CENTURY ALUMINUM CO.

July 24, 2007
2:30 p.m. PDT

Moderator Ladies and gentlemen, thank you for standing by, and welcome to the Century Aluminum Company's Second Quarter 2007 Earnings call. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. Instructions will be given at that time. As a reminder, today's conference call is being recorded. I would now like to turn the conference over to Miss Shelly Lair. Please go ahead.

S. Lair Thank you, MaryBeth. Good afternoon, everyone, and welcome to the conference call. For those of you joining us by telephone, this presentation is being Webcast on the Century Aluminum Web site, www.centuryaluminum.com. Please note that Web site participants have the ability to advance their own slides.

The following presentation, accompanying press release, and comments include forward-looking statements within the meaning of the Private

Securities Litigation Reform Act of 1995. Such statements relate to future events and expectations and involve known and unknown risks and uncertainties. Century's actual results or actions may differ materially from those projected in these forward-looking statements. These forward-looking statements are based on our current expectations, and we assume no obligation to update these statements.

Investors are cautioned not to place undue reliance on these forward-looking statements. For risks related to these forward-looking statements, please review Annex A in our periodic SEC filings, including the risk factors and management's discussion and analysis sections of our latest annual report and quarterly reports.

In addition, throughout this conference call, we will use non-GAAP financial measures. Please refer to the appendix, which contains the reconciliation to the most directly comparable GAAP measures.

And now, I'd like to introduce Logan Kruger, Century's President and Chief Executive Officer.

L. Kruger Thank you, Shelly. Welcome, everyone, to our second quarter conference call. With us here today is Wayne Hale, the Chief Operating Officer, and Mike Bless, our CFO. Also in Monterey is Bob Nielsen, our General Counsel, and Steve Schneider, our Chief Accounting Officer.

If we turn on to slide four, we'll get on with the discussion today. Century's had again a successful second quarter for 2007. Robust aluminum markets continue. As you well know, the alumina average price was $2,765 per ton for the second quarter. If you look at the fourth screen, you'll see $2,800 per ton or more for the balance of 2007 and 2008. As you'll see on the next slide, the out years of the forward curve have been increasing, indicating strong support for the markets longer term.

If we move on to Grundartangi, it's been performing very well. The expansion is on budget and on schedule and to reach full capacity by the year end. More interestingly, the first part of the phase five expansion was energized in July.

On the Helguvik project, our progress includes finding final contracts for power supply with HS and OR, both geothermal producers. On the environmental impact assessment, the public comment period is complete, and we're busy preparing our answers to it. An update on the project itself is we've selected the Alcan AP technology for this project.

The equity offering netted $416 million of net proceeds as a partial funding for this project. Just for a reminder for those who are looking at capital costs for this project, we're indicating the number is somewhere between $4,500 to $5,000 per ton of capacity, and that's without an anode facility.

On the U.S. side, our plants are performing well. Good safety performance at Hawesville and Ravenswood, and Wayne will give us some details. Production is at or above capacity for all the facilities.

Recently, we signed a memorandum of understanding with GIG, Guangxi Investment Group, and this is part of the Guangxi region of China where there's significant bauxite reserves. We are at an early stage is for 500,000 tons per year of high purity alumina, built in two phases with related bauxite and alumina.

We continue to complete our project studies in Jamaica and initial studies in the Republic of Congo. We've also continued to pursue further growth opportunities.

Overall, a strong quarter with plants operating well and progress on our growth projects.

If we move on to slide number five, the aluminum market is reasonably balanced for 2007. Some forecasters are now indicating that China is likely to be a net importer by the year 2009. If you look at the forward curve, it indicates strong markets for the next five years. Just using an example in the year 2012, you'll see a price for alumina of greater than $2,300 per ton. Part of this is the capital and operating costs that are causing a cost push, which continues globally. Global demand is +9% for the year-to-date.

China has had phenomenal growth in demand, or 42% year-to-date. Last month's GDP growth of 12% and industrial production growth of 19% is very much higher than most people forecasted at the beginning of this year. You'll also note that China is now going to overtake Germany this year as the world's third largest economy.

India, on a very low capita per use of alumina has significant room for growth, and interestingly, India's industrial production growth has gone from 9% to 12% in the last 6 to 9 months.

Global supply was +11.5% year-to-date, plus 36% for China. About a half of the global supply growth comes from restarts, thus new capacity growth was only 5% overall. Continued efforts by the Chinese government to restrain aluminum production growth is in process. They have eliminated the export rebates on electrolytic aluminum used for aircraft and beverage cans and recently implemented a 15% tax on rods and bars. If China's aluminum demand continues to grow at current levels and government initiatives dampen supply, there's a possibility that we could see a slight deficit in the aluminum markets for 2007.

If we move on to the next slide, here there's aluminum inventory versus price, slide six. The aluminum prices remain strong quarter-on-quarter, $2,765 in quarter two per ton compared to $2,800 per ton in quarter one.

The U.S. aluminum market is subdued with midwest premiums at $0.025 per pound. European aluminum market is in its normal summer slowdown. Duty paid premiums is now about $120 to $140 per ton.

The LME producer inventories remain lean at less than 40 days. And I think we should note that as the total demand increases, the tonnage required to keep 40 days of inventory is going to have to grow as well. Spot aluminum pricing in the east is round about $350 per ton.

