



Final Transcript

CENTURY ALUMINUM: 3RD Quarter 2007 Earnings
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SPEAKERS

Shelly Lair – Vice President & Treasurer

Logan W. Kruger – President & Chief Executive Officer

Wayne R. Hale – Executive Vice President and Chief Operating Officer

Michael A. Bless – Executive Vice President and Chief Financial Officer

PRESENTATION

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

S. Lair Thank you, Art. Good afternoon, everyone, and welcome to the conference call. For those of you joining by telephone, this presentation is being Webcast on the Century Aluminum Web site,

www.centuryaluminum.com. Please note that Web site participants have the ability to advance their own slides.

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

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

In addition, throughout this conference call we will use non-GAAP financial measures. Please refer to the appendix, which contains the reconciliation to the most directly comparable GAAP measures. This presentation including the appendix is available on our Web site.

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

L. Kruger

Thank you, Shelly, welcome to the Third Quarter Conference call. With me here today are Wayne Hale, Mike Bless and also Bob Nielsen and Steve Schneider. So if we can move on to slide number four, we can start our program for the day.

We've had a successful third quarter and we are well set up for our fourth quarter. Robust aluminum markets continue. The LME averaged some \$2,550 per ton for the third quarter of this year. This is a decrease from quarter two. A couple of factors – seasonality, credit concerns, obviously, and market uneasiness, offset somewhat by the ongoing robust markets in the Far East, particularly China. U.S. aluminum plants are operating well. Our production is at or above capacity at all of our facilities.

We're particularly pleased about Grundartangi performing well. The expansion is on budget and on schedule to reach capacity by the year-end. Some two thirds of the phase five expansion capacity is already operating by the end of the quarter. This will give us some 10,000 to 12,000 tons from the latest expansion for this year of 2007.

Helguvik progress on the project - the environmental impact assessment, we've had a very positive opinion from the national planning agency in Iceland. The transmission agreement has been signed. We continue to have strong community support and will begin preparing the site for construction early in 2008.

Projects studies in Jamaica, the Republic of the Congo and China are progressing and showing some interesting development. Early stages for these projects, but we remain positive about them. We are obviously going to continue to pursue further growth opportunities and in summary, overall a good quarter. Can we go to slide five?

The aluminum market is well balanced for 2007. Forecasters continue to indicate that China will be a net importer of metal by 2009 and maybe sooner. Global aluminum demand was up some 9% year-to-date, interestingly enough, 39% up in China. China's GDP growth is 11.5% year-to-date and industrial production growth is nearly 17.5% year-to-date. More interesting, today I think the news came out that for the September IP growth in China was 18.9%.

India has very low per capita use of aluminum, but significant room for growth. IP growth in India is almost 11% year-to-date.

Global supplies increased by 12% year-to-date, 36% in China. Half of the supply growth comes from restocks. Capacity growth was only some 6%. Efforts by the Chinese government to restrain aluminum production growth appear to be having some impact. Unwrought exports are down some 57% year-to-date.

You'll have noted the latest action of the Chinese government and authorities is to cancel electricity price discounts for aluminum makers by the end of this year, and this can translate in our estimate to some \$40 per ton for aluminum producers in some of the smelters.

Industry operating is at full utilization, we would assume at 95% and so we continue to believe that the supply side is constrained. The risk is on the downside and one example is the recent power outages and turndowns in South Africa. September global production levels fell from all-time highs and we know that perhaps the rate of outward growth seems to be slowing somewhat.

We move on to slide six. If we look at the intensity of aluminum use, the per capita usage remains low in the BRIC countries. Significant increase in China's usage since 1990, but this is still one third of what is used per capita in the U.S.A. today. If we assume the midpoints between the

current Chinese usage and where the U.S. is, you would need some ten million tons of aluminum per year in extra production. There remains significant room for growth in aluminum usage in Brazil, Russia and most notably, India.

