CENTURY ALUMINUM COMPANY: Fourth Quarter 2009 Earnings Call

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SPEAKERS

Logan Kruger – President and CEO
Wayne Hale – Executive Vice President and COO
Mike Bless – Executive Vice President and CFO

PRESENTATION

Moderator: Ladies and gentlemen, thank you very much for standing by and welcome to the Fourth Quarter 2009 Earnings conference call. At this time, all participants are in a listen-only mode. Later, there will be a question and answer session. Instructions will be given at that time. At this point, I'd like to turn the meeting over to our host, Ms. Shelly Lair. Please go ahead.

S. Lair: Thank you, David. 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 website, www.centuryaluminum.com. Please note that website participants have the ability to advance their own slides.

The following presentation and discussion may 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. For a summary of the risk factors that could cause actual results to differ from those expressed in these forward-looking statements, please review Annex A and refer to Century's Form 10-K for the year ending December 31, 2008, Form 10-Q for the quarter ended September 30, 2009 and other reports filed with the Securities and Exchange Commission. Information provided in this presentation and discussion is based on information available as of February 23, 2010.

Century undertakes no duty to update or revise any forward-looking statements whether as a result of new information, actual events, future events, or otherwise. In addition, throughout this conference call we will use non-GAAP financial measures. Reconciliations to the most comparable GAAP financial measures can be found in the appendix of today's presentation which is available on our website.

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

L. Kruger

Thank you, Shelly. Good afternoon everyone and thank you for joining us. We welcome the opportunity to report on our progress. So let's get started, and we'll move on to slide number four. Given the events of the last 12 months or so, I think it makes sense to take a step back and provide a quick review before we summarize Century's achievements and thern where we go from here. It goes without saying that the shocks of 2008 and 2009 were unprecedented in most of our lifetimes. The rapid and sharp drop in economic activity and results and impact on the value of almost all assets was breathtaking, to say the least.

Commodities, as you know, given their direct exposure to the global economic activity were affected in an outsized manner. I will comment in more detail on the market in a few moments. Suffice it to say that we believe we're in a dynamic environment with positive long term forces at work, but some substantial near term uncertainties remain.

In a nutshell, global economic activity appears to be, at least has stabilized. China, in particular, has shown a remarkable recovery and returned to robust growth. Despite some recent concerns about the government's intent in China to restrain certain perceived excesses, we continue to believe and think these particular concerns might be exaggerated.

Aluminum is tight in physical markets virtually everywhere in the world. On the other side of that coin, the physical tightness which is certainly keeping premiums high, and may be having an impact on the actual price as well, is largely supported not by fundamental forces but by interest rates and other financial factors. In addition, the much reported inventories both in warehouses and elsewhere, are likely to be a drag on the metal prices for some time to come. Lastly, we continue to see older and economic smelters continue to produce for a variety of reasons.

We worked tirelessly through this difficult environment to preserve Century's unique assets and overall value. I think it's at first instructive to note that our smelter at Grundartangi in Iceland produced positive cash flow throughout the year of 2009. We have a great business in Iceland, run by a great team. One of the five lines remains curtailed at Hawesville. Our team there has done an extraordinary job managing the plant through an uncertain environment and in taking significant cost out of the business. This is the major continued focus at Hawesville as our cash power costs will increase significantly after this year 2010 when the support from E.On, which we negotiated when we terminated the old power contract, comes to an end.

Mt. Holly has had a poor year from a performance standpoint. This was disappointing given the timing and the fact that this plant has generally performed well and has been well managed. We have had detailed discussions with our partner who operates Mt. Holly. Ravenswood remains totally curtailed since February. We are maintaining a skeleton staff to keep the plant safe and secure and ready for a restart if the conditions were to warrant it. Wayne will provide additional commentary on this.

And lastly, we divested 50% interest in Gramercy and St. Ann's Alumina and Bauxite business. This had been a tactical and defensive investment for Century in 2004, and the time and the circumstances were right for us to exit this in the last year.

Let's move on to slide number five. This is the overview. Mike will provide details, but given significant work that we did to improve the company's financial situation, I wanted to note this up front. We raised a substantial amount of cash and made major changes in our debt structure that will provide the company with much more flexibility.

Bottom line, as I look back to last year, I'm proud of the aggressive and sometimes difficult actions our team took to keep the company on a level footing through these difficult times. As important, the operational and financial actions we have taken have set the company up in a good position for a return to growth as we go forward.

Moving on to slide number six, the environment has recently been complicated by events in European economies and by the actions of the Chinese government aimed extensively at preventing excesses in their financial sector, and thus the broader economy. We, like others, are watching these developments carefully and analyzing our alternatives to mitigate risks were the environment to deteriorate significantly, which we do not think is overly likely.

Our near term view is relatively balanced. In the last few months, aluminum prices appear to have stabilized in the low 2000's near the level of the cash cost of smelters in the fourth quarter on the cost curve. Global cost pressures, especially that of power and currency are continuing to put upward pressure on the cost curve. Physical supply remains tight due to financing transactions and whereas inventory levels have flattened. We have no trouble selling all of our production and our customers appear to be in reasonably good shape.

One of our primary objectives is the restart of major construction activity at the Helguvik smelter project during the next several months. There is substantial work ongoing in several important areas aimed at this goal. Together Wayne and I will provide more detail in a few moments.

Of equal importance is the continued diligence around the cost structure of existing facilities. We took aggressive actions in 2009 that produced real results. Some of these actions we knew were temporary as they involved running the plant in a manner that cannot be sustained. Others we believe are structural, and thus we must work to perpetuate these cost savings in addition to finding new areas of cost improvement and operating efficiency.

This will be especially important for Hawesville given the magnitude of the power cost increase in 2011. In addition, we are constantly looking at the capacity we have curtailed and analyzing under what circumstances it makes sense to consider reopening it. Again, Wayne will give you some more details.

