

CENTURY ALUMINUM COMPANY: Fourth Quarter 2012 Earnings

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SPEAKERS

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Michael A. Bless – President and CEO

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PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the Fourth Quarter 2012 Earnings Conference call. At this time, all phone lines are in a listen-only mode. Later we will conduct a question and answer session and instructions will be given at that time. As a reminder, today's conference is also being recorded.

I'll turn the call over to your opening speaker for today, Enrique De Anda.

E. De Anda Hello, everyone, and welcome to the conference call. Before we begin I would like to remind you that today's discussion will contain forward-looking statements related to future events and expectations including our expected future financial performance, results of operations and financial conditions. These forward-looking statements involve known and unknown risks and uncertainties which could cause our actual results to differ materially from those expressed in our forward-looking statements.

Please review the forward-looking statement disclosure in today's slides and press release for a full discussion of these risks and uncertainties. In addition, we have included some non-GAAP financial measures in our discussion. Reconciliations to the most comparable GAAP financial measures can be found in the appendix in today's presentation and on our website at centuryaluminum.com.

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

M. Bless

Thanks, Enrique, and thanks everybody for joining us this afternoon. If we could turn to slide four please, I'd like to give you just a brief review of the major events in 2012.

First and foremost, I am proud to say that the company recorded the best safety performance in its history and this was at each of our facilities. This takes a tremendous amount of hard work. As those of you familiar with industrial safety know, this kind of performance requires focus each and every day. This result is especially noteworthy at Hawesville where our people have been working in an environment of some uncertainty due to the power situation there, and I'll talk about that obviously in detail in just a moment. I'd also like to note that this result was the result of great

cooperation and ownership from our represented workforces, and I'd like to salute them for that.

Turning to Hawesville, as you remember, we returned the plant to stability in the latter part of 2011 going into 2012. We've got a great management team at this plant now with the right mix of skills and experiences. We saw improvement through 2012 in all areas of the plant; it's especially noteworthy in the pot rooms and in the rodding shop. We're now working at staying ahead in housekeeping and maintenance, which are obviously the key to plant stability.

Importantly here, our people are feeling a great deal of pride in being part of the well run plant. These efforts resulted in significant cost reductions across the plant in each and every department throughout 2012. Just to give you a sense, excluding power, if you were to take the power out of the cost base—and as I'll talk about in a minute, the power cost has continued to rise, but if you were to take the power out, the conversion cost is down over \$250 a ton since the fourth quarter of last year. So fourth quarter of '12 over fourth quarter of '11, the non-power conversion costs down \$250 a ton. Obviously, we're committed to continue this process into 2013 and beyond.

So let's talk about where we are at Hawesville now. The remaining issue is indeed the power price. Per our data, we're paying the highest or perhaps the second highest power tariff amongst all U.S. smelters. As you remember during the first half of 2012, we spent significant time discussing alternatives with our power supplier, and regrettably we were unable to reach an acceptable solution. So as you'll remember, in August of 2012, we gave them a one year termination notice.

It's important to note that our assessment hasn't changed. The plant is not viable under this power contract and in this environment. It's also important to understand that Hawesville is a great plant other than this power contract. The cost structure excluding power is competitive as I said. As you know, the plant produces a premium product or many premium products for which we earn a premium above the Midwest transaction price; high purity and high conductivity metal. We've got a world class customer next door that takes up to half of the metal in molten form, that's the Southwire Company, and we have the right team in place.

So we need to fix that power price. As you know, our intent is to access the wholesale power markets. There is plenty of power out there and plenty of transmission capacity to bring it in.

Just to give you a sense, the difference between the current price we're paying under the current power contract and the market price, the fully delivered market price, is over \$50 million on an annual basis. So, of course, we need to capture as much of that differential as possible. We've been on this path since we gave the termination notice in August at which time we began negotiations with the power supplier to provide for that market access. We've had substantive discussions, principally in the last couple of months of the year and then coming into 2013.