We move on to slide seven. Looking at the forward curve, there's been significant and upward shift and flattening of the forward curve. Forward pricing is indicative of stronger markets out of the longer term. If you take today's price of near \$2,500 per ton, the same price is available in 2012. Capital and operating costs are up globally. Energy costs continue to rise, China's high-cost energy structure remains. Greenfield and Brownfield expansion costs are increasing and the time taken for new projects continues to grow.

We move to slide eight. Global days of aluminum inventory, you'll note that we have actually looked now at global days, not just western world. You'll note that the global inventory days are less than 30 days of global demand. The U.S. market remains subdued. Midwest premium strengthened to \$0.035 per pound recently, but remains below historical averages. Spot alumina prices continue to soften somewhat in the range of \$350 to \$375 per ton of alumina. Some support is being provided by the recent supply disruptions, mainly in Jamaica. Overall aluminum market

fundamentals remain strong as indicated by current prices and the forward screen.

I'd now like to hand over to Wayne Hale.

W. Hale

Thanks, Logan. Turning to slide nine, all of our smelter operations had a good quarter in the area of environment, health and safety. In particular, Hawesville established a new level of performance, working 1.5 million person-hours without a lost-time injury. This compared to any benchmark in any industry is a significant achievement.

Domestic smelter operational performance remains consistent with no significant exceptions. Both Hawesville and Mt. Holly are surpassing production performance benchmarks.

In regards to the power supply at Hawesville, over the last three years, step-wise progress has been made by Big Rivers Electrical Corporation and LG&E to bring to conclusion the unwinding of their present business arrangement. In a recent press release of 19 October, another step was taken as part of the normal unwind process.

The companies notified the Kentucky Public Service Commission that they will be ready to present the bulk of the necessary lease-ending

documentation to the Kentucky PSC for review in about 30 days. Though much work is required in the areas of related agreements, transactions and contract review, including documentation of the power contracts for the smelters, indications are that the transaction should be approved by the KPSC during the first half of 2008. When completed, this should secure a power contract for Hawesville until 2023.

The Nordural plant at Grundartangi continued to improve in all aspects of operation throughout the quarter and is operating very well. As discussed by Logan earlier, two-thirds of the phase five cells have been energized and we now expect to produce 10,000 to 12,000 tons of metal from this expansion in 2007, versus the 5,000 to 7,000 tons we anticipated earlier this year. All cells are expected to be online by the end of the year and on the following slide is an aerial view of the Grundartangi smelter including the phase five addition.

Grundartangi has been a tremendous success for us, increasing the capacity of the plant by nearly three times over the course of about two years, on time, on budget. It's a significant accomplishment by any measure. The plant has additional improvement capacity. The organization is engaged in the concept of continuous improvement and we

work in harmony with the people and the regional requirements, all elements for continued success at the facility.

Turning to the next slide I'll say a few words about our bauxite and alumina operations. St. Ann's Bauxite continued throughout the quarter with a very low injury level. Mined and shipped volumes continue to trend toward record levels with all customer requirements being met. Gramercy Alumina's safety performance was stable throughout the quarter and operations were at full capacity. Quarter three was the best of this year in terms of performance and consistency of operations.

Looking at the sales and marketing, negotiation of the Alcan metal supply agreement with Ravenswood has been completed and the contract is in the process of being signed. In the interim both parties are working to the terms and conditions of the new agreement.

Midwest Premium for the third quarter averaged \$0.03 and the U.S. markets remained sluggish. We continued to see sustained demand for high-purity in the P0404 and P0303 grades from Hawesville with the command of good premiums. Finished-goods inventories at all facilities remain at minimum levels.

I'll now turn it over to Mike to discuss financial results.

M. Bless

Thanks a lot, Wayne, if you could turn to slide 12, please. As usual my comments will reference this slide, as well as the slides in the appendix in the slide deck here and also importantly, the financial information that's attached to the earnings release. So if you'd have that handy, I think it'll make my comments easier to follow along with.

