Noranda Aluminum Holding CORP
Form 10-Q/A
May 10, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

(Mark One)

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period from [to].

Commission file number: 333-148977

NORANDA ALUMINUM HOLDING CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-8908550**
(State or Other Jurisdiction	**(I.R.S. Employer**
of Incorporation)	**Identification Number)**
801 Crescent Centre Drive, Suite 600	
Franklin, Tennessee	**37067**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s Telephone Number, Including Area Code: (615) 771-5700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ¨ NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ¨ NO x

As of April 30, 2010, there were 43,788,232 shares of Noranda common stock outstanding.

Explanatory Note

The purpose of this amendment is to correct certain numbers included under the heading Last Twelve Months Ended March 31, 2010 in the tables reconciling net income (loss) to Adjusted EBITDA on pages 40 and 41 of this report, which were incorrect due to computational error, and to make a clarifying change to statements regarding changes in working capital under the heading Operating Activities on page 37 of this report. No other changes have been made to this report, and this amendment has not been updated to reflect events occurring subsequent to the filing of this report.

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

Overview

Noranda Aluminum Holding Corporation is controlled by affiliates of Apollo Management, L.P. (collectively, Apollo). Unless otherwise specified or unless the context otherwise requires, references to (i) Noranda HoldCo refer only to Noranda Aluminum Holding Corporation, excluding its subsidiaries; (ii) AcquisitionCo refer only to Noranda Aluminum Acquisition Corporation, the wholly owned direct subsidiary of Noranda HoldCo, excluding its subsidiaries; and (iii) the Company, Noranda, we, us and our refer collectively to Noranda HoldCo ar subsidiaries.

We are a vertically integrated producer of value-added primary aluminum products and high quality rolled aluminum coils. We have two businesses: our upstream business and downstream business. Our upstream business consists of three reportable segments: primary aluminum products, alumina refining, and bauxite. These three segments are closely integrated and consist of an aluminum smelter near New Madrid, Missouri, which we refer to as New Madrid, and supporting operations at our bauxite mining operations in St. Ann, Jamaica (Noranda Bauxite Limited, or St. Ann) and our alumina refinery in Gramercy, Louisiana (Noranda Alumina, LLC, or Gramercy). New Madrid has annual production capacity of approximately 580 million pounds (263,000 metric tonnes), which represented more than 15% of total 2009 U.S. primary aluminum production, based on statistics from the Aluminum Association. Our flat rolled products segment comprises our downstream business, which is one of the largest aluminum foil producers in North America and consists of four rolling mill facilities with a combined maximum annual production capacity of 410 to 495 million pounds, depending on production mix. Our corporate expenses comprise our corporate segment.

Our first quarter 2010 operating results reflect these significant events:

Rising aluminum prices and Midwest premiums, stronger demand, effective productivity initiatives, and progress in returning our New Madrid smelter to full capacity had a favorable impact on first quarter 2010 revenues, operating income (loss) and net income (loss) compared to first quarter 2009.

During first quarter 2010, our realized Midwest Transaction Price (MWTP) was approximately $1.04 per pound, compared to $0.70 per pound in first quarter 2009.

We shipped 95.1 million pounds of primary aluminum to third party customers in first quarter 2010 compared to 76.7 million pounds shipped in first quarter 2009, reflecting a stronger economy and the return of New Madrid smelter to full capacity, which operated at an average of 89% capacity during first quarter 2010. Our downstream business delivered 83.8 million pounds of rolled metal in first quarter 2010 compared to 71.7 million in first quarter 2009, also a reflection of the stronger economy and our increased share of demand.

As a result of the effects of higher MWTP and increased primary aluminum and rolled metal product shipments, combined with third party sales of alumina and bauxite from our August 2009 acquisition of Gramercy and St. Ann, we reported first quarter 2010 sales of $301.5 million, an 84% increase against first quarter 2009 revenues.

First quarter 2010 operating income was $7.6 million, compared to an $85.2 million operating loss in first quarter 2009, which included $43.0 million of goodwill and intangible asset impairment charges.

Net loss was $0.1 million in first quarter 2010, compared to a $44.3 million net income in first quarter 2009. Net results for 2009 included the favorable impact of debt repurchase and hedging gains, partially offset by impairment write-downs of our equity-method investment in Gramercy and St. Ann.

We continued to improve our balance sheet by voluntarily repaying $215.9 million of outstanding debt on our revolving credit facility during first quarter 2010. We ended first quarter 2010 with total indebtedness of $728.3 million and $31.5 million in cash and cash equivalents. We had no outstanding draws on our senior revolving credit facility and $216.2 million of available borrowing capacity.

Forward-looking Statements

This report contains forward-looking statements which involve risks and uncertainties. You can identify forward-looking statements because they contain words such as believes, expects, may, should, seeks, approximately, intends, plans, estimates, or anticipates or that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are

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reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements herein are based upon information available to us on the date of this report.

