CENTURY ALUMINUM COMPANY: Fourth Quarter 2011 Earnings Call

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SPEAKERS

Michael A. Bless, President & Chief Executive Officer
Shelly Harrison, Vice President and Treasurer

PRESENTATION

Moderator	Ladies and gentlemen, good afternoon. Thank you for standing by, and welcome to the Fourth Quarter 2011 Earnings Call. At this time, all lines are in a listen-only mode. Later, there will be an opportunity for your questions. Instructions will be given at that time. As a reminder, this conference is being recorded. I would now like to turn the conference over to our host, Ms. Shelly Harrison. Please go ahead.
S. Harrison	Thank you, Tom. 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 statements. Please review the forward-looking statements disclosure in today's slides and press release for a full discussion of these risks and uncertainties.

In addition, we've included some non-GAAP financial measures in our discussion. Reconciliations 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 Mike Bless, Century's President and Chief Executive Officer.

M. Bless

Thanks very much, Shelly. If we could turn to slide four please, we'll go into a quick review of 2011 and the last couple months. In just a couple of minutes, Shelly is going to come back on and take you through our review of the macro environment, so I won't be repetitive there.

I guess, I could just suffice to say in summary now at this point, we're prepared for the volatile conditions in the marketplace to continue for some reasonable period of time, and we're going to continue to manage the company in that context.

Let's take a quick review of 2011. At Hawesville starting off, as you recall we restarted line five in February of this past year. As we've discussed at length, the plant got away from us a few months into this process. Upon assessment, we've confirmed, as we talked you about the past, that the issues where primarily related to the management and leadership in the plant. As we've looked through the causes, we found no purely technical reasons as to what happened in the plant.

Due to the upset conditions in the plant, our safety performance there also fell below our normal standards. Again, as we have talked to you about in the past, it took us longer than we initially expected to diagnose the problems in the plant, and to get the systemic fixes into place, which we've now done.

When all was said and done just to bottom line it for you, the upset conditions in the plant last year cost us $50 million in lost profits. This is a combination on the one hand of unabsorbed fixed costs obviously because of the lower volume, and number two, due to higher spending, both on materials and outside contractors.

As I said, we think we've now got back to a stable condition in the plant. Importantly, we've got a terrific management team in place to manage the plant for the long-term. We've got a very talented plant manager in place. Dave Whitmore has been at the plant for years. He has been in a variety of positions there. We've got great confidence in him. He has filled all the key supervisory and general management positions at this point, and we think we've got a great opportunity to improve Hawesville and make the plant more productive and valuable.

The biggest issue at Hawesville as it is at Mt. Holly as well, and I'll talk about this all later in my comments, is power, and this will be a key focus area for us in 2012.

Moving to Mt. Holly, the plant had another good year, this past year in 2011. A couple operational issues over the summer are now well passed us and cleared. Mike Rousseau has been in the plant manager position now for about a year and a half. We think he is doing an outstanding job. Again, we'll talk about the power issues at Mt. Holly in just a moment.

Grundartangi had a terrific year with record production, and very good improvement, I should say, over the last couple of years on the plant safety performance. I'll talk a more about that later in my comments. We've got a great management team there as well. Gunnar Gudlaugsson and his team are working very well together. On this basic Grundartangi, we have the confidence to go forward and invest in expansion of that plant. I'll talk about that again in a couple of moments.

Moving on to Ravenswood, we've spent quite a bit of time especially in the latter part of the year on the potential restart process. The situation is a complex one, and it's now at a reasonably sensitive stage, and I'll give you a bit more detail in just a few moments.

At Helguvik, the project team continued with modest site and engineering work. Obviously, the major effort over the year was the arbitration process with one of the two power providers; we've talked with you about that in the past. We did get the panel's findings in December. The results were favorable to us and again, I'll give you a bit more detail on importantly what the next steps are there in just a moment. We had an active year on capital management. As you may remember back in the second quarter, we redeemed the remaining $47 million of convertible notes.

Beginning in the summer, we announced a $60 million share repurchase program that began in August. Under that program, we repurchased $46 million of common stock to date, so we've got $14 million to go on that authorization. We believe we've continue to invest prudently in our businesses, and Shelly will give you some more detail on our capex plans for 2012.

Lastly, obviously, we've had some changeover in the management of the company during 2011 and the last couple of months. I've talked about the plant managers at Hawesville and Mt. Holly.

On the senior management side, we've talked about this before, but we were fortunate to have John Hoerner join us in the third quarter. He joined in late August. John has terrific technical and leadership skills. To say he has hit the ground sprinting here is an understatement, and he is already affecting great change, positive change in the company.

Obviously, you saw my own appointment recently and at the bottom line, I and the board are convinced now we've got the right team to move the company forward.

With that, Shelly is going to give you a couple of comments on the marketplace. Shell?

S. Harrison

Thanks, Mike. If you'll please turn to slide five, the LME cash price averaged approximately $2,100 per ton in the fourth quarter. This is a significant decline from previous quarters and resulted in an average price of approximately $2,400 per ton for 2011. Prices have strengthened a bit from the $1,900 level we saw at year-end, and have traded in the low $2,000's so far in 2012.

