CENTURY ALUMINUM CO: Second Quarter 2010 Earnings Call

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SPEAKERS

Shelly Lair – Vice President and Treasurer
Logan W. Kruger – President and Chief Executive Officer
Wayne R. Hale – Executive Vice President and Chief Operating Officer
Mike A. Bless – Executive Vice President and Chief Financial Officer

PRESENTATION

Moderator: Welcome to the Second Quarter 2010 Earnings Conference call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session with instructions being given at that time. I would now like to turn the conference over Shelly Lair.

S. Lair: Good afternoon, 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 condition. These forward-looking statements involve important known and unknown risks and uncertainties, which could cause our actual results to differ materially from those expressed in our forward-looking statement. 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. Reconciliation to the most comparable GAAP financial measures can be found in the appendix to today's presentation and on our Website at www.centuryaluminum.com. I'd now like to introduce Logan Kruger, Century's President and Chief Executive Officer.

L. Kruger

Thank you Shelly and good afternoon, everyone, and thank you for joining us. We welcome the opportunity to report on our progress, so let's move onto slide number four. I'd like to make some brief introductory comments at this point and then turn to an update on the market. We will get into this in more detail in just a moment, but at high level, we would characterize the market as somewhat sentiment-driven at this point in time.

Physical activity is reasonably good across the globe, and I think this is a positive indicator. Demand is exhibiting healthy growth in most of the developing regions. At worst, it is drifting sideways in developed economies that seem to have the most persistent structural issues. Supply growth is constrained. And just as important, we believe there is a fair amount of existing capacity that is cash flow negative at and around current metal prices. Underlying all of this, of course, is the fact that aluminum, like all commodities, is subject to often violent swings produced by changes in investor sentiment. I'm sure you've seen it, as we have, in the last couple of months.

I'm pleased to report that the teams at Grundartangi and Hawesville have maintained their excellent performance. As Wayne will detail, the team at Hawesville is very focused on pulling every cost lever it can identify as we prepare for the step-up in power prices in the year 2011. He will also report on the operating issues at Mt. Holly.

As you're all aware, we continue to negotiate with the local union at Hawesville for a new labor agreement. There are clearly some issues pending, but we are hopeful that the process can conclude in the near future. Most importantly, during this entire period, the plant has operated in a safe and efficient manner. This, I believe, is a real testament to all of the employees. We have continued to spend significant time and effort on the completion of the tasks required for a restart of major construction of the Helguvik project. I'll provide some additional detail at the end of our presentation.

Shall we move on to slide number five. The LME cash price averaged approximately $2,100 per ton for the second quarter of this year. Aluminum prices fell from their peak in from $2,450 per ton in April to

$1,830 in June. Since then, prices have recovered and are currently in the $2,000 per ton.

Aluminum prices have moved lower over the past month to currently stand at about $325 per ton. Alumina spot activity is variable in the wake of a decline in aluminum prices and the uncertain outlook for the second half of this coming year.

Global aluminum demand was reasonably strong in the second quarter, mostly as you would know, driven by China’s year-to-date increase of approximately 35%, due in part to the government stimulus measures. When you look at China, the economic growth slowed in the second quarter of 2010 to only 10.3%. This moderation still reflects impressive growth and follows on a very strong first quarter growth of some 11.9%.

It was recently noted by an economist that the Chinese economy has grown at an average of more than 9% for over 30 years. It is also noted that this can’t go on forever, only another decade at the most. I’m sure you will agree these are massive numbers and even moderate growth rates in China will have a significant impact on all areas of global demand. Additionally, another significant area of growth is India, with an 8.6%

year-on-year rise on the first quarter GDP and industrial production growth of 11.5% year-over-year in May.

