

# 3<sup>rd</sup> Quarter 2013 Earnings Presentation

November 6<sup>th</sup>, 2013



# Disclaimers

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This information is current only as of its date and may have changed. We undertake no obligation to update this information in light of new information, future events or otherwise. This information contains certain financial projections and forecasts and other forward looking information concerning our business, prospects, financial condition and results of operations, and we are not making any representation or warranty that this information is accurate or complete. See “Forward-Looking Information” below.

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The non-GAAP financial measures contained in this presentation (including, without limitation, EBITDA, Adjusted EBITDA, commercial margin, and variations thereof) are not measures of financial performance calculated in accordance with U.S. GAAP and should not be considered as alternatives to net income (loss) or any other performance measure derived in accordance with GAAP or as alternatives to cash flows from operating activities as a measure of our liquidity. Non-GAAP measures have limitations as analytical tools and should be considered in addition to, not in isolation or as a substitute for, or as superior to, our measures of financial performance prepared in accordance with GAAP. Management believes that certain non-GAAP performance measures may provide investors with additional meaningful comparisons between current results and results in prior periods. Management uses non-GAAP financial measures as performance metrics and believes these measures provide additional information commonly used by the holders of our senior debt securities and parties to the ABL Facility with respect to the ongoing performance of our underlying business activities, as well as our ability to meet our future debt service, capital expenditures and working capital needs. These adjustments are based on currently available information and certain adjustments that we believe are reasonable and are presented as an aid in understanding our operating results. They are not necessarily indicative of future results of operations that may be obtained by the Company.

## **INDUSTRY INFORMATION**

Information regarding market and industry statistics contained in this presentation is based on information from third party sources as well as estimates prepared by us using certain assumptions and our knowledge of these industries. Our estimates, in particular as they relate to our general expectations concerning the aluminum industry, involve risks and uncertainties and are subject to changes based on various factors, including those discussed under “Risk Factors” in our filings with the Securities and Exchange Commission.

## Third Quarter Performance Overview

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- 3Q13 Adjusted EBITDA of \$68 million
- Higher Automotive volumes in North America and Europe
- Lower Aerospace and Building & Construction volumes
- Excess industry capacity driving price pressure
- Rolled Products scrap spread pressure; improved Spec Alloy margins
- Solid AOS related productivity performance; \$12 million saved in 3Q13

## 3Q13 Volume Recap & Highlights

### Volume Change vs. 3Q12

<b>RPNA<sup>1</sup></b>	<b>(7%)</b>
Distribution	(2%)
Transportation	(1%)
B&C <sup>1</sup>	(14%)
<b>RPEU / Global Market Segments<sup>2</sup></b>	<b>1%</b>
Aerospace	(3%)
Automotive	10%
Heat Exchanger	4%
Plate & Coil	(3%)
<b>Extrusions</b>	<b>4%</b>
<b>RSAA</b>	<b>2%</b>
Spec / Automotive	8%
Recycling	(4%)
<b>RSEU</b>	<b>(6%)</b>
Spec / Automotive	(3%)
Recycling	(12%)

### Drivers

- Economic uncertainty
- Economic uncertainty
- Slow seasonal ramp up; cycle delay; destocking
- 
- Customer inventory overhang
- Premium auto builds; Aluminum penetration
- Share gain; rebound from cycle lows
- Slower quarter, but rebounding year to date
- 
- Improved Automotive demand
- 
- Strong NA Auto builds
- Lower steel industry demand
- 
- Depressed EU Auto builds
- Scrap availability

<sup>1</sup>RPNA and B&C volumes exclude impact of competitor strike in 2012

<sup>2</sup>RPEU volumes adjusted for Voerde



## Strategic Growth Project Update

### Zhenjiang Rolling Mill

- Plate shipments of approximately 1.9 kT during 3Q13, \$8M in revenues
- Positive steps towards Aerospace qualification; targeting 2H14



## Strategic Growth Project Update

### Duffel Wide Cold Mill Expansion

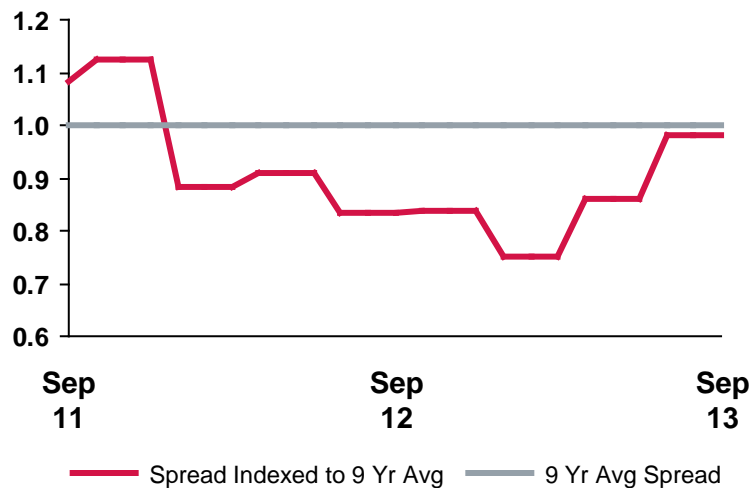
- Capability to produce widest aluminum heat treated sheet currently in Europe
- Filling capacity for 2014 at a rapid pace