Recently, we've developed some concern about whether we'll get to the finish line on a rational basis. The power company has been taking some positions that just don't make sense to us, and thus, we recently launched an effort in Kentucky to propose legislation, obviously in the state capital, to allow Hawesville to access the market directly. Given the developments in U.S. power markets, with which you're all familiar, we strongly believe that Hawesville and similar plants should be more than viable for years and years to come. We need a framework for these plants to access the market on a rational basis.

As with anything having to do with utilities in this country, there are a lot of complex issues to deal with, but logic dictates that these issues should be solved. There is just too much on the line. For example, obviously,

we're talking about thousands of direct and indirect jobs. As you may have noted, the other smelter in the region, gave its termination notice to that same power provider. This was just a couple of weeks ago they did that.

We've got hundreds of millions of dollars of economic activity related to these two plants. We strongly believe that there is a consensus that this country ought to have a strong indigenous primary aluminum supply; it's especially important for key industries like aerospace and the electrical grid. Given the developments in the power markets, we believe that we should be able to find a successful resolution here.

On that score, we had very good success at Mt. Holly during the year. We did reach an agreement with the power supplier in June, as you remember. This resulted in a 3.5 year arrangement, so it goes out through the end of 2015, in which we've secured market based power, again, through the current power supplier. As we talked about before, in essence here we're leasing spare generation capacity from an out of state system, and this gives all the parties time to work on an even longer term solution. We think this is one good example of how this kind of thing should work and it wouldn't have happened without the strong backing of Governor Haley of South Carolina and other state leaders.

Turning to Ravenswood, as we expected in December, the public service commission generally confirmed the elements of its original order that it issued back in September. Let me just take you back to remind you, we did secure during the year two tiers of power credits. This is support for our power price, in essence reduction on the price we would otherwise pay. Those two tiers, if you will, aggregate to \$40 million annually over a ten year period.

We have been seeking a third tier of LME related power, or LME reference power, in order to support the restart of the plant. In essence, this would have been a third tier of support, additional power price reduction that would kick in at lower LME prices. We believe we need these kind of support to justify the restart cost, as I've said. Just to remind you, we talked about this before. It will cost us, we believe, about \$45 million in one-time costs to restart the plant plus an additional \$45 million investment in working capital.

The terms of that third tier that was approved by the PSE just don't make perfect sense to us, and in that respect we're now looking at different ways to get to the same place. We're in active discussions with the key constituencies, and I'll talk a little about next steps in a few minutes.

Turning to Iceland, at Grundartangi we made significant progress during the year on both growing the plant and continuing to improve an already very good cost structure. First and foremost, we began a major hot metal capacity expansion that will add about 15% incremental capacity to the plant over the next approximately four years.

Capital spending for the project will be about \$65 million over that four years. A good portion of that spending will occur in 2013; about 40% of that \$65 million we'll spend this year. That's due to the fact that some large ticket items like high voltage electrical equipment need to be ordered and paid for in the early days of the project.

The new capacity will come on at a very attractive install price and at a good incremental conversion costs. Thus far, I'm happy to report we're at or ahead of plan in this project. Grundartangi produced at an annualized rate during the fourth quarter of 289,000 tons. We've got a great plant at Grundartangi and a terrific management team, and we're convinced that they can continue to produce incremental value for years to come.

During the middle of the year, as you'll remember, we acquired an anode plant in The Netherlands; this was an investment in cost reduction for

Grundartangi as well as operational stability. As a reminder, there is no anode plant at Grundartangi, nor do either of the two other smelters in Iceland have their own anode plant; this due to stringent environmental standards in Iceland of course.

Last year we terminated our relationships with our two historical European anode suppliers. Two reasons really: first is that these supplies weren't cost competitive; second, they weren't flexible enough to support the larger anodes that we need as we start to run higher and higher amperages at Grundartangi. Thus, we were opportunistic when the former Zealand Aluminum Smelter went into bankruptcy—it was in the last month of December 2011.

