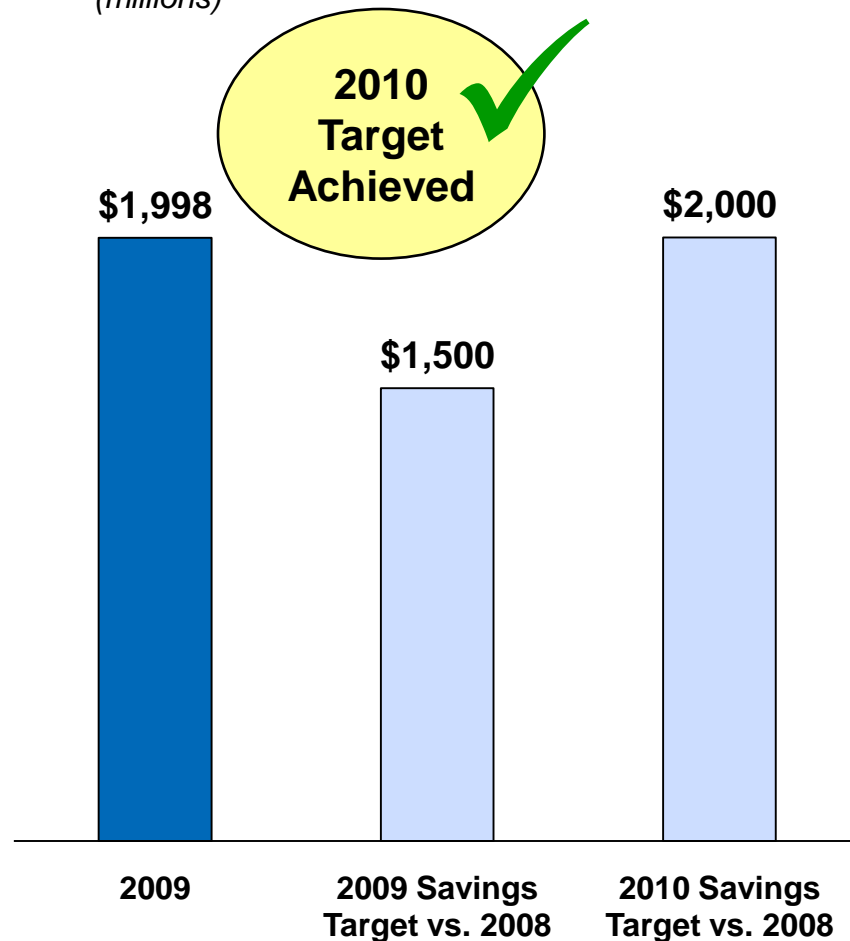
Founding Member

Procurement Efficiencies: Reduction Targets

Reduction Targets by Spend Category



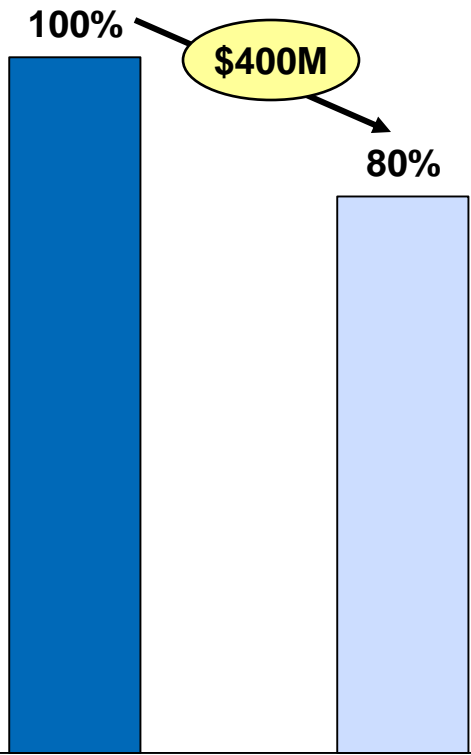
Savings (millions)



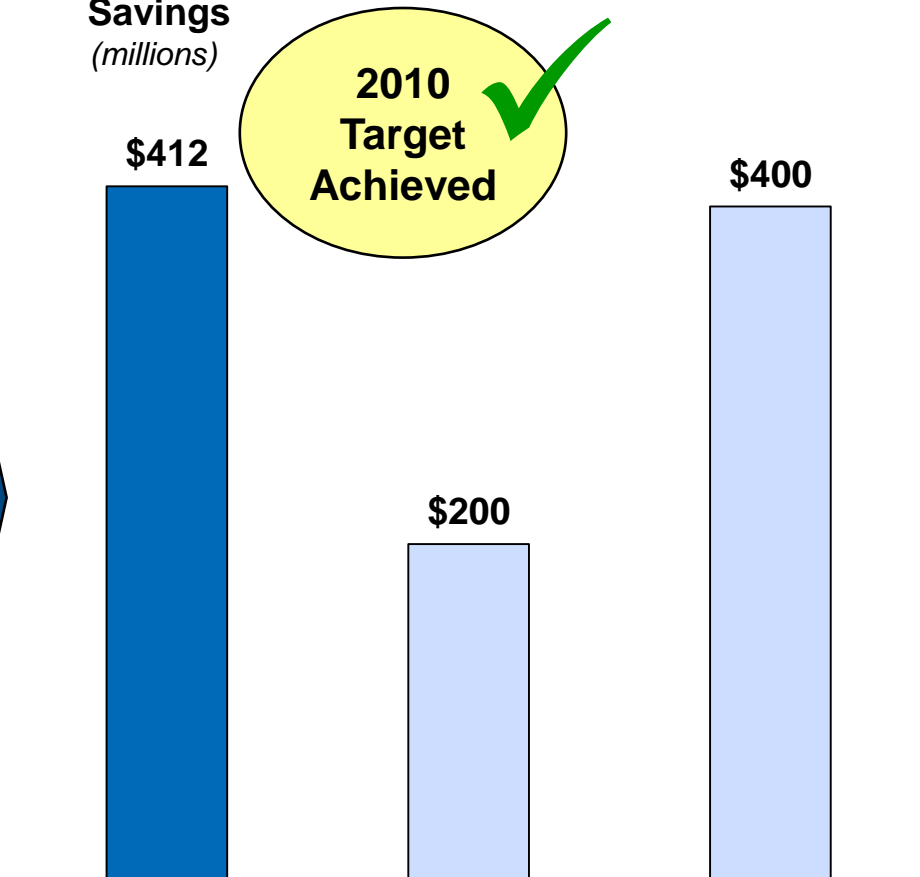
Surpassed 2010 Overhead Savings Target

Overhead Rationalization: Reduction Targets and Savings

Overhead Savings Target



Savings (millions)



