

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For The Fiscal Year Ended December 31, 2011
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-3610

ALCOA INC.

(Exact name of registrant as specified in its charter)

Pennsylvania 25-0317820
(State of incorporation) (I.R.S. Employer Identification No.)

390 Park Avenue, New York, New York 10022-4608
(Address of principal executive offices) (Zip code)

Registrant's telephone numbers:

Investor Relations----- (212) 836-2674

Office of the Secretary----- (212) 836-2732

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$1.00	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No .

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months. Yes No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

The aggregate market value of the outstanding common stock, other than shares held by persons who may be deemed affiliates of the registrant, as of the last business day of the registrant's most recently completed second fiscal quarter was approximately \$17 billion. As of February 10, 2012, there were 1,066,107,670 shares of common stock, par value \$1.00 per share, of the registrant outstanding.

Documents incorporated by reference.

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement for its 2012 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A (Proxy Statement).

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Alcoa Inc.

In our opinion, the accompanying consolidated balance sheets and the related statements of consolidated operations, changes in consolidated equity, consolidated comprehensive (loss) income, and consolidated cash flows present fairly, in all material respects, the financial position of Alcoa Inc. and its subsidiaries (the "Company") at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
February 16, 2012

Stock-based Compensation

Stock options under Alcoa's stock-based compensation plans are granted in January each year at not less than market prices on the dates of grant. Prior to 2011, performance stock options were also granted to certain individuals. For performance stock options granted in 2010, the final number of options earned was based on Alcoa's adjusted free cash flow and profitability against pre-established targets. For performance stock options granted in 2009, the final number of options earned was based on Alcoa's adjusted free cash flow against a pre-established target. Stock option features based on date of original grant were as follows:

Date of original grant	Vesting	Term	Reload feature
2002 and prior	One year	10 years	One reload over option term
2003	3 years (1/3 each year)	10 years	One reload in 2004 for 1/3 vesting in 2004
2004 - 2009	3 years (1/3 each year)	6 years	None
2010 and forward	3 years (1/3 each year)	10 years	None

In addition to the stock options described above, Alcoa grants stock awards that vest three years from the date of grant. In 2010 and 2009, certain of these stock awards were granted with the same performance conditions described above for performance stock options. In 2011, the final number of performance stock awards earned will be based on the achievement of sales and profitability targets over a three-year period (2011-2013). One-third of the award will be earned each year based on the performance against pre-established targets for that year. The performance stock awards earned over the three-year period vest in 2014.

Most plan participants can choose whether to receive their award in the form of stock options, stock awards, or a combination of both. This choice is made before the grant is issued and is irrevocable.

The following table summarizes the total compensation expense recognized for all stock options and stock awards (there was no stock-based compensation expense capitalized in 2011, 2010, or 2009):

	2011	2010	2009
Compensation expense recognized:			
Stock option grants	\$34	\$44	\$53
Stock award grants	49	40	34
Total compensation expense before income taxes	83	84	87
Benefit for income taxes	27	27	29
Total compensation expense, net of income taxes	\$56	\$57	\$58

As part of Alcoa's stock-based compensation plan design, individuals who are retirement-eligible have a six-month requisite service period in the year of grant. As a result, a larger portion of expense will be recognized in the first half of each year for these retirement-eligible employees. Of the total compensation expense before income taxes included in the table above, \$18, \$19, and \$21 in 2011, 2010, and 2009, respectively, pertains to the acceleration of expense related to retirement-eligible employees.

The fair value of new options is estimated on the date of grant using a lattice-pricing model with the following assumptions:

	2011	2010	2009
Weighted average fair value per option	\$ 4.96	\$ 4.67	\$ 3.34
Average risk-free interest rate	0.19-3.44%	0.14-3.62%	0.3-2.65%
Dividend yield	0.9%	1.1%	1.2%
Volatility	36-43%	47-51%	38-76%
Annual forfeiture rate	5%	4%	3%
Exercise behavior	45%	35%	43%
Life (years)	5.8	5.6	4.2

The range of average risk-free interest rates is based on a yield curve of interest rates at the time of the grant based on the contractual life of the option. Prior to 2009, the dividend yield was based on a five-year average. For 2009, the dividend yield was based on a three-month average as a result of the significant decline in Alcoa's stock price in 2008, due to the then-global economic downturn, and the reduction in Alcoa's quarterly common stock dividend from \$0.17 per share to \$0.03 per share. In 2010, the dividend yield was extended to a one-year average due to the stabilization of the global economy. In 2011, Alcoa continued to use a one-year average for the dividend yield. Volatility is based on historical and implied volatilities over the term of the option. Alcoa utilizes historical option forfeiture data to estimate annual pre- and post-vesting forfeitures. The exercise behavior assumption represents a weighted average exercise ratio (exercise patterns for grants issued over the number of years in the contractual option term) of an option's intrinsic value resulting from historical employee exercise behavior. The life of an option is an output of the lattice-pricing model based upon the other assumptions used in the determination of the fair value.