Starting on the slide on slide ten, you can see that sequentially from Q2 to Q3, our sales were down about \$10 million and let me talk about the factors that drove that performance.

First stepping back, Logan made some comments about the market price during the quarter. The average cash LME price on a one-month lag basis dropped about 5% on average Q2 to Q3. If you go to the earnings information or the operating data, which is at the end of the financial information attached to the press release, you'll see that our average direct realized price dropped about 5% as well. Our average total realized price dropped about 6%. The difference there is the reduction in the EU duty from 6% to 3%. As you remember, the EU reduced that duty in the middle of May, so obviously, we saw that impact only for half of the second quarter, but the entire third quarter.

Staying on that operating data you will see our direct and toll volumes.

Our direct volumes were up about 1.5% sequentially. I'd note that there was one more day in this quarter in Q3 versus Q2, so if you adjust that, our direct sales volumes were up just slightly less than 0.5% on a days-equivalent basis quarter-to-quarter. As Wayne said, the plants are operating well with plants at full capacity, we think that's very good performance.

Toll volumes were up just shy of 9% quarter-to-quarter, 7.5% on a days-equivalent basis. And as both Wayne and Logan discussed, Grundartangi produced during the third quarter at an average annual rate of 242,000 tons a year. Terrific performance, we're quite pleased with it.

So going back to slide 12, again you'll see sales down \$10 million quarter-to-quarter. Of that, the price impact of the LME decrease dropped sales \$25 million and we got an additional \$15 million back from the increased volume.

Going back to the financial information, if you turn to the beginning of it, the income statement data, you'll see gross profit dropped \$24 million quarter-to-quarter. Twenty-five million of that obviously was the price

impact that I just discussed. Obviously, the price drops right to the bottom line from the revenue line.

Going the other way, we got \$5 million of that \$25 million back from those cost elements that are pegged to the LME price. As you know we pay for our alumina on a contract basis from Mt. Holly and Ravenswood as a percentage of the LME, and our electric power in Iceland is priced as a direct percentage of the LME. So \$5 million in decreased costs will obviously increase gross profit going the other way.

A couple other items to note - big items in gross profit or cost of sales, our domestic power costs, as we alluded to in the earnings release itself were up this quarter-over-quarter, up \$6 million. Divide that into two buckets, first \$3 million for Mr. Holly. Increased fuel surcharges, as you remember over the last couple quarters we've reported sequentially improving or decreasing, if you will, fuel surcharges at Mt. Holly. This quarter went the other way and that cost us \$3 million for the quarter. Another \$3 million was from slightly increased costs in each of Ravenswood and Hawesville. And lastly, costs at Gramercy were up just a bit quarter-to-quarter mostly due to a couple one-time items.

Moving down the income statement, SG&A expenses, you can see fell one million dollars favorable Q3 to Q2. And Helguvik spending, as you remember, the project spending for Helguvik continues to be expensed in G&A until the project reaches significant commencement early next year. And that spending was \$3 million this quarter, about the same as it was in the second quarter.

Moving down the income statement, as you'll see the mark-to-market loss, the loss on forward contracts, \$75 million pre-tax, Logan spoke again about the movement in the market price over the quarter. As you know this liability is calculated at the end of each quarter. And if you look at the movement in both the cash and three-month price, end of June to end of September, they were each down about \$200. But if you look at the far end of the forward screen, in 2011 and 2012 strip, those were each up between \$175 and \$230 per ton at the end of Q3 over the end of Q2, therefore increasing the mark-to-market liability and resulting in the charge of \$75 million that you see.

Logan has talked about this, but I think it's really interesting to just step back for a minute and look at the movement in that forward screen over the quarter. At the beginning of the quarter, the cash-to-three-month spread was about a \$50 per ton contango and ended the quarter about that

same dollar amount. It moved around during the quarter, but it was consistent June 30 to September 30. But if you look at the spread from the three month to the 2012 strip, it started the quarter at a \$500 backwardation and ended at a \$70 backwardation and closed today at a \$20 backwardation, as Logan said, virtually a flat forward screen, so quite interesting the movement in the market over the quarter.

