

Alcoa Corporation

Fourth Quarter and Full Year 2025 Earnings Presentation and Conference Call

January 22, 2026, 5:00 PM EST

CORPORATE PARTICIPANTS

William Oplinger – *President and Chief Executive Officer*

Molly Beerman – *Executive Vice President and Chief Financial Officer*

Louis Langlois – *Senior Vice President, Treasury and Capital Markets*

OTHER PARTICIPANTS

Nick Giles – *Analyst, B. Riley Securities, Inc.*

Carlos de Alba – *Analyst, Morgan Stanley & Co. LLC*

Katja Jancic – *Analyst, BMO Capital Markets Corp.*

Glyn Lawcock – *Analyst, Barrenjoey Markets Pty Ltd.*

Lawson Winder – *Analyst, BofA Securities*

Timna Tanners – *Analyst, Wells Fargo Securities LLC*

Lachlan Shaw – *Analyst, UBS Securities Australia Ltd.*

Bill Peterson – *Analyst, JPMorgan Securities LLC*

John Tumazos – *John Tumazos Very Independent Research LLC*

Daniel Major – *Analyst, UBS AG (London Branch)*

PRESENTATION

Operator

Good afternoon and welcome to the Alcoa Corporation Fourth Quarter and Full Year 2025 Earnings Presentation and Conference Call. All participants will be in listen-only mode. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Louis Langlois, Senior Vice President of Treasury and Capital Markets. Please go ahead.

Louis Langlois

Thank you, and good day, everyone. I'm joined today by William Oplinger, Alcoa Corporation President and Chief Executive Officer; and Molly Beerman, Executive Vice President and Chief Financial Officer. We will take your questions after comments by Bill and Molly.

As a reminder, today's discussion will contain forward-looking statements relating to future events and expectations that are subject to various assumptions and caveats. Factors that may cause the company's actual results to differ materially from these statements are included in today's presentation and our SEC filings.

In addition, we have included some non-GAAP financial measures in this presentation. For historical non-GAAP financial measures, reconciliations to the most directly comparable GAAP financial measures can be found in the appendix to today's presentation. We have not presented quantitative reconciliations of certain forward-looking non-GAAP financial measures for reasons noted on this slide. Any reference in our discussion today to EBITDA means adjusted EBITDA. Finally, as previously announced, the earnings press release and slide presentation are available on our website. Now, I'd like to turn over the call to Bill.

William Oplinger

Thank you, Louis, and welcome to our fourth quarter 2025 earnings conference call.

Today, we'll review our strong fourth quarter results, discuss our markets, and review the progress we've made on strategic initiatives. Let me begin with safety. Across all operations, our teams mobilize to strengthen fatality risk management at the frontline. Our safety incident rates remained stable in the fourth quarter, with fewer significant incidents in the second half of 2025. For the full year 2025, both our DART and All Injuries rates improved compared to 2024, evidence of our continued progress in building a safer workplace.

In the fourth quarter, we delivered strong operational performance and stability, achieving annual production records at five of our smelters and one refinery.

This includes achieving a remarkable 16 consecutive years of increased production at our Deschambault smelter in Canada, along with 8 consecutive years of record performance at our Mosjøen smelter in Norway. These additional metric tons contributed meaningfully to our bottom line as we delivered robust financial performance and cash generation in the quarter, which Molly will discuss in more detail.

We also improved our shipping performance in the fourth quarter across both segments, with the higher aluminum shipments enabling us to deliver strong primary aluminum prices to the bottom line. The restart of the San Ciprián smelter is progressing well, with approximately 65% of the capacity in operation at the end of 2025. We continue to expect that the restart will be completed in the first half of 2026 as previously communicated.

We move forward on strategic initiatives in the fourth quarter. To name a few, we progressed negotiations on monetizing a transformation site in the U.S. and are expecting to reach an agreement in the first half of 2026. As we've discussed before, we are not simply monetizing former operating sites as land sales. We are working closely with developers to maximize value. We have multiple sites under discussion now.

In November, ELYSIS announced the successful start up of its 450 kA inert anode cell. This represents a major milestone for the ELYSIS R&D program, and a defining moment in the transition toward large-scale, low-carbon aluminum production. The designed cell is part of a multiyear R&D program, focused on developing inert anode technology at commercial scale.

We also advanced our Western Australia mine approvals by progressing our responses from the public comment period and continuing to work with stakeholders. We still anticipate ministerial approvals by year end 2026, in line with the timeline previously shared at Investor Day.

In summary, Alcoa closed the fourth quarter with strong operational and financial performance, supported by improved safety results and record production across multiple assets. Our momentum continues with progress on the company's strategic initiatives, aimed at creating further value in 2026. Now, I'll turn it over to Molly to take us through the financial results.