2008

2010 Target

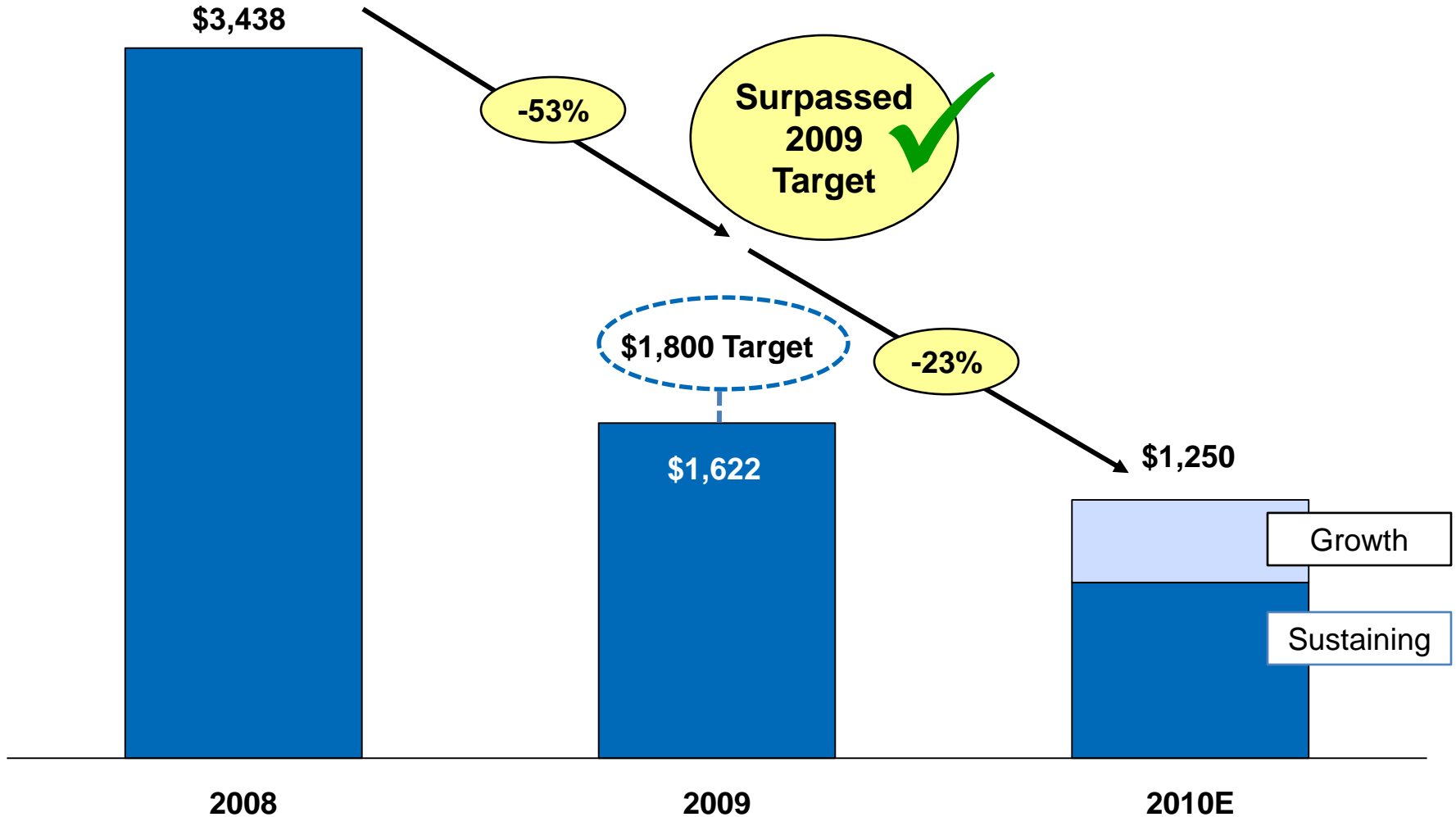
2009

2009 Savings
Target vs. 2008

2010 Savings
Target vs. 2008

Capital Expenditures of \$1.6B, Down 52% Vs. 2008

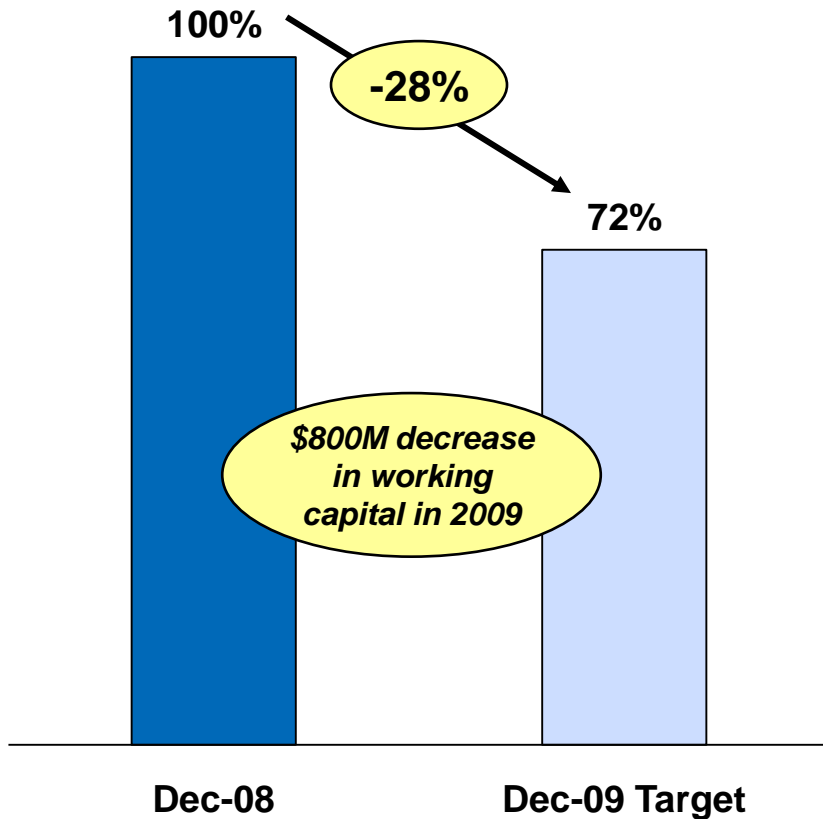
Capital Expenditure Reduction: Annual CapEx (\$ millions)