So we move on to slide number seven; the LME cash price averaged $2,000 a ton for the fourth quarter of 2009 and some $1,670 a ton for the full year of 2009. Prices have climbed as high as $2,300 per ton in early 2010, but have since pulled back to approximately $2,100 a ton. Aluminum prices continue to climb, with the most recent spot pricing in the Pacific Basin quoted at $335 per ton, up from $284 a ton in the third quarter. Global aluminum demand continues to improve, with China leading the way, as the economy returns to robust growth levels we saw in

2007 and early in 2008. Importantly, we are seeing real growth in domestic Chinese demand as local consumers are becoming more comfortable with buying on credit.

Chinese economic statistics ended a strong year for 2009 at 10.7% GDP growth in the fourth quarter and 18.5% year-over-year IP growth in December. While this has created a fear about an asset bubble and potential government action to dampen excessive growth, I would note that China has had a long history of sustaining impressive growth levels without overheating its economy, as we have seen in other parts of the world. I'd also further note that a significant portion of the Chinese population is living in rural regions that are expected to provide a meaningful result for additional demand, as these particular populations make the shift towards a more urban lifestyle.

India's economy has also returned to solid growth levels, which is reflected by a 7.9% year-on-year rise in third quarter GDP and more interestingly, a 16.8% year-on-year industrial production growth in the month of December. Similarly, Brazil's industrial production was 18.9% year-on-year for December. With the exception of Russia, the BRIC countries appear to be leading the way once again for economic growth on a worldwide basis. When we look at the U.S. and Europe, we continue to deal with unemployment concerns and an unclear economic picture, with default risk in Europe adding additional uncertainty to commodities and broader markets. That said, we have seen these markets show some signs of stabilization over the past several months and most recently, some tentative indications of modest growth.

Shall we move onto slide number 8? The LME stocks increased only slightly in the fourth quarter of 2009. This is a significant improvement from the dramatic daily additions to warehouses we saw in the first two quarters of the year. Thus far, in 2010, stocks continue to remain in a reasonably tight range. But we have yet to see any meaningful or sustained decline as we technically expect in a period of restocking. This was likely the result of the Chinese smelter restarts and new capacity coming online, particularly in the Middle East. The well publicized issue of aluminum being tied up in financial deals has provided some support to the prices as regional prices has lifted premium.

In the U.S., the Midwest premium has climbed to the 6 cent range, a level we haven't seen since the year of 2006. While supportive near term, these financing transactions add another element of uncertainty to our market as the economics of these transactions can be influenced by a variety of factors including the slope of the forward curve, interest rates, rents, insurance and other factors. Should any of these elements individually or in a combination change in such a manner to make financing of metal economically unattractive, these transactions will no longer be rolled forward and may even be unwound, thereby alleviating much of the physical factors in the market. We continue to believe significant warehouse inventory levels will be an overhang on the market for some time to come.

Let’s take a quick look at slide number nine. With the inventories at 65 days of global demand, this is roughly double the normalized levels of 30 to 40 days of demand. While we saw a modest shift from quarter three to quarter four towards a more normalized relationship between days of inventory and price, the data continues to indicate a disconnect with historical norms. As a result, we continue to be cautious in our views on pricing and will continue to focus on running the business prudently in this uncertain environment.

Moving onto our project in Iceland on slide number ten, I’d like to provide some more detailed update on the status of the Helguvik project. We continue to believe that the first 90,000 ton phase would have a capital cost of around $600 million. This would be before financing cost. As we have progressed this project, we have gained increasing confidence in this estimate, as the contracts we have signed have come in and better than the original capital estimate. We are also maintaining our estimate for the capital cost of the full 360,000 ton pipeline at around $5,000 per annual ton of capacity. Again, this total, we have spent $100 million at the end of 2009, and that is inclusive of our project development cost. Mike will provide a bit more detail of this in our estimate for 2010 spending. He will also provide detail on the progress of the debt financing.

With the development of this project, execution itself has progressed well. I'll ask Wayne now to give us a few comments to take us into some more detail. Wayne.

W. Hale

Sure. Thanks, Logan. We have in place an experienced team made up of a combination of Nordural employees and representatives of the Icelandic engineering firms who have helped us on the successful expansion at Grundartangi. We have been making deliberate and steady progress on the project, engineering and construction together.

In addition, they have spent a great deal of time working with the major suppliers to ensure these companies are ready to support our timing and other objectives when we are ready to restart the major construction.

Lastly, the project team has worked to put in place the organizational structure, processes, and systems to support the full project level of activities and requirements. Logan.

L. Kruger — Thanks, Wayne. Our best estimate is that we should be in a position to resume major construction activity at the project site around the middle of this year. There are many variables that go into this estimate, but the largest is the finalization of a contract with our power suppliers and the confirmation that they are in firm position to finance and thus deliver the power per an agreed schedule. I'd also like to note that we continue to have strong support from all parties in Iceland, including unions, local communities, and the coalition government. Thank you very much. Wayne, would you give us the operating report?

W. Hale — Sure. Thanks, Logan. Let's turn on to slide number 11. From an operational perspective, we finished the year strong and have made a good start to 2010. Hawesville is now maintaining stable operations at four full pot lines, roughly 80% of its capacity. The work required to restart the cells, which had been allowed to sit out of service, is successfully behind us.

As Logan has mentioned, Hawesville's management team has taken a clean sheet of paper approach to the plant's cost structure and have taken some very good actions thus far on this basis. These actions span every facet of the plant's cost structure, including operations, purchasing, sales and the organization. The onus now is not only to be certain these actions can be sustained, but to seek additional reductions as well. This requirement is especially important as the power rate support we negotiated with E.On falls away after 2010. On this basis, Hawesville's effective power price will rise substantially in 2011, all other things being equal. Mike will provide some additional detail on this.

Based upon this, we need to optimize every part of the plant's operations to ensure we are in the best position to keep it viable long into the future. We will soon be entering into negotiations with the union leadership to renegotiate the labor contract that expires on March 31st, and we continue to speak with our major customer at Hawesville about future arrangements after our current contract expires in early 2011. Both of these discussions are important to the future of the plant. Lastly, on Hawesville, as we have discussed in the past, we purchased some downside price protection for 2010. Mike will provide some additional detail on this as well.