Important factors that could cause actual results to differ materially from our expectations, which we refer to as cautionary statements, are disclosed under Risk Factors included in our Form 10-K filed on March 2, 2010, including, without limitation, in conjunction with the forward-looking statements included in this report. All forward-looking information in this report and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. In light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report may not in fact occur. Accordingly, investors should not place undue reliance on those statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). Preparation of these statements requires management to make significant judgments and estimates. Some accounting policies have a significant impact on amounts reported in these financial statements. Our financial position and/or results of operations may be materially different when reported under different conditions or when using different assumptions in the application of such policies. In the event estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information. The preparation of interim financial statements involves the use of certain estimates that are consistent with those used in the preparation of our annual financial statements. See Note 1 of the notes to our consolidated financial statements for the fiscal year ended December 31, 2009 included in our Annual Report on Form 10-K, filed March 2, 2010 and our Form 8-K filed with the SEC on April 26, 2010 to reflect the effects of a change in segments and a two-for-one stock split, for a discussion of our critical accounting policies. Hereinafter, Note refers to the notes to the condensed consolidated financial statements elsewhere in this report unless the context otherwise requires.

Results of Operations

	Three months ended March 31,	
	2009	2010
(in millions)	$	$
Statements of Operations Data[1]:		
Sales	164.3	301.5
Operating costs and expenses:		
Cost of sales	184.3	264.9
Selling, general and administrative expenses	22.2	29.0
Goodwill and other intangible asset impairment	43.0	
	249.5	293.9
Operating income (loss)	(85.2)	7.6
Other (income) expenses		
Interest expense, net	15.9	9.2
Gain on hedging activities, net	(45.1)	(1.8)
Equity in net loss of investments in affiliates	44.0	
(Gain) loss on debt repurchase	(152.2)	0.1
Income (loss) before income taxes	52.2	
Income tax (benefit) expense	7.9	
Net income (loss) for the period	44.3	(0.1)
Net income (loss) per share:		
Basic	$ 1.02	$ (0.00)
Diluted	$ 1.02	$ (0.00)
Weighted-average shares outstanding:		
Basic	43.48	43.77
Diluted	43.48	43.77
Sales by segment:		
Bauxite		27.6
Alumina refining		91.6
Primary aluminum products	75.3	133.5
Flat rolled products	97.2	125.8
Eliminations	(8.2)	(77.0)
Total	164.3	301.5
Operating income:		
Bauxite		4.5
Alumina refining		0.2
Primary aluminum products	(36.0)	10.6
Flat rolled products	(40.7)	1.9
Corporate	(8.5)	(9.7)
Total	(85.2)	7.6
Financial and other data:		
Average realized Midwest transaction price[2]	0.70	1.04
Net cash cost for primary aluminum products (per pound shipped)[3]	0.85	0.72
Shipments:		

Third party shipments:		
Bauxite (kMts)		488.5
Alumina refining (kMts)		172.2
Primary aluminum products (pounds, in millions)	76.7	95.1
Flat rolled products (pounds, in millions)	71.7	83.8
Intersegment shipments:		
Bauxite (kMts)		528.2
Alumina (kMts)		101.3
Primary aluminum products (pounds, in millions)	12.2	25.7

(1) Figures may not add due to rounding.

(2) The price for primary aluminum products consists of two components: the price quoted for primary aluminum ingot by the London Metal Exchange (LME) and the Midwest transaction premium, a premium to LME price reflecting domestic market dynamics as well as the cost of shipping and warehousing. As a significant portion of our value-added products are sold at the prior month s MWTP plus a fabrication premium, we calculate a realized MWTP which reflects the specific pricing of sale transactions in each period.

(3) Unit net cash cost for primary aluminum products per pound represents our net cash costs of producing commodity grade aluminum as priced on the LME plus the Midwest premium. We have provided unit net cash cost for primary aluminum products per pound shipped because we believe it provides investors with additional information to measure our operating performance. Using this metric, investors are able to assess the prevailing LME price plus Midwest premium per pound versus our unit net cash costs per pound shipped. Unit net cash cost per pound is positively or negatively impacted by changes in production and sales volumes, natural gas and oil related costs, seasonality in our electrical contract rates, and increases or decreases in other production related costs.

Unit net cash costs is not a measure of financial performance under U.S. GAAP and may not be comparable to similarly titled measures used by other companies in our industry. Unit net cash costs per pound shipped has limitations as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our results under U.S. GAAP.