Markets…year-to-date for alumina, but less than expected due to China's aluminum demand. Overall, the aluminum market fundamentals remain strong as indicated by current prices on the forward screen.

I'd now like to hand over to Wayne for the operations report.

W. Hale Thanks, Logan. Turning to slide seven, all of our smelter operations had a consistent quarter and continued to improve. Coming into the company with fresh eyes and with four months on the ground, I continue to be impressed with the spirit of can-do focus of all our people and the potential of our operations to improve from their existing foundation. Looking at our U.S. smelters, safety performance year-to-date at Hawesville and Ravenswood is the best in the history of both facilities. This is truly a demonstration of the commitment of all the people at these two plants. Particularly at Hawesville, the people there have worked over

1.4 million person hours without an LTA. Mt. Holly continues to demonstrate how superb leadership and total commitment can positively influence all elements of the business, including safety.

And turning to the operation, Hawesville's production output is above capacity. Ravenswood is consistent in its operations, and Mt. Holly is on pace to exceed the record production of last year.

The Nordural plant at Grundartangi improved in all elements of the operation throughout the quarter and is operating well. We energized the first cells of phase five on the second of July and presently have 48 of the 80 cells on-line. All cells are expected to be on-line by the end of the year. This is ahead of the previous forecast for commissioning.

I'm pleased to note that Dave Kjos was hired as our new V.P. of operations in Iceland. He has extensive aluminum and industry experience and is a strong addition to the Century team.
Following on to the next slide, I'll discuss our bauxite and alumina operations. St. Ann's bauxite continued throughout the year with a very low injury level, which is consistent with their focus on safety culture. Mining operations were normal while drying and shipping were impacted

by mechanical delays and weather. All customer requirements, both in terms of quantity and quality, were met throughout the quarter. Gramercy alumina safety performance improved throughout the quarter. Operations at the plant are at full capacity, and all shipments met customer requirements.

A project to increase production throughput progressed through preliminary engineering and feasibility. This project is directed to improving the capacity of the precipitation stream. A review of alternative energy technologies has progressed, and we are now focusing on boiler gas conversion and plant heat balance.

Turning to sales and marketing, the Midwest premium for the second quarter remained around $0.03. Demand was slow with customers adjusting to lower downstream demand. The scrap market was impacted by higher amount of off-grade appearing on the market and sheet metalists reducing their scrap purchase rate, due to soft business.
We continued to see an increasing demand for high purity in the PO404 and PO303 grades from Hawesville with the command of good premiums. The demand for billet and sheet slowed, particularly in the automotive arena.

Aerospace continued to be a bright spot with regional jet manufacturers booking out well into the future. Our finished goods inventories at all our facilities remain at minimum levels to take advantage of the strong markets.

Now, I'll turn it over to Mike to discuss the financial results.

M. Bless Thanks very much, Wayne. If we could turn to slide nine, for those of you on the Web, I'm going to refer to these slides also, obviously, to the slides in the appendix in the back of the slide deck. As those of you who have seen our presentations before, it's there that we take the GAAP numbers and show the adjustments to the adjusted numbers, both for earnings and cash flow about which we talk. And also, I'm going to make reference to the financial statements that were sent out in addition to the earnings release.

So starting at the top of the income statement, again on slide nine, net sales, just to provide context, as Logan said, the average cash LME for the quarter over quarter one was down just a little bit, a little over one percent to about $2,765 per metric ton.

Looking at our revenues, I'm going to refer to volume amounts on page four of the financial information. Our direct revenues, obviously from our domestic plants, were up $13 million sequentially from the first quarter, with shipment volumes up about one percent. Wayne spoke about the excellent performance we're getting from our U.S. plants.

Over in Iceland, toll revenues up $3 million. That's shipment increase, volume shipment increase of 6%, again, as you can see on page four of the financial information. That versus a realized price decrease of about 3%, realized price decrease obviously produced, number one, by the slight LME decrease, and number two, by the reduction in the EU duty, which came just about mid-quarter this year, middle of May. That duty, as you know, went from 6% to 3%. And that reduction for this quarter cost us about $2.5 million of revenue and, obviously, profit as well. So put together, direct revenues up $13 million, total revenues up $3 million, total net sales up $16 million quarter-to-quarter.

Moving down the income statement, and again, you may want to look at the income statement data on the financial information – gross profit, quarter-to-quarter – this is sequentially now again – down $2 million. The largest piece of that in cost of sales driving that was the FIFO adjustment that we talked about in the first quarter. If you recall, we forecast that we would have a FIFO hit in our inventory costing this quarter of about $8 million. It actually came in at $9 million. That went through the P&L this quarter, quarter two, obviously, a major driver of the cost of sales increase.

A couple other cost of sales items I might note for the quarter, number one, we did buy spot alumina for Hawesville. Wayne, again, spoke about the good performance we're having there. And that material over and above the cost that we would have paid for material coming out of Gramercy, that hit was about $2 million unfavorable for the quarter. Again, good news that Hawesville is performing at that level and from a volume standpoint.

A couple other items of note, Nordural, in terms of maintenance and operations costs, about $2 million favorable quarter to quarter. That's on top of a similar amount of improvement quarter one versus quarter four of last year as you may remember that we talked about during the last call. So we continue, as Wayne said, to see excellent performance coming out of Nordural as the major expansion last year is completed. Obviously, at the end of last year, operations stabilized and operations remain quite good even in the face of the current expansion that's being commissioned, as Wayne spoke.