Moving to Grundartangi, the local team has continued to drive excellent performance. Shipments were strong and costs are in check. We recently had some troubling readings on one of our transformers at the plant, as we performed routine maintenance. After analyzing the issue with the manufacturer, we determined it would be prudent to take this unit out of service for several months to have it properly repaired. This major maintenance will require us to dial back the power a small amount and will thus cost us some production in 2010. Mike will provide some additional detail on this as well.

We are also going through regular labor negotiations in Iceland. As you might imagine, these types of discussions have been a bit more difficult due to the economic events that the country has had over the past year and a half. We have confidence that we'll reach an acceptable conclusion, as both parties are interested in finding common ground.

As Logan mentioned, Mt. Holly had a difficult year, plagued by several seemingly unrelated categories of production inefficiencies and supplier problems. We're concerned about the persistence of these issues and have discussed them openly with our co-owner who operates the plant. We are optimistic that the management team will get the plant back to its normal status.

The plant has also had a problem with one of its transformers that will require removal and replacement. This is being staged for later in the year, but unlike Grundartangi, this work should not impact production. Commencing last year, we and our co-owner have been conducting detailed discussions with the power supplier about the future of that arrangement.

Bottom line, we have told them that the plant's long term viability will depend heavily on whether we can come to some type of accommodation that ensures the plant is protected from severe downside movement in the aluminum price and we have flexibility of operation. I would characterize these discussions as preliminary, but productive thus far.

Let's turn on to slide number 12. Briefly, on Ravenswood, the personnel on site continued to keep the plant ready for a restart. As Mike will detail, we are on track with performance against the shutdown costs we estimated last year. In order to contemplate a restart of the plant, we would obviously have to foresee market conditions in which we have confidence over a reasonable period of time. As importantly, we would also need an enabling power and labor agreement.

We are presently working to create a power agreement in partnership with the political leadership in West Virginia and other constituencies who would like to help get the plant restarted. Such an agreement, which would provide the plant with protection in the event of market dislocations, is an absolute prerequisite before we would consider restart of the plant.

On the labor front, we continue to maintain contact with the union leadership in light of the contract expiration in August of this year. On the market, Logan has touched on most of the points, so I will not repeat them as he has done a good job here. We are seeing some real evidence in tight supply conditions about which we have heard. In the vertical markets, there really has not been substantial change over these last few months, other than the fact that we have seen some modest firming of conditions primarily in the U.S. automotive sector.

Now I'll turn over to Mike who will discuss financials.

M. Bless — Thanks very much, Wayne. If you could turn to slide 13, please. As usual, I will make reference in my comments to the financial information that follows the earnings release, so if you could have that handy, it will make my comments easier to follow.

Okay. Slide 13, as usual, we're showing here a sequential comparison of the quarter that just ended to the prior quarters, so obviously Q4 to Q3 here. Before diving into the income statement data, let's take a quick look at the market to put it into context. The cash LME price was up 11% on average quarter-to-quarter and on a one month lag basis, up 10%. Our realized unit prices were in line with that, in the U.S. up 12%, and in Iceland up 10%.

Turning to shipment volumes, you can see these data at the end of the financial information on the page entitled Operations Data. Our domestic and total shipments in Iceland were each up 1% sequentially. And as you've seen, as Wayne described, Grundartangi again produced at an annualized rate of 276,000 metric tons, a good 5% to 6% above its rate of capacity.

So putting those price and volume data together, net sales in dollar terms up 12% quarter-to-quarter. I'm back on the income statement data now in the earnings release. On that a net sales increase of $28 million quarter-to-quarter, gross profit rose $16 million. A couple cost items to note for you. First, power in Iceland was up $3 million quarter-to-quarter. Of course, that's entirely pegged to the market. Pot relining expenses at Grundartangi in Iceland were up $4 million quarter-to-quarter. This is due to a proactive decision we have made to institute per industry norms and practice a regular pot relining program so that you don't have pots all coming out at once. This is due to the significant amount of expansion capacity we brought on a couple of years ago at Grundartangi.

I'd like to remind you also, and again this is described in the earnings release, that in terms of our power costs at Hawesville, there are $17 million of this quarter of cost-of-sales for which we didn't pay that E.On is paying on our behalf. And this same condition will exist through the end of 2010 when that support agreement with E.On concludes. Moving down the income statement, other operating expenses, $6 million, that is the curtailment expense at Ravenswood, as you know.

The cash spending on those items was $9 million this quarter versus that $6 million accrual. SG&A, you see $15 million for the quarter. The cash amount of that was about $10 million. We had about a $4 million accrual this quarter for a multi-year compensation plan. So the payouts under a plan like that occur over several years, but obviously under GAAP you accrue properly for a plan like that at its inception. Loss in forward contracts, that's the Hawesville hedging to which Wayne referred. Other expense, $5 million, that primarily wholly relates to the debt exchange offers that we've talked about before in some detail.

Taxes, just quickly, you saw the one-time benefit, discrete items in the earnings release. Just to remind you, in the U.S., we provide from an effective tax rate standpoint, a zero percent tax provision in the U.S. As you know, we have large NOLs and the full valuation allowance against those NOLs in the U.S. So when we have income, we don't provide a tax provision, and when we have a taxable loss we don't provide a benefit.

In Iceland, we provide taxes at an 18% statutory rate. That rate in Iceland increased from 15% during the latter half of 2009. Just at the bottom of the income statement, you see the average shares 88.2 million common shares, not on the financial statement per se, but we do obviously, as you know, have the preferred shares outstanding as well, largely common stock equivalents. Those are 10.1 million average shares for the quarter.

Just to give you a sense about how this share count may look in the first quarter of 2010, let me just give you the year end balances. Common shares ended the year at 92.5 million, preferred shares at 8.3 million. If you could just slide forward to slide 24, it just delineates some of these items that are described in the first paragraph of the earnings release. So as you see at the top of the page and as you see at the bottom of the income statement, net income or net loss this quarter obviously as reported on the common shares, this is the treatment prescribed by GAAP, is $0.28 a share. If you spread that same loss over the common and preferred shares, again the preferred being essentially common stock equivalents, you get a loss of $0.25 a share.

