

ALCOA INC  
Form 10-Q  
July 23, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

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

**For the Quarterly Period Ended June 30, 2009**

**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)

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**PENNSYLVANIA**  
(State of incorporation)

**25-0317820**  
(I.R.S. Employer Identification No.)

**390 Park Avenue, New York, New York**  
(Address of principal executive offices)

**10022-4608**  
(Zip code)

**Investor Relations 212-836-2674**

**Office of the Secretary 212-836-2732**

(Registrant's telephone number including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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  (Do not check if a smaller reporting company) 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

As of July 20, 2009, 974,372,426 shares of common stock, par value \$1.00 per share, of the registrant were outstanding.

**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****Alcoa and subsidiaries****Statement of Consolidated Operations (unaudited)****(in millions, except per-share amounts)**

|   | Second quarter ended<br>June 30, |                | Six months ended<br>June 30, |                |
|---|----------------------------------|----------------|------------------------------|----------------|
|   | 2009                             | 2008           | 2009                         | 2008           |
| Sales (K)   | \$ 4,244                         | \$ 7,245       | \$ 8,391                     | \$ 14,243      |
| Cost of goods sold (exclusive of expenses below)                    | 3,966                            | 5,723          | 8,109                        | 11,250         |
| Selling, general administrative, and other expenses                 | 240                              | 298            | 484                          | 619            |
| Research and development expenses                                   | 38                               | 61             | 79                           | 124            |
| Provision for depreciation, depletion, and amortization             | 317                              | 317            | 600                          | 631            |
| Restructuring and other charges (D)                                 | 82                               |                | 151                          | 38             |
| Interest expense  | 115                              | 87             | 229                          | 186            |
| Other income, net (J)   | (89)                             | (96)           | (59)                         | (38)           |
| <b>Total costs and expenses</b>                                     | <b>4,669</b>                     | <b>6,390</b>   | <b>9,593</b>                 | <b>12,810</b>  |
| (Loss) income from continuing operations before income taxes        | (425)                            | 855            | (1,202)                      | 1,433          |
| (Benefit) provision for income taxes (N)                            | (108)                            | 232            | (415)                        | 444            |
| (Loss) income from continuing operations                            | (317)                            | 623            | (787)                        | 989            |
| Loss from discontinued operations (C)                               | (142)                            | (7)            | (159)                        | (3)            |
| <b>Net (loss) income</b>  | <b>(459)</b>                     | <b>616</b>     | <b>(946)</b>                 | <b>986</b>     |
| Less: Net (loss) income attributable to noncontrolling interests    | (5)                              | 70             | 5                            | 137            |
| <b>NET (LOSS) INCOME ATTRIBUTABLE TO ALCOA</b>                      | <b>\$ (454)</b>                  | <b>\$ 546</b>  | <b>\$ (951)</b>              | <b>\$ 849</b>  |
| <b>AMOUNTS ATTRIBUTABLE TO ALCOA COMMON SHAREHOLDERS:</b>           |                                  |                |                              |                |
| (Loss) income from continuing operations                            | \$ (312)                         | \$ 553         | \$ (792)                     | \$ 852         |
| Loss from discontinued operations                                   | (142)                            | (7)            | (159)                        | (3)            |
| <b>Net (loss) income</b>  | <b>\$ (454)</b>                  | <b>\$ 546</b>  | <b>\$ (951)</b>              | <b>\$ 849</b>  |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO ALCOA COMMON SHAREHOLDERS</b> |                                  |                |                              |                |
| <b>(M):</b>   |                                  |                |                              |                |
| <b>Basic:</b>   |                                  |                |                              |                |
| (Loss) income from continuing operations                            | \$ (0.32)                        | \$ 0.68        | \$ (0.89)                    | \$ 1.04        |
| Loss from discontinued operations                                   | (0.15)                           | (0.01)         | (0.17)                       |                |
| <b>Net (loss) income</b>  | <b>\$ (0.47)</b>                 | <b>\$ 0.67</b> | <b>\$ (1.06)</b>             | <b>\$ 1.04</b> |
| <b>Diluted:</b>   |                                  |                |                              |                |
| (Loss) income from continuing operations                            | \$ (0.32)                        | \$ 0.67        | \$ (0.89)                    | \$ 1.03        |
| Loss from discontinued operations                                   | (0.15)                           | (0.01)         | (0.17)                       |                |

