# CENTURY ALUMINUM COMPANY

**February 23, 2006**
**2:00 p.m. CST**

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| Moderator | Good afternoon, ladies and gentlemen. Thank you so much for standing by. Welcome to Century Aluminum Company Fourth Quarter Earnings conference call. During our meeting today we will have all of your phone lines muted or in a listen-only mode. Following the presentation today there will be a facilitated question and answer session; instructions will be given at that time. As a reminder, this conference call is being recorded. |
| | I would now like to introduce Century Aluminum's Director of Communications, Mr. Mike Dildine. Please go ahead, sir. |
| M. Dildine | Good morning, everyone. Welcome to the conference call. For those of you joining us by telephone, this presentation is being Web cast on the Century Aluminum Web site, www.centuryaluminum.com, with an accompanying slide presentation. |

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

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

I'd now like to introduce you to Century Aluminum Company's Chairman, Craig Davis.

C. Davis

Thank you, Mike. I just would like to take a few minutes and take the opportunity to thank all of you who are listening in for your support of Century over the last few years, and to also look for your continued support.

As you know, a new team has taken over and will lead this conversation today. The good news is, you won't hear me talking about the company today, you'll hear Logan and his team. I think we've gone through in the last few years some very difficult times and also some very positive times. We're sitting at a point in the industry now where it's very strong, the pricing is very strong. And I think the company is well positioned to take advantage of the opportunities that are in front of the company today.

It took us a little longer to get to this point than we would have liked, and then some of you noticed that it was taking a bit longer, but I think sometimes you must wait for good results. Where we sit today, we have an excellent team. I don't want to overdo this for Logan because there's a lot he'll be talking to you about later, but in any case, we've put together an excellent team. I think you'll see that the team that's in place will, in fact, be able to achieve more than we have done over the last five to ten years. My expectation, and the board's expectation, is the company will achieve even greater results going forward with the leadership of Logan and his team.

At this point, I'd like to turn it over to Logan.

L. Kruger Thank you, Craig. Hello to everyone. After my first few months, I'm pleased with the opportunities I've seen at Century. I've spent a good deal of time in the field and can say with confidence, that we have well managed facilities staffed by experienced and dedicated people. We have both a talented management team, who have the background and skills to create real value.

The markets will go up and down, as you know, but we are excited about the opportunities we have in the longer term. More on this in a moment. You've already heard from Craig, and I thank him for his remarks. Craig Davis' leadership has been truly defined through Century's performance over the last decade. As you know, Craig will continue to serve as chairman of the company's board of directors. I personally look forward to his wise counsel and guidance as we continue to grow this company.

I'd also like to introduce some of the new members of the team. We are pleased to have Mike Bless, our new CFO, and you'll be hearing from him directly. David Beckley is also with us this morning, and David, you know, has contributed in large amount to Century and its success. David has agreed to hand over and is assisting the transition. We'd also like to thank him for his contribution.

Finally, you all know Jack Gates. Jack is very well known to you all, and Jack will describe our operating results.

If we look at our strategy. I'd like to first debrief you about it. It's really consistent with what the team has been doing over the last several years. We'll continue to grow our primary aluminum business, as well as capacity. We'll continue to diversify our production capacity towards low cost regions to improve our position on the global cost curve.

You're well aware that our focus is on Iceland, which is a variety of reasons our existing in present established relationships, political stability, and competitive energy cost and, of course, this makes a lot of sense for Century. I've just returned from my first visit to Iceland and I'm happy to report that we just successfully energized the first parts of our new expansion, which will increase our capacity from 90,000 to 220,000 metric tons of primary metal per year. This is a great achievement, it's on budget and it's on time.

We are continuing to explore opportunities to expand the upstream into bauxite and alumina, both to support our primary aluminum supply chain, but also because we consider this as a good business with attractive margins and returns.

Selective forward sales of metals, as well as the hedging of certain input costs, provide us with an important tool for underpinning cash flow through the market cycle, while remaining meaningfully exposed to the full market. A final, but critical strategy is to maintain strict focus on safety, productivity, and operational excellence. Jack and his team, I must compliment them, do an excellent job and he will talk more about it.

Industry fundamentals were strong in 2005 and have continued to be so in 2006. The global industrial production grew by over 4% in 2005, with some 16% growth in China. Global demand for aluminum increased 6% in 2005 led by demand increase of over 17% in China. In spite of record metal prices, supply continues to be idle through high energy and high aluminum costs. In the United States over 460,000 tons of capacity were idle in 2005, and additional closes are possible.

It's interesting to note that most of the smelter closures in the U.S. Pacific Northwest that occurred in the last several years have not restarted, even in this period of high metal prices. In Europe, are the 375,000 metric tons of closures have been announced, the latest one was a smelter in Switzerland, which will close in April.

From our vantage points, global demand for aluminum should remain strong in 2006, driven by favorable global economic conditions, and further bolstered by their continued double-digit demand growth in China. On the supply side, cost driven production constraints in the U.S., Western Europe, and China, may make it difficult for demand growth to be met in the near term.

Inventories remain at low levels, although they've grown a bit this year. The industry is obviously cyclical, and major geopolitical events can have an impact on an otherwise favorable market. In summary, in the absence of a global economic downturn, we look for the aluminum market to remain robust in 2006.

Turning to 2005, this was the second best year on record for Century Aluminum, buoyed by strong markets and a full year of Nordural production, Century's production revenue cash flow from operations were all at record levels. All of our plants finished the year in excellent shape, running full out, with no lingering after effects of the operational and weather related events that impacted us in the third and fourth quarters.