And then let me just take you through the items that we talked about in the earnings release that you saw. So the Hawesville hedging cost recognized all up front, $0.12 a share. The loss on the debt exchange, a good chunk of that was non-cash, $0.05 a share. Again, that portion of the power cost that is in our reported cost of sales that we don't pay, E.On pays it, is $0.18 a share. And that discrete tax benefit gave us income this quarter of $0.07 a share.

Okay, if we could go back now to slide 14. We'll just go through a quick review of the year-over-year financials. We're going to do this at a pretty high level. Again, talk about the market first. The cash LME was down on average 35% fiscal '09 over fiscal '08. On that basis, our average realized prices in the U.S. were in line, down 36%.

Iceland realized prices down 39%, a little bit more than the market. As those of you who have been following the company for a while will remember, the EU duty halved in the early part of 2008 from 6% to 3%, and we get some of that as income in our tolling arrangements. So we did lose a little bit of revenue due to that reduction in the EU duty.

Shipping volumes in the U.S., obviously down significantly due to the curtailment of Ravenswood and the one line at Hawesville. Grundartangi's shipments up 2% year-over-year, again, a great performance. So putting the price and the volume together again, net sales down 54% year-over-year. That was $1.07 billion. You can see this now on the income statement over on the right hand side obviously. So $1.07 billion in sales, on that, gross profit down $377 million.

Just to step back and give you a sense of the extent of the impact of the price, the reduction in the LME price alone drove our gross profit down $536 million for the year. So we had $160 million of cost going the other way, obviously improvements. A big chunk of that, as you would suspect, relates simply to the reduction in the aluminum price, but a big chunk as well relates directly to the expenses that Wayne and his teams have taken out of the business.

Just a couple comments on the cash flow statement that you see, appended again to the earnings release, before I move on. Just note a couple items, maintenance capex $2 million for the quarter and $17 million for the year, in line with our expectations; Helguvik spending $4 million for the quarter and $22 million for the year, again, in line with our expectations.

Okay. Let's turn to slide 15 and 16 and give you a quick synopsis of the movement in cash during the fourth quarter and during the year. So slide 15 is during the quarter, as you can see, cash essentially flat from September 30 to December 31, up $2 million. Just a couple items to note as you see $20 million in adjusted operating income that was at an average cash LME, as Logan noted, of $2,000 for the quarter, per metric ton obviously.

That $20 million is net of the $9 million in curtailment spending at Ravenswood, about which I spoke a couple moments ago. You see the purchase of the hedging instruments at Hawesville, a couple of million dollars this quarter. That was after spending, as you remember, last quarter, Q3 that is, $8 million. And as you recall, our transfer of our interest, of our 50% interest in Gramercy and St. Ann's to Noranda required two $5 million payments, the second of which we made for the contract in December.

Moving forward to slide 16, please again, the same treatment, cash up $69 million for the year. Let's go through a couple elements here, the adjusted operating loss, $78 million for the year. That was at an average cash LME, again as Logan noted, of $16.70 per metric ton. That number includes or is net of Ravenswood cash curtailment spending of $47 million from Q2 to Q4.

You see the significant working capital liquidation that occurred early in the year, mostly in Q1, some in Q2 as well, mostly related to the curtailment of Ravenswood, a little bit to the curtailment at Hawesville. Obviously, significant proceeds from the equity offering and the tax refunds in Q1, you see. We paid a $25 million outstanding revolver balance. As you recall, we, and like a lot of people, got nervous about the state of the credit markets in late 2008. So we did borrow on our revolver just for defensive measures. We paid that back fully in early 2009. Again, Helguvik spending, I mentioned before.

And just one item to note because it's relevant for 2010, we deposited $8 million as a security deposit for our new power contract at Hawesville. That contract requires us to post an additional $20 million in Q4 of 2010. What we'll likely do rather than posting cash is post it per our rights in the contract through a letter of credit. And what we're likely to do as well is to roll that $8 million of cash into the LC. So we'll actually be taking $8 million out of that. That LC will obviously be backed by our revolving credit facility.

Before I move on, let me just make a few comments as to the status of the revolver. As you know, the revolver was a five year facility that expires this September. We are well on our way to replacing it. We've had in front of us a couple of strong proposals from some strong financial institutions. We are likely in the next week or so to mandate one bank to put the facility together. We're confident that we'll get something put together here by the end of the spring. So at least a quarter before three to four months before the other facility, the current facility expires. New facility, consistent with the current market for facilities like this, is likely to be a four year facility versus the old one being five.

Okay. Let's move on to slide 17 and 18, just give you a quick sense of some of the estimates for 2010 so you can build your models. First, volumes, Wayne again took you through where we are in the facilities. Our planning assumptions for 2010 are for four full lines for the full year at Hawesville and Mt. Holly back at its expected performance. So that would give us production and shipments in the U.S. of about 315,000 tons.

In Iceland, again, Wayne talked about the transformer repair there that will cost us a couple thousand tons of production and shipments this year. We are showing you a range here of 270,000 to 275,000 tons. We'll precise that as we move forward and get a better sense from ourselves from the supplier who is doing the major maintenance for us, as to exactly how many months that unit will be out of service.

Smelter cash costs, let me just give you a sense of the basis upon which these costs are put together. You see it largely in the footnotes here. So these data include all the cash costs at the smelters and that includes maintenance capex, includes all the plan overheads, includes all the employee related spending at the plants, everything. They're stated on a basis meant to be consistent with the LME. And what I mean by that is, to the extent that we earn premiums, like the Midwest premium in the U.S. or any kind of product premiums, we've netted those premiums against the price to derive again in essence an LME equivalent price that you can see.

We've run them at a range of LMEs of $2,000 to $2,200 and given you the sensitivities at both ends of that range. So obviously you can calculate easily the sensitivities and then rerun them at whatever LME you want to use. The cost detail that we've shown on the rest of this page is for your information. Again, all these costs are already embedded in these cash costs we're showing you. The one we'll continue to emphasize to you and point out is the Hawesville power cost. Again, as Logan and Wayne have described, all else being equal, those costs will increase significantly in 2011. You get a sense here, as we've detailed in the earnings release as well about the current quarterly amount of that support.