Molly Beerman

Thank you, Bill. Revenue increased 15% sequentially to \$3.4 billion. In the Alumina segment, third-party revenue increased 3% as higher shipments of both bauxite and alumina more than offset lower alumina prices.

In the Aluminum segment, third-party revenue increased 21% on an increase in average realized third-party price and higher shipments across the segment. Fourth quarter net income attributable to Alcoa was \$226 million versus the prior quarter of \$232 million, with earnings per share down slightly to \$0.85 per share.

When you look at the GAAP income statement for the fourth quarter, there are several notable items. First, research and development expenses are negative \$11 million in the fourth quarter. Beginning in 2025, Norway CO2 compensation scheme included a requirement for recipients to spend 40% of the compensation received on emission reduction and energy efficiency measures.

During the fourth quarter, Alcoa met the requirements and recognized \$25 million as a reduction of the related R&D expenses. These impacts within EBITDA will not recur in the first quarter of 2026.

Second, below EBITDA, we recorded a non-cash charge of \$144 million to impair goodwill in the Alumina segment, primarily related to a 1994 acquisition. We performed an annual goodwill impairment assessment, and current alumina prices do not support this valuation. There is no goodwill remaining after this charge and it is considered a special item.

Third, interest expense is lower in the fourth quarter. This reflects a benefit of \$23 million related to recognition of capitalized interest on certain capital expenditures from prior periods. Last, we recorded a tax benefit of \$133 million from the reversal of a valuation allowance on deferred tax assets in Brazil, mainly due to improved profitability at the Alumar refinery.

Changes in our discrete tax items such as this are consistently reflected as special items. On an adjusted basis, net income attributable to Alcoa was \$335 million, or \$1.26 per share, excluding net special items of \$109 million. Notable special items include the goodwill impairment charge of \$144 million, a mark-to-market loss of \$70 million on the Ma'aden shares, partially offset by \$133 million from the tax valuation allowance reversal.

Adjusted EBITDA was \$546 million. Let's look at the key drivers of EBITDA. The sequential increase in adjusted EBITDA of \$276 million is primarily due to higher metal prices, driven by increases in both the LME and the Midwest premium. The Alumina segment adjusted EBITDA decreased \$36 million, primarily due to lower alumina prices, partially offset by higher shipping volume on both bauxite and alumina, and the non-recurrence of adjustments to asset retirement obligations recorded in the third quarter.

The Aluminum segment adjusted EBITDA increased \$213 million, primarily due to higher metal prices, lower alumina costs, as well as the recognition of CO2 compensation in Spain and Norway. These impacts were partially offset by increased tariff cost based on higher LME and higher production costs. Outside the segments, other corporate costs decreased and intersegment eliminations change favorably, primarily due to the lower average alumina price requiring less inventory profit elimination.

Moving on to cash flow activities for the fourth quarter and the full year 2025. We ended December with a strong cash balance of \$1.6 billion. In the fourth quarter, we used cash from improved earnings and the release of working capital to repay the remaining \$141 million of the 2027 notes and to fund sequentially higher capital expenditures. This reflects the strength of our aluminum portfolio and our ability to deliver elevated metal prices to the bottom line.

Recall that we received \$150 million of cash when the Ma'aden transaction closed in mid-2025 to cover taxes and fees. We have not yet received the final capital gains tax invoice, so we now expect that payment to occur in the first quarter of 2026. As typical, capital expenditures and environmental and ARO payments are our largest uses of cash in 2025.

Now, let's cover the key financial metrics for the fourth quarter and full year. In 2025, the company delivered improved performance on key cash flow and return on equity metrics and closed the year with a strengthened balance sheet. Return on equity for the year was 16.4%, the highest since 2022. During the year, we returned \$105 million to stockholders through our \$0.10 per share quarterly dividend.

Free cash flow, including net non-controlling interest contributions was \$594 million for the year, including fourth quarter free cash flow of \$294 million. The reduction in working capital contributed significantly to free cash flow generation in the fourth quarter, with days working capital decreasing sequentially by 15 days to a level similar to the fourth quarter of 2024.

We finished the year at \$1.5 billion of adjusted net debt, reaching the high end of our target range of \$1 billion to \$1.5 billion. While this is an important achievement, reflecting strong financial performance, it is important to reinforce that our goal is not only to reach this range, but to remain within it through the cycles.

We have historically consumed cash in the first quarter, mainly due to increases in working capital. We will be mindful of the cash position in the first quarter of 2026 as we continue with disciplined execution of our capital allocation framework, prioritizing debt repayment, and evaluating opportunities to create additional value for our stockholders.

Now let's turn to the outlook. For the full year 2026 outlook, we expect alumina production to range between 9.7 million metric tons and 9.9 million metric tons, and shipments to range between 11.8 million metric tons and 12.0 million metric tons. The decrease in shipments reflects lower sales of externally sourced alumina to satisfy certain customer commitments and lower alumina trading volumes.