Lastly a couple comments – at the bottom of the income statement, the effective tax rate was down this quarter to about 26%. That amount is if you pull out the loss on the forward contracts and the associated tax benefit that we provide on that and calculate the effective tax rate on the adjusted income, that was 26%.

Two major items moving that: the one in particular that moved it is the percentage of Iceland income in the mix. Obviously the higher the mix, the amount of Icelandic income in our pre-tax income drives down the effective tax rate as we only pay 18% in Iceland. And that amount obviously increased this quarter. In addition, our U.S. effective tax rate did decrease this quarter, so tax rate down a little bit.

Shares outstanding, you've obviously seen they're up. Obviously, the equity offering, which closed in the middle of June, those shares were in

for the entire third quarter versus just a couple weeks in the second quarter. Diluted shares about 2.5 million shares higher average than basic shares, same delta as in Q2. And as you know, the vast majority of that amount is made up from the accounting for the convertible notes. The driver for the accounting on the convertible notes, just to remind you, is the average stock price during the quarter. And that average price Q3 to Q2 was just about consistent.

Going back to the bottom of slide ten, you'll see the adjusted EPS. The GAAP numbers on Slide 12 and the adjusted numbers in the related appendix in the back of the slide deck, obviously adding back the after-tax mark-to-market charge, those numbers \$1.31 basic and \$1.23 diluted. Just turn to slide 13, I'm just going to make a couple quick comments on cash flow on the balance sheet.

Free cash flow as you see here quite strong, \$204 million for the nine-month period. In 2007, just to remind you, we defined free cash flow and again, the reconciliation is in the appendix, as before spending on the Grundartangi expansion. So 204 for the nine months. The number for the third quarter in isolation was \$69 million. Those two numbers represent about 111% and 128% of adjusted net income. We feel that's quite good performance.

I'll remind you if you have a second to take a look at the cash flow information in the back of the press release, if you go to the cash flow data itself and look up above cash flow from operations, you need to add back that \$259 million increase in short-term investments to calculate free cash flow. Those are the purchase of cash-like investments. You'll see them on the balance sheet, but GAAP requires us to account for them as such, so you just need to make that adjustment as you're looking down the cash flow statement.

A couple of other items to note on the cash flow statements, we're at \$80 million of capital spending for the phase five expansion of Grundartangi. That's the 40,000-ton expansion to 260,000 tons. Through nine months that budget remains at \$95 million and as Wayne and Logan said, we remain on schedule and on budget for that project. Maintenance capex as you saw, \$14 million through nine months. Budget remains \$20 million plus, again, any additional that we spend on high ROI projects as we've discussed with you before. And lastly on the cash flow statement, we spent \$23 million this quarter on the settlement of our derivative forward-sale contracts.

A couple comments on the balance sheet quickly, if you turn to that, I'll note cash at \$324 million. That's up from the end of Q2 despite the \$20 million phase five Grundartangi spending and a reduction in our Nordural debt. The pay-down of our Nordural debt of an additional \$35 million. As you'll see, that debt now stands at \$20 million at the end of September and we continue to expect that to be paid off in full by the end of the year.

Now I'll turn it back to Logan.

L. Kruger Thanks, Mike. We're looking at slide 14. We've had a very good quarter in 2007 and our third quarter and it continues to look well set up for our fourth quarter. Plants are performing well. We're on target to reach 785,000 tons of capacity by this year-end. We'll be closing on one million tons of metal production capacity when Helguvik comes on line. We continue to build up our global project pipeline, both in Congo and Jamaica, as well as in China.

I'd now like to take this opportunity to invite questions from you.

Moderator Our first question comes from the line of Terence Ortslan with TSO & Associates. Please go ahead.

T. Ortslan Thank you. So Grundartangi next year, are we expecting 260,000 tons or are we going to get a pleasant surprise better than that?

