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## NOR - Q4 2013 Noranda Aluminum Holding Corp Earnings Conference Call

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## PRESENTATION

**Operator**

Welcome to the Noranda Aluminum Holding Corporation's fourth quarter 2013 earnings conference call. Hosting the call today from Noranda Aluminum is Kip Smith, President and CEO. He is joined by Dale Boyles, CFO, and Gail Leman, General Counsel. Today's call is being recorded, and will be available for replay beginning two hours after the completion of the call. It is now my pleasure to turn the call over to Gail Lehman.

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**Gail Lehman** - *Noranda Aluminum Holding Corp. - General Counsel*

Thank you, Operator. Good morning, and welcome to today's correspondence call. Before we get started, I want to remind listeners that some comments during this call constitute forward-looking statements related to future events and expectations. Actual results may differ materially from our forward-looking statements. In our earnings release, and in our most recent SEC filings, you can find important factors that could cause actual results to differ materially from those in the forward-looking statements. Except as required by explicable securities laws, we undertake no obligation to publicly update, or revise, any forward-looking statements. During the call, we will be using certain non-GAAP financial measures. We have provided a reconciliation of these non-GAAP financial measures to the comparable GAAP measures in our press release which is available on the Investor Relations page of our website, at www.NorandaAluminum.com. We will take questions today after the discussion of our results. Now, I will turn the call over to our President and CEO, Kip Smith.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Thank you, Gail. Welcome to those joining today's earnings call. As a start todayI would like to introduce Dale Boyles who joined Noranda in early November as our CFO. Dale brings extensive financial and operational leadership experience to Noranda. Prior to joining Noranda, Dale was operating CFO for Hanesbrands inc. He also served in various capacities for KPMG, most recently as an audit partner. Some of you know Dale as part of our on going interactions with the investment community but today is his first Noranda earnings call. Welcome, Dale. It's great to have you on board.

In a low LME environment, preserving liquidity and maintaining a solid balance sheet have not been our only priorities, but they have been our central overarching priority. As reemphasized at our earnings conference call last quarter, we are committed throughout the aluminum cycle to investing to enhance our integrated platform, while maintaining a healthy balance sheet. From a growth and investment perspective we continue to make progress on our two main growth projects. The port expansion in Jamaica, and the rod mill in New Madrid. Related to our balance sheet, we took steps to enhance and extend our capital structure and improve liquidity in 2013. We restructured our senior notes, and extended their maturity to 2019. We accessed a (inaudible - Operator interruption on audio) of liquidity.

Lastly, within the context of liquidity preservation, we reduced our quarterly dividends from $0.04 per share to $0.01 per share. This action demonstrated our bias towards being a dividend paying company, and was consistent with our focus on preserving liquidity.

So, it was within the context of operating sustainability to the aluminum cycle that we made several commitments earlier in 2013. We committed to improving our controllable results in 2013 by improving the reliability of our operations. We committed to being cash neutral in the second half of 2013. Finally, we committed to take actions to create a step change in our core productivity program to improve our cash flow generation, and our profitability in 2014 and beyond. Today as we discuss the fourth quarter results, you'll see that we delivered on these commitments.

A review of our fourth quarter financial highlights. These are listed on slide three of this mornings conference call materials. Operating activities provided $22 million of cash flow in the fourth quarter. For the year, we generated a total of $63 million of cash from operating activity.

Total fourth quarter segment profit was $21 million, bringing our annual total to $93 million. Primary aluminum shipments were 150 million-pounds bringing our annual total to 589 million pounds. At the end of the fourth quarter, cash, and cash equivalent totaled $79 million with $117 million of available borrowings under our asset based loan facility. That's a combined liquidity total of $196 million, which is a $12 million increase from the end of the third quarter.

We believe there are four key take away from our call today. Take away number one. Reliable operations across our integrated platform. Our core productivity program success, and stable primary aluminum demand, supported improved liquidity in the fourth quarter despite lower LME prices. In our third quarter call we said expected to operate at or near cash flow break even for the second half of 2013. Excluding the proceeds from project specific financing in the second half, we exceeded that target by $10 million.

Take away number two, we have made substantial progress on our 2013-2016 productivity targets since announcing them at the end of October. In the third quarter call, we spoke of transforming the profit and cash flow generation capability of our business to a 60% increase in our three year core productivity target. Because of the operational and commercial sensitivity of some of the larger components of our expanded productive plans we can only discuss them once they're publicly disclosed. Today, we are in a position to describe our plans in more detail, having already made public announcements on two of the larger elements.

Take away number three, our expectation for key 2014 operating metrics combined productivity projects with 2013 successes to structurally lower our cash cost to production and drive EBITDA improvement. Our 2014 expectations include $0.05 to $0.08 reduction in integrative net cash cost driven by core productivity improvements above and beyond inflation.

Our final take away is that today we have a healthy balance sheet and a solid liquidity position. That financial foundation, our stable demand, our core productivity success, and a base of reliable operations all support us as we diligently pursue actions to accelerate our core program and sustainability improve our cost structure.

Now let's get back to our results for the quarter and our first two take away. We continue the path of improvement and controllable performance that we accomplished in the first three quarters of 2013 by driving improved production reliability and effectiveness. We were able to convert this improved production reliability into cash flow because we capitalized on our core productivity programs success, and an overall demand for our products. Slide four, in this mornings materials, illustrates that stability in volume. By the way, our fourth quarter core success was the second best quarter for core that we've ever had.

In the primary business,you see solid shipment trends in both the sequential, and year-over-year comparison. We have pursued evaluated sales strategy for decades. We've differentiated our primary aluminum by fabricating virtually every pound of primary aluminum that we make into a shape, fabricated product, or value added product.

Our top line is differentiated because of how we choose to position ourselves in the value chain with direct use customers. This customers intimacy and high levels of customer service brings stability and opportunities for growth. The flat-rolled segment did experience a sequential decline in volume. You will recall from the third quarter call that we discussed an expectation for a steep seasonal drop off. We expected that decline in part because of the combination of a milder summer and therefore a shorter thin stock selling season.

We also experienced seasonal destocking that was more severe than 2012, and more in line with what we saw in 2011. In the fourth quarter, we took the opportunity to complete turn around in our higher volume mills in the flat-rolled products business. Those turn around were completed in December, and we are ready for a traditionally busy first quarter. Demand in the flat-rolled product business has come back strong in the first quarter and the order book matches our production capacity well into the second quarter.

In summary, stable demand was instrumental for what we accomplished in 2013, and we are excited about the opportunities our customers are presenting to us in 2014. For 2013 we were able to produce positive results on a foundation of stable demand, core productivity excellence, and reliable operations. For 2014 we must build onthat foundation and address the impact of LME aluminum prices that are at all-time lows in real terms. That means we must sustainably improve our cost structure. We must sustainably improve our cost structure.

LME prices began to decline in mid-February of 2013 and for much of the year traded in the range of $0.78 to $0.85. More recently, prices fell to $0.75 a pound, today they're $0.78. These price levels at $0.75 haven't been observed since the 2009 financial crisis. The conference call material summarizes a few of the more important factors behind our view that aluminums long term fundamentals are favorable.

We have seen positive signs of producers rationalizing marginal capacity with approximately 4 million metric tons per (inaudible) since the beginning of 2012. Still, according to CRU, a large portion of global production, including 18% of production outside of China is operating at a loss. Specifically, these price levels tell us that our cost structure is not sustainable.

In our third quarter earnings call we have a plan to transform that cost structure to make it sustainable. The second key take away is we have made substantial progress towards that transformation. On slide six, you can see the description of our overall core program and how that programs looks for 2014 to 2016. As a reminder, our two previous core programs targeted $140 million of productivity, and we exceeded those targets.

To demonstrate the transformation that we're seeking over the next three years we set the new target at $225 million. At the bottom right hand corner of slide six you can see the two actions announced since October that account for a significant portion of that productivity step change.

The first was a December 2013 Company wide workforce reduction. From which, we expect to realize $15 million of annual savings. While this workforce reduction was difficult, it was a necessary part of our commitment to improve our cost structure. This reduction was thoughtfully planned to ensure that we would not adversely effect the service level of our customers, or disrupt our on going core productivity program.

The second action is a petition to the Missouri Public Service Commission toreduce the power rate in New Madrid. To be sustainable, New Madrid must have competitive power rates. Page seven of this mornings conference call material summarized the key elements of our proposal.

We are grateful for the support of a broad based coalition that recognizes the importance of New Madrid's long term sustainability. We are addressing our need for competitive power by going to the public service commission. The regulatory body in the state of Missouri chartered to regulate these kinds of issues. We look forward to actively participating in this process and to engaging in a constructive dialogue with all stakeholders.

There are other elements of the 2014 to 2016 program that we will discuss as time goes on but these two actions account for a significant part of our transformation. We believe the success of our project based approach to achieving product will be as effective in the future as it has been in the past. Now, I'll turn it over to Dale Boyle, but I think you get the sense from solid fourth quarter results as well as our outlook and direction, that we're doing what great commodity companies do in the trough of the commodity cycles. We are transforming, and renewing our Company. Dale.

**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

Thanks Kip, and good morning, everyone. Beginning with slide eight. We have our trailing 12-month trends on realized Midwest transaction price, primary aluminum net cash cost, revenue, and segment profit. Let's talk about the overall pricing environment to frame the discussion of our results.

For the year ending December 2013, the published average LME price was $0.84 per pound, $0.08 lower than the year ended 2012. While the LME declined, the Midwest premium actually increased over the past 12-months by nearly $0.01. As a result, there was an overall decline from $1.01 to $0.95 in realized price in the 12-months ended December 2013.

