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PRESENTATION

Operator

Welcome to the Noranda Aluminum Holding Corporation's first quarter 2014 earnings conference call. Hosting the call today from Noranda Aluminum is Kip Smith, President and Chief Executive Officer. He is joined by Dale Boyles, Chief Financial Officer, and Gail Lehman, General Counsel. Today's call is being recorded and will be available for replay beginning in two hours after the completion of the call. It is now my pleasure to turn the call over to Gail Lehman.

Gail Lehman - *Noranda Aluminum Holding Corporation - CAO, General Counsel and Corporate Secretary*

Thank you, operator. Good morning and welcome to today's conference call.

Before we get started, I want to remind listeners that some of our comments during this call constitute forward-looking statements related to future events and expectations. Actual results may differ materially from any of our forward-looking statements. In our earnings release and in our most recent SEC filing, you can find important factors that could cause actual results to differ materially from those in the forward-looking statements. Except as required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statement.

During the call, we will be using certain non-GAAP financial measures. We have provided a reconciliation of those non-GAAP 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 Corporation - President and CEO*

Thank you, Gail. And welcome to those joining today's earnings call.

Now, one of the principles of the Noranda culture is that while we don't control certainty key factors that affect our business, we do control our response to those factors. For example, we don't control the price of aluminum, but we do control our response to aluminum prices. Likewise, we don't control the weather, but we do control our response to the weather and, as you will see, that attitude was incredibly important during the first quarter of 2014.

Now, unusually extreme winter weather in the first quarter presented operational challenges which caused a sharp increase in our current quarter production costs. There were two weather-driven components to that sharp increase in cost, neither of which is structural, neither of which is structural.

The first was the weather disrupting the operating stability of our plants. The second was the spike in the price of natural gas as severe winter in the US caused surges in natural gas demand. As we exited March, we have returned the businesses to stable operational production and, likewise, natural gas prices had fallen back to trend levels.

So, despite a challenging start to the quarter, we believe heading into the second quarter we are well-positioned to capitalize on robust demand for our key aluminum products. We managed the operating disruptions caused by the extreme weather quickly and stabilized the plants to limit the operational impact to the quarter. We were also able to mitigate the impact of these extreme weather conditions on our liquidity and to position ourselves to meet our customers' needs.

Now let's begin with a review of our first quarter financial results. These are listed on slide 3 of this morning's conference call materials. Total segment profit was $11 million compared to $21 million last quarter, and $36 million a year ago. This led to a first-quarter net loss including special items of $0.24 per share.

Unusually extreme winter weather conditions in our aluminum -- primary aluminum facilities had a $15 million negative impact to pretax income. Let's turn now to slide number 4. Here we provided more detail around the $15 million negative weather impact of pretax results for the quarter.

$11 million of that impact was from operations in our alumina and primary aluminum segments. $4 million was from a spike in natural gas prices compared to trend levels. The largest portion of the operational impact was in the alumina segment. Stable operations in Gramercy depend on consistent temperature profiles within the manufacturing process.

Now, in the past, 120 years, there were only five times that first-quarter temperatures were colder than they were in Gramercy during this past quarter. January was particularly harsh and was the coldest January in that part of Louisiana since 1978. These unusually low temperatures prevented us from keeping our refinery processes and temperatures within the process at the consistent levels necessary to operate at normal production rates. As a result, we experienced unfavorable usages of key production materials, particularly for bauxite consumption and caustic soda.

Just to provide an example, our caustic soda usage was 40% higher than normal in the first quarter of 2014.

The impact of these issues at Gramercy was $9 million of the $11 million total.

The weather story was very similar in New Madrid. As with Gramercy, in the past 120 years there were only five times the first-quarter temperatures were colder than they were in 2014. There hasn't been a colder first quarter in that region of Missouri since 1979.

The impact of this unusually extreme cold weather in New Madrid can largely be characterized into two items. The first category was the weather's negative impact on the production of anodes. This impact reduced electrical efficiency, decreased metal purity and decreased operating costs.

The second category is a significant increase in maintenance costs and over time to respond to specific events and process disruptions caused by the extreme cold. As an example, on one extremely cold night when the temperature reached 2-degrees Fahrenheit, we logged 17 maintenance calls on cranes in the pot rooms alone.

And both Gramercy and New Madrid employees all did superhuman work. Their commitment to the Company and to its customers was on full display. In very difficult circumstances, they worked extra key actions to keep the facilities operating.

We understood the importance to our business and to our customers of combining the impact of these unusually extreme conditions to as few days as possible. That attitude is what kept us this as strictly first-quarter issue.

The success of our employees' commitment to our customers is evident on slide 5. Here we have quarterly shipment statistics where you can see the relative stability of our volumes despite these weather issues. These first-quarter weather conditions were more of a production cost issue rather than an issue for demand in shipments. We worked very closely with our customers to manage delivery schedules and commitments to them to minimize the disruptions to their businesses.

In fact, the only product where weather meaningfully affected shipments was in Redraw Rod, where one of our mills would not run when it was so cold. Looking beyond the first quarter, we are encouraged by the demand we are seeing for our key aluminum products.

According to statistics from CRU, the US primary aluminum consumption is expected to grow at an annual rate of nearly 4% through 2015. According to that same CRU data, aluminum consumption in construction applications is expected to grow at nearly 5% through 2015.

Our extrusion billet is one of our key value-added primary aluminum products, with significant tie-ins to residential and nonresidential building and construction. Redraw Rod has significant tie-ins to electrical applications. Following little growth in 2013 and 2014, CRU is forecasting nearly 4% growth in electrical applications for 2015. This lines up very well without timing for bringing our new rod mill online in mid-2015.

Despite the increase in production costs, primary volumes were consistent with our expectations.

Moving next to the flat rolled products business, we saw strong demand. In the flat rolled products business, we are closely aligned with industry leaders in the HVAC and container arenas. Although, overall foil and fin-stock consumption in the US is expected to be relatively flat over the forecast period, given the strength of our customers in these segments, we are seeing growth within our existing customer base.

The bottom line is that US aluminum demand is strong and that favorably impacts demand for our products. We have a diverse product portfolio and multiple outlets for our production. That provides us the ability to ship nearly everything we produce as a value added for fabricated product. That serves as a foundation for creating value across the commodity cycle.

The stability of demand leads us to slide 6, which is a summary of the current LME price environment. We believe that the underlying long-term demand fundamentals of the aluminum industry are sound. We believe the strong demand in the US is the principal underlying factor behind higher Midwest premium levels than the first quarter.

Despite strong demand fundamentals, supply side factors have caused aluminum prices to continue trading near all-time record lows in real terms. That is one of the big reasons why we retain a passionate focus on productivity.

Slide 7 provides a description of our overall CORE program and how that program looks for 2014 through 2016. Just as a reminder, our two previous CORE programs targeted $140 million of productivity and we exceeded those targets.

To demonstrate the transformation we are seeking over the next three years, we set the new target at $225 million. Although some of the operational core improvements were hindered in the quarter by unusually extreme weather conditions, our key projects remain on track.

On slide 8 we have summarized a few points we believe are helpful in understanding the status of our rate design petition filed with the Public Service Commission, or PSC, in the state of Missouri. As we covered in our February 19 earnings call, we filed a rate design petition to retain obtain a reduced power rate for the New Madrid smelter. Since then, a key development occurred on April 16 when the PSC issued orders that allowed the case to move forward and establish a timeline for how it would do so.

So, now let's talk about what can be expected between now and our next earnings call. According to its schedule, the Public Service Commission will hold evidentiary hearings on June 4 through June 6, 2014. Following the conclusion of the hearing, there is a period of legal briefings after which the PSC will issue its decision. Once the PSC announces its decision, the earliest practical effective date for any rate change is August 13.

This case is extremely important for the New Madrid smelter and for our Company. We appreciate the support we have received from consumer groups as we seek to achieve a reduced power rate. So, it is important to remember that the ultimate outcome is up to the Public Service Commission. Although the Public Service Commission has established a schedule that allows for a timely decision in this case, this is no indication regarding how the PSC might view the merits of our rate request.

At this point, I will turn the discussion over to Dale Boyles for a deeper look at the current period results and a review of our liquidity and financial position. Dale?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Thanks, Kip, and good morning, everyone. Beginning with slide 9, we have our trailing 12-month trends on realized Midwest transaction price, primarily aluminum net cash costs, revenue, and segment profit.