Price support is being driven by global cost pressures and western well producer discipline, but it's being capped by macroeconomic concerns in Europe, large aluminum inventory stockpiles, and concerns over the lack of action by Chinese producers and taking offline high cost capacity. In recent months, there have been several announcements that plant curtailment actions taken by producers in Europe and Australia, as well as supply disruptions affecting production in Canada and other parts of the world. While aluminum markets have been generally strengthened by these announcements, there is an overhanging disappointment from the limited action taken by China, the world's largest producer of aluminum.

Aluminum inventories continue to reach new record levels, yet local premiums have reversed their pull-back from late 2011, and are steadily creeping back towards the record levels we saw earlier last year. Low interest rates and a widening contango have reinforced the economics of aluminum financing transactions and wait times to access metal from warehouses continue to grow. Even with the increased load-out rates that are planned to come into effect over the next few months, long wait times for metal are expected to persist and premium should remain strong.

Alumina markets have been somewhat soft and recent trades have been completed in the low 300's per ton. This market is expected to remain balanced to slightly oversupplied in the near term.

To move onto slide six please, over the next several years, most analysts anticipate that the aluminum market will remain in a modest surplus. Even in this environment, metal prices are forecast to strengthen as global economies recover from the financial crisis and producer cost pressures, especially power, continue to drive up the aluminum cost curve. Western world supply growth is expected to be limited over the next several years with few large scale projects in construction, and most of the Persian Gulf projects having reached or neared full capacity by the end of 2011.

Chinese production is showing no signs of slowing as aluminum projects continue to migrate to the less costly regions in the northwestern part of the country, and production is expected to reach a record level of 22 million tons in 2012. U.S. aluminum demand continues to grow at a reasonable pace, while European demand is expected to remain somewhat sluggish in 2012. Chinese demand is forecast to grow at a healthy pace of approximately 10%, and we continue to believe that China will remain balanced or a modest net importer over the longer term.

Overall we expect prices in the near term to remain range bound in the low 2,000's. Prices will receive support from rising cost pressures and limited access to physical metal units, but will face downward pressure from historically high overall inventory levels and uncertainty in the Euro Zone recovery.

Longer term, we continue to believe in a strong outlook for the aluminum industry. Future supply will be constrained by access to affordable long-term power, and we believe it will only become more challenging for producers to find attractive regions for further development.

Now Mike will take you through our operations and financial results.

M. Bless Thanks, Shelly. If you could turn to slide seven please, as Shelly said, I'd like to just give you a quick review of the company's operations in the fourth quarter. Let's start with Hawesville. As I said, we returned during the quarter to controlled the operations, and we're now working to maintain that condition obviously and to improve the plant.

Moving down here, you'll see that we had a good performance in safety during the quarter and in the last couple of months. The incidence rate has come down nicely. One of the areas on which we're focusing here, just to give you a little bit of flavor, is on housekeeping. For those of you who have been around industrial plants, you'll know that keeping the plant orderly and everything in its place is key to improving safety performance. It sounds easy. In a complex environment like in aluminum reduction plant, it's not at all. We've had one of our most experienced and talented people, he's actually from our Ravenswood plant, on loan to Hawesville to help them put in place the right processes, and Gordon Harper has been doing a fantastic job there.

Production metrics were improved across the board at Hawesville over the quarter. Let me just give you some examples. Current efficiency was up two percentage points, Q4 over Q3; power usage or efficiency down 3% or our usage down 3%, efficiency up 3%. We had 45 more average pots in service Q4 over Q3, and obviously that improved production, drove labor productivity up 12%.

You see the conversion costs coming down. Most of that improvement came towards the end of the quarter now that we've got all the third party contractors out of the plant. The unusual and high usage of maintenance and materials has abated and the volume, importantly, in the plant is now where it should be, so we're no longer under-absorbing our fixed costs. So in that respect, you'll see the impact of all those actions on the cost base in the current quarter and as we move forward in 2012.

Importantly, the product quality at Hawesville was up significantly. We returned back to the purity markets this quarter. You'll see I'll talk about our net realizable prices, Q4 over Q3 in a moment, you'll see that impact there, and our off-grade production was down.

Turning to Mt. Holly, the safety performance at Mt. Holly was a bit below that plant's usual high standards in the fourth quarter. We've had a look; there is no pattern in the incidence there. Management is very focused. Plant management, and ourselves and Alcoa are very focused on this. In fact, the performance has improved over the last couple of months.

Production was up about one percent Q4 over Q3, with improvements in KPIs across the board. Quality was excellent this past quarter. We've reached multi-year highs for billet and total premium production, obviously important for our revenue. You see the conversion cost at Mt. Holly coming down nicely. A big chunk of that was power cost, which abated a bit Q4 versus Q3.

Moving to Grundartangi, we had a couple of bumps in safety performance also this quarter. That having been said, the plant has made terrific improvements over the last couple of years. When we look at the incidents during this past quarter, we note that most of them come from simple, risky behaviors in the plant. I'll talk about behavioral base safety and where we're heading at Grundartangi when I talk about the items on which we'll be working in 2012. Like Mt. Holly, the last couple of months' safety performance at Grundartangi has come back and has been quite good.

Production has been flat, or was flat, I should say, in Q4 versus Q3 at Grundartangi. For the year as a whole, we had record hot metal production of 280,000 tons. KPIs were good and improved across the board at Grundartangi from already good levels, and as you see, the conversion cost was down.