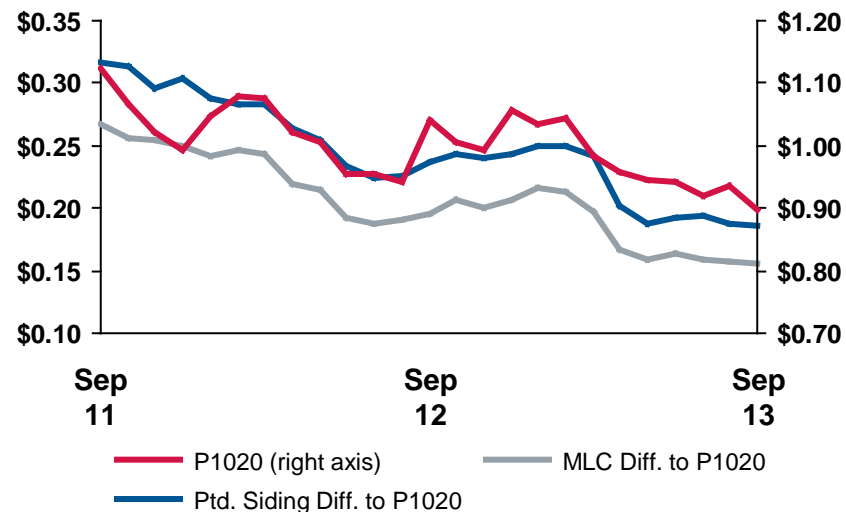


## Scrap Environment Update

### NA Spec Alloy Metal Spreads



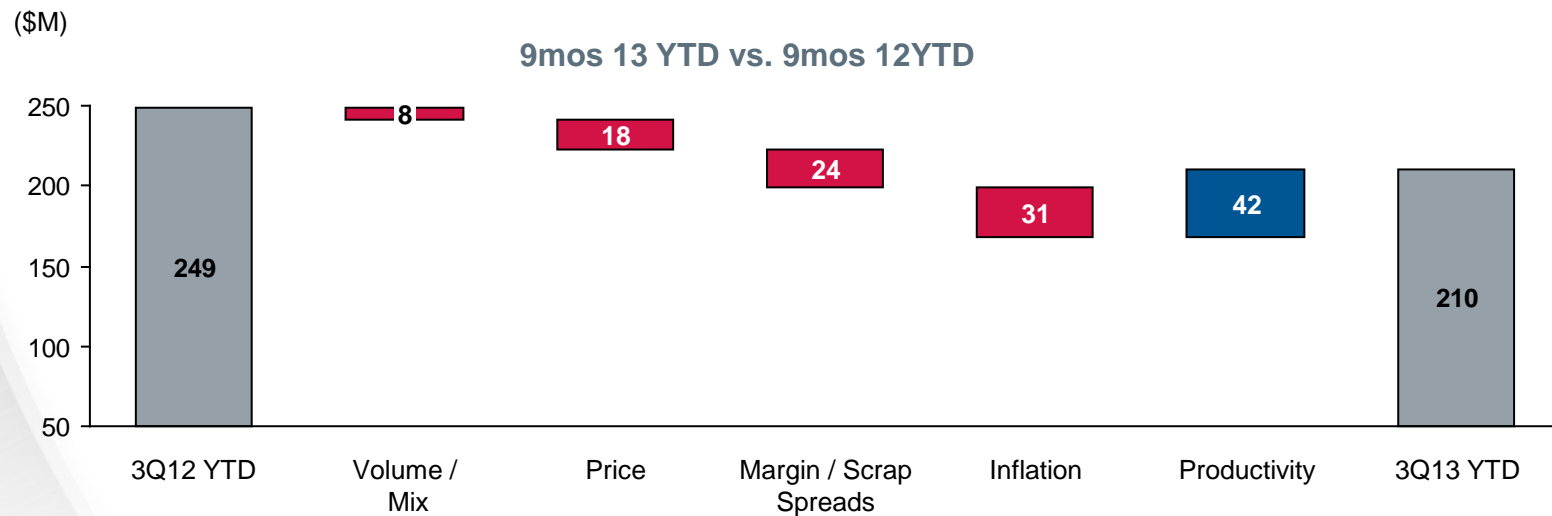
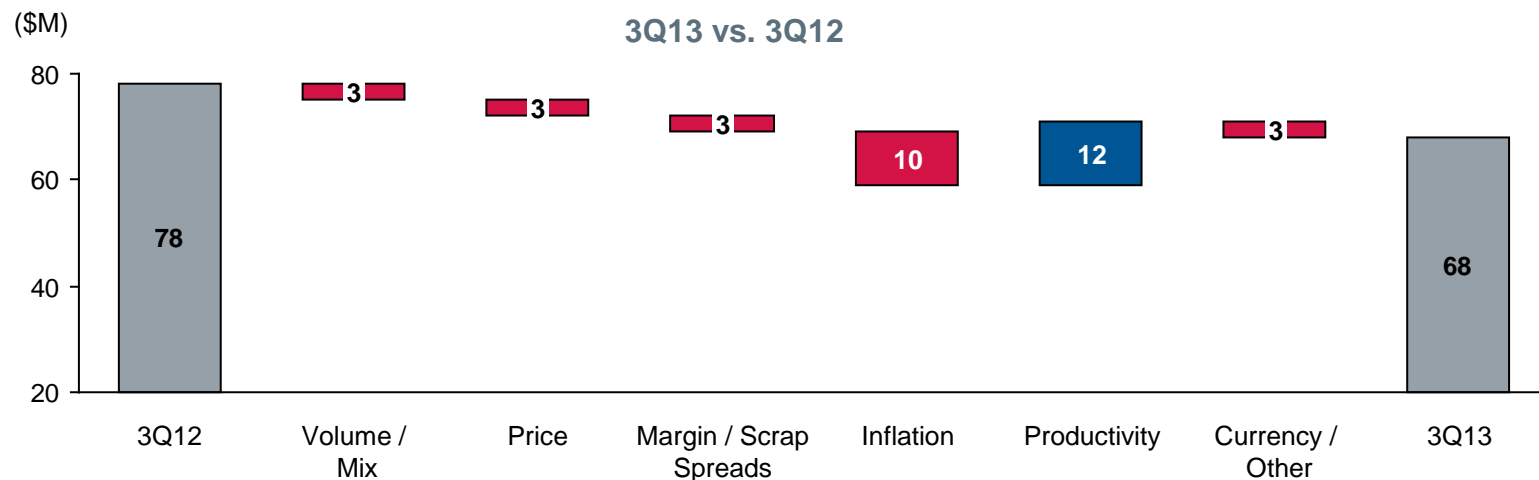
### RPNA Scrap Spreads



### Scrap Conditions

- Spreads trended positively during 3Q13
- “China Green Fence” favorable impact
- Scrap processing equip increasing flexibility
- Low LME limiting scrap spreads
- Increased competition for scrap
- Regional premium declining