Let's take a look at slide number six. LME stocks declined again in the second quarter and are down to approximately 220,000 tons year-to-date. This is a meaningful improvement for significant additions to the warehouses that we saw in the first three quarters of 2009. That being said, there is still some concern that metal is being delivered out of the LME warehouses and placed in new warehousing deals on an offline basis, which involves less expensive rents. Nearby availability of physical metal units remains tight and premiums holding in the 6.5 cent range for the Midwest. The European duty-paid premium is currently \$180 to \$190 per ton, and the premium in Japan is in the low \$120. All of these represent multi-year highs, highlighting the shortage of accessible metal from warehouses and stockpiles.

Let's move on to slide number seven. With the LME of some \$1,925 per ton at the end of the quarter and inventories of about 56 days of global demand, as you can see, the relationship between price and days inventory is moving more toward normal levels, but still appears to be out-of-sync based on historical correlation between these two data points. Only time will tell, but this could be indicative of a structural shift in pricing as global cost pressures increase.

As I mentioned in my opening remarks, we see this market as somewhat sentiment-driven as evidenced by significant market volatility without any meaningful fundamental drivers. Outside of China and perhaps India, demand growth continues to lack conviction and large global inventory levels remain a concern. We, as a company, will continue to focus on running the business prudently in this uncertain environment.

Now I'd like to pass it on to Wayne.

W. Hale Let's move on to slide eight. When we spoke to you last quarter, you may recall we were close to finalizing a new multi-year labor agreement at the Grundartangi smelter in Iceland. I'm pleased to say the five-year agreement, which includes a one-year wage re-opener, was ratified with a majority vote by the represented employees. Kudos to all employees at the plant for the excellent safety and operational performance during these extended negotiations.

As you recall from our discussions last quarter, I gave you an update on the problem and repair timeline for one of the rectifier transformers supplying Grundartangi line one. The rectifier was delivered back to Iceland this month ahead of schedule. Regrettably, the internal linings had been damaged during transport as a result of rough seas. We have returned it for additional repair, which is expected to take four to five months. The original impact to the plant output, as we relayed last quarter, is a couple of thousand tons. This additional repair will impact production another couple thousand tons. We anticipate that a significant portion of this additional loss will be covered by our transport insurance.

Logan discussed the labor contract negotiations at Hawesville in his opening remarks so I will not provide additional comment here. However, I would like to underscore the points Logan made about the stability of the plant during these protracted negotiations. The team at Hawesville continues to work diligently on reducing costs at the plant. This is a challenging process, as we successfully removed a significant amount of structural cost during late 2008 and 2009. The hard work is necessitated by the effective step-up in power prices that we will see after this year and the support we received from E.ON ends.

To put it into perspective, all else being equal, the plant’s cash operating cost will increase by approximately $250 to $300 per ton without the credit. In addition to our own resources, we are using some outside experts with fresh eyes to make sure no stone is left unturned. We also continue to speak with Hawesville's historical major customer about the future of that relationship. As you know, the current contract concludes in early 2011. Considering the status of the current discussions, we believe we will be able to conclude a new contract in the coming months.

Logan spoke about the operational issues that have impacted Mt. Holly since late last year. As noted previously, operational issues associated with added coke, cathode failures and supply chain challenges have affected production, quality and cost. We continue to work with our partners to return the plant to normal operations.

Continuing on with Mt. Holly, we and our partner have held detailed discussions with the power supplier about the future of this relationship. As we have said many times, Mt. Holly is a relatively modern plant. However, this favorable attribute is more than offset by our power suppliers that will not support competitive long-term plant operations. To bring the situation to an acceptable conclusion, we continue to speak with the incumbent supplier as well as investigating all alternatives.

Let's move over to slide number nine. At Ravenswood, from an operational standpoint, really there's not much to report other than we remain on or better-than-expected trajectory for the various curtailment cost items. As you recall, at Ravenswood we have been working on objectives that would be required for a restart were market conditions to permit.