Lastly, in cost of sales at Mt. Holly, the power surcharges improved there by $1 million this quarter over quarter one, so $1 million less. Again, that follows similar small improvements over the last couple of quarters, so we've got some reasonable trends there. But I would say, in terms of the big picture at Mt. Holly, we're still a along way from where we need to be and want to be from a cost of power standpoint.

Moving down the income statement, SG&A, $14 million for the quarter. About $3.5 million of that is development spending for our Helguvik greenfield project about which Logan spoke. As you may remember, at the beginning of the year, we said that we'd spent about $10 million, hopefully more on Helguvik this year. And we also said that most of that spending would get accounted for as SG&A this quarter rather than – pardon me, this year – rather than capital, so $3.5 million of the SG&A for Helguvik.

Almost another $1.5 million from a combination of professional and legal expense items, much of which was directed towards our business development activities. Logan spoke about our excellent progress in

China. We're also working on projects around the world, and so we're obviously spending on those activities that are bearing fruit.

Moving down the income statement – other income – I'd just like to note – you see the number there on the income statement, a little over $3 million, the largest chunk of that, $2.5 million to be exact, was referenced in the earnings release that you read. That had to do with the write-off of capitalized financing costs from the original Nordural financing. Obviously, given that we repaid the majority of that facility, we wrote off the – still on the balance sheet, capitalized financing costs, the $2.5 million obviously a non-cash amount.

Mark-to-market charge for the quarter, loss in forward contracts, $205 million pre-tax. Obviously, Logan spoke about the significant increases in the far end of the forward screen, and that's what really drove it. I think it's interesting to note, as he spoke in the nearby amounts or nearby times, cash three months '07 strip, those were all off between $50 and $90 from the March balance sheet date to the June balance sheet date. But if you look at the 2011, 2012 prices, those were up anywhere between $225 and $240, obviously driving an increase in the market mark-to-market liability and a real flattening in the forward screen.

Effective tax rate is 31% on adjusted earnings for the quarter. In order to get that, obviously, we exclude the mark-to-market charge and the write-off of the capitalized financing cost. In addition, we exclude a discreet item that went through the tax provision this quarter. That's referenced in the earnings release, in the first paragraph that you may have noticed.

Due to a change in the tax laws in the state of West Virginia that was implemented during the quarter, we booked an increase in the carrying value of our deferred tax assets of $4.3 million. And the way that's accounted for, obviously, is that it rose through the income statement as a reduction in income tax provision or an addition to income tax benefit, so $4.3 million obviously an after-tax amount.

Just a couple other comments on the shares, I'm sure you noticed the growth in the average shares outstanding, obviously, from the equity offering that closed in the middle of June, basic shares up about 1.7 million. And obviously for the third quarter, the whole amount, the 8.3 million that we sold in the offering will be outstanding for the whole quarter.

Diluted shares, about 36.8 million for the quarter, and most of the difference between the basic and the diluted obviously is from our convertible notes, the conversion thereof; 2.4 million is the addition to the basic shares from the convertible notes, accounting for the convertible notes. That's versus 1.8 million in Q1. And obviously, the only difference between the quarters is the average stock price during the quarters, which impacts the accounting for the convertible notes. The average stock price was about $52.50 in Q2 versus about $44.50 in Q1

So bottom line, and you see this…on the slide in the appendix, basic EPS of $1.82 and diluted EPS of $1.69.

If I can turn to slide ten, just a couple quick comments on cash flow, and you might want to look at page three of the financial information as well. Very happy with the cash flow performance. As you can see, $135 million of free cash flow through the first half of the year, about 107% of adjusted net income, and again, the reconciliation is in the back in the appendix. Good performance. We're pleased with it.

Again, our definition of free cash flow, as you see in the appendix, takes cash flow from operations, and I'll make a comment about that in a moment and subtracts maintenance capex only, so exclude from that calculation the cash we spend on the development of the Grundartangi plant in Iceland.

Just a note, if you look at the cash flow statement, again, the third page of the financial information, in order to get cash from operations the way we define it, you need to add back the $122 million that you see there, which is the investment in short-term securities. That's the way the accounting works for it. This is simply an investment in very liquid, very short term securities, mostly variable rate in nature. The accounting guidelines say that that goes up from cash from operations. They are cash equivalents, very highly rated, just need to make sure everybody understands the way the accounting there works.

A couple other items to note on cash flow, working capital remains very strong. Wayne made a bunch of comments. We're very pleased with the performance on inventory turns and receivables days outstanding.

Nordural expansion, as you can see in the investing activities, $59 million through the first six months of the year. As you recall, our budget for this phase five or 40,000 ton expansion is $95 million, so we've spent almost two-thirds of the budget there. And as Wayne and Logan both noted, we remain on track, both budget and timing for the phase five expansion.

\

Maintenance capex, about $8 million for the first six months of the year. The budget for the year remains $20 million that we communicated to you at the beginning of the year, so it'll be slightly backend loaded as it normally is. And we continue to have in the budget another about $10 million for so called return or productivity projects, which we're hoping we'll be able to spend. These are small in nature, but high return and low-risk projects at all of our smelters.