It is good to note, and Jack will talk somewhat on this, Hawesville has been operating at full capacity over the last three months. As we reported during the third quarter conference call, the extreme weather conditions in the Gulf directly affected the supply and, therefore, the cost of energy and other critical raw materials. The storms impacted St. Ann and Gramercy, particularly in the fourth quarter.

At Nordural the expansion to more than double of our capacity from 90,000 to 220,000 metric tons proceeded on schedule, and I'm pleased to note on budget. The project team is able to keep the expansion on budget, even though the currency of the Icelandic krona has increased dramatically. We have made progress on a potential new greenfield smelter in Iceland.

In May last year we announced the signing of the agreement with Hitaveita Sudurnesja on the power development, site and harbor development for a new aluminum smelter in Helguvik, approximately 30 miles from the city of Reykjavik. An initial study was completed in September, confirming favorable conditions in Helguvik, and the positive outlook for geothermal energy development.

In November we announced the signing of our joint action plan, Reykjanesbaer Municipality and the Invest in Iceland Agency, which is owned by the Ministry of Industry and Commerce and the Trade Council for Iceland. In January HRV Engineering Consultants issued the outline for the environmental impact statement and assessment for this proposed project. I must say after my visit there, this an excellent site. Overall, 2005 was a strong year for Century, and a good base from which to move forward in 2006.

If we move to look at 2006, we entered 2006 with strong metal markets, healthy operations, and low cost and output capacity in Iceland that will more than double. We also have challenges. We continue to address our electricity costs at our U.S. smelters and are cautiously optimistic about natural gas prices, which have dropped from well over $14 to under $8 per million BTU's since November. I think in the last day or so it's near $7. Jack will have more to say about these issues shortly.

As you know collective bargaining agreements are coming up at both Hawesville and Ravenswood this year, and Jack will discuss this subject.

Our production capacity has grown rapidly in recent years. In 2006 we are transitioning to a full rated capacity of 745,000 metric tons, and that will be at full level in 2007 for the total period. We are continuing to explore additional growth, both in primary aluminum and in bauxite and alumina. The market is very dynamic and we are working on some interesting opportunities to grow our asset base, diversify our operations, reduce aggregate costs, and create value.

With that, I'll turn it over to Mike Bless who will provide further details on our financial performance.

M. Bless

Thanks very much, Logan. As those of you who have followed the company for some time now, David Beckley and the senior team here have built a terrific financial organization. I just want to say at the outset, I am really pleased to be a part of it and look forward to working with the team going forward.

On the next slide, taking a look at the fourth quarter, sales as you can see increased 8%, and operating income 13% versus the third quarter. Operating income was $3 million higher in Q4, driven by higher volumes and realized prices. However, energy costs were $9 million higher, and we were required to purchase some alumina on the spot market, due to the problems with some of our suppliers, which cost us about $3 million versus Q3.

The net loss for the quarter, as you can see, was $4.62 per diluted share. Included in this result was a non-cash after-tax charge of $5.12 per diluted share from marked to market adjustments on our forward contracts that don’t qualify for cash flow hedge accounting. Excluding this adjustment, our earnings were $0.50 per diluted share. I think it’s important for everybody to understand that these forward sales contracts, these ones that don't qualify for cash flow hedge accounting, extend over a very long period of time in this case from 2006 to 2015.

The volumes, which settle in 2006 and 2007 are relatively small and represent over about 13% of the total that we've sold forward. Another way to look at this is that of the total liability at December 31st the amount attributable to 2006 and 2007 is only about $40 million after tax.

The company's cash flow has also been strong, though it's not on the chart, 2005 free cash flow, which we define as net cash provided by operations less capital expenditures, other than net cap ex for the Nordural expansion, was a record $117 million. This level represents over 140% of net income, excluding the marked to market adjustment and 10% of sales.

Strong cash flow has enabled the company to increase our future flexibility by contributing more equity to the Nordural expansion that we had planned, thus reducing our borrowing requirements.

Going to the next page, as you'll see this slide summarizes our forward price sales. The second line shows the additional volume, which would be triggered at current market prices. The natural hedge associated with our toll and electricity contracts at Nordural, and our percentage LME alumina contracts at Ravenswood and Mt. Holly add about 20% to our effective hedge. This rate assumes that the alumina contracts expiring this year renew at current market levels, thus adding the forward price sales and the hedged input costs, we are about 50% hedged for each of 2006 and 2007.

To remind you, the company has had a well thought out and well executed hedging program in place for some time. Our strategy has been and continues to be one of balance. First, we want to lock in enough sales at what historically have been attractive long term prices to underpin our cash flow during weak markets, as Logan explained. We also want to remain meaningfully exposed to the market in order to exploit strong market conditions.

With that, I'll turn it over to Jack who will talk about our operations.

J. Gates

Thank you, Mike. Turning to slide ten, my comments today will cover the operating performance for the total year, as well as the fourth quarter. The excessive pot failure problem that Hawesville experienced in the second and third quarters of 2005 are over, as evidenced by the production records set in December of '05. Operating pot count is back to normal and

December's energy efficiency was the second highest in the smelter's history.

Hawesville operating performance continues to improve as the January '06 numbers broke the production records set only in December. The new automatic sow casting machine installed late in 2005 is now fully operational, which will significantly reduce the cost of casting at Hawesville.

Ravenswood had an excellent fourth quarter to finish 2005 with several plant operating and efficiency records. Plant records were set in total pot room production; power efficiency per pound of aluminum produced, and labor productivity.