First amongst these is the formulation of a new power contract. We have told the various constituencies that we would require a contract that protects Ravenswood's viability and low metal prices. As we have mentioned previously, the state of West Virginia passed legislation that enables power in the state to be sold to specific customers under this type of structure. Given this development, we have recently begun discussions with the power supplier around this concept. Enabling power contract will need to be followed by a new labor contract. Clearly, there are a number of complex issues that need to be resolved prior to a restart.

Logan also spoke about the markets on a more macro level so I will just focus on a bit more local flavor on what we are seeing. Availability of scrap has been increasing, indicating some underlying activity. That market remains reasonably tight lending support to the strong local premiums we continue to enjoy.

The construction sector is not showing any signs of improvement, which is reflected by depressed demand for rod and cable. The strength in the automotive sector continues to drive demand for billet and foundry. I would also like to note that while de-stocking appears to be slowing, customer and distributor inventories remain at historically low levels.

With that, I'll hand it over to Mike to discuss the financials.

M. Bless — Thanks Wayne. We could turn to slide 10, please and as usual, I'll refer in my comments to the financial information that comes after the earnings release. If you could have that handy, that will make my comments easier to follow along with. Before we go into the results, just take a look at the market movements during the quarter to put the results into context. The cash LME price quarter-to-quarter, all my comments, as usual, will reflect comparisons between the quarter just ended and the one directly prior, so Q2 versus Q1.

The cash LME price, Q2 versus Q1, was down 3% on average and with a one-month lag, was up 1.5%. As you know, we priced some of our sales in the U.S. on a prompt month basis and some sales on a one-month lag basis, so the weighted average of those drove a realized price in the U.S.

per unit absolutely flat quarter-to-quarter. In Iceland, realized prices were up 2.5% Q1 to Q2.

Shipment volumes were flat in the U.S. and also flat in Iceland. At Grundartangi, we produced at an annualized rate of 273,000 tons for the quarter, a couple thousand tons below the rate over the last couple quarters prior, as Wayne said, due to the transformer repair. Putting the price and volume data together, net sales on a U.S. dollar basis were up 1%, Q2 over Q1.

Moving down the income statement, talk about gross profit. It was off $12.5 million, Q2 over Q1. As you saw in the first paragraph of the earnings release, the lower cost of market inventory charge due to the falling prices toward the end of the quarter took a $7 million charge on the quarter's gross profit or cost of sales. The aggregate of global raw materials costs, U.S. power costs, and U.S. other operating costs improved $4 million, Q2 over Q1. Overall operating expenses were up, or unfavorable about $2 million, Q2 over Q1, largely due to the planned pot relining program that we have instituted, consistent with global best practices.

Just to remind you one more time, again as detailed in that first paragraph in the earnings release and in the charts we're about to look at, $16 million this quarter of our cost of sales related to power at Hawesville or cost that we actually didn't pay on a cash basis, cost that E.ON paid on our behalf based on the arrangement that was entered into about a year ago now. As Wayne reminded you, that contractual relationship with E.ON terminates at the end of this year.

Moving down the income statement, other operating expense that obviously relates wholly to the curtailment at Ravenswood, $5 million for the quarter, were Ravenswood to remain curtailed in 2011, those costs would step down next year. SG&A expense, $11 million for the quarter, of which cash was about $9 million. Gain on forward contracts, we've talked about that. That's obviously the value of the put options that we hold, which obviously increase in value as the market goes down. So, that's a $9 million in non-cash gain this quarter.

Moving down, tax provision, no changes there. U.S. we provided a zero percent rate due to our fully-allowed forward deferred tax assets in the U.S., Iceland at the statutory rate of 18%. All of those taxes were deferred this quarter. We paid no cash taxes. Just lastly, on share count, common shares average for the quarter, diluted basis, 93.3 million. Also 8.3

million preferred shares. As you know, the preferred shares are largely common stock equivalents.