The anode plant that we bought requires a reasonable investment before we can restart it, so this year in 2013—Shelly will give you some more detail on all this when she takes you through the numbers, but this year we will be spending between \$25 million and \$30 million to restart in essence half of the plant, one of the two baking furnaces for a capacity of 75,000 tons of anodes.

At the right time, we'll spend another approximately \$10 million to \$15 million to start up being modernizing and start up the other furnace, so

thus we'll have a total capacity of 150,000 tons of anodes at that plant.

Combined with the supply that we get from our 40% on affiliate in China, this will leave us well covered in anodes at a very good cost.

Lastly at Helgøyvik, we spent considerable time last year with the power companies getting closer to final agreements to enable a restart of the project. To be blunt, we're disappointed we didn't get all the way there last year. We were reasonably confident at the beginning of the year that we could get to the finish line in 2012. We've got some complex issues that remain, but the parties continue to work together to try to solve those issues. I'll give you a sense of what's coming up next again towards the end of my comments.

If we could turn to slide five please, just like to make some quick comments on the market environment. Obviously it's changing every day as we've seen over the last couple of days. First, just some historical data for you; in the fourth quarter, the LME cash aluminum price averaged \$2,000 a ton. That was up nicely about \$80 a ton from the average during the third quarter. Since November, as you've seen, the price has been in a reasonably tight, at least tight for this commodity, reasonably tight range of between \$2,000 and approximately \$2,150 per ton.

For all of 2012, the average cash price was \$2,020 a ton. That was, as you know, down significantly from 2011 when the price averaged \$2,400. I won't go into all the causes of this, they were well known to everybody on the phone. Obviously relatively weak economic conditions in China for most of the year and the Eurozone concerns about the banking system and a couple large sovereigns and other factors weighed down the price for a good portion of the year. Overall, the sentiment seems generally to be on an upswing in most of these areas, but as we've seen over the last couple of days, it's not going to be a straight line up into the right.

Moving on, talk about inventory a little bit. LME stocks increased 150,000 tons during the fourth quarter. That made 240,000 tons total for 2012; that's a reasonably small amount in a market the size of the global primary aluminum market. LME stocks now stand at about 5.1 million tons, and as you know—this has been commented about widely—a majority of that stock serves as collateral for warehousing transactions, the conditions for which remain attractive.

Couple comments on premiums, they remained strong, regional premiums around the world. In the U.S., the Midwest price is now over 11.3 cents per pound. Duty paid European premium just shy of \$300 a ton. Japanese

premiums came down slightly over the quarter, but they're still strong at just shy of \$250 a ton.

Just a couple quick comments on fundamentals globally. First on the demand side, global consumption was up 4% in 2012. Inside that, China was up 8%, that's obviously down from the mid-teens just a couple years ago. In China, the PMI has been above 50 every month since October. We're obviously watching that closely. The U.S. had a strong consumption performance in 2012, we're up 7%.

Turning to supply, global production was up, just about the same as demand, 3.5%. So you've got a market now that's close to in balance. Almost all of that new production came from China, where the production was up in the year 2.2 million tons over 2011. Most of that increased production coming from Greenfield projects coming on stream in the northwest part of that country.

We continue to see few closures in China despite the high cost of their smelting base there, that due principally to power subsidies on a regional basis plus metal stockpiling by the government and related entities. Chinese authorities obviously realize this issue. We've recently seen them aggressively encouraging industry consolidation. Lastly, we see little

supply coming on other than China and perhaps places like India, but certainly in the western world you've got little supply coming on over the next couple of years other than a couple of large projects in the Persian Gulf.

Before I move on, just a couple of quick comments on alumina. Prices continued to increase during the quarter, the spot Australian price now about \$345 to \$350 a ton. Part of that increase was due to some production disruptions caused by some severe weather events. The market globally is reasonably balanced to maybe a modest surplus, but you've got some significant regional variations.