Lastly, on the cash flow statement, we spent $28 million of cash this quarter for the settlement of our derivative forward contracts.

A couple comments on the balance sheet before I conclude. If you turn to page two of the financial information, you'll note cash, including the $2 million of restricted cash, stands at $311 million at the end of the quarter with debt now down to $487 million, obviously a result of our repayment of $285 million of the Nordural debt this quarter. As you can see on the balance sheet, that debt now stands at $54 million. And as we said, we intend to pay off that debt with cash flow from operations coming from Nordural.

And with that, I'll turn it back over to Logan.

L. Kruger: Thanks, Mike. We've had a very good second quarter. All the plants are operating well, both in the USA and Iceland. We're obviously on target to reach 785,000 tons of capacity by this year-end, and we're very pleased that we've actually commissioned early the phase five expansion at Grundartangi. By the end of the decade, with the commissioning of Helguvik, we'll be closing on one million tons of capacity. We continue to build our global project pipeline in Congo, Jamaica and China. We'd like to take questions from you now. Thank you.

MaryBeth.

Moderator: Yes, sir. One moment, please for our first question. And our first question is from the line of Mr. Kuni Chen from Bank of America Securities. Please go ahead, sir.

K. Chen First question, just on global consolidation in aluminum, how do you think Century fits into this picture in light of the fact that your competitors seem to get bigger and bigger, they're more diversified, they have more scale? So just wanted to get your thoughts there.

L. Kruger Yes, I think – let me try and take a couple of bites, if you don't mind, Kuni. I think – and I'll ask Mike to, perhaps, to comment as well. I think first of all, we've said for a long time that we believe consolidation is good for the business and good for the industry and it will continue. I think our business model is to take on projects that we can get into quickly and execute efficiently, and I think we're not layered with a lot of restrictions in the way we run our business.

So in some ways, maybe it gives us some advantage to be able to move…other people can't get to in the same sort of timeframe. So that's just a bit of a view. I think Mike probably has some comments as well.

M. Bless No, I think Logan was right on, stole my thunder on that one. Obviously, part of the issue with consolidation is that competition for good projects around the world will change as the industry consolidates. But I think a good example of our ability to continue to be flexible and creative here is the Guangxi partnership, which is a very attractive project in which we've been working for some time, but managed to arrive in a very good position there.

In terms of sort of normal competition, as everybody knows, this is a terminal commodity that we sell, and thus, we're going to get the same price as everybody else does. Our job is to make sure our plants are running well, and Wayne and his team are doing that, and so we're just running the business, and we'll see what may come.

L. Kruger I think another example, Kuni, just to finish off this question is I think if you look at Iceland or the Helguvik project, if you went back 18 months ago, we were looking at that project in 2012-plus. And we're now looking at 2010, so our ability to leverage up our position wherever we are and to execute quickly is pretty reasonable.

K. Chen Okay, great. So you see yourself as somewhat of a more nimble company. I guess next question, just on Helguvik, what are some of the other milestones that we can expect between now and year-ends? I see you have the technology selection done at this point, so what else is coming over the next few months?

L. Kruger Right. Kuni, I think we're just updating our feasibility work. Obviously, we have a project team in place. The environmental impact assessment public process is complete, and we're now just going back through the reply process through the planning agency. We don't see any concerns there. Obviously we're working very closely with the local communities where we still have very good support, so our next step probably be in the latter part of this year, initial earth works and taking it through the board process.

But just to reflect on this, the board is very supportive, the preliminary economics of those project are very favorable. We have long-term competitive power costs, so it's the right project and the right place.

K. Chen Okay, good, and then just one final question, just on the carbon anodes, obviously, the market there is still fairly tight, just want to get your thoughts on what you're doing at this point to mitigate that situation.

L. Kruger Yes, I think you're correct. I think everyone's starting to see there's a higher demand and a restrictive or reduced supply…so we're looking at the various aspects of that - obviously, securing long-term supplies, which we have in place already. But on our U.S. operations, as you all know, at Ravenswood and at Hawesville, we made our own anodes, so we're really talking about Iceland. And obviously, we've secured longer- term supplies. And then we began looking at what does it mean to us going forward in that landscape, and as you well know, we're working on that as well.

Moderator And our next question from the line of Mr. Timothy Hayes from Davenport & Company. Please go ahead, sir.

T. Hayes I just had three questions. The first is on your realizations for the U.S. smelters, they seem to come in at a pretty high level, or at least relative to what we were modeling. Was there anything that happened sequentially that would have helped you boost your realizations for the U.S. smelters, maybe a new contract or higher premium products or any of those type of examples?

M. Bless Yes, Tim, it's Mike. You're absolutely right. And it does look a little bit out of whack because, as you know, the Midwest transaction price was off a bit quarter-to-quarter, yet – I assume you're reading over on page four, the financial information - our realized price per ton, or per pound, I guess, as we stated there is up little bit. The difference is that we settled fewer cash flow hedges, Q2 versus Q1, and as you know, the accounting for the cash flow hedges is simply a reduction in revenue. So you settle less cash flow hedges, and it results on a per pound basis, obviously, an increase that you're seeing there. So that's exactly what you're seeing.