L. Kruger I think at this point in time, we'll be very pleased to be at full capacity, Terry. And like all things in our business, Wayne and the team will be pushing for some creep. We haven't got any thoughts on that at this point in time, but you can be very assured that we will be pushing for some creep as well. I think you can take note of what we've done in this quarter, that in fact we're running at 242,000 tons already and so our commissioning program from phase five is a little bit ahead of program and obviously as soon as we can get the rest of those cells on, we'll go for the extra tonnage.

T. Ortslan Excellent. Since we're talking about capacity, can you circle what your number do you think is for Gramercy after all? With all those upgrades and changes and much better knowing exactly it should operate normally and the bauxite capacity that you ended at?

L. Kruger Sure. I think I understand. The question you want to know what do we think our capacity in design and the plant in Gramercy as well as the output of bauxite out of St. Ann's. Is that correct?

T. Ortslan Yes.

L. Kruger I'll ask Wayne to perhaps answer that.

W. Hale Certainly. We have, as we discussed in previous discussions, when we had the conference call, we have some programs in place at Gramercy to not only improve capacity, but also improve energy efficiency and those programs are continuing on. In so far as production capacity at St. Ann's, we have production in hand and as I had indicated, it was going to be on track for a record performance this year. As far as additional capacity over and above that, at this moment in time, we have no specific plans.

L. Kruger And I think just to put some numbers to it, I think with Wayne as well, Terry, Gramercy is rated around about 1.2 million tons of alumina per year. Wayne can interrupt if I get this wrong. And at St. Ann's bauxite operation, we're trending towards five million tons annual now, which is way above where it was maybe two years ago. Obviously, you know we export to third parties, as well as supply our own facility at Gramercy and just a reminder, I think, Terry, this is a JV with our partners in Noranda, which is owned by Apollo.

T. Ortslan Thanks, could we, with the changes in the world picture, could you actually today categorize which quartile Gramercy is at the cost curve?

L. Kruger I'll take a shot at it. We don't talk about our costs, but if you look at CRU or Brook Hunt, the people that do this sort of work, you would probably put Gramercy in the third quartile. People are talking about the midpoint of cost per ton of alumina produced somewhere around \$250 to \$270 a ton. That's in the public domain. So Gramercy is in the third quartile and I would say perhaps in the early third quartile.

T. Ortslan Great, guys. Thanks so much for a great presentation again.

Moderator And our next question comes from the line of Timothy Hayes with Davenport & Company. Please go ahead.

T. Hayes Good afternoon. I have a couple questions. First on the Alcan Metal contract, would there be any significant changes to how that's going to be structured going forward versus how it's been structured in the past?

W. Hale No, there's no significant change in how that's constructed, nor how it will operate in the future.

T. Hayes And then on the domestic costs that you cited, that was a \$6 million sequential increase.

M. Bless Right, Tim, in electric power costs.

T. Hayes I was a little surprised to hear that the power went up at Ravenswood. I thought had a base price for electricity, plus a portion tied to aluminum, which I thought that price had gone down sequentially, the price of aluminum. Therefore the power at Ravenswood would have actually gone down may a couple hundred million, or \$2 million sequentially.

L. Kruger I think Mike wants to take this one. I'll chip in as well.

M. Bless I think, Tim, everything what you said is true. What you're forgetting is what we disclosed in June is the rate case that they filed that became public and got implemented on July 1, which as we said was a low single-digit increase on the base tariff. So everything being equal, aluminum price-wise, the tariff went up, again, low double digits, however you estimate that.

T. Hayes Thanks on that. And then lastly, in terms of costs at Grundartangi, I know you don't give any numbers or what not, but just any qualitative remarks on how costs may have changed from Q2 to Q3.