Slide 18, to finish out here, a couple of other items. Ravenswood, if the plant were to remain curtailed for the entire year, cash spending would be about $20 million. That would decrease significantly again if the plant were to remain curtailed. After 2010, it would go down to somewhere in the range of $5 million to $10 million annually. SG&A, here you see the cash and book amounts. These are the amounts for which we planned. Obviously, any large transactions that we would look at or certainly enter into would likely drive these amounts up. Interest expense, cash for the year, you see the amount here.

You can look on the balance sheet data to see where we ended the year at a summary level in terms of the debt structure. Let me just go through it with you right now. You'll see it obviously in detail on the footnotes when we file our 10-K here in a couple of weeks. Let me just stop here and go through it for you. We ended the year with $47 million face value of the convertible notes left, those obviously pay 1.75% cash interest,

$247 million principal amount at new 8% notes. We've got $5 million left still of the old 7.5% notes that were not tendered in the exchange offers, $8 million of the IRBs, and we assume that the revolver for the year is undrawn other than used to support the letters of credit that I described a couple of minutes ago.

Pension, no required contributions for Century in 2010. We're currently analyzing the pros and cons of making, say, up to a $10 million voluntary contribution in 2010. Just to give you an extent of the issue here at Century, it's not a large issue for us. The total unfunded balance of all the defined benefit plans we sponsor is only about $20 million.

Again, taxes, no cash or book taxes in the U.S. and Iceland. Again, we provided an 18% rate, that's what you'll see on the face of the income statement embedded in the tax line. But given accelerated depreciation and some other items, our current assumption is our cash taxes in Iceland will be a couple million dollars.

Let me just close here, a couple of comments on Helguvik. Obviously, Logan and Wayne covered it. Our assumption is that we'll spend on average the first half of the year, about $2 million a month on continuing construction and project development. Our financing plans assume that at the time that we were to close the financings and resume major construction that we will have contributed a total of $40 million in cash equity for the year. So we will, again our plans assume that we'll top up that incremental amount at the time that we restart major construction.

Obviously the rest of the capex would come from the debt and equity markets in some way, shape or form. Let me just comment on those quickly here before I conclude my remarks. We've made great progress here in the last couple of months on the debt financing. We've been working hard. As you recall, we've mandated three strong banks in Europe to help us, advise us on structuring those facilities. Those banks are Société Générale, BNP Paribas, and ING. We made great progress. Those of you familiar with structures like this, a lot of work goes into them, so we've got a lot of work to go, but we're encouraged about the progress we've made and are on track.

We've also done a lot of work thinking about the best way to finance the non-debt part of the structure, and we'll obviously be updating you on that as we make some decisions as we get closer to the restart of the major construction activities. Now with that, I'd like to turn it back to Logan.

L. Kruger Thanks, Mike. As you have followed Century during the last few years, you have seen us take aggressive actions to grow the company. This last year we spent considerable effort on the protection and preservation of the present and future value of our shareholders' investment. We raised substantial increased liquidity and achieved cost reductions, and enhanced operational and financial flexibility. Through these efforts, we've kept the company viable during an extraordinarily difficult time.

As important, we preserved the company's growth options, principally the Helguvik project, which we hope to create future value for the long term. While we believe the industry could well experience volatility and even some turbulence during the next year or so, we are confident that the longer term fundamentals will reward those like ourselves who are investing in world-class capacity.

With that, David, we'd like to take questions from those who are calling in.

Moderator Our first question comes from the line of Kuni Chen with Bank of America. Go ahead.

K. Chen Hi, good day, everybody.

L. Kruger Hi, Kuni.

K. Chen Just first off, on the hedging issue. So if I kind of back into this, it's basically all of the output out of Hawesville, maybe about 200,000 tons in 2010. And can you just sort of update us on your thought process around hedging going forward? I guess with the power cost stepping up significantly in 2011, maybe your bias is to continue to look to hedge that out.

M. Bless Sure. Good question, Kuni. It's Mike. I'll answer the first part of the question and ask if Logan or Wayne have any input on the second. So that's a little bit more than we did, what you're calculating there. If you take a step back and look at, let me just show you the way we approach it and then you can get to the number. Number one, the portion of the production that's naturally hedged versus the linkage of the alumina price to the metal price, and so with alumina prices, contract rates over the long-term being in, say, the 14% range, you've got almost 30% of your production, obviously, two tons of alumina per ton of metal naturally hedged. And you wouldn't, therefore, ever want to hedge 100% or you'd be effectively over-hedged. So starting at that 70%, we didn't hedge that whole 70%, we hedged a chunk of it, more than half of it in the sort of two-thirds to three-quarters region.

And the philosophy again was that we're not looking to sell forward here, we're looking to protect the plant, especially in this transition period. So as we said at the time that we entered into these contracts, we bought protection or principally good old fashioned just put options, insurance, right around at Hawesville's cash breakeven cost for 2010. Going forward, we're going to be looking at a lot of options as we look at both our options to mitigate the risk at the power take or pay and the LME price in 2011 and going forward. I don't know if Logan, Wayne, do you want to say anything else?

L. Kruger — I think I'll just add one thing. Obviously, Kuni, we're protecting the downside and trying to preserve upside potential, so I think that's the only addition I would add to what Mike has said.

K. Chen — Okay, fair enough. And I guess as far as the thought process on Ravenswood, what's the bigger hurdle there? Is that the steel workers or power contracts? And can you just give us a sense on kind of capex and timing that would be involved in a potential restart?

L. Kruger I'm going to ask Wayne to answer that one. Thanks, Kuni.

W. Hale Yes, Kuni, this is Wayne. Insofar as the major issues as we've identified in the past, power is the most significant followed by, obviously labor contract, and then wrapped around that is the conducive LME environment. And so we are progressing the discussion of an enabling power agreement with the leadership of the state, and I have to say it's progressing reasonably well, and we're confident that we'll see some direction there.

K. Chen Right. And it's a point too that you have a power contract that floats with LME or it could be more fixed and then you could hedge up the metal price.

