# FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
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## FILER

**COMMONWEALTH INDUSTRIES INC/DE/**

CIK:**934747**| IRS No.: **133245741** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-25642** | Film No.: **1697442**
SIC: **3350** Rolling drawing & extruding of nonferrous metals

Mailing Address
*500 WEST JEFFERSON STREET*
*19TH FLOOR*
*LOUISVILLE KY 40202-2823*

Business Address
*500 WEST JEFFERSON STREET*
*19TH FLOOR*
*LOUISVILLE KY 40202-2823*
*502-589-8100*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

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

For the quarterly period ended June 30, 2001

or

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

For the transition period from ________ to ________

Commission File No. 0-25642

COMMONWEALTH INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 13-3245741 |
| (State of incorporation) | (I.R.S. Employer Identification No.) |
| 500 West Jefferson Street<br>19th Floor<br>Louisville, Kentucky | 40202-2823 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (502) 589-8100

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 proceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

The registrant had 16,459,468 shares of common stock outstanding at July 27, 2001.

COMMONWEALTH INDUSTRIES, INC.
FORM 10-Q
For the Quarter Ended June 30, 2001

INDEX

Part I - Financial Information

COMMONWEALTH INDUSTRIES, INC.
Condensed Consolidated Balance Sheet
(in thousands except share data)

<TABLE>
<CAPTION>

| | June 30, 2001 | December 31, 2000 |
|---|---|---|
| <S> | <C> | <C> |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ - | $ 11,514 |
| Accounts receivable, net | 805 | 111 |
| Inventories | 127,512 | 137,685 |
| Prepayments and other current assets | 107,165 | 83,730 |
| Total current assets | 235,482 | 233,040 |
| Property, plant and equipment, net | 246,384 | 258,963 |
| Goodwill, net | 157,896 | 160,134 |
| Other noncurrent assets | 2,734 | 3,203 |
| Total assets | $ 642,496 | $ 655,340 |
| Liabilities | | |
| Current liabilities: | | |
| Outstanding checks in excess of deposits | $ 1,243 | $ - |
| Accounts payable | 62,720 | 53,522 |
| Accrued liabilities | 40,153 | 41,056 |
| Total current liabilities | 104,116 | 94,578 |
| Long-term debt | 125,000 | 125,000 |
| Other long-term liabilities | 6,829 | 6,369 |
| Accrued pension benefits | 8,527 | 9,085 |
| Accrued postretirement benefits | 80,780 | 81,915 |
| Total liabilities | 325,252 | 316,947 |
| Commitments and contingencies | - | - |
| Stockholders' Equity | | |
| Common stock, $0.01 par value, 50,000,000 shares authorized, 16,459,468 and 16,528,051 shares outstanding at June 30, 2001 and December 31, 2000, respectively | 165 | 165 |
| Additional paid-in capital | 408,161 | 408,505 |
| Accumulated deficit | (74,289) | (61,688) |
| Unearned compensation | - | (7) |
| Notes receivable from sale of common stock | (6,519) | (8,582) |
| Accumulated other comprehensive income: | | |
| Effects of cash flow hedges | (10,274) | - |
| Total stockholders' equity | 317,244 | 338,393 |
| Total liabilities and stockholders' equity | $ 642,496 | $ 655,340 |

See notes to condensed consolidated financial statements.
</TABLE>

COMMONWEALTH INDUSTRIES, INC.
Condensed Consolidated Statement of Income
(in thousands except per share data)

<TABLE>
<CAPTION>

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| <S> | <C> | <C> | <C> | <C> |
| Net sales | $ 235,505 | $ 304,021 | $ 465,696 | $ 624,986 |
| Cost of goods sold | 224,197 | 278,319 | 443,524 | 576,744 |

| | | | | |
|---|---|---|---|---|
| Gross profit | 11,308 | 25,702 | 22,172 | 48,242 |
| Selling, general and administrative expenses | 11,086 | 13,799 | 22,828 | 28,444 |
| Amortization of goodwill | 1,119 | 1,119 | 2,238 | 2,238 |
| Operating income (loss) | (897) | 10,784 | (2,894) | 17,560 |
| Other income (expense), net | 118 | 425 | 358 | 665 |
| Interest expense, net | (3,946) | (5,251) | (8,019) | (10,578) |
| Income (loss) before income taxes | (4,725) | 5,958 | (10,555) | 7,647 |
| Income tax expense | 175 | 1,549 | 400 | 1,988 |
| Net income (loss) | $ (4,900) | $ 4,409 | $ (10,955) | $ 5,659 |
| Basic and diluted net income (loss) per share | $ (0.30) | $ 0.27 | $ (0.67) | $ 0.34 |
| Weighted average shares outstanding | | | | |
| Basic | 16,458 | 16,602 | 16,456 | 16,607 |
| Diluted | 16,458 | 16,602 | 16,456 | 16,620 |
| Dividends paid per share | $ 0.05 | $ 0.05 | $ 0.10 | $ 0.10 |

See notes to condensed consolidated financial statements.

</TABLE>

COMMONWEALTH INDUSTRIES, INC.
Condensed Consolidated Statement of Comprehensive Income
(in thousands)

<TABLE>
<CAPTION>

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| <S> | <C> | <C> | <C> | <C> |
| Net income (loss) | $ (4,900) | $ 4,409 | $ (10,955) | $ 5,659 |
| Other comprehensive income, net of tax: | | | | |
| Net change related to cash flow hedges | (8,618) | - | (10,274) | - |
| Comprehensive income (loss) | $ (13,518) | $ 4,409 | $ (21,229) | $ 5,659 |

See notes to consolidated financial statements.

</TABLE>

COMMONWEALTH INDUSTRIES, INC.
Condensed Consolidated Statement of Cash Flows
(in thousands)

<TABLE>
<CAPTION>

| | Six months ended June 30, | |
|---|---|---|
| | 2001 | 2000 |
| <S> | <C> | <C> |
| Cash flows from operating activities: | | |
| Net income (loss) | $ (10,955) | $ 5,659 |
| Adjustments to reconcile net income (loss) to net cash (used in) operations: | | |
| Depreciation and amortization | 19,341 | 19,597 |
| Loss on disposal of property, plant and equipment | 238 | 699 |
| Issuance of common stock in connection with stock awards | 106 | 121 |
| Changes in assets and liabilities: | | |
| (Increase) in accounts receivable, net | (694) | (41) |
| Decrease in inventories | 10,173 | 11,354 |
| (Increase) in prepayments and other current assets | (23,435) | (14,034) |
| (Increase) decrease in other noncurrent assets | (131) | 94 |
| Increase (decrease) in accounts payable | 9,198 | (20,780) |
| (Decrease) in accrued liabilities | (903) | (3,426) |
| (Decrease) in other liabilities | (11,507) | (206) |
| Net cash (used in) operating activities | (8,569) | (963) |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (4,161) | (13,038) |
| Proceeds from sale of property, plant and equipment | 6 | 4 |
| Net cash (used in) investing activities | (4,155) | (13,034) |
| Cash flows from financing activities: | | |
| Increase in outstanding checks in excess of deposits | 1,243 | 9,482 |
| Proceeds from long-term debt | 32,000 | 47,550 |

| | | |
|---|---|---|
| Repayments of long-term debt | (32,000) | (42,800) |
| Repayments of notes receivable from sale of common stock | 1,613 | 1,426 |
| Cash dividends paid | (1,646) | (1,661) |
| Net cash provided by financing activities | 1,210 | 13,997 |
| Net (decrease) in cash and cash equivalents | (11,514) | - |
| Cash and cash equivalents at beginning of period | 11,514 | - |
| Cash and cash equivalents at end of period | $ - | $ - |
| Supplemental disclosures: | | |
| Interest paid | $ 8,237 | $ 10,788 |
| Income taxes paid | 101 | 521 |
| Non-cash activities: | | |
| Repayment of notes receivable from sale of common stock with common stock and subsequent retirement of common stock | 450 | 503 |

See notes to condensed consolidated financial statements.