Since our integrated cash cost lose inversely with the LME, we would expect an $0.08 decrease in LME to result in roughly and $0.02 increase in net cash cost. You'll see on side 8 that our fourth quarter 2012 trailing 12-month net cash cost, increased by $0.02, ending at$0.83 versus the year earlier comparable of $0.81.

When you consider the effects of all other factors such as rate increase in our electricity cost that was effective throughout 2013 in the primary segment, and higher natural gas prices, this comparison demonstrates the effectiveness of our core program at offsetting the effects of inflation. I will show you this later in the slide. Let's move on to the driver of the segment profits of the quarter.

Please turn to slide nine. (inaudible)$21 million of total segment profit this quarter, consisting of $19 million from our integrated upstream business,$8 million from our flat rolled product segment, less $7 million corporate cost.

Turn to slide ten. Debt stream results with a product of 150 million pounds of total primary aluminum shipment at a net margin of $0.12 per pound. The $0.12 is a difference between the $0.90 per pound realized Midwest transaction price, and our integrated primary aluminium net cast cost of $0.78 per pound for the fourth quarter. Compared to the third quarter 2013 the realized price in the primary aluminum business fell $0.02, from $0.92 to $0.90 on lower LME prices.

Turning to side 11, you'll see two bridges that describe our performance from third quarter 2013 through the fourth quarter of 2013. The top of slide11 shows the improvement of segment profit as a result of the drop off of the seasonal peak power surcharge of $17 million. Offset partially by lower LME prices and lower flat-rolled volume. The lower flat-rolled volume were attributed to planned mill turn around and heavier customer destocking in the fourth quarter which we noted in our third quarter call.

Seasonal peak power rates are in effect from June through September. There are no peak power rates in either the first or fourth quarters. As you can see the drop off in the seasonal peak power surcharge contributed to an $0.11 decrease in net cash costand all other factors offset one another during the fourth quarter.

Moving on to slide 12 you'll see segment profit and cash cost business for the fourth quarter compared to the fourth quarter of 2012. The key point here is the success we've had in improving our operations and productivity. Beginning with the top of the chart. Top chart shows the segment profit declined primarily because of lower LME prices of $23 million, higher power and natural gas costs of $5 million, offset by core productivity improvement of $13 million. Better non-LME linked pricing and lower other commodities input cost. All combined we managed to offset almost one-half of the lower LME price impact in the fourth quarter. This demonstrates the impact of our core program.

The core productivity improvements includes items such as higher throughput, lower raw material usage rate, and lower spending. As you can see on the net cash cost bridge, our ability to drive core productivity improvements reduced our net cash cost by $0.04, down to $0.78 per pound in the fourth quarter. Now, let's turn to slide 13, and look at the year over full year changes in the segment profit and net cash cost.

Segment profit was lower in 2013 versus 2012 because of $50 million of lower LME prices,Higher power cost of $16 million, higher natural gas cost of $17 million,partially offset by $23 million of core productivity improvement. Better non-LME link pricing of $12 million, and lower commodity input cost of $6 million. Again, all combined, we managed our business well to offset all the inflationary pressures with our core productivity and offset $8 million of the lower LME prices.

As a result of those items I just highlighted, our net cash cost per pound increased by $0.02 in 2013 over 2012 mostly because of the lower LME prices.

Now let's walk through how our 21 day end of segment profit flows down to net income excluding special items. Please see slide 14 in the deck.

We had a new $4 million benefit this quarter, the difference between LIFO and FIFO inventory valuation, compared to $1 million benefit in the third quarter. Besides LIFO costs, other recurring non-cash costs were approximately $2 million,$3 million lower than the third quarter. These are items such as non-cash pension, accretion, and stock compensation expenses.

We continue to expect these other recurring non-cash items will remain at $4 million to $6 million per quarter, or $15 million to $20 million for the year. LIFO gains and losses in inventory values are less predictable. They move inversely with the LME, although a number of factors influence the magnitude.

Continuing down the table. D&A expenses, excluding special items, were $23 million, while interest expense was $13 million in the fourth quarter. The combination of those items brings us to a pre-tax loss of $13 million in the first quarter of 2013, compared to a $12 million pre-tax loss in 2012. Our annual effected tax rate for 2013 was 33.5%.

Now, let's move to the fourth quarter cash and financial management results on slide 15. Slide 15 bridges cash from the end of the third quarter to the fourth quarter. Cash from operating activity generated $22 million for the quarter. Working capital contributed $24 million, consistent with typical seasonal trends, plus the continuation of our focus on receivables and inventory levels.

In the quarter we invested a net of $16 million in property plant equipment for sustaining and growth projects. We drew $11 million on projects specific financing arrangements already in place for our port expansion in Jamaica. Excluding the project financing we generate $5 million of cash in the fourth quarter. Combined with the cash generated in the third quarter, we were $10 million positive versus our commitment to being cash neutral in the second half of 2013.

We ended the year with $79 million of cash combined with $117 million of availability under our ABL facility. We had $196 million of total liquidity at the end of the year. Our revolver was un-drawn at year end. We have no material funded debt maturity before 2019. We have no maintenance covenants under our credit facilities except for our requirement to maintain the minimum level of availability under the asset back resolver in certain circumstances. We believe this flexible capitol structure combined with controllable cost and working capital prides us with liquidity foundation as we work through the head wind presented in this portion of the commodity cycle. That wraps up 2014.

It was a different year for aluminium prices you however, we continue to position our company for the years ahead. Our core with savings of $23 million which offset higher power and natural gas cost and partially offset lower aluminium prices. We have a more flexible capitol structure, combined with our focus on managing controllable cost and working capital, provides us with a solid liquidity foundation as we work through the headwind presented by this portion of the commodity cycle. That wraps up 2013. It was a difficult year for LME pricing. However, we continue to improve our overall cost structure, and position our Company for the years ahead. Our core activities were highly successful generating savings of $23 million, which offset inflationary cost pressures including higher power and natural gas costs, and partially offset lower LME prices.

We adjusted our capital structure, and improved our overall liquidity to $196 million. We have a more flexible capital structure as a result of the actions taken during 2013 which will allow us to preserve and improve our liquidity while making investments in growth projects and improving the reliability of our operations. We exceeded our commitment and performed better in expectations in 2013.

Let's turn to slide 16 to review our outlook and expectations for 2014, and key metrics we believe are important to understanding our path forward to exceptional performance in 2014. Because of the success and adjusting our cost structure in 2013 we are stepping up our commitments for 2014.

Before I get into some of the specific assumptions please note that we do not attempt to forecast the LME pricing. The LME price sensitive inputs are based on the (inaudible) as of the January 31, 2014. In addition, we do not intend to update this information each quarter.

We are facing some head winds as we enter 2014 from unusually cold and wet weather that can impact production and result in higher natural gas cost. We use approximately $18 million BTUs of natural gas in a year. A little over 14 million in the alumina segment. The recent rise in prices could have a material impact on the full year. We don't control the weather, but we do control our response to it and are committed to making up the difference in the aluminum business.

Let me review some of the key metrics for 2014. The demand environment is very positive, which we believe is evidenced by the historical levels of the Midwest premium recentlyPrimary aluminum shipments are expected to range from 581 to 584 million pounds during the year. Our flat-rolled product segment, which has seen strong demand early in 2014, is expected to be in the range of 367 to 371 million pounds.

Now, turning to our integrated net cash cost, we expect 2014 to range between $0.75 to $0.78 per pound reflecting a new power rate, assuming it is (inaudible). The partial year impact of the new power rate would improve our net cash cost by $0.04 per pound in 2014 and more than $0.08 per pound on a full year basis. In addition, our net cash cost will benefit by $0.03 per pound from our reduction of workforce this past December, plus other key core activities offsetting inflation for the full year.

Please remember that our integrated cash cost has an inverse correlation to the changes in the LME price of $0.03 per cash cost per $0.10 change in price.

Lastly, we expect to spend $50 million to $60 million on sustaining capital expenditures in 2014 and invest another $30 million to $40 million on incremental growth projects. We're maintaining our commitment to making prudent investments in growth projects such as the new rod mill, and the port expansion project in Jamaica. We have already secured the project specific financing for the port expansion, and we are in the process of securing financing for the rod mill. Despite current LME prices, we're continuing with these projects because their returns are accretive to the business, and are largely LME independent.

In closing, our priorities for 2014 will be maintaining a healthy balance sheet, preserving and improving our liquidity, and making a step change in our core productivity to improve our cash flow generation profitability. With that, I'll turn it back over to Kip.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Thanks, Dale. Ladies and gentlemen, thank you once again for a chance to speak to you about Noranda. Before we wrap up today, I would like to thank Wayne Hale for his service to Noranda over the last two years. As we announced earlier in February, Wayne is leaving Noranda to pursue an opportunity in the metal space outside of the aluminum industry. Wayne's many contributions to our upstream business have resulted in significant and lasting improvements in process and reliability that will endure beyond his tenure.

In planning for Wayne's departure we thoughtfully evaluated our reporting infrastructure for the bauxite, alumina, and primary businesses. We made the decision to delayer Noranda's management organization, to further enhance operational efficiency and communication. Accordingly, our three reportable up stream business segments will report directly to me, just as the flat-rolled business does now. We wish Wayne the very best in his next role.

Closing on our call today, I'll note once more, our four key take aways for today which are detailed on page 17. I won't go back through them, but I want to leave you with this thought. Our strategy does not change when the LME prices change, but our focus sure does. For 2013, our focus on maintaining a healthy balance sheet and solid liquidity, were are overarching priorities for 2013.

We identified the first step in preserving our liquidity was to operate reliably. We were successful in doing so. We wanted to eliminate losses from unplanned events. We were successful in doing so. We committed that when we did have unplanned events we would work to address them so they didn't lead to significant losses. I'm proud to say that we met that objective.

