

ALCOA INC
Form 10-Q
July 24, 2014

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, 2014

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
(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

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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 18, 2014, 1,176,322,578 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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Sales (J)	\$ 5,836	\$ 5,849	\$ 11,290	\$ 11,682
Cost of goods sold (exclusive of expenses below)	4,765	4,933	9,260	9,780
Selling, general administrative, and other expenses	245	254	481	505
Research and development expenses	50	46	101	91
Provision for depreciation, depletion, and amortization	349	362	689	723
Restructuring and other charges (D)	110	244	571	251
Interest expense	105	118	225	233
Other expenses (income), net (I)	5	19	30	(8)
Total costs and expenses	5,629	5,976	11,357	11,575
Income (loss) before income taxes	207	(127)	(67)	107
Provision for income taxes (L)	78	21	1	85
Net income (loss)	129	(148)	(68)	22
Less: Net loss attributable to noncontrolling interests	(9)	(29)	(28)	(8)
NET INCOME (LOSS) ATTRIBUTABLE TO ALCOA	\$ 138	\$ (119)	\$ (40)	\$ 30
EARNINGS PER SHARE ATTRIBUTABLE TO ALCOA COMMON SHAREHOLDERS (K):				
Basic	\$ 0.12	\$ (0.11)	\$ (0.04)	\$ 0.03
Diluted	\$ 0.12	\$ (0.11)	\$ (0.04)	\$ 0.03
Dividends paid per common share	\$ 0.03	\$ 0.03	\$ 0.06	\$ 0.06

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

Alcoa and subsidiaries**Statement of Consolidated Comprehensive Income (Loss) (unaudited)**

(in millions)

	Alcoa		Noncontrolling Interests		Total	
	Second quarter ended June 30,		Second quarter ended June 30,		Second quarter ended June 30,	
	2014	2013	2014	2013	2014	2013
Net income (loss)	\$ 138	\$ (119)	\$ (9)	\$ (29)	\$ 129	\$ (148)
Other comprehensive income (loss), net of tax (C):						
Change in unrecognized net actuarial loss and prior service cost/benefit related to pension and other postretirement benefits	14	61	1	2	15	63
Foreign currency translation adjustments	141	(603)	59	(249)	200	(852)
Net change in unrealized gains on available-for-sale securities	1	(3)			1	(3)
Net change in unrecognized losses on cash flow hedges	(23)	71	(8)	(2)	(31)	69
Total Other comprehensive income (loss), net of tax	133	(474)	52	(249)	185	(723)
Comprehensive income (loss)	\$ 271	\$ (593)	\$ 43	\$ (278)	\$ 314	\$ (871)

	Six months ended June 30,		Six months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013	2014	2013
Net (loss) income	\$ (40)	\$ 30	\$ (28)	\$ (8)	\$ (68)	\$ 22
Other comprehensive income (loss), net of tax (C):						
Change in unrecognized net actuarial loss and prior service cost/benefit related to pension and other postretirement benefits	91	156	1	3	92	159
Foreign currency translation adjustments	390	(719)	146	(233)	536	(952)
Net change in unrealized gains on available-for-sale securities	1	(2)			1	(2)
Net change in unrecognized losses on cash flow hedges	9	184	(6)		3	184
Total Other comprehensive income (loss), net of tax	491	(381)	141	(230)	632	(611)

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Comprehensive income (loss)	\$ 451	\$ (351)	\$ 113	\$ (238)	\$ 564	\$ (589)
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The accompanying notes are an integral part of the consolidated financial statements.

Alcoa and subsidiaries**Consolidated Balance Sheet (unaudited)**

(in millions)

	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,183	\$ 1,437
Receivables from customers, less allowances of \$21 in 2014 and \$20 in 2013 (M)	1,381	1,221
Other receivables (M)	671	597
Inventories (F)	3,227	2,705
Prepaid expenses and other current assets	925	1,009
Total current assets	7,387	6,969
Properties, plants, and equipment	37,897	36,866
Less: accumulated depreciation, depletion, and amortization	20,286	19,227
Properties, plants, and equipment, net	17,611	17,639
Goodwill	3,435	3,415
Investments	1,979	1,907
Deferred income taxes	3,243	3,184
Other noncurrent assets	2,654	2,628
Total assets	\$ 36,309	\$ 35,742
LIABILITIES		
Current liabilities:		
Short-term borrowings (G)	\$ 133	\$ 57
Commercial paper	223	
Accounts payable, trade	3,023	2,960
Accrued compensation and retirement costs	937	1,013
Taxes, including income taxes	351	376
Other current liabilities	1,088	1,044
Long-term debt due within one year (G)	87	655
Total current liabilities	5,842	6,105
Long-term debt, less amount due within one year	7,612	7,607
Accrued pension benefits	3,020	3,183
Accrued other postretirement benefits	2,244	2,354
Other noncurrent liabilities and deferred credits	2,885	2,971

Total liabilities	21,603	22,220
CONTINGENCIES AND COMMITMENTS (H)		
EQUITY		
Alcoa shareholders' equity:		
Preferred stock	55	55
Common stock (G)	1,267	1,178
Additional capital (G)	7,635	7,509
Retained earnings	9,163	9,272
Treasury stock, at cost	(3,275)	(3,762)
Accumulated other comprehensive loss (C)	(3,168)	(3,659)
Total Alcoa shareholders' equity	11,677	10,593
Noncontrolling interests	3,029	2,929
Total equity	14,706	13,522
Total liabilities and equity	\$ 36,309	\$ 35,742

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 June 30,	
	2014	2013
CASH FROM OPERATIONS		
Net (loss) income	\$ (68)	\$ 22
Adjustments to reconcile net (loss) income to cash from operations:		
Depreciation, depletion, and amortization	690	724
Deferred income taxes	(133)	(58)
Equity income, net of dividends	68	23
Restructuring and other charges (C)	571	251
Net gain from investing activities asset sales (I)	(29)	(6)
Stock-based compensation	49	46
Excess tax benefits from stock-based payment arrangements	(2)	
Other	43	27
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, and foreign currency translation adjustments:		
(Increase) in receivables	(225)	(375)
(Increase) in inventories	(457)	(175)
(Increase) decrease in prepaid expenses and other current assets	(13)	37
Increase in accounts payable, trade	26	299
(Decrease) in accrued expenses	(349)	(353)
(Decrease) increase in taxes, including income taxes	(52)	40
Pension contributions	(282)	(181)
(Increase) in noncurrent assets	(13)	(48)
Increase in noncurrent liabilities	143	171
CASH (USED FOR) PROVIDED FROM OPERATIONS	(33)	444
FINANCING ACTIVITIES		
Net change in short-term borrowings (original maturities of three months or less)	77	4
Net change in commercial paper	223	
Additions to debt (original maturities greater than three months) (G)	1,131	1,202
Debt issuance costs	(10)	
Payments on debt (original maturities greater than three months) (G)	(1,149)	(1,647)
Proceeds from exercise of employee stock options	97	1
Excess tax benefits from stock-based payment arrangements	2	
Dividends paid to shareholders	(69)	(66)
Distributions to noncontrolling interests	(55)	(27)
Contributions from noncontrolling interests	44	12
CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES	291	(521)

INVESTING ACTIVITIES