Lower LME prices have certainly had a negative impact on our operating results in the periods presented. In addition, higher energy prices at our New Madrid smelter have also been a factor, accounting for $13 million of the decline in segment profit between the trailing 12 months ended March 31, 2013 and March 31, 2014.

As Kip indicated earlier, the extreme winter weather disruptions to our operations lowered our segment profit by $15 million, including $4 million of higher natural gas prices. When you exclude the $0.03 per pound of weather impact for the trailing 12 months ended March 31, 2014, our net cash cost of $0.82 per pound was the same as the trailing 12 months ended March 2013, which demonstrates our focus on driving productivity in spite of the circumstances.

Let's move to the components of segment profit for the first quarter of 2014. Please turn to slide 10.

We reported $11 million of total segment profit this quarter, consisting of $8 million from our integrated upstream business, $11 million from our flat rolled product segment, less $8 million of corporate cost. Excluding the extreme weather impact of $15 million, our integrated upstream profit would have been $23 million in the first quarter of 2014.

Turning to slide 11, our upstream results for the product of 142 million of pounds total primary aluminum shipments and a net margin of $0.05 per pound. The average realized Midwest transaction price rose $0.05 per pound compared to the fourth quarter of 2013 from $0.90 to $0.95 on higher Midwest premium prices.

Excluding the impact of the weather, our margin per pound would have been $0.16, $0.04 higher than Q4 2013, and our net cash cost of $0.79 per pound would have been $0.02 lower than the first quarter of 2013.

Turning to slide 12, you will see two bridges which describe our performance from fourth quarter of 2013 to the first quarter of 2014. At the top of the chart you see that higher average realized prices contributed $7 million of higher segment profit and higher value-added premiums and volume contributed another $2 million.

We realized $3 million of savings from our core productivity efforts in the first quarter as we continued to structurally reduce our costs. These items offset higher medical and workers' compensation costs of $3 million, and numerous other accrual timing items totaling another $4 million.

Our net cash cost was $0.90 per pound in the first quarter of 2014. Excluding the impact of the weather of approximately $0.11 per pound, which includes higher natural gas prices, would have put our net cash cost $0.01 higher than the fourth quarter of 2013 at $0.78 per pound.

Turning to slide 13, you will see two similar bridges which describe our performance from the first quarter of 2013 to the first quarter of 2014. At the top of the chart, you see the bridge from a segment profit year-over-year. There are numerous puts and takes here, but a couple of things stand out. First, lower realized prices lowered our segment profit by $16 million. Second, savings from our core productivity program contributed a $9 million increase in our segment profit.

Now, let's walk through how segment profit reconciles to net income, excluding special items. Please see slide 14 in the deck.

There is little difference between segment profit and EBITDA excluding special items this quarter. Depreciation and amortization expenses, excluding special items, were $22 million, while interest expense was $13 million in the first quarter. The combination of those items brings us to a pretax loss of $24 million in the first quarter 2014, including $15 million of weather-related impact.

Our annual effective tax rate for 2014 is approximately 32% for the discrete vesting of restricted stock in the quarter that resulted in effective rate of 30% for the first quarter. Our after-tax loss of $16 million in the first quarter was a loss per share of $0.24.

Now let's move to our first quarter cash and financial management results. Slide 15 bridges cash from the end of the fourth quarter 2013 to the end of the first quarter 2014.

Cash used in operating activities of $20 million in the first quarter of 2014 compared to cash usage of $2 million in the first quarter of 2013. Keep in mind that segment profit of was $26 million lower in the first quarter 2014 than in the first quarter last year, primarily the result of lower realized pricing of $16 million and the weather-related impact of $15 million.

It is normal for us to use cash for operating activities in the first quarter because of the seasonal build in our working capital. In the first quarter 2014, we invested $17 million in operating working capital, which is trade receivable, inventories, and payable -- trade payables. This amount is lower than the $38 million of cash used for working capital in the first quarter 2013.

In the first quarter of 2014, we built less inventory as demand was solid and our production was impacted by the extreme weather conditions. The lower working capital usage reflects our response to the first quarter issues as we were focused on mitigating the impact on our liquidity. First quarter 2014 cash flows also included $5 million of payments made in connection with the Company-wide workforce reduction we implemented in December 2013.

During the first quarter, we invested a total of $13 million in capital expenditures for sustaining and growth projects compared to $19 million in 2013.

Of the $13 million invested in the quarter, approximately $10 million was for sustaining capital and $3 million was for growth capital. For the trailing 12 months, we have invested [$56 million] in capital of which $52 million has been sustaining capital. This amount is in line with the $50 million up to $60 million of sustaining CapEx expectation for 2014 that we communicated in our February earnings call. While this amount is below what we would like to see on a sustainable basis, which is more in the $65 million to $75 million range, it is the amount we believe we can afford to spend in the current LME environment and still operate reliably.

We drew $6.5 million on project-specific financing arrangements already in place for our core expansion in Jamaica. The expansion will continue throughout the remainder of the year.

We ended the quarter with $51 million of cash and $140 million of availability under our ABL facility. Combined, that is $191 million of total liquidity at the end of the first quarter.

Other items of note include our revolver was undrawn at quarter end, except for outstanding (technical difficulty) letters of credit. We have no material funded maturities between before 2019 and we have no performance maintenance covenants under our credit facility, except for the requirements to maintain a minimum level of availability under the facility in certain circumstances.

In summary, the extreme winter weather conditions in the first quarter disrupted operations and resulted in higher production costs. We were successful in limiting the impact of the weather on our total liquidity by managing working capital and capital spending during the quarter.

Turning to the second quarter, I want to provide reminder of factors impacting our business and results. Remember that peak power rates kick in at New Madrid in June. That would be expected to increase our second-quarter's net cash cost by $0.03 per pound relative to the first quarter.

From a cash flow perspective, keep in mind as we overlap the issuance of the 11% notes last year, we have higher amounts of interest payments due in the second and fourth quarter each year. Based on debt balances and interest rates in place at the end of the first quarter 2014, we expect our second-quarter cash interest payments to be approximately $21 million, similar to the fourth quarter of 2013. We didn't make any estimated tax payments in the first quarter, but we may make two quarterly estimated tax payments in the second quarter.

Finally, while our financial performance in the first quarter was outside our expectations, we have a portfolio of core productivity projects that we can execute to keep us on target with the 2014 expectations that we originally communicated on our February call. We believe our flexible capital structure, combined with our focus on managing controllable costs and working capital, provides us with a solid liquidity foundation as we work through the headwinds presented by this portion of the commodity cycle.

With that, I will turn it back to Kip.

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Dale, thank you. Ladies and gentlemen, thank you once again for the chance to speak with you about Noranda. Closing out our call today, I will review the key takeaways which are detailed on slide number 16.

Unusually extreme winter weather conditions negatively affected production and costs in the first quarter. These conditions affected our primary and alumina businesses and reduced total segment profit by $15 million. The impact to net cash costs was a nonstructural increase of $0.11 per pound. We managed those conditions to limit their impact of the first quarter, returning our facilities to normal operating levels by quarter end.

Demand for key aluminum products continued to be strong during the first quarter with a positive outlook for the second quarter. Overall shipment volumes continued to be stable as we work closely with our customers to manage delivery schedules and commitments to minimize the disruptions of their businesses.

We continued to advance activities as a part of our $225 million three-year CORE program to structurally lower our net cash cost and support our financial sustainability. Most notably, the PSC has established a schedule which will allow a timely decision on our rate request.

Finally, our financial structure is designed to support our operations across the commodity cycle. With approximately $191 million of liquidity and no significant funded debt maturities until 2019, our financial structure provides the flexibility we need to execute the actions necessary to support our financial sustainability.

We don't take that liquidity for granted, though. We are very focused on preserving our liquidity. And it is another reason why we remain passionately focused on productivity measures as a means to transform our cost structure.

That concludes our prepared remarks for today. Operator, I will turn the call over for questions.

QUESTIONS AND ANSWERS

Operator

Thank you, Mr. Smith. (Operator Instructions) Thomas VanBuskirk, Sidoti & Company.