Mt. Holly's fourth quarter pot room production exceeded forecasts. The total 2005 pot room production was slightly below the stretch goals that we set for 2005. This variance was basically due to the earlier in the year extra pot failures that Mt. Holly experienced. The smelter continues to increase production capacity by increasing amperage on the two pot lines. Energy cost is a challenge that we continue to work on everyday.

The Nordural's smelters fourth quarter pot room production was above forecast, and for the total year, the smelter exceeded every production and efficiency goal that was set. Pot room production exceeded the annual forecast by 1.5 million pounds and was a plant record. The plant continues to operate at a level equal to the best smelters in the world. As Logan has mentioned, our Nordural expansion continues on schedule and on budget. The first pots were energized on the $14^{th}$ of this month with the expansion projected to be completely operational by year-end, which will take the smelter to 220,000 metrics tons per year.

Just in summary for the smelters, all four smelters finished 2005 operating above their rated capacity and that trend is continuing in 2006. Safety results throughout the company were excellent, setting several new plant records.

The labor contract expires at Hawesville on March 31, 2006 and at Ravenswood at May 31, 2006. While these negotiations are just now getting underway, we're confident that a settlement at both locations will be reached that meets the needs and expectations of all parties.

Moving on to the other operations of bauxite and alumina, after a rough third quarter due to the hurricanes that hit the Gulf Coast, both Gramercy and the St. Ann Bauxite mine returned to normal operations in the fourth quarter of ’05. For the complete year of ’05, Gramercy operated better than 94% of rated capacity, even with the natural disaster that occurred. The refinery personnel did an excellent job under some very difficult circumstances.

We’ve talked about natural gas, the price of natural gas peaked in the fourth quarter of ’05 and continues to fall, due to improving supply as additional capacity comes back on stream and the milder than expected winter that we’re now experiencing.

The St. Ann Bauxite mine missed its fourth quarter annual production forecast, due to the five hurricanes that touched Jamaica and the excessive mobile equipment downtime that we experienced during the year. The joint venture partners have committed a significant recapitalization of the mobile equipment fleet, which will result in increased bauxite sales in 2006 over 2005 and in the future years, while improving operating cost.

In the market part of it, more physical demand for aluminum remains strong as evidenced by the current high LME price and the continuing improvement in the Midwest transaction premium. Aerospace plate business continues very strong with Boeing taking several large orders to Middle East customers.

Scrap is available, but demand out of China seems to be increasing. The demand for high purity aluminum has increased pushing these premiums up, due to a tightness in supply. This increased demand for high purity fits the Hawesville order book very well as the majority of its production is high purity aluminum.

Century has booked out on its bill of sales for 2006. We talked a little bit about natural gas, let me summarize natural gas. Between August and October, natural gas prices at the Henry hub doubled, which impacted our pre-tax costs during the quarter by about $9 million, as Mike mentioned. The good news is supply has been coming back on stream and inventories are building. As you can see by the chart, prices seem to have peaked and are now headed lower. We’re obviously watching this very close.

Looking at overall capacity primary on the chart on page 13, illustrates the growth in Century's primary alumina capacity from under 300,000 metric tons in 2000 to 525,000 in metric tons in '03, and now at 615,000 metric tons in 2005. By the fourth quarter of this year, we'll have the capacity to produce 220,000 metric tons of primary aluminum on an annualized basis in our Iceland smelter. This will provide us with a full year global capacity of 745,000 metric tons per year for 2007.

Now I'll turn it over to Logan for his closing comments.

L. Kruger

Thank you, Jack. 2005 was the second best year for Century's history. Revenue and free cash flow were at record levels. Operating income was strong, despite some real cost pressures, and we are working very hard on those.

We continue to expand at Nordural and its on time and on budget. With few exceptions, our U.S. operations have performed well. We managed our way through some unforeseen challenges in the U.S. especially for energy costs and weather related supply disruptions.

As we enter 2006, the electricity prices continue to be an ongoing challenge in the United States, and we are taking proactive steps to manage this. We are guardedly optimistic about the spike in natural gas prices will continue to moderate.

So far this year, operations have all done very well consistently across the board. Jack has just described our growth potential in Iceland; 2006 will be for us a transformational year for the company as we ramp up to 745,000 metric tons of capacity in the fourth quarter of this year.

With full production on the expansion available for the whole period of 2007, 30% of our total production will be sourced outside of the United States in a globally cost competitive facility. Finally, we are evaluating opportunities in both primary aluminum and bauxite and alumina to make Century stronger and more globally competitive.

I'd now like to open the discussion for any questions.

Moderator First we'd like to go to the line of Brett Levy with Jefferies. Please go ahead.

B. Levy — Just to get a little bit better sense, as to what's coming in the next couple of quarters, can you either give correct guidance for the up and coming quarter and years? Or could you also potentially just give us a little bit of a sense of a metric with your hedges, where every penny movement in aluminum might be a driver of a certain amount of operating income? Then, also, can you have some sense as to how with the hedges a movement per dollars per MMBtu of gas might be a driver?

L. Kruger — I'll toss it on to Mike Bless.

M. Bless — Sure. Let me take it one step at a time. First, we have talked about this, we appreciate the comment. At this point we're going to choose to continue to go with what we've done historically, which is not to give direct guidance on a quarterly or an annual basis. But let me try to provide some help in context as you've asked it.

A penny a share in the LME price, if you take it through our volumes, are percent hedged as you correctly pointed out, equals about maybe $0.15, maybe $015.5 per share in the company's earnings. So you can model it however you'd like, but that's the variability.