The Aluminum segment production is expected to range between 2.4 million metric tons and 2.6 million metric tons, and shipments are expected to range between 2.6 million metric tons and 2.8 million metric tons, both increasing primarily from the San Ciprián smelter restart.

In EBITDA items outside the segment, we expect transformation costs to be \$100 million increased from last year, primarily due to the inclusion of Kwinana holding costs for the full year in 2026. Other corporate expense will increase to approximately \$160 million. Below EBITDA, we expect depreciation of approximately \$630 million.

Non-operating pension and OPEB expense is expected to be up slightly to \$35 million. Interest expense is expected to approximate \$140 million. For cash flow impacts, we expect 2026 pension and OPEB required cash funding to be slightly lower compared to 2025, around \$60 million. The majority of that spend is for the U.S. OPEB plan.

Our capital returns to stockholders will continue to be aligned with our capital allocation framework. Our capital expenditure estimate is \$750 million, with \$675 million in sustaining and \$75 million in return seeking. The sustaining capital increase is \$97 million over 2025, primarily due to \$65 million increase related to upcoming mine moves in Australia, as well as higher spend on impoundments and anode bake furnace rebuilds.

At our Investor Day last October, we indicated the potential to pursue government support for some of our capital spending that would reduce our overall CapEx. That work is progressing well, but we do not yet have confirmations to share.

Net payments on prior year's income taxes are expected to be approximately \$230 million, including our estimate for the Ma'aden capital gains tax.

Environmental and ARO spending is expected to increase in 2026 to approximately \$325 million, primarily due to progress on the Kwinana site remediation. We do not provide guidance on full year cash restructuring charges.

For the first quarter of 2026 at the segment level, in Alumina, we expect performance to be unfavorable by approximately \$30 million due to typical first quarter impacts from the beginning of maintenance cycles and lower shipping volumes, along with lower price and volume from bauxite offtake and supply agreements.

In the Aluminum segment, we expect performance to be unfavorable by approximately \$70 million due to the non-recurrence of Spain and Norway CO2 compensation credits recorded in the fourth quarter, as well as additional operating costs associated with the restart of the San Ciprián smelter.

Alumina cost in the Aluminum segment is expected to be favorable by approximately \$40 million. Below EBITDA within other expenses, the fourth quarter of 2025 included unfavorable foreign currency impacts of \$20 million that may not recur. Based on last week's pricing, we expect the first quarter of 2026 operational tax expense to approximate \$65 million to \$75 million. Our sensitivities have been updated for our view of 2026. Please see the appendix.

Now, I'll turn it back to Bill.

William Oplinger

Thanks, Molly. Let's begin with the alumina industry dynamics. FOB Western Australia alumina prices remained within a relatively narrow range and ended the year slightly lower than the third quarter average, continuing to pressure higher costs to refineries.

On the supply side, we have not seen large-scale curtailments announced to date. The Chinese government's continued emphasis on the orderly operation of the alumina industry, as stated in the NDRC's December policy statement, combined with refinery's efforts to maintain stable production through annual contract negotiations, has extended steady supply conditions and discouraged large-scale curtailments. However, current pricing levels continue to put pressure on about 60% of China refineries.

Looking ahead, incremental supply from expansion projects in China, Indonesia, and India combined with potential lower demand from the Mozal smelter may continue pressuring prices. However, anticipated smelting capacity growth, primarily in Indonesia, could provide some demand support over the second half of 2026.

Turning to bauxite, prices remained relatively stable throughout the fourth quarter amid limited spot activity. However, despite strong demand, we have observed lower prices to start the year, with supplies increasing in Guinea as restarted capacity from suspended licenses comes to market.

Despite near-term market pressures, we remain confident in the long-term fundamentals of the alumina industry. Alcoa is exceptionally well positioned to navigate market volatility thanks to our low cost mining and refining portfolio and our strong operational performance. And beyond our cost advantage, Alcoa's ability to provide value to customers through quality product and reliability enables us to secure long term supply contracts with premiums above index pricing. Highlighting Alcoa's position as the alumina supplier of choice for long-term partnerships.

Moving to aluminum, LME prices increased 8% sequentially in the fourth quarter and recently reached \$3,200 per metric ton as strong underlying fundamentals, including constrained supply and high demand projections continue in the market. This was further supported by the broader base metals rally led by copper, geopolitical uncertainty, and macroeconomic tailwinds. We also observed funds substantially increasing their long positions in aluminum over this period.

2025 ended with positive momentum for aluminum, as inventories measured in days of consumption, fell to their lowest year-end level in at least 15 years. On the demand side, we continued to see meaningful strength in the packaging and electrical sectors.