To talk about some of the earnings items that we noted in the first paragraph of the earnings release itself, if you could just take a quick look at slide 16, the reconciliation chart that we normally show you. As you can see there, going back to the financial information on the income statement information, we reported $0.05 of GAAP EPS on a diluted basis. That's on the common share count, and that's obviously the net income that's eligible to those common shares we allocated on a pro rata basis. When you spread all of the net income over all the shares, you obviously get the same amount, $0.05 a share over a total share count of 101.6 million shares. And again, the items that we've already talked about, the non-cash gain on the put options, $0.09. The E.ON amount that they paid for our Hawesville power cost, $0.16, and the LCM inventory adjustment that cost us $0.07 a share this quarter.

Before we move back to slide 11, I'm just going to make a couple comments on the balance sheet if you've had a chance to take a quick look. Cash, as you've seen, is up to $266 million as of June 30. That includes $10 million of restricted cash. Just to remind you, most of that restricted cash, about three quarters of it, relates to the security deposit that we were required to post for the new power contract at Hawesville that we entered into last July.

In addition, again to remind you, we are required to post about another $20 million, little over that, during the fourth quarter of this year. What we'll likely do instead of posting that cash per our contractual rights is to post a letter of credit. What we'll likely do again is to post an LC for the entire amount to take back that $7 million of cash. That LC will be backed by our new revolving credit facility.

As you may have seen, we announced just after the quarter closed that we have entered into a new four-year facility, replacing the facility that was set to expire in September, largely the same structure as the facility that just expired. Notably, we negotiated a larger supplement for letters of credit, which is really the only item that we use the revolver for. We're happy to put that behind us as a successful process.

No other change in debt on the quarter, as you've seen, and I'll just note as while we're on the subject of the capital structure just a quick update on the Helguvik debt financing. We continue to make very good progress with both the European and Icelandic bank groups on putting together that facility. Again to remind you, the structure there is that of a traditional project financing. When the new plant is up and running and producing product of specification that loan would have recourse only to the plant itself and not to any of the other members of the Century group.

If we could turn to slide 11, just a quick note about cash flow. As you can see, strong cash flow from operations for the quarter. We noted here a couple items that we consider to be somewhat unusual for the quarter versus Q1. Obviously, we bought the put options, paid for the put options in the quarter. And we received a good-sized tax refund as we disclosed in early April just after the quarter closed, $16 million. When you adjust for those two, again as you can see, a nice growth in cash flow quarter-to-quarter, cash from operations on a slightly higher LME price.

Finally, if we can just turn to slide 12, as we've shown you in quarters past, just a trace of the movements in cash from quarter-end to quarter-end. As you can see, nice growth in cash. Most of these items we've spoken about, tax refund, the cost of puts, the interest on our senior notes obviously paid semiannually and are paid this quarter, so $9 million. Sustaining capex per our estimate is $2 million and again per our estimate, spending at Helguvik, about $5 million for the quarter.

With that, I'll give it back to Logan.

L. Kruger Thanks Mike. We have continued, and this is on slide 13, the low intensity construction and engineering work at the Helguvik Greenfield site. The capital estimates to complete the first phase remain on/or all below budget. We are spending significant effort on completing the final tasks required to support a major restart of construction activity. These efforts primarily relate to the finalizing negotiations of the power companies over amendments to the contract signed in the year 2007. These are long-term agreements and the most significant operating cost component of the project. We, as a company, must take the time necessary to conclude these arrangements successfully. After such a restart, the plant would begin to produce metal in approximately 24 months.

Mike mentioned the status of the financing of the plant so I won't repeat his comments. What he did not mention is that through the outside experts that the banks looking at the financing have retained on their behalf, we have again confirmed the new plant's attractive position on the global cost curve. We continue to believe that Helguvik will provide attractive growth for our shareholders for many years.

With that, we'd like to take questions now.

Moderator Our first question comes from the line of Kuni Chen, BofA Merrill Lynch.