On the natural gas side, as we've said before, we use about nine million MM BTU's of gas per year, and we're at this point for the balance of the year, March through December, about hedged on a little over one-third of that, we're about 36% hedged to be precise. So, again, based on $9 million annual usage, you can, depending upon your own estimates for natural gas, you know where it is today. The nearing contract is in the low sevens and those going out upwards of 12 months are almost $1.50 in excess of that. That should enable you to make some estimates.

B. Levy — Then as you guys look into alumina or bauxite potential acquisitions, can you guys talk a little bit about your thoughts with respect to preferences, whether it be debt or equity, in terms of financing these acquisitions?

L. Kruger — I suppose it depends on what you're looking at, and we look at bauxite both ways. It's a bit early for us to even discuss that, but I think we obviously look at bauxite both ways. So, Mike, do you want to make any comments?

M. Bless — I would agree with that. The only thing I would add, obviously, it depends upon the size and market conditions. We look at our options, and the company has been very creative in the past about gaining the most flexible and lowest cost financing and we'd have to look at market conditions.

L. Kruger: I would just add a bit of a comment on that, and perhaps, a bit of color. The St Ann's facility is going to be recapitalized on its mobile feet, so our ability to produce more bauxite in the next 18 months is going to improve as we go on further this year with deliveries.  So I think Jack made the remark and you may well have picked it up.

B. Levy: The last one, and then I'll pass the ball, have you guys heard any rumblings of people potentially starting any of the Northwest capacity in aluminum?

L. Kruger: Not as far as we know.  I've got a general consensus around the table that no one has heard anything.

Moderator: Next we'll go to the line of Amir Arif with Friedman Billings Ramsey. Go ahead please.

S. Arnold — It's actually Sam Arnold. First, touch on the first question. You guys said for natural gas used you use nine – what were the units again? That seems extremely low.

L. Kruger — That was for the usage, Mike?

M. Bless — Nine million was the usage.

S. Arnold — Nine million BTU's or nine million million BTU's?

M. Bless — Nine million million BTU's.

S. Arnold — That makes much more sense.

L. Kruger — We'd enjoy having the lower number.

S. Arnold — I just wanted to clarify that. The second point would be on the actual acquisition market, you had mentioned the primarily upstream components. Would management consider looking at any downstream, considering that some other majors are looking at selling out some of those assets?

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| L. Kruger | I don't think it's on our list. It's not where we want to go. It would be remiss of me to say never, but it's unlikely. |
| S. Arnold | That's not your primary objective, but if the right deal came around, you wouldn't be opposed to looking at it. |
| L. Kruger | Yes. Please don't lead anything from my comment. It's just where we are in our strategy. |
| S. Arnold | That makes sense. That's all I had. Thank you. |
| Moderator | Next we'd like to go to the line of Terence Ortslan with TSO and Associates. Go ahead please. |
| T. Ortslan | Just to follow up on the acquisition and the futuristic plans, are we looking more at a partnership sense in brown field or green field capacity on the primary and on the bauxite alumina opportunities? |
| L. Kruger | We've been looking at everything. But I can tell you one of the things that we're looking at very hard at the moment is how do we go and bring on stream our full 260,000 tons in Iceland. As you know, we just powered up |

to the 220,000 and we're looking at all ways to bring on the additional, and … as you all know after the 260,000. But in terms of the other productions, we would be open to anyone.

T. Ortslan — Just on the Icelandic currency, I don't know why the currency is so strong, except aluminum, and I don't see anything else, but what's the impact on the currency on the cost, and what's the component of any greenfield plant, how much of the domestic cost component of the capital of a plant in Iceland as an example?

L. Kruger — Just to make clear, we are also impacted by the euro and the Icelandic krona, and I don't have the answers to hand, but we'll get someone to come back to you. Certainly in the project, we've managed to ameliorate the impact of the increase in the value of the currency, particularly the Icelandic krona. But we're well within our ability and budget on that particular expansion.

T. Ortslan — Thank you very much. Logan, good luck with your new responsibilities.

L. Kruger — Thanks, Terry. Nice to hear from you.

Moderator Next we'd like to go to the line of Vladimir Jelisavcic with Long Acre. Please go ahead.

V. Jelisavcic Thank you very much for being on the call and hosting it. Just a couple of quick questions. I didn't understand your comment, or I didn't get the actual facts regarding your comment on where your forward prices are locked in, I believe in response to the first question on penny per pound sensitivity in aluminum. I think you made a statement regarding the average pricing year-by-year of the forwards. Is that correct?

M. Bless The best way to look at the forwards, and this is consistent with what we've said before, if you go back and looked at the time that we've sowed that amounts forward, specifically the two large forward sales we did in late '04 and mid '05 respectively, we did them – first they were done on an LME basis, so you've got to add in a Midwest premium on top of that. But in terms of the LME, we did them pretty much consistent with what the forward screen was showing at that point and time.

So, again, if you were to go back and look in November of '04 and June of '05 at what the forward screen was showing, and look at those forward years during which we sold forward, that's about what we achieved on an

LME basis. Then you have to add in whatever you think the right Midwest premium is over time, it's a nickel plus or minus a half a penny sitting right here today.

V. Jelisavcic — How do those two large transactions, how do they spread out there '06, '07, and beyond?

M. Bless — The volumes, as they kick in, and I believe we've had them in our documents in the past, the first sale that we did just to tell you what it says in that, the first sale is from 2006 to 2010 and the second sale doesn't even kick in until 2008, and that lasts through 2015. So the volumes under the first contract do start this year.