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|                                 |           |         |           |         |
|---------------------------------|-----------|---------|-----------|---------|
| Net (loss) income               | \$ (0.47) | \$ 0.66 | \$ (1.06) | \$ 1.03 |
| Dividends paid per common share | \$ 0.03   | \$ 0.17 | \$ 0.20   | \$ 0.34 |

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

## Alcoa and subsidiaries

## Consolidated Balance Sheet (unaudited)

(in millions)

|  | June 30,<br>2009 | December 31,<br>2008 |
|--|------------------|----------------------|
| <b>ASSETS</b>  |                  |                      |
| Current assets:  |                  |                      |
| Cash and cash equivalents  | \$ 851           | \$ 762               |
| Receivables from customers, less allowances of \$72 in 2009 and \$65 in 2008 | 1,611            | 1,883                |
| Other receivables  | 1,246            | 708                  |
| Inventories (F)  | 2,493            | 3,238                |
| Fair value of hedged aluminum  | 199              | 586                  |
| Prepaid expenses and other current assets                                    | 1,059            | 973                  |
| <b>Total current assets</b>  | <b>7,459</b>     | <b>8,150</b>         |
| Properties, plants, and equipment  | 33,844           | 31,301               |
| Less: accumulated depreciation, depletion, and amortization                  | 14,811           | 13,846               |
| Properties, plants, and equipment, net                                       | 19,033           | 17,455               |
| Goodwill   | 5,032            | 4,981                |
| Investments (E and G)  | 850              | 1,915                |
| Deferred income taxes  | 2,572            | 2,688                |
| Other assets   | 2,526            | 2,386                |
| Assets held for sale (C)   | 176              | 247                  |
| <b>Total assets</b>  | <b>\$ 37,648</b> | <b>\$ 37,822</b>     |
| <b>LIABILITIES</b>   |                  |                      |
| Current liabilities:   |                  |                      |
| Short-term borrowings (H)  | \$ 663           | \$ 478               |
| Commercial paper   | 100              | 1,535                |
| Accounts payable, trade  | 1,838            | 2,518                |
| Accrued compensation and retirement costs                                    | 825              | 866                  |
| Taxes, including income taxes  | 363              | 378                  |
| Fair value of derivative contracts (P)                                       | 199              | 461                  |
| Other current liabilities  | 952              | 987                  |
| Long-term debt due within one year   | 115              | 56                   |
| <b>Total current liabilities</b>   | <b>5,055</b>     | <b>7,279</b>         |
| Long-term debt, less amount due within one year (H)                          | 9,387            | 8,509                |
| Accrued pension benefits   | 2,792            | 2,941                |
| Accrued postretirement benefits  | 2,723            | 2,730                |
| Other noncurrent liabilities and deferred credits                            | 1,659            | 1,580                |
| Deferred income taxes  | 387              | 321                  |
| Liabilities of operations held for sale (C)                                  | 64               | 130                  |
| <b>Total liabilities</b>   | <b>22,067</b>    | <b>23,490</b>        |

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COMMITMENTS AND CONTINGENCIES (1)

EQUITY

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Alcoa shareholders' equity:          |           |           |
| Preferred stock                      | 55        | 55        |
| Common stock (L)                     | 1,097     | 925       |
| Additional capital (L)               | 6,601     | 5,850     |
| Retained earnings                    | 11,281    | 12,400    |
| Treasury stock, at cost              | (4,272)   | (4,326)   |
| Accumulated other comprehensive loss | (1,945)   | (3,169)   |
| <br>                                 |           |           |
| Total Alcoa shareholders' equity     | 12,817    | 11,735    |
| <br>                                 |           |           |
| Noncontrolling interests             | 2,764     | 2,597     |
| <br>                                 |           |           |
| Total equity                         | 15,581    | 14,332    |
| <br>                                 |           |           |
| Total liabilities and equity         | \$ 37,648 | \$ 37,822 |

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

## Alcoa and subsidiaries

## Statement of Consolidated Cash Flows (unaudited)

(in millions)