We must maintain our focus on reliability so we can meet our customers' needs and capitalize on strong underlying US aluminum demand. To that, we added a step change in core productivity success as a way of improving our cost structure. We have the people and the management systems necessary to meet these new commitments. We are committed to taking actions necessary to insure that Noranda is sustainable through the trough of this commodity cycle. We proved we could do it in 2013. We fully expect to do it again in 2014. That concludes our prepared remarks for today. Karen, I will turn the call over for questions.

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## QUESTIONS AND ANSWERS

**Operator**

Thank you, Mr. Smith. (Operator Instructions). Our first question comes from David Gagliano, from Barclays.

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**David Gagliano** - *Barclays Capital - Analyst*

First of all, thank you very much for the detailed overview and outlook. It's always very helpful and much appreciated, and congratulations on a good quarter and a good outlook. I just had two questions. First of all, on the 2014 unit cost guidance, what is the natural gas price assumption you're making for that 2014 guidance?

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

It's based off the curve as of the end of January, and that's about $4.50 BTU.

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**David Gagliano** - *Barclays Capital - Analyst*

Second question. Some of the cost guidance, $0.04 of it, includes expectations around the Missouri rate case, I guess is the best way to put it. Can you talk us through in a bit more detail about the confidence in your expectations for that to actually be successful?

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

David, good morning, and this is Kip here. Thanks for being on the call. We typically don't comment on the potential outcome of the rate cases or our confidence in that. We do that as a position that is propriety to us. I do think it's fair to comment on the process, and hopefully that will give you a bit of a window in terms of our commitment to this cost activity as well as all of our other cost activities.

First, we did file a petition with the public service commission. In that petition we did ask for expedited treatment. If that acceleration request is granted by the PSC, we would expect the hearing to occur on our request on or about May 15th, right in that time frame. If we're granted that schedule, and then are granted the rate design we're asking, we've asked that implementation of that rate design occur by August 1st. That's what we've asked for. There is no guarantee that that's what we would get, but we have asked for that, and so we'll respect the decisions made by the PSC. We think it will take them a reasonable period of time to address our petition and the requests that are in it.

We are in front of the PSC because we believe this is the body in the state of Missouri was chartered to deal with questions like this, and we respect that process. We are pleased and honored that we have the support of organizations like BMI, the Missouri Industrial Electric Consumers, the Missouri Retailers, and others in both the filing of our case, and also supporting our request for expedited treatment. We've been intimately involved with the rate making process over the last five years. This is an action we believe has merit, and we have filed successfully. We will put our usual energy and enthusiasm into prosecuting this.

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**Operator**

Thank you, our next question comes from the line of Timna Tanners, from BofA Merrill Lynch.

**Timna Tammers** - *BofA Merrill Lynch - Analyst*

Good morning.

**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Good morning.

**Timna Tammers** - *BofA Merrill Lynch - Analyst*

I just want to ask the question maybe a different way. I'm curious about the timing of the filing, given in the past you have talked about having an advantage position on the power side. But also from the perspective of where the Midwest premiums are. As you mentioned in your opening remarks, very strong demand, or whatever reason has driven the Midwest premium to near record high levels. That should certainly be helping you. I'm wondering what is it about now that spurred you to go ahead with the rate case?

**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Again, thanks for the question, and to clarify we've always been very pleased with our contract with Ameren. They've been a great service provider and they've provided for us reliable power, but there has been a pretty dramatic change in the competitive circumstance in the US aluminum business. We believe that given the change in the contract that our competitors have been able to acquire, and over recent activity from the past 12 to 24 months,there are only nine smelters left, we just had one other smelter exit recently. We are in the highest cost third of the providers in the US. We believe that this rate is necessary for us to have a competitive power rate, and when you look at, even with the premiums, what the realized Midwest price is, we still believe that those are at levels that are that are very low for many smelters.

It's unsustainable. In our particular case when we look at our cost structure,we need to reduce our cost structure to be sustainable at these levels. We really do. And so it's a combination of the change in the overall industry and one that has occurred. We've watched that occur with great speed. In three cases we had a smelter that went out and two others appear to be changing the way that they're buying their power. And so change in external environment in our competitive position, and frankly, LME that forces us to look at our cost structure and do what great commodity companies do in the bottom of the cycle. You have to transform your company. You have to renew it. And that's what our plan is going forward.

**Timna Tammers** - *BofA Merrill Lynch - Analyst*

Okay, interesting. I would like to try to get more color about, what degree of impact you might have from the weather. Is it more from your customers, or from the production side? Thanks again.

**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

I'm sorry, could I trouble you to clarify that question just a little bit?

**Timna Tammers** - *BofA Merrill Lynch - Analyst*

Sure. Just wondering if you could give a little more color around your comments about the first quarter impact from weather, talking that might a near term head wind you mentioned. I was wondering if you could clarify if that is because of your production side, or the customers deferring shipment? What is it about the weather that is impacting your business?

**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Thank you for that clarification. It's primarily the impact on our production. We have seen incredibly cold and difficult weather, particularly in the month of January, and that did affect two of our production facilities. Our facility in Gramercy, and our facility in New Madrid. We are back to running the way we expect to run in Gramercy. I talked to the plant manager yesterday, and so we're back in a stable position. It really was issues generated by the extreme cold, not expected in Gramercy, Louisiana. As far as customer impact, as we indicated in our prepared remarks, we see strength in our order book, especially with our flat-rolled business. So there is not a customer demand issue. It really was those two facilities and it was really cold-weather driven.

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**Operator**

Thank you, and our next question comes from Kevin Cohen, from Imperial Capital.

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**Kevin Cohen** - *Imperial Capital - Analyst*

Good morning, and thank you for taking the questions. In terms of potential benefits on the electricity front, if for some reason that proposal is not accepted, what are the alternatives that the Company has outside of Ameren as an electricity provider?

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Thank you very much for the question, and thank you for being on our call today. The alternative that we have to Ameren are really very propriety to us, but we firmly believe in the PSC process. We believe that the materials we have provided and the testimony that we will provide going forward will represent our case fairly, and we have a lot of confidence in that process. We're very focused on this first and primary route, and there are alternatives available to us, but we believe that this is the best and most effective way to go about it.

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**Kevin Cohen** - *Imperial Capital - Analyst*

And then my question is, in terms of the Company spending at CapEx levels above maintenance to a healthy degree in 2014, should we assume the Company expects to be free cash flow positive overall given that somewhat elevated spending?How should we think about that if there is any message from that?

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

Well thanks for the question. From a cash flow standpoint, for these expansion projects, we do have specific projects and agreements in place, either for the Jamaican expansion. But we also are nearing completion for financing for the rod mills. We don't expect dramatic impact from cash flow from those two projects.

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**Operator**

(Operator Instructions). Our next question comes from the line of Brian MacArthur, from UBS.

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**Brian MacArthur** - *UBS - Analyst*

I want to go back to the power contract again. On the quarterlies you indicated Q1 will be 8% off above the average Q2 plus two Q3 minus one and Q4 minus nine. Can I assume that what you've done here for the annual is that the contract becomes effective in those numbers in third quarter? Normally that would be your seasonal high rate, and therefore if you weren't successful, I could still assume that Q1 and Q2 would be kind of right, and it's Q3 and Q4 that you brought the cost down. And secondly, if you do win this, is there any retroactive on this power deal? How does it work over the quarterly basis? There is obviously a cost factor and then a seasonal factor here as well.

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

Yes, we appreciate the question. To answer the first part there, you are correct in that the plan would be for the power impact would be second half of the year. So that's what is built in for those percentages. That would be a correct assumption. On your second question there is no change. It's going to be a flat rate impact.

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**Brian MacArthur** - *UBS - Analyst*

Right, so worst case scenario I just go back to, which I know you don't expect to get,you would still have plus-8, plus-2, and then what happened in Q3 would be plus-10 or something over the average that you'd still have the seasonality. It would be that sort-of math that we have to think about.

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

I think directionally that would be about the rate, that's correct.

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**Operator**

Thank you, our next question comes from the line of Thomas Van Buskirk, of Sidoti & Company.

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**Thomas Van Buskirk** - *Sidoti & Company - Analyst*

Good morning. I'm going to go back to the rate case again. I just have one question. Is there any historical perspective you can give on this? Is there any precedence on this? I know you don't want to handicap the outcome, and I certainly understand why. But how do you expect the process to go, and would the end result potentially be something other than what you've asked for?

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Well, first, thank you, again, for being on the call, and for your questions today. Maybe I'll start with the end of that first. We fully understand that the PSC has the latitude to approve our specific request amend it, change it. That's within their authority, and we absolutely respect that. And we are not forecasting or handicapping an outcome by virtue of the guidance we've given, either. They have to make a decision, and they'll make that decision based on the data that we provide. And we have put and will continue to put an enormous amount of effort in this activity to make sure that we provide to the PSC, the PSC staff all the data that they need to make a thoughtful decision.

My understanding is that this type of rate design is typically handled in a standard rate case as part of the rate case. And this is a bit of an unusual approach and filing. But we are filing within the boundary conditions and the rules and procedures that the PSC has. It's well within not only our rights, but within the domain authority of the PSC. So we're actually very pleased to be doing this through the PSC. We've been for years an advocate that rate case matters. Rate policy, those things that affect our rates and the rates of others should be adjudicated by the PSC.

As far as our approach on this, we're very familiar with the overall process. We have been an active participant in each and every rate case since I've been with the Company. That would be those that I have personal first-hand knowledge of. So we'll continue in this particular rate case to be very responsive to the participants and the process to make sure that they would request or comply with the very prompt and effective manner, and we'll do everything that we can to give the PSC the opportunity to evaluate our request, according to the time frame that we've asked. We don't want to be the bottle-necks. We want to make sure that we're providing the data.