Reduced Working Capital By \$1.3 Billion

Working Capital Initiatives: Targets and Year-to-date Results

Working Capital Days Reduction Targets



2009 YTD Working Capital Change (\$ millions)

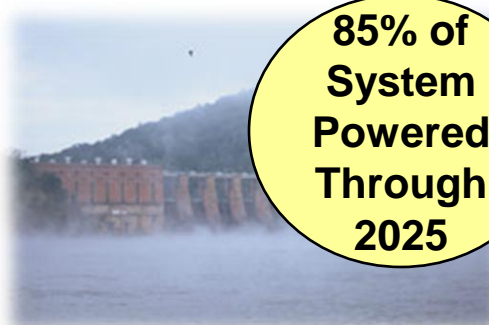


Portfolio: Optimized For Liquidity and Growth



- Shining Prospect JV
- AEES Divestiture
- Norway Smelter Asset Exchange
- Suriname Refinery Minority Position Acquisition

Re-Powering: Secured LT Power for 40% of System



85% of System Powered Through 2025

- Quebec – 1 MMT
- Spain – 500 KMT
- Massena – 300 KMT
- Intalco – 184 KMT

Growth: Improved Competitive Position



Exceptional Bauxite in Juruti



Low-cost Refining in Sao Luis



Bohai - One of a Kind Asset in China



Samara – Unmatched Opportunity



- Forms the **lowest cost** aluminum **production** complex **in the world**
- Creates the **world's most efficient** integrated **aluminum complex**
- Utilizes fully developed infrastructure, including low-cost natural gas power
- **Lowers Alcoa's refining and smelting position** on the global cost curve
- Offers flexibility for **expansion**
- Establishes strategic footprint in **fast growing region**

The largest, most efficient vertically integrated aluminum complex in the world

Bauxite Mine

Refinery

Smelter

Rolling Mill



- Al Ba'itha mine
- 4 MMT annually
- 30+ years of reserves
- Direct rail line to refinery
- Operational 2014

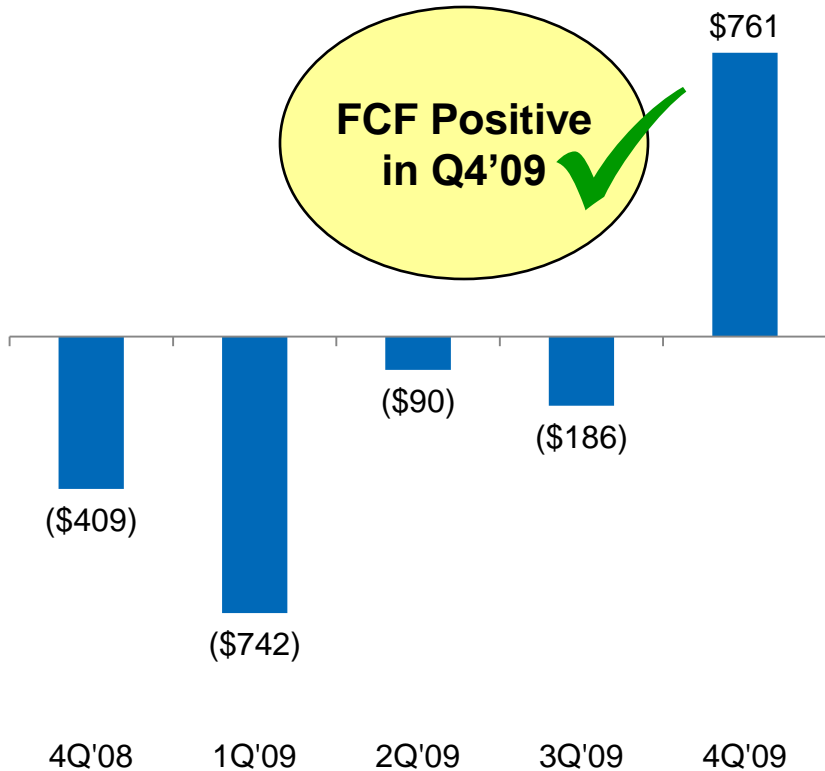
- Located at Ras Az Zawr
- 1.8 MMT annually
- Designed for expansion
- Operational 2014

- Co-located with Refinery at Ras Az Zawr
- 740 KMT annually
- Designed for expansion
- Operational 2013

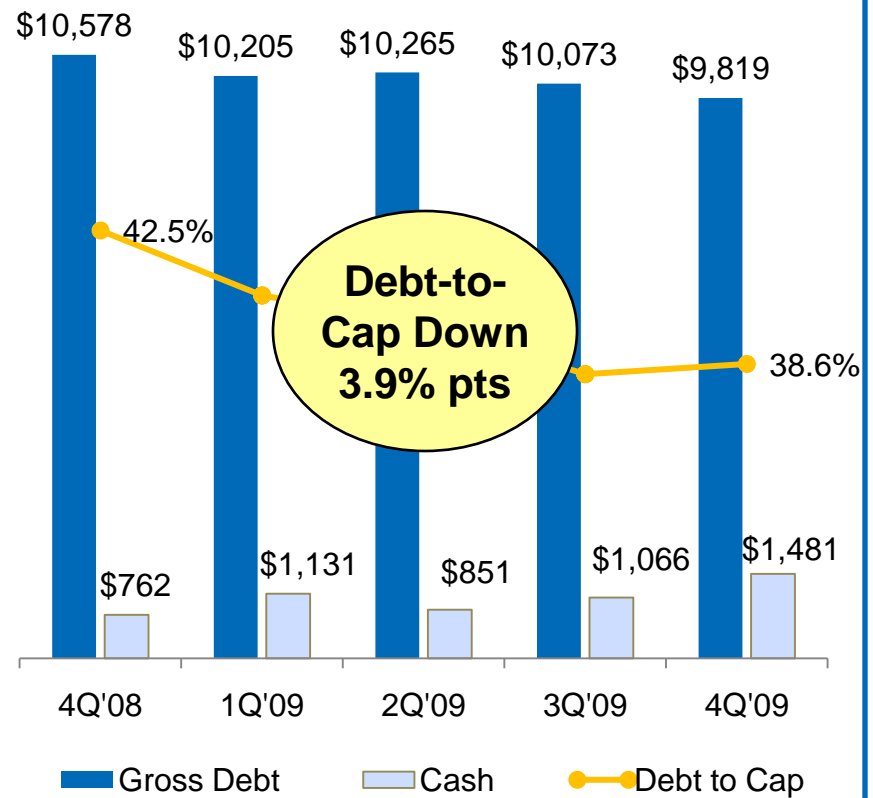
- Co-located with Smelter at Ras Az Zawr
- Up to 460 KMT hot mill
- Body, end and tab stock for aluminum cans
- Operational 2013