If we can move along to slide eight please, as normal, I'll give you a review of the quarter that just ended against the quarter immediately prior, so a sequential comparison here. As usual also, I'll refer to the financial information as far as the earnings release.

Before we dive into the numbers, just talk about the market a little bit, Shelly referenced some of these data. The cash LME Q4 over Q3 was down 13% on average, and on a one month lag basis, the LME and the U.S. Midwest transaction price was down 12%. When you look at our realized unit prices in the U.S., they were down only 11%, so there you see the impact of those high margin products at Hawesville coming back very important. Iceland realized unit prices were down 12%, that's right on the market.

Turning to shipment volumes, as in past quarters, and this will continue going forward, you'll note that a portion of the shipment volume that we recorded, direct shipments, was, in fact, in Iceland versus the U.S. Most of our direct shipments of course are in the U.S. and Iceland is mostly toll. The fact that Grundartangi is producing so far in excess of the toll contracts gives rise to some direct sales in Grundartangi. In this past quarter, the amount of those direct sales was 2,240 metric tons. So when you do the adjustment there, you'll see that Iceland shipments were flattish, actually off about a half percent Q4 over Q3.

Turning to the U.S. at Hawesville, as I've said, we were back to near full production by the end of the quarter with about 98% of the sales and service by year-end and that drove a shipment increase versus Q3 of 8% in the fourth quarter. Mt. Holly shipments were up 3% and putting Hawesville and Mt. Holly together, that gives a total domestic shipment increase for the quarter of 7%.

Moving on to the income statement data, net sales on a dollar basis were down 8% Q4 over Q3. The price decline drove net sales down by 12% and volume got it back four percentage points.

Gross profit in the quarter was down $25 million versus Q3. That's on a $27 million sales decline. Let me just give you a couple of the big movers there. The price decline reduced gross profit by $41 million quarter-to-quarter. Going the other way, we had a couple of items. U.S. power costs were favorable by $4 million. LME linked costs were favorable by $8 million. Those as you know are number one, our alumina costs in the U.S. and number two, the price that we pay for power in Iceland.

Raw materials this quarter were flat. This is the first time that we've seen in some time largely carbon-based costs flattening out. We saw some very large increases earlier in the year; I'll get to that in a moment. All the other cost across the company where either flat or favorable in the quarter.

Moving down to the income statement, you see that $2 million unrealized gain on forward contracts. That's obviously the marking-to-market of our put options as the LME fell during the quarter. Continuing down, average diluted shares for the quarter of 89.4 common shares. We repurchased 800,000 shares under the repurchase program during the quarter, and that brings a total since August to 4.4 million shares. There were 8.1 million preferred shares outstanding on average during the quarter.

If I can ask you to flip ahead to slide 19 just for a moment, I'll take you through the diluted EPS for the quarter. As you know, we state this generally for you here in this presentation on the base of the total shares outstanding, common and preferred shares. So again on slide 19, you can see the net loss as reported was $0.32 a share, lower of cost or market inventory adjustment, that's $0.06 a share cost us during the quarter. The gain on the marking-to-market of the put options was a $0.02 gain during the quarter and thus on an adjusted basis, $0.28 loss per share.

If we can move back to slide eight, just a couple quick comments on cash flow and balance sheet, and we'll move along to the full-year. As you can see here, capex was $9 million for the quarter, and Helguvik spending, or Helguvik capex was $3 million for the quarter, both of those numbers as expected. We ended the year and the quarter, of course, with $183 million in cash on the balance sheet.

So move along to slide nine, I'll give you a couple of comments on the full-year results. First the market again, the cash LME was up 10% year-over-year and on a one month lag basis up 12%. Our realized unit prices came in right on top of that. In the U.S. we were up 12%, Iceland up 13%.

Turning to shipment volumes, the direct shipments for the full-year at Grundartangi were just shy of 10,500 metric tons. So again, when you do the math there, you'll see U.S. volumes where up 4% year-over-year, Iceland shipment volumes up 2% year-over-year.

Moving along to the income statement, net sales on a dollar basis up 16% 2011 versus 2010; price drove the sales up by 13 percentage points, volume up three percentage points. Moving down, gross profit was down $23 million on a sales increase of $187 million. That's a result obviously that no one here is happy about, and I'm going to give you the big movers here. Price drove gross profit up by $149 million 2011 over 2010. Then we had a couple big items going the other way.

First market link cost U.S. alumina and Iceland power again were up $43 million year-over-year. Raw material costs, largely carbon, were up $58 million year-over-year, again all in quarters one, two and three. Lower cost of market inventory adjustments cost us $20 million in gross profit in

2011 versus 2010. As I said, the condition at Hawesville during the year cost us as $50 million in gross profit.

Moving on to cash flow, you'll note that cash from operations was slightly negative for the year. A couple of big items I'd like to note there that drove that. First we invested $36 million in inventories this year. As you'll note, if you looked at the quarterly progression there, most of that came during the early quarters of the year and was directly related to the restart of the fifth potline at Hawesville. We invested $35 million in contributions to our pension plans this year. About half of that was to fund our qualified plans to their target levels; and the other half was to fund a non-qualified plan due to the board changes that occurred in June.

If we can move along to slide ten please, just give you a quick walk-through with the changes of cash during the quarter. We began the quarter with $216 million of cash on the balance sheet. As you can see, share repurchase cost us $7 million during the quarter. We had a net inflow of $19 million from withholding taxes in Iceland. Let me just explain this for a moment, because it can give rise to some large movements in cash quarter-to-quarter.