So maybe the simple summary is that we believe we're pretty knowledgeable about the process, and we have lots of experts who are extremely knowledgeable about the process, and we believe this is the right place to do it, and we will absolutely give this one our very best effort and our priority focus.

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**Thomas Van Buskirk** - *Sidoti & Company - Analyst*

Thanks.

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**Operator**

Thank you, and our next question comes from the line of Brian Yu, from Citi.

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**Brian Yu** - *Citigroup - Analyst*

Thank you and good morning. I've got a follow-up question on the power proposal, too. Now as I understand it, Ameren has come out and said that you are already paying a more favorable industrial rate. Your position is, well as your customers you should accept the higher rate because if you left the system they would be paying more. Along those lines there are two questions. One, are you having active discussions now with the other power alternatives that you talked about earlier? Two, if you don't get the rate reductions that you're looking for, something close, are there existing purchase commitments today that would impact timing of when you can leave the system?

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Thank you again for the question. Let me make sure that I cover each part of the questions here. First, as far as the alternative and timeliness, we believe that we again, they're very propriety to this particular process. Getting in to the specific about what they are, we believe, would be inappropriate. But we understand them, and again, our passionate focus is on the PSC process. I think it's always thoughtful to have alternatives in something that is this important to us as a Company. But the reality is that this process is we believe the best one to achieve a sustainable outcome. That's one of the things that the PSC does.

It has to balance the needs of all the rate payers in a case like this. And certainly just to address the contention that we get a lower industrial rate than others, that's absolutely true. We also believe that it's absolutely true that our cost is lower than every body else's. When the plant was built, it was built in conjunction with a coal power plant 3,200 feet away. While our contract is with Ameren. There's a proximity of power there such that we don't use any of Ameren's infrastructure because it's a single point electricity.

By the way, we buy almost exactly the same amount of power as the entire city of Springfield, Missouri. If you can imagine that infrastructure, the power to that whole city, and our single point consumption, and our load factor where we run that plant 24/7/365, and we need that quantity of power to run that plant, the simplicity, the lack of infrastructure, the constancy of demand, it's also true that our cost of service is lower than everybody else's.

As a result we get a lower price. Unfortunately, that lower price is not competitive with what we believe our competition has or is in the process of seeking, and so we're not asking for a rate that puts us to the far left hand corner of the cost curve. In fact, we believe we're not even asking for a rate that puts us in the best third. We're asking to be in the middle because we believe that if we can get the competitive rate, then with all of our other cost saving activities, if you look at that cumulative core, that $225 million of core savings, what we're generating just all of our other projects is 3.5 times what the power impact will be in that core 225. So it's a pretty important part of what we're doing. That's for sure.

But we're doing our part as well, and we're doing it right now and we've already done it. That was 253 families no longer associated with Noranda because that's what we felt we needed to do to be sustainable for the rest of the families that get economic support from family members employment at Noranda. So we're taking the steps to drive the cost structure, and they're not easy. The power is also one that is not easy, but there is a very well respected process, and one that we have a great deal of confidence in, and we believe that we've acquired the data request, and if there's additional data requests, we'll get that for them, too. We have a lot of faith in the PSC and their staff and their ability to adjudicate cases like this. That's why it's fair to ask for a lower rate, and the PSC can then make a determination as to the fairness for all the parties that are involved.

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**Brian Yu** - *Citigroup - Analyst*

Just the second part of that question, is there any existing agreements in place that would impact when you could leave the system, if that was the choice to be made?

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

I think that would also be a bit of our propriety strategy that we also would not be prepared to discuss. So I would just leave it at that. Again, our focus is on the PSC process. We're always very focused on getting sustainable solutions. We think that's the best place for us to get our sustainable solution.

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**Brian Yu** - *Citigroup - Analyst*

Thank you, good luck.

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

Thank you very much.

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**Operator**

Thank you, and our next question comes from the line of Kevin Kuzio, with First Eagle Investment.

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**Kevin Kuzio** - *First Eagle Investment - Analyst*

Good morning.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Good morning.

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**Kevin Kuzio** - *First Eagle Investment - Analyst*

Good morning. Could you please recap for me your hedging and swap strategy for aluminum pricing and natural gas? I think you haven't been real active there, but I appreciate an update.

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

Thanks for the question. Currently, we don't have any hedging programs in place of any significance, and we will monitor those situationsas it's appropriate to make sure we're protecting our cost structure. It's a continuous evaluation but at the time we don't have any significant hedges out there.

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**Kevin Kuzio** - *First Eagle Investment - Analyst*

Thank you.

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**Operator**

Thank you, and our next question comes from the line of David (inaudible) from Jeffries.

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**Unidentified Participant**

Good morning, guys. Congratulations on a very good quarter. Glad to see that everything on the cost front is working out pretty well. My first question relates to the power case as everybody else's has. You mentioned in some of the filings with respect to the case, and I'm going to quote here, "Without the relief requested herein, the New Madrid smelter expects to reduce it's workforce by 150 to 200 employees in 2014, and then eventually be subject to closure. Thus eliminating the workforce entirely."

The first question relates to some of the others that other folks have been asking essentially. What other option do you have? You say you have propriety other options but it sounds like without doing this the smelter may ultimately have to close. And the second question I have is related to pricing that you're actually getting with respect to average sales price. For example, today the price of aluminum on the LME for cash is $0.78 a pound and the Midwest premium is $0.20 a pound. Would your average price be $0.98 a pound or be slightly above that? Thank you.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

I'm going to take the first part of the question associated with the power rate case, and then I'll turn it over to Dale to answer the second part of the question. Any time we talk privately or publicly about the reduction in our workforce, it's something that impacts us deeply. This for us is a family here, and for us to have to do that, or even talk about it, pains us greatly. We are going to take the actions that are necessary for our survival. If this case is not adjudicated in our favor we would, as we look at our other alternatives, understand which one that we would select, what timing it would impact, and we would expect that the timing would be such. Because we're going to give this public service process a full go. We expect that a follow-on process would take some time, and we would take the employee actions necessary to make sure that we have the ability to take that time.

And we would prosecute and accelerate every single one of the core projects that we have, and we're a pretty lean company as we are. We think that we're running pretty much at full board, but we would look at whatever we could do to accelerate the other projects to make sure that we have the runway to seek alternatives. And look, we believe that this is an essential. History tells that power is essential cost to be managed, and it must be competitive when you look at the progress of the smelter situation in the US. 20 or 30 years ago there were 32 smelters in the US.

When I started with Noranda there were 15, and now there are nine. We've been unable to find the smelter closure announcement that did not include power as either the sole or primary cause for the closure of that smelter. We're not any different than any other smelter out there. We have to have competitive power to be sustainable, and so we understand our duties and responsibilities to our Company, our employees, shareholders and suppliers. This is critical to us. This is the number one spot where I spend my time. That might sum it up best.

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

The pricing question, I think your question was around what would be our average realized price given the scenario of the $0.98. Just to say that usually we have a little bit of a lag on that pricing of whatever is quoted today. So depending upon how rapidly there is an increase or decrease in the components, we might lag that.

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**Unidentified Participant**

But it would essentially be just the cash price plus the premium. And then if I could ask one quick follow up with respect to something you mentioned, Kip, the closure of various other smelters. Have you been impacted at all by level of demand? And also, give me sense of what your thoughts are with respect to the Midwestern? Why do you think it's so high and do you think its sustainable? I heard numerous cases. Some think $0.20 being sustainable and some think it's too high.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

I'll start with the question about format first. I think if you look at the trends in the Midwest premium from time of announcement of closure to today, it's an illuminating story. It was 10% of the US capacity. When you take 10% of the primary capacity out in a market, the gift is balanced because the over all North American demand is substantially higher than production. But there is accommodation through recycling and imports that brings that into balance. It's worth taking a look at the premium for that announcement date to today, and to just watch what happens. I think you can draw your own conclusion from that data. When you take 10% of the primary capacity out, it reinforces our belief in the end that pricing is all about demand. It's about fundamental demands. If you have strong fundamental demands and a step change and capacity, it typically puts an upward pressure on the premiums.

As Dale mentioned earlier we don't forecast the premium but we think the behaviors are of the premium are consistent with the overall view on pricing philosophy, and pricing and our belief of what the fundamental drivers of pricing are. Fundamental demand is the one thing that I believe that most companies are most sure of. They know what their order book looks like. The stronger the order book, I think the more support there is for trying to achieve enhanced value for your product. So I think the key here is to watch the US, and if demand continues at the levels that were currently seeing, then I think that makes a pretty interesting case for the Midwest premium. If it doesn't, well, our pricing in terms of the theory would suggest there would be less support from price where is they are. The real key is watching that demand, and seeing where it goes.

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**Operator**

Thank you. That concludes our question and answer session for today. I'll turn the conference back over to Mr. Smith for closing remarks.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Operator, thank you very much. We want to thank everyone for your participation on this call. We really do appreciate your interest and your commitment of your time to be on the call today. So with that I thank you again and you can disconnect your lines and the call will be terminated. Thanks again.

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**Operator**

Ladies and gentlemen, this concludes today's teleconference. Thank you for your interest in Noranda. You may disconnect your lines at this time.