|   | Six months ended<br>June 30, |            |
|---|------------------------------|------------|
|   | 2009                         | 2008       |
| <b>CASH FROM OPERATIONS</b>   |                              |            |
| Net (loss) income   | \$ (946)                     | \$ 986     |
| Adjustments to reconcile net (loss) income to cash from operations:   |                              |            |
| Depreciation, depletion, and amortization   | 600                          | 631        |
| Deferred income taxes   | (22)                         | (183)      |
| Equity loss (income), net of dividends  | 16                           | (46)       |
| Restructuring and other charges (D)   | 151                          | 38         |
| Gains from investing activities – asset sales (J)   | (17)                         | (8)        |
| Provision for doubtful accounts   | 9                            | 4          |
| Loss from discontinued operations (C)   | 159                          | 3          |
| Stock-based compensation  | 53                           | 70         |
| Excess tax benefits from stock-based payment arrangements   |                              | (15)       |
| Other   | 105                          | 2          |
| Changes in assets and liabilities, excluding effects of acquisitions, divestitures, and foreign currency translation adjustments: |                              |            |
| Decrease (increase) in receivables  | 428                          | (209)      |
| Decrease (increase) in inventories  | 942                          | (349)      |
| Decrease (increase) in prepaid expenses and other current assets  | 114                          | (124)      |
| (Decrease) increase in accounts payable, trade  | (690)                        | 210        |
| (Decrease) in accrued expenses  | (280)                        | (219)      |
| (Decrease) increase in taxes, including income taxes  | (479)                        | 54         |
| Pension contributions   | (69)                         | (67)       |
| (Increase) in noncurrent assets   | (133)                        | (66)       |
| Increase in noncurrent liabilities  | 112                          | 9          |
| Decrease (increase) in net assets held for sale (C)   | 14                           | (1)        |
| <b>CASH PROVIDED FROM CONTINUING OPERATIONS</b>   | <b>67</b>                    | <b>720</b> |
| <b>CASH USED FOR DISCONTINUED OPERATIONS</b>  | <b>(10)</b>                  | <b>(1)</b> |
| <b>CASH PROVIDED FROM OPERATIONS</b>  | <b>57</b>                    | <b>719</b> |
| <b>FINANCING ACTIVITIES</b>   |                              |            |
| Net change in short-term borrowings (H)   | 189                          | 30         |
| Net change in commercial paper  | (1,435)                      | 343        |
| Additions to long-term debt (H)   | 905                          | 432        |
| Debt issuance costs (H)   | (17)                         | (6)        |
| Payments on long-term debt  | (23)                         | (190)      |
| Proceeds from exercise of employee stock options  |                              | 176        |
| Excess tax benefits from stock-based payment arrangements   |                              | 15         |
| Issuance of common stock (L)  | 876                          |            |
| Repurchase of common stock  |                              | (605)      |
| Dividends paid to shareholders  | (168)                        | (280)      |
| Dividends paid to noncontrolling interests  | (79)                         | (117)      |
| Contributions from noncontrolling interests   | 253                          | 299        |
| <b>CASH PROVIDED FROM FINANCING ACTIVITIES</b>  | <b>501</b>                   | <b>97</b>  |

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|  |        |         |
|--|--------|---------|
| INVESTING ACTIVITIES   |        |         |
| Capital expenditures   | (884)  | (1,533) |
| Capital expenditures of discontinued operations              | (5)    | (11)    |
| Acquisitions, net of cash acquired (E)                       | 15     | (276)   |
| Acquisitions of noncontrolling interests                     |        | (94)    |
| Proceeds from the sale of assets and businesses (E)          | (78)   | 2,636   |
| Additions to investments (I)                                 | 4      | (1,237) |
| Sales of investments (G)                                     | 506    | 5       |
| Net change in short-term investments and restricted cash     | (50)   | (2)     |
| Other  | (5)    | (18)    |
| CASH USED FOR INVESTING ACTIVITIES                           | (497)  | (530)   |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS |        |         |
|  | 28     | 46      |
| Net change in cash and cash equivalents                      | 89     | 332     |
| Cash and cash equivalents at beginning of year               | 762    | 483     |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD                   | \$ 851 | \$ 815  |

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



## Alcoa and subsidiaries

## Statement of Changes in Consolidated Equity (unaudited)

(in millions, except per-share amounts)