FCF Improved and Balance Sheet Strengthened










Free Cash Flow *(in millions)*



Cash and Debt *(in millions)*

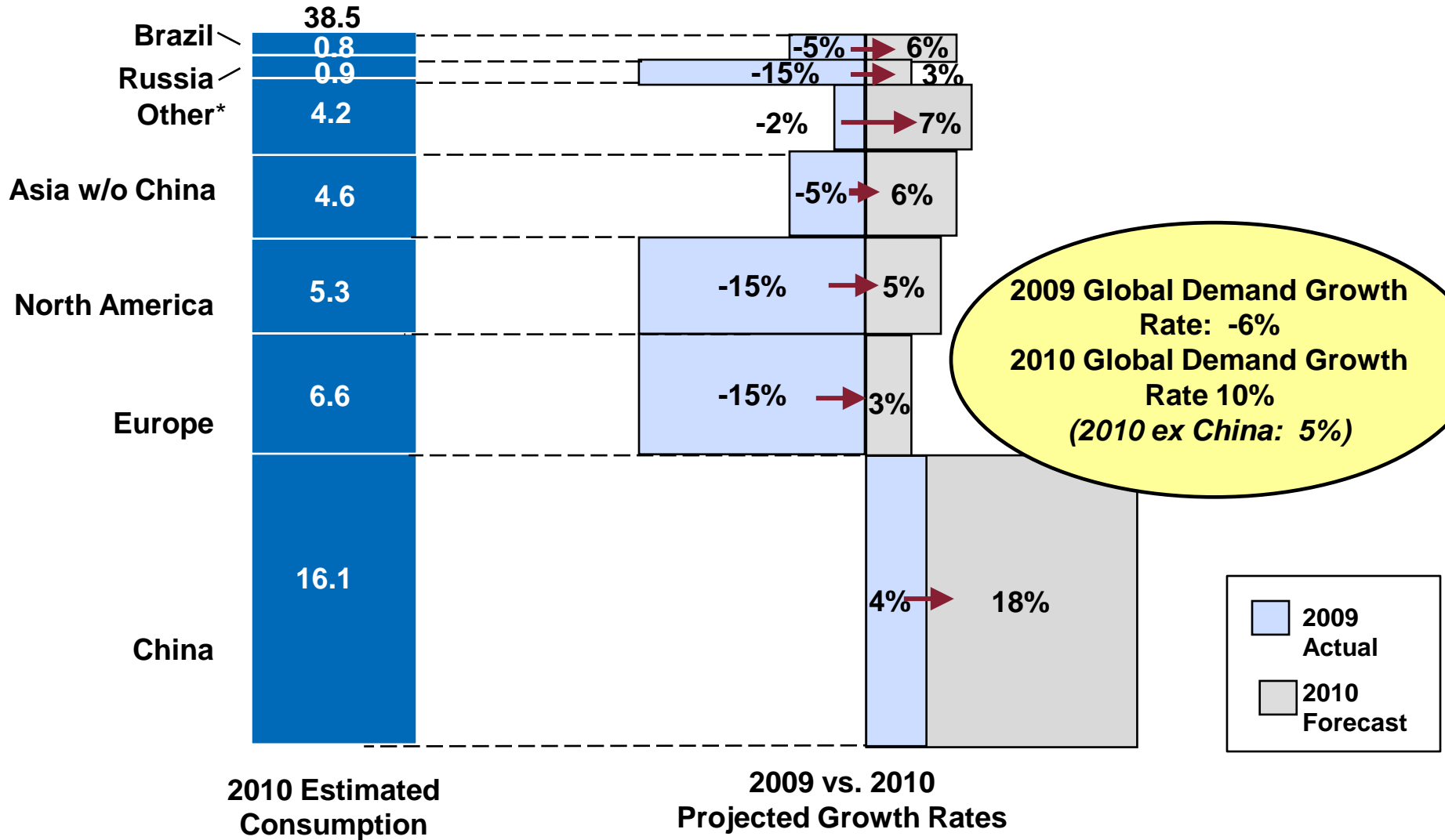


Alcoa End Markets: Current Assessment of 2010 vs. 2009 Conditions

		North America	Europe	China	Global
	Aerospace				Deliveries expected to decline 
	Automotive	5%-10% sales growth 	3%-8% sales decline 	5%-10% sales growth 	2%-7% sales growth 
	Heavy Truck & Trailer	5% sales growth 	5%-10% sales growth 	3%-8% sales growth 	5%-10% sales growth 
	Beverage Can Packaging	Sales expected to be flat 	Relatively flat sales (2%-3% increase) 	7% sales growth 	Sales expected to be flat 
	Commercial Building and Construction	24%-31% sales decline 	6%-8% sales decline 	6%-10% sales growth 	2%-4% sales decline 
	Industrial Gas Turbine				25%-30% heavy duty gas turbine build rate decline 

Projecting 10% Consumption Growth in 2010

2010 Projected Primary Aluminum Consumption by Region (in mmt)



*Other consists of: Middle East, India, Latin America ex Brazil and Rest of World

2010 Global Primary Metal Balance

2010E Primary Metal Supply / Demand Balance (in kmt)

China



Western World



2010 Annualized Run Rate	16,100
2010 Restarts or Curtailments	0
2010 Brown//Greenfield Expansion	200
Total Supply	16,300
Demand	(16,100)
Imports from West	105
(Deficit) / Surplus	305

2010 Annualized Run Rate	23,150
2010 Restarts or Curtailments	(365)
2010 Brown/Greenfield Expansion	745
Total Supply	23,530
Demand	(22,500)
Exports to China	(105)
(Deficit) / Surplus	925