V. Jelisavcic — I appreciate that.

M. Bless — If you want to get into more specifics, we can obviously provide you more offline.

L. Kruger — You can actually get the detail in our 10-Q, if you look at it.

V. Jelisavcic I'll take a look at it. Thank you. With the anticipated conclusion of your Icelandic expansion in the fourth quarter of '06, do you plan on starting to pay down debt in '07; can you shed some light on your expected uses of your free cash flow in '07?

M. Bless Sure. As you correctly point out, the expansion will be completed by the fourth quarter of this calendar year. The facility is cash flow positive today and has been, and will obviously become more cash flow positive as the additional capacity comes on, as Jack detailed. So we will be producing cash flow significantly in Iceland, if that's what you're asking about.

We have obviously a debt facility there upon which we've drawn; you see it on the December 31st balance sheet. And, obviously, we'll have the ability to pay down that debt. It's a good facility and well priced flexible financing, but we'll have to look at where there are other alternatives are coming out of that facility. Again, the debt is prepayable without a penalty, so we do have the ability just to pay down that debt.

V. Jelisavcic Just in terms of the contribution margin from that incremental 130 million tons per year of tolled capacity, can we just look at the change that occurred in your financials when the 90 million ton per year Iceland facility came on line and just basically extrapolate that for an additional 130 million tons? Would we be very far off if we did that?

M. Bless

The first thing we need to point out is the whole incremental 130 million tons will be on as of the end of the expansion in the fourth quarter, but the actual production from the expansion will be about half of that this year. So that's the first thing you need to understand.

Second, the only additional guidance I'd give you is if you go to the fourth page of the financial statements we filed with the press release last night, you can see what the average realized tolling revenue that comes out of that facility is a per pound basis, and you can just calculate it. That will give you at least a sense for what the incremental revenue is coming out of it.

L. Kruger

I just want to go back to your question of the use of funds in Iceland. I just want to remind you the comment I made about looking very seriously at going from the 220,000 up to the 260,000. So there will obviously be some use for the funds.

V. Jelisavcic: For an additional 40 million ton per year expansion?

L. Kruger: It's 40,000 tons.

V. Jelisavcic: I'm sorry, 40,000 tons per year expansion. That's definitely very, very helpful. Other than that additional 40 – let me just take a step back, when do you anticipate building out that 40,000 tons per year, is that a first half of '07 project?

L. Kruger: We're looking at it now on the preliminary is well in hand, and when we have further information we'll let you know. But we haven't got timing on it as yet.

V. Jelisavcic: Definitely that's fair enough. Thank you very much, gentlemen. I appreciate the help.

Moderator: The next question comes from the line of Timothy Hayes with Davenport and Company. Please go ahead.

T. Hayes The question I had is on hedging. In looking for ’06, you’ve increased the model forward sales from your previous release. Am I to infer that during the fourth quarter of ’05, you put on additional hedges for ’06?

M. Bless That’s correct.

T. Hayes Can I take a straight difference that that implies that you put on 66 million pounds of hedges during that fourth quarter?

M. Bless That’s pretty close to it. You got it.

T. Hayes Was there any particular point of the quarter when you put those hedges on?

M. Bless I’ll have to come back and get you that. I can’t cite you that specifically. Good question. We’ll get you that, Tim.

L. Kruger From my memory, it’s in late November.

T. Hayes — Then a couple of other line items. What's your expectation for SG&A for '06? Then could you explain more the deferred tax asset on the cash flow statement, why that was such a big negative?

M. Bless — The run rate cash flow for '06, a good number to use is in the $7 million to $8 million range per quarter. Then on the deferred taxes, obviously, the big number you're seeing is related directly to the marked to market adjustment, as we've obviously provided a tax benefit against it, but obviously didn't get any cash from that. It was just a book provision.

T. Hayes — The last question is the unpriced power at Hawesville, I think we came into the year with 18% on price. Can you give us an update on what happened with that and that ability to price that power?

L. Kruger — We've recently actually secured that in terms of we're feeling a lot more comfortable that we've brought secured power there. Jack, do you want to make any further comment?

J. Gates — That says it. We're basically covered with the extension of all of our power for Hawesville for this year.

T. Hayes — Any update on your endeavors to extend that contract for the entire smelter out to 20 to 23?

L. Kruger — It's 23. We've done the MOU and we continue working on getting that in place, as you're well aware.

Moderator — The next question comes from the line of Jonathan Goldberg with Highline Capital. Please go ahead.

J. Goldberg — I was really just hoping you could expand a little further on your thoughts on the overall aluminum markets. Anecdotally from what you're saying, it sounds like markets and demand are strong. We've seen the Midwest premium tick up. And yet if I just focus on the LME inventories, that's risen pretty perceptively year to date. I'm just wondering if you can help investors reconcile that.

L. Kruger — I think there's two parts to it. Demand is cyclical, as you all know, so I'm not trying to guess that. We really don't talk to the future. The Chinese program and the way they're operating continue and the … in China, as you saw, great about 17% last year. But on the supply side, I think things are constrained, it's not that easy to bring on new supply. A large amount of the smelters are obviously seeing cost pressures as well. I think to bring new projects into fruition are going to take a couple of years.

On the inventory side, if you look at the 700-plus thousand plants, as a total of the whole business, it's a very, very small number of days of inventory. So it's growing, but I think the market remains robust and healthy.

Moderator — The next question comes from the line of Carlos De Alba with Morgan Stanley. Please go ahead.

C. De Alba — I have three questions, if I may. The first one is, I would appreciate if you could quantify for us, the impact of the weather related additional costs that you faced in the fourth quarter.