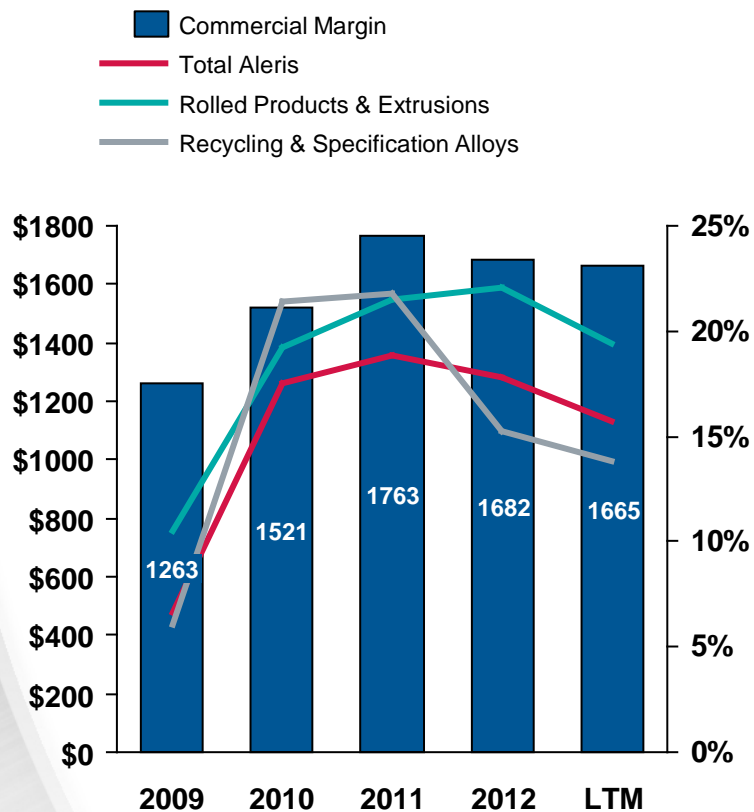
# Adjusted EBITDA Bridges



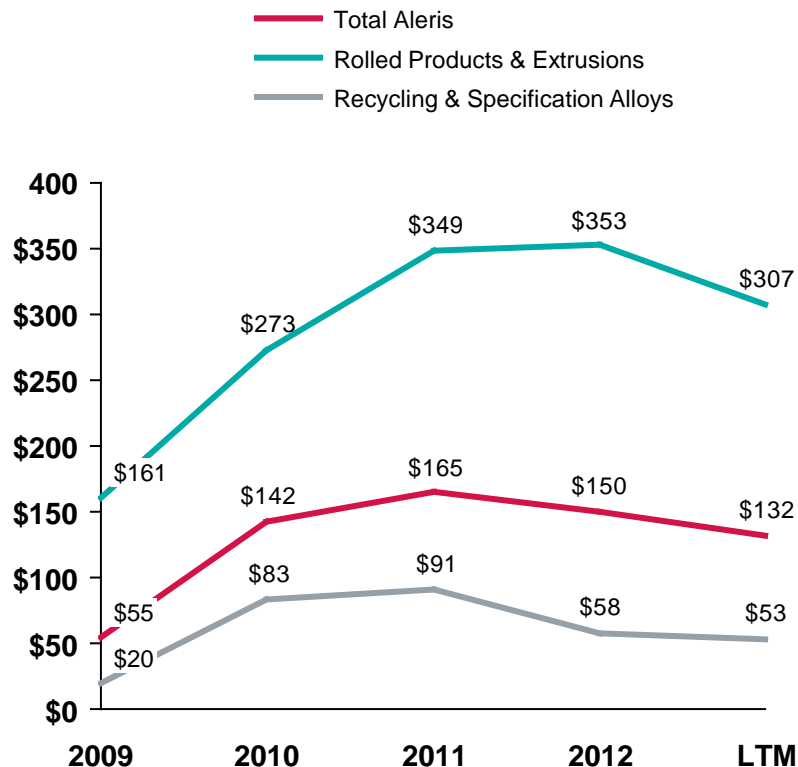


# Adjusted EBITDA Metrics

## Adj. EBITDA as a % of Commercial Margin<sup>1</sup>



## Adj. EBITDA / Ton Sold<sup>2</sup>



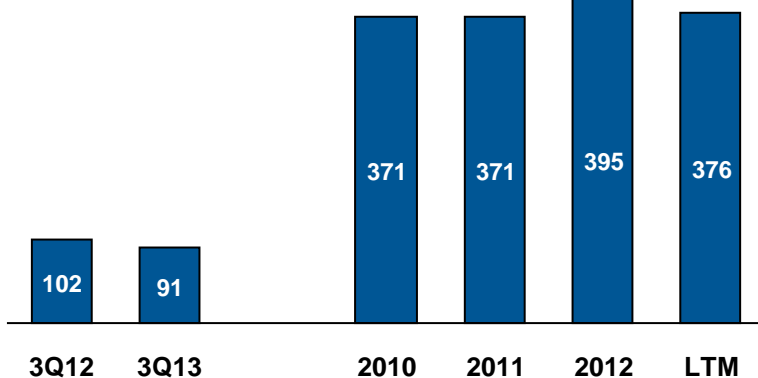
<sup>1</sup>Commercial Margin represents revenue less hedged cost of metal and metal price lag

<sup>1</sup>Excludes Brazil and Voerde

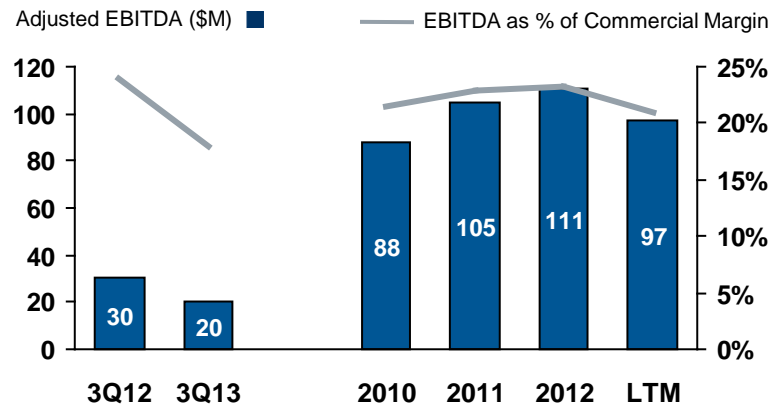
<sup>2</sup>Adj. EBITDA / ton figures exclude Brazil and Voerde volumes