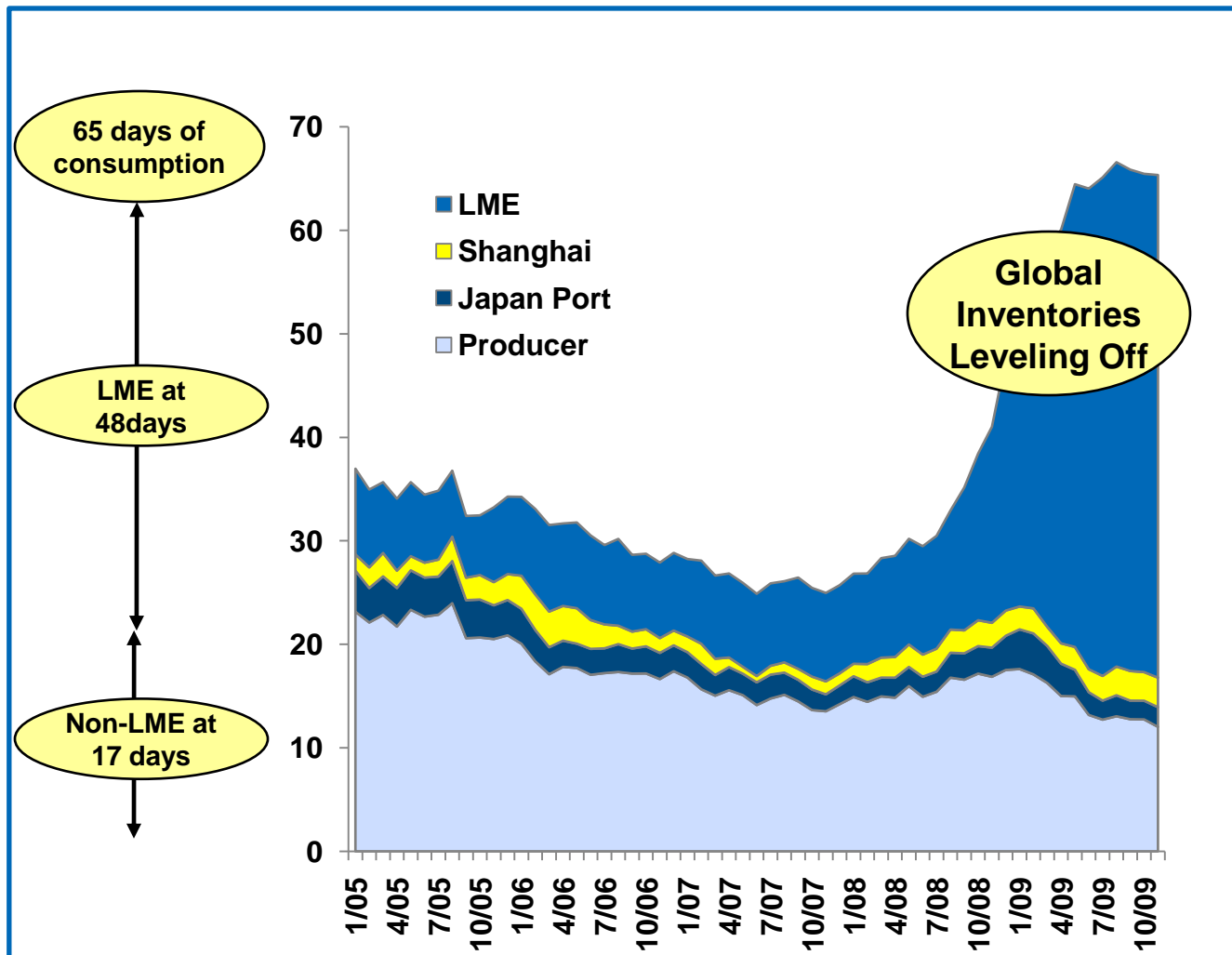
2010E Alumina Supply / Demand Balance (in kmt)



China		Western World	
2010 Annualized Run Rate	25,900	2010 Annualized Run Rate	50,750
Imports from Western World	5,000	Exports to China	(5,000)
Supply	30,900	Supply	45,750
Demand	(30,900)	Demand	(45,000)
(Deficit) / Surplus	0	(Deficit) / Surplus	750

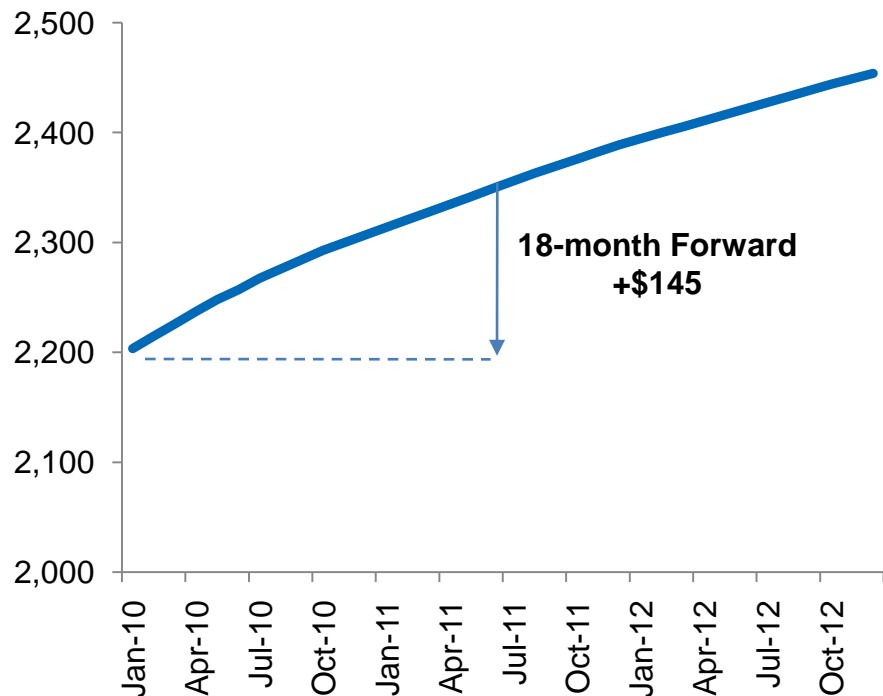
Tight Physical Conditions Driving Regional Premiums

Global inventory days of consumption and regional premiums



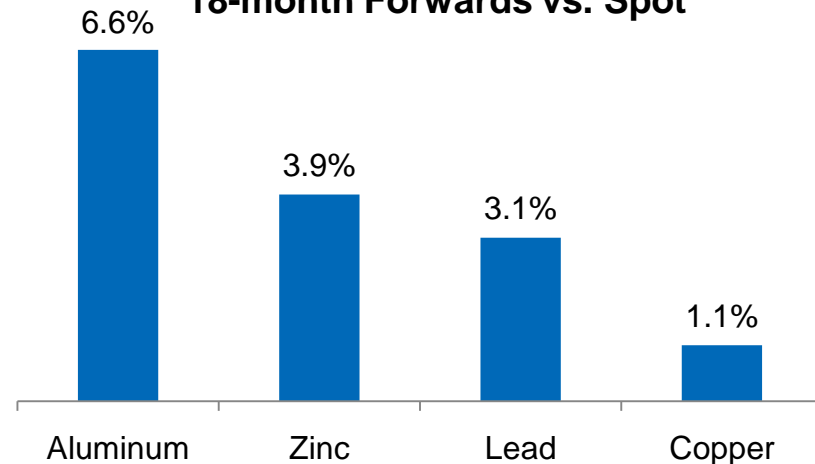
Regional Premiums YTD 2009 Change	
Europe	↑ +250%
Japan	↑ +79%
Midwest - US	↑ +30%