If we could turn to slide six please, just a couple of comments on the operations during the quarter. I've commented on a lot of this already, so I'll move through this pretty quickly. Again, safety performance, we had a great year in 2012. As you can see in the fourth quarter, we were relatively flat to Q3; Q3 already being a very good performance. Now we're focused on taking it to the next level as you would expect, we're very focused on forward-looking indicators and on recognizing and mitigating risks before accidents can happen, so more about that through the balance of this year.

Turning to production volume, Hawesville continued to have very solid performance this quarter, turned in annualized production at the rate of 251,000 tons. Shelly will explain to you that shipment volumes at Hawesville were down slightly during the quarter; it's only due to some timing issues. Mt. Holly production down about 0.5% quarter-to-quarter—no specific issue there. Grundartangi, as I said, a terrific performance producing at an annualized rate during Q4 of 289,000 tons.

Production metrics, or KPIs as we call them, good stability across the operations, I've got nothing significant to report here. And conversion costs, obviously I have already spoken about Hawesville. As you see, we had an increase in Mt. Holly quarter to quarter, that's Q4 over Q3 again, solely due to an increase in the power cost caused by two factors. First and foremost, the average natural gas price was higher in Q4 than it was in Q3. In addition, one of the generation units at the system that in affect we're leasing power from was down for one of the three months in the quarter due to some scheduled maintenance. So we took a little bit more power than normal under our normal contract.

With that, I'll turn it over to Shelly, who will take you through the numbers.

S. Harrison

All right, thanks, Mike. If you turn to slide seven please, I'll take you through the company's financial performance for the quarter. Shipments for Q4 were down 1.5% at Hawesville and 4% at Mt. Holly, primarily due to timing of deliveries. As you'd expect, we saw the benefit of these shipments reflected in our January results. For Iceland, we have direct shipments of approximately 3,500 tons in Q4. If you include that amount along with the tolling volumes, you'll see that Iceland shipments were up 1% Q4 over Q3.

Putting this all together, global shipments for the company were down about 1% in the quarter. The average cash LME price was up 4% Q4 over Q3, but on a one month lag basis the LME price was up almost 7%. When you look at our realized unit prices in the U.S., they were up 5% quarter-over-quarter. This reflects the fact that we do have some sales in the U.S. that price on a current month basis. In Iceland, our realized unit prices were up 6%, which reflects the impact of the tolling structure we have at Grundartangi.

Moving on to the income statement data, net sales were up 4% Q4 over Q3, the increase in the aluminum price drove net sales up by \$16 million or 5%, but slightly lower shipments offset a portion of this impact during the quarter. Adjusted operating income increased \$20 million from Q3 to

Q4 primarily due to higher revenues. On the cost side, we saw higher LME linked alumina and power cost of \$5 million and U.S. power costs were up roughly \$2 million primarily due to the maintenance outage at a facility that supplies Mt. Holly that Mike mentioned.

Moving down the income statement, we had a quarterly adjusted loss of \$7 million or \$0.07 per share on total common and preferred shares. This compares to an adjusted loss of \$0.25 per share in Q3.

Lastly, on this slide, I'll just make a couple of quick comments on cash flow. As you can see here, capex for the quarter was \$7 million. This is consistent with our expectation that the fourth quarter will generally have the highest capital spending of the year. Also affecting cash in the fourth quarter with a refund of \$28 million related to withholding tax payments. As we mentioned in previous quarters, we're required to pay temporary withholding taxes on certain transfers between our Icelandic entities and these factors are refunded to us at the end of the year. The quarter-over-quarter cash was up \$11 million, and we ended the year with 184 million on the balance sheet.

Let's go on to the next slide, and I'll take you through the changes in cash in a bit more detail. On slide eight, we show our normal cash flow

waterfall bridging Q3 to Q4, and I'll just focus on a couple of the more unusual items here. As I just mentioned, we had a withholding tax refund of \$28 million in Q4, partially offsetting that we made approximately \$8 million in income tax payments which were primarily related to Iceland.