The following table summarizes the unit net cash costs for primary aluminum for the periods presented:

	Three months ended March 31, 2009	2010
Total upstream cash cost (in millions)	$ 75.9	$ 87.5
Total shipments (pounds in millions)	88.9	120.8
Net cash cost per pound for primary aluminum products	$ 0.85	$ 0.72

The following table reconciles cost of sales to the cash cost for primary aluminum for the periods presented:

(in millions)	Three months ended March 31, 2009 $	2010 $
Bauxite cost of sales		19.7
Alumina refining cost of sales		87.6
Primary aluminum products cost of sales	101.0	115.5
Flat rolled products cost of sales	91.5	119.1
Intersegment cost of sales	(8.2)	(77.0)
Total cost of sales	184.3	264.9
Primary aluminum products cost of sales	101.0	115.5
LIFO and lower of cost or market adjustments[a]		0.3
Fabrication premium[b]	(7.8)	(7.9)
Depreciation and amortization expense	(18.7)	(12.2)
Alumina and bauxite impact[c]	(3.3)	(11.2)
Selling, general and administrative expenses[d]	6.9	3.5
Other[e]	(2.2)	(0.5)
Total upstream cash cost of primary aluminum products	75.9	87.5

(a) Reflects the conversion from last-in, first-out (LIFO) to first-in, first-out (FIFO) method of inventory costing, including removing the effects of adjustments to reflect the lower of cost or market value.

(b) Our value-added products, such as billet, rod and foundry, earn a fabrication premium over the MWTP. To allow comparison of our upstream per unit costs to the MWTP, we net the fabrication premium in determining upstream cash costs for primary aluminum.

(c) Our upstream business is fully integrated from bauxite mined by St. Ann to alumina produced by Gramercy to primary aluminum metal manufactured by our aluminum smelter in New Madrid, Missouri. To reflect the underlying economics of the vertically integrated upstream business, this adjustment reflects the favorable impact that third-party joint venture sales have on our cash cost for primary aluminum, as well as post-integration intercompany alumina cost of sales eliminations.

(d) Represents certain selling, general and administrative expenses which management believes are a component of cash costs for primary aluminum, but which are not included in cost of goods.

(e) Reflects various other cost adjustments, such as the elimination of the effects of any intercompany profit in inventory, derivative cash settlements and non-cash pension and accretion.

Discussion of Operating Results

The following discussion of the historical results of operations is presented for the three months ended March 31, 2010 and March 31, 2009.

You should read the following discussion of our results of operations and financial condition in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere herein.

Three months ended March 31, 2010 compared to three months ended March 31, 2009.

Sales

Sales in the three months ended March 31, 2010 were $301.5 million compared to $164.3 million in the three months ended March 31, 2009.

Sales to external customers from our primary aluminum products segment were $107.0 million, a 59.5% increase from the $67.1 million reported in three months ended March 31, 2009, driven primarily by the increase in LME prices and higher volumes related to operating New Madrid at higher production levels relative to capacity.

The increase in pricing, due to a 48.6% increase in realized MWTP, impacted external revenues by $23.8 million. For the three months ended March 31, 2010 and the three months ended March 31, 2009, average realized MWTP per pound was $1.04 and $0.70, respectively.

Total primary aluminum shipments for the three months ended March 31, 2010 increased 31.9 million pounds to 120.8 million pounds or 35.9% compared to the three months ended March 31, 2009.

Our integrated operations provide us the flexibility to shift a portion of our upstream production to our downstream business, reducing our overall external purchase commitments, and allowing us to retain the economic differential between LME pricing and our production costs. Intersegment shipments to our flat rolled products segment increased 13.5 million pounds to 25.7 million pounds or 110.7% compared to the three months ended March 31, 2009, as a result of returning the New Madrid smelter to full operating capacity during first quarter 2010.

External primary aluminum shipments increased to 95.1 million pounds in the three months ended March 31, 2010 from 76.7 million pounds in the three months ended March 31, 2009. This 24.0% increase in external shipments resulted in higher external revenues of $16.1 million and is largely the result of returning the New Madrid smelter to full operating capacity during first quarter 2010. Shipments of value-added products totaled 93.9 million pounds in the three months ended March 31, 2010 and represented a 31.0% increase compared to the three months ended March 31, 2009.

Sales in our flat rolled products segment were $125.8 million, an increase of 29.3%, compared to $97.2 million for the three months ended March 31, 2009, primarily due to the increase in LME prices, as well as higher shipments to external customers.

Rising LME prices contributed $12.1 million to the sales increase in first quarter 2010 compared to first quarter 2009. Fabrication premiums were relatively unchanged.

Higher shipment volumes increased revenues by $16.4 million in first quarter 2010 compared to first quarter 2009. Shipment volumes from our flat rolled products segment increased 16.9% to 83.8 million pounds, primarily due to higher end-market demand.