M. Bless — I'll take that. As I said in my comments, about $9 million – this is all versus the third quarter now, about $9 million related to increased energy costs, and about $3 million given the fact that we had to go out on the spot market and purchase a little bit of alumina, given that some of our suppliers were having transportation problems.

C. De Alba — Those $9 million include both natural gas and the additional power charge in Mt. Holly?

M. Bless — That's correct.

C. De Alba — The second question would be I assume that the ramp-up of the Nordural expansion in 2006 is going to be linear. So for modeling purposes I'm trying to understand how that is going to impact your bottom line. I assume that you're going to be paying interest on that debt, and also you're going to be depreciating part of the expansion. Do you have any idea of how that might impact your bottom line?

L. Kruger — When you said linear I think the idea is we're going to bring on some … and we're going to be at the end of the year fourth quarter, we're going to be fully ramped up. So that's the process. For modeling purposes, you can adopt a number of ways of doing it, but your thought about linear seems to be more or less right.

I think Mike might make comments on the other part.

M. Bless — The only thing I might add to that is, as it relates to the debt, i.e. the financing of the additional expansion, it's unclear as to exactly how much incremental borrowing we'll have to do. At current metal prices, or anything close to current metal prices, we'll be able to finance a good chunk, if not all, of the remaining expansion out of cash flow directly from Nordural.

So it's a moving target, obviously, given the metal price, but we're feeling very confident that, number one, we will not put any more cash equity from the United States in, and, number two, we may not have to borrow too much incremental out of our Icelandic debt facility.

C. De Alba — Just to follow up on that question, is your debt appreciation related to volume or it's more related to just timing in the charge period?

M. Bless — Timing.

C. De Alba — My third question is, I saw a 23% increase in your SG&A cost for the fourth quarter, both on a year-over-year basis and on a sequential quarter. I wonder if you could tell us what we're the drivers behind this, and also what can we expect for Q1 and for '06?

M. Bless — To answer the second part of your question first. A good number to go forward on on an average quarterly basis is in the $7 million to $8 million range. There could be a little variance on a quarterly basis, but that's a good estimate for '06.

In terms of what happened in the quarter that just completed, we did have some one-time costs for mainly personnel matters. We have a new team coming in here and some retirements. So that did drive just a little bit in the fourth quarter, and that's the variance that you're correctly pointing out.

C. De Alba — Just a final question, if I may. Craig mentioned the new power for the Hawesville smelter, are you paying spot prices, or were you able to come up with a one-year contract term?

L. Kruger — It was Logan, and we have come up with a price with the supplier. It's not on the spot.

Moderator — The next question comes from the line of Larry Peck with Copper Beach Capital. Please go ahead.

L. Peck — A couple of questions. The first one is regarding the Hawesville power contracts. Can you just give a framework, as to what the negotiation would look like? Is that going to be net present value positive in terms of, is there any give-up on the near term pricing to get some benefit from the later term?

L. Kruger — We are all looking somewhat perplexed by the question.

L. Peck — Here's my question, is the current contract, which I believe goes through 2010 or 2011, being renegotiated to your detriment for the benefit of getting more preferable pricing later on? In other words, should we see power prices go up again near term when it gets renegotiated or no?

L. Kruger — I understand that question. Jack?

J. Gates — I guess the answer to your question is we would give up a little bit if we could negotiate a power contract that takes us through 2023, we would give up a little bit on the near term.

L. Peck — But net/net on the present value basis would still be a win for you guys. I'm trying to gauge how much you would be willing to give up, though, in the near term so I can start modeling '07 I guess is what I'm getting at.

L. Kruger — We'll try to help you. You also lose your exposure to the near term by giving up at this point and time. I'm trying to think about how we can help you. I haven't got any bright answers at this point and time; can we try and come back to you?

L. Peck — Sure. My other question is philosophically, the desire to get more of the bauxite alumina business more than you are. You guys have, obviously, some very astute guys in your board from Glencore. What's driving the desire to want to get into that business? Is there something that you guys are seeing from a continued tightness in alumina? What's the impetus behind that?

L. Kruger — I think without being facetious, I'm told just to answer the question; I think it's a good business and it's got good margins. In the industry, it seems to be that you make fairly good money upstream. I think that was an earlier question we were asked of there's a lot of other companies getting out of the downstream business. So we think it's got good business, it's got good margins. And the market for alumina seems to be tight, how long that will continue, we don't know. We think long term, it's actually a good business to be in.

Moderator — The next question comes from the line of Alex Latzer with Merrill Lynch. Please go ahead.

A. Latzer — Congratulations on the new assignments, Mike and Logan. Congratulations on the retirements of David Beckley.

D. Nethers — Thank you.

L. Kruger — You should see the smile on this side of the table.

A. Latzer — I hope you're having some global warming in Minnesota, otherwise good luck. I had a question following up on the alumina, I've been hearing more and more that the Chinese are still significant importers of alumina, but that they were investing aggressively to increase their capacity and whether that should really factor in. I know that the percentage to the LME on the alumina contracts has certainly come up nicely. I was just wondering if you had factored that in to your analysis on the market outlook at the returns versus the aluminum side.

L. Kruger — Yes, we have.  Again, it's a moving feast, if I may use that term.  We're looking at what the numbers are today.  You've got to model it some way through a longer term and try and pick of range of numbers that show attractive returns.  Again, we do like that business, but it doesn't mean we won't take on opportunities in the metal portion.  If good opportunities come along, we'll look at those very seriously.

A. Latzer — You have a little ways to go anyway to first become fully reliant on your own supply alumina before you even talk about getting long, for instance.