</TABLE>

COMMONWEALTH INDUSTRIES, INC.
Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation
The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all the disclosures normally required by generally accepted accounting principles. The condensed consolidated financial statements have been prepared in accordance with Commonwealth Industries, Inc.'s (the "Company's") customary accounting practices and have not been audited. In the opinion of management, all adjustments necessary to fairly present the results of operations for the reporting interim periods have been made and were of a normal recurring nature.

2. Inventories
The Company uses the last-in, first-out (LIFO), first-in, first-out (FIFO) and average-cost accounting methods for valuing its inventories.

| (in thousands) | June 30, 2001 | December 31, 2000 |
|---|---|---|
| Raw materials | $ 32,764 | $ 50,154 |
| Work in process | 49,819 | 49,473 |
| Finished goods | 37,528 | 33,899 |
| Expendable parts and supplies | 16,795 | 15,850 |
| | 136,906 | 149,376 |
| LIFO reserve | (9,394) | (11,691) |
| | $ 127,512 | $ 137,685 |

Inventories of approximately $116.6 million and $116.5 million, included in the above totals (before the LIFO reserve) at June 30, 2001 and December 31, 2000, respectively, are accounted for under the LIFO method of accounting while the remainder of the inventories are accounted for under the FIFO and average-cost methods.

3. Provision for Income Taxes
The Company recognized an income tax expense of $0.2 million and $0.4 million for the three months and six months ended June 30, 2001, respectively, compared to an income tax expense of $1.5 million and $2.0 million for the three months and six months ended June 30, 2000, respectively.

4. Net Income Per Share Computations
The following is a reconciliation of the numerator and denominator of the basic and diluted per share computations (in thousands except per share data):

<TABLE>
<CAPTION>

| <S> | Three months ended June 30, 2001 <C> | 2000 <C> |
|---|---|---|
| Income (numerator) amounts used for basic and diluted per share computations: | | |
| Net income (loss) | $(4,900) | $4,409 |
| Shares (denominator) used for basic per share computations: | | |
| Weighted average shares of common stock outstanding | 16,458 | 16,602 |
| Shares (denominator) used for diluted per share computations: | | |
| Weighted average shares of common stock outstanding | 16,458 | 16,602 |

| | | |
|---|---|---|
| Plus: dilutive effect of stock options | - | - |
| Adjusted weighted average shares | 16,458 | 16,602 |
| Net income (loss) per share data: | | |
| Basic and diluted | $(0.30) | $0.27 |

</TABLE>
<TABLE>
<CAPTION>

| <S> | Six months ended June 30, 2001 <C> | 2000 <C> |
|---|---|---|
| Income (numerator) amounts used for basic and diluted per share computations: | | |
| Net income (loss) | $(10,955) | $5,659 |
| Shares (denominator) used for basic per share computations: | | |
| Weighted average shares of common stock outstanding | 16,456 | 16,607 |
| Shares (denominator) used for diluted per share computations: | | |
| Weighted average shares of common stock outstanding | 16,456 | 16,607 |
| Plus: dilutive effect of stock options | - | 13 |
| Adjusted weighted average shares | 16,456 | 16,620 |
| Net income (loss) per share data: | | |
| Basic and diluted | $(0.67) | $0.34 |

Options to purchase 310,000 and 317,500 common shares, which equate to 30,431 and 42,286 incremental common equivalent shares, respectively, were excluded from the diluted calculation above for the three months and six months ended June 30, 2001 as their effect would have been antidilutive. In addition, options to purchase 799,500 common shares for both the three months and six months ended June 30, 2001 and 957,500 and 952,500 for the three months and six months ended June 30, 2000, respectively, were excluded from the diluted calculations above because the exercise prices on the options were greater than the average market price for the periods.

</TABLE>

5. Financial Instruments and Hedging Activities

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", including Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133" ("SFAS No. 133"). The Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in net income unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The Company recorded a cumulative-effect-type deferred net gain transition adjustment of $6.6 million in accumulated other comprehensive income to recognize at fair value all derivatives that are designated as cash-flow hedging instruments upon adoption of SFAS No. 133 on January 1, 2001. The Company expects to reclassify this deferred net gain from other comprehensive income into net income as cost of goods sold before December 31, 2001.

The Company enters into futures contracts and options to manage exposures to price risk related to aluminum and natural gas purchases. The Company has designated the futures contracts as cash flow hedges of anticipated aluminum raw material and natural gas requirements.

Gains, losses and premiums on these instruments that are recorded in other comprehensive income will be reclassified into net income as cost of goods sold in the periods when the related inventory is sold or gas used. As of June 30, 2001, approximately $8.2 million of the $10.3 million of deferred net losses are expected to be reclassified from other comprehensive income into net income as cost of goods sold over the next twelve months. A net gain of $0.4 million and a net loss of $0.03 million was recognized in cost of goods sold during the three months and six months ended June 30, 2001, respectively, representing the amount of the hedges' ineffectiveness. As of June 30, 2001, the Company held open aluminum and natural gas futures contracts and options having maturity dates extending through December 2003.

In order to hedge a portion of its interest rate risk, the Company is party to an interest rate swap agreement with a notional amount of $5 million under which the Company pays a fixed rate of interest and receives a LIBOR-based floating rate. The Company's interest rate swap agreement at June 30, 2001 did not qualify for hedge accounting under SFAS 133 and as such the change in the fair value of the interest rate swap agreement is recognized currently as interest expense, net in the Company's consolidated income statement. The amount of such change in the fair value of the interest rate swap agreement was immaterial for the three months and six months ended June 30, 2001.

6. Information Concerning Business Segments

The Company has determined it has two reportable segments: aluminum and electrical products. The aluminum segment manufactures aluminum sheet for distributors and the transportation, construction, and consumer durables end-use markets. The electrical products segment manufactures flexible electrical wiring products for the commercial and do-it-yourself markets.

The accounting policies of the reportable segments are the same as those described in Note 1, "Basis of Presentation and Summary of Significant Accounting Policies" in the Company's annual report to stockholders for the year ended December 31, 2000. All intersegment sales prices are market based. The Company evaluates the performance of its operating segments based upon operating income.

The Company's reportable segments are strategic business units that offer different products to different customer groups. They are managed separately because each business requires different technology and marketing strategies.

Summarized financial information concerning the Company's reportable segments is shown in the following table for the three months and six months ended June 30, 2001 and 2000. The "Other" column includes corporate related items, including elimination of intersegment transactions, and as it relates to segment operating income, income and expense not allocated to reportable segments.