Sales to external customers from our alumina refining and bauxite segments for the three months ended March 31, 2010 were $53.9 million and $14.9 million, respectively, reflecting the impact of the operations of Gramercy and St. Ann after August 31, 2009. Intercompany shipments from the alumina refining and bauxite segments for the year ended December 31, 2009 were $37.8 million and $12.7 million, respectively.

Cost of sales

Cost of sales for the three months ended March 31, 2010 was $264.9 million compared to $184.3 million in the three months ended March 31, 2009. The increase in cost of sales is mainly the result of higher shipment volumes for value-added products to external customers, as well as increased LME prices, which is reflected in the pass-through nature of the downstream business.

Total cost of sales in the primary aluminum products segment increased to $115.5 million in first quarter 2010 from $101.1 million in first quarter 2009. The increase relates to several factors, including a 35.9% increase in total shipments of primary aluminum due to the factors referenced in the discussion of sales, offset by (i) $6.9 million in decreased depreciation expense related to certain fixed assets which became fully-depreciated in second quarter 2009, and (ii) efficiencies gained from bringing the smelter back to full capacity during first quarter 2010 (average operating capacity during first quarter 2009 was 50% versus 89% in first quarter 2010), as well as lower alumina cost. Gramercy s costs to produce alumina in 2009 were higher than 2010 due to inefficiencies related to operating at less than 70% of capacity. The integrated net cash primary aluminum production cost was $0.72 per pound in first quarter 2010, compared to $0.85 per pound in first quarter 2009.

Flat rolled products segment cost of sales increased to $119.1 million in first quarter 2010 from $91.5 million in first quarter 2009. The remaining increase related principally to the increase in the LME aluminum price, since much of that segment s product cost represents the pass-through cost of metal.

Cost of sales in the bauxite and alumina refining segments, before the effects of intercompany eliminations, totaled $19.7 million and $87.6 million, respectively during first quarter 2010. These two segments principally reflect the cost of sales for St. Ann and Gramercy, respectively, of which we became sole owners on August 31, 2009, and have no corresponding costs for first quarter 2009.

The production outage at New Madrid negatively impacted our cash cost of primary aluminum in 2009. Although insurance proceeds covered the costs and losses associated with our outage and returning the smelter to operation, our coverage did not cover all inefficiencies associated with operating our integrated upstream business significantly below capacity. We estimate that due to lost production volume in 2009 from the smelter outage, which caused a loss of efficiency and fixed cost absorption, our cash cost of primary aluminum for FYE 2009 of $0.77 per pound was negatively impacted by $0.05 per pound. During first quarter 2010, the cash cost of primary aluminum is approximately $0.72 per pound.

Selling, general and administrative expenses

Selling, general and administrative expenses in the three months ended March 31, 2010 were $29.0 million compared to $22.2 million in the three months ended March 31, 2009. We incurred $4.1 million of costs related to the power outage in first quarter 2009 as a result of timing of recognition of insurance proceeds. We incurred $4.5 million in first quarter 2010 related to the February 26, 2010 workforce reduction. As a result of these offsetting charges, the increase in first quarter 2010 expense compared to first quarter 2009 relates primarily to the inclusion of Gramercy and St. Ann since the Joint Venture Transaction.

Goodwill and other intangible asset impairment

We recorded a $43.0 million impairment charge in our flat rolled products segment in the three months ended March 31, 2009. We evaluate Goodwill for impairment annually in the fourth quarter, or more often upon the occurrence of certain triggering events. No goodwill impairment was necessary for the three months ended March 31, 2010.

Operating income (loss)

Operating income (loss) in the three months ended March 31, 2010 was $7.6 million of income compared to an operating loss of $85.2 million in the three months ended March 31, 2009. The improvement relates to quarter-over-quarter sales margin (sales minus cost of sales) improvements of $56.6 million, offset by $6.8 million increase in selling, general and administrative expenses. Additionally, we recorded no goodwill impairment in first quarter 2010 compared to a $43.0 million goodwill impairment in first quarter 2009.

Sales margin for the three months ended March 31, 2010 was $36.6 million compared to a $20.0 million loss in the three months ended March 31, 2009. This $56.6 million improvement resulted from the impact of a 48.6% increase in realized MWTP coupled with efficiencies gained in bringing the smelter back to full production.

Selling, general and administrative expenses were $29.0 million in the three months ended March 31, 2010 compared to $22.2 million in the three months ended March 31, 2009, due to the inclusion of Gramercy and St. Ann since the Joint Venture Transaction.

Interest expense, net

Interest expense in the three months ended March 31, 2010 was $9.2 million compared to $15.9 million in the three months ended March 31, 2009, a decrease of $6.7 million. Decreased interest expense is related to lower average debt outstanding on the term B loan and revolving credit facility and repurchases of the AcquisitionCo Notes and HoldCo Notes during 2009.