Aluminum Forward Curve



Percentage Change in Forward Curves

18-month Forwards vs. Spot

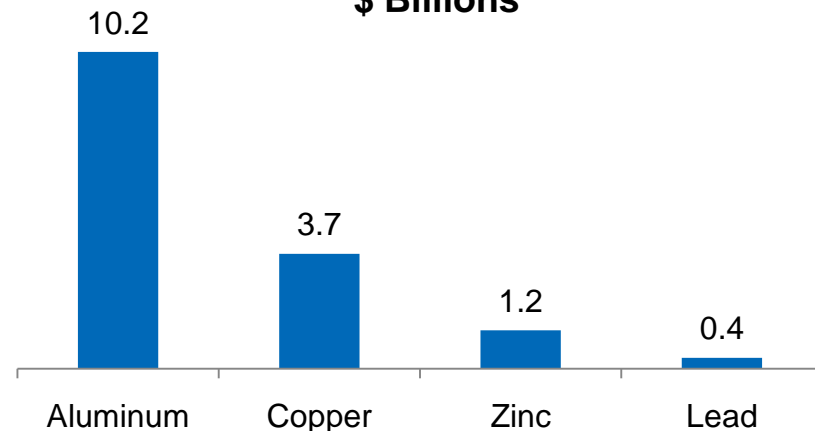


Return Mechanics

$$\text{Return} = \frac{\text{Price}_{\text{Forward}} - \text{Price}_{\text{Spot}} - \text{Storage} - \text{Insurance}}{\text{Price}_{\text{Spot}}}$$

Total Value of LME Inventories

\$ Billions

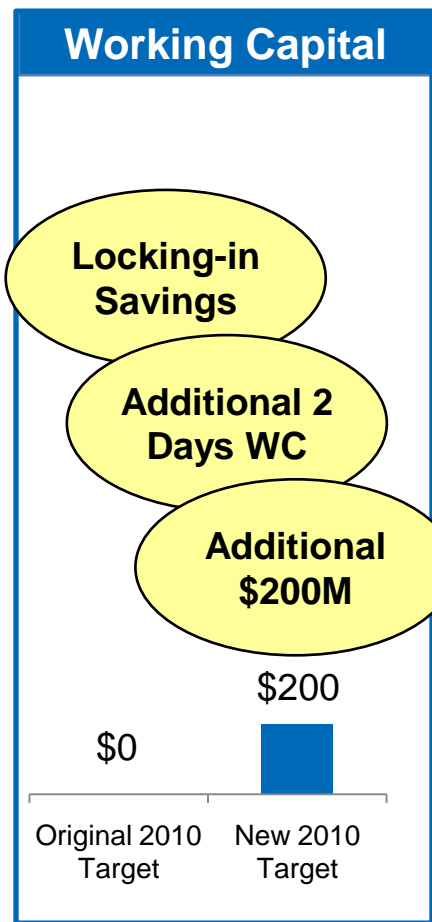
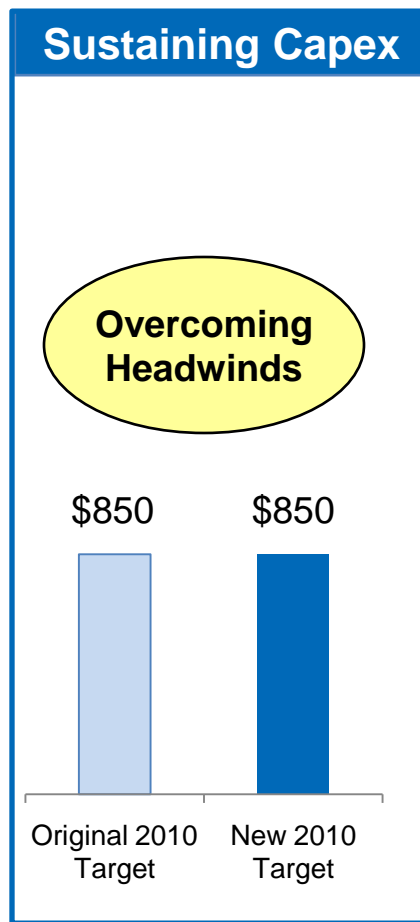
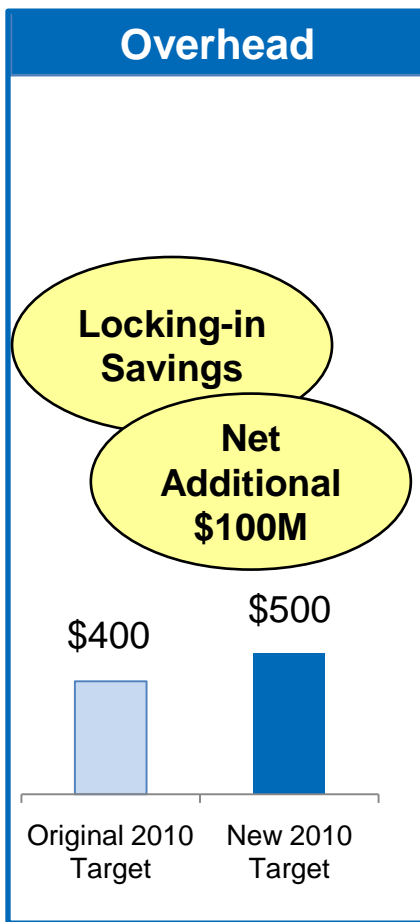
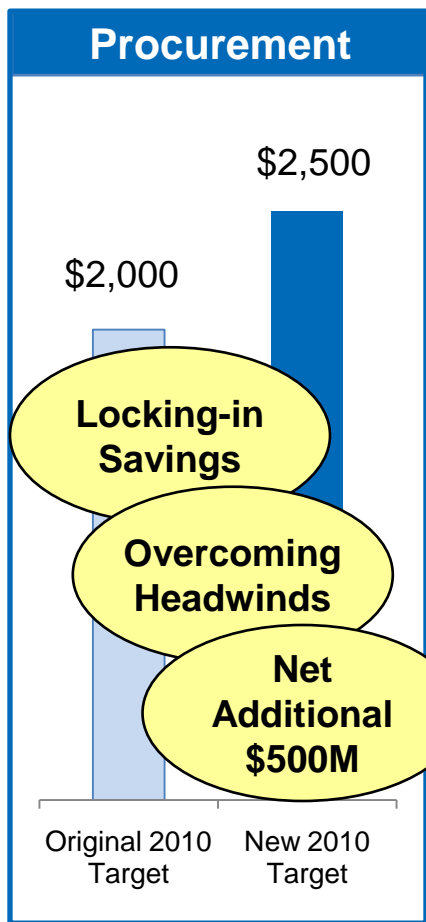