<TABLE>
<CAPTION>

| | Aluminum | Electrical Products | Other | Total |
|---|---|---|---|---|
| **Three months ended June 30, 2001** | | | | |
| <S> | <C> | <C> | <C> | <C> |
| Net sales to external customers | $203,379 | $32,126 | $ -- | $235,505 |
| Intersegment net sales | 6,452 | -- | (6,452) | -- |
| Operating income (loss) | 824 | 1,621 | (3,342) | (897) |
| Depreciation and amortization | 8,664 | 977 | -- | 9,641 |
| Total assets | 541,440 | 98,729 | 2,327 | 642,496 |
| Capital expenditures | 1,168 | 96 | -- | 1,264 |
| **Three months ended June 30, 2000** | | | | |
| Net sales to external customers | $271,127 | $32,894 | $ -- | $304,021 |
| Intersegment net sales | 7,074 | -- | (7,074) | -- |
| Operating income (loss) | 16,020 | (735) | (4,501) | 10,784 |
| Depreciation and amortization | 8,898 | 1,021 | (136) | 9,783 |
| Total assets | 605,037 | 93,728 | 2,893 | 701,658 |
| Capital expenditures | 6,190 | 47 | -- | 6,237 |
| **Six months ended June 30, 2001** | | | | |
| Net sales to external customers | $403,224 | $62,472 | $ -- | $465,696 |
| Intersegment net sales | 14,433 | -- | (14,433) | -- |
| Operating income (loss) | 1,727 | 2,663 | (7,284) | (2,894) |
| Depreciation and amortization | 17,380 | 1,954 | 7 | 19,341 |
| Total assets | 541,440 | 98,729 | 2,327 | 642,496 |
| Capital expenditures | 3,975 | 186 | -- | 4,161 |
| **Six months ended June 30, 2000** | | | | |
| Net sales to external customers | $556,473 | $68,513 | $ -- | $624,986 |
| Intersegment net sales | 14,115 | -- | (14,115) | -- |
| Operating income (loss) | 27,546 | (1,632) | (8,354) | 17,560 |
| Depreciation and amortization | 17,583 | 2,043 | (29) | 19,597 |
| Total assets | 605,037 | 93,728 | 2,893 | 701,658 |
| Capital expenditures | 12,888 | 150 | -- | 13,038 |

</TABLE>

7. Guarantor Financial Statements

The $125 million of 10.75% senior subordinated notes due 2006 issued by the Company, and the $100 million revolving credit facility are guaranteed by the Company's wholly-owned subsidiaries (collectively the "Subsidiary Guarantors"), other than Commonwealth Financing Corp. ("CFC"), a Securitization Subsidiary (as defined in the Indenture with respect to such debt) and certain subsidiaries of the Company without substantial assets or operations. Such guarantees are full, unconditional and joint and several. Separate financial statements of the Subsidiary Guarantors are not presented because management has determined that they would not be material to investors. The following supplemental financial information sets forth on a condensed combined basis for the Parent Company Only, Subsidiary Guarantors, Non-guarantor Subsidiaries and for the Company, combining balance sheet as of June 30, 2001 and December 31, 2000, statement of income for the three months and six months ended June 30, 2001 and 2000 and statement of cash flows for the six months ended June 30, 2001 and 2000.

Combining Balance Sheet at June 30, 2001
(in thousands)

| | Parent Company Only | Subsidiary Guarantors | Non-guarantor Subsidiaries | Eliminations | Combined Totals |
|---|---|---|---|---|---|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ -- | $ -- | $ -- | $ -- | $ -- |
| Accounts receivable, net | -- | 284,737 | -- | (283,932) | 805 |
| Inventories | -- | 127,512 | -- | -- | 127,512 |
| Prepayments and other current assets | 476 | 2,705 | 103,984 | -- | 107,165 |
| Total current assets | 476 | 414,954 | 103,984 | (283,932) | 235,482 |
| Property, plant and equipment, net | -- | 246,384 | -- | -- | 246,384 |
| Goodwill, net | -- | 157,896 | -- | -- | 157,896 |
| Other noncurrent assets | 600,747 | 883 | -- | (598,896) | 2,734 |
| Total assets | $ 601,223 | $ 820,117 | $ 103,984 | $(882,828) | $ 642,496 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Outstanding checks in excess of deposits | $ -- | $ 1,243 | $ -- | $ -- | $ 1,243 |
| Accounts payable | 143,332 | 62,720 | 140,600 | (283,932) | 62,720 |
| Accrued liabilities | 5,373 | 35,391 | (611) | -- | 40,153 |
| Total current liabilities | 148,705 | 99,354 | 139,989 | (283,932) | 104,116 |
| Long-term debt | 125,000 | -- | -- | -- | 125,000 |
| Other long-term liabilities | -- | 6,829 | -- | -- | 6,829 |
| Accrued pension benefits | -- | 8,527 | -- | -- | 8,527 |
| Accrued postretirement benefits | -- | 80,780 | -- | -- | 80,780 |
| Total liabilities | 273,705 | 195,490 | 139,989 | (283,932) | 325,252 |
| Commitments and contingencies | -- | -- | -- | -- | -- |
| Stockholders' Equity | | | | | |
| Common stock | 165 | 1 | -- | (1) | 165 |
| Additional paid-in capital | 408,161 | 486,727 | 5,000 | (491,727) | 408,161 |
| Accumulated deficit | (74,289) | 148,173 | (41,005) | (107,168) | (74,289) |
| Notes receivable from sale of common stock | (6,519) | -- | -- | -- | (6,519) |
| Accumulated other comprehensive income: | | | | | |
| Effects of cash flow hedges | -- | (10,274) | -- | -- | (10,274) |
| Total stockholders' equity | 327,518 | 624,627 | (36,005) | (598,896) | 317,244 |
| Total liabilities and stockholders' equity | $ 601,223 | $ 820,117 | $ 103,984 | $(882,828) | $ 642,496 |

Combining Balance Sheet at December 31, 2000
(in thousands)

| | Parent Company Only | Subsidiary Guarantors | Non-guarantor Subsidiaries | Eliminations | Combined Totals |
|---|---|---|---|---|---|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ -- | $ 11,514 | $ -- | $ -- | $ 11,514 |
| Accounts receivable, net | -- | 242,176 | -- | (242,065) | 111 |
| Inventories | -- | 137,685 | -- | -- | 137,685 |
| Prepayments and other current assets | 797 | 10,566 | 72,367 | -- | 83,730 |
| Total current assets | 797 | 401,941 | 72,367 | (242,065) | 233,040 |
| Property, plant and equipment, net | -- | 258,963 | -- | -- | 258,963 |

| | | | | | |
|---|---|---|---|---|---|
| Goodwill, net | -- | 160,134 | -- | -- | 160,134 |
| Other noncurrent assets | 605,054 | 1,135 | -- | (602,986) | 3,203 |
| Total assets | $ 605,851 | $ 822,173 | $ 72,367 | $(845,051) | $ 655,340 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Outstanding checks in excess of deposits | $ -- | $ -- | $ -- | $ -- | $ -- |
| Accounts payable | 137,384 | 53,522 | 104,681 | (242,065) | 53,522 |
| Accrued liabilities | 5,074 | 36,288 | (306) | -- | 41,056 |
| Total current liabilities | 142,458 | 89,810 | 104,375 | (242,065) | 94,578 |
| Long-term debt | 125,000 | -- | -- | -- | 125,000 |
| Other long-term liabilities | -- | 6,369 | -- | -- | 6,369 |
| Accrued pension benefits | -- | 9,085 | -- | -- | 9,085 |
| Accrued postretirement benefits | -- | 81,915 | -- | -- | 81,915 |
| Total liabilities | 267,458 | 187,179 | 104,375 | (242,065) | 316,947 |
| Commitments and contingencies | -- | -- | -- | -- | -- |
| Stockholders' Equity | | | | | |
| Common stock | 165 | 1 | -- | (1) | 165 |
| Additional paid-in capital | 408,505 | 486,727 | 5,000 | (491,727) | 408,505 |
| Accumulated deficit | (61,688) | 148,266 | (37,008) | (111,258) | (61,688) |
| Unearned compensation | (7) | -- | -- | -- | (7) |
| Notes receivable from sale of common stock | (8,582) | -- | -- | -- | (8,582) |
| Total stockholders' equity | 338,393 | 634,994 | (32,008) | (602,986) | 338,393 |
| Total liabilities and stockholders' equity | $ 605,851 | $ 822,173 | $ 72,367 | $(845,051) | $ 655,340 |

</TABLE>

Combining Statement of Income for the three months ended June 30, 2001
(in thousands)