Gain on hedging activities, net

Gain on hedging activities was $1.8 million in the three months ended March 31, 2010 compared to $45.1 million in the three months ended March 31, 2009. For the three months ended March 31, 2009, gains on hedging activities included $35.5 million reclassified into earnings based on our determination that it was probable that the original forecasted transactions would not occur. There were no such accelerated reclassifications during the three months ended March 31, 2010.

Equity in net (income) loss of investments in affiliates

We had no equity in net income of investments in affiliates for the three months ended March 31, 2010, compared to a loss of $44.0 million for the three months ended March 31, 2009 related to impairment write-downs of our equity investments. Following the Joint Venture Transaction, which occurred in August 2009, we no longer account for any subsidiaries using the equity method of accounting.

Gain on debt repurchase

In the three months ended March 31, 2010, we repaid the entire outstanding balance of the revolving credit facility of $215.9 million and repaid $7.5 million of our term B loan, resulting in a loss on debt repurchase of $0.1 million due to the write-off of certain deferred financing costs upon repayment of the obligation. For the three months ended March 31, 2009, we repurchased $205.7 million aggregate principal amount of outstanding HoldCo Notes, AcquisitionCo Notes, and term B loan borrowings for a price of $51.4 million plus fees, resulting in a $152.2 million gain.

Income tax expense (benefit)

Income tax expense was immaterial in the three months ended March 31, 2010, compared to an income tax expense of $7.9 million in the three months ended March 31, 2009. The provision for income taxes resulted in an effective tax rate of (816.7)% for the three months ended March 31, 2010, compared with an effective tax rate of 15.1% for the three months ended March 31, 2009. The decrease in the effective tax rate for the three months ended March 31, 2010 was primarily impacted by state income taxes, equity method investee income, and the Internal Revenue Code Section 199 manufacturing deduction and accrued interest related to unrecognized tax benefits.

Net income (loss)

Net income decreased from $44.3 million in the three months ended March 31, 2009 compared to a $0.1 million loss in the three months ended March 31, 2010. For first quarter 2010, net income was essentially breakeven, as $7.6 million of operating income and $1.8 million of hedging gains were offset by $9.2 million of interest expense. In first quarter 2009, we reported a $44.3 million net profit, as an $85.2 million operating loss and $45.3 million impairment on our equity-method investments in Gramercy and St. Ann were offset by $152.2 million of debt repurchase gains and $45.1 million of hedge gains.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by operating activities, cash from the termination of hedges, available borrowings under our revolving credit facility and cash on hand. For the three months ended March 31, 2010, cash provided by operating activities amounted to $100.6 million. At March 31, 2010 we had cash on hand of $31.5 million. Of our revolving credit facility s (the facility) $242.7 million borrowing capacity, we had no amounts outstanding, although we had outstanding letters of credit of $26.5 million, resulting in $216.2 million available for borrowing under the facility at March 31, 2010.

We incurred substantial indebtedness in connection with our 2007 acquisition by Apollo. As of March 31, 2010, we have reduced our total indebtedness to $728.3 million.

Our debt facilities are rated as follows (in thousands):

	Outstanding balance at March 31, 2010	Ratings at April 30, 2010[(1)]	
	$	Moody s	S&P
Noranda HoldCo:			
Senior Floating Rate Notes due 2014	63,619	Caa2	CCC

Noranda AcquisitionCo:			
Senior Floating Rate Notes due 2015	344,068	Caa1	CCC
Term B loan due 2014	320,571	B1	B
Revolving credit facility		B1	B
Total debt, net	728,258		

(1) On January 25, 2010, Moody s Investors Service upgraded Noranda s Corporate Family Rating and Probability of Default Rating to B3 from Caa1. Moody s also revised Noranda s rating outlook to Positive from Stable and raised its speculative grade liquidity rating to SGL-2 from SGL-3. Moody s issue level ratings for Noranda were revised as follows: Noranda HoldCo senior unsecured notes rating was moved to Caa2 from Caa3. Noranda AcquisitionCo senior secured revolver and senior secured term loan ratings were moved to B1 from B2 and its senior unsecured notes rating was moved to Caa1 from Caa2. On March 17, 2010, Standard & Poor s resolved its CreditWatch status for Noranda by upgrading Noranda s Corporate rating to B- and revising Noranda s rating outlook to Positive from Stable . S&P s issue level ratings for Noranda were revised as follows: Noranda AcquisitionCo senior secured revolver and senior secured term loan ratings were moved to B from D based on a recovery rating of 2 and its senior unsecured notes rating was upgraded to CCC from D based on a recovery rating of 6 . Noranda HoldCo senior unsecured notes rating was also upgraded to CCC from D based on a recovery rating of 6.