Aggressively Pursuing 2010 Operational Targets

2010 Cash Sustainability Operational Targets and Actual Performance

\$ Millions



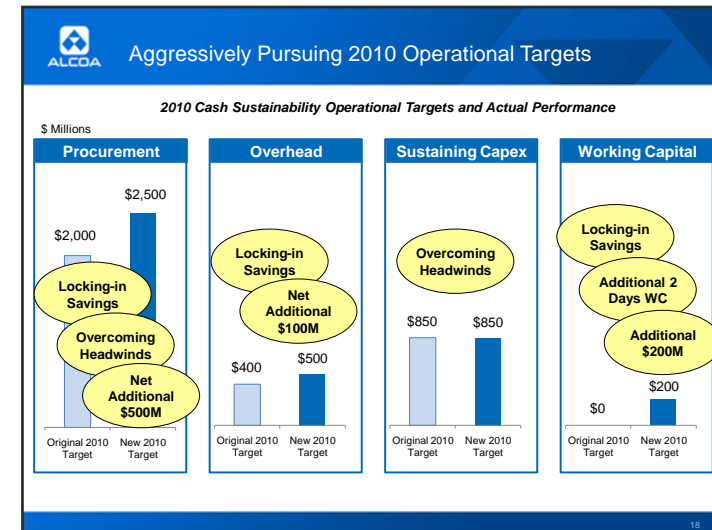
Market Environment

Alcoa Actions

2010 Commitments

- **Key end-markets improve** vs. 2009; absolute levels still low
- Aluminum market in **modest surplus**
- Currency and energy **cost headwinds persist**

- **Aggressively pursuing 2010 operational targets**
- Focusing on **balance sheet strength**
- **Optimizing businesses** for improved market conditions



- **Free Cash Flow Positive**

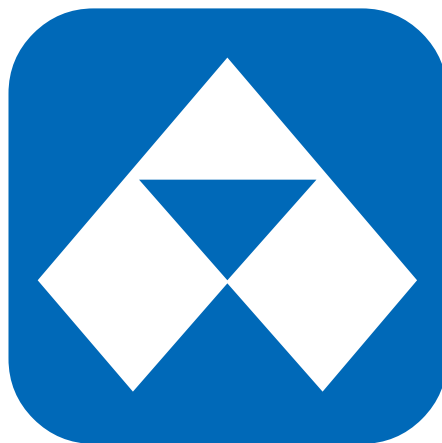


Additional Information

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Director, Investor Relations



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ALCOA



Effective Tax Rate

\$ Millions	1Q'09	2Q'09	3Q'09	4Q'09	2009
(Loss) income from continuing operations before income taxes	(\$777)	(\$425)	\$98	(\$394)	(\$1,498)
Benefit for income taxes	(\$307)	(\$108)	(\$22)	(\$137)	(\$574)
Effective tax rate as reported	39.5%	25.4%	(22.4%)	34.8%	38.3%
Discrete tax (benefits) provisions:					
Discrete items	(\$28)			(\$82)	(\$110)
Nondeductible Italian losses				\$98	\$98
After-tax restructuring items	(\$11)		(\$8)		(\$19)
Subtotal - Discrete tax (benefits) provisions	(\$39)	\$0	(\$8)	\$16	(\$31)
Benefit for income taxes excluding discrete tax (benefits) provisions	(\$268)	(\$108)	(\$14)	(\$153)	(\$543)
Effective tax rate excluding discrete tax (benefits) provisions	34.5%	25.4%	(14.3%)	38.8%	36.2%
Charge (benefit) for adjustments to year-to-date effective tax rate	N/A	\$25	(\$48)	(\$10)	(\$34)

Effective tax rate, excluding discrete tax items is a non-GAAP financial measure. Management believes that the Effective tax rate, excluding discrete tax items is meaningful to investors because it provides a view of Alcoa's operational tax rate.



Reconciliation of ATOI to Consolidated Net (Loss) Income Attributable to Alcoa

(in millions)

	<u>4Q08</u>	<u>2008</u>	<u>1Q09</u>	<u>2Q09</u>	<u>3Q09</u>	<u>4Q09</u>	<u>2009</u>
Total segment ATOI	\$ 28	\$ 2,199	\$ (143)	\$ (132)	\$ 142	\$ (101)	\$ (234)
Unallocated amounts (net of tax):							
Impact of LIFO	73	(7)	29	39	80	87	235
Interest income	4	35	1	8	(1)	4	12
Interest expense	(81)	(265)	(74)	(75)	(78)	(79)	(306)
Noncontrolling interests (1)	–	(221)	(10)	5	(47)	(9)	(61)
Corporate expense	(78)	(328)	(71)	(70)	(71)	(92)	(304)
Restructuring and other charges	(637)	(693)	(46)	(56)	(3)	(50)	(155)
Discontinued operations	(262)	(303)	(17)	(142)	4	(11)	(166)
Other	(238)	(491)	(166)	(31)	51	(26)	(172)
Consolidated net (loss) income attributable to Alcoa	\$ (1,191)	\$ (74)	\$ (497)	\$ (454)	\$ 77	\$ (277)	\$ (1,151)

- (1) On January 1, 2009, Alcoa adopted changes issued by the Financial Accounting Standards Board to consolidation accounting and reporting. These changes, among others, require that minority interests be renamed noncontrolling interests for all periods presented.



Reconciliation of Adjusted (Loss) Income

(in millions)	Quarter ended					Year ended	
	December 31, <u>2008</u>	March 31, <u>2009</u>	June 30, <u>2009</u>	September 30, <u>2009</u>	December 31, <u>2009</u>	December 31, <u>2008</u>	December 31, <u>2009</u>
Net (loss) income attributable to Alcoa	\$ (1,191)	\$ (497)	\$ (454)	\$ 77	\$ (277)	\$ (74)	\$ (1,151)
(Loss) income from discontinued operations	<u>(262)</u>	<u>(17)</u>	<u>(142)</u>	<u>4</u>	<u>(11)</u>	<u>(303)</u>	<u>(166)</u>
(Loss) income from continuing operations attributable to Alcoa	(929)	(480)	(312)	73	(266)	229	(985)
Restructuring and other charges	614	46	56	1	49	670	152
Discrete tax items*	65	(28)	–	–	(82)	84	(110)
Special items**	<u>29</u>	<u>(15)</u>	<u>–</u>	<u>(35)</u>	<u>308</u>	<u>29</u>	<u>258</u>
(Loss) income from continuing operations attributable to Alcoa – as adjusted	<u>\$ (221)</u>	<u>\$ (477)</u>	<u>\$ (256)</u>	<u>\$ 39</u>	<u>\$ 9</u>	<u>\$ 1,012</u>	<u>\$ (685)</u>

(Loss) income from continuing operations attributable to Alcoa– as adjusted is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews the operating results of Alcoa excluding the impacts of restructuring and other charges, discrete tax items, and special items. There can be no assurances that additional restructuring and other charges, discrete tax items, and special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both (Loss) income from continuing operations attributable to Alcoa determined under GAAP as well as (Loss) income from continuing operations attributable to Alcoa– as adjusted.