# RPNA

## Volume (kT)

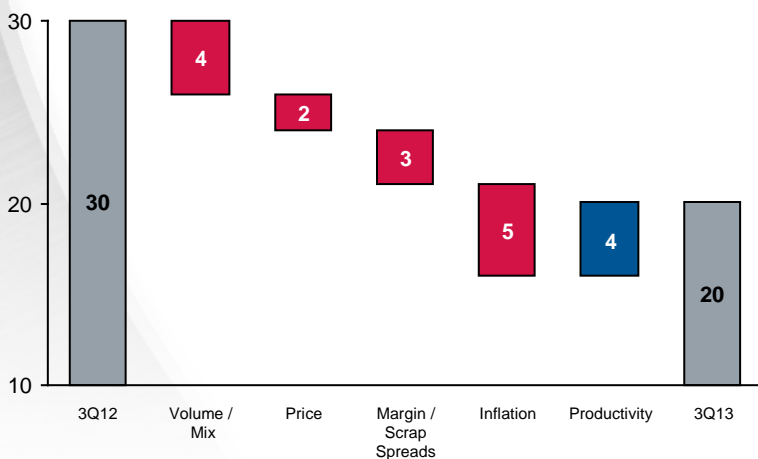


## Adjusted EBITDA



Adj. EBITDA / ton		2010	2011	2012	LTM
3Q12	3Q13	238	283	282	259
291	223				

## 3Q Adjusted EBITDA Bridge (\$M)

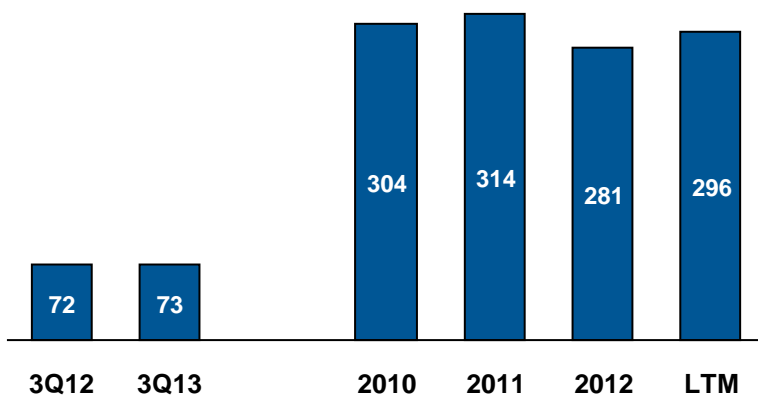


## 3Q13 Performance

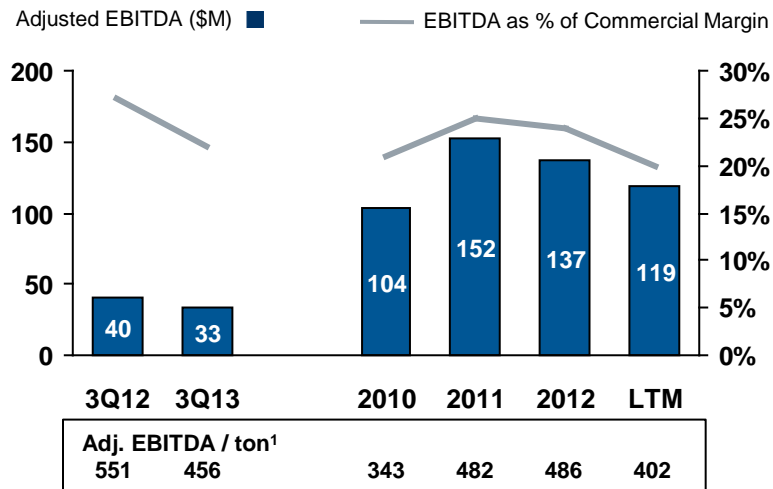
- Soft Building & Construction volumes
- Softer demand in line with industry
- Price pressure
- Scrap spreads tight; lower LME and availability

# RPEU

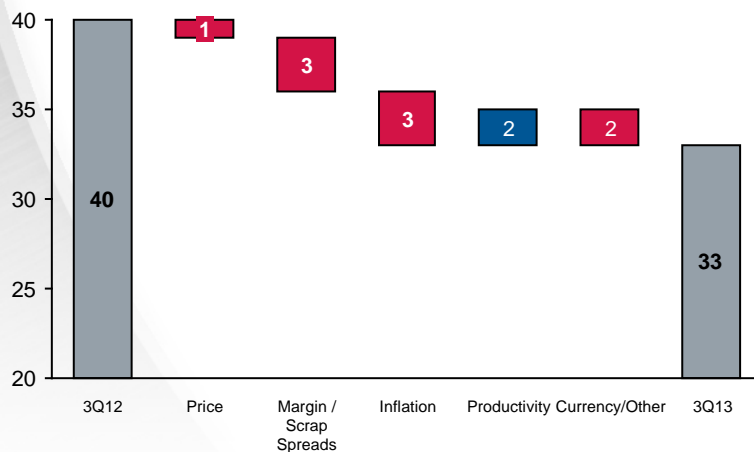
## Volume (kT)<sup>1</sup>



## Adjusted EBITDA



## 3Q Adjusted EBITDA Bridge (\$M)



## 3Q13 Performance

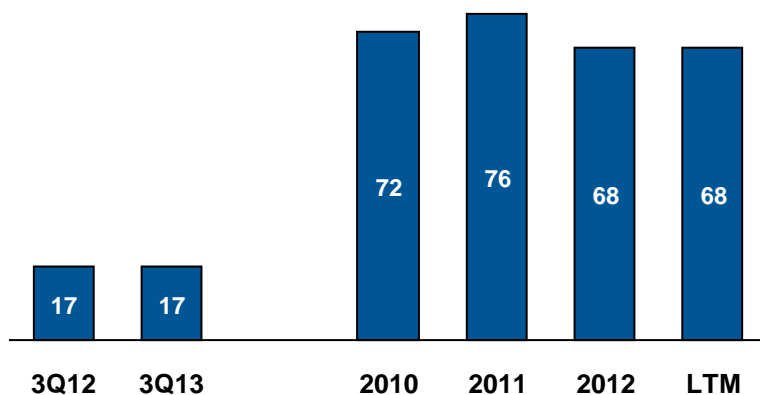
- Strong volume growth in Automotive
- Raw material prices increasing; scrap availability
- Production issues impacting productivity
- EBITDA / ton & margin impacted by mix & price