Thomas VanBuskirk - *Sidoti & Company - Analyst*

The first question I have is, I know that operations are back to normal as of the end of the quarter. But are there any lingering effects from any of the process disruptions or anything that could affect results in the current quarter or near future, either from raw material costs that are going to be higher or any other maintenance or other expenses that are going to be entailed from what happened in Q1?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Thomas, thanks for the question. We don't expect any material impact ongoing from the weather. We really believe that we have contained this to a first-quarter issue and so we are proceeding ahead. Plants at the end of the quarter were stabilized and running well.

Thomas VanBuskirk - *Sidoti & Company - Analyst*

Okay. And then, just a quick follow-up to that is, the working capital build was less than usual, as you said, in the first quarter. What should we expect in the second quarter? Will we see maybe a little bit more than usual there to catch up?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Thanks a lot for the question. But, yes, our typical seasonality is we build working capital in the first quarter and we kind of maintain that normally in the second quarter. We might see a little build this quarter because we didn't build as much in the first quarter because we used that inventory to meet all our customer demands. So it could be a slight increase there in the second quarter, but nothing materially to expect.

Operator

Kevin Cohen, Imperial Capital.

Kevin Cohen - *Imperial Capital - Analyst*

First, what is your outlook on the Midwest premium? It has picked up a little bit in just the last week another [quarter-cent] per pound, kind of define a lot of the skeptics. What is your guidance view that?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Kevin, good morning, and thanks for the question. We have been quite open about our view on the Midwest premium. We believe that if you are going to look at any fundamental -- the price is always driven by a number of very complex factors.

But, in terms of just the fundamental price trend and what we believe, if there is one factor that is worth more focus than any other factor, it is fundamental demand. And so when you look at the US demand picture, the data that we see from CRU, our first quarter results, and our customer demand that we saw, we believe that -- we don't want to oversimplify, but the US demand picture is solid. And we would point to that as support for the Midwest premium.

Kevin Cohen - *Imperial Capital - Analyst*

And then for my follow-up question, more of on the finance side, how do you see liquidity trending when you think about year-end 2014 versus the start of the year?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Well, as I was talking about, our working capital -- you will see those buildups early in a year, but we are using the cash. But when you build the working capital, you get that availability in the ABL facility. So we are doing everything we can and everything that is in our toolbox to maintain and preserve our liquidity for the rest of the year and throughout this part of the cycle. So we are not seeing material changes unless it was something that was unexpected.

Operator

Timna Tanners, Bank of America Merrill Lynch.

Timna Tanners - *BofA Merrill Lynch*

Just wanted to check on a few housekeeping items. The SG&A line, it looked like a significant decline from your run rate last year, so just wondering how to think about that going forward and if that is sustainable?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

I'm sorry. What was the question? Was it SG&A?

Timna Tanners - *BofA Merrill Lynch*

SG&A was a lower level than your run rate last year, so I am wondering if you could discuss the sustainability of that and how to think about it going forward, please.

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Well, most of that, what you will see is the headcount reduction or reduction in force that we did in December of 2013. So you will see those savings through the remainder of this year.

Timna Tanners - *BofA Merrill Lynch*

Okay. So that's a good run rate for the rest of the year.

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Yes.

Timna Tanners - *BofA Merrill Lynch*

Okay. Then, also, you had talked about a $10 million contribution, perhaps, once support and rod projects were done. Can you give us an update on how those are proceeding?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

I'm sorry; the $10 million? I didn't understand the $10 million. But the rod mill is progressing on schedule and on budget, and that does come on line in May of 2015. We look forward to bringing on that new mill.

Operator

Dave Katz, JPMorgan.

Dave Katz - *JPMorgan - Analyst*

In the filing, on the PSC, it said on behalf of Missouri Retailers Association that the issue in the case is whether Ameren's other customers are better positioned with Noranda's continued but reduced contribution to Ameren's fixed cost for like gambling on Ameren's providing those revenues during increase in all system sales. Other considerations are nothing more than red herrings.

This implies -- and I think some of the other filings that you guys have made implies that if the rate case doesn't go your way, you will shut down. Are you guys definitively saying that, if the rate case doesn't go your way, the company is not set up to survive long-term and that a shutdown will be forthcoming as a result?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Dave, it is Kip here. Thanks very much for the question. Just a little bit of context as I answer this question. Having a competitive power rate is as vitally important for New Madrid as it is for any smelter.

If you just look at the history, we all know from experience that there were 32 smelters about 25 years ago, there were 15 smelters six years ago and there are nine today. And as we have looked at those shutdowns, we haven't seen one that did not cite uncompetitive power as the primary cause or a primary cause of the closure.

And so, obviously, the reason why we filed a petition with the Missouri Public Service Commission was we believe -- we are very experienced with that process and we believe it is the best process for us to get a sustainable rate, a rate that is competitive and one that is sustainable. So we are very, very committed to that process.

And now, just as far as the specific answer to your question, this is a judicial process. And we are right in the middle of it. So I am sure that you can understand that we are just not in a position to speculate on or comment on specific outcomes of the case as we go forward. But, if you look at the PSC schedule, the anticipated decision on July 30, and obviously we will have a lot to say about our power immediately after that.

Dave Katz - *JPMorgan - Analyst*

Okay. And then, as my follow-up, between now and July 30, as time goes on and perhaps they get into other documentation, they have already gotten documentation from Orscheln and from Continental Cement, as well as by representatives like Marcia Heffner, Continental all opposing position that you guys have taken.

Continental Cement, in particular, raised an argument which is somewhat similar to yours, which is that you guys are suffering and could be forced to shut down, or at least be stressed as a result of the higher rates that you are paying. But Continental's position is that if your rate is lowered and theirs is increased, they would be in a similar position. How do you anticipate addressing concerns that are raised like that throughout the process?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

And, again, Dave, thanks for the follow-up question. One of the big reasons why we are in the Missouri -- in the Public Service Commission process is they are the body that designated the balance -- the concerns of all the consumers in the state. And so we have watched this process work. We have participated in this process. We have confidence in it. We are committed to it. And so on July 30, I think we will all get an opportunity to see how the PSC has managed all the issues well within the rate case.

Operator

Sal Tharani, Goldman Sachs.

Sal Tharani - *Goldman Sachs - Analyst*

Kip, there has been quite a bit of excitement in the aluminum sheet industry about the valiant white or the aluminum sheet for the automotive industry. I was wondering if you have the capacity or the availability to actually join forces with somebody to get into that field who on the downstream obviously don't hurt to go to downstream, but just a joint venture. We have seen some other relationships developed by other sheet producers in the US and I am wondering if you have looked into that at all.

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Sal, thank you very much for your question. First off, I would have to tell you that as the Chairman of the Aluminum Association, I am very pleased to see this particular development. Having the overall increase in demand in the US for the industry is something that is certainly a positive for the overall industry.

That being said, for Noranda, right now we have core markets that -- where we are really a foil producer and we have not really been a sheet -- we are not really a sheet producer. So while this is something we would obviously entertain if we felt there was an appropriate opportunity, at the moment we don't have plans to be participating in that market.

We are, however, participating in the automotive space through specialty alloyed materials like Silafont, which allows for light-weighting. We are very focused on the light-weighting trend in automotive and we are participating in that through these specialty alloys that allow part reduction, single-unit casting, that sort of thing. So this is a great development, but our assets are really more tailored towards the foil markets.

Sal Tharani - *Goldman Sachs - Analyst*

Okay. And, lastly, can you go over your guidance you had given? I just wanted to make sure we are on the same page in terms of excluding that $0.11 or whatever impact from the cash cost side from the weather was, what are your expectations for 2014, excluding also the rate case, if you don't get that?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Well, if you look at the impact of the weather on our trailing 12 months, that is about $0.03 on our net cash cost. So, while that was lower than our expectations in the first quarter with the weather impact, we do believe we have a number of actions in our CORE program that we can execute that will keep us -- or put us back on track for the remainder of 2014.

We have talked about power and what we built into our guidance there for the year. And this approved expedited schedule that we received recently, within a couple of weeks of what we expected and put in our expectations in our February earnings call.

Operator

(Operator Instructions) Bruce Klein, Credit Suisse.

Bruce Klein - *Credit Suisse - Analyst*

Most of my questions were answered, guys. But I was I guess surprised. The comment on the robust demand, is that sort of driven by transportation bottlenecks and what's going on in the premiums? Or is there any -- you mentioned construction. Is there anything else you characterize there, why things are sort of robust on the demand side?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Well, certainly, Bruce -- again, thanks for the question and good morning. A portion of it, we do believe, is the quality of our customer base. We do believe that the construction activity has had a significant impact on the HVAC side as we have disclosed.