T. Hayes I take that a little bit of that increase is just not sustainable then.

M. Bless A little bit of that increase is not sustainable – I guess you might look at that as sort of a one-time, if you will, change, and then going forward for the balance of the year, it should change pretty much in line with the Midwest transaction price.

T. Hayes Okay.

L. Kruger And as you heard, Tim, obviously Wayne and the team are working on a higher quality metal as well and higher premium metal, so that will have a bit of an impact.

T. Hayes Okay. And the second question is on the long-run price and hedging. First, we were surprised by the long end of the curve going up as much as it did, even though the spot or the near-term contracts held relatively steady over the last three, six months. I guess as a two-parter on this one, Logan, in your time in the metals industry, have you ever seen the long end of the curve move this much without the short end moving?

L. Kruger Yes, I think it's somewhat unusual, Tim. I think you guys have probably done the research, and I think that's probably indicative right across all the commodities at the moment. I think Shelly has done a lot of work on this, as you all know. And Mike remarked, the long-run price is up $200 to $250, $260 from a quarter ago. I think the commentators are all in the same space now of a couple of hundred dollars for a long line run price - stable price of somewhere between $1,800 and $2,000 per ton.

And I find that the press from the last six weeks – there's been quite a lot of adjustment from people in the industry that have now adjusted their long-run prices up, so I don't know where this is going to go. But I expect with the cost push still coming and continuing that there will be further adjustments, so that's where the commentators…but the industry looks…between $1,800 and $2,000 per ton. I suppose we can look at what's going on in the M&A side and try to guess where that decision was made, but certainly, those are the ranges.

In terms of hedges from our side, you know our policy was to…our capital program, particularly in Iceland, and the company has a policy and executed the policy in 2004 and 2005 and put our hedges in place. We continue to look at this, but at this point in time, we like the exposure to the market. But it doesn't mean we won't look at this on a regular basis. We just don't feel that we want to move off our present head position, and we remain quite happy to be exposed on the balance of our production for the market and where the forward curve is not.

T. Hayes My last question is on Nordural gross profit. I know you don't give any numbers on this, which is understandable, but in terms of any sequential change, would it be fair to say that gross profit for Nordural was at least even if maybe up slightly from Q1?

M. Bless Tim, it's Mike. I think that's a fine assumption. You have volumes growing, obviously, so you're absorbing your fixed costs in a more efficient, i.e. profitable way, so all of the things being equal, yes.

L. Kruger And the duty, Mike, I think is –

M. Bless	Oh, pardon me. Logan's absolutely right. The duty – yes, other than the duty. The duty, obviously, is a reduction of revenue, but it's also a direct to the bottom line. There's not a thing that comes between it and the bottom line, so that's going to impact it, but stabilizing for that, or excluding, I should say, that, yes, that's a reasonable assumption, absolutely.

Moderator	Thank you. And our next question comes from the line of Mr. Terrence Ortslan from TSO & Associates. Please go ahead.

T. Ortslan	Thanks. Just a couple questions, one is on the Guangxi deal. Could you be on the – in an objective sense, talk about the pros and cons of the location in terms of infrastructure, distance from markets, route, and also any other issues that you think are pros or cons.

L. Kruger	Yes, I think – Terry, hello, it's Logan. I think just a few comments on it. One, the Guangxi Provence is a semiautonomous region that's in the third wave, I would expect, of development. It also happens to be right adjoining Vietnam, and as you well know, the bauxite resources in Vietnam are pretty healthy and attractive. And also in Guangxi, they have the same. In addition, they have pretty good supply of hydroelectric power as well as coal supply, and we think this is a good early stage project to be in place. They have coastal port access as well.

So as we've outlined, it's an early stage project. It's at the MOU level, and we're looking towards a project that has two phases giving you about a half a million tons of metal per year, which will be going to a downstream facility, which we, obviously, are not attracted to, so we're in the upstream part. And then we have the opportunities, both bauxite and alumina in the right area in China in a market that's going to be 30% or 40% of the world market in the future. So the likelihood, as I mentioned earlier, of exporting of metal in China seems to be going away and as with coal and various other commodities, China's probably going to be a net importer.

T. Ortslan Logan, just on the sense of the deal, what do you bring to the table, and what do they bring to the table?

L. Kruger I think what we bring to the table is an expertise in purity aluminum. I think we're pretty good at that, as Wayne has pointed out. We also bring, as is said by Kuni earlier, a nimbleness and able to get on the ground and get things done. So from our initial meetings, our response has been pretty quick and pretty healthy. And what they're bringing to the table is they're the development arm of the province. And they have the resources, power, hydroelectric, coal and others ands bauxite and alumina and the project ability to go ahead with the project with permissions as they develop.

T. Ortslan And the ballpark timeline on this, Logan, is in terms of two phases would be?

L. Kruger It's early stage, that's why – it is an MOU, so a three to five-year horizon before it really gets serious. I just put one caveat on that, Terry, is that in China, things can move a lot quicker, so three to five years is probably the ballpark I would guess at it now.

T. Ortslan Okay. Just a second question on the balance sheet is the – obviously, they could issue internal, and how do you see your balance sheet management going to go through to cost of capital and the way the few – no projects coming in? How do you see the swings in the balance sheet, and what would be acceptable and unacceptable to you in terms of….