L. Kruger — I think it's early days for us in this process.  We're certainly done seeing us being long at this point and time.

A. Latzer — My other question was I just want to confirm, you mentioned that Nordural in the fourth quarter, do you expect to be at the 220,000 rate for half the quarter, was that right?

L. Kruger — We expect to be at the rated capacity in the fourth quarter. We're leaving that in the fourth quarter. We're put on the … with Jack and his team last week, and we're going to bring in parts on a regular daily basis. And it looks like by the fourth quarter, we'll be fully rated up, and we think, Jack, for the 150,000, we'll see about half of that.

J. Gates — Yes. About half of it, yes.

A. Latzer — That's helpful. To get to 260,000 then, again, what would be the critical path to getting there? Obviously, that's just simply a power arrangement, is the power available and it's just a matter of reaching an agreement with a power provider or does the power have to be completed?

L. Kruger — That's a good question. Obviously, the answer is all of those. The power we're working on and the contract and the project side, we have an operating and project team in place. We have engineering facilities and obviously we have the financers, as Mike Bless has pointed out. So it's a matter of putting all of those pieces together, and then being able to say we're ready now to go to the next level and take the 220,000 to 260,000.

J. Gates — On the construction side, the infrastructure is in place. Really all we have to build is the pot rooms and the environmental system that feeds additional production. Everything else is in place.

A. Latzer — Thanks for that, Jack. My last question here is any cost targets, Jack, that put you not too much on the spot. But I know we had this wonderful smelter coming in at an expanded rate, a very low cost attractive, and they also have your operational targets for cost in the United States. I was just wondering what kind of a year on year cents per pound would you expect full year in ’07 versus ’06 from bringing on Nordural? Then what are you doing on an operational basis at the existing site?

J. Gates — We’re always battling costs to bring the cost down. Right now, in the energy market, it’s kind of a crazy market. So a lot of our effort depends on energy cost. You tell me what natural gas and electricity is going to do and I’ll tell you that I will just say this. The Nordural smelter is one of the more efficient smelters in the world, and it will bring our overall production costs of our company down.

A. Latzer — You didn’t finish your sentence, it will bring it down by how much?

J. Gates One to two cents a pound.

Moderator Next we'll go to the line of Dan Whalen with Bear Stearns. Go ahead please.

D. Whalen Just a question here on hedging, it sounds like you got a bit more aggressive in the latter part of the quarter. I was wondering, given where current aluminum prices are, would you be willing to hedge a greater percentage of your production versus the past?

L. Kruger That's a good question and it's one that we're wrestling with. I really have no view or comment to make today, but it's a good question. There are some favorable prices, I think the forward screen looks at about $2,100 a ton. We, obviously, would look at that. It's also been good being exposed to the market as well, so we have to balance that as well.

Moderator Next we'd like to go to the line of Shaun Nicholson with Kennedy Capital. Go ahead please.

S. Nicholson — I just have a quick question. You mentioned a lot of capacity was idled in the U.S. and Europe. Were those direct competitors or why did that happen in this environment?

L. Kruger — We missed that question, would you mind repeating it?

S. Nicholson — You guys mentioned on the call that you stated in the U.S. and Europe, you saw some capacity remained idled. Could you give a little more color on were those competitors of you guys, what was going on in the market for that to happen?

L. Kruger — It's just an observation. They remained idle and our observation is that these metal prices, no one has actually brought that capacity on.

J. Gates — Remember, too, it's very, very expensive to start a smelter that's been shut down. So to do that you have to have a long term power supply and alumina supply to do that, and it's just not there, even in today's market.

S. Nicholson — So you're not obviously worried about that in '06; is that coming back on line at all?

L. Kruger — I think the point we're trying to make is the supply side remains constrained. Although, the metal prices have been somewhat attractive, we haven't seen any movement to bring back ready multiples or ready shutdown capacity.

Moderator — Next we'll go to Lloyd O'Carroll with Davenport and Company.

L. O'Carroll — One bit of detail in Q4 was the equity income from joint ventures was down. If memory serves, this is basically third party bauxite sales and hydrate sales out of Gramercy. Was that mostly a function of storms, either loss production, gas, and will bounce back, or is there something more going on?

M. Bless — It's both. Obviously, the storms did impact the Jamaican operations and they're back. I also need to point out to you, and this will obviously be in the K, we did change a little bit, after discussing with our accountants, the presentation of that equity income. It's a slight change; it doesn't affect the bottom line. From a high level, I'll take you through it quickly, and if you want more detail, we can talk about it offline.

The way we used to do it was in our all of our joint venture interest to bring over the income on a pre-tax basis, fully pre-tax, and then provide a tax provision for it in our own tax line.

After looking at Jamaica specifically, the preferred treatment that we came to, as agreed to by our accountants, was to bring over the Jamaican income, net of Jamaican taxes. So you're deducting Jamaican taxes before you bring it over. Therefore, we're providing a little less taxes on our own tax line. Again, bottom line is the same, it's just a little bit of movement between that equity income line and the tax provision line on our income statement.

L. O'Carroll So a little squiggle in our model?

J. Gates Yes.

Moderator Next we'd like to go to the line of Timothy Hayes, Davenport and Company. Go ahead please.

T. Hayes Just to follow up on that, do you have any tax guidance, the tax rate guidance for '06 then?

M. Bless — Sure. As you guys know, and David's discussed this in the past, it's a bit of a moving target, given metal prices and whatnot, but a good number to use for '06 on a book basis is in the 30% range.

Moderator — Now we'll go to Tony Rizzuto with Bear Stearns. Go ahead, please.