So we pay these withholding taxes when we move cash back to the U.S. from Iceland. Obviously that cash was moved back this year largely to fund the redemption of the converts earlier in the year and then the share repurchase later in the year. We make withholding payments when we move the cash back, and we get those repaid to us in the fourth quarter of the year.

So what happened in the fourth quarter of this year is we received refunds of $27 million that we that we had paid earlier in the year and we paid an additional $8 million, so there's a net of $19 million that you see there, and that $8 million we'll get back in the fourth quarter of this current year.

Lastly, you'll see the $14 million we paid in income tax payments in Iceland. Those are always made in November. That's during the fourth quarter.

Just quickly if we can move to slide 11, talk about the same thing, movement of cash for the full fiscal year we began with $304 million, you'll see $122 million of adjusted operating income. That was at an average cash LME of about 2,400 for the year, so you could get some sense of the profitability of the company at that LME level, even with the issues at Hawesville.

Iceland withholding taxes, it was a net $20 million outflow this past year, $47 million in payments and $27 million of refunds. Just to give you a sense in the first quarter of this year, we'll make another $10 million payment. Then we'll get that back, plus the net $20 million from 2011 in the fourth quarter of this coming year, so look for $30 million there. That's of course, if we don't bring back any more cash and pay any more withholding taxes this year.

Capex of $20 million for the year at our budget, Helguvik $13 million for the year again at our forecast and most of these are other items I've already talked about; pension contributions, repurchase of the convertible notes, common stock repurchase program. One other item I'd note that in that other category you see all the way to the right, $9 million of that amount was related to the direct cost of the line five restart at Hawesville.

With that, I'll ask Shelly to take you through a couple of our forecast items for 2012.

S. Harrison — Sure. So if you'll turn to slide 12, as we do in the fourth quarter of each year, we're providing a couple of slides with detailed information on the company's anticipated financial measures for the coming year. In 2012, we expect all operating facilities to be producing above their rate of capacity levels. As Mike has mentioned, Hawesville is now operating at its rate of capacity, and we expect production around 250,000 tons this year. We anticipate production at or above record levels for both Mt. Holly and Grundartangi as a result of the efficiency programs that have been implemented at these facilities. Increased production over 2011 levels will be weighted towards the back end of the year. As in previous years, the vast majority of the products we sell, both in the U.S. and Iceland, we've priced on a one month lag.

For 2012, we provide a cash costs for our U.S. and Icelandic facilities. Obviously our cost of production is highly dependent on metal prices, due to our LME linked alumina and power contracts. The indicated ranges for cash costs are consistent with an LME price of $2,200 to $2,400 per ton. For this purpose, we're presenting cash costs in a format that we believe is directly comparable to the LME reported price. To do this we added the cost of alumina for our tolling operation in Iceland and deducted regional premiums above the LME price for all facilities.

In power costs, we are forecasting a 15% year-over-year increase at Hawesville. A portion of this increase is related to the rate case, which was approved in late 2011, and the balance is due to higher producer fuel costs, which do not require PSD approval. As Michael discussed, we're working very hard on the situation in Mt. Holly and hope to have some progress to report soon. For now our forecast calls for flat power costs year-over-year.

Carbon costs are coming down from the levels we saw in Q4, but because our prices rose throughout 2011, we expect the average for 2012 to be comparable to last year. I would note that our joint venture anode facility in China has become our largest supplier of anodes for Grundartangi.

Moving on to slide 13, we expect that interest will be similar to last year and SG&A for corporate and Helguvik will be approximately $40 million on a book basis. SG&A for the operating plants is included in cash costs on the previous slide.

Pension contributions for our wholly owned subsidiaries should decrease from $17 million in 2011 to $10 million to $15 million in 2012 in order to maintain our target funding status. We expect that maintenance capital across all of our operating facilities will be around $20 million in 2012. This includes $6 million for our major overhaul of our rodding facility at Grundartangi to replace some aging assets that were purchased used for the original construction of the plant. We also plan to spend about $1 million per month, on average, at our Helguvik facility until we are able to issue a notice to proceed.

We expect to spend another $5 million to $10 million this year on investment programs to improve efficiencies and increase production, primarily at Grundartangi. As is normal, we would expect capital spending to be somewhat weighted towards the back end of the year. For book purposes, our current year income in Iceland will be taxed at a rate of 18%. Cash taxes in Iceland are on a one year lag, and we anticipate these will be approximately $15 million for 2012 based on 2011 taxable income.

In the U.S., we continue to expect essentially no book taxes due to our significant deferred tax assets, which are fully reserved against on the balance sheet. From a cash standpoint, we expect to pay some modest amount of taxes in the U.S., due primarily to limitations on state NOL usage.

Now Michael will take you through our priorities for 2012.

M. Bless Thanks, Shelly. If we can turn to slide 14, as Shelly said, I'd like to talk with you just for a few moments here about some of the major items on which we will be working in 2012 and going forward. So first, safety is always going to be our first priority, and we truly believe here at the senior management and board level that this is a commitment to our people and to all visitors in our facilities. I also believe firmly based upon my experience at industrial plants that it's a foundation of a well-run manufacturing plant.