But we will -- but that is really, again, when you look at our markets they tend to be a bit more GDP-driven. And so I would encourage you to just kind of keep an eye on that and, in particular, the building and construction arena.

Operator

Brian MacArthur, UBS.

Brian MacArthur - *UBS - Analyst*

I just want to go back to Sal's question to make sure I understand this. So first quarter we did $0.79 cash cost, ex-the $0.11. Second quarter we are going to be up a bit -- $0.03 on power, but you will probably get some savings to offset that.

Now, at the beginning of the year, you gave guidance for cash cost with a volume of [75 to 78] and now you are saying the power contract, if you win, which goes in August 13, that was kind of close to where you thought it would be. Because, obviously, third quarter it's going to jump a lot with the rate thing if you don't get it. And that was all factored in to get to your [75 to 78] for the year.

So if you sort of looked at it, you are running at [80] the first two quarters. I guess you go up for a little bit in the third quarter, and then you win your rate case and that's how you bring it back to [75 to 78]. And then if you don't get the rate case, we are going to be somewhere up around [84, 85]. Is that the right way to think about it?

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Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Yes. I think that would be the correct way. Like I said, the piler was built into the latter half of the back end of 2014. As I think we built into our expectations, the August 1 date and right now we are seeing from the PSC was implementation date of August 13, so a couple weeks there that you would shift a little bit.

Brian MacArthur - *UBS - Analyst*

And you are assuming that $0.04 credit for the back half of the year, $0.08 in a run rate doing the power rate. That is sort of what you did.

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

That's correct.

Operator

Swaraj Chowdhury, Dalton Investments.

Swaraj Chowdhury - *Dalton Investments - Analyst*

I'm trying to find out what is the key drivers for the LME price right now. Is it Chinese overproduction or is it the economic growth? It is more than 40% of the smelters are still in cash [flow]. I'm trying to understand, what is -- why they are not shut down yet, and what in future is going to determine the LME prices, because that is the maximum sensitivity to your earnings after your cash costs.

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Good morning and thanks for the question. I think I would just refer back to the commentary that I made on overall demand. There is different demand profiles around the globe. Clearly, the situation in China is one that affects global demand and I think that most of the time Chinese demand and supply becomes the $64,000 question in terms of the global LME price.

So, over time, we still believe that the demand fundamentals for the aluminum industry are solid. And we believe that when you look at the situation in China, clearly, with where the pricing is today, since they're the primary player in the smelters that are in the fourth quartile, they have the most smelters that are the largest percentage in that quartile that would be suffering from this.

So that equation remains one that is just very, very difficult to forecast and very, very difficult to predict. And if I just turn that back to Noranda, that is why we just pound our strategy wherever we are in the cycle. We just have to drive productivity year in, year out because of the uncertainty associated with the LME -- where it's been and where it is today and (inaudible).

The answer here for us is just the transformation that we have talked about in our cost structure to be able to make our line through difficult -- making our way through a difficult period and be sustainable because, as you look at the construction of new smelters, they are still building. And those are brand-new technology. So we have got to be able to compete with that to both survive and prosper.

Operator

David Olkovetsky, Jefferies.

David Olkovetsky - *Jefferies & Co. - Analyst*

I only have one question and it relates to the co-located electricity utility. You guys have a pretty deep-pocketed parent and you are already quite vertically integrated. Have you -- have they considered purchasing that asset? And also, with the new rate proposal, would that asset be cash flow positive and/or positive ROI, et cetera?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

David, thank you very much for the question. Just as a note of brief clarification, as a publicly traded company, we obviously don't have a parent. But we do have a very significant shareholder in Apollo Management. And having been around Apollo and Apollo-owned companies now for coming up on 10 years, I can tell you that their investment decisions are things that they keep very close to the chest. And so I couldn't comment and wouldn't have any knowledge of what their plans might be in that regard.

And then, as far as, again, the viability of that facility in the face of our new rate proposal, we are in the midst of this Public Service Commission process and we would not comment on that. But, again, thank you very much for the question.

Operator

[Aaron Rumsfeld, Carlisle].

Aaron Rumsfeld - *Carlisle - Analyst*

I just had a question on the potential outcomes for the rate design position, in that is the ruling that we would hear on July 30, is that sort of -- is it binary? Is it sort of zero-sum? Are you going to get sort of -- did they rule that you are either getting the full effect or you are getting nothing? Or can there be something in between where they say, hey, you don't get the $0.08 but you get $0.04 or something like that? Any color on that?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

We can give a little bit of color. I'm going to ask Gail Lehman, our General Counsel, to do so.

Gail Lehman - *Noranda Aluminum Holding Corporation - CAO, General Counsel and Corporate Secretary*

Sure. I mean, the PSC is the ruling body on that, so they have leeway in what they can adjudicate and we have our ask, which is pretty clear. You can see from the public documents. But we don't know, in the end, what they will decide. And, as Kip has said quite clearly, we don't want to speculate on what their ultimate decision will be.

Aaron Rumsfeld - *Carlisle - Analyst*

Is there a precedent? I'm sure you have looked at all the precedent cases. Has that sort of happened where there it is something in the middle or has it always been sort of yes or no?

Gail Lehman - *Noranda Aluminum Holding Corporation - CAO, General Counsel and Corporate Secretary*

There really isn't a whole lot of precedent. Obviously, there are more usual cases where Ameren brings the rate case to get a rate increase. And so it really isn't as usual for ratepayers to bring a case like this seeking a rate reduction. So truthfully, there really isn't a whole lot I can help you out there with past cases and what has been done.

Operator

Paretosh Misra, Morgan Stanley.

Paretosh Misra - *Morgan Stanley - Analyst*

We saw some very strong [lift with these premiums] in first quarter, so I'm just curious, in your downstream segment, in the flat rolled products, were you able to pass through those to your customers?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Good morning, Paretosh, Kip here and thanks for the question. Our typical contract, they are structured to step up strategically. We don't try to, if you will, profit on the Midwest or the LME. We really are focused as a matter of strategy to pass that through to our customers. And so, since that is the way we structure our contracts, we generally are able to pass that through.

Operator

Kevin Cohen, Imperial Capital.

Kevin Cohen - *Imperial Capital - Analyst*

Just in regard to the core program, do you guys expect that to be somewhat ratably received over the next few years? Or do you expect that to ramp up just given it seemed like the first quarter number was a bit on the modest side?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

I have to apologize. I missed the first part of your question; my apologies.

Kevin Cohen - *Imperial Capital - Analyst*

No problem. The CORE program, do you guys expect that to be received ratably over the next three years? Or do you expect that to ramp up? Just given the first quarter number, it seemed like it was somewhat on the lighter side, just given the size of the aggregate program.

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Yes, I think, first off, thanks again for the question. When we look at the CORE program, we actually build out quarter by quarter of program. So, while we wouldn't necessarily expect it to be ratable because there are major projects like power that will come in and hit specific quarters, so we really keep our program based on a three-year level because there is some moving around of these things from year to year.

So that is probably the best guidance that we can give. But the big project that is obviously going to impact -- or one of the big projects that is going to impact this year, will be the power rate.

Operator

Sal Tharani, Goldman Sachs.

Sal Tharani - *Goldman Sachs - Analyst*

Kip, just a quick question. In your press release, you mentioned that your revenues was down year-over-year because your primary aluminum [in fact or prior] segments are linked to LME, which is obviously not a new thing. But I was wondering are they linked to LME or are they linked to LME plus the Midwest premium? So is it the transaction price that they are linked to, or are you only alumina sales are linked strictly to the LME price?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Just to the LME, Sal, for the alumina.

Sal Tharani - *Goldman Sachs - Analyst*

And how about the flat rolled?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

As Kip said, that is a pass-through with the Midwest premium in our flat rolled business.

Operator

I am not showing any further questions in the queue in this time. I will turn the call back over to Mr. Smith for any closing remarks.

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Thank you very much, and ladies and gentlemen thank you all. This does conclude our teleconference. We deeply appreciate your interest in Noranda and appreciate your commitment of time today to listen to our call. Thanks again and you can disconnect your lines now.