Moving to the right, you can see we also had a \$3 million cash inflow in the form of a dividend payment from our Chinese anode facility. I'd also note that the timing of metal deliveries I mentioned earlier contributed to a working capital use of cash for the quarter, and we saw it come back into cash in January.

So, if we can move along to slide nine, I'll take you through the company's full year performance. Shipments at Hawesville were up almost 18% year-over-year as we reached full production at that plant in Q1, 2012 as shipments at Mt. Holly were roughly flat. In 2012, we had almost 15,000 tons of direct shipments from Iceland, so if you include that amount along with the tolling volume, you see the Iceland shipments were up 2% over 2011. So overall, shipments for the company were up 7% year-over-year.

In 2012, the one month lag LME price was down almost 17%. When you look at our realized unit prices in the U.S., they were only down 12%, which reflects the improvement in Midwest premium. In Iceland, our

realized unit prices were down 16%. This reflects the improved regional premiums there as well, but to a lesser extent because of the tolling structure in Iceland.

Moving on to the income statement data, net sales were down 6% in 2012. The decrease in the aluminum price drove net sales down by \$197 million or 15%, but higher shipments offset a significant portion of the price impact. Adjusted operating income decreased \$83 million from 2011 primarily due to lower metal prices.

On the cost side, we saw a benefit of \$71 million due to LME linked alumina and power and \$26 million for labor, supplies and maintenance efficiencies at Hawesville as that plant returned to full stable operation. We also saw a \$13 million year-over-year reduction in raw materials, mainly carbon, and another \$6 million benefit for net unit U.S. energy cost savings, primarily due to the amended contracts at Mt. Holly.

So putting this all together, our adjusted loss for 2012 was \$57 million or \$0.59 per share on total common and preferred shares, which compares to adjusted income of \$0.28 per share in 2011. I'll make most of my comments on cash flow on the next slide, but I would note that even with the increase in working capital that we saw at year-end, our full year

reduction in working capital provided a meaningful source of cash in 2012.

Moving on to slide ten, here we have the 2012 cash flow waterfall, and I'll just call out a couple of items here. For the full year, we had a net inflow of about \$5 million related to withholding taxes in Iceland. Offsetting this was \$18 million for income taxes paid in 2012, most of which related to Iceland. As Mike mentioned earlier, we acquired a curtailed anode facility in The Netherlands in June of last year, and the total acquisition costs came to about \$14 million. The restart efforts for this facility will begin in earnest in Q1, and I'll take you through our expected spending in just a moment.

Continue on to the right, we had a cash inflow of \$8 million for an insurance settlement related to a transformer that was damaged back in 2010. We also received a total of \$7 million from our Chinese anode joint venture in 2012.

Turning on to slide 11, on the next couple slides I'll take you through the company's expectations for financial measures for the coming year. In 2013, we anticipate that all operating facilities will be producing above the rate of capacity levels and slightly above 2012 levels. The significant

production impact for the investment in the Grundartangi creep program will be seen in 2014 and beyond. We continue to sell the majority of our products on a one month lag basis, but I would note that we expect about 10% of our U.S. shipments in 2013 to be on a current month basis.

Continuing down the slide, we provide our cash cost expectations for the U.S. and Icelandic facilities. As you'd expect, our cost production is highly dependent on metal prices due to our LME linked alumina and power contracts. The indicated ranges for cost are consistent with an LME price of \$2,000 to \$2,200 per ton. For this purpose, we're presenting cash cost in a format that we believe is directly comparable to the LME reported price. To do this, we added the cost of alumina for our tolling production in Iceland and deducted regional premiums above the LME for all facilities.

As indicated on the slide, the U.S. cash cost and the power forecast for Hawesville are only for the period through August when the Hawesville power contract terminates. We'll provide an update on our cost forecast later in the year once we have further data on Hawesville's power arrangement beyond August.