W. Hale I think it's too early really.

L. Kruger I think the answer is we're trying to position ourselves to take advantage of a period of improved market conditions. And the power contract, the LME linked experimental rate is in place and has continued. But let's not prejudge what we may think is appropriate. Our CBA or the contract with the steel workers comes to an end in August. So you need to get these things done in a sort of sequence and then consider your options in the prevailing market.

K. Chen — All right, got you. I'll turn it over. Thanks a lot.

L. Kruger — Thanks.

W. Hale — Thanks.

Moderator — And our next question comes from the line of Justine Fisher with Goldman Sachs.

J. Fisher — Hi, how are you?

L. Kruger — Very well, thank you. How are you doing?

J. Fisher — I'm okay, thanks. So just regarding the Hawesville power contract increase, it's pretty significant on an annual basis if you take the 17 million a quarter. So would you guys--I mean, what's the ability to shut Hawesville down if you can't find a better agreement there?

M. Bless — I'll let Wayne address the latter half. In the first half, the better agreement is in place. I mean, the difference is--what's producing the step-up obviously, is a short term arrangement to which we agreed with E.On when they exited the power supplier, and we signed a long term agreement with Big Rivers. It's a cost-based power agreement. So our view, after doing a tremendous amount of work on this and employing all sorts of experts and advisors and consultants, is that in terms of smelting capacity, I'll ask Wayne to comment, in the United States this is about as good a contract as you're going to get. And so the real issue here is making sure that we have the flexibility to do what we need to do if we were to have to take some capacity off at Hawesville. I'll let Wayne or Logan—

W. Hale Yes, Mike, I think you've hit upon the major issues here as far as the cost of the power. And insofar as the plant, of course, we did significant work, as I mentioned in 2009, to remove costs from the facility and we continue to do that this year with a special program to actually squeeze out all the things we need to squeeze out in anticipation of the step-up in the power. Insofar as curtailment, with the Hawesville facility as it presently stands under the existing agreement with the union leadership, we have no trailing liabilities with the people at this moment in time. So it's not obviously simple to shut down, but obviously, we don't have a financial trail.

L. Kruger The other one on the power contract, obviously, it's a 12-month notice period. So obviously, we'll be looking at this. Wayne's team has done a great job of getting the cost position in a better position. So now we have to look, what 2011 is in the next steps we can deal with. Earlier question around downside protection.

J. Fisher Right. But I mean, on a quarterly basis, it could be $70 million out of whatever your EBITDA would be that year. A $70 million swing is a $17 million a quarter—

M. Bless That's right.

J. Fisher --at 2011.

M. Bless That's right. No different than we've been talking about this since last summer when we entered into the contract.

J. Fisher Right, right. Okay, just checking. Thank you so much.

M. Bless Sure. Thanks, Justine.

Moderator — And our next question comes from the line of Mark Liinamaa with Morgan Stanley.

M. Liinamaa — Good evening, all. Could you comment a little bit more about the production issues that you're having at Mt. Holly, what's going on there, and what the likelihood of coming up with a favorable power contract reset is?

W. Hale — Okay. This is Wayne talking. Basically, as I said earlier, through the operational facility, they've experienced some challenges in regards to raw material supply, both in coke and capital blocks. It appears that the leadership there has that in hand and things are actually progressing quite well back to normal production. Insofar as the power agreement, the local leadership there in association with ourselves and our partner have been in discussion with Sandy Cooper who is the power provider, insofar as gaining additional ground and how we can reduce the cost of that power contract. Certainly, I have to say in the discussions we've had thus far with Santee Cooper, there has been added discussion, and certainly some interest in managing the contract differently and providing direction. So we're pleased thus far.

M. Liinamaa — Okay, thanks for that. And you mentioned labor discussions at Grundartangi. Can you just comment a little bit on what the tone of those, given all of the turmoil that's gone on over in Iceland? Thanks.

W. Hale — Certainly. As I mentioned, we have been in discussion with the local labor unions since the beginning--since prior to the contract conclusions. Now we've been a bit delayed for a couple of issues over there, one of which was an additional union wide representation that has now been concluded in. I'm pleased to say that we're back into serious negotiations with the union, and there has been no indication that they will not be concluded successfully.

M. Liinamaa — And is it mostly a wage issue? Is there anything else in particular that they're looking for?

L. Kruger — I think, Mark--it's Logan. We haven't missed a beat in Iceland with this operating team right through the middle of all of the challenges. It's just normal discussions that have been exacerbated by currency effects etc., but I think we'll get an equitable solution, as normally these negotiations they fluctuate up and down, but they come to a conclusion. And I think this one will just be the same. And I do want to emphasize that right through the very difficult times we have not missed a moment's worth of production, and safety and the performances just continue to be world class.

M. Liinamaa	And when does the agreement end?

W. Hale	It's already ended.

M. Liinamaa	It's already ended. So you just –

W. Hale	And just again, to Logan's point, this is the cooperation we have between the labor unions and ourselves to manage the process and the plant at the same time without the indication of problems.

M. Liinamaa	Thanks and good luck with everything.

W. Hale	Thanks, Mark.

L. Kruger	Thanks, Mark.

Moderator	Now, I have a question from the line of Brett Levy with Jefferies.

B. Levy	Hey, guys. In the sort of context of the current financing market, do you think that 198 or so of cash is a little bit too much? As you look at the sub-piece of the converts, are you more inclined to go towards cash settlements when they mature or are you going to continue--or are you inclined more towards using more stock to take out the converts?

M. Bless Brett, it's Mike, a couple things on the cash. First, in answer to your question, I think our--I don't want to call it, maybe a base case now is that those get cash settled. So once anything changes, I think that's a reasonable assumption to make. We'll always consider being opportunistic, and if market conditions change and we come to the view that handling it a different way might make sense for our shareowners we'll do it. But I think that as a base case for everybody to consider that's a decent one.

In terms of the other use to cash, we're assessing right now, as I said, we've got a very major project that we're aiming to restart later in the year. So it can be a world class facility, just like the current one, even better. And so we've got to make sure that we're adequately capitalized to support all of that. So I'd say sort of steady-state for now. We're obviously cash flow positive nicely on a consolidated basis at the current LME. So we'll be developing through the year, but on the converts especially I'd say. Let's assume that those are going to be cash settled.