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EDITED TRANSCRIPT

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PRESENTATION

Operator

Welcome to the Noranda Aluminum Holding Corporation's first quarter 2014 earnings conference call. Hosting the call today from Noranda Aluminum is Kip Smith, President and Chief Executive Officer. He is joined by Dale Boyles, Chief Financial Officer, and Gail Lehman, General Counsel. Today's call is being recorded and will be available for replay beginning in two hours after the completion of the call. It is now my pleasure to turn the call over to Gail Lehman.

Gail Lehman - *Noranda Aluminum Holding Corporation - CAO, General Counsel and Corporate Secretary*

Thank you, operator. Good morning and welcome to today's conference call.

Before we get started, I want to remind listeners that some of our comments during this call constitute forward-looking statements related to future events and expectations. Actual results may differ materially from any of our forward-looking statements. In our earnings release and in our most recent SEC filing, you can find important factors that could cause actual results to differ materially from those in the forward-looking statements. Except as required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statement.

During the call, we will be using certain non-GAAP financial measures. We have provided a reconciliation of those non-GAAP 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.

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Thank you, Gail. And welcome to those joining today's earnings call.

Now, one of the principles of the Noranda culture is that while we don't control certainty key factors that affect our business, we do control our response to those factors. For example, we don't control the price of aluminum, but we do control our response to aluminum prices. Likewise, we don't control the weather, but we do control our response to the weather and, as you will see, that attitude was incredibly important during the first quarter of 2014.

Now, unusually extreme winter weather in the first quarter presented operational challenges which caused a sharp increase in our current quarter production costs. There were two weather-driven components to that sharp increase in cost, neither of which is structural, neither of which is structural.

The first was the weather disrupting the operating stability of our plants. The second was the spike in the price of natural gas as severe winter in the US caused surges in natural gas demand. As we exited March, we have returned the businesses to stable operational production and, likewise, natural gas prices had fallen back to trend levels.

So, despite a challenging start to the quarter, we believe heading into the second quarter we are well-positioned to capitalize on robust demand for our key aluminum products. We managed the operating disruptions caused by the extreme weather quickly and stabilized the plants to limit the operational impact to the quarter. We were also able to mitigate the impact of these extreme weather conditions on our liquidity and to position ourselves to meet our customers' needs.

Now let's begin with a review of our first quarter financial results. These are listed on slide 3 of this morning's conference call materials. Total segment profit was $11 million compared to $21 million last quarter, and $36 million a year ago. This led to a first-quarter net loss including special items of $0.24 per share.

Unusually extreme winter weather conditions in our aluminum -- primary aluminum facilities had a $15 million negative impact to pretax income. Let's turn now to slide number 4. Here we provided more detail around the $15 million negative weather impact of pretax results for the quarter.

$11 million of that impact was from operations in our alumina and primary aluminum segments. $4 million was from a spike in natural gas prices compared to trend levels. The largest portion of the operational impact was in the alumina segment. Stable operations in Gramercy depend on consistent temperature profiles within the manufacturing process.

Now, in the past, 120 years, there were only five times that first-quarter temperatures were colder than they were in Gramercy during this past quarter. January was particularly harsh and was the coldest January in that part of Louisiana since 1978. These unusually low temperatures prevented us from keeping our refinery processes and temperatures within the process at the consistent levels necessary to operate at normal production rates. As a result, we experienced unfavorable usages of key production materials, particularly for bauxite consumption and caustic soda.

Just to provide an example, our caustic soda usage was 40% higher than normal in the first quarter of 2014.

The impact of these issues at Gramercy was $9 million of the $11 million total.

The weather story was very similar in New Madrid. As with Gramercy, in the past 120 years there were only five times the first-quarter temperatures were colder than they were in 2014. There hasn't been a colder first quarter in that region of Missouri since 1979.

The impact of this unusually extreme cold weather in New Madrid can largely be characterized into two items. The first category was the weather's negative impact on the production of anodes. This impact reduced electrical efficiency, decreased metal purity and decreased operating costs.

The second category is a significant increase in maintenance costs and over time to respond to specific events and process disruptions caused by the extreme cold. As an example, on one extremely cold night when the temperature reached 2-degrees Fahrenheit, we logged 17 maintenance calls on cranes in the pot rooms alone.

And both Gramercy and New Madrid employees all did superhuman work. Their commitment to the Company and to its customers was on full display. In very difficult circumstances, they worked extra key actions to keep the facilities operating.

We understood the importance to our business and to our customers of combining the impact of these unusually extreme conditions to as few days as possible. That attitude is what kept us this as strictly first-quarter issue.

The success of our employees' commitment to our customers is evident on slide 5. Here we have quarterly shipment statistics where you can see the relative stability of our volumes despite these weather issues. These first-quarter weather conditions were more of a production cost issue rather than an issue for demand in shipments. We worked very closely with our customers to manage delivery schedules and commitments to them to minimize the disruptions to their businesses.

In fact, the only product where weather meaningfully affected shipments was in Redraw Rod, where one of our mills would not run when it was so cold. Looking beyond the first quarter, we are encouraged by the demand we are seeing for our key aluminum products.

According to statistics from CRU, the US primary aluminum consumption is expected to grow at an annual rate of nearly 4% through 2015. According to that same CRU data, aluminum consumption in construction applications is expected to grow at nearly 5% through 2015.

Our extrusion billet is one of our key value-added primary aluminum products, with significant tie-ins to residential and nonresidential building and construction. Redraw Rod has significant tie-ins to electrical applications. Following little growth in 2013 and 2014, CRU is forecasting nearly 4% growth in electrical applications for 2015. This lines up very well without timing for bringing our new rod mill online in mid-2015.

Despite the increase in production costs, primary volumes were consistent with our expectations.

Moving next to the flat rolled products business, we saw strong demand. In the flat rolled products business, we are closely aligned with industry leaders in the HVAC and container arenas. Although, overall foil and fin-stock consumption in the US is expected to be relatively flat over the forecast period, given the strength of our customers in these segments, we are seeing growth within our existing customer base.

The bottom line is that US aluminum demand is strong and that favorably impacts demand for our products. We have a diverse product portfolio and multiple outlets for our production. That provides us the ability to ship nearly everything we produce as a value added for fabricated product. That serves as a foundation for creating value across the commodity cycle.

The stability of demand leads us to slide 6, which is a summary of the current LME price environment. We believe that the underlying long-term demand fundamentals of the aluminum industry are sound. We believe the strong demand in the US is the principal underlying factor behind higher Midwest premium levels than the first quarter.

Despite strong demand fundamentals, supply side factors have caused aluminum prices to continue trading near all-time record lows in real terms. That is one of the big reasons why we retain a passionate focus on productivity.

Slide 7 provides a description of our overall CORE program and how that program looks for 2014 through 2016. Just as a reminder, our two previous CORE programs targeted $140 million of productivity and we exceeded those targets.

To demonstrate the transformation we are seeking over the next three years, we set the new target at $225 million. Although some of the operational core improvements were hindered in the quarter by unusually extreme weather conditions, our key projects remain on track.

On slide 8 we have summarized a few points we believe are helpful in understanding the status of our rate design petition filed with the Public Service Commission, or PSC, in the state of Missouri. As we covered in our February 19 earnings call, we filed a rate design petition to retain obtain a reduced power rate for the New Madrid smelter. Since then, a key development occurred on April 16 when the PSC issued orders that allowed the case to move forward and establish a timeline for how it would do so.

So, now let's talk about what can be expected between now and our next earnings call. According to its schedule, the Public Service Commission will hold evidentiary hearings on June 4 through June 6, 2014. Following the conclusion of the hearing, there is a period of legal briefings after which the PSC will issue its decision. Once the PSC announces its decision, the earliest practical effective date for any rate change is August 13.

This case is extremely important for the New Madrid smelter and for our Company. We appreciate the support we have received from consumer groups as we seek to achieve a reduced power rate. So, it is important to remember that the ultimate outcome is up to the Public Service Commission. Although the Public Service Commission has established a schedule that allows for a timely decision in this case, this is no indication regarding how the PSC might view the merits of our rate request.

At this point, I will turn the discussion over to Dale Boyles for a deeper look at the current period results and a review of our liquidity and financial position. Dale?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Thanks, Kip, and good morning, everyone. Beginning with slide 9, we have our trailing 12-month trends on realized Midwest transaction price, primarily aluminum net cash costs, revenue, and segment profit.