Moving into 2026, Indonesia is emerging as a major aluminum producer, with analysts forecasting approximately 700,000 metric tons of new production. However, recently announced disruptions in Iceland and Mozambique could remove over 550,000 metric tons from the market in 2026, almost offsetting the expected additions from Indonesia and limiting net global supply growth.

China remains near its 45 million metric tons cap, which we continue to believe will be maintained. On 2026 demand, we anticipate continued growth globally, including in North America and Europe, which will remain in substantial deficits. Alcoa's overall order book remains strong for value added product sales, although regional and segment specific dynamics vary.

In North America, rod demand for electrical sectors is exceptionally strong, while slab orders are steady and supported by robust packaging markets. Automotive slab demand has been temporarily affected by the Novelis, Oswego hot mill outage, but is showing signs of stability for 2026.

Billet demand is currently flat, but showing early signs of improvement, driven by reshoring. Foundry demand, however, remains challenged as tariffs pressure auto OEM profitability and supply chains.

In Europe, rod continues to outperform with demand consistently exceeding supply capacity. Packaging demand is strong, but faces growing competition from Chinese imports displaced by U.S. tariffs. Automotive related slab demand remains weak, with no recovery expected in 2026 due to low EV platform orders and uncertainty around new programs. Billet demand is soft across all segments, further impacted by slowdown in construction activity. Foundry demand is also low, with extended customer shutdowns.

In aluminum, Alcoa is uniquely positioned to benefit from globally constrained supply and selling into high premium regions. In the fourth quarter, regional premium strengthened across the board, supported by robust fundamentals, U.S. tariffs, supply disruptions, and anticipation of Europe's Carbon Border Adjustment Mechanism scheme or CBAM.

In North America, the Midwest premium rose sharply, providing a significant benefit to Alcoa given our U.S. production. Importantly, the higher Midwest premium fully offset tariff costs on shipments from Canada to the U.S. And I'll remind everyone of the four smelters still operating in the U.S., Alcoa owns two, giving us an advantage as the Midwest premium continues to increase.

In Europe, the Rotterdam regional premium increased in the fourth quarter, partially due to demand front-loading ahead of CBAM's implementation in January 2026. CBAM implementation is expected to deliver a net benefit to Alcoa in 2026, because the anticipated increase in the Rotterdam premium should more than offset our incremental carbon emissions costs.

Under CBAM, foreign importers to Europe must purchase CBAM certificates to compensate for their carbon emissions. This increase in costs reflects the need for Europe, an aluminum deficit region, to price imports high enough to attract marginal foreign producers that must now purchase CBAM certificates. Industry analysts estimate that CBAM could add roughly \$40 per metric ton to the Rotterdam premium in 2026, and we believe some of this uplift was already included into the fourth quarter of 2025.

While CBAM certificates affect foreign importers, domestic European producers do not purchase CBAM credits and instead experience cost changes through the Emissions Trading System framework or ETS, which sets the carbon cost for all domestic producers.

Current free allowances under that program will be fully phased out by 2034, pushing carbon costs of domestic producers higher. However, Alcoa's European smelters are advantaged when compared to higher emitting producers due to their lower Scope 1 direct emissions driven by modern pot technology and strong operational stability. This makes our cost increase comparatively lower than competitors.

Overall, based on our internal analysis, we expect CBAM to generate a net positive impact of approximately \$10 per metric ton in 2026, with the uplift in the Rotterdam premium outweighing our carbon cost increases. We will reconfirm this estimate as actual CBAM dynamics materialize. Additionally, the European Commission's December update strengthened CBAM by closing key circumvention risks such as scrap loopholes and inclusion of downstream products. We continue engaging with the Commission to ensure the mechanism functions as intended.

In summary, our strong operating footprint in both North America and Europe provides a benefit to Alcoa from both U.S. tariffs and CBAM implementation. To conclude, in the fourth quarter, Alcoa delivered strong operational stability, highlighted by annual production records across five smelters and one refinery, robust financial results, and net cash generation. We advanced key actions to improve the competitiveness of our operations and further strengthen the company for long-term success.

Looking ahead, our focus remains on safety, stability, and operational excellence while continuing to advance strategic initiatives. We are well positioned to continue creating value in 2026, capitalizing on robust market fundamentals. We will maintain a disciplined capital allocation as we evaluate opportunities.

With that, let's open the floor for questions. Operator, please begin with the Q&A session.

Q&A SESSION

Operator

[Operator Instructions] Our first question today is from Nick Giles with B. Riley, please go ahead.

Nick Giles

Thank you, operator. And good afternoon, everyone. My first question was really when compared to the initial guidance, 2025 aluminum production and shipments did come in below initial expectations. And obviously, you've made a lot of progress at certain assets here more recently. But if we take a step back, what ultimately gives you the confidence that 2026 is attainable. And could this be a year of upward revisions rather than downward? Thank you.