<sup>1</sup>Excludes Voerde & Zhenjiang shipments

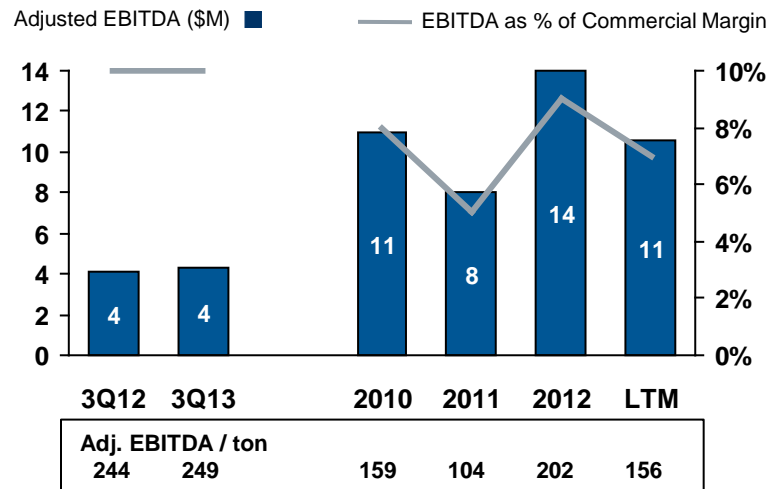


# Extrusions

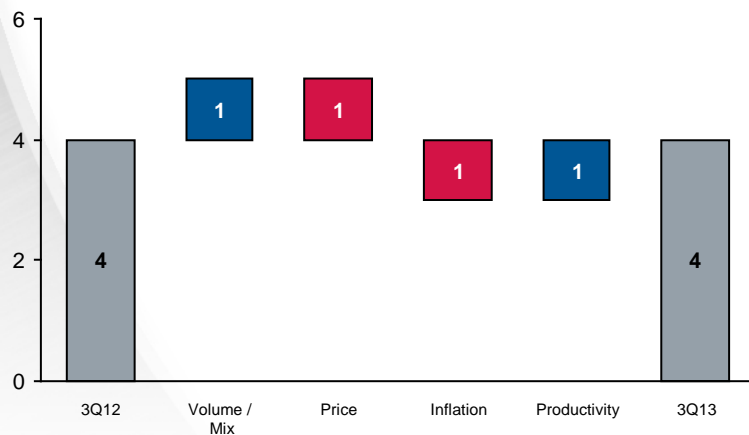
## Volume (kT)



## Adjusted EBITDA



## 3Q Adjusted EBITDA Bridge (\$M)

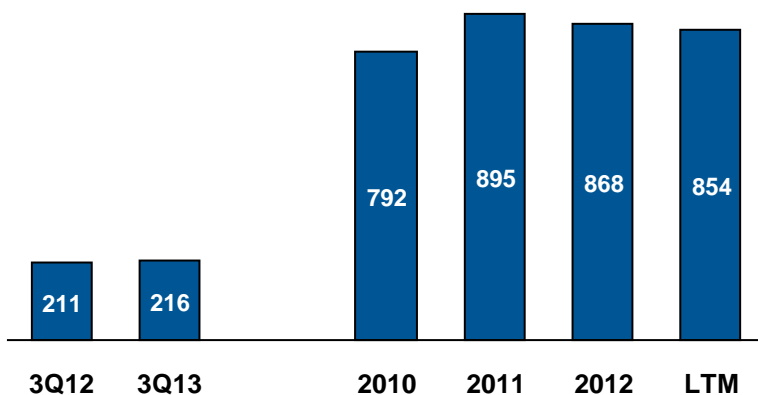


## 3Q13 Performance

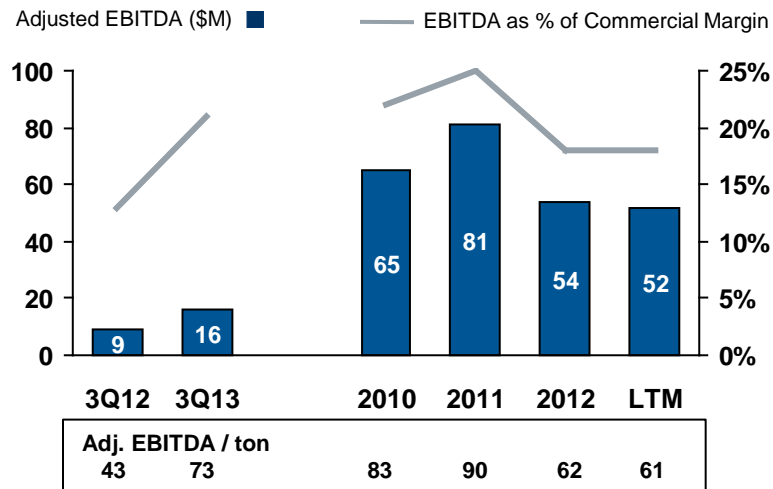
- Volume growth in automotive projects
- Competitive pricing pressure
- Productivity offsetting inflation

# RSAA

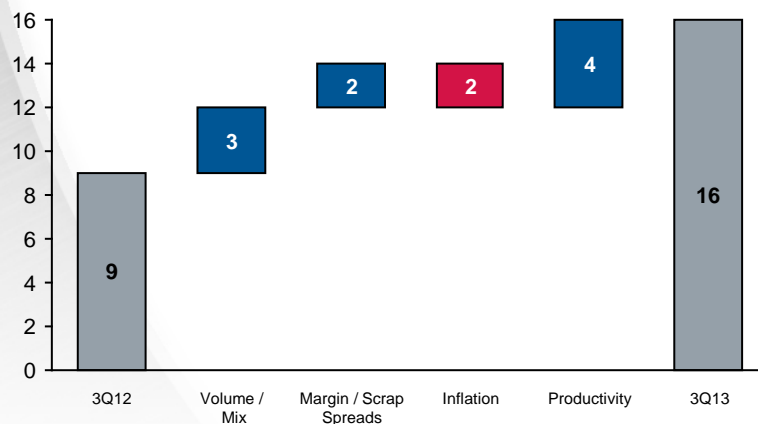
## Volume (kT)<sup>1</sup>



## Adjusted EBITDA<sup>1</sup>



## 3Q Adjusted EBITDA Bridge (\$M)



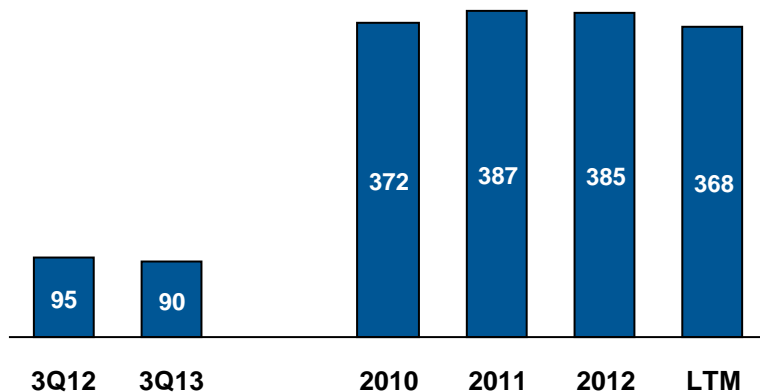
## 3Q13 Performance

- 3Q performance much improved vs prior year
- Strong automotive volumes
- 3Q Spec Alloy metal spreads improved vs 1H
- Scrap processing CapEx delivering solid productivity