The activity for stock options was as follows (options in millions):

	2011	2010	2009
Outstanding, beginning of year:			
Number of options	56.1	65.5	46.2
Weighted average exercise price	\$19.29	\$24.44	\$35.61
Granted:			
Number of options	4.5	9.0	27.1
Weighted average exercise price	\$16.24	\$13.52	\$ 8.34
Exercised:			
Number of options	(4.3)	(1.6)	-
Weighted average exercise price	\$ 8.59	\$ 8.34	\$ -
Expired or forfeited:			
Number of options	(9.5)	(16.8)	(7.8)
Weighted average exercise price	\$31.90	\$37.21	\$34.60
Outstanding, end of year:			
Number of options	46.8	56.1	65.5
Weighted average exercise price	\$17.41	\$19.29	\$24.44
Exercisable, end of year:			
Number of options	28.8	30.2	37.7
Weighted average exercise price	\$20.90	\$26.91	\$35.51

The total intrinsic value of options exercised during 2011 and 2010 was \$34 and \$8, respectively. In 2011 and 2010, the cash received from option exercises was \$37 and \$13 and the total tax benefit realized from these exercises was \$11 and \$2, respectively. There were no options exercised in 2009.

The following tables summarize certain stock option information at December 31, 2011 (number of options and intrinsic value in millions):

Options Fully Vested and/or Expected to Vest*

Range of exercise price	Number	Weighted average remaining contractual life	Weighted average exercise price	Intrinsic Value
\$6.12 - \$19.93	32.2	5.10	\$10.72	\$7
\$19.94 - \$27.71	2.8	1.03	22.56	-
\$27.72 - \$35.49	4.1	0.94	29.47	-
\$35.50 - \$47.35	7.7	0.12	37.28	-
Total	46.8	3.67	17.41	\$7

* Expected forfeitures are immaterial to the Company and are not reflected in the table above.

Options Fully Vested and Exercisable

Range of exercise price	Number	Weighted average remaining contractual life	Weighted average exercise price	Intrinsic Value
\$6.12 - \$19.93	14.2	3.94	\$ 9.32	\$4
\$19.94 - \$27.71	2.8	1.03	22.56	-
\$27.72 - \$35.49	4.1	0.94	29.47	-
\$35.50 - \$47.35	7.7	0.12	37.28	-
Total	28.8	2.21	20.90	\$4

In addition to stock option awards, the Company grants stock awards and performance share awards, both of which vest three years from the date of grant. Performance share awards are issued at target and the final award amount is determined at the end of the performance period.

The following table summarizes the outstanding stock and performance share awards (awards in millions):

	Stock Awards	Performance Share Awards	Total	Weighted average FMV per award
Outstanding, January 1, 2011	6.2	1.5	7.7	\$16.80
Granted	2.7	1.3	4.0	16.15
Converted	(2.3)	-	(2.3)	28.78
Forfeited	(0.2)	(0.1)	(0.3)	13.54
Performance share adjustment	-	0.2	0.2	14.59
Outstanding, December 31, 2011	6.4	2.9	9.3	13.63

At December 31, 2011, there was \$21 and \$44 of unrecognized compensation expense (pretax) related to non-vested stock option grants and non-vested stock award grants, respectively. This expense is expected to be recognized over a weighted average period of 1.6 years. As of December 31, 2011, the following table summarizes the unrecognized compensation expense expected to be recognized in future periods:

	Stock-based compensation expense (pretax)
2012	\$41
2013	22
2014	2
Totals	\$65

S. Earnings Per Share

Basic earnings per share (EPS) amounts are computed by dividing earnings, after the deduction of preferred stock dividends declared and dividends and undistributed earnings allocated to participating securities, by the average number of common shares outstanding. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive share equivalents outstanding not classified as participating securities.

As disclosed in Note A, on January 1, 2009, Alcoa adopted changes issued by the FASB to the calculation of earnings per share. These changes state that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method for all periods presented. Prior to January 1, 2010, under Alcoa's stock-based compensation programs, certain employees were granted stock and performance awards, which entitle those employees to receive nonforfeitable dividends during the vesting period on a basis equivalent to the dividends paid to holders of Alcoa's common stock. As such, these unvested stock and performance awards met the definition of a participating security. Under the two-class method, all earnings, whether distributed or undistributed, are allocated to each class of common stock and participating securities based on their respective rights to receive dividends. Prior to the adoption of these changes, stock and performance awards that contain nonforfeitable rights to dividends or dividend equivalents were considered potential shares of common stock and were included only in the diluted EPS calculation under the treasury stock method as long as their effect was not anti-dilutive. At December 31, 2011, 2010, and 2009 there were 2 million, 4 million, and 7 million such participating securities outstanding, respectively. None of the loss from continuing operations in 2009 was allocated to these participating securities because these awards do not share in any loss generated by Alcoa.

Effective January 1, 2010, new grants of stock and performance awards do not contain a nonforfeitable right to dividends during the vesting period. As a result, an employee will forfeit the right to dividends accrued on unvested awards if that person does not fulfill their service requirement during the vesting period. As such, these awards are not treated as participating securities in the EPS calculation as the employees do not have equivalent dividend rights as common shareholders. These awards are included in the EPS calculation utilizing the treasury stock method similar to stock options. At December 31, 2011 and 2010, there were 8 million and 4 million such awards outstanding, respectively.