- William Oplinger** Thanks, Nick. We think the 2026 guidance is very much attainable. It's going to be based on how some of the restarts around the system go. We're in the process of restarting San Ciprián.
- We're still working on the restart of São Luís. And overall, as you mentioned, we had extremely strong production at five of the smelters around the world, and we're confident that we can continue that progress that we had in 2025.
- Nick Giles** Bill, it's good to hear. I appreciate that. My second question was, Atlantic Alumina received a fairly sizable investment from the DOW and other parties related to increasing alumina and gallium production. And so, I was hoping to get your perspective on, one, domestic supply of alumina, is this something that Alcoa would ever be interested in? And then the second part on the gallium side, I don't think I heard any updates on the potential project in WA. Didn't know if there was any color you could provide there? Thank you.
- William Oplinger** So as far as the first part of the question, alumina is largely fungible, and therefore our two sites in the U.S. would certainly consider a U.S.-based supply of alumina as long as it cut down on transportation costs. So, if that excess capacity comes online, we will certainly look at opportunities to use it in the U.S.
- As far as our gallium project is going, we're making progress. We're continuing to work with the three governments to ensure that we can build a really strong gallium plant at the end of Wagerup. And so, we are making progress on the project and are moving forward.
- Nick Giles** Bill, I really appreciate the update, and to you and the team continued best of luck.
- William Oplinger** Thanks.
- Operator** The next question is from Carlos de Alba with Morgan Stanley. Please go ahead.
- Carlos De Alba** Yeah. Good afternoon, Bill and Molly. My first question is regarding the alumina profitability. Clearly, prices are under pressure, maybe at the bottom, depending on how things play out. But the profitability for that business unit or that segment for you guys has come down. Based on the guidance, probably is going to be breakeven, give or take. So what – I mean, can you talk about what the plans are to potentially come out with initiatives to reduce costs, if possible, improve productivity, efficiencies, and just to enhance the profitability of that segment?
- William Oplinger** So I'll address it. And Molly, if you want to add anything. Clearly, we understand where we are in the cycle in alumina. And we've shown in the past, Carlos, that we can get pretty aggressive around costs. Now what we won't do this time around is really put any of our plants in jeopardy for the future, and we have a low cost position on the cost curve.

And there are other plants around the world, specifically in China, who are much higher on the cost curve. So they will be under pressure. Their margins will be under significant pressure at these at these levels.

- Carlos De Alba** All right. Thank you for that, Bill. And then maybe on the idled sites or monetization of idled sites, could you provide maybe a little bit more color? We're expecting something to be announced maybe by the end of last year or the first quarter. It seems now the progress is being made, but more expected to be done concluded in the first half of the year. Any additional color that you can provide in addition to your comments, is it one site, two sites? Anything that you can help us with, obviously it's a very important aspect of the company.
- Molly Beerman** Yes. Thanks for the question, Carlos. The negotiations for the primary site that we're working on now, it's taking longer because it is not a simple land sale. This particular negotiation could involve a multiyear payment stream as well as some value sharing structures. And we're going to take our time and get this right. Make sure we get the most value. So that's the slight extension on the timing there. We are continuing to progress several other sites. We have 10 priority sites in total to meet our target of \$500 million to \$1 billion over the next five years.
- Carlos De Alba** Thank you, Molly. Good luck.
- Molly Beerman** Thank you.
- William Oplinger** Thanks, Carlos.
- Operator** The next question is from Katja Jancic with BMO Capital Markets. Please go ahead.
- Katja Jancic** Hi. Thank you for taking my questions. Can you provide the update on the current status of Alumar smelter?
- William Oplinger** Yes. The Alumar smelter had a setback again in the fourth quarter. We would anticipate that the production level in the first quarter will be very similar to what we had in the fourth quarter. The issue that we had in the fourth quarter was really initiated by a series of power interruptions that occurred. And the stability of that plant is not in a position where it was able to absorb those changes in power. But we do anticipate that the first quarter should not be materially different than the fourth.
- Molly Beerman** I'll just add that we did reach profitability at the smelter in the second half of the year. And again, the production change will not be significantly different sequentially. And in 2026, we'll continue with the stabilization efforts there and work on our cost improvement programs.
- Katja Jancic** And then maybe shifting to San Ciprián, given the current alumina and aluminum environment, if the operations would be at full capacity, would the operations generate, would the EBITDA be positive?