B. Levy	All right. And in all scenarios, are you guys the 100% equity holder or significantly close to 100% equity holder in the new project?
M. Bless	Yes. I mean, that's a great question. As we've said before, we're looking at a lot of alternatives. And so as I said before, we will absolutely always be the majority owner, developer operator of the plants, but if it makes sense to do something strategic here with somebody who could not only add capital, but I think importantly add whether it's commercial weight to the project, or supplies, or in any way could help get the plant constructed faster, that's something we would look at. So I'd say in the next couple of quarters, this will all be coming to fruition.
B. Levy	All right. And then speaking of JVs, can you guys talk a little bit about where you view the major issues are and what you and your joint venture partner kind of--at least some preliminary thoughts about those problems?
L. Kruger	You're talking about Mt. Holly, Brett?
B. Levy	Mt. Holly. Yes, Mt. Holly.
L. Kruger	I think this is Wayne's—

W. Hale Yes. Again, as I stated previously, the problems I think they have been overcome, and now the plant is presently coming back to normal operations. So it was a dislocation, and since material supply that's been corrected.

B. Levy So what do you think breakeven costs there, or cash costs would be at Mt. Holly going forward?

M. Bless Yes. We don't break out, as you know, Brett, smelter by smelter. We've given you the domestic costs for the year. I'm going to make a couple comments on that. We used to say, and long term it's still probably true. I'll come back to what I mean by long term. I think it's probably evident already that the costs between Hawesville and Mt. Holly, for different reasons, were about the same. That Hawesville had a better power price, but Mt. Holly was a more moderate efficient plant. And so it kind of equaled out. Obviously, this year because of the E.On support, the cash cost at Hawesville is lower. But once that support terminates for the contract with E.On at the end of the year, that equilibrium will, within spitting distance, return. So on the sheet there we gave you, I forget which slide it is now, towards the end of—

S. Lair Slide 17.

M. Bless — Thanks, Shelly, slide 17. You get a sense of around where Mt. Holly's cash cost is.

B. Levy — All right. Thanks very much. I'll get back in queue.

M. Bless — Thanks a lot.

Moderator — Now, I have a question from the line of Chris Doherty with Oppenheimer & Company.

M. Bless — Hi, Chris.

C. Doherty — Good evening. I just wanted to sort of drill down and clarify the cash costs. So the cash costs that you list in the U.S. of $1,800 to $1,850 a ton; does that include a normalized power cost at Hawesville?

M. Bless — No. That's a great question. Those are 2010 items. I think it's on the title of the slide, yes. And that's why I specifically noted on that page when you look at the power cost, that in 2011, you would have to adjust for that cost.

C. Doherty I mean, if you assume that it's $70 million, I mean, that could be up to $365 per ton. I mean, is that the right math?

M. Bless At Mt. Holly alone, it’s spread over all of the U.S. I think it’s going to be a lesser amount, right?

L. Kruger But it’s in that order at Hawesville for the four line operation.

M. Bless For Hawesville alone.

C. Doherty And then in terms of the hedging charge this quarter, is that an aggregate mark-to-market or is that just the stuff that rolled off this quarter? So the question is, if LME prices stay flat to where they are right now, or where they average for the quarter, would you see any more charge or benefit on the hedges?

M. Bless No. It’s an aggregate. As I said, I think when I made my comments, it was a recognition up front in a non accounting way. So it’s your latter statement. No, pardon me, your former statement, not your latter. Aggregate mark-to-market. So it’s in essence if LME prices didn’t move, you wouldn’t see any further adjustments, all else being equal.

C. Doherty Got it. Okay, thanks.

M. Bless Thanks.

L. Kruger Thanks, Chris.

Moderator And we now have a question from the line of Tim Hayes with Davenport & Company.

T. Hayes Hi, good afternoon.

M. Bless Hi, Tim.

T. Hayes Just a quick question, when you talk about Hawesville's alumina cost in 2010 that's comparable to Mt. Holly. Is that comparable because it's also going up 1 percentage points, or is it just comparable that Mt. Holly's cost is going up and it's going to be roughly the same in terms of the level?

L. Kruger I think they're comparable. They're not exactly the same. This is Logan. So I think Tim, it really just gives you a comparison. They work in the same region of pricing.

M. Bless Yes, they are not materially different at all.

L. Kruger I think Hawesville for 2010 has obviously some different supplies, a mixture of supplies. But that averages out, and whereas, Mt. Holly has the single supplier.

T. Hayes Okay. Just to clarify, is Mt. Holly's percentage to LME--excuse me, is Hawesville's percentage to LME; is it also going up '09 to 2010?

S. Lair Prior to 2010, we were purchasing from Gramercy.

M. Bless Yes.

T. Hayes Yes, okay.

L. Kruger You’re comparing a dollar price out of Gramercy and a larger portion of LME link. So you’ve got to be careful.

T. Hayes So comparable in terms of the percentage to the LME for both facilities then?

M. Bless Right.

T. Hayes — Got it. Okay. All right, that's all I have. Thanks.

M. Bless — Thanks, Tim.

Moderator — We do have a question from the line of Tony Rizzuto with Dahlman Rose. Please go ahead.

T. Rizzuto — Thank you very much. Good afternoon, everybody.

L. Kruger — Hi, Tony.

T. Rizzuto — I've got a question on Hawesville, just to follow up that line of questioning earlier. You've got a lot of obviously moving parts there, and with the labor discussions underway and the power price increases scheduled for 2011. If you guys don't—you're not able to achieve a more economic power price, what is the interplay with the customer relationship? It looks like you're also renegotiating your relationship maybe with Southwire there. How does that all interplay? And would you be able to effectively idle those facilities? Or would there be some type of cost that you'd have to pay in addition to that? Would you be able to extricate yourself from that?

L. Kruger So Tony, let me try and separate these into the different boxes, and let's see that we don't perhaps get a bit of confusion here. And I'll ask Mike and Wayne to interrupt. First of all, in terms of the contract negotiation, that contract obviously ends in March. We'd obviously put in place some sort of contract that we think makes a lot of sense. And as Wayne noted earlier, there is no ongoing costs related to that contract, as is. We'll see what happens with the negotiations now. So I think that is one element.