Let me just give you a couple of examples of what we're doing at both Hawesville and Grundartangi. At Hawesville, as I said, the new management team there has a renewed commitment and focus in this area. Each department in the plant has their own plan. Each of those plans is modeled off the principles of the plant-wide program. We have 30, 90, and 180 day improvement programs in place and each of those have measurable metrics.

We do have some modest capital in the capex budget that Shelly described for safety related items. We want to make sure everybody understands that we won't shy away from spending capital when it improves the safety in our facilities.

Most of the improvement, however, is going to come from leadership and from adherence to standard operating procedures in the plant. After we get to the right level, our next step at Hawesville will be the implementation of behavioral based safety, which is where Grundartangi is now heading.

Grundartangi is operating from a very good baseline, and so we know we can improve now to the next level. They've got good SOPs and processes in place, and as I said before, when we analyze most of the incidents that are now occurring in the plant, they're occurring due to risky behavior either on the one hand due to deviance from standard operating procedures or, quite frankly, on the other hand from just a lack of good old-fashioned common sense. So we're now rolling out this behavioral base safety program. For those who are new and aren't familiar with the concept, these are systematic programs that identify and correct the root causes of unsafe behavior in an industrial plant. We've been very excited thus far about the buy-in of the employees and their commitment to this program.

Capital, too, we're spending here in the interest of increased safety. Shelly talked about the major upgrade at the rodding room at Grundartangi as a two year program in 2012 and 2013, and it's got two objectives. The first is operational readiness and the second is the improvement of safe conditions in this key part of the plant. I can say that senior management and our board of directors, as I said before, are very, very focused in this area. I should note that environmental compliance has also been good at all of our plants, but this is a constant effort to keep it there, and we've especially had good improvement at Hawesville since the conditions in the plant over the summer.

As we noted before, the biggest challenge and one of our biggest focuses for this year, certainly in the U.S., is on power for both Hawesville and Mt. Holly. These two smelters have two of the highest power tariffs of any U.S. smelter. This is largely for complex structural and other reasons having to do with the power markets and the specific power providers in each of those regions.

As you may know, the macro conditions in these areas in this part of the U.S. have led to a significant increase and the availability of and the price of market based power. In this context, we're in detailed discussions with both power providers to see what can be done. It's too early to predict at this point in what direction this may go, but I can say we're making decent headway in both sets of discussions.

Another major, major effort continuing for this year, certainly for the first two months and we believe going forward, is the complex process whereby we hope to restart the Ravenswood smelter. We're in detailed discussions at this point with the three major constituencies there, number one, with representatives of labor, both the retiree group and active labor; number two, with the state executive and legislative branches in West Virginia; and number three, with the power company and with the relevant regulatory bodies.

As I said earlier, all of these talks are in reasonably sensitive stages at this point, and thus it's difficult to predict when we might get to the finish line. That having being said, we believe we're ready to go. We've made detailed analyses of the work at the plant that's required to get a restart done, both in terms of capital and the hiring and training of employees. We continue to believe this will be a good investment for our shareowners, and we're determined to get it done and we hope to have that positive update for you when we announced earnings in April, if not hopefully sooner.

Turning to the Grundartangi, as I said before, we're embarking on a low-risk multi-year expansion program at that plant. It involves a couple of things amongst which are the upgrades of the rodding room that we've discussed, larger sized anodes beginning this year, and an improvement and an upgrade in our high-voltage electrical equipment. We'll obviously need additional power as well as we proceed.

The entire program is about five years long and in aggregate will cost about $90 million. It's obviously staged in the 2012 amount as relatively modest, about $10 million in that capital budget that Shelly described in 2012. Given the attractiveness of this investment, we're looking at ways to accelerate it, obviously dependent upon the availability of power. Ultimately, the program will lead to about 50,000 tons of additional capacity in this already excellent plant. Those new tons will come at a low per unit capital cost and an attractive marginal operating cost.

The last major subject on which we'll be working in 2012 was on Helguvik, and if I could ask you to turn to slide 15, I'll just talk about some of the major items here. As I said before, we made slow, but determined progress in 2011 on Helguvik, but to be quite frank, we remain frustrated at the slow pace of that progress and quite frankly, at the current condition as well. As you can see here at the pictures of the site, the steel frames for the buildings are largely complete. We'll be putting cladding on this spring to protect these assets. The civil work and other activity at the site has continued at a slow pace, as has the engineering progress.

We've been doing critical work with our vendors for the Helguvik project. This is critical work to make sure that we maintain the contracts and the bids that are in place. We've got a strong, but small and experienced team at Helguvik. They've been doing an excellent job and continue to do an excellent job.

The major effort here will continue to be on the power contracts. As I said before, we undertook an arbitration process with one of the two power providers. This is HS Orka and that continued for all of last year. In fact, we commenced it in the prior year in 2010. We did receive the ruling of the arbitration panel in December. It's a very detailed document, but the key points we believe were verified in our favor. A couple of very key ones, number one the panel rule that's the contract remains in force subject to the remaining conditions in it. Two, the panel ruled that the power company remains obligated per their original intent in the contract to provide us with its portion of the power for the entire project. That's the whole 360,000 ton potline.

The last issue that we have to address is the pricing mechanism. The panel did rule in our favor on some key determinants on how that pricing mechanism should work, but the ultimate mechanism itself is still subject to interpretation and needs to be negotiated with HS Orka.