- Molly Beerman** For the smelter, we will reach profitability after we complete the restart, and that is still on track for the middle of 2026. The pricing is very favorable there.
- We're still working on our overall program for the complex, and I can give you an update on our EBITDA guidance for 2026 for the combined smelter and refinery. So we have an EBITDA loss of approximately \$75 million to \$100 million. The majority of that is the refinery.
- Our free cash flow consumption will be approximately \$100 million to \$130 million. And that includes refinery CapEx of about \$50 million. We are making some working capital improvements across the site, so we have the benefit of that as well. We are still progressing on our plan to reach cash neutrality in 2027. 2026 as we indicated during our Investor Day, our commentary will be challenged, though, with the numbers that I just gave you.
- In Spain, we do not record the CO2 compensation until it is earned. And recall there's a three-year clawback, so we will have cash receipt of about \$85 million coming in the second half of 2027 for our 2026 production. So that's why we still have confidence that by the second half of 2027, we will have reached our neutrality goal. We'll have smelter profitability, we'll have the CO2 payment coming in, and that will completely cover refinery losses at that point.
- Katja Jancic** Perfect. Thank you.
- Operator** The next question is from Daniel Major with UBS. Please go ahead. Mr. Major, your line is open on our end, perhaps it's muted on yours. Moving on, the next question is from Glyn Lawcock with Barrenjoey. Please go ahead.
- Glyn Lawcock** Happy New Year, Bill and Molly. You mentioned in today's release back-to-back mine move in WA. Could you just, sort of, maybe talk a little bit to that, when does that start to – when you have to submit your permit request for that second mine move? And how should I think about that relative to the one that's currently underway? Thanks.
- Molly Beerman** Glyn, we'll probably have to recheck that. I don't believe we said back-to-back on the mine moves in today's release.
- William Oplinger** And if we were to give you an update, Glyn, on the current mine move, we're progressing well. We've responded to the submissions that were made in the public comment period. We still anticipate the EPA making the recommendation by the end of the first half. And we still anticipate having our permits by the end of 2026.
- Glyn Lawcock** Okay. That's great. And then maybe just I don't know if you've mentioned it, but just the Canada tariff exemption, I mean, obviously how long is the piece of string? But just any updates on discussions there? Or is it still something too hard to call?

- William Oplinger** I think, it's very hard to call with all the geopolitical changes that are going on around the world, Glyn. It's difficult to say whether there will be a Canadian exemption. Midwest premium obviously has risen to cover the total tariff expense.
- As a company, we're probably spending over \$1 billion in gross tariff expense on an annual basis, but the Midwest premium is high enough to cover that. So the tariffs in their entirety are getting passed on to customers at this point.
- Glyn Lawcock** Yeah. Okay. Thanks very much.
- Operator** The next question is from Lawson Winder with Bank of America. Please go ahead.
- Lawson Winder** Thank you very much, operator. And good evening, Bill and Molly. I appreciate you taking the question. Can I ask about the productivity improvements at Alumina that you cited driving the higher production, which kind of, jumped out just because of Kwinana being down? Is that better utilization or are you getting some higher third-party bauxite, or are there other factors there driving that?
- Molly Beerman** Lawson, I would say most of that is just simply because the teams there are really applying every technical resource to continue to improve productivity with the low bauxite grade. So we're not seeing improvements in the grade. The teams just continue to do a great job of increasing production.
- William Oplinger** So if you go around the system and some of this relates to the end of 2025, going into 2026, the Alumar refinery is running extremely well, and we're seeing great production out of the Alumar refinery. The San Ciprián refinery is held at around 2,100 metric tons per day. And there's a variety of different reasons for why we're holding it at 2,100 metric tons per day. In this price environment, doesn't make any sense to ramp it up any higher.
- And then if you go to WA, both Pinjarra and Wagerup had good years. We think that they're going to have better years in 2026, and they are reacting well to the lower bauxite grade, and we believe that they will outperform in 2026.
- Lawson Winder** Okay. Thank you for that color. And could I also get your thoughts on capital return. So congratulations on achieving a net debt level below the \$1.5 billion target. You suggested that, that might rise – or the net debt might rise back above the \$1.5 billion target in Q1, I mean, TBD. But then thinking beyond Q1, how does that net debt level factor into your thinking around potential buybacks? I mean, is there a certain comfort level below the \$1.5 billion that might put capital return back on the table or for 2026, should we maybe think about continued debt repayment and then potential investment opportunities in growth for the business rather than capital return?

Molly Beerman

So we did just get under the target at \$1.46 billion. So again, as we said on our comments, our goal is not only to get to the range, but to stay within it throughout our cycles. And as we mentioned, we're going to consume cash in the first quarter that will be related to both working capital and tax payments.

We do expect to generate cash across 2026. And that will be used for additional debt repayments – recall, we still have \$219 million on our 2028 notes. And we will expect to have excess cash to compete between shareholder returns and value-creating growth opportunities.

William Oplinger

If I would just add to that, it all starts with a rock solid balance sheet. And we are now within our target range. But a fundamental belief on our part is that one of the strengths of our company is that we need to have a fortress balance sheet. And we're within the range. Beyond that, we have the sustaining capital that we'll spend to sustain the cash flow that we get from the operations. And then, as Molly said extremely well, it's going to be a mix between returns to shareholders and growth.