L. Kruger — Well, Mike, he's probably asking on what we think of debt ratios is that – I'm trying to – Terry?

T. Ortslan — Yes.

M. Bless — You're asking about the capitalization, debt capitalization of the company?

T. Ortslan — Correct.

M. Bless — Yes. As you see, we are reasonably underleveraged right now as we've used a good chunk of the proceeds of the recent equity offering to pay down the debt in Iceland. As we've talked about in the past, we are currently working with our banks there to restructure that facility going forward into one, which will be adequate for financing the debt portion of the new project in Helguvik.

And so at the present time, obviously, we chose to raise equity, as we talked about during our investor meetings, during the equity offering process to raise equity as the equity component of the new plant. We will necessarily, obviously, metal price dependent, increase our leverage over the next couple years as we spend the capital before the plant comes commissioned and starts to produce product and cash flow.

But we feel very comfortable with our ability to manage that process going forward, again, at metal prices that are, as Logan commented, reasonably far below even the out years in the forward screen right now, which is where we do our long-term modeling. So we feel like we have a strong position, but we have some spending ahead of us, and we're going to get that spending done as fast as we can.

L. Kruger — And I think, Terry, we just have to look at projects as they come along. We'll measure them against our returns and what debt requires in terms of financing, so I think it's a bit of a balance. And as you've noticed, we've developed a bit of a project pipeline coming through now, and obviously, those projects will then be tested against their returns.

T. Ortslan — And some, obviously, are going to be project financing still through the balance sheet, right?

M. Bless — Sure, absolutely. Each one of these will be looked at on its own, as Logan said, on its own merits.

T. Ortslan — I think more specifically the question was over the board not happy with in terms of overleveraging the balance sheet.

M. Bless — I'm sorry.

T. Ortslan — If it's 40% or 50% would be a number the board will not be happy with in terms of overleverage.

M. Bless — Forty or fifty percent, that's a difficult number for us. We don't, Terry, look at our leverage that way because of the vagaries of our mark-to-market accounting. You could have a quarter swing where the book capital base of the company, in terms of the equity, goes up and down, so we look at leverage – it's a statistic.

But it's quite a volatile one here at Century, so we look at things like debt coverage of gross cash flow or EBITDA or EBITDA to interest and a bunch of other metrics. And if you look where the company maxed out on, for example, just to pick one metric, debt to trailing 12 months EBITDA during the last growth period where debt was at its max as the Grundartangi expansion to 220,000 tons was in process. We were in sort of the mid three's, debt to trailing EBITDA, and you could even see that level go higher here during this expansion, again, depending on the metal price. Again, as you build before the expansion come on.

It's a larger company today, much more diverse and a lower cost company. We'll have half of our production in Iceland here reasonably soon after the end of the decade.

T. Ortslan — Okay, fair enough. Just one last question, obviously, it's a bit early, but what do you expect your, or any feel for your capacity creep may be, in Iceland with the new smelter?

L. Kruger — Yes, there's certainly capacity there, but let's let Wayne give you some idea….

W. Hale — There's certainly capacity at the present Grundartangi facility based on the additional amperage we have in the rectifiers. So where that takes us, at this point, we're interested in stabilizing the operation, getting phase five established and on stream, and then looking towards next year on where we need to take the plant further. But there is certainly some steps to take to increase capacity due to the rectifier capacity in the plant.

Moderator Thank you, sir. And our next question comes from the line of Mr. Sam Martini from Cobalt Capital. Please go ahead.

S. Martini Mike, I apologize; I got cut off. Do you mind, just first question, just a little bit of housekeeping? Can you just restate the – I lost after the inventory costing of $9 million in the cogs. I think there was some spot purchasing from Q1 you mentioned and some other things. Can you just give me those numbers again that are in the cost of goods?

M. Bless Sure. You may be thinking of the $9 million includes $2 million of spot purchases that were in FIFO inventory at the end of the quarter that ran through the P&L in Q2, so that's all part of the $9 million.

In addition to that, we bought a spot cargo this quarter in Q2 that did hit the income statement this quarter. That was for Hawesville. As Wayne said, we're producing ahead of – above capacity there. And the $2 million cost I cited was an incremental one, so the incremental cost of the delivered spot price we paid over and above what the cost is – the average cost for Gramercy material was for the quarter is at $2 million.

In addition to that, I talked, Sam, I don't know if you caught it, or we can do this offline, but two other small items. One is some improvement in maintenance and operating costs at Nordural, quarter-into-quarter, $2 million. And Mt. Holly power surcharges were another million dollars favorable to the prior quarter.

S. Martini And, Mike, so I'm clear, you worked in Q1 to give us a heads up that these were coming in Q2. Anything that we should be expecting in Q3, or –

M. Bless No, good question, Sam. On the FIFO, at current metal prices, we might even have a swing going the other way of a couple million dollars favorable. Too early to tell. It's very heavily metal price-dependent, but there will not be an incremental negative hit.

S. Martini Okay. And then secondly, this is for Logan. Did I hear correctly that you were bringing back the Helguvik estimates for production to 2010, or did I hear that wrong?

L. Kruger The point I was making, Sam, was that our ability to take advantage of our particular location and circumstances. And Helguvik originally was planned for 2012-plus. But we've….

S. Martini You're talking about stage one.

L. Kruger Yes. And now we've moved that forward to 2010 and hope to have the stage two, or the phase two up by 2013. So my point I was making is that wherever we are in our location on our projects, we can actually bring expertise and leverage to bear that can accelerate our particular project and take advantage of the situation.