<TABLE>
<CAPTION>

| <S> | Parent Company Only <C> | Subsidiary Guarantors <C> | Non-guarantor Subsidiaries <C> | Eliminations <C> | Combined Totals <C> |
|---|---|---|---|---|---|
| Net sales | $ -- | $ 235,505 | $ -- | $ -- | $ 235,505 |
| Cost of goods sold | -- | 224,197 | -- | -- | 224,197 |
| Gross profit | -- | 11,308 | -- | -- | 11,308 |
| Selling, general and administrative expenses | 47 | 11,039 | -- | -- | 11,086 |
| Amortization of goodwill | -- | 1,119 | -- | -- | 1,119 |
| Operating income (loss) | (47) | (850) | -- | -- | (897) |
| Other income (expense), net | (1,525) | 118 | -- | 1,525 | 118 |
| Interest income (expense), net | (3,328) | 1,191 | (1,809) | -- | (3,946) |
| Income (loss) before income taxes | (4,900) | 459 | (1,809) | 1,525 | (4,725) |
| Income tax expense | -- | 175 | -- | -- | 175 |
| Net income (loss) | $ (4,900) | $ 284 | $ (1,809) | $ 1,525 | $ (4,900) |

</TABLE>

Combining Statement of Income for the three months ended June 30, 2000
(in thousands)

<TABLE>
<CAPTION>

| <S> | Parent Company Only <C> | Subsidiary Guarantors <C> | Non-guarantor Subsidiaries <C> | Eliminations <C> | Combined Totals <C> |
|---|---|---|---|---|---|
| Net sales | $ -- | $ 304,021 | $ -- | $ -- | $ 304,021 |
| Cost of goods sold | -- | 278,319 | -- | -- | 278,319 |
| Gross profit | -- | 25,702 | -- | -- | 25,702 |
| Selling, general and administrative expenses | (80) | 13,879 | -- | -- | 13,799 |
| Amortization of goodwill | -- | 1,119 | -- | -- | 1,119 |
| Operating income (loss) | 80 | 10,704 | -- | -- | 10,784 |
| Other income (expense), net | 7,654 | 425 | -- | (7,654) | 425 |
| Interest income (expense), net | (3,325) | 1,272 | (3,198) | -- | (5,251) |
| Income (loss) before income taxes | 4,409 | 12,401 | (3,198) | (7,654) | 5,958 |
| Income tax expense | -- | 1,549 | -- | -- | 1,549 |

| | | | | | |
|---|---|---|---|---|---|
| Net income (loss) | $ 4,409 | $ 10,852 | $ (3,198) | $ (7,654) | $ 4,409 |

</TABLE>

Combining Statement of Income for the six months ended June 30, 2001
(in thousands)

<TABLE>
<CAPTION>

| | Parent Company Only | Subsidiary Guarantors | Non-guarantor Subsidiaries | Eliminations | Combined Totals |
|---|---|---|---|---|---|
| Net sales | $ -- | $ 465,696 | $ -- | $ -- | $ 465,696 |
| Cost of goods sold | -- | 443,524 | -- | -- | 443,524 |
| Gross profit | -- | 22,172 | -- | -- | 22,172 |
| Selling, general and administrative expenses | 176 | 22,652 | -- | -- | 22,828 |
| Amortization of goodwill | -- | 2,238 | -- | -- | 2,238 |
| Operating income (loss) | (176) | (2,718) | -- | -- | (2,894) |
| Other income (expense), net | (4,090) | 358 | -- | 4,090 | 358 |
| Interest income (expense), net | (6,689) | 2,667 | (3,997) | -- | (8,019) |
| Income (loss) before income taxes | (10,955) | 307 | (3,997) | 4,090 | (10,555) |
| Income tax expense | -- | 400 | -- | -- | 400 |
| Net income (loss) | $ (10,955) | $ (93) | $ (3,997) | $ 4,090 | $ (10,955) |

</TABLE>

Combining Statement of Income for the six months ended June 30, 2000
(in thousands)

<TABLE>
<CAPTION>

| | Parent Company Only | Subsidiary Guarantors | Non-guarantor Subsidiaries | Eliminations | Combined Totals |
|---|---|---|---|---|---|
| Net sales | $ -- | $ 624,986 | $ -- | $ -- | $ 624,986 |
| Cost of goods sold | -- | 576,744 | -- | -- | 576,744 |
| Gross profit | -- | 48,242 | -- | -- | 48,242 |
| Selling, general and administrative expenses | 142 | 28,302 | -- | -- | 28,444 |
| Amortization of goodwill | -- | 2,238 | -- | -- | 2,238 |
| Operating income (loss) | (142) | 17,702 | -- | -- | 17,560 |
| Other income (expense), net | 12,443 | 665 | -- | (12,443) | 665 |
| Interest income (expense), net | (6,642) | 2,188 | (6,124) | -- | (10,578) |
| Income (loss) before income taxes | 5,659 | 20,555 | (6,124) | (12,443) | 7,647 |
| Income tax expense | -- | 1,988 | -- | -- | 1,988 |
| Net income (loss) | $ 5,659 | $ 18,567 | $ (6,124) | $ (12,443) | $ 5,659 |

</TABLE>

Combining Statement of Cash Flows for the six months ended June 30, 2001
(in thousands)

<TABLE>
<CAPTION>

| | Parent Company Only | Subsidiary Guarantors | Non-guarantor Subsidiaries | Eliminations | Combined Totals |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Net income (loss) | $(10,955) | $ (93) | $ (3,997) | $ 4,090 | $(10,955) |
| Adjustments to reconcile net income (loss) to net cash provided by operations: | | | | | |
| Depreciation and amortization | 7 | 19,334 | -- | -- | 19,341 |
| Loss on disposal of property, plant and equipment | -- | 238 | -- | -- | 238 |
| Issuance of common stock in connection with stock awards | 106 | -- | -- | -- | 106 |
| Equity in undistributed net income of subsidiaries | -- | 4,090 | -- | (4,090) | -- |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in accounts receivable, net | -- | (42,561) | -- | 41,867 | (694) |
| Decrease in inventories | -- | 10,173 | -- | -- | 10,173 |
| Decrease (increase) in prepayments and other current assets | 321 | 7,861 | (31,617) | -- | (23,435) |
| Decrease (increase) in other noncurrent assets | 4,307 | (4,438) | -- | -- | (131) |
| Increase (decrease) in accounts payable | 5,948 | 9,198 | 35,919 | (41,867) | 9,198 |
| Increase (decrease) in accrued liabilities | 299 | (897) | (305) | -- | (903) |
| (Decrease) in other liabilities | -- | (11,507) | -- | -- | (11,507) |

| | | | | | |
|---|---|---|---|---|---|
| Net cash provided by (used in) operating activities | 33 | (8,602) | -- | -- | (8,569) |
| Cash flows from investing activities: | | | | | |
| Purchases of property, plant and equipment | -- | (4,161) | -- | -- | (4,161) |
| Proceeds from sale of property, plant and equipment | -- | 6 | -- | -- | 6 |
| Net cash (used in) investing activities | -- | (4,155) | -- | -- | (4,155) |
| Cash flows from financing activities: | | | | | |
| Increase in outstanding checks in excess of deposits | -- | 1,243 | -- | -- | 1,243 |
| Proceeds from long-term debt | -- | 32,000 | -- | -- | 32,000 |
| Repayments of long-term debt | -- | (32,000) | -- | -- | (32,000) |
| Repayments of notes receivable from sale of common stock | 1,613 | -- | -- | -- | 1,613 |
| Cash dividends paid | (1,646) | -- | -- | -- | (1,646) |
| Net cash (used in) provided by financing activities | (33) | 1,243 | -- | -- | 1,210 |
| Net (decrease) in cash and cash equivalents | -- | (11,514) | -- | -- | (11,514) |
| Cash and cash equivalents at beginning of period | -- | 11,514 | -- | -- | 11,514 |
| Cash and cash equivalents at end of period | $ -- | $ -- | $ -- | $ -- | $ -- |