Lower LME prices have certainly had a negative impact on our operating results in the periods presented. In addition, higher energy prices at our New Madrid smelter have also been a factor, accounting for $13 million of the decline in segment profit between the trailing 12 months ended March 31, 2013 and March 31, 2014.

As Kip indicated earlier, the extreme winter weather disruptions to our operations lowered our segment profit by $15 million, including $4 million of higher natural gas prices. When you exclude the $0.03 per pound of weather impact for the trailing 12 months ended March 31, 2014, our net cash cost of $0.82 per pound was the same as the trailing 12 months ended March 2013, which demonstrates our focus on driving productivity in spite of the circumstances.

Let's move to the components of segment profit for the first quarter of 2014. Please turn to slide 10.

We reported $11 million of total segment profit this quarter, consisting of $8 million from our integrated upstream business, $11 million from our flat rolled product segment, less $8 million of corporate cost. Excluding the extreme weather impact of $15 million, our integrated upstream profit would have been $23 million in the first quarter of 2014.

Turning to slide 11, our upstream results for the product of 142 million of pounds total primary aluminum shipments and a net margin of $0.05 per pound. The average realized Midwest transaction price rose $0.05 per pound compared to the fourth quarter of 2013 from $0.90 to $0.95 on higher Midwest premium prices.

Excluding the impact of the weather, our margin per pound would have been $0.16, $0.04 higher than Q4 2013, and our net cash cost of $0.79 per pound would have been $0.02 lower than the first quarter of 2013.

Turning to slide 12, you will see two bridges which describe our performance from fourth quarter of 2013 to the first quarter of 2014. At the top of the chart you see that higher average realized prices contributed $7 million of higher segment profit and higher value-added premiums and volume contributed another $2 million.

We realized $3 million of savings from our core productivity efforts in the first quarter as we continued to structurally reduce our costs. These items offset higher medical and workers' compensation costs of $3 million, and numerous other accrual timing items totaling another $4 million.

Our net cash cost was $0.90 per pound in the first quarter of 2014. Excluding the impact of the weather of approximately $0.11 per pound, which includes higher natural gas prices, would have put our net cash cost $0.01 higher than the fourth quarter of 2013 at $0.78 per pound.

Turning to slide 13, you will see two similar bridges which describe our performance from the first quarter of 2013 to the first quarter of 2014. At the top of the chart, you see the bridge from a segment profit year-over-year. There are numerous puts and takes here, but a couple of things stand out. First, lower realized prices lowered our segment profit by $16 million. Second, savings from our core productivity program contributed a $9 million increase in our segment profit.

Now, let's walk through how segment profit reconciles to net income, excluding special items. Please see slide 14 in the deck.

There is little difference between segment profit and EBITDA excluding special items this quarter. Depreciation and amortization expenses, excluding special items, were $22 million, while interest expense was $13 million in the first quarter. The combination of those items brings us to a pretax loss of $24 million in the first quarter 2014, including $15 million of weather-related impact.

Our annual effective tax rate for 2014 is approximately 32% for the discrete vesting of restricted stock in the quarter that resulted in effective rate of 30% for the first quarter. Our after-tax loss of $16 million in the first quarter was a loss per share of $0.24.

Now let's move to our first quarter cash and financial management results. Slide 15 bridges cash from the end of the fourth quarter 2013 to the end of the first quarter 2014.

Cash used in operating activities of $20 million in the first quarter of 2014 compared to cash usage of $2 million in the first quarter of 2013. Keep in mind that segment profit of was $26 million lower in the first quarter 2014 than in the first quarter last year, primarily the result of lower realized pricing of $16 million and the weather-related impact of $15 million.

It is normal for us to use cash for operating activities in the first quarter because of the seasonal build in our working capital. In the first quarter 2014, we invested $17 million in operating working capital, which is trade receivable, inventories, and payable -- trade payables. This amount is lower than the $38 million of cash used for working capital in the first quarter 2013.

In the first quarter of 2014, we built less inventory as demand was solid and our production was impacted by the extreme weather conditions. The lower working capital usage reflects our response to the first quarter issues as we were focused on mitigating the impact on our liquidity. First quarter 2014 cash flows also included $5 million of payments made in connection with the Company-wide workforce reduction we implemented in December 2013.

During the first quarter, we invested a total of $13 million in capital expenditures for sustaining and growth projects compared to $19 million in 2013.

Of the $13 million invested in the quarter, approximately $10 million was for sustaining capital and $3 million was for growth capital. For the trailing 12 months, we have invested [$56 million] in capital of which $52 million has been sustaining capital. This amount is in line with the $50 million up to $60 million of sustaining CapEx expectation for 2014 that we communicated in our February earnings call. While this amount is below what we would like to see on a sustainable basis, which is more in the $65 million to $75 million range, it is the amount we believe we can afford to spend in the current LME environment and still operate reliably.

We drew $6.5 million on project-specific financing arrangements already in place for our core expansion in Jamaica. The expansion will continue throughout the remainder of the year.

We ended the quarter with $51 million of cash and $140 million of availability under our ABL facility. Combined, that is $191 million of total liquidity at the end of the first quarter.

Other items of note include our revolver was undrawn at quarter end, except for outstanding (technical difficulty) letters of credit. We have no material funded maturities between before 2019 and we have no performance maintenance covenants under our credit facility, except for the requirements to maintain a minimum level of availability under the facility in certain circumstances.

In summary, the extreme winter weather conditions in the first quarter disrupted operations and resulted in higher production costs. We were successful in limiting the impact of the weather on our total liquidity by managing working capital and capital spending during the quarter.

Turning to the second quarter, I want to provide reminder of factors impacting our business and results. Remember that peak power rates kick in at New Madrid in June. That would be expected to increase our second-quarter's net cash cost by $0.03 per pound relative to the first quarter.

From a cash flow perspective, keep in mind as we overlap the issuance of the 11% notes last year, we have higher amounts of interest payments due in the second and fourth quarter each year. Based on debt balances and interest rates in place at the end of the first quarter 2014, we expect our second-quarter cash interest payments to be approximately $21 million, similar to the fourth quarter of 2013. We didn't make any estimated tax payments in the first quarter, but we may make two quarterly estimated tax payments in the second quarter.

Finally, while our financial performance in the first quarter was outside our expectations, we have a portfolio of core productivity projects that we can execute to keep us on target with the 2014 expectations that we originally communicated on our February call. We believe our flexible capital structure, combined with our focus on managing controllable costs and working capital, provides us with a solid liquidity foundation as we work through the headwinds presented by this portion of the commodity cycle.

With that, I will turn it back to Kip.

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Dale, thank you. Ladies and gentlemen, thank you once again for the chance to speak with you about Noranda. Closing out our call today, I will review the key takeaways which are detailed on slide number 16.

Unusually extreme winter weather conditions negatively affected production and costs in the first quarter. These conditions affected our primary and alumina businesses and reduced total segment profit by $15 million. The impact to net cash costs was a nonstructural increase of $0.11 per pound. We managed those conditions to limit their impact of the first quarter, returning our facilities to normal operating levels by quarter end.

Demand for key aluminum products continued to be strong during the first quarter with a positive outlook for the second quarter. Overall shipment volumes continued to be stable as we work closely with our customers to manage delivery schedules and commitments to minimize the disruptions of their businesses.

We continued to advance activities as a part of our $225 million three-year CORE program to structurally lower our net cash cost and support our financial sustainability. Most notably, the PSC has established a schedule which will allow a timely decision on our rate request.

Finally, our financial structure is designed to support our operations across the commodity cycle. With approximately $191 million of liquidity and no significant funded debt maturities until 2019, our financial structure provides the flexibility we need to execute the actions necessary to support our financial sustainability.

We don't take that liquidity for granted, though. We are very focused on preserving our liquidity. And it is another reason why we remain passionately focused on productivity measures as a means to transform our cost structure.

That concludes our prepared remarks for today. Operator, I will turn the call over for questions.

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QUESTIONS AND ANSWERS

Operator

Thank you, Mr. Smith. (Operator Instructions) Thomas VanBuskirk, Sidoti & Company.