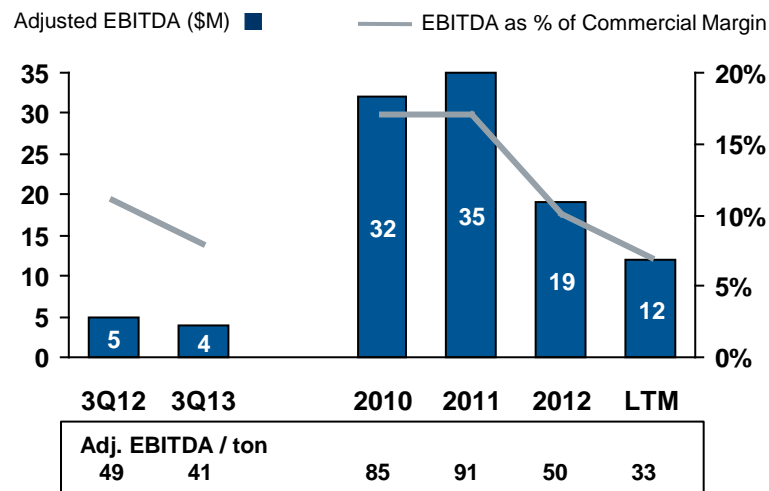
<sup>1</sup>Volume, Adjusted EBITDA, and Adjusted EBITDA / ton exclude Brazil

# RSEU

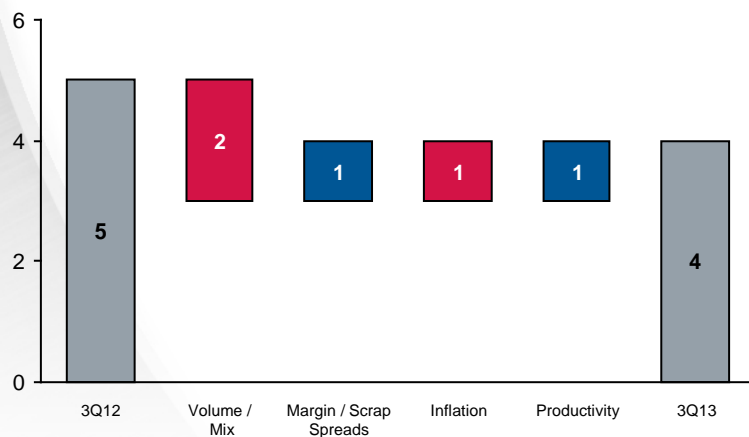
## Volume (kT)



## Adjusted EBITDA



## 3Q Adjusted EBITDA Bridge (\$M)



## 3Q13 Performance

- Tight scrap availability impacting volume
- Competitor insolvency driving structural improvements
- Expecting solid improvement in 4Q vs prior year

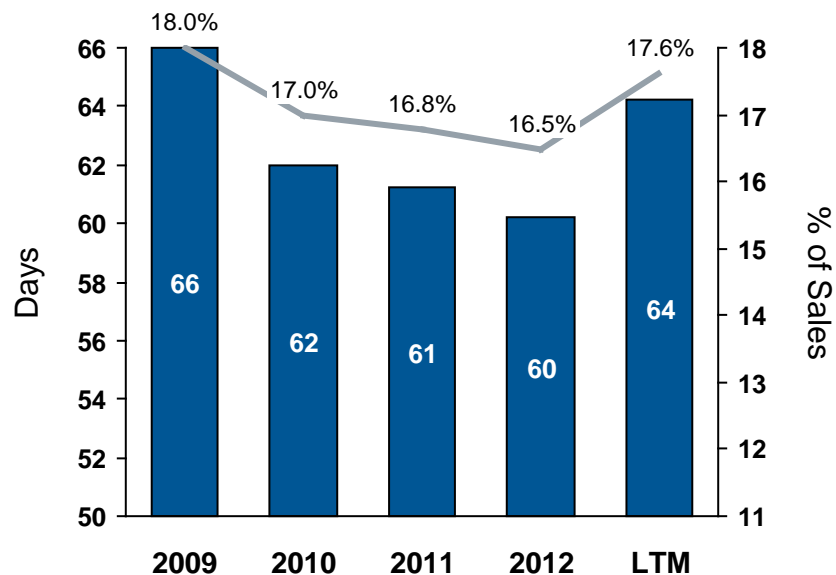


# Cash Flow & LTM Working Capital Progression

## Net Cash Flow

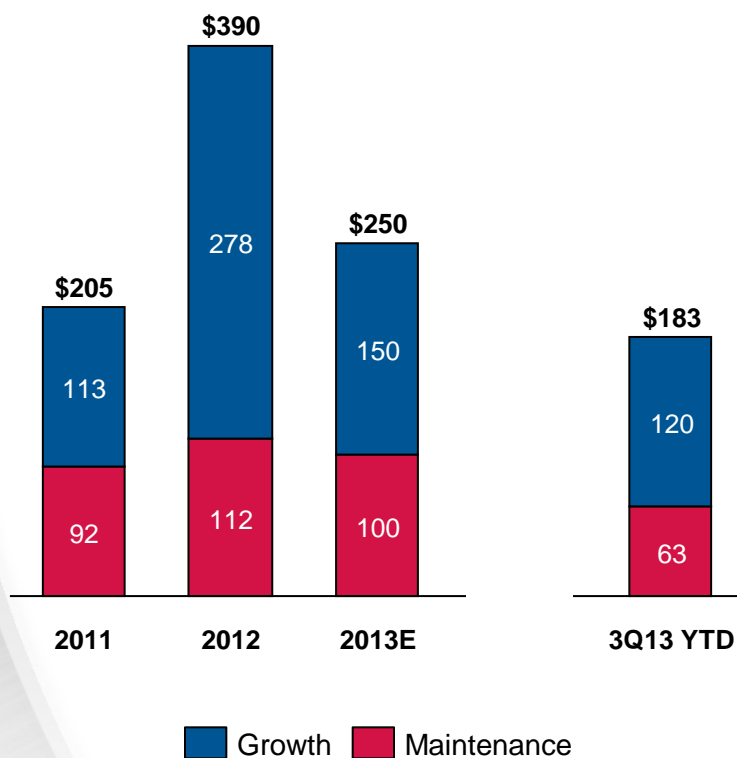
	<u>3Q12</u>	<u>3Q13</u>
Cash Provided by Operating Activities	\$56	\$33
Less: Capital Expenditures	(97)	(41)
Less: Other Items	<u>(8)</u>	<u>0</u>
<b>Net Cash Before Financing</b>	<b>(\$49)</b>	<b>(\$8)</b>
China Term Loan/Other	<u>24</u>	<u>1</u>
<b>Net Cash Flow After China Financing</b>	<b>(\$25)</b>	<b>(\$7)</b>

