- a gain of $77 from the settlement of interest rate swaps that hedged anticipated borrowings between June 2005 and June 2006. See Note X for additional information.

During 2004, Standard and Poor's Rating Services (S&P) maintained its long-term debt rating of Alcoa at A− and its short-term rating at A-2. In January 2005, S&P revised its debt outlook for Alcoa to negative from stable, citing higher capital expenditures in 2005 and future years. There was no change to either Alcoa's long-term or short-term ratings. Moody's Investors Service long-term debt rating of Alcoa and its rated subsidiaries is A2 and its short-term debt rating of Alcoa is Prime−1.

Commercial paper of $630 at December 31, 2004 was classified as a current liability, based on a revised interpretation of the existing accounting rules. Commercial paper matures at various times within one year and has an annual weighted average interest rate of 2.3%. Alcoa maintains $3,000 of revolving-credit agreements with varying expiration dates as backup to its commercial paper program. In April 2004, Alcoa refinanced its $2,000 revolving-credit agreement that expired in April 2004 into a $1,000 revolving-credit agreement that will expire in April 2005, with an option to extend the maturity date of any borrowings outstanding on the April 2005 expiration date for one year. Additionally, Alcoa refinanced its $1,000 revolving-credit agreement that was to expire in April 2005 into a $1,000 revolving-credit agreement that will expire in April 2009. Alcoa also has a $1,000 revolving-credit agreement that will expire in April 2008. Under these agreements, a certain ratio of indebtedness to consolidated net worth must be maintained. There were no amounts outstanding under the revolving-credit agreements at December 31, 2004. The interest rate on the 364-day agreement, if drawn upon, is Libor plus 19 basis points, which is subject to adjustment if Alcoa's credit rating changes, to a maximum interest rate of Libor plus 86 basis points. The interest rate on the agreements expiring in 2008 and 2009, if drawn upon, is Libor plus 17 basis points, which is subject to adjustment if Alcoa's credit rating changes, to a maximum interest rate of Libor plus 83.5 basis points.

Aluminio's export notes are collateralized by receivables due under an export contract. Certain financial ratios must be maintained, including the maintenance of a minimum debt service ratio, as well as a certain level of tangible net worth of Aluminio and its subsidiaries. During 2002, the notes were amended to exclude the effects of foreign currency changes from the tangible net worth calculation.

The fair value adjustments result from changes in the carrying amounts of certain fixed-rate borrowings that have been designated as being hedged. Of the $33 in 2004, $(42) related to outstanding hedges and $75 related to hedges that were settled early. Of the $104 in 2003, $(75) related to outstanding hedges and $179 related to hedges that were settled early. The adjustments for hedges that were settled early are being recognized as reductions of interest expense over the remaining maturity of the related debt (through 2028). For additional information on interest rate swaps, see Note X.

Short-Term Borrowings. Alcoa participates in computerized payable settlement arrangements with certain vendors and third-party intermediaries. As of December 31, 2004, short-term borrowings included $216 of amounts that will be paid through the third-party intermediaries. The arrangements provide that, at the vendor's request, the third-party intermediary advances the amount of the scheduled payment to the vendor, less an appropriate discount, before the scheduled payment date. Alcoa makes payment to the third-party intermediary on the date stipulated in accordance with the commercial terms negotiated with its vendors. For the first three quarters of 2004, these arrangements were classified as accounts payable, trade. Based on the nature of the arrangements, the company has concluded that a more appropriate classification is short-term borrowings. Imputed interest on the borrowings in 2004 was insignificant for reclassification to interest expense. For the full year 2004, the change in the amounts outstanding was reported as cash provided from financing activities. For the first three quarters of 2004, the changes in the amounts outstanding under these arrangements were classified in cash provided from operating activities in the Statement of Consolidated Cash Flows. Quarterly amounts classified as cash provided from operating activities were $25, $37, and $64 in the first, second, and third quarters of 2004, respectively.

L. Other Noncurrent Liabilities and Deferred Credits

December 31	2004	2003
Deferred alumina sales revenue	$ 179	$ 187
Deferred aluminum sales revenue	260	384
Environmental remediation	318	330
Deferred credits	96	108
Asset retirement obligations	204	195
Other noncurrent liabilities	670	616
	$1,727	$1,820

In 2003, Alcoa received a partial advance payment of $440 (approximately $70 was classified as current) related to a long-term aluminum supply contract with a customer. Each month for a six-year period, the customer will purchase and Alcoa is required to deliver 7,500 tons of aluminum at market prices. Alcoa has deposited $7 into a cash collateral account to satisfy one month's delivery obligation under the aluminum supply contract.

M. Minority Interests

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

December 31	2004	2003
Alcoa of Australia	$ 798	$ 676
Alcoa World Alumina LLC	200	208
Alcoa Fujikura Ltd.	273	297
Other majority-owned companies	145	159
	$1,416	$1,340

N. Commitments and Contingencies

Various lawsuits, claims, and proceedings have been or may be instituted or asserted against Alcoa, including those pertaining to environmental, product liability, and safety and health matters. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that exist. Therefore, it is possible