For carbon, we'd expect to see some continued improvement in U.S. costs due to lower coke prices, and in Iceland we anticipate flat anode cost year-over-year. I want to point out that the restart of The Netherlands anode facility is expected to occur in late 2013, so it will only have a limited impact on current year operations. When the first phase of the anode plant is fully up and running in 2014, we expect annual price savings of about \$5 million as compared to 2012 when we were buying these anodes from third parties. Not to mention the additional benefit of larger anodes that Mike mentioned, as well as potential for further expansion.

Moving on to slide 12, we expect the cost to maintain Ravenswood in a curtailed state will be fairly consistent with 2012, and we expect cash and book interest to also be in line with the prior year. Corporate SG&A will be up about \$10 million as we incur startup expenses associated with the new anodes facility.

In addition to these startup costs, we expect to invest \$25 million to \$30 million in capital to restart the first furnace. As Mike has mentioned, we have a multi-year investment program to increase the capacity at our Grundartangi facility, and 2013 will be the most concentrated year for spending with an estimated investment of \$25 million to \$30 million.

Moving on to income taxes, our current year income in Iceland will be taxed at a rate of 18% for book purposes. Cash taxes in Iceland are on a one year lag, and we anticipate these will be in the range of \$5 million to \$10 million based on 2012 taxable income. In the U.S., we continue to expect essentially no book taxes due our significant deferred tax assets. From a cash standpoint, we expect to pay some modest amount of taxes in the U.S., due primarily to limitations on state NOL usage. One last thing that I want to note here, is that based on some cash transfers that were made in 2012, we expect to pay approximately \$8 million in withholding taxes in Q1 2013 and receive a refund of \$21 million in Q4.

I'll now hand it back to Mike, who will take you through our priorities for 2013.

M. Bless

Thanks, Shelly. If we can turn to slide 13 please. As Shelly said, I'll just focus here on the major things that we'll be working on through the balance of 2013 and then we'll get right to your questions. First and foremost again on safety, we've got a real commitment to continuous improvement throughout the company here. There is a real effort required just to stay even in this area, the proverbial gravity works really against you here, and so we're focused every day. We've got efforts drilling down to specific areas of focus for each department and each plant for safety

improvement. We're also investing judiciously in outside experts where we think they can add some real value.

At Hawesville, as I said earlier, we are absolutely convinced that this plant can produce attractive returns at market power rates, so we're using all efforts right now to pursue a plan to get that plant to market. At Ravenswood, we remain absolutely committed to restarting this plant. As I've said, we've had great support from Governor Tomblin of West Virginia and other state leaders, and this support, combined with the developments in the U.S. power markets about which I have spoken, should provide the basis for a restart and a significant life for this plant.

At Grundartangi, we're very focused on the two large capital projects bringing those both in on time and on budget, first at the plant itself, the hot metal capacity expansion, and second, the restart of the anode plant in The Netherlands.

Last, at Helguvik we're absolutely determined to assemble a package of power to enable this project to restart. As you remember, about halfway through 2012, we announced that we had reached an agreement in principal with one of the two power suppliers on headline terms. We've been working with them and continue to work with them on working out

the complex details to round out that contract. With the other supplier, we spent quite a bit of time and continue to working on discussing the terms of the new power station that they'll be building to support the Helguvik project.

With that, I think Shelly, Enrique, we can take questions.

Moderator Our first question is from the line of Kuni Chen with CRT Capital Group.

K. Chen Just to start off, obviously the volume expectations at Grundartangi continue to be pretty positive here, can you just talk about how that ramps up through the year, kind of sequentially?

M. Bless I think, Kuni, just thinking it through, I don't have it in front of me, but I know obviously how the project goes, it's going to be more backend loaded as we create the conditions to start ramping up the amperage here. Just to elaborate, what we're not doing is adding any new production cells. So we're staying with the footprint we have now, and to oversimplify, what we're really doing is just cranking up the amperage. We need, as I said, larger anodes in order to do that. We need some refurbishments, for example, in the rodding shop in order to accommodate the transfer of those larger rodded anodes; things like that.