We're going to be sitting down with our colleagues at HS over the next couple of weeks to see if we can get to the finish line there. I think, mutually, we'll know within the next month or two in what direction we're heading. Assuming we can get to an agreement there, HS has to finish some minor details in some of its permits and it needs to complete its financing, for its projects to give us power for our phase of 90,000 tons at Helguvik.

Moving on, we've been talking with our other power provider, OR. Their power that they're going to provide us for Phase I of Helguvik is complete, generating power today, and the discussions now center around the financing for a new power station to be built by them that's required for our Phase II and going forward on our project. OR has told us that they're reluctant to take on this obligation and risks for the new power plant, and thus a group of Icelandic pension funds are discussing with OR a transaction in which those pension funds would purchase a majority stake in that new to-be-built power station. We've been a part of those discussions. I can describe them absolutely as cooperative and productive, and I think here also within the next couple of months we'll know in what direction that's heading and at what speed.

As Shelly said in the beginning of her comments, there aren't many places in the western world that are conducive to developing the primary aluminum business anymore. We believe the economics of this investment continue to look attractive for our shareowners, and we continue to believe that Iceland is an outstanding place to develop our business.

And with that Shelly, I guess we can take questions.

S. Harrison: Yes, Tom, if you'll open it up, please?

Moderator: Our first question today comes from the line of Kuni Chen with CRT Capital Group. Please go ahead.

K. Chen: Congratulations to you, Mike, and good to see all the progress. It looks like you guys are doing a lot of good work here.

M. Bless: Thank you.

K. Chen: Just first off on Ravenswood, it seems like you appear a little bit more confident on getting this restarted at some point, maybe even with some positive news, so that's near term. Can you give us some parameters around capital spending to get the plant back up?

M. Bless — Sure, I will give you not only capital, but the total spending to get the plant back up, because the capital, quite frankly, is a reasonably small part of it. So I'll give you the bottom line answer first and then dissect it. It'll cost around $70 million in cash to get that plant restarted. Of that, Kuni, about half is working capital as you would expect largely alumina there. Of the remaining half of $35 million, less than a third of that is pure capex. Most of it is preproduction labor, preproduction power, training programs, materials, supplies and things like that.

K. Chen — Okay. That's helpful. Then just on Glencore and Xstrata, can you talk about how that potentially would impact Century, just share some of your perspectives there. Longer term would that have any impact on either your alumina or tolling agreements?

M. Bless — I can't imagine, but those are commercial arrangements, Kuni, and as it relates to Glencore as normal, we don't and wouldn't comment on anything that they're doing.

Moderator — A question comes from Brett Levy with Jefferies & Company. Please go ahead.

B. Levy — The first one is kind of a math one. It looks like your pension OPEB went from about 162 to 216 in about a quarter. Can you talk about what drove the change in the unfunded number and whether or not that impacts cash costs going forward?

M. Bless — Thanks, Brett. Steve Schneider, who is our Chief Accounting Officer, is sitting here and he's reported here the right answer, which is these are largely valuation assumptions. The most meaningful one is given that you're on the fixed income side you'll know exactly what I'm talking about; the falling discount rates. So the answer to your the second part of your question is no.

B. Levy — I got it. I just figured that. You've said something to the effect of $50 million in bad management related hit at Hawesville. Is there any way of drilling down on that or getting anymore specificity where you can say this is an easy fix, this is an easy fix? Can you give me an example of some chunk of that $50 million or stuff that went wrong?

M. Bless — Absolutely, and the answer is, yes. The fixes are all made and so let me drill down a little bit for you. So as I said, $9 million was what we've called in the past, we've talked about these numbers in the past, but just to remind you, the direct restart costs. So this is purchase of materials and supplies, training of employees, etc., etc., the direct cost of bringing that potline back. Of the other $40-odd million, about half of it or so is due to a combination of fixed costs under absorption. So very simply put your stats for as Shelly said, full capacity of around 250,000 tons a year and you're producing much less than that, so that's bleeding down into gross profit.

Then on the other hand, just direct cost of trying to get the conditions on the potlines back to snuff, so as I said, we had over-usage of materials and the third party contractors in the plant that try to help us get back online. Then the remainder is just inefficiencies. You're using your power less efficiently, your current efficiency is down. Your labor productivity, of course, is down. Some of these are repetitive, but those are the major items there.

B. Levy The last one is a fixed income question. As call prices continue to step down on your high yield bonds, are you contemplating a refi or any changes in your capital structure as we approach the spring here?

M. Bless No, that's a great question, Brett. In fact, Shelly and I were just talking about that the other day. So just for everybody's edification, the call price on our senior notes steps down from 104 to 102 in May, Shelly?

S. Harrison Middle of May.

M. Bless Middle of May and therefore potential opportunities to extend out that maturity, the break-evens of all those depending upon one's view of the interest rates in the future get a little bit more interesting. And so, nothing to, direct answer to your question, Brett, there's nothing on the docket at right now. But we are looking at it as we do all the time, but here with the step-down now, we're going to look at it with some increased emphasis and obviously, we continue to watch conditions out in your markets as we go forward, so we'll be looking at it.

B. Levy — Got it, thanks very much, and congratulations on the promotion.

Moderator — The next question comes from the line of Sandeep SM with Goldman Sachs. Please go ahead.