</TABLE>

Combining Statement of Cash Flows for the six months ended June 30, 2000
(in thousands)

<TABLE>
<CAPTION>

| | Parent Company Only | Subsidiary Guarantors | Non-guarantor Subsidiaries | Eliminations | Combined Totals |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Net income (loss) | $ 5,659 | $ 18,567 | $ (6,124) | $(12,443) | $ 5,659 |
| Adjustments to reconcile net income (loss) to net cash (used in) provided by operations: | | | | | |
| Depreciation and amortization | (29) | 19,626 | -- | -- | 19,597 |
| Loss on disposal of property, plant and equipment | -- | 699 | -- | -- | 699 |
| Issuance of common stock in connection with stock awards | 121 | -- | -- | -- | 121 |
| Equity in undistributed net income of subsidiaries | -- | (12,443) | -- | 12,443 | -- |
| Changes in assets and liabilities: | | | | | |
| Decrease (increase) in accounts receivable, net | 2,434 | (25,972) | -- | 23,497 | (41) |
| Decrease in inventories | -- | 11,354 | -- | -- | 11,354 |
| Decrease (increase) in prepayments and other current assets | 20 | 6,043 | (20,097) | -- | (14,034) |
| (Increase) decrease in other noncurrent assets | (11,981) | 12,075 | -- | -- | 94 |
| (Decrease) increase in accounts payable | -- | (23,214) | 25,931 | (23,497) | (20,780) |
| Increase (decrease) in accrued liabilities | 4,011 | (7,727) | 290 | -- | (3,426) |
| (Decrease) in other liabilities | -- | (206) | -- | -- | (206) |
| Net cash provided by (used in) operating activities | 235 | (1,198) | -- | -- | (963) |
| Cash flows from investing activities: | | | | | |
| Purchases of property, plant and equipment | -- | (13,038) | -- | -- | (13,038) |
| Proceeds from sale of property, plant and equipment | -- | 4 | -- | -- | 4 |
| Net cash (used in) investing activities | -- | (13,034) | -- | -- | (13,034) |
| Cash flows from financing activities: | | | | | |
| Increase in outstanding checks in excess of deposits | -- | 9,482 | -- | -- | 9,482 |
| Proceeds from long-term debt | -- | 47,550 | -- | -- | 47,550 |
| Repayments of long-term debt | -- | (42,800) | -- | -- | (42,800) |
| Repayments of notes receivable from sale of common stock | 1,426 | -- | -- | -- | 1,426 |
| Cash dividends paid | (1,661) | -- | -- | -- | (1,661) |
| Net cash (used in) provided by financing activities | (235) | 14,232 | -- | -- | 13,997 |
| Net increase (decrease) in cash and cash equivalents | -- | -- | -- | -- | -- |
| Cash and cash equivalents at beginning of period | -- | -- | -- | -- | -- |
| Cash and cash equivalents at end of period | $ -- | $ -- | $ -- | $ -- | $ -- |

</TABLE>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains statements which are forward-looking rather than historical fact. These forward-looking statements are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act, as amended and involve risks and uncertainties that could render them materially different, including, but not limited to, the effect of global economic conditions, the impact of competitive products and pricing, product development and commercialization, availability and cost of critical raw materials, the rate of technological change, product demand and market acceptance risks, capacity and supply constraints or difficulties, the success of the Company in implementing its business strategy, and other risks as detailed in the Company's various Securities and Exchange Commission filings.

Overview

The Company manufactures non-heat treat coiled aluminum sheet for distributors and the transportation, construction and consumer durables end use markets and electrical flexible conduit and prewired armored cable for the commercial construction and renovation markets. The Company's principal raw materials are aluminum scrap, primary aluminum, copper and steel. Trends in the demand for aluminum sheet products in the United States and in the prices of aluminum primary metal, aluminum scrap and copper commodities affect the business of the Company. The Company's operating results also are affected by factors specific to the Company, such as the margins between selling prices for its products and its cost of raw material ("material margins") and its unit cost of converting raw material into its products ("conversion cost"). While changes in aluminum and copper prices can cause the Company's net sales to change significantly from period to period, net income is more directly impacted by the fluctuation in material margins.

During the first half of 2001, shipments of the Company's aluminum sheet products decreased by 28% from the first half of 2000. Demand for the Company's aluminum sheet products decreased in the first half of 2001 reflecting ongoing weak business conditions throughout the economy generally and specifically across the Company's various markets. In addition, material margins which had trended higher over the past few quarters, also eased somewhat in the second quarter due to a highly competitive marketplace.

Demand for the Company's electrical products also decreased during the first half of 2001. Shipments were down 14% compared to the first half of 2000 due to the weak customer demand. While material margins for the second quarter of 2001 were down slightly from the first quarter of 2001, material margins for the first six months of 2001 increased versus the margins experienced in the first half of 2000 due to increased selling prices on armored cable products and a reduction in material costs per foot. The higher material margins for the six months of 2001 more than offset the effect of the decline in shipment volume and higher manufacturing unit costs compared to the first half of 2000 and returned the Company's electrical products business unit to an operating profit during the first quarter of 2001 and continuing in the second quarter.

Results of Operations for the three months and six months ended June 30, 2001 and 2000

Net Sales. Net sales for the quarter ended June 30, 2001, decreased 23% to $236 million (including $32.1 million from Alflex) from $304 million (including $32.9 million from Alflex) for the same period in 2000. The decrease is due to continued weak customer demand affecting virtually all of the Company's markets versus a strong second quarter of 2000. Unit sales volume of aluminum decreased 25% to 198.3 million pounds for the second quarter of 2001 from 264.1 million pounds for the second quarter of 2000. Alflex unit sales volume was 138.2 million feet for the second quarter of 2001, a decrease of 4% versus 144.6 million feet for the comparable period in 2000. Net sales for the six-month period ended June 30, 2001, were $466 million (including $62.5 million from Alflex), a 25% decrease from the $625 million recorded in the first half of 2000 (including $68.5 million from Alflex). As stated previously, the decrease is due to ongoing weak business conditions throughout the economy generally and specifically across the Company's various markets. Unit sales volume of aluminum was 387.6 million pounds for the first half of 2001, a decrease of 28% from the 538.5 million pounds for the first half of 2000. Alflex unit sales volume was 266.6 million feet for the first six months of 2001, a decrease of 14%, versus 309.1 million feet for the comparable period in 2000.

Gross Profit. Gross profit for the quarter ended June 30, 2001, decreased to $11.3 million (4.8% of net sales) from $25.7 million (8.5% of net sales) for the same period in 2000. Gross profit for the six months ended June 30, 2001 was $22.2 million (4.8% of net sales) versus $48.2 million (7.7% of net sales) for the comparable period in 2000. This decrease was related entirely to the aluminum business unit as manufacturing inefficiencies related to lower volume, severance charges of approximately $2.0 million related to workforce reductions in the first quarter of 2001 and significantly higher energy costs more than offset the slight improvement in material margins for the six months of 2001 versus the same period in 2000. Despite the higher energy costs, the Alflex business unit increased its gross profit for the first six months of 2001 versus the first half of 2000 due to improved material margins.

Operating Income. The Company had an operating loss of $0.9 million for the second quarter of 2001 compared with operating income of $10.8 million for the second quarter of 2000. For the six-month period ended June 30, 2001, the Company had an operating loss of $2.9 million, versus operating income of $17.6 million for the first half of 2000. The decreases were related entirely to the aluminum business unit's gross profit decline as described in the preceding paragraph as the Alflex business unit had operating income of $1.6 million and $2.7 million in the second quarter and first half of 2001, respectively, compared to an operating loss of $0.7 million and $1.6 million in the second quarter and first six months of 2000. Selling, general and administrative expenses during the second quarter of 2001 were $11.1 million, compared with $13.8 million for the same period in 2000 and were $22.8 million for the six months ended June 30, 2001, compared with $28.4 million for the same period in 2000. Contributing to the decrease were reduced incentive compensation expenses, lower selling expenses, lower professional services and lower overall salary expense due to workforce reductions. This was partially offset by higher medical insurance costs.