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THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

## NOR - Q4 2013 Noranda Aluminum Holding Corp Earnings Conference Call

EVENT DATE/TIME: FEBRUARY 19, 2014 / 3:00PM GMT

## CORPORATE PARTICIPANTS

**Gail Lehman** *Noranda Aluminum Holding Corp. - General Counsel*

**Kip Smith** *Noranda Aluminum Holding Corp. - President,CEO*

**Dale Boyles** *Noranda Aluminum Holding Corp. - CFO*

## CONFERENCE CALL PARTICIPANTS

**David Gagliano** *Barclays Capital - Analyst*

**Timna Tammers** *BofA Merrill Lynch - Analyst*

**Kevin Cohen** *Imperial Capital - Analyst*

**Brian MacArthur** *UBS - Analyst*

**Thomas Van Buskirk** *Sidoti & Company - Analyst*

**Brian Yu** *Citigroup - Analyst*

**Kevin Kuzio** *First Eagle Investment - Analyst*

## PRESENTATION

**Operator**

Welcome to the Noranda Aluminum Holding Corporation's fourth quarter 2013 earnings conference call. Hosting the call today from Noranda Aluminum is Kip Smith, President and CEO. He is joined by Dale Boyles, CFO, and Gail Leman, General Counsel. Today's call is being recorded, and will be available for replay beginning two hours after the completion of the call. It is now my pleasure to turn the call over to Gail Lehman.

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**Gail Lehman** - *Noranda Aluminum Holding Corp. - General Counsel*

Thank you, Operator. Good morning, and welcome to today's correspondence call. Before we get started, I want to remind listeners that some comments during this call constitute forward-looking statements related to future events and expectations. Actual results may differ materially from our forward-looking statements. In our earnings release, and in our most recent SEC filings, you can find important factors that could cause actual results to differ materially from those in the forward-looking statements. Except as required by explicable securities laws, we undertake no obligation to publicly update, or revise, any forward-looking statements. During the call, we will be using certain non-GAAP financial measures. We have provided a reconciliation of these non-GAAP financial measures to the comparable GAAP measures in our press release which is available on the Investor Relations page of our website, at www.NorandaAluminum.com. We will take questions today after the discussion of our results. Now, I will turn the call over to our President and CEO, Kip Smith.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Thank you, Gail. Welcome to those joining today's earnings call. As a start todayl would like to introduce Dale Boyles who joined Noranda in early November as our CFO. Dale brings extensive financial and operational leadership experience to Noranda. Prior to joining Noranda, Dale was operating CFO for Hanesbrands inc. He also served in various capacities for KPMG, most recently as an audit partner. Some of you know Dale as part of our on going interactions with the investment community but today is his first Noranda earnings call. Welcome, Dale. It's great to have you on board.

In a low LME environment, preserving liquidity and maintaining a solid balance sheet have not been our only priorities, but they have been our central overarching priority. As reemphasized at our earnings conference call last quarter, we are committed throughout the aluminum cycle to investing to enhance our integrated platform, while maintaining a healthy balance sheet. From a growth and investment perspective we continue to make progress on our two main growth projects. The port expansion in Jamaica, and the rod mill in New Madrid. Related to our balance sheet, we took steps to enhance and extend our capital structure and improve liquidity in 2013. We restructured our senior notes, and extended their maturity to 2019. We accessed a (inaudible - Operator interruption on audio) of liquidity.

Lastly, within the context of liquidity preservation, we reduced our quarterly dividends from $0.04 per share to $0.01 per share. This action demonstrated our bias towards being a dividend paying company, and was consistent with our focus on preserving liquidity.

So, it was within the context of operating sustainability to the aluminum cycle that we made several commitments earlier in 2013. We committed to improving our controllable results in 2013 by improving the reliability of our operations. We committed to being cash neutral in the second half of 2013. Finally, we committed to take actions to create a step change in our core productivity program to improve our cash flow generation, and our profitability in 2014 and beyond. Today as we discuss the fourth quarter results, you'll see that we delivered on these commitments.

A review of our fourth quarter financial highlights. These are listed on slide three of this mornings conference call materials. Operating activities provided $22 million of cash flow in the fourth quarter. For the year, we generated a total of $63 million of cash from operating activity.

Total fourth quarter segment profit was $21 million, bringing our annual total to $93 million. Primary aluminum shipments were 150 million-pounds bringing our annual total to 589 million pounds. At the end of the fourth quarter, cash, and cash equivalent totaled $79 million with $117 million of available borrowings under our asset based loan facility. That's a combined liquidity total of $196 million, which is a $12 million increase from the end of the third quarter.

We believe there are four key take away from our call today. Take away number one. Reliable operations across our integrated platform. Our core productivity program success, and stable primary aluminum demand, supported improved liquidity in the fourth quarter despite lower LME prices. In our third quarter call we said expected to operate at or near cash flow break even for the second half of 2013. Excluding the proceeds from project specific financing in the second half, we exceeded that target by $10 million.

Take away number two, we have made substantial progress on our 2013-2016 productivity targets since announcing them at the end of October. In the third quarter call, we spoke of transforming the profit and cash flow generation capability of our business to a 60% increase in our three year core productivity target. Because of the operational and commercial sensitivity of some of the larger components of our expanded productive plans we can only discuss them once they're publicly disclosed. Today, we are in a position to describe our plans in more detail, having already made public announcements on two of the larger elements.

Take away number three, our expectation for key 2014 operating metrics combined productivity projects with 2013 successes to structurally lower our cash cost to production and drive EBITDA improvement. Our 2014 expectations include $0.05 to $0.08 reduction in integrative net cash cost driven by core productivity improvements above and beyond inflation.

Our final take away is that today we have a healthy balance sheet and a solid liquidity position. That financial foundation, our stable demand, our core productivity success, and a base of reliable operations all support us as we diligently pursue actions to accelerate our core program and sustainability improve our cost structure.

Now let's get back to our results for the quarter and our first two take away. We continue the path of improvement and controllable performance that we accomplished in the first three quarters of 2013 by driving improved production reliability and effectiveness. We were able to convert this improved production reliability into cash flow because we capitalized on our core productivity programs success, and an overall demand for our products. Slide four, in this mornings materials, illustrates that stability in volume. By the way, our fourth quarter core success was the second best quarter for core that we've ever had.

In the primary business,you see solid shipment trends in both the sequential, and year-over-year comparison. We have pursued evaluated sales strategy for decades. We've differentiated our primary aluminum by fabricating virtually every pound of primary aluminum that we make into a shape, fabricated product, or value added product.

Our top line is differentiated because of how we choose to position ourselves in the value chain with direct use customers. This customers intimacy and high levels of customer service brings stability and opportunities for growth. The flat-rolled segment did experience a sequential decline in volume. You will recall from the third quarter call that we discussed an expectation for a steep seasonal drop off. We expected that decline in part because of the combination of a milder summer and therefore a shorter thin stock selling season.

We also experienced seasonal destocking that was more severe than 2012, and more in line with what we saw in 2011. In the fourth quarter, we took the opportunity to complete turn around in our higher volume mills in the flat-rolled products business. Those turn around were completed in December, and we are ready for a traditionally busy first quarter. Demand in the flat-rolled product business has come back strong in the first quarter and the order book matches our production capacity well into the second quarter.

In summary, stable demand was instrumental for what we accomplished in 2013, and we are excited about the opportunities our customers are presenting to us in 2014. For 2013 we were able to produce positive results on a foundation of stable demand, core productivity excellence, and reliable operations. For 2014 we must build onthat foundation and address the impact of LME aluminum prices that are at all-time lows in real terms. That means we must sustainably improve our cost structure. We must sustainably improve our cost structure.

LME prices began to decline in mid-February of 2013 and for much of the year traded in the range of $0.78 to $0.85. More recently, prices fell to $0.75 a pound, today they're $0.78. These price levels at $0.75 haven't been observed since the 2009 financial crisis. The conference call material summarizes a few of the more important factors behind our view that aluminums long term fundamentals are favorable.

We have seen positive signs of producers rationalizing marginal capacity with approximately 4 million metric tons per (inaudible) since the beginning of 2012. Still, according to CRU, a large portion of global production, including 18% of production outside of China is operating at a loss. Specifically, these price levels tell us that our cost structure is not sustainable.

In our third quarter earnings call we have a plan to transform that cost structure to make it sustainable. The second key take away is we have made substantial progress towards that transformation. On slide six, you can see the description of our overall core program and how that programs looks for 2014 to 2016. As a reminder, our two previous core programs targeted $140 million of productivity, and we exceeded those targets.

To demonstrate the transformation that we're seeking over the next three years we set the new target at $225 million. At the bottom right hand corner of slide six you can see the two actions announced since October that account for a significant portion of that productivity step change.

The first was a December 2013 Company wide workforce reduction. From which, we expect to realize $15 million of annual savings. While this workforce reduction was difficult, it was a necessary part of our commitment to improve our cost structure. This reduction was thoughtfully planned to ensure that we would not adversely effect the service level of our customers, or disrupt our on going core productivity program.

The second action is a petition to the Missouri Public Service Commission toreduce the power rate in New Madrid. To be sustainable, New Madrid must have competitive power rates. Page seven of this mornings conference call material summarized the key elements of our proposal.

We are grateful for the support of a broad based coalition that recognizes the importance of New Madrid's long term sustainability. We are addressing our need for competitive power by going to the public service commission. The regulatory body in the state of Missouri chartered to regulate these kinds of issues. We look forward to actively participating in this process and to engaging in a constructive dialogue with all stakeholders.

There are other elements of the 2014 to 2016 program that we will discuss as time goes on but these two actions account for a significant part of our transformation. We believe the success of our project based approach to achieving product will be as effective in the future as it has been in the past. Now, I'll turn it over to Dale Boyle, but I think you get the sense from solid fourth quarter results as well as our outlook and direction, that we're doing what great commodity companies do in the trough of the commodity cycles. We are transforming, and renewing our Company. Dale.

**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

Thanks Kip, and good morning, everyone. Beginning with slide eight. We have our trailing 12-month trends on realized Midwest transaction price, primary aluminum net cash cost, revenue, and segment profit. Let's talk about the overall pricing environment to frame the discussion of our results.