|   | Alcoa Inc. Shareholders |                 |                       |                      |                   | Accumulated<br>other<br>comprehensive<br>(loss)<br>income | Non-<br>controlling<br>interests | Total<br>equity |
|---|-------------------------|-----------------|-----------------------|----------------------|-------------------|---|----------------------------------|-----------------|
|   | Preferred<br>stock      | Common<br>stock | Additional<br>capital | Retained<br>earnings | Treasury<br>stock |   |                                  |                 |
| <b>Balance at March 31, 2008</b>                | \$ 55                   | \$ 925          | \$ 5,782              | \$ 13,063            | \$ (3,823)        | \$ (189)  | \$ 2,692                         | \$ 18,505       |
| Net income                                      |                         |                 |                       | 546                  |                   |   | 70                               | 616             |
| Other comprehensive income                      |                         |                 |                       |                      |                   | 329   | 45                               | 374             |
| Cash dividends:                                 |                         |                 |                       |                      |                   |   |                                  |                 |
| Adjustment to common dividends declared         |                         |                 |                       | (2)                  |                   |   |                                  | (2)             |
| Noncontrolling interests                        |                         |                 |                       |                      |                   |   | (78)                             | (78)            |
| Stock-based compensation                        |                         |                 | 33                    |                      |                   |   |                                  | 33              |
| Common stock issued: compensation plans         |                         |                 | 12                    |                      | 146               |   |                                  | 158             |
| Repurchase of common stock                      |                         |                 |                       |                      | (175)             |   |                                  | (175)           |
| Contributions                                   |                         |                 |                       |                      |                   |   | 181                              | 181             |
| Purchase of equity from noncontrolling interest |                         |                 |                       |                      |                   |   | (53)                             | (53)            |
| Other   |                         |                 |                       |                      |                   |   | 2                                | 2               |
| <b>Balance at June 30, 2008</b>                 | \$ 55                   | \$ 925          | \$ 5,827              | \$ 13,607            | \$ (3,852)        | \$ 140  | \$ 2,859                         | \$ 19,561       |
| <b>Balance at March 31, 2009</b>                | \$ 55                   | \$ 1,097        | \$ 6,579              | \$ 11,734            | \$ (4,272)        | \$ (2,756)  | \$ 2,500                         | \$ 14,937       |
| Net loss  |                         |                 |                       | (454)                |                   |   | (5)                              | (459)           |
| Other comprehensive income                      |                         |                 |                       |                      |                   | 811   | 178                              | 989             |
| Cash dividends:                                 |                         |                 |                       |                      |                   |   |                                  |                 |
| Noncontrolling interests                        |                         |                 |                       |                      |                   |   | (2)                              | (2)             |
| Stock-based compensation                        |                         |                 | 27                    |                      |                   |   |                                  | 27              |
| Common stock issued: compensation plans         |                         |                 | (5)                   |                      |                   |   |                                  | (5)             |
| Contributions                                   |                         |                 |                       |                      |                   |   | 94                               | 94              |
| Other   |                         |                 |                       | 1                    |                   |   | (1)                              |                 |
| <b>Balance at June 30, 2009</b>                 | \$ 55                   | \$ 1,097        | \$ 6,601              | \$ 11,281            | \$ (4,272)        | \$ (1,945)  | \$ 2,764                         | \$ 15,581       |

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

## Alcoa and subsidiaries

## Statement of Changes in Consolidated Equity (unaudited), continued

(in millions, except per-share amounts)

|   | Alcoa Inc. Shareholders |                 |                       |                      |                   | Accumulated<br>other<br>comprehensive<br>(loss)<br>income | Non-<br>controlling<br>interests | Total<br>equity |
|---|-------------------------|-----------------|-----------------------|----------------------|-------------------|---|----------------------------------|-----------------|
|   | Preferred<br>stock      | Common<br>stock | Additional<br>capital | Retained<br>earnings | Treasury<br>stock |   |                                  |                 |
| <b>Balance at December 31, 2007</b>             | \$ 55                   | \$ 925          | \$ 5,774              | \$ 13,039            | \$ (3,440)        | \$ (337)  | \$ 2,460                         | \$ 18,476       |
| Net income                                      |                         |                 |                       | 849                  |                   |   | 137                              | 986             |
| Other comprehensive income                      |                         |                 |                       |                      |                   | 477   | 149                              | 626             |
| Cash dividends:                                 |                         |                 |                       |                      |                   |   |                                  |                 |
| Preferred @ \$1.875 per share                   |                         |                 |                       | (1)                  |                   |   |                                  | (1)             |
| Common @ \$0.34 per share                       |                         |                 |                       | (280)                |                   |   |                                  | (280)           |
| Noncontrolling interests                        |                         |                 |                       |                      |                   |   | (117)                            | (117)           |
| Stock-based compensation                        |                         |                 | 70                    |                      |                   |   |                                  | 70              |
| Common stock issued: compensation plans         |                         |                 | (17)                  |                      | 193               |   |                                  | 176             |
| Repurchase of common stock                      |                         |                 |                       |                      | (605)             |   |                                  | (605)           |
| Contributions                                   |                         |                 |                       |                      |                   |   | 299                              | 299             |
| Purchase of equity from noncontrolling interest |                         |                 |                       |                      |                   |   | (63)                             | (63)            |
| Other   |                         |                 |                       | &                    |                   |   |                                  |                 |