Net Income. The Company had a net loss of $4.9 million for the quarter ended June 30, 2001, compared with net income of $4.4 million for the same period in 2000. The Company's net loss for the six months ended June 30, 2001 was $11.0 million compared with net income of $5.7 million for the first half of 2000. Interest expense was $3.9 million for the quarter ended June 30, 2001, compared to $5.3 million for the same period in 2000 and $8.0 million for the six months ended June 30, 2001, compared with $10.6 million for the first half of 2000. These decreases were primarily due to a reduction in amounts outstanding under the Company's accounts receivable securitization facility. Income tax expense was $0.2 million in the second quarter of 2001 compared to income tax expense of $1.5 million for the same period in 2000 and an income tax expense of $0.4 million for the six months ended June 30, 2001, compared to income tax expense of $2.0 million for the same period in 2000.

Liquidity and Capital Resources

The Company's sources of liquidity are cash flows from operations, the Company's accounts receivable securitization facility described below and borrowings under its $100 million revolving credit facility. The Company believes these sources will be sufficient to fund its working capital requirements, capital expenditures, debt service and dividend payments at least through 2001.

During 1997, the Company sold all of its trade accounts receivables to a 100% owned subsidiary, Commonwealth Financing Corp. ("CFC"). Simultaneously, CFC entered into a three-year accounts receivable securitization facility with a financial institution and its affiliate, whereby CFC sells, on a revolving basis, an undivided interest in certain of its receivables and receives up to $150.0 million from an unrelated third party purchaser at a cost of funds linked to commercial paper rates plus a charge for administrative and credit support services. During 2000, the Company and the financial institution extended the accounts receivable securitization facility for an additional three-year period ending in September 2003. At June 30, 2001, the Company had outstanding $32.0 million under the agreement and had $104.0 million of net residual interest in the securitized receivables which is included in other current assets in the Company's consolidated financial statements. The fair value of the net residual interest is measured at the time of the sale and is based on the sale of similar assets. In the first half of 2001, the Company received gross proceeds of $30.0 million from the sale of receivables and made gross payments of $67.0 million under the agreement.

The Company's operations used cash flows of $8.6 million for the six months ended June 30, 2001 compared to using $1.0 million in the six months ended June 30, 2000. Working capital decreased to $131.4 million at June 30, 2001 from $140.5 million at June 30, 2000.

Capital expenditures were $1.3 million during the quarter ended June 30, 2001 and $4.2 million for the six months ended June 30, 2001. At June 30, 2001, the Company had commitments of $0.9 million for the purchase or construction of capital assets. Total capital expenditures for the year 2001 are expected to be approximately $11 million, all generally related to maintaining, upgrading and expanding the Company's manufacturing and other facilities and meeting environmental requirements.

Risk Management

The price of aluminum is subject to fluctuations due to unpredictable factors on the worldwide market. To reduce this market risk, the Company follows a policy of hedging its anticipated raw material purchases based on firm-priced sales and purchase orders by purchasing and selling futures contracts and options on the London Metal Exchange ("LME"). At June 30, 2001, the Company held purchase and sales commitments through September 2002 totaling $49 million and $195 million, respectively. The Company also uses futures contracts and options to reduce its risks associated with its natural gas requirements.

As described in note 5 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") effective January 1, 2001 and has designated its aluminum and natural gas futures contracts as cash flow hedges.

Before entering into futures contracts and options, the Company reviews the credit rating of the counterparty and assesses any possible credit risk. While the Company is exposed to certain losses in the event of non-performance by the counterparties to these agreements, the Company does not anticipate non-performance by such counterparties.

In order to hedge a portion of its interest rate risk, the Company is party to an interest rate swap agreement with a notional amount of $5 million under which the Company pays a fixed rate of interest and receives a LIBOR-based floating rate. The Company's interest rate swap agreement at June 30, 2001 did not qualify for hedge accounting under SFAS 133 and as such the change in the fair value of the interest rate swap agreement is recognized currently as interest expense, net in the Company's consolidated income statement. The amount of such change in the fair value of the interest rate swap agreement was immaterial for the three months and six months ended June 30, 2001.

Recently Issued Accounting Pronouncements

In September 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" ("SFAS No. 140"). The Statement is effective for transfers and servicing of financial assets and extinguishment of liabilities occurring after March 31, 2001. SFAS No. 140 also includes provisions that require additional disclosures in the financial statements for fiscal years ending after December 15, 2000. Additional disclosures were included in note 2 to the consolidated financial statements included in the Company's annual report to stockholders. This adoption of this Statement did not have a material impact on the Company's results of operations or financial position.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141"). The Statement addresses financial accounting and reporting for business combinations and supercedes Accounting Principles Board Opinion No. 16, "Business Combinations", and Statement of Financial Accounting Standards No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises". All business combinations in the scope of SFAS No. 141 are to be accounted for using one method - the purchase method. SFAS No. 141 is effective to all business combinations initiated after June 30, 2001.

Also in July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). The Statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supercedes Accounting Principles Board Opinion No. 17, "Intangible Assets". The Statement addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The Company currently expects to adopt SFAS No. 142 in the Company's first quarter 2002 reporting, as required. Management is currently evaluating the impact of SFAS No. 142 on the Company's future financial reporting.

## PART II
## OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to non-environmental legal proceedings and administrative actions all of which are of an ordinary routine nature incidental to the operations of the Company. Although it is impossible to predict the outcome of any legal proceeding, in the opinion of management such proceedings and actions should not, individually or in aggregate, have a material adverse effect on the Company's financial condition, results of operations or cash flows, although resolution in any year or quarter could be material to the results of operation for that period.

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's Annual Meeting of Stockholders (the "Meeting"), held April 20, 2001, the following matters were submitted for a vote by the security holders:

Paul E. Lego and John E. Merow were elected directors for terms expiring in 2004. There were 12,997,608 and 13,002,594, respectively, votes cast for and 149,228 and 144,242, respectively, abstentions. The terms of office of Catherine G. Burke, C. Frederick Fetterolf, Mark V. Kaminski and Larry E. Kittelberger continued after the meeting.

Ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent auditors for 2001. There were 13,070,040 votes for and 70,523 votes against and 6,273 abstentions.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1 Amendment, dated as of June 29, 2001, to Second Amended and Restated Credit Agreement among the Company, subsidiaries of the Company, the several lenders from time to time parties thereto, and Bank One Indiana, N.A., as agent, dated as of December 19, 1997.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended June 30, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMONWEALTH INDUSTRIES, INC.