* Discrete tax items include the following: a benefit for the reorganization of an equity investment in Canada (-\$71), a charge for the write-off of deferred tax assets related to operations in Italy (\$41), a benefit for a tax rate change in Iceland (-\$31), and a benefit for the reversal of a valuation allowance on net operating losses in Norway (-\$21) for the quarter ended December 31, 2009; a benefit for a tax law change in Canada for the quarter ended March 31, 2009; a charge for non-cash tax on repatriated earnings for the quarter ended December 31, 2008; and, the previously mentioned item for the quarter ended December 31, 2008 and a charge related to the sale of the Packaging and Consumer businesses for the year ended December 31, 2008.

** Special items include the following: charges related to a recent European Commission's ruling on electricity pricing for smelters in Italy (\$250), a tax settlement related to an equity investment in Brazil (\$24), an estimated loss on excess power at our Intalco smelter (\$19), and an environmental accrual for smelters in Italy (\$15) for the quarter ended December 31, 2009; a gain on an acquisition in Suriname for the quarter ended September 30, 2009 a gain on the Elkem/SAPA swap (-\$133) and a loss on the sale of Shining Prospect (\$118) for the quarter ended March 31, 2009; and, charges for environmental reserve (\$26), obsolete inventory (\$16), and accounts receivable reserve (\$11), and a refund of an indemnification payment (-\$24) for the quarter ended December 31, 2008.



Reconciliation of Free Cash Flow

(in millions)	Quarter ended				
	December 31, <u>2008</u>	March 31, <u>2009</u>	June 30, <u>2009</u>	September 30, <u>2009</u>	December 31, <u>2009</u>
Cash provided from operations	\$ 608	\$ (271)	\$ 328	\$ 184	\$ 1,124
Capital expenditures*	<u>(1,017)</u>	<u>(471)</u>	<u>(418)</u>	<u>(370)</u>	<u>(363)</u>
Free cash flow	<u>\$ (409)</u>	<u>\$ (742)</u>	<u>\$ (90)</u>	<u>\$ (186)</u>	<u>\$ 761</u>

* Capital expenditures for the quarters ended December 31, 2008, March 31, 2009, and June 30, 2009, include \$9, \$3, and \$2, respectively, related to discontinued operations.

(in millions)	Two month period ended	Ten month period ended	Year ended
	February 28, <u>2009</u>	December 31, <u>2009</u>	December 31, <u>2009</u>
Cash provided from operations	\$ (708)	\$ 2,073	\$ 1,365
Capital expenditures**	<u>(298)</u>	<u>(1,324)</u>	<u>(1,622)</u>
Free cash flow	<u>\$ (1,006)</u>	<u>\$ 749</u>	<u>\$ (257)</u>

** Capital expenditures for the two-month period ended February 28, 2009 and the ten-month period ended December 31, 2009, include \$2 and \$3, respectively, related to discontinued operations.

Free Cash Flow is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures due to the fact that these expenditures are considered necessary to maintain and expand Alcoa's asset base and are expected to generate future cash flows from operations. It is important to note that Free Cash Flow does not represent the residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements, are not deducted from the measure.



Other Reconciliations

Net Debt

(in millions)	Year ended		<u>Change</u>
	<u>December 31, 2008</u>	<u>December 31, 2009</u>	
Total debt ¹	\$ 10,578	\$ 9,819	\$ (759)
Less: Cash and cash equivalents	<u>762</u>	<u>1,481</u>	<u>719</u>
Net Debt	<u>\$ 9,816</u>	<u>\$ 8,338</u>	<u>\$ (1,478)</u>

Debt-to-Capital

(\$ in millions)	As of December 31, 2009		
	<u>Debt-to-Capital</u>	<u>Hypothetical debt repayment²</u>	<u>Adjusted Debt-to-Capital</u>
Total debt ¹	\$ 9,819	\$ 1,000	\$ 8,819
Capital:			
Total debt	\$ 9,819	\$ 1,000	\$ 8,819
Convertible securities of subsidiary	40	—	40
Total equity	<u>15,552</u>	<u>—</u>	<u>15,552</u>
Sub-total	\$ 25,411	\$ 1,000	\$ 24,411
Debt-to-Capital	38.6%		36.1%

¹ Total debt includes short-term borrowings, commercial paper, long-term debt due within one year, and Long-term debt, less amount due within one year from the Consolidated Balance Sheet as of December 31, 2009 and 2008.

² Hypothetical debt repayment is based on cash and cash equivalents of \$1,481 million as of December 31, 2009.

Net Debt and Debt-to-Capital are non-GAAP financial measures. Management believes that these measures are meaningful to investors because they provide further insight to Alcoa's liquidity and leverage position. Management also believes that it is appropriate to consider both Total debt and Debt-to-Capital prior to any adjustments as well as Net Debt and Debt-to-Capital after adjustments.



Other Reconciliations

Days Working Capital

(\$ in millions)	Quarter ended		<u>Change</u>
	December 31, <u>2008</u>	December 31, <u>2009</u>	
Receivables from customers, less allowances	\$ 1,883	\$ 1,529	
Add: Inventories	3,238	2,328	
Less: Accounts payable, trade	<u>2,518</u>	<u>1,954</u>	
Working Capital	\$ 2,603	\$ 1,903	
Sales	\$ 5,688	\$ 5,433	
Less: businesses classified as held for sale	<u>69</u>	<u>64</u>	
Adjusted Sales¹	\$ 5,619	\$ 5,369	
Days Working Capital	42.6	32.6	(10.0)

Days Working Capital = Working Capital divided by (Adjusted Sales/number of days in the quarter)

¹ Adjusted Sales is a non-GAAP financial measure and is being used to calculate Days Working Capital to be consistent with the fact that the working capital components of the businesses classified as held for sale (the Global Foil and Transportation Products Europe businesses) are not included in the Working Capital amounts above under accounting principles generally accepted in the U.S.

Cost of Goods Sold % Sales

(\$ in millions)	Quarter ended
	December 31, <u>2009</u>
Cost of goods sold (COGS)	\$ 4,905
Less: Special items and buy/resell activity ²	<u>714</u>
Adjusted Cost of goods sold ³	\$ 4,191
Sales	\$ 5,433
Less: buy/resell activity ²	<u>419</u>
Adjusted Sales ³	\$ 5,014
COGS % Sales	83.6%

² Special items include the following: charges related to a recent European Commission's ruling on electricity pricing for smelters in Italy (\$250), a tax settlement related to an equity investment in Brazil (\$30), and an environmental accrual for smelters in Italy (\$15). The buy/sell activity relates to Alcoa's Primary Metals segment.

³ Adjusted Cost of goods sold and Adjusted Sales are non-GAAP financial measures and are being used to calculate COGS % Sales because management reviews the operating results of Alcoa excluding the impacts of special items, among others, and the aluminum buy/sell activity affects both components by the same amount. There can be no assurances that special items will not occur in future periods.