Our main continuing liquidity requirements will be to finance working capital, capital expenditures and acquisitions, and debt service. We believe that cash provided by operating activities plus available cash and borrowings under the available revolving credit facility will be adequate to meet our short-term liquidity needs. We cannot assure you, however, that our business will generate sufficient cash flow from operations to enable us to repay all of our indebtedness or to fund our other liquidity needs. In addition, certain events, such as a change of control, could require us to repay or refinance our indebtedness. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

The following table sets forth consolidated cash flow information for the periods indicated:

	Three months ended March 31,	
	2009	**2010(1)**
(in millions)	**$**	**$**
Cash provided by operating activities	75.2	100.6
Cash used in investing activities	(8.9)	(13.0)
Cash used in financing activities	(50.6)	(223.3)
Net change in cash and cash equivalents	15.7	(135.7)

(1) Figures may not add due to rounding

Operating Activities

Cash provided by operating activities in the three months ended March 31, 2010 reflected $58.7 million of proceeds from hedge terminations under our hedge settlement agreement with Merrill Lynch offset by $10.0 million from increases in working capital. Comparing the changes in working capital in first quarter 2010 to first quarter 2009, accounts receivable changes quarter over quarter increased $39.9 million resulting from higher sales volumes. The accounts receivable increase was offset by accounts payable changes quarter over quarter increasing by $7.4 million.

Investing Activities

Capital expenditures amounted to $13.0 million through March 31, 2010 and $9.7 million in the comparable 2009 period. Our capital expenditures during 2009 consisted of maintenance activities and costs associated with bringing the smelter back to full capacity. $0.8 million of our capital spending in the first three months ended March 31, 2009 related to the New Madrid restart all of which was funded with insurance proceeds. During the global economic contraction, we reduced our capital expenditures to maintenance levels in order to conserve cash. Though we have not finalized plans or entered into contractual commitments, we are evaluating projects at our New Madrid smelter that will increase our annual metal production by approximately 30 million pounds per annum to 610 million pounds by 2012 and contribute to a reduction in our future average net cash cost per pound of aluminum produced.

Financing Activities

During the three months ended March 31, 2010 our financing cash flows mainly reflected debt reduction. In 2010, through March 31, we used available cash balances, which included $58.7 million of proceeds from 2010 hedge terminations, to repay $215.9 million of our revolving credit facility and $7.5 million of term B loan borrowings. We ended first quarter 2010 with total indebtedness of $728.3 million and $31.5 million in cash and cash equivalents. We had no outstanding draws on our senior revolving credit facility and $216.2 million of available borrowing capacity. In addition, as of March 31, 2010, the monetization of all our fixed-price aluminum hedges would have generated proceeds totaling $112.5 million.

We have made a permitted election under the indentures governing our HoldCo and AcquisitionCo Notes, to pay all interest due hereunder on May 15, 2010, entirely in kind.

Covenant Compliance and Financial Ratios

Certain covenants contained in our debt agreements restrict our ability to take certain actions (including incurring additional secured or unsecured debt, expanding borrowings under term loan facilities, paying dividends and engaging in mergers, acquisitions and certain other investments) unless we meet certain standards in respect of the ratio of our Adjusted EBITDA, calculated on a trailing four-quarter basis, to our fixed charges (the fixed-charge coverage ratio) or the ratio of our senior secured net debt to our Adjusted EBITDA, calculated on a trailing four-quarter basis (the net senior secured leverage ratio). There are no debt covenant restrictions that directly impact our ability to maintain or improve funded status of our pension plans. Furthermore, our ability to take certain actions, including paying dividends and making acquisitions and certain other investments, depends on the amounts available for such actions under the applicable covenants, which amounts accumulate with reference to our Adjusted EBITDA on a quarterly basis.

The minimum or maximum ratio levels set forth in our covenants as conditions to our undertaking certain actions and our actual performance are summarized below:

	Financial Ratio Relevant to Covenants	Threshold	Actual December 31, 2009[(1)]	Actual March 31, 2010[(1)]
Noranda HoldCo:				
Senior Floating Rate Notes fixed charge coverage ratio[(2)]	Fixed Charge Coverage Ratio	Minimum 1.75 to 1	1.6 to 1	2.2 to 1
Noranda AcquisitionCo:				
Senior Floating Rate Notes fixed charge coverage ratio[(2)]	Fixed Charge Coverage Ratio	Minimum 2.0 to 1	2.1 to 1	3.2 to 1
Term B loan and revolving credit facility leverage ratio[(3)]	Net Senior Secured Leverage Ratio	Maximum 3.0 to 1	3.5 to 1	1.8 to 1

(1) For purposes of measuring Adjusted EBITDA in order to compute the ratios, pro forma effect is given to the Joint Venture Transaction as if it had occurred at the beginning of the trailing four-quarter period. Fixed charges are the sum of consolidated interest expenses and all cash dividend payments in respect of preferred stock. In measuring interest expense for the ratio, pro forma effect is given to any repayment or issuance of debt as if such transaction occurred at the beginning of the trailing four-quarter period. For Noranda HoldCo and Noranda AcquisitionCo, the pro forma impact of the Joint Venture Transaction on Adjusted EBITDA for the four quarters ended December 31, 2009 and March 31, 2010 was $15.6 million and $9.0 million, respectively.