K. Chen On the potential de-linking of alumina and aluminum prices, can you just talk about how that may impact the Grundartangi situation longer-term with your partners there? If we're looking at kind of structurally higher alumina prices down the road, what would that imply for the tolling relationships?

L. Kruger I'm going to have a first pass at this and maybe Mike will want to add in some comments. First of all, in Grundartangi, you're really looking at 2013, 2016 before the total contracts roll off anyway. The whole debate is will there be suitable tolling arrangements or would we go to a purchased alumina contract basis like we do at Hawesville. Over time, we'll obviously be able to tell this as we move forward.

The broader debate, which I think your question is, Kuni, if I'm not incorrect, is the debates about de-linking the alumina price to a percent of LME. There is a lot of debate going on that and a lot of this is stimulated from the discussion going on within and in practice in some part from the iron ore business.

One of the big differences I think is a reputable, reliable index will make it possible for us to actually relate to this. From all parts, I think it's pretty unclear where this is going to go. Existing contracts with long-term users and suppliers exist anyway, and these are not going to roll off instantaneously in one year. They're going to roll off over a number of years. Obviously from the producer of aluminum side, they see an opportunity to perhaps increase their margins and their revenues. Again it's going to be a balance of how this shapes up, but one of the biggest questions to be answered is whether you can actually find a suitable index to which everyone can actually relate to. There is a lot of discussion going on around that.

Mike, do you want to add any comments?

M. Bless No, thanks.

K. Chen The Katla volcano in Iceland, can you just talk about any contingency plans you have in place or kind of what your thought process is there? I've seen more headlines around this recently. What's going on in Iceland? How is the country sort of preparing or thinking about the potential for an eruption there?

L. Kruger Well, the good news first of all is the volcano subsided and has gone off. Obviously, it's very much remote from the existing plant and its infrastructure. It's about 125 miles to the southeast of the existing Grundartangi facility.

One of our concerns obviously is the potential interference with the electrical grid. Obviously the Iceland power company operators have experienced some of the things over the years and find that their system is rugged and robust enough to take quite a lot of the impacts of fly ash that you will get from a volcano.

There is very little that we could do from a control point of view other than prepare for a potential disruption, but, it's low risk from a potential happening and the experience in this last incident has shown that the system is pretty robust. It disrupted more of Europe in terms of the wind directions; fortunately, from the way the system is set up, power plants are on the west side of the island and most of the volcanic activity seems to be related more to the central and to the east.

Moderator Our next question comes from the line of Brett Levy with Jefferies & Company.

B. Levy Can you talk about sort of your plants, increasing the amount you've got hedged in 2011 in the United States in terms of your hedging aluminum prices?

M. Bless As you know, you've seen it in the 10-K and the Q that we did and as we talked about during the last call, I believe, that we did purchase some protection for 2011 in the form of productions, as you said. As you saw during the quarter, we didn't make any further purchases. We did pay for the tranche that we had just bought in the, just put their terms, the way they settled in early April. That's why the cash flow-out for those options in April, in the quarter that just ended.

I would say that, Logan, our stance on this hasn't changed. We are opportunistically interested in protecting a higher amount of production volume in 2011, and we're watching the market. We don't like the price versus the risk protection right now, but as we all know, these markets and the cost of the options based on volatility and other things can move reasonably quickly. I don't know, Logan, if you have a—

L. Kruger No, Mike. I think just our strategy is to protect the downside and to maintain all the upside. I think that's the only additional that I'd add.

Moderator — Our next question comes from the line of Chris Doherty with Oppenheimer & Company.

C. Doherty — I know you gave a little bit of an update in terms of project financing for Helguvik. What about thoughts on equity? I know there's been some discussion in the past about maybe selling an interest in it or finding a JV partner. Can you give any more update on that?