S. SM — You have given the cash cost guidance for 2012 for U.S. and Iceland. I was wondering what was the cash cost in 2011?

M. Bless — I understand the question, and what we generally haven't done is broken those two out. We can certainly do it and, in fact, I think you can get a very good view of it rather than going through the math right now. We'll be filing our 10-K here mid next week. The due date is Wednesday, so we'll be filing on that day or before.

When we talked about this in the past, as you know, we don't break out the U.S. versus Iceland on a segment basis, on a reporting basis. But when you go to the guarantor statements in the back of the K, on the back of the financial statements under the footnotes, you'll see what's in essence there, a breakout of the U.S. versus Iceland. It's not perfect, but it's pretty darn close. By making some estimates of non-cash costs, principally depreciation, of course, you can put together pretty good estimate for 2011 of what the actual cash cost was in the U.S. as distinct from Iceland.

S. SM — Okay. My second question, I was wondering if you could just help me understand a matter here. We have seen outside China a lot of major aluminum producers actually shutting down their smelters, either because of cost issues or they feel that the market price is not supporting enough. You've actually already started Hawesville. You are now starting at Ravenswood or bringing a start in Ravenswood. So what's changed? Is it market or do you think that you have a better cost structure?

M. Bless — That's a very good question. As Shelly detailed, we are seeing over the last couple of months and probably prospectively meaningful curtailments and closures of capacity in western Europe and some in the U.S., I guess, as well. The major difference is easy to qualify for you here. It's at Hawesville, of course, it's a marginal analysis, if you will. So we had a plant running at 80% capacity four or five potlines and so the economics of bringing that fifth potline back on even with the power cost at Hawesville, which as we said right now is very challenged, made sense. If you were looking at bringing back a completely curtailed plant under those same conditions, it would have been a very, very difficult analysis and most likely, a different conclusion.

In Ravenswood, the issue will be somewhat different. As we've said before, we need a couple of things in order for it to make sense to bring Ravenswood back online, and again, we hope to get to the finish line on this one reasonably soon. As we've said, the first and most important are our agreements with our labor constituents, both the retiree groups and active labor. But then, as we've said, since we started talking about this over a year ago, what we also need is an enabling power contract that would enable us to have the confidence to bring that plant back up and to have a power rate that supports the positive cash flow operations and decent return to our shareowners at a range of LMEs.

So you'll understand where I'm heading here. We need support on the power rate to bring that plant back up, and that's part of what these series of discussions over the last year, but intensely over the last couple of months have been aimed at.

S. SM Okay. And the guidance you have mentioned, something like $14 million of Ravenswood curtailment charges that goes in the other operating expense line. So that's assuming that Ravenswood remains shut during the year. Is that right?

S. Harrison — That's correct. That assumes the plant is curtailed.

Moderator — Next we will go to the line of Timna Tanners with Bank of America Merrill Lynch. Please go ahead

T. Tanners — So a couple of questions for you just to follow-up on Ravenswood to make sure I understand, is it the case that in your recent conversations with your constituents, you're getting more comfortable with a negotiation and a settlement that would enable you to run the plant even at a lower aluminum price, LME price, because in the past, you had talked about requiring a much higher LME price in order to be profitable? Is that what's happened?

M. Bless — That is the concept, Timna, with which we've been working, that at lower LMEs and obviously, your next question might be lower than what and that would be a good question, it's a relative discussion. But yes, that's the concept that we need to be able to have protection at somewhat lower LMEs. So that's a long-winded, I suppose, yes to your question.

T. Tanners — Because the alternatives that you've gotten just more bullish on the aluminum price, so I was just wondering is it a case that you're more bullish on aluminum or more confident that you can run Ravenswood and put in a lower cost structure?

M. Bless	I think it's more the former than the latter.

T. Tanners	Okay, thank you. And then if you could talk us through on Helguvik, what your best case or base case scenario would be for start-up, because I just lose track with some of the moving parts and the different steps that are necessary. Can you talk us through again, like what might be the possible timeframe for starting up that in the best or base scenarios?

M. Bless	No problem, I don't blame you for losing track. It's a complex process that ebbs and flows. So bottom line the answer to try to short windedly answer your question, we think here that if we could get agreements on these two power matters here over the next couple of months, based on the additional work that would need to happen to less importantly document all that, but more importantly how the power companies go out and put in place what they would need to put in place for us to enable, to have the confidence to restart, you are at looking at late this year falling into early 2013. Then as we have said before for this first phase, you add 24 months before you get the first pot metal, so extrapolating that all out first pot metal reasonably best case late 2014, early 2015 for the first 90,000 ton phase.

Moderator	Our next question comes from the line of John Tumazos. Please go ahead. Mr. Tumazos, your line is open.

J. Tumazos Thank you. You commented that you expect Chinese demand up 10%.

S. Harrison That's right.

J. Tumazos The first 40 days of this year, the steel output is down 13%. We've seen the aluminum smelter output cuts, less production, but still more inventory. Do you think that the first quarter is down sharply, or that there is just a massive destocking in the wake of the European bank messes?

S. Harrison I would say that the first quarter is probably down a bit from what we would expect for the average for the year, but as you know the first quarter is certainly looking at China is always a bit unusual with the Chinese New Year, so we certainly don't put too much weight on that. We continue to look out for the full year and continue to expect that on average this will still be a strong year for demand growth in China.