(2) For Noranda HoldCo, fixed charges on a pro forma basis (giving effect to debt repayments) for the four quarters ended December 31, 2009 and March 31, 2010 were $72.0 million and $71.0 million, respectively. For Noranda AcquisitionCo, fixed charges on a pro forma basis (giving effect to debt repayments) for the four quarters ended December 31, 2009 and March 31, 2010 were $53.9 million and $49.0 million, respectively.

(3) As used in calculating this ratio, senior secured net debt means the amount outstanding under our term B loan and the revolving credit facility, plus other first-lien secured debt (of which we have none as of December 31, 2009 and March 31, 2010), less unrestricted cash and permitted investments (as defined under our senior secured credit facilities). At December 31, 2009, senior secured debt was $544.0 million and unrestricted cash and permitted investments aggregated $145.8 million, resulting in senior secured net debt of $398.2 million. At March 31, 2010, senior secured debt was $320.6 million and unrestricted cash and permitted investments aggregated $31.1 million, resulting in senior secured net debt of $289.5 million.

Our debt agreements do not require us to maintain any financial performance metric or ratio in order to avoid a default. However, we did not satisfy certain financial ratio levels relevant to these covenants as of December 31, 2009, and we were limited in our ability to incur additional debt, make acquisitions or certain other investments and pay dividends. As of March 31, 2010, we meet all covenant ratios.

As used herein, Adjusted EBITDA (which is defined as EBITDA in our debt agreements) means net income before income taxes, net interest expense and depreciation and amortization, adjusted to eliminate related party management fees, business optimization expenses and restructuring charges, certain charges resulting from the use of purchase accounting and other specified items of income or expense.

Adjusted EBITDA is not a measure of financial performance under GAAP, and may not be comparable to similarly titled measures used by other companies in our industry. Adjusted EBITDA should not be considered in isolation from or as an alternative to net income, income from continuing operations, operating income or any other performance measures derived in accordance with

GAAP. Adjusted EBITDA has limitations as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. For example, Adjusted EBITDA excludes certain tax payments that may represent a reduction in cash available to us; does not reflect any cash requirements for the assets being depreciated and amortized that may have to be replaced in the future; does not reflect capital cash expenditures, future requirements for capital expenditures or contractual commitments; does not reflect changes in, or cash requirements for, our working capital needs; and does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our indebtedness. Adjusted EBITDA also includes incremental stand-alone costs and adds back non-cash hedging gains and losses, and certain other non-cash charges that are deducted in calculating net income. However, these are expenses that may recur, vary greatly and are difficult to predict. In addition, certain of these expenses can represent the reduction of cash that could be used for other corporate purposes. You should not consider our Adjusted EBITDA as an alternative to operating or net income, determined in accordance with GAAP, as an indicator of our operating performance, or as an alternative to cash flows from operating activities, determined in accordance with GAAP, as an indicator of our cash flows or as a measure of liquidity.

The following table reconciles net income to Adjusted EBITDA for the periods presented:

(in millions)	Twelve months ended December 31, 2009 $	Last twelve months ended March 31, 2010 $	Three months ended March 31, 2009 $	Three months ended March 31, 2010 $
Net income (loss) for the period	101.4	57.0	44.3	(0.1)
Income tax (benefit) expense	58.6	50.7	7.9	
Interest expense, net	53.6	46.9	15.9	9.2
Depreciation and amortization	86.6	87.3	25.4	26.1
Joint venture EBITDA[(a)]	8.0	4.3	3.7	
LIFO adjustment[(b)]	26.0	21.4	3.9	(0.7)
LCM adjustment[(c)]	(43.4)	(35.3)	(8.3)	(0.2)
(Gain) loss on debt repurchase	(211.2)	(58.9)	(152.2)	0.1
New Madrid power outage[(d)]	(30.6)	(29.8)	(0.8)	
Charges related to termination of derivatives	17.9	13.4	8.6	4.1
Non-cash hedging gains and losses[(e)]	(86.1)	(40.5)	(36.9)	8.7
Goodwill and other intangible asset impairment	108.0	65.0	43.0	
Joint Venture impairment	80.3	35.0	45.3	
Gain on business combination	(120.3)	(120.3)		
Purchase accounting[(f)]	8.9	6.9		(2.0)
Other items, net[(g)]	40.6	44.6	7.8	11.8
Adjusted EBITDA	**98.3**	**147.7**	**7.6**	**57.0**