S. Martini And some industry banter going around that there might be some excess power that might accelerate the full production of Helguvik, if you can get your hands on it. Is there any update on that?

L. Kruger I think our working assumption has been for a long time that the expansion in some form will go ahead at…and we understand that they're in discussions with, obviously, the power providers. But to answer your question more directly, if additional power comes available, we'll take advantage of it, if we can.

Moderator Thank you. And next, we'll go to the line of Victor Lazarovici with BMO Capital Markets.

V. Lazarovici Wonder if I could get a little clarification on the fully diluted share count. Was the 38.6 the number at the end of the quarter, or the average for the quarter?

M. Bless 38.6, Vic, and that was the weighted average for the quarter.

V. Lazarovici And what was the quarter-end number because….

M. Bless The quarter-end number, let's see. We started with 32.5 of – oh, good point. Thanks, Steve. Forty one million, it's on the balance sheet. 40.95 million is the basic shares outstanding at quarter-end. For the diluted, that's really a calculation that you do over the space of the quarter, not at quarter-end because it obviously involves a calculation of the average stock price over the quarter in excess of the conversion price of $30.50, so it's kind of hard to answer that question.

V. Lazarovici — Okay. Now, on the presentation in the quarter, you have 34.2 million shares shown as both basic and diluted. I presume you're doing that because the fully diluted number is antidilutive.

M. Bless — Correct.

V. Lazarovici — I guess I'm more used to seeing no fully diluted number reported and just having the right share count out. Is this a new presentation, or is this –

M. Bless — We're pretty certain this is GAAP….

V. Lazarovici — This is the way they do it now, is it?

M. Bless — So I don't know what you've seen, Vic, but this is – you're supposed to show both the basic and the diluted, and you've got it spot on. Because of the loss, when you run the diluted calculation, it's antidilutive, so you show the same number. But again, we give the adjusted number, so as if – because we adjust our earnings to back out the mark-to-market charge that produces a loss.

So if you had how we define adjusted net earnings to back out that stuff, then the average share count diluted for the quarter would have been 36.8, and that's the diluted number that I talked about of $1.69. You see it on the chart in the appendix.

V. Lazarovici Right. That was a calculation we were trying to get at.

M. Bless You got it.

V. Lazarovici But I guess it's been awhile since we've seen large negative numbers in this industry.

On an entirely different point, recently, there have been press reports out of Iceland that the public seems to be turning against further aluminum expansion and new projects. We haven't seen much of an impact other than on…. What are you hearing generally in the country? Has the political landscape changed materially? I don't sense any change in your plans for future investment in the country.

L. Kruger Yes, I think that's a good question, Victor. It's Logan. I think we just have to reflect on our particular project sites. First of all, Grundartangi' s already virtually fully developed, and that will take it up to 260,000 tons by this year end.

On the Helguvik project, obviously, the community is very supportive. As you know, the defense…space on the U.S. closed down in September last year, so we have very good ongoing local support. But the color, indeed, for those things also changes, and there are a group and a portion of the people of Iceland that are feeling that there's enough development at this point in time of power-intensive industries, both power generators or suppliers and the aluminum industry, and that commentary is very healthy. We don't see a direct impact to Helguvik, but obviously, we work very diligently and have done for a long time with the communities to continue to have the support we enjoy.

V. Lazarovici Do you think that the changing tone of the debate might preclude new competitors coming into Iceland?

L. Kruger I really don't think it's a good thing for me to really make a definitive comment, other than the debate worldwide is going to continue to be more challenging for any industry. So whether that precludes people coming in or not, I really don't wish to comment.

V. Lazarovici Okay. Final question on the consolidation theme, slightly different angle - when we've seen consolidation in this and other industries, typically, you owners look at assets and clean up the portfolio somewhat, and often, because of regulators or others, good assets come onto the market. How would you approach the possibility of buying an asset that fits your portfolio versus developing one of your projects? And how would you decide which and when and how you would proceed?

L. Kruger Yes, I suppose it's an interesting question that's somewhat hypothetical but we'll see if it develops, but let me tackle this. I think whether it be a project or an existing operation that comes on the market, we have a couple of things that we start looking at, and we develop our thinking on it. First of all, does it make logic for us to have it? Is it some industrial fit for us, and does it fit with our business model going forward? We then, obviously, want to know if we can make, obviously, some risk-adjusted cash returns on it. We also want to know if we can finance it. And at this point in time, we have to debate whether a project that we're…Helguvik is going to be financed and looks healthy financed at this point in time, and can we bring on an additional piece.

And lastly, I think, Victor, as you know, we will then ask ourselves, can we leverage this hypothetical new asset by our management team, and can we drive some more value out of it. So that's the sort of order we go through as the value-added and doing comparisons. But in no way do we, at this point in time, see that happening, but it may well happen. And obviously, we're open to look at anything that may be available, provided it…those sort of filters or criteria.

Moderator Thank you. And next, we go to the line of Mark Liinamaa with Morgan Stanley.

M. Liinamaa Thanks. I think pretty much all of mine have been answered, and maybe – I think you've spoken to this to some degree. But based on the regulatory changes, the tax policy changes we're seeing in China, would you have an internal estimate of what kind of market balance we might see there next year?