M. Bless — We're still looking at all of the possibilities there without being too coy. At the end of the day, there's going to be some additional non-debt financing required for the plant, even though we'll have cash flow coming from the operations and such. We're continuing to think about all of those options. When we get closer to the timing of an actual restart, we'll start to think more tactically about that. Logan—?

L. Kruger — No, I think just you have to balance all of these options against the value of the project. I think that's the only other comment I'd add, Mike.

C. Doherty — I think for a while, if you look at the direct shipment, it's down versus Q4. I think you are running above rated capacity at that point. Where you are now? Is that a question of being able to run at that level or is it a demand? Are you selling everything that you can produce at this point?

M. Bless — Yes. I think you’ve got to be careful what, we've been, obviously took a step back. We’ve had line five at Hawesville and all operations were curtailed long the before Q4, since Q1 of last year for all intents and purposes. We’ve been reasonably flat over the last couple quarters. You really you have to look at it on a per-day basis because small changes can get amplified as to whether there’s 90, 91, 92 days in a quarter, not to get too detailed.

I don’t think, Wayne, there is really anything in terms of the operations. Sometimes on a per-day basis for this past quarter we were down just a smidge, about one percent. That was simply due, not to production at all, but just to timing of shipments at the end of the first quarter versus the end of the second quarter and when there were cut-offs. There’s really no, I can’t think of any story, Wayne, related to production.

L. Kruger — I think just maybe to underline your question is do we have some metal at the plants that we’re not selling. The answer is no. We sell everything that we’ve got. So we’re not carrying inventory of metal at the plants.

M. Bless — As you know and as you see in every 10-Q, we hold very little finished goods inventory.

C. Doherty In some of the previous presentations, you've talked about other capacity coming on. Can you just give us a little bit of update of maybe industry capacity and if nobody is adding to that, given that you guys are running at full capacity and I think some other guys are, too?

L. Kruger I think the key ones from a global perspective is obviously, first of all, in the Middle East you've got a couple of the plants that are now commissioning. And for example, the hydro plant, you're getting that going up, so that's starting up. In addition, you've got a few growth opportunities that are happening in India. I suspect that most of that metal will be consumed locally or domestically. China, obviously Brownfield expansions occur, but there is pressure on because of, as I mentioned in my remarks, cash costs are now looking very much near what the price of the commodity is.

Other than that, I think very little restarts, some slowdowns. There have been some incidents with plants in Europe, perhaps some new existing production coming back on, but these are small amounts. The big move is really from a global perspective or really the Middle East. Then you're looking at perhaps some in India and some in China. The rest of world is pretty stagnant in terms of growth. Shelly is here with us. She could add any.

S. Lair — I agree. It’s really just the small stuff, like you saw Venezuela this morning. Anything that would shut down due to pricing, I wouldn’t expect to see coming back on line anytime soon. It’s more, I think, that we’re affected by flooding or power shortage, and again, all small volumes.

L. Kruger — And it’s nothing other than perhaps the modern smelter in the Middle East that’s really on-the-box for some execution in the next three to four years.

Moderator — Our next question comes from the line of John Tumazos.

John Tumazos — The puts that you did in the first quarter were well timed. And by the beginning of June, you might have been up, I don’t know, $0.10, $0.20 easily. Could you explain if your philosophy is to just hold them in expiration in case the world comes to an end or whether you are willing to take a $0.10 or $0.20 a pound profit and put those monies toward a couple weeks of Helguvik construction?

M. Bless — It's the former. We purchased insurance. That was the philosophy. It's still there for insurance. It's like insurance on your house. You hope you never need it. We are not of a mind to trade in and out of options. You buy them for insurance and we put them away, to say it simply.

John Tumazos — You guys could start a pretty good trading fund with your record this year.

L. Kruger — That's not our business, John, but your observation is pretty much accurate to what was going on.

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

M. Liinamaa — In the press release, you talk about the Helguvik power supply contract being a primary factor to the timing of the restart of construction. Can you comment a little bit about any of the details regarding that? Is it going to be, when you get to the production stage are you already talking about that; will it be structured similar to Grundartangi?