Thomas VanBuskirk - *Sidoti & Company - Analyst*

The first question I have is, I know that operations are back to normal as of the end of the quarter. But are there any lingering effects from any of the process disruptions or anything that could affect results in the current quarter or near future, either from raw material costs that are going to be higher or any other maintenance or other expenses that are going to be entailed from what happened in Q1?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Thomas, thanks for the question. We don't expect any material impact ongoing from the weather. We really believe that we have contained this to a first-quarter issue and so we are proceeding ahead. Plants at the end of the quarter were stabilized and running well.

Thomas VanBuskirk - *Sidoti & Company - Analyst*

Okay. And then, just a quick follow-up to that is, the working capital build was less than usual, as you said, in the first quarter. What should we expect in the second quarter? Will we see maybe a little bit more than usual there to catch up?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Thanks a lot for the question. But, yes, our typical seasonality is we build working capital in the first quarter and we kind of maintain that normally in the second quarter. We might see a little build this quarter because we didn't build as much in the first quarter because we used that inventory to meet all our customer demands. So it could be a slight increase there in the second quarter, but nothing materially to expect.

Operator

Kevin Cohen, Imperial Capital.

Kevin Cohen - *Imperial Capital - Analyst*

First, what is your outlook on the Midwest premium? It has picked up a little bit in just the last week another [quarter-cent] per pound, kind of define a lot of the skeptics. What is your guidance view that?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Kevin, good morning, and thanks for the question. We have been quite open about our view on the Midwest premium. We believe that if you are going to look at any fundamental -- the price is always driven by a number of very complex factors.

But, in terms of just the fundamental price trend and what we believe, if there is one factor that is worth more focus than any other factor, it is fundamental demand. And so when you look at the US demand picture, the data that we see from CRU, our first quarter results, and our customer demand that we saw, we believe that -- we don't want to oversimplify, but the US demand picture is solid. And we would point to that as support for the Midwest premium.

Kevin Cohen - *Imperial Capital - Analyst*

And then for my follow-up question, more of on the finance side, how do you see liquidity trending when you think about year-end 2014 versus the start of the year?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Well, as I was talking about, our working capital -- you will see those buildups early in a year, but we are using the cash. But when you build the working capital, you get that availability in the ABL facility. So we are doing everything we can and everything that is in our toolbox to maintain and preserve our liquidity for the rest of the year and throughout this part of the cycle. So we are not seeing material changes unless it was something that was unexpected.

Operator

Timna Tanners, Bank of America Merrill Lynch.

Timna Tanners - *BofA Merrill Lynch*

Just wanted to check on a few housekeeping items. The SG&A line, it looked like a significant decline from your run rate last year, so just wondering how to think about that going forward and if that is sustainable?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

I'm sorry. What was the question? Was it SG&A?

Timna Tanners - *BofA Merrill Lynch*

SG&A was a lower level than your run rate last year, so I am wondering if you could discuss the sustainability of that and how to think about it going forward, please.

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Well, most of that, what you will see is the headcount reduction or reduction in force that we did in December of 2013. So you will see those savings through the remainder of this year.

Timna Tanners - *BofA Merrill Lynch*

Okay. So that's a good run rate for the rest of the year.

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Yes.

Timna Tanners - *BofA Merrill Lynch*

Okay. Then, also, you had talked about a $10 million contribution, perhaps, once support and rod projects were done. Can you give us an update on how those are proceeding?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

I'm sorry; the $10 million? I didn't understand the $10 million. But the rod mill is progressing on schedule and on budget, and that does come on line in May of 2015. We look forward to bringing on that new mill.

Operator

Dave Katz, JPMorgan.

Dave Katz - *JPMorgan - Analyst*

In the filing, on the PSC, it said on behalf of Missouri Retailers Association that the issue in the case is whether Ameren's other customers are better positioned with Noranda's continued but reduced contribution to Ameren's fixed cost for like gambling on Ameren's providing those revenues during increase in all system sales. Other considerations are nothing more than red herrings.

This implies -- and I think some of the other filings that you guys have made implies that if the rate case doesn't go your way, you will shut down. Are you guys definitively saying that, if the rate case doesn't go your way, the company is not set up to survive long-term and that a shutdown will be forthcoming as a result?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Dave, it is Kip here. Thanks very much for the question. Just a little bit of context as I answer this question. Having a competitive power rate is as vitally important for New Madrid as it is for any smelter.

If you just look at the history, we all know from experience that there were 32 smelters about 25 years ago, there were 15 smelters six years ago and there are nine today. And as we have looked at those shutdowns, we haven't seen one that did not cite uncompetitive power as the primary cause or a primary cause of the closure.

And so, obviously, the reason why we filed a petition with the Missouri Public Service Commission was we believe -- we are very experienced with that process and we believe it is the best process for us to get a sustainable rate, a rate that is competitive and one that is sustainable. So we are very, very committed to that process.

And now, just as far as the specific answer to your question, this is a judicial process. And we are right in the middle of it. So I am sure that you can understand that we are just not in a position to speculate on or comment on specific outcomes of the case as we go forward. But, if you look at the PSC schedule, the anticipated decision on July 30, and obviously we will have a lot to say about our power immediately after that.

Dave Katz - *JPMorgan - Analyst*

Okay. And then, as my follow-up, between now and July 30, as time goes on and perhaps they get into other documentation, they have already gotten documentation from Orscheln and from Continental Cement, as well as by representatives like Marcia Heffner, Continental all opposing position that you guys have taken.

Continental Cement, in particular, raised an argument which is somewhat similar to yours, which is that you guys are suffering and could be forced to shut down, or at least be stressed as a result of the higher rates that you are paying. But Continental's position is that if your rate is lowered and theirs is increased, they would be in a similar position. How do you anticipate addressing concerns that are raised like that throughout the process?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

And, again, Dave, thanks for the follow-up question. One of the big reasons why we are in the Missouri -- in the Public Service Commission process is they are the body that designated the balance -- the concerns of all the consumers in the state. And so we have watched this process work. We have participated in this process. We have confidence in it. We are committed to it. And so on July 30, I think we will all get an opportunity to see how the PSC has managed all the issues well within the rate case.

Operator

Sal Tharani, Goldman Sachs.

Sal Tharani - *Goldman Sachs - Analyst*

Kip, there has been quite a bit of excitement in the aluminum sheet industry about the valiant white or the aluminum sheet for the automotive industry. I was wondering if you have the capacity or the availability to actually join forces with somebody to get into that field who on the downstream obviously don't hurt to go to downstream, but just a joint venture. We have seen some other relationships developed by other sheet producers in the US and I am wondering if you have looked into that at all.

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Sal, thank you very much for your question. First off, I would have to tell you that as the Chairman of the Aluminum Association, I am very pleased to see this particular development. Having the overall increase in demand in the US for the industry is something that is certainly a positive for the overall industry.

That being said, for Noranda, right now we have core markets that -- where we are really a foil producer and we have not really been a sheet -- we are not really a sheet producer. So while this is something we would obviously entertain if we felt there was an appropriate opportunity, at the moment we don't have plans to be participating in that market.

We are, however, participating in the automotive space through specialty alloyed materials like Silafont, which allows for light-weighting. We are very focused on the light-weighting trend in automotive and we are participating in that through these specialty alloys that allow part reduction, single-unit casting, that sort of thing. So this is a great development, but our assets are really more tailored towards the foil markets.

Sal Tharani - *Goldman Sachs - Analyst*

Okay. And, lastly, can you go over your guidance you had given? I just wanted to make sure we are on the same page in terms of excluding that $0.11 or whatever impact from the cash cost side from the weather was, what are your expectations for 2014, excluding also the rate case, if you don't get that?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Well, if you look at the impact of the weather on our trailing 12 months, that is about $0.03 on our net cash cost. So, while that was lower than our expectations in the first quarter with the weather impact, we do believe we have a number of actions in our CORE program that we can execute that will keep us -- or put us back on track for the remainder of 2014.

We have talked about power and what we built into our guidance there for the year. And this approved expedited schedule that we received recently, within a couple of weeks of what we expected and put in our expectations in our February earnings call.

Operator

(Operator Instructions) Bruce Klein, Credit Suisse.

Bruce Klein - *Credit Suisse - Analyst*

Most of my questions were answered, guys. But I was I guess surprised. The comment on the robust demand, is that sort of driven by transportation bottlenecks and what's going on in the premiums? Or is there any -- you mentioned construction. Is there anything else you characterize there, why things are sort of robust on the demand side?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Well, certainly, Bruce -- again, thanks for the question and good morning. A portion of it, we do believe, is the quality of our customer base. We do believe that the construction activity has had a significant impact on the HVAC side as we have disclosed.