T. Rizzuto — Congrats to all on the organizational moves. I've got a question on Jamaica and the labor situation, which currently seems a bit unsettled. I've been seeing some of the other players having some issues. In regards to your bauxite mining operations there, should we expect some type of impact in the first quarter?

More importantly, from a strategic point of view, could you describe for me some of the things you're looking at as you're viewing opportunities out there in the global landscape for your upstream activities and potential further activities in bauxite and alumina in terms of where you are thinking, or possibly the more attractive places, and is price becoming more of an issue for you today?

L. Kruger — That's quite a number of questions. Let me see if we can work our way through some of them, and just pick up with us if we've missed any. I think just on the labor situation in Jamaica, it has its challenges, but it also has its upside. So I think in our … business we're pretty settled at this point and time, and we don't see a spillover in the first quarter. I'm not sure why you asked that question but we don't see any spillover. But it can be volatile on occasion.

In terms of looking at opportunities upstream we're really not restricting ourselves. We have a small team working on it, and you probably know one of the individuals, Giulio Cassello, and he's working with Jack and myself and Mike. And really, we're looking at a number of opportunities, some small and some large, no more comment on that.

What's in house in St. Ann's, we have the capacity with the new equipment coming on with our partners to actually leverage some more bauxite and we're going to do that.

Let's ask Jack; he may have some additional comments.

J. Gates I agree, Logan. The issue of the contract was we settle our labor contracts and there's still an issue that the union is talking to the government about, and that hasn't been reconciled, but I think it probably will be. But as Logan said, we don't anticipate that will be a problem.

The other thing we've done is that we've brought in some outside contractors to help us with mining. We currently have three outside contractors that are helping us mining, which will also help us in increasing our production in St. Ann's this year. So as Logan said, it's an issue and it's not totally settled yet, but I think it will be settled.

Moderator — Next we'll go to Jie Zheng with Fore Research. Please go ahead.

J. Zheng — I just had a quick question on the power supply contract on the Ravenswood facility. Sorry if this question has already been asked. If I remember correctly, the old contract expires by the end of 2005, and it is a fixed price contract, and obviously you guys already have a new contract starting in '06. Can you quantify if that's going to be a higher price on the new contract? How does the new contract work, is it fixed or scheduled pricing? Can you quantify the potential increase in the power costs?

L. Kruger — It remains about the same. Jack, do you want to comment?

J. Gates — Yes. It's the same price contract. It's an Evergreen contract. We had the right to terminate with 12 months notice, but it's just an Evergreen contract and it's basically the same unit price.

Moderator — Next we'll go to the line of John Emrich with Ironworks Capital. Go ahead please.

J. Emrich — Could you just clarify the free cash flow number for the year, how much of it was in the fourth quarter?

L. Kruger — I'm looking at Mike.

M. Bless — We'll get back to you.

J. Emrich — Fair enough. Thank you.

Moderator — Next we have Milan Gupta with South Point Capital. Go ahead please.

M. Gupta — How much non-Nordural cap ex can you expect in 2006?

L. Kruger I think the range we use is somewhere between 15 and 20 million on an ongoing basis. So those are good numbers.

J. Gates That would include Nordural as far as maintenance cap ex, not the expansion cap ex.

M. Gupta Got it. You said the $9 million of energy charges this quarter included the Mt. Holly surcharges, and how much were those?

J. Gates It did. Of the $9 million, most of it was natural gas, between one million and two million dollars was Mt. Holly electricity and the rest was gas.

M. Gupta Just on the alumina front, you said that there is a problem related to a supplier. Could you just talk about what exactly that was? I don't know if that was St. Ann or an external supplier, and is that resolved? If you could also just provide any update on what you're seeing in the market for linkages as some of your contracts expire at the end of this year?

J. Gates It's an external supplier. It had to do with the hurricanes that hit the Gulf Coast, and right after the hurricanes cleared there was an explosion at

Formosa Plastic that have affected the supply of … that our supplier uses. They have … because of that. It's over and they're back at operating now.

M. Gupta — Then on linkages, do you expect 13% or are you seeing 14% or 15% in the market, what are you guys looking at?

L. Kruger — I really don't want to comment on that. It could be anywhere. This market is pretty volatile, but you see some of the numbers that I've spoken about going on spot cargos. I really don't think it's appropriate for us to comment.

Moderator — We'll also go to Carlos De Alba with Morgan Stanley. Go ahead please.

C. De Alba — Another question was I noticed that the liability due to affiliate went up about $240 million from Q3 to Q4, I wonder if you could comment on your bid on that?

M. Bless — That's just simply the balance sheet accounting for the mark to market liability.

C. De Alba — Related to the hedges?

M. Bless That's correct. Glencore are the counter parties there it gets booked on the balance sheet as due to affiliates.

C. De Alba A final question would be I noticed that if you compare the quality shipments in '05 versus '04, they went down every single quarter. Could you comment on the big drivers for that? Is that the production issue that we saw in Hawesville?

J. Gates Yes, that's the basic reason.

Moderator We have no further questions at this time. Please continue.

L. Kruger First of all, I want to thank everyone for coming on and being on the call today. We appreciate your time. We look forward to interacting with you in the future. We have an exciting year ahead of us and bringing on Nordural after 220,000. The operations are all going well. We're happy and settled with the team, and looking forward to having a good year. Thank you very much and I wish you all the best.

Moderator — Ladies and gentlemen, that does conclude our conference for today. We do thank you for your participation and for using AT&T's Executive Teleconference Service. You may now disconnect.