The following table reconciles cash flow from operating activities to Adjusted EBITDA for the periods presented:

(in millions)	Twelve months ended December 31, 2009 $	Three months ended March 31, 2009 $	Three months ended March 31, 2010 $
Cash flow from operating activities	220.4	75.2	100.6
Loss on disposal of property, plant and equipment	(9.3)	(2.4)	(1.5)
Gain (loss) on hedging activities	68.9	28.8	(12.8)
Settlements from hedge terminations, net	(120.8)	(50.4)	(58.7)
Insurance proceeds applied to capital expenditures	11.5		
Equity in net income of investments in affiliates	0.7	1.3	
Stock compensation expense	(1.5)	(0.4)	(0.4)
Changes in deferred charges and other assets	(0.8)	(6.0)	0.3
Changes in pension and other long-term liabilities	2.9	(9.6)	(10.5)
Changes in asset and liabilities, net	(21.2)	(14.6)	9.9
Income tax expense (benefit)	0.9	(7.5)	
Interest expense, net	12.1	15.2	8.4
Joint Venture EBITDA[(a)]	8.0	3.7	
LIFO adjustment[(b)]	26.0	3.9	(0.7)
LCM adjustment[(c)]	(43.4)	(8.3)	(0.2)
New Madrid power outage[(d)]	(30.6)	(0.8)	

Non-cash hedging gains and losses[e]	(86.1)	(36.9)	8.7
Charges related to termination of derivatives	17.9	8.6	4.1
Purchase accounting[f]	8.9		(2.0)
Insurance proceeds applied to depreciation expense	(6.8)		
Other items, net[g]	40.6	7.8	11.8
Adjusted EBITDA	**98.3**	**7.6**	**57.0**

(a) Prior to the Joint Venture Transaction at August 31, 2009 our reported Adjusted EBITDA includes 50% of the net income of Gramercy and St. Ann, based on transfer prices that are generally in excess of the actual costs incurred by the joint venture operations. To reflect the underlying economics of the vertically integrated upstream business, this adjustment eliminates depreciation and amortization, tonnes and interest components of equity.

(b) Our New Madrid smelter and rolling mills use the LIFO method of inventory accounting for financial reporting and tax purposes. This adjustment restates net income to the FIFO method by eliminating LIFO expenses related to inventory held at the New Madrid smelter and rolling mills. Inventories at St. Ann and Gramercy are stated at lower of weighted average cost or market, and are not subject to the LIFO adjustment.

(c) Reflects adjustments to reduce inventory to the lower of cost (adjusted for purchase accounting) or market value.

(d) Represents the portion of the insurance settlement used for claim-related capital expenditures.

(e) We use derivative financial instruments to mitigate effects of fluctuations in aluminum and natural gas prices. This adjustment eliminates the non-cash gains and losses resulting from fair market value changes of aluminum swaps, but does not affect the following cash settlements (received)/ paid (in millions):

	Last twelve months ended December 31, 2009 $	Last twelve months ended March 31, 2010 $	Three months ended March 31, 2009 $	Three months ended March 31, 2010 $
Aluminum swaps fixed-price	(93.1)	(80.9)	(26.2)	(14.0)
Aluminum swaps variable-price	23.8	12.0	11.3	(0.5)
Natural gas swaps	31.8	29.1	6.7	4.0
Interest rate swaps	11.9	11.9		
Total	(25.6)	(27.9)	(8.2)	(10.5)

The previous table presents cash settlement amounts net of early termination discounts totaling $17.9 million in 2009 and $4.1 million through March 31, 2010.

(f) Represents impact from inventory step-up and other adjustments arising from adjusting assets acquired and liabilities assumed in the Joint Venture Transaction to their fair values.

(g) Other items, net, consist of the following (in millions):

	Last twelve months ended December 31, 2009 $	Last twelve months ended March 31, 2010 $	Three months ended March 31, 2009 $	Three months ended March 31, 2010 $
Sponsor fees	2.0	2.0	0.5	0.5
Pension expense non-cash portion	8.1	10.9		2.8
Employee compensation items	1.8	1.8	0.5	0.5
Loss on disposal of property, plant and equipment	7.3	8.8		1.5
Interest rate swap	11.9	11.5	0.4	
Consulting and non-recurring fees	5.6	4.1	2.6	1.1
Restructuring-project renewal	(0.2)	4.4		4.6
Other	4.1	1.1	3.8	0.8
Total	40.6	44.6	7.8	11.8

SIGNATURES

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

NORANDA ALUMINUM HOLDING CORPORATION

Date: May 10, 2010

/s/ Robert B. Mahoney
Robert B. Mahoney
Chief Financial Officer