On the power cost, we have got favorable consideration from E.On, as the matter of closing out our original contract which ended in 2010. That's been well known for a long time. We did see an increase of cost based power from next year. If we stand back, one of the things that we're doing and have done very well in the last 18 months is manage our costs at Hawesville. And I think, obviously, we want to make sure that we continue to handle that in a manner that makes us in a position with this operation ongoing.

The last piece is obviously on Southwire. That contract as it exists comes to end of March next year. And so we're obviously having discussions with that, but that as you would remember was a fairly long term contract. And obviously, it would be incorrect for us to make any comments on our discussions with Southwire. Mike, do you want to add anything?

M. Bless — No. The only thing I would add, Tony, if I may, is--because I'm discerning through the comments here, let's just put this in perspective. Obviously, it's a significant step-up, as Chris--I think it was Chris--quickly calculated. But to put it into context, and you can back into this really, almost, if you look at the cash costs that we've given you for both plants combined domestically, the current cash cost for Hawesville is significantly below what we called either the U.S. average or our own average. And all else being equal, I can tell you, even if you added the step-up in power prices, you would get a cost, sort of, let's call it, pro forma for 2011, for want of a better term that's still sort of add, or probably, delete probably, below the current LME price. So, that kind of puts where we are into a little bit of context for you.

T. Rizzuto — That's very helpful. I appreciate that both, gentlemen. Thank you.

M. Bless — Thanks, Tony.

L. Kruger — Thanks, Tony.

Moderator Thank you. We have a follow-up question from the line of Mark Liinamaa with Morgan Stanley.

M. Liinamaa Yes. Logan, just earlier in your comments, you were talking about some high cost capacity in the U.S. that was continuing to run, I believe. Can you just very quickly give us any comments on what you see going on there? Is that all stuff that's hedged forward and is unlikely to come down for their foreseeable futures or any extenuating circumstances there? Thanks.

L. Kruger Yes, Mark. I didn’t say the U.S. I just said high cost capacity unless I specifically said in my notes, but I said worldwide. And I think there are examples of that around the world, and I would just contextualize them as, what I call, the so-called social producers, and those continue to operate and there has been some restarts of capacity in Europe. So I wasn’t particularly looking at the U.S. In fact, there’s probably been some come off in the U.S. in the last while, and that seems to have stabilized. I’m not particularly looking at anywhere. But as you’ve talked before, we stabilized production and supply by looking at the macro numbers, and the inventory number is not going up. But there is certainly some elements of producers that are certainly not making a cost at this point in time.

M. Liinamaa Thanks very much.

L. Kruger Thanks, Mark.

Moderator And we do have a question from the line of John Tumazos with John Tumazos Very Independent Research.

L. Kruger Hi, John.

J. Tumazos Good evening, good evening. In terms of the Helguvik schedule, are there any EU programs for business development or loans, or I hate to use the word subsidies, but you know what I mean, or international development banks or aid programs specifically for Iceland or small EU nations or emerging companies that the project might be eligible for?

M. Bless Sure, John, good question, certainly no subsidies. As you alluded to, that's a naughty word in the EU land. But the answer to your question is, yes. And let me talk specifically because we are--it's been a major part of our work to date on our potential financing. And so you may be familiar there. Each of the major European countries has an export credit agency. And the mission and mandate of those agencies is to obviously promote the products and services of those countries.

And so, what in essence you are able to do is, to the extent those ECAs are interested, and we have some countries here in Europe from which a lot of our, both technology and products are coming, Switzerland and France are the two largest. Those ECAs are very interested in helping the projects. And what they do in essence is provide a quasi, self sovereign, I'll call it guarantee, that enables the financing structure to be put in place with attractive terms, both not only pricing but tenor as well. And so that's a longwinded answer to your question, yes, there are other sort of quasi, sovereign, pan-European financing agencies that are out there. The European Development Bank, the IDB, the Nordic Investment Bank, and we'll be talking to all of them. But I think the ECAs are probably the real answer to your question.

J. Tumazos ECA stands for?

M. Bless Export Credit Agency. Each of the countries has a different name for their own, but ECA as a jargon is what they go by. And they're very used to working on structures like this. In fact, that's what they do by mandate.

J. Tumazos Are there particular things that might be called stimulus programs to emerge from recession, like America has?

M. Bless — Not in Europe–

J. Tumazos — And I'm thinking the smelter in Iceland is much more virtuous than the Greek banking system.

M. Bless — I’ll leave that alone on a Tuesday evening.

L. Kruger — We’re not going to try to offend a large portion of our audience. John, I think the answer is, we’re not aware of this. We don’t see it. Certainly, there seems to be programs, but they don’t seem to be particularly fashioned for our project.

M. Bless — Yes.

J. Tumazos — Thank you.

L. Kruger — Thanks, John.

M. Bless — Thanks, John.

Moderator — And we have a follow-up question from the line of Chris Doherty with Oppenheimer & Company.

M. Bless Hi, Chris.

C. Doherty Mike, I just wanted to clarify the accounting for the E.On payments. So the actual cost in the cards includes the $17 million that you get reimbursed for. Where does—

M. Bless Yes.

C. Doherty Where does the credit come out of?

M. Bless It's on the cash--it's only on the cash flow statement. It's in a line item called realized benefits. I'll have to find it exactly for you. If you go to cash flow statement and it's about four lines down, realized benefit of contractual receivables.

C. Doherty Okay. And where would that be on the balance sheet sitting, the actual receivable?

M. Bless It would be--that portion would be, as Steve Schneider, our Chief Accounting Officer, is sitting here, it would be in current. And since it's all 2010, I guess to answer my own question, it's all in current because none of it's long term.

C. Doherty So it's other current assets, not the AR other?

M. Bless You've got it, Chris. You've got it.

L. Kruger Thanks, Chris.

Moderator Thank you. And at this time, we have no additional questions in queue.

L. Kruger Thank you much, David. Thank you to everyone for joining our call today. We look forward to speaking to you again soon.

Moderator And that does conclude our conference for today. We do appreciate your participation, and you may now disconnect.