L. Kruger — I think I'll just start off with your last part of your question. Yes, similar, not exactly the same, but similar. These contracts were signed in 2007. Obviously, we are updating them now with the potential to restart, but they're 25-year projects. We have contracts and they're obviously confidential so we won't talk about too many details.

Essentially we're working through that with the power producers. Obviously we'll then take it, once we settle that, into the construction phase. And like Grundartangi, I don't think there is anything particularly confidential about it. It's a phased production or execution, and the power production is on a similar basis. As you know, this will be mostly geothermal and geothermal comes on in about 50-megawatt patches or pieces.

M. Liinamaa Would it be LME price-linked as well that at low prices there's a benefit, low LME prices?

L. Kruger I think, Mark, the answer is confidential. I think you've got to take what you know from our Grundartangi experience and extrapolate that in some way to your own decision.

M. Liinamaa On Mt. Holly, you have a joint venture partner. Who is leading the discussions with the— Is it Santee Cooper that provides the power there?

L. Kruger You're correct. I'll ask Wayne to handle that if you'd like.

W. Hale — Yes. Santee Cooper provides the power, but it's a joint negotiation between both owners in the discussion we are having with Santee.

M. Liinamaa — That's always been, it is the youngest smelter, but it's been laden with a bad power contract forever. Is there some local push at all or local support to get a deal done?

W. Hale — Certainly there is a local push and a local requirement to keep the jobs in place. And so we do have support in that regard.

M. Liinamaa — No likelihood on timing or anything like that that we may see something?

W. Hale — No, we continue to discuss. Obviously it's a complex issue that requires detailed discussions.

Moderator — Our next question comes from the line of Tim Hayes with Davenport & Company.

T. Hayes — Was the EU supposed to review the 3% duty during the second quarter? Were they suppose to review that and if so, was there any outcome from that?

L. Kruger — Not that I'm aware of. I think it went into committees and then got put aside for more discussion. I think there's obviously a natural tension between those that will benefit from it. Primarily those are paying the duty versus the internal producers that obviously see some benefit from it. I think it hasn't been considered. I'm not aware of any conclusion at this point.

T. Hayes — My other question is back on Grundartangi and the power price that you're paying. Has that gone up this year? I think a couple of the other smelter producers in Iceland saw their power price, or at least what's tied to the LME, go up or will be going up. Has your price there gone up or will it be going up as it relates to a percent of LME?

L. Kruger — It hasn't, but we have seen a tax increase in Iceland. Perhaps that's part of it.

T. Hayes — Is that tax a function of the LME price or is that just some level?

L. Kruger — Just direct tax.

M. Bless I think you may be referring to one other producer in Iceland that negotiated an extension to an existing contract in that guise. It was reported maybe that the price had changed; we obviously had no knowledge of that. That's confidential, but our contracts, as you know, go out some time at Grundartangi, so there's no – it's not the same context there at all. Obviously, they go up and down as the LME goes up and down, but the linkage stays the same.

T. Hayes Have you disclosed the tax amount that was levied?

L. Kruger I'm not sure if we have.

M. Bless We haven't, Tim. It's not a material amount of money. It's more than, say, a million dollars, but it's not more than several, several, several millions of dollars per year over the next couple of years. It's a manageable amount of money, but it's something that I think, Logan, we and the other producers in the country sort of agreed to in the spirit of contributing to the economical recovery of the country.

L. Kruger Absolutely.

T. Hayes What was that tax levy?

L. Kruger — The company tax rate in the last 6 or 8 months has gone from 15% to 18%, but you know that we have an agreement, an investment agreement at Grundartangi that caps it at 18%.

Moderator — Thank you and at this time, no further questions in the queue.

L. Kruger — Thanks to everyone for joining the call today. We look forward to speaking to you again soon. Thank you.