So I would say, Shelly please stop me if I wrong, more backend loaded this year in terms of the ramp. Since 2013 portion of it, as Shelly correctly said, Kuni, we're going to see that the more meaningful additional tons in '14 and '15.

S. Harrison That's right, a very modest increase in 2013, and then you'll really start to see the impact over the next few years.

K. Chen I guess just as a follow-up on the Big Rivers issue, I think you've talked about it in the past, seeking a 30% reduction in your power costs by going to the spot market. Now, in light of the fact that they are looking to raise rates, something on the order of 20% this year, plus you have the announcement from the other smelter in the region, can you give us some characterization of where you are in the negotiations? Are you guys miles apart? Give us some color there.

M. Bless Good question, so let me take a step back. That 30% reduction, Kuni, to which you referred, is the difference between on the one hand the power rate that we're paying right now under the power contract with the Big Rivers, as you correctly identified as the current supplier, and the market price. So the market price doesn't change based on any request that Big

Rivers makes to the public service commission for a rate increase. Those two are completely independent; that's part of the issue here.

What happened is, when we terminated our power contract in August, Big Rivers necessarily—just to remind you, Big Rivers is a cooperative, thus in essence a non-profit entity; their revenues have to match their expenses. When we gave them notice that our load was going away—our load is roughly 35% of their total load, a little bit more than that, 38 if I recall—they had to prepare a rate case, which they filed, this is what you're referring on the 20%, and apply to the public service commission to raise rates on the other rate payers in order to make up for the Hawesville load that's going to leave their system in August of 2013.

So, the two facts that you pointed out are correct, but they are totally different things. Now, the last point that you raised I'll address. The other smelter in the region is about 50-60 miles away from Hawesville, gave their own termination notice. It was just in the middle of January, if I recall, Kuni. So, all else being equal, the expectation is, in fact they've said it quite publicly, that Big Rivers will have to again go to the public service commission and in essence or in practice, increase their request for a rate increase given that now in aggregate 70% of the load in that system will be leaving their system.

So, I hope that made sense. Really, your facts are right, but two completely separate things. The market price hasn't changed at all. It's been bumping along at about the same rate for the past at least year or so.

Moderator Our next question is from the line of David Gagliano with Barclays.

D. Gagliano I have a few questions with regards to page 11 in the slide deck, the 2013 items. First of all I want to clarify one thing. Did you say you strip out the premium to calculate the cash cost range?

S. Harrison We do. These are net of premium, so you truly can line it up with the LME reported price, and they are apples to apples.

D. Gagliano What is the assumed premium in that number, just so I know?

S. Harrison It's between—right around \$0.10 for the full year.

D. Gagliano And then just—and this may be covered elsewhere, and I apologize if it is. The shipment, can you give us the 2012 actuals for Hawesville, Mt. Holly and Iceland shipments, as well as the actuals for U.S. and Iceland cash costs in 2012?

M. Bless So if you go to the back of the financial information as follows, the verbiage in the earnings release, you'll get part of that, you'll get shipments by quarter for the last eight quarters in Iceland that's distinct from the U.S.. We don't traditionally breakout in the U.S. Hawesville versus Mt. Holly, and because it's just one geographic pool there of revenues, and we haven't traditionally broken out cash cost by plant either.

D. Gagliano I'm just trying to get a feel for on the cash cost side. What do those numbers represent year-over-year basis, on a percentage basis maybe, or anything like that for the U.S. and Iceland.

M. Bless When you say what do they represent?

D. Gagliano In terms of percentage increase or decrease.

S. Harrison Obviously a big piece of it is LME-dependent, so you have to adjust for that. Significant improvement, as Mike mentioned already, in the power cost at Mt. Holly, you'll see that embedded in the current year.