By: /s/ Donald L. Marsh, Jr.
------------------------
Donald L. Marsh, Jr.
Executive Vice President, Chief Financial Officer and Secretary

Date: August 3, 2001

Exhibit Index

| Exhibit Number | Description |
|---|---|
| 10.1 | Amendment, dated as of June 29, 2001, to Second Amended and Restated Credit Agreement among the Company, subsidiaries of the Company, the several lenders from time to time parties thereto, and Bank One Indiana, N.A., as agent, dated as of December 19, 1997. |

# AMENDMENT TO CREDIT AGREEMENT

This Amendment to Credit Agreement (the "Amendment") is made and entered into as of June 29, 2001, by and among:

(1) Commonwealth Industries, Inc., a corporation duly organized and validly existing under the laws of the State of Delaware (the "Parent") and the successor by merger to CI Holdings, Inc.;

(2) CA Lewisport, Inc., a corporation duly organized and validly existing under the laws of the State of Delaware and formerly known as Commonwealth Aluminum Lewisport, Inc., and as Commonwealth Aluminum Corporation ("Old Lewisport");

(3) CI Holdings, Inc., a corporation duly organized and validly existing under the laws of the State of Delaware and formerly known as Alflex Corporation ("CI Holdings");

(4) Commonwealth Aluminum Concast, Inc., a corporation duly organized and validly existing under the laws of the State of Ohio ("CACI");

(5) Commonwealth Aluminum Corporation, a corporation duly organized and validly existing under the laws of the State of Delaware ("CAC");

(6) Alflex Corporation, a corporation duly organized and validly existing under the laws of the State of Delaware ("New Alflex");

(7) Commonwealth Aluminum Lewisport, LLC, a limited liability company duly formed and validly existing under the laws of the State of Delaware ("New Lewisport");

(8) Commonwealth Aluminum Metals, LLC, a limited liability company duly formed and validly existing under the laws of the State of Delaware ("Metals"; each of CAC, CACI, Old Lewisport, CI Holdings, New Alflex, New Lewisport and Metals is sometimes hereafter referred to as a "Borrower" and collectively as the "Borrowers");

(9) The Subsidiaries of the Parent identified by the caption "Subsidiary Guarantors" on the signature pages hereto (the "Subsidiary Guarantors"; the Subsidiary Guarantors, the Parent and the Borrowers are sometimes hereafter referred to collectively as the "Obligors");

(10) Bank One, Indiana, NA, for itself and as administrative agent for the Lenders (as hereafter defined) (the "Administrative Agent").

## PRELIMINARY STATEMENTS:

A. Parent, each of the Borrowers, each of the Subsidiary Guarantors and each of the Lenders are parties to a certain Second Amended and Restated Credit

Agreement dated as of December 19, 1997, as amended by Amendment No. 1 to Credit Agreement dated December 22, 1998, an Agreement of Resignation, Appointment and Acceptance dated August 18, 1999, a Amendment dated as of October 29, 1999, a Amendment dated as of December 31, 1999, and a letter agreement dated as of December 27, 2000 (as amended from time to time, the "Credit Agreement").

B. Parent, each of the Borrowers, each of the Subsidiary Guarantors and the Administrative Agent (as successor to National Westminster Bank PLC pursuant to the Agreement of Resignation, Appointment and Acceptance dated August 18, 1999) are parties to a certain Amended and Restated Pledge and Security Agreement dated as of November 29, 1996, as amended by Amendment No. 1 dated as of December 19, 1997, by a Amendment dated as of October 29, 1999, and by a Amendment dated as of December 31, 1999 (as amended, the "Pledge Agreement").

C. The Obligors have requested that the Lenders agree to amend the Credit Agreement in certain respects.

D. The Lenders are willing to do so, but only upon the terms and subject to the conditions set forth in this Amendment.

NOW THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. Definitions.

All terms with their initial letters capitalized herein, but not otherwise defined herein, shall have the meanings given such terms in the Credit Agreement.

2. Amendments to the Credit Agreement.

(a) Amendment to Section 1.01. The definition of "Fixed Charges Ratio" set forth in Section 1.01 of the Credit Agreement is hereby amended and modified so that, as amended and modified, it shall read in its entirety as follows:

"'Fixed Charges Ratio' shall mean, as at any date, the ratio of (a) EBITDA for the then-current Calculation Period, to (b) the sum of (i) Total Interest Expense for such period, plus (ii) taxes actually paid during such period, plus (iii) Maintenance Capital Expenditures. For purposes hereof, `Maintenance Capital Expenditures' shall mean, for any period, an amount equal to the Capital Expenditures for such period, less all amounts included therein on account of expenditures associated with the acquisition or construction of fixed assets, plant and equipment acquired or constructed exclusively to (x) increase or expand capacity at one of the Obligors' facilities, (y) improve the capabilities of, or add one or more new capabilities to, one of the Obligors' facilities, and (z) reduce the operating cost of, or the capital invested in, one of the Obligors' facilities."

(b) Amendment to Section 1.01. The definition of "EBITDA" set forth in Section 1.01 of the Credit Agreement is hereby amended and modified so that, as amended and modified, it shall read in its entirety as follows:

"'EBITDA' shall mean for any period the sum, for the Parent and its Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) net income for such period, plus (b) the amount of Total Interest for such period, plus (c) income and other taxes paid during such period, plus (d) depreciation and amortization for such period, plus (e) extraordinary losses for such period, plus (f) in the case of any period during calendar year 2002, an amount equal to the amount deducted, on account of impairment of goodwill, in calculating net income for such period in accordance with GAAP, minus (g) extraordinary gains for such period, minus (h) interest received during such period.

(c) Amendment to Subsection 2.01(a)(ii). Subsection 2.01(a)(ii) of the Credit Agreement is hereby modified and amended so that, as modified and amended, it shall read in its entirety as follows:

"In addition to the Revolving Credit Loans provided for under Section 2.01(a)(i) hereof, each Revolving Credit Lender severally agrees, on the terms and conditions of this Agreement, to make loans to each of the Borrowers in Dollars during the Revolving Credit Borrowing Period in an aggregate unpaid principal amount at any one time outstanding (as to all such Borrowers) up to but not exceeding the amount of the Revolving Credit Commitment of such Lender as in effect from time to time, provided, that in no event shall the sum of:

(x) the aggregate principal amount of all Revolving Credit Loans (including all Swingline Loans), together with the amount of all Letter of Credit Liabilities, plus

(y) the aggregate amount of the Reserved Commitments

exceed an amount equal to the lesser of:

(aa) the aggregate amount of the Revolving Credit Commitments as in effect from time to time, or

(ab) the Borrowing Base as of the end of the most recently ended quarterly fiscal period of the Parent.

For purposes of this Agreement, `Borrowing Base' shall mean Sixty-Five Million Dollars ($65,000,000), until such time as the Obligors and the Majority Lenders otherwise agree in writing. The Administrative Agent and each of the Obligors agrees to use commercially reasonable efforts to complete a field audit of the Obligors by July 31, 2001, and following such audit, the Administrative Agent agrees to promptly recommend to the Lenders a definition of Borrowing Base based upon levels of inventory. "

(d) Amendment to Section 2.02. Section 2.02 of the Credit Agreement is hereby amended and modified so that, as amended and modified, it shall read in its entirety as follows:

"2.02 Borrowings. Each Borrower shall give the Administrative Agent (or, in the case of Swingline Loans, shall give the Swingline Lender) notice of each borrowing by it hereunder as provided in Section 4.05 hereof, accompanied by a certificate of the Parent's Responsible Officer stating that, after giving effect to the requested borrowing and to the best of his knowledge after reasonable inquiry, the sum of:

(a) the aggregate principal amount of all Revolving Credit Loans (including all Swingline Loans), together with the amount of all Letter of Credit Liabilities, plus

(b) the aggregate amount of the Reserved Commitments

will not exceed an amount equal to the amount the Borrowing Base would be if the Borrowing Base were calculated using then-current inventory values."

(e) New Subsection 9.01(h). A new subsection 9.01(h) is hereby added to the Credit Agreement, which subsection shall provide in its entirety as follows:

"(h) as soon as available and in any event within 45 days after the end of each quarterly fiscal period of each fiscal year of the Parent, a certificate of the Parent's Responsible Officer, in a form acceptable to the Administrative Agent in its sole discretion, calculating the Borrowing Base for such quarterly fiscal period."

(f) Amendment to Section 9.10. Section 9.10(a) and (b) of the Credit Agreement is hereby modified and amended so that, as modified and amended, it shall read in its entirety as follows:

"9.10 Certain Financial Covenants.