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

T. Hayes Just two questions there, what's your view going forward on using the put options to protect the cost there at profitability at Hawesville?

M. Bless At this point in time, Tim, as you know, we've got options purchased that run through the first half of this year. At this point in time, we're holding steady and looking at the markets, so we're open minded. I would say as we said in the past, we're opportunistic. We are not dogmatic in terms of a policy we must be hedged to thus and thus percent. Anything we do in the future, I think as we've talked about as well, anything that we would do would be reasonably short-term in nature. So right now the facts are that that's what we've got. We haven't put anything on this last quarter. Of course, we would have reported it to you, and we're watching it.

T. Hayes Great. And then the expansion at Grundartangi, I missed a bit of the detail. You said an extension at the rod mill.

M. Bless No, no that's an extension of the hot metal capacity, so it's no more reduction cells, it's no more pots, but it will be, quite frankly, at the end of the day just cranking up the amperage to get more production out of the pots that we have now. In order to achieve that, we need to do a couple of things, including upgrading the high voltage equipment and, as you referenced, upgrading the rodding room as well. Those are enablers for being able to, with more power as I said, increase the amperage to the pots.

T. Hayes Yes, how much is the expansion of the hot metal?

M. Bless It will be over the whole program just shy of 50,000 tons.

T. Hayes I guess then timing and capex to achieve that?

M. Bless Yes, $90 million over five years, as I noted, we really are working to try to accelerate this, because it's a very good IRR or low risk project for us. But as laid out right now, its now just shy of five years, just shy of $90 million and the staging of that, as I said, is only about $10 million of that $90 million gets spent in 2012.

Lloyd ….

M. Bless I can't hear you Lloyd.

Lloyd What's the amperage currently in the plant or what are you going to take it up to?

M. Bless It's in the mid 190s and it will go above 200,000.

Moderator Our next question comes from the line of Bridget Freas with Morningstar. Please go ahead.

B. Freas Alumina prices you expect it to be steady in 2012 as a percentage of the LME. So now with alumina moving more to an index or spot basis, how does that affect you? Maybe in Iceland that won't matter as much, given the tolling basis, but what about in the U.S.?

S. Harrison — Even in the U.S., there should be a very limited impact certainly for 2012 and, actually, going out through most of 2014, because of the existing contracts that we have in place that are already priced as a percentage LME.

B. Freas — Okay. Then my second question, on your 2012 shipment guidance being above stated capacity, are these efficiency improvements that you've made sustainable? Has the capacity at these smelters increased permanently?

S. Harrison — Yes, they have.

Moderator — Next question comes from the line of Kuni Chen. Please go ahead

K. Chen — Sorry just a quick follow-up. On Helguvik, you mentioned the key issue there is the power pricing mechanism. Is it that you have not yet had a chance to sit down with HS Orka since the arbitration settlements, so you don't really know how that dynamic may come together or have you already had…?

M. Bless — No, it's the former, so we're just, as I said, it's absolutely the former, so we've each been working over the last month or two since the arbitration came out to see where we think we are. We are just here literally on the verge over the next couple of weeks of sitting down with them. There were some articles in the Icelandic press recently of their CEO was saying the exact same thing.

So we don't know where they are and vice versa But I think here over the next month or two as we meet and kind of digest each other's positions, we'll be able to determine with them. The dialogue has been very collegial and all that. We know them well. They know us well. It's a question of how quickly we can get something that works for us mutually.

Moderator: We have a question from the line of Frank Duplak with Prudential. Please go ahead.

F. Duplak: I was just curious if you could give us an update on revolver availability at the end of the year.

S. Harrison: At the end of the year, we basically have full availability on the revolver. Now that's $100 million facility, but we do have LCs outstanding against it. LCs are about $42 million, so call it $58 million of net availability.

Moderator: And we have a question from Paul Massoud with Stifel Nicolaus. Please go ahead.

P. Massoud — I apologize for any background noise you might hear, but I just had a quick question on Helguvik. In the past, you've said that you preferred to wait on breaking ground until you had power secured for all four phases. Is that still the case or would you consider starting, if maybe you have power secured for maybe let's say first two or three phases?

M. Bless — Thanks, Paul. Let me correct or just modify your question if I can take the liberty to do that, and then answer your question. So it's not the start obviously, it would be the recommence. We've got $130 million of investments in the project already, and so what we said in the past, and this hasn't changed it all, is that we certainly would not require certainty as it relates to specific delivery and price on the backend, say for the last phase or so, or something like that. But given the fact that the capital costs per unit of capacity is much higher in Phase I than it is in the subsequent phases, just on order of magnitude, it's almost 2X the capital costs per ton of installed capacity in Phase I versus Phases II, III and IV, because of course of the infrastructure that you got to put in place regardless of how much production capacity you have.

Because of that the returns get better over the projects, they're better two over one and on and on and on and on and on. So for that reason, we need to have some good, very good certainty in the early phases and then our willingness to proceed with relatively less certainty in terms of specific delivery dates and specific pricing increases as you move out past, certainly past Phase III and maybe even past Phase II.

Moderator There are no other questions queuing up at this time.

M. Bless We appreciate everybody joining us this afternoon, and we look forward to talking with you again in a couple of months if not before. Thanks very much.

Moderator Ladies and gentlemen, that does conclude our conference for today.