Alcoa, Aluminum Bahrain Reach $85M Settlement

The Associated Press

NEW YORK (AP) — Alcoa has agreed to pay $85 million to settle allegations that the aluminum manufacturer and related companies paid millions in bribes that resulted in a Bahrain-controlled company overpaying for raw materials.

Alcoa agreed to pay $85 million in cash to Aluminum Bahrain BSC, or Alba, without admitting liability. Separately, it resumed a long-term agreement to sell raw materials to Alba, which owns one of the largest aluminum smelters in the world.

In a statement, Alcoa said that the settlement was "the best possible outcome" and avoids the expense of litigation. Alba said the settlement released all claims against Alcoa and its related companies.

Alba put the total value of the settlement at $447 million, which included the cash payment and the long-term contract for alumina, a material used to process aluminum.

An Alcoa spokeswoman said the company had no comment on Alba's calculation of the value of the contract but that Alcoa expects to realize a profit from it.

Alba, which is majority-owned by the Persian Gulf state of Bahrain, had alleged that Alcoa, Alcoa World Alumina LLC and related defendants paid millions of dollars in bribes to Bahrain officials and others. Alba claimed that as a result it overpaid by about $420 million for raw materials, including alumina, from 1997 to 2009. Alba sought $1 billion in damages in the lawsuit filed in 2008 in federal court in Pennsylvania.

Alcoa, which is headquartered in New York and has operations in Pittsburgh, said one-half of the $85 million was paid at settlement and the other half will be paid next year.

Alcoa is taking a $40 million charge against third-quarter earnings, which it will report Tuesday after the stock market closes. It took a $45 million charge in the second quarter. The company said it could take an additional after-tax charge of $25 million to $30 million if settlements are reached with the Justice Department and the Securities Exchange Commission regarding their investigations. Discussions are ongoing with both agencies.

Alba said the lawsuit is continuing against Canadian businessman Victor Dahdaleh, who is accused of earning at least $13.5 million in illegal commissions for alumina deals. He has denied wrongdoing.

Shares of Alcoa rose 8 cents to $9.20 in afternoon trading. In the past year, the price has ranged from $7.97 to $11.66 per share.

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