L. Kruger I think obviously, Mike highlighted the power element, as you well know it's linked to the LME at Grundartangi. I think the second part, and Wayne may like to comment, is the operation is stabilizing very nicely now. We grew from 90,000 tons to nearly 242,000 tons now. We settled on very nicely, and I think we got nice, stable operations and obviously we're looking forward to the operating costs improving as we go forward.

W. Hale And just to add to that, Logan, for those that are interested in some of the technical details insofar as terms of current efficiency, power efficiency, quality of metal, all that is quarter-on-quarter much better improved in third quarter than it was second quarter and we continue to see improvement. So it's a great story to tell.

Moderator And our next question comes from the line of Kuni Chen with Bank of America Securities. Please go ahead.

K. Chen It was good to see you all in Iceland last month.

L. Kruger It was nice and the weather treated us kindly.

K. Chen Not too bad. I guess just first off, the operational side, U.S. was good in the quarter. Is 135 tons a quarter sort of the new run rate or is there any reason why that may or may not be sustainable?

L. Kruger I think just a qualitative answer from myself is that, and Wayne or Mike can chip in here, Kuni the operations are all running at or above their operating levels and they're all running well and we're well set up for the next quarter. We can't see into the future; we'd like to, but we're well set up and the guys are doing a great job at the operations, Wayne?

W. Hale I have nothing to add. Everything is running well and we'll just continue to incrementally improve across the business.

M. Bless Kuni, it's Mike. The only other thing I'd watch out for is, as I said, given that as you well know, these plants run 24 hours a day, one extra day in a quarter just in terms of the way the months lay out can make a reasonably big difference when you get down to it. So that's why I wanted to make sure everybody realized that there were 92 days this past quarter versus 91 in Q2.

L. Kruger Thanks, Mike, that's a good point.

K. Chen And number of days in the fourth quarter?

M. Bless Oh, gosh, 92.

- S. Schneider Ninety-two is the number
- L. Kruger That's Steve Schneider confirming it's 92.
- K. Chen All right and I guess just lastly, as far as Helguvik goes, I know you guys have a board meeting coming up. When is that scheduled for?
- L. Kruger You know, Kuni, we don't really talk about board meetings. The process for the approval of Helguvik is well in hand. We're still saying that we want to be doing the project and firing it up by early next year. And so I don't think there's any other news to say. The feasibility study is well in hand. The permissions are well in hand. You've met, I think, people on the ground in the local communities who support the project so no change in what we say. We're looking forward to breaking ground and beginning the project early next year.
- Moderator And our next question comes from the line of Mark Liinamaa with Morgan Stanley. Please go ahead.
- M. Liinamaa Good day, all. I thought slide five was interesting. It looked at the number of smelters that are required to meet trend growth. There's a view by some that are more cautious on aluminum that there are more than enough willing investors in these regions of low-cost power to ultimately

dwarf any strength in demand. When you look at these various regions, are you seeing any change in the various regulatory bodies' view on how much they want to see the aluminum industry capitalize in their region?

L. Kruger I don't see it. I think it's well publicized that on these low-cost regions, Middle East, South Africa, again as I remarked South Africa is having power outages, obviously Iceland and then I excluded the discussion to China and said that's a separate debate. I think there's a lot of pressure by the Chinese government to reduce the increase of smelting capacity in China, some of which you're starting to see.

But I think the real question on the supply side is the fact that how can you build these things, can you get the crews? Can you get the design? Can you get the environmental permission? And perhaps if we look at, I think it's Norsk Hydro project of Qatalum, they're only now talking about going to break ground. If you'd gone back a year ago, that was going to happen last year sort of thing. So all of these seem to take a bit longer. The Maaden project in Saudi, it's been around for a long time. Will it happen? We believe that it will happen. But I think again the timing gets pushed out.

I think what the slide is trying to say is the supply side has got a large challenge and the building and commissioning and obtaining lower cost, long-life power contracts are not that easy. I don't see any change in the world that's making it any easier to get on.