Lawson Winder

Okay. Thank you for that.

Operator

The next question is from Timna Tanners with Wells Fargo. Please go ahead.

Timna Tanners

Yeah, hey, good evening. I wanted to ask, obviously, given the step change in aluminum prices, if you have any updated thoughts on volumes, especially in the U.S. and Europe?

So the President Trump's mandate was to increase production. That was the design, I believe, of the tariffs. And there hasn't been much. So is there pressure from the Trump administration? Any new thoughts on Warrick? And then, of course, in Europe, the CBAM mentioned it's for prices, but also could be encouraging of domestic volumes. So your thoughts on volumes would be great.

William Oplinger

Yes. So there's four smelters in the U.S. We own two of them. Massena is running flat out. And as you saw, we just re-signed – we signed a long-term power contract at Massena that gets us 10 more years plus an option for another 10. So very exciting that we can have competitive green power in Massena, but they don't have any further capacity available to them.

In Warrick, we have a line that is idle currently. The issue with restarting that line in Warrick is, number one, it's expensive. It will cost us about \$100 million. And depending on the availability of lead time on key production items, for instance, transformers and things like that, it could take up to a couple of years to restart that smelter – that line at the smelter. So it's, at this point, unlikely that we would restart the fourth line. I can't speak for anybody else in the U.S., Timna, and what they're doing.

If we then look at Europe, I think that the incremental \$40 that we talk about in the Rotterdam premium is highly unlikely to incent anyone to restart capacity in Europe.

In Europe, it all comes down to as it does in anywhere around the world is energy. And what are energy prices doing? And last time I looked, energy is not getting significantly cheaper in Europe any time soon.

Timna Tanners

Okay. Helpful. If I could just one more on Spain circling back, if I recall from the Investor Day, you talked about a timeframe where you'd be free to exit the country given your existing framework. Can you remind us when that is?

William Oplinger

So we will have largely fulfilled the viability agreement by the end of 2027.

Timna Tanners

Okay, great. Thank you.

William Oplinger

Thanks, Timna.

Operator

The next question is from Lachlan Shaw with UBS. Please go ahead.

Lachlan Shaw

Good afternoon, evening, Bill and Molly. Thanks very much for the update. Just a couple from me. So, firstly, I just wanted to dig a little more into the Section 232 kind of tariff piece. Can I ask, in a scenario where there is a preferential rate agreed at some point, what is your expectation for how the Midwest premium might react?

William Oplinger

In theory, the Midwest premium, if there were a preferential tariff between Canada and the U.S., in theory, the Midwest premium should not fall. And the reason why that is, is if all the metal from Canada were to continue to come into the U.S. on a preferential tariff, you still need to incent metal to come from outside of North America.

And so, in theory, that should not fall. Now I keep reiterating in theory it will – it's hard to determine what the sentiment would look like, but we believe that the marginal metric ton still comes from outside of North America.

Lachlan Shaw

Got it. That's helpful. Thank you. And my second question. So you just gave a bit of a color there in terms of the existing portfolio and potential optionality to restart. But if I sort of step back, look at the aluminum market, roll forward a year or two, trade seems likely to be tightening.

When you look at the options around restarting versus buying versus building, I mean, how are you seeing those sorts of trends right now? What sort of seems relatively more or less attractive in terms of if you were to pursue a growth agenda? Thanks very much.

William Oplinger

It really depends on what product line that you're looking at. So remember that we have three different product lines: bauxite, alumina and aluminum. At this point, we do not have greenfield expansion plans for aluminum. And we've not found anywhere around the world that provides a sufficiently low energy price for sufficient returns on a greenfield plant at this point.

In the case of refining and bauxite, it's very similar. Refining capital costs are still fairly high. And certainly, at today's prices, it makes it difficult for a greenfield expansion.

Now, with that said, we do have brownfield opportunities to potentially grow in both mining, refining and smelting. But at this point, we don't have significant greenfield plans going forward.