L. Kruger Yes. We sort of, Mark, as you know - it's Logan - we look at what all the commentators do. We then go to our sources of information, both internally, externally, and you know a number of those that we use, and we're sort of trying to sketch a framework of an envelope for yourselves and others to consider with us.

I would think that even in this year, in 2007, and I hinted in my presentation is that if you see pressures coming on with China in terms of stopping the ongoing growth and the demand, which is north of 42% or 40%, continues in any market form going forward, you could actually see the market really achieve balance and maybe a slight deficit this year. Again, in going into next year, you will know there's not too many restarts available. I think most of those have been done, so you would then have to rely on the growth of production capacity to meet whatever growth or demand you estimated, so next year's could be quite an interesting year.

If you went back 18 months, maybe a year, maybe even 9 months, back from today, most commentators were forecasting this year to have a fairly reasonable surplus, and 2008, perhaps a little bit higher. I think most people are relooking at that. And then, you obviously add in a new one into the picture, which is India, which IP growth now of 12%. You do that for two or three years, you start having some interesting impacts on the market.

Moderator

Thank you. And next, we go to the line of David Gagliano with Credit Suisse.

D. Gagliano

Hello, great. I just was wondering if you could remind me again what the status is with regards to your permits at Helguvik, if you could just walk me through a timeline with regards to the remaining permits there.

L. Kruger

Right. So, David, the permitting prices started about 18 months ago. And it reached a point a couple of months ago in June. We went out for public comment. The public comment is about a six week process. That ended at the end of June. And we are now evaluating the points raised by the public and agencies. We then have to take back our replies in answer to those points raised to the planning agency. We don't find anything exceptional or surprising in those comments, and there were very few of them.

So taking that forward, the planning agency will then opine on our answers, which we hope by the end of the September will be in place. And embedded in our EIA is a draft operating permit. And so again, it's a process that is well understood in Iceland. Now, we've been through it before, so we're working in it. We don't have any concerns on it.

D. Gagliano Okay, so with any – as it stands it right now, looks to me like you expect permitting to be completely finished by the end of this year, correct?

L. Kruger Yes. I think that is a very reasonable decision. And as I've indicated, we would on that basis be looking to start some minor, preliminary earth works in the latter part of this year.

D. Gagliano Perfect, all right, thanks. And then just on the – just so I – just to make sure that there's no change in the philosophy on the hedging, obviously, once again, you didn't add to your forward sales during the quarter. Any reason we should expect to see any forward sales in the coming quarters?

L. Kruger I can't see it, David, but I can't forecast the future. So I just look at where we are today, and the question was asked earlier, have we changed our stance, and the stance is we have a policy and process in place, which end up…for going into Iceland from 2004 and 2005, but we like the exposure to the market now. But it would be remiss of us not to keep looking at that all the time, and we do that but no change. We like the exposure to the market. I don't know if Mike's got any –

M. Bless No, not at all.

Moderator — Thank you. And now, we'll go to the line of Wayne Atwell with North Street Capital.

W. Atwell — Thank you. And you may have just answered this question, but in the past, you've sold metal forward because you were somewhat high cost, and primarily in the United States, and it was a prudent thing to do, and it was very successful for the company in difficult periods. I think we're looking for a much stronger environment going forward. Obviously, the forward curve reinforces that.

So are we to assume that you really turned over a new leaf here, and it's a new company? Obviously, you have a lower cost structure than you have in the past, and that's going to be even more so in the two or three years down the road. So are we to assume that you probably will not sell metal forward in the future because your cost structure is much more attractive than it has been, and you're really much more competitive? So is this really a new management philosophy?

L. Kruger — I think there's no change in the management philosophy. I think just the circumstances may have changed a bit. If you look back to 2004, Century purchased the Grundartangi assets in Iceland, and that was $300 million plus. I think Shelly will tell you $370 million, sort of like that.

S. Lair Yes.

L. Kruger And then immediately, a very large expansion and that required capital, so underpinning the cash flow and the requirements for debt service was pretty smart idea. Going forward, as you've noted, our cost basis improving, and as we bring on every extra ton in Iceland, obviously, we drive that cost base down. And the forward curve seems to be very healthy, and our position is we like the exposure, but I'd never preclude anything else, other than saying that's where we are at this point in time, Wayne.

W. Atwell So, but basically, just to restate that, your position on the cost structure, cost curve of the industry has changed, and your balance sheet has certainly changed materially with the equity offering. So you have pretty much in your pocket what you need to build this new smelter. So I hate to put it in these terms, but you don't have to sell forward out of desperation. You'd sell forward opportunistically, so maybe your philosophy hasn't changed, but your circumstances really have. So it's much more likely, as you say, you're going to stay exposed to the commodity and not sell forward much, if at all.

L. Kruger — I think that's a good way of looking at it, yes. I think that just encapsulates our thinking quite well. Thanks, Wayne.

Moderator — And speakers, we have no further questions at this time.

L. Kruger — Well, thank you very much, everyone. We've really had a good quarter. We're pleased with the progress we're making in our projects, and we look forward to talking to you again soon. Thank you for taking the time today.

Moderator — Thank you. And ladies and gentlemen, that does conclude our conference for today. We thank you for your participation and for using the AT&T Executive Teleconference Service. You may now disconnect.