## LTM Total Working Capital



## Capital & Liquidity Overview

### Capital Expenditures Summary



### Liquidity Summary – 9/30/2013

Cash	\$71
Availability under ABL facility	480
Liquidity	<u>\$551</u>

### Capital Structure

	<u>12/31/12</u>	<u>9/30/13</u>
Cash	\$ 593	\$ 71
ABL	-	-
Notes*	1,000	1,000
China Loan Facility*	188	197
Other*	<u>58</u>	<u>58</u>
Net Debt	\$ 653	\$ 1,184
Net Debt / LTM Adj EBITDA	2.2x	4.6x
Net Recourse Debt / LTM Adj EBITDA	1.6x	3.9x

\*Amounts exclude applicable discounts

## 4Q13 Outlook

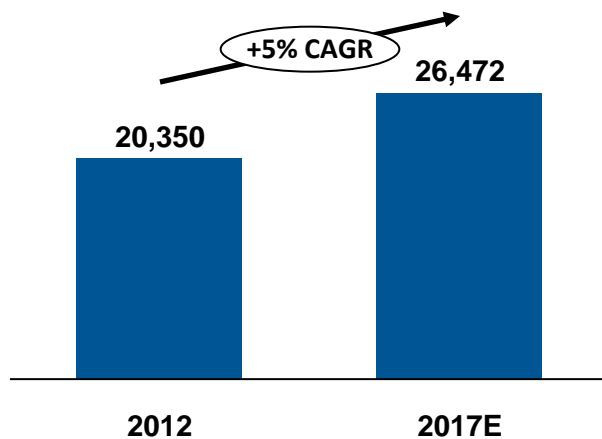
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- Aerospace customer inventory overhang; long-term fundamentals strong
- Auto body sheet volume strength expected to continue
- Global Rolled Products short-term volume uncertainty; long-term fundamentals strong
- Continued pressure on Rolled Products NA scrap spreads; stable Spec Alloy metal spreads expected
- Productivity benefits expected to be realized from strategic CapEx and SG&A reductions; offset by higher, one-time planned maintenance activity
- Adjusted EBITDA expected to be lower compared to 4Q12