- Operator** The next question is from Bill Peterson with JPMorgan. Please go ahead.
- Bill Peterson** Yeah. Hi. Good afternoon. Thanks for taking my question. And nice job on the quarterly execution. I might have missed it. But can you quantify the impact – the EBITDA impact from San Ciprián restart specifically in the first quarter?
- Molly Beerman** It was part of the \$70 million guide down that we gave; \$50 million of that related to the CO2 compensation not repeating. And the other \$20 million is related to San Ciprián.
- Bill Peterson** Yeah. Okay. Yeah. Thanks for that. I thought it was about \$15 million to \$20 million. So that's helpful.
- And then, the second question, I guess, on the Western Australia mining approvals. I guess, is there any key milestones before the ministerial approvals by the end of 2026? Any particular deliverables from your side or actions to be taken? Anything notable to call out from the public comment period? Just trying to get a sense of what happens between now and the end of the year?
- William Oplinger** So the public comment period was extensive. And we received close to 60,000 comments. We've responded to all of those comments. The next major milestone in the process is that we should have a recommendation from the EPA at the end of the first half and then have ministerial approvals by the end of the year.
- Bill Peterson** Great. Thanks for the color.
- Operator** The next question is from John Tumazos with John Tumazos Very Independent Research. Please go ahead.
- John Tumazos** Thank you very much. I'm following up on earlier question, what would be the earliest timetable for a greenfield ELYSIS smelter, assuming that the technology is progressing? And if you were to build a smelter, would the scale resemble some of the large Asian smelters such as Vedanta has a 1.6 million metric tons smelter?
- William Oplinger** So, John, the earliest that we would implement at ELYSIS is not until after 2030. So we will not be implementing any ELYSIS technology between now and 2030. Can't speak for our partners. They may do something, but you'd have to talk to them.
- As far as a competitive global greenfield smelter, there really are only a few technology providers around. One is the Chinese and the other is the Emirates. And they typically come in sizes of around 500,000 metric tons to 600,000 metric tons.

So you can scale from that between 500,000 tons and 600,000 metric tons. But if a new greenfield were to come online, I would anticipate it to be in that size range.

John Tumazos So when you use the word implement, is that groundbreaking or a completion?

William Oplinger That's groundbreaking. So we're not looking to do anything with ELYSIS this decade yet. And we would do groundbreaking. If we do an ELYSIS smelter, and I say if because there's still a lot of water to go under the bridge as far as research and development on ELYSIS. But if we were to do that, it would be groundbreaking post-2030.

John Tumazos Thank you very much.

William Oplinger Thanks, John.

Operator The next question is from Daniel Major with UBS. Please go ahead.

Daniel Major Hi. Can you hear me okay this time?

William Oplinger Yes.

Molly Beerman Yes.

William Oplinger Yes. We can, Dan.

Daniel Major Great. Yeah. Sorry about that. So yeah, a couple of questions. Just first following up specifically on the CO2 compensation accounting and the accrual in the fourth quarter, I think Norsk Hydro accrued through the P&L during the year with their CO2 compensation and then has a cash adjustment in the 4Q. Is this a recurring item, so next fourth – so 4Q 2026, you would also book through the P&L a essentially one-off recognition in the CO2 compensation? And would it be around the same quantum this time next year?

Molly Beerman Yeah. Dan, so in the past, we accrued full CO2 compensation. However, when the government applied the conditional portion, we had to go through and apply for our projects and spend that would qualify on those carbon and emission reduction measures.

So we just received that feedback. And it allowed us to take a position on some of the R&D that we had spent. So we took that credit. I expect, going forward, we'll make those decisions more regularly, because we now have feedback on our group of projects that have qualified. That's why we indicated that will not recur to the same level in the first quarter of 2026.

Daniel Major Right. So it doesn't reflect an annual fourth quarter recognition? It's just it a one-off this year and won't recur at any point in the future as far as you see it?

- Molly Beerman** It won't recur as kind of a call-out item. It'll be more regular coming into 2026. We actually – with the projects that we submitted, some of them are CapEx. And then, we had a piece of R&D. The CapEx was more forward-looking. So that will apply in the future. We can use those credits against CapEx. This year, we used it against R&D, because we had qualifying expenditures in the current year.
- You can also carry over those conditional credits. So it may not be exactly the same amount every year. It really does depend on your qualifying spend in the year.
- Daniel Major** Okay. And so just a follow-up on this topic. I don't believe you highlighted it in the Q3 outlook as a one-off. Does that mean it's kind of an incremental positive relative to what you guided?
- Molly Beerman** We didn't call it out because we honestly thought it would be a bit less than what we ended up qualifying for. So we had – I would say, the majority of it, maybe half of it in the outlook embedded. And we didn't discuss it. But we ended up with more than – more qualifying expenditures than we had expected.
- Daniel Major** Got it. Okay, thanks. Thanks for clarifying that. And then, yeah, just a second one, if I may. A follow-up on the commentary you made around the legacy site you've got in negotiation and expect to close it in the first half of 2026. Can you give us any sense of how much of the guided proceeds might be from that divestment?
- Molly Beerman** We're going to hold on that...
- Daniel Major** ...in the range?
- Molly Beerman** ...until we close the deal. Again, these arrangements are a bit more complicated than what we're used to working on in the past, and they come in installments. So we're going to hold that news until we get there.
- Daniel Major** All right. Thanks.
- Operator** This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Oplinger for any closing remarks.
- William Oplinger** Thank you for joining our call. Molly and I look forward to sharing further progress when we speak again in April. And that concludes the call. Thank you.
- Operator** The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.