For the year ending December 2013, the published average LME price was $0.84 per pound, $0.08 lower than the year ended 2012. While the LME declined, the Midwest premium actually increased over the past 12-months by nearly $0.01. As a result, there was an overall decline from $1.01 to $0.95 in realized price in the 12-months ended December 2013.

Since our integrated cash cost lose inversely with the LME, we would expect an $0.08 decrease in LME to result in roughly and $0.02 increase in net cash cost. You'll see on side 8 that our fourth quarter 2012 trailing 12-month net cash cost, increased by $0.02, ending at$0.83 versus the year earlier comparable of $0.81.

When you consider the effects of all other factors such as rate increase in our electricity cost that was effective throughout 2013 in the primary segment, and higher natural gas prices, this comparison demonstrates the effectiveness of our core program at offsetting the effects of inflation. I will show you this later in the slide. Let's move on to the driver of the segment profits of the quarter.

Please turn to slide nine. (inaudible)$21 million of total segment profit this quarter, consisting of $19 million from our integrated upstream business,$8 million from our flat rolled product segment, less $7 million corporate cost.

Turn to slide ten. Debt stream results with a product of 150 million pounds of total primary aluminum shipment at a net margin of $0.12 per pound. The $0.12 is a difference between the $0.90 per pound realized Midwest transaction price, and our integrated primary aluminium net cast cost of $0.78 per pound for the fourth quarter. Compared to the third quarter 2013 the realized price in the primary aluminum business fell $0.02, from $0.92 to $0.90 on lower LME prices.

Turning to side 11, you'll see two bridges that describe our performance from third quarter 2013 through the fourth quarter of 2013. The top of slide11 shows the improvement of segment profit as a result of the drop off of the seasonal peak power surcharge of $17 million. Offset partially by lower LME prices and lower flat-rolled volume. The lower flat-rolled volume were attributed to planned mill turn around and heavier customer destocking in the fourth quarter which we noted in our third quarter call.

Seasonal peak power rates are in effect from June through September. There are no peak power rates in either the first or fourth quarters. As you can see the drop off in the seasonal peak power surcharge contributed to an $0.11 decrease in net cash costand all other factors offset one another during the fourth quarter.

Moving on to slide 12 you'll see segment profit and cash cost business for the fourth quarter compared to the fourth quarter of 2012. The key point here is the success we've had in improving our operations and productivity. Beginning with the top of the chart. Top chart shows the segment profit declined primarily because of lower LME prices of $23 million, higher power and natural gas costs of $5 million, offset by core productivity improvement of $13 million. Better non-LME linked pricing and lower other commodities input cost. All combined we managed to offset almost one-half of the lower LME price impact in the fourth quarter. This demonstrates the impact of our core program.

The core productivity improvements includes items such as higher throughput, lower raw material usage rate, and lower spending. As you can see on the net cash cost bridge, our ability to drive core productivity improvements reduced our net cash cost by $0.04, down to $0.78 per pound in the fourth quarter. Now, let's turn to slide 13, and look at the year over full year changes in the segment profit and net cash cost.

Segment profit was lower in 2013 versus 2012 because of $50 million of lower LME prices,Higher power cost of $16 million, higher natural gas cost of $17 million,partially offset by $23 million of core productivity improvement. Better non-LME link pricing of $12 million, and lower commodity input cost of $6 million. Again, all combined, we managed our business well to offset all the inflationary pressures with our core productivity and offset $8 million of the lower LME prices.

As a result of those items I just highlighted, our net cash cost per pound increased by $0.02 in 2013 over 2012 mostly because of the lower LME prices.

Now let's walk through how our 21 day end of segment profit flows down to net income excluding special items. Please see slide 14 in the deck.

We had a new $4 million benefit this quarter, the difference between LIFO and FIFO inventory valuation, compared to $1 million benefit in the third quarter. Besides LIFO costs, other recurring non-cash costs were approximately $2 million,$3 million lower than the third quarter. These are items such as non-cash pension, accretion, and stock compensation expenses.

We continue to expect these other recurring non-cash items will remain at $4 million to $6 million per quarter, or $15 million to $20 million for the year. LIFO gains and losses in inventory values are less predictable. They move inversely with the LME, although a number of factors influence the magnitude.

Continuing down the table. D&A expenses, excluding special items, were $23 million, while interest expense was $13 million in the fourth quarter. The combination of those items brings us to a pre-tax loss of $13 million in the first quarter of 2013, compared to a $12 million pre-tax loss in 2012. Our annual effected tax rate for 2013 was 33.5%.

Now, let's move to the fourth quarter cash and financial management results on slide 15. Slide 15 bridges cash from the end of the third quarter to the fourth quarter. Cash from operating activity generated $22 million for the quarter. Working capital contributed $24 million, consistent with typical seasonal trends, plus the continuation of our focus on receivables and inventory levels.

In the quarter we invested a net of $16 million in property plant equipment for sustaining and growth projects. We drew $11 million on projects specific financing arrangements already in place for our port expansion in Jamaica. Excluding the project financing we generate $5 million of cash in the fourth quarter. Combined with the cash generated in the third quarter, we were $10 million positive versus our commitment to being cash neutral in the second half of 2013.

We ended the year with $79 million of cash combined with $117 million of availability under our ABL facility. We had $196 million of total liquidity at the end of the year. Our revolver was un-drawn at year end. We have no material funded debt maturity before 2019. We have no maintenance covenants under our credit facilities except for our requirement to maintain the minimum level of availability under the asset back resolver in certain circumstances. We believe this flexible capitol structure combined with controllable cost and working capital prides us with liquidity foundation as we work through the head wind presented in this portion of the commodity cycle. That wraps up 2014.

It was a different year for aluminium prices you however, we continue to position our company for the years ahead. Our core with savings of $23 million which offset higher power and natural gas cost and partially offset lower aluminium prices. We have a more flexible capitol structure, combined with our focus on managing controllable cost and working capital, provides us with a solid liquidity foundation as we work through the headwind presented by this portion of the commodity cycle. That wraps up 2013. It was a difficult year for LME pricing. However, we continue to improve our overall cost structure, and position our Company for the years ahead. Our core activities were highly successful generating savings of $23 million, which offset inflationary cost pressures including higher power and natural gas costs, and partially offset lower LME prices.

We adjusted our capital structure, and improved our overall liquidity to $196 million. We have a more flexible capital structure as a result of the actions taken during 2013 which will allow us to preserve and improve our liquidity while making investments in growth projects and improving the reliability of our operations. We exceeded our commitment and performed better in expectations in 2013.

Let's turn to slide 16 to review our outlook and expectations for 2014, and key metrics we believe are important to understanding our path forward to exceptional performance in 2014. Because of the success and adjusting our cost structure in 2013 we are stepping up our commitments for 2014.

Before I get into some of the specific assumptions please note that we do not attempt to forecast the LME pricing. The LME price sensitive inputs are based on the (inaudible) as of the January 31, 2014. In addition, we do not intend to update this information each quarter.

We are facing some head winds as we enter 2014 from unusually cold and wet weather that can impact production and result in higher natural gas cost. We use approximately $18 million BTUs of natural gas in a year. A little over 14 million in the alumina segment. The recent rise in prices could have a material impact on the full year. We don't control the weather, but we do control our response to it and are committed to making up the difference in the aluminum business.

Let me review some of the key metrics for 2014. The demand environment is very positive, which we believe is evidenced by the historical levels of the Midwest premium recentlyPrimary aluminum shipments are expected to range from 581 to 584 million pounds during the year. Our flat-rolled product segment, which has seen strong demand early in 2014, is expected to be in the range of 367 to 371 million pounds.

Now, turning to our integrated net cash cost, we expect 2014 to range between $0.75 to $0.78 per pound reflecting a new power rate, assuming it is (inaudible). The partial year impact of the new power rate would improve our net cash cost by $0.04 per pound in 2014 and more than $0.08 per pound on a full year basis. In addition, our net cash cost will benefit by $0.03 per pound from our reduction of workforce this past December, plus other key core activities offsetting inflation for the full year.

Please remember that our integrated cash cost has an inverse correlation to the changes in the LME price of $0.03 per cash cost per $0.10 change in price.

Lastly, we expect to spend $50 million to $60 million on sustaining capital expenditures in 2014 and invest another $30 million to $40 million on incremental growth projects. We're maintaining our commitment to making prudent investments in growth projects such as the new rod mill, and the port expansion project in Jamaica. We have already secured the project specific financing for the port expansion, and we are in the process of securing financing for the rod mill. Despite current LME prices, we're continuing with these projects because their returns are accretive to the business, and are largely LME independent.

In closing, our priorities for 2014 will be maintaining a healthy balance sheet, preserving and improving our liquidity, and making a step change in our core productivity to improve our cash flow generation profitability. With that, I'll turn it back over to Kip.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Thanks, Dale. Ladies and gentlemen, thank you once again for a chance to speak to you about Noranda. Before we wrap up today, I would like to thank Wayne Hale for his service to Noranda over the last two years. As we announced earlier in February, Wayne is leaving Noranda to pursue an opportunity in the metal space outside of the aluminum industry. Wayne's many contributions to our upstream business have resulted in significant and lasting improvements in process and reliability that will endure beyond his tenure.

In planning for Wayne's departure we thoughtfully evaluated our reporting infrastructure for the bauxite, alumina, and primary businesses. We made the decision to delayer Noranda's management organization, to further enhance operational efficiency and communication. Accordingly, our three reportable up stream business segments will report directly to me, just as the flat-rolled business does now. We wish Wayne the very best in his next role.

Closing on our call today, I'll note once more, our four key take aways for today which are detailed on page 17. I won't go back through them, but I want to leave you with this thought. Our strategy does not change when the LME prices change, but our focus sure does. For 2013, our focus on maintaining a healthy balance sheet and solid liquidity, were are overarching priorities for 2013.