(a) Leverage Ratio. The Parent will not permit the Total Leverage Ratio to exceed the following respective ratios at any time during the following respective periods:

| Period | Ratio |
|---|---|

| | |
|---|---|
| From and including the Restatement Effective Date to and including December 30, 1998 | 3.50 to 1.00 |
| From and including December 31, 1998 To and including December 30, 1999 | 3.25 to 1.00 |
| From and including December 31, 1999 To and including December 30, 2000 | 3.00 to 1.00 |
| From and including December 31, 2000 To and including March 31, 2001 | 2.75 to 1.00 |
| From and including April 1, 2001 to and including December 31, 2001 | [3.50] to 1.00 |
| From and including January 1, 2002 to and including March 31, 2002 | [3.25] to 1.00 |
| From and including April 1, 2002 to and including June 30, 2002 | [3.00] to 1.00 |
| From and including July 1, 2002 and at all times thereafter | [2.50] to 1.00 |

(b) Interest Coverage Ratio. The Parent will not permit the Total Interest Coverage Ratio to be less than the following respective ratios at any time during the following respective periods:

| Periods: | Ratios: |
|---|---|
| From the Restatement Effective Date through December 30, 1998 | 2.00 to 1.00 |
| From December 31, 1998 through September 29, 1999 | 2.25 to 1.00 |

| | |
|---|---|
| From September 30, 1999 through December 30, 1999 | 2.50 to 1.00 |
| From December 31, 1999 through December 30, 2000 | 3.00 to 1.00 |
| From December 31, 2000 through March 31, 2001 | 2.75 to 1.00 |
| From April 1, 2001 through December 31, 2001 | [2.00] to 1.00 |
| From January 1, 2002 through March 31, 2002 | [2.50] to 1.00 |
| From April 1, 2002 and at all times thereafter | [3.00] to 1.00" |

3. Affirmation of Representations and Warranties. Each of the Obligors hereby affirms that the representations and warranties contained in the Credit Agreement and in the Pledge Agreement are true and accurate as of the Effective Date and as of the date of the execution and delivery of this Amendment. Each further represents and warrants that each has the power to enter into and perform this Amendment. The making and performance by the Obligors of this Amendment has been duly authorized by all necessary action and will not:

(i) violate any provision of law or of any of the Obligors' certificates of incorporation or formation, or bylaws or limited liability company agreements,

(ii) result in the breach of, or constitute a default under, any agreement or instrument to which any of the Obligors is a party or by which any of the Obligors or any of their respective property may be bound or affected, or

(iii) result in the creation of any lien, charge or encumbrance upon any property or assets of any of the Obligors.

No consent, approval, authorization, declaration, exemption or other action by, or notice to, any court or governmental or administrative agency or tribunal is or will be required in connection with the execution, delivery, performance, validity or enforcement of this Amendment or any other agreement, instrument or document to be executed and delivered pursuant hereto.

4. No Impairment and Ratification. Each Guarantor consents to the entering into of this Amendment by each of the Borrowers and the other Guarantors. Each of the Obligors agrees that neither this Amendment nor anything contained herein or in any other document or instrument delivered in connection herewith shall diminish or impair any Guarantor's liability in any respect under its Guaranty. Each Guarantor further agrees that its Guaranty is, by the

execution and delivery of this Amendment, ratified, confirmed and reaffirmed in its entirety, and acknowledged to continue in full force and effect.

5. Ratification. Except as expressly amended by this Amendment, the Credit Agreement, the Pledge Agreement and the Guaranties are and shall be unchanged. All of the terms, provisions, covenants, agreements, conditions, schedules and exhibits thereof or thereto shall remain and continue in full force and effect and are hereby incorporated by reference, and hereby ratified, reaffirmed and confirmed by the Obligors and the Lenders in all respects on and as of the effective date of this Amendment. Each of the Obligors acknowledges and agrees that all liens, security interests, and pledges heretofore given to the Lenders to secure their respective indebtedness to the Lenders shall also secure all obligations arising hereunder.

6. Conditions.

The Lenders' agreements and consents in this Amendment are and shall be subject to the prior satisfaction of the following conditions precedent:

(a) Execution and Delivery of this Amendment.

All of the parties to this Amendment shall have executed and delivered a counterpart hereof.

(b) Evidence of Existence and Authorization.

The Administrative Agent shall have received for all Obligors, copies of resolutions relating to the execution and delivery of this Amendment, all certified as true, correct and complete by the Secretary or an Assistant Secretary of each Obligor.

(c) Legal Opinion.

The Administrative Agent shall have received the legal opinion of Lenna MacDonald, substantially in the form of Exhibit A attached hereto and incorporated herein by this reference

(e) Fees. The Parent shall have paid all amounts due the Administrative Agent under the fee letter dated as of ____________, 2000, between the Parent and the Administrative Agent.

(f) Proceedings Satisfactory. All proceedings taken in connection with the transactions contemplated herein shall be satisfactory to the Lenders and their counsel. The Lenders and their counsel shall have received copies of such documents as they may request in connection therewith, all in form and substance satisfactory to the Lenders and their counsel.

7. General Provisions.

(a) Entire Agreement. This Agreement, the Credit Agreement, the Pledge Agreement and the other documents to which the Obligors are parties pursuant to the Credit Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and thereof. No change, modification, addition or termination of this Agreement shall be enforceable unless in writing and signed by the party against whom enforcement is sought.

(b) Definitions. Terms used and not otherwise defined in this Amendment shall have the meanings given to them in the Credit Agreement, as amended from time to time.

(c) Benefit. This Agreement shall be binding upon the Obligors and their respective successors and assigns and shall inure to the benefit of the Lenders and their respective successors and assigns.

(d) Waiver. No waiver of the provisions hereof shall be effective unless in writing and signed by the party to be charged with such waiver. No waiver shall be deemed a continuing waiver or a waiver in respect of any breach or default, whether of a similar or a different nature, unless expressly so stated in writing.

(e) Governing Law.

The validity, construction, interpretation and enforcement of this Agreement shall be construed in accordance with the laws of the State of New York without regard to its conflict of laws.

(f) Severability. If any provision of this Agreement or its application shall be deemed invalid, illegal or unenforceable in any respect, the validity, construction, interpretation and enforceability of all other applications of that provision and of all other provisions and applications hereof shall not in any way be affected or impaired.

(g) Further Assurances. From time to time at another party's request and without further consideration, the parties shall execute and deliver such further instruments and documents, and take such other action as the requesting party may reasonably request, in order to complete more effectively the transactions contemplated in this Agreement.

(h) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. This Agreement may be executed by each party on separate copies, which copies, when combined so as to include the signatures of all parties, shall constitute a single counterpart of this Agreement.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement, effective as of the date set out in the preamble of this Agreement.

"Parent" Commonwealth Industries, Inc.

By:
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Title:
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"Borrowers"

CA Lewisport, Inc.

By:
--------------------------------------------------------
Title:
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CI Holdings, Inc.

By:
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Title:
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Commonwealth Aluminum Concast, Inc.

By:
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Title:
--------------------------------------------------------

Commonwealth Aluminum Corporation

By:
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Title:
--------------------------------------------------------

Alflex Corporation

By:
--------------------------------------------------------
Title:
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Commonwealth Aluminum Lewisport, LLC

By:
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Title:
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Commonwealth Aluminum Metals, LLC

By:
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Title:
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"Subsidiary Guarantors" Commonwealth Aluminum Sales Corporation

By:
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Title:
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Alflex E1 LLC, by its sole
member, CI Holdings, Inc.

By:
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Title:
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"Lenders" Bank One, Indiana, NA

By:
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Title:
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Each of the following Lenders hereby consents to this Amendment:

PNC Bank, National Association

By:
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Title:
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ABN AMRO Bank N.V.

By:
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Title:
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Bank of Montreal

By:
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Title:
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Credit Agricole Indosuez

By:
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Title:
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Mellon Bank, N.A.

By:
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Title:
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The Industrial Bank of Japan, Limited

By:
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Title:
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Firstar Bank, NA

By:
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Title:
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