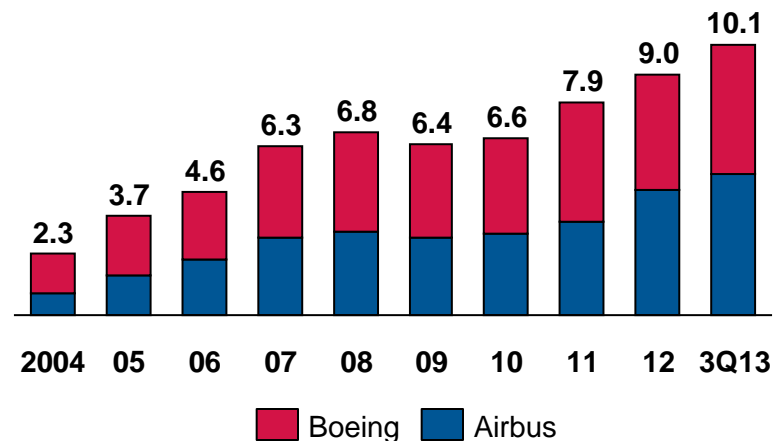
# Outlook

## Aluminum Rolled Products Demand (kT)



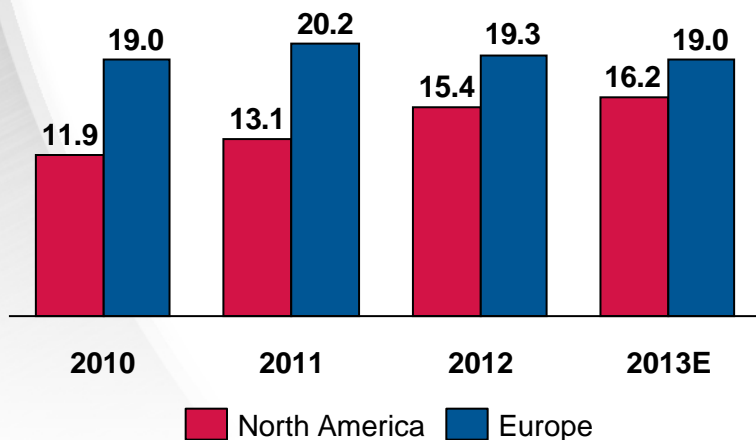
Source: CRU International Limited

## Airplane Order Backlog (thousands)



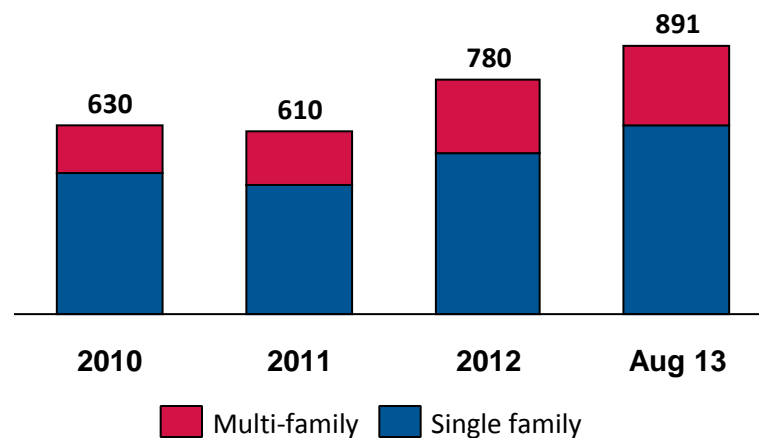
Source: Boeing, Airbus

## Auto Builds (millions)



Source: IHS Global

## US Housing Starts (thousands)



Source: Aleris, NAHB; Census Bureau & Dept of Housing for Development for 2013



Appendix

## 3Q & YTD Adj. EBITDA Reconciliation

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	(in millions)			
Adjusted EBITDA	\$ 67.6	\$ 78.4	\$ 210.1	\$ 248.6
Unrealized (losses) gains on derivative financial instruments	(3.2)	(0.5)	(2.9)	3.2
Impact of recording assets at fair value through fresh-start and purchase accounting	-	0.2	0.1	0.8
Restructuring charges	(1.0)	(0.6)	(11.4)	(1.1)
Unallocated currency exchange (losses) gains on debt	(1.1)	1.0	(1.3)	(0.3)
Stock-based compensation expense	(5.8)	(2.8)	(11.2)	(8.1)
Start-up expenses	(7.6)	(7.9)	(31.0)	(16.9)
Favorable metal price lag	5.1	4.7	18.0	12.1
Other	(2.3)	(1.5)	(4.4)	(5.2)
EBITDA	51.7	71.0	166.0	233.1
Interest expense, net	(26.2)	(10.7)	(71.8)	(33.8)
Provision for income taxes	(1.4)	(7.5)	(9.0)	(25.6)
Depreciation and amortization	(31.4)	(20.0)	(93.3)	(59.2)
Net (loss) income attributable to Aleris Corporation	(7.3)	32.8	(8.1)	114.5
Net income (loss) attributable to noncontrolling interest	0.2	(0.3)	0.8	(0.9)
Net (loss) income	(7.1)	32.5	(7.3)	113.6
Depreciation and amortization	31.4	20.0	93.3	59.2
(Benefit from) provision for deferred income taxes	(0.8)	1.3	1.1	8.3
Stock-based compensation expense	5.8	2.8	11.2	8.1
Unrealized losses (gains) on derivative financial instruments	3.2	0.5	2.9	(3.2)
Currency exchange losses (gains) on debt	2.8	(0.4)	2.4	0.5
Amortization of debt issuance costs	1.9	1.6	5.8	4.7
Other	(2.6)	(0.8)	(3.2)	(1.1)
Change in operating assets and liabilities:				
Change in accounts receivable	44.0	0.2	(68.1)	(97.4)
Change in inventories	(7.6)	11.3	(31.9)	(41.5)
Change in other assets	2.1	(6.0)	(12.9)	(7.7)
Change in accounts payable	(24.8)	(0.1)	28.2	69.6
Change in accrued liabilities	(14.8)	(7.1)	(38.8)	(21.1)
Net cash provided (used) by operating activities	\$ 33.5	\$ 55.8	\$ (17.3)	\$ 92.0

## 3Q12 & 3Q13 Adj. EBITDA Reconciliation by Segment

	For the three months ended	
	September 30,	
	2013	2012
<b>RPNA</b>		
Segment income	\$ 21.5	\$ 30.3
Favorable metal price lag	(1.2)	(0.6)
Segment Adjusted EBITDA (1)	<u>\$ 20.4</u>	<u>\$ 29.7</u>
<b>RPEU</b>		
Segment income	\$ 37.1	\$ 42.6
Impact of recording amounts at fair value through fresh-start and purchase accounting	-	(0.2)
Favorable metal price lag	(4.0)	(2.6)
Segment Adjusted EBITDA (1)	<u>\$ 33.1</u>	<u>\$ 39.8</u>
<b>Extrusions</b>		
Segment income	\$ 4.3	\$ 5.6
Impact of recording amounts at fair value through fresh-start and purchase accounting	-	-
Favorable metal price lag	-	(1.5)
Segment Adjusted EBITDA (1)	<u>\$ 4.3</u>	<u>\$ 4.1</u>
<b>RSAA</b>		
Segment income	\$ 15.7	\$ 9.2
Segment Adjusted EBITDA (2)	15.7	9.2
<b>RSEU</b>		
Segment income	\$ 3.7	\$ 4.7
Segment Adjusted EBITDA (2)	3.7	4.7

(1) Amounts may not foot as they represent the calculated totals based on actual amounts and not the rounded amounts presented in this table.

(2) There was no difference between segment income and segment Adjusted EBITDA for this segment.

## 2010 – Sep '13 LTM Adj. EBITDA Reconciliation by Segment

	LTM	For the years ended December 31,		
	September 30, 2013	2012	2011	2010
	(in millions)			
<b>RPNA</b>				
Segment income	\$ 104.0	\$ 117.6	\$ 111.1	\$ 94.3
Impact of recording amounts at fair value through fresh-start and purchase accounting	-	-	-	(2.7)
Favorable metal price lag	(6.6)	(6.4)	(6.2)	(3.5)
Segment Adjusted EBITDA (1)	<u>\$ 97.4</u>	<u>\$ 111.1</u>	<u>\$ 104.9</u>	<u>\$ 88.1</u>
<b>RPEU</b>				
Segment income	\$ 133.1	\$ 144.6	\$ 157.6	\$ 95.5
Impact of recording amounts at fair value through fresh-start and purchase accounting	(0.2)	(0.8)	3.8	19.6
Favorable metal price lag	(14.2)	(7.1)	(9.9)	(10.7)
Segment Adjusted EBITDA	<u>\$ 118.7</u>	<u>\$ 136.7</u>	<u>\$ 151.5</u>	<u>\$ 104.4</u>
<b>Extrusions</b>				
Segment (loss) income	\$ 11.8	\$ 16.4	\$ 10.9	\$ 8.0
Impact of recording amounts at fair value through fresh-start and purchase accounting	-	(0.1)	(0.3)	3.2
Unfavorable (favorable) metal price lag	(1.2)	(2.6)	(2.7)	0.3
Segment Adjusted EBITDA (1)	<u>\$ 10.6</u>	<u>\$ 13.8</u>	<u>\$ 7.9</u>	<u>\$ 11.5</u>
<b>RSAA</b>				
Segment income	\$ 52.3	\$ 53.6	\$ 80.9	\$ 63.5
Impact of recording amounts at fair value through fresh-start and purchase accounting	-	-	-	1.9
Segment Adjusted EBITDA	<u>\$ 52.3</u>	<u>\$ 53.6</u>	<u>\$ 80.9</u>	<u>\$ 65.4</u>
<b>RSEU</b>				
Segment income	\$ 12.1	\$ 19.4	\$ 35.3	\$ 27.7
Impact of recording amounts at fair value through fresh-start and purchase accounting	-	-	-	3.9
Segment Adjusted EBITDA	<u>\$ 12.1</u>	<u>\$ 19.4</u>	<u>\$ 35.3</u>	<u>\$ 31.6</u>

(1) Amounts may not foot as they represent the calculated totals based on actual amounts and not the rounded amounts presented in this table.

## 2009 – Sep '13 LTM Commercial Margin Reconciliation

	For the years ended December 31,				
	(in millions)				
	<b>LTM</b>				
	<b>September 2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Revenues	\$ 4,331.3	\$ 4,412.4	\$ 4,826.4	\$ 4,117.1	\$ 2,996.8
Hedged cost of metal	(2,623.0)	(2,707.6)	(3,045.0)	(2,555.3)	(1,687.9)
Favorable metal price lag	(21.9)	(16.0)	(18.9)	(13.6)	(29.5)
Commercial margin	<u>\$ 1,686.4</u>	<u>\$ 1,688.8</u>	<u>\$ 1,762.5</u>	<u>\$ 1,548.2</u>	<u>\$ 1,279.4</u>