We identified the first step in preserving our liquidity was to operate reliably. We were successful in doing so. We wanted to eliminate losses from unplanned events. We were successful in doing so. We committed that when we did have unplanned events we would work to address them so they didn't lead to significant losses. I'm proud to say that we met that objective.

We must maintain our focus on reliability so we can meet our customers' needs and capitalize on strong underlying US aluminum demand. To that, we added a step change in core productivity success as a way of improving our cost structure. We have the people and the management systems necessary to meet these new commitments. We are committed to taking actions necessary to insure that Noranda is sustainable through the trough of this commodity cycle. We proved we could do it in 2013. We fully expect to do it again in 2014. That concludes our prepared remarks for today. Karen, I will turn the call over for questions.

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## QUESTIONS AND ANSWERS

**Operator**

Thank you, Mr. Smith. (Operator Instructions). Our first question comes from David Gagliano, from Barclays.

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**David Gagliano** - *Barclays Capital - Analyst*

First of all, thank you very much for the detailed overview and outlook. It's always very helpful and much appreciated, and congratulations on a good quarter and a good outlook. I just had two questions. First of all, on the 2014 unit cost guidance, what is the natural gas price assumption you're making for that 2014 guidance?

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

It's based off the curve as of the end of January, and that's about $4.50 BTU.

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**David Gagliano** - *Barclays Capital - Analyst*

Second question. Some of the cost guidance, $0.04 of it, includes expectations around the Missouri rate case, I guess is the best way to put it. Can you talk us through in a bit more detail about the confidence in your expectations for that to actually be successful?

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

David, good morning, and this is Kip here. Thanks for being on the call. We typically don't comment on the potential outcome of the rate cases or our confidence in that. We do that as a position that is propriety to us. I do think it's fair to comment on the process, and hopefully that will give you a bit of a window in terms of our commitment to this cost activity as well as all of our other cost activities.

First, we did file a petition with the public service commission. In that petition we did ask for expedited treatment. If that acceleration request is granted by the PSC, we would expect the hearing to occur on our request on or about May 15th, right in that time frame. If we're granted that schedule, and then are granted the rate design we're asking, we've asked that implementation of that rate design occur by August 1st. That's what we've asked for. There is no guarantee that that's what we would get, but we have asked for that, and so we'll respect the decisions made by the PSC. We think it will take them a reasonable period of time to address our petition and the requests that are in it.

We are in front of the PSC because we believe this is the body in the state of Missouri was chartered to deal with questions like this, and we respect that process. We are pleased and honored that we have the support of organizations like BMI, the Missouri Industrial Electric Consumers, the Missouri Retailers, and others in both the filing of our case, and also supporting our request for expedited treatment. We've been intimately involved with the rate making process over the last five years. This is an action we believe has merit, and we have filed successfully. We will put our usual energy and enthusiasm into prosecuting this.

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**Operator**

Thank you, our next question comes from the line of Timna Tanners, from BofA Merrill Lynch.

**Timna Tammers** - *BofA Merrill Lynch - Analyst*

Good morning.

**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Good morning.

**Timna Tammers** - *BofA Merrill Lynch - Analyst*

I just want to ask the question maybe a different way. I'm curious about the timing of the filing, given in the past you have talked about having an advantage position on the power side. But also from the perspective of where the Midwest premiums are. As you mentioned in your opening remarks, very strong demand, or whatever reason has driven the Midwest premium to near record high levels. That should certainly be helping you. I'm wondering what is it about now that spurred you to go ahead with the rate case?

**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Again, thanks for the question, and to clarify we've always been very pleased with our contract with Ameren. They've been a great service provider and they've provided for us reliable power, but there has been a pretty dramatic change in the competitive circumstance in the US aluminum business. We believe that given the change in the contract that our competitors have been able to acquire, and over recent activity from the past 12 to 24 months,there are only nine smelters left, we just had one other smelter exit recently. We are in the highest cost third of the providers in the US. We believe that this rate is necessary for us to have a competitive power rate, and when you look at, even with the premiums, what the realized Midwest price is, we still believe that those are at levels that are that are very low for many smelters.

It's unsustainable. In our particular case when we look at our cost structure,we need to reduce our cost structure to be sustainable at these levels. We really do. And so it's a combination of the change in the overall industry and one that has occurred. We've watched that occur with great speed. In three cases we had a smelter that went out and two others appear to be changing the way that they're buying their power. And so change in external environment in our competitive position, and frankly, LME that forces us to look at our cost structure and do what great commodity companies do in the bottom of the cycle. You have to transform your company. You have to renew it. And that's what our plan is going forward.

**Timna Tammers** - *BofA Merrill Lynch - Analyst*

Okay, interesting. I would like to try to get more color about, what degree of impact you might have from the weather. Is it more from your customers, or from the production side? Thanks again.

**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

I'm sorry, could I trouble you to clarify that question just a little bit?

**Timna Tammers** - *BofA Merrill Lynch - Analyst*

Sure. Just wondering if you could give a little more color around your comments about the first quarter impact from weather, talking that might a near term head wind you mentioned. I was wondering if you could clarify if that is because of your production side, or the customers deferring shipment? What is it about the weather that is impacting your business?

**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Thank you for that clarification. It's primarily the impact on our production. We have seen incredibly cold and difficult weather, particularly in the month of January, and that did affect two of our production facilities. Our facility in Gramercy, and our facility in New Madrid. We are back to running the way we expect to run in Gramercy. I talked to the plant manager yesterday, and so we're back in a stable position. It really was issues generated by the extreme cold, not expected in Gramercy, Louisiana. As far as customer impact, as we indicated in our prepared remarks, we see strength in our order book, especially with our flat-rolled business. So there is not a customer demand issue. It really was those two facilities and it was really cold-weather driven.

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**Operator**

Thank you, and our next question comes from Kevin Cohen, from Imperial Capital.

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**Kevin Cohen** - *Imperial Capital - Analyst*

Good morning, and thank you for taking the questions. In terms of potential benefits on the electricity front, if for some reason that proposal is not accepted, what are the alternatives that the Company has outside of Ameren as an electricity provider?

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Thank you very much for the question, and thank you for being on our call today. The alternative that we have to Ameren are really very propriety to us, but we firmly believe in the PSC process. We believe that the materials we have provided and the testimony that we will provide going forward will represent our case fairly, and we have a lot of confidence in that process. We're very focused on this first and primary route, and there are alternatives available to us, but we believe that this is the best and most effective way to go about it.

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**Kevin Cohen** - *Imperial Capital - Analyst*

And then my question is, in terms of the Company spending at CapEx levels above maintenance to a healthy degree in 2014, should we assume the Company expects to be free cash flow positive overall given that somewhat elevated spending?How should we think about that if there is any message from that?

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

Well thanks for the question. From a cash flow standpoint, for these expansion projects, we do have specific projects and agreements in place, either for the Jamaican expansion. But we also are nearing completion for financing for the rod mills. We don't expect dramatic impact from cash flow from those two projects.

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**Operator**

(Operator Instructions). Our next question comes from the line of Brian MacArthur, from UBS.

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**Brian MacArthur** - *UBS - Analyst*

I want to go back to the power contract again. On the quarterlies you indicated Q1 will be 8% off above the average Q2 plus two Q3 minus one and Q4 minus nine. Can I assume that what you've done here for the annual is that the contract becomes effective in those numbers in third quarter? Normally that would be your seasonal high rate, and therefore if you weren't successful, I could still assume that Q1 and Q2 would be kind of right, and it's Q3 and Q4 that you brought the cost down. And secondly, if you do win this, is there any retroactive on this power deal? How does it work over the quarterly basis? There is obviously a cost factor and then a seasonal factor here as well.

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

Yes, we appreciate the question. To answer the first part there, you are correct in that the plan would be for the power impact would be second half of the year. So that's what is built in for those percentages. That would be a correct assumption. On your second question there is no change. It's going to be a flat rate impact.

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**Brian MacArthur** - *UBS - Analyst*

Right, so worst case scenario I just go back to, which I know you don't expect to get,you would still have plus-8, plus-2, and then what happened in Q3 would be plus-10 or something over the average that you'd still have the seasonality. It would be that sort-of math that we have to think about.

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

I think directionally that would be about the rate, that's correct.

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**Operator**

Thank you, our next question comes from the line of Thomas Van Buskirk, of Sidoti & Company.

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**Thomas Van Buskirk** - *Sidoti & Company - Analyst*

Good morning. I'm going to go back to the rate case again. I just have one question. Is there any historical perspective you can give on this? Is there any precedence on this? I know you don't want to handicap the outcome, and I certainly understand why. But how do you expect the process to go, and would the end result potentially be something other than what you've asked for?

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Well, first, thank you, again, for being on the call, and for your questions today. Maybe I'll start with the end of that first. We fully understand that the PSC has the latitude to approve our specific request amend it, change it. That's within their authority, and we absolutely respect that. And we are not forecasting or handicapping an outcome by virtue of the guidance we've given, either. They have to make a decision, and they'll make that decision based on the data that we provide. And we have put and will continue to put an enormous amount of effort in this activity to make sure that we provide to the PSC, the PSC staff all the data that they need to make a thoughtful decision.

My understanding is that this type of rate design is typically handled in a standard rate case as part of the rate case. And this is a bit of an unusual approach and filing. But we are filing within the boundary conditions and the rules and procedures that the PSC has. It's well within not only our rights, but within the domain authority of the PSC. So we're actually very pleased to be doing this through the PSC. We've been for years an advocate that rate case matters. Rate policy, those things that affect our rates and the rates of others should be adjudicated by the PSC.