There was an announcement by one of, I think BHP, about Inger Three in the DRC, Democratic Republic of the Congo. That's been on the drawing boards for a long time. But it's a hydro scheme in a difficult terrain. So all of these things that we know, I think seven, eight years before you see some of these projects get off the ground, although the odds, I think there's a high likelihood of a lot of them getting off the ground.

M. Liinamaa Thanks and I'd also be interested in any comments you have about developments in the global alumina market.

L. Kruger Yes, it's interestingly balanced at the moment. We saw some softening and I think that gained, we've had quite an interesting change in pricing on the spot market from a year ago, but I think it got up to over \$600 a ton in China. It's back down to \$390, \$400, I think, maybe \$450 on some spot cargos in China. I think the market has probably been a bit pressurized toward the outside buyer, the impact of the hurricane in Jamaica. But we see it finally balanced maybe slightly soft on the alumina part.

- Moderator And our next question comes from the line of Wayne Atwell with North Street Capital. Please go ahead.
- W. Atwell Thank you. Could you give us an update on the capital costs for Helguvik, please?
- L. Kruger Wayne, hello, it's Logan. We haven't announced our final capital costs on it, but we said indicatively for a full 360,000-ton smelter, you would look at about \$4,500 to \$5,000 per ton and that's a statistic that most are using per annual ton of production excluding an anode plant, so you have to be specific on that. But again, the cost pressures remain and we're working through that and we haven't got the final number to take to the market yet. But that is for the full plant.
- W. Atwell Right and you're going to build, phase one is what size again?
- L. Kruger It's somewhere in the order of 150, maybe a bit larger and then we'll go to 250 and that's by 2013, and we'll also go to 360 soon after that, power-dependent, but as you know they are all part of the developments in Iceland an ongoing basis. So that's our proposal.
- W. Atwell Then how much should we subtract for the lack of an anode plant?

L. Kruger I think you've got to add to it, Wayne, it's the other way around without the anode plant. And the number that people talk about is somewhere around \$500, \$600, but maybe a bit more per ton, per annual ton of capacity of anode.

W. Atwell And when will you have a final estimate of capital costs for us?

L. Kruger That's coming towards the end of this year, and we'll then take it to the market when we're ready.

W. Atwell Thank you.

L. Kruger Thanks, Wayne.

Moderator And our next question comes from the line of Justine Fisher, Goldman Sachs. Please go ahead.

J. Fisher I have a question about the bauxite market, actually. And I know that everyone, we always look at alumina prices and where they're going and it seems as though alumina supply is increasing, but on the flip side, it seems like bauxite supply is tightening. And maybe I'm wrong. I'm wondering

if you could just comment on where you see that going and how you saw that possibly overflowing into the alumina dynamics in '08 and '09.

L. Kruger

I'll give you some color. I'm not sure that anyone really knows as yet, but there obviously was a lot of bauxite coming into China from Indonesia that was going into the, mostly the independent producers, but some into Chalco as well. There has been some reduction in that for a number of reasons. The mining approvals weren't there amongst other things. In China obviously local of bauxite production has gone up, as they have commissioned more alumina refineries.

On the world scale, obviously there's some growth in Brazil on alumina production as well as bauxite production, so I think the equation is quite well balanced. But there's certainly some discussion about tightening of bauxite supplies for the longer term.

And how do you express that? I'm not sure, three, five years? The major areas are obviously Guinea and that has its challenges, as you're well aware. Brazil, western Australia and then you're into Jamaica, Viet Nam and other places and China has reserves, but not good quality and not large reserves. So I think the question is unanswered. I've not answered your question completely, but it's as good as we can give you.

J. Fisher Okay, thanks a lot.

Moderator And speakers, no one else is queued up. Please continue with any remarks.

L. Kruger Thank you, everyone, for taking part in the quarterly Third Quarter Call for Century. We're pleased to have you on the call and we look forward to meeting and speaking with you again soon. Thank you very much.

Moderator Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation and thank you for using AT&T Executive Teleconference Service. You may now disconnect.