M. Bless Just keep the carbon prices down, just to go through both geographic regions and Iceland on the finished anode side, if you will. In the U.S.

principally because of reductions in the price of calcined coke, pitch marches to its own tune to a certain extent. Power, as Shelly already covered, labor costs are up sort of normal amount per CBAs; basically inflationary. So you will see them down in both. I wouldn't want to quote David off the top of my head. As Shelly said, an LME consistent percentage, but they're both down in absolute.

Moderator Our next question from Brett Levy with Jefferies and Company.

B. Levy First off, and I ask this every quarter, can you talk about hedging, especially in the context of maybe uncertain levels of production in 2013, sort of what level of hedging—?

M. Bless Yes, so we got no hedges on right now at all, no forward sales and the last of our put options contracts expired in June of last year, of course. So we've got nothing on the books right now.

B. Levy And then the maturity of the eights, obviously it seems like a lot of the different parts of your business are getting kicked down the road in terms of like decision making in terms of the Helguvik power contracts at Hawesville, etc. Can you talk a little bit about kind of what you're thinking is given that the capital markets are very open right now?

S. Harrison Sure, and we would agree with you, the capital markets are very open right now and we do anticipate a refinancing in the near term. As you likely know, right now we're waiting for the filing of the 10-K really before we can pursue anything. For marketing purposes, we need that document. But beyond that, as you know, as we get closer to the call dates, the cost of redeeming those bonds actually comes down. So, during that time, we're taking a look at all those different instruments that are available to us and, as I said, we anticipate that we will do something on that refinancing in the near term.

B. Levy And then at Helgøyvik, you said you are optimistic that something might happen in 2012. It seems like you've sort of reached an impasse. Are you optimistic that something will happen in terms of reaching a favorable agreement in 2013?

M. Bless Yes, I wouldn't say we were optimistic, and we got it wrong. So that is correct. I wouldn't characterize it, Brett, as an impasse. An impasse, at least the way I would define it, is you got two parties with mutually exclusive positions. It hasn't come to that at all; it's just the complexity of the problems.

Remember that the issue here primarily is around the financial condition of both of these power companies post-crash, post-crisis in Iceland. Capital controls remain on despite the fact that the sovereign has continued to improve in its credit rating and its credit outlook as you know. But there is some still deeply embedded issues in each of those power companies, which are both highly levered, and so that's kind of what we're dealing. I wouldn't describe it as an impasse. We agree on the problem, and we're just trying various ways to try to fix it.

So the last part of your question I guess, I am going to again say, I hope I don't have to sit here a year from now, I don't expect to sit here a year from now and make the same comment. We do see for a variety of reasons, conditions coming together for some time during this year. I wouldn't like to predict when during the year, but we're reasonably confident that something ought to get done one way or another this year and get that project back up and running. Right now we've decided to close down for the winter, but what we're hoping here is as early in 2013 as possible to get it running again.

B. Levy

Then the last one and this is sort of just pie in the sky, I know you guys think of yourselves as a global company and you should, would you look

perhaps as a bargaining chip or perhaps just because it's a good idea economically, would you look at pursuing a mid-east project?

M. Bless

Well first and foremost, if you mean as a bargaining chip vis-à-vis the other situations with which we're dealing on power, never there. We have a firm view that each of these, just like any investment at which we look has a different cost of capital, a different risk profile, each of these is a different situation and none, as far as we're concerned, are mutually exclusive. So, never from that perspective.

I guess I would never say no in terms of a mid-east project, but Brett, we would really have to look at ourselves and ask, what do we bring, what does this bring to our share owners, what do we bring to that project, how can we get value out of it for our share owners that given our size and given who we are and what we do well, in our opinion, anyway. I guess that's a long winded way of saying, I wouldn't wait up at night waiting for us to announce a Persian Gulf project, but we would certainly look.

Moderator

Speakers, at this time we have no further questions in the queue.

M. Bless We appreciate, again, everybody joining us this afternoon, and we look forward to reporting first quarter to you around the third week or so in April.

Moderator Ladies and gentlemen, that does conclude our conference call for this afternoon. Thank you for your participation. You may now disconnect.