As far as our approach on this, we're very familiar with the overall process. We have been an active participant in each and every rate case since I've been with the Company. That would be those that I have personal first-hand knowledge of. So we'll continue in this particular rate case to be very responsive to the participants and the process to make sure that they would request or comply with the very prompt and effective manner, and we'll do everything that we can to give the PSC the opportunity to evaluate our request, according to the time frame that we've asked. We don't want to be the bottle-necks. We want to make sure that we're providing the data.

So maybe the simple summary is that we believe we're pretty knowledgeable about the process, and we have lots of experts who are extremely knowledgeable about the process, and we believe this is the right place to do it, and we will absolutely give this one our very best effort and our priority focus.

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**Thomas Van Buskirk** - *Sidoti & Company - Analyst*

Thanks.

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**Operator**

Thank you, and our next question comes from the line of Brian Yu, from Citi.

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**Brian Yu** - *Citigroup - Analyst*

Thank you and good morning. I've got a follow-up question on the power proposal, too. Now as I understand it, Ameren has come out and said that you are already paying a more favorable industrial rate. Your position is, well as your customers you should accept the higher rate because if you left the system they would be paying more. Along those lines there are two questions. One, are you having active discussions now with the other power alternatives that you talked about earlier? Two, if you don't get the rate reductions that you're looking for, something close, are there existing purchase commitments today that would impact timing of when you can leave the system?

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Thank you again for the question. Let me make sure that I cover each part of the questions here. First, as far as the alternative and timeliness, we believe that we again, they're very propriety to this particular process. Getting in to the specific about what they are, we believe, would be inappropriate. But we understand them, and again, our passionate focus is on the PSC process. I think it's always thoughtful to have alternatives in something that is this important to us as a Company. But the reality is that this process is we believe the best one to achieve a sustainable outcome. That's one of the things that the PSC does.

It has to balance the needs of all the rate payers in a case like this. And certainly just to address the contention that we get a lower industrial rate than others, that's absolutely true. We also believe that it's absolutely true that our cost is lower than every body else's. When the plant was built, it was built in conjunction with a coal power plant 3,200 feet away. While our contract is with Ameren. There's a proximity of power there such that we don't use any of Ameren's infrastructure because it's a single point electricity.

By the way, we buy almost exactly the same amount of power as the entire city of Springfield, Missouri. If you can imagine that infrastructure, the power to that whole city, and our single point consumption, and our load factor where we run that plant 24/7/365, and we need that quantity of power to run that plant, the simplicity, the lack of infrastructure, the constancy of demand, it's also true that our cost of service is lower than everybody else's.

As a result we get a lower price. Unfortunately, that lower price is not competitive with what we believe our competition has or is in the process of seeking, and so we're not asking for a rate that puts us to the far left hand corner of the cost curve. In fact, we believe we're not even asking for a rate that puts us in the best third. We're asking to be in the middle because we believe that if we can get the competitive rate, then with all of our other cost saving activities, if you look at that cumulative core, that $225 million of core savings, what we're generating just all of our other projects is 3.5 times what the power impact will be in that core 225. So it's a pretty important part of what we're doing. That's for sure.

But we're doing our part as well, and we're doing it right now and we've already done it. That was 253 families no longer associated with Noranda because that's what we felt we needed to do to be sustainable for the rest of the families that get economic support from family members employment at Noranda. So we're taking the steps to drive the cost structure, and they're not easy. The power is also one that is not easy, but there is a very well respected process, and one that we have a great deal of confidence in, and we believe that we've acquired the data request, and if there's additional data requests, we'll get that for them, too. We have a lot of faith in the PSC and their staff and their ability to adjudicate cases like this. That's why it's fair to ask for a lower rate, and the PSC can then make a determination as to the fairness for all the parties that are involved.

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**Brian Yu** - *Citigroup - Analyst*

Just the second part of that question, is there any existing agreements in place that would impact when you could leave the system, if that was the choice to be made?

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

I think that would also be a bit of our propriety strategy that we also would not be prepared to discuss. So I would just leave it at that. Again, our focus is on the PSC process. We're always very focused on getting sustainable solutions. We think that's the best place for us to get our sustainable solution.

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**Brian Yu** - *Citigroup - Analyst*

Thank you, good luck.

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

Thank you very much.

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**Operator**

Thank you, and our next question comes from the line of Kevin Kuzio, with First Eagle Investment.

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**Kevin Kuzio** - *First Eagle Investment - Analyst*

Good morning.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Good morning.

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**Kevin Kuzio** - *First Eagle Investment - Analyst*

Good morning. Could you please recap for me your hedging and swap strategy for aluminum pricing and natural gas? I think you haven't been real active there, but I appreciate an update.

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

Thanks for the question. Currently, we don't have any hedging programs in place of any significance, and we will monitor those situationsas it's appropriate to make sure we're protecting our cost structure. It's a continuous evaluation but at the time we don't have any significant hedges out there.

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**Kevin Kuzio** - *First Eagle Investment - Analyst*

Thank you.

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**Operator**

Thank you, and our next question comes from the line of David (inaudible) from Jeffries.

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**Unidentified Participant**

Good morning, guys. Congratulations on a very good quarter. Glad to see that everything on the cost front is working out pretty well. My first question relates to the power case as everybody else's has. You mentioned in some of the filings with respect to the case, and I'm going to quote here, "Without the relief requested herein, the New Madrid smelter expects to reduce it's workforce by 150 to 200 employees in 2014, and then eventually be subject to closure. Thus eliminating the workforce entirely."

The first question relates to some of the others that other folks have been asking essentially. What other option do you have? You say you have propriety other options but it sounds like without doing this the smelter may ultimately have to close. And the second question I have is related to pricing that you're actually getting with respect to average sales price. For example, today the price of aluminum on the LME for cash is $0.78 a pound and the Midwest premium is $0.20 a pound. Would your average price be $0.98 a pound or be slightly above that? Thank you.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

I'm going to take the first part of the question associated with the power rate case, and then I'll turn it over to Dale to answer the second part of the question. Any time we talk privately or publicly about the reduction in our workforce, it's something that impacts us deeply. This for us is a family here, and for us to have to do that, or even talk about it, pains us greatly. We are going to take the actions that are necessary for our survival. If this case is not adjudicated in our favor we would, as we look at our other alternatives, understand which one that we would select, what timing it would impact, and we would expect that the timing would be such. Because we're going to give this public service process a full go. We expect that a follow-on process would take some time, and we would take the employee actions necessary to make sure that we have the ability to take that time.

And we would prosecute and accelerate every single one of the core projects that we have, and we're a pretty lean company as we are. We think that we're running pretty much at full board, but we would look at whatever we could do to accelerate the other projects to make sure that we have the runway to seek alternatives. And look, we believe that this is an essential. History tells that power is essential cost to be managed, and it must be competitive when you look at the progress of the smelter situation in the US. 20 or 30 years ago there were 32 smelters in the US.

When I started with Noranda there were 15, and now there are nine. We've been unable to find the smelter closure announcement that did not include power as either the sole or primary cause for the closure of that smelter. We're not any different than any other smelter out there. We have to have competitive power to be sustainable, and so we understand our duties and responsibilities to our Company, our employees, shareholders and suppliers. This is critical to us. This is the number one spot where I spend my time. That might sum it up best.

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**Dale Boyles** - *Noranda Aluminum Holding Corp. - CFO*

The pricing question, I think your question was around what would be our average realized price given the scenario of the $0.98. Just to say that usually we have a little bit of a lag on that pricing of whatever is quoted today. So depending upon how rapidly there is an increase or decrease in the components, we might lag that.

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**Unidentified Participant**

But it would essentially be just the cash price plus the premium. And then if I could ask one quick follow up with respect to something you mentioned, Kip, the closure of various other smelters. Have you been impacted at all by level of demand? And also, give me sense of what your thoughts are with respect to the Midwestern? Why do you think it's so high and do you think its sustainable? I heard numerous cases. Some think $0.20 being sustainable and some think it's too high.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

I'll start with the question about format first. I think if you look at the trends in the Midwest premium from time of announcement of closure to today, it's an illuminating story. It was 10% of the US capacity. When you take 10% of the primary capacity out in a market, the gift is balanced because the over all North American demand is substantially higher than production. But there is accommodation through recycling and imports that brings that into balance. It's worth taking a look at the premium for that announcement date to today, and to just watch what happens. I think you can draw your own conclusion from that data. When you take 10% of the primary capacity out, it reinforces our belief in the end that pricing is all about demand. It's about fundamental demands. If you have strong fundamental demands and a step change and capacity, it typically puts an upward pressure on the premiums.

As Dale mentioned earlier we don't forecast the premium but we think the behaviors are of the premium are consistent with the overall view on pricing philosophy, and pricing and our belief of what the fundamental drivers of pricing are. Fundamental demand is the one thing that I believe that most companies are most sure of. They know what their order book looks like. The stronger the order book, I think the more support there is for trying to achieve enhanced value for your product. So I think the key here is to watch the US, and if demand continues at the levels that were currently seeing, then I think that makes a pretty interesting case for the Midwest premium. If it doesn't, well, our pricing in terms of the theory would suggest there would be less support from price where is they are. The real key is watching that demand, and seeing where it goes.

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**Operator**

Thank you. That concludes our question and answer session for today. I'll turn the conference back over to Mr. Smith for closing remarks.

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**Kip Smith** - *Noranda Aluminum Holding Corp. - President,CEO*

Operator, thank you very much. We want to thank everyone for your participation on this call. We really do appreciate your interest and your commitment of your time to be on the call today. So with that I thank you again and you can disconnect your lines and the call will be terminated. Thanks again.

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**Operator**

Ladies and gentlemen, this concludes today's teleconference. Thank you for your interest in Noranda. You may disconnect your lines at this time.

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