But we will -- but that is really, again, when you look at our markets they tend to be a bit more GDP-driven. And so I would encourage you to just kind of keep an eye on that and, in particular, the building and construction arena.

Operator

Brian MacArthur, UBS.

Brian MacArthur - *UBS - Analyst*

I just want to go back to Sal's question to make sure I understand this. So first quarter we did $0.79 cash cost, ex-the $0.11. Second quarter we are going to be up a bit -- $0.03 on power, but you will probably get some savings to offset that.

Now, at the beginning of the year, you gave guidance for cash cost with a volume of [75 to 78] and now you are saying the power contract, if you win, which goes in August 13, that was kind of close to where you thought it would be. Because, obviously, third quarter it's going to jump a lot with the rate thing if you don't get it. And that was all factored in to get to your [75 to 78] for the year.

So if you sort of looked at it, you are running at [80] the first two quarters. I guess you go up for a little bit in the third quarter, and then you win your rate case and that's how you bring it back to [75 to 78]. And then if you don't get the rate case, we are going to be somewhere up around [84, 85]. Is that the right way to think about it?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

Yes. I think that would be the correct way. Like I said, the piler was built into the latter half of the back end of 2014. As I think we built into our expectations, the August 1 date and right now we are seeing from the PSC was implementation date of August 13, so a couple weeks there that you would shift a little bit.

Brian MacArthur - *UBS - Analyst*

And you are assuming that $0.04 credit for the back half of the year, $0.08 in a run rate doing the power rate. That is sort of what you did.

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

That's correct.

Operator

Swaraj Chowdhury, Dalton Investments.

Swaraj Chowdhury - *Dalton Investments - Analyst*

I'm trying to find out what is the key drivers for the LME price right now. Is it Chinese overproduction or is it the economic growth? It is more than 40% of the smelters are still in cash [flow]. I'm trying to understand, what is -- why they are not shut down yet, and what in future is going to determine the LME prices, because that is the maximum sensitivity to your earnings after your cash costs.

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Good morning and thanks for the question. I think I would just refer back to the commentary that I made on overall demand. There is different demand profiles around the globe. Clearly, the situation in China is one that affects global demand and I think that most of the time Chinese demand and supply becomes the $64,000 question in terms of the global LME price.

So, over time, we still believe that the demand fundamentals for the aluminum industry are solid. And we believe that when you look at the situation in China, clearly, with where the pricing is today, since they're the primary player in the smelters that are in the fourth quartile, they have the most smelters that are the largest percentage in that quartile that would be suffering from this.

So that equation remains one that is just very, very difficult to forecast and very, very difficult to predict. And if I just turn that back to Noranda, that is why we just pound our strategy wherever we are in the cycle. We just have to drive productivity year in, year out because of the uncertainty associated with the LME -- where it's been and where it is today and (inaudible).

The answer here for us is just the transformation that we have talked about in our cost structure to be able to make our line through difficult -- making our way through a difficult period and be sustainable because, as you look at the construction of new smelters, they are still building. And those are brand-new technology. So we have got to be able to compete with that to both survive and prosper.

Operator

David Olkovetsky, Jefferies.

David Olkovetsky - *Jefferies & Co. - Analyst*

I only have one question and it relates to the co-located electricity utility. You guys have a pretty deep-pocketed parent and you are already quite vertically integrated. Have you -- have they considered purchasing that asset? And also, with the new rate proposal, would that asset be cash flow positive and/or positive ROI, et cetera?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

David, thank you very much for the question. Just as a note of brief clarification, as a publicly traded company, we obviously don't have a parent. But we do have a very significant shareholder in Apollo Management. And having been around Apollo and Apollo-owned companies now for coming up on 10 years, I can tell you that their investment decisions are things that they keep very close to the chest. And so I couldn't comment and wouldn't have any knowledge of what their plans might be in that regard.

And then, as far as, again, the viability of that facility in the face of our new rate proposal, we are in the midst of this Public Service Commission process and we would not comment on that. But, again, thank you very much for the question.

Operator

[Aaron Rumsfeld, Carlisle].

Aaron Rumsfeld - *Carlisle - Analyst*

I just had a question on the potential outcomes for the rate design position, in that is the ruling that we would hear on July 30, is that sort of -- is it binary? Is it sort of zero-sum? Are you going to get sort of -- did they rule that you are either getting the full effect or you are getting nothing? Or can there be something in between where they say, hey, you don't get the $0.08 but you get $0.04 or something like that? Any color on that?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

We can give a little bit of color. I'm going to ask Gail Lehman, our General Counsel, to do so.

Gail Lehman - *Noranda Aluminum Holding Corporation - CAO, General Counsel and Corporate Secretary*

Sure. I mean, the PSC is the ruling body on that, so they have leeway in what they can adjudicate and we have our ask, which is pretty clear. You can see from the public documents. But we don't know, in the end, what they will decide. And, as Kip has said quite clearly, we don't want to speculate on what their ultimate decision will be.

Aaron Rumsfeld - *Carlisle - Analyst*

Is there a precedent? I'm sure you have looked at all the precedent cases. Has that sort of happened where there it is something in the middle or has it always been sort of yes or no?

Gail Lehman - *Noranda Aluminum Holding Corporation - CAO, General Counsel and Corporate Secretary*

There really isn't a whole lot of precedent. Obviously, there are more usual cases where Ameren brings the rate case to get a rate increase. And so it really isn't as usual for ratepayers to bring a case like this seeking a rate reduction. So truthfully, there really isn't a whole lot I can help you out there with past cases and what has been done.

Operator

Paretosh Misra, Morgan Stanley.

Paretosh Misra - *Morgan Stanley - Analyst*

We saw some very strong [lift with these premiums] in first quarter, so I'm just curious, in your downstream segment, in the flat rolled products, were you able to pass through those to your customers?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Good morning, Paretosh, Kip here and thanks for the question. Our typical contract, they are structured to step up strategically. We don't try to, if you will, profit on the Midwest or the LME. We really are focused as a matter of strategy to pass that through to our customers. And so, since that is the way we structure our contracts, we generally are able to pass that through.

Operator

Kevin Cohen, Imperial Capital.

Kevin Cohen - *Imperial Capital - Analyst*

Just in regard to the core program, do you guys expect that to be somewhat ratably received over the next few years? Or do you expect that to ramp up just given it seemed like the first quarter number was a bit on the modest side?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

I have to apologize. I missed the first part of your question; my apologies.

Kevin Cohen - *Imperial Capital - Analyst*

No problem. The CORE program, do you guys expect that to be received ratably over the next three years? Or do you expect that to ramp up? Just given the first quarter number, it seemed like it was somewhat on the lighter side, just given the size of the aggregate program.

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Yes, I think, first off, thanks again for the question. When we look at the CORE program, we actually build out quarter by quarter of program. So, while we wouldn't necessarily expect it to be ratable because there are major projects like power that will come in and hit specific quarters, so we really keep our program based on a three-year level because there is some moving around of these things from year to year.

So that is probably the best guidance that we can give. But the big project that is obviously going to impact -- or one of the big projects that is going to impact this year, will be the power rate.

Operator

Sal Tharani, Goldman Sachs.

Sal Tharani - *Goldman Sachs - Analyst*

Kip, just a quick question. In your press release, you mentioned that your revenues was down year-over-year because your primary aluminum [in fact or prior] segments are linked to LME, which is obviously not a new thing. But I was wondering are they linked to LME or are they linked to LME plus the Midwest premium? So is it the transaction price that they are linked to, or are you only alumina sales are linked strictly to the LME price?

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Just to the LME, Sal, for the alumina.

Sal Tharani - *Goldman Sachs - Analyst*

And how about the flat rolled?

Dale Boyles - *Noranda Aluminum Holding Corporation - CFO*

As Kip said, that is a pass-through with the Midwest premium in our flat rolled business.

Operator

I am not showing any further questions in the queue in this time. I will turn the call back over to Mr. Smith for any closing remarks.

Kip Smith - *Noranda Aluminum Holding Corporation - President and CEO*

Thank you very much, and ladies and gentlemen thank you all. This does conclude our teleconference. We deeply appreciate your interest in Noranda and appreciate your commitment of time today to listen to our call. Thanks again and you can disconnect your lines now.